

April 1990**NATO-WARSAW PACT****Issues Related to
Implementation of a
Conventional Forces
Treaty**

**National Security and
International Affairs Division**

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April 16, 1990

The Honorable Robert C. Byrd
Chairman, Committee on Appropriations
United States Senate

The Honorable Sam Nunn
Chairman, Committee on Armed Services
United States Senate

The Honorable Claiborne Pell
Chairman, Committee on Foreign Relations
United States Senate

The Honorable Jamie L. Whitten
Chairman, Committee on Appropriations
House of Representatives

The Honorable Les Aspin
Chairman, Committee on Armed Services
House of Representatives

The Honorable Dante B. Fascell
Chairman, Committee on Foreign Affairs
House of Representatives

The proposals to reduce conventional forces and equipment in Europe, if adopted, will greatly affect relations between the North Atlantic Treaty Organization (NATO) and the Warsaw Pact by moving each party to more balanced levels of military forces. The proposed massive Soviet cuts have prompted the question: what "peace dividend," or defense savings, will the United States and its NATO allies be able to reap? Although precise cost estimates are not yet available, in this report we discuss potential cost and savings issues associated with a conventional forces reduction treaty and raise a number of other alliance-wide issues related to its implementation. Because of the rapid pace at which treaty negotiations are proceeding and because no final agreement has been reached on a number of treaty-related issues, some of the information in this report, in particular that related to equipment inventory estimates and limits, is subject to change.

Results in Brief

In terms of defense savings, only a limited NATO peace dividend will result directly from the treaty proposals. This dividend will not be shared equally among all NATO allies. Under the treaty, only the United States and the Soviet Union are required to make troop reductions. U.S. savings would result from the Department of Defense (DOD) decision to reduce the total number of its forces rather than simply relocate personnel removed from Europe.

Implementing a Conventional Armed Forces in Europe (CFE) treaty will be a complex task that will result in certain costs to be incurred by all NATO allies. For example, verifying compliance with the treaty may require extensive NATO inspection and monitoring of Warsaw Pact force levels and treaty-limited equipment.¹ NATO will incur additional costs in complying with treaty provisions that require the destruction of numerous conventional weapons. The United States and its NATO allies are currently discussing how best to ensure the equitable distribution of both the costs and benefits of implementing a conventional forces treaty.

Many Issues Involved in Assessing CFE Impact on NATO

The United States will likely achieve savings through the proposal to limit U.S.-stationed ground and air forces in Europe to 225,000. To comply with this limit, the United States will have to reduce the number of ground and air forces stationed in Europe by about 80,000. According to DOD officials, while the treaty requires removal of these forces from Europe, it does not require that total U.S. forces be reduced by 80,000; that is, these forces could be removed from Europe and placed in the United States or other theaters where U.S. forces are stationed.² These officials pointed out, however, that total U.S. forces will be reduced by 80,000 personnel even though not required by the CFE treaty proposals. DOD noted that its decision was driven by defense budget cuts, not CFE. Such budget cuts will require DOD to reduce its military personnel.

Although other NATO allies are not required to make troop reductions under the treaty, DOD officials told us that NATO allies will make some troop reductions to accommodate required equipment reductions. Neither the required equipment reductions nor the resulting troop

¹Treaty-limited equipment refers to numerical restrictions placed on the five major categories of equipment—tanks, artillery, armored combat vehicles, aircraft, and helicopters—that are being negotiated under CFE.

²The President, in his original troop reduction proposal, noted that troops removed from Europe would be demobilized. According to State Department officials, the term "demobilized" has not yet been defined.

reductions are likely to produce savings for the other NATO allies comparable to those which the United States is expected to experience from its decision to reduce total U.S. military personnel.

CFE proposals made by NATO and the Warsaw Pact (as of April 1990) would require massive equipment cuts by the Warsaw Pact. NATO force cuts are significantly less (see table I.1 in app. I). While NATO may realize some operations and maintenance savings associated with cuts of treaty-limited equipment, those potential savings will be at least partially offset by the costs of implementing the treaty.

NATO hopes to achieve the most capable forces possible within treaty limitations by transferring modern equipment from some NATO countries to other alliance members that would destroy older equipment to meet treaty requirements. U.S. participation in a transfer program is currently limited by legislative restrictions on the transfer of equipment that is excess to U.S. worldwide requirements. Other benefits could be realized if alliance members were allowed to use their excess equipment to meet non-NATO requirements or to sell it to other non-NATO allies. Under the proposed terms of the treaty, however, this would not be permitted.

The issues related to implementation of a conventional forces treaty are discussed in appendix I.

Impact of a Reduced Soviet Threat

According to DOD officials, because proposals for further reductions are still being made and because political developments affecting the cohesion of Eastern Europe continue to unfold, NATO has not completed a reassessment of the Warsaw Pact threat. Even so, it is clear that the conventional threat to NATO has already decreased as a result of changes in Eastern Europe and the unilateral Soviet reductions that are now in progress. If agreement is reached on most of the proposals being discussed, the Soviets' required force reductions will decrease the threat to NATO even further.

Most of the NATO allies, including the United States, face domestic budgetary problems and are examining defense as an area in which spending cuts could be made. Some NATO allies have announced projected unilateral reductions in their defense forces to be made after the CFE agreement is signed. Although the fiscal year 1991 budget proposed by the President reduces real defense spending by 2 percent, even deeper cuts appear inevitable.

The United States and its NATO allies will be addressing a number of issues that will affect the level of future defense spending. Among those issues are

- the extent to which U.S. and allied commitments to NATO are maintained or modified,
- the extent to which NATO nations make unilateral budget cuts in defense either as a result of reassessing the threat or in concert with further Warsaw Pact reductions, and
- the extent to which the defense establishments within allied countries can persuade their governments that it is necessary to keep pace with Soviet modernization efforts.

Regarding the first issue—maintenance of commitments—although the United States has proposed withdrawing 80,000 ground and air forces stationed in Europe, it has not changed its commitment to provide 10 divisions to Europe within 10 days from the time mobilization is called. Unless the United States modifies its commitment by decreasing the number of U.S. troops promised and/or the time period promised for their delivery, the decrease of U.S. forces in Europe could result in much greater requirements for U.S. strategic lift and repositioning capabilities.

The level of future defense expenditures may also depend on whether NATO allies believe that the Warsaw Pact's force reductions would change the threat so dramatically that substantial unilateral reductions are also possible. Individual nations might take the position that the alliance will—by maintaining the maximum level of forces proposed in the CFE talks—finally reach an asymmetrical advantage over Soviet forces in the Central Region and might therefore argue that further cuts should be made even if there are no further cuts in Soviet forces. It also seems highly probable that other NATO allies would like a greater share of the “peace dividend” in the form of decreased defense expenditures.

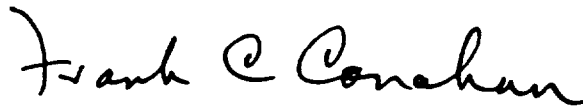
According to U.S. officials at the U.S. Mission to NATO and several European embassies, after NATO and the Warsaw Pact forces are reduced, both sides will emphasize modernization and technological advancements. If more significant equipment reductions are not agreed to during the CFE talks and if NATO and the Warsaw Pact move to an arms modernization competition, other NATO countries may realize few benefits from the CFE treaty, and the United States may realize significantly less than expected. Past defense spending trends of many NATO allies, coupled with the decreased Warsaw Pact threat, indicate that NATO's defense

ministers may find it difficult to convince their governments to maintain current force levels and devote greater resources to modernization programs.

We discussed the information in this report with Defense and State Department officials and incorporated their comments, as appropriate. We plan to continue monitoring developments associated with CFE negotiations and the anticipated treaty implementation.

Appendix II includes a discussion of our objectives, scope, and methodology. We are sending copies of this report to the Secretaries of Defense and State; the Director, Office of Management and Budget; and other interested parties.

This report was prepared under the direction of Joseph E. Kelley, Director, Security and International Relations Issues, who can be reached on (202) 275-4128 should you or your staff have any questions. Other major contributors are listed in appendix III.



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Abbreviations

CFE	Conventional Armed Forces in Europe
DOD	Department of Defense
INF	Intermediate-Range Nuclear Forces
NATO	North Atlantic Treaty Organization

Issues Related to Reducing Conventional Forces and Equipment in Europe

In March 1989, the 23 nations in the North Atlantic Treaty Organization (NATO) and the Warsaw Pact began negotiations to reduce the level of conventional armed forces in Europe (CFE). During the NATO summit in May 1989, NATO announced its intention to accelerate the timetable for implementing a treaty and expanded its original proposal.¹ At the Malta summit in December 1989, President Bush and President Gorbachev confirmed their commitment to complete a CFE treaty during 1990. They also agreed to consider discussions for even further force reductions after the initial CFE treaty is signed. In recognition of the dramatic political reforms in Eastern Europe and in response to calls to increase force reductions, in January 1990, President Bush proposed that U.S. and Soviet ground and air forces in Central Europe be reduced to 195,000. NATO and the Warsaw Pact agreed to this proposal in Ottawa in February 1990 and further allowed the United States to retain an additional 30,000 U.S. troops elsewhere in Europe while limiting the Soviet Union to 195,000 troops.

The objectives of the CFE negotiations, as mutually agreed upon by NATO and the Warsaw Pact, are to

- establish a secure and stable balance of conventional forces at lower levels;
- eliminate disparities in military capability that are prejudicial to stability and security; and
- eliminate, as a matter of high priority, the capability for launching a surprise attack and for initiating large-scale offensive actions.

The current CFE negotiations include U.S. and Soviet ground and air forces stationed within the European zone and five major categories of conventional land-based armaments and equipment.²

To reach relative parity, the Warsaw Pact will have to make significantly greater reductions than NATO. The Soviets would have to reduce their forces located west of the Ural Mountains by about 68 percent, while the United States would reduce its ground and air forces in Europe by about 26 percent. Similarly, NATO reductions of treaty-limited equipment would be significantly less than those of the Warsaw Pact.







¹NATO's expanded proposal is based on President Bush's proposal to limit U.S. and Soviet air and ground forces to 275,000 for each party. The President's proposal also set limits on two additional categories of weapons—helicopters and land-based combat aircraft.

²The European zone refers to the land or territory within Europe that extends from the Atlantic Ocean to the Ural Mountains. Current CFE proposals identify conventional equipment and forces that will be subject to treaty limitations according to their location within the zone.

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The treaty would not preclude modernization of the remaining equipment. Table I.1 illustrates the magnitude of equipment and troop reductions currently proposed under CFE.

Table I.1: NATO and Warsaw Pact Force Reductions Proposed by NATO

Category		NATO Proposed limits ^a		NATO estimate of current forces	Number to be eliminated
Tanks		NATO	20,000	22,224	2,224
		Warsaw Pact	20,000	51,500	31,500
Artillery ^b		NATO	16,500	17,328	828
		Warsaw Pact	16,500	43,400	26,900
Armored Combat Vehicles		NATO	30,000	28,800	0
		Warsaw Pact	30,000	53,500	23,500
Aircraft ^c		NATO	5,700	6,700	1,000
		Warsaw Pact	5,700	13,500	7,800
Helicopters		NATO	1,900	2,200	300
		Warsaw Pact	1,900	3,500	1,600
Manpower ^d		U.S. and Soviet ground and air stationed manpower levels in Central Europe are to be limited to 195,000 each. The United States is permitted up to an additional 30,000 outside this area.			

Note: Figures in the table will change as NATO and the Warsaw Pact continue to negotiate equipment definitions and limits.

^aNATO and the Warsaw Pact agree on limits for main battle tanks and combat helicopters. For the remaining equipment categories, the Warsaw Pact has proposed the following limits for each side: artillery—20,000; armored combat vehicles—28,000; and, aircraft—7,700.

^bArtillery is the only category for which a definition has been reached by both sides.

^cAccording to the State Department, NATO and the Warsaw Pact are far apart in agreeing on aircraft definitions and limits. Both sides have recently offered alternatives on limits to be placed on this category of equipment.

^dTo achieve these troop levels, the United States will have to reduce its European forces by 80,000; the Soviets by 405,000.

U.S. and NATO officials note that, by any measurement, a CFE treaty would be beneficial to the alliance, primarily because it is designed to eliminate the numerical imbalance of forces in Europe. In our view, the equitable distribution of both the costs and benefits of a CFE treaty will be one of the major issues facing the United States and its NATO allies.

CFE Implementation Will Entail Certain Costs

U.S. officials acknowledge that implementing the proposed treaty will be a complex task and will result in additional costs to the NATO allies. These costs are primarily related to verifying compliance with the treaty limits and destroying and transferring treaty-limited equipment. DOD and State Department officials were not able to provide implementation cost estimates because such costs are dependent on the outcome of the negotiations. The costs to the United States will depend on intra-alliance agreements to share the burden of implementation.

Treaty Verification Costs

The mandate for CFE negotiations requires that any treaty contain "an effective and strict verification regime" to provide the means for monitoring treaty obligations, including on-site inspections and exchanges of information. To this extent, CFE verification objectives are similar to those of the Intermediate-Range Nuclear Forces (INF) treaty. However, according to DOD and State Department officials, verifying a CFE treaty will be much more complex and difficult than verifying the INF treaty.

The INF treaty, signed in December 1987, eliminated an entire class of nuclear weapons. The treaty required a variety of verification mechanisms, including

- on-site inspections at missile sites and production facilities,
- monitoring of missile destruction, and
- National Technical Means (electronic/satellite surveillance techniques used to monitor compliance with the provisions of the treaty).

CFE verification will be more demanding than that required for the INF treaty for a number of reasons. The INF treaty requires verification of the complete elimination of one class of nuclear weapons. On the other hand, the CFE treaty would require each side to inspect and monitor destruction of numerous classes and large numbers of conventional armaments until treaty equipment limits were met. After that, continued monitoring would be required to ensure that limitations placed on the various classes of equipment were being honored. According to a DOD

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official, more inspectors and greater numbers of sophisticated monitoring equipment might be required. In addition, although the equipment destruction phase is 3 years for both the INF and CFE treaties, the CFE treaty will require a greater degree of post-destruction monitoring to ensure that, as newer equipment is added to countries' inventories, there are offsetting reductions (through removal or destruction) to stay within the equipment limits. This monitoring requirement will exist for as long as the CFE treaty remains in force.

The annual cost of INF implementation is roughly estimated at about \$150 million, including verification and destruction costs. Although detailed CFE verification estimates have not yet been developed, U.S. officials stated that the greater scope and complexity of the CFE treaty could result in implementation costs greater than those of INF. Table I.2 summarizes the differences in scope between elements of the INF treaty and CFE proposals.

Table I.2: Elements of the INF Treaty and Proposed CFE Treaty

Category	INF	CFE
Treaty type	Bilateral (United States and Soviet Union)	Multilateral (NATO and Warsaw Pact nations)
Destruction items	846 U.S. missiles to be destroyed	NATO equipment to be destroyed—2,224 tanks, 1,000 aircraft, 800 armored combat vehicles, 828 artillery pieces ^a
Inspection sites	133 Soviet sites requiring U.S. inspection	Approximately 3,000 declared Warsaw Pact sites requiring NATO inspection
Inspection period	13 years	Undetermined
Inspection personnel	200-300 ^b	Unknown
Destruction period	3 years	3 years
Implementation costs	Approximately \$150 million per year for the United States	No detailed estimates
Personnel reductions	None required	U.S. reduction to 225,000 troops in Europe

^aAccording to a DOD official, new data is being developed as treaty negotiations progress; therefore, these figures should be considered preliminary.

^bPersonnel assigned to the On-Site Inspection Agency only.

According to DOD and State Department officials, the actual costs of CFE verification will depend on the extent of the verification effort that both sides believe is necessary. DOD officials stated that the objective of verification should not be the detection of every piece of equipment that exceeds CFE limits. DOD and State Department officials noted that

100-percent verification of numerical ceilings would be extremely difficult and impractical and would result in prohibitive costs. These officials believe that verification should enable NATO to detect violations that are "militarily significant" and could alter military parity or change warning times. NATO has proposed a specified number of ground on-site inspections that, in its opinion, are needed to ensure that militarily significant violations are detected. This proposal has not yet been accepted.

NATO is currently considering a U.S. proposal to coordinate monitoring efforts among alliance members. State Department officials favor this approach because it offers a means of sharing more equitably the costs of inspections and monitoring. In addition, it is hoped that this mechanism will provide a larger base from which to draw technical and foreign language expertise. The alliance, however, has not yet reached a decision on how the monitoring responsibilities or the associated costs will be distributed among NATO members.

Equipment Destruction and Transfer Costs

Although the CFE treaty will impose total equipment limits for NATO and the Warsaw Pact, each side will individually determine how national allocations of equipment should be made and which alliance members' equipment should be destroyed to meet treaty limitations. DOD officials noted that the intent of the CFE treaty is to destroy all treaty-limited equipment that exceeds the limits; that is, withdrawing this equipment east of the Ural Mountains or to the United States is not an option because such action would violate the intent of the treaty. Some NATO allies have more modern equipment in their inventories, while others have older, less capable equipment. DOD officials expressed the hope that members' older equipment will be destroyed first and their inventories filled with the more modern equipment of other allies. The purpose of redistributing this modern equipment is to achieve a NATO force structure, post-CFE, that will provide the NATO alliance with the most modern, capable fighting force within CFE limitations.

According to DOD officials, NATO intends to incorporate the transfers of treaty-limited equipment into NATO's regular force planning process. During this process, force goals are established for each country and tailored towards the accomplishment of defense missions. To achieve CFE goals, for example, one country would be required to upgrade its equipment, while another country would reduce its total equipment holdings, thus permitting transfers to the country upgrading its inventory.

U.S. officials are currently discussing with the NATO allies how to distribute CFE-proposed equipment cuts equitably among the allied countries.³ Decisions will have to be made on country limits for each class of equipment, the older alliance equipment that should be destroyed, and the newer equipment that should be transferred to other NATO countries.

Although there are currently no estimates of the equipment transfer costs to the United States, DOD and State Department officials have identified several cost-related issues that will have to be considered by the United States and its NATO allies to make the process work. According to a State Department official, the alliance would like to reach agreement on many of these issues prior to signing the treaty.

Who Should Be Responsible for Destruction Costs?

NATO has not yet decided which alliance members' equipment will be destroyed and how the costs for equipment destruction will be distributed among the allies, but U.S. officials note that destruction costs under CFE could be high, depending on the destruction methods selected. Destruction costs may be significantly more for the Warsaw Pact than for NATO because of the much larger numbers of treaty-limited equipment its members will have to destroy. The expense involved will also be affected by the methods chosen for equipment destruction.

After CFE equipment limits have been reached, countries will not be required to destroy the equipment being replaced by more modern equipment. For example, the United States may field new aircraft in Europe—within CFE limitations—but it will have the option of bringing the older aircraft back to the United States or moving it to other theaters rather than destroying it.

Although destruction procedures have yet to be determined, U.S. and NATO officials are currently studying how to economically destroy treaty-limited equipment such as tanks and artillery pieces, which are designed to resist destruction. In addition, if NATO is to destroy older, less capable equipment—most of which is held by aid-recipient countries with limited financial resources—the issue of who will pay for the destruction will have to be addressed.

³For example, the initially proposed limits would require that NATO reduce by 15 percent the current levels of land-based combat aircraft. Tanks would be reduced by approximately 10 percent, and armored combat vehicles by about 5 percent.

DOD and State
Considerations of Cost
Sharing

Many issues concerning the distribution of costs related to CFE have not been resolved within the alliance. For example, the degree to which the United States and other countries will receive reimbursement in return for equipment transferred⁴ or the form which that reimbursement might take is uncertain.

DOD officials said that they hope to transfer equipment to other NATO nations and, even if no cash reimbursement is made, receive some quid pro quo. These officials noted that other types of reimbursement might include, for example, allied agreement to assume a larger share of the NATO defense burden, greater host nation support for U.S. forces, earmarking of additional civil assets for U.S. wartime use, or reduced U.S. cost shares in joint projects. Such indirect reimbursements or cost avoidance would be obtained, according to DOD, through bilateral agreements with individual allies in consideration of "the needs and abilities of the receiving nations."

Even if U.S. officials are permitted to engage in bilateral negotiations to obtain indirect benefits from recipient nations, the types of benefits sought, such as increased burden sharing, are similar to what the Congress has argued were rightfully other NATO nations' responsibilities for the common defense. To gain acceptance of its proposal, the administration will have to persuade the Congress that it is in the United States' best interest to transfer its more modern equipment to obtain certain benefits that the Congress has argued were the allies' responsibility all along.

Some State and Defense Department officials favor the establishment of a NATO common fund, such as the NATO infrastructure fund, to finance the costs of redistributing modern equipment to NATO countries and to pay for other CFE-related expenses. A common funding approach, in their view, would serve to distribute equipment transfer costs more equitably throughout the alliance. Under this approach, countries with more modern equipment, such as the United States, would be able to receive some direct reimbursement or credit toward their expected contributions to the common fund for the equipment they would transfer.

In addition to questions of what will be received for equipment transferred to NATO allies and what form that reimbursement might take,

⁴Transfer costs, as used in this report, refer to the costs of taking ownership of the defense article, that is, the value paid for the equipment. They do not include transportation costs, which are discussed separately.

there also remains the question of who will be responsible for associated costs, such as maintenance, spare parts, and training, once the equipment is in the recipients' inventories. Under the bilateral approach, these costs will also be subject to negotiation between the United States and the recipient of the more modern U.S. equipment. Under the infrastructure approach, these related costs would be considered for inclusion in the common fund.

The common funding approach raises a number of questions that need to be addressed. For example, will additional funds for NATO's infrastructure fund be required to compensate those nations transferring their more modern equipment? According to State officials, one possibility is to have the other NATO nations make extra contributions to the infrastructure fund to cover all remaining CFE-related implementation costs, including transfer of equipment, transportation, spare parts, training, equipment destruction, and treaty inspection. Countries' contributions would be in the same proportion as their normal infrastructure payments, and the additional contributions would be used to pay for treaty implementation costs. Countries that transfer equipment and spare parts would receive credits equal to the equipment's value, and those credits would be to be applied against their contribution to the common fund.

It may prove difficult to convince many NATO allies to accept a common funding approach because most treaty implementation costs would likely be shifted to those countries that are not transferring large amounts of modern—and presumably highly valued—equipment. Countries with the most extensive inventories of modern equipment—France, West Germany, the United Kingdom, and the United States—are also responsible for making the largest infrastructure contributions. Together, these nations account for over 70 percent of the current NATO infrastructure fund. If the equipment they transfer is valued at 70 percent of the CFE common fund, the remaining NATO nations will be required to pay for all other CFE implementation costs (this includes costs related to equipment destruction, equipment transportation, treaty monitoring, and inspection).

Legal Questions Will Have to Be Addressed

The United States will have to address certain legal issues related to the transfer of equipment to other NATO allies. As previously discussed, both DOD and State hope to be able to transfer equipment to other NATO allies without necessarily receiving direct compensation. They also hope to be able to transfer equipment that, while required to be destroyed by the

CFE treaty, is not excess to U.S. needs worldwide. These objectives will require legislative relief because U.S. law only allows transfer of equipment that is excess to all DOD components, not just excess to Europe. Further, U.S. law currently permits equipment transfers without direct compensation only to NATO countries that are eligible for U.S. security assistance (Greece, Portugal, and Turkey).

The current legislation, which authorizes defense articles to be transferred without direct compensation to Greece, Portugal, and Turkey, requires that no funds available to DOD for the procurement of such defense articles be expended in connection with the transfer. DOD officials explained that, as a practical matter, this means that receiving nations must pay for equipment transportation costs. Furthermore, since the legislation is limited to defense articles, receiving countries must also pay for the provision of training on their use and the acquisition of spare parts. Thus, it appears that, depending on the terms of the treaty, legislative revisions will be required to permit either the DOD or State proposal to support NATO's equipment transfer objectives.

Potential Cost Savings From a CFE Treaty

Most near-term CFE cost savings will result from troop level reductions; limited savings are anticipated from lower equipment levels in the near term, although, according to DOD officials, there may be some longer-term savings associated with equipment operations and maintenance. Among the NATO allies, only the United States will achieve significant benefits in the form of defense savings due to its decision to reduce total U.S. forces. It is expected, however, that other NATO allies will eventually make some unilateral personnel reductions to correspond with equipment cuts they make to implement CFE. Neither the required equipment reductions nor the resulting troop reductions, however, are likely to produce for the other NATO allies savings comparable to those which the United States is expected to experience.

U.S. Troop Reductions Offer Potential Savings

Under the most recent troop reduction proposal agreed to in Ottawa, the United States and the Soviet Union would each have to limit their air and ground forces to 195,000 within the Central European zone.⁵ In addition, the United States would be allowed to station 30,000 troops in Europe outside the Central zone. Currently, the United States has about 305,000 ground and air forces in Europe. The new proposal would result

⁵For personnel in CFE, the Central European zone includes West Germany, Belgium, Luxembourg, Denmark, the Netherlands, East Germany, Czechoslovakia, Poland, and Hungary.

in a reduction of about 80,000 U.S. troops. According to DOD officials, while the CFE treaty requires removal of these troops from Europe, it does not require that total U.S. forces be reduced by 80,000; that is, these forces could be removed from Europe and placed in the United States or in other theaters where U.S. forces are stationed. These officials pointed out, however, that total U.S. forces will be reduced by the end of fiscal year 1991 by 80,000 personnel or more regardless of a CFE treaty. DOD noted that its decision was driven by defense budget cuts, not CFE.

DOD and the State Department could not provide estimates on the potential savings that might be achieved under current CFE troop reduction proposals. However, the Congressional Budget Office estimated that a 225,000 troop ceiling—a reduction of 80,000 U.S. personnel stationed in Europe—could result in annual savings of about \$6.6 billion in personnel, operating, and maintenance costs. These potential savings will be at least partially offset by treaty implementation costs.

The Congressional Budget Office assumed that the reductions would take place by removing two heavy Army divisions and two tactical fighter wings. A critical assumption being made, however, is that the 80,000 military personnel would be removed from Europe and the U.S. force structure reduced accordingly. As noted above, according to DOD, while a reduction in total U.S. military personnel is likely to take place, it is not required by the treaty.

Limited Savings Expected From Reduced Equipment Levels

NATO equipment in Europe would be cut 5 to 15 percent in certain major weapons categories. In terms of equipment procurement fund savings, the Congressional Budget Office estimated that CFE could save the United States, in the long-term, about \$2 billion annually. The Office based its estimate on the elimination of two of the Army's 28 divisions and two of the Air Force's 36 wings. The Congressional Budget Office then reduced the forces' procurement budgets proportionately (i.e., the Army procurement budget was reduced by 2/28 to correspond to the elimination of 2 of its 28 divisions).

According to DOD, personnel reductions in Europe will probably not result in proportionate equipment reductions. DOD officials indicated that some equipment that is made available as a result of personnel cuts may be stored in Europe to meet U.S. reinforcement and resupply requirements. Therefore, procurement funds may not be reduced in direct proportion to personnel cuts.

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Other procurement fund savings might have been available to alliance members if they had been allowed to use their excess equipment to meet non-NATO requirements or permitted to sell it to other non-NATO allies. Under the proposed terms of the treaty, however, this option would not be permitted.

Objectives, Scope, and Methodology

Our objectives were to identify (1) areas in which potential costs and savings might result from implementing the CFE treaty between NATO and the Warsaw Pact and (2) alliance-wide issues related to implementation of the treaty, such as how costs and savings would be distributed among the NATO allies. We considered only those proposals currently being discussed in the CFE negotiations in Vienna. We interviewed officials and reviewed records at DOD, the State Department, and the Arms Control and Disarmament Agency. We also reviewed reports issued by the Congressional Budget Office. In addition, we interviewed officials at the U.S. Mission and Military Delegation to NATO in Brussels, Belgium; the U.S. embassies in Bonn, West Germany; Paris, France; London, England; Brussels, Belgium; the U.S. European Command Headquarters in Stuttgart, West Germany; and the U.S. Mission to the European Community in Brussels, Belgium. Our review was conducted from October 1989 to March 1990 in accordance with generally accepted government auditing standards. This report is based on information available as of April 1990.

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