

National Security Strategy

of

LEVEL

Realistic Deterrence

⑪ 55 Feb 72

12 272



**Secretary of Defense Melvin R. Laird's
ANNUAL DEFENSE DEPARTMENT REPORT
FY 1973**

DISTRIBUTION: SEASIDE METRO

Approved for release
Distribution Unlimited



[Handwritten signature]
For Official Use Only
Until Released by
The House Subcommittee
on DoD Appropriations

STATEMENT OF SECRETARY OF DEFENSE MELVIN R. LAIRD

BEFORE THE HOUSE SUBCOMMITTEE ON DEPARTMENT OF DEFENSE APPROPRIATIONS

ON THE

FY 1973 DEFENSE BUDGET AND FY 1973-1977 PROGRAM

FEBRUARY 22, 1972

[Handwritten signature]
PREPARED: 2/8/72

TABLE OF CONTENTS

Partial contents

	<u>Page No.</u>
THE SECRETARY'S SUMMARY.....	1
SECTION ONE: ~~THE STRATEGY OF REALISTIC~~ DETERRENCE - -	
I. THE STRATEGY IN BRIEF.....	21
A. APPROACH TO DEFENSE PLANNING.....	22
B. NET ASSESSMENT, TOTAL FORCE AND LONG-RANGE PLANNING.....	25
II. NET ASSESSMENT AND THE THREAT,.....	29
A. THE STRATEGIC, POLITICAL, FISCAL AND MANPOWER REALITIES.....	30
1. Strategic Reality.....	30
2. Political Reality.....	31
3. Fiscal Reality.....	31
4. Manpower Reality.....	34
B. THE THREATS TO FREE WORLD SECURITY.....	35
1. Strategic Nuclear Threat.....	36
2. Theater Nuclear Threat.....	45
3. Theater Conventional Threat.....	47
4. Sub-theater/Localized Threats.....	50
5. Communist Military Assistance.....	52
6. The Challenge to Technological Superiority.....	55
III. TOTAL FORCE PLANNING TO IMPLEMENT THE STRATEGY,.....	59
A. THE FY 1973 BUDGET AND THE FIVE-YEAR PROGRAM.....	59
1. Financial Highlights.....	59
2. Major Program Highlights.....	60
B. MILITARY STRATEGY AND FORCE PLANNING.....	61
C. STRATEGIC NUCLEAR FORCES FOR DETERRENCE.....	65
1. Strategic Sufficiency and the Implications for Force Planning.....	65

and new initiatives and regional considerations in total force planning

	<u>Page No.</u>
2. The Planned FY 1973 Strategic Forces.....	67
3. Major Strategic Force Programs.....	67
a. The Strategic Retaliatory Force.....	67
b. Strategic Command and Control.....	73
c. The Strategic Defense Forces.....	74
1. Air Defense.....	74
2. Missile Warning and Space Systems.....	75
3. Ballistic Missile Defense.....	76
a. Safeguard.....	76
b. Prototype Hardsite Defense Program.....	78
4. Civil Defense.....	78
D. THEATER NUCLEAR FORCES FOR DETERRENCE.....	79
E. CONVENTIONAL FORCES FOR DETERRENCE.....	80
1. Ground Combat Forces.....	81
a. Modernization of our Ground Forces.....	87
2. Tactical Air Forces.....	90
a. Modernization of Tactical Air Forces.....	92
3. Sea Control and Other Naval Forces.....	96
a. Modernization of Sea Control and Other Naval Forces.....	97
4. Mobility Forces.....	102
a. Missions.....	102
b. Airlift.....	102
c. Sealift.....	103
F. NEW INITIATIVES IN TOTAL FORCE PLANNING.....	105
1. U.S. Force Planning Initiatives.....	105
2. The U.S. Technology Base and Technological Initiatives.....	106
G. REGIONAL CONSIDERATIONS AND TOTAL FORCE PLANNING.....	108
1. Total Force Planning in Europe.....	108
a. NATO Planning in Perspective.....	109
b. U.S. and Allied Cooperation in NATO.....	109
1. Allied Improvement Efforts.....	110
2. Improvements to U.S. Forces in Europe.....	111
c. Negotiations Aspects.....	112
d. Summary.....	113

	<u>Page No.</u>
2. Total Force Planning in Asia.....	113
3. Total Force Planning and Security Assistance.....	121
a. Security Assistance Organization, Reform and Planning.....	123
b. Progress in Total Force Planning and Security Assistance.....	124
1. Combined and Complementary Force Planning and Security Assistance.....	124
2. Supplementary Planning and Security Assistance.....	126
c. Security Assistance Legislation.....	126
d. Summary.....	127
 SECTION TWO: BETTER MANAGEMENT OF DEFENSE RESOURCES - - -	
I. ORGANIZATION AND MANAGEMENT, ...	131
A. SPECIFIC IMPROVEMENTS IN ORGANIZATION AND MANAGEMENT.....	131
1. New Assistant Secretaries of Defense.....	133
2. Intelligence.....	133
a. The Assistant Secretary of Defense for Intelligence.....	134
b. Central Security Service.....	135
c. Defense Investigative Service.....	135
d. Defense Mapping Agency.....	136
3. Telecommunications.....	136
4. Defense Nuclear Agency.....	137
5. Unified Command Plan.....	138
6. Test and Evaluation.....	139
7. Defense Security Assistance Agency.....	139
B. IMPROVEMENTS IN MILITARY OPERATIONS.....	140
C. STRUCTURING FOR NET ASSESSMENTS.....	142
D. IMPROVEMENTS IN WEAPON SYSTEMS ACQUISITION.....	143
1. Decision-making Factors.....	146
II. DEPARTMENT OF DEFENSE MANPOWER OBJECTIVES.....	150
A. MAJOR MANPOWER GOALS.....	150
B. MANPOWER REQUIREMENTS.....	150

	<u>Page No.</u>
C. WHERE WE STAND.....	155
D. THE ZERO DRAFT AND THE ALL-VOLUNTEER FORCE.....	156
1. Enlisted Accessions.....	158
2. Officer Accessions.....	159
E. MANNING AND TRAINING THE RESERVE FORCES UNDER THE TOTAL FORCE CONCEPT.....	160
F. IMPROVEMENT OF MILITARY LIFE AND ACHIEVING HUMAN GOALS.....	169
G. SPECIAL PROBLEMS--DRUG ABUSE AND RACE RELATIONS.....	172
1. Race Relations and Equal Opportunity.....	172
2. Drug Abuse and Related Problems.....	174
H. MANPOWER STABILIZATION.....	176
III.DEFENSE AND THE ECONOMY.....	179
A. IMPACT OF PAY AND PRICE INCREASES.....	179
B. A GREATER EMPHASIS ON MODERNIZATION.....	182
C. MANPOWER TRENDS.....	184
D. PRIORITIES.....	186

TABLES

<u>Table No.</u>	<u>Title</u>	
1	DoD Financial Summary.....	189
2	Summary of Selected Active Military Forces.....	191
3	Selected Major Procurement.....	193
4	Personnel Strengths.....	197
5.	Defense Outlays.....	199
6	Defense Budget Authority.....	201
7	Changing Priorities.....	203

TABLES WITHIN TEXT

Strategic Force Strengths.....	40
Selected Strategic Forces Program...	68
Selected General Purpose and Mobility Forces Modernization and Improvement Programs.....	82
Active Military Manpower Summary....	151

PRECEDING PAGE BLANK NOT FILMED

THE FOUNDATION OF A STRATEGY FOR PEACE

THE SECRETARY'S SUMMARY

This 1972 Defense Report is about peace: how to achieve it and how to maintain it.

It will focus on what the Department of Defense has been doing and what more we plan to do to ensure the continued safety and security of our nation.

Our objective -- an objective set for us by the President -- is a generation of peace and a better quality of life for all Americans. The Nixon Administration has devoted three years of constant effort to moving us toward that objective while maintaining our nation's strength. These have been years of transition:

- From war to peace.
- From a wartime economy to a peacetime economy.
- From a federal budget dominated by defense expenditures to one dominated by human resource programs.
- From an era of confrontation to an era of negotiation.
- From arms competition toward arms limitation.

The business of peace is a serious and complex one. It cannot be described in simple terms. It cannot be achieved and maintained through simple solutions.

Obviously, we have not fully reached many of the goals we set for ourselves. But we have made substantial progress. This Defense Report is an accounting to the American people of that progress, of shortcomings and of the challenges and changes ahead.

It is with the hope of securing deeper understanding and broader support of our plan for peace that I submit this Defense Report. It traces the orderly progression of President Nixon's program in terms that I believe all Americans can understand.

For our focus is on the future: on a future which recognizes mistakes of the past; a future in which each man hopefully can live at peace with his neighbor and each nation can settle its disputes without resort to war.

My first Defense Report was a transition document. My second Defense Report, as its title made clear, described a Defense program designed to move us toward a Strategy of Realistic Deterrence.

This 1972 Report takes us another major step forward. It completes the transition to a fully-developed National Security Strategy of Realistic Deterrence that complements and supports the President's Strategy for Peace.

A new era in U.S. national security policy began on January 20, 1969, with President Nixon's Inaugural Address. He declared that his highest priority goals were to establish an effective Strategy for Peace and to improve the quality of life.

Following his Inaugural Address, the President enunciated the Nixon Doctrine at Guam in July 1969. Its elements, and their relation to his Strategy for Peace and the National Security Strategy of Realistic Deterrence, are depicted on the inside cover of this Report.

Coupled with positive diplomatic initiatives, the Doctrine both seeks and permits a more creative relationship with our adversaries. The Doctrine is derived from the strength and partnership pillars of the Strategy for Peace; those pillars in turn provide the essential foundation for the third pillar -- a willingness to negotiate.

From the Nixon Doctrine and the Strategy for Peace, we in the Department of Defense developed -- and the Commander in Chief approved -- the National Security Strategy of Realistic Deterrence. The basic purpose of this implementing strategy is to provide, through strength and partnership, for the security of the United States and its Free World allies and friends. Its aim is to discourage -- and eventually to eliminate -- the use of military force as a means by which one nation seeks to impose its will upon another. It seeks to deter war, but insures adequate capabilities to protect our nation and its interests should deterrence fail.

Long before his Inauguration, the President and I had discussed in detail the priority objectives and goals he had set for his Administration. That was a major reason for my statement, when I

took office, that I expected to be judged as Secretary of Defense on whether I was able to contribute meaningfully to the restoration and maintenance of peace. I stand by those words.

Based on my service in Congress, I felt that we would get nowhere in the pursuit of peace and national security if we were not willing to face the realities of the domestic and international world. This Report emphasizes, as I have many times before, those Strategic, Political, Fiscal and Manpower realities. Against the background of those realities, we initiated major policy changes -- changes which are most graphically demonstrated by the results achieved by our changed approach to Vietnam.

When this Administration took office:

- Authorized military strength in Vietnam was 549,500.
- There was no accepted plan to bring American troops home.
- There was no plan to terminate U.S. involvement in the war unless there was success at the Paris negotiating table.

Both the President and I had long felt that a new, realistic course was essential; a course which would permit us to shift the responsibility for defending their homeland to the people most directly involved -- the South Vietnamese themselves. That new course was Vietnamization: a complement to and alternative for negotiation.

This Defense Report demonstrates how successful Vietnamization has been. On May 1 of this year authorized troop strength will be 69,000 -- a reduction of 480,500, or 87% from the situation we inherited in 1969. American combat deaths are down 95% from their 1968 peak. Our war expenditures are down by about two-thirds. American air activity in Southeast Asia has been reduced by well over 50%.

Manifestly, U.S. involvement in the war is coming to an end.

We are now planning for the period beyond Vietnam, and devoting even greater attention to America's long range security needs -- adequate peacetime Nixon Doctrine forces, and the urgent need to assure technological superiority.

But, Vietnamization continues, and it will not be complete so long as the enemy refuses to return all Americans now held in captivity and until there is an accounting for all missing-in-action. We will not abandon our prisoners of war, our missing, or their families. And until our men are free, we will continue to demand that they be treated in accordance with the humanitarian provisions of the Geneva Convention.

Nor should there be any doubt about our determination to take whatever steps are necessary to protect our diminishing forces as we continue to withdraw from Vietnam. If the enemy's response to President Nixon's comprehensive offers of peace should be a continued buildup which threatens the safety of our men -- or further offensive actions -- we are prepared to respond with American airpower as appropriate.

Our Defense Forces: Maintaining Strength

In his State of the Union message last month, the President said:

"Strong military defenses are not the enemy of peace. They are the Guardian of peace."

Mindful of the President's determination to maintain whatever military strength is needed, the Department of Defense makes this pledge:

We are determined to provide adequate United States military forces so that we can, with our friends and allies, deter war.

In my last Defense Report, I established planning goals for the Nixon Doctrine peacetime defense forces under the Strategy of Realistic Deterrence. These planning goals called for:

- No more than 2.5 million volunteers in the active military forces, backed by a strengthened National Guard and Reserve;
- An allocation of no more than 7% of the Gross National Product.

The actual results achieved for the FY 1973 Defense Budget include:

- An end-strength of less than 2.4 million military men and women in a diminished draft environment;
- A budget of less than 7% of the expected Gross National Product.

The nation's military strength was maintained during 1971 at the level prudence dictated; further, important steps were taken to assure that our strength would remain adequate for future years.

We have been changing the composition of our forces and the allocation of our resources to attain stated National goals in an optimum manner. These changes include:

- Better utilization of people.
- Improved deployment of our peacetime Nixon Doctrine deterrent forces.
- Increased emphasis on partnership and burdensharing.
- Improved weapon system acquisition methods.
- Coordinated and integrated Security Assistance planning.

The decision-making process in Defense also has changed. Now, the emphasis is on participatory management, with both our civilian and military leaders being given an opportunity to be heard fully before decisions are reached.

There is also a changed relationship between the Department of Defense and the Congress. We recognize the partnership that must exist with Congress, which as a coequal branch of government shares equally the Constitutional responsibility for insuring the safety and security of our country.

The Strategy of Realistic Deterrence can only succeed if there is general acceptance of the further modification in the National Security Concepts of the 1960s which I identify in this Report. We have a new approach to planning and assessment methodology. With this new methodology, we seek to avoid the errors of the past which led to our ever-increasing commitment in Vietnam. That is a mistake we cannot afford to make again.

What we have done in the past three years now makes it possible for us to put three essential and interrelated planning tools to work for peace: Net Assessment, Total Force, and Long Range Planning.

Net Assessment

I said at the beginning of this Report that the business of peace is a complex one. Net Assessment in National Security Planning is an indispensable tool for coping with these complexities. In simple terms, Net Assessment, in conjunction with Total Force Planning, tells where we are, what we need to do, and how to get there.

To put it more fully, Net Assessment is a comparative analysis of those military, technological, political and economic factors:

- which impede or have a potential to impede our national security objectives,

with those factors:

- available or potentially available to enhance accomplishment of those same national security objectives.

Through this process, we are able to determine how to apply our resources more effectively to accomplish our national security goals.

For example, the momentum of Soviet weapons development and deployment demands examination in relation to what we and our allies and friends must do about it. A similar assessment must be made of the increasing military capability across a broad spectrum of the Peoples Republic of China.

Since my last Defense Report hard, new evidence reveals such developments in the threat as:

- The deployed Y-class ballistic missile submarine force of the Soviet Union could be as large as our POLARIS/POSEIDON force by next year, rather than in 1974 as I predicted last year.
- Continued nuclear weapons and missile testing by Mainland China with some ballistic missile deployments likely this year.
- The new Soviet supersonic dash bomber, designated the BACKFIRE, could be operational by the mid-1970's.

- Some 100 new Soviet ICBM silo sites have been identified for new or modified ICBM systems. The possibility of such a new program was mentioned in my Defense Report last year.
- Soviet MIRV capability could be achieved next year.
- Construction of the Moscow ABM system has resumed, and testing of an improved ABM missile continues.
- Ongoing Soviet naval ship construction programs include production of nuclear-powered torpedo attack and cruise-missile submarines.
- New Soviet fighter aircraft, especially the high speed FOXBAT as well as the FLOGGER and FITTER B are entering the inventory.
- Two new Soviet tanks, one a light tank and the other a new main battle tank are probably in production.

There were some, several years ago, who questioned my earlier estimates and projections of Soviet weapons momentum. If anything, as subsequent events have demonstrated, these estimates and projections were conservative.

In conjunction with my Defense Report, the Chairman of the Joint Chiefs of Staff, Admiral Thomas H. Moorer, will present to Congress and the American people a comprehensive military assessment of the threat and of our own force capabilities.

Our combined presentations this year will represent another step forward in our new emphasis on Net Assessment.

However, as we evaluate the strength of Soviet and Chinese weapons developments and deployments, we must also take into account in a realistic net assessment the fact that they face some considerable constraints, such as:

- The Soviet Union and Mainland China must deploy hundreds of thousands of troops to their Far Eastern border;
- The Soviet's growing fleet must contend with the paucity of all-weather port facilities;
- The Soviets trail the U.S. in many frequently overlooked but essential matters, such as long-range underway replenishment at sea and containerization.

Technological Superiority

Any assessment of the future defense needs of the United States must include a program to assure our continued technological superiority. The 1957 Sputnik success shocked this country, and led to a flurry of remedial action which culminated in our successful moon landings. In that instance, fortunately, we were dealing with a peaceful competition; yet it took us more than 10 years to accomplish the job despite our significant technological lead.

Beginning in 1965, at the same time that we were diverting so much of our effort and technology to Vietnam, the Soviet Union was stepping up its research and development efforts and was beginning to produce many of the weapons systems we note today. The USSR has now reached a position where -- unless we take appropriate action -- there could be new surprises and new "sputniks." But they are less likely to be in areas such as the peaceful exploration of space; rather they are more likely to be part of a major new Soviet military capability.

It cannot be said too often that an open society such as ours is at a disadvantage in facing the challenge of a closed society which seeks, through all means at its disposal, to become the World's greatest power.

So I would repeat what I have said so many times: The American people may perhaps be willing to accept parity in regard to the deployment of strategic nuclear weapons; but, in my view, they will never accept a position of inferiority.

Therefore, in order to avoid that unacceptable danger, it is absolutely essential that we maintain technological superiority. The one billion dollar increase in the FY 1973 R&D Budget over that which Congress gave us last year is aimed at maintaining that superiority.

The Soviet Union continues to expand its weapons development and deployment programs. There may be some debate as to whether -- or by how much -- the Soviet Union is outspending us in research and development. What must concern any one responsible for our national security is the demonstrable fact that we could lose the technological race. And second place in that technological race is simply not good enough.

Total Force Planning

Net Assessment, as I have indicated, is one essential of effective long-range planning. The other essential is Total Force planning which I described at some length in my Report last year. As I said then:

"In defense planning, the Strategy of Realistic Deterrence emphasizes our need to plan for optimum use of all military and related resources available to meet the requirements of Free World security. These Free World military and related resources -- which we call "Total Force" -- include both active and reserve components of the U.S., those of our allies, and the additional military capabilities of our allies and friends that will be made available through local efforts, or through provision of appropriate security assistance programs."

I am confident the Nixon Doctrine peacetime force structure in our Five-Year Defense Program will be adequate if Congress votes the necessary funds to make Total Force Planning effective. They include funds for maintaining:

- STRATEGIC SUFFICIENCY
- TECHNOLOGICAL SUPERIORITY
- WEAPONS MODERNIZATION
- SUFFICIENT MANPOWER LEVELS
- STRONG GUARD AND RESERVES
- ADEQUATE OPERATIONS AND MAINTENANCE
- SECURITY ASSISTANCE
- TOTAL RESOURCE UTILIZATION

In FY 1973 we propose significant increases in funding for:

- Strategic nuclear forces, including sea-based missile deterrent forces such as the Undersea Long-Range Missile System, advanced and improved command and control, the new B-1 strategic bomber, and continued deployment of SAFEGUARD. These increases are recommended to maintain our strategic sufficiency against a growing threat.

- Research and development, with emphasis on diversification, hardware development (including prototyping), basic research and exploratory development, and operational test and evaluation, to maintain technological superiority.
- Improving General Purpose Deterrent Forces Through Weapons Modernization:

Modernizing naval forces, including long lead time funding for a fourth nuclear aircraft carrier, increased procurement of nuclear attack submarines and new sea control ships, to maintain a strong Navy.

Development and procurement of the Air Force F-15 and the Navy F-14 aircraft, modification and improvement of the Army's M-60 tank, procurement of LANCE missiles, and continued development of attack and heavy-lift helicopters, to maintain a balanced and effective conventional deterrent in partnership with our allies.

- Revitalizing Reserve components by placing a new emphasis on a Strong Guard and Reserve and supporting increased modernization and improved readiness and full manning and equipping to make U.S. forces more effective under our Total Force Concept.
- Military Assistance, for improving allied capabilities for self-defense through a new emphasis on Security Assistance to make Free World forces more effective under our Total Force Concept.
- Manpower, including pay, housing and other benefits to continue the momentum to zero draft and an all-volunteer force.

National Guard and Reserves

Last year, I reported on the first actions being taken to place greater reliance on our National Guard and Reserve, and to preclude any need to return to a massive draft. We mean to have National Guard and Reserves that are manned, equipped, and trained to mesh, on quick notice, with our active forces.

I am well aware, and this is certainly true also for members of Congress, that for many years we have talked about achieving a true combat ready status for our National Guard and Reserve. Considerable progress has been made, but by no means enough. Our utilization of the Air National Guard and the air units in the various Reserve forces is much improved. We have, for example, assigned Air National Guard units to stand strip alert for the Air Defense Command; Army National Guard units man Air Defense facilities such as the NIKE HERCULES battalions in many of our states.

But we have only scratched the surface in utilizing the National Guard and Reserve forces in our strategy planning. We have had, over the past decade, too much talk and too little action in making these units combat ready. And the fact is that the effectiveness of many National Guard and Reserve units was eroded by requisitioning too much key equipment during the years when the war in Vietnam was at its peak. Also, many of these units were forced, because of disturbances here at home, to devote a considerable part of their training and resources to the assistance of state and local law enforcement authorities.

Vietnamization has made it possible for us to provide millions of dollars worth of equipment to our National Guard and Reserve. As unrest at home has diminished, it has become possible for our citizen soldiers to devote increasing attention to combat readiness training. These changes have, until now, gone relatively unnoticed. But in the months and years immediately ahead it will become evident that, under our Total Force Concept, the National Guard and Reserve are taking on ever-increasing combat readiness responsibilities. I believe this is exactly what the commanders and members of these units want.

We are now examining the possibility of having Naval Reservists take primary responsibility for manning an aircraft carrier.

There is no excuse for us to waste the talents of many National Guard and Reserve air squadrons, many of whose pilots and technicians are combat-experienced and who want to do something more than to simply participate in training exercises not directly related to specific national security missions under the new strategy.

That is why the budget which President Nixon sent to Congress calls for a \$600 million increase for National Guard and Reserve Forces. Our planning for the coming year envisages that the National Guard and Reserve forces will receive more equipment than

in any single year in our history. Much of this equipment includes such items as fixed-wing aircraft and helicopters from Vietnam.

Just as we cannot -- with smaller U.S. forces -- have adequate Free World security without a strengthened and revitalized Security Assistance Program to help our allies build up their own capabilities, neither can we have adequate U.S. forces that are 1,200,000 below 1968 active duty peaks unless we put comparable emphasis on strengthening, training, and equipping a fully manned National Guard and Reserve under the Total Force Concept.

Total Force Planning and the Future

Total Force involves much more than the National Guard and Reserves. For example, we are working on plans in which superiority at sea will continue to be assured in the future through burden-sharing and Total Force.

As part of the partnership emphasis of the Nixon Doctrine, the responsibility for superiority at sea must be shared more fully by our friends and allies. That is why I proposed, among other reasons, at the NATO meeting in December, 1971, creation of a Standing NATO Naval Force in the Mediterranean to complement the NATO Naval Standing Force operating in the Atlantic.

Here at home, I foresee a new order of Total Force application with regard to protection of sea lanes and sea surveillance. We are at work on plans in which the Air Force would share with the Navy some of the responsibility for our deterrent posture at sea. If, for example, B-52's can be employed with great effectiveness in a tactical ground support role in Vietnam -- a task for which this aircraft was not originally intended -- then there is no reason why the Air Force cannot be assigned some major responsibilities for control of the seas.

And it is possible that in the future, some Army Air Defense expertise, such as that related to countering the threat of low-level air attacks, could contribute to improved ship survivability at sea.

The Total Force Concept means nothing less than maximum and integrated use of all our available resources -- including those of our allies and friends. We must shed old parochial concepts of national security planning to meet global defense requirements for the future. Some of the decisions we will be making in the immediate years ahead will reach their optimum application in the 21st century.

Our Plans for People

As we look to the future, manpower -- our most precious asset -- will take on new significance. It will be our responsibility, working with Congress, to complete a revised personnel program that will have the approval and support of the American people.

In the five years from June 1968 to June 1973, nearly 2.8 million military and civilian Defense personnel will have been released to non-defense pursuits.

We have now reached a "base line" force, appropriate to fulfill essential peacetime security requirements. The less than 2.4 million military personnel remaining are:

- 1,068,000 fewer than the peak 1969 Vietnam buildup.
- 296,000 fewer than the 1964 total prior to the buildup.
- 1,028,000 fewer than after the Korean war, in 1954.

The winding down of the war has meant substantial monetary savings. Where has that money gone? Much of it has been reallocated in our Defense budget from warfighting to people. For too long our military men and women were underpaid; some have been forced to live on welfare. The failure to pay adequate salaries to military people -- particularly those in the lower ranks -- represented discriminatory taxation on them and their families. We have substantially changed that grossly unjust treatment of those who wear the uniform of their country. We are also moving to redress pay inequities to persons on the retired list.

The new approach to military compensation will make it possible for us to move away from heavy reliance on the draft and toward zero draft calls and an all-volunteer force. We also need to improve housing and educational benefits, but most of all we need to ensure that military people and their families receive recognition and appreciation from the American people for their devoted service to our country.

We have recently reaffirmed the Human Goals statement for men and women, military and civilian, throughout the Department of Defense. It is reproduced on the back cover of this Report.

I am determined that the Department of Defense maintain its leadership role and make further progress in meeting two of our society's most difficult problems: equality of opportunity and drug control.

As a further contribution to the efforts of the Defense Department to improve the quality of life, we are working on plans that will make it possible, in the next fiscal year, to return some thousands of physicians, dentists and other medical personnel to civilian communities. At the same time, we are determined that there will be no decrease in the high-quality medical care provided our military people, their families and those on the retired lists.

Project MAST (Medical Assistance to Safety in Traffic) will also be expanded this year. This program supplies military helicopters, many from Vietnam, to assist local communities in providing rapid care to accident victims.

We will continue our strong emphasis on medical research which can help improve the quality of life for all Americans. For example, we are initiating new research programs to assist in the President's program of combatting Sickle-Cell Anemia.

Finally, as we approach an all-volunteer force we will continually assess our recruiting and retention programs, and at some point we may wish to consider whether there would be advantages in establishing a joint Defense Recruiting Service. Our zero draft goal coincides with the end of the fiscal year to which this Report addresses itself -- July 1, 1973.

Managing the Department of Defense

A number of organizational and management improvements -- many of them recommended by the Blue Ribbon Defense Panel -- were made in the past year, notably in the field of intelligence which has been a matter of interest and concern to me for many years.

The Office of the Assistant Secretary of Defense for Intelligence was established with responsibility for management of DoD intelligence resources, programs and activities. A Central Security Service was set up to unify cryptologic and related electronic operations. An Office of Defense Investigations and a Defense Investigative Review Council were established for centralized control of all personnel security investigations. And a Defense Mapping Agency was created to consolidate most mapping, charting and geodetic operations.

Another organizational change of the past year was the establishment of the Office of the Assistant Secretary for Telecommunications with responsibility for management and resource allocation.

The Unified Command Plan was revised to reflect changes in our international policies and to provide a Readiness Command. Several organizational and procedural changes have been made to improve command and control of our military forces, including fixing of responsibility for the operation of the National Military Command System (NMCS).

A Defense Security Assistance Agency was created to direct and administer a program vital to our partnership concept.

I will continue to keep under review proposals for other management changes, such as the possible creation of a Strategic Command. I believe in connection with our new thinking that it may also be possible to eliminate some additional Headquarters staffing.

Weapons Acquisition

All of our new national security strategy planning--all of the innovations we are putting into effect--will be undermined if we are not able to continue the progress that has been started in improving our weapons acquisition process. Dave Packard, the former Deputy Secretary of Defense, and I paid close personal attention to the development of better acquisition processes. We said repeatedly that there were not going to be any overnight solutions to these problems-- many of which involved programs initiated in the mid-1960s, or earlier. We also acknowledged that, although we are moving to eliminate the causes for the problems we found, we would have to live for a while with the situation we inherited. We knew also that we would make some mistakes. And we have.

But we said we were going to revamp the weapons system acquisition process to minimize the probability of repeating such past procurement mistakes as the "Total Package Concept" used for C-5A procurement. One key change was our decision to go to a much more practical "fly before you buy" approach. Major examples of this approach, compared with the concurrency policies of the past, are the B-1 and the F-15. Some of the troubles we are having with the F-14, in my view, are compounded by the contract approach utilized and its similarity to previous troublesome acquisition strategies.

Our goal in weapons acquisition is to achieve an optimum balance among weapons effectiveness, weapons costs, and the timeliness of entry into the inventory. We recognize that we are

confronted with the dilemma of weapons that are too costly if we try to obtain high effectiveness rapidly or weapons, perhaps, of more reasonable cost that have too little effectiveness and become available too late.

Because national defense is not a stop-and-go proposition but a continuing process, transition actions are required rather than precipitate changeovers.

The Congress knows that I had available to me, early in my service as Secretary of Defense, an option to cancel on a whole-sale basis some of the programs which I knew were beset with difficulties. I studied these options very carefully. When I weighed all the factors, including the availability of timely substitutes for the needed defense capabilities represented in those on-going programs, I rejected the tempting alternative of summary cancellation of many troubled programs. And I told Congress why.

This Defense Report spells out our need for \$83.4 billion in budget authorization, including some \$28 billion for weapons investment. I believe that as a result of the changes we have made, many of them under the leadership of former Deputy Secretary Packard, and many of them reflecting the help and cooperation from the Armed Services and Appropriations Committees, the American people are going to get a better return for their defense dollars.

But I must say again that we are not out of the woods. Last month I asked Mr. Packard, after he had left office, to give me the benefit of his thoughts on how far we have come and how far we have left to go in this important area. He gave me a no-nonsense report. In essence, he said that he felt we had gone a long way, but he also said there is a tough road ahead.

And I want to say that, thanks to Dave Packard, the road ahead is going to be an easier one.

The Foundation of a Strategy for Peace

I do not suggest that the changes in the approach and implementation to planning outlined in this Defense Report represent perfection or that they are a total solution. Constructive discussion and constructive criticism must continue. We face a whole range of incredibly complex problems.

The responsibility of meeting these problems is one the Congress shares with us. We intend to increase further our consultation and cooperation with the Committees to whom we are responsible.

Of equal importance -- since national defense, in the last analysis, is the responsibility of all the American people -- is the need for a public dialogue such as we have not had since the days of the genesis of the Marshall Plan.

To the maximum extent possible, I plan to visit with citizens throughout our country, to share with them my thoughts and to hear directly from them their views on the major elements of our strategy.

I would be pleased, for example, to consider favorably an invitation to appear before the Platform Committees of both of the two major parties, where responsible citizens from all over America will be deliberating on the non-partisan issue of national security.

Let me conclude by observing there may be some who will say that the increased request in the FY 1973 Budget for Naval funding is a precursor to a blue-water strategy. This is not the case.

In a world where we are striving to prevent war -- and the danger of war -- the New Modern Army, including a revitalized and strengthened National Guard and Reserve, has never had a more important or more challenging role than now.

The Air Force, with its unique mobility and flexibility, will be second to no other Service, since its capabilities encompass and support the whole spectrum of required US deterrent forces.

And, of course, the Navy -- with its combination of air, sea, and land forces, represented by the US Marine Corps -- has an equally key role to play in our National Security Strategy of Realistic Deterrence.

Our new strategy provides an unprecedented opportunity for a new order of Service partnership -- a partnership that will be as effective in a peacetime Nixon Doctrine deterrent role as it has so often been in war.

This is not a blue-water strategy.

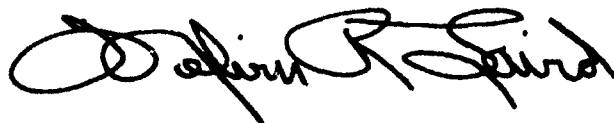
This is not an aerospace strategy.

This is not a ground combat strategy.

It is a strategy that will require the courage to look anew
at parochial and outdated roles and missions assignments.

It is a Strategy of Realistic Deterrence.

It is the essential foundation of a Strategy
for Peace.

A handwritten signature in black ink, appearing to read "William R. Steinhilber". The signature is fluid and cursive, with the first name "William" being the most prominent part.

February 15, 1972

SECTION ONE. THE STRATEGY OF REALISTIC DETERRENCE

I. THE STRATEGY IN BRIEF

President Nixon, in his January, 1969, Inaugural Address committed this nation to the pursuit of something we have not known in this century -- an enduring peace.

At Guam, six months later, he enunciated the Nixon Doctrine.

In his first Foreign Policy Report to the Congress in early 1970, the President explained in detail his new Strategy for Peace. He insisted that attainment of lasting peace requires a foreign policy guided by three basic principles -- strength, partnership, and a willingness to negotiate. The President noted that sustained American strength remains crucial, but related this strength to a new order of partnership under the Nixon Doctrine -- a partnership in which:

"...The United States will participate in the defense and development of allies and friends, but that America cannot -- and will not -- undertake all the defense of the free nations of the world. ..."

In my Defense Report to the Congress last year, I described a National Security Strategy of Realistic Deterrence based upon the strength and partnership principles of the President's Strategy for Peace and designed to implement the Nixon Doctrine. Strength and partnership also provide an essential foundation for the third principle, a willingness to negotiate.

To set the stage for a comprehensive discussion of our follow-on plans, programs and actions for this year, I will briefly review this Strategy of Realistic Deterrence and its basic relationship to President Nixon's Strategy for Peace.

The Nixon Doctrine calls for a new approach to security planning. It means changing the allocation of responsibilities among Free World nations, by providing a new emphasis on shared strength. This approach has been incorporated in our National Security Strategy.

The ultimate goal of the Strategy of Realistic Deterrence is to discourage -- and ultimately to eliminate -- the use of military force as a means by which one nation seeks to impose its will upon another. Military power in the hands of nations that wish to preserve peace and freedom is an essential part of this strategy, although military power alone cannot achieve the objective. As long as the threat of

aggression against the independence and territorial integrity of nations with whom we share common interests exists, our country and our friends and allies must maintain strong military forces to deter conflict. Further our strategy must provide the defense capability necessary to protect our nation and its interests should deterrence fail.

The task before us is not easy. Successful implementation of the Strategy of Realistic Deterrence is, I believe, the most difficult and challenging national security effort this country has ever undertaken. This is so because we must move forward in an environment of virtual balance in the strategic nuclear field, and in a period of vigorous Soviet military expansion at sea, on the land, in the air and in space. In addition, we must pursue our goal with due regard for the influences of today's other constraining realities -- realities which I will discuss at some length.

Success will require deep understanding and strong support, both from Congress and the American people. For without understanding of our national objectives, and without support for the means we adopt to reach them, no strategy pursued by the representative leaders of a free and open society can possibly succeed for long when contested by a powerful, closed society. Free nations must measure the ultimate strength of their defense policies in proportion to the willing support their citizens give to those policies. A closed society is not dependent on such popular support.

A. APPROACH TO DEFENSE PLANNING

Our defense strategy is based on the three key elements of the Nixon Doctrine:

"First, the United States will keep all of its treaty commitments.

"Second, we shall provide a shield if a nuclear power threatens the freedom of a nation allied with us or of a nation whose survival we consider vital to our security.

"Third, in cases involving other types of aggression we shall furnish military and economic assistance when requested and as appropriate. But we shall look to the nation directly threatened to assume the primary responsibility of providing the manpower for its defense."

From these elements, and after a thorough review of the situation as it existed at the time this Administration took office, we established the following basic criteria for national security planning for the decade of the 70's:

- Preservation by the United States of an adequate strategic nuclear capability as the cornerstone of the Free World's nuclear deterrent.
- Development and/or continued maintenance of Free World forces that are effective, and minimize the likelihood of requiring the employment of strategic nuclear forces should deterrence fail.
- An International Security Assistance Program that will enhance self-defense capabilities throughout the Free World, and, when coupled with diplomatic and other actions, will encourage regional cooperation and/or security agreements among our friends and allies.

Last year I reported that these defense planning criteria, which reflect the imperatives of the Nixon Doctrine, would be implemented in harmony with the following four guidelines:

- In deterring strategic nuclear warfare primary reliance will continue to be placed on U.S. strategic deterrent forces.
- In deterring theater nuclear warfare the U.S. also has primary responsibility, but certain of our allies are able to share this responsibility by virtue of their own nuclear capabilities.
- In deterring theater conventional warfare -- for example, a major war in Europe -- U.S. and allied forces share responsibility.
- In deterring subtheater or localized warfare, the country or ally which is threatened bears the primary burden, particularly for providing manpower, but when U.S. interests or obligations are at stake we must be prepared to provide help as appropriate.

Effective deterrence, of course, is not divisible. It is based on a balanced force structure of strategic and theater nuclear weapons and adequate U.S. and allied conventional defenses. In Europe, for example, our strategic nuclear power, the theater nuclear forces of the U.S. and its allies, and the conventional forces of all the NATO Allies combine to insure that realistic deterrence is effective from the lowest level of conventional conflict to the highest level of nuclear conflict.

The four guidelines reflect our continued commitment to do our part in the common defense. But they also recognize the need for a new and evolving partnership in which our friends and allies carry a greater share of the responsibility for their own defense. The ultimate effectiveness of this new partnership, however, will depend not only on the willingness of others to assume their own responsibilities, but also on the degree to which we are prepared to assist them to do so through effective and adequate security assistance programs.

The United States must continue to maintain adequate strength to meet its responsibilities under the Strategy. The capabilities of our active forces must be improved substantially through modernization and improved readiness. At the same time, we are placing increased emphasis on our National Guard and Reserve components so that we may obtain maximum defense capabilities from the limited resources available. The strengthening of the National Guard and Reserve Forces, as well as the new order of partnership is an integral part of the Total Force planning approach that is fundamental to the new strategy.

The Total Force approach, however, involves much more than a mere division of responsibilities or an analytical separation of potential threats into categories of conflict or required forces. The conceptual thrust of Total Force is toward the efficient integration of all relevant Free World resources to provide more security for all of us. This concept, this integration, calls for many changes and improvements. The potential and significance of the concept are profound; so are its difficulties. Total Force demands a new order of coordination and cooperation in order to permit employment of the many different resources in concert -- resources that in many cases are both scarce and difficult to relate, in any firm analytical sense, to a common objective.

we are striving to enhance partnership in dealing with the burdens of defense, looking more to our friends and allies in those areas where they have available resources to provide for their own

defense. But in doing this, we seek ways that will not create the kind of local imbalance that could invite the use of force by others to settle disputes that bear on our treaty commitments and other important interests. Our present approach in Vietnam and Korea demonstrates this, as does the burdensharing progress in NATO.

We are making substantial progress in our effort to implement Total Force planning, but it does take time to adjust from the deeply imbedded practices of the past to a more flexible and realistic system that will meet the demands of the present and future. These adjustments are being made, both in our own force planning and in planning with our allies and friends. But we face many difficult problems ahead -- problems that we intend to meet more and more effectively through a new emphasis on Net Assessment, Total Force and Long-Range Planning.

B. NET ASSESSMENT, TOTAL FORCE AND LONG-RANGE PLANNING

The three national security planning criteria for the decade of the 1970's, based on the Nixon Doctrine, have established the basic parameters within which we must do our planning. As previously noted, there are four categories of potential conflict with which we, our allies and friends, must be prepared to cope: Strategic Nuclear, Theater Nuclear, Theater Conventional and Subtheater. This means that our force planning must be focused on deriving the most realistic mixture of forces and supporting assistance possible in order to carry out the necessary tasks.

We seek to accomplish this through the process of Total Force Planning, which I described in detail in last year's report and which calls for the use of all appropriate resources for deterrence -- U.S. and Free World -- to capitalize on the potential of available assets.

But force planning, no matter how effective, will rest on an uneasy base if it disregards a host of influences either largely or wholly beyond our ability to control, such as the nature of a potential enemy's capabilities and his likely strategy to the extent that we can perceive it. Acceptable force planning, therefore, must be based not only on a definition of our objectives, but also on a sophisticated analysis of the nature and relative importance of the various impediments and obstacles to the achievement of our objectives -- be they economic, political, technological, or military.

We intend to accomplish this through a more coordinated emphasis on Net Assessment in my immediate office and throughout the Department of Defense. Net Assessment is a comparative analysis of those factors, military, technological, political and economic, which impede or have a potential to impede our national security objectives with those factors available or potentially available to enhance the accomplishment of those objectives. Through this process, we are able to determine how to apply our resources most effectively in order to improve our total capability to accomplish our national security goals.

It is important to bear in mind, however, that Total Force planning must be carried out both in terms of immediate as well as longer-range phased objectives. Our approach to Vietnamization illustrates this. As it has been with Vietnamization, however, this will be a difficult task since the apparent demands of the moment may sometimes have an adverse impact on what we hope to accomplish in the future.

In order to minimize this often troublesome problem, my Director of Net Assessments will be supported by and work closely with the Office of my Assistant for Long-Range Planning, whose task it will be to assure effective coordination of the Net Assessment and Total Force planning functions of the Secretary of Defense.

Through our net assessment effort to date we have a better understanding of the difficulties that lie ahead, an understanding that I will share with you in the following section.

We have made substantial progress in achieving our objectives over the past year; we have moved closer to peace through effective implementation of the Nixon Doctrine. Our budget and our proposed programs for FY 1973 are designed to continue this movement.

As a former member of the Congress, I am confident that our new approach, with its emphasis on Net Assessment and Total Force planning, will permit the Department of Defense in coming months and years to be even more responsive to the Congress as we share the responsibility for assuring our national security. The appropriate Committees of the Congress will receive more meaningful information in a form more useful to the members than ever before. As we continue to develop and refine these new comprehensive approaches to national security planning, there will undoubtedly be additional changes in the way that I utilize the resources available to the Department. I will keep you fully informed of such changes.

While there are many difficulties ahead -- difficulties that we can and must overcome -- our policy for the future is clear. It was summarized by President Nixon before the Congress on January 20, 1972:

-- We will maintain a nuclear deterrent adequate to meet any threat to the security of the United States or of our allies.

-- We will help other nations develop the capability of defending themselves.

-- We will faithfully honor all of our treaty commitments.

-- We will act to defend our interests whenever and wherever they are threatened any place in the world.

-- But where our interests or our treaty commitments are not involved our role will be limited.

-- We will not intervene militarily.

-- But we will use our influence to prevent war.

-- If war comes we will use our influence to try to stop it.

-- Once war is over we will do our share in helping to bind up the wounds of those who have participated in it."

II. NET ASSESSMENT AND THE THREAT

A successful Strategy of Realistic Deterrence requires a careful and intricate assessment of the various threats to peace, freedom and stability that exist in today's world.

The overriding concern of the Department of Defense is to provide adequate United States military forces so that we can, with our friends and allies, deter war. Should deterrence fail, these forces must be capable of prompt and effective use to achieve United States national objectives.

Assessment and planning in the nuclear age are intimately related to an understanding of international relations on the one hand and to weapons technology and possible use on the other hand. There is, of course, nothing new in this dependence. What is new is the enormous complexity that has entered into force planning since World War II, compounded by dramatic technological advances, major world economic adjustments, and a fragmenting of the past bi-polar world structure.

The international environment is dynamic, confusing and in some aspects disconcerting. The rate of change -- political, economic, social and technical -- is perhaps the greatest we have ever known. Net Assessment offers a valuable tool for understanding and responding to these challenges.

To assist in establishing the requirements for United States and allied forces as well as for Security Assistance to our own allies, a series of Net Assessments in selected critical areas have been made. More are in progress. It is important to re-emphasize that any realistic assessments and resulting plans for military forces and new weapon systems must include political, economic and social considerations.

Net Assessment plays a critical role in our Total Force Planning and in the development of forces necessary to maintain our national security. In these assessments we weigh the capabilities of potential enemies against our capabilities and those of our allies. At the same time, we must give careful consideration not only to the strengths of potential adversaries, but also to the deficiencies in their capabilities and the various constraints with which they must cope.

The end product of Net Assessment provides a basis for judging whether, in the case examined, we and our allies will be able to sustain our national objectives and protect our vital interests, or if not, where there are problem areas.

The four realities which I have discussed on many occasions in the past three years represent the four major areas we must take into account in any comprehensive Net Assessment related to national security planning. They are the Strategic Reality, the Political Reality, the Fiscal Reality and the Manpower Reality.

A. THE STRATEGIC, POLITICAL, FISCAL AND MANPOWER REALITIES

1. Strategic

The discussion and assessment of the threats we and our allies face -- from strategic nuclear to sub-theater, from communist military assistance to the Soviet challenge to U.S. technological superiority -- will be the major focus of this chapter. In combination, these threats represent the more obvious dimensions of the strategic reality.

Developments in the Soviet threat have brought the strategic reality into sharper focus during the past year. The Soviet buildup is showing even greater momentum than I projected in last year's Defense Report:

- The Y-class ballistic missile submarine force of the Soviet Union could be as large as our POLARIS/POSEIDON force by the end of next year, rather than in 1974 as I predicted last year.
- The new Soviet supersonic dash bomber, the BACKFIRE, could be operational by the mid-1970s.
- Nearly 100 new ICBM silo sites have been identified, for new or modified ICBM systems. The possibility of such a new deployment program was mentioned in my Defense Report last year.
- Construction of the Moscow ABM system has resumed, and testing of an improved missile continues.
- Ongoing Soviet naval ship construction programs include production of nuclear-powered torpedo attack and cruise-missile submarines, and at least one large new cruiser, armed with multiple missile systems.

- New Soviet fighter aircraft, especially the high speed FOXBAT as well as the FLOGGER and FITTER B, are entering the inventory.
- Two new Soviet tanks, one a light tank, and the other a new main battle tank are probably in production.

2. Political Reality

The President in his Foreign Policy Report, and the Secretary of State in his annual Report on U.S. Foreign Policy, discuss in detail the national and international political realities that confront the United States.

As Secretary of Defense, I also must take explicit account of both international and domestic political realities. From my perspective as a defense planner, these include:

- The political and psychological effects of the growing Soviet military capabilities and presence around the world, such as in the Mediterranean, the Middle East, the Indian Ocean and the Caribbean.
- Allied concerns that we maintain substantial forward deployed U.S. forces.
- Countervailing Congressional concerns to bring about a withdrawal of substantial portions of our forward deployed forces.
- The possible effect potential agreements controlling or reducing arms could have on the need for U.S. military forces.
- The difficulty of maintaining broad domestic public support for those programs necessary to assure national security.

3. Fiscal Reality

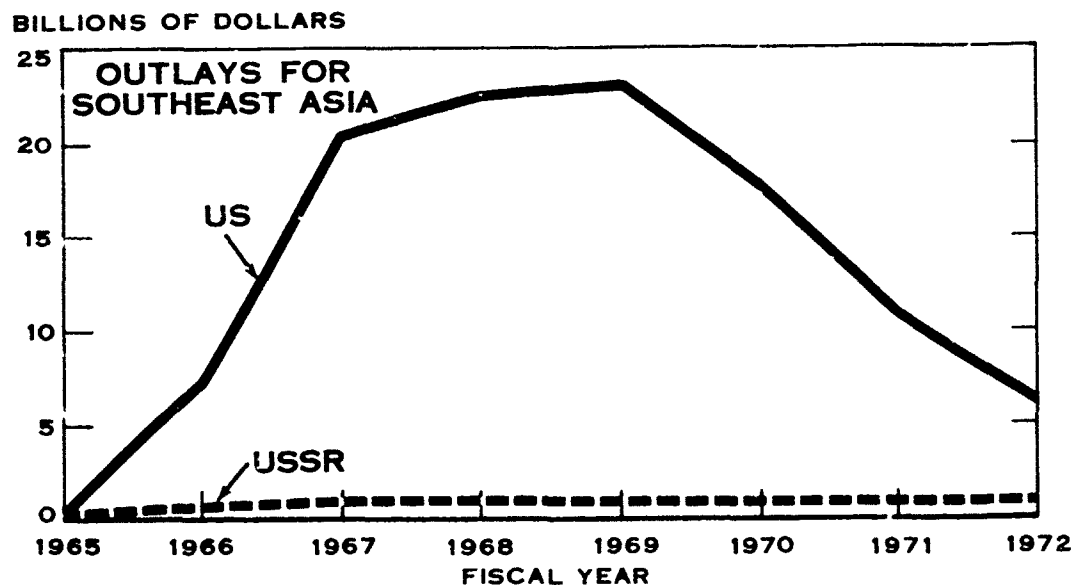
The fiscal reality is simply stated: resources are limited, yet there is an increasing need to commit greater resources to urgent domestic demands. This reality is apparent from the allocation of resources in this Administration's federal budgets. In 1968 the Department of Defense received about 39% of the federal budget, in 1973 it will be about 30%. Over the same

periods the human resources share of the budget went from some 32% to 45%. While these numbers express a fiscal reality, they must also be considered in the context of the internal factors that impact on the DoD budget and the external factors of change in the Soviet Union's budget. For example:

- 53% of FY 1972 outlays in the DoD Budget were people-related costs, a figure that will rise to 56% in the FY 1973 Budget. By comparison, only about 30-35% of the Soviet defense budget is devoted to such costs. As a result, when we estimate Soviet personnel expenditures relative to U.S. prices, the USSR starts with a significant advantage in purchasing power available for weapons-related programs, given roughly comparable total Defense budgets. This built-in Soviet advantage has been greatly enhanced at our expense since 1965 because of the costs of the war in Vietnam.

The chart below compares United States and estimated Soviet expenditures in support of the conflict in Southeast Asia since 1965.

RELATIVE IMPACT OF SOUTHEAST ASIA CONFLICT ON US vs. USSR (IN FY 70 DEFENSE DOLLARS)



-- The following table estimates United States and Soviet military outlays for operations, procurement and military construction; U.S. Southeast Asia expenditures are shown separately. You will note that from 1965 through 1972 the Soviets have had substantially more funds available to apply to the development of their total military capability. The U.S. on the other hand has been restricted in its ability to invest in more modern and improved military capabilities. Since 1966, when the net available to the Soviet Union first exceeded that for the U.S., the Soviet Union has had some \$21 billion more available for modernization than has the U.S. This difference has had a significant and adverse impact on the military posture of the United States relative to that of the Soviet Union.

RELATIVE IMPACT OF SOUTHEAST ASIA CONFLICT
ON U.S. VS. USSR 1965-1971

Soviet Expenditures by Calendar Year (Billion 1970 Dollars)							
	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
USSR Military Outlays*	49.9	51.6	54.1	56.2	57.2	58.3	59.1
U.S. Expenditures by Calendar Year (Billion 1970 Dollars)							
U.S. Military Outlays*	53.6	62.7	72.0	73.8	69.8	65.0	60.7
Military Outlays for SEA (including MASF)	<u>3.0</u>	<u>12.7</u>	<u>19.9</u>	<u>20.3</u>	<u>17.7</u>	<u>11.9</u>	<u>6.4</u>
Net Available	50.6	50.0	52.1	53.5	52.1	53.1	54.3

* Excludes RDT&E, Military Assistance and AEC-Type Outlays

-- In constant 1970 dollars: the baseline forces before the Vietnam war buildup in 1964 cost \$50.6 billion in Budget Authority; the Nixon Doctrine forces, although smaller because of our new Strategy and the Total Force Concept, will cost \$79.2 billion in FY 1973. This higher cost in FY 1973 funds a manpower level 326,000 below FY 1964.

A more detailed discussion of the impact of the fiscal reality can be found in the final section of this report: The Defense Budget.

4. The Manpower Reality

The Manpower Reality has become an increasingly important factor in Defense planning, particularly as we move toward a restructured and revitalized defense force without resort to the draft. It is not easy to obtain and retain the manpower needed in quality and quantity under voluntary enlistment.

Military manpower in the last few years has become considerably more expensive. The average annual pay for military personnel and civilian employees has been significantly improved in the past few years. Since 1964, military average basic pay rates have more than doubled (125% growth). Average civilian salaries have increased by 70% since 1964.

Furthermore, when comparing our general purpose forces with those of the Soviet Union, we have to face the hard reality that the Soviets can field more men than the U.S. can at equal over-all costs.

Among the factors which account for higher manpower costs in U.S. forces are the following:

- The growing demand for highly skilled people.
- The increasing level of technical sophistication of U.S. weaponry which, in turn, requires highly skilled people.
- The continued need for a high state of readiness requires extensive training and calls for a high level of maintenance for our weapon systems.

The collective impact of all these pressures is great. The costs of our personnel will constitute 56% of our budget outlays in FY 1973, compared with 43% in FY 1964. The obvious implication is that we must place greater emphasis in our reduced force on modernized and technically capable forces.

These four realities must be carefully considered in determining our military requirements and planning our forces to meet these requirements. We need to know the full dimension of the strategic reality if correct requirements are to be formulated. In meeting the threat we must consider the fiscal reality to bring maximum efficiency in the use of scarce resources for defense, to claim for defense no more of the nation's resources than needed and to minimize economic dislocations influenced by defense spending. Also, we need to take account of the political realities, including the feasibility of obtaining legislative approval and public support for our programs.

Finally, the manpower reality -- in conjunction with the fiscal reality -- has generated powerful pressures for smaller forces. Given these realities, our forces must have the most modern and effective equipment practicable and must be supported by a vigorous research and development program that can assure our continued technological superiority in the future. In addition, our intelligence activities take on greater importance. In the face of an increasing and complex threat, we need to know more about what is going on. We need foreknowledge of attacks against us or our allies, and we need to know enough about each major threat to be able to counter it as necessary.

Let me now turn to an assessment of the various threats to peace.

B. THE THREATS TO FREE WORLD SECURITY

While all four realities must concern the Department of Defense, the Joint Chiefs of Staff and I must be most concerned about the military realities that face us -- the threat posed by the military forces of potential opponents, the potential impacts of military assistance and the technological challenge.

The Chairman of the Joint Chiefs of Staff, Admiral Moorer, will report to you on his view of our military posture. When I refer to military force inventories it will be in a summary form,

knowing that he will give you the details in his presentation. I also will present a few of the charts which Admiral Moorer will discuss more fully in his statement.

It is true that the world is in a period of transition from its former dominance by two superpowers. But it is equally true that, from a military perspective, we must continue to view the Soviet Union as the primary potential threat. The military forces of the Soviet Union, and their threat to U.S. and Free World security, must continue to be the dominant factors in our planning of programs and forces to support our Strategy of Realistic Deterrence.

Three categories of Soviet military forces deserve particular attention -- strategic nuclear, theater nuclear and theater conventional. These specific categories were chosen for ease of understanding and clarity of presentation, but such structuring does not mean that the forces discussed can be neatly allocated specific roles in the spectrum of conflict.

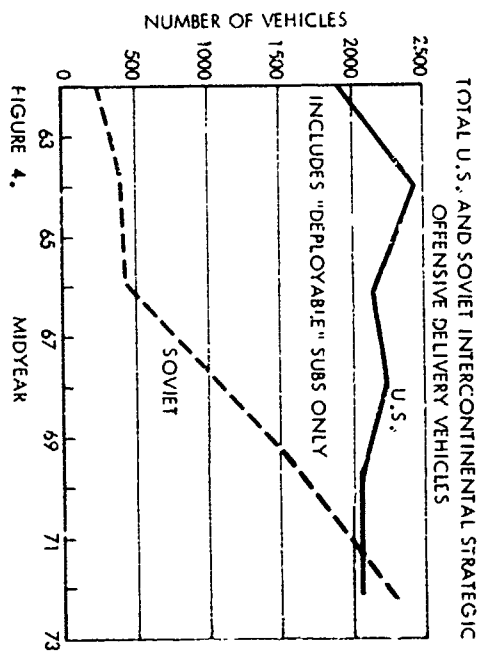
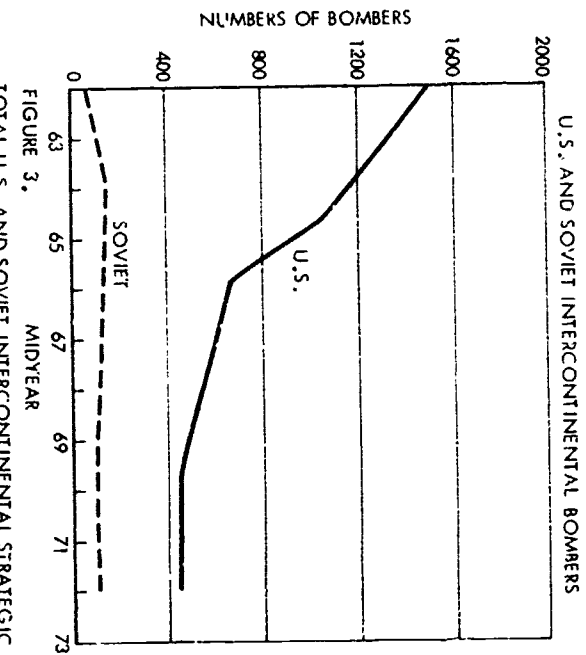
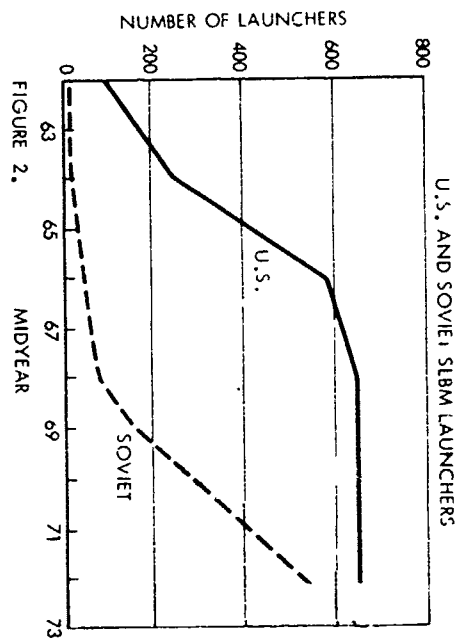
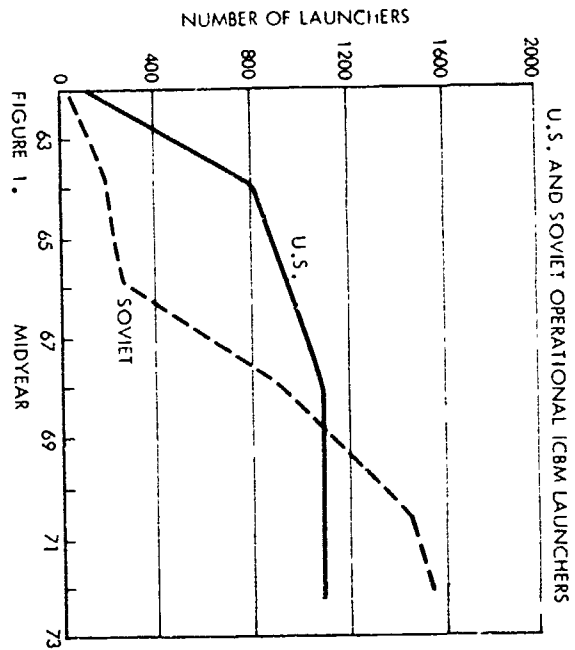
As I noted earlier, our Strategy places primary emphasis on U.S. forces for the deterrence of strategic nuclear warfare. We will, therefore, first look at the reality of the Soviet strategic threat, and then discuss the nuclear forces of the Peoples Republic of China.

1. Strategic Nuclear Threat

The Soviet Union

Figures 1 through 4 give estimates of Soviet strategic offensive strength in terms of numbers of operational ICBM launchers, numbers of SLBM launchers, numbers of intercontinental bombers, and total number of intercontinental strategic offensive delivery vehicles. Estimates of these various measures are provided for the decade 1962-1972, together with similar U.S. measures for comparison.

It is evident that the Soviets have built up their ICBM forces at a rapid rate during the past five years. As of the end of 1971 they had some 1,520 operational launchers, including some deployed in MR/IRBM fields.



There has been very little construction activity on the standard SS-9, SS-11, and SS-13 missile sites during the past year and the Soviets may have completed this phase of missile deployment. However, during the course of last year we detected almost 100 new silos that differ from currently deployed Soviet ICBMs.

The implications of new silo construction are not yet completely clear, but the Soviets may be preparing to deploy two new or modified ICBM systems.

The Soviets have a substantial nuclear-powered, ballistic missile submarine fleet. The most capable component of this fleet is the Y-class which, like the U.S. POLARIS, has 16 tubes for launching missiles. The number of such submarines has grown from four operational units in January 1967 to 25 as of January 1972. Additional missile tubes on the older H and G class subs give the Soviets a total approaching 500 launchers in the operational inventory (January 1972). At least another 17 Y-class submarines are in various stages of assembly and fitting out, and could bring the operational force of Y-class submarines to 42 as early as the end of 1973. With a continuation of the current production rate of 9-10 units per year, the USSR would develop an operational force of Y-class submarines considerably larger in numbers to the current POLARIS force by the mid-1970's.

There seems little doubt that out-of-area operations by these submarines will increase over the next several years -- continuing the recent trend of more extensive and regular Soviet submarine deployments. Currently (in February 1972), there are Y-class submarines deployed in both the Atlantic and the Pacific.

The Soviet intercontinental heavy bomber force remains, as it has for the last few years, at around 195 aircraft (including about 50 tankers). A number of these bombers are equipped to carry air-to-surface missiles.

The Soviets have, however, test flown the BACKFIRE, a new supersonic swing-wing bomber, which they could deploy in significant numbers over the next several years.

Although we believe the Soviet medium bomber force of several hundred aircraft is primarily targeted against Eurasia, we cannot ignore the fact that these aircraft do have a one-way mission capability against the United States.

Soviet Strategic Offensive Forces pose an extremely formidable threat to the United States. Our primary method of coping with these forces is deterrence by threat of retaliation. At the same time, we are striving to achieve limitation or reduction of these forces by negotiation.

As you know, our offensive strength -- our retaliatory capability -- is maintained in the form of ICBMs, SLBMs, and bombers. Our current strength in these forces was shown in the previous graphs and is shown numerically for comparison purposes on the table below. Admiral Moorer will provide detailed information on these systems.

STRATEGIC FORCE STRENGTHS

	<u>November 1, 1971</u>		<u>Mid-1972</u>	
	<u>USSR</u>	<u>US</u>	<u>USSR</u>	<u>US</u>
<u>ICBM Launchers</u>	1520 <u>1/</u>	1054	1550 <u>1/</u>	1054
<u>SLBM Launch Tubes</u>	475	656	580	656
<u>Heavy Bombers</u>	140 <u>2/</u>	565	140 <u>2/</u>	531
<u>Total Offensive Force Loadings</u> <u>1/</u> <u>3/</u> <u>4/</u>				
Weapons	2100	4700	2500	5700
<u>Air Defenses</u>				
Fighter-Interceptors	3200	612	3100	593
SAM Launchers	10000	895	10000	839
<u>ABM Launchers</u>	64	0	64	0

1/ Includes SS-11s at MR/IRBM complexes.

2/ Excludes about 50 Soviet tanker and several reconnaissance aircraft.

3/ Data not available for November 1971. Figures are as of mid-year.

4/ Figures for USSR are presented as computed. They should not create an impression of precise intelligence.

As I have already indicated, considerable emphasis has been given during the past year to our Net Assessment Programs -- particularly Net Technical Assessment -- within the Department of Defense. These investigations provide consolidated and organized information, identify intelligence collection requirements, indicate fruitful areas for research, and allow a determination as to how well we are doing in comparison with the Soviet threat. I would like to give you very briefly the results of those assessments which relate to the survivability of U.S. strategic nuclear forces, and our proposed programs. Further details are contained in the following section.

Future significant development in Soviet forces for inter-continental attack will probably lie in qualitative improvements in their ballistic missile forces. Of greatest concern to the pre-launch survivability of U.S. ICBM forces would be improvements in the accuracy of Soviet missiles and the development of a MIRV capability. Considering the problems involved in predicting the future course of Soviet ICBM developments, the lead time required to understand these developments, and the time needed to devise appropriate countermeasures, we are pursuing several different programs. To counter near term qualitative improvements on the Soviet ICBM forces, we are improving the existing hardness of the MINUTEMAN launcher and silo components, for a relatively small investment. In addition, deployment of SAFEGUARD is continuing, and development of a prototype Hardsite Defense System, which could be deployed in the future to augment SAFEGUARD, is in progress. Modification of these programs or additional measures may or may not be necessary, depending on developments in the threat or results at SALT.

The pre-launch survivability of U.S. strategic bombers and tankers is not seriously affected by a Soviet ICBM attack, since sufficient warning permits alert aircraft to escape. At present, the greatest threat to the pre-launch survivability of our bombers is the growing force of Soviet SLBMs. In this case, present tactical warning systems are inadequate. Consequently, a new satellite warning system is under development. In addition, a phased program of interior basing, bomber dispersal, and reduced bomber reaction time is being implemented. Admiral Moorer's presentation provides more information on Air Force plans, and the qualitative improvements in the Soviet SLBM force that these plans are designed to deal with. The pre-launch survivability of our bomber forces would be much improved by deployment of the B-1 aircraft currently in development.

We have also assessed the survivability of the Fleet Ballistic Missile System. To date, investigations show that the at-sea portion of those strategic forces is highly survivable. Indications

are that the Soviets are attempting to establish an area surveillance system, and associated ASW strike forces, but as yet they do not have this capability. Today, the U.S. enjoys a substantial, though decreasing, lead in acoustic sensor technology and submarine quietness -- two important factors that impact on undersea warfare capabilities. In part to offset the possible development of an effective Soviet area surveillance system and for other reasons which are discussed later, we are developing the Undersea Long-Range Missile System (ULMS). This program, together with aggressive effort in submarine quieting and SSBN defense, will, we are confident, provide a continued highly survivable sea-based deterrent.

The strategic defensive forces of the Soviet Union include the extensive deployment of aircraft defense as well as the ABM system deployed around Moscow. Figures 5 and 6 on the following page show the number of Soviet Home Defense Interceptor aircraft and SAM launchers estimated for the period 1963-1972.

Our assessments indicate that Soviet air defenses have good capabilities against medium and high altitude bombers, but their effectiveness against low altitude penetrators -- less than 1,000 feet -- is limited. These defenses consist of several thousand radars located throughout the Soviet Union, a force of over 3,000 interceptor aircraft, and the Surface-to-Air missiles (SAM) shown on the charts on the following page.

The quality of the interceptor aircraft force has improved as newer models have been added. Since 1964, the Soviets have put four new interceptor models into their inventory, the most recent being the FOXBAT. These newer models now make up more than one-third of the force, and are expected to be about one-half of the force by mid-1973.

In addition, four different SAM systems, with about 10,000 launchers, are presently deployed for air defense. This force level should remain about the same through mid-1973. The SA-5 is the newest strategic SAM system, and has been deployed throughout the Soviet Union. Some technical experts continue to be concerned that the SA-5 system could possibly be adapted for use in an ABM role, although there is general agreement that it is not presently intended for this role.

Low altitude approach is the basic tactic used by U.S. bombers to penetrate Soviet air defenses; but that tactic does not, by itself, insure penetration. The penetration of heavy Soviet defenses requires decoys, ECM and air-to-surface missiles. Should the

U.S. AND SOVIET HOME DEFENSE INTERCEPTOR AIRCRAFT

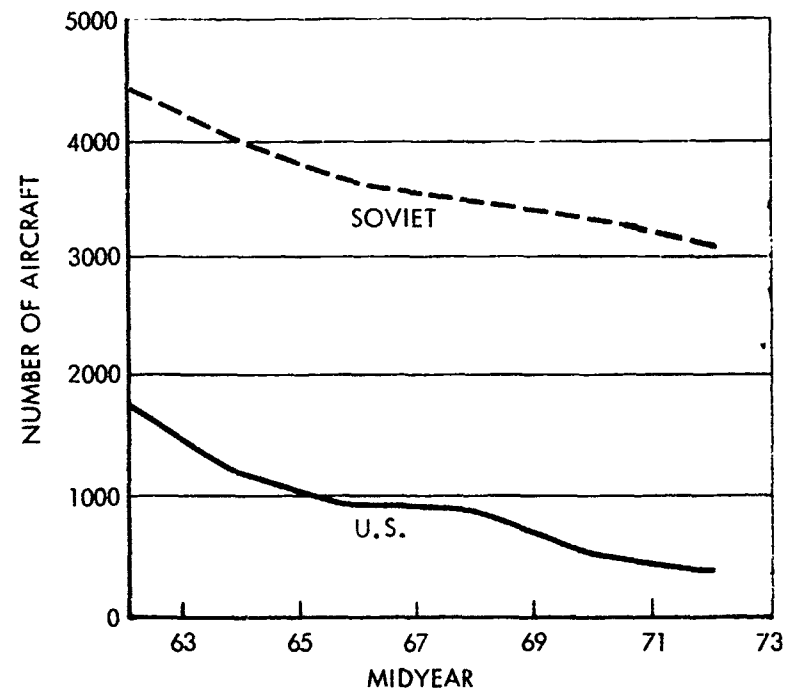


FIGURE 5.

U.S. AND SOVIET HOME DEFENSE SURFACE-TO-AIR MISSILE LAUNCHERS

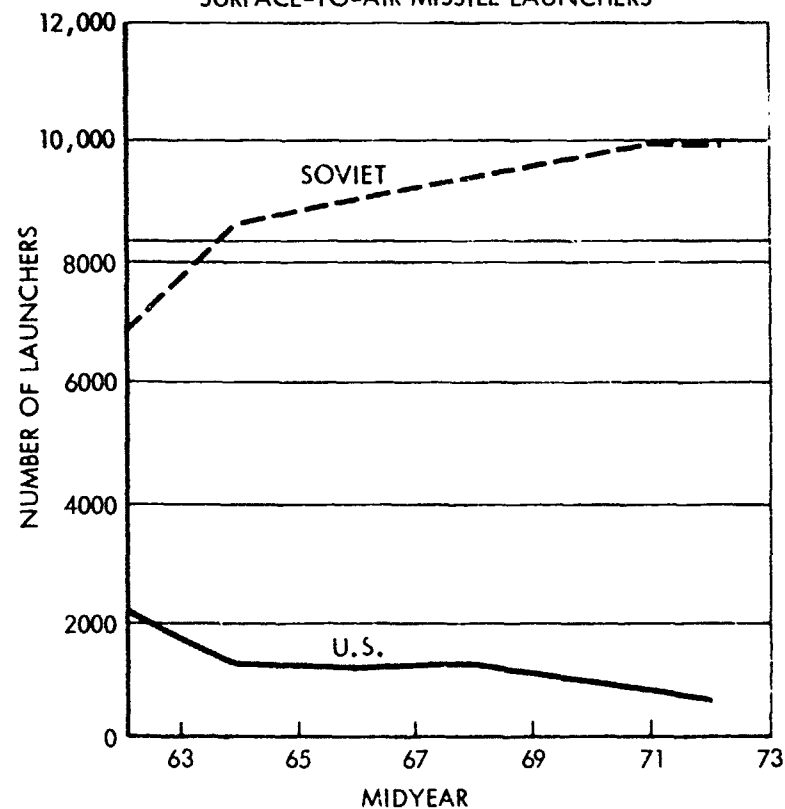


FIGURE 6.

Soviets continue to improve their air defense systems by deploying an over-land Airborne Warning and Control System, or should they, as now projected, introduce advanced interceptors with an ability to locate, intercept, and fire on low flying bombers by the mid-to-late 70's, the United States may have to accelerate SCAD to insure that our B-52s will remain capable, for the rest of this decade, of reaching their targets.

The Soviets are continuing construction of their ballistic missile defenses around Moscow. These defenses include ballistic missile early warning (BMEW) radars, target acquisition and tracking radars, launch facilities and necessary command and control facilities.

There are four ABM-1 complexes at Moscow which provide 64 missiles on launchers. All four complexes are now operational.

From our assessments, we continue to be confident of the ability of POSEIDON and MINUTEMAN III to penetrate all known Soviet ABM defenses.

These assessments of the survivability and penetrability of U.S. strategic forces, of our ability to control those forces should deterrence fail, and the identification and pursuit of programs that can and will maintain our capabilities through the 70's, give me confidence that the United States will continue to have sufficient strategic nuclear forces to deter general war. This conclusion is valid provided that the improvement programs for existing forces, and new programs that will be discussed later, are approved and developed, and provided that we are not faced with a serious "technological surprise" on the part of the Soviet Union.

The Peoples Republic of China

It is difficult to assess either the strategic nuclear threat posed by the Peoples Republic of China, or how that threat will evolve through the 1970's. This is true primarily because we lack complete information on the state of their ICBM development, the mix of strategic and theater nuclear delivery systems that may ultimately be deployed, and their development and production problems. The Chinese have not disclosed their strategic doctrine or their allocation of resources to ICBM development.

But this much is clear. The two Chinese space satellite launches during the last year and a half, and the approximately one dozen nuclear tests since 1964, indicate a fairly high degree

of sophistication in both missile and warhead development. The two space satellites were probably orbited using a multi-stage vehicle based on their IRBM, and therefore should be considered as part of China's progressive development of an ICBM. We have not as yet been able to confirm the initial flight testing of an ICBM, although a reduced-range testing of an ICBM system may already have occurred.

We cannot state with confidence just when China will have an ICBM capable of striking the continental United States, but it is estimated that deployment could not occur before 1975, with some 10-20 missiles being deployed by mid-1976.

The Chinese have no intercontinental heavy bomber force, and do not appear to be developing one.

The Chinese are known to be interested in nuclear-powered submarine technology, and probably have the capability to develop a prototype nuclear-powered attack submarine in the next several years as part of a program leading to development of a nuclear-powered, ballistic missile submarine. Neither nuclear-powered, ballistic missile submarines nor their associated missiles, however, are likely to be available until the last half of the decade.

2. Theater Nuclear Threat

The Soviet Union

We now turn to the threat posed by Soviet theater nuclear forces. Theater nuclear war is that which involves the use of theater nuclear weapons by or against U.S. forces or our allies, but does not include nuclear attack on the U.S. We seek to deter this type of conflict through the threat of the use of theater nuclear weapons and the capability for escalation.

Soviet theater nuclear forces include about 700 ballistic missile launchers (including medium and intermediate range missiles, as well as the SS-11 dual-purpose missile) and about 850 tactical surface-to-surface missile launchers assigned to their ground forces. In addition, their large medium bomber force of about 700 aircraft in long range aviation and 500 aircraft in naval aviation are capable of carrying nuclear weapons, as are approximately 1,100 light bomber and fighter bombers in the tactical air forces. Soviet naval forces, both surface and subsurface, also carry nuclear-capable missiles. There are also small numbers of the short range SHADDOCK and SCALEBOARD missiles.

A great many aircraft in the Soviet tactical air force possess a nuclear weapon delivery capability. In addition to the multi-purpose FISHBED (MIG-21) fighters, this total includes BREWER (YAK-28) and BEAGLE (IL-28) light bombers and FITTER (SU-7) fighter/bombers, which appear to be the primary tactical air nuclear delivery vehicles.

In theater nuclear capable naval forces, the Soviets have continued a steady buildup in their three western fleets -- surface and subsurface -- for operations against NATO navies, NATO sea lines of communication and coastal targets. These forces include their two ASW helicopter ships, as well as other major surface combatants, submarines and small patrol boats and submarine chasers equipped with possible nuclear capable surface-to-surface and/or surface-to-air guided missiles.

The Peoples Republic of China

At the present time the theater nuclear strike capability of the Peoples Republic of China rests primarily in its small but growing fleet of TU-16/BADGER medium bombers. These aircraft can operate from numerous airfields in China, and can reach targets up to 1,650 nm away without refueling when carrying a normal payload.

The growth of the Chinese nuclear strike capability has been remarkable, given the short time it has been in existence and the formidable obstacles that had to be overcome.

In mid-1970, for example, the Chinese had a small number of TU-16s. However, series production will account for a substantial number by mid-1972.

China is now focusing on the development of liquid-fueled ICBM/IRBM systems. There is some evidence that the Chinese are engaged in the development of solid fuel missiles, but there is no good basis for estimating specific dates for production or deployment. A few MR/IRBMs may have been deployed. We expect to see a modest force of MRBMs and IRBMs deployed this year.

Development of a regional nuclear capability would require an emphasis on IRBMs rather than MRBMs. Moreover, even though we regard Chinese theater nuclear capabilities as primarily deterrence-oriented, the range and warhead yield of the missile force and the expansion of the TU-16 fleet are significant. At present, the Chinese missile threat encompasses most cities and other area-type targets in South and East Asia and a substantial part of the USSR. We believe that the Chinese could begin deployment of an ICBM with a range of 3,000 nm or more, capable of striking all or most of the USSR, by 1975.

During the coming year we will be examining, in even greater depth than previously, the growing Chinese nuclear capability. These studies will be based on what we can learn about technical characteristics, deployment and plausible areas of intended use.

3. The Theater Conventional Threat

We have defined theater conventional warfare as that which occurs when the Soviet Union or the PRC are involved in direct conflict with the United States.

As I mentioned earlier, we would expect all Soviet Union forces to be used should a theater nuclear conflict occur, but in addition Soviet forces are fully capable of taking part in conventional conflicts, as well as in the projection of Soviet presence outside the immediate Eurasian continent.

Over the past year, we have seen Soviet and other Warsaw Pact forces continue their growth both in quality and quantity. The Soviets now have about 160 divisions, 60% motorized rifle, 35% tank and 5% airborne. This total includes many divisions deployed along the USSR-Chinese border where a buildup has been underway for the past few years. However, Soviet divisions are appreciably smaller in personnel than their U.S. counterparts at full strength. The Soviets allocate a considerably smaller portion of their active military manpower to support functions than do we. They seem to rely upon quick mobilization of civilian resources for support.

Two new Soviet tanks probably are in production and will be entering the operational forces in large numbers in coming years.

Over the past several years, the Soviet Union has continued to build up its forces facing the PRC along the Sino-Soviet border. Despite this buildup, however, the capability of Soviet military forces opposite NATO has not been reduced. It is important to note that all of the Soviet divisions in East Germany, Poland and Czechoslovakia are still being maintained in a high state of readiness.

We believe there will be qualitative improvements in the general purpose land forces of the Warsaw Pact nations over the next decade, but we see no evidence to indicate any substantial changes in their contribution to overall Pact capabilities. Barring disruptive political developments, we believe the Soviets will continue to place emphasis on the quality of East European forces opposing NATO.

A gradual buildup in the quality of tactical aviation will probably continue for the next few years. So far as we can determine, the force at the beginning of this year consisted of some 4,000 aircraft in combat units with about 1,800 more in training units. Approximately 2,000 aircraft at the present time are assigned to units that do not have a primary ground attack mission.

As I reported last year the Soviets have developed several new aircraft which could satisfy their requirement to replace obsolescent ground attack fighters, light bombers, and improve their capability to shield ground forces from air attack. These new aircraft reflect a trend towards more versatile aircraft capable of carrying larger conventional payloads as well as nuclear weapons, in addition to providing improved air defense and reconnaissance capabilities. Most of the current tactical aircraft, such as FITTER, FISHBED, and BREWER, began to enter service in the early 60's to meet nuclear war requirements -- but due to range and payload limitations are poorly adapted to conventional war tasks. The variable geometry wing (VGW) FLOGGER, now entering the inventory has improvements in loiter time, range, low altitude capabilities and dispersal characteristics over the FISHBED. The FITTER B, a VGW version of the FITTER A offering improvements as a weapons delivery platform, is also now entering service. FLOGGER also has excellent capabilities as a fighter bomber. The FOXBAT should be in service in tactical aviation in 1973. A few are probably already operating in this role with the Soviet air contingent in Egypt. The introduction of these various systems should result in a smaller but more capable force with greater flexibility by the end of the decade.

Since 1958, the Soviets have put into operation in their Navy, eight classes of long-range surface combatants, five classes of submarines and three classes of patrol boats, all of which are missile-equipped. The Soviets have pursued a vigorous cruise missile research and development program which has resulted in the operational deployment of several different air-to-surface and surface-to-surface missiles.

The Soviet naval air force has not developed new aircraft to carry anti-ship air-to-surface missiles, but uses modified long and medium range bombers of long-range aviation. These aircraft are carried in the inventory of the naval air force.

In order to employ these anti-ship weapons systems effectively, the Soviets have developed a significant ocean surveillance capability. The Soviets have demonstrated in several exercises an ability to conduct a coordinated attack involving aircraft, surface ships and submarines against simulated U.S. surface combatants.

Although the Soviets have made significant advances in their Navy there remains some basic deficiencies and constraints in the use of these forces. The Soviets must contend with a paucity of all-weather ports, a lack of air cover when the fleet operates far from the Soviet home land and a lack of adequate open-ocean replenishment ships. Consequently, Soviet naval forces have significantly less military capability when operated far from the Soviet home land.

Nevertheless, our ability to defend against Soviet cruise missile systems, particularly in confined bodies of water, has not kept pace with the growth of the Soviet threat. Thus, we are initiating a number of programs aimed both at modernizing our naval forces and developing adequate means of defending against their cruise missiles. I will discuss some of these programs in a later section; Admiral Zumwalt, in his presentation to Congress, will describe in detail a number of these programs designed to counter the Soviet threat.

The Soviet Union continues to improve its tactical submarine fleet. The introduction of nuclear powered cruise missile attack classes has added a new dimension to submarine warfare. Additionally, since 1968, several more new submarine classes have been introduced.

With regard to lift forces, the Soviets have increased their military air transport capability to include the COCK (AN-22) heavy logistic transport; a few are now operational with transport units. The AN-22 can carry nearly 100,000 pounds of cargo to a radius of 2,800 nm, or 175 troops to a radius of some 5,000 nm. Additional CUB medium transports and HOCK heavy helicopters are being added to the force. A new heavy jet transport, CANDID, somewhat similar to our C-141, has been developed and will likely soon be available.

U.S. and allied forces, in consonance with the Nixon Doctrine, share the responsibility for the theater conventional deterrent, including air, ground and naval forces. Our force planning takes this interdependence into account, as it also recognizes the U.S. fiscal and domestic political realities and the major political concerns of each of our allies. As important as these non-military realities are, however, we must remember that our policy of maintaining the military balance vis-a-vis the Warsaw Pact represents, contrary to the opinions of some, a most prudent course. The North Atlantic Alliance has maintained the peace in Europe for twenty-five years.

Our assessments indicate that the current force balance in NATO can be maintained and that an effective deterrent does exist. As we

move to implement the President's Strategy for Peace, the lessons we have learned in Europe will not be ignored; we intend to maintain and improve our force capabilities in NATO, given a similar effort on the part of our European allies.

Our friends and allies in Asia face a threat of a different nature. Not only are the Peoples Republic of China, North Korea, and North Vietnam capable of launching full-scale conventional attacks against nearby countries, they also foment guerilla warfare, sabotage, espionage, and subversion throughout the area.

The Chinese army of some 2.5 million men, a well-balanced force containing 150 combat divisions, is essentially the same as it was last year. But it is continually being modernized and upgraded. The Air Force (including the Navy air arm) can muster over 3,000 jet fighters (several hundred more than last year) and approximately 350 light and medium jet bombers (up by more than 10%). The offensive strength of the Navy centers on a force of over 40 diesel-powered attack submarines -- of which a major portion are medium-range R-class. Like the Army and Air Force, the Chinese navy is concentrating on developing sophisticated weapons systems such as guided-missile destroyers and missile-equipped coastal patrol craft.

Logistic constraints -- and the necessity of providing forces to meet the Soviet threat -- remain and make it unlikely that the Chinese would undertake operations on more than one front. We estimate that a multi-front conflict could be carried out successfully only if China's warmaking capacity and lines of communication remain undamaged.

4. Subtheater/Localized Threats

Subtheater conventional wars do not involve the United States in direct conflict with either the USSR or the PRC. They could result, for example, from aggression by North Vietnam, North Korea, or they could involve a conflict in the Middle East between the Arab states and Israel.

We are grateful for the ceasefire in the Middle East and continue to hope that the U.S. initiative for peace will be successful. The obvious immediate threat in the Middle East is the constant danger of an Arab-Israeli war, which could expand to involve the Soviet Union and the U.S.

The balance of power in the Middle East obviously has a vital bearing on U.S. security interests. Moreover, the Soviets have

deeply involved themselves in several of the Arab states -- particularly Egypt, where they have stationed both personnel and equipment to bolster the Egyptian armed forces.

As the President has explained, our assistance programs are designed to preserve the balance of military power in the Middle East.

Our objective is to shift primary responsibility for deterring or fighting subtheater or localized conflict to our allies and friends. Our help will be primarily in the form of other than ground force elements, but could include force deployments under special circumstances.

The country or ally threatened must increasingly bear the primary burden -- particularly the manpower burden -- of deterring subtheater or localized warfare.

North Korea and North Vietnam possess strong military forces. Either of them could add substantially to the theater conventional threat posed by Chinese forces, if jointly involved in a conflict. Without Chinese involvement, however, neither nation is capable of posing a theater-level threat in Asia.

After the Soviet Union and the PRC, North Korea is the most powerful communist nation in Asia. Supplied in large part by the USSR and to a lesser extent by the Peoples Republic of China, it possesses a modern and continually improving military establishment maintained at a high state of combat readiness. The Army of about 360,000 men has 25 division equivalents and could engage in initial offensive operations without outside aid. The Air Force includes about 450 jet fighters and a significant number of small transports. Naval capabilities remain limited and are oriented mainly toward coastal defense and hit-and-run attacks against the Republic of Korea. Although aid from the USSR and/or the Peoples Republic of China would be necessary to support sustained large-scale North Korean military operations, Pyongyang has the capability of undertaking a variety of unconventional warfare operations independently.

The North Vietnamese threat in Southeast Asia, although degraded somewhat by the commitment of 12 division equivalents to the Indochina war, nevertheless remains formidable. The Army has an in-country strength of about 315,000 (including six infantry divisions), several thousand artillery pieces, and a large number of tanks. The Air Force has more than 200 jet fighters -- over one-third of which are MIG-19s/21s -- and over 100 transports and helicopters. The Navy is the weakest component among the North Vietnamese services, consisting of motor gunboats and motor torpedo boats.

The immediate threat to our allies and friends in Indochina results from North Vietnamese aggression and Hanoi-sponsored communist insurgency in the region. At the present time, there are at least 150,000 North Vietnamese/Viet Cong (NVA/VC) personnel in the Republic of Vietnam, more than 60,000 VC/NVA and Khmer Communists (10,000-15,000) in Cambodia, and at least 120,000 NVA and Pathet Lao in Laos.

The war against the Republic of Vietnam remains North Vietnam's first priority. The major threat derives from enemy capabilities to launch large-scale attacks. Cambodia is likely to be the scene of continued enemy military and psychological pressure.

The continuing rise in the communist insurgency in Thailand provides a clear example of the ever present danger of modern revolutionary warfare, in which external communist influence and support fans problems arising from ethnic and social class differences into internal political subversion and thence to open armed aggression.

Armed insurgents operate from bases in much of Thailand's border area. The United States policy has been one of helping the Thais develop the ability to help themselves. This they are now learning to do -- particularly in the military techniques of aerial resupply, coordination of ground and air forces, and the use of fire support bases to assist maneuvering ground forces. There is also better intelligence, slowly improving police-military relationships, and the use of air-mobility -- all without the use of U.S. support troops.

5. Communist Military Assistance

Communist military assistance programs have come to be important instruments of Communist foreign and military policies. Thus, they impact directly upon our own security interests and upon the maintenance of international stability.

Since 1955 the Communists have supplied about \$26 billion in military aid. The Soviets have supplied more than 85 percent of this aid, the East Europeans 8 percent, and the PRC about 7 percent. Of the total, over \$16 billion has been supplied to other Communist governments -- most notably those of East Europe, North Vietnam, and North Korea. Almost \$10 billion has been supplied to the less developed countries of the Third World, primarily in the Middle East, and to India, and Pakistan.

While Chinese military aid to underdeveloped countries has been scattered, over 90 percent of Soviet military aid -- and

practically all of that aid committed in recent years -- has been given to countries situated in an arc running from the Eastern Mediterranean, through the Red Sea, to the Arabian Sea. In this arc are countries which either control the strategic Suez waterway, contain the bulk of the Free World's oil reserves, or are adjacent to the southern borders of the USSR.

About 60% of intra-Communist military assistance provided during the 1955-1971 period is accounted for by arms transfers between the USSR and Eastern Europe. The Soviets provided almost all of this aid, with the level of their assistance averaging over \$500 million annually since 1961. Poland and Czechoslovakia have annually provided a smaller, but sizeable amount of aid to other Warsaw Pact nations.

North Vietnam has received about 70% of its military aid from the Soviet Union, most of it from 1966 through 1971, and about 30% from the Peoples Republic of China. North Korea, another major recipient, received all but a small portion of its military aid from the Soviets. Since 1966, the Soviets have provided North Korea significant sums annually for force modernization. Soviet military aid to Cuba has been significant and is expected to continue at its present annual level for the next few years.

Almost 90% of Communist military assistance to non-Communist governments during the 1955-1971 period has been Soviet. Of this, over half has gone into the Middle East -- to Egypt, Syria and Iraq. The bulk of this aid has been provided since 1967, mostly to the UAR. The Soviets have also negotiated a military aid program valuing over \$300 million with Iran and concluded in 1971 a new agreement with Egypt.

The Soviets have also conducted a sizeable military aid program in Afghanistan and India and have provided aid to the States of North Africa and the Horn -- areas adjacent to the major recipient countries in the Middle East. The Eastern European countries, together, have provided about \$1.0 billion of aid to Third World nations.

The PRC has provided over \$300 million to the non-Communist Third World, most notably to Pakistan and Tanzania. Most of this aid was supplied after the Cultural Revolution. We expect that the PRC military aid program will grow.

There are gaps in our information about the purposes and scope of this sizeable Communist military assistance effort, and its impact cannot be precisely measured. In many cases, military

assistance is supplied to areas of obvious strategic importance to the donors -- such as Soviet aid to the Warsaw Pact nations or Chinese assistance to North Vietnam -- and is clearly security as well as politically oriented. In many other cases, the motives have appeared more specifically supportive of broad policy purposes -- such as Soviet aid to Cuba and Chinese programs in Tanzania.

Predominantly, however, Communist military assistance programs are selective, and constitute primary components of a campaign for influence and leverage. They provide the Communists with a direct, high impact conduit to the centers of authority in the recipient nations. Such aid has to a considerable extent, served to increase political leverage and thus to affect the behavior of assisted governments. Furthermore, these programs are often geared specifically to weaken relations between the U.S. and the country concerned. When tactically directed, as it typically is, to particularly nationalistic governments, Communist support can contribute substantially to the weakening or elimination of Western influence in target countries. In the past decade it has, in particular, facilitated an expansion of communist commercial and diplomatic presence in the Middle East, South Asia, and North Africa.

Influence is, of course, a subtle and largely immeasurable quality. Having procured Soviet arms, for example, a number of states now are heavily dependent on their donors for new logistical and technical support. At the same time, military assistance has enabled the Communist countries to establish rapport with recipient country military leaders and junior officers. In some cases improved access to recipient country ports, airfields and other facilities has apparently resulted from such programs.

A major part of Communist assistance programs are the low-interest, long-term loans they offer. While the easy terms are attractive, much of the aid is tied to purchases from or barter arrangements with the donor. Such arrangements can restrict the recipient's flexibility with regard to economic development. In addition, most military assistance offers include the services of military assistance training teams from the donor nation, or an invitation to assisted military personnel to come to it for training. The recipient armed forces are thus exposed to political as well as technical influence over their country's military establishment. The number of Communist military personnel in developing countries increased by about 40 percent between 1969 and 1971 -- from approximately 7,000 people to over 10,000. In their advisory capacities, they have played key roles in modernizing and reorganizing their host's military establishment.

A major impact of Communist military assistance frequently has been to upset regional military balances, introducing new sources of tension into already unstable areas. While Communist leaders are aware that their aid programs have on occasion encouraged some countries to engage in political and military activity that they otherwise might not have undertaken, they continue to supply aid to such countries if it fits their broad policy goals. Furthermore, as the performance of the PRC and the USSR in the India-Pakistani hostilities of December 1971 indicated, we continue to be faced with the prospect that the Communist powers will use military assistance as a means to play out their own rivalries, without regard for the effect on regional balances.

The United States must and will remain responsive, through strength and mutual cooperation, to challenges to our security and peace. But we wish, equally, to be alert to the possibilities of reducing the wasteful and destructive competition in providing conventional weapons.

The President has called for an end to confrontation and a beginning of cooperation. One element of that change could be the exercise of mutual restraint in military assistance programs. No nation can, in the long run, be served by adding to instability or increasing the risks of violence which could escalate into great power confrontations. Military assistance programs should strengthen rather than weaken regional balances and national development; they should respect the needs and national pride of the recipients, rather than make of them pawns in a greater international contest; they should, above all, reflect a genuine intent among major arms suppliers to bring conventional as well as nuclear weapons under control.

6. The Challenge to Technological Superiority

Forces in-being and military assistance are only part of the military threat to our nation's security. The technology behind the capabilities of our potential opponents, particularly the Soviets, is of real concern to us. With the continuing technological effort on their part, we must expect the Soviets will be capable of reducing our technological lead in some areas, and at some point in the future, we could even lag in certain critical areas.

Since the late 1960's Soviet expenditures for technological development have increased at an average annual rate of more than 10 percent. For 1972, as an example, the announced science budget of 14.4 billion rubles is almost nine percent greater than 1971 expenditures. A major portion of these science expenditures are

believed earmarked for military RDT&E and space exploration. Any substantial increase in science outlays would therefore include an increase in these military related technological efforts.

With a technological effort of that size, and without an appropriate effort on our part, we could lose our technological superiority, if we do not take and gain support for adequate offsetting actions.

Although these comments relate primarily to our estimates of funding associated with Soviet research, the same general trends are evident with regard to other measures -- manpower, facility growth, and basic research efforts. Given the fact that theirs is a closed society, if the Soviets were to take the technological lead it would be much more difficult for us to interpret the intelligence information we acquire, and to make confident decisions based on this information.

There may be other, perhaps dramatic changes as a result of the growth of Soviet technical capabilities, which could emerge unexpectedly from their closed society, and which could create urgent problems for us in the future. These surprises and consequent problems could occur across the spectrum of capabilities -- as unexpected threats to strategic force survivability, as new tactical weapons and surveillance systems which we might not understand or be able to cope with, or as major improvements in existing systems.

Some of the more important Soviet research and development efforts deserve mention. Admiral Moorer and Dr. Foster provide more detailed descriptions in their statements, as do the Service Secretaries and Chiefs.

- While the Soviets probably have not tested MIRVed missiles thus far, they have conducted many tests of the SS-9 with Multiple Reentry Vehicles (MRVs) since flight testing began in August, 1968. The last MRV tests were in late 1970.
- Extensive testing of the MOD 3 version of the SS-9 since 1965 is believed to be for development of either a fractional orbit bombardment system (FOBS), a depressed trajectory ICBM, or a system with both capabilities.
- Flight testing of SS-11 modifications commenced in 1969.

- Development of a new SLBM, designated the SS-NX-8, continues.
- The Soviets have accelerated their SLBM submarine construction.
- Soviet development of a new swing-wing bomber continues. This new variable-geometry wing (VGV), supersonic dash bomber, has been designated the BACKFIRE. It has a gross weight of more than twice that of our FB-111. There is a probability that it has a capability for inflight refueling. With refueling it could reach virtually all U.S. targets. Based upon the scope and pace of the BACKFIRE development program, we assess that this new bomber could become operational in the mid-1970s.
- During the past three years, we have noted testing of what appears to be an improved GALOSH ABM missile. It has a controlled coast capability and restartable engine providing a higher degree of flexibility in countering incoming RVs.
- The Soviets have deployed a wide-spread space tracking system within the territory of the USSR. This system would provide the Soviets with the capability of predicting the position of near earth orbiting satellites.
- New major surface combatants are currently under construction at Soviet shipyards.
- The Soviets are continuing to develop improved high fragmentation conventional weapons, and within several years the Soviets could have sizeable operational inventories of improved conventional artillery shells, bombs, missile warheads, and ASW weapons in theater force units. From our experience in Vietnam, we know that Soviet and PRC produce excellent foot mobile weapons: small arms, rockets, projectiles, grenades; and their surface-to-surface rockets are cheap, easy to maintain and quite reliable. Continued improvements are being made in these weapons and they are being distributed throughout the world.

I know you will agree that these examples show a very active and productive Soviet RDT&E program.

In addition to the assessments of Soviet RDT&E which have been conducted, we have examined the Soviet decision-making process for weapons system acquisition, and the relative costs for procuring comparable weapons systems in the U.S. and the Soviet Union. These investigations are continuing and will receive a new emphasis as we expand our Net Assessment capabilities. Preliminary indications are that Soviet industry receives the very highest priority within their economy and that the defense sector is probably the most efficient and productive of any part of the Soviet economic system. In addition, it seems clear that the Soviets are apparently allocating a higher percentage of their defense budget to the high technology area of research and development and space than is the U.S.

We cannot guarantee that technological surprises and problems will not develop, but to the extent possible, we are incorporating flexibility in our own development programs to hedge against increased threats or unexpected failures in U.S. systems. We also believe that our technology programs should result in diversified U.S. military systems, so that one adverse event is not likely to impact heavily on the U.S. deterrent posture.

Dr. Foster, in his presentation to the Congress, will enlarge on the technological challenge that we face from the Soviet Union, but I will note here that the Soviets continue to make a substantial investment in their RDT&E system. The Soviets certainly are aware of the growing U.S. domestic pressure for Defense RDT&E spending reductions and the Soviets have decided to continue their steady growth rate in expenditures for science and technology.

III. TOTAL FORCE PLANNING TO IMPLEMENT THE STRATEGY

A. THE FY 1973 BUDGET AND THE FIVE-YEAR PROGRAM

I presented to you last year the first Five-Year Defense Program of this Administration, indicating that we had essentially completed the transition from the expanded force levels needed to fight the Vietnam conflict to our baseline force for future planning. In the program I am presenting to you today, we are maintaining the baseline while designing the Nixon Doctrine forces needed to implement our strategy. The proposed peacetime force structure is, in my judgment, adequate to fulfill the basic planning requirements which I will discuss presently. However, this judgment is conditioned on effective implementation of the Total Force Concept -- both with regard to increasing the capability of our own Reserve and Guard Forces, and with respect to our allies' willingness to continue improving their active and reserve forces. Table 2 at the end of this Report provides a summary of the forces we now plan to maintain over the FY 1973-1977 period.

In the following sections, I will discuss many of the specific programs we are recommending in the FY 1973 Budget to preserve baseline capabilities; to provide for readiness, modernization and improvement in needed baseline capabilities; and to create additional options for new forces should future events require them.

Before turning to the specifics of our programs, I would like to discuss briefly the major trends in the FY 1973 Defense Budget. The FY 1973 budget I am presenting today is designed to provide a balanced program across the spectrum of capabilities required to implement our National Security Strategy of Realistic Deterrence.

1. Financial Highlights

Budget authority requested for FY 1973 totals \$83.4 billion. This is an increase of \$6.3 billion over FY 1972, and represents 29.8% of the total Federal Budget, the lowest level in 23 years. It should be noted that a large part, a total of \$4.1 billion or 65% of the \$6.3 billion increase represents increases in the cost of military, civilian and retired pay.

Defense outlays for FY 1973 are estimated at \$76.5 billion, up by \$700 million from FY 1972. Here again, the increase is much less than that for other federal programs. Defense outlays represent 30% of the federal budget in FY 1973, the lowest level since FY 1950. The percentage of the GNP devoted to Defense continues to decline -- from 7.0% in FY 1972 to 6.4% in FY 1973. This is a 22 year low.

We also are requesting a supplemental appropriation for FY 1972 totaling \$141 million in RDT&E and \$113.8 million in procurement funds. Only essential programs that in our judgment could not await the availability of FY 1973 funds have been included in this important request. We have proposed in our supplemental request additional funding to accelerate important programs within amounts that have already been authorized for appropriations during FY 1972.

2. Major Program Highlights

The FY 1973 Budget provides significant increases in the following areas:

- Budget authority for strategic nuclear forces will increase by \$1.2 billion, including a major step to strengthen the sea-based element (ULMS) of our deterrent and to procure a new Advanced Airborne Command Post (AABNCP). A major part of the supplemental proposed for FY 1972 is to be applied to these two programs. We are also continuing development of the B-1 strategic bomber to provide an option to improve that element of our deterrent forces for the 1980's and beyond.
- Budget authority for research and development will increase by \$1.0 billion, to provide the increased effort needed to maintain our technological superiority. The remainder of the FY 1972 supplemental will also be applied to R&D.
- Budget authority for shipbuilding and conversion will increase by over \$500 million to a level more than two times the 1966-1970 average, demonstrating our emphasis on modernizing and maintaining a strong Navy.
- Budget authority for Guard and Reserve Forces will increase by over \$600 million, reflecting their increased role under the Total Force Concept and the need to prepare them to augment the active forces in any future contingency.
- Training, medical and general personnel programs will increase by \$1.8 billion in FY 1973. This indicates the emphasis placed on personnel-oriented program as we move toward a zero draft and an All-Volunteer Force, as well as the increased costs of military retired pay and medical care and other support for active and retired military personnel.

- Support to other nations increases \$300 million, reflecting a larger increase for Military Assistance, offset by reduced requirements for support of Vietnamese and other Free World forces.

As for specific programs, in the strategic forces area major increases are proposed for the B-1, the sea-based missile force, Airborne Warning and Control System (AWACS), SAFEGUARD and the AABNCP. General purpose force funding increases are included for a fourth nuclear-powered aircraft carrier, the Air Force's new F-15 fighter, the Navy's new Patrol Frigate, and nuclear attack submarines.

Total military and civilian defense manpower is expected to be 3,394,000 at the end of FY 1973, the lowest level since 1950. This total represents a decrease of 38,000 from FY 1972, and it is 1,440,000 below the Vietnam war peak of FY 1968. Military manpower is down 1,189,000 and civilian manpower 251,000 from 1968 peaks. Over this same period defense-related employment in industry will also register a decline of about 1.3 million.

The dollar outlays for manpower continue to increase. Pay and related costs have increased from 53% of the budget in FY 1972 to about 56% in FY 1973, compared with 52% in FY 1971 and only 43% in FY 1964. However, budget authority for manpower is roughly constant at 53% for both FY 1972 and FY 1973.

As we proceed towards an all-volunteer force and as we seek to make military service more attractive and more rewarding, we can expect upward pressures on manpower costs to continue. We will continue our efforts to bring them into a more realistic balance with our other critical needs. It will not be easy to strike a balance between our equipment needs and our manpower needs. I believe, however, that the FY 1973 Budget will provide the minimum funds needed for both manpower and equipment and will give us the force capability and readiness which are essential for the National Security Strategy of Realistic Deterrence.

B. MILITARY STRATEGY AND FORCE PLANNING

Our goal is to deter war. The military means to this deterrence goal require maintenance of military forces -- sufficient for deterrence and adequate in size and readiness, when combined with the forces of our allies -- to defend our vital interests in the event of conflict.

In defense planning, the resources available to meet the requirements of Free World security include both active and reserve components of U.S. forces, the forces of our allies, and the additional military

capabilities of our allies and friends that can be made available through provision of appropriate security assistance programs.

History has shown the disparity between plans for and use of military force. We cannot predict in specific detail how our military forces might be used in any given situation. We can, however, specify what we want them to be able to do, provide some inherent flexibility, and estimate what they can do in likely situations. We must be sure that our forces provide relevant power -- power to reduce the probability of conflict; power to fight, if necessary, in defense of our interests.

Our FY 1973 Budget plus certain programs contained in the FY 1972 Supplemental request reflect in particular our concern about the nuclear threat posed by the Soviet Union. The programs we are proposing are the minimum required, in my judgment, to provide forces and development programs necessary to maintain our strategic sufficiency.

While our planned five year strategic force program reflects tentative decisions about deployment of certain forces under development, it is designed for maximum flexibility in order to take account of developments either in the threat or at SALT.

Our theater and tactical nuclear capable forces also serve an essential role in the spectrum of deterrence. To be a realistic deterrent, these forces must possess a credible and effective theater nuclear capability, backed by U.S. strategic forces. While these forces are designed primarily to deter nuclear conflict, they also serve to help deter conventional aggression because of the uncertainty surrounding the circumstances under which theater nuclear weapons might be employed. Our planning calls for moderate improvements in our current capabilities in this area.

Our force planning objective for theater conventional warfare is to provide for adequate ground, air, naval and mobility forces -- active and reserve, allied and U.S. -- which in combination with our nuclear forces will deter such conflict. This requires an effective and visible U.S. and allied capability to cope with major USSR or PRC aggression against any country or area vital to our interests.

We recognize that subtheater/localized conflict cannot be controlled or prevented by the unilateral fiat of any major power, and that such conflicts can erupt periodically and, in some cases, unexpectedly.

Force planning for both theater and subtheater conventional conflict involves the most appropriate application of the Total Force Concept. We have therefore established the following guidelines:

- Friendly countries should be encouraged to increase their regional and self-defense efforts, with due regard for maintenance of international economic stability.
- Security assistance should help foster regional security arrangements, so that individual country defense burdens are kept within practicable limits and regional arms races are avoided.
- Allied forces may be structured in a balanced fashion in anticipation of unilateral defense; or emphasis may be placed on developing forces -- particularly those for ground combat -- capable of operating effectively with U.S. support forces. Determination of which objective is most appropriate will depend on individual circumstances.
- The forms of security assistance will be chosen in accordance with local requirements, cost and availability.
- The U.S. general purpose force structure can be adjusted further when allied defense assets already on hand can perform the same function adequately. Similarly, future allied capabilities often will be able to substitute for U.S. forces. Where possible, we should support this local force development with appropriate security assistance.
- Any redeployments of U.S. forces presently stationed in forward positions will be carried out consistent with maintenance of adequate Free World forces to support our interests and those of our allies.

Four general categories, consistent with the above guidelines, govern our planning under the Total Force Concept. They facilitate, where appropriate, an orderly progression from heavy reliance on U.S. forces to increasing reliance on indigenous forces. These categories are:

Combined force planning assumes integration of U.S. forces with local forces and calls for force plans to be developed in close consultation with allies. Examples include NATO, Korea and Vietnam through the completion of Phase I of Vietnamization last year. This planning reflects detailed consideration of all assets available to the various countries in fulfilling necessary requirements for deterrent forces in peacetime and effective combat forces should deterrence fail.

Complementary force planning assumes U.S. obligations of some military nature to help defend a particular country under attack but generally does not include prepositioned, integrated U.S. forces on the ground during peacetime. This planning also is developed in close consultation with friends and allies. Examples include Thailand, Japan, and Vietnam until Phase II of Vietnamization is completed. The primary consideration with regard to U.S. forces is the role these forces would play in the event of conflict in augmenting national forces in areas where local capability is low or marginal. Primary reliance should be placed on the use of local manpower and the development of self-sufficient local capabilities against large scale external aggression, with the U.S. providing specialized support and necessary assistance, designed to augment local forces.

Supplementary force planning reflects a U.S. role in supplementing local capabilities primarily through the provision of appropriate security assistance. This planning emphasizes making available the requisite training, equipment and supplies to improve the deterrent forces of our friends and allies. Examples include Indonesia, Cambodia and certain countries in the Middle East.

Unilateral U.S. force planning reflects U.S. requirements for responding to contingencies where U.S. interests or obligations are at stake. This would involve only U.S. forces in situations where we would not expect active support from others.

As I noted earlier in my statement, an attempt to integrate more closely available Free World resources will require many changes in our past approaches -- changes which pose difficulties in both understanding and implementing effective programs.

While we are making substantial progress in our efforts to implement these total force planning guidelines, it will take time to complete the adjustment from the rigidities of the past to the realities of the future. These adjustments can and must continue to be made, both in our own force planning and in planning with our allies.

Let me now turn to a discussion of the details of the program which we are recommending to you for the forthcoming year, after which I will highlight some of the initiatives we are pursuing in our own force planning and in our relations with our allies.

C. STRATEGIC NUCLEAR FORCES FOR DETERRENCE

"Our forces must be maintained at a level sufficient to make it clear that even an all-out surprise attack on the United States by the USSR would not cripple our capability to retaliate. Our forces must also be capable of flexible application. A simple "assured destruction" doctrine does not meet our present requirements for a flexible range of strategic options. No President should be left with only one strategic course of action, particularly that of ordering the mass destruction of enemy civilians and facilities."

President's Foreign Policy Report
to Congress, 1972

1. Strategic Sufficiency and the Implications for Force Planning

In deterring strategic nuclear warfare, i.e., enemy use of nuclear weapons involving a direct attack on the U.S., primary reliance will continue to be placed on U.S. strategic deterrent forces.

In planning these forces, we have certain objectives derived from the sufficiency criteria. As explained last year these include:

- Maintaining an adequate second-strike capability to deter an all-out surprise attack on our strategic forces.
- Providing no incentive for the Soviet Union to strike the United States first in a crisis.
- Preventing the Soviet Union from gaining the ability to cause considerably greater urban/industrial destruction than the United States could inflict on the Soviets in a nuclear war.
- Defending against damage from small attacks or accidental launches.

I want to note, however, that these criteria are under intensive review in light of the changing strategic conditions, including the momentum of Soviet and Chinese nuclear capabilities, and potential outcomes in the Strategic Arms Limitation Talks (SALT).

As the President has stated, sufficiency includes maintaining forces adequate to prevent our allies, as well as the U.S., from

being coerced. Therefore, we also plan our strategic nuclear forces so that they will enhance our theater nuclear capabilities and the nuclear capabilities of our allies to deter attacks on them by strategic or other nuclear forces.

In order to maintain needed flexibility, we design our forces so that we have strategic alternatives available for use depending on the nature or level of provocation. This means capabilities that enable us to carry out an appropriate response without necessarily resorting to mass urban and industrial destruction.

Turning to specifics in our planning, although each element of our strategic offensive forces at the present time possesses a substantial capability in its own right, we plan to maintain a combination of land and sea-based missiles and manned bombers during the program period. This will enable us to take advantage of the unique capabilities inherent in these different systems, to provide a hedge against enemy technological breakthroughs or unforeseen operational failures, either of which might adversely affect our deterrent, and to complicate Soviet and PRC offensive and defensive strategic planning.

In our strategic defensive planning, we are designing our forces in accordance with the objectives already described, especially the deployment of defenses that limit damage from small attacks or accidental launches to a low level.

Our objectives for air defense of the United States include:

- Deterring air attacks by defending strategic retaliatory forces, and key military and urban/industrial targets.
- Defending the National Command Authority.
- Limiting damage from deliberate or unauthorized small air attacks.
- Restricting the unauthorized overflight of U.S. airspace.

Warning against ballistic missile attack on the U.S. will be based on maintaining a highly reliable warning network with adequate coverage. We seek to minimize the susceptibility of this network to any countermeasures. Furthermore, command and control systems should be secure, reliable, flexible, and survivable to insure that strategic forces are immediately responsive to political and military decisions.

In our research and development planning for strategic offensive forces, we are directing our efforts toward vigorous programs emphasizing innovation, flexibility, diversification, and survivability rather than, as some believe, the maintenance of a large independent retaliatory capability in each of the current force components. We are examining new concepts for future strategic offensive forces, keyed to an approach that diversifies U.S. programs if additional capabilities are needed in the future.

Our continuing analyses of strategic force effectiveness indicate that planned strategic forces should continue to provide an adequate deterrent for the near term. We have reliable and survivable strategic retaliatory forces today, and their capabilities for retaliation cannot be denied by nuclear attack in the near term.

2. The Planned FY 1973 Strategic Forces

No major changes in deployed U.S. strategic retaliatory forces will be evident in FY 1973, although we are continuing to make qualitative improvements in our forces. At the end of that fiscal year, our strategic offensive force levels will continue to include 1,000 MINUTEMAN missiles, 54 TITAN missiles, 455 B-52 aircraft (26 squadrons), 72 FB-111 aircraft (four squadrons), and 656 POLARIS and POSEIDON missiles carried in 41 nuclear submarines. In the strategic defensive forces, we will reduce to 585 manned interceptors and 755 surface-to-air missiles on site, together with associated warning and command and control systems.

With planned modernization, and with a phased SAFEGUARD deployment as appropriate, these strategic force strengths represent our baseline planning forces for the future.

3. Major Strategic Force Programs

The major programs for improvement and modernization discussed in the following sections are designed to provide capabilities to fulfill the basic planning objectives I noted earlier, while at the same time preserving flexibility to adjust capabilities in the future if necessary. A summary of the FY 1973 programs, and the FY 1971 and FY 1972 effort, is shown on the following page.

a. The Strategic Retaliatory Force

In the strategic offensive forces area, we continue to move forward with planned improvements to all elements of our deterrent in light of the continuing momentum of the Soviet threat.

Selected Strategic Forces Programs

	(Dollars in Millions)		
	FY 1971	FY 1972	FY 1973
	<u>Actual</u>	<u>Planned</u>	<u>Proposed</u>
	<u>Funding</u>	<u>Funding</u>	<u>Funding</u>
<u>Reliable, Survivable Retaliatory Forces</u>			
Development and Procurement of New Undersea Long Range Missile System (ULMS)	44	140	942
Continued Development of New Strategic Bomber, B-1	75	370	445
Development and Continued Procurement of Short Range Attack Missile (SRAM) and Modification of Aircraft	281	383	314
Continued Development of Subsonic Cruise Armed Decoy (SCAD)	-	10	49
Continued Procurement of MINUTEMAN III and MINUTEMAN Force Modernization (inc dev costs)	695	848	837
Conversion of SSBNs to POSEIDON Configuration, Continued Procurement of POSEIDON Missiles and Associated Effort	952	766	751
Development of Advanced Ballistic Re-entry Systems and Technology	100	104	104
<u>Reconnaissance, Early Warning, and Air Defense</u>			
Development and Deployment of Advanced Airborne Command Post (AABNCP)	1	120	141
Continued Development and Production of Airborne Warning and Control System (AWACS), and Over the Horizon Radar (OTH)	92	142	474
Continued Deployment of New Satellite Strategic Surveillance System and Development of Follow-on Systems	105	86	80
<u>Ballistic Missile Defense</u>			
Continued Deployment of SAFEGUARD	1,369	1,117	1,483
Identification and Development of Advanced Ballistic Missile Defense Technology by the Army's Ballistic Missile Defense Agency	104	96	102
Prototype Development of Hard-Site Defense	25	60	80
<u>Civil Defense O&M</u>	73	78	88

Last year I reported to you that we had made some hard decisions with regard to development of certain strategic force programs, and that we would continue to keep this area under close review. In light of continued developments in the threat, we have decided this year to accelerate development of the Undersea Long-Range Missile System (ULMS), as well as moving forward with development of the B-1 bomber.

Undersea Long-Range Missile Systems (ULMS)

The continuing Soviet strategic offensive force buildup, with its long term implications, convinced us that we need to undertake a major new strategic initiative. This step must signal to the Soviets and our allies that we have the will and the resources to maintain sufficient strategic forces in the face of a growing Soviet threat. It would be diplomatically and politically unacceptable for the U.S. to allow the Soviets to achieve a large numerical superiority in both land-based and sea-based strategic missiles. Moreover, there would be an increasing military risk that future technological advances in conjunction with much larger numbers of Soviet strategic missiles, might offset the qualitative improvements we are planning for our land-based strategic forces.

I have carefully reviewed all alternatives for new strategic initiatives and have decided that acceleration of the ULMS program is the most appropriate alternative, since the at sea portion of our sea-based strategic forces has the best long term prospect for high pre-launch survivability. The Navy assures me that this acceleration will permit deployment of the first ULMS submarine in 1978, at least 2-3 years earlier than would have been the case in the regular program.

In reaching this decision, we considered a range of alternatives, including further modification to existing submarines and construction of additional submarines using the basic design for the latest POSEIDON submarines. We concluded that acceleration of the ULMS development program was the best possible course of action available for several reasons including:

First: The ULMS program is already underway as a major development program. It therefore does not involve disruption of ongoing programs which already have high priority, such as the POSEIDON conversions and construction of nuclear attack submarines.

Second: ULMS offers the best technical program currently available to provide future sea-based strategic force capability. It makes the greatest use of new submarine quieting technology, and is capable of carrying a larger ballistic missile than can be fitted

in existing submarines. The option to deploy this larger missile provides flexibility for increased range, and hence larger operating area at sea, or alternatively a capability to carry large, more advanced penetration payloads at less range, should this be desirable in the future.

Third: Deployment of ULMS, with a capability to carry a greater number of large missiles, means that a given nuclear payload can be deployed with fewer boats and crews.

Finally: The ULMS missile development program will permit an option to retrofit the shorter range ULMS I missile into POSEIDON submarines in the future, should that be desirable.

A total of \$942 million is being requested for the ULMS program in FY 1973.

The ULMS program we are proposing will be discussed in further detail by other witnesses before the Congress. I am confident Congress will understand the need for accelerating the ULMS program, and will continue to provide this program the excellent support which it has received in the past.

The B-1 Strategic Bomber

The FY 1973 Budget includes \$445 million to continue engineering development of the B-1 intercontinental bomber, intended to replace the aging B-52 fleet. The B-1 is being designed to improve capabilities over the B-52 through faster reaction, increased resistance to nuclear effects, shorter escape times, longer range, greater payload, higher speeds at both high and low altitudes, reduced infrared signatures, decreased radar cross sections, and greatly increased ECM capabilities. In total, these increased capabilities would enhance pre-launch survivability and penetration capabilities of the manned bomber force for the post 1980 time period.

The B-1 is being developed in such a manner as to minimize concurrency between development and production. In this respect, there will be about one year of flight testing on the prototypes before a production decision is necessary. This approach would permit us to have the B-1 operational in meaningful numbers by the early 1980's.

As Secretary Seamans indicated during his recent appearance before the Congress, the B-1 engineering development contract with North American Rockwell is a "Cost Plus Incentive Fee" contract with

no provision for a buy option. I want to emphasize that we will not commit the B-1 to production before performance requirements are demonstrated. The program provides for seven basic milestones, and was changed significantly last year when two test aircraft were eliminated and other adjustments made in the development program. The first flight is scheduled for April 1974.

Other Programs

As I noted last year, to enhance the prelaunch survivability of our current strategic bomber force against the Soviet submarine-launched ballistic missile threat, alert aircraft are being dispersed over a greater number of bases, generally further inland than in the past. Nineteen satellite bases, each with austere facilities to support aircraft, will be in operation by the end of FY 1973. We are continuing to examine options for more extensive interior basing of this force, and other means to further improve prelaunch survivability against a broad range of potential threats -- the one of most concern being a postulated improvement to submarine-launched ballistic missiles, which would decrease the warning time available to the bomber force.

To improve the capability of the B-52 and FB-111 bomber force to penetrate improved defenses postulated for the latter half of this decade, we are requesting \$314 million in FY 1973 to: (1) procure Short Range Attack Missiles (SRAM); and (2) modify 92 B-52 aircraft to carry SRAMs. In addition, we are requesting \$49 million to continue development of the Subsonic Cruise Armed Decoy (SCAD) to counter projected improvements in Soviet area air defenses for the late 1970s. Both SRAM and SCAD will be compatible with the B-1.

SCAD, which is expected to have a range of several hundred miles, will simulate the radar characteristics of a bomber, thereby presenting many additional incoming objects that the Soviets must counter with area defenses. The SCAD is also being designed to accept, with minimum modifications, incorporation of a warhead with associated improved guidance and increased range. We presently plan to produce prototypes of key SCAD subsystems -- engines and avionics -- prior to making a decision to produce the system.

The SRAM carries a nuclear warhead and travels at supersonic speed. It gives the attacking plane a capability to "stand off" from a target and avoid terminal anti-aircraft defenses, or the capability to suppress the defenses and penetrate to the target. After a favorable test program, the Air Force entered into full production

of the missile last year.

We are continuing the program to deploy MIRVs in our MINUTEMAN and POSEIDON missiles. We consider this program essential to preserve the credibility of U.S. deterrent forces when faced with the growing Soviet strategic threat. The MIRV program provides a number of small, independently-targetable warheads on a single missile. Should part of our missile force be unexpectedly and severely degraded by Soviet pre-emptive actions, the increased number of warheads provided by the remaining MIRV missiles will insure that we have enough warheads to attack essential soft urban/industrial targets in the Soviet Union. At the same time, the MIRV program gives us increased confidence in our ability to penetrate Soviet ABM defenses, even if part of our missile force were destroyed.

Including MIRV, several major programs for the improvement and modernization of our land-based missile force are now underway, with a total funding requested of \$837 million. The budget includes \$415 million to procure a quantity of MINUTEMAN IIIs, toward a planning objective of 550 missiles. The force modernization program includes upgrading MINUTEMAN silos in order to reduce their vulnerability to nuclear blast and radiation effects. This upgrading program is coordinated with the replacement of MINUTEMAN I by MINUTEMAN III missiles to complete both the silo upgrading and MINUTEMAN III deployment programs efficiently.

In addition, our SAFEGUARD deployments will provide active defense of a part of our ICBM forces, and we are continuing prototype development of Hardsite Defense (HSD) to provide an option to protect our land based ballistic missiles against threats greater than those with which SAFEGUARD is designed to cope. I will discuss these programs and their relation to our overall planning in a later section.

We are continuing to convert POLARIS submarines to carry the POSEIDON MIRV missile. The POSEIDON development test program was completed in June 1970. Through February 1972, there have been 24 missiles fired from operational submarines. The Budget includes \$751 million to convert more submarines, procure more missiles and provide long lead items for conversions planned next year. Funding for the POSEIDON submarine conversion program should be completed in FY 1974, with the exception of outfitting and postdelivery costs.

One other important developmental effort that we are continuing in the strategic offensive area is the Advanced Ballistic Re-entry

Systems (ABRES) program. We plan to continue our investigations of several types of re-entry systems, and are requesting \$104 million in FY 1973 for this effort. Dr. Foster will discuss the details of this program with you.

b. Strategic Command and Control

As I explained earlier in this chapter we seek reliable, flexible and survivable command and control systems. The growing threat from Soviet strategic forces makes early improvements to our national command and control system imperative. The most critical need is for a survivable, enduring command post. Over the years, we have concluded that the best solution to this problem for the foreseeable future is to go airborne with adequate command, control and communications facilities on board. Accordingly, we have decided to move ahead and request funds for procurement of new aircraft for this purpose.

Our current airborne command and control system is deficient in that it lacks capacity for added communications and data processing equipment. We need to improve the survivability of the system, and to provide the more secure communications needed for control and execution of the forces, the long endurance, the space for sufficient high level staff to support the National Command Authorities, and the space for the battle staff and equipments which provide the information needed in the critical decision-making process.

Earliest possible correction of deficiencies is essential. We believe that by moving vigorously now we can greatly improve our command and control posture by early 1975. To achieve this goal, the first steps are to acquire aircraft with the size and endurance needed and to initiate acquisition of the new on-board facilities.

To perform the command and control job, a fleet of seven AABNCP aircraft is needed. We requested \$119.8 million in our FY 1972 Supplemental request to purchase the first Boeing 747 aircraft and related electronics. We propose to purchase two more aircraft in FY 1973 and one additional aircraft in 1974 to achieve early correction of our deficiencies. The initial aircraft will provide some important improvements in our capability by 1973. Three of these first four aircraft will use the existing EC-135 electronic equipment and the fourth will be used for a special electromagnetic pulse test program and as a test bed for the development and operational testing of those new equipments which will be needed. By providing a larger, more capable aircraft, even with the present electronic equipment, we will be able to obtain greater endurance, more flexibility, capacity for larger battle staffs, and additional space to put improved communications and automatic data processing as it becomes available.

To provide a much needed improvement in Naval and Air Force communications, and to strengthen the survivability and flexibility of our control and communications to the strategic bomber forces as well as the SLBM forces, we have initiated in FY 1973 a new communications satellite program for air and sea-mobile users-FLEETSATCOM.

c. Strategic Defensive Forces

1. Air Defense

At the end of FY 1972 the air defense forces will include a total of 27 squadrons of interceptors and a number of NIKE HEPCULES and BOMARC surface-to-air missile units. In FY 1973, no changes are planned in the total number of interceptor squadrons, but in keeping with our Total Force Concept, Air National Guard Air Defense forces are programmed to assume a greater share of the aerospace defense mission. At the end of FY 1973 they should include 4 squadrons of F-106s, 10 of F-102s, and 6 of F-101s. The other main force changes planned are reductions in BOMARC surface-to-air missiles, which back up our manned interceptor force, and the Back-up Interceptor Control (BUIC) sites, which provide backup air defense command and control.

Our air defense systems have not in the past been able to meet all of the objectives assigned to them. Command and control systems have been vulnerable, warning systems have been unable to detect all incoming aircraft using low-level penetration tactics, and our interceptors are too few in number and lack the "look-down shoot-down" capability required against low-flying bombers.

Because of this vulnerability and the reduced effectiveness of parts of our present air defense forces, we have decided to make some selected reductions in the current force levels, accepting some additional risks in the near term while pursuing development of more effective air defense components for the future.

To fulfill our air defense objectives we propose to continue research and development efforts that will give us the option to deploy an effective, survivable, modernized air defense force. Our FY 1973 Budget includes research and development funds for two key systems: the CONUS Over-the-Horizon radar (OTH-B), and the Airborne Warning and Control System (AWACS). We are also requesting funds to procure three AWACS test aircraft that could later be reconfigured as operational aircraft.

The CONUS OTH-B radar system is important because it offers the potential to provide distant, all-altitude detection of approaching aircraft. Tests now being conducted should soon provide performance data essential to a deployment decision.

AWACS will provide the capability to detect and track aircraft flying at all altitudes, against the surface clutter over land or sea. Two prototype radars are being prepared for flight testing in military versions of the Boeing 707 commercial jet aircraft and the tests should be completed in late 1972. We can then select the better radar system, and decide in light of circumstances at that time whether to proceed with the final stages of system development.

AWACS will also have the capability to serve as an aircraft control center for tactical air forces. In this role AWACS would improve the effectiveness of our tactical air forces by providing an aerial platform for the detection and identification of hostile aircraft and the direction and control of friendly aircraft assigned to counter those threats. The tactical AWACS would replace several airborne elements of the existing system used in the command and control of deployed tactical air forces.

We are examining the feasibility of using aircraft now under development as the basic airframe for an Improved Manned Interceptor (IMI); which would complement AWACS by providing "look-down shoot-down" capability with high endurance and good firepower. In addition, the Army surface-to-air missile system (SAM-D), currently under development primarily for field army use, may prove useful in a CONUS air defense role in the future as a replacement for the NIKE-HERCULES system.

2. Missile Warning and Space Systems

Early warning of ICBM attack will continue to be provided by the Ballistic Missile Early Warning System (BMEWS) radars and the "forward scatter" Over-the-Horizon (OTH) radar system. At the present time, the 474N system (SLBM detection and radar warning net) which can give only limited warning of an SLBM attack, has been improved with the addition of a long-range radar along the east coast in FY 1972. However, because of the restricted capabilities in these systems, a new satellite early warning system is being designed to meet requirements that BMEWS, OTH and 474N cannot fill. This advanced system will complement our radars in providing early warning of ICBM, SLBM and Fractional Orbital Bombardment System (FOBS) launches. The system will greatly improve the overall capability of our warning network, especially against SLBM launches.

Satellite tracking and identification is now provided by the existing USAF Spacetrack system and the Navy's SPASUR system; both are tied into the North American Air Defense Command and supported by the Space Defense Center for continuous space object cataloguing.

3. Ballistic Missile Defense

a. SAFEGUARD

The SAFEGUARD Anti-Ballistic Missile Defense System has been and continues to be designed to achieve several objectives outlined by the President to counter a combination of Soviet and Chinese threats. They include:

- "Protection of our land-based retaliatory forces against a direct attack by the Soviet Union.
- "Defense of the American people against the kind of nuclear attack which the Peoples Republic of China is likely to be able to mount within the decade.
- "Protection against the possibility of accidental attacks from any source."

A review was conducted again this year in accordance with the President's commitment of March 14, 1969. This review of SAFEGUARD includes:

Technical Progress

- The technical effort on SAFEGUARD over the past year has progressed very satisfactorily and there are no technical problems which would affect a decision to continue the SAFEGUARD deployment in FY 1973.
- Test results have been excellent. The second phase of the SAFEGUARD system test program began in the Fall of 1971. Of the seven tests conducted so far in this series, all have been successful.
- Construction at the Grand Forks site is on schedule and about 80% complete. Construction at Malmstrom has been delayed by about one year by labor problems with corresponding delay in site readiness to early 1976. Construction at Malmstrom has been restarted.

- All of the SAFEGUARD ground equipment for Grand Forks and Malmstrom is under contract and procurement of equipment has been initiated for the Whiteman site.

Threat

- The momentum of the Soviet nuclear threat continues and the nuclear capability of the Peoples Republic of China is increasing. (This is detailed elsewhere in this Defense Report.)

Diplomatic Context

- Negotiations on Strategic Arms Limitation (SALT) continue. Current focus in SALT is towards obtaining an initial agreement covering ABM systems together with some limitation on offensive missile systems. However, we cannot at this time be certain that a SALT agreement will be reached or what the provisions of an agreement would be.

For FY 1973, we propose to:

- a. Proceed with the planned deployment at the four MINUTEMAN sites.
- b. Continue with area defense research and development under SAFEGUARD and the Advanced BMD program.
- c. Initiate advanced preparations for defense of the NCA at Washington, D. C.
- d. Continue with the Hardsite Prototype development program discussed below.

This overall ABM program would:

- Enhance probabilities for SALT success by maintaining both the flexibility and the strength of the President's negotiating position.
- Provide a level of protection, dependent upon the nature and severity of the attack, for MINUTEMAN, and command and control centers in the central United States (Omaha and Colorado Springs) at the earliest possible time, and a base for defense of inland bomber bases with improved area defense components.

- Provide the means of affording added valuable time for decision-making and delegation of authority in the event of an attack on Washington, D.C.
- Provide a continued option for introduction of advanced area defense at a later time, should this become necessary due to threat developments.
- Provide the base for augmenting SAFEGUARD defense of MINUTEMAN sites with Hardsite Defense if threat developments warrant.

b. Prototype Hardsite Defense Program

With significant qualitative improvements in Soviet ICBMs even without increases in the number of Soviet ICBMs, the postulated threat to MINUTEMAN in the last half of the 1970s could grow to a level beyond the capabilities of the four site SAFEGUARD defense of MINUTEMAN. Therefore, we propose a FY 1973 Hardsite program funded at \$80 million in RDT&E funds plus \$20 million in construction that would permit initial deployment of the system in the late 1970s.

4. Civil Defense

We are proposing a limited number of changes in the civil defense program for FY 1973, including:

- enhancement of state and local capability in attacks and other disasters;
- reorientation of the program to emphasize, wherever possible, available protection from nuclear weapon effects and natural disasters.
- shifting of some on-going programs to systems that would only be implemented in a crisis in order to reduce peace-time costs and prevent rapid obsolescence.

Major elements of the new program include (a) maintenance of the current shelter system, but reorienting marking, stocking and home survey programs toward crisis implemented activities; (b) for shelter survey, creation of State Engineer Support Groups to give participating states the in-house capability to replace Federal Engineering Support currently provided; (c) use of analytical techniques to determine the most likely hazards for each community in the event of nuclear war, e.g., blast, fire, fallout; and (d)

development of guidance for local governments based on risk analysis, to include evacuation planning guidance for high risk areas.

During 1972 a prototype low frequency warning system will undergo final testing. It is expected to be operational by early 1973.

The budget includes \$88.1 million for Civil Defense. As in the past, a sizeable portion of the funds requested are for assisting State and local Civil Defense activities.

D. THEATER NUCLEAR FORCES FOR DETERRENCE

"the nuclear capability of our strategic and theater nuclear forces serves as a deterrent to full-scale Soviet attack on NATO Europe or Chinese attack on our Asian allies."

President's Foreign Policy
Report to Congress 1970 and
1971

In deterring theater nuclear warfare, i.e., enemy use of nuclear weapons overseas without a direct attack on the U.S., primary responsibility remains with the United States, but certain of our allies share in this responsibility by virtue of their own nuclear capabilities.

As I noted last year, with the rough equality of U.S. and Soviet strategic force capabilities, reliance on strategic weapons alone is not sufficient for an effective deterrent. Our theater nuclear forces add to the deterrence of theater conventional wars in Europe and Asia; potential opponents cannot be sure that major conventional aggression would not be met with the use of nuclear weapons. The threat of escalation to strategic nuclear war remains a part of successful deterrence at this level.

Our planning reflects a continued requirement to relate our nuclear weapon posture in the theater to our conventional posture in such a way that we have realistic options in the theater which do not require sole reliance on strategic nuclear weapons. Thus, we plan to maintain nuclear capabilities that contribute to realistic deterrence, while allowing for maximum flexibility of response in every major contingency we plan for should deterrence fail.

We are continuing to evaluate the long-term structure of our nuclear programs. Our current capabilities in theater assets, include tactical aircraft, missiles, rockets, field artillery, and atomic demolition munitions. Research and development and

weapon improvement programs are moving forward in this area, to insure that our weapons and the associated command and control systems have adequate capability and continue to emphasize minimum chance of accident. These programs will permit the continued sufficiency of our theater nuclear forces as an essential element of our deterrent posture.

E. CONVENTIONAL FORCES FOR DETERRENCE

"To serve as a realistic deterrent, our general purpose forces, together with those of our allies, must be such as to convince potential enemies that they have nothing to gain by launching conventional attacks.

"To deter conventional aggression, we and our allies together must be capable of posing unacceptable risks to potential enemies. We must not be in a position of being able to employ only strategic weapons to meet challenges to our interests. On the other hand, having a full range of options does not mean that we will necessarily limit our response to the level or intensity chosen by an enemy. Potential enemies must know that we will respond to whatever degree is required to protect our interests. They must also know that they will only worsen their situation by escalating the level of violence.

"It is our policy that future guerrilla and subversive threats should be dealt with primarily by the indigenous forces of our allies. Consistent with the Nixon Doctrine, we can and will provide economic and military assistance to supplement local efforts where our interests are involved.

"Our forces will be developed and deployed to the extent possible on the basis of a common strategy with our allies and a common sharing of the defense burden."

President's Foreign Policy Report,
1971

In deterring theater conventional warfare -- i.e., a major non-nuclear war involving the USSR or PRC such as a major conventional war in Europe -- U.S. and allied forces share the responsibility.

Under our Total Force Concept for Force Planning, U.S. general purpose forces include assets applicable to theater nuclear, theater conventional and sub-theater roles.

These forces include the full range of air, sea, and ground forces needed to meet our planning goals. The programs that we are recommending this year maintain this full range of capabilities.

National Guard and Reserve forces have a key role to play under the Total Force Concept in implementing the strategy. Reserve components will be the initial and primary source of augmentation of the active forces during a contingency. This increased reliance on the Reserves requires much higher readiness than they have had in the past, however, and we are continuing to emphasize the three key elements of combat readiness--equipping, manning, and training. Progress in the manning and training of the Reserves will be discussed in Section Two of this Report, Manpower Objectives.

There are three areas of significant progress in the equipping of Selected Reserve units to perform their mobilization missions. One takes the form of resource identification -- the establishment of formal procedures for observing and controlling equipment flow from the allocation of procurement funds to the receipt of hardware by the units. Another is the provision of equipment to fill requirements and the modernization of equipment on hand. The third is the provision of sufficient full time personnel to manage and maintain the greater quantities of modern equipment and to train other unit members in its use.

In the remainder of this section, I will discuss many of the modernization programs related to our active conventional forces, together with improvements in the equipping of the Reserve and National Guard forces.

Shown on the table on the following page are the major modernization and procurement programs that we are proposing in FY 1973 for the general purpose and mobility forces.

1. Ground Combat Forces

Our capability to respond directly to any conventional land conflict with a high degree of control rests primarily on our Ground Forces, both active and reserve. Their visible combat capability and their deployment in areas where we have important security interests contributes substantially to an effective deterrent posture.

The Army and Marine Forces are sized and structured to be able to respond in concert with our allies to a wide spectrum of

Selected General Purpose and Mobility Forces
Modernization and Improvement Programs

	(Dollars in Millions)		
	FY 1971 Actual <u>Funding</u>	FY 1972 Planned <u>Funding</u>	FY 1973 Proposed <u>Funding</u>
<u>Ground Combat Capabilities</u>			
Final Development/Termination Costs for Main Battle Tank (XM-803)	79	20	--
New Tank Development	--	20	20
Continued Production/Retrofit, M60A2 Tank	12	40	105
Continued Modification and Procurement of M60A1 Tank	66	32	56
Development and Continued Procurement of TOW and DRAGON Anti-tank Missiles	119	91	101
Procurement of LANCE Missile System	32	81	95
Procurement of Army Helicopters	126	35	--
Continued Development and Advance Production Engineering for CHEYENNE Helicopter	53	9	54
Continued Development of Heavy Lift Helicopter (HLH)	15	30	53
Continued Development of Utility Tactical Transport Aircraft System (UTTAS)	8	30	64
<u>Air Superiority and Air Defense</u>			
Continued Development/Procurement of F-15 Air Superiority Fighter	349	420	911
Procurement of F-5 E	9	79	101
Procurement and Continued Development of F-14 Multi-Mission Fighter	1,034	1,031	735
Procurement of PHOENIX Missiles	92	104	100
Procurement of Improved HAWK and CHAPARRAL/ VULCAN Surface-to-Air Missile Systems	104	94	106

	(Dollars in Millions)		
	FY 1971 Actual <u>Funding</u>	FY 1972 Planned <u>Funding</u>	FY 1973 Proposed <u>Funding</u>
<u>Air Superiority and Air Defense (Con't)</u>			
Continued Development of a New Surface-to-Air Missile System, SAM-D	83	116	171
<u>Interdiction, Reconnaissance, and Other Combat Aircraft</u>			
Procurement of A-7 Air Force Attack Aircraft	235	224	--
Continued Procurement of F-111 including Over-Target Costs and Performance Testing	626	487	160
Procurement of A-6E and A-7E Attack Aircraft	264	192	214
Continued Development and Procurement of EA-6B Electronic Warfare Aircraft and E-2C Fleet Early Warning Aircraft	308	523	380
Procurement of RF-4C Reconnaissance Aircraft	34	41	--
<u>Close Air Support</u>			
Development of A-X Close Support Aircraft	28	47	48
Procurement of AV-8A Close Support Aircraft for Marine Corps	87	114	133
Development and Initial Procurement of MAVERICK Air-to-Ground Missile	31	91	74
<u>Sea Control and Other Naval Forces</u>			
Procurement/conversion of ASW/AAW Destroyers (10 FY 71; 9 FY 72; 9 FY 73)	653	730	730
2 Nuclear-Powered Guided Missile Frigates, (DLGN-38 class)	206	195	--

	(Dollars in Millions)		
	FY 1971	FY 1972	FY 1973
	Actual	Planned	Proposed
	<u>Funding</u>	<u>Funding</u>	<u>Funding</u>
<u>Sea-Control and Other Naval Forces (Con'd)</u>			
Development of CONDOR and HARPOON Long Range. Standoff Missiles	41	60	64
Continued Development of AEGIS Ship Air Defense System (R&D)	72	99	82
Procurement of High Speed Nuclear Attack Submarines (4 FY 71; 5 FY 72; 6 FY 73)	662	904	1,042
Continued Development and Procurement of MK-48 Torpedo	166	182	184
Development and Initial Procurement of S-3A Carrier-Based ASW Aircraft	288	583	666
Continued Procurement of the P-3C Land-based ASW Aircraft	169	279	246
Patrol Frigate (Lead Ship)	1	11	193
Sea Control Ship (Advance Procurement)	--	--	10
Development and Test of Surface Effects Ship	20	26	50
Hydrofoil Patrol Craft	--	5	60
Advance Funding for CVN 70	--	--	299
LHA Program (Termination of Program at 5 Ships in FY 1972)	313	110	5
Procurement of Logistic and Support Ships	22	206	218
Procurement of Marine Corps:			
Amphibious Assault Vehicle	40	56	45
Helicopters	17	13	55
HAWK	12	1	21

	(Dollars in Millions)		
	FY 1971	FY 1972	FY 1973
	Actual	Planned	Proposed
	<u>Funding</u>	<u>Funding</u>	<u>Funding</u>
<u>Mobility Forces</u>			
C-5A Prior Year Unfunded Deficiencies	594	299	208
<u>Miscellaneous</u>			
Other AF Aircraft	(107)	(47)	(103)
VC-X (4 in FY 73)	--	--	19
Trainers (12 in FY 71; 10 in FY 72; 9 in FY 73)	35	47	48
120 UH-1H (300 in FY 71; 120 in FY 73) <u>1/</u>	72	--	36
<u>DoD Procurement for Other Agencies:</u>	(-)	(-)	(81)
VH-53 (6 in FY 73) White House	--	--	37
VH-1N (6 in FY 73) White House	--	--	12
LC-130R (5 in FY 73) National Science Foundation	--	--	32

1/ Air Force procuring 120 UH-1H for Payback to Army @ \$36 million in FY 1973.

conflict intensity ranging from a NATO confrontation with the Warsaw Pact to minor contingencies requiring perhaps only a few brigades or battalions.

The requirements for Army and Marine Forces are determined after consideration of their unique capabilities to satisfy specific requirements under the Total Force Concept. In our force planning we recognize these unique capabilities.

Taking the capabilities of our allies into full account, we have concluded that 13 active Army divisions and 3 Active Marine divisions is the minimum peacetime "baseline" force necessary to support national objectives during FY 1973. To counter a major conflict such as NATO, we would rely heavily upon a ready Reserve Component force of nine more divisions (8 Army, 1 Marine Corps) to reinforce our active forces.

Our strategy requires that we be able to respond to a wide range of potential conflicts against both "light" and "heavy" forces. We have structured and equipped major elements of our Army force to be primarily capable, together with our NATO allies, of defending against conventional attack in Europe against an enemy heavy in armor. At the same time we realize that conflict against less sophisticated forces would require different force capabilities. Other elements of the Army as well as our Marine Amphibious Forces would provide such capabilities.

Structured in this way, our ground forces do provide a necessary flexibility -- with a hard-hitting ground and airborne anti-tank capability in certain elements, and with other elements capable of relatively rapid deployment to global trouble spots.

The Army is continuing to improve its relative overall combat capability as its manpower resources decrease by reducing support forces and where possible trading off support forces for combat forces. The Army is also continuing to seek to improve the capability of their division organization. The Tri-Capability (TRICAP) division was activated in the spring of 1971 as an experimental division combining armored, air cavalry, and air-mobile forces. The TRICAP test program is expected to provide information for a major force decision concerning TRICAP.

In summary, by the end of FY 1972, the active Army force structure will consist of 13 active division equivalents. All 13 divisions are expected to be manned in FY 1973. The active Army will also maintain five separate brigades, one less than in

FY 1971. The Marine Corps will have three active division/wing teams. The reserve land forces will include eight National Guard Divisions and one Marine Corps Reserve Division, and 21 separate Army Reserve component brigades. Excluding the separate brigades, the above forces combine to form total U.S. General Purpose Land Forces of 25 division equivalents at the end of FY 1972, compared to 25-2/3 at the end of FY 1971.

By the end of FY 1972 we will have completed the planned reduction in major land forces from their level at the Vietnam peak. Total active manpower will be 841,000 Army and 198,000 Marines at end-FY 1973, compared with 861,000 and 198,000 respectively, at the end of FY 1972. This will be a reduction of about 838,000 in Army and Marine active manpower from the peak of about 1,877,000 at the end of FY 1968.

a. Modernization of Our Ground Forces

There are a number of important programs which comprise our plan to modernize the ground forces of the Army and Marine Corps. While later witnesses will discuss these in detail, I will highlight several major elements which I believe are of particular importance to our overall objective of improving ground combat effectiveness.

New Main Battle Tank Program. Action has been taken to terminate XM803 (MBT-70) tank development consistent with the action of the Congress last year. The Army has initiated a new tank development program with the immediate goal of defining design and performance characteristics which will enable the Army to field a tank capable of meeting the Main Battle Tank mission within the guidelines and constraints established by Congress. The program will take maximum advantage of lessons learned and technology developed in the MBT-70 program, as well as knowledge and experience gained from other tank and tank related programs conducted in recent years. The funds requested for FY 1973 will sustain both the planning effort and development of the most promising componentry until prototyping of complete systems can begin in FY 1974.

M60 Tanks. To continue improvements and retrofit of the M60 Series tanks, \$114 million is included in the FY 1973 Budget. Of this, \$10 million will be used for a conservative product improvement program to upgrade the M60 Series tanks, the Army's current main battle tanks. These improvements will provide for better performance and longer life. The remainder is for the production/retrofit of 316 M60A2 tanks. This will complete a program which provides a total of 540 missile firing tanks, not as a substitute for, but to complement our main battle tank.

In addition, the Army plans to continue its procurement of M60A1 tanks and has included \$49 million for 166 M60A1 tanks.

TOW and DRAGON. Deployment of the TOW to Europe began in 1970 and by the end of this year the Army will have all of these forces. We used competitive procurement for both launchers and missiles in FY 1972 and will realize a significant reduction in costs.

The DRAGON is a light weight anti-tank system designed to be hand carried by most forward ground combat elements. Like the TOW, it is destined primarily for our European based forces. Funds for the first year's procurement are included in our current budget request.

LANCE. Continued procurement of the LANCE missile system is planned for FY 1973 and \$95 million is included for this purpose. This system will replace the aging HONEST JOHN and SERGEANT systems. LANCE will have a primary nuclear warhead capability, and with greater mobility and quicker reaction time, will provide our ground forces in Europe with considerably increased survivable firepower. These improved characteristics will allow the Army to replace HONEST JOHN and SERGEANT battalions with LANCE on a less than one-for-one ratio with significant savings in manpower.

FY 1972 funds for the development and procurement of a non-nuclear warhead for the LANCE were recently deleted by both Congressional Appropriations Committees. The Army is preparing a request for Congressional approval to reprogram funds to continue non-nuclear warhead development. No FY 1973 funds are included for procurement of this warhead.

Advanced Attack Helicopter. During the past year, the Army has made an extensive examination of the handling qualities, weapons accuracy, avionics performance and human engineering of the CHEYENNE Attack Helicopter. Over 1400 hours of test time have been accomplished in the development of the program. The majority of the testing has been under Army supervision at the YUMA Proving Ground and both Army and civilian pilots have participated. The test aircraft have met most of the desired requirements of performance and the weapon subsystem have exceeded the Army's expectations, particularly in day and night firing of the TOW missile. Before any procurement, the Army is also making a detailed evaluation of the attack helicopter concept and the necessary system requirements. In this evaluation, the Army is expanding its evaluation of requirements by examining two industry sponsored prototypes. The results of

this testing effort will be available in early FY 1973. The information obtained from the review of the industry sponsored aircraft and the results of the operational testing of the CHEYENNE together with other information, will provide the basis for a decision to proceed further in FY 1974.

Heavy Lift Helicopter (HLH). The FY 1973 Budget includes \$53 million for continued development of the Heavy Lift Helicopter (HLH). Funds will support continued development of the critical components (rotor, transmission, drive system, flight control system, cargo handling system) of a tandem rotor helicopter. Development of engines to power a Test Stand for dynamic critical components will also continue. Funds are provided for initial development of a single prototype.

Utility Tactical Transport Aircraft System. The Army has entered the contract definition phase of development on a helicopter to replace the UH-1H in the air assault role in the 1980's. This helicopter, the Utility Tactical Transport System (UTTAS), will be the Army's first true squad assault helicopter. Its mission will be to transport combat troops and their organic mission-essential equipment in the assault, resupply those units while in combat, and perform the aeromedical evacuation mission. Industry proposals for developing this helicopter are expected on 31 March 1972, and the FY 1973 Budget includes \$64 million for this program.

SAM-D. The FY 1973 Budget includes \$171 million for engineering development of the SAM-D system which is planned to replace NIKE HERCULES and HAWK whose basic designs date from 1950's.

Technology advances in electronic countermeasures hold the potential for further degradation of our current air defense system effectiveness. SAM-D is being designed to maintain its effectiveness in an intense electronic countermeasure environment. By using the latest in digital signal processing and self-test concepts, the programmed SAM-D replacement of NIKE HERCULES and of HAWK will reduce personnel requirements substantially. FY 1973 will be the first full year of Engineering Development with completion scheduled for the late 1970s.

Marine Corps Modernization Program. The few unilateral Marine Corps development programs normally relate to capabilities peculiar to landing force operations. Such programs as the LVTP-7 and the improved CH-53 Helicopter are good examples. Many other service development programs can, and do, relate directly to Marine Corps requirements. Examples include the DRAGON and REDEYE missile programs. The Marine Corps follows these programs closely, and uses many of these systems once developed.

Modernization of Reserve Ground Forces Components. Turning now to the availability of equipment for allocation to the Reserve components, deliveries of combat serviceable equipment to the Army's Reserve components in Fiscal Year 1971 had a dollar value of about \$726 million, compared with our estimate last January of \$450 to \$600 million. These issues included 6,500 tactical radios, almost 15,000 wheeled vehicles, approximately 287,000 M-16 rifles, and 52 M-60 tanks. Equipment issues for Fiscal Year 1972 are forecast now to exceed \$900 million, and in Fiscal Year 1973 they are expected to be more than \$1 billion in value. These forecasts are based in part on programmed repair of serviceable, combat capable equipment in depot stocks. This year's budget includes special funds dedicated to the rework of equipment for issue to the Army Guard and Reserve.

If the projected flow of equipment is maintained, the Army's Reserve Components should have 99% of their authorized aviation assets by the end of Fiscal Year 1973 and all substitute and obsolete aircraft should have been withdrawn; other essential equipment requirements for early deployment combat units should also be met by the end of Fiscal Year 1973; and the remaining units should be substantially equipped by the end of Fiscal Year 1976.

The Marine Corps Reserve division units continued to be equipped in phase with the Active Marine Corps divisions. Marine Corps Reserve Aircraft Wing units are also continuing to modernize with CH-46 and CH-53 helicopters replacing the CH-34s and RF-4s replacing the RF-8s. As in the Naval Air Reserve, the A-4Cs are being supplemented by later A-4E and A-4L models.

The ground force modernization programs described in this section, which represent only a portion of our overall modernization program, will definitely improve our force effectiveness. Additional modernization effort is shown on the summary page. In addition, Secretary Froehlke and General Westmoreland will be prepared to discuss in considerable detail all aspects of the Army modernization program, as will Secretary Chafee and General Cushman for Marine Corps programs.

2. Tactical Air Forces

The threat presented earlier poses a wide range of potential conflict situations in which military response might be required. The tactical air force structure described in this section provides to the National Command Authorities a variety of options, ranging from small, conventional deployments to large scale conventional and/or tactical nuclear operations. These forces are being

structured to provide the responsiveness, positive control, and overall capability best suited to provide a wide variety of options to meet the requirements of our strategy.

The flexible nature of tactical air forces enables elements of the combat and supporting forces to be deployed as a package to meet threats to our national interests at the level of theater or subtheater conflict. These contingency force packages can be configured to expressly counter threats to our allies or for minor contingency situations where rapid reinforcement or force presence may be required.

In supporting the overall strategy, tactical aircraft provide a capability to carry out a variety of missions, including close air support, interdiction, counter air (both fleet and area), reconnaissance, tactical airlift, and special purpose missions. The majority of our tactical fighter/attack aircraft are capable of effectively performing several of the fighter and attack missions. The F-4 Phantom is perhaps the most well-known example, although the A-6, A-7 and F-111 also possess this capability.

Close air support missions are flown against enemy forces in close proximity to friendly forces. In FY 72-73 the primary fixed wing close air support aircraft will be the multi-service F-4, the Marine Corps A-4, the Air Force/Navy A-7. As the newer A-7D/Es enter the forces, they will substantially improve close air support and interdiction capability.

Both the Air Force and Navy have the capability to fly interdiction missions against a wide range of land and sea targets. Tactical aircraft with primary interdiction capability are the Air Force F-111, the multi-service F-4, Air Force/Navy A-7, and the Navy/Marine Corps A-6. The capability of these forces are being significantly improved by the addition of the F-111F, the A-6E, and the A-7D/E.

General purpose force air defense/air superiority missions are flown to protect friendly air, sea or ground forces from enemy air attack. The primary aircraft for these missions is the F-4, although the Navy does operate some F-8s for fleet air defense.

Reconnaissance aircraft provide surveillance of enemy activity through day and night photography, side looking radar, and infrared imagery. The Air Force and Marine Corps operate RF-4Cs to provide reconnaissance capability while the Navy operates RA-5Cs and RF-8 aircraft from carriers.

Tactical airlift provides the theater commander the capability to support deployed forces, to forward deploy forces from air and sea ports and to employ and resupply ground combat forces.

Special purpose aircraft are used in electronic warfare (detection of and countermeasures against enemy electronic emitters), special operations forces, tactical air control (enroute and terminal control of tactical aircraft), and airborne early warning (airborne search radar). Our FY 1972-1973 forces include a variety of special purpose aircraft: EC-121s used in SEA, A-37s used to provide ground support in lightly defended areas, Navy E-2s used as airborne radar platforms for the fleet, and EA-6B and EB-66, EB-57 and EC-47 electronic countermeasure aircraft. In addition, the Marine Corps maintains EA-6A aircraft for an ECM capability.

In order to meet the NATO threat, yet retain the flexibility and quick response capability to provide adequate support in Asia and other areas, in FY 1973 the Air Force will operate 72 active fighter/attack squadrons and 39 reserve squadrons. In addition, the Navy will maintain 70 active and 10 reserve Naval fighter/attack squadrons in FY 73. The Marine Corps will operate three active wings and one reserve wing as part of their Division/Wing teams. In addition to these tactical forces of the Air Force, Navy and Marines, 23 active reconnaissance squadrons will be operated along with six reserve squadrons.

a. Modernization of Tactical Air Forces

Modernization of our tactical aircraft forces is needed in order to meet the threat I described in the previous chapter. Newer Soviet aircraft that must be countered include such systems as the FOXBAT and a variable geometry attack aircraft.

Fighters

The increasing number and quality of aircraft being developed by the Soviet Union increases the risk associated with gaining and maintaining air superiority in any potential NATO/Warsaw Pact conflict. Air superiority in such a conflict is essential, if we are to conduct effective close air support and interdiction tasks without undue interference from enemy aircraft. The task of gaining air superiority when the enemy is operating in a friendly radar environment is extremely demanding and requires long-range aircraft with on-board systems for detecting enemy aircraft. The Air Force is developing the F-15 for this purpose. It is specifically designed to excel in air-to-air combat and is expected to have excellent maneuverability -- a vital factor in close-in air-to-air combat. The FY 1973 Budget contains \$454.5 million for the F-15

development program, and \$422 million for procurement of the first 30 F-15s, plus \$34.4 million for initial spares. Emphasis in early FY 1973 will be on obtaining flight testing experience before a production decision is made in the latter part of the fiscal year.

We are carefully examining the advanced technology applicable to the development of a low-cost single-purpose, fighter aircraft that could be procured in large quantities. This prototype project should help us obtain better information on costs and operational suitability before deciding upon development. A total of \$46 million is requested for the prototype lightweight fighter program in FY 1973. In addition, with our new emphasis on tailored programs for security assistance to our friends and allies under the Total Force Concept, 90 F-5Es are being procured in the MAP/MASF program to help our allies provide air defense against Soviet type aircraft.

In order to modernize the Navy's tactical aircraft, the Navy is continuing to procure the F-14 in FY 1973 for fleet air defense and air superiority missions. Once operational, the increased capability of the F-14 with the PHOENIX missile system will provide a better defense against the increasing air-to-surface missile threat to the fleet than is currently provided by the F-4. In addition, the increased range and radar capability compared to the F-4 will enable the F-14 to more effectively protect strike aircraft in the force projection mission.

A total of \$570.1 million is requested this year for procurement of 48 F-14As. An additional \$162.6 million is included in our RDT&E request for the F-14, and \$2.1 million for military construction.

There has been a great deal of controversy about the F-14, particularly with respect to its cost and estimated performance. I will discuss the contractual problems in a later section on organization and management. I do regard the existing contract as a valid and binding one.

With respect to F-14A performance, the plane has met specifications to date. Nine aircraft are now in a flying status with full radar and weapons systems tests scheduled during the next few months.

Attack Aircraft

In FY 1973 the Air Force will complete the procurement of three wings of A-7Ds. These aircraft, with the integral computer-aided, visual-delivery system, will provide increased capabilities in the close air support and interdiction mission areas. The A-7Ds are intended to replace the F-100s and a majority of the F-105s in the Air Force inventory.

In addition to the A-7D, we are improving our attack capability by procuring 12 F-111Fs for \$160 million in FY 1973 to complete a fourth wing of F-111s for the Air Force. The Air Force has procured the F-111F primarily for the long-range tactical interdiction role. With its radar bombing capability, the F-111 is particularly useful at night or in bad weather conditions. The F-111 and the A-7 can also serve a role in anti-surface ship operations -- a capability which could be directly applicable to total force operations in areas such as the Mediterranean, the North Sea and the Caribbean.

Reserve Fighter/Attack Aircraft

General Ryan, in his statement to the Congress, indicated the significant progress made by the Air Force in its program to modernize the Air National Guard and the Air Force Reserve. These are ready forces capable of responding on very short notice. Many of these units participate on a continuing basis with the regular forces and can easily integrate into these forces, if activated. The units in the process of transitioning to more modern and capable aircraft are intensifying efforts to complete their readiness training.

By the end of Fiscal Year 1973, the fighter force within the Air National Guard and Air Force Reserve units is expected to include six squadrons of F-105s, one of F-104s and one of F-4s. The attack segment of the Air National Guard is scheduled to have 25 F-100 squadrons, 3 A-37 units, and one unit of B-57Gs. The ANG will also possess one F-105 and one F-100 training squadron, in addition to the number indicated above. Additional modernization will be accomplished as more F-105s and F-4s become available from the Active force.

Modernization of Naval Air Reserve fighter/attack aircraft continued with a second F-8 fighter squadron being formed and a second squadron converting from A-4s to A-7s. All A-4C aircraft are scheduled for replacement with A-4E and A-4L models, and the F-6H fighters will be replaced with F-8Js in Fiscal Year 1973.

Special Purpose Aircraft

In addition to modernizing our fighter and attack aircraft, we are increasing the capability of our tactical air forces by making improvements in special purpose aircraft. The FY 1973 Budget contains \$184 million for 7 EA-6Bs and \$170 million for 8 E-2Cs, plus \$26 million for development of the two aircraft. Funds are included in the FY 1973 budget submission for the development of an Airborne Warning and Control System (AWACS) that can be used not only for strategic air defense, but for tactical air

control as well. The application of AWACS to the tactical mission area will enable the Air Force to consolidate in one aerial platform a variety of the functions, i.e., radio relay, command and control, etc., now being performed by many different aircraft.

The Navy is procuring the EA-6B to provide electronic counter-measures to assist A-7s and A-6s in penetrating sophisticated enemy defense. The Air Force is developing a modification to early F-111s using EA-6B electronics to provide similar escort capability for Air Force interdiction aircraft. Both the Navy and the Air Force are developing airborne early warning aircraft: the Navy is providing the E-2C for fleet air defense while the Air Force is developing a tactical version of AWACS.

The Air Force Reserve added this year a squadron of EC-121s to perform an Airborne Early Warning and Control Mission. Air rescue units of the Air Force Reserve are being completely modernized with the transition to HH-34 helicopters and HC-130 fixed wing rescue craft. ANG tactical reconnaissance units are converting to RF-4s. Some of the former reconnaissance units are converting to the attack mission.

Air Munitions and Missiles

FY 1973 will be the second year of a five-year procurement program to build an inventory of more sophisticated, more effective air munitions. When completed, this modernized air munitions inventory will, through a higher degree of effectiveness per sortie, improve the ability of our fighter/attack aircraft to achieve desirable effectiveness with fewer sorties and less exposure to anti-aircraft defenses.

This air munitions modernization program calls for significant additions of new munitions with better target destruction capability than those currently in the inventory. For example, the FY 1973 Budget contains \$128 million funds for: ROCKEYE -- a specially designed cluster bomb with anti-armor applications. The FY 1973 Budget also contains \$42 million for laser-guided bombs -- a much more effective free-fall bomb. Moreover, the TV-guided WALLEYE glide bomb program is being modernized to provide a weapon with a larger warhead and greater stand-off range.

Modernization of the tactical air-to-ground missile inventory includes \$61 million in FY 1973 for procurement of the TV-guided MAVERICK missile for the Air Force. The MAVERICK, with stand-off features, is designed to provide significant improvement in our anti-armor capability. The FY 1973 R&D budget contains \$58 million for HARPOON, a radar-guided anti-ship missile capable of being both

ship-launched and air-launched, and a promising counter to Soviet surface ships capable of launching cruise missiles.

Modernization of the air-to-air missile inventory is aided in FY 1973 by \$5 million R&D and \$95 million procurement for PHOENIX, \$12 million R&D and \$97 million procurement for an Improved SPARROW, and \$7 million R&D and \$29 million procurement for an Improved SIDEWINDER. The PHOENIX missile system is designed to provide the F-14 with a long-range, multi-shot capability for improved fleet air defense capability. The improved SPARROW will be more reliable and more maneuverable in medium range air combat than current SPARROW missiles. The Improved SIDEWINDER will be more effective in close-in maneuvering air combat than earlier versions.

Close Air Support

During the course of last year's hearings the close air support issue was examined extensively, including a special study effort by former Deputy Secretary of Defense David Packard. The first report of his group was submitted to Congress in June 1971, recommending continuation of the development of the Army's CHEYENNE attack helicopter and the Air Force A-X. However, specific tests were outlined for each service to accomplish before procurement would be considered. We expect the first flight of A-X prototypes in June 1972. The two airframe contractors are each building two prototypes that will begin a competitive fly-off in November 1972. A total of \$48 million is included in this budget for A-X development. Secretary Seamans has described the program in greater detail.

The report of the Close Air Support Review Group also recommended that we make certain tests with the HARRIER, a multi-mission V/STOL aircraft now being procured for the Marine Corps. We intend to continue with HARRIER procurement, and the FY 1973 budget contains \$133 million for another 30 aircraft to provide flexibility in tactical operations.

The Army's development of advanced helicopter gunships is discussed in the section on land forces. The Department is proceeding with the recommended tests, and I have continued the Review Group and have asked it to carefully examine Command and Control aspects of the close air support mission.

3. Sea Control and Other Naval Forces

The U.S. is a maritime nation dependent on sea lines of communication for international trade and support of our allies.

As a maritime nation we strongly support freedom of the high seas for commerce in peacetime, and we must maintain access to vital sea areas in the event of conflict to ensure support to our own forces and European and Pacific allies.

More specifically, in the Atlantic and Mediterranean area our forces, together with those of our NATO allies, should be capable of sea control operations to help ensure protection of deployed U.S. forces, military support shipping and an austere level of economic support.

In addition, U.S. and allied forces should be capable of keeping sea lines of communication to Europe open indefinitely at a minimum necessary supply level against a maximum Soviet naval interdiction effort.

In the Pacific, U. S. forces should be capable of supplementing the forces of our Pacific allies to ensure that a minimum necessary level of supplies can be maintained against expected threats to the sea lanes.

Our basic military strategy reflects these requirements, and a strong Navy is required to fulfill them. However, I would point out that under the Total Force Concept, the forces of our other Services can and do contribute to meeting this requirement, just as allied forces also contribute to overall capability. Moreover, our naval forces can and do operate in support of land operations.

The naval force levels that we are planning for FY 1973 include 16 aircraft carriers, a total of 242 missile cruisers, frigates, destroyers, destroyer escorts, and active naval reserve escorts, 60 nuclear and 27 diesel-powered attack submarines, and 66 amphibious ships. Counting all ships, the program includes a total of 594 active fleet ships and 58 Naval Reserve Force ships. For comparison, the planned end FY 1972 active fleet strength is 657 ships.

a. Modernization of Sea Control and Other Naval Forces

Aircraft Carriers. At the end of FY 1973, the aircraft carrier force will consist of nine FORRESTAL Class or larger, including the nuclear powered ENTERPRISE, plus three MIDWAY Class and four older carriers. The average age of the current carrier force is now over 18 years, with two ships now over 28 years old. Two nuclear powered carriers, NIMITZ and DWIGHT D. EISENHOWER, are under construction and are scheduled for commissioning in 1973 and 1975. The carriers will be ready for operational deployment about one year after commissioning.

As I stated last year, I am convinced that our responsibilities in the Atlantic, the Pacific, the Mediterranean and other ocean areas require that we proceed now with the construction of an additional nuclear powered carrier for the Navy to insure adequate aircraft carrier capabilities for the 1980's and beyond. The CVN-70 is needed to continue the modernization of our sea-based tactical air forces; it will replace an old conventional carrier.

We are requesting \$299 million in FY 1973 to procure long lead time items for CVN-70, which the Navy currently estimates will cost almost one billion dollars. The Navy will give details on its current cost estimate in its presentations to the Congress. This carrier, along with the USS ENTERPRISE and the two others currently under construction would provide us with four nuclear carriers, enabling us to operate two on each coast.

Other Programs. We are pursuing several important programs for modernizing and updating our other surface combatants. One of them is the construction of 30 new DD-963 destroyers, to be built by Litton Industries. Sixteen of these ships have already been funded, and the FY 1973 Budget includes \$612 million to procure seven more ships. We now plan to procure the last seven of the ships in FY 1974. In addition, the budget includes \$118 million to modernize two more guided missile frigates.

The Navy is also proceeding with construction of three new DLGN-38 class frigates, which will be equipped with both anti-aircraft and anti-submarine weapons. These three ships are to be constructed on a multi-year contract.

The weapons systems of our surface combatants presently are undergoing a comprehensive updating. The interim surface-to-surface missile system and surface-to-air missiles such as the STANDARD, BASIC POINT DEFENSE and NATO SEA SPARROW, are providing enhanced defense against certain high performance and long-range targets. In addition, a new surface-to-air missile system, AEGIS, and surface-to-surface system, HARPOON, are under development for our surface combatants. This year, increasing numbers of combatant ships will be equipped with LAMPS helicopters, which will increase the ship's surface surveillance capability and also provide active ASW coverage out beyond the range of ship mounted sonars. Most new surface combatants will have an aircraft capability to complement that of the primary aviation ships.

Naval Reserve surface forces have also been upgraded with more modern destroyers replacing older ships. During this past year the numbers of Naval Reserve ships were increased by three destroyers and three minesweepers. Proposed transfers in FY 1973 are three minesweepers and two tugs, with additional force including carriers,

programmed for future years. The Navy is studying plans to place more ships in the naval reserve as Active force levels are reduced.

Increasing emphasis is being given to ship-based aircraft for sea control operations. The Navy is continuing its evaluation of the "CV concept," aboard the USS SARATOGA. This approach involves employing attack, fighter, and ASW aircraft from the same ship, thus vastly increasing the range of threat response available on our carrier decks. The mix of aircraft on each CV will be especially tailored for its mission, ranging from primarily ASW to primarily attack. The Navy's experience to date indicates that the "CV concept" has considerable merit.

The nuclear-powered attack submarine (SSN) is also an important element of our sea control forces. These ships can perform a number of sea control missions. They can be used as barriers across strategic "choke points" to prevent an adversary's forces from getting to sea or returning home. They may also serve as open-ocean search and destroy forces, or in attacking opposing surface ships.

The Navy is continuing its major program to construct new SSN-688 class ships. The number of SSNs in the force will decline in future years as more new SSNs are delivered and the Navy moves closer to an all-nuclear force that is highly capable in the ASW role. The new 688-class SSNs will have a propulsion core life of more than ten years, as well as speed and other characteristics that are much improved when compared with those of earlier classes. Twelve of them are already under contract, and the FY 1973 Budget includes \$1,042 million to procure six more of these ships.

The submarine's primary weapons system consist of passive sonar and acoustic homing torpedoes. The recently-initiated procurement of the MK-48 torpedo should provide a significant improvement in our combat power. The advanced sonar being installed in the 688 class SSN will also add to this submarine's potential. We are also requesting funds to maintain development options for an advanced high performance SSN and a long range cruise missile.

The MK-48 Torpedo program is of major importance to the effectiveness of U.S. nuclear submarines against the current and projected Soviet naval threat. The MK-48 Mod 1 was selected in July 1971 for quantity procurement. Production is on schedule and this torpedo is scheduled to be introduced into the fleet in the near future. While this program has experienced many problems in the past, the Navy is now proceeding with the operational evaluation, with satisfactory results to date. A total of \$184.1 million is included in the FY 1973 Budget for the MK-48. These funds are primarily for procurement of torpedoes and related equipment, but also include \$7 million for R&D to exploit the results of the test and evaluation program.

Our air anti-submarine program is designed to provide a balanced force of both sea-based and land-based air ASW forces. Each possesses unique advantages under different tactical situations and in different tactical domains. The increased range and area coverage and improved sensing devices that our air ASW forces will attain should further enhance the effectiveness of airborne ASW.

The new fixed wing carrier-based ASW aircraft, the S-3A, is planned for fleet introduction in February 1974. This aircraft will be much more effective than the one it replaces, the S-2, and it will help to cope with the large Soviet submarine threat.

The S-3A development program is proceeding on schedule, and has met the first two milestones. The FY 1973 RDT&E budget contains \$37 million to complete the major portion of the development effort. We also propose to procure the second increment of production aircraft in FY 1973, and the FY 1973 Budget includes \$628 million for 42 aircraft. The budget also includes a small amount for military construction for this program. This procurement, along with the 13 aircraft authorized in FY 1972, will provide sufficient aircraft to convert the first fleet squadrons to S-3As in 1974.

The land-based patrol ASW aircraft are also an important part of our ASW forces. The Navy now maintains a force of 24 squadrons of the land-based P-3 ASW aircraft and expects to retain this force level for the next few years. We have been procuring the new P-3C aircraft with the more capable A-NEW avionics system to replace older P-3As and P-3Bs. These latter aircraft are being transferred to the Reserve forces as they are phased out of the Active forces to replace obsolete P-2 aircraft. The Third Reserve Squadron will complete the transition from P-2s to P-3s in FY 1973.

We propose to continue procurement of the P-3C in FY 1973, and the budget includes \$246 million to buy another 24 of these aircraft. Other programs included in the FY 1973 budget to improve sea control capabilities include:

- Patrol Frigate (PF). The PF will be a relatively small, gas-turbine propelled escort designed to protect convoys, amphibious forces and underway replenishment groups from air and submarine attack. It will not have the size and all the capabilities of our frigates and destroyers, but it should also cost much less than those ships. The FY 1973 Budget includes \$193 million to complete design and fund start-up costs, as well as build the lead ship.
- Sea Control Ship (SCS). Another ship currently in the review and design stage within the Navy is the sea control ship. Current Navy plans call for this ship

to carry a mix of helicopters and Vertical and Short Take-Off and Landing (V/STOL) aircraft to help protect underway replenishment groups, amphibious forces and military convoys. The precise characteristics, size and estimated cost of the SCS are uncertain at this time. We have included \$10 million in the FY 1973 Budget to finance the design effort, and hope to move ahead with procurement of the first ship in FY 1974.

- Surface Effects Ship (SES). The Navy has been working on test surface effects craft of various sizes for the past few years. If successful, this effort should produce ships with speeds in the range of 80-100 knots and capable of reasonably long range operations.
- Hydrofoil Patrol Boat (PHM). These ships should be about twice as fast as current surface combatants. The Navy plans, in conjunction with NATO allies, to build a missile-carrying hydrofoil boat designed to operate in littoral waters. The FY 1973 Budget includes \$60 million for the initial procurement of two PHMs.

The amphibious ship force at the end of FY 1973 will include 67 ships, with a capability to lift the assault elements of slightly more than one Marine Amphibious Force (MAF). To provide modern 20-knot ships, we are procuring five LHAs (a large ship capable of handling both helicopters and surface landing craft) and will accept delivery of the last of 20 new class LSTs.

The LHA construction program is behind schedule. These ships, and the DD-963 destroyers that I mentioned earlier, are being built by Litton Industries in a new shipyard. Problems have been experienced in this new and complex ship facility at Pascagoula, both in technical operation and in recruiting a proper workforce.

The Navy has advised me that LHA design work was not completed on schedule, and that this has retarded the DD-963 ship design work. At this time the LHAs are expected to be delayed 12-16 months, but it is not yet known what impact this delay will have on the DD-963 construction program. The Navy will be prepared to discuss this subject in detail.

In order to minimize fleet dependence on shore facilities, the Navy maintains a force of mobile support ships comprised of Tenders, Underway Replenishment Group (URG) ships, and other support ships. Many of the existing ships are old and obsolescent and in need of replacement. As a start on the modernization needed in this area we have included funds for four new support ships in the FY 1973 Budget

4. MOBILITY FORCES

a. Missions

A major requirement of our strategy is a capability to deploy initial or augmenting U.S. forces in time to cope with aggression which cannot be met by local forces alone. While our forces deployed forward in peacetime are an essential contribution to deterrence, a major portion of our forces are based in the United States. The objective of U.S. Strategic Mobility Forces is to provide flexibility of deployment so that appropriate military forces can be positioned and supported where and when necessary. The existence of these forces permits an overall force level lower than would otherwise be necessary to constitute a realistic deterrent.

The threats which our general purpose and mobility forces must be capable of meeting range from a minor contingency, requiring one to two brigades to a Warsaw Pact attack on NATO, requiring a number of divisions. Deployments to a minor contingency can for the most part be accomplished with the active military forces. To meet deployment requirements generated by an attack on NATO or Chinese aggression in Asia, we would rely on full mobilization of reserve forces and a large number of commercial aircraft and all available U.S. flag merchant ships in addition to the active force.

Present planning for the spectrum of possible deployments utilizes principally U.S. commercial and military assets. However, recognizing the considerable lift assets of our NATO allies, we are investigating increased participation on their part in supporting deployments to NATO.

b. Airlift

Strategic Airlift

As presently programmed, U.S. strategic airlift resources should provide the basic capability needed to meet our deployment requirements through the 1970's. By the end of FY 1973, the build-up of the C-5 force will be completed, and the active strategic airlift force will consist of 4 squadrons of C-5s (79 aircraft) and 13 squadrons of C-141s (275 aircraft). In addition to these military assets, U.S. mobility forces include approximately 330 commercial aircraft in the Civil Reserve Air Fleet (CRAF).

In FY 1973, we are planning to adjust the aerial ports so that our mobility forces have improved facilities and we are able to use more effectively our airlift system in support of our deployment objectives. We have also made adjustments in the ratio of active to

reserve personnel in our strategic airlift force by reducing the number of active personnel and increasing the number of reserve personnel in the associate units.

Additionally, military strategic airlift has the capability to deliver forces and supplies directly into the combat zone through assault landings and/or airdrop operations.

Tactical Airlift

In contrast to the strategic airlift force, which provides the deployment capability for U.S. forces, tactical airlift provides airlift within the contingency area for U.S. and allied forces. This support includes the movement of unit equipment, resupply, and passengers. In FY 1973, our active tactical airlift force will consist of 16 squadrons of C-130E aircraft and one squadron of specialized C-130s stationed in Alaska.

One of our needs in this area is to replace in the active forces the STOL airlift capability transferred to the Reserves and to the Vietnamese in the Vietnamization program. For this purpose, we are proceeding with a prototype for an Advanced Medium STOL transport program. The aim of this program is to develop an operationally useful prototype aircraft which will provide an option for procurement.

Reserve Airlift

In addition to our increased emphasis on the reserve portion of our strategic airlift force, we have also significantly increased the tactical airlift capability of the Reserve forces.

ANG and USAFR tactical airlift forces have been increased and modernized with the transition from C-124s and the older C-119s to C-130s. The C-7 Caribou will make its debut in the Air Force Reserve this year, and C-123Ks will also be added to provide STOL capability.

The Air Force Reserves will have 17 units equipped with 117 C-130 aircraft and 6 squadrons equipped with 105 STOL aircraft. The Air National Guard will possess 10 units equipped with 81 C-130 aircraft and one specialized C-123 unit in Alaska. The Navy is actively exploring methods of modernizing Naval Reserve airlift units, currently equipped with C-118's, by the introduction of jet transports.

c. Sealift

In the latter half of the 1970's, without acquisition of new

assets, our strategic sealift force of dry cargo ships will be limited to three roll-on/roll-off vessels. To meet wartime needs, we must rely almost exclusively on U.S. commercial shipping which can be mobilized under Presidential authority. During a NATO contingency, we could rely on the commercial shipping assets of our NATO allies although the availability of these ships in a contingency is questionable. In the next several months, we will be working with our allies to develop agreements regarding the earlier availability of such NATO-flag vessels. Despite these U.S. and foreign commercial shipping resources, however, we would also require specialized shipping, not currently available from commercial sources.

Military sealift procurement, requirements, and capabilities are currently undergoing an extensive interagency review entitled the Sealift Procurement and National Security (SPANS) Study. We are participating in this study along with the Department of Commerce, Federal Maritime Commission, the Office of Management and Budget, and Industry. We now expect the SPANS Study to be completed by the end of March, 1972, and recommendations should be forthcoming on the following issues: (1) possible revision of the competitive negotiated procurement system used to obtain rates for the movement of peacetime cargo under shipping and container agreements; (2) the need to acquire specially designed vessels for a fleet controlled by the Department of Defense, and (3) the development of a strengthened Sealift Readiness Program which will make available in a timely manner sufficient commercial shipping resources to meet the requirements of minor contingencies.

In addition to addressing these issues, the SPAN Study will also provide the factual basis necessary to update the agreement developed in 1954 between the Secretaries of Defense and Commerce (Wilson-Weeks Agreement) concerning the use of merchant shipping resources by DoD. If the government is to realize fully the benefits of the maritime/sealift programs of these two agencies, an effective policy must be jointly developed.

F. NEW INITIATIVES IN TOTAL FORCE PLANNING

As I reported last year, the Strategy of Realistic Deterrence calls for new initiatives and new concepts to complement Total Force Planning. Some of these initiatives will fall in areas where the U.S. bears the primary responsibility, while others stem from closer integration of our planning with that of our friends and allies. Some may more properly be called new directions or redirections of effort, rather than initiatives. Regardless of what we call them, we believe they are necessary---to modernize our forces, reshape them to future environments, and to provide for our security.

1. U.S. Force Planning Initiatives

Last year I described a number of initiatives that we were taking in order to strengthen our forces. This year we hope to build upon these initiatives begun last year, add new ones, and make them a successful part of our overall force planning.

One new initiative under the Total Force Concept relates to Air Force-Navy cooperation to counter Soviet naval threats. Additional tests of the effectiveness of guided weapons against surface vessels are in progress. The Air Force has developed tactics and has updated training manuals for ship attacks. In addition, we are developing plans to take full advantage of the versatility, range, sensors, and weaponry of our new aircraft to assure that our total forces can continue to deal effectively with the Soviet surface fleet.

The Army is also experimenting with the TRI-CAP division. Initial results on the TRI-CAP division look favorable, but we will not be in a position to thoroughly evaluate the utility of this concept until further tests have been completed.

The Navy is studying the possibility of using merchant ships for underway replenishment and rapid deployments in a wartime contingency. The advantage would be to reduce the need for shipbuilding funds to procure new Navy support ships. The Navy will test the feasibility of using a commercial tanker to refuel Navy ships in a series of tests early this year.

Another new item the Navy is considering is the homeporting overseas of fleet units forward deployed. This action could enable us to get better utilization from our force levels during peacetime without adverse family separation effect. Some units are already established in Japan and the Philippines, and we are now examining the merits of additional forward deployments in the Mediterranean, Western Pacific, and Northern Europe.

Indicative of Total Force Planning within the Air Force are the new initiatives which assign a greater share of the CONUS air defense tasks to the Air National Guard. During 1973, the number of Air National Guard units committed to air defense will increase to 24 from a total of 17 units in FY 1972. Notably, this increase of about 24% will result in ANG units possessing more than two-thirds of the total interceptor aircraft assigned to CONUS air defense. These factors illustrate the potential of the Air Reserve Forces to perform essential tasks under the Total Force Concept.

We intend to continue searching for new initiatives that can improve force capabilities and readiness. We will also pursue other new initiatives, both in the area of technology, and in planning with our allies.

2. The U. S. Technology Base and Technological Initiatives

Research and development effort continues as a key factor in Free World capabilities to deter a wide spectrum of conflict.

Maintaining technological superiority requires a dynamic research, exploratory and advanced development effort. The Soviets appear to be seeking to surpass us in military related technological efforts, but we intend to maintain clear military technological superiority. We cannot afford the loss of that superiority. We simply cannot compete with a closed, secretive society without the confidence of knowing the "upper limit" of their military offensive potential at all levels of warfare -- and we can know this only if we have technological superiority.

These latter requirements on the Defense RDT&E community are substantially independent of force levels. As I explained last year, we are continuing to support increased RDT&E expenditures in the face of an overall declining force level. The sheer magnitude and trend of Soviet scientific/technological endeavors appears to be unchanged from last year, and it is obvious that the Soviets are mounting a severe challenge to our own present technological superiority. We know that their latest research in several areas is comparable to our own.

This year, in order to maintain our technological superiority, we are requesting a substantial increase over last year and insisting that the Defense community find better management techniques to stretch the productivity of their efforts. Dr. Foster will describe our efforts in greater detail.

There is one area I would like to describe in which we are seeking to get more from our R&D investment. It involves a greater effort to adopt allied developments to our own requirements as a means of increasing the productivity of our combined Free World efforts. This approach clearly represents an example of successful implementation of the Total Force Concept and a step forward in the Administration's policy of partnership. The severe competition for national resources makes it virtually impossible for the U.S. to plan to retain technological superiority across the full spectrum of defense technology all by itself.

Our European and Pacific Allies have built up a strong technological capability at an impressive rate. Collectively these Allies spend about \$3 billion on R&D for tactical weapons, approximately equivalent to the U.S. effort. We have begun a major effort with our allies in an attempt to achieve better coordination of our R&D programs, so that we can better benefit from the advances made by our allies in tactical weapon technology. By doing so, it may be possible to increase our own R&D efforts in critical scientific frontiers, which can be of major help in maintaining our lead in advanced technology so vital to our security.

This implements the Total Force Concept in an important new way. It means that the U.S. would depend on its allies for some of its development needs. This dependence would not affect our economy because we would intend, with the help of our industry, to produce any selected allied weapon systems here in the U.S. To this end, we have undertaken to provide our industry a greater degree of freedom in establishing working relationships with European and other allied industries. We do not expect that this dependence will ever be more than a small percentage of the overall U.S. defense effort. But for its small size, we would expect large improvements by reductions in international duplicative developments which will help us and our allies while increasing the bonds of partnership and solidarity between us.

We also see some benefit in competitive international developments in tactical weapons. By emphasizing hardware prototypes and testing them realistically in the field, we can obtain better equipment at less cost. This testing can serve the U.S. needs for competition. If we and our allies can learn to depend on and select the winner for our inventories, we can make an important contribution toward improving standardization, compatibility and interoperability of our forces in the field. This would be a significant step towards reversing a deteriorating trend in this area.

We have also expanded our technological data exchange programs with our Allies and instituted new programs. For example, we have

exchanged data with the Republic of Korea, in the hope of establishing an improved technological base for them to develop and produce basic spares and equipment. We believe that this data exchange program is important, because it is through such information exchange programs that the first steps are taken to harmonize requirements and coordinate research and development plans.

Dr. Foster and his staff have explored the promises and potentials of international cooperation with our allies within the parameters described above. He will discuss this matter in more detail and describe examples where interdependence in R&D between us and our allies could benefit the U.S. and improve the overall Free World defense posture.

G. REGIONAL CONSIDERATIONS AND TOTAL FORCE PLANNING

1. Total Force Planning in Europe

Our general purpose theater force requirements are largely determined by planning for U.S. and allied conventional forces which will deter the Warsaw Pact nations from conventional attack of NATO Europe. We and our allies also must insure -- and display -- our ability to sustain and reinforce our deployed forces and those of our allies through control of the air and sea lanes.

Our force planning for NATO has been developed to implement our agreed strategy. In this regard, it is appropriate to note what the Defense Ministers stated in their communique of December 8, 1970:

"Ministers confirmed the continued validity of the NATO strategy of flexibility in response, which includes forward defense, reinforcements of the flanks and capabilities for rapid mobilization, and calls for the maintenance of military capabilities which are able to provide an appropriate counter to any aggression. They noted the continuous rise in Soviet defense and defense-related expenditure and the evidence that the USSR is continuing to strengthen still further its military establishment, including that in the maritime field where Soviet power and the range of its activity have markedly increased. They, therefore, emphasize the need for improvements in NATO's conventional deterrent, as well as the maintenance of a sufficient and modern tactical and strategic nuclear deterrent.

"The security of NATO being indivisible, Ministers underlined the special military and political role of North American forces present in Europe as an irreplaceable contribution to the common defense."

Our relationship with our NATO allies during this past year provides an excellent example of the Total Force Planning Concept at work.

a. NATO Planning in Perspective

You will recall that in the early stages of this Administration, we undertook an intensive review of our defense needs, deficiencies and policies in Europe. We also worked closely with the allies in a parallel study effort pertaining to NATO as a whole. From this comprehensive assessment and intense consultation with our Allies emerged the NATO Study on Alliance Defense Problems in the 1970's, known as AD-70.

In December 1970, the NATO Ministers approved this study at the Ministerial Meeting in Brussels, identifying the specific deficiencies in NATO's conventional defenses and establishing an action program of force improvements designed to reduce imbalances between NATO and Warsaw Pact conventional capabilities. At that same meeting, the European allies initiated the European Defense Improvement Program (EDIP) of about \$1 billion of additional expenditures over the following five years, about half for improvements to their own forces and the remainder for a program of aircraft survival measures consisting of the construction of aircraft shelters and related protective facilities. A large number of these shelters will be for U.S. aircraft but at about 30% of the cost in U.S. military construction funds, since there will be about 70% recoupment from EDIP funds.

At the December 1971 Ministerial Meeting, the Ministers assigned priority areas within the overall AD-70 program of force improvements for early action.

On December 7, just prior to the Ministerial Meeting, the Euro-Group Nations, which set up the special European Defense Improvement Plan in 1970 (UK, FRG, Belgium, Netherlands, Luxembourg, Italy, Norway, Denmark, Greece and Turkey), announced a combined total increase in their 1972 Defense Budget of over \$1 billion, and identified significant improvements along AD-70 lines.

b. U. S. and Allied Cooperation in NATO

The past year has been one of considerable stability in Europe, and of the expansion of cooperation within the NATO alliance. The

alliance defense effort has been put on its most solid footing in many years as a result of the NATO AD-70 efforts, the desire of the Europeans to show that they are definitely shouldering their part of the NATO defense burden, and our own efforts to restore the readiness of our forces in Europe.

That our efforts have been reasonably successful in the past year is, however, no reason for complacency. The common coordinated force improvements must be sustained, because we see no slackening of Warsaw Pact defense capabilities, but rather improvements.

On the whole, I am pleased with allied efforts to assume a greater role in the collective defense effort. In this connection, I want to make special mention of the two-year Offset Agreement just concluded with the Federal Republic of Germany in December in Brussels. This is another tangible example of the progress we have made toward achieving the President's goal of a greater sharing of the burdens of the alliance. I would like to call attention to one feature of that agreement in particular. The Federal Republic has embarked on an extensive program of 600 million Deutsch Marks (about \$183 million) to refurbish at no cost to the U.S. the antiquated facilities in which our troops have been living. I have been personally concerned that everything be done to insure that our troops enjoy adequate living conditions.

1. Allied Improvement Efforts

The EDIP program announced by our Allies in December 1970 is being rapidly implemented. Over two-thirds of the total program of aircraft survival measures (i.e., shelters and other facilities) is already the subject of definite NATO programming or implementation action. Action on special national force improvements announced as a part of EDIP are also moving forward on schedule.

But the EDIP is only a small part of the European contribution to the Alliance. For the year 1972, almost all of our allies are planning increases in their defense budgets. As I noted earlier, at current prices the total planned increase for 1972 is well over \$1 billion, without counting certain possible supplementary budget appropriations to meet further rises in costs. Our allies in the last few years have also taken important steps to modernize the structure and equipment of their forces. These steps are generally in consonance with the priorities established in the AD-70 study, and the allies are also engaged in reexamining and where necessary reshaping their ongoing defense programs to fit those priorities. They have important programs for the modernization of their forces.

Our allies have made clear that the maintenance of their force levels and their extensive improvement programs are worthwhile because of the continued U.S. commitment to NATO defense, given the high quality of U.S. forces, and the critical part they play in NATO defense plans. They have also made clear that efforts to achieve sufficient defense capabilities are a necessary precondition to realistic negotiations on security and cooperation in Europe.

2. Improvements to U.S. Forces in Europe

The U.S. is also making a strong effort to maintain and improve its forces in Europe. During the past five years, manpower shortages and personnel turnover have caused readiness problems for U.S. forces in Europe. In the past year we raised the priority of European forces for personnel, and the units are now at virtually 100% of authorized manning.

We plan to continue our FY 1973 force deployments to Europe at current levels, with minor adjustments as appropriate consistent with force modernization and improvement in efficiency of support components.

Modernization of the equipment of U.S. forces is also progressing well. In the first instance, we are making significant improvements in our anti-armor capabilities. The TOW anti-tank guided missile is being introduced in significant numbers now, and the smaller DRAGON missile will follow. We will soon introduce the M60A2 tank with stabilized guns and SHILLELAGH missile launchers with a new laser range finder. Our program to replace gasoline-drive armored personnel carriers with new and improved diesel models is nearing completion. We have almost completed modernization of the helicopter fleet and are equipping Army aviation units with new transports. We plan to deploy the LANCE missile to Europe as scheduled.

For our tactical air forces, we will complete conversion of F-100 aircraft to F-111 and F-4 in FY 1973. We have already built some 360 aircraft shelters and should finish the program with over 400 by the end of calendar 1972. We also hope to decrease force vulnerability by increasing the number of available dispersal bases and thus reduce wartime air base loading.

In addition to our own force improvements, both made and planned, we have offered recommendations to the allies for additional measures to bolster allied security. In the spring of 1971, we proposed certain new weaponry for NATO forces.

We further called upon the allies to take a greater role in coping with increasing Soviet naval capabilities in the Norwegian Sea and Mediterranean areas. We have also encouraged the allies to consider and suggest still other measures with which all of us might be able to further enhance our collective capability.

Another significant feature in allied defense planning is the work of the NATO Nuclear Planning Group. The activities of this Group, including the Ministerial sessions that I attend with my colleagues, represent one of the most important and valuable examples of Alliance cooperation.

At the two Ministerial sessions of the Nuclear Planning Group during the past year, I presented briefings on the balance of strategic forces, and shared in frank and useful exchanges with my colleagues on the implications for NATO of recent trends and developments in this area. The major field of work by the Nuclear Planning Group has been a continuing series of studies on the tactical use of nuclear weapons in defense of the Treaty area in support of the strategy of flexible response. A number of studies were completed during the past year, including one that German Minister of Defense Schmidt and I presented to the Nuclear Planning Group in October. These studies have given valuable insights into a critical area of NATO defense. This work program is expected to assist in the development of further guidance on the tactical use of nuclear weapons to augment the political guidelines for their use in defense of NATO approved in 1969. This effort will constitute a vitally important and challenging task for the Nuclear Planning Group in the months ahead.

c. Negotiations Aspects

Our NATO allies are clearly aware of President Nixon's program to move from confrontation into negotiation. At the December 1971 Ministerial meeting, the allies recognized the importance of maintaining our strength and partnership while moving toward detente, reaffirming the Alliance position that its overall military capability should not be reduced except in the context of mutual and balanced force reductions. For our part, we reaffirmed the U.S. position that, given a similar approach by the other allies, the United States would maintain and improve its forces in Europe and would not reduce them except in the context of reciprocal East-West action.

We are working closely with our NATO allies in preparing for possible negotiations on mutual and balanced force reductions (MBFR)

in Europe. Over the past year our Government submitted to NATO three major studies on this subject, and we intend to submit the results of future studies as they become available. Only by working closely together can we insure that allied solidarity is preserved.

Our objective, as we move forward with our Allies in developing positions on MBFR, is the maintenance of Alliance security, with a more stable military balance at lower levels of forces. We are considering MBFR in a comprehensive manner, focusing on a combination of reductions, collateral constraints (such as limitations on exercises), and verification provisions. We have concluded that NATO force improvements and MBFR must complement each other; we will need to move forward with force improvements before, during, and after MBFR negotiations.

We are confident that our efforts will ensure that we are thoroughly prepared for MBFR negotiations at such a time as they can be brought about. In this regard, Allied Ministers have invited the Warsaw Pact to hold exploratory talks on MBFR, and Mr. Manlio Brosio has been appointed and given a mandate to explore this subject. Although the USSR and the Pact have failed to date to respond to these NATO initiatives, we and our allies remain prepared to discuss MBFR should they see fit to respond.

d. Summary

Clearly, the year 1971 has been a year of progress in working together with our European Allies in maintaining and improving our own and allied forces to meet the common threat and to share the common defense burdens more equitably. The historic decisions of the December 1970 Ministerial meeting were given impetus during the past year and received new emphasis from the NATO Ministers at their December 1971 meeting in Brussels. I have been heartened by this demonstration of allied spirit in response to U.S. and allied needs in Europe. This integrated planning effort and action program is most essential to provide for our common security, especially in light of the continuing expansion of military power and potentials by Warsaw Pact nations. It is essential to the allied partnership, and it is essential to the maintenance of a position of strength from which to negotiate differences with our adversaries in the pursuit of peace.

2. Total Force Planning in Asia

"In the next decade our Asia policy will be dealing simultaneously with three phases of Asian development. In some countries, there will still be an absolute -- though we hope diminishing -- need for us to play a central role in helping them

meet their security and economic requirements. In others, we will complete the process of adjusting our relationship to the concepts of the Nixon Doctrine. And with all countries, we will be striving to establish a new and stable structure reflecting the renewed vigor of the smaller Asian states, the expanding role of Japan, and the changing interests of the Soviet Union and the Peoples Republic of China. . ."

President's Foreign Policy
Report to Congress, 1971

The United States is a Pacific power, and as such must recognize and accept its responsibilities in the area. We seek to do so as a partner, as one of a group of concerned nations acting in concert. It is our objective to support our allies and fulfill our treaty commitments in the context of the Nixon Doctrine.

Last year I noted that we do not plan for the long term to maintain separate large U.S. ground combat forces specifically oriented to the Asian theater alone, but we do intend to maintain strong air, naval and support capabilities. To serve as a deterrent and to support our allies, we continue, of course, to maintain balanced, forward deployed ground, air and naval forces in the Asian theater. However, we expect to continue to emphasize the strengthening of the military capabilities of our friends and allies, as we move toward Nixon Doctrine peacetime deterrent forces.

The forces and assistance which are provided in the FY 1973 Budget will enable us to continue to provide essential U. S. capabilities while moving in this direction in our planning.

Thus, in Asia, our primary emphasis lies in assisting our friends and allies in developing their own capabilities to cope with aggression, against both internal and external threats. In this sense, U.S. forces will increasingly serve a complementary role, and our security assistance programs are a key to making progress in this direction. I believe that we and the Asian nations have made considerable progress in this direction in the past year.

Final agreement has been reached with Japan on the reversion of Okinawa in 1972. Japan is to begin assuming responsibility for the immediate defense of the Ryukyu Islands.

The Republic of Korea has assumed responsibility for the defense of virtually all the Korean DMZ and, with our assistance, is undertaking substantial improvement of her own forces.

We have completed significant reductions in our own force deployments in the Philippines, Japan, Korea, and Thailand.

There is also concrete evidence of the dynamism and regionalism that exist in this region. In this regard, Australia, New Zealand and the UK reached agreement with Malaysia and Singapore on the continued forward deployment of an integrated ANZUK defense force in the two Southeast Asia countries under the new Five Power Defense arrangement.

Thus, although 1971 has been a year of progress, with progress must come change and change is not without its problems. We recognize that as these changes take place, problems and differences must and will arise in our relationships with the nations of Asia. We have sought to minimize the differences and we have laid stress on our many common aspirations; however, we do not hide from problems. We seek straightforward, honest negotiations to find mutually satisfactory solutions. To facilitate this dialogue and emphasize the new role of partnership we seek, both former Deputy Secretary Packard and I traveled to the Far East this past year to discuss with our friends our common security objectives and means to accomplish them.

Japan

As we have all come to recognize in recent years, Japan's growing power on the Asian scene will make her one of the keys to peace and stability in Asia in the years ahead. The importance we attach to maintaining a close security relationship with Japan was underscored by the President in his meeting with Prime Minister Sato at San Clemente in January. A large share of their time together was devoted to a review of our mutual interests in the broad security problems of the Asian region. As they announced at the end of those meetings, and as I said after my trip to Japan last summer, the approaches of our two countries to these problems are complementary.

While some public opposition to our bases still persists in Japan and Okinawa, the Japanese Government recognizes the regional security role our forces play, and their ultimate relevance to Japan's defense. For our part, we are making every effort to streamline our base structure in Japan and Okinawa, and to keep our military deployments there to the minimum compatible with our mutually agreed security interests. In January of this year we reached general agreement with the Japanese Government on yet another consolidation of our military activities and reduction of our land use in the populous Kanto Plain area around Tokyo. As

a part of the Okinawa reversion agreement, the whole or part of 34 facilities and areas on Okinawa will be returned. Additionally, 12 facilities will be turned over to the Japanese self-defense forces as they assume Okinawa's defense mission.

For her part, Japan has embarked on a fourth Five-Year Defense plan designed to improve qualitatively her self-defense forces to better perform their assigned task of defending the home islands. When the reversion of Okinawa takes place on May 15, 1972, Japan will begin to assume responsibility for the immediate defense of the Ryukyu Islands.

As a result of my trip to Japan last summer, I gained a better appreciation of Japan's need for military equipment modernization if her forces are to become effective against sophisticated threats. Accordingly, we are encouraging Japan to modernize the equipment of her forces, and have placed our technical services at the disposal of the Japanese to help assess their needs and determine what equipment we might be able to provide within Japanese budget constraints.

Korea

Our relations with the Republic of Korea provide an excellent example of the Nixon Doctrine at work as I saw on my visit there last year. As 1970 closed, the Republic of Korea continued to face across the demilitarized zone a hostile North Korean regime. Considerable effort was required during 1971 to prevent incursions of saboteurs and agents from North Korea and to apprehend those personnel who succeeded in entering the country, and this type of activity continues. North Korea continues to maintain the fourth largest Army in the communist world and to improve her military posture. It was in this environment that we and the Republic of Korea moved forward in 1971 to implement the Nixon Doctrine and our new strategy. These have been the achievements:

- U.S. troops no longer man any significant portion of the DMZ where they had been stationed since the cessation of hostilities in 1953.
- ROK troops now have assumed responsibility for the security of the line dividing the two halves of Korea, with the exception of the very small portion devoted to the Military Armistice talks.
- Authorized U.S. troop strength was reduced over the last year from some 60,000 men to the present strength of about 40,000.

- A Five Year Modernization Program for the Republic of Korea Armed Forces has been instituted which, with Congressional sanction and support, will enable the Koreans to maintain an adequate defense posture. In addition, the ROK is taking steps to increase its own self-sufficiency by providing, through its own defense budget, items previously supplied by the U.S. which can be readily procured in Korea.

Cambodia

President Nixon said on November 12, 1971:

"... Cambodia is the Nixon Doctrine in its purest form. Vietnam was in violation of the Nixon Doctrine. Because in Cambodia what we are doing is helping the Cambodians to help themselves, and we are doing that rather than to go in and do the fighting ourselves, as we did in Korea and as we did in Vietnam."

During the past year, the U.S. security assistance program in Cambodia has been an excellent example of how we believe the Nixon Doctrine should be implemented. In the first place, U.S. assistance is confined to military and economic aid, and some air support, with Cambodia assuming the basic responsibility for its own self-defense. The U.S. has no ground troops and no military advisers in Cambodia.

Additionally, the U.S. assistance effort is being complemented by military and economic aid from a growing number of Cambodia's friends in East Asia and the world. In January, a group of seven countries agreed to contribute to an economic stabilization fund for Cambodia. The most direct assistance, of course, is coming from South Vietnam. Indeed, one of the most encouraging developments of the last year was the increasing number of combined operations conducted by Cambodian and South Vietnamese forces against NVA/VC forces in Eastern Cambodia.

Most heartening of all has been Cambodia's own efforts to defend her territory and people against the North Vietnamese invaders. Cambodia has expanded its military manpower six-fold in the past year and has been able to maintain the major populated areas under government control. Despite enemy interdiction efforts, Cambodia has kept open the major highways and is now assuming responsibility for Mekong River convoys from the South Vietnamese border to Phnom Penh.

These Cambodian efforts have, of course, also placed additional strain on the NVA/VC logistical system and helped to relieve pressure on U.S. and allied forces in South Vietnam. Thus, in the military area there has been considerable progress in the past year. But much more still needs to be done, particularly in the fields of training and logistics. These are the tasks we and our friends will be assisting Cambodia with in the coming year.

Vietnam

"Vietnamization . . . has now effectively concluded the U.S. ground combat responsibility. Our other activities are being transferred to the South Vietnamese. We are ending American involvement in the war while making it possible for those who do not wish to be dominated by outside forces to carry on their own defense."

President's Foreign Policy
Report to Congress, 1972

The President in his Foreign Policy Report to the Congress has presented a comprehensive and detailed review of all aspects of our Vietnam policy. I would like in this Report to highlight those dimensions which are of particular concern to me as Secretary of Defense.

Vietnam became the test case and the first crucial step for implementing the Nixon Doctrine and our new planning approach to Asia. Vietnamization was based on the simple proposition that responsibility for the war should be turned over to the South Vietnamese. We expected them to defend themselves with our material and security assistance but without indefinite American combat involvement. The results to date have justified, in my view, the faith we placed in this new policy and in our South Vietnamese friends.

When we assumed office in January 1969, Americans were deeply involved in combat. And so we set out systematically to bring Vietnam into conformity with the principles of the Nixon Doctrine. 1971 has demonstrated the viability and effectiveness of the Nixon Doctrine principles we have applied in Vietnam.

The Vietnamization program has paved the way for a self-reliant South Vietnamese defense force, for increased cooperation among the other free nations of mainland Southeast Asia and for eventual restoration and maintenance of peace in Indochina. Should our approach to peace in Indochina through negotiations fail, our

strength through partnership approach will continue to make possible reductions in the level and intensity of the present conflict.

The Vietnamization program was planned in three phases:

- Phase I - Assumption by South Vietnam of the ground combat role against Viet Cong and North Vietnamese forces. Phase I was completed last year.
- Phase II - Development by South Vietnam of those support capabilities -- air, naval, artillery, logistics and other support -- necessary to maintain effective security. Major progress was made last year notably including the turnover of in-country naval operations and a very substantial portion of the in-country air combat responsibilities.
- Phase III - Reduction of American presence to a military advisory mission, with whatever small security forces are needed to protect this mission, and then further reductions as South Vietnam becomes capable of handling the threat with no U.S. military presence required.

Our activity in Indochina has been and will continue to be in consonance with the goals we established at the beginning of Vietnamization. We seek to:

- Maintain our obligations and interests in Asia as we move toward a generation of peace;
- Reduce American casualties:
- Secure the release of our Prisoners of War and an accounting for our missing in action.
- Continue to withdraw U.S. forces; and
- Transfer military responsibility to the Republic of Vietnam in a way that provides the South Vietnamese with a realistic capability to defend itself from aggression.

We are closer now to meeting these goals than at any time in the past. During each of my four trips to Vietnam as Secretary of Defense, I have been heartened by the progress which has permitted me to recommend and the President to direct further reductions in U.S. troop strength.

As I prepare this Report, the situation in Vietnam remains encouraging. Phase I of Vietnamization is completed, with only a small U.S. ground combat force remaining in a security role to protect U.S. forces as Phase II progresses. Phase II is progressing ahead of schedule as the Vietnamese themselves work hard to complete the complex training required before they can fully assume an effective support role. Phase III has begun with the reorganization of our corps and field force headquarters to assistance commands and with reductions contemplated in our military headquarters in Saigon.

In sum, the major part of our Vietnamization program has been accomplished and we are ahead of schedule on the tasks that remain. The philosophy that predominated as we assumed office in 1969 of a U.S. "takeover" of military activities in South Vietnam has been superseded by the reality now of a U.S. "turnover" of responsibility for continued combat operations, as every statistical indicator confirms. Vietnamese forces have demonstrated professional skill, valor and combined arms effectiveness in their operations to date. Particularly noteworthy has been the ability of the Vietnamese to operate away from their permanent bases in areas the enemy has occupied for years. While we cannot expect the South Vietnamese to win every battle, their effectiveness should increase even more as they gain more confidence and strength.

During my second trip to Vietnam in February 1970, I encouraged greater coordination of our military activities with the economic aspects of Vietnamization. The economic implications of Vietnamization are complex but the response to our new emphasis has been encouraging. The burden of defense reduced the availability of goods and services to Vietnam and its people. The result was a rampant inflation; prices rose by 650 percent in the five-year period ended June 1970. The withdrawal of U.S. forces and the consequent reduction in Vietnam's foreign exchange earnings threatened the economy still further. The Vietnamese themselves, however, are displaying a growing economic sophistication and learning to control their wartime economy. Government-instituted reform measures in September and October of 1970 and in March and November of 1971 have addressed many of the economic difficulties facing the Republic of Vietnam with the latest reforms stressing self-sufficiency as a goal. In addition, a reorientation of our economic assistance programs has contributed to achievement of relative stability and enhancement of prospects for growth.

The implication of this improvement in the economy of Vietnam is that the Vietnamese will soon be able to shoulder more of the financial cost of providing for their security while at the same time they benefit from the higher standards of living which increased

security and economic stability and growth assure. Nevertheless, continued substantial U.S. economic assistance will be needed for the foreseeable future.

With respect to negotiations, the President's recent nationwide address on January 25, 1972, and the detailed description of our efforts to achieve a settlement presented in his Foreign Policy Report conclusively demonstrate our willingness and Hanoi's refusal to date to achieve an early and honorable peace through negotiations. In this connection the President described, and I would like to underscore our deep concern for the American servicemen now held captive by the North Vietnamese and Viet Cong in Indochina, and for those missing in action. The other side has continued to violate the provisions of the 1949 Geneva Convention with regard to prisoners of war and to ignore the protests of the United States and the civilized world. Hanoi's violations of the Geneva Convention are as follows:

The Geneva Convention requires that prisoners be humanely treated and protected. This provision has been consistently violated.

The Geneva Convention requires that neutral inspection of prisoner camps be permitted, including interviews of the prisoners without witnesses in attendance. The enemy has never permitted such inspection or such interviews.

The Geneva Convention requires that the names of all prisoners be released promptly. Such names as the enemy has released have not been released promptly nor through regular channels.

The Geneva Convention requires notification of deaths in captivity and full information on the circumstances and place of burial. The enemy has not furnished any information about circumstances of death and place of burial.

The Geneva Convention requires that prisoner of war camps be marked clearly and their location be made public. The enemy has not marked its camps nor divulged their location.

The Geneva Convention requires that the seriously sick and wounded be repatriated or interned in a neutral country. The enemy has refused to comply with this provision.

The Geneva Convention requires that prisoners be permitted to send at least 2 letters and 4 cards a month. The average has been 2 or 3 letters a year and none at all from some prisoners.

The Geneva Convention requires that sufficient food must be given to prisoners. Yet, all of the released prisoners have been found to be underweight and suffering from malnutrition.

The Geneva Convention requires that prisoners not be held in close confinement. Yet, the enemy has held some men in solitary confinement for years.

The behavior of the enemy in flouting the basic precepts of humanity and international conventions and in contributing to the anguish of our POW/MIA families must end. Neither President Nixon nor I will consider Vietnamization to be completed until the Prisoner-of-War and Missing-in-Action issues have been resolved.

3. Total Force Planning and Security Assistance

In deterring subtheater or localized warfare, i.e., non-nuclear conflict that does not involve the USSR or PRC in combat, the country or ally which is directly threatened bears the primary burden, particularly for providing the manpower for its defense.

We believe that our allies can and must increasingly bear the primary burden for planning to cope with subtheater and localized conflicts. Such conflicts, running from localized insurgency or guerrilla warfare to the type of conventional attack which North Korea itself could mount against South Korea will continue to threaten the security of our friends and allies through the 1970's. Although security assistance is not limited to the friends and allies threatened by subtheater/localized conflict, in practice, the bulk of our assistance goes to these countries.

A strong, effective program of security assistance to key friends and allies is an indispensable tool for implementing our National Security strategy of Realistic Deterrence. It also plays a central role in fulfilling the Nixon Doctrine objective of a more equitable sharing of the Free World defense burden.

President Nixon has indicated that in the future the U. S. would look to the forces of our allies to deal with guerrilla and subversive threats. However, he emphasized that the United States can and will furnish military and economic assistance to supplement this local effort, where our interests are involved. Elaborating on that theme in his Foreign Aid Message to the Congress on April 21, 1971, the President pointed out that increased security assistance "enables us to continue to reduce our direct presence abroad, and helps to reduce the likelihood of direct U.S. military involvement in the future."

In that same address, the President underlined the importance he attaches to foreign aid as a tool of his foreign policy for the 1970's. He announced his decision to reform the U.S. aid effort, beginning with creation of separate structures for security-related, development, and humanitarian assistance. The various ongoing assistance efforts which serve U.S. security interests were thus combined into one coherent program. The elements of that program are the following:

- Military Assistance Program (MAP) - grants of military weapons and other equipment, as well as of military training.
- Foreign Military Sales (FMS) Credit - government-to-government or commercial sales of defense material financed by U.S. government or by government-guaranteed credit.
- Security Supporting Assistance - aid intended to offset, in part, the impact of exceptional defense costs of the recipient country on its civilian economy.
- Non-funded Security Assistance - Grant Excess
 - Grant Excess Transfers - material declared excess to U.S. force requirements.
 - Equipment Loans and Leases - primarily ship leases.
 - FMS Cash and Commercial Military Sales

a. Security Assistance Organization, Reform and Planning

During the past year, a number of steps have been taken in the Executive Branch to make the planning and administration of security assistance more effective.

In reshaping the foreign aid program, the President directed that the planning of all security-related aid program elements be integrated. Accordingly, although MAP and FMS programs were administered in the Defense Department, while economic supporting assistance was administered by AID, during the period in which the FY 1973 security assistance budget was being constructed and subjected to the President's final review, security assistance was treated as an integrated whole.

Within the Department of Defense, I have initiated several innovations to improve integration of security assistance in the overall U.S. security effort. For the first time, planning for FY 1973 military assistance and credit sales took place within the Department of Defense Planning, Programming and Budgeting System (PPBS). The results of the initial effort were gratifying to me because of the long-term prospects for more efficient security resource allocations within the Total Force Concept.

A second important step was creation of the Defense Security Assistance Council, and the Defense Security Assistance Agency, which are discussed in the Organization and Management chapter.

I would note that security assistance planning continues to be an interagency effort within the Executive Branch. This procedure insures that the Department of State is able to exercise its statutory responsibilities for policy guidance of security assistance while the Department of Defense will continue to manage the military program, thus permitting more effective use of all defense resources.

b. Progress in Total Force Planning and Security Assistance.

1. Combined and Complementary Force Planning and Security Assistance

Vietnamization has had a major impact on the size of U.S. forces, as it has permitted step-by-step transfer of responsibility for combat operations to South Vietnamese forces without diminution in security and without undue burden on the stability of the Vietnamese economy. Similarly, joint development and implementation of a U.S.-Republic of Korea five-year security assistance modernization for their forces program has permitted withdrawal of one U.S. division from Korea in FY 1971.

I would emphasize that substantial security aid to South Vietnam must be maintained to continue this progress. Our security assistance to the peoples of Laos, Thailand and Cambodia in their struggle to maintain their independence has likewise been essential, and it will continue to be so for some time. Unlike other country programs,

most security assistance to South Vietnam, Laos, and Thailand has been provided for several years through the Defense budget. The Thailand program is being returned entirely to regular International Security Assistance funding for FY 1973.

In South Korea, national forces are assuming increased responsibility for their own defense. The ROK Government must maintain large defense forces to meet the threat posed by well-equipped forces in the North. Consequently, it must support a heavy burden on its national economy, and simultaneously undertake increased production in country of defense equipment, aided in part by MAP and FMS credit. Thus, South Korea may continue for some time to be dependent on the United States for support of its defense efforts. Nonetheless, greater Korean self-sufficiency in defense is signaled by that government's recent agreement to assume responsibility for procurement of operating material formerly supplied under MAP as well as inauguration of an FMS credit program to finance development of M-16 rifle and ammunition production facilities in-country.

A significant feature of the five-year program to advance Korean force modernization is our plan to provide the new International Fighter Aircraft, the F-5E. This aircraft has been developed specifically to meet the need of allied and friendly air forces for an effective and flexible, yet relatively simple and inexpensive new fighter aircraft. Congress had a strong role in initiating this program.

U. S. security assistance to our NATO allies, except for Turkey, Greece and Portugal is limited almost exclusively to military export cash sales. Credit assistance is no longer required in most instances, and military sales to Europe represent an economic gain rather than a drain to the U.S. However, three allies, Turkey, Greece and Portugal continue to require outside grant and credit security assistance to permit them to improve their capabilities for fulfilling their assigned roles in NATO defense plans. Indeed, their importance to U. S. and NATO security interests have increased significantly in recent years as a result of the Soviet military buildup in the Mediterranean and the volatile situation in the Middle East. Both Greece and Turkey have demonstrated their dedication to NATO defense by major manpower and resource commitments to the Alliance. It is in the U. S. interest, therefore, to assist these willing allies to make a more effective contribution to NATO defense by helping them acquire more modern defense equipment and improved training. In the case of Greece, economic growth now permits U.S. assistance, for the most part, to take the form of FMS credit for arms purchases rather than outright grants.

2. Supplementary Planning and Security Assistance

Security assistance can also advance U.S. security in ways less directly related to specific force trade-offs under total force planning. As we work cooperatively with the military officers who play such an important role in many Latin American countries, our missions and assistance programs further our interests while responding positively to those of the Latin Americans. Latin American nations are our partners, not our dependents. We seek only to assist -- partly through the several, less explicitly military aspects of our security assistance programs such as training aids -- in preserving the environment within which social and economic progress can occur.

Among our hemisphere neighbors and elsewhere, selectively, throughout the world the United States seeks to utilize judiciously its diplomatic, economic and military resources to help avert war. We must strike a balance and take care, for example, that our security assistance does not contribute to hostility between neighboring states and forces. We provide security assistance on a case-by-case basis to assist friendly countries to combat insurgency and help defeat externally inspired subversion and maintain the kind of military balance which will deter external attack. In supplying security assistance, and in the licensing of military exports through commercial sale, we seek to emphasize regional arrangements that enhance stability. We must recognize, however, that every nation has the right to be prepared to defend itself against internal and external threats and that most nations do not themselves produce the equipment for their own defense that they may need. We must also be cognizant of the fact that today, as never before, foreign countries have alternatives to acquisition of defense equipment from the U.S. -- particularly if some form of purchase is involved. Nonetheless, we shall continue to review most carefully potential sales of military equipment, even to close allies, and to refuse them where regional security or other U.S. interests would be adversely affected.

c. Security Assistance Legislation

For FY 1972 the President proposed to the Congress that it enact sweeping new foreign aid legislation authorizing and funding security assistance separately from development and humanitarian aid. The Congress elected to defer consideration of this approach and instead to appropriate funds under existing legislation. Nevertheless, by the end of the 1971 session I believe that the benefits associated with combining all elements of security assistance into a cohesive program separate from development and humanitarian programs was appreciated by a majority of the Congress.

d. Summary

I believe that presentation of security assistance budget requests in the context of the overall U.S. national security program will permit easier understanding of the linkage between the U. S. force posture and overseas deployments, on the one hand, and adequate security assistance to allied forces, on the other.

It is important that the Congress recognize and understand the important role that grant military assistance and other forms of U. S. security assistance have played over the past two and a half decades in countering threats to non-Communist countries. For while the burdens in blood and dollars which the American people have borne to help defend others have been great, they would in my judgment have been far greater without security assistance. During the past few years, I believe that we have made major progress, through security assistance, in strengthening the capabilities of Free World nations to defend themselves, thereby helping move toward a more equitable sharing of the defense burden.

PRECEDING PAGE BLANK-NOT FILMED

SECTION TWO: BETTER MANAGEMENT OF DEFENSE RESOURCES

I. ORGANIZATION AND MANAGEMENT

In my Defense Report last year, I discussed the concepts of management we have been and are applying in the Department of Defense. The concepts of participatory decision-making, defined and selective decentralization, and delegation of authority under specific guidance remain valid and we are continuing to build upon them.

Application of these management concepts places more emphasis on people and less emphasis on elaborate detailed procedures. Our approach is to define the task, pick a good man, provide guidance to him and the necessary responsibility and authority to do the job.

Our experience demonstrates that people perform better if they play an active role in the decision-making process leading to the policy decision they are responsible for executing.

The members of the JCS and the Secretaries of the Military Departments remain my principal advisers on programs for the Department of Defense. They know that their views are sought and valued; they play an active role in both decision-making and in the management of the Department.

Although we emphasize decentralization of management and have increased the role of the Military Departments and the JCS, there are functions and decisions which necessarily must remain the responsibility of the Secretary of Defense. Some of the changes in organization and management made last year will assure that, as Secretary of Defense, I can better meet my responsibilities and insure better management of the resources provided to the Department.

We should all recognize that new concepts of management cannot solve all of our problems. We should also be aware that the benefits of new and improved management concepts do not accrue immediately but only in time, and that we must continue to carry the products of earlier management well into our Administration.

A. SPECIFIC IMPROVEMENTS IN ORGANIZATION AND MANAGEMENT

In a number of instances, the application of our new management concepts has necessitated additional changes in organization since my report last year. Among the more significant organizational and management changes instituted in the past year are:

- Establishment of the Office of the Assistant Secretary of Defense (Intelligence).
- Establishment of the Central Security Service.
- Establishment of the Defense Investigative Service.
- Establishment of the Defense Mapping Agency.
- Disestablishment of the Office of the Assistant Secretary of Defense (Administration).
- Creation of the Office of the Assistant Secretary of Defense (Telecommunications).
- Reorganization of the Defense Atomic Support Agency.
- Reconstituting the Worldwide Military Command and Control System (WWMCCS).
- Establishment of the position of Director of Net Assessments.
- Creation of the position of Deputy Director (Test and Evaluation) within the Office of the Director, Defense Research & Engineering.
- Changes to the Unified Command Structure.
- Establishment of the Defense Security Assistance Agency.

As you know, we requested Congress last year to establish a second Deputy Secretary of Defense. This important position is crucial to effective and continuing management of the largest government Department in the world. I hope that the Congress will act favorably and very soon in authorizing the establishment of this important position.

Each of the organization changes we have been able to make is significant. I will discuss them in some detail, although not necessarily in the order listed.

1. New Assistant Secretaries of Defense

Several organizational changes were made last year in the Office of the Secretary of Defense. During the course of the year, I dis-established the Office of the Assistant Secretary of Defense for Administration and divided its responsibilities among other Assistant Secretaries. In its place, a new Office of Assistant Secretary of Defense for Intelligence was established.

This Congress has authorized one additional Assistant Secretary of Defense, making a total of nine. This new authorization has been used to establish the Assistant Secretary of Defense for Telecommunications. I will discuss the responsibilities of each of these new offices in greater detail.

2. Intelligence

Before discussing organizational changes, I want to point out important adjustments made in the intelligence program itself. Our basic posture in intelligence continues to be one of readjustment from the operational problems of Southeast Asia to the longer term intelligence needs of our overall strategy. This adjustment must take place simultaneously at several levels among the several Department of Defense intelligence programs which are tasked to provide support. In addition to meeting its own requirements, the Department of Defense performs the bulk of all U.S. intelligence collection operations in support of national requirements for intelligence. Adjustments in our intelligence resource levels and in the scope and direction of our intelligence efforts must, then, take into account national intelligence needs, Defense intelligence needs for the support of research, development and planning, and the needs of military commanders to maintain intelligence capabilities and assets essential to the conduct of operations.

If there is a single area which deserves particular and increased emphasis in the intelligence arena at this time, it is the provision of support to our research and development community. The growth of technology with potential application to weapons systems is accelerating. The identification, assessment, and reporting of advances in foreign technology and in technological applications to weapons systems to support our own research efforts are of critical importance. We must understand the requirements of our own R&D organizations for this intelligence support and focus our intelligence efforts carefully and purposefully to provide this information.

There is no question that the manpower problem is the greatest challenge to our ability to sustain our intelligence programs at their essential levels of effort and effectiveness. Despite our substantive investments in technical sensors, computers, and other applications of technology to intelligence, manpower remains the largest, and the most critical area of investment in DOD intelligence. From a peak figure of 152,000 in 1969, we will have reduced the manpower in major DOD intelligence programs to less than 117,000 by the end of FY 1972. Since we are faced with a situation in which manpower, our most important resource, is being reduced and limited in numbers, we must get the most effectiveness from present manpower levels. Research and development programs for intelligence systems must be focused on the need to reduce manpower levels and to lessen the dependence of the intelligence effort on high levels of personnel manning.

Since people are our most important intelligence resource, we will improve the career development programs for our military and civilian professionals. We have made some progress in this area of career development but further improvement is needed.

a. The Assistant Secretary of Defense for Intelligence

The most important organizational change in this function during the past year was the appointment of an Assistant Secretary of Defense, with responsibility for management of intelligence resources, programs and activities.

This action continues the emphasis on stronger management of intelligence begun two years ago when the then Assistant Secretary of Defense (Administration), was given additional responsibilities for staff management of the major intelligence resource programs of the Department. Based on the recommendation of the Blue Ribbon Defense Panel and on the experience gained in intelligence resource management under the Assistant Secretary of Defense (Administration), I established the new office of the Assistant Secretary of Defense (Intelligence) on 3 November 1971.

The Assistant Secretary of Defense (Intelligence) supervises Department of Defense intelligence programs through the entire management cycle, from initial research and development through programming, budgeting, and the final process of follow-up evaluation. In addition, he provides the principal point for management and policy coordination with the Director of Central Intelligence, the CIA, and other intelligence officials and agencies outside the Department of Defense. These arrangements will provide the Assistant Secretary of

Defense (Intelligence) with the management tools needed, not only to achieve greater economy, but also to produce a more effective and responsive intelligence effort.

The establishment of the Assistant Secretary of Defense (Intelligence) leaves unchanged the basic responsibilities of DIA and NSA for their respective areas of general intelligence and cryptology. The Assistant Secretary of Defense (Intelligence) will have the OSD staff management overview of both areas, and will coordinate both programs with those of the other Department of Defense intelligence and intelligence-related activities under his purview, including the warning, reconnaissance, and tactical intelligence programs conducted by the Military Departments. The Assistant Secretary of Defense (Intelligence) will also assume responsibility for recommending the requirements and priorities for net threat assessments of foreign weapons systems.

b. Central Security Service

In accordance with the President's desire to consolidate cryptologic activities, we have established a Central Security Service (CSS), under the Director, NSA, who will serve concurrently as the Chief, CSS. The purpose of this new organization is to provide a unified, more economical, and more effective structure for executing cryptologic and related electronic operations previously conducted under the Military Departments. The Military Departments will retain administrative and logistic support responsibilities for the military units involved, but these units will be managed and controlled by the CSS.

c. Defense Investigative Service

In response to the President's directive, we have established a Defense Agency, the Defense Investigative Service, to centralize control of all personnel security investigations and some related matters within the Department of Defense. This is also consistent with the Blue Ribbon Defense Panel recommendations. The Agency is designed to obtain monetary savings, managerial efficiencies and a more prompt response to overall defense needs for personnel security investigations, as well as to provide a more uniform product. At the same time, it will afford another management tool for assuring that investigative activities of the Defense establishment are always conducted with due respect for the rights of all citizens. The new Agency will operate under staff supervision of the ASD(C).

It will receive advice and counsel from the Defense Investigative Review Council, which I created last year so that our top level civilian leadership could establish detailed guidance for investigative activities and assure that these activities are consistent with law and tradition on civil-military relationships.

d. Defense Mapping Agency

Defense mapping, charting, and geodetic operations (MC&G), are being consolidated to the extent practicable, balancing economy against military requirements. For this purpose, we established the Defense Mapping Agency, a separate entity reporting through the Joint Chiefs of Staff to the Secretary of Defense. The functions being consolidated include production, source data storage and retrieval, distribution facilities, and the Topography School -- approximately 75% of total MC&G resources. Data collection and RDT&E will continue as functional responsibilities of the Military Departments, and units providing direct support to field commanders will remain assigned to the Military Departments.

3. Telecommunications

The effective management of Department of Defense telecommunications has been a matter of concern to me, of special interest to the Blue Ribbon Defense Panel, and also to the Congress. We all agree that there was a great need for improved management of this function, coordinating the needs of the entire department and consolidating resource management of the entire program. This is needed to help insure reliable, survivable, secure and cost-effective telecommunications for the DOD and the National Communications System.

In order to place telecommunications in proper perspective, I think you may be interested in the fact that the Department of Defense telecommunications function involves worldwide operation and about \$5.6 billion in capital investment and \$2.6 billion in annual appropriations.

As a first step in providing effective management for telecommunications, I appointed an Assistant to the Secretary of Defense for Telecommunications, who, under the close guidance of former Deputy Secretary David Packard, initiated action to establish Department-wide communications policy and to coordinate the Department's communications efforts. This enabled us to provide improved interim management and to assess the management requirements for the long term.

This past year for the first time, we developed the consolidated Telecommunications Program, which we considered as a single package in our normal planning and programming cycle. This program enabled

us to identify telecommunications manpower, resources, and programs throughout the Department of Defense. In addition, we prepared an assessment of the Department of Defense programs and needs for satellite communications. This provided us, for the first time, with an overview of our capabilities and requirements in this important area. One Department of Defense telecommunications program newly established is the jointly manned field agency called TRI-TAC. It has the mission of coordinating the tactical communications requirements and insuring the inter-operability of equipment applicable to joint use by all components of the Department as well as its timely and economical placement in the field.

The additional position of Assistant Secretary of Defense recently authorized by Congress was used for Telecommunications, replacing the office of Assistant to the Secretary established earlier. I will look to the Assistant Secretary (Telecommunications) to lead and guide the future design and development of DOD telecommunications systems, and to assume the OSD responsibility for the telecommunications management, and resource programming and allocation. The Assistant Secretary of Defense (Telecommunications) will also have key OSD functions in connection with the Worldwide Military Command and Control System.

I believe that the changes we have made in the telecommunications area are an effective response to our concern and the concern of the Congress for improved telecommunications management. I am confident that with this new office we will see continued and effective change and improvement in the management of this function.

4. Defense Nuclear Agency

On 1 July 1971 as another part of our continuing effort to improve defense management and organization, the Defense Atomic Support Agency was reorganized and redesignated the Defense Nuclear Agency (DNA). Our objectives were to insure that DNA activities were realigned to emphasize those functions which are more effectively and economically performed on a centralized basis, to decentralize activities which could be performed better by the military services, to eliminate unnecessary functions and to consolidate support requirements. DNA will continue as a defense agency with the same primary mission but with somewhat reduced functions and personnel. In general, these functions include those requiring unique technical or administrative expertise such as nuclear weapons management, nuclear weapons testing, and nuclear weapons effects research. This action was consistent with the thrust and intent of the recommendation of the Blue Ribbon Defense Panel. We believe this reorganization will result in more efficient overall management of our nuclear program.

5. Unified Command Plan

A major step for improving the command and control of the U.S. combatant forces became effective on 1 January 1972. For the first time since 1963, the Unified Command Plan was revised to reflect changes in our international commitments and policies. This change is in keeping with the Nixon Doctrine and is consistent with our ongoing efforts to revitalize our organizational structure in support of the Strategy of Realistic Deterrence.

The U.S. Strike Command was disestablished and its geographical areas of responsibility assigned to other Commands. In its place a new Command, the U.S. Readiness Command, has been established at MacDill Air Force Base, Florida, with no geographic area of responsibility. It will be manned austere and its responsibility is to control U.S. based major combatant general purpose forces not assigned to other unified commands. The Readiness Command will have the responsibility to provide a general reserve of combat ready forces to reinforce other U.S. Commands, perform deployment planning, and assist the Joint Chiefs of Staff in developing doctrines and techniques for the joint employment of forces.

The area of responsibility of the U.S. European Command was expanded to include the Red Sea; the Persian Gulf and the Middle East to the eastern border of Iran. This will strengthen the planning capability for defense of the southern flank of NATO and for countering the increased Soviet presence in the Mediterranean and the Middle East. It also insures that all U.S. military planning and operations in Europe will be coordinated and controlled by one commander.

The area of responsibility of the Pacific Command was expanded to include the Indian Ocean to 62 degrees east longitude, those South Asian countries formerly assigned to USCINCPAC, the Aleutian Islands and a portion of the Arctic Ocean. This realigned area of responsibility is more compatible with the forces likely to be deployed for contingencies in these areas.

The area of responsibility for the Atlantic Command was expanded to include the international water areas around the continents of Africa and South America. This arrangement is also more in concert with the existing and likely deployment of U.S. naval forces.

The missions and responsibilities of the Alaskan Command, Strategic Air Command, the Continental Air Defense Command and Southern Command remain essentially the same at this time.

As is true in other areas, we intend to continue to review our worldwide command arrangements in order to insure responsiveness to the President's policies and objectives.

6. Test and Evaluation

The establishment of a Deputy Director for Test and Evaluation within DDR&E with across-the-board responsibilities in OSD for test and evaluation matters is in large part a result of the Blue Ribbon Defense Panel report of mid-1970, which commented extensively on deficiencies with regard to Defense test and evaluation and particularly operational test and evaluation programs. The appointment of the new Deputy Director is a part of our overall program for improvement of systems acquisition management and is improving the timeliness and quality of our testing. His responsibilities include monitoring all DOD testing and advising the Secretary of Defense and the Defense Systems Acquisition Review Council (DSARC) as necessary on test and evaluation matters. His organization is now manned and operating effectively.

The application of these responsibilities, together with other actions we have taken which increase the effect of test and evaluation progress on decisions made on programs following the DSARC process, is having a definite and beneficial impact on a major number of our weapons acquisition programs.

7. Defense Security Assistance Agency

The relationship of security assistance to the Nixon Doctrine, the Strategy of Realistic Deterrence and the Total Force Concept has been further strengthened in the Department of Defense during the past year by two organizational changes.

First, I have established the Defense Security Assistance Council. The purpose of this council is to advise me on matters relating to security assistance and to provide DOD coordination of this assistance. This council is chaired by the Assistant Secretary of Defense (ISA) with members from JCS, the Director of Defense Research and Engineering, the Office of the Assistant Secretary of Defense (I&L), the Office of the Assistant Secretary of Defense (SA), and the Director of the Defense Security Assistance Agency, who will function as the Secretary. The membership is designed to assure that security assistance meets the requirements of those who would receive the assistance and is still consistent with overall DOD plans, programs, and capabilities.

As a second step, I have established a Defense Security Assistance Agency (DSAA). The DSAA is the central organization in the Depart-

ment of Defense responsible for directing and supervising the execution and administration of approved security assistance programs. In the past, we have found that information on security assistance programs, for a specific country was divided between the OSD staff and the Military Departments. It was difficult and time-consuming to get a complete report on the programs and status of security assistance either by country or area. With the Defense Security Assistance Agency we will now have this capability.

The Director of DSAA is the focal point in the Department of Defense for the administration of approved Security Assistance Programs. He operates in close coordination with the Department of State and under the policy guidance of the ASD (ISA), the Defense Security Assistance Council and, of course, the Secretary of Defense.

Security Assistance is a vital and integral part of the programs of the Department of Defense. The establishment of DSAA assures that Security Assistance will receive the management attention due this critical program.

B. IMPROVEMENTS IN MILITARY OPERATIONS

Our experience with military operations over the past three years has demonstrated that one of the areas that most needed improved management and effectiveness was the command and control of our forces. The problems that we identified in this area were in part the result of a lack of overall management of these resources from the point of view of the entire Department of Defense. I believe that this problem has been satisfactorily met by the establishment of an Assistant Secretary of Defense for Telecommunications. Related problems were: the inadequacy of the internal organizational structure designed to pass messages to the operating commands; the fragmentation of responsibility to manage the particularly critical functions that serve the national command authority in time of crisis; and insufficient emphasis on improving our command and control systems.

All of these problems were the subject of an extensive evaluation by former Deputy Secretary of Defense, David Packard, and the Chairman of the Joint Chiefs of Staff, Admiral Moorer. Together, they analyzed the problem, prepared solutions to it, and drafted a new DOD Directive specifically focused on this problem. This Directive has brought about the following changes:

1. Our internal organization for command and control has been streamlined to assure that the instructions of the National Command Authority, the President and the Secretary of Defense, can be rapidly communicated to the operating forces. In the past, these instructions went from the National Command Authority to the JCS, to the operating commands and then to the operating forces. These procedures have been changed so that critical, time sensitive, instructions go from the National Command Authority to the Chairman of the JCS who, acting for the JCS, has authority to pass instructions directly to the operating forces.
2. The critical component of the Worldwide Military Command and Control System (WWMCCS) is the National Military Command System (NMCS). This is the system through which the National Command Authorities (NCA) receives information and passes instructions. In the past, responsibility for staff supervision and policy guidance for the NMCS was divided among the JCS, the DDR&E and several of the Assistant Secretaries of Defense. No one person was charged with assuring that the NMCS procedures were adequate or that the systems were compatible. I have designated the Chairman of the JCS to operate the NMCS for the Secretary of Defense. The Chairman has the authority and responsibility to see that the NMCS has the capability and procedures to assure the rapid and reliable transmission of the instructions from the NCA to the operating forces.
3. We found that our internal procedures for processing the requirements and providing the capabilities necessary for the WWMCCS were unduly cumbersome. This problem has been met by the creation of a WWMCCS Council. This council is chaired by the Deputy Secretary of Defense, and the members are the Chairman of the JCS, the Assistant Secretary of Defense (Intelligence) and the Assistant Secretary of Defense (Telecommunications). It is the function of this council to provide policy guidance for the development and operation of the WWMCCS and to evaluate its overall performance. The council will be specifically concerned with exercises conducted to test the effectiveness of the WWMCCS, the identification of system weaknesses and the development of R&D and procurement programs necessary to improve the capability of the WWMCCS.

This council was formed on 2 December 1971. One of its first actions was a review of the National Emergency Airborne Command Post program's present capabilities, needs and options. The result of its review was my recommendation to the Congress that we take action in FY 1972 to develop and procure an improved capability for this vital link in the command and control of the operational forces. The WWMCCS Council's rapid identification of this problem and its solution gives me confidence that this vital function is now receiving the senior level and responsible direction it needs.

C. STRUCTURING FOR NET ASSESSMENTS

A recognition of the urgent need for an effective net assessment capability is by no means new or original with me. We have long recognized the requirement, but the creation of the capability to accomplish the extremely difficult and complex task of net assessment cannot be completed overnight.

We approached the task on a phased basis. Last year, I advised you that we had established an organization within the Office of the Director, Defense Research and Engineering (DDR&E) to perform net technical assessments. From a modest beginning, this capability has progressed encouragingly. Techniques have been developed to accomplish the technical assessments, and we are now convinced that some of these techniques can be applied beyond the technical scope.

The intelligence community has performed net threat assessments over the years. They have been of varying quality. In the past, the responsibility for making net threat assessments has not been focused. To improve the quality, objectivity and coverage of the net threat assessments, I have assigned the responsibility for their preparation to the Assistant Secretary of Defense (Intelligence), and this function is being organized in his office.

During the past year, we reached the point where it has become possible to tie together the existing elements of net assessments under central coordination and tasking and to expand the scope of the assessments to include all relevant factors. I, therefore, established the position of the Director of Net Assessments in my immediate office. His job will be to integrate the elements of net assessment by tasking the existing functional assessment capabilities as well as the estab-

lishment of capabilities within other functional areas as necessary to give us a total net assessment capability.

To assure that this complex task is accomplished effectively, I have reorganized my immediate staff so that there will be a careful and interdependent use of our new strategy planning tools. Obviously, this small staff will continue to utilize as necessary all of the existing civilian and military resources and expertise in the Department.

We are now at a point where we can, based on our past experience, codify and organize formally the processes which we have been using to an ever-increasing degree in handling such complex matters as Vietnamization, the development of our strategy, the problems of maintaining technological superiority, and zero draft. I have been reluctant to establish new organizations. But these processes work. In my judgment, therefore, formal establishment of these two functions was both needed and necessary.

As I mentioned earlier, the Director of Net Assessments will be supported by the office of my Assistant for Long-Range Planning.

We have made encouraging progress toward meeting our requirements for Net Assessment. The endeavor is still in early stages of development. Although the products to date of our net assessments are most useful in the planning and decision-making process, we must recognize that realization of the full potential for Net Assessment lies well out in the future.

D. IMPROVEMENTS IN WEAPON SYSTEMS ACQUISITION

Weapon Systems Acquisition remains a matter of concern and action in the Department of Defense and one of significant interest to the Congress. It has long suffered from inefficiencies and cost growth. Last year, I reported to you on changes that we have made in the process.

We are now beginning to see some positive results from these policy and procedural changes. The Services have extensively streamlined the management and reporting structure within their systems acquisition functions. Program managers are much more clearly vested with the responsibility and authority necessary to operate effectively and expedite decision making. Our new major program initiations are all characterized by the competitive development, or "fly before buy" concept of management. The Services have also begun a longer range activity of investing in technology for the future through modest prototyping programs. We are just beginning to see the fruits of these labors and expect our future payoffs to be substantial.

Today I would like to outline problems that remain and bring you up to date on our continuing efforts to improve this process.

We all recognize the role that my former Deputy, Dave Packard, played in improving weapons systems acquisition. He brought order out of chaos and provided us with common sense policies for weapon systems acquisition. Just before he left I asked him for his thoughts on what we had learned and what we had accomplished during the past three years. I would like to pass on a few of his thoughts: he identified four factors that seemed to have gotten us in trouble in the past:

- The initial decision was wrong, resulting in projects that were too ambitious or unrealistic, and often in project cancellations.
- Department of Defense management was not as effective as it should have been.
- Cost estimates were unrealistic and accepted even when we could have known better.
- Defense industry was in trouble in both its management and finance. To a significant degree, their problems were the product of bad Department of Defense procurement policies.

I believe, and he agrees, that we have taken constructive action in each of these four areas and that we can see marked improvement in all of them. At the same time, there are active programs initiated years ago that still bear the problems that these four factors have generated. Let me list a few examples:

The Mark-48 Torpedo is designed to provide a capability critically needed by the Department of Defense. When we first looked at this program it was in serious trouble both technologically and financially.

It must be recognized that this program was too far along to assume that we will not have problems in the future. We have taken many corrective actions. We did restructure the program. We placed greater emphasis on competitive testing under the most realistic conditions. We then made a procurement decision and selected the contractor we believed had the best proposal and the best comparative capability. At the same time, I want to strongly emphasize that we have not solved all the problems associated with this program. Testing continues and reliability has improved. I hope that the MK 48 will finally meet our needs. I will continue to watch it closely.

The C-5A has come to be the example of all that can go wrong in weapons systems acquisition. It suffered from every one of the four major factors identified by Dave Packard. It is obvious that if we could start over at the beginning of the program, we would do it very much differently -- but those decisions were behind us. We will continue to watch the C-5A closely and do all that we can do to obtain this needed lift capability. At the same time it is clear that the C-5A cannot, and probably never could, meet all the design objectives specified in the original contract.

The F-14 program is another program that warrants and will receive, our closest attention. It, too, has suffered to some degree from each of the four major factors that have created problems in weapon systems acquisition. The testing of the F-14 airframe and avionics has just begun. This testing is critical since the demonstrated effectiveness of the F-14 will be the primary factor that I will consider in making any further decisions on the F-14 program. I am recommending that the Congress authorize \$735 million for the F-14 for FY 1973. I urge your support of this request. This authorization will permit us to retain the contractual commitments that we have negotiated with the Grumman Aircraft Corporation and will provide us the financial authority to exercise an option for the procurement of 48 aircraft in Lot V. While the contractor has indicated that he is unwilling to accept this option, we retain the position that we have a valid and legal contract with Grumman. I want to reassure the Congress that the option on Lot V will be exercised only if I am convinced that the F-14 will provide the capability that the Navy needs and at a realistic cost. The Department of Defense has a significant investment in the F-14 in time and in money, but I want to make it very clear that the investment that we will have made is non-recoverable and that my decisions on the F-14 will be based solely upon its demonstrated effectiveness and not upon cost already incurred as a result of earlier decisions.

A final area of major concern is the Navy Shipbuilding Program. I have recommended and strongly support a Shipbuilding and Conversion program of \$3.6 billion for FY 1973. I have described in some detail the objectives of our Strategy of Realistic Deterrence, the threats that we face in reaching these objectives, and our great need for improving and modernizing our naval forces. Despite this urgent need, I cannot and will not accept the serious inefficiencies that we have earlier observed in our shipbuilding program. We need a modern and efficient Navy and we need to procure and operate it in an efficient way. I assure you that I will give equal attention to both of these needs.

I have identified those factors which made things go wrong and some of the continuing programs that were affected by these factors. Let me briefly comment on what I think we have done to minimize the effect of these factors.

1. Decision-Making Factors

First, we have a better basis for improving the initial decision to move forward on a contract. In this Administration we have received clear guidance on the President's objectives in national security affairs. Our efforts to accomplish net assessments will enable us to make better decisions on actual requirements and the initial decisions to meet those requirements. We have also made major changes in the internal decision-making process within the Department of Defense. We give new recognition to the views of the Joint Chiefs of Staff and of all of our personnel in uniform. This increased responsibility given to the Secretaries of the Military Departments has resulted in a marked improvement in their management and recommendations. All of these steps have resulted in recommendations to the Secretary of Defense that are both more relevant and more realistic in their demands in terms of both cost and technology.

As part of the weapon systems acquisition process we have placed increased emphasis on the use of hardware to demonstrate capabilities rather than paperwork to describe them. The prototype program presented to the Congress and now underway within the Military Departments is a specific example of this emphasis on hardware rather than paper. I believe that with hardware in hand, we will be vastly better able to make a good initial decision on production than is possible when that decision must be based solely upon contractor and military department estimates.

Secondly, I believe that we have made significant improvements in Department of Defense management and in our weapons system acquisition policies. In my statement last year I discussed some of these policies and the Deputy Secretary of Defense in his testimony to Congress amplified upon my statement. Very briefly in the acquisition process itself, we are placing increased emphasis on tradeoffs, completing development before production, and better testing before we make a production decision. We have first made a real improvement in the procedure for selecting and training our project managers. The Defense Systems Management School is established and has graduated its first class. The project managers now have increasing responsibility and authority, a more streamlined line of command within their military departments to the decision-makers, longer tour lengths which are tied to major program milestones, and are in a career that is appropriately recognized and rewarded.

The third factor is a basic cause of cost growth that has been most conspicuous in programs in the past. One of the primary reasons for cost growth has been the fact that we have asked for firm bids to produce something that had not been developed. Contractor bids were consistently low and the Department of Defense consistently accepted them without giving adequate consideration to the technical problems, program stretchouts and the cost growth normally associated with that particular type of program. The Department then implicitly put itself in the position of either being willing to see companies suffer major financial losses and possibly go into bankruptcy, or else agreeing to cover the actual costs in one way or another. We have done two things to meet this problem.

First, in looking at programs with very large cost growths, we found that data and techniques were or could have been reasonably available which would have indicated the final actual cost of a system within 10 to 20 percent, compared to the differences between the contractor's bid and the final cost which ranged to more than 200 percent in some cases. We will make more use of these types of estimating techniques in looking at future weapons systems programs so that we can have a better estimate of acquisition costs on which to base our decision.

To this end, I have established an OSD Cost Analysis Improvement Group to review the estimates presented and to develop uniform criteria to be used by all DOD units making parametric cost estimates. This group has representation from the Director, Defense Research and Engineering, and the Assistant Secretaries for Comptroller, Installation and Logistics and Systems Analysis. They will be responsive to the DSARC Chairman in assessing the reasonableness of cost estimates and the criteria followed in their development. At the same time, because valid cost estimates are so critical to a successful defense posture, I expect each Service Secretary to have a staff component capable of preparing independent parametric cost estimates. Our goal is to have formalized procedures for program cost presentations, as well as uniform criteria to which future parametric cost analyses will be expected to conform.

Secondly, we have recognized that development by its nature is dealing with the unknown and wherever appropriate our contracts for development will be on a cost basis rather than of a fixed price type. This will help to minimize the problem of buying in and alleviate many of the problems contractors have faced in the past.

With regard to the fourth factor which has made things go wrong, we have established a better working relationship between industry and the Department of Defense. Industry's weakness in financial

structure can inhibit both development capability and productivity, and can contribute to unnecessary costs of weapons acquisition. We must maintain a defense industry that is strong both technologically and financially. Defense profits have been a matter of interest and concern to industry, the Department of Defense, and the Congress. Great attention is normally given to those defense contractors whose profits seem to be excessive. Such industries I have found to be in the minority rather than being representative.

In fact, based on the most recent Renegotiation Board data, pre-tax profits as a percentage of sales have averaged about 2.55%. Based on this data, estimates would indicate that after-tax profits in the Defense industry are less than 1.3% of sales. Based on various studies, including a recent GAO study, it can be safely stated that profits measured either as a percentage of capital (both equity and total capital investment) or of sales, in the Defense industry, are well below profits realized from commercial ventures. It is in the interest of the nation to assure a strong defense industry. I am convinced that only through a strong defense industry can we both obtain the weapons that we need and obtain them at the lowest overall cost to the taxpayer.

We have worked closely with the General Accounting Office this year in taking action to meet legitimate concerns on defense profit levels in two different areas. First, we now permit contractors to collect interest on claims when these claims are honored. It seems a matter of simple equity that in those cases where the government incurs an obligation and the payment is delayed, the contractor should not be expected to finance this obligation during the time it is in dispute. Secondly, we have established a contractual procedure which will recognize the contractor's capital investment in arriving at profits. There has been great interest on the part of the General Accounting Office and the Congress in this recognition of capital. We are proceeding slowly and carefully with this new procedure, so that we can better understand how and when it should be applied.

Two significant changes have also been made with respect to progress payments on contracts. First, a uniform policy has been promulgated on the frequency and timing of progress payments. Second, in the future, progress payments will be made for costs paid by the contractor, rather than for costs incurred as has been the basis in the past. This latter change will provide an increased incentive for the prime contractor to pay material supplies and other subcontractors more promptly. It will also, of course, somewhat increase the requirement for private financing of operating expenses by the contractors.

All of these improvements together will not accomplish the full level of improvements we seek in improving the weapons systems acquisition process. We need to do more and will continue to search for appropriate new techniques to accomplish our aims. For instance, we are not yet convinced that we have established the proper incentives for the elimination of marginal requirements that needlessly increase acquisition -- and operating -- costs with little performance benefits. We are not convinced we have established sufficient competitive incentives toward economy and simplicity in design and operation. There will probably never be a "final report" on reaching perfection in Weapon Systems Acquisition. However, this Administration intends to continue to provide substantive "progress reports" indicating our efforts in this direction. We are hopeful that the Congress will continue to help us, as they have done in the past, in this difficult task.

II. DEPARTMENT OF DEFENSE MANPOWER OBJECTIVES

A. MAJOR MANPOWER GOALS

The major Department of Defense goals in manpower policy remain the same as those I reported to you last year. They are:

- Reduction of draft calls to zero by July 1, 1973, and achievement of an all-volunteer force.
- Improvement of the quality of life in the military services to continue toward the objectives expressed in the 1969 statement of our Human Goals.
- Completion of the transition to peacetime manpower levels with minimum hardship to individuals, while simultaneously maintaining and upgrading the quality of the force.

These goals relate to our manpower policy. There is, however, one fundamental objective which guides all of our manpower planning:

To provide the required personnel to man and operate our military forces, thus providing us with essential capabilities for national security.

This year I would like to discuss with you the broad rationale for our manpower requirements -- why, in gross terms, we need the personnel strengths that we are recommending -- and some of the trends regarding personnel strengths over the past years -- with hopes of giving you a better understanding of our current manpower situation.

B. MANPOWER REQUIREMENTS

The manpower strengths which we are recommending, together with those for previous years, are shown in the two-part table on the following page. The top part shows a summary without general support personnel allocated, and the second part shows this support allocated to our major mission categories. I will discuss the general support category in more detail in subsequent pages.

As you can see, personnel requirements for strategic forces represent a small portion of our overall manpower requirements, about 10% even with support allocated. These people man the strategic offensive and defensive forces necessary to provide adequate capability to fulfill the requirements of strategic sufficiency. They are highly trained, and in many cases require specialized skills.

Active Military Manpower Summary
(Manpower End-Strengths in Thousands)

Without General Support Allocated

	<u>FY 70</u>	<u>FY 71</u>	<u>FY 72</u>	<u>FY 73</u>
<u>Strategic Forces</u>	<u>143</u>	<u>130</u>	<u>130</u>	<u>127</u>
Offense	(90)	(88)	(88)	(89)
Defense	(38)	(27)	(26)	(24)
Command and Control	(15)	(14)	(15)	(14)
<u>General Purpose Forces</u>	<u>1251</u>	<u>1082</u>	<u>949</u>	<u>935</u>
Land Forces	(746)	(638)	(513)	(516)
Tactical Air Forces	(188)	(167)	(166)	(167)
Naval Forces	(232)	(205)	(206)	(195)
Mobility Forces	(85)	(72)	(64)	(57)
<u>Other Mission</u>	<u>214</u>	<u>204</u>	<u>181</u>	<u>180</u>
Intelligence	(93)	(91)	(75)	(68)
Communications	(59)	(55)	(52)	(50)
Research and Development	(39)	(37)	(37)	(35)
Support to Other Nations	(23)	(21)	(17)	(27)
<u>General Support</u>	<u>1457</u>	<u>1298</u>	<u>1132</u>	<u>1116</u>
Base & Individual Support	(657)	(580)	(513)	(506)
Training	(617)	(550)	(460)	(458)
Command	(154)	(138)	(129)	(121)
Logistics	(29)	(30)	(30)	(31)
Total	3065	2713	2391	2358

With General Support Allocated to Major Missions

<u>Strategic Forces</u>	<u>273</u>	<u>249</u>	<u>245</u>	<u>240</u>
Offense	(172)	(168)	(166)	(166)
Defense	(73)	(53)	(52)	(49)
Command and Control	(28)	(28)	(27)	(25)
<u>General Purpose Forces</u>	<u>2384</u>	<u>2075</u>	<u>1803</u>	<u>1775</u>
Land Forces	(1427)	(1223)	(975)	(980)
Tactical Air Forces	(356)	(319)	(317)	(317)
Naval Forces	(440)	(396)	(389)	(370)
Mobility Forces	(161)	(138)	(122)	(108)
<u>Other Mission</u>	<u>408</u>	<u>391</u>	<u>345</u>	<u>344</u>
Intelligence	(178)	(176)	(146)	(133)
Communications	(114)	(104)	(98)	(95)
Research and Development	(74)	(71)	(68)	(66)
Support to Other Nations	(42)	(40)	(33)	(50)
Total	3065	2713	2391	2358

NOTE: Numbers in parenthesis are additive; numbers may not add due to rounding.

Much of the support personnel allocated to strategic forces perform essential functions in our deterrent posture, such as manning strategic alert and satellite bases, and operating fleet ballistic missile submarine support facilities.

Our strategic force manpower requirements are dictated by the numbers of forces deployed. As you can see from the table, these have been reduced in the past three years. This reduction is due primarily to the phasing out of both B-52 and air defense aircraft, plus adjustments in headquarters and command and control structure.

Far more defense manpower (about 75% with support allocated) is assigned to missions associated with our general purpose forces. These land, naval, mobility and tactical air forces are maintained not only for defense of the United States but also for the support of other nations to which we are linked by common interests. The structure of these forces and their location around the world reflect two policy judgments which have been in effect for many years. These policies are: that the security of the US and protection of our vital interests require forces for forward deployment and forward defense; and that strategic nuclear forces, by themselves, are not a sufficient deterrent against the entire spectrum of aggression we must be prepared to face.

I noted in an earlier section the planning factors related to providing adequate capabilities to meet our basic military strategy requirements.

Strong and capable general purpose forces in peacetime have significant value in deterring war. Peace would be precarious, indeed, if the President of the United States had no option except the threat of a nuclear attack, when faced with a threat to our security or interests.

In addition, our general purpose forces actually deployed overseas in peacetime take on a significance beyond their purely military function, because they symbolize both to our allies and our enemies the commitment of the US to the area involved.

The basic size of our general purpose forces is significantly influenced by our commitment to NATO. The percentage of US forces necessary to fulfill our deterrent requirements for NATO reflects both an indication of our intentions toward Europe and a military capability of high credibility.

In simple terms our mission in Europe is, together with the forces of our allies, to deter, and to defend if conflict occurs. The political and military adequacy of our commitment is measured

by both our NATO allies and potential opponents. We believe that the general purpose force structure we are recommending will provide this adequacy.

The size and composition of our general purpose forces also reflects a requirement to provide substantial forces oriented toward our role as a Pacific power, and an effective mobile capability to deploy these forces in support of our interests. Here too our forward deployed forces serve an essential role -- a role increasingly oriented towards helping Asian friends and allies by complementing or supplementing their own efforts.

Let me now turn to a brief discussion of combatant support. The generally used ratio of combat to support personnel, usually derived from aggregate figures, has been erroneously interpreted as a sign that the military, particularly the Army, is losing its teeth and getting a big tail. In combat units, "teeth" can be partially measured by fire-power. A comparison of today's Infantry Brigade with its Korean War regimental counterpart using one measure of fire power potential shows that the brigade would use about 40% less manpower than the regiment to develop an equivalent amount of fire-power potential. Using the same type of fire-power measure as in the infantry example, the Division Artillery with a comparable number of men and weapons has increased its fire-power potential 600% over the past 20 years.

Even with the decrease in the combat to support ratio during the past two decades, the combat capability of our forces has improved markedly. And since weapons are now considerably more potent, it takes, in general, additional people to keep them in service. Sophisticated, accurate and powerful weaponry requires proportionately more support personnel -- not necessarily to operate, but to maintain equipment and train the users.

One effect of the changed ratio between combat and support troops is fewer casualties and less deaths resulting from casualties, as the table below shows:

<u>Army Casualty Rates</u>			
	<u>WWII</u>	<u>Korea</u>	<u>Vietnam</u>
Battle Casualties*	30.6	22.7	19.8
Battle Deaths*	9.2	6.4	3.6

* Rates expressed as cases per 1,000 average
Army strength per year

Let me now turn to a brief discussion of general support, and its components of base and individual support, training, command and logistics.

Currently there are 493 major bases in the United States and 302 overseas. The Department of Defense maintains a base structure to provide facilities for:

- operating forces in wartime (i.e., air bases, ports, etc.);
- keeping forces in peacetime (i.e., training areas, ranges, hangers, troop housing, etc.);
- supporting forces (arsenals, depots, shipyards, training centers, schools, etc.);
- providing services to personnel and dependents (family housing, commissaries, theaters, etc.).

We have undertaken a substantial number of activity reduction, realignment, and closure actions worldwide since January 1969. Excluding Southeast Asia, these actions eliminated more than 191,400 military and 137,000 civilian positions, and will reduce annual defense expenditures for the base structure more than \$2.9 billion when completed. Most of the actions will be completed by the end of FY 1972, but a few will take longer.

To partially offset these reductions, we have increased certain elements of individual support since 1969, including actions taken to implement the all-volunteer force. For example, recruiting manpower has risen by 8,000 spaces, to the level of the 21,000 requested for FY 1973.

There are many different types of training, including the major basic categories of recruit, specialized, flight crew and unit, professional, and officer acquisition.

A substantial training base reduction occurred in FY 1972. Our plans in this area for FY 1973 provide for very few changes from last year. We cannot further reduce in this area until we are closer to an end to the draft and have been able to offset two-year inductions with volunteers having longer terms of service.

Command support provides manpower for headquarters and administrative staffs at and above the level of numbered Army, Air Force Air Division, Navy Ship Division, Navy Air Wing, and Fleet Marine Force.

In the past two years, we have reduced Command support by 12%. Eight thousand fewer spaces are proposed in the category in FY 1973 than in FY 1972.

Logistics support for supply and maintenance while essential, does not require large numbers of military personnel, since modern inventory management practices call for much automation, and much of our civilian manpower contributes to this task. In FY 1973 only about 31,000 military men will conduct central supply and maintenance operations for DOD.

In summary, the military manpower requirements we are requesting provide for average active duty strength of 2,396,517 in FY 1973. The requirements and justification will be covered in more detail in other hearings. The almost 2.4 million military personnel we are requesting are:

- 1,068,000 less than we had in 1969 at the peak of Vietnam buildup;
- 296,000 less than we had in 1964 before the Vietnam buildup; and 2222
- 1,028,000 less than we had in 1954 after the Korean War was over.

The last time we had an average active duty strength lower than this was before the Korean War, some 22 years ago.

In FY 1973, we are proposing minor adjustments in the manpower strength of our general purpose forces. As I reported to you last year, we have reached what we consider to be a "base line" force, appropriate to fulfill essential security requirements as we continue to shape the Nixon Doctrine peacetime deterrent force structure.

C. WHERE WE STAND

We have already made notable progress toward achievement of our basic manpower goals in a number of areas. This progress is measured by diminishing draft calls, increased incentives for voluntary military service, improvement in the life of the American serviceman, and large reductions in military and civilian manpower which have been cushioned by special efforts to alleviate personal hardship.

Since the beginning of the reductions in the size of the military and civilian force we have been plagued with the problems inherent in such a situation -- a constantly changing force structure, the involuntary release of personnel, and turbulence in job assignments -- all of

which are obstacles to the maintenance of efficiency and combat readiness. Barring externally-directed changes in our planned manpower levels, fiscal year 1973 can be expected to be a year of leveling off, a period when these disruptive tendencies will become less pronounced. While some further reductions in both military and civilian personnel will occur, the rate of reduction will progressively slow down as we move toward our programmed base line force.

It would be a mistake to assume that all problems are behind us. No one can guarantee that the new incentives for an all-volunteer force will suffice to satisfy the need for manpower, without resort to the draft. Some obstacles, such as the possibility of difficulties in the completion of Vietnamization or the emergence of major unforeseen threats to our vital interests, are not fully within our power to control. In short, the manpower reality which I discussed earlier in this report will remain with us.

Despite these problems, present and potential, I am confident that, with the support of the Congress and the American public, our goals are attainable and that we will move further toward their full realization in the coming year.

D. THE ZERO DRAFT AND THE ALL-VOLUNTEER FORCE

The immediate major manpower challenge is to reduce draft calls to zero and to create a force composed entirely of volunteers. President Nixon first presented this goal to the Congress in his message of April 23, 1970. In accordance with the President's desire that this goal be achieved as soon as it can be done without endangering our national security, I set July 1, 1973 as the target date for ending reliance on the draft. Meeting this target date will be no easy task, but the decline in draft calls from the Vietnam peak of 365,000 men in calendar year 1966 to the calendar year 1971 call of 98,000, the lowest since 1962, is an encouraging indicator. The following table shows draft calls for the last four years.

<u>Calendar Year</u>	<u>Draft Calls</u>
1968	299,000
1969	289,900
1970	163,500
1971	98,000

In CY 1972, which begins with no draft calls during the first three months, the figure will be substantially lower than in CY 1971. This prospect, when coupled with some recent improvement in enlistments and retention rates, could foster the belief that the all-volunteer force objective is within easy reach in the future. Such an optimistic judgment would be premature.

It is true that there were several signs of progress toward an All-Volunteer Force in the past year -- among them, these facts:

- Seven of 10 enlistees were true volunteers, compared with a ratio of six of 10 a year ago, and five of 10 two years ago.
- In the last six months of CY 1971, 25,000 more true volunteers enlisted than in the same period of 1970.
- The mental skills of enlistees (sometimes called the quality mix), measured by the results of Armed Forces Qualification tests, were better in 1971 than in 1970. Also 12% more high school graduates enlisted than in 1970.
- Combat arms enlistments in the Army increased from a monthly average of 250 in the last half of 1970 to approximately 3,000 in the last half of 1971 -- an increase of 1,200%.
- In January 1972, almost 10,000 soldiers separating from active duty enlisted in Army Guard and Reserve units. This enlistment program for prior service personnel was tried in 1971 at two Army posts and expanded to twenty posts this year.

Encouraging as these facts are, these higher enlistment rates still fall short of those required for termination of the draft.

Low draft calls in the current fiscal year result largely from decreased Army manpower strength during FY 1972. With end-year strength goals substantially below beginning-year strength, the requirement for Army accessions has been greatly reduced and draft calls have consequently declined. About 140,000 soldiers must be released early during the period January-June 1972 to permit the Army to remain within the strength authorized by the Congress. For these reasons and others, we have not yet had a valid test of our ability to achieve and sustain zero draft calls. When a relatively stable manpower environment exists, it will then be much easier to judge the adequacy of pay raises and other actions designed to achieve an all-volunteer force.

We currently anticipate that there will be manpower supply problems in the following areas:

- Combat arms enlistees, for whom the authorized and funded combat arms enlistment bonus will be used as needed.
- Officers with professional qualifications, such as physicians and lawyers, and enlisted members with special skills.
- Guardsmen and Reservists, whose past enlistments have been largely draft motivated and whose end-CY 1971 total strength was almost 45,000 below the FY 1972 mandated average strength. While greatly expanded recruiting efforts are being made, it is possible that such incentives as bonuses may be needed to stimulate enlistment and re-enlistment in the Guard and Reserves.

1. Enlisted Accessions

The Services will require 630,000 new enlisted accessions in FY 1973, 515,000 for the active forces and 115,000 for the Reserves. This requirement represents about one-half of the males qualified for military service who will reach age 19 during the year. Two countervailing factors will influence voluntary accessions. First, diminishing draft calls and the prospect of the end of the draft will tend to lower the enlistment of men who volunteer in preference to being drafted. On the other hand, the recently enacted pay increases and Project Volunteer incentives can be expected to raise the number of true volunteers. We cannot predict with any accuracy how these two factors will interact, but can probably expect peaks and valleys in our accessions.

During the past year, major emphasis has been given to strengthening our recruiting capability. Both the number of recruiters and recruiting stations have been increased. Recruiting offices have been refurbished and recruiting advertising has been increased. Special duty assignment pay of \$50 per month has been authorized for recruiters. The training of recruiting personnel has been improved. The Congress provided additional assistance when it authorized payment of necessary out-of-pocket expenses which recruiters incur while doing their job.

2. Officer Accessions

Another area of interest associated with transition to an all-volunteer force is the status of officer accessions. Although the ROTC program which is the largest single source of newly-commissioned officers, experienced a drop in enrollment for the fifth straight year, there is a growing optimism over the program. Modest increases in enrollments are expected next year. Enrollment in the Platoon Leaders Class (PLC), the most important source of officer procurement for the Marine Corps, has been below the level needed to meet projected requirements. Recent beginning enrollment experience in both programs is shown in this table:

<u>Academic Year</u>	<u>ROTC Enrollments</u>	<u>PLC Enrollments</u>
1968-69	218,466	2,921
1969-70	161,507	2,255
1970-71	114,950	2,325
1971-72	87,807	2,427

The two primary causes of these shortfalls have been a continuing trend from compulsory to elective ROTC, and lessening pressure from the draft.

Two developments should help to overcome this problem, although they may not provide a final solution. First, recent legislation increased the number of ROTC scholarships, raised the subsistence payments to ROTC students, and authorized subsistence payments to PLC cadets. This legislation should make these programs more attractive to the college student. Second, officer requirements have decreased, particularly in the Army, which has experienced the greatest drop in enrollment. As a result, the Army will be able to assign about 7,000 of its newly commissioned ROTC graduates to fill officer requirements in the Reserves in FY 1973.

A final aspect of officer procurement in a zero-draft environment is the problem of meeting the Services' requirements for lawyers and physicians.

Despite our best efforts, the Department of Defense has been unable to attract and retain the number of well-qualified career military lawyers needed to meet minimum requirements. The Department of Defense has sponsored legislation designed to provide financial incentives needed to attract and retain quality military lawyers. This legislation was enacted by the House of Representatives in July 1971, and is currently pending action in the Senate.

During CY 1971 the Selective Service System was requested to call 1,608 physicians under the doctor draft for entry on active duty during the first seven months of FY 1972. Primarily because of the doctor draft call, CY 1971 Berry Plan participation improved over that of CY 1970. It is anticipated, however, that the CY 1972 Berry Plan participation will again decline significantly because of the approaching expiration date of the current draft law and overall reductions in the total strength of the active forces.

To meet the critical need of the military services for medical personnel, I again recommend increasing support of medical school students through medical scholarships. Under this proposal, the Department of Defense would, in effect, exchange subsidy of the individual's education in medical school for a specified period of military service. The House passed our medical scholarship proposal on November 3, 1971, and it is now pending in the Senate. While we hope to retain many physicians and dentists for continued military service beyond their initial obligations, many of these personnel will not remain in military service indefinitely. However, those who do not choose a military career will, after their period of obligated service, help to reduce the nationwide shortage of medical personnel.

Before leaving the subject of the zero draft and the all-volunteer force, I must again bring to your attention the incontrovertible fact that pay and improved management of people alone will not achieve this goal. The support of the public, particularly as reflected in the attitude of the American people toward their Armed Services, is vital to the success of the program. We cannot expect to recruit or maintain a high-quality volunteer force with good morale and discipline if a significant segment of our citizenry looks on the Armed Services with scorn. I ask the members of the Congress to join us in taking the lead in manifesting respect and support for the Armed Services -- an essential step toward the all-volunteer force.

E. MANNING AND TRAINING THE RESERVE FORCES UNDER THE TOTAL FORCE CONCEPT

One of the major challenges in moving to an all-volunteer force and implementing the Total Force Concept is maintaining the strength of the Reserves and Guard. It is especially critical that the strength of these forces be maintained because, under the President's policy, the Reserve and Guard will be the initial and primary sources for augmentation of the active forces in any future emergency.

Our experience during the past year, with the three-month draft interruption in the summer and low draft calls during the final months of 1971, indicates that it will be difficult to meet Guard and Reserve

strength requirements as draft calls decline toward zero. The long and long-standing waiting lists of draft vulnerable applicants for Guard and Reserve membership have disappeared in most Reserve Component units, and actual strengths have dropped below statutory minimums.

The solution which we propose for these manning problems is to couple a vigorous and aggressive recruiting effort with a program of visible incentives which will make Guard/Reserve service an attractive avocation. We are not underestimating the incentive value of genuine missions and good equipment, and, indeed, we have evidence that these are effective motivators in some cases. One Army National Guard unit in Kentucky, for example, which had suffered significant losses of its experienced non-commissioned officers found these same people returning, and skilled prior service personnel applying, for membership after the unit received its complement of M-60 tanks and obtained a site where these new tanks could be used to develop combat readiness.

We are also confident that the incentives already enacted as part of the Military Selective Service Act (P.L. 92-129) will provide a measure of motivation for non-prior service people to enlist in the Guard and Reserve. Raising from \$19 to \$43 a month the supplemental income that a man receives upon his return from initial active duty training is a good selling point for our recruiters, particularly among low-income groups. This should be of special assistance in recruiting among minorities where we need to increase representation in the Guard and Reserve program.

Another provision of this same act permits, for the first time, payment of quarters allowance to young Guardsmen and Reservists with dependents during their initial four to six months active duty training. While this assistance does not compensate for the loss of civilian income or interruption of education involved, it does make it more nearly possible for the young married man to make ends meet during this critical post-enlistment period.

We are also pursuing new initiatives in the recruiting of prior service personnel. The Army has tested and is now implementing fully a program which allows early release from active duty for persons joining units of the Guard and Reserve. The test program was highly successful. As of October 29, 1971, some 31% of the separating servicemen interviewed had committed themselves to service with Selected Reserve units and, among these, some 46% of the black personnel made Reserve commitments. We have asked the Navy and Air Force to examine the advantages of a similar approach as an aid to meeting Guard and Reserve strength requirements.

Another approach we are stressing is the direct procurement of non-commissioned and petty officers in the Guard and Reserve. This administrative procedure permits the enlistment of individuals, whose civilian acquired skills are compatible with military skill requirements, at a pay grade higher than would normally be allowed.

Although recruiting efforts have been intensified and some favorable results have been obtained by using incentives now available, the results have not been sufficient to meet requirements. We are proceeding with the development of additional incentives which can be used as tools for recruiting and retention.

Moreover, we have included in the FY 1973 Budget funds to strengthen both local and national recruiting efforts by providing recruiting materials, offsetting the out-of-pocket expense of the people involved, and providing training which will enhance the ability of key people to perform their recruiting task.

Many of the incentive proposals we have selected as promising the greatest help for Guard and Reserve manning have been introduced in one form or another by members of the Congress. For the items which require legislative action we are in the process of getting our legislative proposals, as well as reports on legislation which has been submitted to us for comment, to the appropriate committees of the Congress. As one example, we have supported a bill to provide equity for Guardsmen and Reservists in the area of medical, dental and death benefits.

Among the other significant incentives being considered are:

- A proposal to establish a variable enlistment and selective re-enlistment bonus, which would assist the Services not only to acquire the total numbers of people needed, but also to meet critical shortages in particular skills or geographic areas. These bonuses should encourage long-term enlistments and re-enlistments, and thereby improve readiness levels and enhance the stability of the Guard/Reserve portion of the Total Force.
- A proposal to extend Serviceman's Group Life Insurance (SGLI) coverage to Guardsmen and Reservists on a full-time basis, and to those who have completed the required service but not attained the minimum age for retirement, so that their families will have a measure of protection in case they die before drawing retirement pay.

- A proposal to allow Guardsmen and Reservists with 25 years of creditable service to retire at age 55 rather than at age 60 (this is comparable to retirement at age 60 with 20 years creditable service, which is now permitted).
- A proposal to allow persons who have completed all requirements for retired pay, except reaching the minimum age, to elect at age 50 either a lump sum payment in lieu of further claims or a reduced annuity on an actuarially sound basis.

Our intent is to design a program which can be implemented on a phased basis, so that we can evaluate each incentive or other action before adding the next in order to determine relative effectiveness of each item as an aid to recruiting and retention. The pay raise is now in effect. Recruiting effort is being intensified within existing funds. As soon as sufficient experience has been gained with these ongoing programs, we shall be in a position to determine the required scope of follow-on programs such as the variable re-enlistment bonus. Evaluation of such a next step would provide a basis for proposing an enlistment bonus if this were needed as a supplemental incentive. Other portions of the program would be designed to be applied at appropriate times as implementation of the program proceeds.

We are concerned with the early indications of shortfalls in strength of the Selected Reserves of the Guard and Reserve Components (45,000 below statutory strength minimums at the end of Calendar Year 1971, as shown on the following table).

GUARD/RESERVE STRENGTH TRENDS FY 1972

	ARNG	USAR	USNR	USMCR	ANG	USAFR
<u>Mandated Strength</u>	<u>400,000</u>	<u>260,000</u>	<u>129,000</u>	<u>45,849</u>	<u>88,191</u>	<u>49,634</u>
June	402,175	262,299	130,041	47,006	85,689	50,788
July	398,324	264,332	127,558	46,614	85,750	49,453
Aug	394,790	261,215	125,372	45,852	85,594	48,587
Sep	391,178	258,694	122,696	44,880	85,705	48,224
Oct	387,795	254,934	120,685	43,536	86,277	47,568
Nov	383,711	251,872	119,645	42,401	87,052	47,354
Dec	380,742	249,351a/	120,976	42,364	87,215	47,196a/
Shortfall	-17,258	-10,649	- 8,024	- 3,485	- 976	-2,438
% Shortfall	- 4.8%	- 4.09%	- 6.22%	- 7.6%	- 1.1%	- 4.9%

TOTAL DOD SHORTFALL -44,722

a/ Tentative Data

If this trend is not halted by higher pay and accelerated recruiting, then it will become necessary either to request authority for bonuses to stimulate Guard and Reserve enlistments or, as a last resort, to develop legislation which will allow us to draft people into the Selected Reserves.

We are hopeful that the impact of the November and January pay increases, coupled with intensive recruiting and retention efforts in all the Reserve Components, will produce a reversal of the current strength trend. However, if the shortfalls continue, we must initiate action in the April-June period of this year to present legislation to the Congress for authorization to use bonuses. At the same time, we would have to initiate the necessary reprogramming and supplemental funding for FY 1973 to accommodate such a bonus.

The possible use of a draft for the Selected Reserve of the Guard and Reserve may, as noted, become a necessity, but it is not considered such today. I believe that, if the incentives we are developing go forward and are implemented, we can attract adequate men and women volunteers for the National Guard and Reserve. I do not want to press for a draft authorization unless that becomes absolutely essential, and I do not think that it is at this point.

Solving the manning problem is an essential element of our efforts to improve reserve readiness. Equally important, however, are improvements in the training we provide to Reserve and Guard units.

Some units, particularly in the Army National Guard and Army Reserve, are experiencing difficulty in obtaining accessible sites for weekend readiness training. But our mobilization capability is being enhanced by increased participation in realistic mission training and closer association with active force units.

Army National Guard and Army Reserve

During the past year, the Army has initiated a program to provide Reserve Component units access to modern equipment, current doctrine and training facilities through association with Active Army units. The Reserve Component unit will still need its full complement of combat serviceable equipment, but the Reserve/Active association will permit personnel to become familiar with newer and more up-to-date types of equipment that are not yet available to the Reserve Component unit.

The Active Army also benefits by receiving maintenance support and services from Reserve Component units which would not otherwise be available. An example of this advantage is provided by three National Guard Transportation Aircraft Repair Shops (TARS) which perform maintenance on Army aircraft on a full-time basis, using technicians and other National Guard personnel. These shops repair and rebuild aircraft for both the Active Army and the Reserve Components, but receive their workload through Active Army channels. A high proportion of aircraft returning from overseas is rebuilt at these facilities.

Another interesting approach is to integrate the Reserve Component unit with the Active unit. The practical application of this concept was implemented last year when three Army Guard tank and two Army Guard mechanized battalions were associated closely during their annual training with the 1st and 2nd Armored Divisions at Fort Hood, Texas. The experiment appears to have worked satisfactorily.

This past summer the arrangement not only was repeated, but it was also expanded by having the 72nd Mechanized Infantry Brigade (Texas) train concurrently with the experimental 1st Cavalry (TRI-CAP).

In addition to these efforts, we are also pursuing more limited forms of association. Units which have achieved company level readiness in Army training tests may participate in active Army exercises in order to measure their capabilities against those of active units. Moreover, the Continental Army Command has implemented a program in which company-size Reserve Component units conduct training with Army units at nearby active installations. The Army Materiel Command is pursuing a similar program for Reserve Component combat service support units.

We are looking at other approaches to Reserve training. In May of last year, we directed that a comprehensive review of Reserve Component missions, programs, and manpower levels be made. A joint Service study group completed the review on July 15, 1971. For the Army, thirty-three concepts were identified which showed promise as means of improving Army Reserve Component readiness and Total Force capability. The Army is in the process of developing the program, schedule, and related cost data for the concepts to be tested and evaluated.

Naval Reserve and Marine Corps Reserve

During the year, the Naval Reserve attack air squadrons completed their reorganization into two combat-oriented Reserve Air Wings. This past summer these units deployed as full wings aboard Active Navy aircraft carriers, logging more than 1,700 jet landings without accident and attaining, for the first time, measurable levels of combat readiness attested by operational readiness inspections.

Naval Air Reserve anti-submarine warfare units also were reorganized into two ASW groups and 12 fleet-sized patrol squadrons. The ASW carrier groups, like the attack wings, conducted extensive operations during the summer, logging more than 2,000 carrier landings and receiving a fleet evaluation of "Excellent."

Members of the patrol squadrons received both training and operational experience as a result of participation in Active Navy operations. One squadron deployed to Okinawa for two weeks in support of Western Pacific commitments. Others rotated crews to Rota, Spain, throughout the summer to furnish support for 6th Fleet surveillance efforts while accomplishing their two-week active duty for training.

Also working with naval forces in the Mediterranean was the Naval Reserve destroyer USS GEARING (DD710), manned on a rotating basis by Reserve crews airlifted from the United States for two-week tours to augment its full-time nucleus crew.

As a result of testing of new mission concepts for the Naval Reserve, the Navy activated the first Naval Reserve Coastal/Riverine unit at Little Creek, Virginia.

The Marine Corps continued to integrate the 4th Marine Division and 4th Marine Aircraft Wing into Active Marine Corps training exercises to maintain the force at mobilization readiness training standards. The routine exercising of USMCR units of battalion, regimental and larger size in close coordination with Active Marine Corps units assures the availability of forces which can be deployed in accord with mobilization plans.

Air National Guard and Air Force Reserve

Tactical fighter, reconnaissance and airlift units of the ANG participated in seven joint exercises with active units of the Armed Forces. Two of these exercises were in Europe, two in Alaska, one in Panama, and the remainder within the contiguous United States. Air Force Reserve tactical airlift and special operations units also took part in numerous exercises supporting Army and Air Force requirements.

The ANG continued its active role as a part of the integrated air defense system, providing some 57% of the total interceptor units within Aerospace Defense Command and intercept force in Hawaii. Where the ANG units are located on the same base with Air Force air defense units, as are those at Bangor, Maine and Spokane, Washington, operations are integrated to insure maximum capability for both USAF and ANG units.

ANG units assigned military airlift missions continued to supplement MAC capability as a by-product of training. The Air Force Reserve has formed its 13th and last C-141 associate unit. Further plans for expansion of this productive and economical program call for four C-5 associate units in Fiscal Year 1974.

In addition to participation in Active Forces exercises and continuing operations, the ANG and USAFR provide aircrew training for themselves and the Active Air Force. The USAFR Combat Crew Training Center at Ellington AFB, Texas, trains C-130 crews, and ANG units at

Tucson, Arizona and McConnell AFB, Kansas, provide combat crew training for F-100 and F-105 Air Reserve Force aircrews. In addition, the ANG unit at Ellington AFB provides advanced interceptor training in F-101s and F-102s.

These training initiatives not only produce measurable improvements in readiness, but also enable all elements of the active and reserve forces to test and apply new concepts of training and organization which promise greater progress and more productivity in development of Total Force capability.

Closely related to the training problem is the need to improve the means of supporting and maintaining the modern equipment that the Reserve Components are receiving. Increases in the number and complexity of major equipment items create a critical requirement for full time personnel to make the equipment a readiness asset rather than a storage liability. Congressional action to increase the ceilings on National Guard technicians has alleviated a major problem in this regard. We are also taking steps to insure that the other Reserve Components have sufficient technicians to provide the essential full-time backbone of the mobilization force.

Another requirement related to equipment is the availability of adequate facilities. Not only must we provide secure areas for the storage and maintenance of equipment but we must also help our units to locate sites where this equipment can be put into action in live training through-out the year. We are carefully reviewing all previously approved and proposed construction programs to assure that available funds are being applied to properties used for Guard and Reserve training and to insure the continued availability of such properties.

Reserve Forces Policy Board

The Reserve Forces Policy Board has prepared a Report to the Congress, as required by Title 10, Section 133.1c of the United States Code. This report has been provided separately to the Committee for inclusion in the Record at whatever point the Committee desires. As I expressed to the Chairman of this Committee in my letter of November 13, 1971, my written report covering the expenditures, work and accomplishment of the Department of Defense, together with the personal reports by me and the senior officers of the Department of Defense, are deemed to satisfy requirements established for the Secretary of Defense and the Secretaries of the Military Departments by that same section of the code.

Summary

The progress made in 1971 and planned for 1972 and 1973 by no means brings us to full attainment of the Total Force objective as far as the National Guard and Reserve are concerned. The units of the Selected Reserve will require continuing priority attention in order to improve their readiness and reduce post-mobilization deployment times as they take on additional responsibilities.

A number of studies and analyses have been conducted during the past year. All of them will be used, along with our continuing analysis of readiness and capability, as a basis for determining the future force mix between the Active Services and the Reserve Components and for insuring the availability of the support required for the Guard and Reserve to perform their assigned portion of the total national security mission.

F. IMPROVEMENT OF MILITARY LIFE AND ACHIEVING HUMAN GOALS

To maintain the effectiveness of a force reduced in numbers, life as a member of the Department of Defense team must be made as attractive as possible without sacrificing good order and discipline. Many policies and programs to achieve this goal are also logical steps toward an all-volunteer force. Most of them, however, are simply matters of fairness and equity toward the men and women, both military and civilian, who serve the nation faithfully.

We must continue to view some of our self-perpetuating practices with critical eyes. For example, Kitchen Police (KP) duty and janitorial duties contribute little to the individual's military skills; the time spent on these tasks could better be devoted to training and other primary duties. The Services have started contracting these services to civilian organizations to release military personnel for military duties. We intend to continue efforts in this area to obtain better utilization of personnel in their military skills and to improve morale.

I continue to believe that adequate housing for both married and single personnel is a morale factor of prime importance, and this conviction is reflected in this Administration's budget submissions. While the FY 1969 budget contained a request for the construction of only 2,000 new units of family housing, the numbers requested have increased significantly to 9,684 in FY 1972 and 12,181 in FY 1973.

Good progress is also being made in developing housing for lower income military families under the provisions of the National Housing Act. In cooperation with HUD, community housing subsidized by FHA is being made available to these families on a preferential basis. The FY 1971 program provided 4,300 units in 14 locations, and 5,050 additional units in 38 locations are included in the FY 1972 program. Further housing gains from this source are expected during FY 1973.

We are also moving toward the goal of offering adequate quarters to all of the single military personnel who live in barracks and bachelor officer quarters. From FY 1969 through FY 1972, over 100,000 new and replacement barracks spaces and more than 9,000 bachelor officer quarters spaces will have been provided. The FY 1973 program calls for construction of about 34,600 barracks spaces and approximately 900 bachelor officer quarters spaces. In December, we concluded an agreement with the Federal Republic of Germany under which the barracks our soldiers occupy in Germany will be extensively renovated. We are improving existing barracks with emphasis on semi-privacy and enough furnishings to provide decent accommodations and meet ordinary, but not fancy, living standards.

We are continuing to improve the opportunities for service personnel to develop intellectually and gain civilian qualifications or marketable skills.

We have emphasized strengthening and broadening of existing Service programs to bring a full range of educational opportunities to the serviceman at his job site wherever it may be. We have placed special emphasis on high school completion and career or vocational opportunities. Two recent acts of Congress have been highly beneficial. Public Law 91-219, the Predischarge Education Program, provides additional benefits for servicemen who desire to complete high school or to take special courses to continue their education or training. Public Law 91-584 makes Veterans' Educational benefits available to servicemen after six months, rather than two years, of active duty. An Administration bill introduced in the last session of Congress would allow further expansion of in-Service education by providing higher education benefits.

Support for the DOD Overseas Dependents Schools is especially important to the morale of military families. The Department of Defense is continuing its efforts to provide quality educational programs for approximately 155,900 students enrolled in these schools and other 18,000 enrolled in tuition-fee schools. The funding

level planned for Fiscal Year 1973 will permit dependents schools to operate at an average pupil-teacher ratio of about 25:1 for kindergarten and elementary schools and 22:1 for secondary schools. These ratios are comparable to those of school systems of similar size in the United States. The North Central Association of Colleges and Secondary Schools (NCA) has indicated that, in general, the quality of education, the level of teaching and the general support of these schools compare favorably with the best schools in the United States.

Last year the Department took action to increase the scope of legal services available to military personnel and their dependents who are unable to pay civilian legal fees. Under a limited pilot test program, military attorneys in cooperation with state and local bar associations and judiciary have provided free professional legal services, including representation in civilian courts, to eligible personnel. Although the test program will not be completed and evaluated until mid-1972, the reaction to the program by both the civilian and military communities has been most encouraging. The final evaluation of the program and the determination whether it can be applied service-wide will in large measure depend upon the availability of sufficient military lawyers and funds. If the program proves to be feasible, it will be another step in the improvement of of military life.

Several major programs in support of one of the Department's Human Goals which have been reaching larger numbers of people in and outside the Defense Department each year will continue in FY 1973. Project TRANSITION, furnishing predischARGE counseling, educational services, vocational training and job assistance to service personnel, is one. Since 1969 approximately one million personnel have received vocational counseling, and 175,000 have received vocational training under this program.

During FY 1972 and 1973, in compliance with the President's six-point program for veterans announced in June 1971, we are extending TRANSITION services to include Southeast Asia, the Far East and Europe and expanding services in the United States. Other new programs include vocational counseling and training in the drug control program and special skill training for 12,000 servicemen whose experience has been limited to combat-type jobs.

A similar endeavor is the REFERRAL Program, established in August 1970, to assist career personnel who are retiring in locating potential jobs.

The Department has continued to encourage the involvement of local installation commanders with their surrounding communities. The degree of success can be told in these figures describing the numbers of young people who were provided recreational, educational and training activities on military bases throughout the United States.

1969	250,000
1970	775,000
1971	2,700,000

The Department of Defense has taken a leading role among Federal agencies in the employment of the disadvantaged. For example, the Department has exceeded its quota for summer youth employment in each of the past three years, and has also operated special programs for the employment of Indian youths and Neighborhood Youth Corps enrollees.

G. SPECIAL PROBLEMS - RACE RELATIONS AND DRUG ABUSE

Two special problem areas were mentioned in my report last year -- race relations and drug abuse. In both, progress has been made.

1. Race Relations and Equal Opportunity

As we continue to translate the principle of equal opportunity established by the Department's Human Goals Statement into programs designed to increase the quality of military life, we have relied heavily upon methodologies designed to improve communications while yielding visible, measurable progress.

During the past year, the Military Departments and Defense Agencies initiated important new policies, including the setting of the numerical goals and timetables for minority employment. To invigorate managerial interest and compliance with the Equal Opportunity Program, each military and civilian manager's performance rating now includes an assessment of his effectiveness in this crucial area. We have also undertaken a detailed review of our Equal Opportunity grievance system.

The tangible results of these and earlier policies can be judged by advancements made by minority group members within the Department of Defense. These advancements are especially noteworthy because they occurred during a period when the total manpower strength was declining.

On the civilian side, since November 30, 1969, the numbers of minority group members in senior management positions (GS-13-15) has risen as follows: Blacks by 9.2 percent, from 977 to 1,067; Spanish-surnamed personnel by 15.6 percent, from 262 to 303; and Orientals by 6.2 percent, from 451 to 479. In the military services, the number of individuals of minority groups holding the top enlisted grades has shown a steady increase. Programs have been developed to increase the number in hard-skill job fields. In the officer corps of the Services, six of the officers selected for general or flag rank were from minority groups, and we continue to increase the input of junior officers from minority groups through intensified recruiting. Seven predominantly black colleges have been added to the Reserve Officer Training Corps program, bringing the number of such schools participating in the program to 26. At the Service Academies, the current minority enrollment total is 463; the 185 in the entering classes alone exceed the number of minority graduates during the preceding decade.

Progress in securing the right of all military personnel to available off-base housing has continued. During the past year the program was extended to overseas areas. In the United States, as of December 1971, 98 percent of over 36,000 multi-unit rental facilities surveyed are pledged to a policy of nondiscrimination. During the past two years black military occupancy of these facilities has increased by nearly 50 percent.

Despite our efforts in the Equal Opportunity Program and growing understanding on the part of most members of the Department of Defense of the gravity of the problem of race relations, we continue to experience a level of disharmony which has the potential for impairing our overall mission. In addition to renewed command emphasis, we are making new efforts to improve communications and understanding among the members of the different races through education.

Education in the dynamics of difference is one of the most important steps the Department of Defense has undertaken. Most people enter military service with insufficient knowledge of, and appreciation for, the culture, history, experience and sensitivities of persons of other races to enable them to function well in a multi-racial environment. In an effort to bridge the communication gap, on June 24, 1971, I established the Defense Race Relations Institute (DRRI). Located at Patrick Air Force Base, Florida, the DRRI graduated its pilot class on December 10, 1971. Students are drawn from the officer and enlisted ranks of the Services; upon completion of the seven-week course they are returned to their units as race relations instructors.

The Services have introduced ethnic literature, music, foods and cosmetics at commissary and exchange facilities. Sales in excess of \$4,000,000 since the inception of this new program in 1970 indicate an increased sensitivity on the part of the Services to the minority serviceman's desires and needs.

The Department has continued to enforce equal opportunity requirements among Defense contractors. During 1971 under DOD compliance review total minority employment rose in the nation's five largest textile firms from 21,031 to 31,182, an increase of 48 percent between 1968 and 1971. During the same period minority employment gains were achieved by six major DOD aerospace contractors despite a 29 percent decline in their work forces. These gains include those of the McDonnell Douglas Affirmative Action Program, which has demonstrated good results during the past two years. Our minority employment objectives have also been attained in most DOD construction projects.

2. Drug Abuse and Related Problems

In dealing with the problems of drug abuse, including the improper use of alcohol, in the armed forces, we remain committed to providing to the serviceman a total program, which emphasizes prevention through education, as well as treatment, and rehabilitation of identified drug users.

We now have comprehensive programs in each service to educate their members in the dangers of drug and alcohol abuse. The amnesty program, now called the exemption program, is no longer on a trial basis, but was implemented service-wide in early July 1971.

The hard drug problem is still centered primarily in Southeast Asia. Consequently, we directed on June 17, 1971, that operational plans be placed into effect to increase our control efforts in this area. These included:

- Testing of servicemen departing Vietnam to identify those who are using, or dependent upon, drugs.
- Detoxification treatment for service members so identified prior to their return to the United States.
- Opportunity for a minimum of thirty days of treatment in military facilities in the United States for service members whose terms of service are expiring and who need and desire treatment when Veterans Administration or civilian programs are not available.
- Opportunity for treatment and rehabilitation for service members with time remaining in service. When extensive treatment is indicated, they will be phased into Veterans Administration programs as such become available.

Testing for presence of drugs for all returnees from Vietnam was in effect by June 21, 1971. Detoxification centers were established in Vietnam, and rehabilitation facilities were set up there and in the United States. Since the initiation of these renewed efforts, the programs have been expanded to test and identify personnel for drug abuse on a worldwide basis.

As a result of our intensive efforts in Vietnam to control drug abuse, we can state we have succeeded in reversing a heroin epidemic within a year of its beginning to be a major problem. This has been shown dramatically by the reduction in the number of drug abusers detected at time of departure from Vietnam. From a high of 4.0% of returnees in August, this figure has dropped to 2.5% in December 1971. Other usage indicators in Vietnam such as deaths attributed to drug abuse and apprehensions for drug abuse are also down.

We believe these encouraging trends are due to:

- Improved educational efforts which have removed the myths and glamour from drug abuse. We have emphasized the presentation of facts to allow for intelligent decisions on the part of those for whom drug abuse may be a temptation.
- Identification procedures including random unannounced testing of units and individuals. This has assisted our commanders by giving them knowledge of the true status of drug abuse in their units, highlighting areas where the problem is the greatest, providing treatment for those identified as abusers, and acting as a deterrent for potential experimenters.

- The initiation of comprehensive rehabilitation programs in Vietnam for those who turn themselves in under the exemption program and those who desire treatment after being identified as a user through the urinalysis testing.

This combination of education, detection and treatment in Vietnam has reduced significantly the numbers of servicemen returning to the United States with a drug habit and has greatly improved the chances that those involved with drugs will be able to enjoy a useful, drug-free life when they do return.

In connection with our emphasis on drug abuse in the military we have been increasing our emphasis in the area of alcohol control. The Department of Defense recognizes that in some respects alcoholism is even more formidable than narcotics abuse because of its insidious nature, the difficulty in early recognition and evaluation, and the universality of alcohol use. For these reasons, and the fact that consumption of alcohol is legal, the solutions are even more difficult. However, the services have made progress in educating personnel, altering attitudes and gaining treatment and rehabilitation experience through pilot rehabilitation programs and will continue to focus on this very serious problem.

H. MANPOWER STABILIZATION

The Department of Defense manpower reductions that have occurred under this Administration are of a magnitude topped only by the massive demobilizations following the two world wars. Table 4 displays past and planned manpower strengths for active duty and reserve military personnel and direct-hire civilians.

Reductions in strength of this pace and magnitude have created hardships for many members of the Department of Defense. While the personal hardship and turbulence for many of our military personnel has been real, it has been possible in the aggregate to manage the great bulk of military strength reductions through lower accessions and voluntary early releases of officers and men before their normal separation dates.

However, while it has been possible to hold down accessions of civilian employees, there has not been a widespread desire to leave government service. A "Stability of Employment" program to minimize involuntary separations was therefore established early in the period of drawdown. Under this program employment freezes have been used to retain vacancies for personnel who would otherwise be released. The skills of employees facing release are matched with vacancies

throughout the Department of Defense, and the employees are given priority right to vacancies through a computerized placement system. This system has worked well, placing more than 45 percent of the employees who would otherwise have been released. As civilian manning levels stabilize, we hope that normal attrition will cover future civilian reductions.

I have often said that people are our most precious asset. The manpower policies of the Department of Defense will continue to be formulated and carried out with this basic fact always in mind.

III. DEFENSE AND THE ECONOMY

Defense programs in real terms -- manpower, weapons procurement, the industrial base -- continue their sharp decline through FY 1972. These trends are checked, and in some important respects reversed, with the FY 1973 Budget. This budget includes essential increments to modernize our forces and to stem the long-run growth in manpower costs at the expense of investment. Manpower costs do, in fact, increase substantially from FY 1972 to FY 1973. However, for the first time in many years our appropriation requests for investment increase by an even greater amount than for manpower, and there is good reason to hope that the bulk of the manpower cost increase is now behind us. In addition, the President's Economic Program is slowing the rate of purchase inflation -- another factor which had eroded investment capabilities. These developments are of key significance in appraising the FY 1973 Budget, which lays the groundwork for a significant advance in modernizing our weapons.

A. IMPACT OF PAY AND PRICE INCREASES

To understand recent Defense budget trends, it is necessary to have an appreciation of the impact of pay and price increases -- especially the former -- upon defense spending. These can best be illustrated by using rates of pay for specific grades (bearing in mind that military basic pay and civilian salaries are not comparable) as follows:

		Basic Pay		Salary
	E-1	E-5	Colonel	Civil
	Recruit less	(Sergeant)	or Navy	Servant
	than one	4-6 years	Captain,	GS-11
	year of	of service	over 26	Step 4
Monthly Rates of Pay	service 1/		yrs svc	
July 1963 (beginning of FY 1964 last prewar yr)	\$ 78.00	\$205.00	\$ 985.00	\$ 736.50
January 1972	288.00	429.30	1933.20	1220.08
January 1973 (after pay raises assumed in FY 1973 Budget)	332.10	467.40	2057.40	1279.86
Percent Pay Increase July 1963 to Jan. 1973	325.8%	128.0%	108.9%	73.8%

1/ July 1973 rate shown is for a recruit with less than 4 months service, a pay step that no longer exists. In July 1963, a recruit with over 4 months service received \$83.20 per month. Most recruits have less than 4 months service.

To pay a given number of sergeants, for example, it will cost us 128.0% more in January 1973 than it did in July 1963 -- without adding or promoting a man. On a weighted overall basis for the fiscal years as a whole -- recognizing that the pay raises were in effect for parts of fiscal years, and varied among grades -- pay increases may be summarized as follows:

- For military personnel, a 124.8% increase in basic pay from FY 1964 to FY 1973.
- For civilian salaries in the classified service, a 64.5% increase from FY 1964 to FY 1973; overall, considering wage boards, civilian pay is up nearly 70%.

In addition to this, there have been increases in some military allowances, and military retired pay has quadrupled -- from \$1.2 billion in FY 1964 to \$4.9 billion in FY 1973 due to increases in both the rate paid and the number of retirees.

The results are summarized in Table 5. The top part of that table shows a breakdown of our budget in current dollars -- that is, not adjusted for pay and price increases. This is the amount actually spent or planned to be spent. As the table shows, pay and related costs amounted to \$22 billion in FY 1964, and rise to \$42.8 billion in FY 1973 -- nearly doubling. All other costs rise by \$4.9 billion.

The bottom part of the table shows the picture as it would appear if FY 1973 pay rates and price levels had been in effect throughout. For example, the \$22 billion in pay and related costs in FY 1964 would have cost \$44.7 billion had FY 1973 levels of pay and allowances been in effect in the earlier year. Purchase costs, to buy the same things as were bought in FY 1964, would have been \$38.4 billion (33.5% more) at FY 1973 price levels.

Overall, the program that cost \$50.8 billion in FY 1964 would have cost at FY 1973 pay and price levels, \$83.1 billion -- an increase of \$32.3 billion without adding or promoting a man, and without buying a single additional item.

These inflationary factors have been so massive that they completely mask what has been occurring in defense programs. For example:

- Payroll and related costs increase by \$20.8 billion
- nearly doubling -- from FY 1964 to FY 1973, while military and civil service manpower drops by 326,000.

- From FY 1968 to FY 1973, military and civil service manpower drops by 1,440,000, or 30%; meanwhile, pay and related costs rise by \$10.2 billion or 31%.
- Purchases of goods and services from industry, not adjusted for inflation, dropped from \$45.4 billion in FY 1968 to \$33.7 billion in FY 1973 -- a drop of 26%. Allowing for inflation, the drop is 39% from FY 1968 and 12% from prewar FY 1964.
- Defense-related employment in industry is 1,316,000 (41%) below the 1968 level and 423,000 (19%) below the prewar 1964 level.
- The defense budget as a whole, in constant dollars, is down about 30% from the wartime (FY 1968) peak, and is about 8% below the prewar (FY 1964) level. Defense manpower (military, civil service, and industry) is down nearly 2.8 million (34%) from the FY 1968 level, and is 12% below the prewar (FY 1964) level. In fact, Defense manpower is at lower levels than at any time since before the Korean War.

These facts are certainly not clear if one considers only spending levels measured in current dollars. In these terms, defense spending is about 50% above prewar levels, and indeed has dropped only about 2% from the peak wartime spending levels of FY 1968 and FY 1969. As I have indicated, the major reason for the mismatch between stated defense budget levels on the one hand and real manpower/program trends on the other is manpower cost increases, with purchase inflation playing a smaller role. Before leaving this area, I believe it is important to dwell for a moment upon the reasons for manpower cost increases, and to consider implications for the future. The sharp pay raises of recent years have arisen from four major factors:

- The comparability pay (government with industry) principle, embodied in law in 1967, caused unusually large pay raises during this period to achieve a one-time "catch-up".
- Meanwhile, pay raises in industry over this period were themselves very high and government raises, geared to these, were thus further accelerated.
- FY 1964 pay rates were disproportionately low for the lower military pay grades, the result of a policy followed for many years before 1964, when there were

no pay increases at all in those grades. It was not only necessary to abandon this policy during this period under consideration here, but to add large additional amounts (\$3.1 billion for FY 1973) to move toward a volunteer force.

- The retired population grew from 411,000 in FY 1964 to an estimated 937,000 in FY 1973, related to the surge in the military forces during the 1940's, and costs were affected as well by the requirement that new retirees be retired at a proportion of the much higher pay rates, and the statutory requirement that retired pay rates be adjusted for increases in the CPI.

In short, a great many long-standing bills became due during this period, and our manpower cost trends reflect a huge element of one-time catching up. Looking ahead, it is reasonable to expect much more moderate rates of growth in manpower costs. In summary:

- Pay comparability with the private sector has been achieved;
- The President's economic program should hold future private sector pay increases to much more reasonable levels than those experienced in the recent past;
- The inequities regarding personnel in the lower military pay grades have been removed;
- A large part of the cost of moving to a volunteer force is paid in the FY 1973 Budget, and the rate of increase in retired pay costs should moderate.

We should be past the point where pay costs consume a growing proportion of the Defense Budget, and we can move instead to directing more resources into the critical investment area.

B. A GREATER EMPHASIS ON MODERNIZATION

To this point, we have been discussing the Defense Budget in terms of outlays (spending actual checks issued). In these terms, as Table 5 shows, the mix of the Defense Budget has shifted radically toward manpower costs and away from purchases and modernization. As the table shows, pay and related costs rise from about 43% of defense spending in FY 1964 to about 56% in FY 1973; over that period manpower

costs rise by \$20.8 billion, nearly doubling, while all other spending rises by \$4.9 billion (17%). It is important, though, to remember that this FY 1973 spending mix results to a considerable degree from the budget authority provided for FY 1971 and FY 1972, which is materializing as spending in FY 1973. For ships, aircraft, and other long lead-time items, our FY 1973 spending derives largely from budget authority granted one or two years or more ago. For a look ahead, it is necessary to consider the FY 1973 request for budget authority. Data are presented in Table 6.

This table is arranged somewhat differently than the preceding one. It shows budget authority, rather than outlays, to provide a better look ahead. Incremental war costs are shown separately from baseline costs. Pay and other operating costs are merged, to highlight research and investment trends. I will address my remarks to the lower portion of the table, which shows data in constant (FY 1973 Budget) prices.

In total, defense budget authority rose from \$82.8 billion in FY 1964 to \$107.3 billion in FY 1968, then falls to approximately the pre-war level in FY 1971-73. The critical point, however, involves the mix within these totals. Note that, in FY 1971, budget authority for research and investment was \$27.8 billion in total, compared to \$33.3 billion pre-war. Within the FY 1971 total, baseline research and investment funding was \$25.4 billion -- about one-quarter below the pre-war level. Note that this situation improves significantly in FY 1972, with baseline investment rising to \$27.8 billion. There is an even greater improvement from FY 1972 to FY 1973, but is not shown in the table since war cost estimates cannot be shown separately at this time. It can be noted, also, that total research and investment funding rises by \$2.2 billion at constant prices from FY 1972 to FY 1973, and that the baseline increase is greater than that since there is a further drop in war costs.

In recent years, manpower and other operating costs played an increasingly dominant role in the Defense Budget. We are sharply reversing this trend. For example:

	(Budget authority, constant \$ billion)	
	<u>FY 1964-71</u>	<u>FY 1971-73</u>
Manpower and Other Operating Costs	\$+7.6	\$-5.8
Research and Investment	<u>-5.5</u>	<u>+4.2</u>
Total budget authority change, constant prices	\$+2.1	\$-1.6

Because of the lead times involved, these changes are not reflected in FY 1973 outlays (spending) which are influenced to a significant extent by the budget authority mix of FY 1972, FY 1971, and earlier years. The shift will be clearer in the spending patterns of FY 1974 and later years. The budget authority figures make it clear, however, that the erosion of research and investment funding has been halted, and that the groundwork has been laid to provide a significantly higher level of resources for modernization.

C. MANPOWER TRENDS

Defense manpower trends have had a sharp whipsaw effect on the labor force in recent years, contributing a great deal to employment and unemployment trends. This is illustrated in the labor force data in Table 7. Note that the total labor force will grow about 14.2 million from pre-war 1964 to 1973. This is a record growth, the consequence of the Post World War II baby boom. About 6.8 million of this growth occurred from June 1964 (pre-war) to June 1968 (approximately the wartime peak) and about 7.4 million will occur from June 1968 to June 1973.

Now observe defense manpower trends (military, civil service, and U.S. industry) over this time period. From 1964 to 1968, defense manpower rose by just over 2 million. This meant that 4.8 million additional people became available for jobs aside from direct defense work. From 1968 to 1973, however, defense manpower is cut by nearly 2.8 million, and about 10.2 million people have to find non-defense jobs -- more than twice as many as the 4.8 million in the 1964-1968 period. This combination of record labor force growth and the whipsaw effect of defense manpower trends is obviously a large part of our current unemployment problem.

The public employment figures present another perspective on the same problem. From 1964 to 1968, public employment increased by 3.2 million. From 1968 to 1973, the growth drops to 562,000, with defense cuts largely offsetting the growth in other public employment. The result is that public employment absorbed nearly half of the labor force growth from 1964 to 1968, but less than 10% of the growth from 1968 to 1973.

Putting public employment and Defense-related industry figures together, the picture is as follows:

	(Manpower, Thousands)		
	June 1964 to June 1968	June 1968 to June 1973	June 1964 to June 1973
Change in public employment (See Table 7)	+3,249	+ 562	+ 3,811
Change in Defense-related employment in industry	<u>+ 893</u>	<u>-1,316</u>	<u>- 423</u>
Subtotal	+4,142	- 754	+ 3,388
Private sector jobs required, aside from defense industry	<u>+2,665</u>	<u>+8,164</u>	<u>+10,829</u>
Total labor force change	+6,807	+7,410	+14,217

The private sector of the economy must create 8.2 million additional jobs in the period 1968-73, more than 3 times the number required in the 1964-68 period.

For the long run, these trends are constructive and definitely in the right direction. As Table 7 shows, there will be over 10 million more people available for non-Defense work in 1973 than were available in 1968. The entire growth in the labor force (7.4 million) plus a defense job cutback of 2.8 million are available for civilian pursuits. This is a reallocation of resources in the most elemental sense. In the short run, however, such a massive shift has obviously contributed heavily to our unemployment problems.

Table 7 shows that defense manpower will drop by 2,756,000 from June 1968 to June 1973. In particular, the rate of decline next fiscal year is expected to be one-sixth of what it was in the period FY 1969 to FY 1971. This drop occurs as follows:

	(Thousands)	Average Annual Rate
From June 1968 to June 1971 (FY 69-71)	2,168	723
From July to December 1971 (1st half of FY 72)	243	486
From January to June 1972 (2nd half of FY 72)	222	444
From July 1972 to June 1973 (FY 73)	<u>123</u>	<u>123</u>
For a total of	2,756	1,776

The job cutback (military, civil service, and industry) will continue at a high rate through FY 1972, as the sharp reductions in budget authority for past years continue to have their effect. In the next few months, assuming favorable action on our FY 1973 requests, the cutback rate should sharply diminish.

D. PRIORITIES

Table 7 makes it plain that a massive shift in priorities has already occurred, and that an adequate defense effort imposes a smaller economic burden upon the nation than at any time for more than 20 years.

While defense spending rises by \$25.7 billion from FY 1964 to FY 1973 other Federal spending rises by \$107.7 billion -- more than 4 times as much, and state and local spending rises even more. The increases in non-Defense public spending are the equivalent of nearly three complete additional Defense Budgets.

In dollars of constant buying power, Defense spending drops by \$6.6 billion over this period; other Federal spending rises by \$64 billion, and state and local spending by about \$70 billion. This means that the entire real increase in public spending, and about \$6.6 billion more, is available for civilian programs.

The entire real increase in the gross national product for these 9 years, and \$6.6 billion more than that, is available for civilian pursuits.

By the same token, manpower available for civilian pursuits grows by 15 million from 1964 to 1973 -- the entire labor force growth, plus a 749,000-man defense cutback over the period. This increase of 15 million is nearly three times the total of Defense manpower in 1973, including Defense-related industry employment.

As the lower portion of the table shows, the Defense shares of GNP, of the Federal Budget, and of net public spending are the lowest since FY 1950 -- before the Korean War.

It is quite clear that the period of Defense dominance of manpower and public spending trends has passed. When one looks at the increases in non-Defense public spending and in manpower available for civilian pursuits -- increases which are several times the Defense totals -- it becomes clear that further Defense cutbacks can add relatively little to non-Defense needs. Consider that net public spending will be approaching \$400 billion in FY 1973, with GNP at about \$1.2 trillion -- up some \$200 billion in two years.

Public employment will be over 16 million within a labor force of 90 million. Viewed against these magnitudes, the funds and industry manpower associated with recovering some of the lost ground in the Defense research and investment area are, in relative terms, very small indeed.

TABLE 1
Department of Defense
FINANCIAL SUMMARY
(Millions of Dollars)

	FY 1968	FY 1971	FY 1972	FY 1973
<u>Summary by Program</u>				
Strategic Forces	7,270	7,671	7,582	8,846
General Purpose Forces	30,381	24,444	25,655	25,500
Intelligence and Communications	5,537	5,397	5,559	5,802
Airlift and Sealift	1,806	1,376	1,145	1,031
Guard and Reserve Forces	2,206	2,691	3,466	4,111
Research and Development	4,309	5,167	6,166	7,179
Central Supply and Maintenance	8,380	8,354	8,267	8,326
Training, Medical, Other Gen. Pers. Activ.	12,184	14,523	15,250	17,012
Administration and Assoc. Activities	1,235	1,563	1,649	1,806
Support of Other Nations	2,364	3,914	3,348	3,562
Total - Direct Program (TOA)	75,670	75,101	78,089	83,176
<u>Summary by Component</u>				
Department of the Army	24,987	22,596	22,207	22,131
Department of the Navy	20,788	21,886	23,775	25,197
Department of the Air Force	24,967	23,191	23,565	23,549
Defense Agencies/OSD	1,502	1,694	1,772	1,867
Defense-wide	2,751	4,174	4,916	5,466
Civil Defense	86	73	78	88
Military Assistance Program	588	1,487	945	1,347
Military and Civilian Pay Increases and Military Retirement System Reform	-	-	830	3,530
Total - Direct Program (TOA)	75,670	75,101	78,089	83,176
<u>Summary by Functional Classification</u>				
Military Personnel	19,939	22,625	23,385	24,656
Retired Pay	2,093	3,389	3,931	4,860
Operation and Maintenance	20,907	20,410	20,872	21,218
Procurement	22,614	17,865	18,884	19,313
Research, Development, Test, & Evaluation	7,268	7,189	7,791	8,599
Special Foreign Currency Program	-	8	-	-
Military Construction	1,560	1,330	1,316	2,061
Family Housing and Homeowners Asst. Program	613	724	875	1,029
Civil Defense	86	73	90	92
Military Assistance Program	588	1,487	945	1,347
Total - Direct Program (TOA)	75,670	75,101	78,089	83,176
Financing Adjustments	732	-2,214	-945	202
Budget Authority (NOA)	76,402	72,887	77,144	83,378
Outlays	78,027	75,545	75,800	76,500

TABLE 2

Department of Defense

SUMMARY OF SELECTED ACTIVE MILITARY FORCES

	Actual June 30, 1971	Estimated June 30, 1972 June 30, 1973	
<u>Strategic Forces:</u>			
Intercontinental Ballistic Missiles:			
MINUTEMAN	1,000	1,000	1,000
TITAN II	54	54	54
POLARIS-POSEIDON Missiles	656	656	656
Strategic Bombers (AAI)	575	512	511
Manned Fighter Interceptor Squadrons	11	9	7
Army Air Defense Firing Batteries	21	21	21
<u>General Purpose Forces:</u>			
Land Forces:			
Army Divisions	13-2/3	13	13
Marine Corps Divisions	3	3	3
Tactical Air Forces:			
Air Force Wings	21	21	21
Navy Attack Wings	12	12	13
Marine Corps Wings	3	3	3
Naval Forces:			
Attack & Antisubmarine Carriers	18	17	16
Nuclear Attack Submarines	51	57	60
Escort Ships	224	226	207
Amphibious Assault Ships	80	77	66
Airlift and Sealift Forces:			
Aircraft Squadrons:			
C-5A	2	4	4
C-133, C-141, C-118, C-124, C-130, C-135	15	13	13
Troopships, Cargoships, and Tankers	93	68	66

TABLE 3
SELECTED MAJOR PROCUREMENT (QUANTITY)

	Fiscal Years			
	65	71	72	73
<u>Strategic Forces</u>				
Navy				
Poseidon Conversions (SSBN)	-	6	6	6
<u>Land Forces</u>				
Army				
Aircraft and Spares				
LOH (OH 6/58)	88	600	400	-
UH-1	759	120	-	-
AH-1	-	70	-	-
M60A1 Tank (Inc. M60A1E2)	246	300	300 ^{1/}	482 ^{2/}
U.S. Marine Corps				
Helicopters	138	15	14	44
LVT-7 Family	-	298	468	354
<u>Tactical Air Forces</u>				
Navy and Marine Corps				
A-6E (A-6A in '65)	64	12	12	12
A-7	35	30	24	24
F-4	124	-	-	-
F-14	-	26	48	48
E-2C	-	-	11	8
EA-6B	-	8	12	7
A-4M	-	24	-	-
AV-8A	-	18	30	30
CVAN	-	-	-	-
Air Force				
A-37	-	81	-	-
A-7D	-	88	97	-
F-1	222	24	36	-
F-111	10	12	12	12
RF-4C	128	12	12	-
Int'l Fighter	-	-	21	57
F-15	-	-	-	30
AWACS	-	-	-	3

TABLE 3 (Con't)

	Fiscal Years			
	65	71	72	73
<u>Naval Forces</u>				
Navy				
Ships				
SSN	6	4	5	6
DLGN	-	1	1	-
DD-963	-	6	7	7
DLG Conv	-	4	2	2
LHA	-	2	-	-
Other Amphibious	10	-	-	-
Support (AS, AFS, ARC, AO, AOR, AD, AE, ATS)	9	-	6	4
Aircraft				
P-3	48	12	24	24
S-3A	-	-	13	42
RH-53D	-	12	18	-
UH-1N	-	-	10	-
PF	-	-	-	1
PHM	-	-	-	2
<u>Mobility Forces</u>				
Air Force				
C-5A	-	-	-	-
C-130E	-	-	12	-
Navy				
Ships (T-AGOR, T-AGS)	2	2	-	-

1/ Includes retrofit of 210 on hand M60A2 tanks.

2/ Includes retrofit of 316 on hand M60A2 tanks.

PRECEDING PAGE BLANK-NOT FILMED

Table 4
Active Duty Military Personnel,
Civilian Personnel and Reserve Component Strength
(end of fiscal years in thousands)

	<u>1964</u>	<u>1968</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Direct-Hire Civilian					
Army <u>1/</u>	360	462	388	368	367
Navy	332	419	350	334	329
Air Force <u>1/</u>	305	331	293	279	279
Defense Agencies	<u>38</u>	<u>75</u>	<u>63</u>	<u>60</u>	<u>60</u>
Total <u>1/</u>	1,035	1,277	1,094	1,041	1,036
Active Duty Military					
Army	972	1,570	1,123	861	841
Navy	667	765	623	602	602
Marine Corps	190	307	212	198	198
Air Force	<u>856</u>	<u>905</u>	<u>755</u>	<u>730</u>	<u>717</u>
Total	2,685	3,547	2,713	2,391	2,358
Reserve Components (in paid status)					
Army National Guard	382	389	404	398	402
Army Reserve	346	312	315	308	312
Naval Reserve	132	131	133	134	133
Marine Corps Reserve	48	48	48	45	46
Air National Guard	73	75	86	89	89
Air Force Reserve	67	46	52	52	56

1/ These totals include Army and Air National Guard Technicians, who were converted from State to Federal employees in FY 1969. The FY 1964 and 1968 totals have been adjusted to include approximately 38,000 and 39,000 technicians respectively.

PRECEDING PAGE BLANK-NOT FILMED

Table 5
Defense Outlays in Current and
Constant (FY 1973) Prices

(\$ Billions)

	<u>FY 1964</u>	<u>FY 1968</u>	<u>FY 1972</u>	<u>FY 1973</u>
<u>Current dollars:</u>				
Payroll	\$15.7	\$23.4	\$29.8	\$31.3
Other military personnel costs	4.6	6.8	6.1	6.0
Military retired pay	1.2	2.1	3.9	4.9
Family Housing, excluding pay	.5	.4	.6	.6
Total, pay and related	22.0	32.6	40.4	42.8
All other costs (procurement, R&D, construction, supplies & services)	28.8	45.4	35.4	33.7
Total outlays, current dollars	<u>50.8</u>	<u>78.0</u>	<u>75.8</u>	<u>76.5</u>
<u>Constant (FY 1973) Prices:</u>				
Payroll	31.0	38.7	32.8	31.3
Other military personnel costs	7.3	9.9	6.7	6.0
Military retired pay	4.9	4.9	4.9	4.9
Family Housing, excluding pay	.7	.5	.6	.6
Total, pay and related	44.7	53.9	44.9	42.8
All other costs (procurement, R&D, construction, supplies & services)	38.4	55.3	36.4	33.7
Total outlays, constant (FY 73) prices	<u>\$83.1</u>	<u>\$109.2</u>	<u>\$81.3</u>	<u>\$76.5</u>

NOTE: Detail may not add to totals because of rounding.

PRECEDING PAGE BLANK-NOT FILLED

Table 6
Defense Budget Authority in Current
and Constant (FY 1973) Prices
(\$ billions)

	<u>FY1 64</u>	<u>FY1968</u>	<u>FY1971</u>	<u>FY1972</u>	<u>FY1973</u>
<u>Current prices:</u>					
Pay and other operating costs:					
Baseline force	26.1	33.0	39.6	43.6	
Incremental war costs	-	10.8	7.3	4.6	
Total, pay and other operating costs	26.1	43.8	46.9	48.2	51.3
Research and investment:					
Baseline force	24.5	24.1	23.8	27.0	
Incremental war costs	-	8.5	2.2	1.9	
Total, research and investment	24.5	32.6	26.0	28.9	32.0
Total budget authority:					
Baseline force	50.6	57.1	63.3	70.6	
Incremental war costs	-	19.3	9.6	6.5	
Total budget authority	50.6	76.4	72.9	77.1	83.4
<u>Constant (FY 1973) prices:</u>					
Pay and other operating costs:					
Baseline force	49.5	52.1	48.5	47.9	
Incremental war costs	-	14.9	8.6	5.0	
Total, pay and other operating costs	49.5	67.1	57.1	52.9	51.3
Research and investment:					
Baseline force	33.3	29.8	25.4	27.8	
Incremental war costs	-	10.4	2.4	2.0	
Total, research and investment	33.3	40.2	27.8	29.8	32.0
Total, budget authority:					
Baseline force	82.8	82.0	73.9	75.8	
Incremental war costs	-	25.3	11.0	6.9	
Total, budget authority	82.8	107.3	84.9	82.7	83.4

NOTE: Detail may not add to totals because of rounding.

Table 7
Changing Priorities

	FY 1964 to FY 1968	FY 1968 to FY 1973	FY 1964 to FY 1973
Change (current \$ billions) in:			
Defense Spending	\$+ 27.2	\$- 1.5	\$+ 25.7
Other Federal Spending	+ 34.8	+ 72.9	+ 107.7
State and Local Spending	+ 33.1	+ 80.1	+ 113.2
Change (constant FY 1973 \$ billions) in:			
Defense Spending	\$+ 26.1	\$- 32.7	\$- 6.6
Other Federal Spending	+ 28.9	+ 35.1	+ 64.0
State and Local Spending	+ 26.9	+ 43.4	+ 70.3
Public Employment (000)			
Defense (includes military)	+1,114	-1,440	- 326
Other Federal	+ 230	+ 93	+ 323
State and Local	+1,905	+1,909	+3,814
Total, Public Employment	+3,249	+ 562	+3,811
Total labor force (000) (June)			
Defense ^{a/}	+2,007	-2,756	- 749
All Other	+4,800	+10,166	+14,966
Total Labor Force Change	+6,807	+ 7,410	+14,217
Defense spending as % of:			
		Federal	Net public
	GNP	Budget	Spending (Federal, State & Local)
FY 1950 (pre-Korea)	4.5%	27.7%	18.7%
FY 1953 (Korea peak)	13.3%	62.1%	46.3%
FY 1964 (last peacetime year)	5.3%	41.8%	28.1%
FY 1968 (SEA peak)	9.4%	42.5%	29.1%
FY 1970	8.2%	38.4%	25.1%
FY 1971	7.5%	34.5%	22.3%
FY 1972	7.0%	31.0%	20.5%
FY 1973	6.4%	30.0%	19.4%

^{a/} Includes military and Civil Service personnel and Defense-related employment in U.S. industry.