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**Plan to Address
Changing East-West
Security and
Economic
Relationships**

SP-056

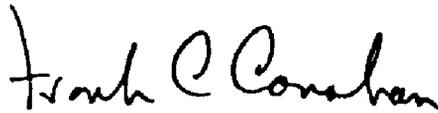
Foreword

The collapse of the Warsaw Pact, continuing political and economic reforms in the Soviet Union, and rapid movement toward a unified Germany offer opportunities for improved East-West relations and for reduced defense expenditures. At the same time, the uncertainties created by such rapid changes pose enormous challenges for U.S. policymakers. Pentagon planners must restructure defense forces without a clear definition of future security threats. Arms control negotiators must grapple with how a united Germany will fit into the security equation. U.S. diplomats must decide how they can best preserve NATO's role in European security amid calls for broader forums to assume key roles. Policymakers must weigh the benefits and risks of increased economic cooperation with nations beset by serious economic difficulties and attempting the uncharted transition from centrally planned to market economies.

While uncertainties remain, continuing domestic budgetary pressures make clear the direction of the changes. U.S. troop withdrawals from Europe will require adjustments both here and abroad to logistical support, defense facilities, and major items of equipment. Difficult choices must be made that will affect the future of thousands of military and civilian personnel, local economies both in the United States and Europe, and the defense industrial base. NATO's security strategy will be altered and with it the U.S. role and commitments. Conventional and strategic arms control agreements will change the military balance and offer opportunities to revise military strategies and plans for weapons acquisitions. New East-West trade opportunities will lead U.S. business to enter these newly liberalized markets. The United States must weigh how it can best advance U.S. economic interests in ways that will also serve U.S. security and political interests.

How well the United States plans for and manages the required adjustments during this transitional

period will in large measure determine the strength of U.S. defense posture and the U.S. standing in the world economy well into the next century. Accordingly, we have developed this plan to guide us in addressing the key issues related to changing East-West relations. It is our goal that this body of work will assist U.S. executive branch policymakers, government administrators, and legislators in the decisions they face in adjusting U.S. programs and policies to the new security, political, and economic environment.



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Abbreviations

CFE	Conventional Armed Forces in Europe
DOD	Department of Defense
EC	European Community
FY	Fiscal Year
GAO	General Accounting Office
INF	Intermediate-Range Nuclear Forces
JCS	Joint Chiefs of Staff
NATO	North Atlantic Treaty Organization
ROTC	Reserve Officer Training Corps
SSN	submarine (nuclear propulsion)
START	Strategic Arms Reduction Talks

A. Planning and Managing Force Restructuring

Sound planning for force restructuring will be essential if readiness and force quality are to be preserved during this turbulent period. DOD planning is complicated by a still evolving definition of the threat, ongoing arms control negotiations, and budgetary pressures that may force deeper cuts in defense spending. Budgetary savings will accrue from troop reductions in Europe but only if forces are removed from the force structure. We plan to monitor DOD's evolving plans and report as necessary on the reasonableness of criteria used in major force restructuring decisions as well as the efficiency and effectiveness of planned changes. As part of this monitoring effort, we will conduct the following evaluations and assessments:

1. Evaluate DOD, JCS, and service planning for force restructuring (JCS-ongoing; services-1st qtr. FY 91).
2. Identify lessons learned from past force restructuring that could be applied to current restructuring efforts (ongoing-Army only).
3. Evaluate alternative phasing of Army troop withdrawals from Europe (4th qtr. FY 90).
4. Conduct case studies of the plans and anticipated impacts of selected overseas force reductions (Air Force; 4th qtr. FY 90).
5. Assess Army plans for establishing accountability and controls over its resources as it reduces its forces in Europe (ongoing).
6. Evaluate DOD plans for returning people and equipment to the United States (DOD-wide; 2nd qtr. FY 91).
7. Assess the adequacy of DOD processes for determining the cost-effectiveness of returning overseas materiel to the United States (4th qtr. FY 90).

8. Assess the adequacy of DOD plans for identifying, sorting, handling, and reallocating or disposing of the large amount of materiel to be returned from Europe (4th qtr. FY 90).

9. Evaluate the need for continued shipment of new weapon systems to Europe in view of ongoing conventional arms reduction negotiations (ongoing).

10. Assess DOD plans to relocate the Air Force 401st Tactical Fighter Wing (ongoing).

11. Assess potential force structure savings by reducing combat intelligence personnel in Europe (2nd qtr. FY 91).

12. Assess the adequacy of the enlisted force management program in managing manpower reductions and the potential need for additional tools (ongoing; follow-on review-4th qtr. FY 90).

13. Comment on proposed legislation that would provide incentives to DOD employees to retire early if affected by a reduction in force (ongoing).

14. Identify ways to minimize the negative effects of force reductions on women and minorities (4th qtr. FY 90).

15. Assess DOD measures to minimize the negative impact of force reductions on dependents (1st qtr. FY 91).

16. Evaluate programs to assist DOD civilian employees involuntarily separated due to force reductions (2nd qtr. FY 91).

17. Identify the need for changes in officer accession programs (academies, ROTC, etc.) and the Defense Officer Personnel Management Act due to anticipated reductions in the size of the officer corps (ongoing; other reviews-2nd qtr. FY 91).

18. Assess the potential for consolidation of personnel support activities in Europe (3rd qtr. FY 91).

B. Impacts of Force Restructuring

We have planned the following work to address the impacts of force restructuring on logistics, facilities, and equipment, as well as key DOD strategies and the roles of various elements of the force structure.

Logistics

The shift of troops and equipment to the United States will alter deployment plans and require a reexamination of logistical support and strategic air and sealift requirements. We intend to conduct the following assessments:

1. Identify the impacts of restructuring on logistical support requirements (ongoing).
2. Assess the need for prepositioned materiel and war reserve stocks in view of the changing security environment (4th qtr. FY 90).
3. Assess the potential for reducing national stockpiles (DOD-wide; 1st qtr. FY 91).
4. Evaluate the impact of restructuring on air/sealift requirements (ongoing).

Facilities

Proposals for U.S. and overseas base closures will force difficult decisions affecting local economies and altering plans for military construction and land acquisition. Closing bases will result in long-term savings but will entail costs in the short term. To address these issues, we have planned the following evaluations:

5. Evaluate DOD processes and criteria for determining domestic and overseas base closures and reductions (ongoing).

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6. Identify lessons learned from past domestic and overseas base closures applicable to future closures (1st qtr. FY 91).
 7. Evaluate DOD programs for providing economic assistance to communities affected by base closures (2nd qtr. FY 91).
 8. Identify U.S. financial obligations to host nations resulting from European base closures (DOD-wide; ongoing).
 9. Identify the anticipated impacts of overseas force reductions on military bases in the United States (DOD-wide; 4th qtr. FY 90).
 10. Assess the adequacy of DOD processes for determining the cost-effectiveness of returning overseas materiel to the United States (4th qtr. FY 90).
 11. Identify issues and costs involved in environmental clean-up of bases due for closure (1st qtr. FY 91).
 12. Evaluate Army plans to acquire land for training purposes (ongoing).
 13. Assess strategic home-porting requirements given changing force structure plans (ongoing).

**Weapons,
Equipment, and the
Defense Industrial
Base**

Budgetary pressures will intensify debate over the future of key DOD weapons acquisition programs and force modernization plans. These decisions will have major impacts on the U.S. defense industrial base. To address these issues, we will conduct the following assessments:

14. Assess the status of and requirements for selected major weapon acquisitions (DOD-wide; continuing).

15. Summarize data on economic production rates and production backlogs of major weapon systems to better understand the impact of equipment reductions (DOD-wide; ongoing).

16. Evaluate processes for revising industrial preparedness plans and U.S. options for easing adjustments of defense industries as forces are reduced (DOD-wide; 4th qtr. FY 90).

17. Assess the potential for reducing airborne surveillance units in Europe (3rd qtr. FY 91).

Strategy, Roles, and Missions

Anticipated major arms control agreements will require DOD to reassess some of its basic military strategies, including the future role of reserve forces, forward deployment, prepositioned equipment, and training exercises in Europe. Major decisions on naval force structure will be needed as land forces are withdrawn from Europe. Restructuring may significantly alter the way reserve forces are employed, trained, and equipped. To address these issues, we have planned the following assignments.

18. Assess how planned force restructuring will impact the role of reserve forces (Navy-ongoing; Army-1st qtr. FY 91; Manpower-2nd qtr. FY 91).

19. Compare selected countries' use of reserve forces to determine whether certain features might be considered in U.S. force restructuring (ongoing).

20. Evaluate the respective roles of Marines, special operations forces, and Army light forces to identify possible overlaps (ongoing).

21. Assess the rationale for continuation of the Follow-On Forces Attack concept (4th qtr. FY 90).

22. Assess the strategy of forward naval deployments (2nd qtr. FY 91).

23. Assess the potential for decommissioning battle-ships (ongoing).

24. Assess the changing submarine threat on the SSN force level (requirements and high/low mix) (ongoing).

25. Identify the role, contribution, and cost of carrier battle groups to assist future decisions on force structure (ongoing).

26. Assess the future of training and participation in exercises in Europe (Army-ongoing; Air Force-1st qtr. FY 91).

27. Assess the potential effects of European Economic Integration (EC-1992) on defense industrial cooperation (ongoing).

C. Arms Control and the Changing U.S. Role in NATO

As movement continues toward limits on conventional, strategic, and chemical weapons, the focus will shift to implementation and verification of agreements. Costs as well as benefits will accrue from these accords. As political restructuring proceeds in Europe, the role of NATO will be redefined and, along with it, adjustments to the U.S. role and its security commitments. Other U.S. concerns will include the prospects for increased burden sharing by the NATO allies and the possible redistribution of U.S. equipment among them. To address these issues, we will conduct the following evaluations:

1. Assess operations of the On-Site Inspection Agency under the Intermediate-Range Nuclear Forces Treaty (INF) to identify lessons learned on verification of arms control agreements (ongoing).

2. Identify key issues associated with equipment destruction, transfer, and modernization under the expected Conventional Armed Forces in Europe (CFE) agreement (2nd qtr. FY 91).

3. Examine procedures, costs, and burden-sharing issues associated with verification of the CFE treaty (start after agreement is signed).

4. Assess proposed changes to ongoing and planned projects under the NATO infrastructure program, including CFE implementation costs (ongoing).

5. Assess the impacts of START on the size of the Trident II fleet, procurement of submarines and missiles, and operation of naval facilities (1st qtr. FY 91).

6. Assess the impact of START on requirements for nuclear materials (1st qtr. FY 91).

7. Assess the potential for applying lessons learned from the use of a Special Verification Commission under INF to future arms control agreements (1st qtr. FY 91).

8. Determine U.S. government and private industry roles in monitoring activities related to 13 ongoing arms control negotiations and what is being done to ensure the capability to verify prospective agreements (4th qtr. FY 90).

9. Identify key issues related to the political restructuring of Europe and its impact on the U.S. role in NATO (4th qtr. FY 90).

10. Assess the future willingness of NATO allies to shoulder future defense burdens (1st qtr. FY 91).

D. Future Economic Relations

Opportunities for increased trade and economic relations with the Soviet Union and Eastern Europe will be accompanied by certain risks. These include the export of sensitive technologies and the assumption of financial risks by government financial institutions such as Export-Import Bank, the Overseas Private Investment Corporation, and the Department of Agriculture. Questions will surface

over whether U.S. trade and export promotion policies will permit the United States to fairly compete with other industrialized nations for new markets. Congress will also be interested in how the United States is assisting economic reform and the democratization process in Eastern Europe through the various foreign policy and economic assistance tools available to policymakers. To address these issues, we plan to conduct the following evaluations:

1. Evaluate the basis and accuracy of existing analyses on the state of the Soviet economy (ongoing).
2. Assess the key issues related to the U.S.-Soviet trade agreement (ongoing).
3. Evaluate Soviet agricultural reform efforts and the impact on U.S. interests (ongoing).
4. Assess U.S. interests in developing Soviet oil and gas resources (4th qtr. FY 90).
5. Assess U.S. program assistance to Central and Eastern Europe (ongoing).
6. Identify key issues related to potential export control mechanisms (4th qtr. FY 90).
7. Assess emerging East-West financial issues (ongoing).
8. Compare U.S., European Community, and Japanese economic and trade policies toward Eastern Europe and the impacts on U.S. economic interests (2nd qtr. FY 91).
9. Evaluate State Department planning for increased operations in Eastern Europe (4th qtr. FY 90).

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