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THE SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1000

2 MAR 1994

Honorable Lee H. Hamilton
Chairman
Committee on Foreign Affairs
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed is a copy of the letter transmitting the second FY 1994 Report on Proposed Obligations for Facilitating Weapons Destruction and Nonproliferation in the Former Soviet Union. This report to the Congress is made in accordance with Section 1206 of the Cooperative Threat Reduction Act of 1993, Title XII of Public Law No. 103-160.

An identical letter has been provided to the Chairmen of the Committee on Foreign Relations of the Senate and the Committees on Appropriations and Armed Services of the Senate and House of Representatives.

Sincerely,

William J. Perry

Enclosure

cc: Honorable Benjamin Gilman
Ranking Republican

#598
94-K-0738

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FY 1994
Report on Proposed Obligations
for
Facilitating Weapons Destruction and Nonproliferation
in the Former Soviet Union.

In accordance with Section 1206 of the Cooperative Threat Reduction Act of 1993, Title XII of Public Law No. 103-160, the following reports proposed obligations of \$70.0 million by the Department of Defense for programs of assistance for the destruction of weapons, demilitarization and nonproliferation in the former Soviet Union. The activities and forms of assistance for which obligations are proposed and involvement of other United States departments and agencies in these activities are described below.

Russia- Defense Conversion: The Department of Defense proposes to obligate up to \$20 million under an amendment to the Agreement with the Russian Ministry of Economy and the Russian Ministry of Defense of December 16, 1993, Concerning Cooperation in the Implementation of Certain Defense Conversion Projects. Department of Defense assistance will include material, training and services to facilitate the demilitarization and conversion to civilian activities of selected military facilities, technologies and capabilities and Strategic Rocket Forces (SRF) bases, including (where required for the demobilization of officers and military units) retraining for former military officers and housing for former military officers and their families.

Belarus- Defense Conversion Renotification: The Department of Defense also proposes to obligate up to \$10 million to continue the Belarus Defense Conversion program. This program was initiated under the FY 1993 transfer authority contained in Section 9110(a) of the "National Defense Appropriations Act of FY 1993", Public Law No. 102-396, and Congress was notified of proposed obligations of up to \$20 million for this program on July 6, 1993. However, funds were not transferred to appropriate Department of Defense appropriations for execution prior to the end of the fiscal year. This \$10 million renotification is part of the \$20 million committed under the Agreement with the Ministry of Defense of Belarus of July 22, 1993, Concerning the Conversion of Military Technologies and

Capabilities into Civilian Activities. These funds are essential to continue the implementation of the Defense Conversion program in Belarus.

The remaining \$10 million of the FY 1993 commitment will be proposed for obligation as necessary to continue program implementation. As indicated in the previous notification to Congress, Department of Defense assistance will include material, training and services to facilitate the demilitarization and conversion to civilian activities of selected military facilities, technologies and capabilities and Strategic Rocket Forces (SRF) bases, including (where required for the demobilization of officers and military units) retraining for former military officers and housing for former military officers and their families.

Kazakhstan- Defense Conversion: Additionally, the Department of Defense proposes to obligate up to \$15 million under an agreement to be signed with the Ministry of Defense of Kazakhstan Concerning the Conversion of Military Technologies and Capabilities into Civilian Activities. Department of Defense assistance will include material, training and services to facilitate the demilitarization and conversion to civilian activities of selected military facilities, technologies and capabilities and Strategic Rocket Forces (SRF) bases, including (where required for the demobilization of officers and military units) retraining for former military officers and housing for former military officers and their families.

The following additional information on these programs is provided in accordance with section 1206(b) of the Cooperative Threat Reduction Act of 1993, Public Law No. 103-160:

(1) The facilities in Russia, Belarus and Kazakhstan to be demilitarized will include one or more facilities in each country that have been involved in the production or support of weapons of mass destruction. Specific facilities are being reviewed to determine those which may be converted to produce civilian goods and identified to US industry for potential joint business initiatives.

(2) The types of activities currently conducted at these facilities include, or have included production, maintenance, and support of weapons of mass destruction. The nonmilitary activities planned would include, where required for the demobilization of active military units, retraining for former military officers, and the conversion of defense capabilities to production of civilian goods.

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(3) The forms of assistance proposed to be provided by the United States Department of Defense, subject to conclusion of the amendments to the existing agreements or, in the case of Kazakhstan, to the signature of a new agreement, would include: material, training (e.g. assisting in converting defense industries to civilian production) and services (e.g. training in business planning, product development etc.) The United States private sector may provide assistance in areas such as development of management skills, industrial expertise, and advise in marketing and corporate structure. In addition, to the extent feasible, the United States private sector would receive contracts, as appropriate, to provide certain material, training, and services related to implementation of the projects.

(4) The military activities and production capability involved in support of the weapons of mass destruction at the defense facilities receiving United States assistance are expected to be reduced or eliminated. The defense facilities could cease to be used for military purposes and could be used for civilian purposes.

(5) The mechanisms to monitor progress on these projects are, or will be, established under the provisions of the implementing agreements. These provisions include rights for the United States Government to conduct "Audits and Examinations" to ensure assistance is being used for the purposes intended. Participation in projects by the United States private sector and routine audits of United States contractors will provide additional sources of information on the progress of the project.

Russia-Improvements in Material Control and Accountability (MC&A) The Department of Defense also proposes to obligate up to \$20 million under an agreement between the Department of Defense and the appropriate Russian Ministry to expand United States and Russian cooperation in the development of Russian control, accounting, and physical protection of nuclear materials to prevent the proliferation from Russia of nuclear weapons and fissile material. Recent Gore-Chernomyrdin Commission and January 1994 Moscow Summit initiatives have called for expanded United States-Russian cooperation in the area of MC&A and extending MC&A to military facilities in Russia.

The \$20 million proposed to be obligated would be in addition to the \$10 million included in notifications to Congress (May 19, 1992 and February 8, 1993) and committed under the civilian facility related September 2, 1993 Agreement between the Department of Defense and the Ministry of Atomic Energy of the

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Russian Federation Concerning the Control, Accounting and Physical Protection of Nuclear Material to Promote the Prevention of Proliferation of Nuclear Weapons from Russia.

Other Assessments/Support: Finally, the Department of Defense proposes to obligate up to an additional \$5 million for continuing project assessment, technical evaluations and developmental, administrative, and other support costs of Cooperative Threat Reduction projects. These funds are proposed to meet costs incurred as each project is in its initial stages, until specific requirements are identified and proposed obligations are reported to Congress.

The CTR delegations and technical teams implementing the agreements with Russia, Belarus and Kazakhstan will include representatives of the Department of Defense, the Department of State, the Department of Energy, the Department of Commerce, and the Arms Control and Disarmament Agency.

The \$70.0 million in proposed obligations are from the \$400 million provided pursuant to the FY 1994 National Defense Authorization Act, Public Law 103-160 and the FY 1994 Department of Defense Appropriations Act, Public Law 103-139. This report increases to \$390.0 million the total amount of proposed obligations reported to Congress to implement the program under Public Law 103-160 and Public law 103-139.

SUMMARY
OF SECOND FY 1994
PROPOSED OBLIGATIONS REPORT

(\$ IN MILLIONS)

RUSSIA

| | |
|------------------------------|------|
| DEFENSE CONVERSION AMENDMENT | 20.0 |
| IMPROVEMENTS IN MC&A | 20.0 |

BELARUS*

| | |
|--|------|
| DEFENSE CONVERSION FY93 RENOTIFICATION | 10.0 |
|--|------|

KAZAKHSTAN

| | |
|------------------------------|------|
| DEFENSE CONVERSION AGREEMENT | 15.0 |
|------------------------------|------|

| | |
|--------------------------|------------|
| OTHER ASSESSMENT SUPPORT | <u>5.0</u> |
|--------------------------|------------|

| | |
|----------------------------------|------|
| TOTAL THIS PROPOSED NOTIFICATION | 70.0 |
|----------------------------------|------|

| | |
|--------------------------------|--------------|
| PREVIOUS FY 1994 NOTIFICATIONS | <u>320.0</u> |
|--------------------------------|--------------|

| | |
|---------------|---------|
| TOTAL FY 1994 | \$390.0 |
|---------------|---------|

* This renotifies \$10 million from the \$20 million which had previously been proposed for obligation under the FY 1993 transfer authority on July 6, 1993.



THE SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1000

2 MAR 1994

Honorable Ronald V. Dellums
Chairman
Committee on Armed Services
House of Representatives
Washington, D.C. 20515

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An identical letter has been provided to the Chairman of the Senate Committee on Armed Services and the Chairmen of the Senate and House Committees on Appropriations, the Committee on Foreign Relations of the Senate, and the Committee on Foreign Affairs of the House of Representatives.

Sincerely,

A handwritten signature in cursive script, reading "William J. Perry", is located to the right of the "Sincerely," text.

Enclosure

cc: Honorable Floyd D. Spence
Ranking Republican

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FY 1994
Report on Proposed Obligations
for
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Capabilities into Civilian Activities. These funds are essential to continue the implementation of the Defense Conversion program in Belarus.

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OF SECOND FY 1994
PROPOSED OBLIGATIONS REPORT

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|--|------------------|
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| DEFENSE CONVERSION AMENDMENT | 20.0 |
| IMPROVEMENTS IN MC&A | 20.0 |
| BELARUS* | |
| DEFENSE CONVERSION FY93 RENOTIFICATION | 10.0 |
| KAZAKHSTAN | |
| DEFENSE CONVERSION AGREEMENT | 15.0 |
| OTHER ASSESSMENT SUPPORT | <u>5.0</u> |
| TOTAL THIS PROPOSED NOTIFICATION | 70.0 |
| PREVIOUS FY 1994 NOTIFICATIONS | <u>320.0</u> |
| TOTAL FY 1994 | \$390.0 |

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