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REPORT TO THE CONGRESS

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Some Of The Issues Involved In Maintaining U.S. Forces In Europe

Departments of Defense and State

Some argue that improvements in the military and economic positions of the NATO allies would permit the United States to safely withdraw some of its NATO-committed forces from Europe. The rapid redeployment of such forces in an emergency can be facilitated by prepositioning their equipment in Europe.

Some opponents of unilateral force reductions say that U.S. Forces can be safely reduced only if the Soviet Union withdraws some of its forces from Eastern Europe. Some also suggest that rather than reduce U.S. Forces, the costs of the Alliance should be more equitably shared.

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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

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

This report discusses some of the issues involved in maintaining U.S. Forces in Europe which may be helpful in indicating areas of further inquiry for the Congress.

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 Secretaries of State and Defense; the Director, Office of Management and Budget; the Chairmen, House and Senate Committees on Government Operations and on Appropriations; and to chairmen of committees having responsibility for foreign assistance.

James A. Stacks
Comptroller General
of the United States

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ABBREVIATIONS

EDIP	European Defense Improvement Program
GAO	General Accounting Office
GNP	gross national product

D I G E S T

The issue of unilateral force reductions in Western Europe has been raised in every Congress since 1966. The information presented in this report will be useful to the Congress in evaluating alternatives to unilateral U.S. troop reductions in Europe.

Proponents of unilateral force reductions in Western Europe point out that the U.S. troop commitment was made when those countries were devastated and incapable of standing up to the Soviet Union. Since that time the Western European military and economic situation has improved greatly. Force reduction proponents conclude that the United States can now safely withdraw some of its forces from Western Europe.

Some opponents of unilateral reductions argue that U.S. troops should be reduced only if the Soviet Union withdraws some of its forces from Eastern Europe. Some of these opponents also feel that rather than withdraw troops the United States should encourage the Europeans to pay more of NATO's cost.

In addition to burden sharing and mutual force reductions, dual basing has been presented as an alternative to unilateral reductions. Dual basing generally refers to the concept of rebasing some U.S. Forces in the United States, prepositioning their equipment in Europe, and providing for their rapid re-deployment in an emergency.

Both the Defense and State Departments consider maintaining the status quo to be another alternative to unilateral reductions. GAO presents the reasoning for the status quo as the reasoning against unilateral reductions. (See ch. 3.)

Burden sharing

Some have argued that if the NATO allies provided their fair share of NATO's cost and there were no East-West reductions, then U.S. troops should be maintained at their current level.

Equity in burden sharing has focused on an increase in the level of Western European defense spending and a reduction in the cost of stationing U.S. Forces in other NATO countries. The interrelationship between these two approaches to burden sharing has not been clearly established. (See p. 3.)

In 1973 the Congress enacted legislation which specifically linked the level of U.S. Forces in Europe to a 100-percent offset of the fiscal year 1974 balance-of-payments deficit attributable to their deployment. U.S. troop reductions were mandatory if the deficit was not fully offset. The President reported to the Congress on May 27 that the allies had fully offset this deficit and that the troop reduction provision would not have to be implemented. (See p. 7.)

This legislation also established the goal of achieving a more equitable sharing of NATO costs. It calls on the NATO allies to substantially increase their contributions to assist the United States in meeting those added budgetary expenses incurred as the result of maintaining troops in Europe rather than in the United States. Defense estimated these expenses to be \$440 million in fiscal year 1974. (See p. 8.)

The President, on May 16, 1974, stated that the 1974 West German Offset Agreement would substantially cover those additional costs incurred in West Germany. In addition, the European NATO countries estimate that they annually provide at least \$500 million worth of administrative and real estate services free or on favorable terms for North American forces. (See p. 9.)

Mutual balanced force reductions

Some opponents of unilateral force reductions have argued that the political-military risks

inherent in such reductions can be avoided by mutually negotiated withdrawals. However, some experts contend that mutual balanced force reductions could result in higher U.S. defense costs. (See p. 11.)

Defense estimates indicate that only demobilization of withdrawn troops would result in substantial U.S. savings. However, Secretary of Defense Schlesinger recently stated that U.S. troops brought home under a mutual balanced force reductions agreement would not be demobilized. (See p. 13.)

Dual basing

Pursuant to a 1967 agreement the United States withdrew 31,400 personnel from Europe, prepositioned some equipment to permit their rapid redeployment, and agreed to hold annual field exercises in Europe. The redeployed troops commonly are referred to as being dual based.

Dual basing was opposed by both U.S. military officials and West Germany primarily because of the importance they attach to permanently positioned forces; economic considerations are now also frequently cited. (See p. 17.)

Computations based on 1969 Defense statistics show that dual basing would result in net budget savings; however, calculations based on current Defense data show that the costs associated with dual basing far exceed any recurring savings. (See pp. 18 and 19.)

CHAPTER 1

INTRODUCTION

Since 1966 the executive branch and the Congress have been engaged in a debate concerning the number of U.S. troops stationed in Europe. Department of Defense statistics indicate that in June 1966 the United States had about 321,000 troops in 9 NATO countries and Spain, compared to about 300,000 in 1975. The 1975 figure does not include 31,400 troops dual based under a 1967 agreement. (See p. 17.)

This debate began with the introduction of the 1966 Senate resolution calling for a unilateral reduction of U.S. Forces in Western Europe and citing as reasons the:

- Substantial improvement of Western Europe's economic and military position.
- Allies not bearing a fair share of NATO costs.
- Movement toward detente between Eastern and Western Europe.
- Vast increase in U.S. ability to wage war and to move military forces and equipment by air.
- Economic burden on the United States attributable to large troop deployments in Europe.

Although the issue of troops in Europe has been raised in every Congress since 1966, it came to a vote for the first time in May 1971 when an amendment was introduced calling for a 150,000 man reduction by December 31, 1971. This amendment, which was defeated, was partly a response to an administration announcement that the United States would under no circumstances withdraw troops unilaterally. Since 1971 similar legislation in the Senate and the House has also been defeated.

Some opponents of U.S. Force reductions have argued that there are alternatives to unilateral withdrawal that avoid the serious political-military risks they believe are synonymous with such reductions. The following two major alternatives have been proposed:

--More equitable sharing of NATO costs. In 1973 the Congress enacted legislation directed toward reducing our balance-of-payments and certain other U.S. NATO costs. Failure to offset the balance-of-payments cost would result in mandatory troop reductions. Since 1971 the administration has encouraged our European allies to improve their own forces.

--Negotiation of mutual force reductions between NATO and Warsaw Pact countries. Mutual balanced-force-reduction negotiations have been underway since October 30, 1973.

A third alternative, dual basing, was implemented on a small scale in 1967 and has been mentioned at various times during the debate. This proposal involves withdrawing some U.S. Forces from Europe, prepositioning their equipment, and arranging for their rapid redeployment in an emergency. Under a 1967 agreement the United States is committed to return some of these troops for annual field exercises in Europe.

Both the Department of Defense and the Department of State consider the maintenance of the status quo to be another alternative to unilateral reductions. We have not discussed the reasoning for the status quo in terms of a separate alternative to unilateral reductions but rather as the reasoning against unilateral reductions. (See ch. 3.)

This report summarizes information that we believe will be useful to the Congress in evaluating alternatives to unilateral U.S. troop reductions in Europe. The information was collected from congressional hearings and reports, NATO documents, educational publications, media sources, and officials at the Departments of State and Defense.

CHAPTER 2

SHARING NATO COSTS

Some opponents of unilateral withdrawal have argued that, in the absence of East-West reductions, U.S. troop levels should be maintained at their current level if our NATO allies pay their fair shares of the cost. By insulating the issue of the need for U.S. troops in Europe from economic and financial pressures, it was hoped that the need for U.S. Forces could be determined objectively on the basis of the political and strategic realities.

Discussion of equity in burden sharing has focused on an increase in the level of Western European defense spending and a reduction in the cost of stationing U.S. Forces in other NATO countries. The United States has encouraged our allies to respond in both areas. Historically, the Congress has tended to emphasize a reduction in U.S. costs, while the executive branch has favored an increased Western European defense effort. The interrelationship between these two approaches to burden sharing has not been clearly established.

EUROPEAN DEFENSE SPENDING

In his February 1971 foreign policy report to the Congress, President Nixon explained that the emphasis of burden sharing had changed. Although financial arrangements in which NATO shares the cost of the U.S. military commitment to Western Europe might continue to play a part, in the future the United States would stress the importance of adequate allied forces necessary to support an effective common strategy. The executive branch continues to point out the importance of an effective Western European defense effort.

Force improvements

In 1970, 10 European NATO members, known as the Euro-group, established the European Defense Improvement Program (EDIP) and, in response to a U.S. pledge not to withdraw troops from Europe, they announced plans to spend \$1 billion during 1971-75 to build aircraft shelters and for various additional defense improvements. The aircraft shelters are 85 percent completed. In 1972 a House Armed Services Committee report estimated that EDIP expenditures amounted to three-quarters of 1 percent of the combined defense budgets of our NATO allies.

Between 1970 and 1974 defense spending by European NATO countries increased from \$25 billion to \$44 billion (in current dollars). Adjusted for inflation, this increase represents a cumulative 7 percent rise in defense spending between 1970 and 1973. The Department of State indicated that there was a small percentage increase from 1973 to 1974.

In December 1974 the Eurogroup announced further increases in defense budgets to maintain and improve European defense. The Eurogroup communique listed major new equipment to be introduced into service during 1975--some of which was originally programmed for 1974. Although it did not specify the dollar value of the new "Europackage," the communique indicated that generally the "improvement program is of a size comparable to that of last year." Failure to specify planned expenditures has been attributed to inflation.

A report, "Policy, Troops, and the NATO Alliance," submitted to the Senate Armed Services Committee challenges the view that Europe has been sharing more of the common NATO defense burden. As shown below, in terms of percent of gross national product (GNP) spent on defense and active duty military personnel, Europe has not increased its share of the conventional defense burden.

	<u>1964</u>	<u>1968</u> <u>(note a)</u>	<u>1970</u> <u>(note a)</u>	<u>1971</u> <u>(note a)</u>	<u>1972</u>	<u>1973</u>
Percent of GNP for defense:						
Central Europe						
(note b)	4.5	3.9	3.6	3.6	3.6	3.5
United States	8.7	10.1	8.7	7.8	7.3	6.8
Active military manpower:						
	(000 omitted)					
Central Europe						
(note b)	1,803	1,665	1,664	1,639	1,632	1,618
United States	2,690	3,500	3,161	2,695	2,301	2,253

a/Includes U.S. commitment in Southeast Asia.

b/Includes France, Belgium, Denmark, Germany, Italy, Luxembourg, Great Britain, and the Netherlands.

As the table shows, Central Europe's defense spending between 1964 and 1973 declined from 4.5 to 3.5 percent of GNP, while, during this same period, Europe underwent dramatic growth. Although European defense budgets have risen each year, severe inflation and increased manpower costs have partially offset these increases.

Defense believes that these statistics do not present a realistic comparison of defense spending and provided the following comparison.

	<u>1965</u>	<u>1968</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Percent of GNP for defense (note a):						
Total NATO						
Europe	5.3	4.8	4.2	4.3	4.3	4.1
United States	8.3	10.2	8.7	7.7	7.3	6.6

a/Based on GNP at factor cost.

A NATO group was set up in August 1973 to perform a study entitled "Financial Problems Arising from the Stationing of Forces on the Territory of Other NATO Countries." A Senate Foreign Relations Committee staff study summarized the group's discussions as follows:

- Improvements the allies proposed to make in their forces remained the most important aspect of sharing the defense burden.
- Measures to alleviate problems raised by the United States should not be undertaken at the expense of national defense efforts.
- The United States would welcome an additional or supplementary EDIP as a substantive measure in sharing the defense burden.

Western European officials, in informal discussions with the Senate Committee's staff, confirmed that "allied governments could not at the same time participate in EDIP and assume U.S. costs."

Future prospects

During early 1974 the executive branch stressed the need for Western Europe to do more militarily. Yet, Secretary of Defense Schlesinger appeared to be pessimistic about an increase in European defense expenditures beyond the amount required to compensate for the effect of inflation and the energy crisis. By the time of the December 1974 NATO ministerial meeting, Secretary Schlesinger was reportedly warning our allies not to stampede into cuts in defense spending. His warning followed Britain's announcement that it would cut defense expenditures by \$11 billion over the next 10 years. Britain has stated that it is open to suggestions on how best to make the cuts without hurting Western security.

Secretary Schlesinger said that, in this period of uncertainty, the United States should not add to the difficulties by reducing its direct contributions to the defense of its allies. The administration contends that force reductions must take place in the East as well as in the West.

COSTS OF U.S.
TROOPS IN EUROPE

At the June 1973 NATO ministerial meeting, Secretary of Defense Schlesinger proposed that the allies develop a program to relieve the U.S. balance-of-payments burden resulting from stationing forces in Europe. In addition, he asked that the United States be relieved of the additional budgetary costs involved in stationing forces in Europe rather than in the United States.

On November 16, 1973, section 812 of the 1974 Department of Defense Authorization Act (Public Law 93-155)--referred to as the Jackson-Nunn Amendment--made the level of U.S. NATO-committed Forces in Europe contingent on the NATO allies offsetting the fiscal year 1974 balance-of-payments costs of those forces. It also called on the NATO allies to substantially contribute toward the added budgetary costs incurred as a result of U.S. Forces being stationed in Western Europe rather than in the United States.

The U.S. Ambassador to NATO later proposed a program of military procurement and budgetary support which would satisfy the requirements of the amendment and avoid unilateral U.S. Force reductions.

At the December 1973 ministerial meeting, the allies declared their intention "to participate in multilateral or bilateral arrangements toward providing a common solution to the United States problem." They agreed "to examine how the share of the United States in the civil and military budgets of NATO and in the infrastructure 1/ program might be substantially reduced. Finally, they noted that "consideration was being given to widening the eligibility of projects for funding under the common infrastructure program."

1/Construction of military facilities necessary for readiness and training NATO forces in peacetime and for operational use in wartime.

Balance-of-payments costs

The Jackson-Nunn Amendment required the NATO allies to offset fully any balance-of-payments deficit incurred during fiscal year 1974 as a result of deploying U.S. NATO-committed forces in Europe. To the extent that the deficit was not fully offset, proportional troop reductions were required. The amendment provided that the deficit would be determined by the Secretary of Commerce in consultation with the Secretary of Defense and the Comptroller General of the United States. It also allowed from July 1, 1973, to May 16, 1975, (22-1/2 months) to offset the fiscal year 1974 deficit. Section 812 says nothing about offsetting any future balance-of-payments deficits.

On May 27, 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.

The President's report stated that the NATO-related, balance-of-payment expenditures in Europe during fiscal year 1974 amounted to \$1.997 billion. Total fiscal year 1974 receipts identified by the Department of Commerce were \$1.313 billion, leaving a total deficit of \$684 million. These receipts were for U.S. Government and commercial military-related sales to NATO and interest income foregone on outstanding U.S. securities held by the Federal Republic of Germany.

The report applied an additional \$809 million to fully offset the \$684 million deficit established by Commerce, as follows:

Fiscal year 1974 portion of U.S.-German offset agreement not included by Commerce in computing the fiscal year 1974 deficit:

	(\$ millions)
Troop facilities rehabilitation	\$112
Real estate taxes and airport fees	4
U.S. Government securities	<u>445</u>
Total	\$561
European allies (less Germany) commercial military-related procurements not separately identifiable in Commerce balance-of-payments accounts	<u>\$248</u>
Total offsets	<u>\$809</u>

A working group composed of representatives of Commerce, Defense, and GAO rejected including the face value of loans to the U.S. Treasury (\$445) since the loans had to be repaid and, therefore, there was no permanent balance-of-payments gain to the United States. The working group also rejected the \$248 million in additional allied military-related procurements because of insufficient documentation. Moreover, GAO believes that Germany's expenditures for troop facility improvements and real estate taxes and airport fees would not be relevant in determining the fiscal year 1974 deficit.

Although the appropriateness of these items to offset the deficit is questionable, Commerce data indicates that military transactions with NATO countries in fiscal year 1975 will offset the fiscal year 1974 deficit within the allowable time frame.

Incremental budget costs

Section 812(c) of the Jackson-Nunn Amendment establishes the goal of achieving a more equitable sharing of the cost burden under the NATO treaty. It calls on our NATO allies to increase their contributions to assist the United States in meeting those added budgeting expenses, commonly referred to as incremental budget costs, resulting from maintaining and supporting U.S. Forces in Europe rather than in the United States.

In addition, section 812 calls for the amount paid by the United States toward the NATO infrastructure program to be reduced to a more equitable level.

The President's role, as stated in section 812, is to seek, through appropriate bilateral and multilateral arrangements, a substantial reduction in U.S. incremental and infrastructure costs.

Using 1972 exchange rates, Defense estimated U.S. incremental budget costs in fiscal year 1974 at \$440 million, as shown on the following page.

<u>Component</u>	<u>Amount</u> (millions)
Permanent change of station (note a)	\$240
Transportation (note b)	130
Dependent education	90
Station allowances (note c)	80
Supply operation costs (note d)	60
Pay costs of foreign nationals (note e)	<u>-160</u>
Total	<u>\$440</u>

a/Relocation costs of deploying troops from Europe.

b/Costs of shipping supplies between the United States and Europe.

c/Housing and living allowances paid to U.S. military personnel in excess of what would be incurred in the United States.

d/Redundant portions of the U.S. supply system necessary to maintain a major supply system in both Europe and the United States.

e/On the average, foreign nationals employed by Defense cost less per staff year than U.S. citizens hired in the United States.

Of the estimated \$440 million, \$310 million came from West Germany and \$130 million from other NATO countries.

Prospects for reducing U.S. costs

Three provisions of the 1974 West German Offset Agreement provide budgetary savings to offset U.S. incremental costs--rehabilitation of troop facilities, payment of landing fees and property taxes, and interest income foregone by purchasing U.S. Government securities. Although the Offset Agreement covers fiscal years 1974 and 1975, not all budget savings from these provisions will occur during those 2 years.

Calculating the total savings on the basis of the period of the Offset Agreement, the State Department estimated budget savings of \$528 million, or approximately \$264 million a year. Defense estimated that U.S. incremental costs in West Germany were \$310 million during fiscal year 1974. Thus, the President stated in his May 16, 1974, progress

report on section 812 that the Offset Agreement would "substantially cover the additional costs we bear by stationing our troops in the Federal Republic rather than in the United States."

Another method of calculating U.S. budget savings from the Offset Agreement is on the basis of the year in which those savings will probably accrue. During the first year estimated savings should total approximately \$159 million, about one-half of the estimated \$310 million in U.S. incremental costs in West Germany during fiscal year 1974. Executive branch calculations of budget savings during the Offset Agreement's 2-year period are substantially higher because they include the total 7-year interest savings from the purchase of U.S. Government securities.

Even calculations based on the period of the Offset Agreement do not account for the full amount of estimated U.S. incremental costs in West Germany. Nor does the Offset Agreement cover the estimated \$130 million in U.S. incremental costs in other NATO countries.

However, our NATO allies feel that not all offsets are reflected in the above figures. For example, a December 1974 Eurogroup communique contends that European countries provide a number of administrative and estate services, estimated to be worth at least \$500 million annually, free or on favorable terms for North American Forces.

Regarding other U.S. costs, the President's final report on the implementation of section 812 stated that the allies have agreed to reduce the U.S. share of the NATO infrastructure program from the current official level of 29.67 percent to 27.23 percent. The new 5-year infrastructure program includes a special \$98 million category of projects which benefit only U.S. Forces and which would normally have been funded in the U.S. budget. The President notes that when this special category is considered, the effective U.S. share in the infrastructure program is approximately 21 percent. Similarly, the U.S. share of funding for the Common European Pipeline deficit was reduced from 36 to 25 percent.

CHAPTER 3

MUTUAL BALANCED FORCE REDUCTIONS

The prospect of mutual balanced force reductions in Europe has been one of the more effective arguments against unilateral U.S. withdrawal. Some opponents of a unilateral force reduction point out that it entails risks and has few, if any, benefits. They suggest that the unilateral withdrawal of a large number of troops would seriously weaken NATO's military capability, damage political and economic relations with our allies, increase Soviet political influence in Western Europe, destroy any Soviet incentive to negotiate mutual force reductions, and ultimately threaten U.S. security.

The proponents of unilateral force reductions generally accept the desirability of and, in some cases, might even prefer mutual withdrawals. However, they do not believe it is possible to negotiate substantial mutual reductions in a reasonable period of time, if at all.

There is one important aspect of the mutual unilateral troop-reduction debate that has not received sufficient attention--the cost of mutual reductions. Some experts contend that reductions could result in higher U.S. defense costs.

NATO-WARSAW PACT NEGOTIATIONS

NATO first proposed discussions with Warsaw Pact countries on mutual force reductions in June 1968. The Warsaw Pact is a military alliance consisting of the Soviet Union and six East European countries. A decision to open formal negotiations in Vienna, Austria, on October 30, 1973, was made during NATO-Warsaw Pact consultations held in the first half of 1973. The objective of the talks is mutual force reductions that will not diminish security for either side.

The NATO and Warsaw Pact negotiating positions reflect the current view of the military situation in Central Europe which is:

--The Warsaw Pact has a numerical advantage in both troops and tanks.

--Soviet troops could be returned to Central Europe in the event or threat of a war much more rapidly than U.S. troops.

--American troops are among the very best trained and equipped in NATO.

--There has been support in the U.S. Congress for unilateral U.S. Force reductions.

Even before the opening of the talks, certain aspects of the NATO negotiating position were leaked to the press. It should be stressed that statistics on proposed troop reductions differ slightly from source to source. The following figures are those commonly referred to in NATO discussions of mutual balanced force reductions. The NATO position is:

--Reductions would be carried out in two phases. Reductions under phase I would be agreed to before the start of phase II negotiations. Cuts would be limited to ground troops and tanks.

--In phase I U.S. reductions would total about 30,000 men and Soviet reductions about 68,000 men and 1,600 tanks.

--Phase II would concentrate on achieving parity in NATO-Warsaw Pact ground forces. A common ceiling of approximately 700,000 would be achieved by reducing the forces of European participants.

The Warsaw Pact position differs in several basic aspects from the NATO proposal. The Warsaw Pact position is:

--Reductions would be carried out in several phases over 3 years. Reductions for all phases would be settled in a single treaty. Cuts would apply not only to ground troops but also to air and nuclear forces.

--Reductions in each phase would be distributed among all participants--phase I, 20,000 men; phase II, 5-percent cut; and phase III, 10-percent cut. According to Western estimates, NATO would be left with 750,000 men and the Warsaw Pact with 924,000 men.

In November 1974 the Warsaw Pact amended its proposal to entail U.S.-Soviet reductions of 10,000 during the first half of 1975 and East and West European force reductions of 10,000 each during the second half of 1975.

COST IMPACT OF TROOP REDUCTIONS

During the mutual reduction negotiations, considerable attention has been focused on the kinds of forces that will be reduced, how much, and by whom. There has been no suggestion that forces withdrawn from the area would be demobilized. European troop cuts would probably lead to demobilization. The reduction of U.S. or Soviet Forces in Central Europe, however, is not synonymous with deactivation. Several options are open to the United States. For example:

- Some or all troops could be demobilized.
- The troops could simply be redeployed at U.S. facilities.
- Equipment for redeployed forces could be prepositioned in Europe, and, if necessary, additional aircraft could be purchased.

Whether the choice is unilateral or multilateral as part of a formal treaty, it is clear that the United States would have to pursue one of these options in the event of a U.S. withdrawal. At a recent hearing before the Senate Armed Services Committee, Secretary of Defense Schlesinger stated that any troops brought home under a mutual force reduction agreement would not be demobilized.

Demobilization

A September 1973 Defense review of the costs and savings associated with various troop withdrawal options, either unilateral or multilateral, indicated that demobilization was perhaps the only option which would result in immediate and substantial U.S. savings. Under the other withdrawal options, annual savings would not offset one-time costs for a number of years. Previous U.S. Force reductions have also resulted in balance-of-payments savings as well as budgetary savings. The Defense review provided the following data on recurring annual budget savings and one-time costs associated with releasing U.S. Forces in Europe from active duty.

<u>Number of troops withdrawn and demobilized</u>	<u>One-time cost</u>	<u>Recurring annual savings</u>
	(millions)	
15,000	\$ 30	\$ 290
50,000	90	980
100,000	200	1,900
150,000	300	2,900

On the basis of Defense estimates and the NATO proposal to reduce U.S. Forces by approximately 30,000 men, U.S. recurring annual savings would be about \$580 million with one-time costs of \$60 million.

Redeployment

According to a Defense update of the 1973 review of withdrawal options, the high one-time costs of redeploying troops from Europe to the United States are not offset by budgetary savings. Redeployment means that withdrawn forces would be rebased in the United States and kept on active duty. Defense estimates that to redeploy 15,000 men would cost \$380 million. Recurring annual savings--attributable to reduced permanent change-in-station, transportation, dependent education, station allowance, and supply operation costs--would be \$10 million. These high costs are attributable to new construction since additional housing would be needed to satisfy the increased demand placed on existing U.S. facilities. The construction, however, would occur on currently owned U.S. property.

The one-time redeployment cost of the NATO proposal to reduce U.S. troops by 30,000 men is approximately \$760 million. Recurring annual savings would not compensate for this cost until the year 2013, but balance-of-payments savings might result.

Prepositioning

Prepositioning refers to purchasing and storing equipment in Europe for U.S. NATO-committed forces stationed in the United States. The existence of prepositioned equipment should facilitate the rapid redeployment of U.S.-based forces in an emergency.

Defense estimates the cost of purchasing prepositioned equipment for 15,000 men at \$210 million and recurring annual costs for the equipment at \$20 million. Prepositioning would add \$420 million to the \$760 million one-time cost of redeploying 30,000 U.S. troops. An analysis based on Defense estimates indicates that the total cost of redeploying the troops and prepositioning their equipment would be \$1.18 billion with annual recurring costs of \$20 million.

The Defense update of the 1973 review of withdrawal options indicates current procurement plans should provide sufficient aircraft to return up to an additional 150,000 men to Europe. Since none of the mutual balanced-force-reduction proposals envisage U.S. withdrawals of that magnitude, there should be no added cost for purchasing additional aircraft for airlift.

Defense stresses that all its statistics are illustrative. If actual units are withdrawn, variance from costs or savings estimates of about \$20 million, or 15 percent, (whichever is greater) could be expected.

The following table summarizes the U.S. costs or savings from the NATO proposal.

Cost Impact of NATO Proposal to
Reduce U.S. Forces in Europe
By 30,000 Men (note a)

	<u>One-time costs</u>		<u>Recurring costs (+) or savings (-)</u>
		(millions)	
Deactivation	\$ 60		\$ -580
Redeployment	760		- 20
Prepositioning:			
Redeployment	760		- 20
Equipment	<u>420</u>	1,180	+ <u>40</u> + 20

a/Based on Defense estimates and our interpolation from those estimates.

Warsaw Pact proposal

The press reports of the initial Warsaw Pact proposal do not indicate what percentage of the phase I to III reductions would be allocated to U.S. troops stationed in Europe. The November 1974 Warsaw Pact compromise, however, specifically

allocates half the proposed 20,000 reduction to the United States. On the basis of the Defense estimates, above U.S. costs or savings would be one-third of those cited for the NATO proposal.

CHAPTER 4

DUAL BASING

Dual basing is a term used to describe troop redeployments pursuant to a 1967 agreement with the United Kingdom and West Germany. Defense withdrew two-thirds of a division, including four tactical fighter squadrons (31,400) from Europe to the United States. The agreement required the United States to preposition its equipment in Germany and to return some of the units for annual field exercises. Army and Air Force exercises have been conducted in Europe since 1969.

During 1967 congressional hearings, then Secretary of Defense McNamara justified the dual-basing concept in the context of a slackening defense effort by our NATO allies. Experts have pointed out that a worsening balance-of-payments deficit, introduction of a Senate resolution calling for force cuts in Europe, need to divert trained manpower to Southeast Asia, and U.S. ability to rapidly redeploy troops in an emergency also influenced the negotiation of the 1967 agreement.

U.S. military officials and West Germany opposed dual basing primarily for political and military reasons. Defense has stressed that forces stationed in Europe are much more effective and reliable than dual-based forces. Arguments against the dual-basing concept include:

- Indicators of increasing tension may not be reliable enough to justify redeployment.
- National leaders might be unwilling to return troops to Europe because of political considerations or fear of escalation.
- Airlifting forces would be difficult under wartime conditions and any prepositioned equipment might be destroyed before troops could be redeployed.
- Existing forces must be strong enough at the outset of hostilities for reinforcement to be effective. Physical limits, such as the lack of sufficient staging bases in Germany, might hamper large-scale, rapid redeployment.

Because of the limited scale of the 1967 redeployment, Secretary of Defense McNamara was able to argue that these risks were acceptable.

Political and military considerations were the predominant arguments against dual basing in 1967; economic considerations are now also frequently cited. Dual basing refers specifically to U.S. redeployments negotiated under the 1967 agreement. It differs from the repositioning option outlined in chapter 3 because the dual-basing agreement included a U.S. commitment to hold annual field exercises in Europe.

Chapter 3 presented recent estimates, based on Defense statistics, that the one-time cost of rebasing 30,000 men in the United States and repositioning their equipment in Europe could be as high as \$1.18 billion. A large portion of this amount is for new housing construction for redeployed troops. Annual savings of \$20 million would be more than offset by recurring costs of \$40 million.

In 1969 the Army and the Air Force gave the House Appropriations Committee statistics on the estimated costs and savings attributable to the 1967 agreement.

The Army listed one-time costs of \$60.6 million, principally for redeploying forces and for repositioning equipment in Europe. Annual recurring costs of \$11 million were for maintaining repositioned equipment and conducting field exercises. New construction costs were minor. Annual budgetary savings of \$50.5 million were attributable to reduced personnel transportation and supply operation costs and release of foreign nationals and Department of Army civilians employed by Defense. Net annual budget savings totaled \$39.5 million.

Air Force one-time costs totaled \$10 million. The cost of annual field exercises was estimated at \$4 million. The Air Force concluded that since there was no reduction in personnel, there were no annual budget savings.

In 1969 the balance-of-payments savings attributable to Army and Air Force redeployments were estimated at \$74 million annually. More recent estimates indicate that the balance-of-payments savings may be higher. In 1972 a House Armed Services Committee report cited balance-of-payments savings of \$93.2 million annually. Based on 1974 Defense estimates of foreign exchange costs per man, the balance-of-payments savings are now even higher--\$220 million annually.

Computations based on this data indicate that since 1969 the dual-basing agreement has resulted in net budget savings of \$204.1 million; State and Defense believe the same agreement carried out under current economic conditions might not necessarily yield these same savings.

The following table summarizes savings from dual basing.

Dual-Basing Costs or Savings
Fiscal Years 1969-75 (note a)

(millions)

Gross savings		\$353.5
Costs:		
One-time	\$70.6	
Prepositioning maintenance	29.4	
Annual field exercises		
(note b)	<u>49.4</u>	149.4
Net savings		<u>\$204.1</u>

a/All costs and savings data computed from 1969 Defense estimates, except for the costs of annual field exercises in Europe.

b/This figure represents the actual cost of the field exercises which is lower than the original projection. The cost does not include the airlift provided for Army units by the Military Airlift Command. These costs would be incurred to maintain aircraft readiness.

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