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DIRECTOR
PROGRAM ANALYSIS
AND EVALUATION

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MEMORANDUM FOR THE DEPUTY SECRETARY OF DEFENSE

SUBJECT: Military Spending Comparisons -- INFORMATION MEMORANDUM

The attached point paper, prepared by my staff in conjunction with Andy Marshall's, responds to your request for back-up material on comparative US-Soviet and NATO-Pact military investment. It supports the point made by Jay Rixse and Mike Leonard that we need to be careful in discussing major alliance comparisons.

For that reason, and also because of a welter of accounting problems that tend to cloud such comparisons, I recommend that you not raise this subject in your testimony next Tuesday, but instead be prepared to respond if others raise the issue. We could prepare some back-up slides that you could use to supplement the information in this paper should you so desire.

David S. C. Chu

Attachment

- cc: Mr. Rixse
- Mr. Rourke
- Mr. Marshall
- Mr. Puritano

Office of the Secretary of Defense
Chief, RDD, ESD, WHS

Date: 12 Feb 2018 Authority: EO 13526

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MILITARY INVESTMENT SPENDING COMPARISONS

• The 1980 military investment of the United States, non-US NATO allied nations (+ Japan), the Soviet Union, and non-Soviet Warsaw Pact countries is shown below. These figures reflect outlays for procurement, military construction, and R&D; they are expressed in 1982 dollars.

1980 MILITARY INVESTMENT (FY 82 \$, Billions)

	<u>R&D</u>	<u>General Purpose Forces</u>	<u>Strategic Forces</u>	<u>Total</u>
US	18.4	31.4	7.4	57.2
Allies	5.2	30.2	2.8	38.2
Total	23.6	61.6	10.2	95.4
USSR	36.1	46.2	21.8	104.1
NSWP	1.2	4.9	-	6.1
Total	37.3	51.1	21.8	110.2

Soviet-US Comparison

• The Soviet Union has clearly "out-invested" the United States since the mid-1970s. Last year the Soviet-to-US ratio was:

- 1.96:1 for R&D
- 2.95:1 for strategic forces
- 1.47:1 for general purpose forces
- 1.82:1 in total

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Pact-NATO Comparison

● Inclusion of major allies on both sides tends to produce a much closer balance, or even a NATO lead in one respect. The 1980 Pact-to-NATO ratios were:

- 1.58:1 for R&D
- 2.14:1 for strategic forces
- .83:1 for general purpose forces
- 1.16:1 in total

● Several built-in inefficiencies of the NATO Alliance tend to reduce the true "additivity" of non-US NATO investment to ours. Three of the more important are:

- Duplicative R&D. It is doubtful that R&D expenditures by allies contribute measurably to either alliance's military capability, and our allies invest more in R&D than the Soviets' allies.

- Limited Interoperability. The proliferation of different military equipment among NATO nations limits the efficiency of alliance war-fighting.

- Low-Quantity Production. By concentrating mass production on a small number of models in each major equipment category, the Pact clearly realizes economies of scale that allow them to produce more equipment than NATO for equal resources.

-- For example, over the last 7 years, the Pact produced 7,800 tactical aircraft of only 8 types, whereas NATO's, 6,800 were spread over 35 designs. (Note: Congress has both inhibited our efforts at production standardization within NATO and kept U.S. tactical aircraft production lines going at inefficient rates.)

● If one excludes all allied R&D and discounts by 40% the other investment by U.S. allies to account for production inefficiencies and interoperability problems, the 1980 Pact-to-NATO ratios become:

- 1.96:1 for R&D
- 2.40:1 for strategic forces
- 1.03:1 for general purpose forces
- 1.42:1 in total

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