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Report to Congressional Requesters

December 1993

CONVENTIONAL ARMS CONTROL

Former Warsaw Pact Nations' Treaty Compliance and U.S. Cost Control



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National Security and
International Affairs Division

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The Honorable John Conyers, Jr.
Chairman, Committee on
Government Operations
House of Representatives

The Honorable Martin Olav Sabo
Chairman, Committee on Budget
House of Representatives

Anticipating the November 1993 interim deadline for equipment reductions under the Conventional Armed Forces in Europe (CFE) treaty, we reviewed the former Warsaw Pact nations' ability to fulfill their CFE treaty obligations and the U.S. management and costs of implementing the treaty. This report provides the results of our review.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to other interested congressional committees; the Secretaries of State and Defense; the Director, Arms Control and Disarmament Agency; and the Director, Office of Management and Budget. We will also make copies available to others upon request.

Please contact me on (202) 512-4128 if you or your staff have any questions concerning this report. The major contributors to this report are listed in appendix II.

A handwritten signature in cursive script that reads 'Joseph E. Kelley'.

Joseph E. Kelley
Director-in-Charge
International Affairs Issues

Executive Summary

Purpose

By mid-November 1993, thousands of former Warsaw Pact and North Atlantic Treaty Organization (NATO) tanks, artillery pieces, aircraft, and other military equipment were to be destroyed under the Treaty on Conventional Armed Forces in Europe (CFE). Anticipating this deadline, GAO analyzed (1) the ability of the former Warsaw Pact nations to meet their treaty obligations and (2) the U.S. management and costs of implementing the treaty.

Background

On November 19, 1990, member nations of NATO and the former Warsaw Pact signed the CFE treaty. The treaty was negotiated to establish a stable and more secure balance of conventional forces in Europe. After the Soviet Union's demise, eight new nations—Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Moldova, Russia, and Ukraine—assumed the former Soviet Union's treaty obligations.

The CFE treaty limits each nation's land-based conventional armaments on the European landmass from the Atlantic Ocean to the Ural Mountains. Each nation has over 3 years (from July 1992 to November 1995) to meet its limits. However, by November 16, 1993, nations must have reduced by 25 percent the equipment that is above the established limits. The nations are also to exchange data on their force structures and conventional armaments within the region and notify signatories of changes to equipment holdings. To verify the data and to determine whether equipment has been properly reduced, nations can inspect each other's military sites.

NATO members are coordinating many of their treaty-related activities, including an equipment transfer and destruction program. Through this program, the United States has transferred about 2,800 items of treaty-limited equipment to other NATO members, which will then destroy their older equipment and retain the more modern U.S. equipment. By transferring the equipment, the United States did not have to destroy any equipment by the November 1993 deadline.

The Departments of State and Defense and the Arms Control and Disarmament Agency (ACDA) have day-to-day responsibility for U.S. treaty implementation. Under the direction of the National Security Council, officials from these agencies and others meet as the Arms Control Interagency Working Group to discuss and formulate U.S. CFE policy. The On-Site Inspection Agency (OSIA) conducts and provides escorts for inspections.

Results in Brief

As a group, the former Warsaw Pact nations have demonstrated the technical ability to reduce equipment quickly enough to meet the November 1993 interim deadline. To date, the larger of these nations—Russia, Belarus, Ukraine, and the six Eastern European nations—have conducted all of the former Warsaw Pact's reductions. The former Soviet republics have not resolved the political problems of accounting for all of the Soviet Union's treaty obligations. For this and other reasons, as of the first reduction deadline in November 1993, some individual nations, including the smaller former Soviet republics of Armenia, Azerbaijan, and Georgia, may not be in full compliance with the treaty.

U.S. policy has mandated that agencies aggressively exercise all treaty rights and meet all possible treaty obligations. In general, the U.S. government agencies GAO reviewed have successfully implemented the treaty in accordance with this mandate. However, to do so, agencies have incurred significant implementation costs, which GAO estimates will exceed \$134 million for the first 3 years. Officials have the opportunity to review implementation policies and determine whether they can be revised to save money and continue to maintain high compliance and verification standards. For example, changes in three policies GAO reviewed could have saved up to \$6 million dollars during the first year of implementation. However, to fully explore cost-saving options, policy officials need more complete data on implementation costs than are currently available.

Principal Findings

Former Warsaw Pact Nations May Not Be in Full Compliance With the Treaty

The former Warsaw Pact nations started reducing equipment under the treaty at a very slow pace. Recently, however, the larger nations have increased their reduction rates enough to collectively meet their reduction requirements for 1993. For various reasons, however, individual former Warsaw Pact nations may not be in full compliance with the treaty. First, the former Soviet republics have not agreed on how much equipment each nation owns and must reduce. For example, Armenia, Azerbaijan, and Georgia have not assumed responsibility for equipment Russia claims that they own in excess of their treaty limits. These nations have been unable to fully account for their treaty-limited equipment partly because some of it is engaged in internal military battles.

Second, NATO inspectors have not been able to confirm all claimed equipment reductions because former Warsaw Pact members have made some improper reduction notifications and have not always followed treaty procedures. For example, some nations have occasionally sent late notices about their reduction plans, not allowing NATO inspectors enough time to come and confirm the reductions. Also, in one case a nation claimed it had destroyed 60 tanks under CFE procedures but only properly showed NATO inspectors the remnants of 39 of them.

The former Warsaw Pact nations have limited resources to use for CFE implementation. Many are struggling with inflation and other economic ills, making it difficult for them to budget for arms control activities. In addition, when the Soviet Union dissolved, many arms control experts remained in Russia, leaving some nations without such experts to implement CFE.

Even if the former Warsaw Pact nations met their individual reduction obligations by November 1993, they will have to further increase their reduction rates to meet the 1994 and 1995 deadlines. Since only 25 percent of the equipment had to be reduced by the 1993 deadline, nations must eliminate the other 75 percent over the remaining 2 years.

Cost Savings Are Possible Through Review of Aggressive Implementation Policies

To date, U.S. policy regarding the CFE treaty has been to exercise all treaty rights and comply with all possible obligations. To adhere to this policy, agencies have instituted specific policies that have resulted in increased CFE costs. Three examples illustrate this point.

- As allowed by the treaty, the United States would have transferred enough equipment to other NATO members by November 1993 so that it would not have to destroy any tanks to comply with its equipment limits. However, when the treaty went into effect, the United States had over 600 old battle tanks in Italy that the Department of Defense (DOD) had arranged for a contractor to destroy. DOD decided, upon legal advice from members of the policy community, that to avoid any question that the United States was not meeting its treaty obligations, it should destroy these tanks by November 1993. DOD agreed to pay the contractor an additional \$1 million to meet this deadline.
- To fully exercise U.S. treaty rights, U.S. policy dictates that the United States participate in as many inspections as possible. Therefore, OSIA has not only led about 20 percent of all inspections, but has sent U.S. inspectors on most other NATO member-led reduction inspections. As a

result, U.S. inspectors have observed almost every piece of the former Warsaw Pact's reduced equipment. GAO estimates that the United States spent about \$2 million for U.S. participation on other NATO members' inspections.

- U.S. government security guidance and the U.S. policy of fully exercising all inspection rights precluded OSIA's use of commercial aircraft for many inspections. Therefore, during the first year of implementation, OSIA often used military aircraft for inspections, at an additional cost of about \$3 million.

GAO estimates that the total added cost of implementing these three policies for 1 year was about \$6 million.

Because the U.S. relationship with the former Warsaw Pact is now less tense than it was when the CFE treaty was signed, the U.S. policy of aggressive implementation may not be as necessary or cost-effective. By slightly altering some policies, the United States could reduce implementation costs. For example, GAO estimates that destroying the 600 old U.S. tanks in Italy under a more relaxed schedule, reducing by 25 percent U.S. participation in reduction inspections led by other NATO members, and using commercial aircraft for 5 additional inspections could have saved the United States \$1.8 million during the first year of CFE treaty implementation.

The policy community's focus has been to provide guidance on how best to represent U.S. interests and rights. The community has not traditionally reviewed agencies' implementation costs or become involved in the budget process. Furthermore, agencies have not systematically reported all cost data that could be linked to CFE implementation, making it difficult to fully analyze costs. Twelve government agencies advised GAO that they will have spent about \$96 million during fiscal years 1992 through 1994 to comply with the treaty and to monitor the former Warsaw Pact's compliance. GAO identified over \$38 million in additional CFE-related costs (primarily personnel costs) that agencies had not included in their estimates. Also, the Central Intelligence Agency did not provide GAO with its relevant cost data.

As the United States implements additional arms control agreements, estimated to cost billions of dollars, it will be increasingly important to manage costs. A financial monitor from the lead agency's implementation office actively participating on the interagency policy committee could substantially improve U.S. fiscal management of arms control treaty

implementation and aid in realizing cost savings. With access to all agencies' cost data, including that of the intelligence community, such a monitor could advise policymakers on the most cost-effective policy options and implementation strategies. The monitor could track cost growth and assist agencies and Congress in planning for arms control implementation.

Recommendations

GAO recommends that the Secretaries of Defense and State designate a CFE implementation manager from DOD to act as a financial monitor and actively participate in the deliberations of the Arms Control Interagency Working Group. For each of the other arms control agreements, the Secretaries of Defense and State should consider designating a similar financial monitor from the appropriate lead agency's implementation office.

Agency Comments

GAO discussed a draft of this report with officials involved in arms control from State, DOD, and ACDA. State and DOD officials generally agreed that any financial monitor for CFE implementation should come from DOD, as the bulk of implementation costs is incurred by that department. However, ACDA suggested that the Office of Management and Budget would be the appropriate agency, given the numerous agencies involved.

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Abbreviations

ACDA	Arms Control and Disarmament Agency
CFE	Conventional Armed Forces in Europe
DLA	Defense Logistics Agency
DOD	Department of Defense
GAO	General Accounting Office
JCG	Joint Consultative Group
NATO	North Atlantic Treaty Organization
OSIA	On-Site Inspection Agency
START	Strategic Arms Reduction Treaties

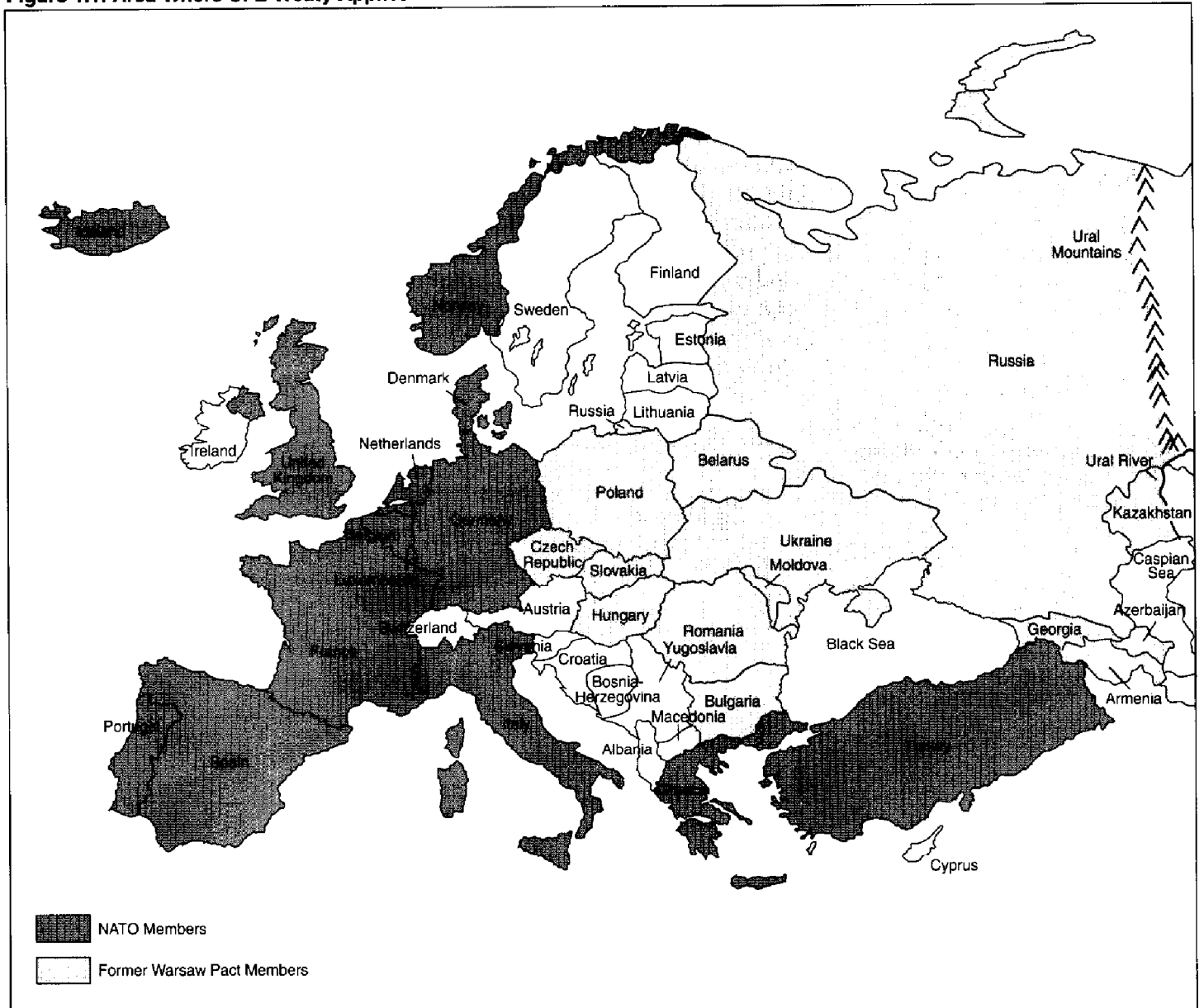
Introduction

On November 19, 1990, the nations in the North Atlantic Treaty Organization (NATO) and the Warsaw Pact signed the Treaty on Conventional Armed Forces in Europe (CFE). A major objective of the treaty is to enhance stability in Europe by eliminating the ability of nations to launch a surprise conventional attack and initiate a large-scale offensive action. To meet this objective, the treaty requires that the nations limit and, if necessary, reduce levels of conventional armaments to eliminate force disparities among the group of nations in the region.

On May 15, 1992, eight newly independent nations—Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Moldova, Russia, and Ukraine—agreed to accept equipment limits that had been set for the former Soviet Union; in the following month these nations confirmed their acceptance of all CFE treaty rights and obligations.¹ On July 17, 1992, the treaty went into effect; it is of unlimited duration. The treaty is applicable in Europe from the Atlantic Ocean to the Ural Mountains in Russia (see fig. 1.1).

¹The newly independent nations accepted these obligations when they signed the Final Document of the Oslo Extraordinary Conference on June 5, 1992. In the document, the signatories acknowledged the end of the Warsaw Pact and amended the treaty accordingly.

Figure 1.1: Area Where CFE Treaty Applies



CFE Treaty Requirements

The treaty sets limits on the number of land-based tanks, armored combat vehicles, artillery pieces, combat aircraft, and attack helicopters that the NATO and former Warsaw Pact nations can have in the region. It also calls for each nation to periodically report its total inventory of this equipment

and allows for inspections of military sites. Finally, it contains provisions for resolution of treaty-related problems among the nations.

Nations Exchange Military Data and Limit Equipment Holdings

Each group of nations (NATO and the former Warsaw Pact nations) will be allowed 20,000 tanks, 30,000 armored combat vehicles, 20,000 artillery pieces, 6,800 combat aircraft, and 2,000 attack helicopters in the treaty region. (Fig. 1.2 depicts the equipment limits for each group; figs. 1.3 and 1.4 depict the equipment limits for each nation.) Under the treaty, each nation must exchange with other signatories data on its force structure and equipment that it holds in the region, its equipment limits, and any changes to this information. If a nation's holdings exceed its limits, the nation has a "reduction liability," which is equal to the difference between these two numbers.

Figure 1.2: Ultimate Equipment Limits for Each Group of Nations (NATO and the Former Warsaw Pact)






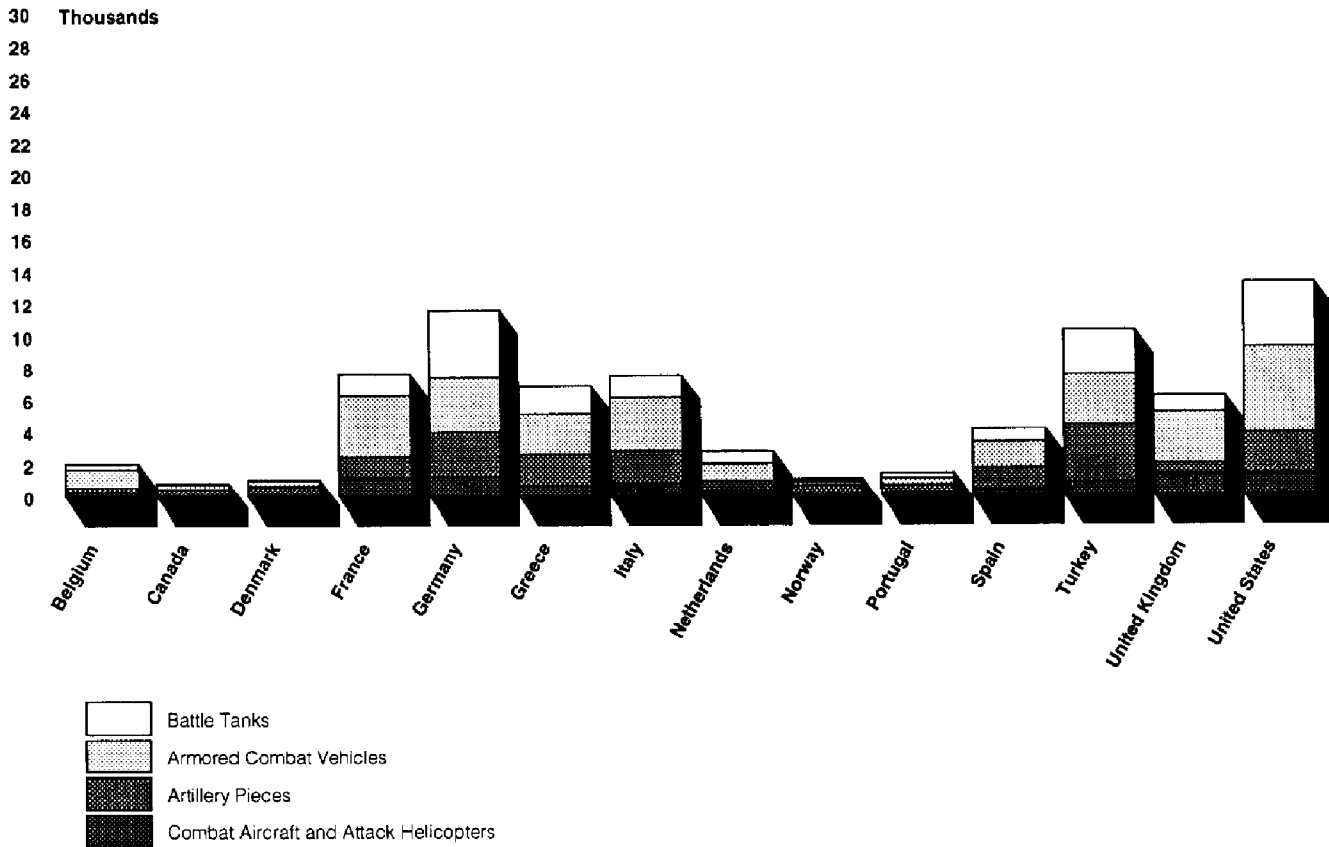
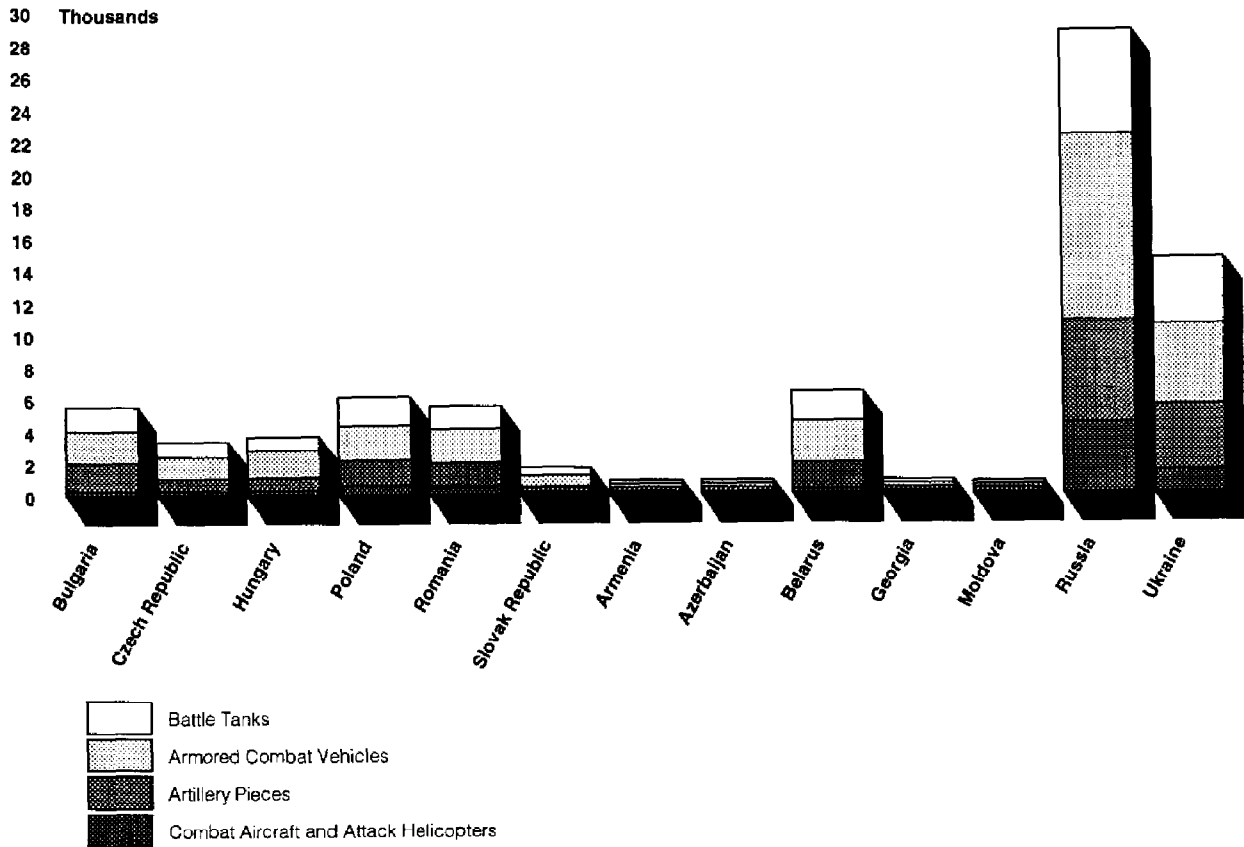
Equipment		Limit
Tanks		20,000
Armored Combat Vehicles		30,000
Artillery		20,000
Combat Aircraft		6,800
Attack Helicopters		2,000

Figure 1.3: NATO Nations' Equipment Limits



Note: Iceland's and Luxembourg's equipment limits are zero in all categories.

Figure 1.4: Former Warsaw Pact Nations' Equipment Limits



Note: Kazakhstan's equipment limits are zero in all categories.

On July 10, 1992, the CFE treaty signatories signed the "Concluding Act of the Negotiation on Personnel Strength of Conventional Armed Forces in Europe." The state parties agreed to limit the number of land-based military personnel that may be stationed in the CFE treaty area.

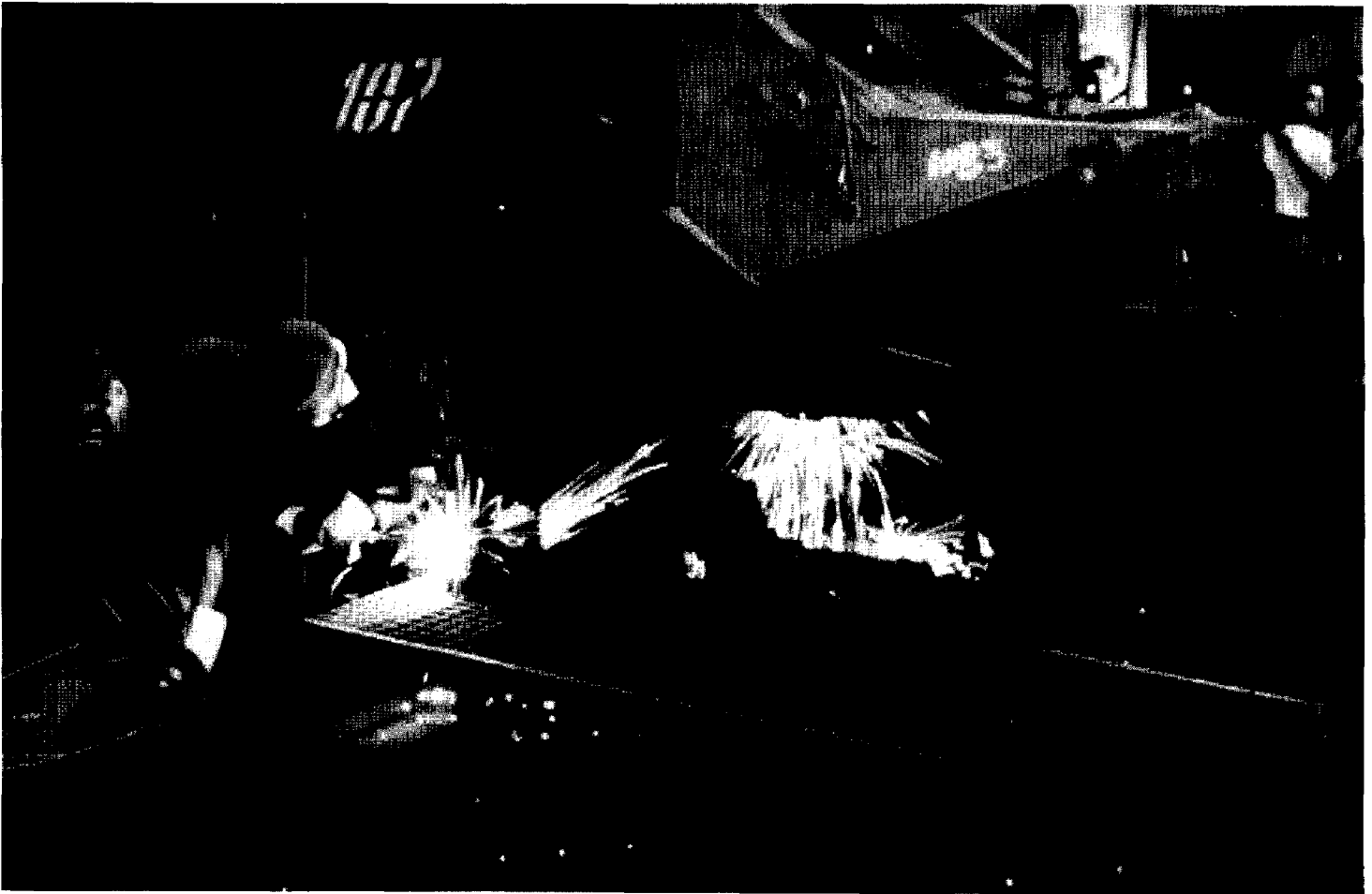
Nations Must Reduce Equipment

Each signatory nation must complete its equipment reductions by the end of the 40-month reduction period (between July 1992 and November 1995). Further, each nation must complete 25 percent of its reductions by

mid-November 1993 and 60 percent by mid-November 1994. A nation can meet its reduction requirements by

- destroying equipment by means of severing, smashing, explosive demolition, or deformation (see fig. 1.5);
- converting certain armaments to nonmilitary equipment or to military equipment not covered by the treaty;
- reporting accidental destructions, such as plane crashes, within 7 days; or
- using equipment for static displays, ground targets, or training.

Figure 1.5: Destruction of a Soviet-Made Armored Combat Vehicle Under CFE Procedures



Source: On-site Inspection Agency.

A nation can also lower its reduction liability by transferring equipment to another nation, or nations, within its own group, provided the receiving nation properly reports a corresponding increase in its reduction liabilities or equipment holdings. NATO established an equipment transfer program to coordinate and help fund such transfers for its members. Under this program, the United States transferred 1,993 tanks, 636 armored combat vehicles, and 180 artillery pieces to five other NATO nations (Greece, Norway, Portugal, Spain, and Turkey). The United States transferred all of this equipment before November 1993 and thereby eliminated its entire reduction liability.

Nations Inspect Military Sites to Validate the Data

To verify data on treaty-limited equipment and to determine whether equipment has been properly reduced, nations may inspect other nations' military sites. During a site inspection, a team of up to nine inspectors verify that the type and amount of equipment at the site matches the inspected nation's reported inventory there. The inspected nation can designate sensitive points to which it can refuse, limit, or delay the inspectors' access. The treaty signatories also agreed to develop an aerial inspection regime but have not yet begun negotiations. Such a regime may be incorporated into the Open Skies Treaty.²

The number of military site inspections a nation must accept is based on the nation's "objects of verification," which are defined as military units (such as brigades and wings); storage sites; military training sites; and military airfields holding treaty-limited equipment. During the first 4 months after the treaty went into effect (mid-July to mid-November 1992), known as the "baseline validation period," nations conducted inspections to verify what equipment was present at each nation's military sites. Every nation had to accept inspections equal to 20 percent of its verification objects. The United States initially reported 169 verification objects and therefore had to accept 33 inspections during this period. During each year of the following 3-year reduction period, each nation must accept site inspections equal to 10 percent of its verification objects. For the first year, the United States reported that it had 105 verification objects and must therefore accept 11 inspections. Nations may inspect a limited number of sites that were not reported during the CFE data exchanges but are within the treaty area. The inspected party has the right to refuse requests for such challenge inspections.

²The Open Skies Treaty, signed March 24, 1992, establishes a regime of unarmed aerial observation flights over the entire territory of its 24 signatories, including the NATO allies and members of the former Warsaw Pact.

A nation must notify treaty signatories when it is reducing equipment. Nations may then inspect the reduction site to verify the type and amount of equipment reduced and to ensure that the nation followed proper reduction procedures. When a team inspects the equipment, the nation must display each equipment item in a complete assembly. For example, tank turrets cannot be combined in one pile; each turret must be presented separately with its hull and integral main armament. A nation cannot refuse reduction inspections.

Inspection teams and the inspected party's escort team attempt to resolve any inconsistencies between the observed and reported equipment. If they cannot come to an agreement, the teams note the disparities or other implementation issues in an official, unclassified inspection report.

The treaty allows each nation to conduct up to five inspections per year at sites within its own group of nations. Former Warsaw Pact nations have taken advantage of this provision, but NATO members have agreed among themselves not to inspect each others' sites.

Table 1.1: CFE Inspections Conducted (as of July 17, 1993)

Inspection type	Inspecting group	
	NATO nations	Former Warsaw Pact nations ^a
Site and challenge inspections	331	250
Reduction inspections	264	60
Total	595	310

^aThese are approximate figures and may not include inspections for which the United States was not notified.

Source: U.S. On-Site Inspection Agency and Arms Control and Disarmament Agency.

Inspection teams can include inspectors from nations other than the inspecting nation. NATO-led inspection teams are almost always multinational teams and recently have included inspectors from the former Warsaw Pact nations.

Joint Consultative Group Helps Resolve Compliance Issues

The CFE treaty established a Joint Consultative Group (JCG)—comprising representatives from each treaty signatory—to help resolve implementation issues. Among other things, JCG is empowered to (1) address nations' compliance with or circumvention of the treaty, (2) resolve ambiguities and interpretation differences that arise,

(3) develop ways to improve the effectiveness of the treaty regime, and (4) standardize implementation procedures. JCG can propose treaty amendments, but the signatories must ratify them unless they are minor technical or administrative amendments. Although the treaty indicates that JCG will meet twice a year for no longer than 4 weeks, it has been in nearly permanent session since its first meeting in November 1990.

NATO Nations Coordinate Efforts

NATO's Verification Coordinating Committee and its support staff coordinate NATO nations' inspections, assistance to the former Warsaw Pact nations in implementing CFE, and other CFE activities. The Committee, composed of representatives from each NATO nation, meets regularly at NATO Headquarters in Brussels, Belgium. Also, the NATO Infrastructure Committee and the related Payments and Progress Committee oversee NATO's equipment transfer and destruction program. Through this program, NATO members coordinate and fund some of their treaty-required equipment reductions.

Objectives, Scope, and Methodology

In anticipation of the first CFE interim deadline in November 1993, we analyzed (1) the ability of the former Warsaw Pact nations to meet their treaty obligations and (2) U.S. management and costs of implementing the treaty.

To conduct our analysis, we obtained documents from and interviewed officials at the Offices of the Under Secretary of Defense for Policy, the Under Secretary of Defense for Acquisition, the Joint Chiefs of Staff, the Defense Nuclear Agency's Assistant Directorate for Arms Control and Test Limitations, the Defense Security Assistance Agency, the Defense Intelligence Agency, the On-Site Inspection Agency (OSIA), the Departments of the Army and the Air Force, the DOD Comptroller's Office, and the Defense Logistics Agency (DLA).

We obtained documents and interviewed officials from the State Department's Bureaus of European and Canadian Affairs, Politico-Military Affairs, International Organizations, and Finance and Management Policy and from the Nuclear Risk Reduction Center. Officials in the Energy Department's Office of Arms Control and Nonproliferation provided us with information on Energy's CFE-related costs.

We also interviewed officials and obtained data from the National Security Council, ACDA's Bureaus of Multilateral Affairs and of Verification and

Implementation and its General Counsel office, and the Office of Management and Budget. We interviewed Central Intelligence Agency officials, but they did not provide us with any cost data or other documentation.

In Europe, we obtained documents from and interviewed U.S. representatives to NATO's Verification Coordinating Committee and to NATO's committees on the infrastructure and civil budgets; U.S. representatives to the JCG; the Dutch delegation responsible for the CFE-related communications network; the OSIA European operations section; the Office of Defense Cooperation at the U.S. Embassy in Rome, Italy; the U.S. European Command and its subordinate commands for the Army and the Air Force; and DLA. To better understand how CFE inspections are conducted, we witnessed an OSIA and Army joint practice inspection at a U.S. Army base in Germany.

We conducted our review between February and November 1993 in accordance with generally accepted government auditing standards.

Former Warsaw Pact Nations Struggling With Implementation

Most of the former Warsaw Pact nations have demonstrated the technical ability to reduce equipment quickly enough to meet the November 1993 interim deadline. However, the former Soviet republics have not yet resolved the political problem of accounting for the Soviet Union's reduction obligations, and nations have not always followed CFE procedures for reducing equipment. For these reasons, as of the November 1993 deadline, some individual nations may not be in full compliance with the treaty.

Serious financial problems, internal military conflicts, and country officials' unfamiliarity with the treaty requirements have contributed to these countries' difficulties in complying with the treaty. NATO members have provided aid, but these problems persist. During the next 2 years, nations will need to further increase their reduction rates to meet the 1994 and 1995 reduction deadlines.

Nations Have Shown They Can Quickly Reduce Equipment

Most former Warsaw Pact nations started reducing equipment at a relatively slow pace but have increased their rates during recent months. Collectively, the former Warsaw Pact nations must have reduced at least 8,924 (or 25 percent of 35,696) treaty-limited equipment items by the November 1993 deadline.¹ By the end of the first quarter of the reduction year, these nations notified the other CFE signatories that they had reduced 1,437 equipment items.² If the nations had continued at this rate during each of the subsequent 3-month periods, they would have reduced only about 64 percent of the required amount by the 1993 deadline.

However, during the second and third quarters of the reduction period, most of the former Warsaw Pact nations increased their reduction rates. By the end of the second quarter (May 15), the nations had reduced an additional 1,780 items; by the end of the third quarter (August 15), they had reduced their total by an additional 3,106 items. Continuing at these increased rates, the former Warsaw Pact nations were able to reduce enough equipment to collectively meet the 1993 deadline.

As of November 1993, all completed and planned equipment reductions were attributed to the six Eastern European countries and the former

¹Based on the former Warsaw Pact nations' June 1993 notified reduction liabilities.

²To analyze reduction rates, we separated the baseline validation period (the first 4 months after the treaty went into effect) from the remaining 1 year of the first reduction phase. When counting the amount of equipment reduced in the first quarter of the year, we included the few reductions that were completed during the baseline validation period.

Soviet republics of Russia, Ukraine, and Belarus. Several of these nations destroyed more equipment than required in the first reduction year. This made it possible for the former Warsaw Pact nations as a group to exceed their reduction requirements by the November 1993 deadline.

The former Warsaw Pact nations will have to further increase their reduction rates to meet the 1994 and 1995 deadlines. Since only 25 percent of the equipment must be reduced by the 1993 deadline, nations must eliminate the other 75 percent over the remaining 2 years. Even at their currently increased rates, the nations would collectively fall short of meeting these interim and final deadlines.

Compliance Concerns Remain Unresolved

Although the increased reduction rates have enabled the former Warsaw Pact nations to collectively reduce enough equipment to meet the November 1993 deadline, some individual nations may not be in full compliance with the treaty. First, the former Soviet republics have not yet accounted for all their treaty-limited equipment or concurred on how much each nation must reduce. Second, some former Warsaw Pact nations have not always followed proper CFE procedures, and as a result, hundreds of claimed destructions of battle tanks, artillery pieces, and aircraft were questionable. In addition to these compliance concerns, some new nations are only occasionally participating in CFE activities.

Former Soviet Republics Have Not Agreed on the Amount of Equipment to Be Reduced

When the former Soviet republics accepted the Soviet Union's treaty obligations, they agreed to reduce no less than the Soviet Union's equipment reduction commitment when it signed the treaty. As of November 1993, however, the eight former Soviet republics had not concurred on how much treaty-limited equipment each republic owned and must reduce. Armenia and Azerbaijan had not officially reported their equipment holdings or reduction liabilities.

In May 1993, Russia presented data implying that Azerbaijan must reduce up to 939 armored combat vehicles; Armenia, 159; and Georgia, 72. It also presented data implying that Azerbaijan must reduce up to 195 tanks and 68 artillery pieces. As of November 1993, Armenia, Azerbaijan, and Georgia have not acknowledged these reduction liabilities. Azerbaijan does have reduction liabilities, but their figures are lower than those that Russia presented. Georgia reported that it does not have to reduce any equipment. The disparities exist partially because Russia claims to have

transferred equipment to other former Soviet republics, but these nations have not agreed to accept all the equipment.

Also, on June 14, 1991, to resolve a dispute that arose when the treaty was signed, the Soviet Union issued a legally binding statement committing itself to reducing equipment in its naval infantry and coastal defense forces. Under this commitment, Russia and Ukraine must reduce an additional 933 tanks, 1,725 armored combat vehicles, and 1,080 artillery pieces that the former Soviet Union claimed as part of these forces. At least 50 percent of the battle tanks and reduced artillery pieces and 28 percent of the armored combat vehicles must be in the CFE treaty area within the time limits and according to procedures in the treaty.³

As of November 1993, the former Soviet republics had not yet collectively agreed to reduction liabilities that total the amount of equipment that the Soviet Union had committed to reduce under the CFE treaty and the associated statement described above. These states' combined notified reduction liabilities were 3,469 pieces (1,072 tanks, 1,776 armored combat vehicles, and 621 artillery pieces) fewer than the Soviet Union's. To fully comply with the treaty, one or more of the new states must account for this equipment.

NATO Cannot Confirm All Reductions

NATO nations have been unable to confirm all former Warsaw Pact nations' claims about destroyed treaty-limited equipment because some nations have not always followed CFE procedures for displaying reduced equipment for inspection teams and for reporting equipment reductions. As of November 1993, U.S. officials had not decided whether to accept hundreds of questionable reductions as legitimate under the treaty.

On occasion, some former Warsaw Pact nations have not adhered to the requirement that nations display for inspection teams each reduced equipment item in a complete assembly. Their failure to follow this requirement makes it difficult for the NATO nations to confirm that the equipment was properly reduced. For example, according to the NATO inspection team, 43 tanks that a former Warsaw Pact nation claimed as reduced under CFE procedures were not displayed as complete assemblies.

³Also on June 14, 1991, in a separate initiative, the Soviet Union stated that it had withdrawn beyond the Urals 16,400 tanks, 15,900 armored combat vehicles, and 25,000 artillery pieces as part of a unilateral reduction of its armed forces, the withdrawal of its troops from Eastern European nations, and the armed forces' adoption of a new defensive doctrine. Of this weaponry, the Soviet Union stated that by 1995, it would reduce at least 6,000 tanks, 1,500 armored combat vehicles, and 7,000 artillery pieces. Russia has agreed to these reductions. We did not evaluate the pace of the reductions because they do not have to be done within the CFE area and are not subject to inspections.

As a result, the team could not confirm that the items constituted disassembled tanks and not spare parts.

Some former Warsaw Pact nations and others have not always correctly notified other nations about equipment reductions. Under the treaty, a nation must notify other signatories of its equipment reduction plans at least 15 days before the nation begins reducing the equipment. On several occasions, former Warsaw Pact nations have failed to meet this requirement. As a result, NATO teams arrived too late to confirm that the equipment had been properly reduced. For example, due to two late notifications from one nation, NATO could not confirm whether 20 battle tanks and 42 artillery pieces were properly reduced. These late notifications were for reductions during the first several months of treaty implementation.

When some equipment was accidentally destroyed in a crash, the responsible nations did not promptly report the accident to the signatories. According to the CFE treaty, unless reported within 7 days of the accident, a nation cannot count this equipment as reduced under the treaty. Despite the treaty language, two nations have argued that the equipment destroyed in their plane crashes should count against their reduction liabilities.

New Nations Are Not Actively Participating

Some of the former Soviet republics rarely conduct inspections of NATO sites and infrequently attend JCG meetings. During the first 4 months of treaty implementation, when nations inspected sites to verify what equipment was present, Russia was the only former Soviet republic to perform any inspections; it conducted 105 of the 188 inspections performed by the former Warsaw Pact. As a group, the former Warsaw Pact nations completed only 50 percent of their allotted inspections during this initial 4-month period. Also, the JCG has been meeting on a nearly permanent basis since its first meeting in November/December 1990. Representatives of Armenia, Azerbaijan, Moldova, and Kazakhstan seldom attend JCG meetings.

Economic and Other Problems Hamper CFE Implementation

The former Warsaw Pact nations, particularly the former Soviet republics, face numerous economic, military, and other hurdles to implementing the treaty. These nations are struggling with inflation and other economic ills as they convert to market economies. With such financial strains, some nations may find it onerous to budget for CFE implementation.

The Caucasus nations (Armenia, Azerbaijan, and Georgia) are engaged in military battles, making it difficult for them to accurately track their equipment. Georgia's military has been fighting with Abkhaz separatists, and Armenia and Azerbaijan continue to battle over the Nagorno-Karabakh region in Azerbaijan.

Many of the former Soviet republics lack an organizational infrastructure for implementing the CFE treaty. When the former Soviet Union dissolved, many arms control experts remained in Russia, leaving some of the other former Soviet republics with few such experts. Also, some nations do not have their own foreign service officers in Western Europe through which they can transmit their CFE notifications. As a result, some have been sending their notices through Moscow, U.S. embassies, or facsimile machines.

NATO Nations Helping Former Warsaw Pact Nations Implement the Treaty

To help the former Warsaw Pact nations implement the treaty, NATO members have provided limited aid to the former Warsaw Pact nations. NATO organized and funded a CFE training course for the former Warsaw Pact nations, held a seminar to discuss ways in which nations can improve implementation, and started including former Warsaw Pact inspectors on some NATO inspection teams. NATO and the former Warsaw Pact nations agreed to new methods for destroying tanks and armored combat vehicles as proposed by Russia, Ukraine, and Romania. The three nations said that the methods would be more cost-effective and time saving and still meet treaty requirements.

In addition to NATO aid, U.S. officials have assisted the former Soviet republics by traveling to their capitals to determine their CFE implementation needs and to provide additional arms control instruction. As a result of these trips, the United States decided to provide computers, software, and training for a CFE-related communications network for six of the eight former Soviet republics that are CFE signatories⁴; this assistance will cost the United States about \$300,000.

Conclusions

Collectively, the former Warsaw Pact nations were able to reduce enough equipment to meet the November 1993 interim deadline. However, some individual nations may not be in full compliance with the treaty. As long as reduction liabilities are in flux and some reductions cannot be confirmed,

⁴The United States plans to provide the communications equipment and training to Armenia, Belarus, Georgia, Kazakhstan, Moldova, and Ukraine; the United Kingdom is providing similar assistance to Azerbaijan. Russia is already on the communications network.

Chapter 2
Former Warsaw Pact Nations Struggling
With Implementation

the United States will have difficulty judging whether the individual former Warsaw Pact nations have reduced enough equipment to meet the treaty's 1993 reduction requirements. Also, these nations will have to further accelerate equipment reductions to meet more daunting deadlines in 1994 and 1995.

U.S. Treaty Implementation Increases Costs, but Savings Are Possible

Our review indicates that 12 U.S. agencies will spend over \$134 million for the first 3 years of CFE implementation.¹ U.S. policy requires agencies to exercise all treaty rights and meet all obligations to the maximum extent possible. This aggressive implementation policy was established when tensions between Russia and the United States were much higher than they are today. Under this policy, agencies have adopted policies that resulted in increased treaty implementation costs. Now, with the dissolution of the former Warsaw Pact and more experience in treaty implementation, the U.S. policy community has the opportunity to determine whether these policies can be revised to save money and still maintain high compliance and verification standards. However, the executive branch does not have aggregated financial data or an official responsible for developing and monitoring all CFE costs and fully exploring cost-saving options.

U.S. Organization for Implementing the CFE Treaty

The Arms Control Interagency Working Group (formerly called the Arms Control Policy Coordinating Committee) is the principal interagency policy committee overseeing treaty implementation governmentwide. The National Security Council chairs the policy committee, which includes State, ACDA, DOD, the Department of Energy, and intelligence community representatives. The committee discusses treaty interpretation, compliance, verification, and other CFE policy and implementation issues. On-Site Inspection Agency (OSIA) officials act as advisers to the policy committee.

DOD is the lead agency for CFE implementation. Its responsibilities include accounting for U.S. treaty-limited equipment, destroying excess equipment, readying U.S. facilities for inspection, and receiving and conducting inspections. The Under Secretary of Defense for Acquisition is responsible for overseeing implementation planning and execution to ensure that DOD complies with the treaty. The Joint Chiefs of Staff are to provide military advice and coordinate activities for treaty implementation. Under DOD's direction, OSIA is to provide inspectors and inspection escorts and act as the official U.S. representative at CFE inspections involving U.S. forces. Most other implementation activities within Europe are conducted by the Army, the Air Force, and the Defense Logistics Agency.

¹The 12 agencies are the State Department, ACDA, the Office of the Secretary of Defense, the Air Force, the Army, OSIA, the Joint Chiefs of Staff, the Defense Intelligence Agency, the Defense Nuclear Agency, the Defense Logistics Agency, the National Security Council, and the Department of Energy. The Central Intelligence Agency is also involved in CFE implementation but did not provide cost data.

The State Department provides diplomatic channels for contact with signatory governments, NATO, and JCG and operates the communications center that issues and receives CFE notifications for the United States. State also chairs the CFE Backstopping Group, a working-level group of policy committee officials organized to address implementation issues and provide instructions to U.S. embassies, representatives, and negotiating delegations. ACDA participates in policy-making and negotiations, tracks CFE notifications, and prepares annual compliance reports that are required by Congress. The Department of Energy's Office of Arms Control and Nonproliferation has minor involvement in CFE implementation, which has generally been limited to providing occasional assistance on technical matters and supplementary funding.

Aggressive Implementation Policy Increases CFE Costs

Under U.S. policy, agencies are expected to aggressively implement the treaty, exercising all CFE treaty rights and scrupulously complying with all possible treaty obligations. In the early stages of treaty implementation, the United States maintained an understandably cautious approach to interpreting the treaty and exercising treaty rights. This policy has had clear cost implications for agencies charged with implementing the treaty. Our review of three specific implementation policies—on destroying equipment, participating on NATO inspections, and using military aircraft for inspections—demonstrates how aggressive implementation can result in substantial costs. We estimate that for the first year of CFE treaty implementation, these three policies increased costs by about \$6 million, or 16 percent of all fiscal year 1993 costs. By evaluating the costs of policies like these and making minor changes, the policy committee has the opportunity to save significant amounts of money while minimizing the impact on the integrity of the CFE implementation program.

U.S. Agencies Are Successfully Implementing the Treaty

In keeping with the U.S. implementation policy, the agencies we visited in the course of our review have maintained high standards of verification and U.S. compliance. OSIA has participated in a large number of inspections in the first year of implementation and has gathered extensive information for determining the compliance status of the former Warsaw Pact nations. The Army, the Air Force, and OSIA have maintained a high degree of readiness for CFE inspections at U.S. military facilities in Europe. DOD and State have established a data system designed to account for U.S. treaty-limited equipment and to issue timely CFE information exchanges and notifications. In addition, DOD has met ambitious equipment

destruction and transfer schedules. As a result, other CFE signatories have reportedly had little complaint with U.S. performance under the treaty.

Accelerated U.S. Arms Destruction Increase Costs

When the treaty went into effect, the United States had over 600 old battle tanks in Italy that it wanted destroyed, and DOD had awarded a contract to destroy them. DOD decided to destroy the tanks by November 13, 1993, the first reduction deadline in the CFE treaty. Therefore, in September 1992, DOD agreed to pay a contractor about \$1 million in surcharges to accelerate the destruction schedule by 2 months and meet this deadline.

Under the treaty, the United States was not required to destroy this equipment by the November 1993 reduction deadline as long as it transferred all of its excess equipment to other NATO members before that time. However, DOD established this destruction schedule based on legal advice from members of the policy community and on U.S. policy to comply scrupulously with arms control treaties. According to DOD officials, under an obscure treaty interpretation that the United States could have been held to, the United States would have to destroy nearly 500 battle tanks before November 1993, regardless of how much equipment it transferred to other NATO members. This interpretation contradicts the official U.S. and NATO interpretation of the treaty, which recognizes that a country can eliminate its reduction liability by properly transferring excess equipment. Furthermore, no other treaty signatory has ever advanced this interpretation. Indeed, according to a DOD official, if it were applied universally, several nations would probably fail to comply with the treaty. Nonetheless, according to DOD, the policy committee sanctioned compliance with this interpretation to maintain an impeccable compliance record. The increased costs were not considered in the decision.

Inspection Policies Increased Costs

The United States has vigorously exercised its inspection rights and expects to spend more than \$36 million in fiscal years 1992 through 1994 to conduct CFE inspections.² According to U.S. policy, OSIA is to maximize its inspectors' presence on all inspections, including reduction inspections. Thus, in the first year of treaty implementation, OSIA led about 20 percent and participated in about 65 percent of all NATO-member led reduction inspections. As a result, in the first year of CFE implementation, U.S. inspectors observed 94 percent of all equipment reduced by the former Warsaw Pact. We estimate that participating on other NATO

²This figure includes training, transportation, salaries, administrative support, and other OSIA overhead costs. It does not include support costs incurred by other agencies.

Chapter 3
U.S. Treaty Implementation Increases Costs,
but Savings Are Possible

members' inspections during this first year cost the government over \$2 million.

The U.S. policy to take maximum advantage of U.S. inspection rights has also affected transportation costs. The treaty requires only that the United States provide 36 hours notice before conducting a site or challenge inspection. According to OSIA, U.S. security guidance did not permit it to use commercial flights for these inspections, because booking flights in advance could give additional notice of the inspection and undermine the necessary element of surprise. Recently, OSIA has argued that using commercial flights would not unduly compromise the secrecy of an inspection mission, because the actual inspection site would be unknown until after the inspectors arrived in the country. Nonetheless, OSIA is still restricted from booking commercial flights more than 36 hours in advance, which makes using commercial aircraft impractical. Also, according to OSIA officials, in many cases, in order to take maximum advantage of inspection rights, OSIA must be able to dictate the time of arrival in the inspected country, which requires using military aircraft. Consequently, OSIA used military aircraft for all site and challenge inspections during the first year of CFE implementation, at a cost of \$3 million more than commercial airfares would have been.³

Minor Policy Changes
Could Result in Cost
Savings

By exploring minor policy changes, the policy committee could realize savings in implementation costs. For example, as table 3.1 shows, with minor changes to the policies referred to in the cited examples, the United States could have saved \$1.8 million. With the exception of the tank destruction schedule, the United States could still make these changes and realize future savings. Although we are not necessarily recommending these specific changes, we offer them as examples of how thoroughly analyzing costs in conjunction with policy might lead to reduced spending with only minor policy alterations.

³OSIA has typically used C-130 and C-141 military transport aircraft for these inspections.

Table 3.1: Estimated Savings That Could Have Accrued From Minor Policy Changes

Policy change	Estimated savings
Relax the destruction schedule for the tanks (thereby avoiding the surcharge)	\$1,000,000
Send 25 percent fewer U.S. inspectors on other NATO members' reduction inspections	500,000
Use commercial, rather than military, aircraft for five additional inspections	300,000
Total savings	\$1,800,000

Policy Committee Does Not Track CFE Implementation Costs

The policy community may not have all of the cost information it needs to adequately explore cost-saving options. First, the policy committee has traditionally not collected or reviewed budgets and cost data from implementing agencies. Second, agencies have not reported all CFE implementation costs. The lack of attention to the cost of implementing arms control agreements is not new. For example, in September 1991 we reported that U.S. officials had not tracked all of the costs of implementing the Intermediate-Range Nuclear Forces Treaty.⁴ As additional international arms control agreements are implemented, the U.S. funds involved can be expected to increase substantially.

Policy Officials Do Not Usually Review Budget Data

According to policy officials we spoke to, the policy community has focused on providing guidance on how best to represent U.S. interests and rights, and it has not traditionally reviewed budget data. Agencies involved in CFE make their own budget requests and track their own expenditures independently of the policy committee. They are not required to report CFE costs to the policy committee, and the committee has no focal point for collecting or monitoring cost data. According to policy committee officials we spoke to from DOD, State, and ACDA, budget and cost issues are generally not considered to be within the policy committee's purview. One ACDA official noted that the committee is careful not to interfere with agencies' budgeting processes. Committee officials said that they rely on agencies to provide cost data if they believe it is necessary or relevant to do so.

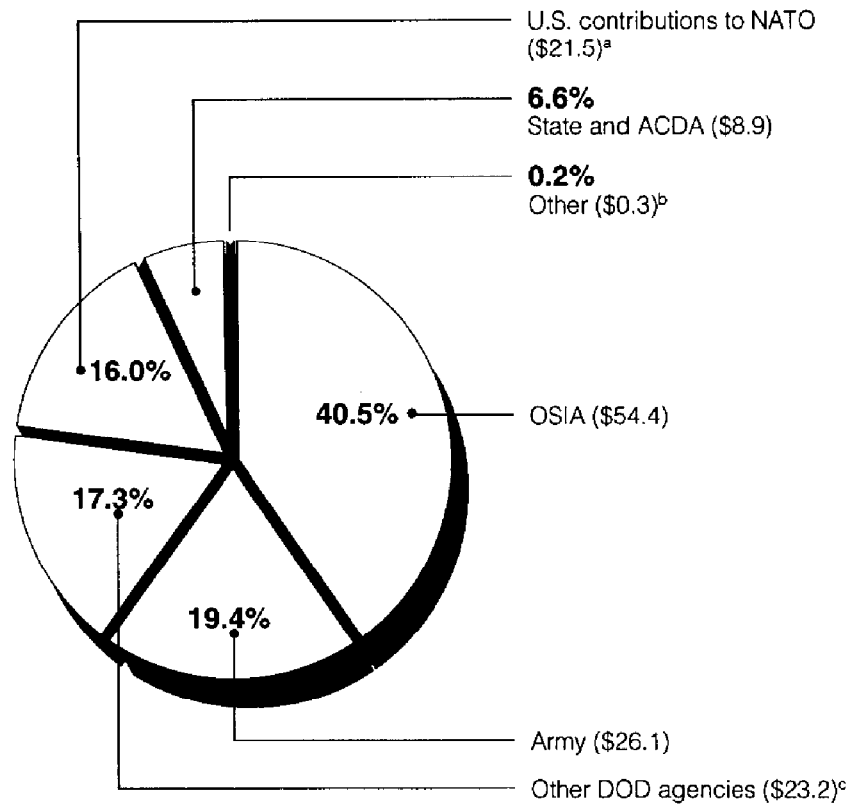
⁴See our report entitled *Arms Control: Intermediate-Range Nuclear Forces Treaty Implementation* (GAO/NSIAD-91-262, Sept. 12, 1991).

**Agencies Do Not Account
for All Treaty
Implementation Costs**

To fully consider costs, the policy community would need more accurate and complete cost submissions than are currently available from implementing agencies. We estimate that the United States will spend about \$134.4 million between fiscal years 1992 and 1994 for CFE implementation. In response to our request for such cost data, most agencies reported rough, often incomplete estimates, totaling about \$96 million. However, we identified almost \$39 million more in CFE-related costs. (See app. I for implementation costs by activity.) The added costs that we identified include about \$34 million in salaries and personnel expenses for the equivalent of about 160 additional full-time positions devoted to CFE, about \$4 million in other personnel benefits, and \$1 million in CFE-related travel costs. Figure 3.1 shows the CFE treaty implementation costs we estimated based on these figures.

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U.S. Treaty Implementation Increases Costs,
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Figure 3.1: CFE Implementation Costs by Agency (Fiscal Years 1992-94)
 (Dollars In Millions)



Note: Total implementation cost is \$134.4 million.

^aIncludes costs incurred by the Office of the Secretary of Defense, the Joint Chiefs of Staff, the Air Force, the Defense Intelligence Agency, the Defense Nuclear Agency, and the Defense Logistics Agency.

^bIncludes costs of the National Security Council and the Department of Energy.

^cConsists primarily of the U.S. share of the costs for the NATO Equipment Transfer and Destruction Program.

Financial Monitor Could Improve Implementation of CFE and Other Arms Control Agreements

An effective financial monitor from the lead agency's implementation office could actively infuse cost considerations into the interagency policy process. With access to all CFE cost data from each department and agency, this official could routinely track and report treaty costs, develop cost analyses, and highlight for policymakers the cost implications of various policy options. At policy committee meetings, a financial monitor could identify those policies that increase implementation costs so that the policy committee could review them and consider adjustments that could save money. The official could also present cost-saving suggestions and supporting data from the treaty implementers, such as the inspectors and the military personnel preparing U.S. sites for inspections. Also, cost data developed by a financial monitor could be useful information for Congress.

As the United States implements additional arms control agreements, such as the Strategic Arms Reduction Treaty (START), the Open Skies Treaty, and the Chemical Weapons Agreements, tighter financial control and more thorough cost analyses will be increasingly important. Implementing these treaties will cost billions of dollars. As with CFE, the policy committee will formulate implementation policy for these agreements. Given the magnitude of spending involved in these efforts, the policy committee may overlook substantial cost savings unless it focuses more on costs.

A financial monitor could also help ensure that the intelligence community is efficient in its role in implementing arms control agreements. A 1992 ACDA-sponsored report to Congress points out that regarding the intelligence community, "care needs to be taken to develop and update strategies for efficient use of resources in monitoring CFE, START, and other agreements that are just beginning to be implemented."⁵ With access to all involved cost data, including data for arms control-related intelligence activities and staff, a financial monitor could play a major role in such an effort.

Conclusion

With a tightened U.S. federal budget and increasing arms control costs, U.S. officials must carefully manage the funds involved in implementing CFE and other arms control agreements. A financial monitor from the lead agency's implementation office actively participating on the interagency policy committee could improve the economy and efficiency of arms control programs.

⁵New Purposes and Priorities for Arms Control: A Report to Sherman M. Funk, Inspector General of ACDA (Dec. 14, 1992).

Recommendations

We recommend that the Secretaries of Defense and State designate a CFE implementation manager from DOD to act as a financial monitor and actively participate in the deliberations of the Arms Control Interagency Working Group. For each of the other arms control agreements, the Secretaries of Defense and State should consider designating a similar financial monitor from the appropriate lead agency's implementation office.

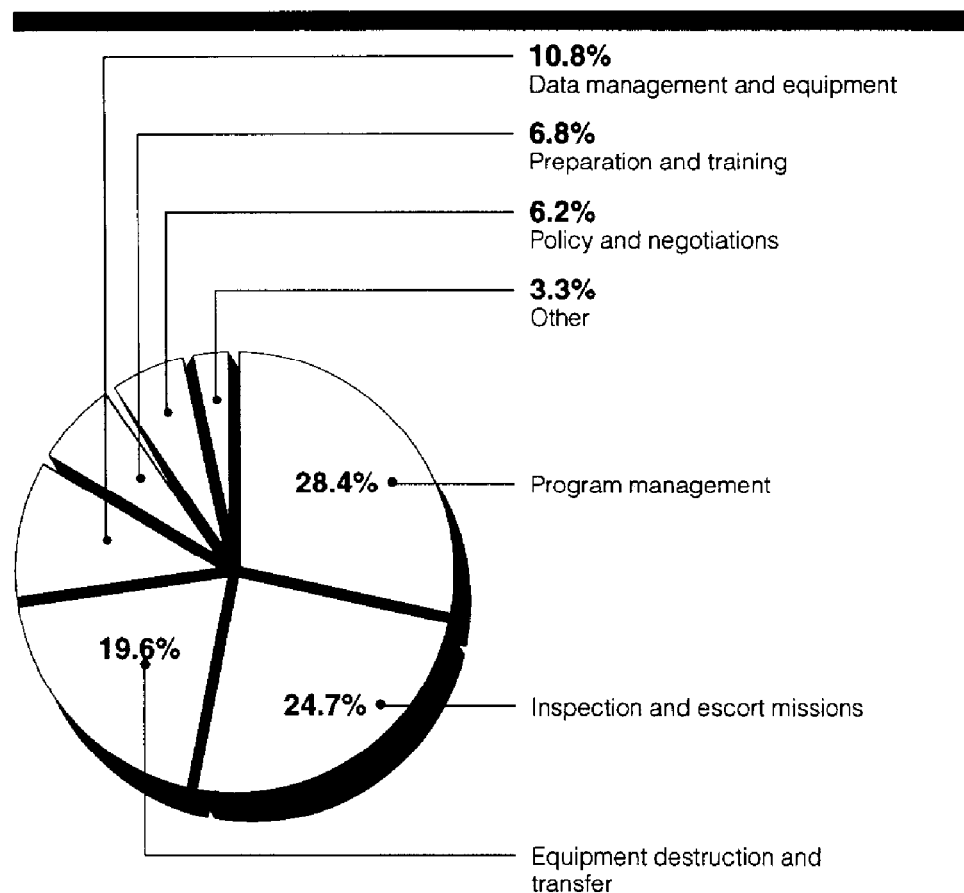
Agency Comments

We discussed a draft of this report with officials from State, DOD, and ACDA involved in arms control. State and DOD officials generally agreed that any financial monitor for CFE implementation should come from DOD, as the bulk of implementation costs are incurred by that department. However, ACDA suggested that the Office of Management and Budget would be the appropriate agency, given the numerous agencies involved.

CFE Treaty Implementation Costs by Activity

Figure I.1 and table I.1 show the U.S. costs, by activity, of implementing the CFE treaty (\$134.4 million). Of the cost categories we identified, the United States would most likely be able to reduce costs in inspection and escort missions, preparation and training, and program management. Although equipment transfers and destruction account for about 20 percent of CFE costs, the government has already obligated nearly all of these funds for service contracts.

Figure I.1: CFE Implementation Costs by Activity (Fiscal Years 1992-94)



Note: Central Intelligence Agency costs are not included.

Source: GAO analysis of agencies' data.

Appendix I
CFE Treaty Implementation Costs by
Activity

Table I.1: CFE Implementation Costs by Activity (Fiscal Years 1992-94)

	Dollars in millions			
	Fiscal year			Total ^b
	1992	1993	1994 ^a	
Inspection and escort missions	\$9.5	\$13.3	\$10.4	\$33.2
Equipment transfer and destruction	25.8	0.4	0.2	26.4
Preparation and training	2.6	3.2	3.5	9.2
Verification technology	1.1	0.3	0.1	1.5
Program management	10.2	12.5	15.5	38.2
Policy and negotiation	3.4	2.7	2.3	8.4
Data management and equipment	6.6	4.9	3.3	14.5
Other	0.9	1.3	0.9	3.0
Total^a	\$60.0	\$38.5	\$36.2	\$134.4

^aCosts are projected.

^bTotals may not add due to rounding.

Source: GAO analysis of agencies' data.

Details of Cost Information

The equipment transfer and destruction costs include the U.S. share of the NATO Equipment Transfer and Destruction Program (about \$21 million) plus the cost of destroying 643 old U.S. tanks and artillery pieces in Italy and Germany (about \$5.5 million). Most of these costs consist of service contracts for equipment preparation, shipping, inspection, repair, and destruction.

Inspection and escort mission costs are incurred by OSIA, the Army, and the Air Force for conducting and receiving CFE inspections. Expenses are primarily for personnel, travel, and overhead. Preparation and training expenses are for personnel and travel associated with training U.S. inspectors, escorts, site guides, and related personnel responsible for receiving former Warsaw Pact inspectors at U.S. and allied facilities. Also included are other costs for preparing sites to meet treaty requirements, such as erecting treaty-prescribed fencing at equipment storage sites. Verification technology costs are incurred by the Defense Nuclear Agency for personnel and for research and support contracts.

Program management expenses are for implementing agencies to manage field activities and consist largely of personnel, travel, and other overhead expenses. The U.S. share of costs for the NATO support staff working on CFE is also included. Policy and negotiation expenses are primarily for

**Appendix I
CFE Treaty Implementation Costs by
Activity**

travel, officials in Washington, D.C., who participate in the policymaking process, and officials within the U.S. delegations for NATO and JCG.

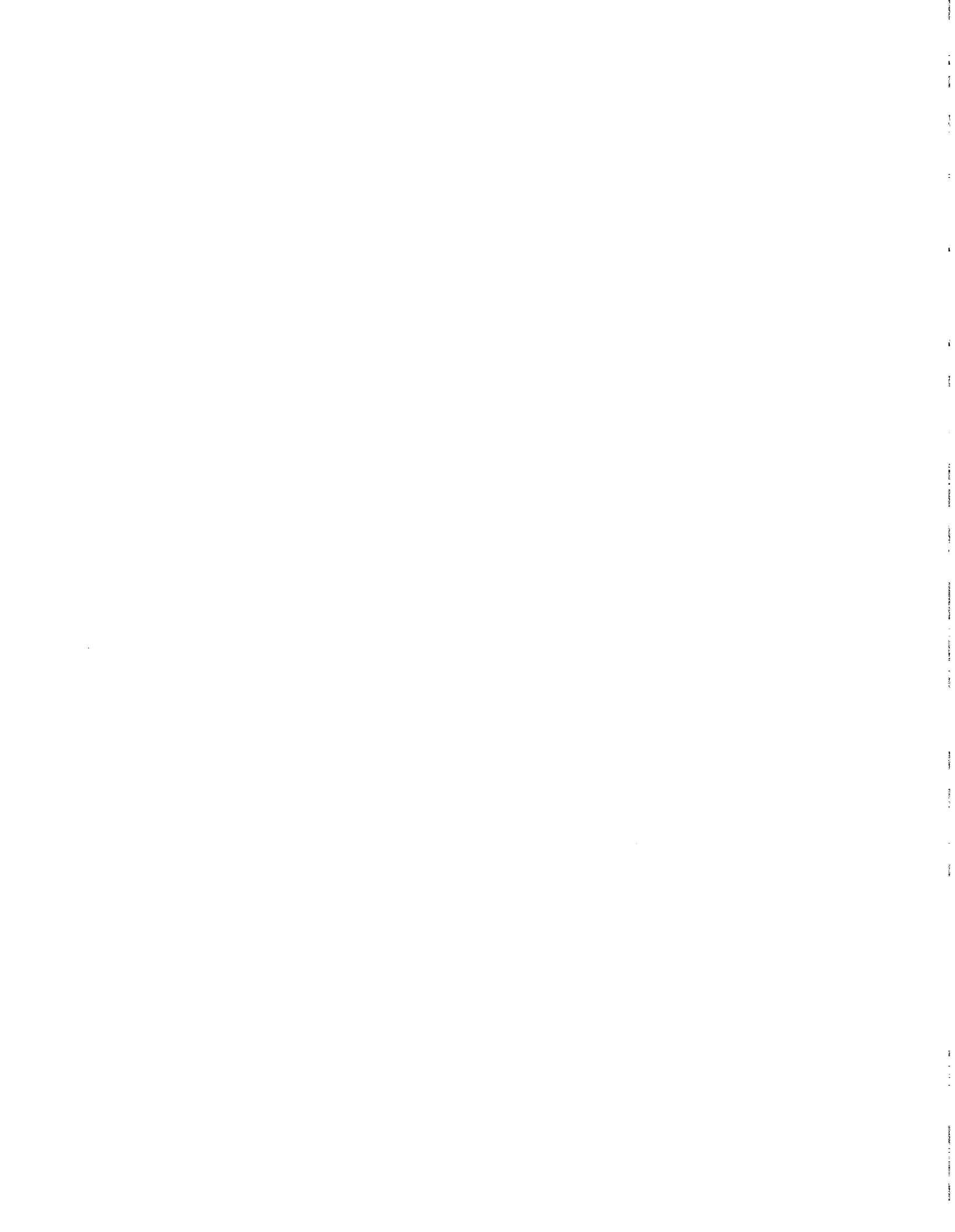
Data management and equipment expenses are for U.S. facilities that process CFE notifications and exchange information with other treaty signatory nations. These facilities include the Data Management and Notification System, which the Defense Nuclear Agency is developing, and the CFE-related portion of the Nuclear Risk Reduction Center, which the State Department operates.

The total fiscal year 1992 cost was significantly higher than is estimated for fiscal years 1993 and 1994. This is primarily because in fiscal year 1992 the United States obligated most of the funds for equipment transfers and destruction and made larger capital investments in data management systems.

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