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REPORT TO THE CONGRESS

UNITED STATES
GENERAL ACCOUNTING OFFICE

AUG 27 1975

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES



Need To Reexamine Some Support Costs Which The U.S. Provides To NATO

Departments of Defense and State

The United States incurs several costs which are not specifically identified to the Congress as NATO related. These include the national costs of international and representational staffing, direct NATO support, and military assistance to some NATO nations.

GAO recommends that these costs be reduced or eliminated through more equitable distribution of international staff positions, sharing of support and military assistance costs, and consolidation of duplicative activities.

AUG. 25. 1975

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E R R A T A

To the recipients of the Comptroller General's report to the Congress--"Need to Reexamine Some Support Costs Which the U.S. Provides to NATO" (ID-75-72, Aug. 25, 1975).

At the beginning of the third printed paragraph the letter in parentheses should be U.



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-156489

To the President of the Senate and the
Speaker of the House of Representatives

Because not all costs of the U.S. commitment to the North Atlantic Treaty Organization are readily identifiable, we have made a review to identify some of these costs and determine ways they can be reduced, eliminated, or shared by other members.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget; the Secretaries of State and Defense; the House and Senate Committees on Government Operations and Appropriations; and those congressional committees having responsibility for foreign assistance.

James B. Stacks

Comptroller General
of the United States

C o n t e n t s

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	NATO structure	1
	Scope of review	3
2	CASE FOR GREATER SHARING OF U.S.-NATO COSTS	4
	Are European members able to share more of the U.S.-NATO costs?	4
	Should other NATO members share more of the U.S.-NATO costs?	8
	Conclusions	9
	Agency comments	10
3	INTERNATIONAL AND REPRESENTATIONAL STAFFING COSTS	12
	NATO positions	13
	U.S. representation to NATO	15
	Support costs	17
	Conclusions	19
	Recommendations	20
	Agency comments	21
4	U.S. COSTS OF SUPPORTING NATO	23
	NATO-committed nuclear weapons support	23
	196th Station Hospital	24
	Chievres Air Base	25
	NATO Weapons System School	26
	NATO Training Division	26
	Conclusions	27
	Recommendation	27
5	U.S. COSTS OF MILITARY ASSISTANCE TO NATO NATIONS	28
	Relationship between NATO commitments of Turkey and Portugal and U.S. military assistance	28
	Cost of U.S. military assistance to Turkey and Portugal	30
	Case for other NATO members to share in cost of U.S. military assistance	30
	Conclusions	32
	Recommendations	32
	Agency comments	33

CHAPTER		<u>Page</u>
6	ENHANCING CONGRESSIONAL OVERSIGHT THROUGH CONSOLIDATED PRESENTATION OF NATO COSTS Matters for consideration by the Congress	34 34
APPENDIX		
I	Letter dated December 30, 1974, from the Deputy Assistant Secretary for Budget and Finance, Department of State	36
II	Letter dated March 6, 1975, from the Deputy Assistant Secretary of Defense for Security Assistance	47
III	Principal U.S. officials responsible for administration of activities discussed in this report	63

ABBREVIATIONS

DOD	Department of Defense
GAO	General Accounting Office
NATO	North Atlantic Treaty Organization
SHAPE	Supreme Headquarters Allied Powers, Europe

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

NEED TO REEXAMINE SOME SUPPORT
COSTS WHICH THE U.S. PROVIDES
TO NATO
Department of Defense
Department of State

D I G E S T

Like all member nations, the U.S. shares in the agreed-upon common costs of operating NATO as an organization. In fiscal year 1974, the major NATO budgets totaled about \$481 million of which the U.S. share was \$135 million, or about 28 percent.

GAO did not review the agreed percentage for sharing of NATO operating costs and, therefore, makes no comments on the equity of the sharing arrangement or its applicability to an additional \$325 million in annual NATO support costs assumed by the United States identified in this report. (See pp. 1, 3, and 4.)

Of the \$325 million additional support costs, there is an annual U.S. cost of \$135 million for providing direct staffing and representation to NATO, including related support. GAO believes this cost could be reduced through consolidation or elimination of certain U.S. activities. (See pp. 4 and 20.)

The remaining annual cost of \$190 million for providing support to NATO and furnishing military assistance to NATO nations, excluded from existing NATO budgets, could be reduced if there was increased sharing among NATO members. Due to the improved economic condition of other NATO members, GAO recommends that Defense and State seek a more equitable sharing of the \$190 million in costs. (See pp. 4, 27, and 32.)

With reference to both the direct staffing and representation costs and the costs for support to NATO and military assistance to NATO nations, GAO recognizes that other NATO members have similar types of costs. The extent of other members' costs should be considered in negotiations for further cost sharing. (See p. 4.)

GAO recommends that the Congress require all NATO-related costs, regardless of appropriation, to be identified in annual security assistance program presentations. Legislative language to accomplish this is suggested in chapter 6.

GAO also suggests that, since the agencies apparently plan to take no action on GAO's recommendations, the Congress consider them when making future NATO-related appropriations of defense and military assistance funds. (See p. 35.)

STAFFING COSTS

U.S. personnel assigned to NATO's international staff and representational positions cost the U.S. about \$135 million a year. (See p. 12.)

About 77 percent of the 4,700 military personnel assigned to NATO are enlisted personnel filling communications and administrative positions, most of which could be filled by other NATO members.

Defense and State should negotiate a more equitable distribution of international staff positions to reduce, where possible, positions not essential to maintaining the U.S. position at the highest policy and decision making levels. (See pp. 12, 13, and 20.)

Defense is represented by both the Defense Advisor to the U.S. Ambassador to NATO and the U.S. Military Delegation to the NATO Military Committee. The feasibility of consolidating some functions of these activities should be considered. (See pp. 16 and 20.)

The logistical and administrative support of U.S. personnel assigned to international and representational positions is costly and diffused among numerous support activities, several of which perform similar or duplicative functions. This support system should be reviewed to determine whether activities could be consolidated and overall support costs could be reduced. (See pp. 17 and 20.)

NATO SUPPORTING COSTS

A number of U.S. units support NATO at a cost of about \$92 million a year, which is not shared by other NATO members. Almost all these activities--special weapons support, medical services, air base operations, and training--have no other functions and probably would not otherwise be stationed in Europe. Negotiations should be initiated within NATO for the other members to share the costs for support which the U.S. unilaterally provides. (See ch. 4.)

MILITARY ASSISTANCE COSTS

The U.S. provides about \$98 million a year in military assistance to Turkey and Portugal; while other NATO members provide relatively small amounts. Although the U.S. has unilateral security interests in these nations, this assistance is justified in congressional presentation documents primarily on the basis of these nations' NATO commitments and importance to NATO. (See pp. 28 and 29.)

Other NATO members should share in the U.S. cost of providing military assistance to support the NATO force objectives of these nations. The level of this U.S. military assistance should distinguish between NATO force objective costs the U.S. should assume unilaterally and those costs NATO members should share. (See p. 32.)

AGENCY COMMENTS

Both State and Defense disagreed with most conclusions and all recommendations of this report. Although they commented specifically on each conclusion and recommendation, the agencies' disagreement appears to be centered on the incorrect assumption that the purpose of the report is to challenge the fairness of the current U.S. share of the NATO defense burden.

For example, Defense commented that,

"The underlying premise of the GAO Report seems to be that U.S. Forces are in Europe strictly to defend the Western Europeans. It would follow from this premise that whatever the U.S. contribution to NATO is, it must be too high."

This premise was not stated nor was it intentionally implied in the report, and the broad issue of burden sharing was not within the scope of GAO's review. Nevertheless, the agencies argued from this assumption that the report does not:

--Consider all the complex economic, financial, and political factors involved.

--Take into full account what has been done on burden sharing within NATO.

On the other hand, Defense acknowledges that,

"Under the protection provided by NATO's collective defense, Europe has grown to become the world's second largest economic power, the largest exporter and importer, and the repository of the world's monetary reserves."

Moreover, Defense recognizes that "the Europeans can do more and it is our policy to encourage this."

It is in this context that GAO has identified in this report certain costs amounting to about \$190 million which the United States bears unilaterally in support of NATO but which are not covered by the shared NATO operating budgets. Notwithstanding the DOD and State comments, GAO therefore continues to believe that, in view of the improved economic condition of the NATO allies, efforts should be undertaken to seek the sharing of these costs. Their specific comments are discussed where appropriate in the report.

CHAPTER 1

INTRODUCTION

The North Atlantic Treaty Organization (NATO) is a political-military alliance of 15 nations, which in 1949 pledged their mutual security against Soviet expansion until the European nations could develop an integrated political and military organization capable of balancing Soviet power in Europe. The North Atlantic Treaty also provides for cooperation in economic, social, and cultural fields.

Member nations share many of the common operating costs of NATO, including most civilian salaries and allowances, primarily through financial contributions to its three major budgets--civil, military, and infrastructure. Representation and international military staffing costs are borne by the nations providing the personnel.

In 1974 the U.S. share of the common costs was about \$135 million, or approximately 28 percent of the \$481 million in total shared costs of the three major budgets plus the costs of the Central European pipeline system and NATO Maintenance and Supply Agency. In addition, U.S. costs of maintaining its NATO-committed forces are estimated at \$17 billion a year.

The United States also accepts, at its own expense, a portion of approximately 22,000 military and civilian positions which NATO has established in the international staffs and at the subordinate military headquarters.

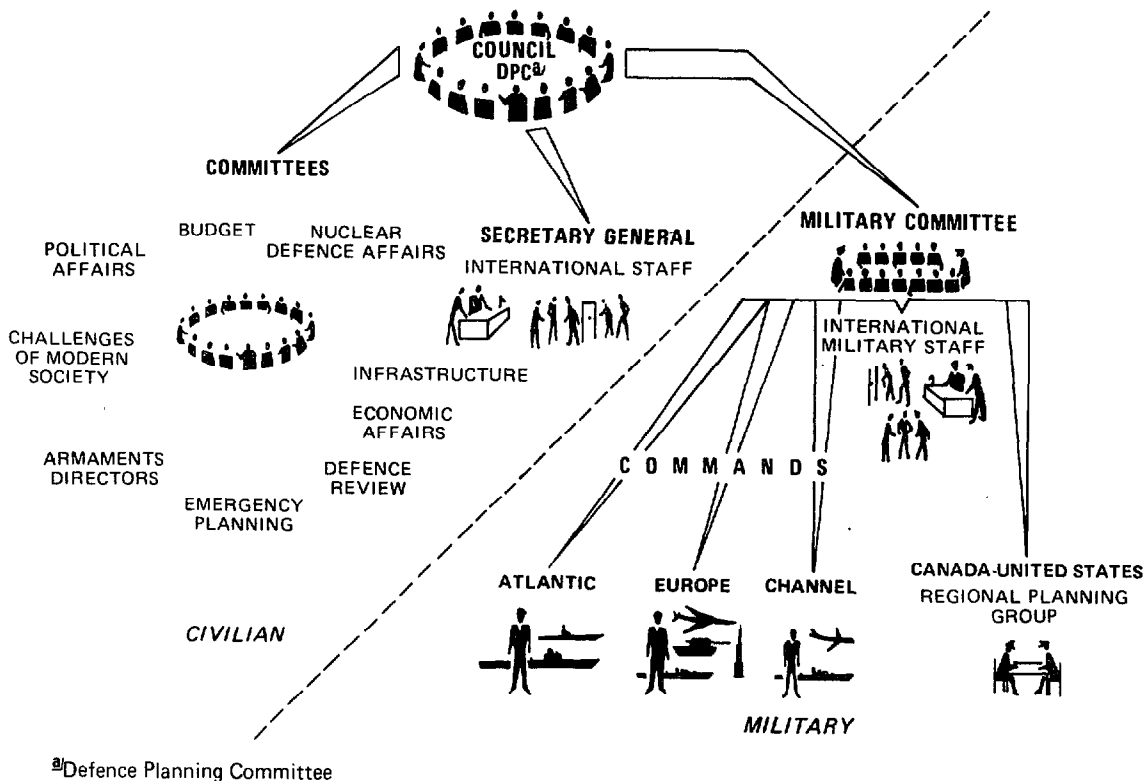
NATO STRUCTURE

The highest authority in NATO is the North Atlantic Council, which meets at the ministerial level at least twice a year and at the Permanent Representative level (Ambassador) weekly. The 15 allies meeting as the Council deal with all major issues confronting NATO except military policy. Military policy is the purview of the Defense Planning Committee, which meets at the same level as the Council and is composed of the 13 nations participating in NATO's integrated defense system. France and Greece withdrew from the defense system in 1966 and 1974, respectively, and do not attend these sessions.

To achieve its goals, NATO has created a civil and military structure responsible for implementing the policies and plans approved by the Council or the Defense Planning Committee.

NATO's civil structure consists of an international staff headed by the Secretary General; numerous committees and working groups; and agencies responsible for implementing special programs or projects, such as air defense, communications, pipeline, and supply and maintenance systems.

The military structure consists of the Military Committee, assisted by an international military staff. The Military Committee, the highest military authority in NATO, has representatives from each member nation. It meets twice a year at the chief-of-staff level and on a continuous basis at the Permanent Military Representative level.



SOURCE: NATO Information Service, Brussels, Belgium

GAO notes:

1. U.S. representation on the committees of the Council is provided by the U.S. Mission to NATO.
2. The United States is represented on the Military Committee and its working groups by the U.S. Military Delegation to the NATO Military Committee.

Subordinate to the Military Committee are

- three strategic military commands: Allied Command, Europe; Allied Command, Atlantic; and Allied Command, Channel;
- the Canada-United States Regional Planning Group; and
- several specialized or technical agencies.

SCOPE OF REVIEW

We made our review in 1974 at the Department of Defense (DOD) and the Department of State in Washington, D.C.; the U.S. Mission to NATO and the U.S. Military Delegation in Brussels, Belgium; and various DOD activities in Belgium, Germany, Italy, and the United States.

We reviewed the costs of U.S. military and civilian personnel assigned to NATO international staffs and representational positions, including logistical and administrative costs of supporting those personnel. We considered reducing costs through consolidation or elimination of activities.

We also reviewed U.S. costs of providing certain support to NATO and of furnishing military assistance to NATO nations, giving consideration to the possibilities for increased sharing among NATO members.

In addition, we considered the possibility of improving congressional oversight of total costs of U.S. participation. Comparison and analysis of economic data was made on the basis of the collective NATO membership.

We did not review the current negotiated cost-sharing percentages; therefore, we have made no determination regarding their equity nor their application to the costs identified in this report.

CHAPTER 2

CASE FOR GREATER SHARING OF U.S.-NATO COSTS

The U.S. contribution to the common costs of operating NATO is the largest percentage contributed by any NATO member. In fiscal year 1974, it amounted to about \$135 million. This contribution, however, is only a small part of the total cost of U.S. participation.

In the following chapters, we have identified an additional \$325 million in annual U.S. costs, including \$135 million for providing direct staffing and representation to NATO, which we believe the U.S. could reduce through consolidating or eliminating U.S. activities, and \$92 million for support to NATO and \$98 million for military assistance to less economically developed NATO nations, which we believe the U.S. could reduce through increased sharing.

Due to improved economic conditions of other NATO members, we believe that efforts should be undertaken to seek the sharing of the latter two items totaling \$190 million for support to NATO and military assistance to NATO nations. The extent of the other members' NATO costs of this type should be considered in any negotiations for further cost sharing. 1/

More than 11,000 U.S. military and civilian personnel are involved in these activities, which adds an estimated \$77 million a year to the balance-of-payments deficit associated with U.S. commitments to NATO.

ARE EUROPEAN MEMBERS ABLE TO SHARE MORE OF THE U.S.-NATO COSTS?

Since the end of World War II European economic, political, and military strength has greatly improved. This was accomplished largely through the formation of NATO to provide

In 1949 the gross national product of the United States was about two times greater than that of other NATO members; in 1973--the year for which the latest comparable data is available--the gross national product of other NATO members was almost equal to that of the United States. International liquidity (gold, foreign exchange, and International Monetary Fund reserve position) of other NATO members was about five and one-half times greater than that of the United States in 1973. Preliminary 1974 estimates indicate that their gross national product is still roughly equal and their international liquidity is about five times greater than that of the United States.

Gross national product

No single statistic is available that will accurately measure economic growth, but gross national product is one of the most widely used. It is the market value of a nation's production of goods and services over time. The following table compares the total performance of the United States and other NATO members in 1949 and 1973.

<u>Gross national product</u>	<u>United States</u>	<u>Other NATO members</u>
Current prices		
1949	\$ 260 billion	\$ 133 billion
1973	\$1,289 billion	\$1,239 billion
Adjusted prices (note a)		
1949	\$ 337 billion	\$ 195 billion
1973	\$ 889 billion	\$ 686 billion

a/Adjusted for currency revaluations and inflation, using 1963 as the base year.

This table shows that the combined gross national product of other NATO members is almost equal to that of the United States in current prices. Furthermore, when these figures are adjusted for currency revaluations and inflation, the production of goods and services in other NATO nations is still comparable with that of the United States. Preliminary 1974 estimates show a \$1,397 billion gross national product for the United States and a \$1,291 billion combined gross national product for the European Economic Community and Canada.

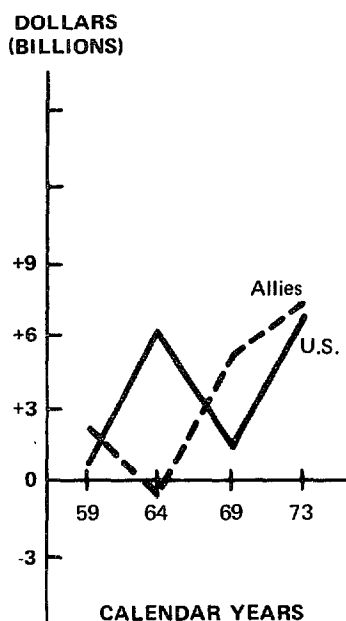
International liquidity and balance of payments

International liquidity refers to the total stocks of assets--usually in gold, foreign exchange, and International Monetary Fund reserve position--held by a nation's monetary

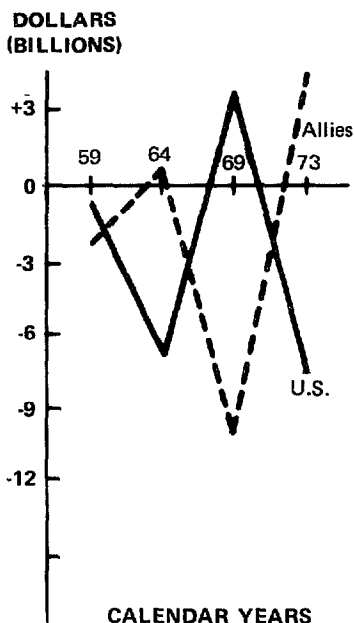
authority which are available to settle international transactions. These assets are acquired primarily through international trade, increasing when exports exceed imports. A nation's trade balance generally is an important component of its balance-of-payments situation; it shows what was received from abroad in goods, services, unilateral transfers, and capital and what was given in payment.

After World War II, the United States had a strong competitive position in the world economy, primarily because of its favorable balance of trade. A large surplus balance on goods and services resulted from extensive exports of consumer goods and capital equipment to Japan and Western Europe. This surplus was partially offset by outflows of private capital and Government transfers. In recent years, large increases in Government transfers and private capital outflows have brought about deficits in the U.S. balance of payments while the other NATO nations were improving their combined balance-of-payments position, as shown below. Preliminary 1974 estimates indicate that all NATO nations except Germany had balance-of-payments deficits due to the increased cost of oil imports.

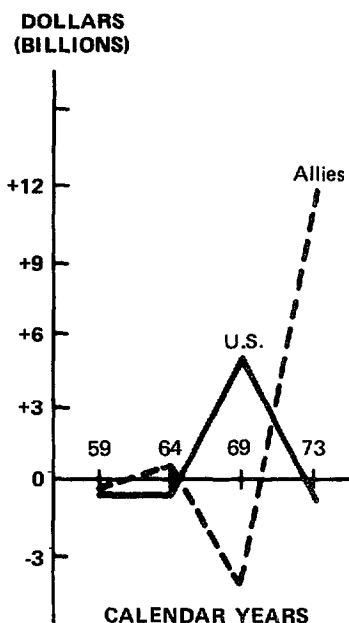
BALANCE ON GOODS AND SERVICES



GOVERNMENT TRANSFERS AND PRIVATE CAPITAL OUTFLOWS

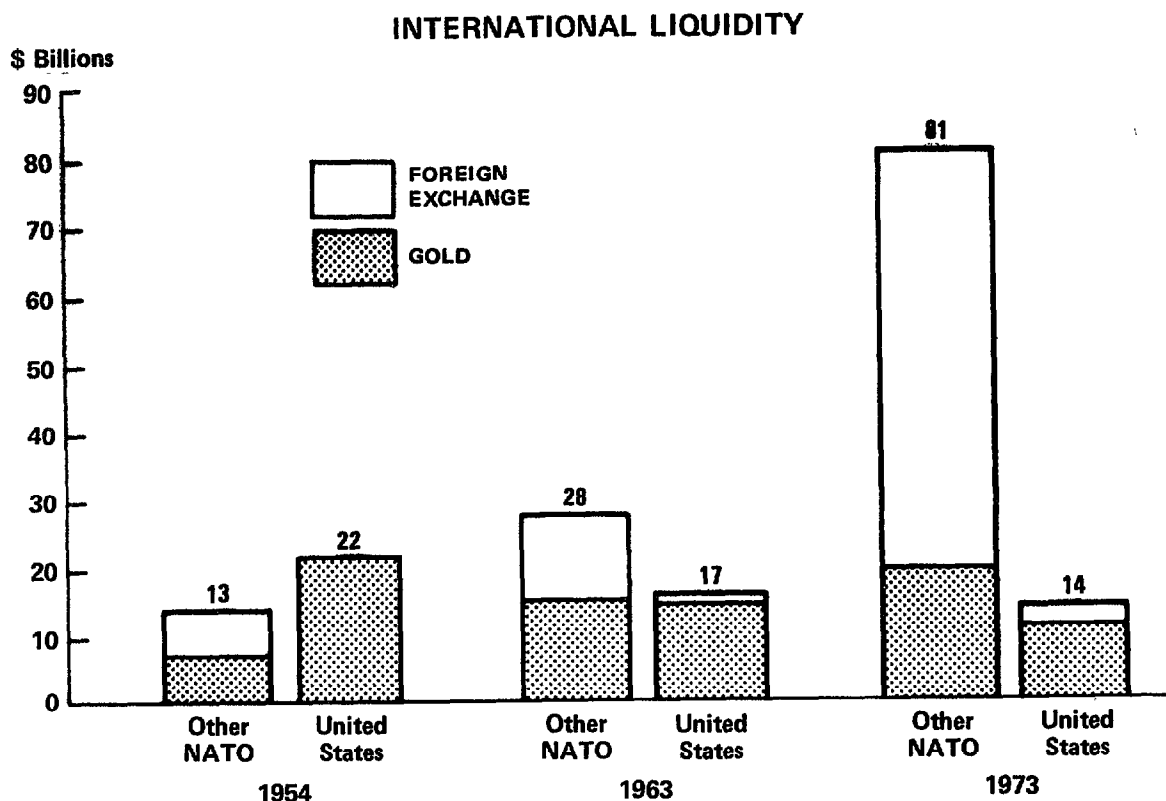


NET BALANCE OF PAYMENTS



Prepared by GAO from International Monetary Fund data.

As the U.S. balance-of-payments position deteriorated, its holdings of assets--gold and foreign exchange--also declined. The U.S. international liquidity balance dropped from about \$22 billion in 1954 to about \$14 billion in 1973, a decline of 36 percent. On the other hand, other NATO members' asset reserves increased from about \$13 billion in 1954 to about \$81 billion in 1973, more than six times their early holdings. The following graph illustrates this dramatic reversal.



Prepared by GAO from International Monetary Fund data.

Effects of energy crisis

Although complete statistics are not yet available for 1974, economic events during this period have adversely affected all NATO nations, some more severely than others. Because of European dependence on imported petroleum products, balance-of-payments surpluses recorded in recent years are expected to decline and only Germany is estimated to have a balance-of-payments surplus. Some economic forecasters predict that economic growth will slow and prices will continue to rise. The United States is also experiencing problems due to the current world economic situation and, contrary to DOD's assertion (see app. II), had a balance-of-payments deficit in 1974. Although estimates by the Organization for Economic Co-operation and Development show that the

other NATO members' deficits due to increased oil prices apparently will be somewhat larger than the U.S. deficit, we believe that the economic strength of other NATO members will probably continue to be competitive with and closely related to that of the United States.

Other NATO members have realized the importance the United States places on improving its balance-of-payments situation and on several occasions have pledged their support in finding a solution to the problem.

At a meeting of European defense ministers in October 1970, it was agreed that, to keep U.S. Forces at their present levels, a collective burden-sharing approach was needed to offset the U.S. balance-of-payments deficits. Subsequently, during a December 1973 meeting, NATO defense ministers agreed to examine how the U.S. share of NATO budgets might be substantially reduced. Some progress has been made, primarily through increased defense spending; however, substantial offsets may be slow in coming because of the economic effects of the recent world energy crisis.

SHOULD OTHER NATO MEMBERS SHARE
MORE OF THE U.S.-NATO COSTS?

In 1949 the United States viewed NATO as a means to an end, rather than an end in itself. Among its several objectives, NATO was to promote a united Europe capable of assuming responsibility for its own defense; as European nations rebuilt and reorganized, U.S. leadership and responsibility would diminish.

The U.S. role--financial, military, and political--in NATO has continued almost unchanged since 1949 even though a stronger Europe has emerged and the Europeans now provide 90 percent of the ground forces, 80 percent of the ships, and 75 percent of the aircraft stationed in Europe. The other NATO nations make this contribution even while their defense expenditures have decreased from 3.9 percent to 3.7 percent of their combined gross national product between 1949 and 1973. During the same period, U.S. defense expenditures increased from 5.2 percent to 6.1 percent of its gross national product. Furthermore, between 1968 and 1970, other NATO nations allocated an average of about 18 percent of their national budgets to defense which shows its low proportion of total expenditures compared to the 52 percent allocated by the United States.

It is true that this comparison does not take into account that U.S. defense expenditures reflect its worldwide security interests as opposed to the narrower interests of the other NATO nations. However, many non-NATO interests,

such as the U.S. Sixth Fleet and the strategic (nuclear) forces, appear to be almost as vital to NATO. DOD estimates that only \$17 billion of its 1973 budget was related to the direct defense of NATO Europe, while the allies' total defense expenditures were \$40 billion in 1970.

Most of the aforementioned European NATO-committed forces are stationed within their national borders. The United States, however, has about 300,000 NATO-committed troops deployed in Europe, which DOD estimates cost about \$440 million more in fiscal year 1974 than if they had been stationed in the United States. The other NATO members provide some facilities, land, and services to U.S. Forces stationed in their countries at little or no cost to the United States. In addition, Germany has provided assistance in the form of procurement and barracks rehabilitation under negotiated bilateral agreements to further offset the costs of stationing U.S. Forces in Europe. DOD indicated that the purchases of "U.S. military equipment during the normal course of business" by the allies, as revealed by the Jackson-Nunn Amendment, serves as a substantial offset to these force costs.

In this connection, the so-called Jackson-Nunn Amendment (sec. 812 of Public Law 93-155) required the NATO allies to offset fully any balance-of-payments deficit incurred during fiscal year 1974 as a result of the deployment of U.S. NATO-committed forces in Europe. To the extent that the deficit was not fully offset, proportional troop reductions were required. However, the law provided an additional 10-1/2 months, until May 16, 1975, to offset the fiscal year 1974 deficit. In May 1975, the President reported to the Congress that the allies had fully offset the U.S. fiscal year 1974 balance-of-payments deficit and that the troop reduction provision of the Jackson-Nunn Amendment would not have to be implemented.

In our consultative role, as required by the amendment, we questioned the appropriateness of some of the offsets in a recent report to the Congress. ^{1/} However, we pointed out that Department of Commerce data strongly indicated that military transactions with NATO countries in fiscal year 1975 will offset the fiscal year 1974 deficit within the allowable time-frame of the law.

CONCLUSIONS

The NATO allies have greatly improved their economic, military, and political situations since inception of NATO

^{1/}"Balance of Payments Deficit for Fiscal Year 1974 Attributable to Maintaining U.S. Forces in Europe Has Been Offset" (July 1, 1975, ID-75-75).

in 1949. The collective growth of these nations and the contributions they have made to the common defense demonstrate that they have reached a position of full partnership with the United States. We believe, therefore, that justification for the United States to bear many of the unshared costs of NATO identified in this report no longer exists and that the United States should seek the sharing of these costs by the NATO allies.

AGENCY COMMENTS

DOD and State comments (see apps. I and II) appear to have been based on the assumption that the report challenged the fairness of the U.S. share of the NATO defense burden. For example, DOD commented that:

"The underlying premise of the GAO Report seems to be that U.S. Forces are in Europe strictly to defend the Western Europeans. It would follow from this premise that whatever the U.S. contribution to NATO is, it must be too high."

This premise and its corollary are neither stated nor implied in this report, and the broad issue of burden sharing was not within the scope of our review.

The agencies argue from this unfounded premise that our report does not:

--Consider all the complex economic, financial, and political factors involved.

--Take into full account what has been done in the area of financial support provided to the United States by the allies.

DOD and State provided statistics to show what the allies have done to offset U.S. balance-of-payments deficits, improve their own forces, and support U.S. Forces in Europe. DOD estimated the conservative rental value of facilities provided free of charge to U.S. Forces in Europe at \$1.5 billion annually. DOD recently advised us that the value of rents forgone in Germany, where most U.S. Forces in Europe are stationed, is "probably 'hundreds-of-millions' per year. Estimates range considerably and there is no way to accurately determine the value of rents forgone."

DOD acknowledges that, "Under the protection provided by NATO collective defense, Europe has grown to become the world's second largest economic power, the largest exporter and importer, and the repository of most of the world's monetary reserves." Moreover, DOD recognizes that "Despite

their already sizeable contributions, the Europeans can do more, and it is our policy to encourage this."

It is in this context that we have identified in this report certain costs which the United States bears unilaterally in support of NATO. Notwithstanding the DOD and State comments, we continue to believe that efforts should be undertaken to seek the sharing of many of these costs.

CHAPTER 3

INTERNATIONAL AND REPRESENTATIONAL STAFFING COSTS

A large part of the \$325 million in NATO costs identified in this report, which the United States bears in addition to its budget contributions, is the cost related to U.S. personnel assigned to NATO international staff and representational positions. This cost--which amounts to \$135 million annually--is, in itself, equal to the U.S. budget contribution and includes \$96 million in pay and allowances and about \$39 million for support.

	Personnel (<u>note a</u>)	Pay and allowances (<u>note b</u>)
NATO International activities:		
Military positions	<u>c/4,697</u>	\$89,429,702
Civilian positions	127	<u>d/1,353,254</u>
U.S. representational activities:		
Mission to NATO	92	2,595,027
Delegation to Military Committee	37	1,009,878
National military representative	22	435,548
Other	<u>24</u>	<u>939,126</u>
Total	<u>4,999</u>	<u>\$95,762,535</u>

a/Assigned personnel strengths by rank at the time of our review were used when available, and authorized levels were used when assigned strengths were not available.

b/Military personnel costs here, and throughout this report, are based on DOD standard annual pay and allowance rates by rank and accelerated cost factors. Civilian personnel costs are actual costs, when available, or estimates by grade, when actual data was not available.

c/Includes 40 general officers and admirals.

d/Net U.S. costs after receiving credits against NATO budgets for cost of pay and allowances at NATO rate.

We were not able to develop a complete cost estimate for supporting U.S. personnel either assigned to or representing the United States to NATO. However, the \$39 million in support costs is presented as an indication of U.S. support. (See p. 17.)

NATO POSITIONS

Although NATO determines the number and type of positions in the international staffs, each member nation determines which positions it will fill.

Most international positions are military, and pay and allowances are financed by the nation providing military personnel. Pay and allowances of civilian positions are financed by NATO; however, the United States supplements salaries and allowances of U.S. civilians assigned to international positions.

Military positions

NATO has not established a distribution formula for the number of positions to be filled by member nations. The NATO Military Committee reviews manpower requests of the international military organizations annually and sets manpower ceilings. Positions are allocated among members on the basis of consultation with the nations concerned and their willingness to accept the positions.

The United States has accepted about 27 percent of total NATO military positions, the largest single share. It had filled about 89 percent of its accepted positions in January 1974 at an annual estimated cost of \$89.4 million for pay and allowances. The United States is willing to staff such a large portion of the international military positions because:

- It is the major military power in NATO.
- The effectiveness and efficiency of NATO's military establishment depends upon sizable U.S. support.
- Other members are unable to provide sufficient numbers of qualified personnel, particularly in the communications area.
- The United States desires flexibility and control to maintain the balance it needs at any given point in time.

The United States fills several top-level military positions in NATO, such as Supreme Allied Commander, Europe, and Supreme Allied Commander, Atlantic, as well as many key positions throughout the international military organization, including at least 40 general officer and admiral positions.

How, about 77 percent of U.S. military personnel assigned to NATO are in the enlisted ranks, most of whom are engaged in communications operations. About one-quarter of these enlisted positions are filled by an entire U.S. Army battalion which includes all the battalion administrative and logistical overhead, such as supply, maintenance, and mess personnel. By "internationalizing" this battalion in total, the United States has preserved the organizational integrity of the 964-man battalion but may be contributing more personnel than would be needed if communications positions were individually assigned.

The United States also has accepted several types of military positions which cannot be justified on grounds of need for U.S. expertise or importance of the position. Examples are drivers, cooks, clerks, and typists. We were told that the United States fills these positions because U.S. officials do not consider it appropriate to refuse less important positions while retaining more influential ones. Also, the United States wants Americans to provide these services for U.S. personnel on the international staff.

U.S. officials contend there are no international positions which could be filled only by Americans; however, such functions as chiefs of staff, executive officers, aides, and various other support normally follow the nationality of the individual to be served. The acceptance of high-level NATO military positions has actually increased U.S. staffing contributions in order to provide such support.

In recognition of its sizable staffing contribution to NATO, the United States has initiated a policy of not accepting additional military positions without compensatory reductions of U.S. international positions elsewhere in NATO. This policy is directed toward stabilizing staffing levels rather than toward reducing U.S. costs of staffing.

Civilian positions

Only about 15 percent of the authorized international positions, such as secretary, clerk, and translator, are designated to be filled by civilians. Civilian positions are filled either through competition among nominees submitted by members or through NATO direct-hire procedures.

The United States has only about 4 percent of the NATO civilian positions, which is far below its level of NATO military staffing. Unlike most other nationals who become NATO employees and are paid directly by NATO, U.S. civilians assigned to NATO positions retain their status as U.S. employees and are paid from U.S. funds at the U.S.

rate for salary and allowances. The United States receives credits against cash contributions to NATO budgets for the salaries and allowances of these employees at the NATO rate; however, because this rate is lower, U.S. employees annually cost the United States about \$1.4 million more than the credits it receives.

DOD has stated that, since the salaries and allowances of these employees are taxable, the U.S. Government is receiving a tax rebate of approximately 20 percent in addition to the International Headquarters credit of approximately 80 percent of salary and allowance costs thereby neutralizing the total cost of U.S. civilians in international positions. While such neutralization of costs may occur over the long run, we believe that these personnel costs still should be identified as part of the direct U.S. costs of NATO.

U.S. Mission to NATO officials said the United States does not assign civilians to other than high-ranking positions and then only when it is believed advantageous. This is the case at NATO headquarters but not at Supreme Headquarters Allied Powers, Europe (SHAPE), and subordinate commands. We found that 31 of 48 U.S.-staffed civilian positions at Allied Command, Europe, locations were secretarial or clerical. U.S. officials told us these personnel were needed to assist the numerous high-ranking U.S. officers at SHAPE who continually work with U.S.-classified and U.S.-only material.

U.S. REPRESENTATION TO NATO

The United States is represented at NATO headquarters and its subordinate activities to present U.S. views, protect U.S. interests, and provide information and advice to U.S. Government policymakers. During our review 175 U.S. personnel were performing these functions at an estimated cost to the United States of about \$5 million annually for salaries and allowances.

A major representation activity is the U.S. Mission to NATO, headed by the U.S. Permanent Representative (Ambassador) to the North Atlantic Council who reports to the Secretary of State. In addition to supporting the Ambassador in Council affairs, the Mission staff represents the United States on various NATO committees and working groups. The Mission had a staff of 92, composed of State Department, DOD, and U.S. Information Service personnel.

The U.S. Mission to NATO is organized into political, economic, and defense sections, with administrative and public affairs offices providing support. The largest segment is the 41-man staff of the Defense Advisor to the Ambassador to NATO. The Defense Advisor is also the senior civilian representative of the Secretary of Defense in Europe.

The U.S. Delegation to the NATO Military Committee, provides the U.S. military representation to NATO. This delegation, which is separate from the Mission, is headed by a Permanent Representative who reports to the Joint Chiefs of Staff. In 1974 it had a staff of 37.

The personnel of these two groups, both dealing with defense matters, comprise almost half the total U.S. representation to NATO. From our discussions with officials of these groups, we concluded that their functions were quite similar. Mission officials agree but believe that separate staffs are necessary because of the different command channels and reporting responsibilities. Officials of both the U.S. Delegation to the Military Committee and the Office of the U.S. Defense Advisor stated that military and civilian organization in Washington has influenced the structure for representation to NATO. Also, other member nations are organized the same way as the U.S. representation to NATO.

The Defense Advisor stated that having separate groups has occasionally led to differing U.S. defense positions at NATO. Both he and officials from the Ambassador's office said that some consolidation of functions might be possible but would require direction from higher command elements. A representative from the delegation to the Military Committee believed that consolidation would create an unworkable situation.

The United States also has a National Military Representative at SHAPE who provides liaison between SHAPE and DOD, its commands and agencies. A major task is the operation of U.S. message and communications center at SHAPE. The representative has a staff of 22 and is assisted by a U.S. communication detachment consisting of 45 military personnel.

In addition to these activities, the United States is represented at various NATO agencies by smaller delegations. During our review 24 people were representing

the United States at the Military Agency for Standardization, NATO Integrated Communications System Management Agency, Allied Radio Frequency Agency, NATO HAWK project, and other NATO groups.

SUPPORT COSTS

The U.S. personnel assigned to international and representational positions require many types of support, including logistical, administrative, personnel, security, and other services. Under NATO agreements, most of the responsibility for supporting personnel assigned to NATO rests with the providing nation. NATO provides only limited direct personnel support to its international staffs such as barracks, auto registration, and some mess facilities. All representational staffs are supported entirely by providing nations.

We estimate that it costs the United States about \$39 million a year to support its personnel. Complete support cost information was not readily available, and we believe this estimate is considerably lower than total support costs. (A small amount of these support costs are for activities discussed in ch. 4.)

The \$39 million in identified support costs included:

- \$24.8 million for personnel and operations directly supporting NATO organizations.
- \$5.8 million in personnel costs of military service elements which support U.S. personnel assigned to international positions.
- \$4.3 million in personnel costs for such additional support as communications, security, and intelligence.
- \$4.2 million in such miscellaneous costs as medical support and temporary duty allowances.

U.S. authorities could not provide an estimate of total support costs because these costs are dispersed among the budgets of many activities, commingled with non-NATO-related U.S. costs, and funded through such procedures as open allotment which does not permit easy identification. Our estimate does not include total costs for dependent schools, medical services, exchange and commissary operations, or most permanent-change-of-station charges.

The military services share logistic and administrative support responsibility for NATO organizations. These support activities determine U.S. support requirements at designated NATO locations and allocate funds from their own resources to accomplish support tasks. They may also support NATO through reimbursement from international funds. The personnel and operating costs of these activities amount to about \$24.8 million.

In addition to this support, we found that each service assigns a support staff to assist its military component on duty at NATO international headquarters and subordinate commands. These support staffs primarily perform personnel and administrative functions for military personnel occupying international positions. They include training, supply, document control, mess hall, and other personnel and personal staffs for general officers.

The three services had 349 personnel performing these tasks at an estimated cost of \$5.8 million for salaries and allowances. The location and size of these support elements depend on the number of personnel each service has assigned to international positions at particular headquarters. All three services have such groups at SHAPE, and at least four subordinate commands have more than one service support element. In addition to the overlap among the services at several locations, we found that the work these personnel perform parallels and sometimes duplicates functions performed by the military activity having overall support responsibility in an area.

For example, the U.S. Army Element, SHAPE, a subordinate command of the Department of the Army, provides, commands, and manages Army personnel assigned or attached to NATO commands in Europe. This element has 93 support personnel at SHAPE and 129 at subordinate commands. Also headquartered at SHAPE is the U.S. Army, Europe, 950-man NATO/SHAPE Support Group, which performs a full range of support functions (logistical, administrative, budgetary, and other) for U.S. activities at SHAPE and several other NATO locations. Although the Army Element has some functions not normally performed by the NATO/SHAPE Support Group, several areas overlap and duplicate work, such as military personnel management, supply, training, and other general support functions.

U.S. officials at SHAPE explain that separate organizations and support staffs, especially those engaged in personnel functions, insure assignment of high-quality personnel to international positions and permit flexibility in enforcing some U.S. requirements that might conflict with efficient performance of international tasks. They

believe this arrangement is more responsive to personnel and organizational needs in an international environment because the Army Element's status as a subordinate command of the Department of the Army allows it to bypass normal Army channels in Europe.

Similar overlaps at subordinate NATO military commands involve the Air Force and Navy, as well as the Army. At NATO's Allied Forces, Southern Europe headquarters, the Naval Support Activity provides general support services and a separate Naval Support Unit performs personnel, administrative, and other functions for Navy personnel assigned to international positions. A similar situation exists at NATO's Allied Forces, Northern Europe headquarters, where an Air Force activity provides general support for all DOD personnel in the area and a separate administrative detachment services the Air Force personnel in international staff positions.

Also, a variety of miscellaneous staffs, totaling 238 personnel, provide additional support to U.S. personnel filling international or representational positions. These include communications, security, intelligence, transportation, administrative, and other support and cost an estimated \$4.3 million annually for salaries and allowances.

Many of these personnel directly support NATO international positions and would not be provided by the United States if Americans did not fill these positions. For example, an Army aviation detachment furnishes helicopter support to the Supreme Allied Commander, Europe, and a high-ranking U.S. "international" officer in a NATO agency has a U.S.-provided staff to assist him in carrying out his official duties. According to officials, U.S. personnel are needed to supplement the international staff because NATO manpower authorizations are not sufficient.

We also identified at least \$4.2 million in miscellaneous operating and personnel costs. These include the operations and maintenance budget for the U.S. Mission to NATO, U.S. Embassy administrative support to U.S. personnel on international staffs, operating and personnel costs of two medical facilities, and some temporary duty costs of U.S. personnel assigned to SHAPE.

CONCLUSIONS

The allocation of international military staff positions is based primarily on the willingness of member nations to accept the positions. The United States has accepted the largest single share of these positions and

is filling mostly enlisted communications and administrative spaces rather than policymaking positions.

We believe that the number of U.S.-accepted positions is disproportionately high, particularly in view of the large percentage of the U.S. budget contribution to NATO and the additional support and military assistance costs not shared by NATO members.

As we concluded in chapter 2, other members can and should assume a larger share of the U.S. costs to support NATO. We believe, therefore, that they should accept a more equitable share of the international positions now allocated to the United States.

There is considerable similarity of functions between the U.S. Delegation to the Military Committee and the Office of the Defense Advisor to the Ambassador to NATO. Views expressed by officials of these groups were not entirely conclusive, but they indicated that the feasibility of consolidating some functions should be further considered.

Although the full U.S. cost of supporting personnel assigned to international and representational positions is not readily available, the system for providing this support is costly and diffused among numerous activities. Some of these activities involve similar or duplicative functions, resulting in inefficiencies. We believe this support could be provided more efficiently with fewer personnel by the consolidation of functions.

RECOMMENDATIONS

We recommend that the Secretaries of Defense and State:

- Negotiate, through NATO's mechanism, a more equitable distribution of international staff positions, to reduce positions not essential to maintaining the U.S. position at the highest policy and decision making levels.
- Consolidate the common functions of the Defense Advisor's Office in the U.S. Mission and the U.S. Military Delegation to the NATO Military Committee.

We also recommend that the Secretary of Defense review the system for supporting U.S. personnel assigned to international and representational positions to determine whether activities could be consolidated and overall support costs reduced.

AGENCY COMMENTS

DOD commented that, since the U.S. contribution to the common costs of NATO is approximately 27 percent and the United States has almost 27 percent of the total military positions in NATO, "It could logically be argued, and would be by the other NATO nations, that U.S. costs are therefore eminently fair." The U.S. contribution is more correctly 28 percent of the total shared costs as the report now indicates. We state elsewhere in the report that the United States has accepted about 27 percent of the total military positions. We also point out that these positions are allocated mainly on the basis of the willingness of the members to accept them, with which DOD did not disagree. Therefore, the logic of the DOD argument that it would be fair for U.S. contributions and the filling of military positions to be at the same level is not clear.

In addition, State Department officials commented that "the U.S. cannot, and should not, expect to fill only positions at the highest levels on the military staff of NATO, as this is tantamount to an 'elitist' view of our role, which can only serve to undermine years of patient effort on our part to convince our Allies that we recognize the meaning of and worth of true 'partnership' if the Alliance is to function in all our interests." DOD noted that the filling of these enlisted positions by other NATO allies is highly questionable since most of the enlisted men perform vital tasks in operation and maintenance of communication activities, including cryptographic support.

We believe that bearing a large percentage of the NATO budget costs could be considered justification for accepting a smaller share of international staff positions. We do not advocate that the United States eliminate all lower level positions, nor do we believe that the United States should jeopardize its leadership position by relinquishing important high-level posts it is now filling. We suggest, however, that some position reductions are possible at most international staffing levels though more reductions are likely in the support functions as DOD suggested in the case of the U.S. Army Signal Battalion.

We have identified several types of international military positions besides communications that are filled by enlisted personnel, and we believe that the United States could arrange reductions in these areas if communications positions can only be filled with U.S. personnel.

With regard to consolidating the functions of the Defense Advisor's Office and the U.S. Military Delegation to the Military Committee, both State and DOD stated that previous consideration had been given to such a consolidation which could lead to a reduction in personnel. However, they believe such a meager saving would be more than offset by operational difficulties and loss of effectiveness. The present organizational structure is dictated by organizational structures in Washington, and each operates through different chains of command in the Defense area--civilian versus military.

We recognize that the continued existence of these two groups may be necessary; however, we still believe, and the Defense Advisor agreed, that some consolidation of functions could be made.

DOD stated that there may be "room for improving our own organization in support of NATO" but mentioned no specific action with regard to our recommendation that it review the system of supporting U.S. personnel assigned to international and representational positions to determine whether activities could be consolidated and overall support costs reduced.

CHAPTER 4

U.S. COSTS OF SUPPORTING NATO

Another part of the \$325 million in NATO costs, in addition to U.S. budget contributions, is the U.S. support provided directly to NATO. This support involves several U.S. activities at a cost of about \$92 million a year, which is not shared by the other NATO members. Most of these activities have no other functions, so in all probability they would not be in Europe were it not for NATO.

The United States has been providing nuclear weapon support, medical services, and air base and training support for NATO on a nonreimbursable basis for several years. Attempts have been made to internationalize some of these operations so that the costs might be shared by NATO members. However, progress has been slow and the United States continues to finance most of the costs.

Because complete cost information was lacking, the costs we have identified may be considerably lower than actual costs. Moreover, we did not attempt to identify all services the United States provides NATO on a nonreimbursable basis. We are presenting only those which came to our attention during our review.

NATO-COMMITTED NUCLEAR WEAPONS SUPPORT

Some U.S. Army and Air Force units are stationed in Europe solely to provide nuclear weapons support to NATO-committed forces of other nations. They provide a continuous capability to receive, store, maintain, control, issue, and account for nuclear weapons. These units augment combat units of certain NATO members and are stationed at host nation bases.

These units cost the United States an estimated \$83.8 million annually for pay and allowances. We were unable to readily determine from Army and Air Force officials in Europe the operations and maintenance costs of these units or the amount of such costs financed by the host nations.

Army nuclear weapons committed to NATO are controlled by 10 U.S. Army field artillery units, which at the time of our review had about 5,000 personnel assigned, about 97 percent of authorized levels. The pay and allowances of these personnel cost the United States about \$67 million a year.

Air force nuclear weapons committed to NATO are controlled by 14 munitions support squadrons. On March 31, 1974, about 1,100 personnel were assigned to these squadrons, about 3.9 percent above authorized levels. Pay and allowances of these personnel cost the United States about \$17 million a year.

In addition to these costs, the United States Air Force, Europe, had programed about \$463,000 to provide support for these squadrons for fiscal year 1974 and had expended about \$331,000 through the first three quarters of the fiscal year.

According to DOD officials, nuclear weapons activities are governed by Service-to-Service Technical Arrangements between the United States and NATO countries, which specify what each party will provide. Generally, the United States provides the salaries, rations, special tools, and training for its personnel. The host nation provides all other administrative and logistical support. DOD believes these are valid working arrangements which cannot be more favorably negotiated at this time. We have been unable to determine how much of the costs of these activities is financed by NATO allies.

In our opinion, DOD should insure that the NATO allies are furnishing the administrative and logistical support called for under these arrangements. We are not suggesting that the United States should share nuclear weapons responsibility with the allies, nor do we believe that this would necessarily follow an increase in cost sharing. Neither do we believe that Service-to-Service Technical Arrangements preclude the possibility of the allies agreeing to assume a greater share--if not an equal share--in the personnel, administrative, and logistical costs of these activities. The importance of nuclear weapons commitments raises the question of whether arrangements for U.S. atomic warhead support should be negotiated at a higher level than the Service-to-Service Technical Arrangements.

196TH STATION HOSPITAL

Under a 1970 agreement with SHAPE, the U.S. Army operates the SHAPE Medical Center in Belgium. The Center includes the 196th Station Hospital and an outpatient clinic composed of small Belgian, British, and German units in addition to U.S. staffs. Under the agreement, the United States provides hospital care to all members of SHAPE and their dependents who are not provided this care by the other national elements.

The Medical Center was built, and is maintained, by SHAPE. The United States provides the pay and allowances of the 250 U.S. Army personnel staffing the hospital, which amounts to \$4.1 million a year, and finances hospital operating and equipment expenses at a cost of about \$920,000 a year.

Officials of the Medical Command, Europe, told us that the hospital was at SHAPE to serve the U.S. personnel and that its use by other nations was supplementary to the actual purpose. We noted, however, that the 1970 agreement provides that the hospital be used by all members of SHAPE and, in fact, the hospital serves the entire SHAPE international community.

A U.S. civilian assigned to SHAPE pays \$126 each day for hospital service while civilians assigned to SHAPE by other NATO members pay only \$5 each day. We were told that U.S. civilians pay the higher rate because they generally have sufficient insurance coverage.

DOD has not commented on the financial arrangements for the Medical Center.

CHIEVRES AIR BASE

Chievres Air Base in Belgium has the mission of supporting aircraft serving the Supreme Allied Commander, Europe, and other top SHAPE officials. The United States has equipped, manned, and financed the air base since 1969. Personnel at the base are primarily responsible for air operations, air traffic control, maintenance, and security for assigned aircraft. Pay and allowances for the 86 personnel costs the United States about \$1.4 million annually. A large portion of the base is used by the NATO/SHAPE Support Group for an exchange and commissary center serving U.S. personnel in Belgium and France.

Beginning in 1974 and retroactive to January 1972, NATO started reimbursing the United States for some operating costs in response to U.S. pressure to internationalize the air base operation. However, the United States still finances all pay and allowances, and negotiations between the United States and NATO for complete internationalization of this air base have nearly reached a standstill.

SHAPE's proposed international manning plan would have the United States accept a majority of the military positions because of special U.S. expertise in many key functions. As stated on page 14, the U.S. policy is not to accept additional positions without identification and deletion of an equal number of U.S. spaces elsewhere in NATO. However, NATO

members are not agreeable to compensatory reductions which would offset the U.S. manning of Chievres Air Base. U.S. efforts to initiate internationalization of the base have been commendable but have not been successful in relieving the United States from continuing to incur unwarranted unilateral costs for services benefiting all NATO members.

DOD reported that a recent survey had disclosed that use of the airstrip by the United States was 84 percent versus 16 percent by other nations. We believe, however, that this does not disclose the purpose of the use. Since many U.S. personnel fill international positions at SHAPE, their use of the airstrip for NATO-related purposes would be greater than that of the other nations' personnel in international positions.

NATO WEAPONS SYSTEMS SCHOOL

The NATO Weapons Systems School in Germany offers courses of instruction designed to prepare NATO officers for appointments to positions having decisionmaking responsibility and requiring comprehensive background of Allied Command, Europe.

NATO has not authorized any positions for staffing this international school. Members have been providing staff to operate the school without any NATO reimbursement. The United States is the largest contributor, providing 30 of the 47 personnel at the school at a cost of about \$628,000 annually for salaries and allowances.

DOD officials stated that a feasibility study on internationalization of the NATO Weapons Systems School was being made and accumulation of cost data would require 3 to 4 months. However, they do not believe that internationalization will reduce salary costs to any appreciable extent. In addition, Germany is already providing administrative support and logistical support is reimbursable by NATO. We believe that, even though the actual cost saving may be small, the principle of the "partnership" of NATO will be upheld through such sharing.

NATO TRAINING DIVISION

The U.S. Air Force, Europe, provides a detachment of the 7055th Operations Squadron as a NATO Training Division. This detachment is responsible for insuring proper handling of special weapons by non-U.S.-NATO strike units from the loading area to effective delivery on target. The detachment trains non-U.S. units to load and deliver nuclear weapons, evaluates their performance and that of U.S. Air Force

munitions squadrons controlling NATO-committed nuclear weapons, and augments NATO inspections of nuclear weapons activities.

Although U.S. Air Force, Europe, officials were not aware of any effort to internationalize this operation, they consider the training activity entirely NATO-related. It costs the United States about \$379,000 annually for salaries and allowances of the 16 personnel in the detachment plus \$48,000 for operations and maintenance. We believe other NATO members should share such costs. DOD commented that some of these expenses were offset by the flying time provided by the other countries.

DOD agreed that reimbursement by NATO of the operations and maintenance costs for the NATO Training Division/7055th Operations Squadron may be appropriate since its mission is entirely NATO related. However, it accomplishes an entirely U.S. function of insuring compliance with U.S. directives governing the loading, control, release, and delivery of U.S.-furnished nuclear weapons to NATO strike forces. In addition "NOFORN restrictions and the bilateral agreements existing between the U.S. and user nations * * * prohibit consideration of internationalizing this unit." Since DOD concurs in our conclusion, we believe that increased sharing should be considered in any future negotiations.

CONCLUSIONS

As discussed in chapter 2, other NATO nations are economically capable of assuming a larger share of the cost of NATO. The huge costs to the United States of maintaining its NATO-committed forces in Europe and of trade deficits associated with these forces are compelling arguments for the other NATO members to offset U.S.-NATO costs where possible. The United States provides considerable unilateral support to NATO for which it is not reimbursed. We believe this support is a NATO responsibility and the costs of providing such support should be shared equitably by the members.

RECOMMENDATION

We recommend that the Secretaries of Defense and State negotiate within NATO for other members to share the costs for support which the United States unilaterally provides.

CHAPTER 5

U.S. COSTS OF MILITARY

ASSISTANCE TO NATO NATIONS

Another part of the \$325 million in additional U.S. costs of NATO is the military assistance to NATO nations. Turkey and Portugal receive substantial amounts of U.S. grant military assistance at an estimated cost in fiscal year 1975 of about \$98 million.

Although the United States has unilateral security interests in these nations, its military assistance to them is justified primarily on the basis of their NATO commitments and their importance to NATO. Nevertheless, the United States has borne and continues to bear the cost of this assistance with relatively small amounts being provided by other NATO members.

RELATIONSHIP BETWEEN NATO COMMITMENTS OF TURKEY AND PORTUGAL AND U.S. MILITARY ASSISTANCE

Military assistance objectives and justification statements for Turkey and Portugal are contained in annual congressional presentations of the DOD security assistance program.

Although the NATO commitments of Turkey and Portugal are of primary importance, security assistance programs also contribute to certain U.S. goals in these countries. For example, fiscal years 1974 and 1975 presentations cited Turkey's strategic importance to the United States and the maintenance of important U.S. facilities there.

DOD also shows a relationship between the military assistance program to Portugal and certain U.S. rights there. Negotiations for renewal of the agreement covering these rights indicated they are not the primary justification for military assistance to Portugal.

Congressional presentation documents were deficient in not quantifying the extent to which security assistance programs for these nations contribute to their NATO force objectives; nevertheless, NATO justification for them was firmly established.

In the case of Turkey, major unit force objectives in the fiscal year 1975 congressional presentation were substantially the same as the force goals shown in NATO planning documents for the 1975-80 force-planning period.

Moreover, one of the frequently stated objectives of the security assistance program for Turkey has been to foster Turkey's continued active participation in NATO. The fiscal year 1974 presentation stressed that the military capabilities of Turkey, among other things, are "essential for the protection of NATO's southeastern flank." It further strengthened the NATO connection by pointing out that, "Since Turkish entry into NATO in 1952, the United States has made substantial economic and military support available to Turkey." Turkey's geographic position as a valuable location for NATO defense facilities was also highlighted. Again, the fiscal year 1975 presentation emphasized Turkey's membership in and strategic importance to NATO.

However, on February 5, 1975, U.S. military aid to Turkey was suspended by the Congress because Turkey's continued use of U.S.-equipped military forces in Cyprus was not in compliance with the Foreign Assistance Act and the Foreign Military Sales Act. An amendment to the U.S. foreign aid authorization act (Public Law 93-559, Dec. 30, 1974) would allow continuation of aid only if the President certifies to the Congress that substantial progress toward agreement has been made regarding military forces in Cyprus and that Turkey is in compliance with the acts. To date, neither of these conditions has been met.

In the meantime, other NATO members are discussing how they can provide Turkey with the necessary assistance during the suspension. There are also proposals to create a special NATO fund for support of the defense needs of members.

Recent congressional presentations for Portugal do not show major unit force objectives; therefore, we were unable to draw a comparison with its NATO force goals as we did for Turkey. Nevertheless, these documents have justified the small security assistance program for Portugal on the basis of strengthening its ties to NATO and of supporting "Portugal's NATO-committed forces, primarily in the areas of air defense and antisubmarine warfare."

Notwithstanding the relationship established in presentation documents between military assistance and U.S. interests in the Azores in hearings before the Senate Subcommittee on U.S. Security Agreements and Commitments Abroad, DOD reported that:

- The U.S. bilateral arrangement in the Azores is maintained in the context of U.S. membership in NATO.
- Most peacetime uses of the air base there apply to NATO.

--In the event of war, the Azores facilities would be placed under NATO control.

However, recent events in Portugal have raised serious uncertainties within NATO about what will happen if Portugal becomes communistic. For the present no major change in Portugal's status is intended.

COST OF U.S. MILITARY ASSISTANCE TO
TURKEY AND PORTUGAL

The relatively small U.S. security assistance program to Portugal has amounted to about \$354 million since 1950. Turkey, as one of the largest recipients, has received about \$5.2 billion in U.S. security assistance during the same period.

Security assistance costs and related expenses planned for Turkey and Portugal in fiscal year 1975 are:

	<u>Turkey</u>	<u>Portugal</u>
Equipment and supplies	\$77,427,000	\$ 308,000
Supply operations	10,000,000	100,000
Training	2,573,000	552,000
Advisory group operating expenses (based on FY 1974 personnel authorizations)	<u>6,378,000</u>	<u>525,000</u>
	<u>\$96,378,000</u>	<u>\$ 1,485,000</u>
Total		<u>\$97,863,000</u>

The United States also planned to provide Turkey \$35 million in excess defense articles and \$90 million in foreign military sales credits in fiscal year 1975.

CASE FOR OTHER NATO MEMBERS TO SHARE IN
COST OF U.S. MILITARY ASSISTANCE

As previously stated, 1975-80 force goals for Turkey are substantially the same as U.S. military assistance force objectives. DOD stated in its presentation to the Congress that the need to provide military assistance to Turkey will continue in the foreseeable future.

However, assistance provided to Turkey by other NATO members is negligible compared with that provided by the United States. For example, between 1954 and 1973, other members provided about \$224 million in grant military assistance to Turkey while the United States provided about

\$4.2 billion. Currently, only Germany provides military assistance--construction financing and excess defense articles--to Turkey, which has amounted to about \$26 million annually since 1963. This assistance reportedly is also in suspension over the Cyprus situation.

Only Canada has provided grant military assistance to Portugal. This amounted to about \$37 million between 1954 and 1973, compared with \$350 million provided by the United States since 1950.

A 1973 NATO study on the financial problems of stationing U.S. Forces in Europe considered the possibility of sharing these costs. The study cited the precedent for countries other than the United States to provide such military assistance, stating that this had been done bilaterally and through the European Defense Improvement Program.

"There is the option, therefore, within the context of burden-sharing, that some countries might provide some share of the aid at present being supplied by the United States, within NATO. This could be arranged either bilaterally or under some joint financing scheme. This would be of direct budgetary assistance to the United States, and could also affect their balance-of-payments situation depending on the method chosen to provide such aid." (Underscoring supplied.)

Although not granted under NATO auspices, some economic assistance is provided bilaterally to Turkey by NATO nations. This aid could be expected to promote Turkey's economic self-sufficiency and, thus, further its ability to meet its own military needs. However, here again the United States bears the largest share of the burden by providing almost twice as much economic aid to Turkey as all other NATO members combined. Moreover, the total contribution of all other NATO nations is only slightly greater than the amount of U.S. military assistance provided annually to Turkey. For example, in 1972, the latest year for which data was available, the other NATO members gave \$121 million in economic assistance to Turkey while U.S. economic aid amounted to \$239 million. Although we obtained this data from the Department of State during our review, State said that these figures appeared to be incorrect and that U.S. aid that year was only \$101.8 million, which is still almost as much as the total contributions of all other NATO members. The U.S. security assistance program for the same year was \$111 million.

None of the other NATO nations provide economic aid to Portugal.

We found little evidence of a concerted U.S. effort to have NATO share in the costs of providing military assistance to NATO nations. One reason for this may be--as a State Department official told us--that most NATO nations are reluctant to consider military assistance within the framework of current burden sharing. Another reason may be, as some U.S. officials believe, that assistance from other NATO members would weaken U.S. influence in the recipient countries, with a possible deleterious effect on U.S. unilateral interests there. Apart from these considerations, however, is the possibility of differing priorities among the member nations, which might give preference to other NATO requirements. There are also questions of how such assistance would be multilaterally transferred, what the sources of procurement would be, and whether equipment provided by NATO would be compatible with that the recipients already have.

CONCLUSIONS

We believe that other NATO members should share with the United States the cost of providing military assistance to support NATO force objectives for Turkey and Portugal. We also believe that the other NATO members have the economic ability to do so. (See ch. 2.)

NATO should establish force objectives for nations that will require external assistance to implement them, on the basis that all NATO members are willing to share the cost of providing such assistance.

Accordingly, the present level of U.S. assistance to these nations should distinguish between NATO force objective costs the United States should assume unilaterally and those costs NATO should share. This would establish an equitable basis for sharing the annual costs of this military assistance with other NATO members and would benefit the Congress in identifying the true costs of NATO.

RECOMMENDATIONS

We recommend that the Secretaries of State and Defense arrange with other NATO nations for an equitable sharing of the military assistance needed to meet the recognized NATO force objectives for Turkey and Portugal.

we recommend also that the Secretary of Defense separately identify and justify security assistance programs for Turkey and Portugal in congressional presentation documents to show the programs' relationship to (1) NATO commitments of those nations and (2) U.S. unilateral interests there.

AGENCY COMMENTS

While agreeing that the NATO members should be encouraged to increase their share of the cost of military assistance to Turkey and Portugal, DOD and State indicated that this might be difficult. Identifying a NATO working group created in July 1973 to study ways of strengthening Greek and Turkish forces, they stated that the United States views this group as a means of burden sharing and of multilaterally providing military assistance to Turkey.

DOD commented that military assistance to Turkey and Portugal would be provided even if they were not members of NATO, although it did not state whether this assistance would be provided at the same levels.

DOD cited the use of the Azores base to resupply Israel during and after the Yom Kippur War to point out the value of U.S. base rights there. We do not question the value of these rights but reiterate that the United States offered economic assistance, not military assistance, in return for the continued use of these facilities.

We do not believe the State and DOD comments argue convincingly that the NATO allies should not share in these military assistance costs. The fact that the allies have discussed how they can provide Turkey with the necessary military equipment during the current suspension indicates that a greater sharing of these costs is entirely reasonable.

CHAPTER 6

ENHANCING CONGRESSIONAL OVERSIGHT THROUGH

CONSOLIDATED PRESENTATION OF NATO COSTS

The U.S. costs of NATO are paid from at least 11 separate appropriations and, in most cases, are not fully identified as NATO costs nor recapitulated, in any document that we are aware of, as part of the U.S. costs of NATO.

Although this report deals with only a portion of U.S. NATO costs, the findings reinforce those of our February 23, 1973, report "How the United States Finances its Share of Contributions to NATO" (B-156489).

In that report, we cited congressional need for consolidated information on the cost of U.S. participation in NATO and recommended changes in the way that NATO costs would be financed and reported to the Congress.

Since our earlier report, there has been increasing congressional interest in reducing NATO costs. Legislation has been enacted to counter the international balance-of-payments problem associated with U.S. troop levels in Europe. The U.S. economy has declined, and concern has been expressed over excessive Federal spending.

We believe these factors have intensified the need for improved congressional control over security assistance programs in general and NATO spending in particular. Improvements are possible, however, only if the Congress is aware of how much is being spent and for what purpose. We believe this could be achieved if all costs of NATO, regardless of appropriation, were fully identified in annual security assistance program presentations to the Congress.

MATTERS FOR CONSIDERATION BY THE CONGRESS

We recommend that the Congress require all NATO costs, regardless of appropriation, to be identified in annual security assistance program presentations. Furthermore, the Congress should provide a definition for those NATO costs.

To identify all these costs, section 657(d) of the Foreign Assistance Act of 1961, as amended, should be redesignated as section 657(e) and the following new section 657(d) should be added:

"(d) In addition, consolidated data on the costs of participation by the United States Government in the North Atlantic Treaty Organization shall be provided annually to the Senate Foreign Relations Committee, the House International Relations Committee and to each committee of the Congress having authorizing and appropriating responsibilities for funds expended by U.S. participation in international military organizations. The data shall be submitted in support of annual budgetary requests for such funds and shall include current and prior year costs and amounts requested for the budget year. The data should be categorized by direct, indirect, and unallocated costs. In each cost category, the source of appropriations should be identified and accompanied by a narrative explanation of U.S. objectives and program accomplishments."

Notwithstanding DOD and State disagreement with this report, we believe, as stated in chapter 2, that the improved economic condition of the NATO allies clearly indicates that they should share the U.S. costs we have identified in this report. Since the agencies apparently plan to take no action on our recommendations, we suggest that the Congress consider them when making future NATO-related appropriations of defense and military assistance funds.



DEPARTMENT OF STATE

Washington, D.C. 20520

December 30, 1974

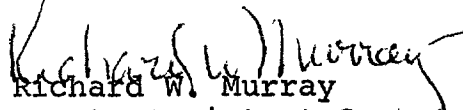
Mr. J. K. Fasick, Director
International Division
U.S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Fasick:

The Secretary has requested that I reply to your letter of October 23, 1974, which transmitted a draft copy of the General Accounting Office report entitled "Does the United States Pay More Than Its Fair Share of the Costs of NATO?"

The draft was reviewed in the Bureau of European Affairs, U. S. Department of State, and the Department's comments are enclosed. We appreciate having had the opportunity to review and comment upon the draft report.

Sincerely yours,


Richard W. Murray
Deputy Assistant Secretary
for Budget and Finance

Enclosure

DEPARTMENT OF STATE COMMENTS ON
GAO DRAFT REPORT:

[See GAO note 1, p. 46.]

BEGIN UNCLASSIFIED

GENERAL DISCUSSION

The Department of State welcomes this opportunity to comment on the GAO Draft Report.

The Department and the United States Mission to NATO fully recognize the desirability of reducing U.S. costs to NATO whenever the complex economic and political interrelationships within the Alliance make it possible and beneficial to do so. We believe that the GAO Draft Report ignores many of these factors and tends to overly rely on a historical statistical review which, in addition to limitations of scope, fails to document rather key changes in the Alliance over the last two years. It also places undue emphasis on economic equity as a major determinant of security policy.

U.S. policy since World War II has been precisely to encourage and assist the economic growth of Western Europe, through the Marshall Plan and other means, to build a stronger Europe -- politically, economically, and militarily. Our efforts have succeeded to the extent that our Allies are now able to provide the bulk of conventional defense forces stationed in Europe. In terms of overall defense budgets, European defense spending (converted to dollars at current prices, existing exchange rates) rose from \$25 billion in 1970 to \$44 billion in 1974 -- an overall increase of 75 percent -- while U.S. defense spending held relatively stable at about \$80 billion during this period. In terms of constant (1970) dollars the European increase was much smaller -- on the order of 7 percent between 1970 and 1973 but declining slightly from 1973 to 1974. Constant dollar US defense spending declined over 6 percent from 1970 to 1974.

In manpower, NATO has increased its forces on the central front by 50 percent over the last 13 years; NATO Allies now contribute 90 percent of the Alliance's ground forces, 80 percent of sea power and 75 percent of its air power. We have ended conscription in the U.S.; many Allies still impose it. The total number of Americans in military service continues to decline each year; at the end of FY-74, it was less than 2.2 million (1.05 percent of population). However, now, as in 1972, the Europeans have over 3.3 million men under arms (1.2 percent).

The GAO Draft Report makes no breakdown by country which would allow identification of precisely which, if any, of the other NATO members should contribute more to collective defense, and it fails to develop a comprehensive set of economic criteria with which to judge what is a "fair share."

Comparative Growth Rates

The GAO Draft Report implies that the other NATO countries, collectively and on average, will continue to grow at rates faster than the United States because this was so in the fifties and sixties. The Report does not mention that there were some special factors in the postwar era working in favor of more rapid European growth rates: (1) Recovery from the war allowed construction of more productive new plants and equipment. (2) There was still more room in many European countries than in the U.S. for movement of the rural population into more productive sectors of the economy. (3) Lowering of intra-European tariff and payments barriers gave a fillip to trade and growth. (4) New freedom of labor mobility permitted higher growth rates in several European countries than could have been achieved without migrant labor. The marginal benefit of these factors has by now diminished, and Europe may still grow faster than the U.S., but the "rate" at which Europe catches up with the U.S. may not be as rapid as before.

Growth is not only a function of supply considerations (labor force and productivity) but also of aggregate demand sufficient to keep economies at or near their normal rate of capacity utilization. All NATO countries, for example, are now experiencing the inflationary and balance of payments impact of the oil crisis. Almost all are suffering simultaneously from considerable slack in their economies. The Report manages to see through these uncertainties and conclude on page 16a that the past "is still a valid reflection of the long-run trend in comparative economic strengths."

Under the circumstances, however, the long term growth rates projected earlier for the seventies may well no longer be valid.

Balance of Payments

The Report in its analysis of postwar balance of payments developments fails to describe: (a) the dollar-exchange standard established at Bretton Woods, (b) the use of the dollar as an accepted form of official international liquidity, (c) the U.S. balance of payments deficit as the primary source of international liquidity, (d) the period of "dollar gap" in the fifties, or (e) the many years until August 1971 when the dollar was effectively overvalued because other major countries would not allow needed adjustment. The U.S. international liquidity balance referred to on page 15 of the Report should be explained in terms of a failure in the international adjustment process rather than as a sign of relative weakness in the U.S. economy.

Finally, the Report refers on page 13 to the huge U.S. trade deficit in 1972, but makes no mention that the dollar had just been devalued and that a time lag would normally be necessary before our trade balance could recover from many years of comparative overvaluation. In fact, the U.S. trade balance did improve steadily in 1973 (when we had our first balance of payments surplus in seven years) and, when adjusted for the impact of higher oil prices, continued to improve in first half of 1974. The Report mentions the adverse effects of the oil price increase on all NATO Allies, but it fails to note that the effect on most European countries has been far greater than on the U.S. Germany aside, the European NATO members are headed for a 1974 balance of payments deficit of \$30-40 billion versus \$4 billion for the U.S.!

Country-by-Country Breakdown

We find that the aggregate analysis used in the Report obscures the differences among individual Alliance members. In 1949, all of the European members of NATO were in ruins, requiring a complete reconstruction of their economies and political institutions. Greece and Turkey did not become members of NATO until 1952, and their per capita GNP's were and still are so low that they are classified as Less Developed Countries (LDC's). The Federal Republic of Germany (FRG), which joined the Alliance in 1955, has made impressive economic

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progress, contributing greatly to the aggregate economic growth rate of NATO Europe since 1949. Precisely because of Germany's economic strength, however, there have been six FRG-US offset agreements since 1961. The latest one, for FY1974-75, covers over 2/3 of total U.S. military account balance of payments expenditures in Germany for those two years. Meanwhile, the UK has had a growth rate slower than the U.S. and has suffered from chronic balance of payments difficulties, while Italy has deep economic problems. Yet the Report on page 13 says other NATO countries... "are rapidly closing the gap." Projected growth for Denmark in the 1970's is also lower than for the U.S. On the other hand, Greece and Turkey may have more rapid growth rates than the U.S., but does this mean they should contribute more to NATO defense so long as their per capita incomes still remain far below the Alliance average? By not going into a country-by-country analysis, the Report does not pinpoint who should be contributing more to NATO.

In sum, the failure to amplify comparative growth rates and the balance of payments leads to "statistical facts" which are misleading with respect to both historical perspective and future prospects. Finally, the Report does not develop a composite economic index by which to measure each NATO member's "fair share" of the cost of collective defense.

Responses to Specific Recommendations

Recommendation (pages 5a and 31)

The Secretaries of Defense and State should negotiate, through the mechanism of the Alliance, a more equitable distribution of the international staff positions to include wherever possible a reduction of those positions not essential to maintaining the U.S. position at the highest policy and decision-making level.

Response

Inasmuch as the GAO Draft Report notes that the U.S. has accepted some 27 percent of the total military positions in NATO (page 21) and that we have only 4 percent of the NATO civilian positions (page 23), the Department of State will defer to the Department of Defense, which negotiates the military personnel assignments, for the major response to this recommendation. We feel very strongly, however, that

the U.S. cannot, and should not, expect to fill only positions at the highest levels on the military staff of NATO, as this is tantamount to an "elitist" view of our role, which can only serve to undermine years of patient effort on our part to convince our Allies that we recognize the meaning of and worth of true "partnership" if the Alliance is to function in all our interests.

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Recommendation (pages 5a and 32)

The Secretaries of Defense and State should consider consolidating the functions of the Defense Advisor's Office and the U.S. Military Delegation to the Military Committee.

Response

Since Department of Defense elements staff these two organizations, the Department of State will defer on the major response to Defense. In terms of their functioning, which influences the overall efficiency of our representation at NATO, we believe the Report incorrectly highlights what it considers to be duplication and overlap of functions. Our Mission to NATO has previously considered the consolidation proposal but found that, while a major consolidation could lead to a reduction in personnel, the meager savings in personnel spaces would be more than offset by operational difficulties and loss of effectiveness. The present organizational structure of the USNATO Defense Advisor's Office and the U.S. Delegation to the Military Committee of NATO is virtually dictated by organizational structures found in Washington. For example, the Defense Advisor has the responsibility for supporting U.S. policy through civilian channels as the representative of the Secretary of Defense on the staff of the U.S. Ambassador to NATO. In implementing U.S. policy, the Defense Advisor works with the International Staff of the Secretary General and is a member of the Defense Review Committee, which reports to the Defense Planning Committee. The U.S. Military Representative has responsibilities through military channels for supporting U.S. policy as the representative of the Chairman, Joint Chiefs of Staff on the Military Committee and works with the NATO International Military Staff.

Recommendation (pages 6 and 38)

The Secretaries of Defense and State should initiate negotiations within the Alliance for the other nations to share the burden for support which the United States unilaterally provides to NATO.

Response

The Report notes that the U.S. is providing "considerable unilateral support to NATO for which it is not reimbursed." Yet the Report also refers to free facilities and services provided to U.S. forces by our NATO Allies, but does not quantify these offsets. It also fails to mention other financial support that the U.S. has been receiving, such as the Federal Republic of Germany's holding large amounts of dollars when our currency was under pressure, leading to a significant FRG loss when the dollar was devalued. Nor does it consider the Jackson-Nunn Amendment and the fact that, based on present calculations, our deficit on military account with NATO Europe in Fiscal Year 1974 will be offset by military procurement and other actions by our Allies, such as the US-FRG bilateral offset agreement. END UNCLASSIFIED

[See GAO note 4, p. 46.]

BEGIN UNCLASSIFIED

Finally, we would also note that we find unrealistic the argument presented in the Report (pages 26-30) that our more affluent European Allies should be asked to share the costs of maintaining USNATO, USDELMC, USNMR SHAPE, and other NATO-related U.S. organizations, whose missions are to support and champion strictly U.S. national interests.

**

Recommendation (pages 6 and 45)

The Secretaries of State and Defense should arrange with the NATO Allies for an equitable sharing of the military assistance needed to meet the recognized NATO force goals of Turkey and Portugal.

ResponseA. General Subject:

[See GAO note 3, p. 46.]

Similarly, Canadian grant military assistance to Portugal cannot be considered disproportionate when related to GNP. The assertion that there is little evidence of a concerted U.S. effort to have Allies share more in the costs of providing military assistance to other NATO countries ignores certain political "realities" in NATO.

[See GAO note 4, p. 46.]

It also ignores the existence of the sub-group on ways and means of implementing the AD-70 Report measures for the strengthening of Greek and Turkish forces, established by decision of the NATO Executive Working Group on July 27, 1973. One of the purposes of the sub-group, as directed in its terms-of-reference, is to study what steps the Allies can take to modernize Turkish (and Greek) forces, either through external assistance or multilateral programs.

The U.S. views the sub-group as a means to "share the burden" and to multilateralize military assistance.

B. Turkey: As Secretary Kissinger noted on December 7, 1974, "...U.S. military assistance to Turkey is not, and has never been, granted as a favor. It has been the view of the United States Government since 1947 that the security of Turkey is vital to the security of the Eastern Mediterranean, to NATO Europe, and therefore to the security of the Atlantic Community. These are the reasons, and these alone, that we grant military assistance. They were compelling when we first decided to grant such aid; they are equally compelling today." END UNCLASSIFIED

[See GAO note 4, p. 46.]

BEGIN UNCLASSIFIED


Turkey's economy has been improving since 1971. As a result, the U.S. has started gradually reducing grant military assistance on the assumption that Turkey, while still a developing country, can increasingly meet its needs for sophisticated military hardware from its own resources. Moreover, the U.S. has been steadily phasing out economic assistance to the point where we expect to make no new commitments after FY75. The GAO Draft Report's figures (page 43a) for economic assistance to Turkey in 1972 appear to be incorrect, i.e., the amount of U.S. aid that year was \$101.8 million, of which \$74.9 million was in the form of loans. Economic assistance totaled \$22.9 million in FY73, \$4.6 million in FY74, and is estimated at \$3.2 million in FY75. END UNCLASSIFIED

[See GAO note 4, p. 46.]

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As requested, the Department has reviewed the various portions of the Report which were classified and recommends removal of classification, subject to Department of Defense concurrence, from the following sections: page 3 (box 1), page 20 (box 1), page 21 (box 2), page 23 (box 2) and page 40 (box 1). END UNCLASSIFIED



Arthur A. Hartman
Assistant Secretary
for European Affairs

GAO notes:

1. Title of report subsequently changed to "Need to Reexamine Some Support Costs Which the U.S. Provides to NATO"
2. Page number references may not correspond to the pages of this final report.
3. Deleted matter has been revised in or omitted from this report.
4. Classified material has been deleted because GAO reporting responsibilities can be met without its inclusion.

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DEFENSE SECURITY ASSISTANCE AGENCY
AND
DEPUTY ASSISTANT SECRETARY (SECURITY ASSISTANCE), OASD/ISA
WASHINGTON, D.C. 20301

MAR 6 1975

In reply refer to:
I-26832/74

Mr. J. Kenneth Fasick
Director, International Division
U.S. General Accounting Office
441 "G" Street N.W.
Washington, D.C. 20548

Dear Mr. Fasick:

The sections of the GAO draft report, dated 23 October 1974, "Does the U.S. Pay More Than Its Fair Share of the Costs of NATO?" (OSD Case #3930), that relate to Department of Defense activities have been reviewed.

Comment on all the suggestions and recommendations that pertain to Department of Defense activities is contained in the attachment to this letter.

Comment on security classification will be furnished separately.

In accordance with DoD Directive 5200.1, you are authorized to release classified portions of this report to the Congress.

Defense believes the report is lacking in completeness both in substance and factual detail and request that the report be revised to account for DoD comments before sending it to Congress.

Defense is willing to cooperate fully with the GAO in improving the Draft Report.

Sincerely yours,

Attachments
a/s

M. M. FISH
Lieutenant Colonel, USAF
Director, Defense Security Assistance Agency

Deputy Assistant Secretary (Security Assistance), OASD/ISA

COMMENT BY THE DEPARTMENT OF DEFENSE
ON THE GAO DRAFT REPORT, DATED 23 OCTOBER 1974

[See GAO note 1, p. 62.]

CODE #46308 (OSD Case 3930)

GENERAL COMMENT:

(U) The underlying premise of the GAO Report seems to be that U.S. Forces are in Europe strictly to defend the Western Europeans. It would follow from this premise that whatever the U.S. contribution to NATO is, it must be too high. However, the fact is that U.S. forces are in Europe to support U.S., not just European, interests. Recognizing these U.S. interests provides an entirely different basis on which to judge fairness of the burdens of defense.

(U) We buy most U.S. forces to protect our interests against Soviet threat. At the present time, our greatest external interests and the largest Soviet conventional threat are both present on the European continent.

(U) America has strong cultural ties with the countries of Western Europe. We share the same sources of civilization and views about the preservation of free society. Banding together to defend that way of life is clearly more efficient than attempting individual defense efforts.

(U) Under the protection provided by NATO's collective defense, Europe has grown to become the world's second largest economic power, the largest exporter and importer, and the repository of most of the world's monetary reserves. Europe is a strategic swing element with great economic strength that has usually been used to the benefit of the U.S. An indication of Europe's economic strength and its potential for influencing our affairs is that the dollar value of our imports from Europe is many times greater than from the Arab oil producing states. An example of the use of this strength on our behalf is the West German assistance in stabilizing the value of the U.S. dollar. Our role in NATO and our forces in Europe are an important influence in stabilizing and guaranteeing U.S.-European cooperation. A Europe intimidated by the Soviet Union could mean economic chaos for the U.S.

(U) As the GAO Report states, one of the original objectives of NATO was to promote a unified Europe capable of assuming responsibility for its own defense. The goal of a politically united Europe remains to be obtained, but the Europeans have assumed the major responsibility for providing the West's forward defense against Soviet power. The Europeans provide 90% of the ground forces, 80% of the ships and 75% of the aircraft stationed in Europe.

(U) Despite their already sizeable contributions, the Europeans can do more, and it is our policy to encourage this. However, political solidarity among the 13 Europe NATO nations is unlikely for the foreseeable future. The presence of our forces in Europe together with our roles in various NATO bodies, enables us to take a major leadership role, helping to bind the Alliance together.

(U) Given the complexity of the U.S. role in Europe and the importance of the diverse U.S. interests that are served by the role, the GAO's simple comparison of current economic strength with that of 1949 cannot provide a good indicator of the fairness of the current share of the defense burden.

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[See GAO note 3, p. 62.]

[See GAO note 3, p. 62.]

(U) The Defense Department is in accord with and recognizes desirability of reducing U.S. costs to NATO. It has long been policy to reduce costs at every opportunity whenever the complex economic, financial and political interrelationships within the Alliance make it possible and beneficial to do so. To base recommendations on burden sharing solely on historical statistical review without considering these factors, however, is unrealistic.

(U) The report conveys the impression that little has been done in the area of burden sharing within the Alliance. It assumes that the Alliance's economic ability to shoulder increasing Defense burdens will remain unimpaired despite the oil price rise and ensuing disorders in the international economic arena.

(U) Defense believes that the authors of the report have adopted an approach which does not address the current economic capacity and prospects of individual member countries of the Alliance to bear a larger or smaller burden of our common defense. It is of course true that the aggregate economic growth rate of what is now NATO Europe has been greater than that of the U.S. since 1949. U.S. policy since World War II has been precisely to encourage and assist such growth, through the Marshall Plan and other means, to build a stronger Europe--politically, economically and militarily. Our efforts have succeeded to the extent that our Allies are now able to provide the bulk of conventional defense forces stationed in Europe. Reciting of history, however, has no bearing on what may be an equitable sharing of the Defense burden at present. The aggregate analysis used in the report obscures the difference among individual Alliance members. In 1949, all of the European members of NATO were in ruins, requiring a complete reconstruction of their economies and political institutions. Greece and Turkey did not become members of NATO until 1952, and their per capita GNP's were and still are so low that they are classified as LDC's. The FRG, which joined the Alliance in 1955, has made impressive economic progress; but the UK has had consistently low economic growth rates and has suffered from chronic balance of payments difficulties, while Italy is at present on the brink of bankruptcy.

(U) The report fails to consider the economic situation as of the end of 1974. The economic position of the U.S. vis-a-vis Europe was improving, quite independently of the effects of higher oil prices. The U.S. had a balance of payments surplus for the first time in 7 years (a fact not mentioned in the report), while most of our European NATO Allies (with the exception of Germany, Belgium and the Netherlands) had deficits. The report mentions the adverse effects of the oil price increase on all NATO Allies; but the authors fail to note that the effect on most European countries is likely to be greater than on the U.S. The economic data presented in the study are not useful as a guide to present burden sharing considerations and do not present a reasonable assessment of the long-run trend in comparative economic strengths of the U.S. and other NATO members. The argument that our more affluent European Allies should be asked to share the costs of maintaining U.S. NATO, U.S. DELMC, U.S. NMR SHAPE and other NATO-related U.S. organizations, whose missions are to support and champion strictly U.S. national interests, is unrealistic.

(U) The GAO report refers to free facilities and services provided to U.S. forces by our NATO Allies, but does not quantify these offsets. It fails to mention other financial support that U.S. received, such as the FRG's holding large amounts of dollars when our currency was under pressure, leading to a significant FRG loss when the dollar was devalued. Nor does it consider the Jackson-Nunn Amendment, and the fact that our deficit on military account with NATO Europe in FY 1974 will probably be wholly offset by military procurement and other actions by our Allies, such as the U.S.-FRG Bilateral Offset Agreement.

(U) The GAO recommends that the secretaries of State and Defense consider consolidating the functions of the U.S. NATO Defense Advisors Office (ODA) and the U.S. Delegation to Military Committee of NATO (USDELMC). The basis for this recommendation appears to be that GAO sees duplication and overlap of functions between the two. Consolidation could therefore theoretically lead to a reduction in personnel without loss of effectiveness. Defense has previously considered this proposal; we believe that the meager savings in personnel spaces would be more than offset by operational difficulties. The present organizational structure of ODA and USDELMC is virtually dictated by organizational structures found in Washington. For example, the Defense Advisor has the responsibility for supporting U.S. policy through civilian channels as the representative of the SecDef on the Staff of the U.S. Ambassador to NATO, in implementing U.S. policy. The Defense Advisor works with the International Staff (IS) of the Secretary General, and is a member of the Defense Review Committee (DRC) which reports to the Defense Planning Committee (DPC), while the U.S. MILREP has responsibilities through military channels for supporting U.S. policy as the representative of the Chairman, Joint Chiefs of Staff (JCS) on the military committee and works with the NATO International Military Staff (IMS). On the surface this may appear as a duplication of effort since both operate

in the Defense arena. However, what is not commonly understood is that U.S. DELMC has primary actions for a wide range of military subjects not covered by ODA and that they operate from different perspectives and through different chains of command - military versus civilian.

(U)

[See GAO note 3, p. 62.]

Similarly, Canadian grant military assistance to Portugal cannot be considered disproportionate when related to GNP. The assertion that there is little evidence of a concerted U.S. effort to have Allies share more in the costs of providing military assistance to other NATO countries does not recognize certain political "realities" in NATO

[See GAO note 4, p. 62.]

It does not consider the existence of the subgroup on ways and means of implementing the AD-70 measures for the strengthening of Greek and Turkish forces, established by decision of the NATO Executive Working Group on 27 July 1973. One of the purposes of the subgroup as directed in its terms-of-reference, is to study what steps Allies can take to modernize Greek and Turkish forces, either through external assistance or multilateral programs. The U.S. views the subgroup as a means to "share the burden" and to multilateralize military assistance.

(U) The authors discount the effects on European economies of the energy crisis, asserting that the effects will be temporary and will not invalidate the report's conclusions that Europe ought to increase its share of NATO expenses. This appears to be a very problematical assumption, given the significant and growing deficits now being experienced by several NATO Allies, and pressures to further reduce their defense budgets. Defense strongly challenges this assumption in light of current events.

(U) Defense believes the report for the most part has been overtaken by recent events. For example, most of the data and discussion ends as of 1972. However, many important events affecting burden sharing, balance of payments, exchange reform and the European Defense Improvement Program occurred in 1973 and 1974. During 1973 and 1974 the level of U.S. Defense expenditures in constant prices continued to decline. DoD spending during FY 1975 is at a lower level in constant dollars than at any time since 1950. Similarly, the GAO draft uses 1968 to 1970 as a base for comparing the share of national budgets of the NATO Allies and the U.S. allocated to Defense. The higher share of

the U.S. national budgets allocated to Defense during this period was still influenced by the war in SVN. U.S. Defense spending as a share of the national budget has further declined in 1973 and 1974.

(U) In establishing its "Case for Greater Allied Burden Sharing" in Chapter 2, the draft report makes several statements which lead to distorted conclusions. For example, the authors note that "Between 1968 and 1970 the NATO Allies allocated an average of about 10 percent of their national budgets to Defense, while the U.S. allocated 52 percent to Defense." This statement is followed with a short disclaimer that although the U.S. figures include expenditures for U.S. worldwide commitments, most of these are "... almost as vital to the Alliance such as the Sixth Fleet and U.S. Strategic (Nuclear) Forces." The fact is that, in 1973 alone, total NATO country expenditures primarily related to the direct defense of NATO Europe were estimated at around \$57 billion (\$17 billion for the U.S. plus Allied total Defense expenditures of approximately \$40 billion, including France and Canada). Thus, the Allies' share of NATO Europe defense was about 70 percent compared with 30 percent borne by the U.S. Further, it should be noted that the U.S. devoted less than 2 percent of GNP to this purpose whereas for the past several years our Allies have averaged over 4 percent of GNP.

(U) The authors also note that (1) from 1949 through 1972 Allied GNP rose dramatically compared to that of the United States and (2) the U.S. balance of payments situation on overall account declined significantly relative to that of the NATO Allies during the same time period. While true, these arguments fail to recognize substantial Allied efforts to correct many of the imbalances on overall BOP accounts as well as on military account.

(U) Beginning in 1971 the European Allies agreed to a major rearrangement of the International Monetary System in direct response to U.S. requests for assistance. These adjustments had the effect of reversing the downward trend in the overall BOP accounts -- resulting in a U.S. BOP surplus in 1973 -- and the U.S. was well on the way toward recovery when the oil crises in 1974 disrupted advances made as direct result of the previous Allied concessions.

(U) Allied efforts to offset some of our military expenditures have been equally significant:

- The U.S. and the FRG have concluded several bilateral offset agreements since 1961. The last agreement (FY 74-75) provided some \$2.2 billion of FRG assistance in form of procurement, securities and barracks rehabilitation for our troops in Europe.

- The Allies also spend millions of dollars annually in direct support of U.S. troops in Europe which are not reflected in the BOP accounts. For example, in CY 72 alone, the FRG spent some \$450 million in the FRG and Berlin to provide U.S. troops with real estate, to cover the O&M costs for roads, and on other activities in direct support of U.S. forces. Other members of the Alliance incurred similar expenses.

- The ongoing Jackson-Nunn exercise has revealed that the Allies have been purchasing a substantial sum of U.S. military equipment during the normal course of business which has gone unrecognized in the past. There is every indication that such Allied purchases, when coupled with the recent U.S.-FRG Offset Agreement, will be sufficient to offset all U.S. NATO related Defense BOP expenditures in FY 74.

(U) None of the above should be taken to mean that Defense is completely satisfied with the present level of Allied contributions to the common defense nor that we see no room for improving our own organization in support of NATO. We must recognize, however, that the recent upheavals in the international economic system related to energy supply and cost may well limit Allied ability -- economically and politically -- to increase their defense expenditures in constant prices in the near term. We believe a more reasonable approach is to focus attention on improving the allocation of available Allied resources and at least maintaining the level of Allied Defense expenditures in constant prices, rather than attempting to increase Defense budgets in real terms at this time.

[See GAO note 3, p. 62.]

(U) The statement that for the period (1949-1972) the U.S. contributions were increasing while contributions of the Allies decreased is challenged by the following:

Under the European Defense Improvement Program (EDIP), the European Allies undertook in 1970 to expend an additional \$1 billion to augment and modernize their forces over a five-year period. Annual increases of \$1.3 billion in 1972 and \$1.5 billion in 1973 were additionally agreed to, most of which has been used for purchase of new weaponry, with the U.S. being a principal supplier. Annual Allied defense expenditures of other NATO nations, between 1965-1972, rose from \$19.5 billion to \$35 billion in current dollar values. U.S. defense expenditures as a percentage of GNP declined from 8.4 percent in 1970 to less than 7 percent in 1973, while the GNP percentage for the NATO Allies, following a steady decline in previous years, leveled off at a little over 4% in 1970 and has remained at this level ever since.

(U) The designation of "other NATO" nations as a single entity could be misleading. The report contains comparisons of U.S. vs. NATO fiscal positions which indicate that NATO countries when considered as a single entity are in an extremely favorable position to increase their contributions to the support of NATO staffs and facilities. Most of the \$3.2 IBOP billion surplus referred to in the report is the result of an IBOP surplus for FRG and deficits for most other Allied nations, which is offset by the considerable FRG surplus. The fact that "other NATO" countries, as an entity, can assume additional burdens is not sustained. The GAO estimates of IBOP positions of our European Allies (page 15) are out of date. There have been significant changes between 1972 and 1974, i.e., only Germany has increased its balance, from \$1.04 billion surplus in 1972 to an estimated \$7 billion in 1974. The other Allies, collectively, are faced with an estimated deficit of over \$28 billion this year.

(U) The report states that in 1974, the U.S. contribution to the common costs of NATO is \$135 million, approximately 27 percent of the shared costs. Other references are made to the fact that the U.S. has "almost 27 percent of the total military positions in NATO". It could logically be argued, and would be by the other NATO nations, that U.S. costs are therefore eminently fair.

(U) In manpower, the NATO Allies have increased their forces on the Central Front by 50 percent over the last 13 years and now contribute 90 percent of the Alliance's ground forces, 80 percent of the sea power and 75 percent of its air power.

(U) The GAO assertion ... "the threat of overt communist takeover is diminished" is too simplistic. An "overt" takeover is not the primary threat. Soviet objectives are focused on enhancing Russia's position as a super power and furthering its longer term interests in attempting to achieve global supremacy on a piecemeal basis. This is clearly manifested in the maintenance of Warsaw Pact forces far in excess of those required for defense, and in the continued significant

efforts by the USSR to make both qualitative and quantitative improvements in conventional, nuclear, land, sea and air forces, notwithstanding its stated adherence to a policy of detente.

AVAILABLE

[See GAO note 4, p. 62.]

The following comments are keyed to page numbers on the draft report:

Page 13, (U) The tabulation below reflects that total non-U.S. NATO GNP at factor cost in current prices (including inflation) increased approximately twice that of the U.S. The base year (1949) used by GAO, with Europe still practically destitute, would account for such a difference. However, the same data, based on 1964 as the base year would present a totally different concept as illustrated below:

	GNP 1964 (In Billions)	GNP 1972 (In Billions)	Percent of Increase
U.S.	\$584.05	\$1,062.29	81.8
Non-U.S. NATO	400.54	866.96	116.4

(U) In addition, this data would present an entirely different picture if expressed in terms of GNP in constant 1972 market prices. For example:

	\$ Billion - 1972 Market Prices		Percent of Increase
	GNP 1950	GNP 1973	
U.S.	\$519.1	\$1,223.4	136
Non-U.S. NATO	367.9	1,110.3	202

	\$ Billion - 1972 Market Prices		Percent of Increase
	GNP 1964	GNP 1973	
U.S.	\$902.6	\$1,223.4	36
Non-U.S. NATO	734.1	1,110.3	51

Page 17, (U) The statement that during the period 1968-1970 the U.S. allocated 52 percent of its national budget to defense is not compatible with the following:

Fiscal Year	Percent of U.S. National Budget Allocated for Defense	
	NATO Definition	U.S. Definition
1968	44.6	45.0
1969	43.7	44.0
1970	40.6	40.8
1971	36.7	36.7
1972	33.6	33.8
1973	30.4	30.8
1974	29.6	29.3
1975	28.2	28.8

Page 18, (U) The NATO Allies provide free of charge for use of U.S. Army forces in Europe facilities having a replacement value in excess of \$15 billion; these include buildings, grounds, surfaced areas and railroads. A conservative 10 percent return each year would result in \$1.5 billion in rents to the host NATO nations. Additionally, the FRG has provided USAFEUR/USAFE during FY's 1974-1975 600 million deutsche marks (DM) (\$233 M) which has provided for renovation and rehabilitation of troop barracks, dining halls and associated utility systems. 20 million DM's (\$7.8 M) were also provided by the FRG for land taxes and landing fees for FY's 1974-1975.

Page 22, (U) The examples cited of enlisted positions that could be filled by other NATO Allies is highly questionable. Within ACE, U.S. military manpower resources are allocated into three basic functional areas. The authorized enlisted breakouts for these areas are (1) command, control and staff - approximately 22 percent. Enlisted personnel perform a variety of technical tasks, as well as intelligence and administrative tasks. The 22 percent is required to support key U.S. officer positions in the command and control and planning functions, and to insure an effective, cohesive operation within the Alliance--all of which is in furtherance of U.S. interests, (2) signal support; approximately 62 percent. These enlisted personnel perform vital tasks in operation and maintenance of communications activities to include cryptographic support. It is primarily in this area where the U.S. expertise is required; particularly in those trades/skills that are significantly more available in the U.S. than in other nations. (3) Other support: approximately 16 percent. Enlisted personnel perform tasks normally associated with the support of a headquarters and includes drivers, mechanics, engineer technicians and security personnel.

(U) The rationale for the present "internationalized" U.S. Army Signal Battalion is sound. Those personnel performing national support functions (e.g., personnel administration, battalion mess) with specific related overhead positions could be withdrawn from the peacetime organization. However, the exclusively national support would still be required and must be performed by a national support activity at some location. Care must be exercised to insure that personnel in supply and maintenance functions, that directly support communication missions, are retained within the BN. This situation is also applicable to the German Signal Battalion performing similarly in CENTAG. There are cogent war-time operational reasons supporting organization integrity plus direct U.S. benefits derived from providing COM CENTAG compatible and inter-operable communication to the U.S. Corps.

(U) Page 23. With reference to civilian positions, the U.S. receives from the International Headquarters credits approximating slightly over 60 percent of the salary and allowance costs for our civilian personnel. Also, these monies paid by the U.S. to its civilian personnel are taxable, while international salaries are not. Hence, U.S. Government is thereby receiving an additional rebate of approximately 20 percent in taxes, neutralizing the \$1.4 million figure quoted.

(U) Page 26. In commenting on U.S. costs for the support of NATO, GAO addresses such entities as the Office of the USNMR, SHAPE and the U.S. Permanent Representative to the North Atlantic Council; it is unreasonable to expect that other Alliance members would be willing to "share" costs of these organizations.

[See GAO note 3, p. 62.]

(S) Page 34. Concerning nuclear weapons activities, Service-to-Service Technical Arrangements (SSTA) are bilateral arrangements between the U.S. and NATO countries for U.S. atomic warhead support. The basic arrangement requires the host nation to provide U.S. forces with general administrative and logistical support. The United States provides the salaries, rations, special tools, and training for its personnel. This arrangement requires the host nation to provide the following support: facilities (the land and the buildings thereon, to include the necessary fixtures and furnishings); utilities; supplies and services; transportation (tactical and administrative), to include drivers and POL; communications; maintenance; fire protection; radiological safety; security; training; medical and dental support; morale, welfare, and club opportunities.

[See GAO note 4, p. 62.]

These arrangements are valid and are working. Experience shows that we could not negotiate more favorable arrangements at this time. The United States and the respective Host Nations mutually have agreed on the support each would provide. The 14 munitions support squadrons referenced on this page have an authorized manning of 1,050 personnel.

(U) Page 35. The facts concerning the 196th Station Hospital should be corrected to read as follows on this page:

(1) Para 2, line 2 - the figure 250 U.S. Army personnel should be changed to read 290.

TABLE

(2) Para 2, Line 3 - the \$4.1 million a year should be amended to read \$7.9 million.

(3) Para 3, Line 6 - the amount \$126 each day for hospital service should be revised to \$153.

(U) Page 35. It could be inferred from the GAO report that Chievres Air Base consists almost exclusively of an air field. It should be noted that more than half of the base is being used by the NSSG (US) to perform myriad functions, including the operation of a PX and commissary center. Monthly average sales at the PX is one half million dollars and at the commissary \$300,000 -- all of which help alleviate the gold flow problem. The base is provided rent free by the Belgium Government and SHAPE is reimbursing the U.S. for the cost of operating the air field (excluding military salaries) retroactive to 1 Jan 1972. Further, NATO has spent from international funds over \$700,000 to put an overlay on the airstrip and is in the process of spending \$70,000 to re-do the air field landing system. A recent survey disclosed that usage of the airstrip by the U.S. is approximately 84 percent vs. 16 percent by other nations. In order to provide the USAFE aircraft at Chievres, USAFE established the 7104th Air Base Squadron which currently has 63 manpower authorizations. The aircraft support both USCINCEUR as well as SACEUR responsibilities.

(U) Page 36. A feasibility study on internationalization of the NATO weapons systems school is currently in progress. Accumulation of cost data for inclusion in the study will require three to four months. It is not considered that internationalization will reduce salaries to any appreciable extent. It should be recognized that already other nations are providing approximately 13 officers who serve as instructors. Also the FRG is providing administrative support for the school and logistical support is reimburseable by NATO.

(U) Page 37. The report states USAFE officials were not aware of any effort to internationalize the NATO Training Division/7055 Operations Squadron, and that they consider the effort entirely NATO related. Pay and allowances of 16 detachment personnel are given at \$379,000 annually. O&M costs are said to be unknown. The portion of the 7055 Operations Squadron cited as being NATO training oriented consists of 15 manpower authorizations (4 officers, 10 airmen, 1 civilian). Approximately \$43,000 of O&M funds are spent to support this unit. Reimbursement by NATO of this sum may be appropriate. USCINCEUR has tasked CINCUSAFE to train, certify and standardize all NATO strike forces. To accomplish this task, the 7055 Operations Squadron was formed. Its genesis rests in Annex L of EUCOM Directive 60-10. The 7055th Operations Squadron (NATO Training Division) has both a training and evaluation function, involving the loading, control, release and delivery procedures of U.S.-furnished nuclear weapons to NATO strike forces. KOFORN restrictions and the bilateral agreements existing between the U.S. and user nations (formulated to guarantee positive U.S. ownership, control and custody of nuclear weapons) prohibit consideration of internationalizing this unit. They serve as a watchdog to insure compliance with U.S. directives

and procedures, as well as providing SACEUR a source of accurate, timely, and unbiased information on the capabilities of NATO nuclear strike forces. The NATO member countries provide flying time at no expense to the U.S. for the pilot officers assigned to the 7055 operations squadron. This flying time (approximately 375 hours per year) offsets some of the U.S. expenses. While Defense concurs that the 7055th mission is entirely NATO related, it accomplishes an entirely U.S. function. The 7055th should remain a U.S. function. Further, during the early stages of the North Atlantic Treaty Organization the United States agreed to provide NATO with an atomic weapons capability. The Atomic Energy Act was amended to permit the positioning of atomic weapons with non-U.S. forces with the provision that the U.S. would retain ownership and custody of the weapons. Atomic support agreements between each user nation and the U.S. were consummated following the ministerial meeting in Paris during December 1957. At that time, the responsibilities for each user nation were defined before U.S. nuclear weapons were provided. These agreements range from broad policy agreements at the highest governmental level, to detailed support agreements between USCINCEUR and the user nation Air Force. Consistent with U.S. ownership and custody, HQ USAFE is assigned responsibility to train the non-U.S. delivery forces in the loading and delivery of U.S. atomic weapons.

(U) Page 39. Reference is made to the U.S. military assistance granted to Turkey and Portugal. Defense considers that national security policy would provide for military assistance to both countries even if they were not members of NATO. U.S. assistance to these countries does not by any means provide the total aid required to fulfill NATO and their national goals. Considering both NATO and unilateral U.S. interests, reduction in U.S. aid is not indicated. With present amendment to the continuing resolution authority bill effective 10 Dec 74, we may be faced with the realization of how important our unilateral interests in Turkey actually are. Loss of Western influence in Turkey would weaken a major barrier between the Soviet Union and its interests in the Middle East as well as cause the U.S. to find a longer, more expensive route to its interests along the Arabian Gulf and Indian Ocean area. Statement that "base rights is small justification for military assistance" should be more carefully reviewed. The extensive use of Lajes in the Azores to resupply Israel during and after the Yom Kippur war should dramatically point out the value of our base rights there -- not in the NATO context but in U.S. unilateral interests. Without Lajes, support of Israel would have been more costly and time consuming.

(U) The tying of NATO force goals to security assistance programs should be readily understandable when considering that both programs are directed at strengthening NATO Allies to deter a common enemy (the Warsaw Pact), Defense has no argument with attempting to encourage additional NATO Allies to increase their share in the cost of military assistance to Turkey and Portugal. We have little faith in its success because of current pressures and the Defense expenditures of potential donors and possibility that funds would have to be diverted from their own defense efforts.

(U) One of the most serious constraints on ACE force effectiveness, both in deterrent and defense rules, is the lack of flexibility and interoperability. A key to the solution is maximum standardization of all military tasks and equipment in NATO. Common tactics and training, interchangeable war stocks, standardized weapons systems, command and control systems and compatibility, are among the SHAPE priority goals and these are fully supported by SECDEF. Military assistance provides a form of leverage that permits the U.S. to maintain substantial influence in NATO military circles. Any significant curtailment of this assistance fosters a political climate that militates against such influence.

(U) The reasons for significant variances in cost data contained in the report are not understood and explanations for the differences have not been presented. For example:

<u>Page</u>	<u>No. of Personnel</u>	<u>Total Cost (In Millions)</u>	<u>Cost Per Person</u>
19	4,697	\$ 89.4	\$ 19,040
19	127	1.3	10,656
19	92	2.6	28,206
30	238	4.3	18,067
34	5,000	67.0	13,400
37	30	.63	20,933

Although not specifically addressed in the report the following merits consideration by the GAO:

[See GAO note 3, p. 62.]

GAO notes:

1. Title of report subsequently changed to "Need to Reexamine Some Support Costs Which the U.S. Provides to NATO"
2. Page number references may not correspond to the pages of this final report.
3. Deleted matter has been revised in or omitted from this report.
4. Classified material has been deleted because GAO reporting responsibilities can be met without its inclusion.

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OF ACTIVITIES DISCUSSED IN THIS REPORT

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DEPARTMENT OF STATE

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Henry A. Kissinger	Sept. 1973	Present
William P. Rogers	Jan. 1969	Sept. 1973

ASSISTANT SECRETARY OF STATE,
BUREAU OF EUROPEAN AFFAIRS:

Arthur A. Hartman	Feb. 1974	Present
Walter J. Stoessel, Jr.	Aug. 1972	Feb. 1974

AMBASSADOR, U.S. MISSION TO NATO:

David Bruce	Oct. 1974	Present
Donald H. Rumsfeld	Feb. 1973	Oct. 1974
David M. Kennedy	Mar. 1972	Feb. 1973

DEPARTMENT OF DEFENSE

SECRETARY OF DEFENSE:

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William P. Clements, Jr. (acting)	May 1973	June 1973
Elliot L. Richardson	Jan. 1973	May 1973
Melvin R. Laird	Jan. 1969	Jan. 1973

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INTERNATIONAL SECURITY AFFAIRS:

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Amos A. Jordan (acting)	Jan. 1974	June 1974
Robert C. Hill	May 1973	Jan. 1974
Lawrence S. Eagleburger (acting)	Jan. 1973	Apr. 1973
Dr. G. Warren Nutter	Mar. 1969	Jan. 1973

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Gen. Alexander M. Haig, Jr.	Nov. 1974	Present
Gen. Andrew J. Goodpaster	May 1969	Oct. 1974

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