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OFFICE OF THE SECRETARY OF DEFENSE

Memo For Mr. Nessen / Mr. Sowercroft F. May

Attached is the retyped
version of the Fact Sheet
on Navy Shipbuilding -

Pete. A. A. A.

FACT SHEET -- NAVY SHIPBUILDING

The Secretary of Defense appeared before the Senate Armed Services Committee on Tuesday, 4 May, to testify in support of an amendment to be proposed by President Ford which adds \$1.174 billion for shipbuilding and research and development to the FY 77 Defense Budget now under consideration by the Congress.

In January, the budget for Defense submitted by the President -- a budget which totalled \$112.7 billion in total obligational authority -- included \$6.3 billion for 16 new ships. The budget amendment to be proposed by the President adds 5 ships and brings the FY 77 total to \$7.3 billion for shipbuilding and adds \$200 million to the Research and Development account. Specifically, the budget amendment calls for:

- the addition of 4 frigates (FFG-7s) and 1 fleet oiler (AO), at a total cost of \$624 million
- the addition of \$350 million of long lead funds to begin construction of a new nuclear powered aircraft carrier
- the addition of \$200 million of research and development funds to accelerate Vertical/Short Take-off and Landing (V/STOL) aircraft and related Navy weapon technology.

When the budget was presented to Congress in January, the President pointed out that it had been examined as thoroughly as any Defense budget in recent history and was, in fact, subject to possible increases in three areas:

- o First, the President's budget proposed specific efforts to hold down growth in the area of compensation, support, and areas that did not add directly to our defense and deterrence, amounting to some \$2.8 to \$5.4 billions worth of reductions to which the Congress would have to agree. Were that legislation not to pass, the President indicated that he would ask for a supplemental, in that the budget was too austere to absorb that amount by cutting into hardware;
- o Second, that a number of judgments regarding strategic nuclear programs would require review later in the year against the background of progress in SALT negotiations and might require a supplemental; and
- o Third, the fact that a National Security Council review of U.S. requirements for naval shipbuilding was in process, and that adjustments to the five-year forecast included in the Budget might be forthcoming.

Specific increases have already been proposed in the area of strategic nuclear forces. The President has submitted budget amendments in the amount of \$266 million and \$56 million in the cases of Minuteman III procurement and re-entry vehicle acceleration, respectively, because the pace of progress in SALT has been such that it is now clear that production options must be kept open for the only U.S. long range ballistic missile production line.

Secretary Rumsfeld reported to Senator Stennis and his Committee that the study of shipbuilding requirements had progressed to the point that the Administration could comment on a number of ship construction issues raised in the Congress for FY 77, even though the work will not be finished for several months.

The House Armed Services Committee, in reviewing the proposed authorization for FY 77, added five ships and a net increment of \$1.086 billion to the ship construction program recommended by the President. Specifically: two nuclear submarines -- one Trident and one attack -- were added; long lead funding for a nuclear aircraft carrier was advanced by a year; long lead funding for two additional nuclear strike cruisers was provided; a conventionally powered, AEGIS-equipped guided missile destroyer was deleted; funds were provided for AEGIS modernization of the nuclear cruiser USS LONG BEACH; four conventionally powered guided missile frigates were deleted and four ASW destroyers (DD-963) were added; three support ships -- two repair ships and a fleet oiler -- were added; funds for repair of the cruiser USS BELKNAP were added; and the total increase of \$2.241 billion in ship construction was offset by a cut of \$1.153 billion in funds for settlement of shipbuilders' claims and unbudgeted cost growth.

The Secretary presented decisions by President Ford on changes to be made to the FY 77 shipbuilding program submitted earlier, indicating that any further adjustments to the five-year program would be forthcoming when the study is complete.

Acknowledging that Congressional action to date has been encouraging, the Secretary said there has been:

- Recognition of the circumstances we face in our future defense posture and of the need to arrest the adverse relative trends of the past years;
- A desire on the part of the House of Representatives to expand U.S. naval capabilities; and
- Support for many of the ship construction programs identified in the FY 77 budget submission.

As to the specific Presidential recommendations, he testified that:

- o The President has already taken a position on the repair of the USS BELKNAP. The need is clear and we ought to proceed as soon as possible with the repair. A supplemental to the FY 76/77 budget has been submitted for this purpose.

- o The House action adds another Trident to the budget request. The Administration does not support this addition. The rate of Trident construction is dependent on the extent to which Poseidon can remain in the force after 25 years of service and the numbers of launchers permitted under SALT agreements. Pending an assessment of Poseidon life extension and progress of SALT, it would be premature to add another Trident to the budget at this time.

- o The House provided funds to accelerate the procurement of a large deck nuclear powered aircraft carrier by one year. The study indicates a need for a sea-based aircraft capability both for power projection ashore and for long range air defense of vital sea lanes in areas not amenable to land based operations. We plan to extend service lives of several of the current aircraft carriers by ten years or more, which will require decommissioning these ships for major rework. We will require another NIMITZ-class carrier to enable us to keep an adequate carrier force level in the active fleet through the 1990s. The President supports the addition of long lead funds in FY 77 to apply toward construction of a new nuclear powered carrier.

- o The Secretary noted the potential of V/STOL aircraft technology and proposed new R&D program to be initiated in FY 77 to explore new V/STOL technology as well as the technologies associated with naval target acquisition, offensive missile systems and defensive systems.

o The House would add another attack submarine (SSN-688 class) to the budget. We now have 28 attack submarines under construction. We should defer approval for another attack submarine in favor of more urgent requirements for surface combatants.

o The House deleted the conventionally powered AEGIS destroyer (DDG 47), and added funds to begin AEGIS conversion for the nuclear powered USS LONG BEACH and provide long lead funding for two additional strike cruisers (CGSN). This action would move the Navy toward an all-nuclear-powered AEGIS ship capability, but would delay the rate at which we achieve the required levels of AEGIS capability. The general direction of the force mix presented to Congress in the FY 77 budget, providing a balance of nuclear and conventional powered ships -- initiating AEGIS capability on the DDG 47 and providing long lead funds for one strike cruiser in FY 77 -- was reaffirmed by the President.

o The House action deleted four conventionally powered frigates (FFG-7s) and added four conventionally powered ASW destroyers (DD-963). Instead, based on the study results to date, the President has recommended procurement of 12 FFG-7s in FY 77, an increase to the earlier budget request. This will provide the needed additional surface combatants with improved air defense, anti-submarine warfare, and improved anti-surface warfare capabilities for support of task forces, convoys, and defense of replenishment ships.

o The House added funds for three support ships. It appears to be premature to add the two repair ships, but the fleet oiler is clearly necessary to support forward operating forces and will be required soon in any case.

o Finally, the House reduced the request for cost growth payback and claims by \$1.153 billion. DOD is strongly opposed to the elimination of piecemeal funding for these legitimate costs and recommends including full funding in FY 77.

Ron.
July 14, 1976

Background material

FACT SHEET ON POSSIBLE DEFENSE SUPPLEMENTALS

Defense is considering supplemental requests in fiscal year 1977 in four areas.

1. Shipbuilding - \$745 million. Defense proposes to add back four frigates, one nuclear strike cruiser, and one DDG 47 conventional destroyer for the new AEGIS fleet air defense missile system. As partial offsets, Defense will request that Congress delete funds authorized for one additional nuclear attack submarine and for conversion of the USS Long Beach nuclear cruiser.

2. Other procurement and R&D programs - \$618 million. This request would restore most of the reductions taken by the Congress in the procurement authorization bill.

3. Restraint items - \$659 million. Congress has failed to act upon a number of fiscal restraint initiatives proposed by the President including legislation on pay reform, the 1% kicker on retirement pay increases, commissary subsidies, and Reserve program reforms. Defense is proposing a budget amendment adding these funds to the Defense total due to congressional inaction.

4. Additional recruiting - \$89 million. This a new proposal which is currently under review at OMB and may not be approved. Defense claims additional resources are required to keep higher quality military personnel, particularly in the Army.

The total amount involved in these proposed actions is about \$2.1 billion.

Another way of summarizing the proposed actions is as follows:

- . \$1.4 billion of the \$1.7 billion reduced by Congress will be appealed.
- . \$.1 billion is requested for a larger recruiting program.
- . \$.6 billion funds restraint items not acted upon by Congress.

[FYI: This is background only, and not for distribution. The specific number totals have not yet been approved formally, and should be used only for your reference.]

Ref. Proc. Auth. FY 77
inc. procure. R+D. #
@ 256 - \$106. Roughly



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JUL 9 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 12438 - Department of
Defense Appropriation Authorization Act,
1977

Sponsors - Rep. Price (D) Illinois and
Rep. Wilson (R) California

Last Day for Action

July 14, 1976 - Wednesday

Purpose

Authorizes appropriations of \$32,522,202,000 for
fiscal year 1977 for Defense activities relating
to procurement of weapons systems and research,
development, test and evaluation (RDT&E); prescribes
military reserve, active duty, student training
and Defense civilian personnel strength levels for
1977; and contains a number of riders.

Agency Recommendations

Office of Management and Budget

Approval

Department of Defense

Approval

National Security Council

Approval (Informally)

Civil Service Commission

Approval

Department of Transportation

No objection

Department of Commerce

No objection

Central Intelligence Agency

No objection

General Services Administration

No objection

Department of Housing and

Expresses concern

Urban Development

with Section 804

Department of Health, Education
and Welfare

Defers to Defense

Discussion

This bill provides the annual authorization of appropriations required by existing law for procurement and certain other activities of the Department of Defense.

Overall, the bill authorizes approximately \$1.7 billion less than the amended request of \$34,218,765,000 for fiscal year 1977. The differences by major program category are as follows:

	1977 (in millions)		
	<u>Amended Request</u>	<u>Congressional Action</u>	<u>Difference</u>
Procurement	\$23,160.7	\$22,046.2	\$-1,114.5
Research, develop- ment, test and evaluation	11,058.1	10,476.0	-582.1

Major congressional changes incorporated in the bill which are particularly troublesome include:

- failure to approve certain defense programs urgently required for national defense; and,
- addition of certain programs not essential to the nation's present defense needs.

In addition to these problems, Congress has failed to act favorably on certain other legislative proposals designed to restrain growth in Defense costs without impairing Defense capabilities.

Accordingly, in conjunction with the Department of Defense, we are preparing a proposed signing statement which will shortly be transmitted to you separately. This statement will set forth these problems and call on Congress to take appropriate actions to remedy them.

A summary of congressional changes is presented in greater detail in the attached table. Some of the noteworthy, specific changes are discussed below.

Procurement

Significant reductions in the procurement category which are of high priority and should be resubmitted as a budget supplemental include:

- \$859 million for the DDG-47 conventionally powered destroyer carrying the new AEGIS fleet air defense missile system;
- \$521 million as a result of reducing the number of guided missile frigates from twelve to eight;
- \$170 million for advance procurement for a nuclear strike cruiser; and,
- \$136 million for Air Force F-16 fighter aircraft on the basis that funds are not planned to be used until fiscal year 1978.

Significant additions in the procurement category which are of lower priority and are not needed in 1977 include:

- \$357 million for one nuclear attack submarine;
- \$371 million for overhaul of the U.S.S. Long Beach and installation of initial platform for the AEGIS air defense system; and,
- \$66 million for six Navy A-6E attack aircraft. This production line has been proposed for closure.

Research, Development, Test and Evaluation (RDT&E)

Significant changes in the RDT&E category which are high priority and should be resubmitted in a budget supplemental include:

- the sea launched cruise missile for defense against other ships which was reduced by \$63 million to \$119 million; and,
- the \$200 million Navy budget amendment submitted in May for ship systems research and development which was not considered by the House and deleted without prejudice by the Senate.

As requested, the bill authorizes a fiscal year 1976 supplemental appropriation of \$8 million for RDT&E for repairs to the U.S.S. Belknap damaged in a Mediterranean collision. An additional \$213 million in repair and modernization funds requested for fiscal year 1976 is authorized for fiscal year 1977.

The appropriations authorized for procurement and research, development, test and evaluation include certain amounts earmarked for specific purposes and other restrictive provisions. While these provisions are not desirable, they create no significant problems.

Manpower Strengths

The bill authorizes an end strength of 2,092,600 in active duty military personnel, a reduction of 8,400 from the requested level.

Average strength floors for the reserve components are authorized as requested except for a reduction of 3,300 in the Army and an increase of 44,500 in the Naval Reserve. In your 1977 budget, you proposed a reduction from 102,000 to 52,000 in the average strength floor for the Naval Reserve. The bill, however, authorizes an average strength of not less than 96,500. You may wish to consider proposing deletion of the increase on the grounds that it is not essential to meet defense requirements.

Civilian direct hire strength was reduced by only 4,800. The Secretary of Defense is required to report to the Congress within sixty days on the allocation of the reduction to the military services.

Military student training loads are authorized as requested with the proviso that they be adjusted consistent with the manpower strengths of the active and reserve forces.

The sections of the bill authorizing manpower strengths also include certain other noteworthy provisions identical or similar to legislation proposed by the Administration. These would:

- permit the President to allocate military pay increases among the various components of military pay on an other than equal percentage basis. This will permit military pay to be adjusted so that the allowance for housing more nearly reflects the value of quarters provided by the military or the cost of housing obtained through the private sector. Authority for rebates is also provided in appropriate cases;
- limit to 60 days the amount of unused annual leave for which a member of the uniformed services may be reimbursed over the period of his career; and,
- extend to June 30, 1977, the authority to pay special bonuses to military and Public Health Service physicians who execute agreements to remain on active duty.

General Provisions

The bill also contains a number of riders, two of which raise concern. One would direct that the 1978 budget include funds "... sufficient to meet the total operation and maintenance costs of the Department of Defense for such year, including reasonably

foreseeable increases in both the private and public sectors in the cost of labor, material, and other goods and services." This provision would make the operation and maintenance appropriations of the Department unique since no other agencies may budget for inflation in their operation and maintenance appropriations. Various options with regard to this section are now being explored, ranging from full compliance to non-compliance based on the Budget and Accounting Act of 1921. Recommendations will be presented for your consideration during the 1978 budget review.

The other provision would amend the Federal Civil Defense Act of 1950 to (1) permit funds available to States under the Act to be used for emergency assistance for disasters other than those resulting from enemy attack; (2) authorize fiscal year 1977 appropriations of "such sums" as may be necessary to carry out the Act's provisions and require annual authorization of the civil defense budget in the future, and (3) extend permanently certain other authorities under the Act.

The most objectionable civil defense amendment is that which expands coverage of the Act to disasters not caused by enemy attack. It would permit funds appropriated to the Defense Civil Preparedness Agency (DCPA) to be used for non-Defense functions. This is directly contrary to your decision during the 1977 budget review to limit Defense civil defense funds to nuclear disaster preparedness. Furthermore, as the Department of Housing and Urban Development notes in its letter on the bill, this expanded authority could overlap existing disaster relief functions carried out by other Federal agencies such as HUD. HUD is also concerned that the amendment may give DCPA authority to provide emergency assistance even without the request of a State suffering a disaster or any formal finding by the DCPA as to the magnitude of a disaster and the necessity for assistance.

While this provision is highly undesirable, we note that it is an authorization and not a statutory requirement. Accordingly, it should be possible to ameliorate some of its potentially serious consequences through the budget process and the issuance of appropriate regulations. In any event, it is not sufficiently objectionable to warrant consideration of a veto of this vital authorization bill.

Other general provisions in the bill worth noting would:

- eliminate the 1 percent "kicker" from cost-of-living increases in annuities paid to uniformed services and CIA retirees. This provision would not become effective until the 1 percent add-on is eliminated from such adjustments made to Civil Service annuities;
- require the Secretary of Defense to consider "the cost, functions, quality, and availability of equipment to be procured" for U.S. forces in NATO in carrying out standardization of equipment with other NATO countries. The bill also imposes certain additional requirements and reports on the Department of Defense regarding the future development of equipment to enhance the standardization of U.S. and NATO equipment;
- require certain contracts for development or procurement of major defense systems to include deferred ordering clauses giving Defense the option to purchase related technical data and computer software packages from the contractor;
- increase from 1,200 to 1,600 the limit on the number of Junior ROTC units and allow more than one unit at any military institute; and
- express the sense of Congress that no action be taken to close any naval reserve training centers or facilities active as of March 1, 1976, until fiscal year 1977 appropriations for the Selected Reserve of the Naval Reserve are enacted into law.

James M. Frey
 Assistant Director for
 Legislative Reference

Enclosures

Department of Defense
Fiscal Year 1977 Authorization Bill (H.R. 12438)

Net Changes from Budget Request
(\$ in millions)

	<u>Amended Request</u>	<u>Authorization Bill</u>	<u>Net Change</u>
Procurement			
Aircraft	\$ 9,932.8	\$ 9,693.7	\$ -239.1
Missiles	4,455.6	4,240.3	-215.3
Naval Vessels	7,263.5	6,655.0	-608.5
Tracked Combat Vehicles	1,114.0	1,086.2	-27.8
Torpedoes	251.8	236.8	- 15.0
Other Weapons	143.0	134.2	- 8.8
Total Procurement	23,160.7	22,046.2	-1,114.5
Research, development, test and evaluation	11,058.1	10,476.0	-582.1
TOTAL	\$34,218.8	\$32,522.2	-\$1,696.6

It is with considerable satisfaction that I sign into law this legislation appropriating funds for Defense programs for Fiscal Year 1977. This bill represents an important milestone. In it we have reversed the trend of the past nine years of decreasing real dollar commitments to our national security.

It signals an end to an unfortunate series of Congressional cuts over the past decade which have taken over \$50 billion dollars away from our strategic and tactical defense programs. Those cuts came at the same time that our forces demanded emphasis on modernization to replace aging systems and innovation to maintain a defense posture second to none.

I am proud to say as I sign this bill that we have reversed that trend. I began this process when I first moved into this office, and although my FY 76 budget received Congressional cuts in key areas, we nonetheless were able to move ahead on acquisition and improvements in many important programs.

Through this bill we will maintain a strong and effective strategic deterrent through continuing force improvements. These include vital progress on the Trident submarine and missile, the B-1 bomber, air-launched and sea-launched cruise missiles, improving our ballistic missile accuracy, and research and development to protect the option for a new and more capable ICBM in the 1980s.

We are increasing our Army combat capability from 13 to 16 divisions.

We are continuing to modernize and increase the readiness of our ground, sea, and air forces. We are increasing tank procurement, and are pursuing programs for a new battle tank, attack helicopter, anti-tank missile, and infantry combat vehicle.

We plan to increase our shipbuilding program, to include new nuclear attack submarines, guided missile frigates, and research and development on a number of innovative new combat surface ships.

We are developing a new air combat fighter, and are continuing to strengthen our tactical air forces with the most advanced new fighters in the world.

We are backing up these capable combat forces with substantial improvements in our mobility forces and a vigorous research and development program to maintain our technological supremacy and to form the basis for future modernization of our forces.

I commend the Congress for finally recognizing the hard facts about our military needs.

I want to say something more to the American people. This budget was exhaustively studied to determine exactly what amount

would be necessary to insure an adequate level of strength while giving due regard to the other pressing needs here at home. It is absolutely essential that we maintain unquestionable might; but defense comes high, and we must make every dollar count. With this in mind I proposed specific cost savings initiatives enabling us to get more combat capability for each Defense dollar. Approximately half of these savings can be achieved by administrative action of the President, and I am taking the necessary steps.

The remaining savings require action by the Congress which, with some exceptions, has not yet been forthcoming. It is urgent that the Congress act on these matters, including reform of the civilian employee wage board system, elimination of the 1% "kicker" on pay raises, and phaseout of the direct labor subsidy to commissaries. These initiatives will save more than \$3 billion in FY 1977 alone, and over \$20 billion over the next five years.

Today the United States is a nation at peace, standing tall, proud and free as we enter our third century. I believe that peace and our strength go hand in hand, and I intend to see, with the help of the Congress, that we remain in that position. It is not an easy task, but I am confident that we will continue to meet the challenges of the future.

STATEMENT OF THE HONORABLE DONALD H. RUMSFELD

SECRETARY OF DEFENSE

Mr. Chairman and and Members of the Committee:

I am pleased to present the proposed Defense budget for FY1977, its implications for the authorization request for FY1978, and a preliminary five-year projection for FY1977-1981.

In FY1977, the Department proposes a budget of \$112.7 billion in total obligational authority and \$100.1 billion in estimated outlays. The details of this request, and its justification, are set forth in the annual Defense Report which you have received. I will comment on some of the points of particular interest.

Ordering National Priorities

A fundamental responsibility of the government of the United States is to protect the nation from external danger...providing for the common defense. This is what the Defense Department provides as a "current service" and this makes a vital contribution to world peace and stability. Notwithstanding the various views as to what activities the Federal Government should undertake, as opposed to State or Local government, or the private sector, there is no disagreement that one of the Federal Government's first and primary tasks is the nation's defense.

There must be no doubt among us, or in the world at large, that current US military strength is sufficient to that task. Further, there must be no doubt that that will be the case in the period ahead, and that the continuity of American policy can be relied upon.

Within three or four months, as prescribed by the new budget reform guidelines, you and your colleagues in the House and Senate will determine the overall federal spending level, and the portion of that total to be devoted to the nation's defense.

These two decisions are of enormous importance to the nation and the world. They will be of major significance today and in the years to come. They will be, in my view, among the most important decisions which will be made by the Congress this year.

US and Soviet Defense Trends

The size of our defense effort should be based on the strategy we adopt--the interests we define--and conditions external to the United States--specifically, the trends in the military activities of our principal potential adversary, the Soviet Union. US policy has been to have enough military power to accomplish our objectives in competition with our most dangerous potential adversary. We do not propose to change that policy, and I do not believe the American people want to change that policy. My message is that this policy will have to be changed unless the trends of the last years are arrested--unless the steady decline in US defense efforts relative to those of the Soviet Union is halted.

There is no single index upon which such a judgment on the adequacy of our defense effort should or can be based, but there are a number which we cannot ignore. First, a comparison of the defense programs of the US and the Soviet Union.

Defense Spending

1 Using FY1977 constant dollars, the US defense budget in 1964, the last pre-Vietnam year, was \$115.4 billion; it reached a peak of \$150.2 billion in FY1968 and declined steadily to a low of \$100.7 billion in FY1975. The budget in FY1976 may provide an increase in real purchasing power over the previous year, but, at the estimated \$105.3 billion, it would still be 9 percent below the FY1964 level. And, as you know, that FY1976 number is still an estimate. The "Baseline Forces" figures more clearly reflect the trend. These figures (which exclude incremental war costs, retired pay, military assistance, and similar expenditures) indicate that, in real program terms, US defense expenditures have declined by more than 17% since the early 1960's. The significance of this decline comes into focus when placed in the context of the military activities of the Soviet Union. To do this it is appropriate to refer to intelligence-based data. This data does not show the US programs in the same categories as DoD budget documents, but it does show the US programs in terms consistent with our intelligence on Soviet military activities. The intelligence estimates of Soviet activities are being reviewed, but I am confident that the trends indicated here are not exaggerations.

Military Capabilities Trends

2 In contrast to the decline in US military resource allocations, the Soviet military has experienced a sustained increase over the 1964 through 1975 period. Over that period the estimated real resources allocated to Soviet national defense grew from about 99 billion to about 133 billion, in constant FY 1977 dollars, an annual average change of about 3%; DoD has projected Soviet growth at this rate through 1977.

There is some uncertainty about the absolute values of Soviet defense expenditures--we estimate them in US dollar terms for purposes of comparison--but the trend has been unmistakably upward.

Thus, in real resource terms, the size of the comparable US defense program in FY1964 was approximately 9 percent larger than the Soviet program. Since about 1970, the Soviet program has exceeded that of the US in every year; in 1975 it did so by approximately 34 percent. This pattern of the Soviet effort outstripping that of the US is reflected in every major component of the military programs. Of major concern are the contrasting trends in Soviet and US investments for future military capability. By approximately 1970 the Soviets' military systems procurement, facilities construction, and RDT&E had exceeded the US counterparts in total, and in the major parts. Moreover, support for our forces in Southeast Asia caused our expenditures, particularly on procurement, to swell out of proportion to their effects on our present military capability. Had it not been for these expenditures, the contrasting trends would be even more apparent.

Although Soviet activities in RDT&E are particularly difficult to quantify, the rough measures in constant dollar terms reflect a comparative trend which is particularly troubling. In this area of traditionally clear US superiority the evidence is also adverse: for some time the Soviets have devoted more resources to their military RDT&E program than has the US. I will expand on this point and its implications shortly.

2a In terms of military capabilities, these funding patterns are reflected in some significant trends:

Manpower

--Soviet military strength has increased by a million men in the

3 last decade, and now stands at 4.4 million men. US force strength

during the same period increased to a peak of 3.5 million men and then dropped 1.4 million men to the current level of 2.1 million. Consequently, the Soviets outnumber us now by more than 2 to 1.

Shipbuilding

4 --The Soviets' naval shipbuilding capability has been expanded and has produced about 800 ships for their Navy since 1965. During the same period, the US produced about 300 ships.

Tank/APC/Artillery Production

5 --In the past three years the Soviets have produced 5.3 times as many tanks, 2.8 times as many armored personnel carriers and 9 times as many artillery pieces as the U.S.

Aircraft

--During the same period they produced 70% more tactical aircraft.

Missiles

6 --Between 1965 and 1975, the Soviets dramatically increased their inventory of ICBM's and SLBM's. Their bomber force remained relatively stable in numbers while ours declined.

Ship Inventory

7 --During this same period, the Soviets maintained their leads in inventory of attack submarines and sea-based stand-off weapon delivery platforms (carrier aircraft and surface-to-surface missile-launching submarines and ships), while the US lost its leads in numbers of major surface combatants and amphibious ships.

Tactical Weapons Inventory

8 --Finally, between 1965 and 1975, the Soviets increased their leads in inventory of tank and artillery pieces, gained a lead in tactical aircraft, and narrowed the US lead in numbers of helicopters.

Together, these trends have resulted in a significant change in Soviet military capabilities, in everything from strategic missiles to military personnel, long-range attack submarines, tactical aircraft, and tank production.

These contrasting trends in US and Soviet military efforts should be disturbing to those who view them. They cannot be allowed to continue without signalling a decision on the part of the United States to yield military superiority to the Soviet Union...with all that implies for the world in which we live.

9 The budget for FY1977 of \$112.7 billion in TOA represents a necessary step toward arresting the trends by providing a real increase in US defense spending. However, the FY1977 TOA budget will still be 25 percent below the FY1968 level, and about 5 percent below the pre-Vietnam war levels of the early 1960s. Clearly, this budget will not reverse the trend.

10 Moreover, the economy has grown in real terms while Defense
expenditures have declined. As a result, the percentage of GNP
allocated to national defense has fallen from 8.3% in FY1964 to
approximately 5.7% in FY1976. In relation to total Federal
11 spending, Defense accounted for 42.8% in 1964 and today is only
24.4%, the lowest share since FY1940, which ended eighteen months
before Pearl Harbor. In FY1977 it would be 25.4 percent.

In short, the real resources allocated to US national defense
are now, and have been for the past five fiscal years, less than
the peacetime levels of the early 1960s, and they absorb a share
of the nation's resources which has not been smaller in any year
since the Korean conflict.

Trends in US and Soviet R&D Programs

I have pointed out a number of trends over the past decade or
so; they have not been favorable. What are the projections for the im-
mediate future? To begin with, comparative US and Soviet trends
in research and development--one of the keys to comparative mili-
tary capability in the decades ahead--are a cause for concern.

All available quantitative measures indicate that the Soviet
investment in military and space R&D, however it is measured,
reached the level of the corresponding US R&D investment at least
five years ago, has been growing at a consistently greater rate,
and now exceeds the US effort by a substantial margin. This inten-
sive effort to advance Soviet military technology has had a dramatic
impact on the new generations of Soviet weaponry which have been
fielded since the mid-1960s, and with increasing tempo in the 1970s.

In all major categories--strategic missiles, aircraft, major ground force weapons, and naval vessels--the new Soviet weapons are significantly more capable than their predecessors. Indeed, as I have already mentioned, one of the most important things that has been happening is the degree to which the newer generation of Soviet weapons has closed the earlier large qualitative gap with individual US weapons. The traditional missions of the Soviet military can now be performed better, and new, more demanding missions undertaken.

It remains true, however--as a generalization with important qualifications--that the US still leads the Soviets in most significant areas of military technology. But the US in the past had a wide technological lead. Indeed, in maintaining a military balance with the Soviet Union, the US has in a number of important areas relied upon the superiority of our military technology to offset the quantitative superiority of the Soviet forces. That favorable technological lead has not yet been erased, but it is being eroded steadily.

These new generations of Soviet weapons are being produced at rates which exceed comparable US production. This holds for virtually all major weapon system categories: tanks, APC's, artillery, tactical aircraft, submarines, naval surface vessels and, of course, missiles. These trends, if continued, have serious adverse implications for the worldwide military balance.

The Key Military Balances

There are three principal areas in which we assess the military balance between the US and the Soviet Union: strategic nuclear forces, naval forces, and Central European forces. However, we must assess each balance from the relevant perspective. The balance required is determined by defense policy and strategy; in some cases the role of allied forces on both sides must also be taken into account.

- I. Today, US strategic nuclear forces retain a substantial and credible capability to deter all-out nuclear attack and their ability to execute controlled and limited responses is being enhanced. There is, nevertheless, reason for concern:

11a:
Picture

- The Soviets have developed four new ICBMs, two of which are currently being deployed with multiple independently targetable reentry vehicles (MIRVs). Follow-on missiles are already in R&D.
- They have produced a new generation of ballistic missile submarines (SSBNs), one version of which has deployed with a new 4,200 mile range SLBM. A successor is already in R&D.
- The Soviets are developing a mobile IRBM (in the form of the SS-X-20).
- Between 1965 and 1975 their ICBM force increased from 224 to about 1600 missiles. Their SLBMs rose from 29 to about 730.

The Strategic Balance is obviously a most critical balance, and the future US position relative to the Soviet Union in this area is of the utmost importance. Taking Soviet improvements and US developments into consideration, we can expect a continued Soviet advantage in throwweight and megatons, although we should retain the lead in numbers of warheads. These trends mean that in most of the standard indices the Soviet advantage will increase over the next decade, even assuming Congressional support for the program we have proposed.

There are two qualitative trends which may further shift the balance, if not corrected:

--US submarine and bomber forces are aging, and the Soviets are improving their ASW capabilities and their bomber defenses.

--Continuation of current Soviet strategic programs--even within the constraints of SALT--could threaten the survivability of the US Minuteman force within a decade.

The key asymmetries in the strategic balance, then, are these:

o The US leads in:

--Accuracy of missiles, especially in the potential for a major quantum improvement.

--Combined high accuracy, low yield weapons for discriminating use if we choose to develop them.

--Bomber force capabilities and operational experience.

--Current, but perhaps eroding, base system near Soviets that allows efficient use of bombers and the last ditch use of tactical aircraft for strategic missions.

o The Soviets lead in:

- Air defense against bombers.
- Civil defense preparations to protect population and industry.
- Development of land-mobile missile systems, and the methods of operating such systems effectively; e.g., camouflage, deception.
- The momentum of current programs.

The balance we want in the strategic forces area is essential equivalence. The programs we must undertake to maintain equivalence are dictated by the trends we have discussed, and by the potential impact of improving technology, especially that affecting missile accuracy.

II. With respect to naval forces, geographic, political and economic factors have dictated different missions for the US and Soviet navies. Since US interests and allies extend across the seas, US naval forces must be able to exercise sea control and be able to project power ashore. The Soviet Union has been basically a land power, and Soviet naval forces therefore have had as a first priority sea denial. However, the continuing expansion of the Soviet Navy gives clear indication that the Soviets intend to assign worldwide missions to their Navy similar to those we assign to our Navy.

The simultaneous decline of our own naval force levels and the rising capability of the Soviet Navy have clearly caused and are continuing to cause an adverse shift in the naval balance. However,

as of today, the US Navy should be able to fulfill its assigned tasks, although, not without considerable losses in certain situations. Where we once enjoyed a virtual seapower monopoly, we now face an expanding and capable Soviet Navy.

14 --In 1965, the US had about 310 major surface combatants in its fleet, while the Soviets had about 200 such ships. In 1975, the Soviets still had about the same number of major surface combatants, but the US force had dropped to about 175.

15 --In 1965, the Soviet Navy included about 3.2 times as many attack submarines as the US Navy. In 1975, the Soviet Navy had about a 3.5 advantage in numbers of attack submarines. However, the US still retains a considerable qualitative advantage in submarine quieting.

17
(16 omitted) --In 1965, the US fleet contained about 135 amphibious ships, while the Soviet fleet contained about 60 such ships. In 1975, the Soviets had increased their number of amphibious ships to 85, while the US force had dropped to about 65. Although the US has lost its lead in the number of amphibious ships, only the newer Soviet ships are designed for operations far from the Soviet Union. These newer designs do, however, increase the Soviet Navy's emerging ability to assume a power projection role similar to that of the US Navy.

18 --Although outnumbered, the US maintains a fleet of greater tonnage than that of the Soviets. This is due largely to the 14 aircraft carriers in the US inventory (one of which will be retiring from the active fleet this year), but also because of the extended range built into US ships. Nevertheless, the Soviets have recently been building greatly extended range into their ships, as exemplified in their new KIEV-class aircraft carriers and their KARA-class cruisers.

19 --While the US has concentrated its sea-based stand-off offensive weapons in 14 aircraft carriers, the Soviets have developed a mix of surface and submarine-launched anti-ship guided missile systems in 240 sea-based platforms, a number which has remained relatively static since 1968. However, the Soviets have been modernizing both their platforms and missile systems, incorporating sophisticated, advanced technology. For instance, they have for a number of years deployed submarines which can launch anti-ship cruise missiles while submerged.

--Over the past decade, the Soviets have maintained a large, land-based Naval Aviation anti-ship missile-equipped bomber force. Today this force numbers about 300 aircraft; the range of this force is being greatly extended in its attack capability by the introduction of the BACKFIRE bomber. The US, with its reliance on aircraft carriers, has not maintained a comparable land-based force.

20:
Picture

--Like the US Navy, the Soviet Navy is increasingly emphasizing anti-submarine warfare. The Soviets have developed a land-based ASW patrol aircraft capability, and a sea-based ASW helicopter force which operates from such platforms as the MOSKVA-class helicopter cruiser and the KIEV-class aircraft carrier.

--The U.S. has historically made effective use of overseas facilities and airfields to support naval forces; in recent years, the Soviets have been increasing the numbers of such facilities and airfields for support of their naval forces. They, too, are becoming a "world-wide" navy ... and this fact can be easily seen in a comparison of recent US/USSR combatant deployments.

21 In 1965, the Soviets did not venture into the world's
oceans to any great degree. Over time, however, they have increasingly
22 deployed their navy to the major ocean areas. By 1975, they
maintained a presence in all areas of interest to them comparable
to the US. The asymmetry in the Pacific Ocean reflects two points:
one, our allies in the Pacific do not have naval forces comparable
to those of our European allies; and two, the Soviets have few
overseas facilities in the Far East to support extended deployments.

As I have already mentioned, each military balance has to be thought of differently. In the case of the strategic balance, a rough parity is our goal. In the case of the naval balance, because

of our dependence on the seas and our alliances, it is essential that the US be able to control the intervening sea spaces between ourselves and our allies and other interests, and that we have the ability to project power where we must. For some contingencies, the naval forces of our allies, which are more substantial than those of the Soviet allies, must be added to our own forces in drawing up the balance.

However, we still need to maintain a margin over the Soviets by ourselves, and this task will continue to rest principally but not exclusively with our Navy. The issues we need to address ourselves to, then, are

- the naval capabilities in which we want a margin of superiority,
- how big these margins should be.

A five-year shipbuilding program is provided with this budget, as requested by the Congress. It may prove to be the right program. In broad outline, it appears to represent the right level of effort. However, I expect to complete a review of the naval force structure and ship construction requirements in the next few weeks which may alter what is presented now.

III. Considering the Central European balance, I believe we and our allies presently have the capability to respond adequately to a Warsaw Pact attack. However, the balance over the long run is less secure than it has appeared to be in the past. We are increasingly concerned that, unless we counterbalance them, increasing Soviet firepower and mobility will begin to give the Warsaw pact forces an unacceptable advantage.

There are a number of important asymmetries that influence the assessment:

23

--NATO has several advantages:

- o It has a defensive mission with advantages of interior lines and familiar terrain.
- o Its tactical airpower is superior.
- o It has more anti-tank weapons, helicopters and armored personnel carriers.
- o It leads in nuclear weapons.

--The Warsaw Pact has:

- o The initiative in choosing the time and nature of attack.
- o More tanks and artillery pieces.
- o A multinational force with greater commonality of equipment, doctrine and practice.

At first glance these considerations may seem to favor NATO. Moreover, comparisons of total military manpower and numbers of weapons across a large number of categories show a rough balance between NATO and the Warsaw Pact. However, this does not tell the whole story. Tactical air and ground combat are extremely complex; history contains many examples of numerically superior forces being defeated by opponents who used more effective tactics, had a better plan, or above all were able to achieve surprise.

The Soviets for a long time have stressed an offensive doctrine for a Blitzkrieg-type war. In the past decade they have made significant progress toward building a force which could implement that doctrine. Since the mid-1960s, they have added 140,000 men to their forces facing NATO, introduced five new types of aircraft, and provided their ground forces with a new generation of weapons in virtually every major category of ground force equipment.

24

--In the past new Soviet weapons were product improvements over their predecessors. For example their T-62 tank was a modified T-55 with a new gun and a few other changes. Their newer weapons, however, have been in most cases totally new designs--and very sophisticated ones. For example, Soviet divisions have been equipped with as many as four different surface-to-air gun and missile systems, each with overlapping air defense capabilities and using different methods to acquire, track and engage aircraft. Their armored personnel carrier not only carries troops but enables them to fight from within the vehicle. It also mounts anti-tank weapons.

24a:
Picture

--This new generation of weapons has enabled the Soviets to alter the missions of their forces, obtain greater self-confidence that they could implement their offensive doctrine, and force NATO to change its mission priorities.

For example:

24b:
Picture

- o For the first time they have acquired a real capability to provide close air support and to conduct interdiction attacks. Their tactical air force is shifting from a largely air defense force to one which can also provide close support to the ground elements. Their air capabilities still significantly lag NATO, but they have made a large step toward closing that gap.
- o Major improvement in ground based air defense has freed the Soviet Air Force for this air support role, and it has also caused NATO air forces to alter their mission emphasis somewhat to focus more on defense suppression.

--Such sharp departures from the past indicate that the Soviets are entering into an era of modern ground and tactical air power roughly equal to our own forces using weapons of roughly comparable technical sophistication.

In looking at the balance in NATO, therefore, we must not consider just the static numerical indicators, although these are important. In this case we are in much more of an alliance situation than in the other key balances, and one in which the size of the forces we contribute is in the minority. We must also consider the qualitative changes, especially those which impact directly on the Soviets' ability to implement their offensive doctrine. We

hope that NATO can contain a Soviet attack conventionally, but clearly tactical nuclear forces will play a role if Soviet conventional capabilities significantly outpace our own. It is in our interests to raise the nuclear threshold rather than to see it lowered.

25 a In summary, when one considers the Strategic Nuclear, Naval, and Central Front Balances, it is apparent that major changes in Soviet capabilities have occurred. The Soviets have come a long way from the unsophisticated, continentally confined, armed forces of WWII days to superpower status in the 1970s. There is a strong momentum in the Soviet military programs and in the emerging pattern of external projection of Soviet power.

We have momentum, too; a long period of downward trends--in force levels, manpower, and budgets; and an apparent national mindset which seems to feel we can keep right on the way we have been going--a total of over \$33 billion in Defense cuts in just the past 5 years--with no damage.

The Problem of Sufficiency

There should be no doubt that, today--February 1976--US military capability is sufficient to support our vital national interests. Our strength is assessed by the whole world as the stabilizing element in the world power equation.

It is clear to those who look at the military balance that, if we are to maintain rough equivalence, and therefore stability, the adverse trends must be arrested. I reiterate a point I made earlier:

unless these trends are stopped we will be forced to change our fundamental policy of remaining equivalent.

The world situation we now face can be described in many ways... at best it is untidy, characterized by numerous dynamic factors that are difficult to identify, measure and assess. It is a world with many uncertainties, and one which is not particularly friendly. US military strength--and the world's assessment of that strength and of our willingness to use it when necessary--are fundamental to insuring stability, maintaining the confidence of our allies, deterring potential adversaries, and lending weight to our views and values. If the US fails to serve as the counterweight to expanding Soviet power, there is no one else to do it.

Negotiations on equitable arms control measures proceed. Hopes to achieve such agreements are, however, dependent upon an assessment by others--adversaries and third parties alike--of our strength, both that already deployed and that we are capable of deploying if we must.

Meanwhile the steady expansion of Soviet military effort continues--as measured in terms of technological progress, investment, capacity, output and, finally military capability.

For the United States to remain an effective counterbalance to Soviet expansion, logic drives us to the clear conclusion that we must provide added resources, in real terms, in the Defense budget. Stopping the downward trend in US military resources is essential if we are to maintain technological leadership, sustain

prudent force levels, improve readiness, and accomplish needed modernization, all essential to arresting the unfavorable trends in comparative US/USSR military capabilities.

DoD Restraint

In an effort to contribute constructively to provision of the needed funding for improved force modernization and readiness, we have taken steps to reduce other aspects of our budget request in the following ways:

--Restraining personnel costs while working to maintain the quality and professional standards of the all-volunteer force. These savings are in part dependent on congressional actions, for example: limiting Government Service and military pay increases in FY 1977 to 5%; phasing out military commissary subsidies; and eliminating the retired pay "kicker." How much can be saved by limiting pay increases depends in addition upon what guidelines for Government Service comparability are in force next October.

... --Instituting actions including base realignments, headquarters reductions, reduced training costs, and civilian manpower reductions to save funds. Without these measures, the FY1977 Defense budget would have been some \$3 billion higher.

--Tentatively adjusting the rate of modernization, construction, readiness improvement, and Navy surface fleet buildup.

--Consciously limiting the stockpiling of war reserve material, which could have added a prudent \$1 billion to the budget.

These and other similar actions represent deletion or deferral of capabilities and materiel the Department would like to have, but which we are relinquishing in an effort to be responsive to the realities of budget limitations. We hope the Congress will approve the recommended belt-tightening measures, but as indicated in the budget, in the event the Congress does not, a supplemental would be required to avoid unacceptable force level reductions.

In considering the reasons why we conclude that various Defense expenditures are necessary and prudent, it should be clear that the specific threats posed by emerging Soviet capabilities dictate much of what we find it necessary to do. In this regard it should be remembered that, if the Soviets fail to come to terms on verifiable agreements which equitably limit strategic arms on both sides, this will necessitate additional expenditures on our part to maintain the strategic balance.

The Myth of Defense Budget Flexibility

In the past some have held the view that the Defense budget represented a source upon which one could draw, without adverse effect, for resources to devote to other programs and budget categories. Whatever validity such a view may have had in the past, it is far removed from the realities of today.

Legitimate demands that Defense become more efficient, cut out unneeded frills, and improve its combat to support ratio have been heeded and acted upon. While no one charged with the direction of so large and complex an enterprise would ever argue that perfect efficiency had been attained, it is important to recognize the following:

--Further efficiencies, which we continue to strive for, cannot realistically be expected to result in savings of billions of dollars. Put another way, Defense budget cuts in the billions of dollars simply cannot be compensated for by quantum improvements in efficiency; they result in real decreases in our defense capability.

--We are moving to "cut the frills." We will continue to seek out and eliminate them, but no massive savings can realistically be expected. The belt-tightening efforts I described earlier represent elimination of valid and useful functions and facilities in an attempt to reduce needed funding.

--Much has been done in terms of reducing support costs so as to augment combat forces, to the extent that there is concern among some that in cutting "tail" to augment "teeth" we may be well up through the hindquarters and moving in on the shoulders. But the real point is to recognize that there is a finite limit to the feasibility of trading off one essential type of capability for another, and that this area, too, does not represent a potential source of savings in the billions of dollars.

And let's not fool ourselves. It is out of the question to think that the nation's non-defense spending can be funded to any meaningful extent out of further cuts in successive Defense budgets. The reordering of priorities about which we have heard so much has taken place.

27 In the past 10 years payments to individuals from the Federal budget have increased 134%, while defense has declined 29%. Assume the President's budget is accepted at \$394.2 billion for FY 1977, and that it is decided to increase payments to individuals and grants by 13%. This would require -- recognizing that interest and other non-defense expenditures are relatively fixed -- a devastating 30% reduction in Defense. The days are past wherein the Defense budget dominated expenditures on Social and Economic programs, and could provide a reserve from which these more immediately appealing activities could expand.

28 The FY1977 Defense budget has been through one of the toughest Federal budget scrubs ever. Further cuts would require unacceptable reductions in national security. The days of finding funds for other programs by cutting Defense on the premise that "they'll never miss it" are over. Additional savings, yes...but billions, no, not without cutting forces.

Over the past five fiscal years the President's Defense budgets have declined steadily. In FY1975, the requested amount was 14 percent below the FY1971 requested level, reflecting attempts to eliminate "fat" from the budget. But in each year the Congress has cut back Defense further, a cumulative 33 billion plus in FY1977 dollars over the FY1971 through FY1975 period. Cuts in the Defense budget of the magnitude we have experienced in recent years would risk US security by unnecessarily injecting a fundamental instability into a world situation which is already less than tidy. When, as would be inevitable, the rest of the

world realized that the United States had made a decision to accept an inferior status, we would find ourselves living in a world fundamentally different from the one we have known during our lifetimes.

A recently reported survey estimates that we are already living in a world in which only one human being in five lives in real freedom, enjoying the political and civil rights we sometimes take for granted. Only a year earlier one in three had been considered free. Furthermore, numbers of that minority of nations enjoying such freedom are experiencing difficulties, ranging from problems with trade balances to increasing internal political conflict.

The point, and it is directly related to your deliberations on the proposed defense budget, is that our way of life is shared and supported by relatively few elsewhere in the world, and the capacity of those few to counterbalance threatening forces in the world is limited and quite possibly declining. Only we possess the resources to provide that counterbalance, to be the center of strength for our values. I believe we also possess the will to do so. It is clear that we cannot fail to do so and still continue to enjoy the freedom we cherish.

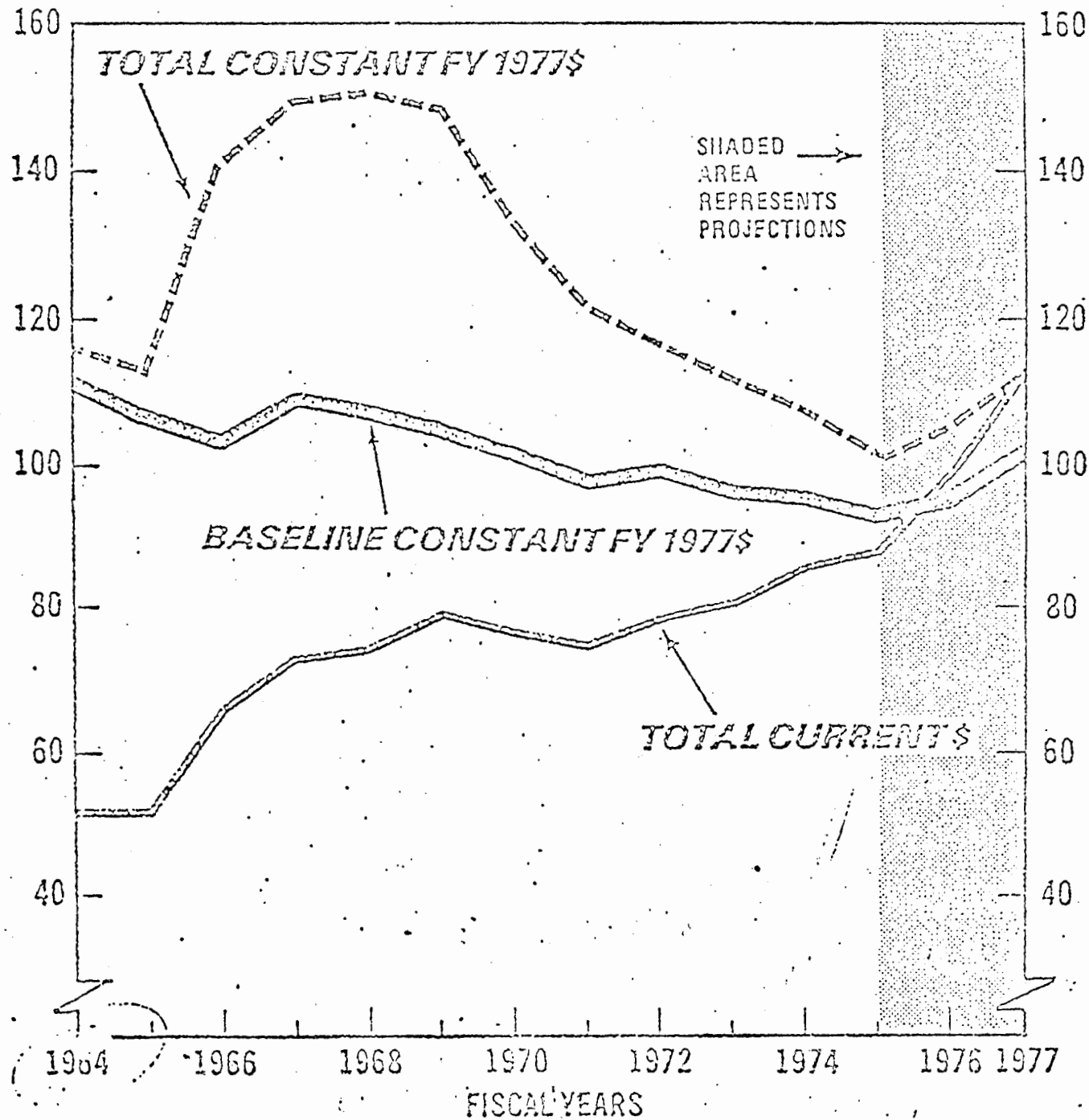
Decision by Congress

Between now and the 15th of May, the Congress will make its budgetary decisions embodied in the Concurrent Resolution. As you are well aware, it will be one of the most important decisions the Congress will make all year. Its ramifications will affect the American people and our world for years to come.

The proper course is to act now to begin to arrest the trends that have been set forth. This can only be done by providing real increases in the Defense budget.

DEFENSE FORCES BUDGET TRENDS (RCA)

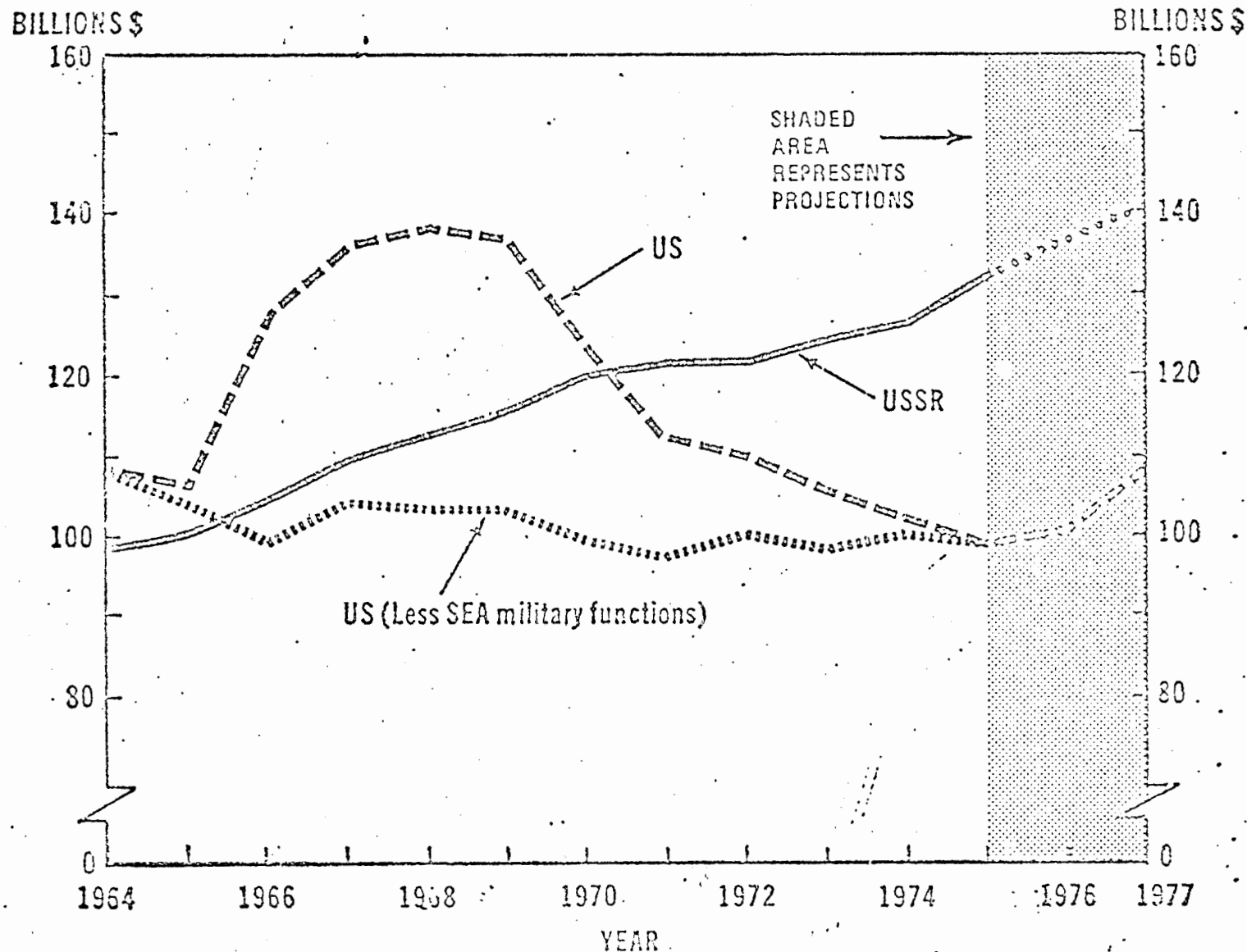
Billions \$



US / USSR DEFENSE PROGRAM TRENDS

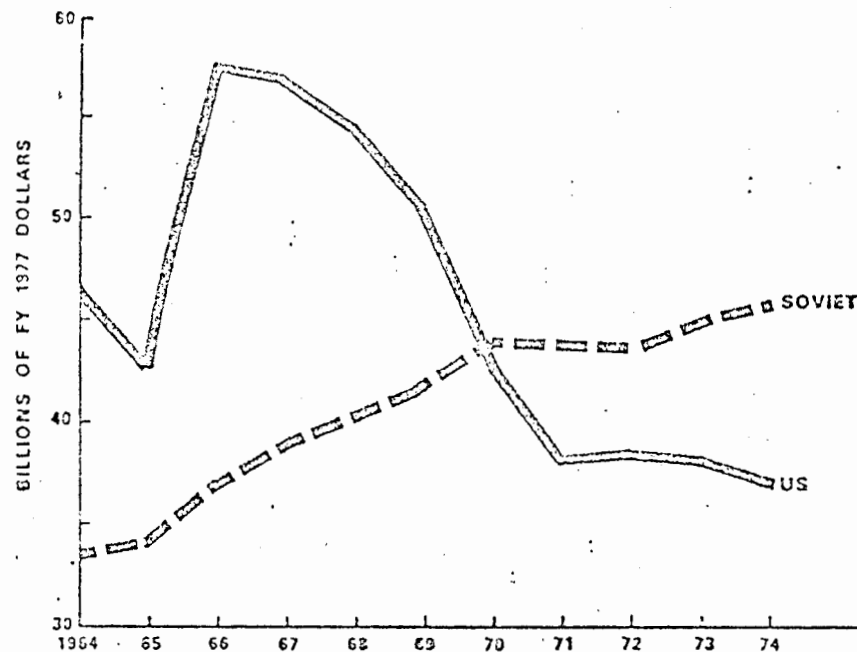
(US EXPENDITURES AND ESTIMATED DOLLAR COSTS OF SOVIET PROGRAMS)

(CONSTANT 1977 DOLLARS)

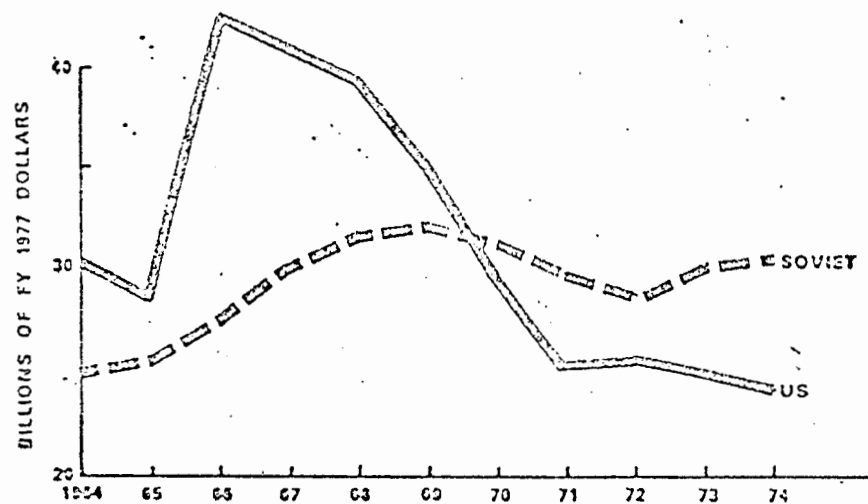


Source: Based upon intelligence estimates of the constant-dollar cost of Soviet military activities, and of US expenditures on a comparable basis. Transformed by DoD from constant 1974 dollars to constant FY1977 dollars. SEA adjustment based on DoD data only.

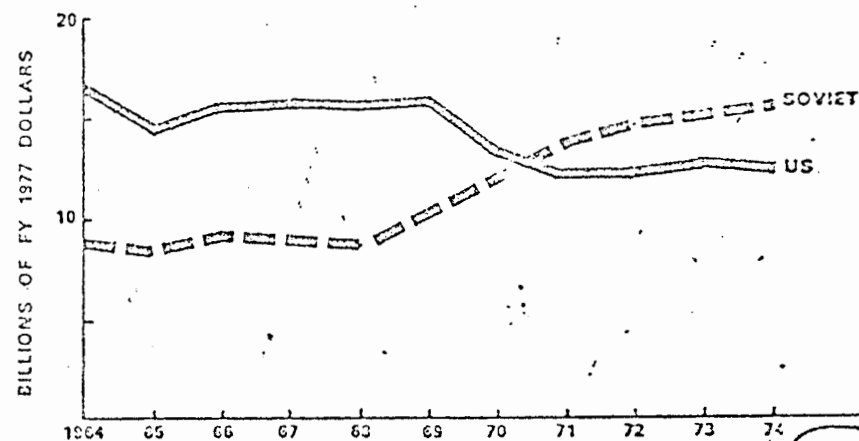
COMPARATIVE US AND SOVIET INVESTMENT* (PROCUREMENT, FACILITIES, RDT&E)



COMPARATIVE US AND SOVIET PROCUREMENT* AND FACILITIES CONSTRUCTION



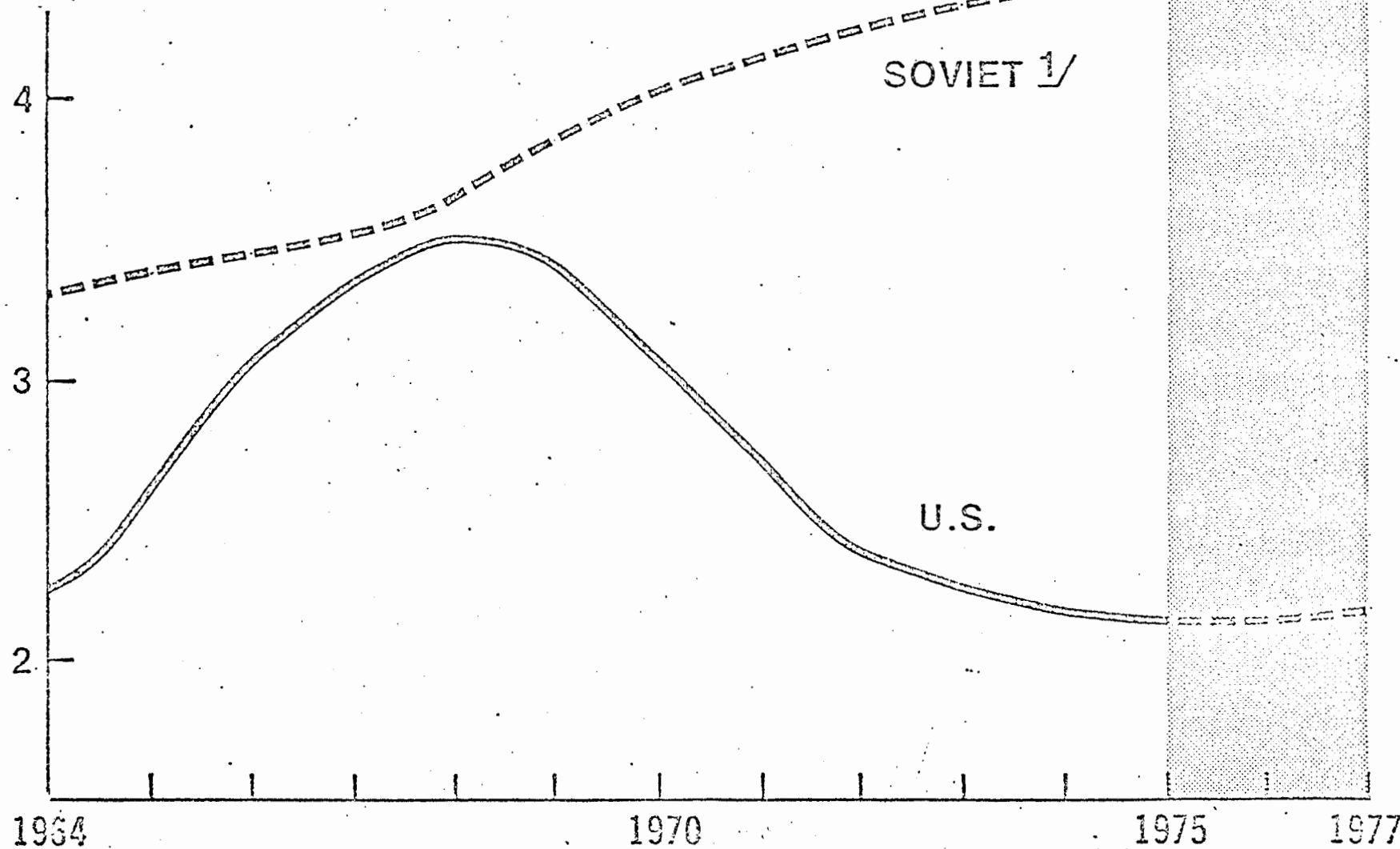
COMPARATIVE US AND SOVIET* MILITARY RDT&E



*BASED ON INTELLIGENCE ESTIMATES IN CONSTANT 1973 DOLLARS; CONVERTED TO CONSTANT FY 1977 DOLLARS BY DOD.

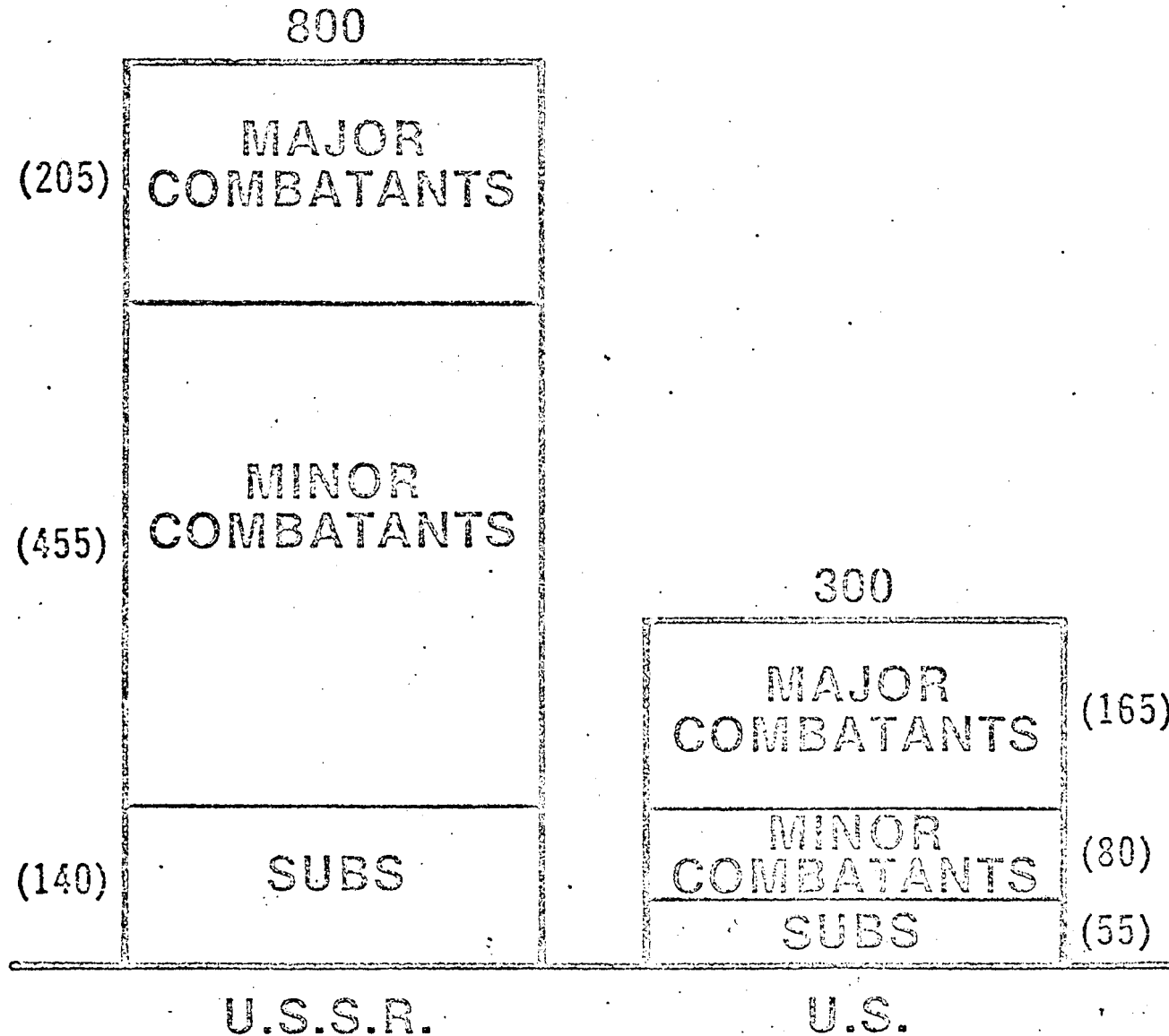
MILITARY MANPOWER

MILLIONS

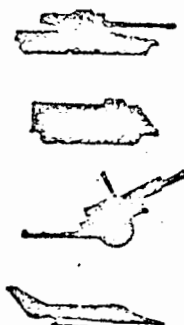


¹ EXCLUDES MILITARY SECURITY FORCES.

U.S.S.R. / U.S.
NAVAL SHIP CONSTRUCTION
1965-1975



U.S./USSR RELATIVE PRODUCTION RATE ESTIMATES

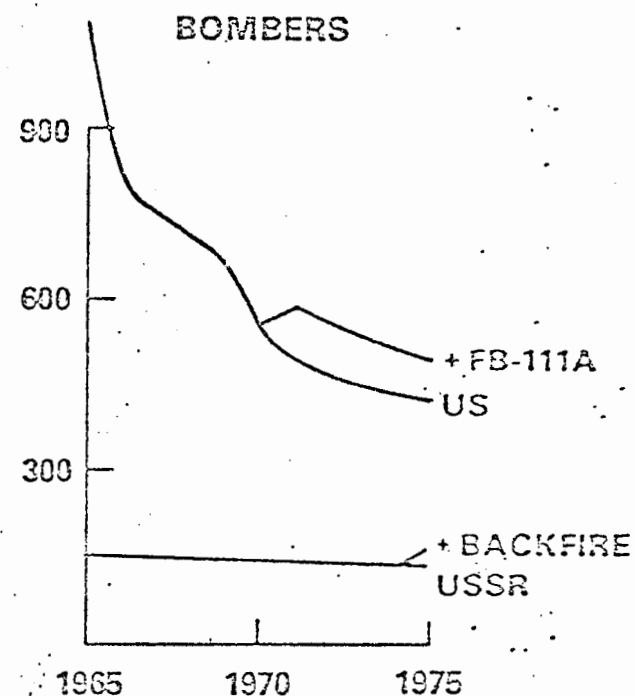
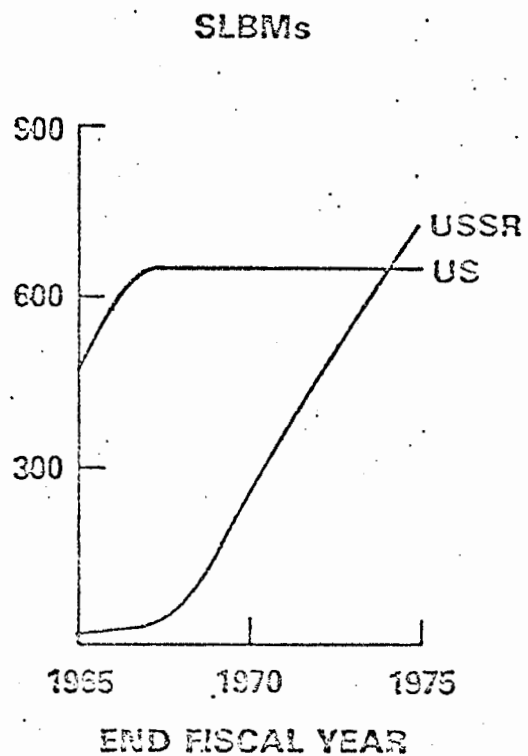
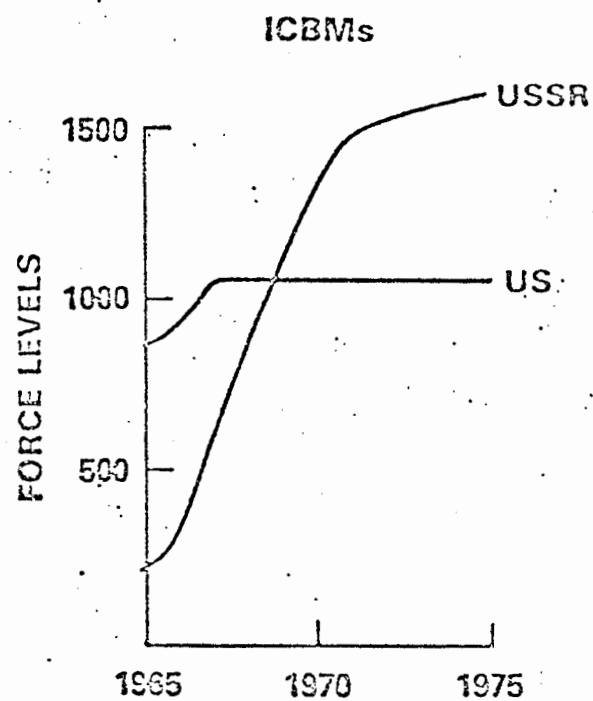


USSR
1973-75 AVG
2,600
3,900
1,400
950

U.S.
1973-75 AVG
450
1,410
156
572

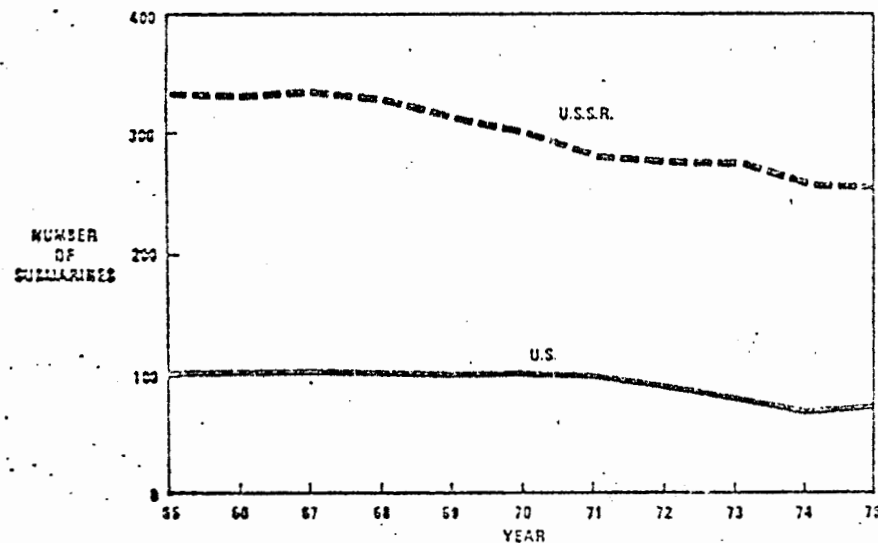
USSR/U.S.
1973-75
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2.8:1
9:1
1.7:1

CHANGES IN STRATEGIC FORCE LEVELS

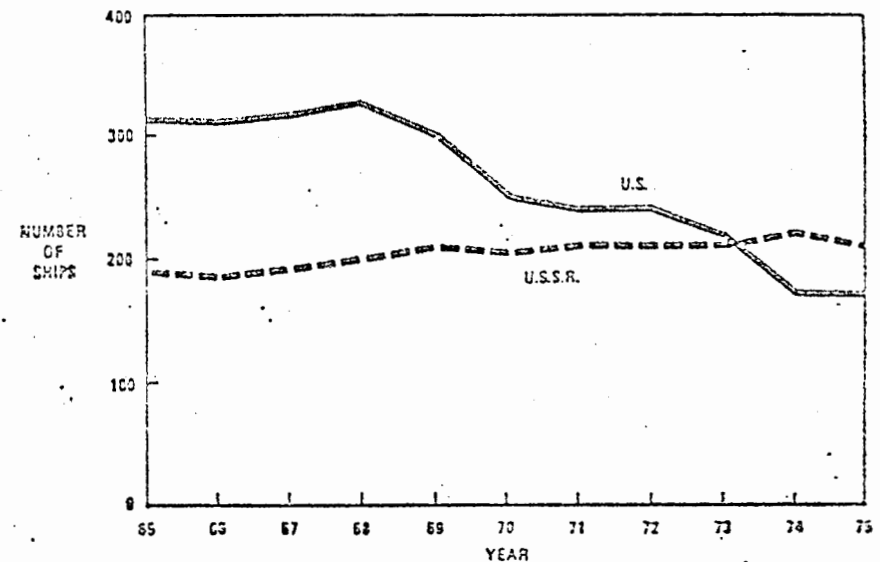


CHANGES IN NAVAL FORCES LEVELS (1965 - 1975)

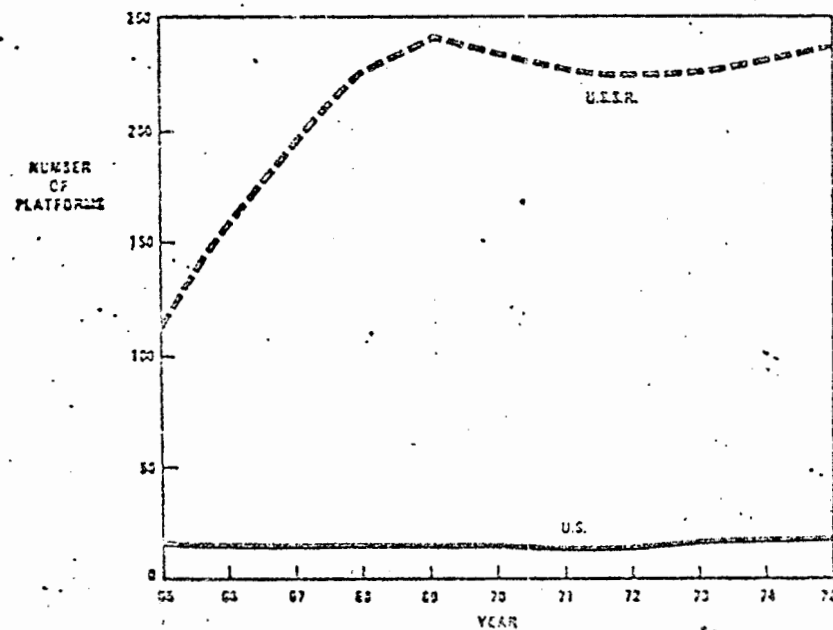
ATTACK SUBMARINES



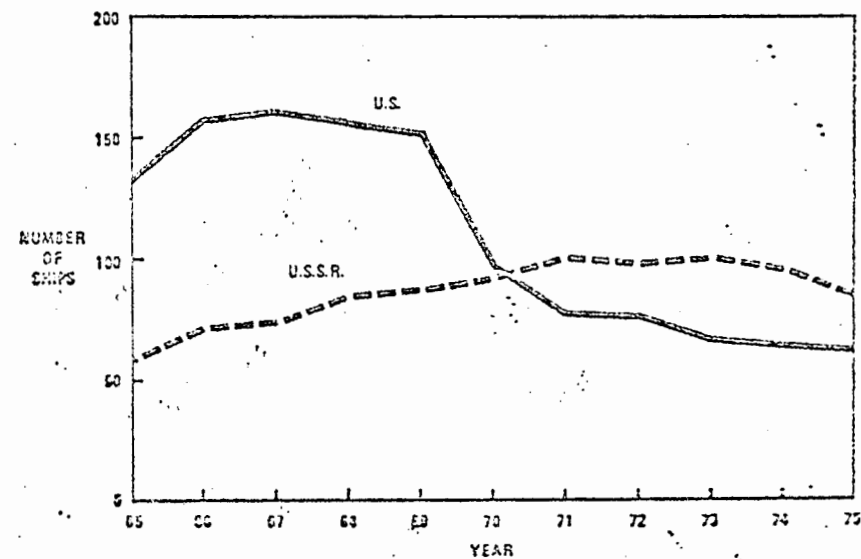
MAJOR SURFACE COMBATANTS



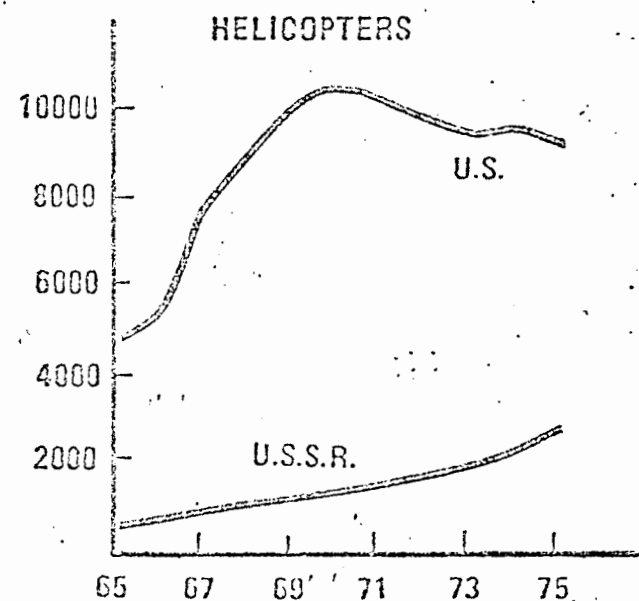
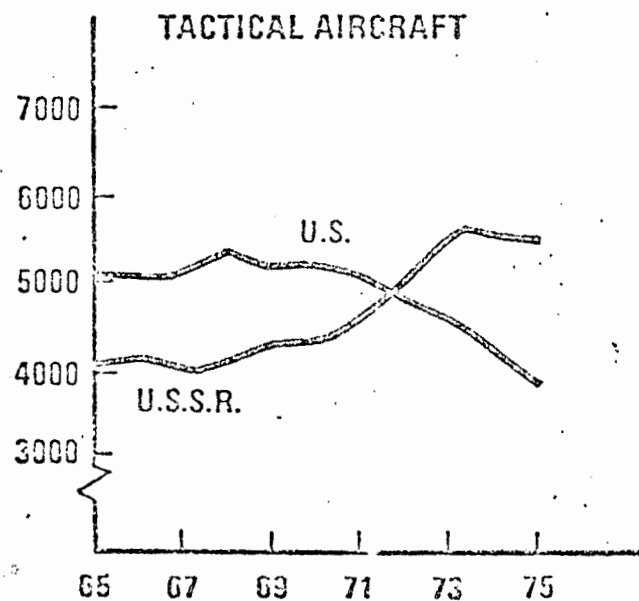
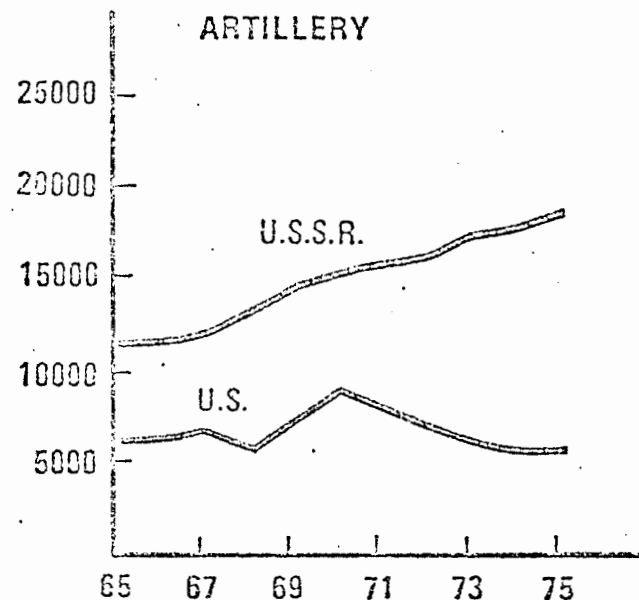
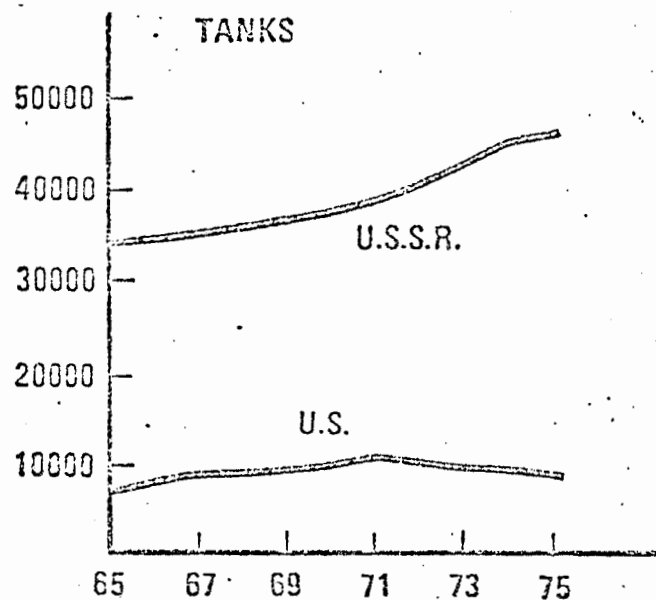
STANDOFF WEAPON DELIVERY PLATFORMS



AMPHIBIOUS SHIPS



CHANGES IN QUANTITIES OF MILITARY EQUIPMENTS (1965-1975)



1/2

Note: This is a new chart (in)

DEPARTMENT OF DEFENSE BUDGET

DEFENSE BUDGET TOTALS

(\$ IN BILLIONS)

<u>CURRENT DOLLARS</u>	<u>FY 1964 ACTUAL</u>	<u>FY 1974 ACTUAL</u>	<u>FY 1975 ACTUAL</u>	<u>FY 1976 ESTIMATE</u>	<u>FY 1977 ESTIMATE</u>	<u>INCREASE FY 1976-77</u>
Total Obligational Authority (TOA)	50.7	85.1	87.9	93.3	112.7	14.4
Budget Authority (BA)	50.7	83.9	91.5	100.7	113.8	13.1
Outlays	50.8	78.4	86.0	91.2	100.1	8.9
<u>CONSTANT FY 1977 DOLLARS</u>						
Total Obligational Authority (TOA)	115.4	107.3	100.7	105.3	112.7	7.4
Budget Authority (BA)	115.5	112.6	104.3	102.0	113.8	5.3
Outlays	113.8	101.7	99.1	98.2	100.1	1.9

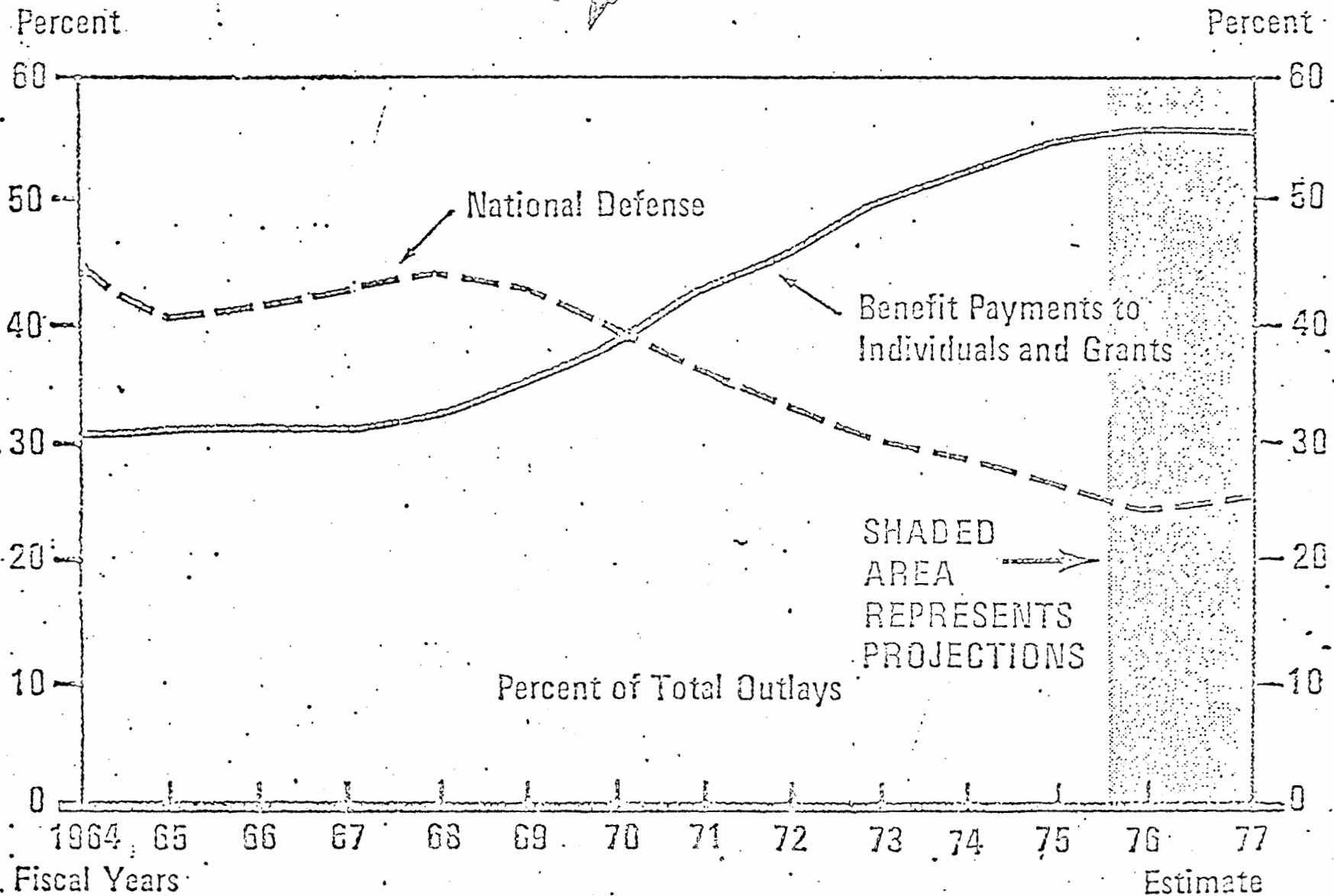
(12)

DEPARTMENT OF DEFENSE BUDGET

FINANCIAL SUMMARY

	<u>FY 1964</u>	<u>FY 1974</u>	<u>FY 1975</u>	<u>FY 1976</u>	<u>FY 1977</u>
DOD/MAP as Percentage:					
Federal Budget (Outlays)	42.8%	29.2%	26.5%	24.4%	23.4%
Gross National Product	8.3%	5.8%	6.0%	5.7%	5.4%
Labor Force	7.9%	5.2%	5.0%	4.8%	4.8%
Net Public Spending	28.1%	17.4%	17.3%	16.4%	16.5%

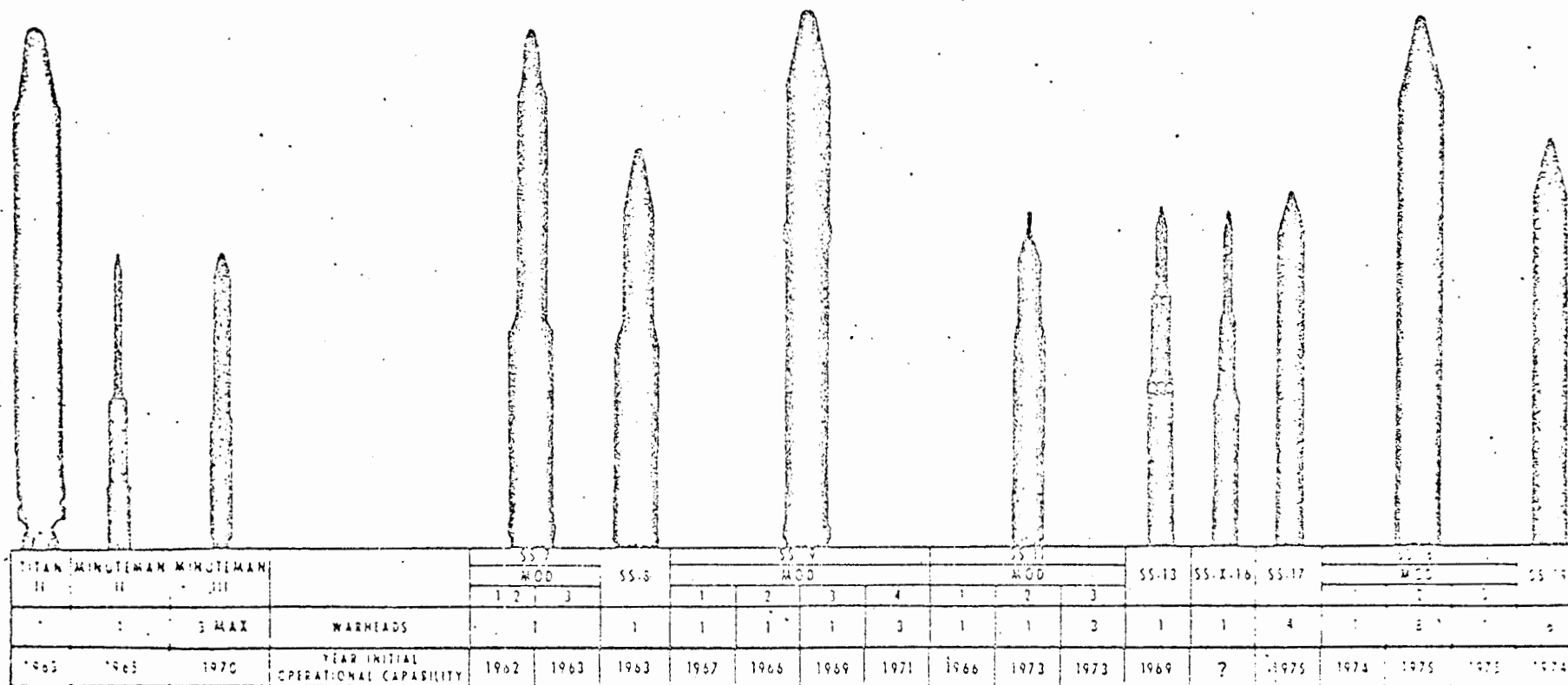
Shares of the Budget



COMPARISON OF US AND USSR ICBMs

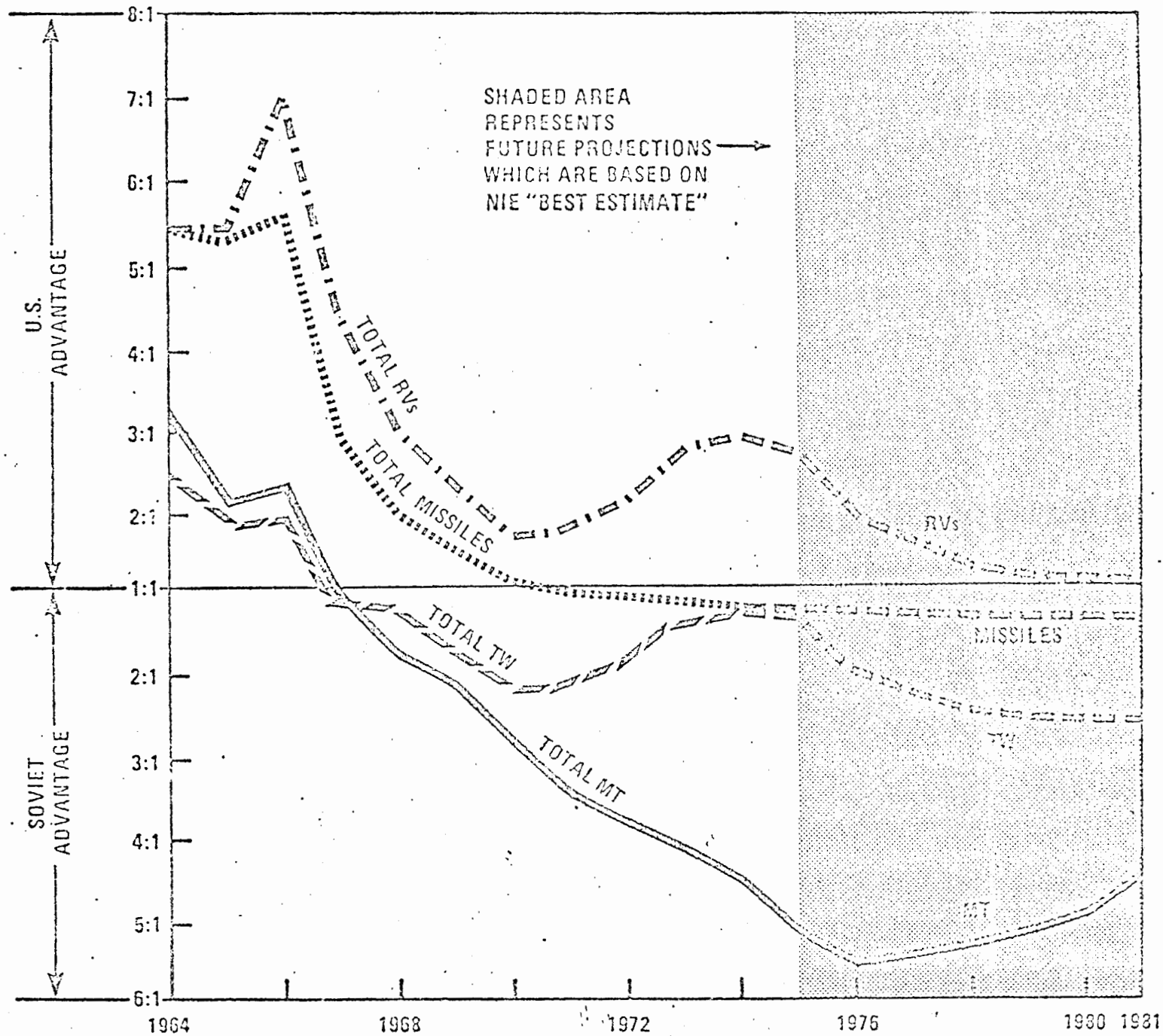
US

USSR

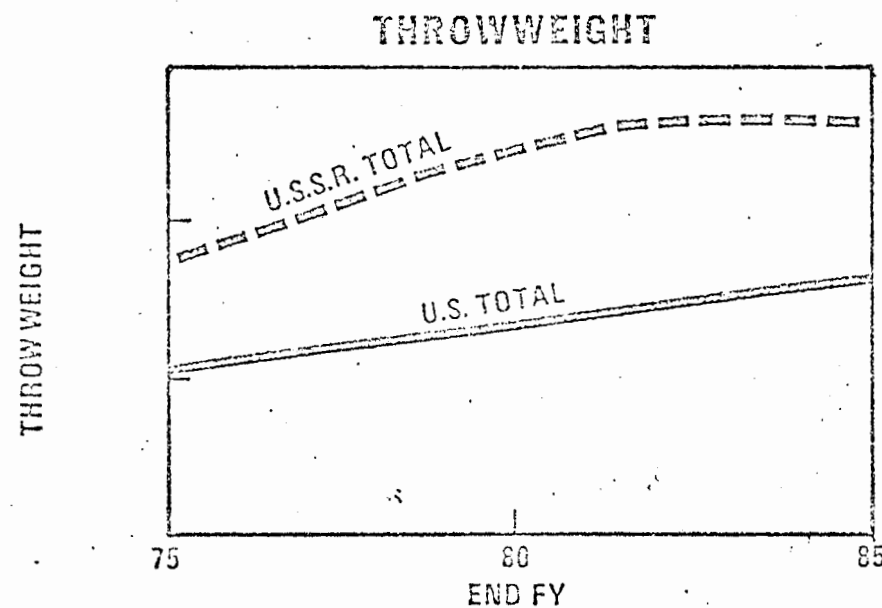
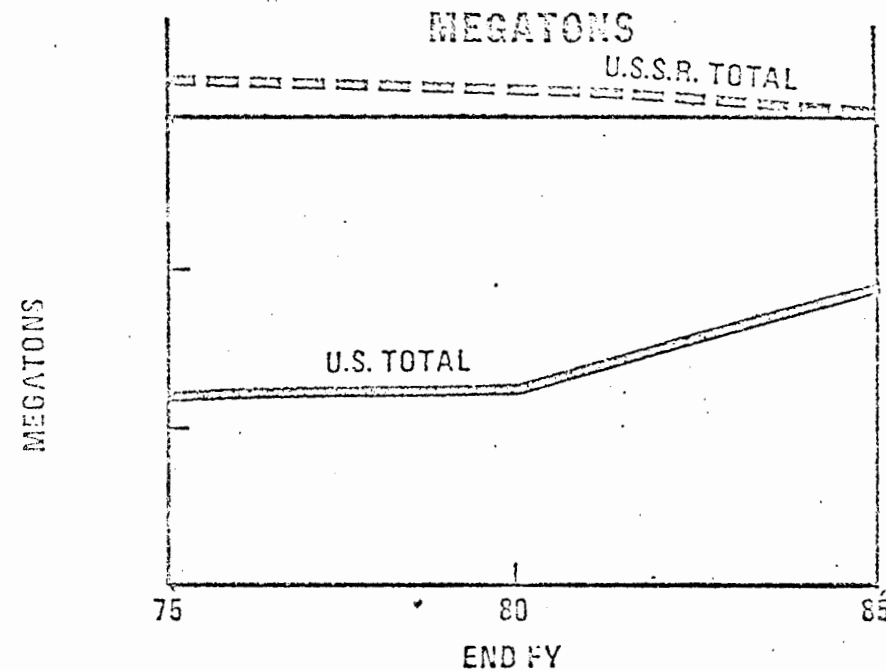
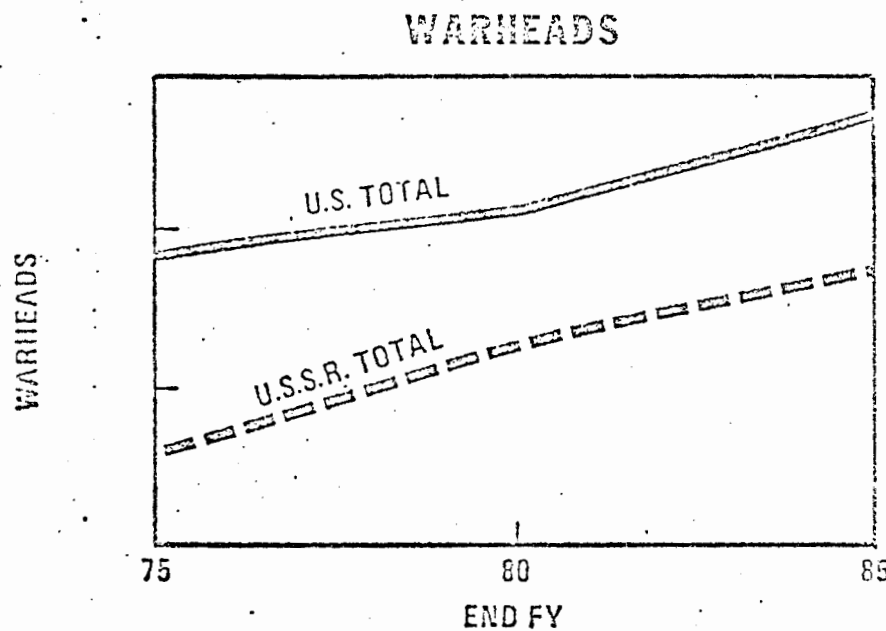


11A

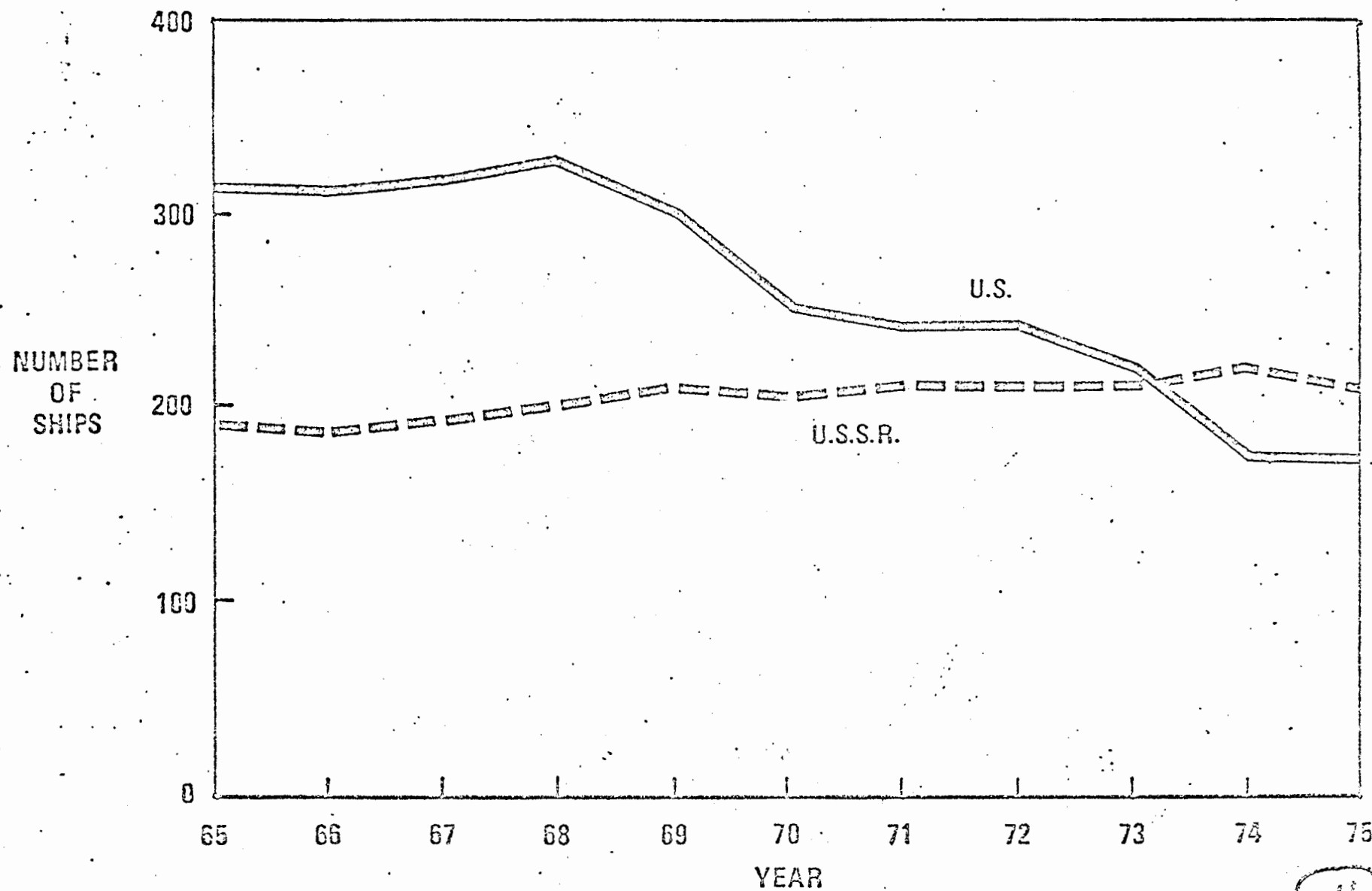
U.S. / U.S.S.R. STRATEGIC MISSILE ADVANTAGE



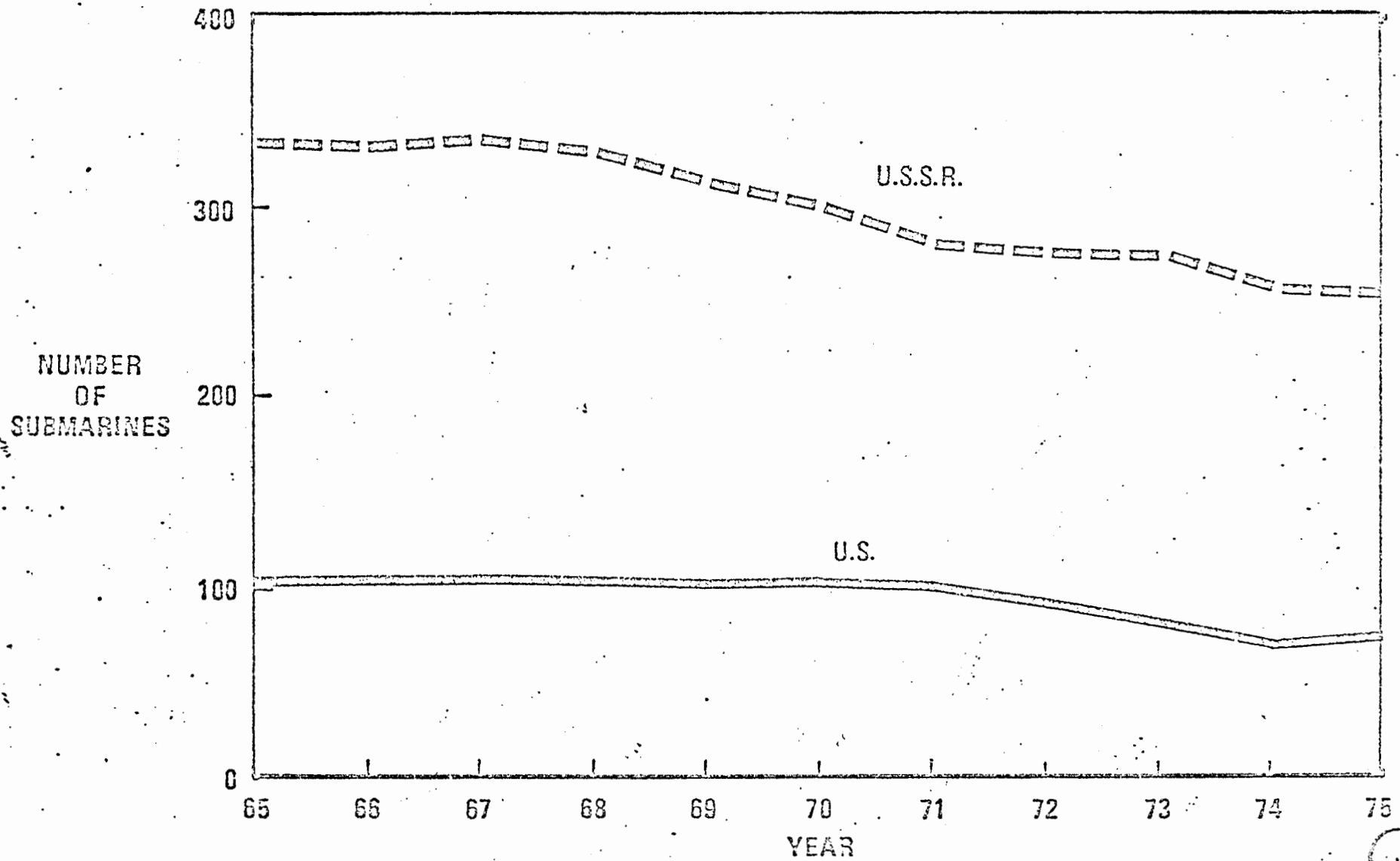
PROJECTED INVENTORY (2400 SNDV/1320 MINV LEVEL)



MAJOR SURFACE COMBATANTS

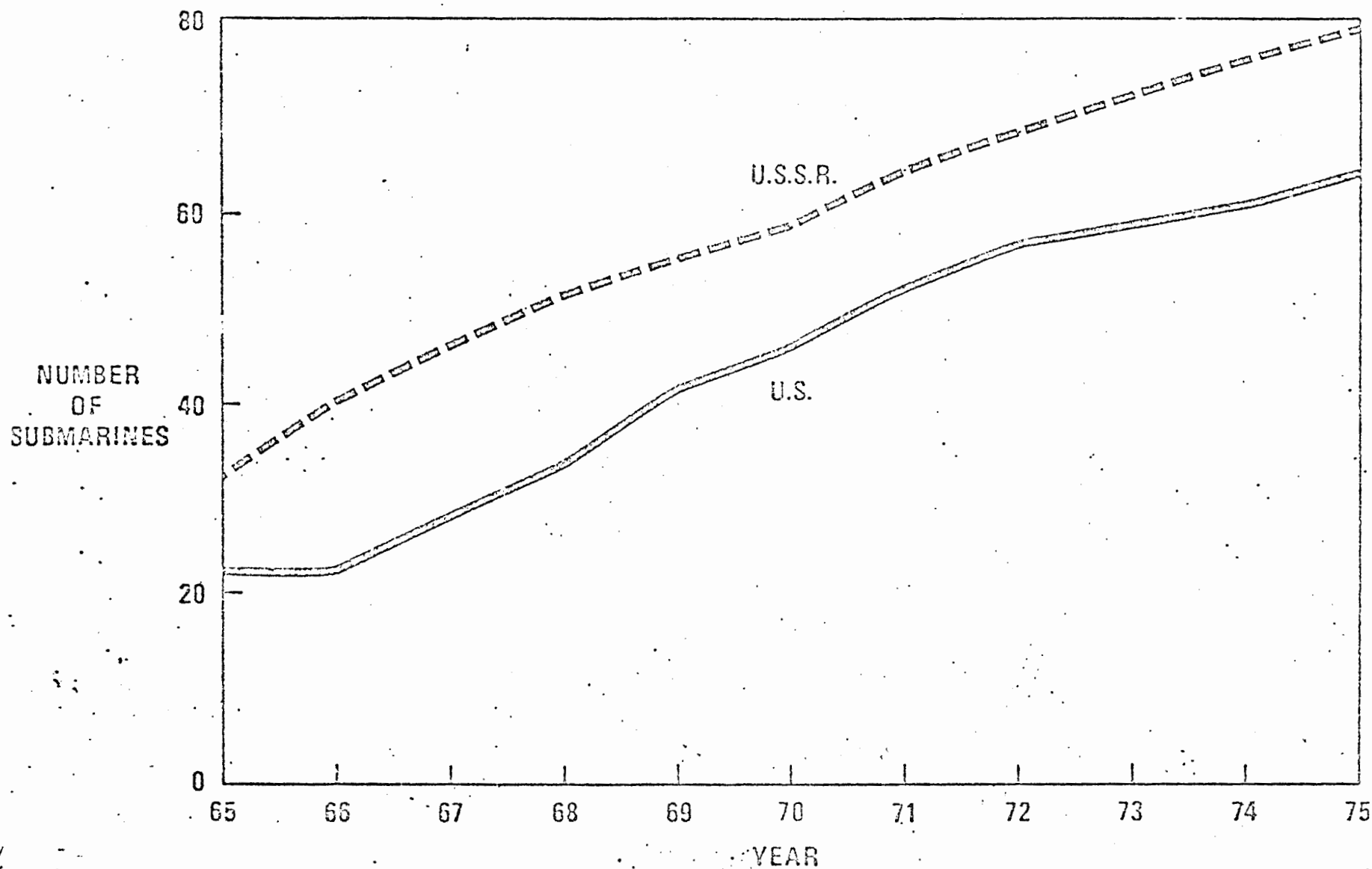


ATTACK SUBMARINES

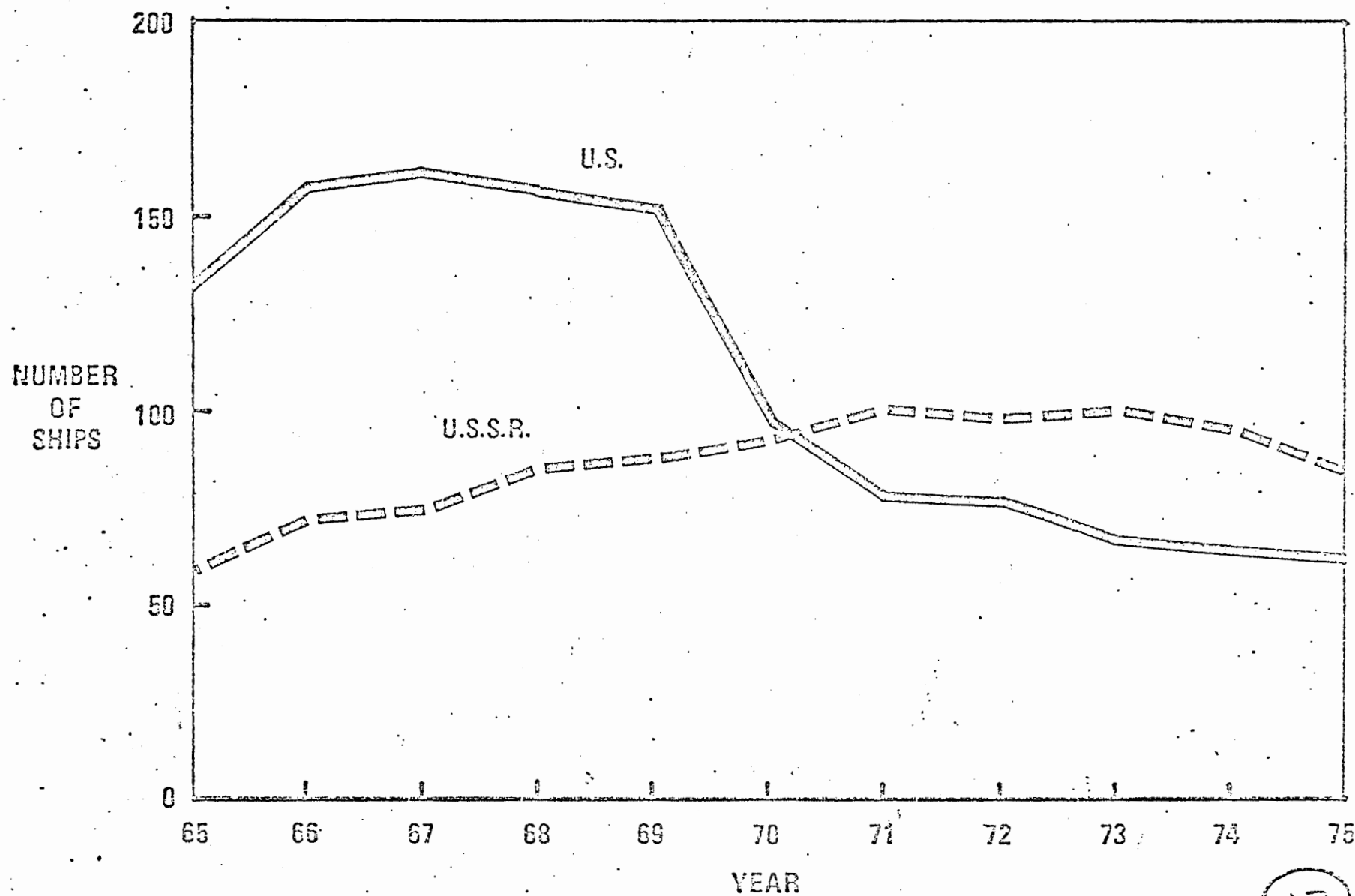


15

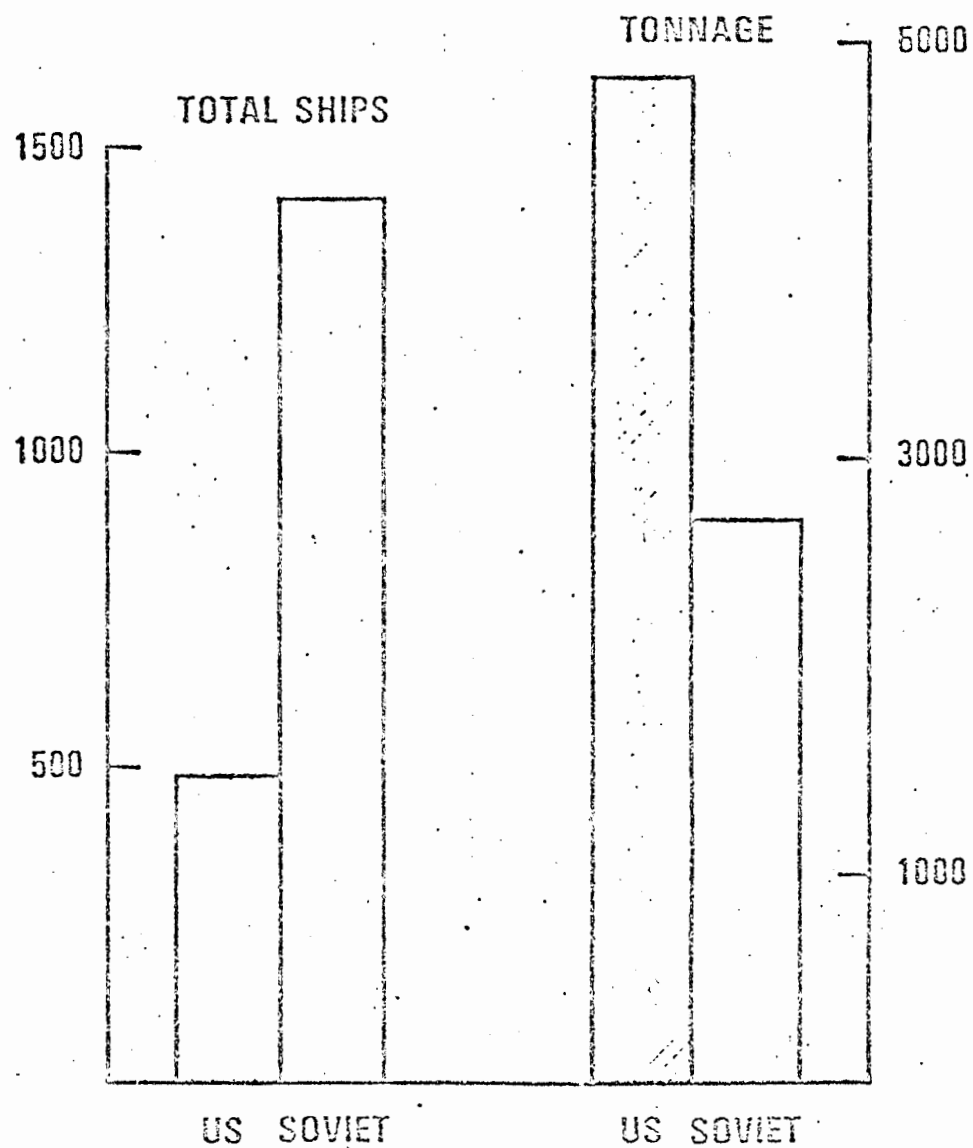
NUCLEAR-POWERED GENERAL PURPOSE SUBMARINES



AMPHIBIOUS SHIPS



NUMBER AND TONNAGE OF U.S. AND USSR SHIPS

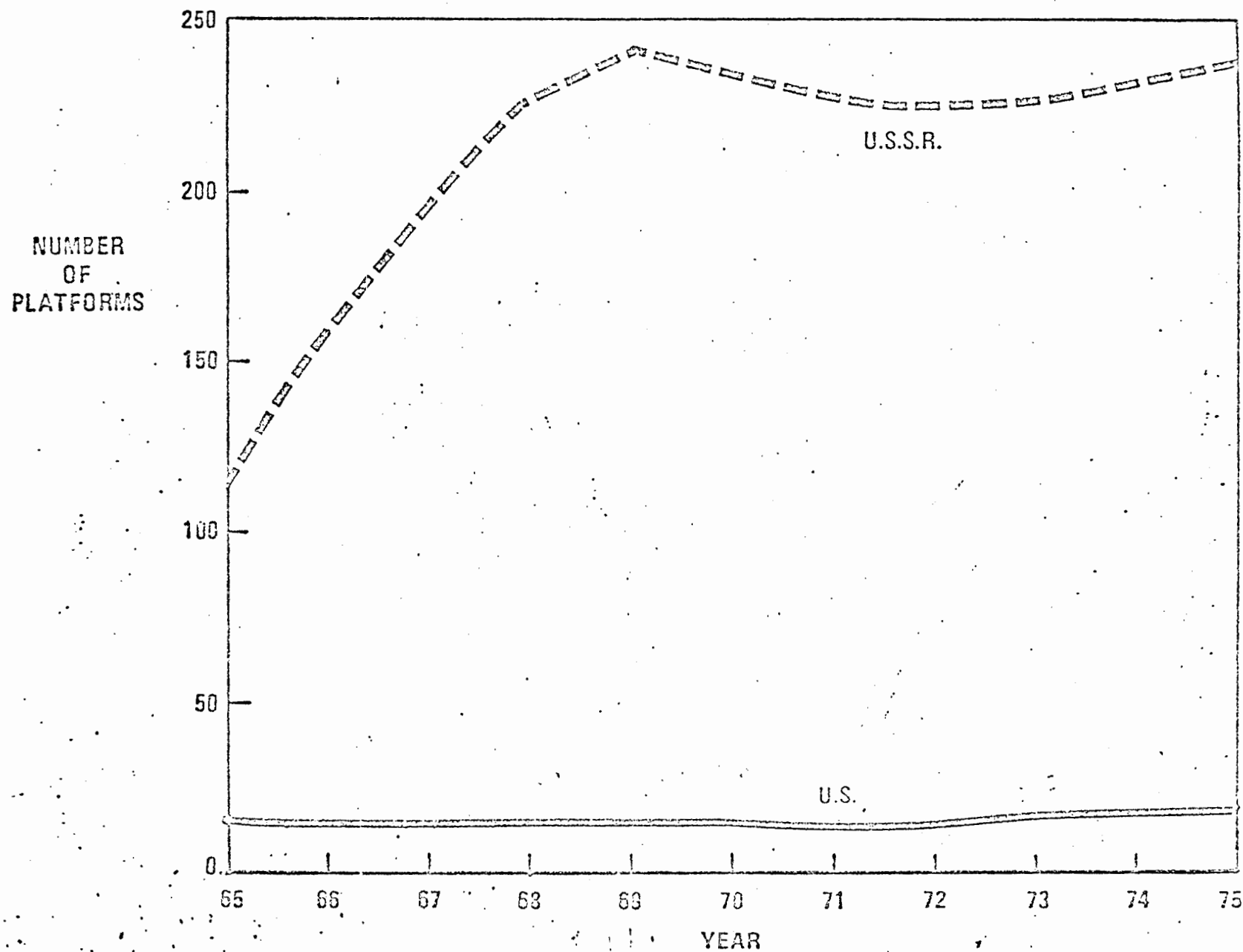


1975

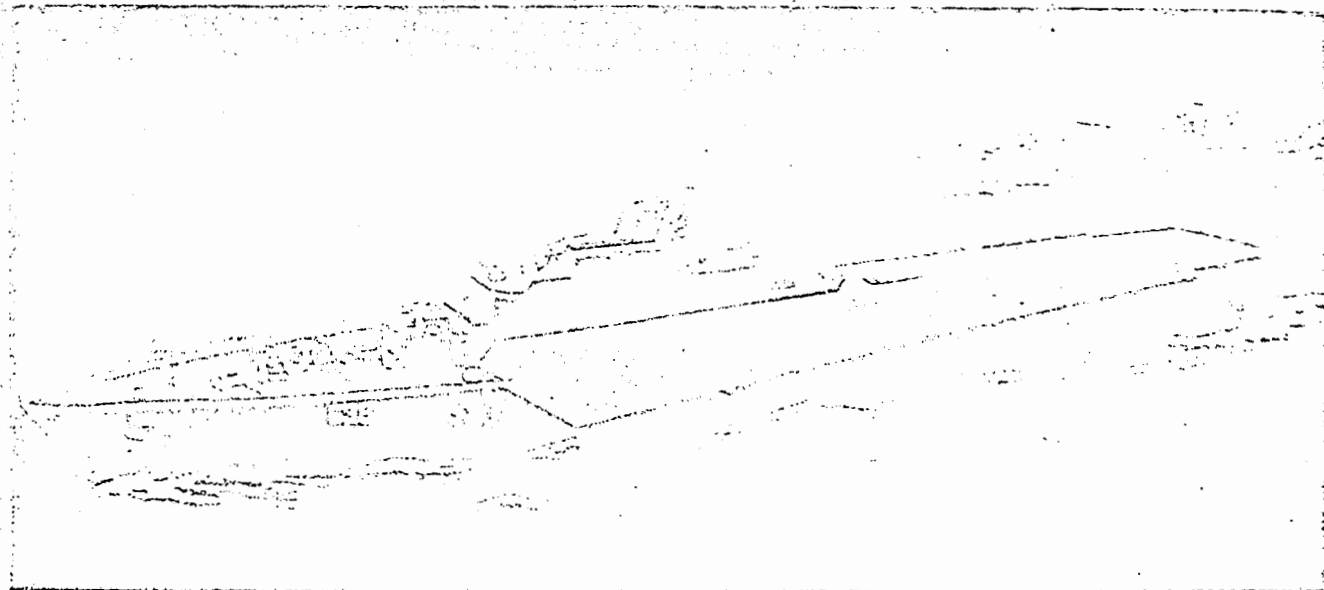
5081

SEA-BASED STANDOFF WEAPON DELIVERY PLATFORMS

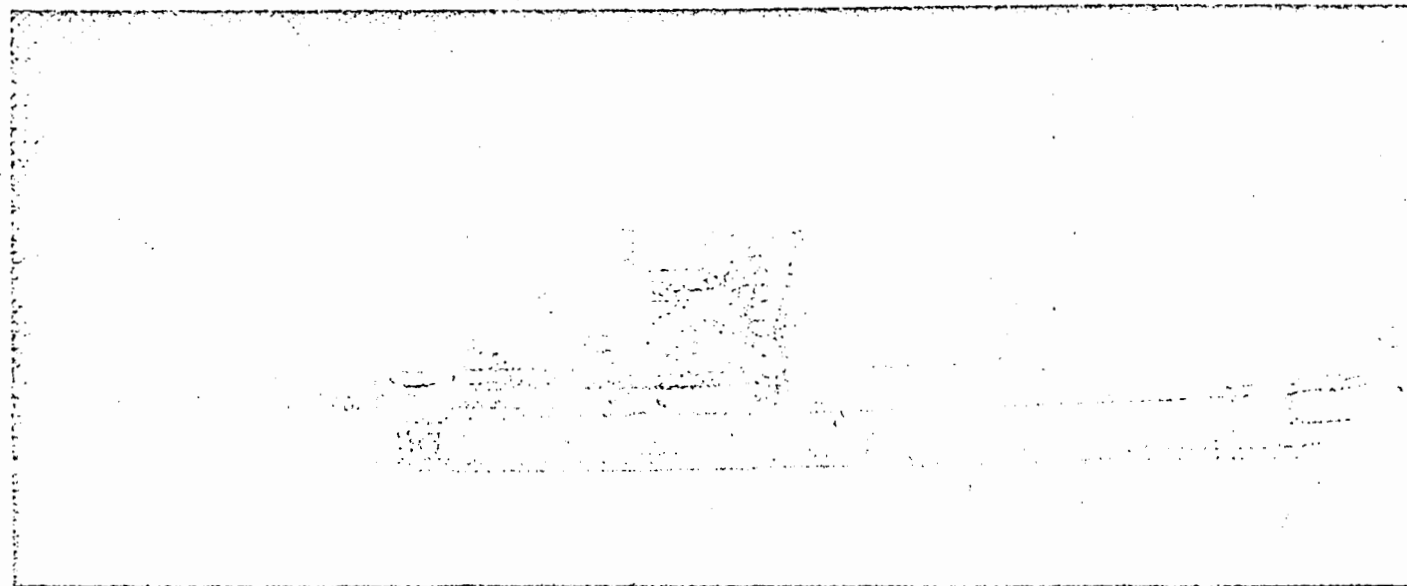
(INCLUDES AIRCRAFT CARRIERS AND SURFACE-TO-SURFACE
MISSILE-EQUIPPED SUBMARINES AND SURFACE COMBATANTS)



HEV CLASS AIRCRAFT CARRIER

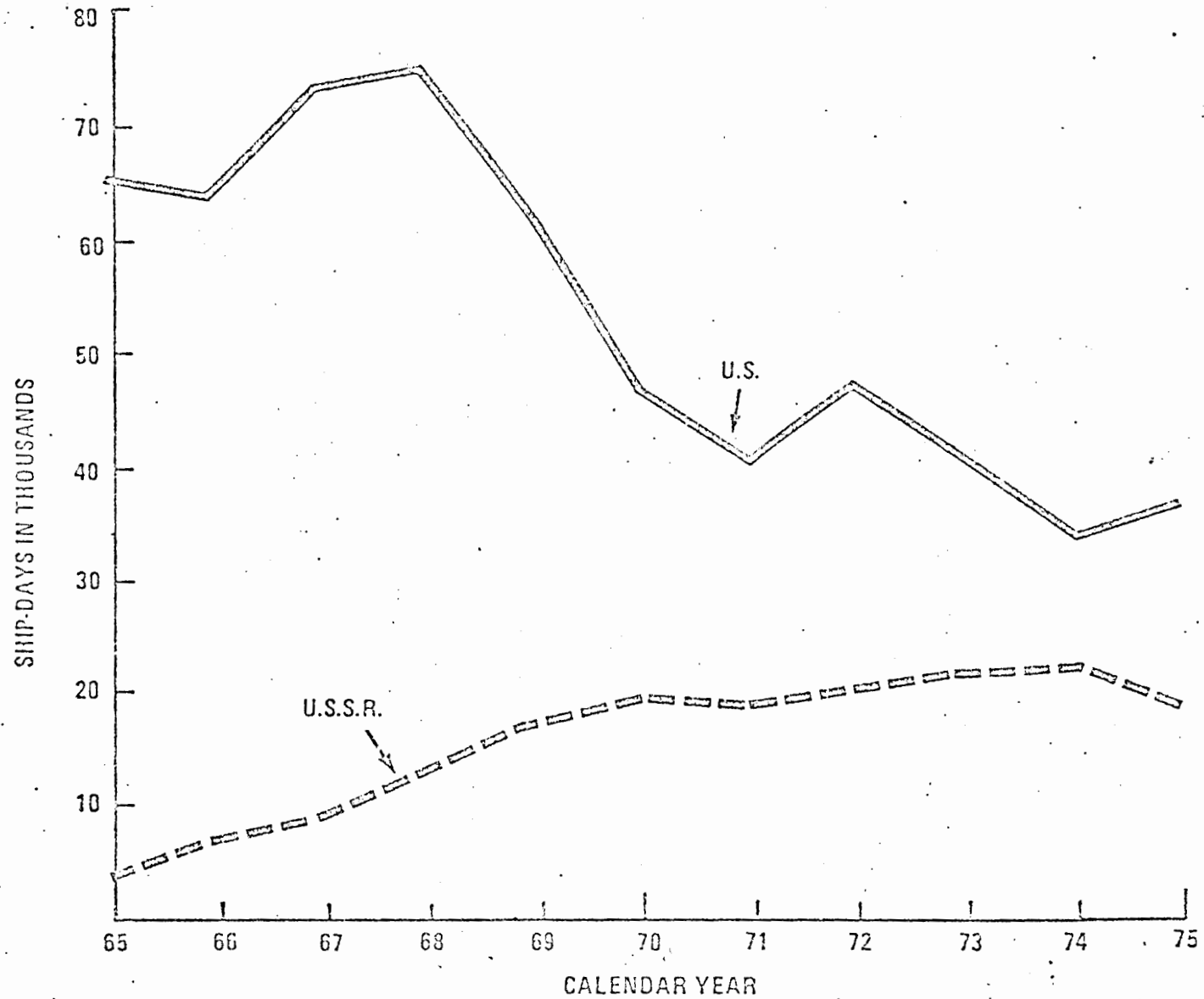


SOVIET
BASED
NAVIGATION



MOSKVA CLASS HELICOPTER CARRIER (ASW)

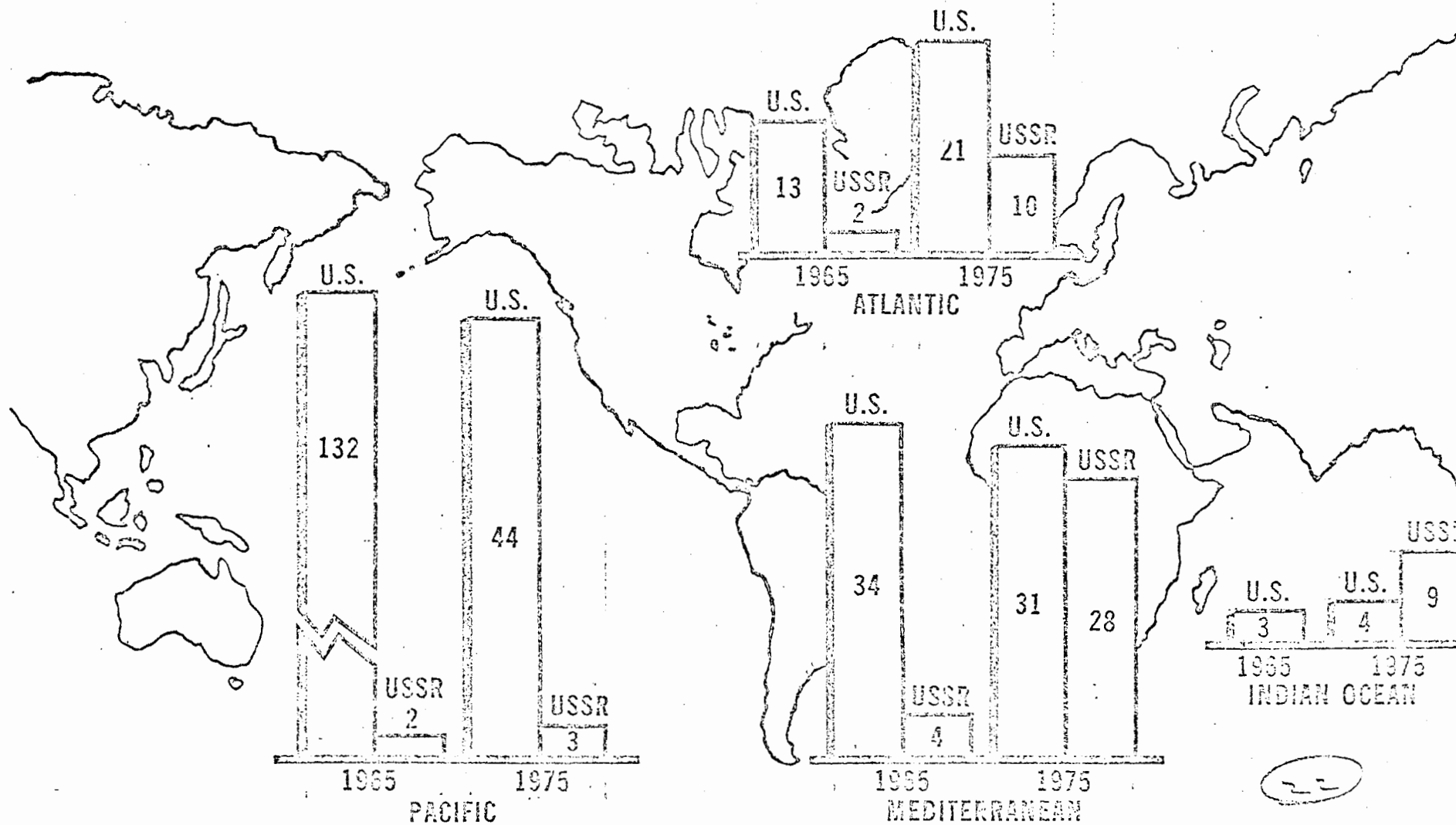
U.S./U.S.S.R. COMBATANT SHIP-DAYS ON DISTANT DEPLOYMENT



INCLUDES AIRCRAFT CARRIERS, MAJOR SURFACE COMBATANTS, GENERAL PURPOSE SUBMARINES, MINOR SURFACE COMBATANTS, AMPHIBIOUS SHIPS, AND MINE WARFARE SHIPS.

21

US/USSR COMBATANT DEPLOYMENTS* (AVERAGE CY 65 AND 75)



* INCLUDES AIRCRAFT CARRIERS, GENERAL PURPOSE SUBMARINES, MAJOR SURFACE COMBATANTS, MINOR SURFACE COMBATANTS, AMPHIBIOUS SHIPS, AND MINE WARFARE SHIPS.

FEBRUARY 1976

NATO - WARSAW PACT

1975

NATO

PACT

727,000
6,000

GROUND FORCES ^{1/}
TANKS ^{1/}

925,000
15,000

NATO LEADS

PACT LEADS

ARMORED PERSONNEL
CARRIERS
ANTI-TANK GUIDED
MISSILES
MORTARS

GROUND
WEAPONS

ARTILLERY

MULTIPLE ROCKET
LAUNCHERS

GROUND ATTACK
RECONNAISSANCE
HELICOPTERS

AIRCRAFT

AIR DEFENSE

^{1/} 1974 MBFR DATA

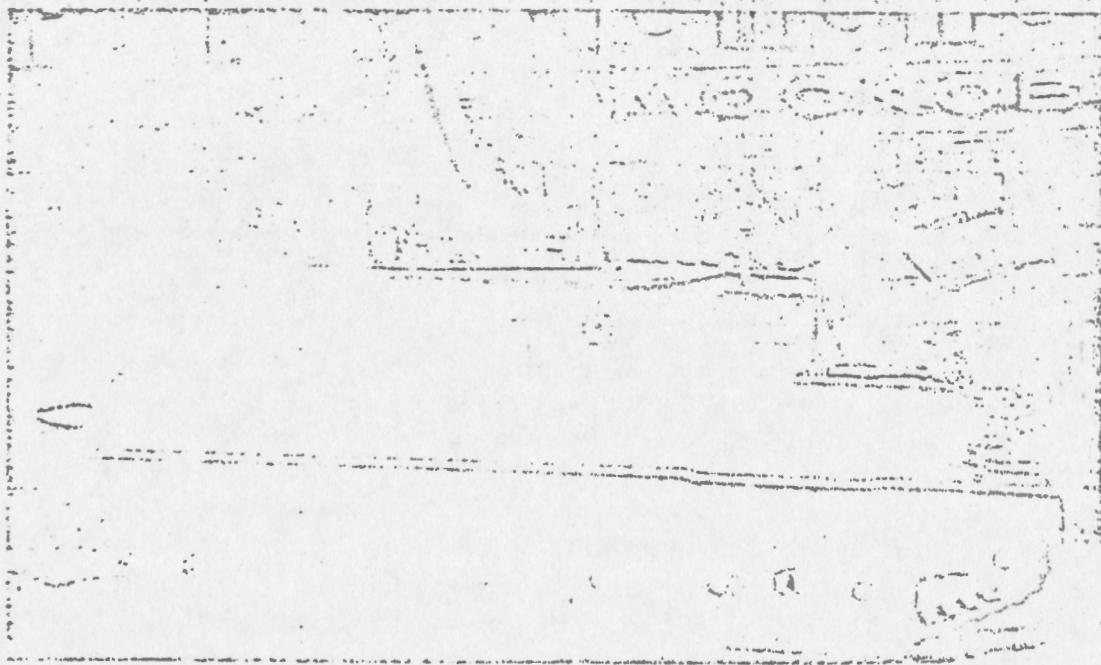
23

2210

SOVIET WEAPON ADVANCES

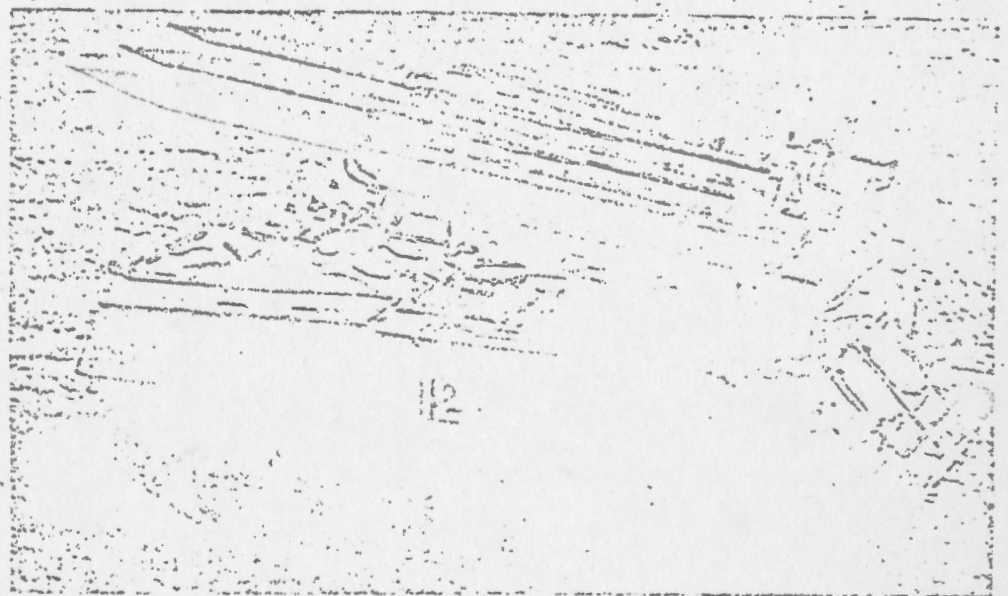
1965-1975

<u>WEAPON</u>	<u>ADVANCES</u>	<u>FORCE IMPLICATIONS</u>
TANKS	<ul style="list-style-type: none">- IMPROVED ARMOR- NEW GUN SYSTEM- IMPROVED ARMOR- SELF-PROPELLED- ARMORED- RADAR CONTROLLED GUN- FIVE NEW MISSILES- TRACK MOBILITY	<ul style="list-style-type: none">IMPROVED PROTECTION FOR MEN AND EQUIPMENTINCREASED FIREPOWERINCREASED MOBILITYMOBILE GROUND BASED AIR DEFENSE
ARMORED PERSONNEL CARRIERS		
ARTILLERY		
ANTI-AIRCRAFT		
AIRCRAFT	<ul style="list-style-type: none">- IMPROVED AVIONICS, AIRFRAMES AND MUNITIONS	<ul style="list-style-type: none">GROUND ATTACK CAPABILITYPAYLOAD - RANGE INCREASES



SOVIET GROUND FORCE WEAPONS

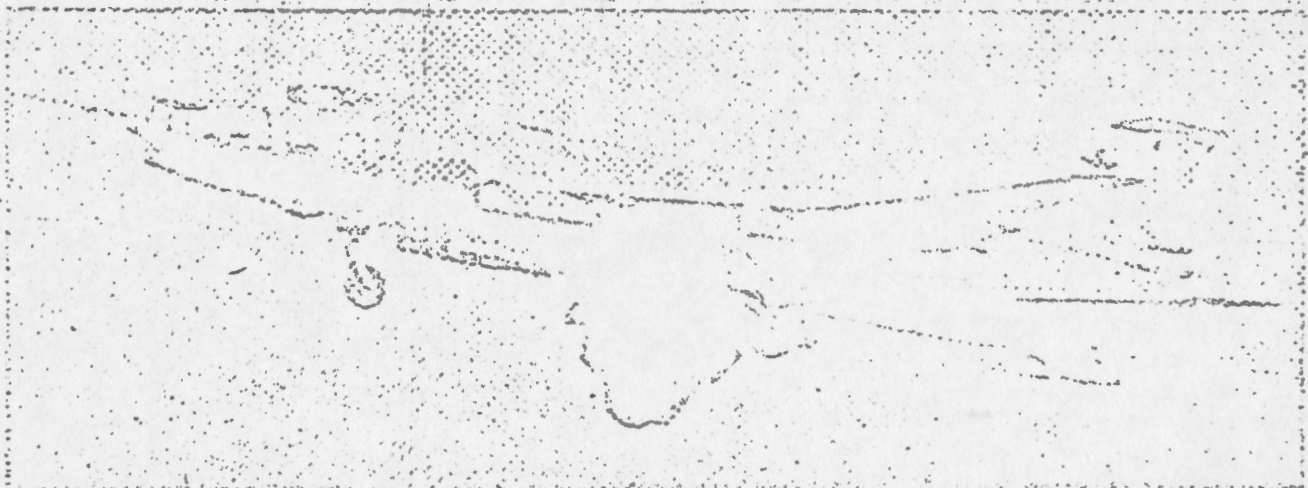
ZSU-23-4 ANTI AIRCRAFT GUN



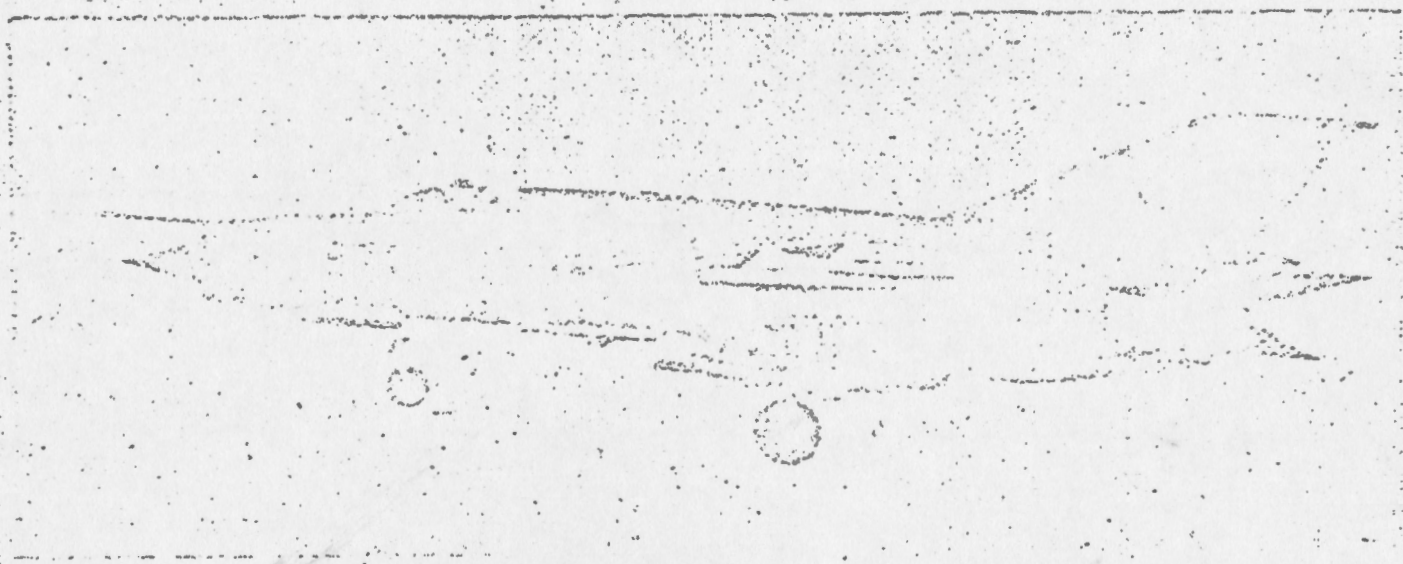
SA-6 SURFACE-TO-AIR MISSILE

(2/10)

SU-17 FITTER C

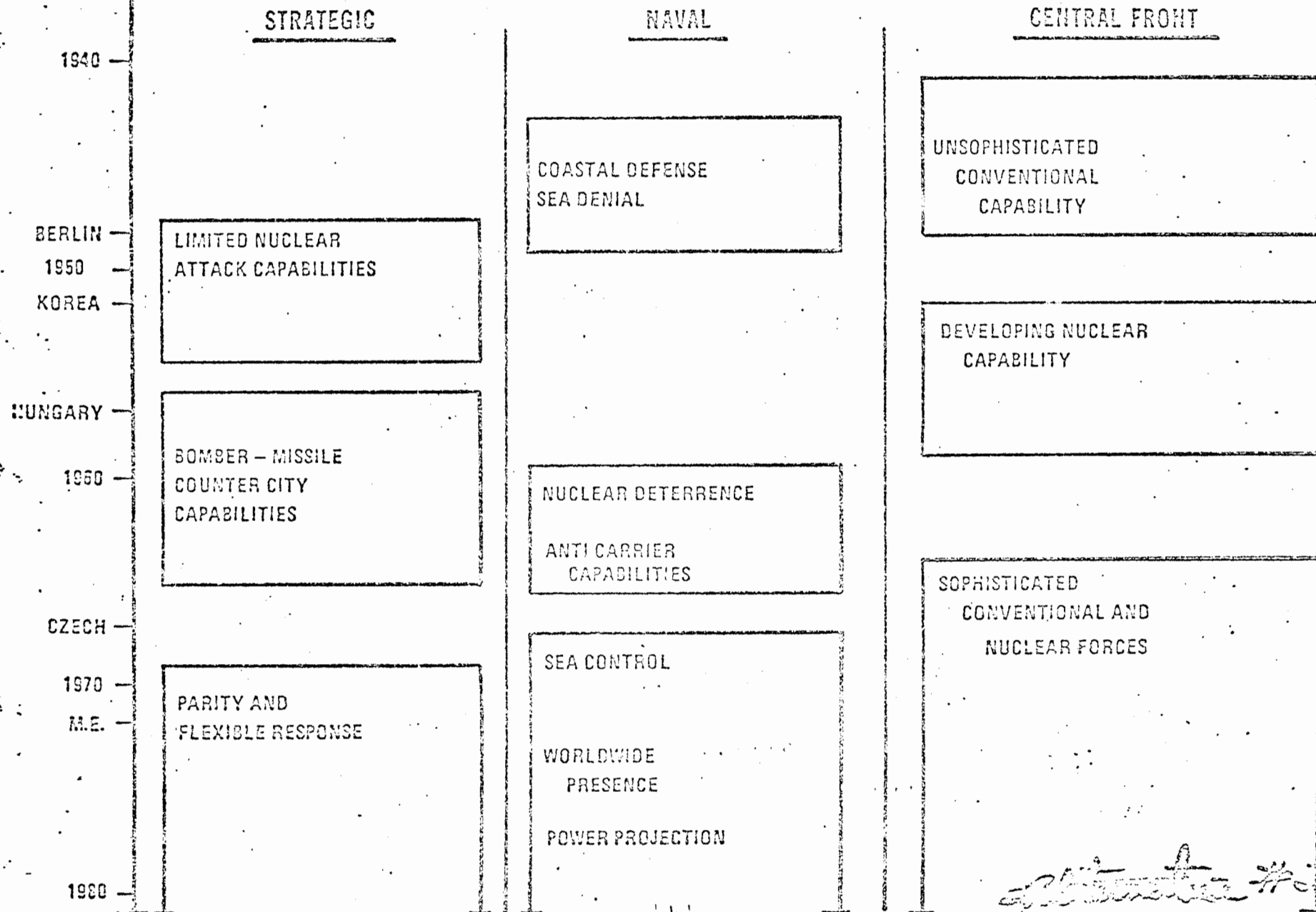


MIG-21 FISHBED J



246

GROWTH OF SOVIET POWER



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ECONOMIES AND RESTRAINTS IN FY 1977 DEFENSE BUDGET

(\$ in Billions)

CUTBACKS IN EMPLOYMENT AND PERSONNEL COSTS, FY 1976-77	\$.9
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PAY RAISE ASSUMPTIONS	.8/2.6
GS/MILITARY PAY RAISE CAP, NEW/EXISTING GS GUIDELINES	

COMMISSARIES AND RETIRED PAY "KICKER"	.2
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MILITARY CONSTRUCTION AND FAMILY HOUSING CONSTRUCTION	.9
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SUBTOTAL	2.8/4.6
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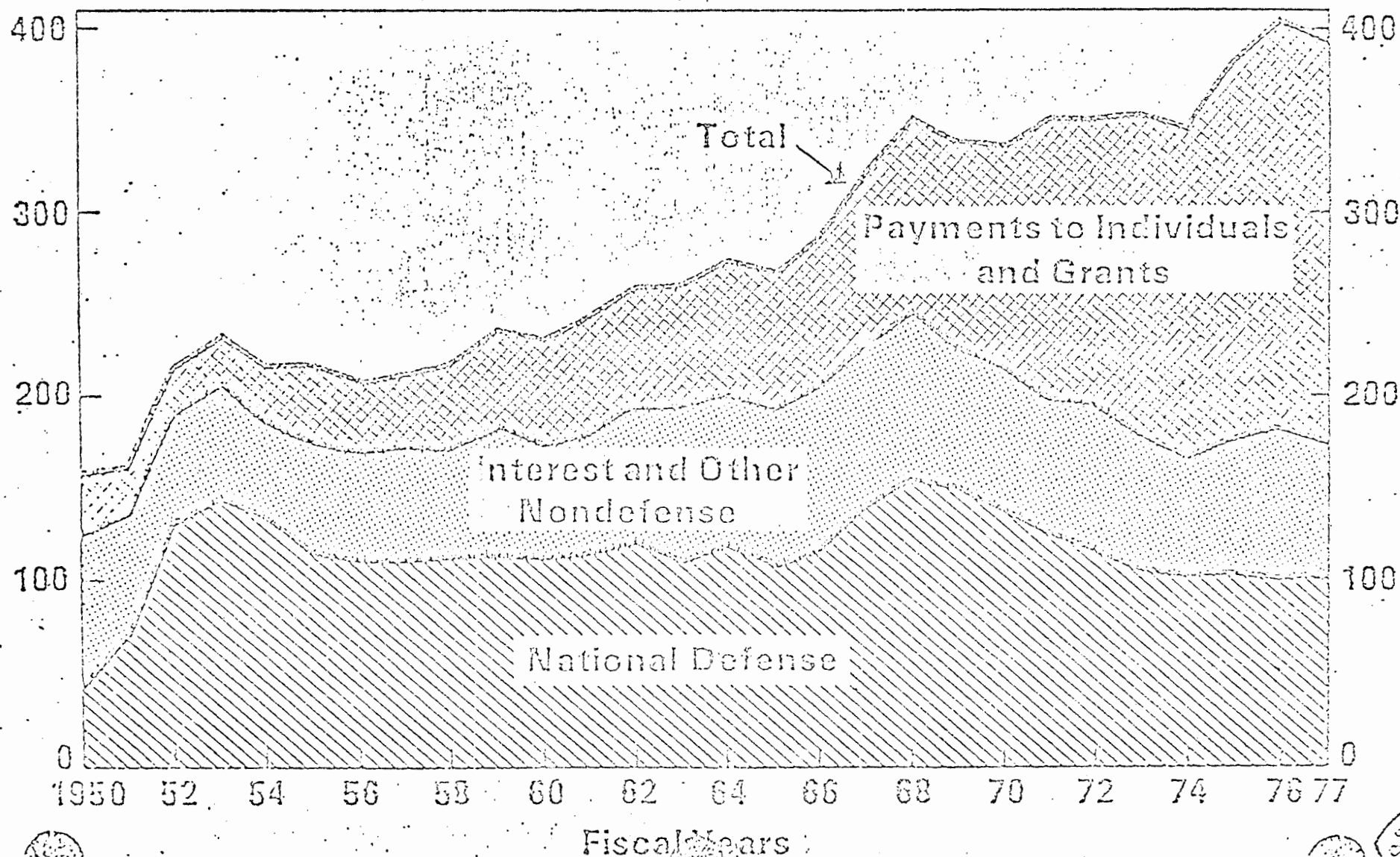
STOCKPILE ITEMS	.7/.8
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TOTAL	3.5/5.4
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FEDERAL OUTLAYS - CONSTANT 1977 DOLLARS

\$ Billions

\$ Billions



DOD PROGRAM IN CONSTANT FY 77 BUDGET DOLLARS

