

Reallocating Within the Foreign Policy Budget: Paying the Bill for New Aid Initiatives

If the budget for foreign assistance is to increase, a source of financing will be necessary. One possible approach, considered here, is to cut some defense programs and existing foreign aid programs to free up the necessary dollars for a new aid initiative. In this way, total budget authority for foreign policy activities--defense, foreign assistance, and diplomacy--would remain at the planned 1999 level of \$248 billion (in 1994 dollars) even if the allocation of those funds is changed.

There is a certain logic to this approach. Despite their fundamentally different characteristics, military spending and foreign aid may serve many of the same U.S. security goals. In truth, neither foreign aid nor defense spending is as much about directly protecting U.S. territory as about shaping the international environment in which the United States finds itself. Both are reflections of "enlightened self-interest," and the question is not whether to choose one or the other but how best to balance these complementary tools of U.S. foreign policy.

Moreover, from a pragmatic perspective any increase in aid must fit within the limits on total discretionary spending mandated by the current budget law. (Discretionary spending includes funding for defense and international affairs as well as money for a variety of nondefense programs ranging from transportation to space to veterans programs.) Given the tightness of these budget limits, any substantial increases in foreign assistance would have to be offset by cuts in other discretionary programs.

One can argue that those cuts should be made in nondefense spending rather than in foreign policy programs. Foreign policy spending has already been declining substantially and is scheduled to

decline considerably further--to some 3.2 percent of gross domestic product in the late 1990s, down from about 4.5 percent today, nearly 7 percent at the peak of the Reagan Administration's military buildup, and an average of nearly 10 percent in the 1950s and 1960s. Even if all the aid increases discussed in this study were adopted without further cuts in defense, the foreign policy budget would decline to less than 3.4 percent of GDP.

However, a number of domestic programs have also been strained for funds in recent years. And some of them contribute to foreign policy. By cushioning unemployment and helping workers prepare for new work, they undergird an element of current U.S. foreign policy critical to the economic prospects of developing countries--relatively unrestricted international trade. Even from a foreign policy perspective, there could be drawbacks to cutting domestic programs in order to pay for foreign aid.

Summary of Possible Foreign Aid Initiatives

What would be required to finance the new initiatives? Different aid packages could be constructed from the ideas presented in previous chapters, costing from a few billion dollars to as much as \$12.5 billion annually (see Table 17). This amount of money, though not large compared with the total federal budget, is nevertheless clearly substantial.

In light of limited budgetary resources, policymakers could of course choose to spend less than \$12.5 billion. They could target aid initiatives

toward particular areas--say, those most directly linked to security, including aid to the newly independent states of the former Soviet Union, U.N. peacekeeping, arms control, and peace funds. Corresponding levels of additional aid might reach \$6 billion a year. Or U.N. peacekeeping, arms control, and population policy--focused on family planning, child health, and female education--might be emphasized, with annual costs to the United States also up to \$6 billion or so.

Another approach to limiting the amount of added spending would be to fund each project or program near the lower end of the budgetary ranges

Table 17.
Summary of Possible Increases
in U.S. Foreign Assistance
(In millions of 1994 dollars)

Category of Aid	Average Annual Increases
Security-Related Aid	
Additional aid to FSU	Up to 3,000
U.N. peacekeeping budget	500 to 900
Sanctions relief fund	Up to a few hundred
Arms control and peace funds	Up to 2,000
Subtotal	Up to 6,500
Aid for Health, Basic Human Needs, and Family Planning	
Family planning	500 to 600
Child and maternal health	1,400
Education	200 to 500
Refugee support	300
Agriculture	2,000
Debt forgiveness and relief	750 to 1,400
Subtotal	5,000 to 6,000
Total	Up to 12,500

SOURCE: Congressional Budget Office.

NOTES: The numbers in this table are approximate and are intended to be illustrative.

FSU = newly independent states of the former Soviet Union.

(see Chapters 2 through 5). In some cases, the funds might prove insufficient for the objectives of the proposals. If over time these funds proved insufficient in one or two important areas, another round of aid increases might be considered.

Reducing Certain International Affairs Programs to Help Fund Others

Cuts in existing aid programs might finance some of the added cost associated with new initiatives. Doing so would be consistent with the widely accepted goal of focusing foreign aid on a narrower set of objectives.

Some reductions in assistance are already occurring. For example, 21 field offices of the Agency for International Development serving a total of 35 countries are being eliminated as a cost-limiting measure. Most of those countries are considered middle income and no longer in acute need of foreign support for their development efforts; others have been deemed simply too corrupt to work with.

Reduce Aid to Middle-Income Developing Countries

Although many developing countries continue to have acute human needs--just as the United States does--one may argue that some have reached a point where the United States should offer only specific technical consulting rather than large amounts of cash aid. Several of the middle-income developing countries of Latin America and Southeast Asia now have per capita incomes comparable with those in the United States early this century. In many ways, they probably should no longer be called poor. Yet they often receive just as much if not more aid per capita as do poorer countries.¹ It may be time for

1. World Bank, *World Development Report 1990: Poverty* (New York: Oxford University Press, 1990), pp. 127-128.

them to graduate from the ranks of recipients, as a few already have done, in keeping with the idea that aid is not a permanent entitlement but a type of policy useful for modest lengths of time at specific stages in the development process.

With the right policies, such countries should be able to address their most pressing human needs. Although they do not have the resources of the donor community, they may have sufficient funds to take care of their own poor. Since donors have limited resources, they might better target them toward the poorest countries. In any case, their trade, budget, and economic policies probably matter more than their aid for the middle-income developing countries.

In response to these arguments, the United States could limit the number of countries in which the Agency for International Development operates. The United States could, for example, phase out development assistance to about 30 middle-income countries. Compared with 1994 spending, that policy eventually could save \$400 million a year. It would also be consistent with the Clinton Administration's preference for narrowing AID's geographic focus.²

However, middle-income countries may not always address the needs of their poor--just as, particularly at earlier times in their histories, the industrial powers tolerated human welfare standards that can look callous to the contemporary eye. In such circumstances, the donor community may prefer not to cut off all aid but to target it more toward those programs addressing the basic human needs of the poor.

Reduce Security Assistance to Egypt and Israel

A number of factors suggest that reductions in aid to Israel and Egypt would not be unreasonable at

this point. The end of the Cold War and corresponding cessation of Soviet loans to Mideast arms purchasers, as well as the effects of the Iran-Iraq War and the Persian Gulf War, together have reduced the military threats to Israel substantially. And if aid to Israel can be cut, funds going to Egypt--a country with only modest external threats--probably can be, too.

Most budget authority for bilateral security-related aid is devoted to Israel and Egypt. Yet together these countries represent only about 1 percent of the developing world's population. At a time when around 30 major armed conflicts are being waged around the world, it is not clear that the Middle East deserves such a disproportionate share of available funding. Important members of the Congress, including Senate Minority Leader Robert Dole and Chairman David Obey of the House Committee on Appropriation's Subcommittee on Foreign Operations, have made these arguments of late.³

As such, one may argue that the combined total of \$5 billion might be safely reduced. Indeed, were aid reduced by 25 percent, Israel and Egypt would still receive about as much grant aid from the United States, in constant dollars, as they did in the years following the 1979 Camp David Accords (see Figures 4 and 5). Cuts of this magnitude, especially if phased in over several years, would not amount to a breach of faith with these two close U.S. allies.

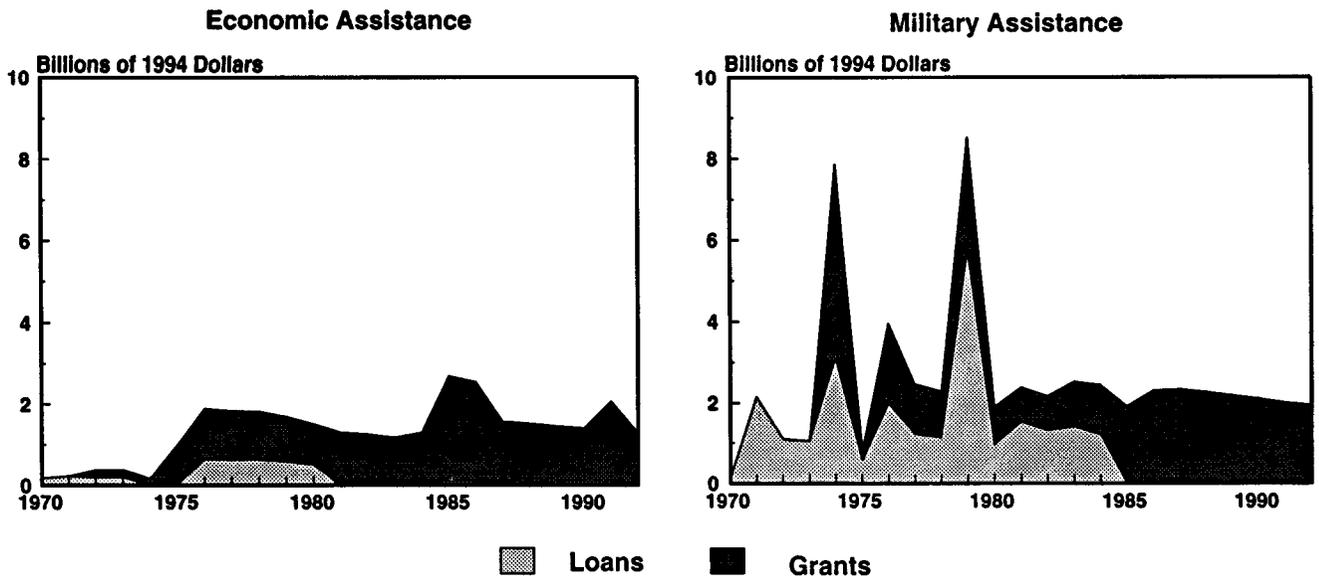
Larger cuts in aid could well be imprudent. Israel and Egypt remain very important U.S. allies in a region still fundamentally unstable and dangerous. Moreover, Egypt's political stability--a linchpin of the prospects for lasting Mideast peace--is hardly assured at this time, and its prognosis might worsen if economic conditions deteriorated further.⁴ And Israel continues to face a difficult political and security situation in its efforts to establish a peace accord with the PLO. Still, even without a fundamental change in the nature of U.S. relations with

2. See "Reduce Development Assistance," in Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options* (March 1994), pp. 97-98; "U.S. Agency for Development Plans to Cut Aid to 35 Nations," *The New York Times*, November 20, 1993, p. A5.

3. Elaine Sciolino, "Clinton Challenged on Share of U.S. Aid Going to Israel and Egypt," *The New York Times*, March 9, 1993, p. A9.

4. Gerald F. Seib, "As Peace Calls, Egypt's Meaning to Clinton Grows," *The Wall Street Journal*, September 8, 1993, p. A14.

Figure 4.
U.S. Aid to Israel, 1970-1992



SOURCE: Congressional Budget Office based on data from the Agency for International Development.

key allies, cuts in security assistance as laid out here might save more than \$1 billion a year.

Reduce Funding for P.L. 480 Titles I and III

When enacted, the Agricultural Trade and Development Act (P.L. 480) had several goals. Title II of the act was intended to provide food to foreign countries suffering from the effects of disasters. Titles I and III, which provide loans and grants, respectively, to help other countries acquire U.S. agricultural products, were intended to help develop markets for U.S. goods and to reduce U.S. production surpluses. U.S. agricultural export policies also include measures to enhance commercial sales by providing credit through the Commodity Credit Corporation and subsidizing purchases through the Export Enhancement Program.

By lowering food prices in recipient countries, however, Titles I and III can actually hurt the development of agricultural sectors in those countries by making it harder for farmers to earn a profit. In addition, these programs have become economically rather insignificant to U.S. producers in comparison

with total U.S. agricultural exports. They now fund less than 2 percent of total U.S. shipments of food abroad, in contrast to 30 percent at the program's inception.⁵ They also represent no more than about 10 percent of all government help given to U.S. farmers under various programs.⁶ Nor do they have much bearing on the country's means of disposing of agricultural surpluses: the government no longer holds stocks of most of the commodities shipped under P.L. 480, and the Acreage Reduction Program could be used to limit surpluses if needed.

In their defense, Title I and especially Title III can help countries that are in temporary need of food, but need that falls short of acute crisis qualifying them for Title II assistance. Short-term help may be all they require before they achieve a greater measure of self-sufficiency. If sold by recipient countries, food given under Title III in particular can also provide a boost of cash that may be

5. "Eliminate P.L. 480 Title I Sales and Title III Grants," in Congressional Budget Office, *Reducing the Deficit*, pp. 99-100; Congressional Budget Office, *Agricultural Progress in the Third World and its Effect on U.S. Farm Exports* (May 1989), pp. 1-27.

6. Congressional Budget Office, *The Outlook for Farm Commodity Program Spending, Fiscal Years 1992-1997* (June 1992), p. 2.

particularly useful at certain points, as long as it does not disrupt indigenous agriculture unduly. Nevertheless, other types of aid may be more likely to meet the needs of developing countries in a timely and flexible fashion, while running fewer risks of slowing their agricultural progress. The United States might therefore consider eliminating transfers of food under Titles I and III of P.L. 480. This action would reduce U.S. costs by nearly \$500 million a year; cutting just Title I would save roughly half as much.

By combining the cuts in aid outlined above, the United States could save more than \$2 billion a year. Although substantial, the changes would not be sufficient to finance all or even most of the foreign aid initiatives identified in this study (see Table 17). Further cuts in the defense budget would also be needed if overall foreign policy spending were to remain unchanged.

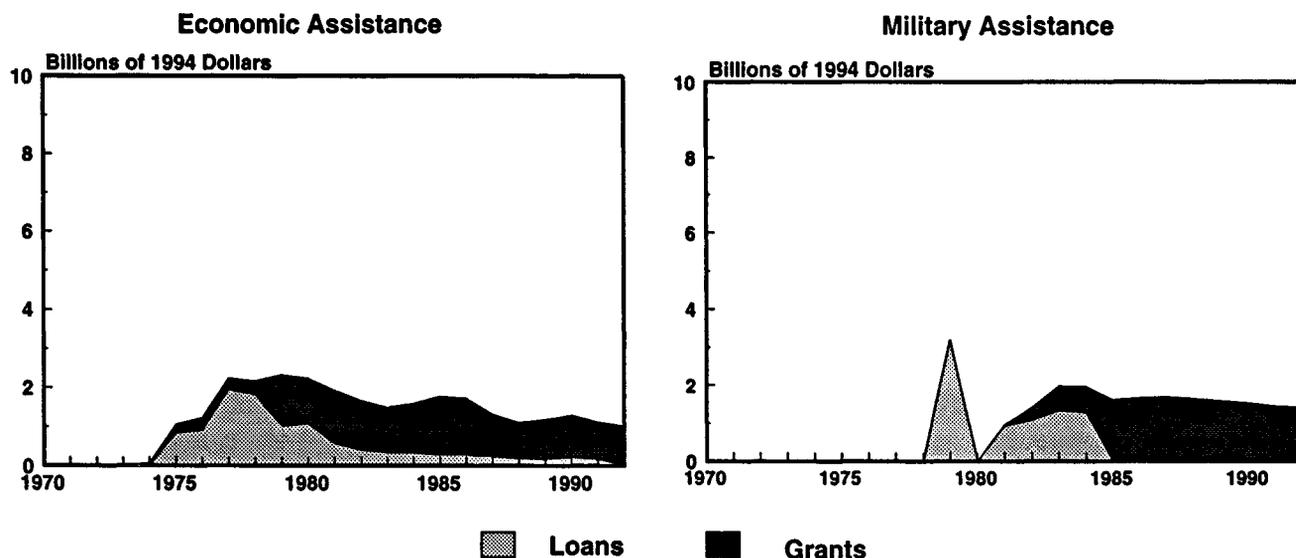
Reducing Military Spending Beyond the Administration's Plan

By 1999, currently planned reductions in military forces and weapons acquisition programs will reduce real funding levels for national defense by another \$28 billion a year relative to the 1994 level (see Table 1 on page 5). The savings that would be needed for this study's aid initiatives would have to come on top of those planned cuts.

Current Plans for Defense

The Administration has announced its broad plans for the defense budget, major forces, and selected weapon systems. These plans reflect the outcome of a major review (dubbed the Bottom-Up Review) recently completed by the Department of Defense (DoD).

Figure 5.
U.S. Aid to Egypt, 1970-1992



SOURCE: Congressional Budget Office based on data from the Agency for International Development.

The Administration has stated that it believes these planned forces would be capable of fighting two regional wars that occurred nearly simultaneously. In certain scenarios the planned capability may be adequate for two conflicts, though critics have raised significant doubts (see Box 5).

Under the new plan, budget authority in the national defense function would decline to about \$231 billion by 1999 (in 1994 dollars), a reduction of \$113 billion below the 1990 level. DoD would maintain 10 active Army divisions, with associated equipment characterized as either heavy or light, 20 Air Force tactical fighter wings (each typically with 72 readily deployable aircraft), and 11 aircraft carriers

plus another carrier manned partly with reserves (see Table 18). About 1.45 million personnel would be on active duty to man these and many other active forces. In addition, part-time reserves would constitute a number of forces.

Compared with plans put forth by the Bush Administration, the Clinton plan would cut defense spending by about 8 percent by 1999. It would maintain 2 fewer active Army divisions, 6 fewer Air Force wings, and about 25 to 35 fewer attack submarines. It also would scale back missile defense programs drastically, focusing remaining work against theater missiles, and change and slow programs to modernize tactical combat aircraft.

Table 18.
U.S. Military Forces

	1990	Base Force Plan for 1995	Administration's Plan for Late 1990s
Army Divisions	28 (18 Active)	18 (12 Active) ^a	15 (10 Active)
MEFs	3	3	3
Aircraft Carriers	15 + 1 Training	12 + 1 Training	11 + 1 Reserve
Carrier Air Wings	15 (13 Active)	13 (11 Active)	10 + 1 Reserve
Battle Force Ships	546	451	346
Fighter Wings	36 (24 Active)	26 (15 Active)	20 (13 Active)
Strategic Bombers (PAA)	301	180	Up to 184
Active-Duty Manpower	2,069,000	1,644,200	1,453,000
Reserve Manpower	1,128,000	921,800	About 900,000

SOURCE: Congressional Budget Office based on data from the Department of Defense.

NOTES: The Base Force Plan, the official policy of the Bush Administration, would have been almost fully in place by 1995.

MEF = Marine Expeditionary Force; PAA = primary authorized aircraft.

a. Does not include two cadre divisions.

Box 5.

Strategy, Force Planning, and Simultaneous Regional Wars

The Bush Administration's defense plan known as the "base force" envisioned keeping enough combat force to be capable of engaging in two major regional wars simultaneously--or at least nearly so. In practice, capabilities might have been taxed in several areas: logistics, highly effective special-purpose combat equipment such as stealth aircraft and aircraft with laser-guided bombing capability, and support systems including reconnaissance, electronic warfare, and command/control aircraft and satellites.¹ But combat forces might have been up to the task, at least in terms of overall size, and they might have done a good job of at least deterring a second war.

Under the Clinton Administration's plan, active-duty defense personnel would number about 10 percent less than in the base force. Nevertheless, the Clinton plan would retain a two-war doctrine. As with the Bush Administration's plan, it uses the generic concept of a war against a foe such as Iraq in Desert Storm as its assumed benchmark.² But it is not clear just how well the Clinton Administration's planned forces could fulfill this two-war mission. If faced with such a demanding situation, the military might succeed only if one of the wars turned out to be smaller in size, to be conducted with a more effective U.S. military doctrine and force structure, to benefit from more combat-ready Army reserves than were believed available in Desert Storm, or to receive greater allied participation than was anticipated under the base-force approach.

Former Secretary of Defense Les Aspin advocated a plan similar to the Administration's in 1992 as Chairman of the House Committee on Armed Services. But at that time he portrayed his force posture as suitable for one full-fledged regional war on the Desert Storm scale, plus a second lesser contingency requiring only U.S. airpower, as well as some of the more routine tasks conducted by the U.S. military elsewhere.³ Press reports indicate that in

early discussions during the Bottom-Up Review, many officials viewed the Administration's planned forces as more akin to those suitable for one and a half regional wars than for two at a time.⁴ Considering that some U.S. forces are generally involved in maintaining a continual presence around the world or in participating in small and lower-intensity engagements, it is doubtful the United States would ever make all of its forces available for combat.

Moreover, when involved in war, the United States usually finds that it has higher-than-anticipated demands on certain parts of its force posture. In the Gulf War, for example, the services of stealth aircraft, other aircraft carrying laser-guided bombs, reconnaissance platforms, airlift and sealift, heavy tank divisions, and attack helicopters were greatly in need. Even though the war involved only about one-quarter of all U.S. military personnel, it required about half and in some cases most of these types of units.⁵

Arguing in support of the Administration's plan and its doctrinal underpinnings, however, are a number of other considerations. First, no potential regional foe highly inimical to U.S. interests is now armed as well as Iraq was before the Gulf War. Second, new weapons now being acquired by the United States may allow a more efficient and effective prosecution of any future engagements. Third, South Korea continues to grow economically, and its forces look more and more capable of holding their own against those of the North--unlike the situation in the Persian Gulf, where it is commonly accepted that in the event of war the Gulf sheikdoms would require U.S. military help regardless of their past levels of arms acquisitions. Thus, if a two-war planning benchmark is viewed as being focused specifically on Korea and the Persian Gulf, the Clinton Administration's force posture may well be capable of meeting its goals.

1. See, for example, Joint Chiefs of Staff, *Joint Military Net Assessment 1991* (March 1991), Chapter 9.
2. Secretary of Defense Les Aspin, "The Bottom-Up Review: Forces for a New Era" (Department of Defense, September 1, 1993), pp. 5, 10.
3. Les Aspin, "An Approach to Sizing American Conventional Forces for the Post-Soviet Era" (House Committee on Armed Services, February 25, 1992), p. 21, Chart VI.

4. Michael R. Gordon, "Cuts Force Review of War Strategies," *The New York Times*, May 30, 1993, p. A16; Barton Gellman and John Lancaster, "U.S. May Drop 2-War Capability," *The Washington Post*, June 17, 1993, p. A1.
5. Department of Defense, *Conduct of the Persian Gulf War* (1992), Appendix T; Thomas A. Keaney and Eliot A. Cohen, *Gulf War Airpower Survey Summary Report* (1993), pp. 14, 192, 204.

Further Cuts in Military Forces

Defense savings would be difficult to achieve without further cuts in forces or modernization programs. The Department of Defense is presently attempting to achieve efficiencies in management and functioning through the Defense Management Review, the recently completed National Performance Review, and Secretary William Perry's efforts to achieve reform of the Pentagon acquisition process. But many of these efficiencies are already being assumed in the preparation of future budgets.

Moreover, there are doubts about the ability of the Pentagon to achieve those savings already on the books. These doubts are among the factors leading Secretary Perry to state that the Department of Defense, in its plans to maintain the forces specified in the Bottom-Up Review, is short some \$20 billion over the period from 1996 through 1999. Thus, any effort to reduce the planned Pentagon budget further will probably need to make difficult choices about where--if anywhere--U.S. military power could be further cut without undue risk to the nation's security interests.

Naval Forces. First, consider the possibility of changing the basic U.S. approach to naval forward presence. As then Secretary of Defense Les Aspin argued when presenting the results of his Bottom-Up Review, probably the single most important reason why the Navy plans to retain 12 aircraft carriers (including one manned partly by reserves) is to maintain a peacetime presence in several parts of the world at once for deterrence. If the United States were to reduce the number of carriers to 10, and correspondingly cut aircraft for those carriers, it might reduce the defense budget by about \$1 billion a year. A fleet of 10 carriers would be within the range laid out in 1992 by the Chairman of the Senate Armed Services Committee and advocated by President Clinton during the last Presidential campaign.

With a smaller number of carriers, the Navy would have to alter the way it operates these vessels in peacetime. Several choices would face U.S. officials. One approach would change the presence mission, perhaps by using smaller surface ships, as well as land-based units in some cases. Another

would develop at least one new overseas base where a carrier and its crew could be based permanently, allowing the carrier to be on continuous forward deployment without the need for long stints in U.S. waters and in transit.

Finding an acceptable overseas homeport is difficult, especially without a major unifying threat like that provided by Moscow, which tended to cement U.S. alliances during the Cold War. Thus, changing the presence mission might be more practical. Occasional carrier tours, together with a presence supplied by smaller vessels, may convey as much U.S. resolve and commitment as current deployment schemes do--though it must be acknowledged that risks could increase.

At a time when the United States is often not inclined to become involved in regional conflict unilaterally, there are reasons to doubt that the mere presence of aircraft carriers steaming about will reliably deter hostile actions--witness the impotence of the U.S. carrier in the Adriatic during most of the war in Bosnia. Moreover, one or two carriers--all that are generally available in a given region of the world under current operating conditions--do not have enough firepower for significant regional combat. From this perspective, having 8 to 10 carriers may be sufficient for a suitably revised carrier mission. Were even as few as six to eight carriers available for rapid deployment in the event of serious crisis or war, moreover, their combined firepower would exceed the capability of virtually any major regional air force.⁷

Consolidation of Roles and Missions in the Marine Corps and Army. The above approach to reducing carrier fleets--facilitated by using other types of ships, or even other types of military assets, for the presence mission--is one example of a possible change in military roles and missions. The roles and missions approach to consolidating

7. Congressional Budget Office, *Limiting Conventional Arms Exports to the Middle East* (September 1992), p. 82; Michael E. O'Hanlon, *The Art of War in the Age of Peace* (Westport, Conn.: Praeger, 1992), pp. 33-40; also see statement of Robert F. Hale, Assistant Director, National Security Division, Congressional Budget Office, before the Subcommittee on Military Acquisition and the Subcommittee on Research and Technology, House Committee on Armed Services, April 28, 1993, p. 43.

forces asks whether different types of units have such similar capabilities that their redundancy might surpass the conservative dictates of cautious military planning.

No strong common accord exists on where excessive duplication takes place. Indeed, in a 1993 Congressionally mandated study on roles and missions of the Department of Defense, then Chairman of the Joint Chiefs of Staff Colin Powell suggested only modest cuts--notably, in several squadrons of interceptor aircraft for continental air defense, some Navy and Air Force command and control aircraft, training aircraft, and certain depot functions.⁸ The Chairman argued that duplication is often appropriate in an undertaking as important and uncertain as fighting a war.

However, other analysts and policymakers have challenged DoD's contention that more fundamental and far-reaching consolidation is not prudent, and argue that several types of units might be candidates for pruning. The Army's light divisions are a frequently mentioned example. Eliminating or sharply curtailing them could save up to about \$3.5 billion a year.

Army light divisions perform roles similar to those of the Marines. If two simultaneous wars were to occur, and at least one had extended supply lines or involved mountain or urban warfare, Army light divisions--especially if equipped with better weaponry than they now possess--might be important. But as things stand now they overlap substantially with Marine functions--and without even the small amounts of armor, mobility, and tank-destroying capability that Marines possess. General Powell's roles and missions study, while opposing additional cuts in these forces, did indicate that further examination of this issue might be warranted.⁹ Moreover, as a recent CBO study put it:

Perhaps the strongest statement about the utility of the LIDs [light infantry divisions]

in combat was made by the Department of Defense when it failed to use any light infantry forces during Operation Desert Storm. That conflict was initiated by a relatively unsophisticated foe and occurred halfway around the world with very little warning. The need to establish some military presence in theater very rapidly would seemingly have argued for the use of light infantry forces. Nevertheless, none of the LIDs were deployed.¹⁰

Ground and Air Forces. A more ambitious approach to reducing land-based forces might involve additional cuts in Army and Marine divisions and Air Force wings. For example, the United States might consider eliminating another active Army heavy division and three Air Force wings. These reductions in combat forces, once completed, could save more than \$2.5 billion a year--\$1.7 billion in Army accounts and \$0.9 billion in the Air Force. If a Marine Expeditionary Force was also eliminated, \$1.8 billion a year in further savings might be achieved.

Such reductions in ground and air forces would increase risks or hamper U.S. flexibility if two major regional wars occurred simultaneously. Although this capability is already in doubt with the Administration's planned force, the cuts laid out above would make it very difficult or impossible to prevail decisively in two such conflicts at once in the unexpected event that they did both occur--especially if both approached the scale of Desert Storm (see Box 5).

Not having such a capability may be acceptable. The chances of two simultaneous wars could be considered so low--and largely independent of the U.S. force posture--that preparing for both at once would amount to an unwise use of scarce U.S. resources. An advocate of this approach might disagree with the Administration and argue that smaller forces would not harm deterrence. To the extent that U.S. policy affects the chances of war, foreign leaders are much more likely to doubt

8. Chairman of the Joint Chiefs of Staff, *Report on the Roles, Missions, and Functions of the Armed Forces of the United States* (Department of Defense, 1993), pp. xxii-xxx.

9. *Ibid.*, p. xxviii.

10. Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options* (February 1993), p. 63.

America's *willingness* to become involved in peripheral conflicts--and pay the blood price of doing so--than its capabilities for actually winning militarily, should it become involved. By this line of reasoning, the size of the U.S. force structure may not affect America's willingness to fight nearly as much as domestic political constraints on the use of force overseas.

Thinking in more specific terms, advocates of a single-war strategy also might argue that the world is not particularly dangerous to U.S. interests at this point in history. Basing military planning on the possibility of even a single major war on the scale of Desert Storm already seems cautious and prudent given that: (1) a land war against China or Russia strains credulity, (2) Israel's military strength in comparison with that of its neighbors is substantial, (3) Iran and Iraq are much weaker now than Iraq was in 1990, and (4) South Korea continues to outdistance North Korea in economic and technological prowess, trends that are likely to work to Seoul's long-term military advantage as well. With enough capability to conduct a single Desert Storm, as well as simultaneously participate in one or two significant U.N. peacekeeping or peace enforcement operations, maintain forward presence in Korea and on the seas, and of course maintain an effective nuclear force plus the world's best military technology and best-trained military personnel, the United States would retain a much stronger military than any other country.

Further cuts in ground and air forces would, however, present drawbacks. Although Iran and Iraq are relatively weak at present, and Syria much more willing to work with the United States than in the past, the Middle East continues to merit concern. Arms sales to the region, and especially its wealthy Persian Gulf countries, may well again encourage major military buildups by Iran or Iraq or both--ironic as such an outcome might be in the aftermath of the 1991 Gulf War. If peace talks in the Arab-Israeli theater do not succeed, or if Egypt's political stability and moderate stance do not prove sustainable, Israel's security may also be put in greater jeopardy than it now appears to be. Under any of these assumptions, another Mideast war that would involve the United States on a scale comparable to Desert Storm cannot be ruled out.

The specific circumstances of war--including terrain and other factors--could also make war against a given opponent more difficult than it might otherwise be. In addition, unthinkable as they may now seem, the prospects of war against the larger mainland Asian powers might not be dismissable. Were such a conflict the second "major regional contingency" that arose simultaneously with a war in the Middle East or Korea, demands upon U.S. forces could be much greater.

Nuclear Forces. Finally, further economies might be made in U.S. nuclear forces. The second Strategic Arms Reduction Talks (START II) Treaty, not yet ratified primarily as a result of Ukraine's reluctance to give up its nuclear weapons, may nevertheless be viewed as a reasonable basis for U.S. force planning given the end of the Cold War. START II specifies a ceiling of 3,500 warheads deployed on long-range platforms per country. Without moving below this level, the United States could save more money by gradually retiring 8 of its Trident submarines and 200 of its Minuteman III missiles. It might also reorganize its nuclear activities within the Department of Energy--permanently stopping testing, possibly taking one major laboratory out of the nuclear weapons business altogether, retiring excess warheads as well as all remaining tactical nuclear weapons, and consolidating some other operations.

These changes, though substantial, would not eliminate the multiple "legs" of U.S. nuclear forces that are often referred to as the triad. Nor, in the eyes of many analysts, would they significantly affect either the safety or the reliability of the U.S. nuclear arsenal. Savings of about \$1.5 billion a year could be realized by the end of the decade.

Cuts in nuclear forces, like all the possible reductions in military forces considered in this section, should be made thoughtfully, however. Even though the remaining forces would be highly capable, the pace of nuclear reductions under START is already fast enough that the United States may worry about the signals it would send with further cuts at this time. Would allies feel less reassured about U.S. commitments to their defense? Perhaps more likely, would aggressive states feel emboldened by what might in their eyes appear to be an-

other sign of U.S. retrenchment and disengagement? Such questions could be especially salient if significant or wide-ranging new cuts were considered. These questions must be considered before any further cuts are made.

Further Reductions in Force Modernization

Additional cuts in forces are not the only approach to reducing defense spending in order to finance selected aid initiatives. It may also be possible to reduce the procurement funds, as well as research and development budgets, that are used to acquire new weapons to modernize U.S. forces. Some cuts along these lines--for example, in D5 missiles on Trident submarines--have already been incorporated in the above options. But it may be possible to reduce modernization rates even in areas where forces are not cut.

Further cuts in procurement funding could be difficult to achieve: these funds already have declined, in real terms, by about 50 percent since 1990. Moreover, they are not expected to increase significantly in the next five years. Overall cuts in procurement have been even larger in relative terms than those for the DoD budget as a whole. Nevertheless, the regional powers that now pose the greatest threats to U.S. security possess significantly fewer capable weapons than did the former Soviet Union, and their militaries are generally less capable of operating modern weapons in a coordinated and effective manner. Further cuts in acquisition spending may therefore be judged acceptable.

It is difficult to be precise about the savings that could be associated with additional cuts in acquisition. But two additional examples from the category of major combat platforms might include naval destroyers and tactical aircraft.

The Navy, without a credible open-ocean threat, nevertheless continues to buy three new DDG-51 destroyers per year. Reducing this number to two per year could save about \$900 million annually over the period from 1995 through 1999. The Navy would still have a large number of platforms capable of delivering cruise missiles--and Air Force

bombers based in the United States could also play this role. It could maintain naval force structure with some of the smaller and less expensive ships that it now owns, such as frigates; these could be used for drug interdiction, coastal presence operations, and certain other roles.

In the realm of combat aircraft, the United States retains two active development programs--the Navy's F/A-18E/F and the Air Force's F-22. Given the degree of air supremacy it manifested in the Gulf War, the United States might delay or cancel the F-22 program. It could then reopen production of the F-15, an aircraft capable of delivering precision-guided munitions including laser-guided bombs that performed very well in the Gulf War.

Moreover, some analysts question the need for a relatively heavy and medium-range attack aircraft deployed on aircraft carriers.¹¹ Without an aircraft with such characteristics, naval air forces would have to operate closer to shore or attack only those targets near the shore. But in an era when most potential U.S. foes are located near coasts and are relatively poorly armed, and when cruise missiles, long-range strategic bombers with precision-guided missiles, and other platforms are available for strikes reaching more than a few hundred kilometers inland if necessary, the importance of naval strike aircraft may be much less than before. Hence, the United States may decide it is unnecessary to preserve the F/A-18E/F naval aircraft modernization program, and instead simply continue purchases of the existing F/A-18C/D.

With these cuts in tactical aircraft modernization, the United States might save an average of about \$4 billion a year over the 1995-1999 period. Even if the F-15 production line were reopened and funded at nearly \$1 billion a year, the net savings from these changes in aircraft modernization would be \$3 billion a year.

Additional savings on acquisitions might be found in the Army's tank program and in the Ballis-

11. Barry M. Blechman and others, "Key West Revisited: Roles and Missions of the US Armed Forces in the Twenty-First Century," Report No. 8 (Henry L. Stimson Center, Washington, D.C., March 1993), p. 25.

tic Missile Defense Organization (BMDO) budget. Eliminating the Army plan to upgrade M1 tanks would save an average of \$400 million a year over the 1995-1999 period. Reducing BMDO's theater missile defense program to a core of three defense systems could save an average of \$500 million annually over the same period.

Conclusion

All of these changes taken together would reduce military spending by about \$15 billion a year. By making about two-thirds of them, and adding in modest savings--perhaps \$2 billion a year--from cuts in current aid programs, the United States could fund its share of all the initiatives designed to help prevent future conflict that are discussed in this study (see Table 17). Funding selected items would, of course, result in a smaller price tag than \$12.5 billion a year, and thus require fewer cutbacks in planned defense and aid programs.