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COMPTROLLER GENERAL REPORT  
TO THE CHAIRMAN, COMMITTEE  
ON APPROPRIATIONS, HOUSE OF  
REPRESENTATIVES

INCREASED COST SHARING FOR U.S.  
FORCES IN EUROPE NEEDS A MORE  
SYSTEMATIC APPROACH



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D I G E S T

The question of whether North Atlantic Treaty Organization (NATO) allies should share more U.S. stationing costs and if so, how much, has not been resolved. Supporting military and related civilian personnel stationed in Europe is costly. In fiscal year 1979, an estimated \$40.5 billion was budgeted for U.S. forces directly committed to NATO and \$4.3 billion entered the Department of Defense international balance-of-payment expenditures as costs borne in NATO countries outside the United States. More recent Defense estimates of the cost of the U.S. commitment to NATO run as high as \$65 billion annually.

The Congress has indicated a strong desire to reduce this financial burden by encouraging the President to seek increased peacetime host nation cost sharing. However, Defense and State emphasis lies in other areas such as committing host nations to provide wartime support and seeking to improve allied defense capabilities.

This report discusses U.S. efforts to increase the types and amounts of support currently received and recommends a more systematic approach toward reducing U.S. stationing costs through cost sharing.

SHARING DEFENSE COSTS--PRESENT  
AND PAST ARRANGEMENTS

Currently, host nations contribute directly and indirectly to support U.S. forces. The extent to which they provide such support is not fully known because neither Defense nor State routinely monitors the types and amount of support provided. In the Federal

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Republic of Germany (FRG) and United Kingdom, U.S. forces receive mostly indirect support relating to such categories as rent-free land and facilities, reductions in administrative fees, and elimination of duties, taxes, and customs charges. Current direct support in both countries includes sharing payment of U.S. damage claims, expenses incurred in administering the Office of Defense Cooperation or Military Assistance Program, and various other payments. In addition, FRG makes direct budgetary expenditures for Berlin occupation costs. (See pp. 9 and 10.)

Past cost sharing arrangements in the Federal Republic of Germany and United Kingdom demonstrate that increased host nation contributions are possible without renegotiating status of forces agreements. However, recognition must be given to host nation willingness to assume more financial obligations and to possible arguments that the United States should, in return, forfeit some other arrangement which the host nation considers burdensome. Past cost sharing programs include:

- About \$385 million provided by FRG in 1971 and 1974 for rehabilitation of barracks and dining halls as well as millions of dollars more for other support measures. (See p. 11.)
- In 1976, the Federal Republic of Germany provided about \$72.5 million for constructing defense related facilities for a newly deployed U.S. brigade in northern Germany. (See p. 12.)
- A 1973 agreement with the United Kingdom which provided various types of cost sharing arrangements to ease U.S. stationing costs. (See p. 13.)

Also, the U.S. share of the NATO infrastructure facility construction program has decreased from 44 to 24 percent from 1960 to 1979. Several other infrastructure-type arrangements have provided needed facilities to the United States at less than full cost.

The NATO Status of Forces Agreement and Supplementary Agreement are generally not considered to be cost sharing arrangements. They primarily pertain to the legal rights, obligations, and duties of NATO countries. However, some provisions of these agreements, particularly those of the Supplementary Agreement which pertains to the Federal Republic of Germany, can be considered financially burdensome to the United States.

Generally the NATO Status of Forces Agreement is not specific on sharing financial obligations. Instead, it allows for separate bilateral arrangements between the United States and its host nations. The Supplementary Agreement, however, specifies many financial obligations for the United States, including construction, repair and maintenance of facilities, design and engineering fees, local national labor payroll administration charges, operating expenses, and current public charges on the use of property. (See pp. 14 to 16.)

Defense and State officials do not consider renegotiation of these agreements as a realistic means to increase host nation cost sharing. They believe, and GAO agrees, that the United States potentially could lose favorable provisions if it attempted to inject cost sharing arrangements into these agreements. For example, other countries may want to change provisions pertaining to criminal jurisdiction, training maneuvers, employing local national personnel, and health and safety laws. According to U.S. legal officials in Germany, revision would require consent of all parties to the agreements, which could very well involve complicated and time consuming multilateral negotiations. (See pp. 17 to 19.)

#### BURDENSARING VERSUS COST SHARING

Historically, Defense and State have pushed for allied defense improvements and provision of wartime logistics support as the best means to increase U.S. allies' contributions to the

common defense, or burdensharing. The Congress, on the other hand, has called for U.S. allies to pay a greater share of U.S. stationing costs to reduce the burden on the United States. Defense places peacetime cost sharing at a low priority as a burdensharing alternative, but largely because of congressional pressure, Defense and State have initiated contacts with both the United Kingdom and West Germany seeking greater cost sharing. (See pp. 22 to 30.)

In determining whether and how much the United States should seek in cost sharing, the Departments of State and Defense need to assess those factors which indicate the potential for a host nation to increase contributions toward U.S. stationing costs. Important factors include: (1) the relative contribution of a country toward a common defense, (2) the ability of a host nation to assume more of the financial burden, (3) recognition of the competing defense needs for a host nation's resources, and (4) types and amounts of support the host nation currently provides. (See pp. 30 to 34.)

#### POTENTIAL AREAS FOR COST SHARING

The most probable success in seeking increased peacetime cost sharing will be found in areas where both the United States and the host nation benefit from having the facility or functions within its country and where past programs have been successful. The potential for increasing peacetime host nation cost sharing ranges from reducing administrative charges on services provided by host nations to obtaining direct budgetary support such as facility construction. Areas where cost sharing might be considered include:

- facility construction and modernization,
- family housing,
- pollution abatement projects,
- local national payroll,
- taxes and service charges, and

--maneuver damage claims. (See pp. 36 to 44.)

GAO believes that the Congress needs more information on Defense's and State's progress toward obtaining increased cost sharing. In the past, Defense and State have not acted on some recommendations to seek cost sharing. For example, no action had been taken on recent congressional committee recommendations to seek cost sharing on several barracks and environmental construction projects or on GAO's previous recommendation to examine local national labor cost sharing opportunities.

Current U.S. initiatives to increase allied cost sharing could prove valuable. Defense needs to keep the Congress informed on progress and problems in these efforts. Furthermore, GAO believes Defense should routinely compile and quantify cost sharing data for all allies where U.S. troops are stationed. Such data could be incorporated into the annual Defense budget submission to ensure that the Congress is appropriately informed of the results of its recommendations and the status of U.S. policies, goals, and accomplishments in reducing U.S. stationing costs through allied cost sharing. GAO believes the material submitted with the budget justification should include:

- an assessment of both direct and indirect support currently provided;
- a statement of whether additional support is being sought, and if not, an explanation of the reasons;
- a description of the type and amount of support the United States is seeking and related target dates for approaching the host nation; and
- a comparison of current status to previous years' objectives and accomplishments in seeking increased support. (See pp. 46 to 48.)

## RECOMMENDATIONS

GAO recommends that the Secretaries of Defense and State jointly:

- determine the types and amounts of cost sharing the United States should seek from the various allies and establish appropriate policies and goals; and
- develop implementing guidance for seeking additional support to assist components in identifying areas in which they should seek additional support; and
- explore, depending on goals and policies established, various areas for increasing allied contributions.

GAO also recommends that the Secretary of Defense:

- establish a system within European commands for identifying, collecting, and reporting data on types and amounts of support NATO allies provide to monitor and evaluate accomplishments resulting from cost sharing initiatives; and
- incorporate as a part of Defense's annual budget submission to the Congress the status of meeting established cost sharing goals, including the information discussed above.

## AGENCY COMMENTS

GAO did not receive official comments from Defense in time to be included in this report. The Department of State commented on GAO's draft, however, agreeing that some greater cost sharing could be assumed by U.S. allies in Europe and stated that it will continue to seek opportunities to improve allied cost sharing. The Department did not agree with GAO's recommendation to establish goals for cost sharing and develop a system for pursuing and monitoring cost sharing gains. The Department called such goals "arbitrary and unilateral" and stated that they could detract

from the ultimate responsibility "to insure Alliance cohesiveness and political solidarity." The Department emphasized the many burdens placed upon the allies, including the NATO Long Term Defense Program, cooperative arms development, nuclear force modernization, and other defense initiatives in recent years. Cost sharing, the Department stated, is just one of many ways to achieve equitable burden sharing, and is overshadowed by these larger burdens.

GAO believes the report presents cost sharing in context as one aspect of the burden-sharing issue. GAO shares State's concern that cost sharing should not be pursued without adequate consideration of the full range of alliance initiatives. However, GAO believes that a systematic approach which considers all factors surrounding cost sharing and sets appropriate goals and measurement milestones would be an effective vehicle for addressing the concerns being expressed in the Congress and elsewhere over the value of increased cost sharing.