

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Robert Bell to Anthony Lake, re: Meeting with Panetta and Aspin on -BUR Shortfall Issue (3 pages)-	08/18/1993	P1/b(1) VZ 9/16/2019

COLLECTION:

Clinton Presidential Records
NSC Records Management
([Aspin...])
OA/Box Number: 2274

FOLDER TITLE:

9306243

2018-0618-F

kc4933

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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6243

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

August 18, 1993

CHRON FILE
Nat'l Sec Advisor
has seen

INFORMATION

MEMORANDUM FOR ANTHONY LAKE

FROM: ROBERT BELL *RB*

SUBJECT: Meeting with Panetta and Aspin on BUR Shortfall Issue

Your meeting next week with Mr. Panetta and Secretary Aspin will focus on the Bottom-Up Review (BUR) budget "shortfall" issue. Gordon Adams is drafting a joint memo on this issue to Mr. Panetta and you that I will contribute to before I depart on leave Friday. Since I will miss the meeting (Keith Hahn will attend), I wanted to provide you with some additional thoughts on the shortfall question. In addition, as I mentioned at the Senior Directors' meeting on Tuesday, I also want to flag for your attention the still-unresolved but very important Guard and Reserve issue.

Funding Shortfall

The August 5 Principals meeting on the BUR ended with a brief discussion on the affordability issue. Unfortunately, the discussion did not highlight the fact that the \$13 billion "shortfall" shown on the final BUR chart is basically arbitrary. This is because a large portion of the savings assumed in the BUR (including tens of billions in the areas of infrastructure and modernization) are unspecified (or "soft"), across-the-board mandated cuts rather than specified (or "hard") savings. If the BUR assumed a larger across-the-board cut in these areas, the "shortfall" would be less. If the BUR assumed smaller across-the-board cuts in these areas, the "shortfall" would be greater.

To illustrate: the BUR assumes \$53 billion net savings in modernization (R&D and procurement accounts). About \$30 billion of this comes from the seven specific modernization areas that the BUR examined in depth and for which the projected savings are "hard." The remaining \$23 billion comes from an arbitrary policy decision to cut all remaining modernization programs on the average of 10%. The BUR had originally considered setting this across-the-board cut requirement at 7 & 1/2% (which corresponds to the overall percentage cut in defense spending in the Clinton defense plan compared to the Bush/Cheney benchmark). However, a 7 & 1/2% cut would have produced a shortfall of \$21 billion, vice \$13 billion.

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Declassify on: OADR

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DECLASSIFIED
E.O. 13526, Sec. 3.5 (b)
White House Guidelines, September 11, 2006
By VJ NARA, Date 5/29/2019
2018-1078-A

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If we want to show no shortfall, we can direct higher percentage cuts in modernization and infrastructure accounts. While this will reinforce skepticism that we are assuming greater reductions than may be realistic, it is still preferable to going to the Hill with a "smoking gun" chart that concedes our defense plan is underfunded.

In sum, there are four alternatives to requiring deeper infrastructure and modernization cuts, none of which is attractive:

- Increase the Defense topline across the FYDP by \$13 billion (or \$24 billion, if you include the \$11 billion DOD will have to come up with to pay for the military pay raises Congress is mandating). This is a political non-starter.
- Reduce force structure or readiness as required to produce an additional \$13 or \$24 billion in savings. The force structure reductions required to generate savings of this magnitude would be enormous. The readiness accounts must be protected if we are to avoid a return to a "hollow force."
- Do nothing and argue that \$13-24 billion is down in the "noise" level. This was Secretary Aspin's initial plan; but I do not think it would have washed on the Hill.
- Pretend that there are no dollar figures associated with the BUR. This seems to be DOD's current plan (see attached transcript from yesterday's Pentagon daily news briefing), but I don't think the reporters bought it. Nor do I believe Congress will buy it. The idea that we could somehow issue the BUR in September and announce our force structure and modernization plans but avoid questions as to how much it was all going to cost and how we would pay for it until we submit our FY 1995 defense budget in February is simply not credible.

Guard and Reserves

As General Powell noted at the Principals meeting, Secretary Aspin has yet to decide on Reserve Component (RC) force levels. This is not a secondary issue. During the campaign, President Clinton urged greater emphasis on the Guard and Reserve. His campaign position was that while he would go along with Guard and Reserve reductions from current levels, he did not propose to cut as deeply as the level President Bush was proposing for the Base Force. For example, in his September 15 speech at the National Guard Association convention in Salt Lake City, then-candidate Clinton said: "I will level with you: there will be cuts, but I

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want a stronger role for the Guard and the Reserve than is called for in the present Bush force plan."

The Joint Chiefs are convinced that slower-mobilizing and less well-trained Guard and Reserve units are not as relevant to the "come as you are" kind of crises U.S. forces are likely to confront in the new security environment as are active units. To generate savings needed to pay for the more robust than expected active duty force structure being recommended in the BUR, the JCS wants to cut RC force levels below the levels planned under the Base Force.

Congress has consistently viewed itself as the protector of the Reserve Components. Year after year Congress has scaled back Executive Branch proposals for deeper cuts.

Secretary Aspin's dilemma is this: if he cuts the reserves to the levels recommended by the Chiefs, he risks exposing the President to criticism for abandoning his campaign promise. Moreover, if he bases his budget on the assumption that these savings will be realized and then Congress puts the Guard and Reserve end-strength back in, then the budget is knocked out of kilter. On the other hand, if he builds the higher RC end-strength Congress will likely insist upon into his BUR planning, he will have to overrule the military assessment of the Chiefs as to the relative value of active versus RC units.

I recommend you ask the Secretary to give you a status report on this issue. We will need to highlight the Secretary's recommendation on this issue in our BUR briefing memo to the President prior to his meeting with the Secretary and the Chiefs.

Attachment

Tab I August 17 DOD News Briefing excerpt

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Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a. briefing paper	Meeting with Secretary Aspin and Joint Chiefs of Staff (2 pages)	08/28/1993	P1/b(1) VZ 9/16/2019
001b. paper	Background Paper on Bottom Up Review (9 pages)	08/00/1993	P1/b(1) VZ 9/16/2019
001c. briefing paper	[Duplicate of 001a] (2 pages)	08/30/1993	P1/b(1) VZ 9/16/2019
001d. paper	Background Paper on Bottom Up Review (9 pages)	08/00/1993	P1/b(1) VZ 9/16/2019

COLLECTION:

Clinton Presidential Records
 NSC Records Management
 ([Aspin...])
 OA/Box Number: 158

FOLDER TITLE:

9306477

2018-0618-F
ke4932

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THE WHITE HOUSE

WASHINGTON

August 28, 1993

THE PRESIDENT HAS SEEN

8-30-93


93 AUG 28 P3:24

MEETING WITH
SECRETARY ASPIN AND JOINT CHIEFS OF STAFF

DATE: August 30, 1993

LOCATION: Cabinet Room

TIME: 4:00 p.m.

FROM: ANTHONY LAKE 

I. PURPOSE

To meet with Secretary Aspin and the Joint Chiefs of Staff to discuss the results of the Department of Defense Bottom-Up Review.

II. BACKGROUND

The Department of Defense Bottom-Up Review (BUR) seeks to define the defense strategy and military force structure needed to respond to the international security environment for the remainder of this century. It specifically addresses the following areas:

- U.S. military strategy and its associated force structure;
- Modernization options in seven key mission areas;
- Defense foundations (e.g., Guard and Reserve, Defense Infrastructure); and
- Overall affordability.

Once you have reviewed and approved the recommendations of the review, the BUR will be presented to Congressional defense committees and a public document will be released.

The memorandum at Tab A provides background information on the key issues, identifies questions for which answers will be needed to explain the recommendations publicly and discusses a strategy for dealing with the budgetary effect of the BUR.

III. PARTICIPANTS

Vice President
Les Aspin, Secretary of Defense
General Colin Powell, Chairman, Joint Chiefs of Staff
Admiral David Jeremiah, Vice Chairman, Joint Chiefs of Staff

General Gordon Sullivan, Chief of Staff, Army
Admiral Frank Kelso, Chief of Naval Operations
General Merrill McPeak, Chief of Staff, Air Force
General Carl Mundy, Commandant of the Marine Corps
Robert Bell, Special Assistant to the President for Defense
Policy and Arms Control

IV. PRESS PLAN

White House Photographer only

V. SEQUENCE

Secretary Aspin will brief the results of the Bottom-Up Review followed by general discussion.

Attachment

Tab A Background Paper on Department of Defense Bottom-Up Review

BACKGROUND PAPER ON BOTTOM-UP REVIEWU.S. Military Strategy and Force Structure

The Bottom-Up Review (BUR) reflects the premise that the end of the Cold War and the disintegration of the Soviet Union have created new "first principles" for American security that are so different from before that we must begin with a clean slate and build our defense strategy, forces and budgets from "the bottom up." An important goal of the BUR is to demonstrate that your Administration's military strategy and forces have not been structured to fit a preordained budget mark, but rather are the products of an objective, analytical process. In theory, the BUR could recommend a military strategy and force structure that would require more, or even less, defense spending than projected in your budget.

First and foremost among the new "first principles" posited in the BUR is the view that the principal dangers that must be taken into account in determining U.S. military strategy in the post-Cold War era are regional aggression, nuclear proliferation, reversal of democratic reforms (i.e., instability) and a loss of U.S. economic competitiveness. Defense's role in addressing the fourth of these "new dangers" (loss of economic competitiveness) is to contribute its fair share to the deficit reduction program and to promote dual-use technologies.

Some critics will charge (as they already have) that the Administration's view as to what constitutes a "fair share" of deficit reduction for Defense will dictate defense cuts that will necessarily result in a return to the "hollow force" days of the 1970's. Then, force structure (i.e., the number of divisions, carrier battle groups, tactical air wings, etc.) was protected at the expense of training, operating tempos, exercises, flying hours and other key contributors to military readiness. If, conversely, readiness accounts are protected but the defense budget "top line" is not raised, these critics will charge that we will be driven to force structure reductions that will result in a strategy/force mismatch (i.e., a "hollow strategy").

Another group of critics will point out that proposed defense budget levels are not significantly below the average budget during the Cold War. They will argue that the U.S. has not been involved in more than one major conflict at a time and that the most likely demands facing U.S. forces will be for peacekeeping activities, rather than intensive conflict.

In sum, the Administration will need to develop a persuasive argument that the BUR strikes an appropriate balance between Defense's need to address the "new danger" of loss of U.S. economic competitiveness and its need to confront the other three, more classically "military" threats (regional aggression,

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Declassify on: OADR

DECLASSIFIED
E.O. 13526, Sec. 3.5 (b)
White House Guidelines, September 11, 2006
By VZ NARA, Date 5/29/2019
2018-1078-A

nuclear proliferation and instability). This will be important to convince conservative critics, such as Senator Nunn, that our strategy is not being driven by budget targets, and liberals, such as Representative Dellums, that the proposed force structure and modernization programs are required for the dangers we face.

To counter, and if necessary defeat, the three more classical threats, the BUR recommends that the United States deploy forces capable of performing the following missions:

- Win two "nearly simultaneous" Major Regional Contingencies (MRCs);
- Using forces structured for the "win/win, nearly simultaneous" requirement established for MRCs, carry out peacekeeping/peace enforcement operations where directed around the world;
- Maintain overseas presence as required to maintain regional stability; and
- Deter attacks by weapons of mass destruction against the United States, its forces and its allies.

In striking a balance between the requirement to be able to accomplish these military missions while still having Defense contribute to deficit reduction, Secretary Aspin recommends the following force structure:

Ground Combat Forces

- 10 active Army divisions;
- approximately 9 Reserve Component (RC) army division equivalents, with a RC end-strength of about 575,000;
- about 174,00 Marines;

Naval Forces

- 11 active carriers, plus one "training/reserve" carrier available for periodic deployments;
- 345-366 ships, including 55 attack submarines;

Tactical Air Forces

- 20 tactical air wings (13 active Air Force/7 Guard and Reserve);

Strategic Forces

- 14-18 Trident submarines (final decision on numbers has been deferred pending START ratification developments);
- 20 B-2s, 83 B-1Bs and 78-94 B-52Hs; and

-- 500 Minuteman III ICBMs.

In reviewing Secretary Aspin's military strategy and force structure recommendations, we believe the following issues warrant attention:

Sizing Criterion of MRC Threats

The BUR requires U.S. forces capable of winning two MRCs "nearly simultaneously." This is the most demanding criterion dictating the size of the U.S. force structure. A key ingredient is the BUR's assessment of the size and composition of the enemy "order of battle" that the United States might reasonably expect to have to defeat in such contingencies.

The BUR planning scenario for a MRC in the Persian Gulf assumes that Iraq could mount an invasion of Kuwait and Saudi Arabia with 20 divisions, including 2200 tanks and 412 combat aircraft. For a MRC on the Korean Peninsula, the BUR planning scenario assumes a near simultaneous invasion by North Korea using 52 divisions, including 5000 tanks. Some critics of the BUR will charge that these threats are exaggerated and that U.S. forces are more likely to be used in scenarios that range from a single large regional peace enforcement operation to humanitarian missions.

Key Question:

-- How long will it be before Saddam Hussein could mobilize and launch another invasion of Kuwait with forces of this magnitude?

What Does "Nearly Simultaneously" Mean?

Early press reports that the BUR had endorsed a "win-hold-win" strategy caused anxieties within the Administration, in defense circles think tanks and among our allies. For example, "win-hold-win" sounded to South Korea like a prescription for having much of its territory overrun before the United States could respond decisively (assuming they were already heavily engaged in a Persian Gulf contingency). However, the BUR had previously determined that a simultaneous 2-MRC "win-win" strategy would cost \$10 billion more than the Bush/Cheney Base Force. Beginning with remarks made at Andrews AFB on June 24th, Secretary Aspin changed the Department's characterization of the emerging strategy from "win-hold-win" to "win-win, nearly simultaneously." The latter description could also describe the Bush Administration's strategy.

Unfortunately, most media reports of the June 24th speech assumed that "win-hold-win" had been replaced with a pure "win-win" strategy. In presenting the BUR to Congress and the general public, the Administration will, therefore, need to explain what "nearly simultaneously" means.

Key Questions:

- What does "nearly simultaneously" mean?
- Should we say publicly what this means? Would that risk tipping off potential adversaries as to exactly what "window of opportunity" they might have to attack if we find ourselves engaged in another MRC?

Comparison with Bush/Cheney "Base Force"

Two months ago, when the BUR appeared to endorse an emerging "win-hold-win" strategy, the review appeared headed toward a force structure of 10 carriers, 20 air wings, 10 active duty divisions (with a total of 30 brigades), and an undecided number of RC division equivalents. In its final form, the BUR recommends 12 carriers (one a training/reserve carrier), 20 air wings, 10 active duty divisions and a RC end-strength of about 575,000.

By comparison, the Bush/Cheney "Base Force" assumed 12 fully active carriers, 12 active divisions (with a total of 32 brigades), 24 air wings and 8 RC division equivalents. In sum, the final BUR force structure has moved closer to the Base Force than had been expected a few months ago, particularly with regard to the number of carriers and the level of ground combat forces. As will be addressed below, the issue here is whether this larger than expected force structure can be accommodated within your budget (while protecting readiness accounts so as to avoid a return to a "hollow force").

Key Question:

- Aside from the affordability issue, how should we describe the difference between the strategy and force structure resulting from the BUR and that at the end of the Bush Administration?

Overseas Presence

The BUR assumes 100,000 troops in Europe and a brigade and an air wing in Korea, levels consistent with Administration policy and commitments. The main issue in the BUR with regard to overseas presence is the acceptability of the "gaps" that flow from the carrier force structure. With 11 active carriers, the United States will be able to maintain a constant carrier presence in the Indian Ocean, but in the other two oceans where we have traditionally patrolled continuously (the Pacific and the Med), there will be a total of four months without a carrier in one or the other ocean. By comparison, a 10 active carrier force would have created six month per year gaps in these two oceans. Raising the carrier fleet to 12 active carriers would not close the gap completely: there would still be two months per year in these two oceans when there would be no carrier present. 15 carriers would be required to have no gaps in the three oceans.

Key Questions:

- How can we explain why 12 carriers are necessary when earlier reports and campaign statements indicated 10 would be sufficient?
- To what extent can combinations of surface ships and land-based tactical fighters and bombers be deployed in lieu of a carrier?

Modernization Issues

The BUR focused its analysis on seven programs that are major "budget drivers" in the Five Year Defense Plan (FYDP):

Space Lift

The BUR developed two principal options for meeting U.S. space lift requirements: extend the life of current lift rockets, including the Titan IV (Option 1), or develop and deploy the proposed new, lower cost-to-orbit "Space Lifter" missile (Option 2). Option 1 would require relatively smaller investment over the near- and mid-term (out to 2008), but greater investment thereafter. Option 2 would not recoup DoD investment and produce cost savings until the 2017-2030 timeframe. Option 1 costs about \$2 billion less than Option 2 over the FYDP.

Secretary Aspin recommends Option 1.

The recent explosion of a Titan IV and its expensive payload has grounded the fleet while the Air Force conducts an investigation.

Key Question:

- Should we go forward with this recommendation before the Titan IV investigation is complete?

MILSATCOM

Desert Storm revealed deficiencies in U.S. satellite communications capabilities for application on the battlefield. All parties agree that this can best be solved through deployment of a new Extremely High Frequency (EHF) satellite.

All BUR options would complete the previously planned MILSTAR I constellation in FY 95. Option 1 would lead to an advanced EHF satellite in 2006 after an orderly development program; four MILSTAR II satellites would be launched between 1999 and 2002. Option 2 would forego the four MILSTAR II launches and accelerate EHF availability from 2006 to 2003, with attendant program risk in terms of development and test concurrency. Option 3 would accelerate Advanced EHF to a first launch in 2000. Option 1 costs \$1 to 2.5 billion more than Option 2 or 3 across the FYDP, but it entails the lowest technological risks to our battlefield intelligence requirements.

Secretary Aspin recommends Option 1.

Submarines

Two principal options were identified for avoiding a gap in submarine production that would adversely impact the nuclear submarine-building industrial base. Option 1 would defer the construction of any submarines beyond 1999 and draw the nuclear shipbuilding industrial base down to one shipyard (probably Newport News), requiring the "smart shutdown" of Electric Boat.

Option 2 would maintain two nuclear shipyards -- Electric Boat and Newport News -- by funding SSN23 (the third Seawolf) beginning in FY 1996. Both options assume production would begin on either a fourth Seawolf or a New Attack Submarine (NAS) in FY 98/FY 99 and that construction of the next carrier (CVN-76) would begin at Newport News before 2001. Option 2 would preserve two nuclear yards and avoid a gap in submarine construction that would add \$1.5-2.0 billion to the cost of the NAS.

Secretary Aspin recommends Option 2.

This recommendation, if accepted, would be well-received in Connecticut but would provoke complaints from Newport News that it is arbitrarily being shut out of the submarine-building business. Offsetting this unhappiness for Newport News, though, would be its relief that CVN-76 was not being deferred beyond the FYDP (as had been seriously considered). Instead, Secretary Aspin will recommend that CVN-76 be constructed beginning in FY 1995.

Ballistic Missile Defense

The options focused principally on the critical question of whether to keep national missile defense (NMD) on course for a deployment option in about a decade or to scale NMD back to a technology program with no target date for possible deployment. All the BUR options assumed a core theater missile defense (TMD) capability that includes Improved Patriot (PAC-3), the new, improved-capability THAAD and the sea-based TMD capability through upgrading the existing AEGIS infrastructure. Some options would fund more TMD options beyond this core program.

Secretary Aspin recommends a TMD/NMD option that would (a) reduce NMD to a technology program, (b) add an expanded range Aegis "upper-tier" and a forward deployed HAWK/PAC-3 replacement called Corps Sam to the core TMD program, and (c) reduce the Bush/Cheney SDI budget over the FYDP by \$21 billion (from \$39 billion to \$18 billion).

The major issue to consider in assessing this recommendation is the implication of breaking ranks with the previous consensus of Congress as stated in the 1991 Missile Defense Act, as amended last year. The Act calls for deployment of an ABM Treaty-compliant NMD at Grand Forks, North Dakota, in about 2004. A decision to relegate the Grand Forks option to a back-burner

technology program for the indefinite future will be controversial in some quarters. Critics will ask how we can justify spending \$40-50 billion on missile defense during the twenty years since President Reagan's 1983 Star Wars speech without producing any missile defense capability for the U.S. homeland.

The persuasiveness of our answer hinges on one's assessment of the threat. That, in turn, reflects one's view as to the likelihood over the next decade of a Russian (or Ukrainian) accidental or unauthorized launch against the U.S. or the emergence of a Third World ICBM threat to the U.S. If one is confident that the FSU accidental launch scenarios are exceedingly remote and that we can confidently assume Iran or Iraq or Libya or North Korea is unlikely to have an ICBM within the next 10-15 years, then keeping NMD as a technology program makes military and fiscal sense.

Attack Helicopter

Option 1 would add about \$1.8 billion to the Bush/Cheney FYDP for helicopter improvements, including procurement of the new Comanche helicopter and going forward with the Long Bow upgrade to the Apache helicopter. Option 2 would kill the Comanche, but keep the Long Bow upgrade. Option 3 would keep the Comanche, but kill the Long Bow upgrade.

Secretary Aspin recommends Option 1.

These improvements are consistent with the Clinton Administration's emphasis on more flexible and capable conventional forces.

Theater Air

A broad range of options were analyzed for solving the problem inherited from Bush/Cheney of too many new airplanes.

Secretary Aspin recommends that naval air requirements be met by the F-18 E/F and the addition of a ground attack capability for the F-14. This would require the retirement of the A-6 and the cancellation of the F/A-18 C/D after 1997. Air Force requirements would be met by the F-22 with a ground attack capability in the 2003-2007 timeframe. This would require cancellation of the A/F-X and MRF now and the F-16 after FY 94. Other modernization programs would include the Joint Advance Strike and Air-to-Air Technology programs, incorporation of conventional weapons capabilities for B-1 and B-2 bombers and standoff weapons for deep strike and hard targets.

This option, which saves about \$9 billion from the Bush/Cheney FYDP, reflects a hard-won consensus across service lines and is one of the genuine triumphs of the BUR.

Strategic Mobility/Prepositioning

Options for mobility improvements included possible changes in airlift, sealift and CONUS infrastructure and procedures. All options assume the C-17 or its equivalent capability will be procured. There is, however, no firm commitment in the BUR to procure the C-17, which is still undergoing a special DoD review.

Secretary Aspin recommends Civil Reserve Air Fleet (CRAF) improvements, greater Ready Reserve dry cargo sealift, more afloat prepositioning ships, new construction or modified surge sealift and improvements in internal U.S. lines of movement and the ship/shore port interface.

These improvements are critical if we are to give effect to the Administration's commitment to a more deployable, versatile and flexible force.

Defense Budget and Affordability

The FY 94 budget presented National Defense (function 050) budgets that reduced Bush defense plans by \$87 billion in budget authority and \$75 billion in outlays during FY 94-97. The FY 97 discretionary outlay target of \$249.3 billion¹ (including defense programs of Energy and other non-DOD agencies) was a particularly important reference point in constructing the President's deficit reduction plan.

DOD translated the FY 94-97 budget estimates into FY 95-99 projections by assuming FY 98-99 levels equal to the FY 97 level adjusted for inflation. That resulted in obligational authority of \$1.221 trillion for FY 95-99. The Odeen panel, which looked at underfunding of the Bush defense program, concluded that an increase of \$13 billion for that period was required to fully fund the program. Allowing for that increase, the total obligational authority for FY 95-99 would be \$1.234 trillion (discretionary budget authority of \$1.228 trillion.)

Reaching this target requires cuts of \$104 billion from the Bush program adjusted for Clinton Administration pay policy, economics, and the outyear effect of FY 94 budget decisions.

The Department's preliminary estimate is that the BUR recommendations would save \$91 billion in budget authority, a shortfall of \$13 billion from the budget target (\$26 billion without the Odeen add-on to the defense baseline). The savings include \$24 billion from force structure adjustments, \$53 billion from adjustments to modernization programs (including added funds for the V-22, a submarine, and helicopters), \$19 billion from infrastructure reductions including base closure savings and an increase of \$5 billion for new initiatives and defense

¹DOD military (051) discretionary outlays in FY 97 are \$263.3 billion. The 050 and 051 estimates have not been adjusted to reflect the results of the Odeen Panel.

reinvestment. The \$13 billion shortfall estimate does not take account of the additional \$11 billion that could be required across the FYDP to pay for the military and civilian DoD pay increases that Congress is now on track to approve, notwithstanding your proposal for a one-year freeze followed by increases below the rate of inflation.

The Department has not produced an estimate of outlays for the BUR recommendations. A reliable estimate cannot be produced until the services submit budgets with program and account level detail. It can be assumed, however, that the outlays probably would be over the target by about the same amount as the budget authority. For FY97 that would be about \$6 billion.

The issue to be addressed is what to do about the shortfall. I met with Les and Leon Panetta on August 25 to discuss how best to proceed. We recommend that the results of the BUR be released next week without specific numbers attached and postpone any public discussion of budget issues until the Vice President announces the results of the National Performance Review on September 7. When announced, and in any necessary backgrounding before or after, Defense will make it clear that it expects to fund the BUR force structure within the currently projected defense budget. (The \$13 billion is about 1% of the total requested obligational authority for FY95-99.) In finding these funds, Defense would not cut into readiness.

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
8/31/93 db

MEETING WITH
SECRETARY ASPIN AND JOINT CHIEFS OF STAFF

DATE: August 30, 1993
LOCATION: Cabinet Room
TIME: 4:00 p.m.

FROM: ANTHONY LAKR 

I. PURPOSE

To meet with Secretary Aspin and the Joint Chiefs of Staff to discuss the results of the Department of Defense Bottom-Up Review.

II. BACKGROUND

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III. PARTICIPANTS

Vice President
Les Aspin, Secretary of Defense
General Colin Powell, Chairman, Joint Chiefs of Staff
Admiral David Jeremiah, Vice Chairman, Joint Chiefs of Staff

General Gordon Sullivan, Chief of Staff, Army
Admiral Frank Kelso, Chief of Naval Operations
General Merrill McPeak, Chief of Staff, Air Force
General Carl Mundy, Commandant of the Marine Corps
Robert Bell, Special Assistant to the President for Defense
Policy and Arms Control

IV. PRESS PLAN

White House Photographer only

V. SEQUENCE

Secretary Aspin will brief the results of the Bottom-Up Review followed by general discussion.

Attachment

Tab A Background Paper on Department of Defense Bottom-Up Review

BACKGROUND PAPER ON BOTTOM-UP REVIEWU.S. Military Strategy and Force Structure

The Bottom-Up Review (BUR) reflects the premise that the end of the Cold War and the disintegration of the Soviet Union have created new "first principles" for American security that are so different from before that we must begin with a clean slate and build our defense strategy, forces and budgets from "the bottom up." An important goal of the BUR is to demonstrate that your Administration's military strategy and forces have not been structured to fit a preordained budget mark, but rather are the products of an objective, analytical process. In theory, the BUR could recommend a military strategy and force structure that would require more, or even less, defense spending than projected in your budget.

First and foremost among the new "first principles" posited in the BUR is the view that the principal dangers that must be taken into account in determining U.S. military strategy in the post-Cold War era are regional aggression, nuclear proliferation, reversal of democratic reforms (i.e., instability) and a loss of U.S. economic competitiveness. Defense's role in addressing the fourth of these "new dangers" (loss of economic competitiveness) is to contribute its fair share to the deficit reduction program and to promote dual-use technologies.

Some critics will charge (as they already have) that the Administration's view as to what constitutes a "fair share" of deficit reduction for Defense will dictate defense cuts that will necessarily result in a return to the "hollow force" days of the 1970's. Then, force structure (i.e., the number of divisions, carrier battle groups, tactical air wings, etc.) was protected at the expense of training, operating tempos, exercises, flying hours and other key contributors to military readiness. If, conversely, readiness accounts are protected but the defense budget "top line" is not raised, these critics will charge that we will be driven to force structure reductions that will result in a strategy/force mismatch (i.e., a "hollow strategy").

Another group of critics will point out that proposed defense budget levels are not significantly below the average budget during the Cold War. They will argue that the U.S. has not been involved in more than one major conflict at a time and that the most likely demands facing U.S. forces will be for peacekeeping activities, rather than intensive conflict.

In sum, the Administration will need to develop a persuasive argument that the BUR strikes an appropriate balance between Defense's need to address the "new danger" of loss of U.S. economic competitiveness and its need to confront the other three, more classically "military" threats (regional aggression,

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E.O. 13526, Sec. 3.5 (b)

White House Guidelines, September 11,
By VL NARA, Date 5/29/20

2018-1028-A

nuclear proliferation and instability). This will be important to convince conservative critics, such as Senator Nunn, that our strategy is not being driven by budget targets, and liberals, such as Representative Dellums, that the proposed force structure and modernization programs are required for the dangers we face.

To counter, and if necessary defeat, the three more classical threats, the BUR recommends that the United States deploy forces capable of performing the following missions:

- Win two "nearly simultaneous" Major Regional Contingencies (MRCs);
- Using forces structured for the "win/win, nearly simultaneous" requirement established for MRCs, carry out peacekeeping/peace enforcement operations where directed around the world;
- Maintain overseas presence as required to maintain regional stability; and
- Deter attacks by weapons of mass destruction against the United States, its forces and its allies.

In striking a balance between the requirement to be able to accomplish these military missions while still having Defense contribute to deficit reduction, Secretary Aspin recommends the following force structure:

Ground Combat Forces

- 10 active Army divisions;
- approximately 9 Reserve Component (RC) army division equivalents, with a RC end-strength of about 575,000;
- about 174,00 Marines;

Naval Forces

- ~~11 active carriers~~, plus one "training/reserve" carrier available for periodic deployments;
- 345-366 ships, including 55 attack submarines;

Tactical Air Forces

- 20 tactical air wings (13 active Air Force/7 Guard and Reserve);

Strategic Forces

- 14-18 Trident submarines (final decision on numbers has been deferred pending START ratification developments);
- 20 B-2s, 83 B-1Bs and 78-94 B-52Hs; and

-- 500 Minuteman III ICBMs.

In reviewing Secretary Aspin's military strategy and force structure recommendations, we believe the following issues warrant attention:

Sizing Criterion of MRC Threats

The BUR requires U.S. forces capable of winning two MRCs "nearly simultaneously." This is the most demanding criterion dictating the size of the U.S. force structure. A key ingredient is the BUR's assessment of the size and composition of the enemy "order of battle" that the United States might reasonably expect to have to defeat in such contingencies.

The BUR planning scenario for a MRC in the Persian Gulf assumes that Iraq could mount an invasion of Kuwait and Saudi Arabia with 20 divisions, including 2200 tanks and 412 combat aircraft. For a MRC on the Korean Peninsula, the BUR planning scenario assumes a near simultaneous invasion by North Korea using 52 divisions, including 5000 tanks. Some critics of the BUR will charge that these threats are exaggerated and that U.S. forces are more likely to be used in scenarios that range from a single large regional peace enforcement operation to humanitarian missions.

Key Question:

-- How long will it be before Saddam Hussein could mobilize and launch another invasion of Kuwait with forces of this magnitude?

What Does "Nearly Simultaneously" Mean?

Early press reports that the BUR had endorsed a "win-hold-win" strategy caused anxieties within the Administration, in defense circles think tanks and among our allies. For example, "win-hold-win" sounded to South Korea like a prescription for having much of its territory overrun before the United States could respond decisively (assuming they were already heavily engaged in a Persian Gulf contingency). However, the BUR had previously determined that a simultaneous 2-MRC "win-win" strategy would cost \$10 billion more than the Bush/Cheney Base Force. Beginning with remarks made at Andrews AFB on June 24th, Secretary Aspin changed the Department's characterization of the emerging strategy from "win-hold-win" to "win-win, nearly simultaneously." The latter description could also describe the Bush Administration's strategy.

Unfortunately, most media reports of the June 24th speech assumed that "win-hold-win" had been replaced with a pure "win-win" strategy. In presenting the BUR to Congress and the general public, the Administration will, therefore, need to explain what "nearly simultaneously" means.

Key Questions:

- What does "nearly simultaneously" mean?
- Should we say publicly what this means? Would that risk tipping off potential adversaries as to exactly what "window of opportunity" they might have to attack if we find ourselves engaged in another MRC?

Comparison with Bush/Cheney "Base Force"

Two months ago, when the BUR appeared to endorse an emerging "win-hold-win" strategy, the review appeared headed toward a force structure of 10 carriers, 20 air wings, 10 active duty divisions (with a total of 30 brigades), and an undecided number of RC division equivalents. In its final form, the BUR recommends 12 carriers (one a training/reserve carrier), 20 air wings, 10 active duty divisions and a RC end-strength of about 575,000.

By comparison, the Bush/Cheney "Base Force" assumed 12 fully active carriers, 12 active divisions (with a total of 32 brigades), 24 air wings and 8 RC division equivalents. In sum, the final BUR force structure has moved closer to the Base Force than had been expected a few months ago, particularly with regard to the number of carriers and the level of ground combat forces. As will be addressed below, the issue here is whether this larger than expected force structure can be accommodated within your budget (while protecting readiness accounts so as to avoid a return to a "hollow force").

Key Question:

- Aside from the affordability issue, how should we describe the difference between the strategy and force structure resulting from the BUR and that at the end of the Bush Administration?

Overseas Presence

The BUR assumes 100,000 troops in Europe and a brigade and an air wing in Korea, levels consistent with Administration policy and commitments. The main issue in the BUR with regard to overseas presence is the acceptability of the "gaps" that flow from the carrier force structure. With 11 active carriers, the United States will be able to maintain a constant carrier presence in the Indian Ocean, but in the other two oceans where we have traditionally patrolled continuously (the Pacific and the Med), there will be a total of four months without a carrier in one or the other ocean. By comparison, a 10 active carrier force would have created six month per year gaps in these two oceans. Raising the carrier fleet to 12 active carriers would not close the gap completely: there would still be two months per year in these two oceans when there would be no carrier present. 15 carriers would be required to have no gaps in the three oceans.

Key Questions:

- How can we explain why 12 carriers are necessary when earlier reports and campaign statements indicated 10 would be sufficient?
- To what extent can combinations of surface ships and land-based tactical fighters and bombers be deployed in lieu of a carrier?

Modernization Issues

The BUR focused its analysis on seven programs that are major "budget drivers" in the Five Year Defense Plan (FYDP):

Space Lift

The BUR developed two principal options for meeting U.S. space lift requirements: extend the life of current lift rockets, including the Titan IV (Option 1), or develop and deploy the proposed new, lower cost-to-orbit "Space Lifter" missile (Option 2). Option 1 would require relatively smaller investment over the near- and mid-term (out to 2008), but greater investment thereafter. Option 2 would not recoup DoD investment and produce cost savings until the 2017-2030 timeframe. Option 1 costs about \$2 billion less than Option 2 over the FYDP.

Secretary Aspin recommends Option 1.

The recent explosion of a Titan IV and its expensive payload has grounded the fleet while the Air Force conducts an investigation.

Key Question:

- Should we go forward with this recommendation before the Titan IV investigation is complete?

MILSATCOM

Desert Storm revealed deficiencies in U.S. satellite communications capabilities for application on the battlefield. All parties agree that this can best be solved through deployment of a new Extremely High Frequency (EHF) satellite.

All BUR options would complete the previously planned MILSTAR I constellation in FY 95. Option 1 would lead to an advanced EHF satellite in 2006 after an orderly development program; four MILSTAR II satellites would be launched between 1999 and 2002. Option 2 would forego the four MILSTAR II launches and accelerate EHF availability from 2006 to 2003, with attendant program risk in terms of development and test concurrency. Option 3 would accelerate Advanced EHF to a first launch in 2000. Option 1 costs \$1 to 2.5 billion more than Option 2 or 3 across the FYDP, but it entails the lowest technological risks to our battlefield intelligence requirements.

Secretary Aspin recommends Option 1.

Submarines

Two principal options were identified for avoiding a gap in submarine production that would adversely impact the nuclear submarine-building industrial base. Option 1 would defer the construction of any submarines beyond 1999 and draw the nuclear shipbuilding industrial base down to one shipyard (probably Newport News), requiring the "smart shutdown" of Electric Boat.

Option 2 would maintain two nuclear shipyards -- Electric Boat and Newport News -- by funding SSN23 (the third Seawolf) beginning in FY 1996. Both options assume production would begin on either a fourth Seawolf or a New Attack Submarine (NAS) in FY 98/FY 99 and that construction of the next carrier (CVN-76) would begin at Newport News before 2001. Option 2 would preserve two nuclear yards and avoid a gap in submarine construction that would add \$1.5-2.0 billion to the cost of the NAS.

Secretary Aspin recommends Option 2.

This recommendation, if accepted, would be well-received in Connecticut but would provoke complaints from Newport News that it is arbitrarily being shut out of the submarine-building business. Offsetting this unhappiness for Newport News, though, would be its relief that CVN-76 was not being deferred beyond the FYDP (as had been seriously considered). Instead, Secretary Aspin will recommend that CVN-76 be constructed beginning in FY 1995.

Ballistic Missile Defense

The options focused principally on the critical question of whether to keep national missile defense (NMD) on course for a deployment option in about a decade or to scale NMD back to a technology program with no target date for possible deployment. All the BUR options assumed a core theater missile defense (TMD) capability that includes Improved Patriot (PAC-3), the new, improved-capability THAAD and the sea-based TMD capability through upgrading the existing AEGIS infrastructure. Some options would fund more TMD options beyond this core program.

Secretary Aspin recommends a TMD/NMD option that would (a) reduce NMD to a technology program, (b) add an expanded range Aegis "upper-tier" and a forward deployed HAWK/PAC-3 replacement called Corps Sam to the core TMD program, and (c) reduce the Bush/Cheney SDI budget over the FYDP by \$21 billion (from \$39 billion to \$18 billion).

The major issue to consider in assessing this recommendation is the implication of breaking ranks with the previous consensus of Congress as stated in the 1991 Missile Defense Act, as amended last year. The Act calls for deployment of an ABM Treaty-compliant NMD at Grand Forks, North Dakota, in about 2004. A decision to relegate the Grand Forks option to a back-burner

technology program for the indefinite future will be controversial in some quarters. Critics will ask how we can justify spending \$40-50 billion on missile defense during the twenty years since President Reagan's 1983 Star Wars speech without producing any missile defense capability for the U.S. homeland.

The persuasiveness of our answer hinges on one's assessment of the threat. That, in turn, reflects one's view as to the likelihood over the next decade of a Russian (or Ukrainian) accidental or unauthorized launch against the U.S. or the emergence of a Third World ICBM threat to the U.S. If one is confident that the FSU accidental launch scenarios are exceedingly remote and that we can confidently assume Iran or Iraq or Libya or North Korea is unlikely to have an ICBM within the next 10-15 years, then keeping NMD as a technology program makes military and fiscal sense.

Attack Helicopter

Option 1 would add about \$1.8 billion to the Bush/Cheney FYDP for helicopter improvements, including procurement of the new Comanche helicopter and going forward with the Long Bow upgrade to the Apache helicopter. Option 2 would kill the Comanche, but keep the Long Bow upgrade. Option 3 would keep the Comanche, but kill the Long Bow upgrade.

Secretary Aspin recommends Option 1.

These improvements are consistent with the Clinton Administration's emphasis on more flexible and capable conventional forces.

Theater Air

A broad range of options were analyzed for solving the problem inherited from Bush/Cheney of too many new airplanes.

Secretary Aspin recommends that naval air requirements be met by the F-18 E/F and the addition of a ground attack capability for the F-14. This would require the retirement of the A-6 and the cancellation of the F/A-18 C/D after 1997. Air Force requirements would be met by the F-22 with a ground attack capability in the 2003-2007 timeframe. This would require cancellation of the A/F-X and MRF now and the F-16 after FY 94. Other modernization programs would include the Joint Advance Strike and Air-to-Air Technology programs, incorporation of conventional weapons capabilities for B-1 and B-2 bombers and standoff weapons for deep strike and hard targets.

This option, which saves about \$9 billion from the Bush/Cheney FYDP, reflects a hard-won consensus across service lines and is one of the genuine triumphs of the BUR.

Strategic Mobility/Prepositioning

Options for mobility improvements included possible changes in airlift, sealift and CONUS infrastructure and procedures. All options assume the C-17 or its equivalent capability will be procured. There is, however, no firm commitment in the BUR to procure the C-17, which is still undergoing a special DoD review.

Secretary Aspin recommends Civil Reserve Air Fleet (CRAF) improvements, greater Ready Reserve dry cargo sealift, more afloat prepositioning ships, new construction or modified surge sealift and improvements in internal U.S. lines of movement and the ship/shore port interface.

These improvements are critical if we are to give effect to the Administration's commitment to a more deployable, versatile and flexible force.

Defense Budget and Affordability

The FY 94 budget presented National Defense (function 050) budgets that reduced Bush defense plans by \$87 billion in budget authority and \$75 billion in outlays during FY 94-97. The FY 97 discretionary outlay target of \$249.3 billion¹ (including defense programs of Energy and other non-DOD agencies) was a particularly important reference point in constructing the President's deficit reduction plan.

DOD translated the FY 94-97 budget estimates into FY 95-99 projections by assuming FY 98-99 levels equal to the FY 97 level adjusted for inflation. That resulted in obligational authority of \$1.221 trillion for FY 95-99. The Odeen panel, which looked at underfunding of the Bush defense program, concluded that an increase of \$13 billion for that period was required to fully fund the program. Allowing for that increase, the total obligational authority for FY 95-99 would be \$1.234 trillion (discretionary budget authority of \$1.228 trillion.)

Reaching this target requires cuts of \$104 billion from the Bush program adjusted for Clinton Administration pay policy, economics, and the outyear effect of FY 94 budget decisions.

The Department's preliminary estimate is that the BUR recommendations would save \$91 billion in budget authority, a shortfall of \$13 billion from the budget target (\$26 billion without the Odeen add-on to the defense baseline). The savings include \$24 billion from force structure adjustments, \$53 billion from adjustments to modernization programs (including added funds for the V-22, a submarine, and helicopters), \$19 billion from infrastructure reductions including base closure savings and an increase of \$5 billion for new initiatives and defense

¹DOD military (051) discretionary outlays in FY 97 are \$263.3 billion. The 050 and 051 estimates have not been adjusted to reflect the results of the Odeen Panel.

reinvestment. The \$13 billion shortfall estimate does not take account of the additional \$11 billion that could be required across the FYDP to pay for the military and civilian DoD pay increases that Congress is now on track to approve, notwithstanding your proposal for a one-year freeze followed by increases below the rate of inflation.

The Department has not produced an estimate of outlays for the BUR recommendations. A reliable estimate cannot be produced until the services submit budgets with program and account level detail. It can be assumed, however, that the outlays probably would be over the target by about the same amount as the budget authority. For FY97 that would be about \$6 billion.

The issue to be addressed is what to do about the shortfall. I met with Les and Leon Panetta on August 25 to discuss how best to proceed. We recommend that the results of the BUR be released next week without specific numbers attached and postpone any public discussion of budget issues until the Vice President announces the results of the National Performance Review on September 7. When announced, and in any necessary backgrounding before or after, Defense will make it clear that it expects to fund the BUR force structure within the currently projected defense budget. (The \$13 billion is about 1% of the total requested obligational authority for FY95-99.) In finding these funds, Defense would not cut into readiness.