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EUROPEAN SECURITY

U.S. and European Contributions to Foster Stability and Security in Europe

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Highlights

EUROPEAN SECURITY
U.S. and European Contributions to Foster Stability and Security in Europe

Highlights of GAO-02-174, a report to the Senate Committee on Armed Services and House Committee on Armed Services.

Why GAO Did This Study

For years, U.S. policymakers have debated the nature and extent of the contributions that the United States and its European allies make to security and stability in Europe. During the Cold War, this debate centered on whether Europeans were spending enough on military forces and capabilities. Since the breakup of the Soviet Union, a broader range of instabilities and threats—characterized by ethnic conflicts in the Balkans—has emerged, and the terms of the debate have shifted to include military and nonmilitary contributions.

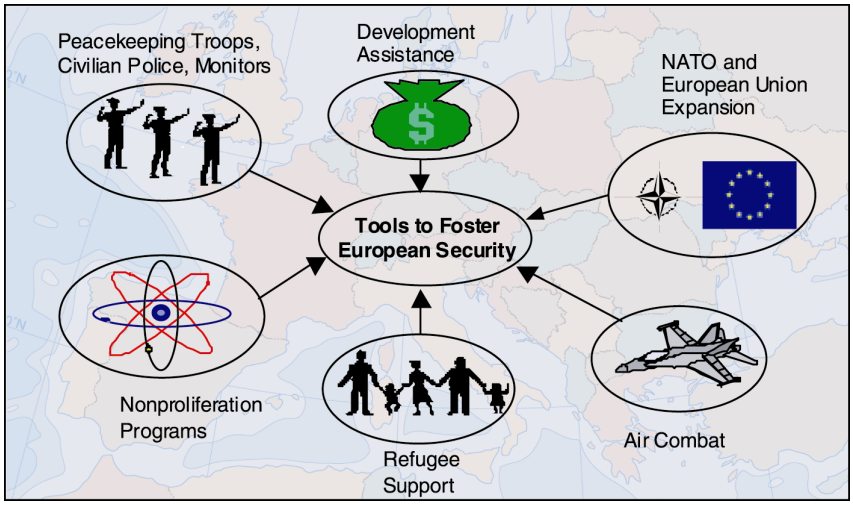
The National Defense Authorization Act for Fiscal Year 2001 required that GAO report on U.S. and European military and nonmilitary contributions to security and stability in the European region, particularly in the Balkans. In addition, GAO assessed NATO and European defense initiatives to improve military capabilities for managing conflicts in the region.

What GAO Found

In addition to critical military contributions, the United States and its European allies are using a wide range of other important tools to foster stability and security in Europe. The United States and its allies disbursed more than $23 billion and $57 billion, respectively, from 1990 to 1999, for development and nonproliferation assistance to the former Warsaw Pact countries and the Balkans. Both the United States and its allies have played a critical role in multinational peacekeeping operations in the Balkans. The United States, for example, provided the greatest share of air combat capabilities in Bosnia in 1995 and in Kosovo in 1999, while the Europeans provided between 56 and 70 percent of peacekeeping troops from 1996 to 2001. In addition, NATO and the European Union are expanding their memberships to include former Warsaw Pact countries. The enlargement programs have helped stabilize the region by promoting democracy, developing free-market economies, securing borders, and fostering military reform.

To address weaknesses highlighted by the Balkans wars, the European allies have begun to restructure and modernize their militaries and to participate in new NATO and European defense initiatives. As of August 2001, however, defense budget projections for major European countries remained generally flat, which could affect funding for these initiatives. Concerns about terrorism after the attacks of September 11, 2001, may result in increased European defense spending. In any event, the United States will continue to play an important military role in Europe at least until the end of the decade.

Commenting agencies concurred with the contents of the report.



This is a test for developing highlights for a GAO report. The full report, including GAO's objectives, scope, methodology, and analysis, is available at www.gao.gov/cgi-bin/getrpt?GAO-02-174. For additional information about the report, contact Joseph A. Christoff at (202) 512-8979. To provide comments on this test highlights, contact Keith Fultz (202) 512-3200 or email HighlightsTest@gao.gov.

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Abbreviations

CEE	Central and Eastern Europe
CFSP	Common Foreign and Security Policy
DCI	Defense Capabilities Initiative
DOD	Department of Defense
EC	European Commission
ESDP	European Security and Defense Policy
EU	European Union
GDP	Gross Domestic Product
NATO	North Atlantic Treaty Organization
NIS	Newly Independent States
OSCE	Organization for Security and Cooperation in Europe
OECD	Organization for Economic Cooperation and Development
PfP	Partnership for Peace
U.N.	United Nations
UNHCR	U.N. High Commissioner for Refugees

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United States General Accounting Office
Washington, D.C. 20548

November 28, 2001

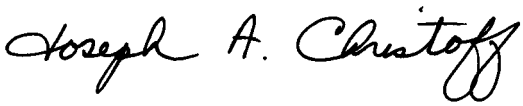
The Honorable Carl Levin
Chairman
The Honorable John Warner
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Bob Stump
Chairman
The Honorable Ike Skelton
Ranking Minority Member
Committee on Armed Services
House of Representatives

In response to the mandate contained in the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, we identified and assessed (1) U.S. and European military and nonmilitary contributions to security and stability in the European region, (2) U.S. and European military and nonmilitary contributions to security and stability in the Balkans, and (3) the status of North Atlantic Treaty Organization (NATO) and European defense initiatives to improve military capabilities for conflict management. A companion GAO report, *Military Readiness: Effects of a U.S. Military Presence in Europe on Mobility Requirements* (GAO-02-99, Nov. 28, 2001), addresses the mandate requirement to assess the effect of forward-deployed U.S. forces in Europe on mobility requirements in the event of a regional conflict in Europe or the Middle East. We briefly discuss that issue in this report.

We are sending copies of this report to the Honorable Donald Rumsfeld, the Secretary of Defense; the Honorable Colin Powell, the Secretary of State; and other interested parties.

If you have questions regarding this report, please contact me at (202) 512-8979 or at christoffj@gao.gov. GAO contacts and staff acknowledgments are listed in appendix V.



Joseph A. Christoff, Director
International Affairs and Trade

Executive Summary

Purpose

Since the Cold War, U.S. policymakers have debated the nature and extent of the contributions of the United States and its European allies to security and stability in Europe. During the Cold War, this debate centered on whether Europeans were spending enough on military forces and capabilities. However, the breakup of the Soviet Union resulted in the emergence of a broader set of instabilities and threats, characterized by ethnic conflicts in the Balkans. In this environment, new questions have arisen about the extent of the military and nonmilitary contributions the United States and its European allies are making to security in the European region.

In response to the mandate contained in the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001,[1] we identified and assessed (1) U.S. and European military and nonmilitary contributions to security and stability in the European region, (2) U.S. and European military and nonmilitary contributions to security and stability in the Balkans, and (3) the status of North Atlantic Treaty Organization (NATO) and European defense initiatives to improve military capabilities for conflict management. In addition, this report summarizes the results of a companion GAO report concerning the effects of forward-deployed U.S. forces in Europe on mobility requirements in the event of a regional conflict in Europe or the Middle East.[2]

To meet these objectives, we analyzed a range of documents and interviewed numerous military and political officials from five European allies and the United States. We define European allies as European NATO[3] and European Union countries,[4] and Switzerland. We performed in-depth fieldwork in and analysis on four European countries—France, Germany, Italy, and the United Kingdom—because these countries collectively accounted for more than 70 percent of the total gross domestic product and

[1]Public Law 106-398, section 1223, Oct. 30, 2000.

[2]See *Military Readiness: Effects of a U.S. Military Presence in Europe on Mobility Requirements* (GAO-02-99, Nov. 28, 2001).

[3]European NATO countries include Belgium, the Czech Republic, Denmark, France, Germany, Greece, Hungary, Iceland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Turkey, and the United Kingdom.

[4]European Union members include Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

defense spending by all European NATO members in 2000. We included Turkey because of its unique security environment and the critical role it plays in an unstable region. We also reviewed NATO, European Union, World Bank, United Nations, Organization for Security and Cooperation in Europe, and Organization for Economic Cooperation and Development documents, and we spoke with officials from these institutions. While we do not attempt to construct a balance sheet of U.S. and European contributions in this report, we have identified emerging trends in military and nonmilitary contributions to European security. The data used in this report reflect information collected before the Department of Defense (DOD) completed its Quadrennial Defense Review and before the September 11, 2001, terrorist attacks. The ways in which the United States and its European allies respond to these events will affect U.S. and European interests, military force postures, and budget priorities. However, it is too early to discern how these will be affected.

Background

During the Cold War, the United States and its NATO allies invested heavily in warfighting and combat support assets to protect the alliance against the threat of Soviet aggression. In the mid-1980s, European NATO allies had approximately 3.6 million military personnel deployed to repel a full-scale attack on NATO's European fronts by the Soviet Union. NATO and its members funded the development and maintenance of infrastructure such as aircraft shelters, prepositioned weapon depots, and fuel distribution networks to support the presence of large armored ground forces and fight-in-place air units to defend NATO borders. NATO countries relied heavily on the civilian population for logistical support if war were to occur.

The end of the Cold War produced dramatic changes in Europe's geopolitical order. Twelve Newly Independent States (NIS) emerged as autonomous nations, and countries in Central and Eastern Europe (CEE) were freed from Soviet domination. Rapid economic and political changes have transformed the European security environment. New security threats have emerged over the past decade, while at the same time many former Soviet satellites have made the transition to democratic governments. In the face of dwindling resources in the former Soviet states, the infrastructure for maintaining nuclear arsenals has degraded, thus increasing the risk of the diversion of nuclear weapons technology to "rogue" states or terrorist groups.

The Balkans conflict has exemplified the new European security landscape. The secession of Croatia and Bosnia sparked a protracted civil

war in the early 1990s, as armed factions fought to have ethnically pure populations. During the late 1990s, conflict erupted in Kosovo between Kosovar Albanian insurgents, who were fighting for the independence of Kosovo, and Yugoslav forces, fighting to retain Yugoslavia's sovereignty over the province. The most recent Balkans crisis erupted in the Former Yugoslav Republic of Macedonia in early 2001, over the issue of obtaining greater rights for minority ethnic Albanians. These crises exacted a heavy humanitarian toll and created hundreds of thousands of refugees and internally displaced persons. The missions that Europeans undertook to address these crises, which required their forces to operate beyond NATO's borders and in areas with little or no supporting infrastructure, highlighted shortfalls in their military capabilities.

Results in Brief

A new European security environment has emerged since the end of the Cold War, with the United States and its European allies using smaller militaries, disbursing more development assistance, and increasing their reliance on multilateral organizations to provide the foundation for European security. The European NATO allies have drawn down their military forces from 3.5 million in 1990 to about 3 million in 2000, while the United States has reduced its forces in European NATO countries from 300,000 to just over 100,000. Both reduced their defense budgets during this time period. Despite reductions in force levels and budgets, U.S. and European military forces have been actively engaged in peacekeeping and other security-enhancing activities in the region. During the 1990s, the United States and its allies increasingly used economic tools such as development and nonproliferation assistance to shape the European security environment. The European allies provided most of the development assistance to Central and Eastern Europe and to the states of the former Soviet Union, providing about $47 billion of the $71 billion disbursed from 1990 through 1999. The United States has funded the preponderance of nonproliferation and threat-reduction programs, allocating more than $5.5 billion of the more than $6 billion total during the same period. Adapting to the new security environment, multilateral organizations such as NATO and the European Union have redefined and expanded their roles. NATO and the European Union are in the process of enlarging their organizations to incorporate former Warsaw Pact nations as members. The accession programs of both organizations enhance security and stability in the region by promoting democracy, stable borders, free-market economies, and military reform.

The United States and its European allies have contributed to stability in the Balkans through a variety of military and financial means, reflecting their differences in national interests, priorities, and military capabilities. The United States provided most of the tactical air combat capabilities to end hostilities in the region, while the European allies provided most of the peacekeeping troops and disbursed more than $10 billion of the almost $15 billion in development assistance. For example, during Operation Allied Force, the spring 1999 NATO air operation in Kosovo, the United States provided 70 percent of the total aircraft and performed more than 60 percent of the total sorties flown. Although the United States provides the single largest contingency of ground troops, as of March 2001 the European allies were providing more than 60 percent of the roughly 57,000 military troops and most of the special constabulary forces deployed to support NATO-led operations in Bosnia and Kosovo. U.S. and European military officials noted that the benefits of multinational operations outweigh the drawbacks. They also emphasized that effective crisis management depends upon joint U.S. and European participation in the full range of peace support operations and post-conflict reconstruction efforts.

The Balkans operations have highlighted numerous shortfalls in the military capabilities of European allies, but decisions concerning competing budgetary priorities may limit their ability to remedy these shortfalls before the end of the decade. Structural weaknesses in European defense forces, particularly in mobility, command and control, and force composition, have prompted the allies to launch efforts to restructure and modernize their militaries, as well as to move toward all-volunteer forces. Of particular note are the European allies' plans to procure critical aircraft to improve strategic lift capability and to field a 60,000-strong European Union force for deployment to humanitarian, peacekeeping and peace enforcement, and evacuation operations within 60 days. Although these initiatives demonstrate the commitment of European countries to assume greater responsibility for security in their region, it is unclear whether they will allocate the resources to pay for them. Defense expenditures are expected to remain relatively flat in constant 2000 dollars over the next 4 to 5 years for most European allies, placing major defense initiatives sponsored by NATO and the European Union in jeopardy. European allies are pursuing multinational cooperation in procurement, operations, and other areas as a way to increase their defense capabilities and improve their return on investment. It is too early to tell whether European allies will shift their priorities and devote a larger percentage of their national budgets to defense spending as a result of the September 11, 2001, terrorist attacks.

GAO's Analysis

Post-Cold War Environment Drives Contributions to European Security in New Directions

U.S. and European military forces continue to contribute to security and stability in Europe, even though the number of their military forces and the defense budgets that support these forces have been reduced. From 1990 through 2000, the United States reduced its force levels in European NATO countries by about 65 percent, from about 300,000 to just over 100,000 active duty military personnel. At the same time, European NATO countries reduced their forces by about 15 percent, from 3.5 million to 3 million. U.S. and European NATO allies' defense budgets have declined and then leveled off since 1990, falling to 2.9 percent of GDP in 2000 for the United States and 2.0 percent for the European allies. In 2000, the cost to the United States of supporting its military presence in European NATO countries, including permanent personnel and supporting infrastructure, was $11.2 billion, a 50-percent decline from 1990.

Since the end of the Cold War, the United States and its European allies have increasingly used economic means to shape the European security environment. The European Commission[5] and European allies have provided most of the development assistance[6] to Central and Eastern Europe and the Newly Independent States during this period, and the United States has provided most of the nonproliferation assistance. The European Commission and European allies, leading donors of development assistance to Central and Eastern Europe and the Newly Independent States, provided about $47 billion of the just over $71 billion of total development assistance disbursed to these regions from 1990 through 1999. This aid supported economic and political reforms critical to European Union enlargement. As the second-largest bilateral donor to the Newly Independent States, the United States spent about $10.7 billion from 1990 through 1999 to support the transition to democracy and free-market

[5]The European Commission, the European Union's executive agency, manages the European Union's multilateral development agencies and is responsible for its external assistance programs.

[6]The Organization for Economic Cooperation and Development defines official development assistance as financial flows to developing countries and multilateral institutions that are provided by official agencies and that meet two conditions: (1) must promote economic development and welfare of developing countries as its main objective, and (2) must be concessional in character and convey a grant element of at least 25 percent.

economies. Over the same period, the United States spent about $6 billion for similar programs in Central and Eastern Europe.

NATO and the European Union have responded to Europe's evolving post-Cold War order by changing and expanding their missions to better address post-Cold War challenges and by expanding their membership to integrate former Warsaw Pact nations. NATO has redefined its strategic objectives to address post-Cold War security challenges. This includes focusing on a wider set of threats and taking a more active role in preventing and managing regional crises, such as those in the Balkans. The European Union has developed a Common Foreign and Security Policy to complement its economic policy and enhance the credibility of its diplomacy. A key element of this policy is the European Union's decision to develop a military component to respond to regional conflicts when NATO chooses not to be involved. NATO and the European Union also use their respective enlargement processes to contribute to regional stability. The possibility of membership in either or both institutions serves as an important incentive for aspirant nations to develop free-market economies, stabilize their borders, and reform their militaries. NATO's Partnership for Peace program[7] plays a key role in developing the military capabilities and reforming the defense establishments of the participating partner states, and in increasing the interoperability among NATO allies and partners. U.S. and European officials stated that enlargement represents the European Union's most significant contribution to regional security. The European Union plans to spend as much as $60 billion from 2000 to 2006 for pre- and post-accession programs. U.S. and EU officials have identified the increased trade flows among Central and Eastern Europe and European Union nations and sharp growth in foreign direct investment to the Central and Eastern European region as indications that the European Union-supported reforms are having positive effects.

The United States continues to obtain a range of political and operational benefits from its military presence in Europe.[8] These include leadership

[7]NATO established the Partnership for Peace in 1994 to increase defense cooperation with nonmember European countries, particularly with former Warsaw Pact members and other former Communist states in Central and Eastern Europe. NATO also established a Membership Action Plan to assist countries that wish to join the Alliance, providing them with advice, assistance, and practical support in all aspects of NATO membership.

[8]DOD defines overseas presence as the mix of permanently stationed forces, rotationally deployed forces, temporarily deployed forces, and infrastructure required to conduct the full range of military operations.

and influence in NATO, a visible demonstration of its dedication to European security and stability, and a firmer ground from which to call on the support of allies in a crisis. From an operational standpoint, the United States can deploy its forces more quickly in certain cases—both within Europe and elsewhere—and can influence the development of European capabilities through cooperation with regional militaries, training, and other engagement activities. U.S. military officials and data show that these forward-deployed forces reduce the cost and deployment time to certain regional conflicts. Representatives from major research organizations, however, argue that basing large numbers of forces in Europe reduces strategic flexibility because those forces are committed to Europe and are not available elsewhere. These representatives have also raised questions about the size and positioning of the current force presence in the absence of clear military threats.

Complex Balkans Security Environment Addressed With Broad Range of Military Interventions and Nonmilitary Assistance

The most significant U.S. military contributions to security in the Balkans have been air combat capabilities and ground troop presence. The United States provided 70 percent of total aircraft and flew more than 60 percent of the 37,000 strike and support sorties in Operation Allied Force. The United States also led critical support sorties by providing intelligence and reconnaissance, intra-theater airlift, air-refueling, and special operations capabilities. U.S. and European military officials noted that the United States dominated in these areas because our NATO allies had limited capabilities and equipment, particularly in avionics, precision-guided munitions, and tactical communications. U.S. military officials said, however, that the success of the NATO air campaign was greatly facilitated by European NATO countries' provision of 22 military airbases in 8 different countries.

European allies made key military contributions to restoring stability in the Balkans by collectively providing the largest number of ground troops to support U.N and NATO operations. From 1992 to 1995, European allies provided about 50 percent or more of the ground troops to support U.N. peacekeeping operations. In 1995, the European allies shifted the focus of this support from U.N. peacekeeping operations to NATO-led operations. From 1996 to March 2001, the European allies provided between 56 and 70 percent of the NATO ground troops. The United States began providing troops for NATO operations in 1996, and it has provided the largest single national contingency to operations in Bosnia and Kosovo—about 20 and 15 percent, respectively, in March 2001.[9] European allies, primarily through Italy's Carabinieri, have provided specially trained constabulary forces to assist in stabilizing the region. These forces have capabilities that go beyond those of typical police officers, and they have been particularly beneficial in riot control and other sensitive situations in which the use of combat forces is not appropriate. Italy's Carabinieri represent the majority of NATO's constabulary forces in the Balkans, including 75 percent of the 500 used in Bosnia and more than 80 percent of the 320 used in Kosovo.

Officials reported that multinational operations provide political and operational benefits and contribute to security in the region. Politically, operating as a coalition strengthens the alliance and provides international consensus when addressing security problems. Multinational operations also provide operational benefits that include the ability to combine the resources and capabilities of member states and to improve interoperability among allies. Despite multiple benefits, U.S. and European military officials noted that the deployment of multinational forces into areas of intense conflict also presents drawbacks and challenges. These include friction between coalition members with differing policies and strategies, interoperability problems arising from incompatible systems, and imbalances in equipment capabilities and inventories. Nevertheless, officials said that the benefits of multinational operations outweigh the drawbacks.

The European allies and the European Commission led donors in providing development assistance to the Balkans region. Of the almost $15 billion disbursed from 1993 through 1999, European allies and the European Commission provided $6.9 billion and $3.3 billion, respectively, while the

[9]Other countries, such as Russia and the United Arab Emirates, provided the remaining ground troops.

United States provided $1.2 billion. The European countries and the European Commission focused their assistance on humanitarian and economic reconstruction programs, while the United States focused on humanitarian assistance, economic restructuring, and programs to strengthen democratic institutions—for example, independent media and judiciary systems. European officials also identified the absorption of Balkans refugees into their countries as another significant contribution to European security.

European allies provided a large number of civilian personnel to support multilateral organizations that promote stable institutions and security in the region. For example, as of January 2001, European countries provided more than 2,000 civilian police to the United Nations. As of April 2001, they had provided about 500 people to the Organization for Security and Cooperation in Europe to perform tasks such as election monitoring, human rights education, media training, and legal and judicial reform, and another 139 people to support the European Union's security-monitoring mission. The United States, on the other hand, provided the largest national contingency of personnel to the U.N. civilian police and to the Organization for Security and Cooperation in Europe—764 and 141 people, respectively.

European Militaries Addressing Shortfalls, but Decisions on Competing Budget Priorities Slow Implementation

Operational problems experienced in the Balkans peacekeeping operations in the 1990s highlighted numerous shortfalls in the military capabilities of European allies. On a national level, European countries are addressing some of these shortfalls by restructuring their military forces to become more deployable, by moving toward all-volunteer forces, and by modernizing their equipment, but progress has varied depending on each country's ability to make defense spending a budget priority. Improvements in these three areas will give allies greater flexibility and capability to respond to a range of threats within and outside of Europe. The European allies we visited have made the greatest progress in restructuring their forces, which has meant changing the size and organization of their forces. For example, France, Germany, Italy, and the United Kingdom reduced their forces between 1990 and 2001 by an average range of 31 to 36 percent, and they are converting large, armored units into smaller and lighter infantry units that can respond to a range of threats. These countries have also developed rapid reaction units that can be deployed on short notice to operations within and beyond NATO's borders. In addition, France, Germany, Italy, and the United Kingdom have established centralized operational commands to enhance cooperation among the branches of the military and thereby improve operational

deployments and resource management. Large implementation costs and other budgetary considerations have slowed the European allies' transition to all-volunteer forces and their modernization of equipment. Although an all-volunteer force will be more cost effective in the long run, more funding is needed up front to establish the system. In addition, limited funds have delayed or postponed European allies' efforts to improve capabilities such as air- and sea lift; command, control, and communications; intelligence and reconnaissance; and precision-guided munitions systems.

Two recent NATO and European Union defense initiatives, launched after Operation Allied Force, provide additional focus and incentive for European nations to improve their defense capabilities. Although European NATO countries have made progress in meeting some of the goals, inadequate funding hampers the implementation of both initiatives. The first initiative, NATO's Defense Capabilities Initiative, is a mechanism to highlight and promote needed improvements in five functional areas, using 58 long- and short-term objectives. The initiative has been incorporated into NATO's defense-planning process. The second initiative, the European Union's European Security and Defense Policy, is a broader political and security strategy to strengthen the European Union's capacity for more effective crisis management, particularly when NATO as a whole chooses not to be involved. Both concepts aim to improve the European allies' response to post-Cold War security challenges. Progress to date for both initiatives varies among countries, but nations have generally focused on goals that are easier to accomplish and less expensive, such as establishing logistics capabilities that can support multiple nations. NATO officials stated, however, that other items relating to improving a military's deployability, mobility, and command-and-control capabilities are a long way from completion. Similarly, most U.S. and European government officials agree that the biggest challenge for the European Security and Defense Policy lies in equipping the 60,000 troops for sustained, high-intensity military operations.

While European allies are committed to taking greater responsibility for regional security by planning to purchase critical aircraft and preparing to bring together a European Union rapid reaction force, most are hampered by relatively flat defense budgets. This limitation is brought about by decisions concerning competing domestic budgetary pressures, varying threat perceptions, and other national priorities. For example, Germany's annual average real growth rate is projected to be -1.6 percent from 2000 through 2004, while the United Kingdom's annual average real growth rate is expected to increase by slightly less than 1 percent from 2000 through

2003. Italy's defense plans indicate a 4-percent annual average real growth rate for defense spending from 2000 through 2004. European budgets for major defense equipment have been of particular concern because they constitute the primary reason for shortfalls in defense capabilities identified in Balkans operations. While some nations, such as France and the United Kingdom, spent at least 20 percent of their defense budgets on equipment in 2000, Germany, Italy, and many other NATO countries spent less than 15 percent. In comparison, the United States spent at least 20 percent of its defense budget on equipment in 2000. European allies have pledged to increase equipment spending over the decade; however, some nations are facing difficulty doing so. Germany's annual average real growth rate for defense equipment is projected to be -1.3 percent in the years 2000 through 2004. According to budget projections from the United Kingdom, its annual average real growth rate for equipment is expected to increase by about 1.4 percent from 2000 through 2003.

Budget challenges are attributable in part to structural problems inherent in the defense budgets of certain NATO countries. Chief among these problems is large personnel costs. Seven of the 19 NATO nations spent 60 to 80 percent of their defense budgets on personnel in 2000. Fewer resources are thus available to buy new equipment. While European nations have devised interim measures to meet some of their defense requirements, such as leasing airlift aircraft, more funding will be needed to achieve the objectives of the Defense Capabilities Initiative and European Security and Defense Policy before the end of the decade. Some European NATO countries are pursuing multinational cooperation in procurement to share the financial burden of acquiring expensive systems and equipment, such as with the A400M military transport aircraft. However, funding availability is delaying this and other multinational projects.

Concluding Observations

The breakup of the Soviet Union has prompted the United States and its European allies to use a much broader range of military and nonmilitary tools to foster security in the European region now than during the Cold War. In this new security environment, military contributions are no longer the sole mechanism for providing security. Development assistance to new or emerging democracies in Central and Eastern Europe, as well as the eastward expansion of NATO and the European Union, provide the second and third major tools for a secure and stable Europe. New trends in the military and nonmilitary contributions made by the United States and its European allies have emerged. Militarily, the United States leads its allies in providing combat capabilities to restore peace, as it did in the Balkans.

European allies provide most of the peacekeeping forces and the preponderance of nonmilitary aid to the region. NATO's focus on a wider set of threats and on the expansion of its membership to integrate former Warsaw Pact nations complements the role of the European Union, the leading source of nonmilitary assistance in the region through the European Commission, whose responsibilities and membership are also expanding.

Despite these achievements and contributions, weaknesses in European defense capabilities—now and in the near future—mean that European allies will depend on the United States to provide key combat capabilities should a major conflict break out in the region. Given this situation, the United States will need to continue playing an important role in the European region, particularly in the area of military capabilities, at least until the end of the decade.

Agency Comments

In written comments in response to a draft of this report, the Department of State concurred with the report's contents. These comments are presented in appendix IV. The Department of Defense provided oral comments and also concurred with the report's contents. DOD and the Department of State also provided technical comments, which we incorporated where appropriate.

Introduction

During the Cold War, the United States and its North Atlantic Treaty Organization (NATO) allies invested heavily in warfighting and combat support assets to protect the alliance against the threat of Soviet aggression. In the mid-1980s, the number of U.S. forces stationed in Europe peaked at approximately 350,000 personnel. In addition, our European NATO allies had about 3.6 million military personnel deployed to repel a full-scale attack on NATO's European fronts by the Soviet Union. NATO and its members funded the development and maintenance of infrastructure to support the presence of large armored ground forces and air units to defend its borders.[1] With this presence came a heavy reliance on the civilian population for logistic support in the event that war were to break out. Although European NATO countries provided considerable financial and political support to the U.S. military presence, concerns over the relative magnitude of U.S. commitments to European security provoked recurrent debates about burdensharing among American policymakers throughout the Cold War. In 1981, Congress required that the Department of Defense (DOD) report annually on the Allies' contributions to NATO and to other regional defense and security institutions elsewhere in the world.[2]

The end of the Cold War produced dramatic changes in Europe's geopolitical order. Twelve Newly Independent States (NIS) emerged as autonomous nations, but many of these nations have maintained diplomatic and economic ties to Russia through membership in the Commonwealth of Independent States.[3] After Communist state institutions in Central and Eastern European (CEE) countries collapsed, members of NATO's principal adversary, the Warsaw Pact alliance, began to elect governments democratically and to establish market-oriented economies.[4] New national boundaries and the adoption of new political and economic

[1]Infrastructure includes aircraft shelters, prepositioned weapon depots, and fuel distribution networks.

[2]Subsequent revisions of burdensharing-reporting requirements occurred in the 1984 and 1997 National Defense Authorization Acts, as well as the 2000 Department of Defense Military Construction Appropriations Act.

[3]The Newly Independent States include the former Soviet Republics of Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. The three Baltic republics—Estonia, Latvia, and Lithuania—declared independence prior to the Soviet Union's official dissolution on December 25, 1991.

[4]The CEE nations include Albania, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and the Slovak Republic.

systems have transformed the European security landscape. Former Cold War adversaries have cultivated commercial and economic relationships with the West, and three former Warsaw Pact states joined NATO in 1999.[5]

This rapid economic and political transformation has altered the security environment across Europe. Although NATO remains committed to its mission to defend the Alliance against external enemies, the dissolution of the Soviet Union dramatically reduced NATO's vulnerability to conventional attack. However, new threats have emerged over the past decade. The creation of new states and the dismantling of old institutions aggravated ethnic and economic tensions within and between nations. Former Communist nations have struggled to establish democratic institutions against pressure from the leaders and supporters of the old authoritarian order. Financial, administrative, and judicial institutions often lack competent personnel and sufficient resources to successfully combat public sector corruption and organized crime. In the face of dwindling resources in the NIS, the Soviet infrastructure for maintaining its nuclear arsenals has degraded, increasing the risk of environmental damage, the opportunity for diversion of nuclear weapons technology to "rogue" states or terrorist groups, and the potential for accidental or unauthorized use of nuclear weapons.

Since the dissolution of the former Yugoslavia, the Balkans[6] region has exemplified a worst-case scenario in the new European security landscape. The secession of Croatia in 1991 and Bosnia in 1992 resulted in a protracted civil war, as armed factions fought to have ethnically pure states. Albania's 1997 financial crisis precipitated the government's collapse and sparked riots and armed revolts that reportedly caused more than 2,000 deaths. Early in 1998, conflict erupted in Kosovo between Kosovar Albanian insurgents, who were fighting for the independence of Kosovo, and Yugoslav forces, most of whom were Serbian, fighting to retain Yugoslavia's sovereignty over the province. In February 2001, ethnic fighting erupted in the Former Yugoslav Republic of Macedonia between ethnic Albanian rebel forces and Macedonian authorities over the issue of obtaining greater

[5]They are the Czech Republic, Hungary, and Poland.

[6]For the purpose of this report, the Balkans region is defined as Albania, Bosnia, Croatia, the Federal Republic of Yugoslavia (Serbia, Montenegro, and the Serbian province of Kosovo, hereafter referred to as Yugoslavia), and the Former Yugoslav Republic of Macedonia. Bosnia's official name is Bosnia and Herzegovina. The Socialist Federal Republic of Yugoslavia, which dissolved in 1991, is referred to in this report as the "former Yugoslavia."

rights for minority ethnic Albanians. These crises exacted a heavy humanitarian toll and created hundreds of thousands of refugees and internally displaced persons. Although NATO and United Nations (U.N.) peacekeeping forces have been critical to containing and preventing further violence in the region, these nations' civic institutions remain weak, and many former combatants retain their wartime objectives. In Bosnia and Kosovo, the international community oversees local political and legal institutions and pays for extensive development projects to rehabilitate the region's infrastructure and economic institutions.

NATO allies and partners have responded to changing threats through a combination of military and nonmilitary strategies aimed at preventing and containing instability in the region. The 1991 NATO strategic concept, which was updated in 1999, called for the allied militaries to adopt light, mobile forces that can respond rapidly to a broad spectrum of contingencies. The 1999 Defense Capabilities Initiative (DCI) established new standards for NATO forces, better reflecting the new types of conflicts they may face in a dynamic threat environment. The United States has responded to the reduced threat in part by drawing down personnel levels on the European continent to approximately 100,000. Many European allies have likewise downsized their forces and cut defense expenditures, and a few have implemented defense-restructuring programs. Civil-military outreach initiatives such as the NATO Partnership for Peace (PfP) emphasize greater cooperation and engagement between the militaries of former adversaries. The NATO enlargement process encourages the institutional development of partner states by emphasizing respect for human rights, transparent public institutions, and civilian control of armed forces. NATO efforts to promote stability in former Warsaw Pact nations are complemented by U.S. and European bilateral economic aid and technical assistance for good governance, economic restructuring, and nonproliferation programs.

The European Union (EU) has developed a common foreign and security policy to complement its economic power and to raise its visibility in international and regional affairs. This policy represents a new effort by the EU to formulate foreign policy positions that best represent the interests of the EU and its member states. Under this policy, the EU has taken an active diplomatic role in successive Balkans crises and is working with NATO officials to broker peace in the Former Yugoslav Republic of Macedonia. A central element of this policy is the European Union's development of a military component to respond to post-Cold War threats when NATO chooses not to be involved, thereby enhancing the credibility

of EU diplomacy. Progress in building defense capabilities depends in large part on the ability of EU member states to provide adequate resources for military requirements, as discussed in chapter 4.

European multilateral institutions have adapted to the post-Cold War environment by transforming their functions and developing connections with peer institutions. Initiated in 1973, the Conference on Security and Cooperation in Europe has since evolved from a forum for arms control negotiations into the Organization for Security and Cooperation in Europe (OSCE), an association that manages a range of programs throughout Europe and Central Asia relating to conflict prevention and early warning, crisis management, and post-conflict rehabilitation. Activities include, for example, election monitoring; developing democratic institutions, processes, and mechanisms; and police monitoring.[7] Given its expanded role in European security, the OSCE has coordinated its programs with other international organizations, such as the EU, the United Nations, and NATO. During the Cold War, the EU concentrated its efforts on the economic integration of Western European nations. However, the EU has recently played a more visible international role through its Common Foreign and Security Policy (CFSP) and is currently developing a European Security and Defense Policy (ESDP) to enhance its military and civilian crisis-response capabilities. EU enlargement, another significant foreign policy activity, offers substantial economic and technical assistance to accession candidates to support democratic and free-market reform.

Objectives, Scope, and Methodology

In response to the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 mandate requirement, we identified and assessed (1) U.S. and European military and nonmilitary contributions to security and stability in the European region, (2) U.S. and European military and nonmilitary contributions to security and stability in the Balkans, and (3) the status of NATO and European defense initiatives to improve military capabilities for conflict management. In addition, we also summarized the results of a companion GAO report concerning the effects of forward-deployed U.S. forces in Europe on mobility requirements in the event of a regional conflict in Europe or the Middle East.[8] The data used in this report reflect information collected before the Department of Defense completed

[7]OSCE members include 55 countries across Europe, Central Asia, and North America.

[8]See GAO-02-99, Nov. 28, 2001.

the Quadrennial Defense Review and before the terrorist attacks of September 11, 2001. The way in which the United States and its European allies respond to these events will affect U.S. and European interests, military force postures, and budget priorities. However, it is too early to discern what the effects will be. DOD issued the Quadrennial Defense Review report on September 30, 2001, and we summarize pertinent information about overseas presence in our report. DOD is now engaged in the program and budget review and is conducting follow-on analysis regarding overseas presence and other related issues, particularly in light of the events of September 11, 2001.

To meet our objectives, we analyzed a range of documents and interviewed numerous military and civilian officials from the United States and five European allies.[9] We focused on France, Germany, Italy, and the United Kingdom because they accounted for nearly 70 percent of the total gross domestic product and defense spending by all European NATO members in 2000. We also focused on Turkey because of its unique security environment and the critical role it plays in an unstable region. We visited these countries in March 2001 and met with officials from the respective countries' embassies in Washington, D.C. In addition, we met with officials from NATO's Supreme Headquarters Allied Powers, Europe (including the Supreme Allied Commander); the EU; the OSCE; the Organization for Economic Cooperation and Development (OECD); and the United States European Command. We worked closely with officials at the Department of Defense and Department of State in Washington, D.C., and at the U.S. embassies in the countries we visited. We also reviewed documents and interviewed officials from the World Bank and the United Nations. Finally, we interviewed analysts at numerous think tanks in the United States and Europe, including the Brookings Institution, the Center for Strategic and International Studies, the Center for Strategic and Budgetary Assessments, and the CATO Institute, all in Washington, D.C.; the Institute for Security Studies of the Western European Union, in Paris; the Institute of International Affairs, in Rome; the Konrad Adenauer Institute, in Berlin; and the Centre for European Reform and Royal United Services Institute for Defense Studies, in London.

To address the first objective, we collected and analyzed DOD and NATO reports that identified U.S. and European troop strengths, the costs of

[9]For this report we define European allies to include European NATO and/or European Union member nations, plus Switzerland.

permanently stationing U.S. military forces in Europe, and the costs of deploying and supporting U.S. forces in regional contingencies, such as in the Balkans. To identify financial and other contributions that our European allies provide to maintain the U.S. forces in Europe, we obtained and assessed reports on direct and indirect host country support, including the DOD *Allied Contributions* report.[10] We discussed these costs with U.S. and host country officials. These officials also identified other unquantifiable costs associated with hosting U.S. troops in European countries. We relied on NATO defense budget data to identify the historical defense-spending trends of NATO allies.

We identified and assessed the political, military, and economic benefits and drawbacks of maintaining a U.S. military presence in Europe by analyzing government and nongovernment studies and by discussing these issues with a wide range of U.S. and European civilian and military officials.

We identified key nonmilitary financial contributions to Central and Eastern Europe and the Newly Independent States by relying on development assistance and nonproliferation assistance data. Development assistance includes grants and concessional loans that have a grant element of at least 25 percent that are provided by national governments and multilateral organizations. We focused on contributions provided by the United States, European nations, and the European Commission—the leading multilateral donor of development assistance to Central and Eastern Europe and the Newly Independent States. We did not include nonconcessional loans, such as those provided by the World Bank and the International Monetary Fund, because these require repayment by the recipient country. Further, we did not include any private-sector flows to the region. For development assistance data from 1990 to 1999, we relied primarily on OECD's Development Assistance Committee statistical database, which we converted to constant 1999 dollars. We use constant 1999 dollars throughout the report, unless noted otherwise. We discussed the development assistance programs with the U.S. Department of State and with officials from the EU, the OECD, and the foreign affairs ministries of the countries we visited. We selected nonproliferation assistance as a way to quantify national and multinational efforts to address critical nonproliferation concerns in the Newly Independent States. To identify

[10]*Report on Allied Contributions to the Common Defense*, Department of Defense, March 2001.

nonproliferation assistance to the NIS, we relied on reports provided by the EU and the Departments of Defense and Energy. We also met with European officials to discuss European objectives, priorities, trends, and future efforts, and relied on GAO reports for similar information on U.S. nonproliferation programs.[11] We analyzed data available from 1992 to 2001.

We identified and assessed the contributions of NATO and the EU to security and stability in Europe in the post-Cold War decade by focusing primarily on their enlargement programs. We relied on recent GAO work on the NATO Partnership for Peace program, and we obtained documents from France, Germany, Italy, Turkey, and the United Kingdom that identified their Partnership for Peace activities with prospective NATO member nations.[12] We obtained cost data from the EU and from economic databases to document the EU's current and projected financial contributions to countries seeking EU membership, and those contributions' effects on donor and recipient countries' economies. We discussed these issues with U.S. and European officials and obtained their perspectives concerning the contribution of these enlargement programs to security and stability in Europe.

To address the second objective, we obtained and analyzed NATO and U.N. peacekeeping reports from 1992 to 2001 concerning the number and type of military personnel deployed in direct support of the Balkans peacekeeping operations. We also interviewed senior U.S., NATO, and European military and policy officials, to discuss the roles and contributions of the respective forces since 1992. We relied on past GAO work and on DOD and European reports to identify the military contributions of U.S. and European allies to Operation Allied Force. In interviews with U.S. and European civilian and military officials, we discussed the benefits and drawbacks of participating with our allies in regional contingency operations, such as in the Balkans. These U.S. and European officials, including former commanders of Balkans operations, provided valuable perspectives based on their personal experiences in the Balkans and other contingency operations.

We identified key nonmilitary financial contributions to the Balkans by relying on development assistance data from 1993 to 1999. We relied primarily on OECD's Development Assistance Committee statistical

[11]GAO-02-226T, Nov. 7, 2001.

[12]See NATO: *U.S. Assistance to the Partnership for Peace* (GAO-01-734, Jul. 20, 2001).

database. We discussed these development assistance programs with the U.S. Department of State and with officials from the EU, the OECD, and the foreign affairs ministries of the countries we visited.

We focused on U.N. civilian police, OSCE, and EU Mission Monitoring programs to identify the number and type of nonmilitary personnel provided by donor countries that participated in the Balkans peacekeeping operations from 1992 to 2001. These three programs together represent the majority of civilian personnel temporarily provided by the United States and European countries to support the Balkans operations. We interviewed U.S., U.N., EU, and OSCE officials and reviewed agency documents to obtain the number of personnel assigned to the Balkans operations and their qualitative contributions. We obtained and analyzed data from the U.N. High Commission for Refugees (UNHCR) for statistics on numbers of refugees migrating from the Balkans to the U.S. and to European countries, and we discussed the numbers with various U.S. and European officials.

To address the third objective, we reviewed defense policy and budget documents from NATO, the EU, selected European countries, and the United States. We obtained reports addressing the status of defense reform and modernization efforts in France, Germany, Italy, Turkey, and the United Kingdom. We corroborated this information with European and U.S. officials. We reviewed NATO, EU, and U.S. documents on the status of NATO's Defense Capabilities Initiative and the EU's European Security and Defense Policy. We also interviewed a wide range of officials from NATO, the EU, selected European countries, the United States, and think tanks to obtain their perspectives on the progress of these security initiatives and their potential contribution to security and stability in Europe.

To compare defense expenditures of NATO members on a historical basis, we first converted the NATO inflation-adjusted local currency figures to their 1995 U.S. dollar equivalents, using the 1995 U.S. exchange rate for each NATO member. We then applied the change in the U.S. gross domestic product (GDP) deflator from 1995 to 2000 to obtain defense expenditures for all members in constant 2000 U.S. dollars.[13] We recognize that exchange

[13]Our methodology is similar to the one NATO uses and to the one we used in our 1999 report. NATO uses 1995 local currency defense-spending deflators and 1995 exchange rates to convert to 1995 dollars. However, NATO does not further convert 1995 dollar defense expenditures into year 2000 dollars, as we have done in this report.

rate fluctuations may have a significant effect on the reported levels of defense spending after these currencies are converted to a common currency, such as the U.S. dollar. This is particularly true in periods when there are significant changes in exchange rates, such as occurred between the U.S. dollar and many European currencies during the 1995 to 2000 period. The ratio of defense expenditures to GDP is a more consistent indicator of relative defense burdens or commitments, because it is not affected by exchange rate fluctuations. Therefore, we emphasize this ratio and the trend in defense expenditures in the domestic currencies in our discussion of defense burdens.

To present unclassified information on future defense spending, we obtained spending projections for key budget components, such as personnel and equipment, and for total defense spending from the respective governments of Germany, Italy, the United Kingdom, and the United States.[14] However, we found the data provided to us were not fully compatible with NATO data. To make our projections consistent with NATO's historical defense expenditures and components, we calculated the rates of growth implied by the data that NATO member countries supplied us, and we used NATO information for the year 2000 as a base for our projections. We also used forecasts of gross domestic product from DRI-WEFA—an economic consulting firm—to compute projected ratios of defense spending to GDP.[15] To determine the future composition of defense expenditures for "personnel" and "equipment" categories, we applied the implied growth rate from the defense budget projections that NATO members provided us to the respective data from NATO for the year 2000.

We discussed our methodology with DOD officials. DOD indicated that it preferred using year 2000 exchange rates and 2000 local currency defense spending deflators for converting the local currency defense expenditures into 2000 dollars. However, we did not use DOD's suggestion, because NATO uses a methodology similar to ours, which uses 1995 exchange rates. Because some European currencies have been subjected to significant depreciation between 1995 and 2000, using 2000 exchange rates

[14]NATO defense budget projections forecast for NATO members are classified.

[15]DRI-WEFA *World Outlook Comparison Tables*, *Forecast Data*, *2001*, third quarter. The projected GDP figures may not reflect the economic shocks that have occurred since September 11, 2001.

substantially lowers defense expenditure figures expressed in dollars for these European NATO members.

Post-Cold War Environment Drives Contributions to European Security in New Directions

The breakup of the former Soviet Union has prompted the United States and its European allies to use a much broader range of military and nonmilitary tools to foster security in the European region than were used in the past. The United States and its European allies have reduced their military forces and defense budgets since 1990, yet their forces have remained actively engaged in peacekeeping and other security-enhancing activities in the region during the post-Cold War period. The United States has reduced its military presence in Europe to a current level of about 100,000 military personnel, which cost $11.2 billion to support in fiscal year 2000. Increasingly, the United States and its European allies have used nonmilitary tools such as development and nonproliferation assistance to shape the regional security environment.[1] The type and level of assistance provided by each country reflects national interests, priorities, and threat perceptions. Since the end of the Cold War, multilateral organizations such as the European Union have also assumed wider responsibilities in shaping the security environment. In addition, NATO has begun to enlarge its alliance to include Central and Eastern European nations and has taken on important new missions, such as peacekeeping to help stabilize the Balkans. The European Union has developed a Common Foreign and Security Policy (CFSP), which uses a combination of political, military, and other measures to respond to regional crises. The enlargement of the European Union, whose accession programs are estimated to cost up to $60 billion from 2000 through 2006, is recognized by U.S. and European officials as a major investment in the region and as Europe's most significant contribution to regional security and stability.

Reduced U.S. and European Military Forces Provide Security Foundation in Post-Cold War Europe

Although the international security environment presents a diverse set of challenges very different from those of the Cold War, U.S. and European military forces still provide the foundation for security and stability in Europe. The number of U.S. and European military forces in Europe has declined since the end of the Cold War, as have the defense budgets that support these forces.

[1]OECD defines official development assistance as financial flows to developing countries and multilateral institutions that are provided by official agencies and meet two conditions: (1) must promote economic development and welfare of developing countries as its main objective, and (2) must be concessional in character and convey a grant element of at least 25 percent.

Size and Cost of U.S. and European Forces in Europe Have Decreased Since the End of the Cold War

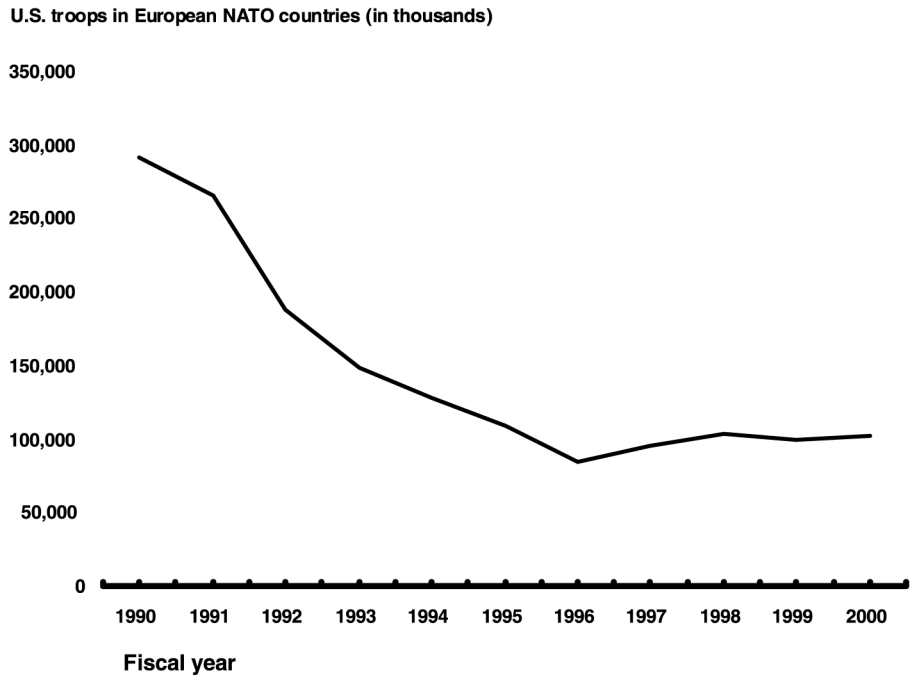
Since the end of the Cold War, the United States and European NATO countries have reduced the size of their military forces and their corresponding defense budgets. The United States reduced its active military forces by 32 percent between 1990 and 2000, and its forces in European NATO countries by 65 percent. The United States reduced its defense expenditures by approximately 25 percent during the same period. Meanwhile, European NATO countries reduced their active duty forces by about 15 percent during the post-Cold War decade, and reduced their defense budgets by 14 percent.

Size of U.S. and European Forces Has Declined

The United States has reduced its military presence in European NATO countries from about 300,000 permanently stationed Army, Air Force, Navy, and Marine personnel in 1990 to about 100,000 personnel in 2000, as shown in figure 1.[2] The size of the U.S. presence in Europe has declined since 1990 in response to reduced threats in the region. U.S. personnel are stationed in NATO countries throughout Europe but are concentrated in five key countries, as shown in figure 2. In addition to the more than 100,000 permanently stationed personnel, forces that are rotationally and temporarily deployed also contribute to the U.S. military presence in Europe. For example, most of the 12,000 naval forces afloat rotate from the continental United States. In addition, the United States deployed about 11,400 troops in 2000 to support Balkans peace support operations. The Balkans forces came from units stationed either in Europe or in the United States.

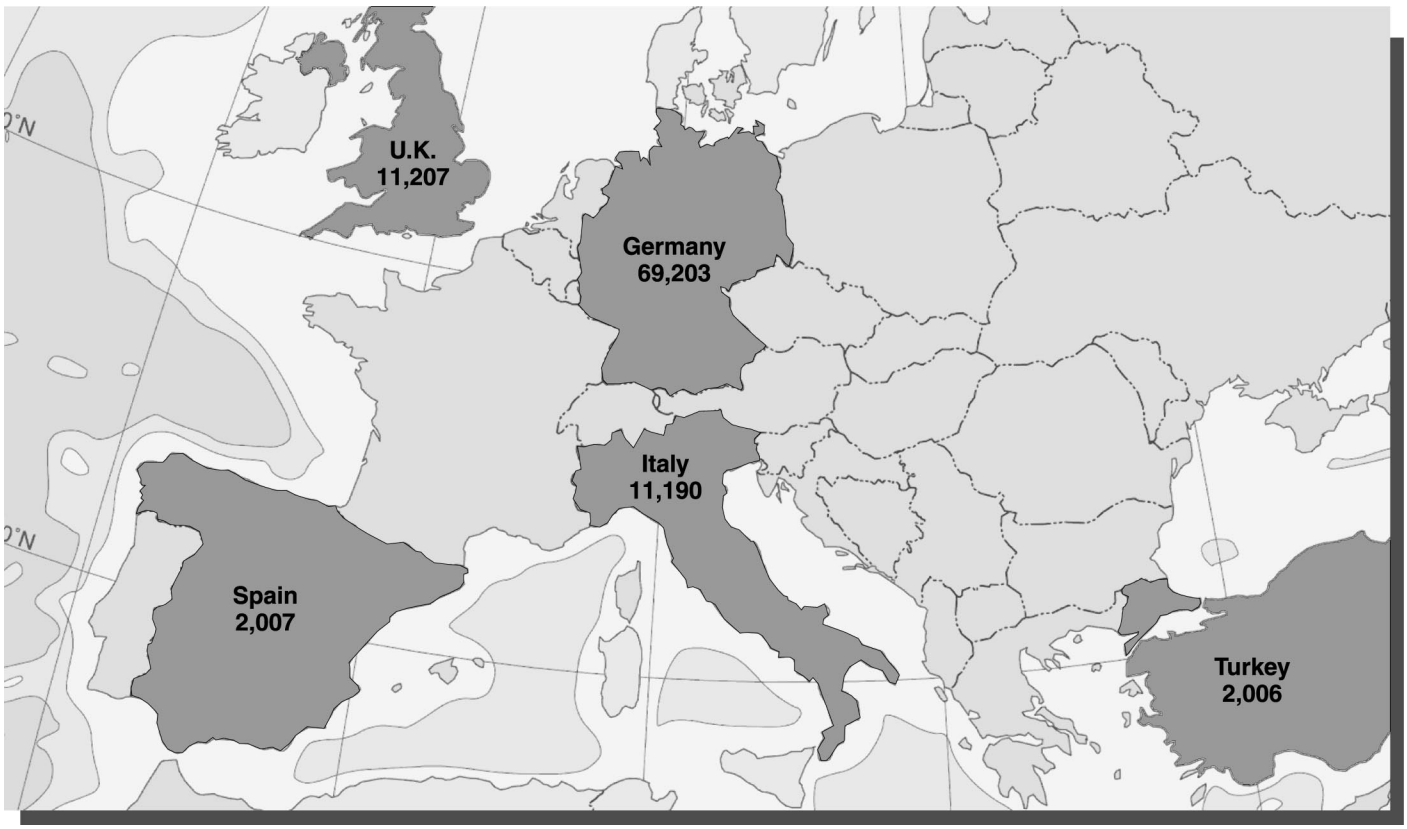
[2]This reduction occurred in several steps. DOD initiated several studies in the early 1990s examining the scope of the U.S. military presence in Europe. The Congress also mandated in the National Defense Authorization Acts for fiscal years 1993 and 1995 that DOD maintain a presence of about 100,000 troops.

Figure 1: U.S. Troop Strength in European NATO Countries, 1990-2000



Source: NATO.

Figure 2: Number of U.S. Military Personnel Permanently Stationed in Five European Countries, September 30, 2000



Source: DOD.

Infrastructure and prepositioned equipment are also part of the U.S. military presence in Europe.[3] As the United States has reduced the number of permanently stationed personnel in Europe, it has also returned bases and other facilities to European host nations. In 1991, the United States operated 858 European facilities; it now operates 241 facilities. Other facilities, such as communications centers, support a range of U.S. military activities in Europe and other regions. Prepositioned equipment facilitates the rapid reinforcement of personnel from the continental United States in

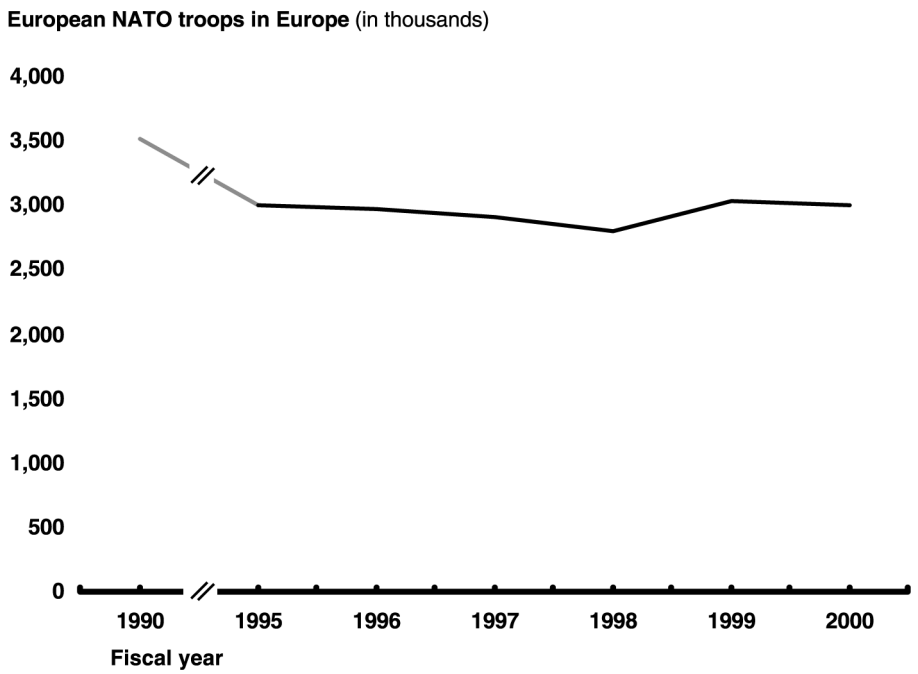
[3]Infrastructure includes the facilities that host or support U.S. military operations and activities, such as army bases, airbases, naval ports and naval air stations, training facilities, and communications facilities.

the event of a crisis. Although the United States has reduced the scale of prepositioned equipment in Europe, it continues to maintain key prepositioned stocks, such as Army equipment for three heavy brigades and six Air Force airbase support sets. Finally, the U.S. en-route system of airbases supports its airlift aircraft in regional operations.

European NATO countries have also reduced their military force numbers and supporting infrastructure over the past decade, but not to the extent the United States has. As discussed in chapter 4, some European countries, such as Germany, have taken longer to reduce their personnel numbers because they maintain conscription.[4] As shown in figure 3, European NATO nations reduced their active military forces by approximately 15 percent between 1990 and 2000, from 3.5 million to about 3 million. Over the next 5 years these numbers could decline even further, as European nations look for savings that can be used to procure modernized weapon systems and equipment.

[4]Conscription requires that citizens between certain ages serve in the armed forces for a period of time or provide alternative service to their country. In Germany's case, for example, nearly half of its armed forces are conscripts.

Figure 3: European Troop Strength in European NATO Countries, 1990-2000



Note 1: Years 1999 and 2000 include troops from the Czech Republic, Hungary, and Poland.

Note 2: NATO data were not available for 1991-1994.

Source: NATO.

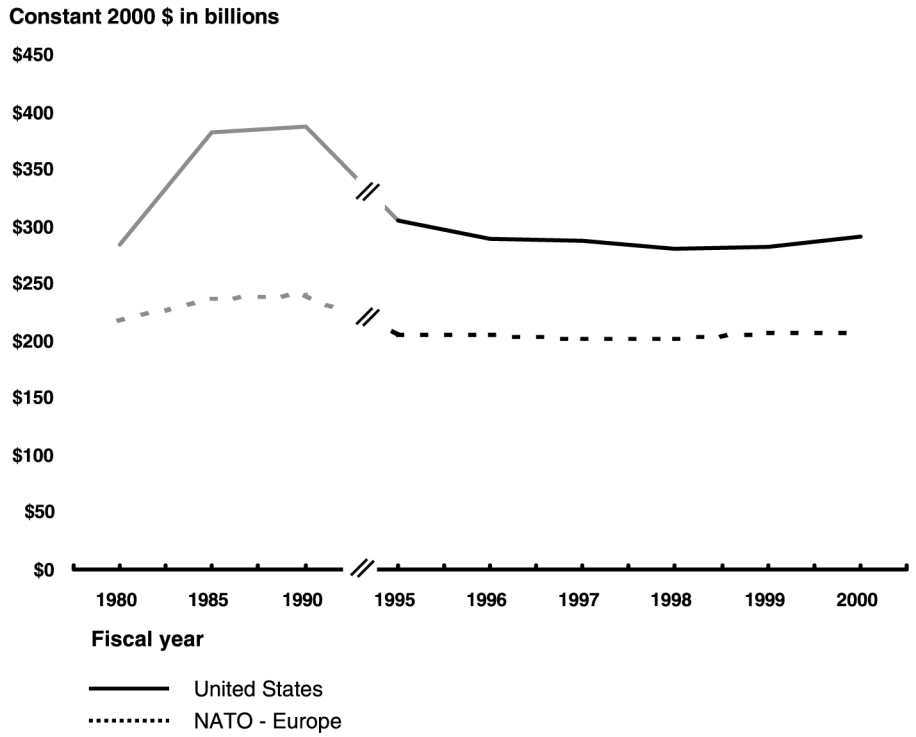
Costs in Support of European Security Have Declined

U.S. and European defense budgets have provided the resources for post-Cold War defense-related activities in Europe. As shown in figure 4, U.S. and European defense budgets declined and then generally leveled off after 1990. Similar trends exist with defense spending as a percentage of GDP, as shown in figure 5. While the United States still has a large defense budget—both in terms of total defense expenditures and as a percentage of GDP—the gap between U.S. and European defense budgets has narrowed during the post-Cold War decade.[5] European defense budgets primarily support European regional security, whereas only a portion of U.S. defense budgets supports U.S. security commitments in Europe. We were able to

[5]Turkey and Greece spent more on defense as a percentage of GDP than did the United States—4.5 and 4.9 percent, respectively, in fiscal year 2000. U.S. defense spending as a percentage of GDP was 2.9 percent in fiscal year 2000.

discover the cost of maintaining U.S. personnel and supporting infrastructure in Europe; however, identifying the total cost of U.S. security commitments in Europe is more difficult, because some of this support comes from units and facilities located in the United States that have multiple mission responsibilities.

Figure 4: Defense Spending by the United States and Selected European Countries, 1980-2000

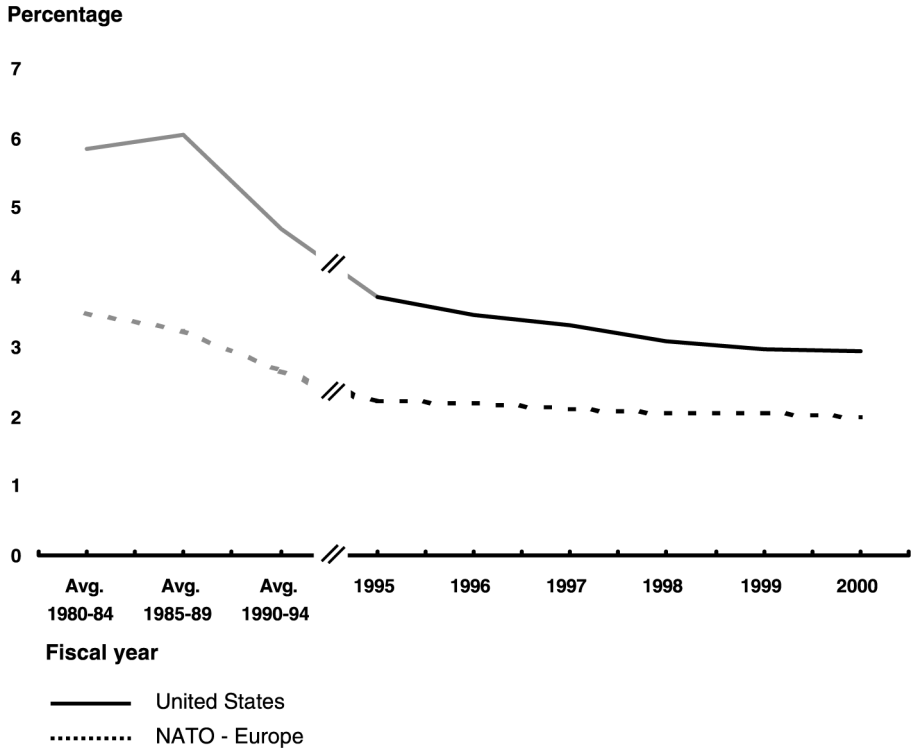


Note 1: Data from 1980 through 1995 were available only in 5-year increments.

Note 2: 2000 figures are NATO estimates. NATO will release actual figures in December 2001.

Source: NATO.

Figure 5: Defense Spending as a Percentage of GDP for the United States and Selected European Countries, 1980-2000

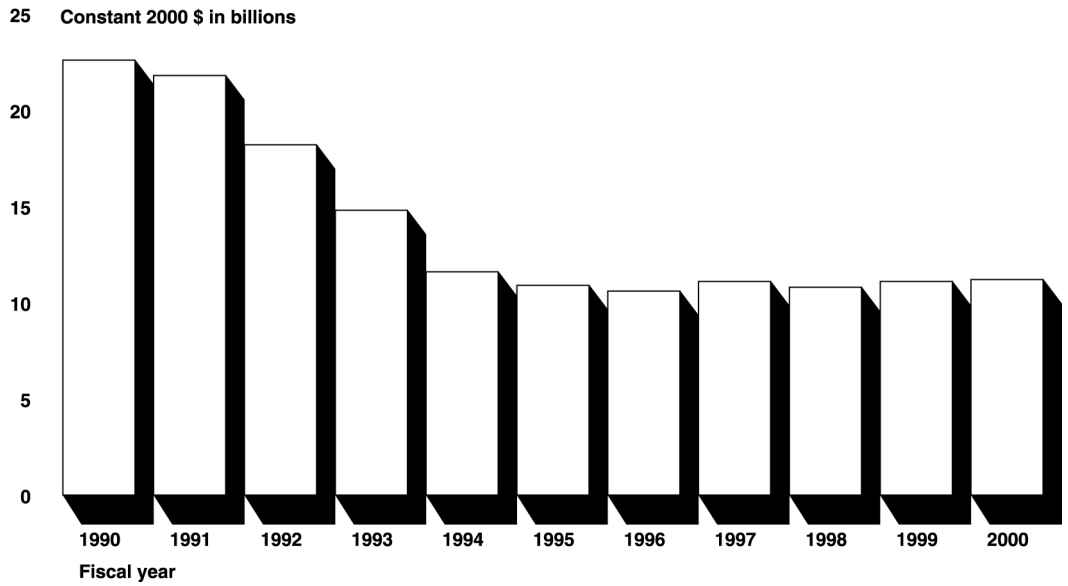


Note: Data from 1980 through 1995 were available only as averages for 5-year increments.

Source: NATO.

The cost of supporting the U.S. military presence in Europe declined more sharply than did total U.S. defense expenditures between 1990 and 2000. DOD stated that for fiscal year 2000, the cost of supporting the U.S. military presence in European NATO countries, including permanent personnel and supporting infrastructure, was $11.2 billion. As shown in figure 6, this is a decline of about 50 percent from fiscal year 1990, when about $23 billion (in year-2000 dollars) supported about 300,000 troops.

Figure 6: Costs to Support U.S. Permanently Stationed Forces in Europe, 1990-2000



Source: DOD.

About $7.3 billion, or 65 percent, of the current cost of supporting the U.S. military presence in Europe is targeted in Germany, where the United States continues to station about 70,000 troops. DOD defines the cost of overseas presence as the costs that each of the armed services incurs for personnel, operations and maintenance, military construction, and family-housing construction and operations in each country where active-duty personnel are permanently stationed.[6] This does not include other costs, such as commissary activities and some depot maintenance for equipment. DOD budget officials stated that the overseas costs are not incremental costs and do not represent the potential savings of returning any or all of these forces to the United States.

[6]Defining U.S. overseas military costs is difficult because DOD budgets by service rather than by overseas country. DOD began calculating overseas presence costs in response to a mandate in the 1989 National Defense Appropriations Act to better account for the costs that it incurs in supporting overseas presence. In response, DOD developed the OP-53 report, which identifies service-borne costs by country. The report also specifies the costs for DOD-wide functions such as health care, schools, and other activities not covered in the service budgets.

In addition to the cost of supporting permanently stationed forces, the United States also incurs the costs of participating in contingency operations in Europe. U.S. forces based in Europe, together with U.S. forces drawn from the continental United States and elsewhere, have participated in various regional contingency operations, particularly in the Balkans region. DOD identified the incremental costs incurred during these contingency operations as those costs that would not have been incurred if it were not for the operation.[7] DOD has reported that from 1991 through 2000, the United States spent $15.1 billion to support U.S. military involvement in the Balkans.[8] Together with the United Kingdom and Turkey, the United States has also participated in efforts to enforce the no-fly zone in Northern Iraq from bases in Turkey under Operation Northern Watch. The incremental costs for U.S. participation in Operation Northern Watch have been considerably less than for the Balkans operations. Contingency costs for U.S. participation in that operation totaled about $600,000 from fiscal years 1997 through 2001.

During the Cold War, European NATO allies began to offset the cost to the United States for its military presence in Europe through direct assistance, such as host-country expenditures to support U.S. forces, and indirect assistance, such as tax exemptions. DOD reported that in 1999, European NATO countries provided about $2.3 billion in host-nation support.[9] Germany, the largest contributor, provided about $1.4 billion of this total.

U.S. Military Presence in Europe Offers a Range of Benefits and Some Drawbacks

U.S. diplomatic and military officials stated that the U.S. military presence in Europe helps the United States achieve key political and operational objectives, including U.S. leadership and influence in the alliance, joint operations with European militaries, and response capability to crises in the region and elsewhere. These officials also identified certain strategic

[7]The principal categories include incremental pay for military personnel participating in contingency operations; other personnel support costs; incremental operating support costs for additional training, facilities, and other supplies; and operations-related transportation costs.

[8]For DOD contingency operations costs, see *Defense Budget: Need for Continued Visibility Over Use of Contingency Funds* (GAO-01-829, July 6, 2001).

[9]For DOD's complete assessment of allied host-nation support and other responsibility-sharing issues, see DOD's *Report on Allied Contributions to the Common Defense*, March 2001.

and operational drawbacks to maintaining the current U.S. military presence in Europe.

Political Benefits

The U.S. military presence allows the United States to exercise political leadership and influence in the alliance. The United States has traditionally contributed and continues to contribute the greatest number of military personnel to the alliance. This is largely attributable to the more than 100,000 permanently stationed U.S. forces in Europe and the dual-based forces stationed in the United States that are dedicated to NATO operations in the event of a crisis. According to a senior NATO official, NATO has traditionally acted under a principle of proportionality, in that the country contributing the greatest number of forces to the alliance receives the leadership position. Through these contributions, the United States has secured many top command positions, such as the Supreme Allied Commander, Europe. A U.S. military official said that the United States is thus able to guide the NATO defense planning process and to control a range of regional security operations and activities.

Senior European officials stated that the U.S. military presence demonstrates that the United States remains dedicated to European security and stability. They said that a reduction of U.S. forces stationed in Europe below a certain level—which they did not specify—would call into question the U.S. commitment. This commitment to European security is a critical factor as EU nations move to organize a more independent defense posture, according to U.S. NATO officials. They stated that continued U.S. presence in Europe will provide greater assurance that the United States has a voice in the process, even though it is not a member of the European Union. The Supreme Allied Commander, Europe, stated that the U.S. military presence has had a steadying effect in a changing security environment, as West and East Germany reunited and the Central and Eastern European countries began their transition from authoritarian to democratic governments. A senior German diplomatic official said that the U.S. military presence provides the anchor for European security and stability and that it reinforces the image of the United States as the primary security guarantor. A senior Italian military official noted that the U.S. military presence added influence, weight, and credibility to the structure of the alliance.

Maintaining a military presence in Europe also makes it easier for the United States to call on its allies in the event of a crisis. For example, U.S. military officials stated that it would have been more difficult to call on European allies to host the large numbers of forces deployed from the

United States to Europe in support of Operation Allied Force in 1999 if the United States had not already had forces based in many of these countries.

Operational Benefits

U.S. European Command officials stated that U.S. forces stationed in Europe can generally respond to crises in Europe and adjoining regions more quickly than could forces deployed from the United States, since they are closer to areas of conflict. U.S. forces stationed in Europe were the first to be deployed in support of peacekeeping operations in Bosnia in 1995 and Kosovo in 1999.[10] In July 2001, U.S. Marine Fleet Anti-Terrorist Support Teams were deployed from Naples, Italy, to provide additional security during attacks against the U.S. Embassy in Skopje, the Former Yugoslav Republic of Macedonia. The U.S. European Command provided 25,000 personnel to support NATO's Operation Allied Force (and related humanitarian efforts in Albania and the Former Yugoslav Republic of Macedonia). As discussed in chapter 3, U.S. participation in Operation Allied Force was greatly facilitated by the network of U.S. and allied airbases in Europe.

U.S. military presence also encourages improved interoperability between the United States and European NATO countries, and it enables the United States to influence the development of European military capabilities. Since the end of the Cold War, the United States has focused on cooperative activities with regional militaries.[11] U.S. military officials argued that engagement activities, such as training foreign militaries in U.S. operating methods, are important because U.S. forces increasingly operate with a variety of countries in peacekeeping operations. Military officials at U.S. Naval Forces, Europe, added that, through overseas presence and frequent interaction, U.S. forces help shape other military forces and

[10]DOD officials said the U.S. Army in Europe plans to activate a second airborne battalion in Vicenza, Italy, starting in December 2001. The second airborne battalion will double the Army's light infantry presence and forced entry capabilities in Europe, enhance U.S. forces in NATO's southern region, and allow for simultaneous execution of noncombatant evacuation operations and maintenance of a rapid reaction force for the Balkans. Officials estimate that the activation will be completed by October 2003.

[11]According to DOD officials, these activities include 30 budget categories, ranging from naval ship visits and humanitarian relief operations to exercises with allies and non-allies.

encourage the development of greater expeditionary capabilities.[12] They also noted that another important benefit of having permanently stationed U.S. forces in Europe is to develop and foster relationships with foreign military units. Units deploying from the United States find that establishing these relationships is more difficult, given the relatively short time they spend in the European theater.

One of the most important operational benefits of the U.S. presence in Europe is that the United States is able to respond faster to crises in neighboring regions and elsewhere in the world. U.S. facilities in Europe allow the United States to project personnel and equipment rapidly from the United States to other regions of the world—a key element of U.S. military strategy. The United States maintains a global network of 13 en-route airbases that facilitates the rapid deployment of forces from the continental United States to areas of conflict overseas. Six of these en-route airbases are located in Europe. The U.S en-route system of airbases is critical to operations in Europe and Southwest Asia. Without these bases, which provide refueling and other logistical support to U.S. airlift aircraft, it would be impossible to meet wartime requirements in Europe, the Middle East, and Southwest Asia.[13]

Military officials at the U.S. Central Command (the command responsible for U.S. military operations in Southwest Asia) said that en-route facilities and associated support personnel in Europe are critical to deploying U.S. forces to that region in the event of a crisis.[14] They added that reducing the level of U.S. support in Europe would severely limit their ability to deploy forces in a crisis. U.S. prepositioned weapons and equipment in the European theater would allow the execution of military operations in nearby areas more quickly and at a lower cost than would using air-and sealift from the United States. According to officials at the U.S. Naval

[12]DOD defines the term "expeditionary" as the capability of an armed force to accomplish a specific objective in a foreign country. The Commandant of the U.S. Marine Corps elaborated on this definition, stating that an expeditionary force needs to be agile, flexible, and rapidly deployable. It must be able to enter the objective area forcibly, sustain itself for extended periods, withdraw quickly, and reconstitute rapidly to execute follow-on missions.

[13]For a more detailed discussion of these issues, see GAO report *Military Readiness: Effects of a U.S. Military Presence in Europe on Mobility Requirements* (GAO-02-99, Nov. 28, 2001).

[14]European Command officials noted that prepositioned equipment in Europe also supports the rapid reinforcement of personnel from the United States in the event of a crisis.

Forces, Europe, rotational naval forces in the Mediterranean can reach the Red Sea to conduct strike operations in Southwest Asia 9 days faster than forces deployed from the eastern United States. Air Force aircraft and personnel deployed in Europe allow forces to respond more quickly to address small-scale conflicts in the area and to reduce the burden on airlift and sealift, than if the units came from the United States. Likewise, Army combat and support units stationed in Europe allow forces to move to small-scale conflicts in the area more quickly and at lower cost. The Army can also move these units by land at a lower cost than that for transporting them from the United States. Similarly, U.S. military and diplomatic officials stated that U.S. participation in multinational efforts to enforce the no-fly zone in northern Iraq under Operation Northern Watch would be severely limited if the United States did not have access to Incirlik Airbase in Turkey.

Strategic Drawbacks

Representatives from major research organizations in the United States and Europe identified certain strategic drawbacks to maintaining the current U.S. military presence in Europe in the absence of a clear military threat, such as the Soviet Union. Some representatives and certain U.S. military officials also identified drawbacks from the current positioning of forces in Europe. Their comments focused primarily on U.S. ground forces.

Representatives from U.S. research institutes said that although stationing U.S. forces in Europe strengthens the U.S. strategic position in Europe, these forces reduce the overall strategic flexibility of the United States because the forces are committed to Europe. They also noted that the level of presence required to achieve U.S. objectives in the region is not clear, and that a force level of somewhat less than 100,000 would not likely affect U.S. ability to respond to regional conflicts. Representatives of research institutes in Europe concurred with this point and said that, for example, a 10-percent reduction in U.S. ground forces stationed in Europe would not affect the U.S.-European strategic relationship.

Research institute representatives also raised a related concern about the positioning of U.S. forces in Europe. The United States continues to station most of its forces at facilities that were used in the Cold War, particularly those in Germany. These officials have argued that the United States should base more of its forces closer to areas of potential conflict, such as in the Mediterranean region or further east, in the Central and East

European region.[15] U.S. officials stated that although bases in Germany are closer to the Balkans than are those in the United States, it has nevertheless been a challenge to support peacekeeping operations in southeastern Europe.

Representatives from major research institutes identified financial and other drawbacks to maintaining the current level of U.S. military presence in Europe. A RAND study estimated that the U.S. units stationed in Europe would cost about 10 to 15 percent less if they were based in the United States. However, other representatives disagreed, stating that savings would occur only if all or a portion of U.S. forces in Europe were removed from the force structure, rather than returned to the United States. In an environment of scarce resources, certain critics also argue that the military presence in Europe could be reduced so that the resulting savings could be used more advantageously in other parts of the world. Further, several representatives from major research institutes stated that a large U.S. military presence in Europe creates a disincentive for Europeans to improve their own defense capabilities and shoulder more of the defense burden in Europe. Maintaining the current presence may hamper or discourage the European allies from taking greater responsibility for regional security, they said, because allies view the United States as the principal security guarantor in Europe.

Quadrennial Defense Review

The new administration examined a range of strategic issues, including the scope of U.S. military presence and activities overseas, as part of the 2001 Quadrennial Defense Review. The Quadrennial Defense Review Report, issued in September 2001, states that the U.S. overseas presence, concentrated in Western Europe and Northeast Asia, is inadequate for the new strategic environment in which U.S. interests are global and potential threats are emerging in other areas of the world. The report further notes that a reorientation must take into account these new challenges. The report states that the United States will maintain its critical bases in Western Europe and Northeast Asia, and that these bases may also serve as hubs from which to address future conflicts in other parts of the world. The DOD report does not identify specific changes in the number of U.S.

[15]Nevertheless, several factors may militate against permanently shifting forces from current locations in Europe, according to DOD officials. In negotiating the Founding Act on Mutual Relations, Cooperation, and Security between NATO and the Russian Federation (May 27, 1997), NATO countries made a political pledge to Russia to refrain from developing new bases in former Warsaw Pact countries. Further, the cost of building new bases and facilities would be considerable, according to these officials.

military personnel in Europe. DOD officials emphasized that it is still engaged in reviewing these and related issues, particularly in light of the attacks of September 11, 2001, and that the results of continuing studies and discussions will emerge at a later time.

Europeans Lead in Development Assistance to the Newly Independent States and Central and Eastern Europe, but the United States Spends More on Nonproliferation and Threat-Reduction Programs

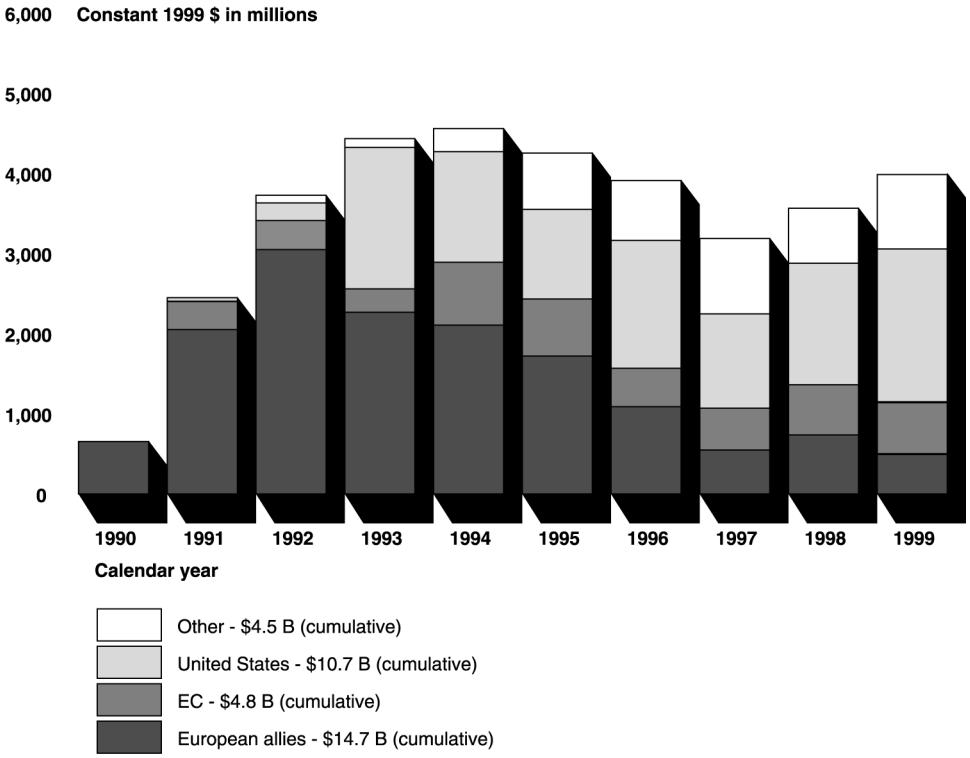
Since the end of the Cold War, the United States and European allies have increasingly used nonmilitary tools such as development and nonproliferation assistance to shape the European security environment. Their use of these tools has been based on differing regional interests and priorities. The European Commission and European allies have led in contributions of development assistance to Central and Eastern Europe (CEE) and the Newly Independent States (NIS), together providing about $47 billion of the just over $71 billion of development assistance disbursed to these regions from 1990 to 1999.[16]

The European Commission and European allies led in contributions of development assistance to the NIS from 1990 to 1999, disbursing about $20 billion of the approximately $35 billion provided by all donors during this period, as shown in figure 7.[17] European country contributions to the NIS came mostly from Germany, which spent about $11 billion during this period. While this partly reflects the costs associated with repatriating ex-Soviet troops during the early 1990s, German officials stated that their government also regards Russia's economic stability as a foreign policy priority and has invested heavily in technical assistance for private sector development and public administration reform. Other donor assistance supports Russia in rehabilitating social welfare services, such as public health and education.

[16]The European Commission, the executive agency of the European Union, manages EU multilateral development agencies and is responsible for EU external assistance programs.

[17]We did not include non-concessional loans.

Figure 7: Development Assistance Totaling $34.7 Billion Disbursed to the Newly Independent States, 1990-1999



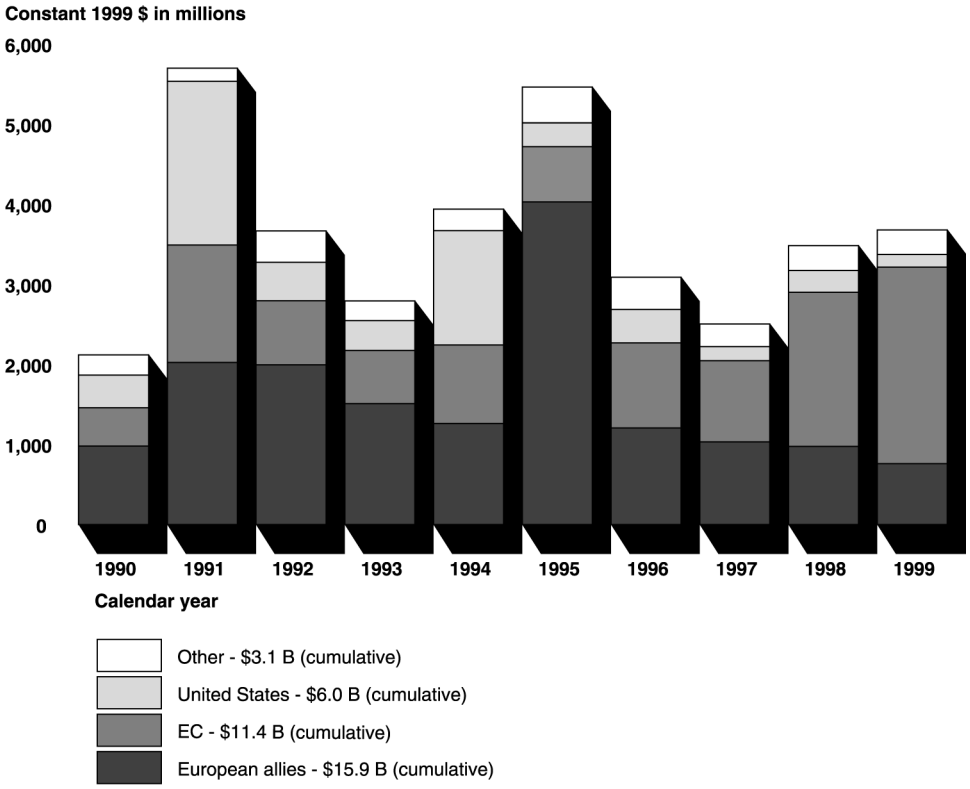
Note: B = billions.

Source: GAO analysis of OECD data.

The European Commission and European allies were collectively the leading donors of development assistance to Central and Eastern Europe from 1990 to 1999. This assistance supported economic and political reforms critical to the EU enlargement process, which will be discussed later in this chapter. Together, they disbursed over $27 billion of the more than $36 billion in development assistance provided to the region, as shown in figure 8. Although European country contributions have declined since 1995, this trend has been offset by increases in European Commission aid. European officials explained that national development assistance budgets have fallen in recent years because of fiscal constraints, and that governments have channeled development funding through multilateral institutions such as the European Commission. The rise in EC assistance to Central and Eastern Europe generally reflects this pattern, as does the

expansion of EC programs to prepare Central and Eastern European countries for EU membership.

Figure 8: Development Assistance Totaling $36.4 Billion Disbursed to Central and Eastern Europe, 1990-1999



Note: B = billions.

Source: GAO analysis of OECD data.

The United States regards stability among the Newly Independent States as vital to national security and has targeted a large portion of its development assistance funds to that region. As the second largest bilateral donor to the NIS, the United States spent about $10.7 billion from 1990 to 1999—nearly one-third of the development assistance provided to the NIS during this period. Supporting the former Soviet republics in their transition to democratic institutions and free-market economies is critical to U.S.

national security interests, according to the Department of State. U.S. aid to national governments in the region consists of financial and technical assistance for reforms in the political, judicial, and economic sectors. Direct aid to civil society benefits private enterprises, educational institutions, nongovernmental organizations, and municipal authorities. The United States supports comparable reforms in Central and Eastern Europe, and it allocated about $6 billion to the region from 1990 to 1999. As figure 8 illustrates, U.S. aid to the region has declined since the early or mid-1990s, falling from a peak of more than $2 billion in 1991 to less than $150 million in 1999. Funding decreased as the recipient countries made the transition to democratic societies and free markets, and no longer required development assistance. By the end of fiscal year 2000, 8 of the 15 recipient countries no longer needed U.S. assistance, and the United States had shifted its focus to the countries of southeastern Europe.

The United States spent considerably more than the EU and its member states to control the spread of weapons of mass destruction.[18] The United States allocated more than $5.5 billion to nonproliferation and threat reduction programs in the Newly Independent States from 1991 to 2001, as compared with the approximately $540 million spent by the EU and its member states. According to U.S. and EU officials, the relatively low levels of European funding for nonproliferation and threat reduction reflect different perceptions of threat. As a senior EU diplomat explained, the Cold War conditioned Europeans to perceive weapons of mass destruction primarily as an "East-West" concern, whereby the United States, as the leader of the West, bore most of the burden in addressing the issue. Nevertheless, he stated that the establishment of a Nonproliferation and Disarmament, Weapons of Mass Destruction, group within the Commission indicates the EU's growing concern over the threats posed by weapons of mass destruction. The group is working to raise awareness among the European Union and its member states about the proliferation of nuclear, biological, radiological, and chemical weapons.

[18]Weapons of mass destruction include nuclear, biological, radiological, and chemical weapons.

NATO and the EU Adapt Objectives and Policies to a Changing Strategic Environment

NATO and the EU have responded to Europe's evolving post-Cold War order by redefining and expanding their roles and objectives. Despite institutional differences, the activities of NATO and the EU complement each other to strengthen the economic, political, and military dimensions of regional security and stability. Founded as a defensive alliance, NATO has revised its strategic concept to respond to the broader spectrum of the threats now facing greater Europe—those ranging from traditional cases of cross-border aggression to interethnic conflicts and acts of terrorism. Furthermore, NATO is facilitating the integration and eventual membership of Central and Eastern European nations in the transatlantic security community. The EU has likewise emphasized regional integration as being key to a safe and stable Europe, particularly through the deepening of political and economic ties among current members and through extending EU membership to CEE countries.

NATO and the EU Use Enlargement Programs to Enhance Regional Stability

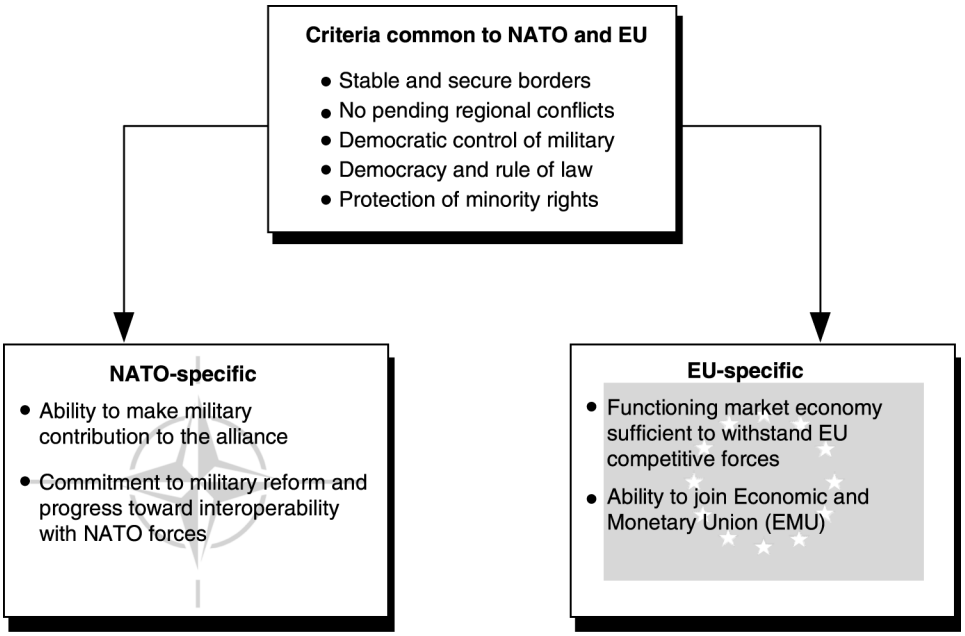
According to U.S. and European officials, the largely complementary NATO and EU enlargement efforts will make important contributions to regional security and stability. As a military alliance, NATO contributes to regional security by offering new members an explicit collective defense guarantee in the event that they are attacked.[19] This guarantee discourages potential aggressors from attacking any member because it would prompt an alliance-wide response. Even though the European Union does not have a similar collective defense guarantee, both U.S. and EU officials pointed out that the political and economic integration of CEE nations into the European Union—and the development of common institutions and policies—also contributes to regional security and stability.

U.S. and European officials stated that the EU accession criteria and NATO expectations for aspirant members enhance stability because they require potential members to make important reforms in support of democracy, rule of law, and stable borders, as illustrated in figure 9. U.S. and European officials noted that the possibility of membership in either or both institutions serves as an important incentive for aspirant nations to

[19]GAO has completed numerous studies examining the implications of NATO enlargement for the United States and the Alliance. See *NATO Enlargement: Requirements and Costs for Commonly Funded Budgets* (GAO/NSIAD-98-113, Mar. 6, 1998); *NATO Enlargement: Cost Estimates Developed to Date Are Notional* (GAO/NSIAD-97-209, Aug. 18, 1997); and *NATO Enlargement: U.S. and International Efforts to Assist Potential New Member*s (GAO/NSIAD-97-164, June 27, 1997).

undertake these reforms. For example, NATO and the EU require that countries seeking membership in either or both organizations must demonstrate that they have firm civilian control of the military and are not engaged in regional conflicts. Aspirant nations must also support democratic values and rule of law through transparent elections, autonomous judicial institutions, and protection of minority rights. Furthermore, the EU accession process fosters prosperity by supporting candidates' efforts to promote private enterprise, improve financial-sector transparency, and ensure macroeconomic stability. Outreach activities conducted in support of each institution's enlargement have reinforced relationships between current members and aspirant nations.

Figure 9: Security-Related Accession Criteria for the EU and NATO



Sources: EU and NATO.

There are important differences between the two initiatives. U.S. and European analysts pointed out that EU accession processes are lengthy and detailed because potential members must be able to implement the body of EU laws and regulations known as the *acquis communautaire*.[20] By contrast, NATO does not have fixed accession criteria. Since NATO's inception, the decision to admit new members has been based on unanimous agreement of all members. Although NATO developed a set of guidelines for potential members in 1995 that encompasses alliance expectations in political, economic, and military matters, nevertheless, these criteria are less specific than those for the EU.

NATO and the EU Use Accession Programs to Prepare Aspirants for Membership

Both NATO and the EU use accession programs to prepare candidate nations for potential membership in their organizations. NATO uses the Partnership for Peace (PfP) initiative to help expand political and military cooperation throughout Europe, and the Membership Action Plan, launched in 1999, to help nations aspiring to NATO membership prepare to meet NATO goals and priorities. The EU has used a more centralized set of assistance programs that help aspirant nations reform their domestic institutions to meet EU accession requirements.

Contributions of NATO Members to Partnership for Peace Reflect National Interests and Priorities

In 1994, NATO established the PfP initiative to increase defense cooperation with nonmember European countries, particularly former Warsaw Pact members and other former Communist countries in Central and Eastern Europe. U.S. and European defense officials said that PfP has been NATO's principal outreach initiative in the post-Cold War period. The initiative plays a key role in developing the military capabilities of participating partner states, increasing interoperability among NATO allies and partners, and reforming their defense establishments. PfP activities reinforce bilateral relationships between certain NATO members and aspirant nations.

[20]Adopting the *acquis* requires candidate countries to implement more than 80,000 pages of EU regulations covering 31 categories or chapters. These chapters cover a range of issues, including the movement of people, capital, and goods within the EU; competition policy; the environment; and consumer protection. Some requirements can be satisfied by simple technical changes, while others require large investments. See *NATO: Implications of European Integration for Allies' Defense Spending* (GAO/NSIAD-99-185, June 30, 1999).

As part of the PfP program, NATO members conduct activities, such as exercises or training, with aspirant nations' militaries to improve the capabilities of partner militaries and pursue common objectives such as interoperability. However, since NATO members decide how to target their PfP activities, their activities tend to reflect their national interests and regional priorities. As the program's largest donor, the United States has broadly engaged the aspirant nations through a combination of exercises, training, and nonlethal equipment transfer.[21] By contrast, European NATO countries have largely focused their more limited programs on specific nations or regions, especially those geographically close to them.

In addition to PfP activities, some countries run parallel or overlapping military outreach programs and activities with former Warsaw Pact nations. These programs and activities are part of a country's broader foreign and defense policies. For example, the United Kingdom conducts the majority of its military outreach programs, including PfP, under a component of its national security strategy known as "Defense Diplomacy."[22] Turkey has been very active in outreach activities targeting Central Asia and the Black Sea region. In addition to providing full funding for a PfP training center in Ankara, which trains military personnel principally from former Soviet republics in the Caucasus and Central Asia, Turkey has also taken part in organizing two multilateral security organizations that function independently of NATO. The Southeast European Brigade assembles militaries from throughout the Balkans and Black Sea region to train for peacekeeping operations, while the Black Sea Naval Cooperation Task Group brings together Turkish, Russian, Bulgarian, Romanian, Georgian, and Ukrainian naval assets for search and rescue operations, humanitarian assistance, and other tasks as agreed to by all parties.

[21]See *NATO: U.S. Assistance to the Partnership for Peace (GAO-01-734, July 20, 2001)*.

[22]The United Kingdom created the "Defense Diplomacy" mission to give greater priority and attention to conflict prevention and peacetime diplomacy activities. With regard to military outreach, it covers a variety of training and technical assistance programs in defense management, arms control and nonproliferation, demobilization and re-education of former Soviet troops, and English language training.

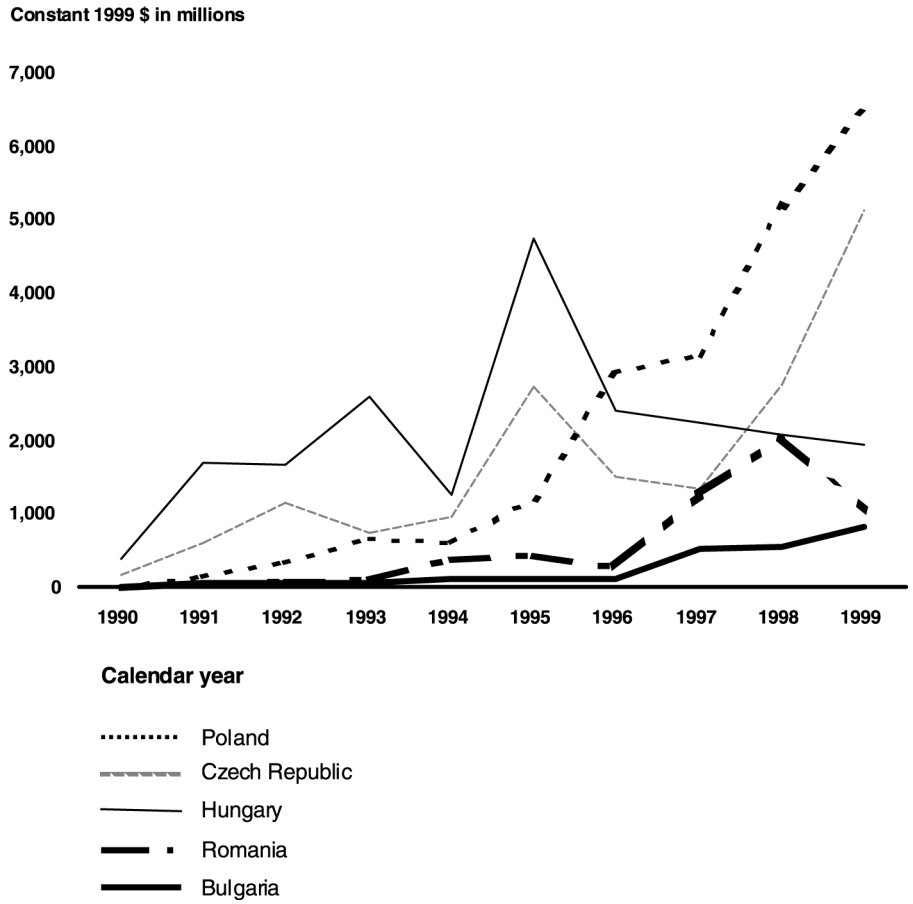
EU Fosters Economic and Political Stability in Central and Eastern Europe Through Enlargement and Financial Assistance for Reform

The EU is making pre- and post-accession investments to strengthen democratic and economic sectors in Central and Eastern European countries seeking EU membership. U.S. and European diplomatic officials stated that enlargement represents the European Union's most significant contribution to regional security. The enlargement process stabilizes Central and Eastern Europe by integrating former Warsaw Pact nations into Western Europe's political and economic community and by facilitating their adoption of democratic, free-market principles. The membership process requires candidates to satisfy an extensive set of criteria requiring various reforms to restructure financial institutions, support democratic governance, and strengthen law enforcement institutions in return for EU financial and technical assistance—and eventual EU membership.

From 2000 through 2006, the EU estimates that the total cost for enlargement-related programs could be about $60 billion, roughly $20 billion during the pre-accession period and up to $40 billion once candidates join the EU. The European Union's primary pre-accession aid program helps accession candidates to adapt domestic policy to EU standards while training a range of civil servants and regulatory officials, including judges, environmental inspectors, customs officers, border guards, and financial analysts. The European Union's second-largest pre-accession program focuses on improving environmental and transportation infrastructure. A third program devotes funding to agriculture and rural development.

European officials said that EU-supported reforms are having positive economic effects in Central and Eastern Europe and have facilitated that region's convergence with Western European markets. CEE exports to the EU grew by more than 40 percent from 1994 through 1999, and now the EU accounts for nearly two-thirds of CEE exports and imports. In addition to increased trade flows, the EU enlargement process also correlates with a sharp growth in foreign direct investment to Central and Eastern Europe, as shown in figure 10. International Monetary Fund and U.N. analyses attribute these in-flows, which spur growth of local private enterprises, to the favorable business climate created by EU-supported political and economic reforms.

Figure 10: Foreign Direct Investment to Selected Central and Eastern European Countries, 1990-1999



Source: OECD.

Complex Balkans Security Environment Addressed With a Range of Military Interventions and Nonmilitary Assistance

Since 1992, the international community has used a combination of military and nonmilitary interventions to promote peace and stability in the Balkans. The United States has made key military contributions through its air combat capabilities and ground troops, whereas the European allies have contributed the largest contingent of ground troops and specialized support units to peacekeeping operations. In Kosovo, the United States provided 70 percent of the aircraft and flew more than 60 percent of the total sorties, which were essential to the defeat of the Yugoslav army. Meanwhile, European allies have consistently provided the majority of ground troops to support NATO operations and paramilitary specialists who are trained for post-conflict crisis interventions. European allies have also led efforts to support nonmilitary interventions, such as development assistance and personnel to support multilateral operations. Of the almost $15 billion, disbursed to the Balkans region from 1993 through 1999, the European Commission (EC) and European allies contributed about $10.2 billion, primarily to fund humanitarian and reconstruction programs such as rebuilding airports, bridges, and roads. During this same period, the U.S. distributed about $1.2 billion, primarily for emergency relief and institution building. European allies have consistently provided a large number of civilians to support multilateral institution-building programs in the Balkans, including more than 2,000 U.N. civilian police.

Military Interventions Included a Combination of Air Combat and Ground Troops That Resulted in Shared Benefits

The United States' most significant military contributions to regional security have been its tactical air combat capabilities and provision of ground troops. The European allies' key contributions have been their provision of the preponderance of ground troops and specialty units necessary to support peacekeeping operations, as well as their provision of military airbases and commercial airports to support the NATO air campaign. Although the United States and European allies have supported Balkans operations in different ways, U.S. and European military officials asserted that joint military operations are critical to future NATO operations, and that the benefits of such operations far outweigh the drawbacks.

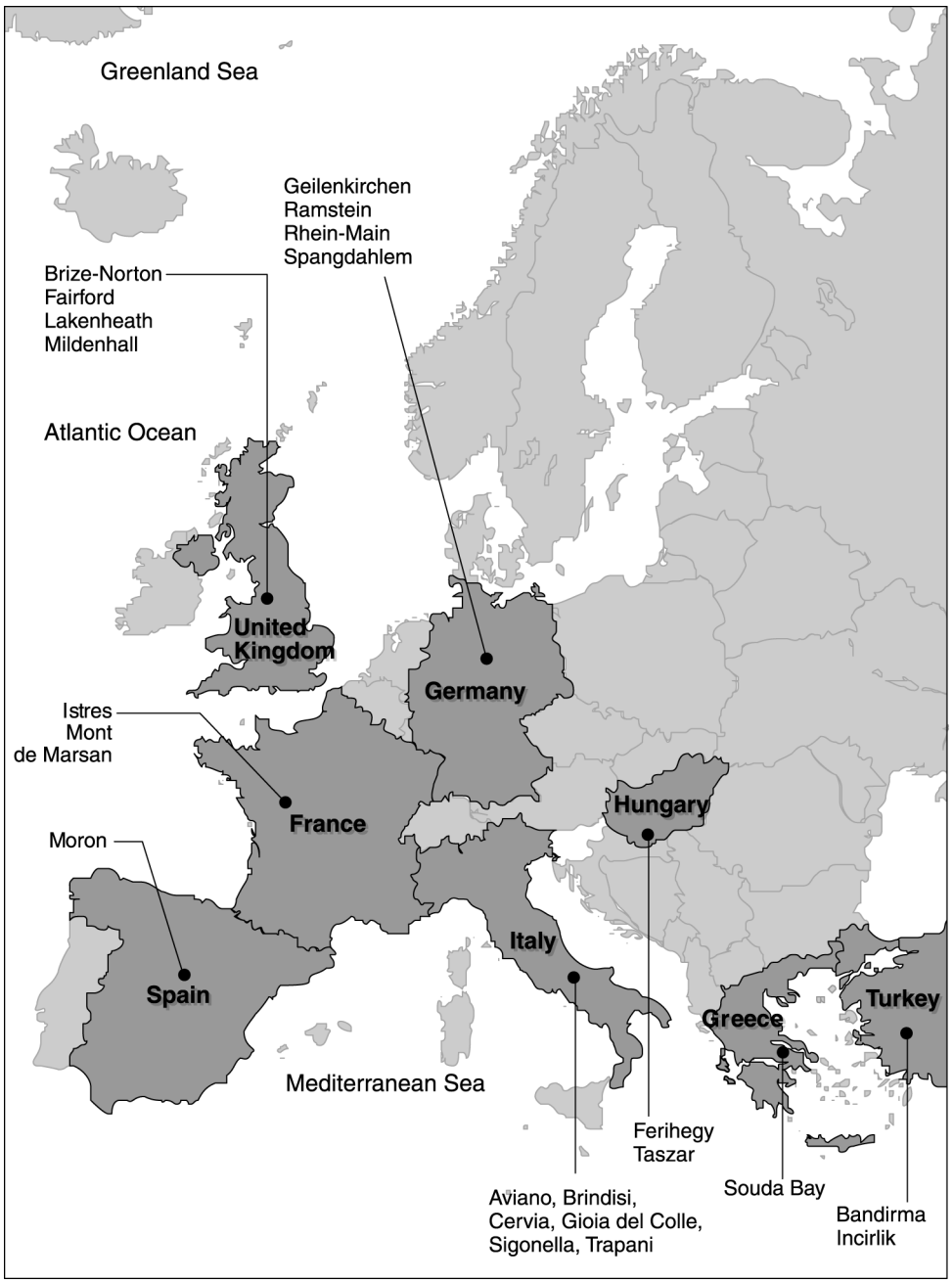
United States Played a Dominant Role in the Balkans Air Campaigns

One of the most significant U.S. military contributions to regional security has been its tactical air combat capabilities in the Bosnia and Kosovo conflicts. In Operation Allied Force, for example, the United States contributed 70 percent of the more than 1,000 manned and unmanned aircraft used, and flew more than 60 percent of the 37,000 strike and support sorties from March through June 1999.[1] U.S. capabilities dominated in specific types of strike sorties flown. For instance, the United States flew 87 percent of the sorties to disrupt or destroy Yugoslav air defenses. The United States also flew more than 70 percent of close air support missions, which provided protection for friendly forces on the ground. Furthermore, the United States led critical support sorties by providing intelligence and reconnaissance, intra-theater airlift, air refueling, and special operations. U.S. and European military officials stated that Operation Allied Force further highlighted the gaps in capabilities between the United States and its European allies, particularly in avionics, precision munitions, and tactical communications. These gaps limited the European countries' ability to conduct critical suppression of enemy air defense, as well as command-and-control missions. Appendix I shows the types of aircraft and capabilities provided by selected countries.

U.S. military officials stated, however, that the successful implementation of the U.S. air campaigns, particularly Operation Allied Force, was attributable in large part to military airbases and commercial airports provided by European NATO countries to support the air operations. They noted that in Operation Allied Force, U.S. forces depended heavily on Europe's provision of 22 land bases located in 8 countries, and particularly those in Italy and Turkey, to launch their sorties successfully (see figure 11). Officials also noted that the European bases provided critical logistical support, including air traffic control, to support the NATO campaigns.

[1]DOD and NATO define a "strike" sortie as an attack intended to inflict damage on, seize, or destroy an objective. "Support sorties" consist of both combat and noncombat missions. They include intelligence and reconnaissance, combat air patrols to protect strike missions, combat search and rescue, and aerial refueling. NATO categorizes combat sorties as battlefield air interdiction, combat air patrol, close air support, and suppression of enemy air defenses.

Figure 11: European Bases Available to Operation Allied Force

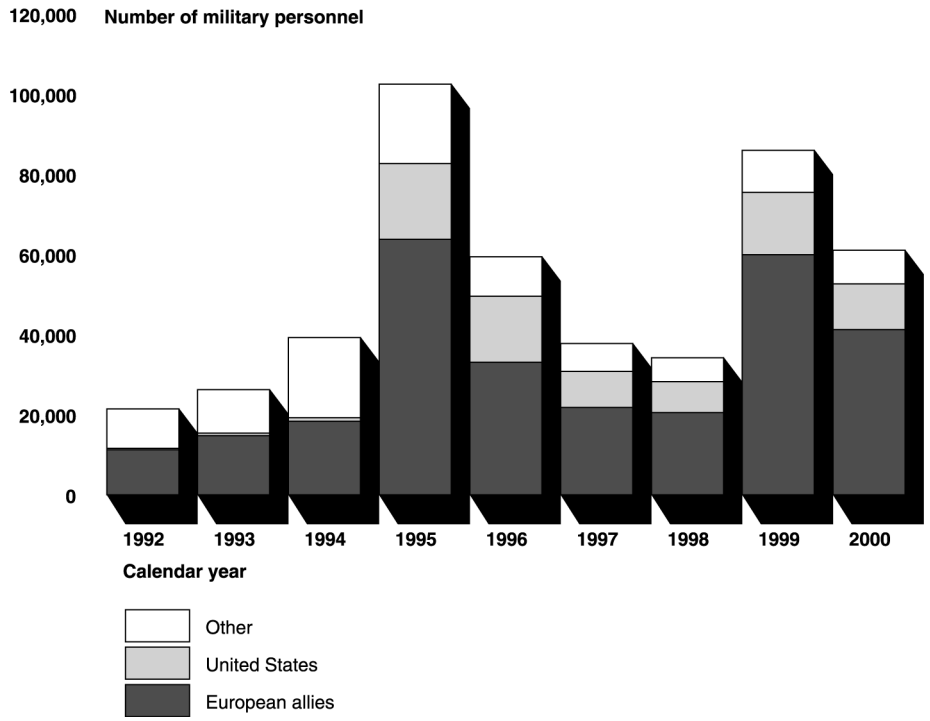


Source: DOD.

Europeans Contribute Majority of Ground Troops and Provide Unique Peace Support Capabilities

European allies have made military contributions to security and stability in the Balkans by providing ground troops and specialty units trained in addressing post-conflict situations. As shown in figure 12, European allies collectively provided the largest number of ground troops to support U.N. peacekeeping operations in the Balkans from 1992 to 1995, and they provided the preponderance of ground troops to support NATO operations that began in December 1995.

Figure 12: Troops Supporting Peacekeeping Operations in the Balkans, 1992-2000



Note 1: The Czech Republic, Hungary, and Poland are included as "other" for 1992-1998, and as "European allies" for 1999 and 2000.

Note 2: Troop numbers reflect snapshots at various times during the stated year.

Sources: U.N. and NATO.

Although the United States provided the largest single national contingency to NATO operations (for Bosnia since 1996, and for Kosovo since 1999), European allies have provided between 56 and 70 percent of NATO ground troops to the region since 1996. As of March 2001, European countries provided more than 60 percent of the 20,000 troops in Bosnia and 37,000 troops in Kosovo, with the United States providing about 20 and 15 percent, respectively.[2] Other countries, such as Russia and the United Arab Emirates, provided the remaining ground troops. In addition to ground troops, U.S. and European military officials cited the European countries' provision of specially trained personnel to serve in peace support operations as another significant contribution to regional security in the Balkans. These officials noted that Scandinavian countries contributed experts specially trained in controlling civilian affairs and responding to emergency crisis situations, particularly in war-torn areas that lack adequate health and public works services. Many European countries also provide uniquely trained constabulary forces, such as Italy's Carabinieri, to assist in post-conflict efforts to restore law and order. Several U.S. and European military officials considered these special constabulary forces to be the most critical link to restoring public order and maintaining stability in the Balkans. Constabulary forces perform a role between that of military ground troops and that of civilian police. They are trained to address counterterrorism issues, gather and analyze criminal intelligence, control riots, and provide military force protection.

NATO has used constabulary forces to help maintain stability in Bosnia and Kosovo. Italy's Carabinieri represent the preponderance of NATO's constabulary forces in the Balkans. For example, Italy provides about 75 percent of the almost 500 special constabulary forces used in Bosnia and more than 80 percent of the 320 used in Kosovo. Although NATO's force goals for Kosovo have been met, as of April 2001, only 11 of the 19 platoons had been staffed in Bosnia. According to U.S. and European military officials, the shortfall of constabulary forces in Bosnia reflects the limited availability of such forces. Approximately 22 nations currently have special constabulary force capabilities that can be used in these operations and, according to U.S. and European officials, most have resource, funding,

[2]The U.S. military has instituted and follows the most stringent force protection measures among NATO allies, according to U.S. and European military officials. These measures have a significant effect on the number of troops needed for U.S. operations. In contrast, European nations generally devote a smaller percentage of their combat forces to force protection, which allows them to conduct operations with fewer troops on the ground.

and training constraints. The United States does not possess these uniquely trained personnel.

Shared Operations Offer Benefits, but Pose Challenges

According to U.S. and European military and NATO officials, multinational operations have become more frequent during the post-Cold War era and have provided political and operational benefits that outweigh the drawbacks of such deployments. They also emphasized that effective crisis management depends upon joint U.S. and European participation in the full range of peace support operations and post-conflict reconstruction efforts. While U.S. and European contributions to security in the Balkans region reflect different military capabilities and approaches to conflict resolution, military officials at NATO and in the European countries we visited stressed the importance of shared responsibility and risk in current and future NATO operations—both on the ground and in the air. These officials noted that a joint U.S.-European ground presence is critical to maintaining stability in the Balkans, and that European countries need to play a greater role in future NATO air operations.

Senior U.S. and European political and military officials said that multinational operations in Bosnia and Kosovo provided political advantages of operating as a coalition because members and partner states established and reached NATO objectives together rather than unilaterally. French military officials said that maintaining consensus was a critical factor in Operation Allied Force's success. Coalitions are cited as beneficial also because no single country bears the entire burden, which lessens the staffing problems that some countries face when providing troops to multiple operations simultaneously. Staffing shortages were noted in the areas of medical personnel, linguists, and communications. European officials also noted that U.S. involvement provides considerable weight and credibility to an operation and greatly adds to NATO's cohesiveness.

Multinational operations also provide operational benefits that include the ability to combine the resources and capabilities of member states. During Operation Allied Force, for example, the United States provided significant air combat capabilities and equipment, while France provided specialty aircraft to assist in night-flight strike missions and search-and-rescue missions. Further, the United Kingdom played an important role in Bosnia to monitor checkpoints and cease-fire lines, and to lead nation-building activities involving joint civilian and military units. U.S. and European military officials also said that multinational operations improve

interoperability and relationships among allies, particularly with the new NATO members—the Czech Republic, Hungary, Poland—and Partnership for Peace (PfP) countries. Military officials said that working together allows countries to train with and learn from other NATO members, which may have expertise in specific tasks. Training and the transfer of skills have helped the new allies adapt to NATO operations and have fostered relationships among partner countries and longstanding NATO members. U.S. and European officials said that enhanced interoperability, in addition to the pooling of assets and expertise, creates forces that are more flexible and thus better prepared for the diverse challenges of peace support operations.

Despite these benefits, U.S. and European military officials said that the deployment of multinational forces into intense conflicts such as Bosnia and Kosovo has faced challenges and drawbacks. These officials noted that as result of the Balkans campaign, interoperability problems and gaps in capabilities among member states were identified. For example, systems and equipment provided by member states—especially those used in command-and-control, communications, and targeting systems—were often different and incompatible. Another challenge was the imbalance in the warfighting equipment possessed by member states. Few NATO allies had the capacity to provide more sophisticated equipment, such as precision-guided munitions, in sufficient numbers or at all. Even France, one of the leading European contributors of precision munitions during Operation Allied Force, depleted its supply and spent about $100 million to purchase additional ones from the United States. European officials also noted political drawbacks to multinational operations: for instance, some coalition members had different policies and strategies. This issue was highlighted in decisions about using force or ground troops in Kosovo, where the United States was reluctant to commit ground troops.

U.S. and European Nonmilitary Intervention Includes Combination of Development Assistance and Nonmilitary Personnel

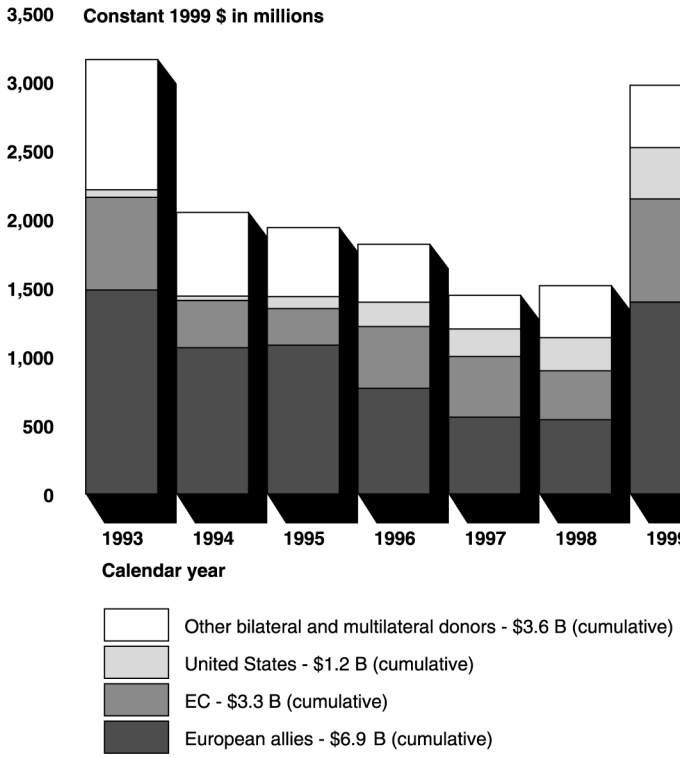
European countries and the United States led donor community efforts to restore stability and security to the Balkans by providing development assistance and the nonmilitary personnel needed to support multilateral operations. Of the almost $15 billion in development assistance disbursed to the Balkans between 1993 and 1999, the European Commission and European allies contributed about $10.2 billion primarily for humanitarian and economic reconstruction programs. The United States provided about $1.2 billion for humanitarian, economic, and democracy-building programs. The EC and European allies have led the donor community in pledging more than 80 percent of the $2.3 billion identified by the Stability Pact for

Southeastern Europe program, and in supporting a new initiative allocating about $690 million in emergency winterization assistance to Serbia in 2000 and 2001. European officials identified the absorption of more than 1 million Balkans refugees into their countries as another significant contribution to stabilizing the region. European allies provided a large percentage of nonmilitary personnel to support multilateral organizations that promote social reconstruction and institution-building in the region.

Europeans Use Development Assistance to Foster Stability in the Balkans

European officials view the restoration of stability and security to the Balkans as a major priority and have used development assistance as a primary tool to foster change. Of the $15 billion in development assistance disbursed in the Balkans from 1993 to 1999, the European allies contributed about $6.9 billion, with top donors Germany, the Netherlands, and Austria accounting for more than 40 percent of the disbursements. As shown in figure 13, the European Commission was the single largest donor and disbursed more than $3.3 billion during this period.

Figure 13: Development Assistance Totaling $15 Billion Disbursed to the Balkans, 1993-1999



Note: B = billions.

Source: GAO analysis based on OECD data.

According to EU officials, the priorities of the EC and many European development assistance programs during the 1990s have centered largely on stabilizing the region and integrating the countries of the former Yugoslavia into the European Union. To stabilize the region, the EC and the European allies focused resources on humanitarian assistance and economic reconstruction programs. Humanitarian assistance activities (1) provided emergency relief such as food and medicine to victims of war-torn areas, (2) reduced the suffering of refugees, displaced persons, and refugees returning to their homelands, and (3) carried out short-term rehabilitation and reconstruction work, such as repairing and equipping schools and hospitals. Reconstruction programs included the rebuilding of major physical assets in the Balkans such as airports, bridges, railways, and roads.

Many EU member countries have designed their assistance programs to foster economic and social reform and help bring the Balkans countries closer to European standards, with potential integration into the European Union as the ultimate incentive. The Stabilization and Association Process, established by the European Union in 1999, provides each Balkans country with a "list" of conditions and reforms designed specifically to enable that country to better meet EU accession criteria. Once the country meets the established conditions—such as political and economic reforms, and measures to strengthen democracy, human rights, and the rule of law—a Stabilization and Association Agreement is signed. As of November 2001, only the Former Yugoslav Republic of Macedonia and Croatia met the conditions. Each received an association agreement in April and May 2001, respectively.

U.S. Funding Focuses on Emergency Assistance and Institution-Building Programs

As the Balkans' second-largest bilateral donor, the United States has spent about $1.2 billion for development assistance activities from 1993 to 1999 (see figure 13). The primary goals of U.S. assistance programs in the Balkans are (1) to restore peace and reduce ethnic tensions, and (2) to promote democracy, economic prosperity, and security within the region. Accordingly, the U.S. assistance programs have centered largely on emergency assistance, economic restructuring, and institution-building programs. Emergency assistance has included food aid, medical supplies, and refugee relief efforts, particularly to Bosnia and Kosovo. The Support for East European Democracy Act has focused on economic restructuring and on the development of democratic institutions in the Balkans. Key economic restructuring efforts include the development of a functioning market economy through privatization, macroeconomic reforms, and the introduction of sound fiscal policies. The United States has promoted democratic institutions and multiethnic societies through independent media, free and fair elections, improved governance, and an independent judiciary. As of September 1999, more than half of U.S. assistance obligated to the Balkans has gone to Bosnia-Herzegovina, and it includes more than $500 million for reconstruction and infrastructure-building programs.

Stability Pact for Southeastern Europe Provides Promise, but Problems Limit Disbursements

The Stability Pact for Southeastern Europe,[3] initiated by the European Union on June 10, 1999, is the primary regional framework to coordinate the development assistance needs of the countries of southeastern Europe and to accelerate the integration of a stable, reformed region into the Euro-Atlantic community. In March 2000, international donors, including multilateral institutions such as the European Investment Bank and the World Bank, pledged more than $2.3 billion to fund Stability Pact projects designed to develop infrastructure, promote private sector development, support policy and institutional reforms, and encourage democratization, reconciliation, and security. Of the $2.3 billion pledged, $1.7 billion was allocated for "Quick Start" projects that were to be completed within one year. As of December 31, 2000, the donor community had disbursed about $300 million through the Stability Pact program. The EC and European allies collectively accounted for about 75 percent of the disbursed funds.

The Special Coordinator of the Stability Pact attributed the low disbursement rate at the 9-month mark to delays caused by both donors and recipients. The Special Coordinator noted that donors and investment banks often have bureaucratic procedures. Also, recipient countries often cannot absorb the considerable sums offered, and they do not have the legal framework or the administrative structures necessary to facilitate the implementation of projects. U.S. and European development assistance officials noted that the implementation of complex infrastructure projects takes significantly more time than other types of programs and depends on the recipient country's capacities.

[3]The Stability Pact's major participants include Albania, Bosnia, Bulgaria, Croatia, Hungary, Romania, Russia, Slovenia, the Former Yugoslav Republic of Macedonia, Turkey, the United States, Canada, Japan, and the European Union and other multilateral organizations and lending institutions, including NATO, the United Nations, the Organization for Security and Cooperation in Europe, the International Monetary Fund, and the World Bank.

Development officials also noted that other issues have hampered the progress of the Stability Pact program, including the lack of a strategy, the lack of prioritization of projects, and the recipients' unrealistic expectations. The original goal was to address a range of the most pressing problems of southeastern Europe, from security to post-conflict and reconstruction issues. The Quick Start Package was created as a "shotgun approach" to demonstrate donor support quickly. Other than categorizing projects into the three priority areas, however, the Stability Pact did not prioritize the needs of the countries or the 244 projects to be implemented. The May 2001 Coordinator's Report identified the need to develop a strategy, prioritize and focus on key areas, establish and deliver concrete and measurable results, and improve delays in project implementation.[4]

EC Leads Donor Community Efforts to Disburse Emergency Assistance to the Federal Republic of Yugoslavia

In fall 2000, the international donor community began providing assistance to the Federal Republic of Yugoslavia in direct response to and in support of Serbia's transition to democracy on October 5, 2000. By November, the EC had approved a $184 million emergency winter assistance package, of which about $90 million was disbursed by March 2001. The donor community met in December and pledged about $690 million to support winterization and other urgent program needs in the Federal Republic of Yugoslavia, particularly Serbia, that included fuel, electricity, food, and medical assistance. The United States was the single largest bilateral donor, pledging more than $87 million to Serbia and more than $70 million to neighboring Montenegro. The U.S. had disbursed about $36 million as of January 2001. While much of the emergency assistance commitments to Serbia still needs to be disbursed, the assistance provided to date has demonstrated the donor community's support and commitment to the new democratic government of Serbia.

In further support of the economic recovery and transition needs of the Federal Republic of Yugoslavia, the EC and World Bank sponsored a donor's conference in June 2001. The donor community, composed of bilateral and multilateral organizations, international financial institutions, and the Soros Foundation, pledged about $1.3 billion to restore macroeconomic stability, promote economic growth, improve social well-being, and build human capacity, including health and education. Although the pledges are still being finalized, EC and European allies have pledged

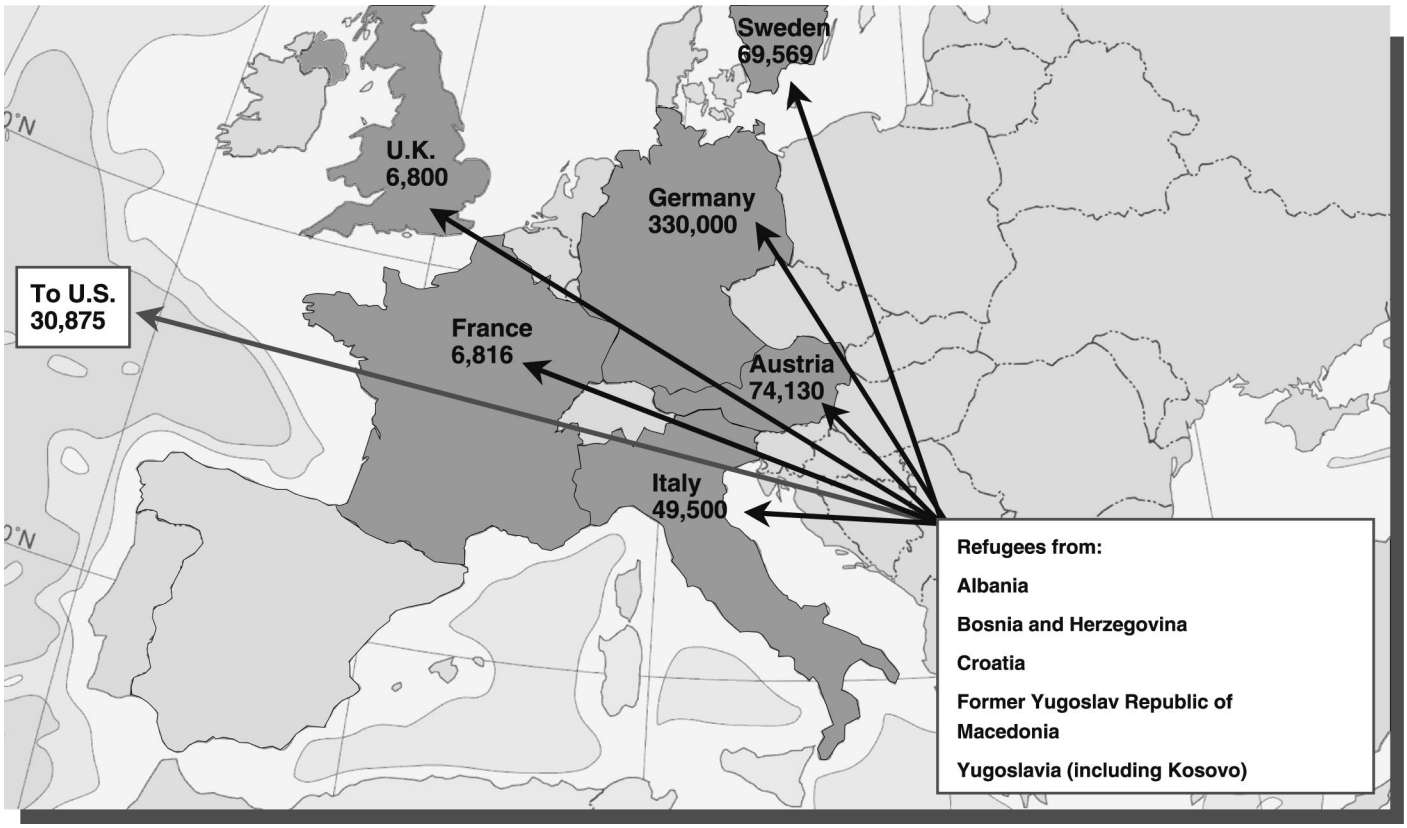
[4]*Report of the Special Coordinator on the Implementation of the Quick Start Package*, May 2001.

42 percent of the $1.3 billion, and the United States has pledged about 14 percent. Other countries, multilateral organizations, and the Soros Foundation pledged the remainder.

Absorption of Refugees Viewed as Significant European Contribution

European officials noted that absorbing Balkans refugees into their respective homelands and providing them with food, shelter, and living allowances for up to 1 year are significant contributions to European security. By the end of 1996, more than 70 percent of the 770,000 displaced persons or refugees from the Balkans had migrated to six European countries, according to U.N. High Commissioner for Refugees (UNHCR) statistics (see figure 14).

Figure 14: Balkans Refugee Migration to Europe and the United States, 1996



Sources: U.N. High Commissioner for Refugees and U.S. Department of State.

About 330,000 refugees from Bosnia-Herzegovina had emigrated to Germany by 1996, placing enormous burdens on Germany's social infrastructure. The May 2001 Stability Pact Special Coordinator's report notes that while many refugees from Bosnia and Croatia had returned home, more than 1.3 million persons from the Balkans region remain categorized as refugees or internally displaced persons and need some type of assistance.

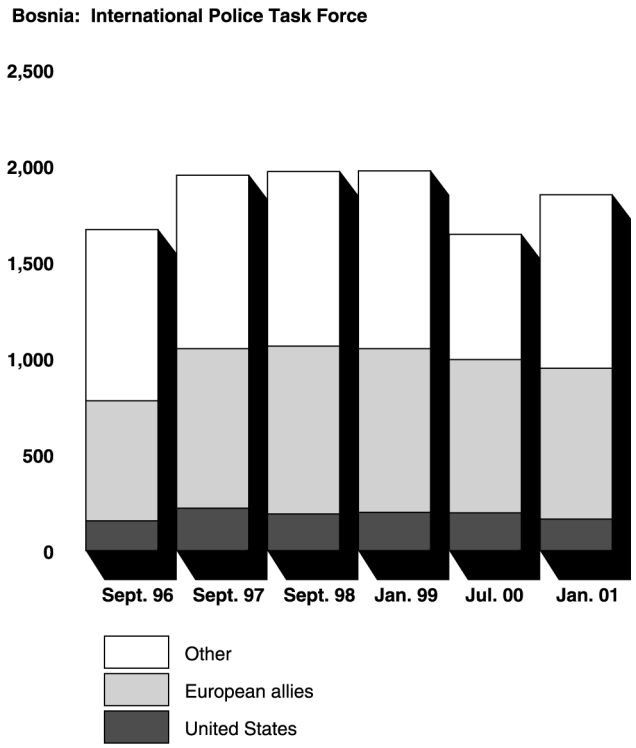
European Allies Provide Majority of Nonmilitary Personnel to Multilateral Organizations in Region

The contribution of nonmilitary personnel to assist multilateral organizations is considered another critical contribution to regional security. Collectively, European allies provided more nonmilitary personnel to multilateral organizations that promote peacekeeping, conflict prevention, and post-conflict rehabilitation in the Balkans than did the United States. For example, as of April 2001, European allies provided about one-third of U.N. civilian police and almost 60 percent of the specialists to the Organization for Security and Cooperation in Europe. European allies also provided 139 persons to support the EU Monitoring Mission in the Balkans. The United States, however, was the single largest contributor of civilian police and personnel to support OSCE programs in the region, providing 12 percent of civilian police and 16 percent of personnel.

To support a critical element of peacekeeping operations and post-conflict interventions in the Balkans region, the United Nations has relied on civilian police provided by its member countries. Civilian police play a critical role in post-conflict interventions by helping war-torn societies restore the conditions necessary for social, economic, and political stability. The traditional role for U.N. civilian police through the mid-1990s was to advise, train, and monitor local police. In Kosovo, however, the United Nations refocused its role to restore and maintain law and order, and to help establish judicial reforms and rule of law.

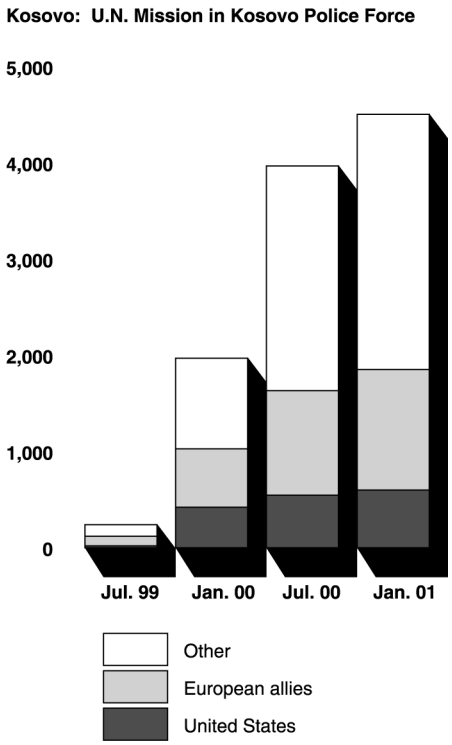
As of January 2001, the international community provided more than 6,300 civilian police to support U.N. missions in Bosnia-Herzegovina and Kosovo. European allies provided more than 2,000 civilian police, while the United States provided about 764 civilian police. Other member countries, such as India, Jordan, and Pakistan, provided the remaining civilian police. See figures 15 and 16 for the contributions made by the European allies, the United States, and other donors to peacekeeping operations in Bosnia and Kosovo.

Figure 15: Donor Contributions of Civilian Police to Bosnia



Source: U.N.

Figure 16: Donor Contributions of Civilian Police to Kosovo



Source: U.N.

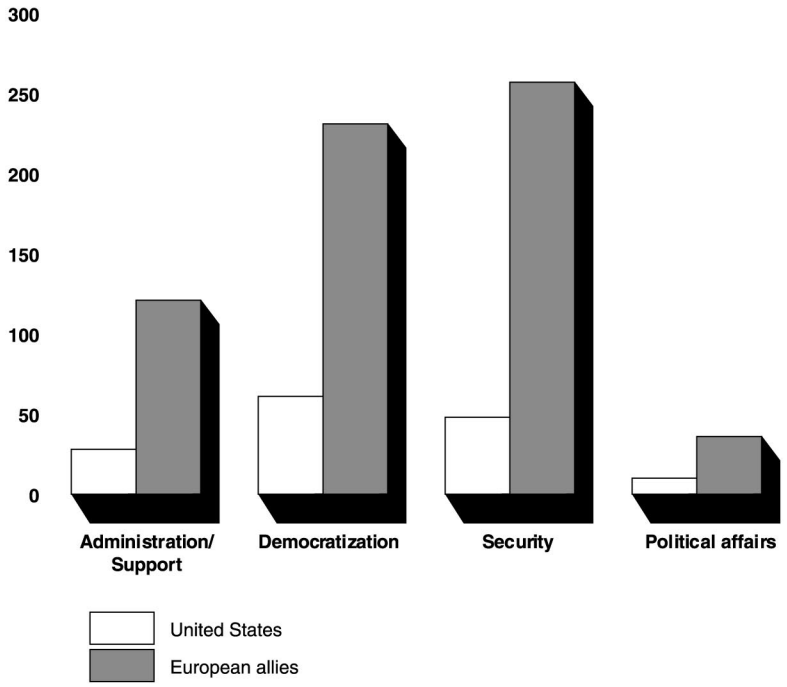
Civilian police represent the largest contribution of international civilian personnel to U.N. peacekeeping operations in the Balkans. However, the program has had difficulties in recruiting, training, and deploying a cohesive and effective civilian police force. A U.N. Secretary General's report identified various reasons for the staffing problems, including the absence of a standing police force at the U.N. that is designed for international field operations.[5] Further, individual countries have a limited supply of domestic police, limited training or experience in international policing, widely varying police doctrine and practices, and 6- to 12-month staff rotations. The report also noted that the process used to identify,

[5]The U.N. Secretary General appointed a panel to address U.N. peace operations and security activities. The panel's report, dated August 21, 2000, identified areas needing improvement and made recommendations.

select, and deploy civilian police was time-consuming and prevented the U.N. from deploying a civilian police component rapidly and effectively.

To address conflict prevention and post-conflict rehabilitation in the Balkans, the European allies provided the majority of personnel to support the Organization for Security and Cooperation in Europe's democratization, security-building, and political affairs programs. Of approximately 840 persons provided to OSCE missions in the Balkans in April 2001, the European allies provided about 500 persons. The United States, as the single-largest contributor, provided 141 persons. In addition, European allies provided 139 persons to support EU Monitoring Mission efforts to monitor and assess local security conditions. As shown in figure 17, the primary use of European and U.S. personnel in spring 2001 was in democratization and security-building programs.

Figure 17: Personnel Provided to OSCE and EU Monitoring Mission



Administration/Support
- Budget/Finance
- Logistics
- Transportation

Democratization
- Election monitoring
- Human rights education
- Legal and judicial reform
- Media training
- Rule of law

Security
- Train and monitor civilian police
- Assess local and regional security conditions
- Implement arms control and security building measures

Political affairs
- Assist in regional stabilization measures

Sources: U.S. Missions to the OSCE and EU.

European Militaries Addressing Shortfalls, but Competing Budget Priorities Are Slowing Implementation

Operational problems experienced in the Balkans peacekeeping operations in the 1990s highlighted numerous shortfalls in the military capabilities of the European allies. On the national level, they are addressing some of these shortfalls by restructuring their military forces, moving to all-volunteer forces, and modernizing military systems and equipment, but progress has varied according to each country's ability to make defense spending a priority.[1] On a multinational level, NATO and the European Union have recognized the need to improve defense capabilities and have launched initiatives that establish goals for addressing country shortfalls. NATO's Defense Capabilities Initiative (DCI) was designed to highlight the need for qualitative improvements in five areas of military capability. The European Union's European Security and Defense Policy (ESDP) is a broader political and security strategy to prepare EU member nations to conduct crisis management and contingency operations when NATO is not engaged. DCI and ESDP both recognize that the European allies need to acquire certain systems and equipment that will help them perform a range of military operations more effectively, particularly with combat forces. However, at a time when the European allies are taking on increased responsibilities for regional security, they are hampered by relatively flat defense budgets because of decisions about competing domestic and other national priorities. This likely will delay their ability to meet the goals and objectives of their defense initiatives until at least the end of this decade. It is too early to discern what effect, if any, the terrorist attacks of September 11, 2001, will have on future European defense priorities and spending.

[1]The defense capabilities of U.S. military forces in Europe are also important to security and stability in the region. We have issued several reports that address the capabilities of U.S. forces in Europe and their ability to respond to a range of operations since the end of the Cold War. We do not address these issues in this report.

Allies Restructure and Modernize Defense Capabilities

The European allies' participation in the Balkans operations in the mid- to late 1990s was constrained by the large and inflexible structure of their military forces and by a lack of key military assets, such as strategic airlift; command, control, communications, and intelligence systems; and systems for precision attack. Appendix I illustrates the capabilities provided by selected countries during Operation Allied Force. To address these shortfalls, most allies we visited conducted defense reviews or assessments in the late 1990s, with each country assessing its national needs. They have since begun to restructure their military forces, including reducing force numbers, creating more rapidly deployable units, and centralizing operational commands and support organizations. They are also moving toward all-volunteer forces, modernizing their military equipment, and implementing improved logistics and asset management.[2] Improvements in these three areas will give the allies greater flexibility and capability to respond to a range of threats within and outside of Europe. Overall, most European allies we visited have made the greatest progress in restructuring their forces. Efforts to move toward an all-volunteer force and modernize equipment have proceeded more slowly because of the cost of the initiatives. As a result, some programs have been scaled back, or dates for achieving goals have been delayed.

Allies Make Greatest Strides in Force Restructuring

The European allies we visited have made the greatest progress in force restructuring; that is, changing the size and structure of their forces. In the post-Cold War period, the European allies' large and cumbersome armies, still structured as heavily armored forces designed to resist a border attack by Soviet armored forces, hindered rapid deployment to the Balkans peacekeeping operations. Germany, Italy, and other European allies lacked smaller, all-volunteer forces that could be easily deployed, sustained, and integrated into multinational forces. Even British and French military forces, which have historically been more oriented toward expeditionary missions than have those of many other European nations, recognized that they were unable to meet some of the deployment demands of post-Cold War military operations. These demands included operating beyond NATO's borders and in areas with little or no supporting infrastructure.

[2]We define logistics and asset management as the process by which European allies make their militaries more efficient and cost-effective through base reductions, closures, and consolidations; privatization initiatives; and the creation of separate agencies and initiatives to ensure efficiency within the armed forces.

Since the Balkans operations, the European allies we visited, with the exception of Turkey, have improved defense capabilities by developing smaller but more efficient forces, creating rapid reaction units, and moving toward centralized operational commands and support organizations.

Allies Reduce Force Numbers and Size of Units

Most European allies have reduced their force numbers and have restructured their militaries into smaller, more flexible units that can more effectively respond to post-Cold War contingencies. Between 1990 and 2001, the number of military forces in France, Germany, Italy, and the United Kingdom fell between 31 and 36 percent, as indicated in table 1. Countries such as Norway and Germany plan to reduce their force numbers even further between 2001 and 2006, with average cuts ranging from about 16 percent to 50 percent.[3] Force reductions have been necessary because of the high cost of maintaining personnel, especially with NATO allies facing static defense budgets. According to NATO officials, high personnel costs in Europe have left little money for research and development and for the acquisition of military equipment.

Table 1: Changes in Number of Forces, 1990, 1995, and 2000

Country	Number of Forces (1990-1991)	Number of Forces (1995-1996)	Number of Forces (2000-2001)	Percentage Reduction (1990-2001)
France	461,250	409,000	294,430	36
Germany	469,000[a]	339,900	321,000	32
Italy	389,600	328,700	250,600	36
United Kingdom	306,000	236,900	212,450	31

[a] The number of forces was significantly larger in 1989, when East and West Germany had separate armies. At that time the combined number of forces was 521,000.

Source: *The Military Balance*, International Institute for Strategic Studies, London.

In addition to reducing force numbers, European allies are reorganizing their forces, eliminating many large division and armored units, and creating smaller, lighter infantry and other units to respond to a range of

[3] Norway plans to reduce its total number of armed forces by about 50 percent between 2002 and 2005. Germany has indicated that it will reduce its force size by about 16 percent between 2001 and 2006.

threats within and beyond NATO borders, such as in the Balkans. Force restructuring has been more difficult for some countries and has taken longer. German embassy officials stated that force restructuring has been slower than originally anticipated because financial resources have been devoted to drawing down significant numbers of personnel that were part of its large Cold War army, in addition to dissolving the structures and reincorporating the former East German forces. Also, German forces had to assume control over and in many cases destroy the equipment and weapons systems of the former East Germany, and to assist in moving Russian troops out of the country. Unlike other NATO allies, Turkey has maintained a large, combat-ready force of more than 600,000 personnel because of its strategic location and its need to defend its borders against potential threats in the region. According to Turkish defense officials, Turkey's large combat force has not been significantly restructured since the end of the Cold War. Officials stated that given the country's strategic location, it is unlikely that the Ministry of Defense will significantly restructure its forces in the near future.

Allies Form Rapid Reaction Units to Carry Out Missions

In an effort to quickly address regional instabilities, the countries we visited have focused on developing rapidly deployable units with varying levels of readiness, which would on short notice allow them to send units to missions within and beyond NATO borders, such as the Balkans. According to U.S. defense officials, countries such as France and the United Kingdom, which historically had some expeditionary forces, have made greater progress in this area. This has enabled the United Kingdom, for example, to take the lead in the current operations in the Former Yugoslav Republic of Macedonia. The French are implementing plans to transform their rapid reaction capacity from the 12,000 ground forces they had in the 1980s to 35,000-50,000 ground forces by 2002. According to NATO officials, France should be able to deploy 50,000 military personnel for alliance missions by 2002. The United Kingdom's joint rapid reaction force will provide force packages up to brigade size, and combat and support forces will be provided in two echelons, according to readiness. The highest readiness force is based on a light infantry battalion or commando group. Although the framework for the rapid reaction capabilities has been completed, British officials have indicated that full operation of the rapid reaction force, initially scheduled for 2001, will not take place until late 2002 or early 2003. This is because many of the people who would be involved in making these changes are currently serving in the Balkans and in other operations, such as in Sierra Leone.

U.S. and European officials have indicated that Italy and Germany have only recently developed rapid reaction capabilities and that they would need more time to fully staff and to acquire complete capabilities for their rapid reaction forces. Italy realized its need for rapid reaction capabilities after leading Operation Alba in 1997.[4] In 2001, Italy can deploy and sustain a contingent of 8,000 to 10,000 troops, and it is setting up a rapid deployment core within the next 2 years. In the future, the Italian Defense Ministry expects to deploy at least three times as many troops as it currently does. Germany has a crisis reaction force of 65,000 that it can deploy within time frames of up to 30 days. Country officials have stated that the size of Germany's rapid reaction force will increase to 150,000 by 2004, once it has transformed most of its armed forces.

Allies Shift Toward Cooperation Among Military Services

Four of the five European allies we visited have set up centralized national commands or headquarters to facilitate deployments to NATO and future EU operations. In addition, they have created cooperative organizations within their armed forces to manage their resources more effectively and to conduct operational deployments more efficiently. Prior to establishing these centralized commands, European nations found it difficult to deploy forces to contingency operations, such as those in the Balkans, because little coordination existed between the various military service branches and supporting organizations.

After experiencing deployment difficulties, Italy established a Joint Operations Headquarters in Rome, headed by the Chief of the Defense General Staff, to develop operational doctrine and to plan and conduct joint operations and exercises, and a "high readiness" headquarters in Milan, to meet the demands of deployments in the Balkans. France established a Joint Operational Command, with all military operations being executed under the Chief of Defense. In addition, France has developed a Joint Rapidly Deployable Force Headquarters and a Ground Action Force Command to manage the deployment of ground forces, including four rapidly deployable force headquarters. The United Kingdom established a Permanent Joint Forces Headquarters, a Joint Command Systems Initiative to unify operational communications systems, and a

[4]Operation Alba's mission, led by Italy in the spring and summer of 1997, was to provide a secure environment so that emergency humanitarian relief and international assistance could be provided to Albania. This paved the way for Albania to begin restoring social peace and democracy. Seven thousand military personnel from various countries were involved at the height of the operation.

Joint Defense Center to handle doctrine. It is also establishing two deployable Joint Forces Headquarters. In addition, the United Kingdom established a number of joint forces and units, including a Joint Royal Navy/Royal Air Force Harrier force and a Joint Helicopter Command. In 2000, Germany set up a Joint Operations Command that will be operational by the end of 2001 and will be key in planning and executing military operations, according to German military officials. Germany also established a Joint Support Service and a Joint Medical Service to provide maintenance, logistics, intelligence, training, and medical support to all three branches of the military.

Allies Move to All-Volunteer Forces, but Efforts Are Slow and Expensive

Some European allies have found that the shift from conscript to all-volunteer forces has been more expensive than originally planned. This has slowed the European allies' transition to all-volunteer forces and has resulted in less savings to the armed forces than expected. Many European allies maintained militaries with large numbers of conscripts and stringent conscription policies throughout most of the 1990s. These policies constrained European allies' ability to engage fully in missions such as the Balkans peacekeeping operations. Germany's and Italy's conscription policies, for example, posed legal hurdles to deploying forces outside national boundaries. German and American officials noted that German army units could not deploy as one unit because they were composed of both volunteers and conscripts. To have a unit ready for deployment, military officials needed to pull volunteer forces from several units and train them for out-of-area operations. This process increased the amount of time needed for deployment.

The European allies we visited are taking different approaches to moving toward all-volunteer forces, which they expect will produce better trained, highly skilled, and longer-serving troops that are more suited to post-Cold War missions. Nearly 70 percent of NATO allies have moved to an all-volunteer force or have begun the process toward that end, as indicated in appendix II. France had pledged to end conscription by 2002 but was able to complete its efforts to move toward an all-volunteer force in 2001, more than 18 months ahead of schedule. Other allies, such as Italy, have faced more difficulties in moving to an all-volunteer force. In Italy, a 2000 parliamentary law sets out the framework for the gradual establishment of a professional force. Italy has pledged to end conscription by 2006, but it faces challenges in moving to a volunteer force and attracting personnel for missions. According to U.S. Department of State officials, Italy's slowness in moving to an all-volunteer force is a result of resistance from the public

sector, such as charity organizations, which have relied on conscripts as a source of free or inexpensive labor.

Some nations we visited have decided to keep conscription or to reduce the amount of time conscripts must serve. Germany, for example, is moving toward a larger number of volunteer forces but has elected to keep a conscript base. It is reducing the number of conscripts from 135,000 in 2001 to 80,000 by 2006, and it has made efforts to reduce mandatory military service from 10 months to 9 months after 2002. According to German officials, conscription will remain because of the importance of national service in Germany's defense culture and because it acts as a safety measure in the event that a national crisis demands increased capabilities. Country officials stated that Turkey has retained a largely conscripted armed force because of the country's location, vast territory, and external threats. With 93 percent of its army composed of conscripts, Turkey has the largest percentage of conscripts among all the allies.

While acknowledging that an all-volunteer force will be more cost effective in the long run, European allies such as France, Germany, and Italy have found that the shift from a conscript to an all-volunteer force has been more expensive than originally planned and has resulted in less savings to the armed forces than expected. However, no cost data are yet available.

Allies Have Made Some Progress in Equipment Modernization

To remedy some of the operational shortfalls identified in post-Cold War operations, European allies have embarked on equipment modernization programs to improve their capabilities in the areas of air- and sealift; command, control, and communications; intelligence, surveillance, and reconnaissance; suppression of enemy air defenses; air-to-air refueling; and precision-guided munitions. As is the case with the previously discussed reform efforts, some allies have accomplished more than others because of the condition of their military forces at the end of the Cold War and because of the level of their defense budgets. Nevertheless, all five countries we examined in this report have had to stretch out, postpone, or cancel some modernization programs because of funding shortfalls.

Generally, the United Kingdom and France have made the most progress in equipment modernization. Italy has made some progress, and Turkey's recent financial difficulties have slowed its equipment modernization efforts. The United Kingdom and France initiated their defense reviews earlier than did Germany and Italy. They then proceeded to make the changes necessary to improve their defense capabilities. France initially

focused its efforts on eliminating conscription, while the United Kingdom, with an all-volunteer force, was able to devote more of its resources to equipment modernization. Germany's progress has been slower because of its inability to concurrently fund many projects. Of the 28 priority equipment projects identified by German military officials, 17 currently receive funding. Six of the remaining 11 projects are not due to receive funding until 2006 or later. Turkey is experiencing particular challenges in funding defense modernization efforts because of its current economic condition. Turkey has 60 procurement programs in its current portfolio, but 32 acquisition projects have been postponed as part of an effort to relieve pressure on the country's economy. In addition to postponing projects, some have also been cut back. Appendix III identifies key equipment programs in France, Germany, Italy, Turkey, and the United Kingdom.

Some of the European allies we visited have implemented logistics and asset management programs that they believe will save them money over the long term and allow them to use the savings to modernize equipment. Some of these allies have focused on making their military support establishments more efficient and cost effective through base reductions, closures and consolidations, and privatization initiatives. Both Germany and the United Kingdom, for example, are implementing initiatives that they believe will result in savings and produce efficiencies for their Ministries of Defense. According to country officials, however, these countries have not been able to save as much as they originally intended because of the difficulty and expense in closing and consolidating bases, along with other factors.

NATO and EU Initiatives Provide New Frameworks for Improving Defense Capabilities

The European allies' performance in Operation Allied Force was an important factor in launching two recent NATO and EU initiatives that are providing additional focus and incentive for European nations to improve their defense capabilities. NATO's Defense Capabilities Initiative and the EU's European Security and Defense Policy are different concepts that share the objective of strengthening the capacity of European countries to act militarily. Countries have pledged to improve their capabilities for crisis management, including the availability, deployability, sustainability, and interoperability of their forces. European countries have made progress in various areas and are increasingly taking the lead in contingency operations such as those in the Former Yugoslav Republic of Macedonia. However, defense capability shortfalls, created by inadequate

funding, may prevent them from conducting larger, more demanding operations until at least the end of the decade.

DCI and ESDP: Different Concepts, Similar Objectives

NATO designed DCI to help the alliance improve its defense capabilities and prepare for a broadened set of security obligations, as outlined in NATO's 1999 Strategic Concept. It is a mechanism to highlight and promote needed improvements in five areas and 58 long- and short-term objectives. The initiative has been incorporated into NATO's defense-planning process. The five areas are:

- mobility and deployability (moving forces quickly to crisis areas, using air- and sealift capabilities);
- sustainability (maintaining and supplying forces and logistics support for operations far from home bases);
- effective engagement (successfully engaging an adversary in all types of operations, from high to low intensity);
- survivability (protecting forces and infrastructure against current and future threats);
- interoperable communications (improving the compatibility of allied command, control, and information systems).

Progress to date varies among countries. According to NATO officials, nations have generally focused on goals that are easier to accomplish and less expensive, such as revising NATO's structures for improved interoperability and establishing logistics processes that support multiple nations. They stated that the more difficult objectives, such as those that require acquisition of expensive platforms or involve expensive research and development, are years from completion. High-cost items, such as electronic jamming for the suppression of enemy air defenses, fall into this category.

According to the DOD March 2001 Report on Allied Contributions to the Common Defense, while the NATO alliance has made modest progress in some DCI areas, in other respects progress toward DCI objectives has been disappointingly slow. The report notes that while the major European allies are set to acquire advanced fighters, long-range cruise missiles, medium-lift transport aircraft, and attack and transport helicopters, most of these systems will not be built or available in sufficient numbers until the latter part of the decade. In addition, the report notes the continued shortage in strategic and oversized cargo airlift capability. While some of the allies plan to acquire a new cargo aircraft—the A400M military

transport—their level of financial commitment to the multibillion-dollar project is not clear, according to DOD. The report further states that the alliance's need for improved, secure, and deployable command, control, and communications capabilities remains unmet.

ESDP, a broader political and security strategy, was formally launched in 1999 as a tool to strengthen the European Union's ability to respond to crises and improve Europe's military contribution to regional security.[5] The EU's objective is to develop the capacity to make decisions and conduct EU-led military operations when NATO as a whole is not engaged as an alliance. Potential missions include humanitarian support and rescue missions, peacekeeping, and crisis management operations involving combat forces. To accomplish this goal, ESDP requires many of the same systems and equipment identified in DCI. However, the European Union will not have a separate or standing EU force. ESDP will allow European nations to provide an integrated response—with political, economic, and military means—to regional crises, according to EU officials. NATO will still be responsible for collective defense.

In 1999, EU member states established the Headline Goal—to be achieved by 2003—of deploying up to 60,000 persons for crisis management within 60 days and sustaining them in the field for at least 1 year. Their intention is that these forces should be self-sustaining, with the necessary command, control, and intelligence capabilities, logistics, and other combat support services. Air and naval elements would also be available, as necessary. To date, EU nations have pledged 100,000 soldiers, 400 aircraft, and 100 ships to meet the Headline Goal. To implement the ESDP missions and Headline Goal, EU member states have also established other defense capability goals, similar to those of DCI, in areas such as command and control, intelligence, and strategic transport. Most of these goals are medium- and long-term efforts that will likely be accomplished toward the end of the decade or later and will parallel certain DCI goals and objectives. Officials from the EU, NATO, and European member states confirmed that by 2003 the EU would be capable of responding to lower-level peacekeeping and

[5]Although ESDP was formally launched in 1999, the idea was generated many years earlier. A first attempt to create a European defense community occurred in the early 1950s, concurrent with the development of the European Coal and Steel Community. The EU's 1997 Treaty of Amsterdam formally identified ESDP, and the concept gained strength after the Franco-British Summit in St. Malo, France, when the United Kingdom overcame its reservations about an autonomous European defense capability in general and ESDP in particular.

humanitarian operations. Shortfalls in major defense systems and equipment would prevent them from leading sustained, higher-intensity military operations.

The EU has also established goals for providing civilian personnel, such as police forces and judicial specialists, to a regional conflict. According to the EU, these personnel are important components of post-Cold War crisis-management operations. By 2003, the EU goal is to provide 5,000 police officers for international missions, 1,000 of whom could be deployed in fewer than 30 days. In addition, the EU has compiled a database of judicial and penal staff specialists that EU member states could make available when needed to enhance the effectiveness of police missions. According to DOD officials, the United States would find it difficult to provide this capability because these civilian personnel would not be readily available.

Although DCI and ESDP share many of the same objectives, the U.S. and European officials with whom we met pointed out that ESDP is providing enhanced motivation to European countries to strengthen their defense capabilities. The Dutch parliament, for example, earmarked funds specifically for ESDP. Several European officials pointed out that DCI's 58 objectives are too many for most nations to consider, and that the ESDP Headline Goal is a more realistic approach to European security. According to a senior U.S. NATO official, if ESDP is the motivation for European allies to improve their defense capabilities, then the United States firmly supports these efforts. He stated, however, that ESDP is not a "burdensharing panacea," and that differences between defense needs and financial resources will affect the EU's ability to implement its plans.

The September 2001 NATO operation to collect weapons from Albanian extremist forces in the Former Yugoslav Republic of Macedonia illustrates both European accomplishments and the challenges that lie ahead as European nations attempt to take greater responsibility for regional security and stability. Operation Essential Harvest relied primarily on European leadership, personnel, and military assets. The United Kingdom served as the lead nation, and as such it had to provide specialists not provided by other European nations, including bomb disposal experts, reconnaissance troops, engineers, logisticians, and medics. The United States provided logistical, surveillance, and medical support that was in short supply in theater. U.S. defense officials stated that this operation, while relatively small in size, demonstrates the European allies' willingness to assume responsibility for events in their region. However, officials also noted that certain EU nations still have capability shortfalls, and that the

EU still has a way to go before it can carry out a sizeable operation on its own. A follow-on mission that began in late September 2001 under German leadership is tasked to protect international monitors who will oversee the implementation of the peace plan in the Former Yugoslav Republic of Macedonia.

European Allies Taking Steps to Address DCI and ESDP Shortfalls

U.S. and European defense officials highlighted the short- and long-term steps that European nations are taking to address DCI and ESDP shortfalls. In the short term, allies have sought solutions to provide airlift capability until the A400M military transport aircraft is deployed, toward the end of the decade. The United Kingdom currently is leasing four U.S. C-17 aircraft, and Germany is leasing six aircraft, when needed, from Ukraine. Italy has recently purchased C-130J aircraft from the United States, which will satisfy part of Italy's strategic lift requirement until the A400M aircraft is available. Italy is also leasing F-16 fighter aircraft from the United States, as it awaits delivery of the Eurofighter aircraft. European allies have made progress in upgrading combat aircraft and acquiring combat identification systems and deployable command-and-control capabilities. Operational cooperation has also improved allies' military capabilities.

In the long term, European allies are planning to procure major systems and equipment that require substantial amounts of financial resources. Increasingly, allies are participating in cooperative equipment-acquisition projects to share the financial burden of acquiring expensive systems and equipment. These cooperative projects enable nations to share the costs of developing major defense systems and also encourage interoperability between militaries. European allies are jointly acquiring and collaborating, primarily on large items such as strategic lift, fighter aircraft, and transport helicopters, as shown in table 2. Although this cooperation has produced advantages by pooling resources, the complexity of nations working together has also created problems for European allies because of differing national priorities and budgetary conditions. NATO officials identified cooperation at the bilateral level, where allies working together can help eliminate shortfalls. For example, the Netherlands recently offered to spend $38 million to upgrade four large German aircraft with air-to-air refueling sets. In return, Germany will provide the Netherlands with air transport, a capability they would not be able to finance alone.

Table 2: Major Multinational Equipment Projects Involving European Countries

Project	Participating nations	Anticipated delivery date[a]
Eurofighter – EF2000 (new fighter aircraft)	Germany, Italy, Spain, and the United Kingdom	2002
Airbus A400M (military transport aircraft)	Belgium, France, Germany, Italy, Luxembourg, Portugal, Spain, Turkey, and the United Kingdom	2008
Medium-range Extended Air Defense System (MEADS)	Germany, Italy, and the United States	2012
Tiger (support helicopter)	France and Germany	2003
NH90 (tactical transport helicopter)	France, Germany, Italy, and the Netherlands	varies by country[b]
Horizon Frigate	France and Italy	2005-2008
Meteor (long range air-to-air missile)	France, Germany, Italy, Spain, Sweden, and the United Kingdom	2012
Joint Strike Fighter (fighter aircraft)	Italy, the United Kingdom, and the United States	2010

[a] Official delivery date. Financial difficulties may delay the delivery date further.

[b] The anticipated delivery dates are 2003 for Germany, 2005 for France, 2004 for Italy, and 2007 for the Netherlands.

Sources: National documents and country meetings.

European Defense Budgets Limit Short- and Mid-Term European Defense Objectives

At a time when European allies have agreed to take on increased responsibility for security in the European region, the level of their defense budgets limits their ability to make the necessary changes to their defense structures.[6] The relatively flat and in some cases declining defense equipment budgets are of particular concern because they constrain material improvements in defense capabilities. Structural problems, such as high personnel costs, combined with relatively low overall defense budgets affect the ability of the European allies to increase defense equipment spending significantly. Although the allies have identified

[6]Our analysis in this section is based on the NATO definition of "defense expenditure." NATO uses a standard definition of defense expenditure to facilitate the comparison of defense budgets of NATO member countries. The NATO definition differs in some cases from definitions in national budgets. For example, some countries do not include payments toward retirement pensions in their defense budgets. The NATO definition includes contributions to military pensions but not payments to current retirees.

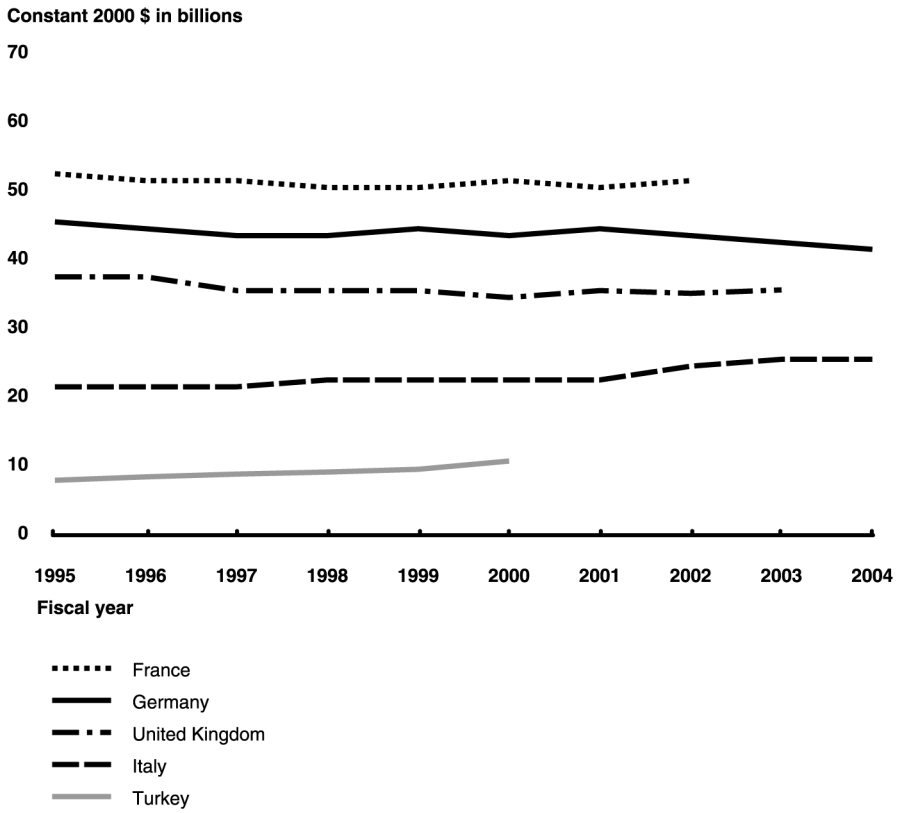
interim measures to cope with capability shortfalls, the success of the DCI and ESDP initiatives continues to depend upon the provision of sufficient resources. Since European nations are unlikely to increase their defense budgets substantially in the near- and mid-term, according to U.S., NATO, and other officials, they are cooperating with joint equipment purchases to increase their defense capabilities and share costs. It is too early to discern what effect, if any, the terrorist attacks of September 11, 2001, will have on future European defense spending. U.S. and European officials have indicated, however, that some European allies are discussing changing their defense budgets and priorities as a result of these events.

Defense Budget Projections Continue a Generally Flat Trend

Defense budget projections for 2001-2004 indicate that, of the countries we visited, France, Germany, and the United Kingdom are maintaining relatively flat defense budgets. Political decisions to balance competing needs will likely present challenges in the years ahead for defense budgets in the countries we visited, according to U.S. and European officials. As indicated in figure 18, Germany's defense budget is expected to decline from 2000 through 2004 at an annual average rate of -1.6 percent, in real terms. The United Kingdom plans to increase its defense spending at an annual average real growth rate of .7 percent from 2000 through 2003. We were not able to obtain formal defense budget projections from Turkey or beyond 2002 for France. However, French officials stated that, based on projected expenditures for defense equipment and personnel, France's total defense expenditures would likely increase at an annual average real growth rate of slightly more than 1 percent over the next 5 years. Italy's annual average real growth rate for defense spending is projected to be about 4 percent from 2000 through 2004.[7]

[7] Defense budget projections provided by NATO member countries may be more definitive for some countries than for others, depending on their budgeting process. DOD and Department of State officials do not believe Italy's defense budget projections will change much as a result of the September 11, 2001, terrorist attacks, given the level of the projections.

Figure 18: Projected Defense Spending in Selected European Countries, 1995-2004



Note1: These levels (but not the trend lines) are dependent on the exchange rates used to convert national currencies into dollars. 1995 exchange rates were used for these calculations. Because of substantial exchange-rate depreciation in some countries, using a later base year would yield significantly lower spending levels. For a description of our methodology for these calculations, see chapter 1.

Note 2: 2000 figures are NATO estimates. NATO will release actual figures in December 2001.

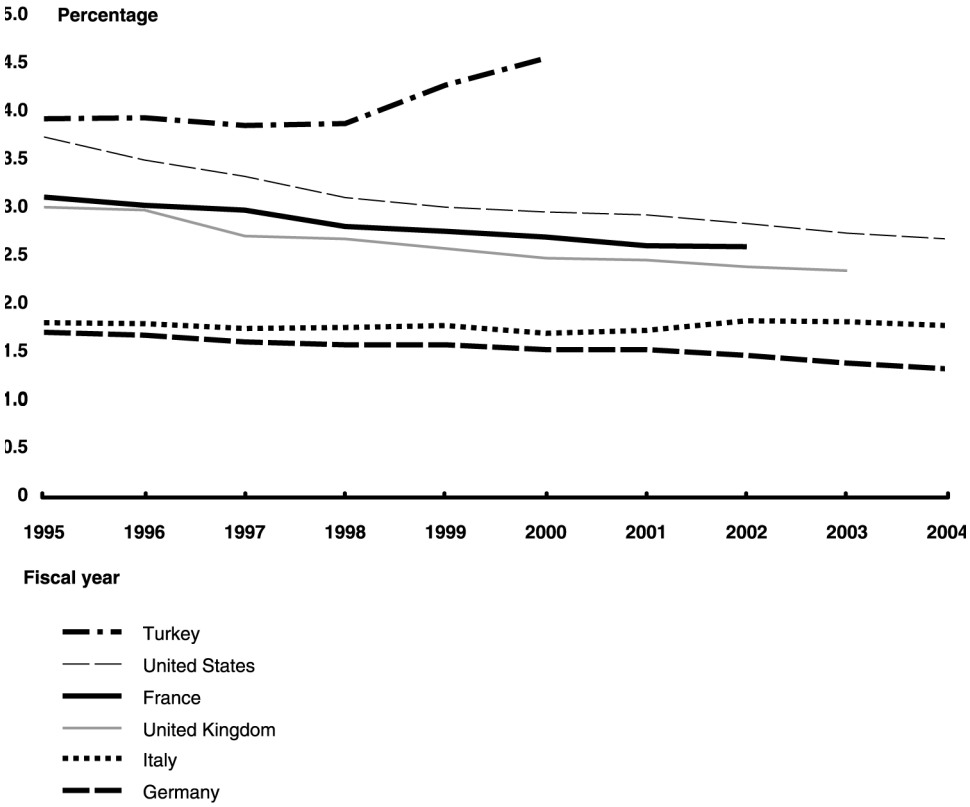
Note 3: Turkey did not provide defense budget projections and France did not provide projections beyond 2002.

Source: GAO analysis of data from NATO and National Ministries of Defense.

Defense spending as a percentage of GDP in NATO European countries has generally been lower over time than in the United States. These differences, which were particularly significant in the 1980s, will continue through 2004. In Turkey, defense spending as a percentage of GDP has been higher than in the United States since the mid-1990s. The average defense share of GDP in 2000 was 2.4 percent for all NATO members, 2 percent for European NATO members, and 2.9 percent for the United States. The

average defense share of GDP is expected to continue to decline slightly from 2001 to 2004 for France, Germany, and the United Kingdom, as shown in figure 19, given relatively constant defense spending levels and GDP that is projected to grow at an annual average rate of 2.5 percent. If this economic trend continues, defense spending as a percentage of GDP for most NATO countries will continue to decline.

Figure 19: Projected Defense Spending as a Percentage of GDP for Selected European Countries and the United States, 1995-2004



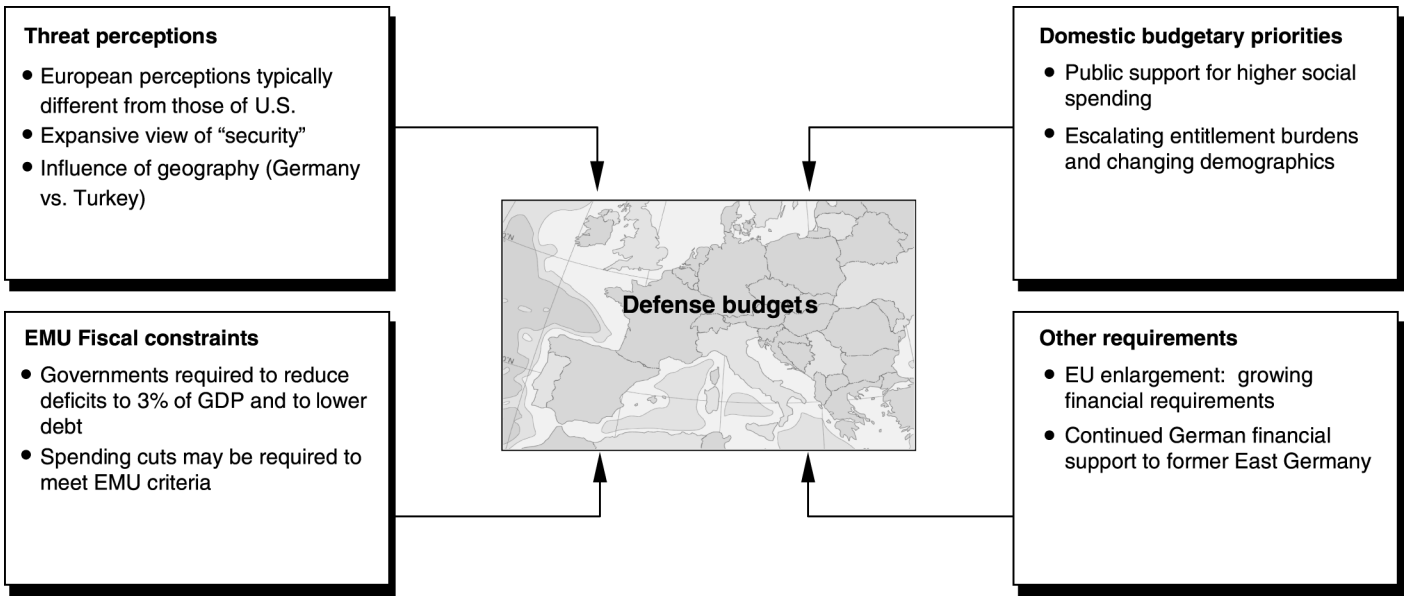
Note: Turkey did not provide defense budget projections and France did not provide projections beyond 2002.

Source: GAO analysis of data from NATO, National Ministries of Defense, and DRI-WEFA, a subsidiary of Global Insights, Inc. (Waltham, MA).

Variety of Factors Drive European Defense Spending

Differences in defense spending levels between the United States and its European allies are attributable to a number of factors, such as competing domestic budgetary pressures, varying threat perceptions, and other national priorities. In addition, many EU nations face European Economic and Monetary Union fiscal constraints and other national requirements that have affected their ability to contribute to defense, as highlighted in figure 20. Recent budgetary debates in European countries have highlighted the trade-offs facing decisionmakers as they try to satisfy demands for social spending within a budgetary environment characterized by lower economic growth and fiscal constraint. U.S. officials stated that the U.S. global role and worldwide interests are important factors driving U.S. defense spending.

Figure 20: Factors Driving European Defense Spending



Sources: EU, NATO, and member countries.

Most U.S. and European officials with whom we met stated that different threat perceptions are the driving force behind defense spending differences in the United States and Europe. Increasingly, European nations see their security affected by factors such as organized crime, illegal immigration, and economic instability, none of which can be resolved through defense spending. European officials we interviewed

stated that European publics generally do not see the need for increased defense spending, given the demise of the Soviet threat and given rising domestic priorities. Nevertheless, Turkey's defense spending is influenced by the potential external threats surrounding it—Iraq, Syria, Russia, and Greece, according to Turkish officials.

Domestic budgetary priorities are a key factor affecting European defense spending. Defense budgets face strong and increasing pressure from domestic spending in European countries. Historically, the countries we reviewed have spent a large portion of their GDP and government budgets on social programs such as pensions, health, and welfare. For example, according to the Organization for Security and Cooperation in Europe, in 1997—the latest year for which comparable data are available—France, Germany, Italy, and the United Kingdom spent an average of 26 percent of GDP on social programs, compared with 16 percent in the United States. Many officials we met with in France, Italy, Germany, and the United Kingdom identified domestic budget priorities as the main reason why defense spending would not likely increase substantially in the near- and mid-term. Further, officials noted that, given upcoming elections in some European countries, domestic programs likely would be at the top of government priorities.

We reported in 1999 that the costs associated with the financial requirements for membership in the European Monetary Union could also affect the flexibility of governments to allocate resources to various needs, including defense.[8] We noted that the European Monetary Union's requirement for countries to limit deficits and debt will constrain government spending options in the near- and mid-term.[9] For example, U.S. embassy officials in Rome said that EMU fiscal requirements are an important factor that would likely influence future defense spending levels in Italy.

[8] *NATO: Implications of European Integration for Allies' Defense Spending* (GAO-NSIAD-99-185, June 1999).

[9] The Maastricht Treaty on European Union, signed in 1992, set forth several economic conditions for countries to join the euro area. These included, in part, reducing general government deficits to 3 percent of GDP and showing progress toward lowering government debt to 60 percent of GDP.

Other factors unique to each country can also affect available resources for defense. For example, Germany continues to provide substantial financial support to the former East Germany. After the Cold War ended, Germany spent billions of dollars in reconstruction and investment in this new region.[10] German officials emphasized that Germany's funding and support to the former East Germany contributes to security in the region. They said that the economic development of the former the East Germany is a priority that Germany will continue to support. According to the German government, the federal budget for the year 2000 allocated approximately $19 billion in funding for rebuilding the eastern part of Germany. Infrastructure investment projects alone, including transportation, housing and urban development, and environmental clean-up, totaled about $10 billion for 2000.

Funding for Defense Equipment Is Key to Improving Defense Capabilities, but Challenges Remain

The amount of funding that the European allies devote to defense equipment is critical to improving European defense capabilities and addressing capability shortfalls, such as those identified in the Balkans, according to U.S. and European officials.[11] However, as a percentage of the defense budget, funding for equipment has generally been relatively low for most NATO European nations. Between 1985 and 1989, Canada, Germany, Italy, Norway, the United Kingdom, and the United States spent an average of 20 percent or more of their defense budgets on equipment. In 2000, the Czech Republic, Norway, Turkey, the United Kingdom, and the United States devoted at least 20 percent of defense spending to equipment. Germany, Italy, and many others spent less than 15 percent during the same year.[12]

European allies have pledged to increase equipment spending over the decade; however, some nations are facing difficulties in doing so.

[10]According to German officials, costs vary widely and are complex because they include, in the area of defense, destruction of weapons, environmental clean-up and decontamination of training sites, demolition and reconstruction of new bases, deployments from eastern to western Germany, and personnel costs resulting from early retirement payments.

[11]Equipment expenditures refer to the costs for major equipment and associated research and development.

[12]NATO does not maintain official budget figures for France because it is not part of NATO's integrated military command and therefore does not participate in the defense planning process. However, France's defense budget data indicates that it spent more than 20 percent of its defense budget on equipment in 2000.

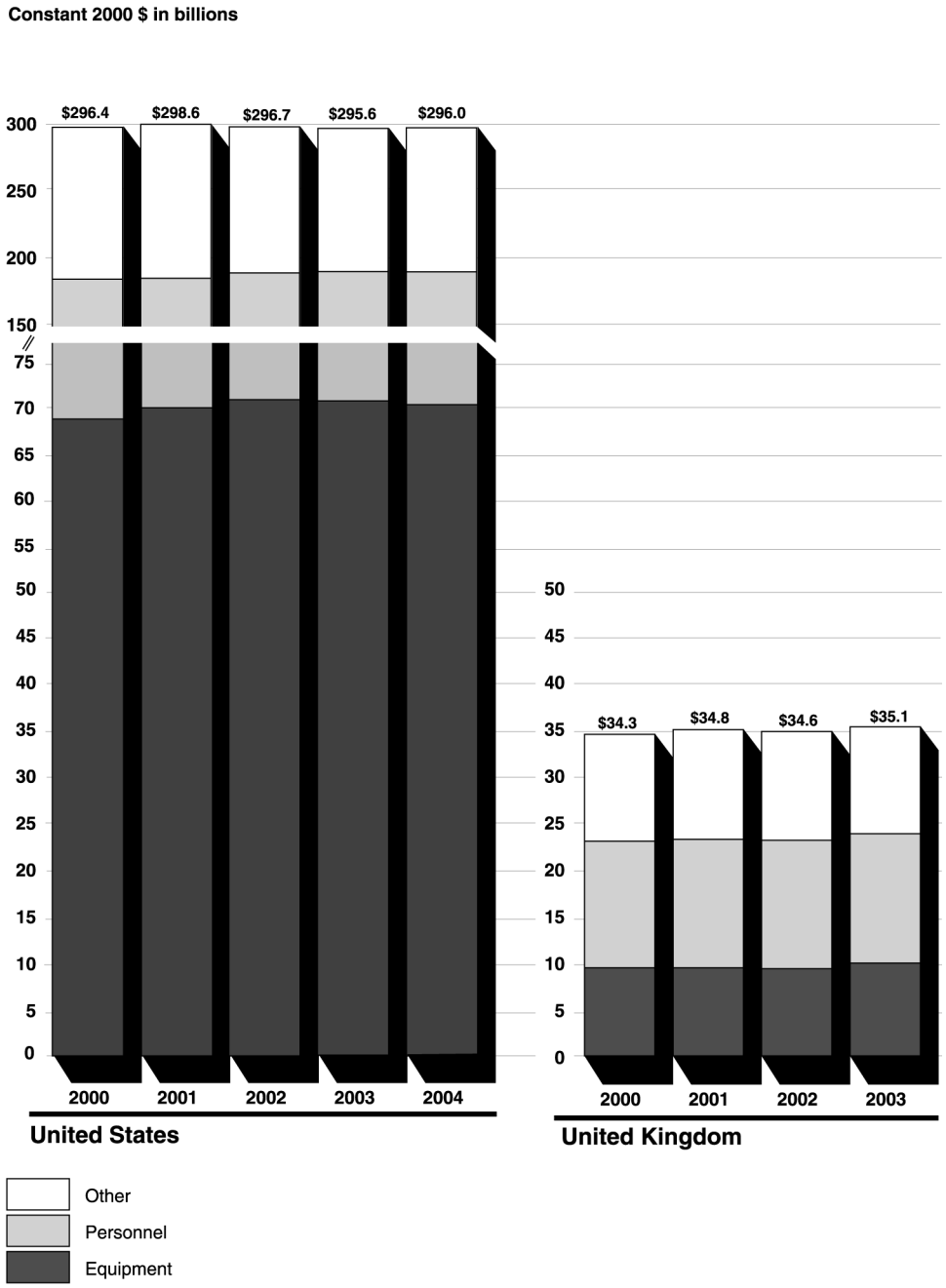
Germany's annual average real growth rate for defense equipment is projected to be -1.3 percent for the years 2000 through 2004, while Italy's growth rate for equipment is expected to increase by about 4 percent over the same period. According to budget projections from the United Kingdom, its annual average real growth rate for equipment is expected to increase by 1.4 percent from 2000 through 2003. France's defense plans include a .8 percent increase for equipment from 2003 through 2008. Turkey could not provide equipment budget projections at this time.

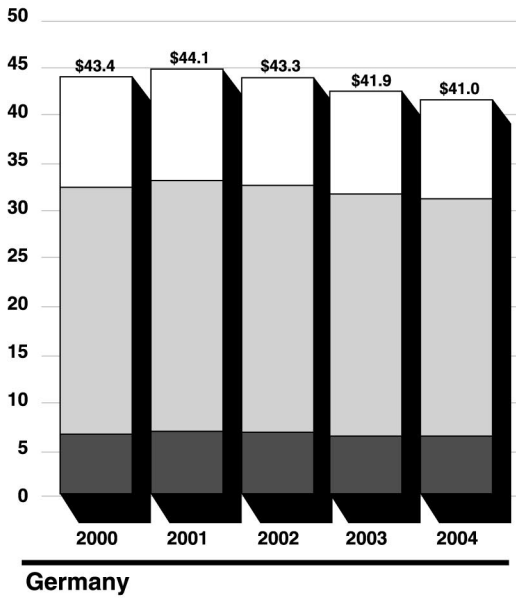
European allies' defense budget challenges arise in part from the structural challenges inherent in many of their defense budgets. Chief among these is large personnel costs. Combined with generally low defense budgets, a relatively small percentage of the budget is left for equipment. This has affected the ability of some European nations, such as Germany and Italy, to carry out restructuring and modernization efforts, according to U.S. and European officials. In contrast, the United Kingdom, which has lower personnel costs, has greater flexibility and as a result has been able to spend a higher percentage of its defense budget on equipment.

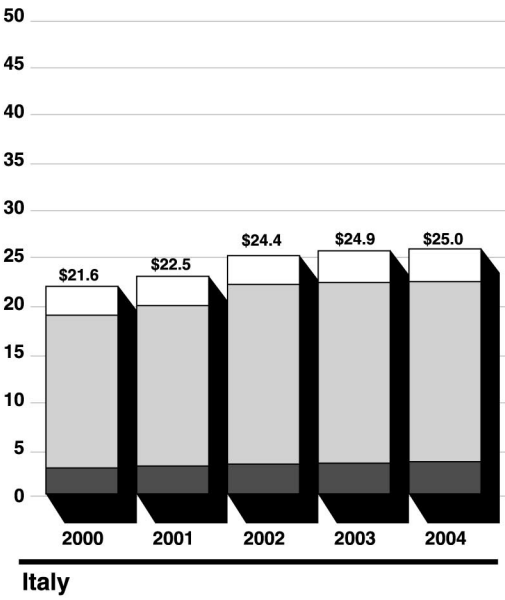
Personnel expenses for many NATO countries constitute a large portion of their defense budgets—60 to 80 percent, for 7 of the 19 NATO nations in 2000. This has affected the ability of these countries to allocate additional funding for defense modernization.[13] In Germany and Italy, personnel expenses as a share of overall expenses rose to 59 and 74 percent, respectively, in 2000. These figures are expected to remain about the same through 2004, in part because of the initial expenses of moving toward an all-volunteer force. Officials stated that in the longer term, personnel expenses should decrease. In the United Kingdom, which has an all-volunteer force, personnel expenses have decreased relative to other expenses since the end of the Cold War and represent 39 percent of its defense budget in 2000. This has allowed the United Kingdom greater flexibility to spend more than other European countries do on equipment. Plans indicate that U.K. personnel costs will likely remain at this level through 2003. As a matter of comparison, personnel costs constitute 38 percent of the U.S. defense budget and will increase slightly through 2004. Figure 21 highlights projected trends in personnel and equipment spending for Italy, Germany, the United Kingdom, and the United States.

[13]In 2000, Belgium, Greece, Italy, Luxembourg, Poland, Portugal, and Spain spent more than 60 percent of their defense budgets on personnel costs, according to NATO.

Figure 21: Projected Trends in Defense Spending for Germany, Italy, the United Kingdom, and the United States, 2000-2004







Note1: France and Turkey could not provide this data.

Note 2: 2000 figures are NATO estimates. NATO will release actual figures in December 2001.

Sources: GAO analysis of data from NATO and National Ministries of Defense.

Given that equipment spending constitutes a relatively small portion of the defense budgets of most NATO European allies, one or more costly defense equipment projects can reduce the flexibility that countries have to buy other types of needed equipment. This is the case, for example, with the EF2000 Eurofighter aircraft, Europe's largest defense project, which involves four nations—Italy, Germany, Spain, and the United Kingdom. Aircraft deliveries are expected to continue for about 15 years. We reported in 1999 that Eurofighter acquisition alone accounted for a growing portion of equipment budgets in Germany, Italy, and the United Kingdom. In Germany, the Eurofighter represented 24 percent of the equipment budget in 1998 and 28 percent in 1999. It remained at about this level in 2001, according to U.S. embassy officials in Germany. Further, Germany's funding problems contributed to delays in the start of the program. In Italy, to fund such a large program, the government relied in part on financing sources outside the defense budget, such as from the Ministry for Production Activities.

The challenges associated with the acquisition of the Eurofighter aircraft provide valuable lessons for planned European equipment programs, particularly the Airbus A400M military transport aircraft, a nearly $18 billion project that is considered to be the EU nations' "flagship" project. In 2008, nine European nations plan to begin deploying the first of an expected 212 aircraft. The aircraft are considered critical in resolving shortfalls in European strategic lift capabilities and will help European allies meet DCI and ESDP objectives. Although no contract had been signed as of October 2001, U.S. and European defense officials had raised several budgetary concerns. Chief among these was whether Germany can afford to fund its share of the program—the largest share of any participating country. As of October 2001, Germany had not yet decided whether to contribute to the developmental phase of the project. Germany will pay a larger unit cost once the aircraft are delivered if it does not contribute to the developmental phase. German embassy officials stated that if the German equipment budget remains relatively level, the combined cost of the Eurofighter aircraft and the A400M military transport aircraft could account for 40 to 50 percent of the German equipment budget in 2008. Although other nations do not face the same level of problems, they are pursuing other funding solutions. Italy, for example, will likely pursue some funding for the A400M costs outside of its defense budget, as it is doing with the Eurofighter. U.S. officials questioned the ability of European nations to fund two major aircraft programs concurrently, and stated that the A400M program is likely to be extended or postponed until

sufficient resources become available. The number of aircraft planned for production may also be reduced, they said.

Aircraft and Capabilities Provided by Selected Countries in Operation Allied Force

Type of Mission	France	Germany	Italy	United Kingdom	United States
Combat air patrol	M-200G		Tornado ADV; F-104	Sea Harrier	F-15; F-18; F/A-18
Suppression of enemy air defenses		Tornado	Tornado		EA-6B; F-16; EC-130H
Close air support	M-2000C; M-2000D; Super Etendard; Jaguar-A		AMX; AV-8B; Tornado	GR-7	A-10; AV-8B; B-1B; B-52; F-14; F-15; F-16; F/A-18
Reconnaissance	Etendard4P; Jaguar-A; Horizon (HELO); CL-289 (UAV); Crecerelle (UAV)	Tornado; CL-289 (UAV)	AMX; Tornado		F-14; F-18; F/A-18D; P-3C; SH-60B; U-2; Hunter (UAV); Pioneer (UAV); Predator (UAV)
Airborne early warning	E-3F			E-3D; MK-6	E-2C; E-3B/C
Airborne battlefield command and control center					EC-130E; E-2C
Air-to-air refueling	C-135F		B-707	VC-10	KC-135; KC-10; KC-130; S-3
Battlefield air interdiction	M-2000D; Mirage; F-1GT; Jaguar-A; Super Etendard	Tornado	AMX; Tornado	GR-1; GR-7	AV-8B; F-14; F-15; F-16; F/A-18; F-117; B-2
Joint surveillance and target attack radar					E-8C

Note: The number of specific aircraft deployed is classified information.

Source: NATO's Supreme Headquarters Allied Powers, Europe.

Progress of NATO Allies' Efforts in Moving Toward an All-Volunteer Force

Country	Status	Percentage of Conscripts in Total Forces (2000)	Percentage of Conscripts in Army (2000)
Belgium	No conscription	N/A	N/A
Canada	No conscription.	N/A	N/A
Czech Republic	Czech government announced a move toward ending conscription.	43%	62%
Denmark	Armed forces rely on conscription.	23	34
France	Conscription ended in July 2001, more than 18 months ahead of schedule.	20	28
Germany	Move toward a more volunteer armed force began in 2000. A combination of conscript and professional armed force will remain, with mandatory service reduced from 10 months to 9 months after 2002.	40	46
Greece	Armed forces rely on conscription.	62	74
Hungary	Armed forces rely on conscription. Length of service will be reduced from 9 months to 6 months.	52	76
Iceland	No conscription.	N/A	N/A
Italy	Conscription is projected to end by 2006. Conscription already ended for citizens born after 1985.	45	54
Luxembourg	No conscription.	N/A	N/A
Netherlands	No conscription.	N/A	N/A
Norway	Armed forces rely on conscription.	57	59
Poland	Armed forces rely on conscription.	52	62
Portugal	Conscription is projected to end in 2003.	13	21
Spain	Conscription is projected to end by 2002.	31	30
Turkey	No plans by Ministry of Defense to eliminate conscription.	87	93
United Kingdom	No conscription.	N/A	N/A
United States	No conscription.	N/A	N/A

Sources: Official country documents, the United Nations, and *The Military Balance*.

Key Equipment Programs for France, Germany, Italy, Turkey, and the United Kingdom

Country	Equipment Priorities	Key Acquisition Projects
France	Power projection Command, communications Intelligence	Rafale fighter aircraft Tiger support helicopter NH90 transport helicopter Horizon frigate LeClerc main battle tank Helios II satellite
Germany	Strategic transport Command, control, communications Intelligence Reconnaissance Precision-guided munitions	SAR-Lupe satellite Medium-range air-to-air missile Strategic reconnaissance Tiger support helicopter Frigate F124/F125 Eurofighter Medium-range extended air defense system
Italy	Strategic transport Command, control, communications Intelligence Logistic support Upgrading missiles	C130-J Meteor long-range air-to-air missile Storm Shadow medium/long range missile Eurofighter Joint Strike Fighter NH-90 tactical transport helicopter New aircraft-carrier
Turkey	Attack helicopter Airborne early warning and control aircraft Battle tanks	AH-IZ King Cobra attack helicopter M60 tank Leopard main battle tank
United Kingdom	Strategic lift Command, control, communications Intelligence Force projection Precision-guided munitions	Roll-on roll-off vessel C-17 strategic lift aircraft Bowman battlefield communications system Meteor long-range air-to-air missile Joint Strike Fighter Eurofighter Astor airborne stand-off radar

Note: Equipment priorities are not listed in order of priority.

Source: National documents.

Comments From the Department of State

United States Department of State

Chief Financial Officer

Washington, D.C. 20520-7427

NOV 15 2001

Dear Ms. Westin:

We appreciate the opportunity to review your draft report, "EUROPEAN SECURITY: U.S. and European Allies Contributions to Foster Stability and Security in Europe," GAO-02-174, GAO Job Code 711543.

The Department of State believes the report findings are essentially factual and correct. Technical comments were provided to your staff separately.

If you have any questions concerning this response, please contact Kim Savit, Director of Security Programs,, at 202-647-4584.

Sincerely,

Larry J. Eisenhart
Acting

Enclosure:

As stated.

cc: GAO/IAT - Mr. Joseph A. Christoff
State/OIG - Mr. Atkins
State/EUR/ACE - Ambassador William Taylor

Ms. Susan S. Westin,
Managing Director,
International Affairs and Trade,
U.S. General Accounting Office.

GAO Contacts and Staff Acknowledgments

GAO Contacts

F. James Shafer (202) 512-6002
M. Elizabeth Guran (202) 512-4580

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