

GAO

Report to the Chairman, Committee on
International Relations, House of
Representatives

May 1996

NATO ENLARGEMENT

NATO and U.S. Actions Taken to Facilitate Enlargement



G A O
75 years
1921 - 1996



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

National Security and
International Affairs Division

B-270972

May 6, 1996

The Honorable Benjamin Gilman
Chairman, Committee on International Relations
House of Representatives

Dear Mr. Chairman:

In January 1994, the North Atlantic Treaty Organization (NATO) committed itself to enlarging its membership to include newly democratic states of the former Communist bloc. According to the Department of State, the U.S. government has been the driving force behind NATO's enlargement process. In response to your request, we examined issues involving this future enlargement. Specifically, our objectives were to identify (1) the nature of actions taken or planned to facilitate the future enlargement of NATO, (2) the extent of current and planned U.S. bilateral assistance programs to enhance the military operations and capabilities of NATO's aspiring members, and (3) the potential costs of enlargement to NATO and the new members.

As you requested, we will continue our evaluation of NATO's Partnership for Peace (PFP) program and bilateral programs that complement and support it.

Background

NATO was formed in 1949 to promote stability in the North Atlantic area (see app. I for NATO's North Atlantic Treaty) by uniting member nations' efforts for collective defense and the preservation of peace and security. After expanding three times over the years, NATO currently has 16 members.¹ With the collapse of the Soviet Union, the dissolution of the Warsaw Pact, and German reunification, NATO redefined its strategic concept at its Rome summit in 1991 to reflect the post-Cold War geopolitical landscape. The new strategic concept articulated a new conventional military force structure for NATO, greater emphasis on crisis management and conflict prevention, less reliance on nuclear forces, and committed the Alliance to pursuing greater cooperation with its former adversaries to the east.

¹Belgium, Canada, Denmark, France, Germany (1955), Greece (1952), Iceland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain (1982), Turkey (1952), the United Kingdom, and the United States.

Results in Brief

Since the 1991 Rome summit, in accordance with the new strategic concept, NATO has initiated two programs designed to reach out to its former adversaries to the east—the North Atlantic Cooperation Council (NACC) and the PFP program. NACC, established in 1991, provides a forum for dialogue between NATO and countries of the former Communist bloc on such matters as defense planning; aspects of strategy, force and command structures; democratic concepts of civilian-military relations; nuclear disarmament; crisis management; and peacekeeping. PFP, established in 1994, is intended to promote greater cooperation between NATO and PFP members in the areas of defense budgeting, joint planning, joint military exercises, and enabling PFP nations to operate with NATO forces in such areas as peacekeeping, search and rescue, and humanitarian missions. In September 1995, NATO released an internal study examining the rationale for enlarging NATO and how it might occur. However, NATO members have not yet established a timetable for enlargement or decided who will be invited to join.

The United States has five bilateral assistance programs that help to improve the operational capabilities of potential NATO members and other countries of Central and Eastern Europe and the Newly Independent States. These programs are bilateral PFP assistance (the Warsaw Initiative), Foreign Military Financing,² the International Military Education and Training program, the Joint Contact Team Program,³ and Excess Defense Articles transfers. All but the bilateral PFP assistance predate discussion of NATO's future enlargement.

In fiscal year 1995, the United States provided about \$54 million in bilateral assistance to PFP member states through the five bilateral assistance programs; in fiscal year 1996, the United States will provide about \$125 million. This increase largely supports PFP bilateral assistance for cooperative activities with these nations. Of the total \$179 million, about \$130 million (or 73 percent) represents support for the PFP program.

Neither NATO nor the United States knows what the total costs of enlargement will be to NATO or individual members, both current and new. Increased membership will place new financial burdens on NATO's commonly funded infrastructure programs and on the new members themselves. Many of the costs of enlargement would be expected to be

²In fiscal year 1996, \$60 million of Foreign Military Financing funding is to be in support of the Warsaw Initiative. This represents the first time Foreign Military Financing funding has been used in support of the Warsaw Initiative.

³Formerly called the Military-to-Military Contacts program.

borne by the new members, some of whom may lack the ability to fund the changes necessary for their militaries to become interoperable with NATO forces. The cost that each new member may incur cannot now be fully determined because NATO has not yet defined country-specific military requirements. Nevertheless, U.S. officials anticipate that these nations may require bilateral or multilateral financial assistance from the United States and other NATO members.

NATO Actions to Facilitate Future Enlargement

North Atlantic Cooperation Council

NACC, which includes all 16 NATO nations, all former members of the Warsaw Pact,⁴ Albania, and four observer states,⁵ held its first formal meeting in December 1991, the same month that the Soviet Union dissolved. NACC holds at least one regular meeting per year with consultations on such matters as political and security-related issues, defense planning questions, key aspects of strategy, force and command structures, democratic concepts of civilian-military relations. NACC work plans and discussions have broadened to include such topics as nuclear disarmament, crisis management, cooperation in peacekeeping, and progress on the PFP program.

Partnership for Peace Program

NATO initiated PFP in January 1994 to (1) expand and intensify political and military cooperation in Europe, (2) extend European stability eastward, (3) diminish threats to peace, and (4) build better relationships with former Communist countries through practical cooperation and commitment to democratic principles. Participation in the program does not require an intention to become a NATO member nor does it guarantee future membership in the Alliance, although, according to the Secretary of

⁴Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and all states of the Former Soviet Union (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan). East Germany was united with the Federal Republic of Germany in 1990.

⁵Austria, Finland, Slovenia, and Sweden.

Defense, PFP is “the pathway to NATO membership for those partners that wish to join the Alliance.”⁶

Currently, 27 countries have joined PFP,⁷ and many have already agreed to Individual Partnership Programs, which spell out specific cooperative activity programs to take place between NATO and the partner. As of August 1995, NATO members and PFP partners had held 24 joint exercises providing practical military cooperation.

NATO civil budget⁸ funding pays for NATO’s own administrative, security, and communications costs related to NACC and PFP, and for the construction of new facilities for partner countries at NATO civilian and military headquarters. Table 1 shows NATO civil budget funding⁹ for outreach activities from 1991 through 1996.

Table 1: NATO Civil Budget NACC and PFP Funding, Calendar Years 1991-96

| Dollars in millions | |
|---------------------|---------------|
| Calendar year | Amount |
| 1991 | \$1.6 |
| 1992 | 5.4 |
| 1993 | 10.7 |
| 1994 ^a | 13.5 |
| 1995 | 17.1 |
| 1996 (estimated) | 18.5 |
| Total | \$66.8 |

^aPFP began in January 1994. NATO does not separate NACC and PFP funding.

Source: U.S. Mission to NATO.

⁶Testimony of the Secretary of Defense, before the Senate Committee on Armed Services, March 5, 1996.

⁷Albania, Armenia, Austria, Azerbaijan, Belarus, Bulgaria, Czech Republic, Estonia, Finland, Former Yugoslav Republic of Macedonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Malta, Moldova, Poland, Romania, Russia, Slovakia, Slovenia, Sweden, Turkmenistan, Ukraine, and Uzbekistan.

⁸Most PFP and NACC program costs are paid from NATO’s civil budget. Other costs, like exercises and infrastructure, are paid from the NATO Military Budget and from NATO Security Investment Program funds. The U.S. contribution to the NATO Civil Budget is funded through State Department appropriations.

⁹U.S. portion is 23.35 percent.

NATO's Enlargement Study

In September 1995, NATO released an internal study of the rationale behind the enlargement and the way it should occur. In this study, NATO identified the following goals: (1) enhancing stability and security in the Euro-Atlantic area, (2) eliminating the old Cold War barriers without creating new ones between the East and West, (3) encouraging democratic and economic reforms in aspiring NATO members, (4) emphasizing common defense and extending its benefits and increasing transparency in defense planning and military budgets, (5) reinforcing the tendency towards integration and cooperation in Europe, (6) strengthening the Alliance's ability to contribute to international security through peacekeeping activities, and (7) strengthening the trans-Atlantic partnership.

The study defined the standards that aspiring members must be committed to meet before membership is offered. Militarily, these nations must commit to meeting minimum NATO standards of interoperability. Politically, aspiring NATO members are expected to establish civilian control over their militaries, a new concept for most of the former Warsaw Pact states. More subjectively, applicant nations must demonstrate a commitment to democratic values, as embodied in the NATO treaty. Aspiring members must also strive to peacefully eliminate internal ethnic disputes or territorial disputes with neighbors. Finally, new members must agree not to prevent other aspiring nations from joining NATO.

Although the study articulated enlargement goals and new member entrance requirements, it did not assess any individual nation's progress toward NATO membership. In fact, NATO members have not yet established a timetable for enlargement or who will be invited to join.

The enlargement study also discussed how an aspiring member will join NATO. According to the study and NATO and U.S. Mission to NATO officials, the steps to be taken will be as follows.

- The process would begin with an informal invitation from NATO's North Atlantic Council to the prospective member to enter into accession negotiations with NATO. Before this invitation is given, there must be unanimous consent among all of the current NATO members. If even one disagrees, the invitation cannot be offered.
- Once an invitation is made, the prospective member must make a formal commitment to join. NATO and the prospective member would negotiate a protocol of accession that sets forth in detail what each party expects of the other and any special or unique circumstances pertaining to the

prospective member's future membership. An example of special circumstances could include the provision that no NATO nuclear weapons could be deployed on the country's territory during peacetime.

- The North Atlantic Council must approve the accession protocol and if it does not, the protocol must be amended until it meets Council approval. If it fails to do so, the process can be stopped and the prospective member's bid to join NATO is effectively ended.
- Once the protocol is approved, it is signed by the North Atlantic Council and the prospective member. The accession protocol must then be ratified by the governments of all the current members and the prospective member and then enters into force. For example, in the United States, this will require a two-thirds majority in the Senate to amend and ratify the treaty. If the protocol is ratified by all members and the aspiring member, a formal invitation is made to the prospective member to accede to the North Atlantic (or Washington) Treaty. Once the aspiring member signs and gives the treaty to the U.S. government, it is considered a full member of NATO. If the accession protocol is not ratified by all 16 current members, the prospective member may not sign the Washington Treaty. At this point, the accession protocol could be amended again and resubmitted or the process can be terminated.

U.S. Bilateral Assistance to PFP Member States

In addition to its contribution through NATO common budgets, the United States provided about \$53 million in fiscal year 1995 to PFP member countries through five bilateral programs that help to enhance their military equipment and operations. As table 2 shows, the fiscal year 1996 amount for these programs increased to about \$125 million. This increase will largely support cooperative activities with PFP member countries.

Table 2: U.S. Bilateral Assistance to PFP Member States, Fiscal Years 1995 and 1996

| Dollars in millions | | |
|---|-------------------|------------------|
| Program | Fiscal year 1995 | Fiscal year 1996 |
| PFP (Warsaw Initiative) | \$30.00 | \$100.00 |
| Joint Contact Team Program | 10.00 | 15.00 |
| International Military Education and Training | 5.97 | 10.22 |
| Foreign Military Financing | 1.00 | ^a |
| Excess Defense Articles transfer | 6.63 ^b | ^c |
| Total | \$53.60 | \$125.22 |

^aIn fiscal year 1996, \$60 million of Foreign Military Financing funding is in support of the Warsaw Initiative and has, therefore, been included above in the PFP line.

^bThis represents the Department of Defense's (DOD) estimate of the current value of the transferred articles.

^cNot available.

All of these programs, except PFP assistance, predate discussion of NATO enlargement. None were specifically designed to enhance the prospects of NATO membership. However, DOD believes it plays an important role in enhancing prospective new members' capabilities, and as indicated, the Secretary of Defense has described PFP as the pathway to NATO membership.

Partnership for Peace Program

The United States has provided \$130 million in bilateral support to the PFP program over 2 years. This funding assists PFP member countries to participate in NATO's PFP exercises and helps them to obtain equipment through the Foreign Military Financing program. In addition, it is hoped that the program will foster stability in Eastern Europe through the development of civilian-controlled militaries and exposure to U.S. and other NATO members' military policies and procedures. Further, DOD believes that U.S. bilateral funding of PFP lends credibility to the program and will encourage other countries to put forth a portion of their small budgets for PFP.

Fiscal year 1995 bilateral funding for PFP assistance included \$19.25 million for exercises and \$10.75 million for interoperability programs. The \$100 million of PFP assistance (under the Warsaw Initiative) provided to member countries in fiscal year 1996 allocates \$60 million to the State Department to fund Foreign Military Financing in support of the Warsaw

Initiative and \$40 million to DOD to support individual partner participation in joint exercises and programs to enhance NATO-PFP interoperability.

Poland is expected to be the recipient of the largest amount of aid in fiscal year 1996, \$25 million. The Czech Republic, Hungary, Romania, and Ukraine are each expected to receive \$10 million in U.S. bilateral PFP assistance, while Russia is expected to be offered \$7 million in PFP assistance, including \$5 million to help Russian troops participate in PFP exercises. Seventeen other nations may also receive some U.S. bilateral PFP assistance. Table 3 shows fiscal year 1996 bilateral PFP funding by country.

Table 3: PFP Support Programs and Bilateral Assistance, Fiscal Year 1996

Dollars in thousands

| | DOD Support Programs | State Department Bilateral Assistance^a | Total |
|--------------------|-----------------------------|--|------------------|
| Albania | \$725 | \$2,525 | \$3,250 |
| Armenia | 250 | 250 | 500 |
| Austria | 0 | 0 | 0 |
| Azerbaijan | 250 | 250 | 500 |
| Belarus | 500 | 500 | 1,000 |
| Bulgaria | 725 | 4,275 | 5,000 |
| Czech Republic | 1,100 | 8,900 | 10,000 |
| Estonia | 500 | 1,250 | 1,750 |
| Finland | 0 | 0 | 0 |
| FYROM ^b | 250 | 750 | 1,000 |
| Georgia | 500 | 250 | 750 |
| Hungary | 6,800 | 3,200 | 10,000 |
| Kazakhstan | 1,125 | 500 | 1,625 |
| Kyrgyzstan | 250 | 250 | 500 |
| Latvia | 500 | 1,250 | 1,750 |
| Lithuania | 500 | 1,250 | 1,750 |
| Malta | 0 | 0 | 0 |
| Moldova | 600 | 400 | 1,000 |
| Poland | 8,525 | 16,475 | 25,000 |
| Romania | 725 | 9,275 | 10,000 |
| Russia | 5,500 | 1,500 | 7,000 |
| Slovakia | 950 | 3,550 | 4,500 |
| Slovenia | 600 | 400 | 1,000 |
| Sweden | 0 | 0 | 0 |
| Turkmenistan | 250 | 250 | 500 |
| Ukraine | 7,500 | 2,500 | 10,000 |
| Uzbekistan | 1,375 | 250 | 1,625 |
| Total | \$40,000 | \$60,000 | \$100,000 |

^aForeign Military Financing in support of the Warsaw Initiative.^bFormer Yugoslav Republic of Macedonia.

The fiscal year 1996 Foreign Operations appropriation includes Foreign Military Financing funding, \$60 million of which the State Department intends to use to support the Warsaw Initiative. Foreign Military Financing

is a grant and loan program that provides financing for the acquisition of military articles, services, and training through the Foreign Military Sales system.¹⁰ This funding is provided through the State Department to support transfers of equipment to enhance the interoperability of partner forces with NATO, such as tactical radios, night vision equipment, and command, control, and communications upgrades. In addition, this funding is intended to support English language instruction and training to familiarize partner defense officials with U.S. and NATO defense structure, doctrine, and operations.

Of the \$40 million of PFP funds provided through DOD in fiscal year 1996, some is intended to pay for PFP member nations' incremental costs incurred as a result of participation in training exercises between U.S. forces and PFP partner nations. These funds are intended to be a temporary measure to encourage partner governments to allocate a share of their national budgets for participation in PFP. For example, according to U.S. officials, Poland, Hungary, and the Czech Republic included PFP funding in their 1995 budgets.

Through August 1995, there were 24 PFP exercises hosted at various locations in Europe and the United States. The first of the exercises, Cooperative Bridge, was held in Poland in mid-September 1994. Cooperative Nugget, held August 11 through 26, 1995, at the Joint Readiness Training Center at Fort Polk, Louisiana, was the first PFP exercise hosted by the United States.

In addition to exercises, the \$40 million provided through DOD will also fund (1) studies in support of the Regional Airspace Initiative, (2) the Defense Resource Management Study, and (3) PFP Information Management System. The first two of these initiatives were originally funded from other DOD accounts, but now are consolidated into the PFP assistance program. At this time, DOD officials are uncertain as to what portion of the \$40 million will be allocated to each of these programs due to limitations prohibiting these funds from being used to purchase equipment that will be transferred to a foreign country.

The Regional Airspace Initiative is intended to modernize civilian and military air traffic control, air sovereignty, and airspace management of Central and Eastern European nations. According to DOD officials, the initiative supports the U.S. policy that advocates peacetime control of

¹⁰All Foreign Military Financing funds provided for Central Europe and the Newly Independent States in fiscal year 1996 are grants.

national airspace by civil authorities, civil and military cooperation, and information exchange throughout the region to build regional confidence and security. Regional Airspace Initiative studies provide Central and Eastern European nations, as well as the United States, with an architecture for system modernization which will make air travel safer for all nations flying in the region.

The Defense Resource Management Study is an Office of the Secretary of Defense-sponsored and -managed initiative to help emerging Eastern European democracies develop defense planning, programming, and budgeting systems compatible with those of NATO countries. The Office of the Secretary of Defense makes available teams of analysts to advise their host country counterparts on compiling force capability and cost data and analyzing alternative force structures. Fiscal year 1995 funding supported such studies in Bulgaria, Romania, Hungary, and Albania.

The PFP Information Management System is intended to develop basic communications capabilities with cooperating nations and international organizations. It is intended to assist PFP members to become more interoperable with NATO. A processing center at Caserne Daumerie, Belgium, will provide capabilities such as real-time dial-up voice communications, data conferencing, imagery storage and exchange, and electronic mail. According to DOD, partner countries must pay a share of the costs to participate in the PFP Information Management System. In fiscal year 1995, \$4 million of Office of the Secretary of Defense/Joint Staff funds supported DOD costs associated with the PFP Information Management System.

Joint Contact Team Program

The Joint Contact Team Program is a bilateral effort, conducted by the U.S. European Command, in coordination with U.S. embassy and host nation military personnel, to ensure constructive military activities and to model successful civil-military relations in a democracy. Rather than conducting formal training or supplying equipment, military liaison teams exchange ideas, share concepts, and demonstrate operational methods to host nation military personnel.

The Joint Contact Team Program is executed by the Joint Chiefs of Staff, in coordination with the Defense Security Assistance Agency. Funding for the Joint Contact Team Program in Europe increased from \$6 million in fiscal year 1993 to \$10 million in fiscal year 1994. In fiscal year 1995, \$10 million was provided through the Foreign Operations appropriation.

For fiscal year 1996, \$15 million was allocated by DOD to support the Joint Contact Team Program as a Traditional Commander-in-Chief Activity in the European theater (see app. II for a country-by-country breakdown of fiscal year 1995 Joint Contact Team Program funding).

International Military Education and Training

Established in the late 1950s, the International Military Education and Training program provides military education and training on a grant basis to allied and friendly nations' militaries for such things as (1) increasing their exposure to the proper role of the military in a democratic society, including human rights issues, and to U.S. professional military education and (2) helping to develop the capability to teach English.

In fiscal year 1991, DOD began implementation of the congressionally directed Expanded International Military Education and Training program, which addresses management of military establishments and budgets, civilian control of military, and military justice and codes of conduct. It is available to civilian and military officials, including nondefense agency civilians. Also in 1991, Central and Eastern European countries began to receive International Military Education and Training funding.

Program funds are largely used to transport, train, and provide a supplemental living allowance for foreign students at military training facilities in the United States, or to send training instructors in-country. Funds have also been used to purchase English language laboratory equipment at in-country facilities.

The International Military Education and Training program is funded through the Foreign Operations appropriation. Recipient nations are selected by the State Department with input from the Joint Chiefs of Staff and DOD. DOD implements the program through the Defense Security Assistance Agency.

Total worldwide International Military Education and Training program funding in fiscal year 1995 was \$26.35 million. Of this amount, about \$6 million went to PFP member countries. The fiscal year 1996 appropriation for the program totals \$39 million, of which \$10.2 million is designated for PFP member countries (see app. III for a country-by-country breakdown of funding for fiscal years 1995 and 1996). According to U.S. European Command officials, some of the fiscal year 1996 International Military Education and Training money allocated to the U.S. European

Command is expected to be used for the purchase of language laboratory equipment in Europe.

Excess Defense Articles Transfer

Excess Defense Articles are those items owned by the U.S. government that are in excess of approved retention levels. These items may be transferred to a foreign country through the Foreign Military Sales program or by grant transfer. The recipient nation is generally responsible for the cost of transporting the items, upgrading them to meet their needs, maintaining the articles, and disposing of them when they have outlived their usefulness. The fiscal year 1996 Foreign Operations Appropriations Act included authority for DOD funds to be used to pay packing, crating, handling, and transportation costs for nonlethal excess defense articles for PFP countries.

In fiscal year 1995, \$6.63 million worth of excess items was authorized for transfer to PFP countries (see app. IV for a country-by-country breakdown of these transfers). The types of items transferred included surface vehicles, aircraft, and communications equipment. The total value of fiscal year 1996 transfers will not be available from DOD until fiscal year 1997.

Potential Costs to NATO and New Members

NATO's Potential Costs

If NATO increases its membership, it will likely have to provide an undetermined amount of common funding to help the new member nations. Commonly funded programs receive money from one of three NATO common budgets,¹¹ funded by NATO member contributions. The largest of these is the NATO Security Investment Program, formerly known as the Infrastructure Program. The United States provides 23.3 percent of NATO infrastructure project funding, the highest of any member state.

NATO funding for infrastructure projects in new member nations would be limited to facilities and command, control, and communications systems for those forces made available and accepted for NATO use. According to U.S. officials, funding would also be limited to providing only the

¹¹NATO's common budgets are the Security Investment Program, the Military Budget, and the Civil Budget.

infrastructure that (1) is required to meet NATO interoperability standards, (2) qualifies under the strict eligibility rules for common funding, and (3) is afforded a high-priority by NATO military authorities. According to U.S. officials, NATO funding for new members would probably be gradual, would vary considerably, and would probably not exceed a total of \$50 million for any individual nation during the first 3 to 5 years of their membership in NATO. Table 4 shows an illustrative example of the costs of required systems that may be funded by NATO.

Table 4: Illustrative Infrastructure Costs Per New NATO Member

| Dollars in millions | |
|--|---------------------------------|
| System or facility | Approximate cost per new member |
| Command and control information systems at headquarters facilities | \$10 |
| Communications systems | 5 |
| Air defense radar ^a | 30 |
| Air defense control centers | 25 |
| Collocated operating base | 50 to 75 |
| Prepositioned material storage site | 25 |

^aSome nations may receive more than one radar, thus increasing the cost by an additional \$30 million per radar.

Source: Compiled in 1995 by U.S. Mission to NATO from NATO Planning Documents.

These are only some of the many potential costs. NATO may also consider funding the construction of fuel pipeline extensions, reinforcement and mobilization facilities, ammunition and fuel bunkers, port handling facilities, transportation infrastructure (such as rail and road systems), and facilities for any forward deployed forces in new members' territory, provided these projects are afforded a high priority by NATO authorities. Ultimately, NATO will need to determine the systems and facilities to be provided to new members. However, neither NATO nor the United States know what the total costs of enlargement will be to NATO or individual members, both current and new. NATO will make a case-by-case analysis of its military needs and the requirements of new members as they join.

NATO's commonly funded infrastructure program is capped at an approximately \$800-million annual ceiling.¹² This means that common

¹²Within NATO, this cap is expressed in Infrastructure Accounting Units. While the exchange rate between the U.S. dollar and the Infrastructure Accounting Unit fluctuates over time, NATO generally refers to the rate as \$4 per Infrastructure Accounting Unit. The current actual exchange rate is \$4.63 per Infrastructure Accounting Unit.

funding will be limited for new members, unless NATO removes the ceiling or current members contribute more. According to officials at the U.S. Mission to NATO, most NATO members have generally reduced defense budgets in recent years, and it is unlikely that they would make larger contributions to the infrastructure fund in the near term. However, according to these officials, most of NATO's commonly funded projects will be completed by the end of 1997. This could allow common funds to be directed to projects in new member states if the budget remained at \$800 million. In commenting on the draft of this report, DOD indicated that the backlog of NATO commonly funded projects will continue past the planning period. We were unable to verify which of these scenarios is accurate.

New Members' Potential Costs

Many of the costs resulting from NATO enlargement would be expected to be borne by the new members themselves. The total potential costs that could be incurred by each new NATO member to upgrade its military capabilities cannot be fully determined at this time because NATO has yet to define country-specific military requirements.

New member countries may have to spend millions of dollars teaching English language skills, developing tactical communications systems (other than those funded by NATO), and learning NATO military doctrine. In addition, some nations may need to change their force structure or purchase new equipment to be compatible with those of NATO. Interoperability with NATO is a specific goal of PFP and its joint exercises. Interoperability is gaining increased importance under NATO's Joint Combined Task Force concept, which envisions NATO allies operating with non-NATO nations in military operations using NATO forces and command and control assets.

Most of the former Warsaw Pact nations may have to change from a divisional structure to a brigade-based structure to make their ground forces more compatible with NATO forces. For example, according to Polish and U.S. officials, Poland is reducing the level of its armed forces and transitioning to a brigade-based structure for its army. In addition, Poland is forming an airmobile brigade that will have a rapid reaction capability, a capability called for in NATO's new strategic concept. Poland intends for this brigade to be as interoperable with similar NATO forces as possible, whether Poland is a member of NATO or not.

New members will also be expected to bear the costs of participating in NATO—such as maintaining a mission at NATO headquarters and contributing to NATO’s three commonly funded budgets. Like current NATO members, new member states’ participation in NATO commonly funded budgets will be on a cost-share basis negotiated with NATO.

According to U.S. officials, most of the aspiring NATO members are facing financial constraints and can realistically expect to do very little on their own in the next several years to make their military systems compatible with NATO’s systems. For example, according to U.S. officials, the Czech defense budget is only about \$1 billion. The most that may be expected of these nations is gradual movement toward interoperability. For example, the Czechs have a 10-year modernization plan to upgrade their equipment and become interoperable with NATO forces.

Agency Comments

In commenting on the draft of this report, the State Department emphasized the U.S. leadership role in support of NATO’s enlargement process and the link between PFP membership and a partner state’s readiness for potential NATO membership. We have made changes reflecting these points in the report. State Department officials also indicated that estimates of the amount NATO may have to pay to support new members are “extremely soft, unsubstantiated numbers,” and characterized them as pure speculation. The figures were provided to us by officials at the U.S. mission to NATO and represent the best available information at this time.

DOD indicated that our description of the purpose of DOD funding support for the Warsaw Initiative needed to be changed and we have modified the report in response to this concern. Specifically in regard to the Regional Airspace Program, DOD stated that the intent of the Regional Airspace Program is to provide information to U.S. consumers. However, DOD previously provided documents stating that the purpose of the program is “for modernizing . . . airspace management for nations of the Central and Eastern European region.”

DOD also indicated that our characterization of the Security Investment Program funding is incorrect. DOD contends that the “backlog of NATO commonly funded projects will continue past the planning period.” Officials at DOD and at the U.S. Mission to NATO provided conflicting information. We modified our report to clarify that the information as presented was provided by officials at the U.S. Mission to NATO.

DOD and the Department of State provided also technical corrections that have been incorporated in the report where appropriate. State and DOD comments are presented in their entirety in appendixes V and VI, respectively.

Scope and Methodology

To develop the information in this report, we interviewed officials and reviewed documents at the U.S. Mission to NATO, the U.S. European Command, the Defense Intelligence Agency, DOD, and State. We also conducted field work in Prague and Warsaw, where we interviewed and obtained information from U.S. embassy officials and Czech and Polish officials from the Ministries of Defense and Foreign Affairs.

We performed our work from April 1995 to March 1996 in accordance with generally accepted government auditing standards.

As arranged with your office, unless you publically announce its contents earlier, we plan no further distribution until 15 days after its issue date. At that time, copies of the report will be sent to other appropriate congressional committees and the Secretaries of Defense and State. We will also make copies available to other parties upon request.

Please contact me at (202) 512-4128 if you or your staff have any questions concerning this report. Major contributors to this report were F. James Shafer, David J. Black, Charnel F. Harlow, and Michelle F. Kidd.

Sincerely yours,



Harold J. Johnson
Associate Director, International
Relations and Trade Issues

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Abbreviations

| | |
|------|------------------------------------|
| DOD | Department of Defense |
| NACC | North Atlantic Cooperation Council |
| NATO | North Atlantic Treaty Organization |
| PFP | Partnership for Peace |

The North Atlantic Treaty Signed in Washington D.C., April 4, 1949

The Parties to this Treaty reaffirm their faith in the purposes and principles of the Charter of the United Nations and their desire to live in peace with all peoples and all governments.

They are determined to safeguard the freedom, common heritage and civilization of their peoples, founded on the principles of democracy, individual liberty and the rule of law.

They seek to promote stability and well-being in the North Atlantic area.

They are resolved to unite their efforts for collective defense and for the preservation of peace and security.

They therefore agree to this North Atlantic Treaty:

Article 1

The Parties undertake, as set forth in the Charter of the United Nations, to settle any international disputes in which they may be involved by peaceful means in such a manner that international peace and security, and justice, are not endangered, and to refrain in their international relations from the threat or use of force in any manner inconsistent with the purposes of the United Nations.

Article 2

The Parties will contribute toward the further development of peaceful and friendly international relations by strengthening their free institutions, by bringing about a better understanding of the principles upon which these institutions are founded, and by promoting conditions of stability and well-being. They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them.

Article 3

In order more effectively to achieve the objectives of this Treaty, the Parties, separately and jointly, by means of continuous and effective self-help and mutual aid, will maintain and develop their individual and collective capacity to resist armed attack.

Article 4

The Parties will consult together whenever, in the opinion of any of them, the territorial integrity, political independence or security of any of the Parties is threatened.

Article 5

The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all; and consequently they agree that, if such an armed attack occurs, each of

them, in exercise of the right of individual or collective self-defence recognized by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area.

Any such armed attack and all measures taken as a result thereof shall immediately be reported to the Security Council. Such measures shall be terminated when the Security Council has taken the measures necessary to restore and maintain international peace and security.

Article 6¹

For the purposes of Article 5, an armed attack on one or more of the Parties is deemed to include an armed attack:

- on the territory of any of the Parties in Europe or North America, on the Algerian Departments of France,² on the territory of Turkey or on the islands under the jurisdiction of any of the Parties in the North Atlantic area north of the Tropic of Cancer;
- on the forces, vessels, or aircraft of any of the Parties, when in or over these territories or any other area in Europe in which occupation forces of any of the Parties were stationed on the date when the Treaty entered into force or the Mediterranean Sea or the North Atlantic area north of the Tropic of Cancer.

Article 7

The Treaty does not affect, and shall not be interpreted as affecting, in any way the rights and obligations under the Charter of the Parties which are members of the United Nations, or the primary responsibility of the Security Council for the maintenance of international peace and security.

Article 8

Each Party declares that none of the international engagements now in force between it and any other of the Parties or any third state is in conflict with the provisions of this Treaty, and undertakes not to enter into any international engagement in conflict with this Treaty.

Article 9

The Parties hereby establish a council, on which each of them shall be represented, to consider matters concerning the implementation of this Treaty. The council shall be so organized as to be able to meet promptly at

¹As amended by Article 2 of the Protocol to the North Atlantic Treaty on the accession of Greece and Turkey.

²On January 16, 1963, the Council noted that insofar as the former Algerian Departments of France were concerned, the relevant clauses of this Treaty had become inapplicable as from 3 July, 1962.

any time. The council shall set up such subsidiary bodies as may be necessary; in particular it shall establish immediately a defense committee which shall recommend measures for the implementation of Articles 3 and 5.

Article 10

The Parties may, by unanimous agreement, invite any other European state in a position to further the principles of this Treaty and to contribute to the security of the North Atlantic area to accede to this Treaty. Any state so invited may become a Party to the Treaty by depositing its instrument of accession with the Government of the United States of America. The Government of the United States of America will inform each of the Parties of the deposit of each such instrument of accession.

Article 11

This Treaty shall be ratified and its provisions carried out by the Parties in accordance with their respective constitutional processes. The instruments of ratification shall be deposited as soon as possible with the Government of the United States of America, which will notify all the other signatories of each deposit. The Treaty shall enter into force between the states which have ratified it as soon as the ratification of the majority of the signatories, including the ratification of Belgium, Canada, France, Luxembourg, the Netherlands, the United Kingdom, and the United States, have been deposited and shall come into effect with respect to other states on the date of the deposit of their ratifications.³

Article 12

After the Treaty has been in force for 10 years, or at any time thereafter, the Parties shall, if any of them so requests, consult together for the purpose of reviewing the Treaty, having regard for the factors then affecting peace and security in the North Atlantic area, including the development of universal as well as regional arrangements under the Charter of the United Nations for the maintenance of international peace and security.

Article 13

After the Treaty has been in force for 20 years, any Party may cease to be a Party 1 year after its notice of denunciation has been given to the Government of the United States of America, which shall inform the Governments of the other Parties of the deposit of each such notice of denunciation.

Article 14

This Treaty, of which the English and French texts are equally authentic, shall be deposited in the archives of the Government of the United States

³The Treaty came into force on August 24, 1949, after the deposit of the ratification of all signatory states.

Appendix I
The North Atlantic Treaty Signed in
Washington D.C., April 4, 1949

of America. Duly certified copies thereof will be transmitted by that Government to the Governments of the other signatories.

Funding Distribution for Joint Contact Team Program, Fiscal Year 1995

| Dollars in thousands | |
|----------------------|-----------------|
| Recipient | Funding |
| Albania | \$553 |
| Armenia | 0 |
| Austria | 0 |
| Azerbaijan | 0 |
| Belarus | 0 |
| Bulgaria | 632 |
| Czech Republic | 632 |
| Estonia | 790 |
| Finland | 0 |
| Georgia | 0 |
| Hungary | 553 |
| Kazakhstan | 0 |
| Kyrgyzstan | 0 |
| Latvia | 948 |
| Lithuania | 1,027 |
| Malta | 0 |
| Moldova | 0 |
| Poland | 553 |
| Romania | 711 |
| Russia | 0 |
| Slovakia | 395 |
| Slovenia | 553 |
| Sweden | 0 |
| Turkmenistan | 0 |
| Ukraine | 0 |
| Uzbekistan | 0 |
| Headquarters Support | 553 |
| TTAD ^a | 2,100 |
| Total | \$10,000 |

^aTemporary tours of active duty (staffing for reserve component personnel).

Funding Distribution for International Military Education and Training Program, Fiscal Years 1995 and 1996

| Dollars in thousands | | |
|----------------------|----------------|-----------------|
| Recipient | FY 1995 | FY 1996 |
| Albania | \$226 | \$400 |
| Armenia | 0 | 0 |
| Austria | 15 | 15 |
| Azerbaijan | 0 | 0 |
| Belarus | 94 | 275 |
| Bulgaria | 400 | 700 |
| Czech Republic | 500 | 750 |
| Estonia | 180 | 410 |
| Finland | 15 | 15 |
| FYROM ^a | 0 | 0 |
| Georgia | 82 | 250 |
| Hungary | 796 | 1000 |
| Kazakhstan | 97 | 375 |
| Kyrgyzstan | 60 | 225 |
| Latvia | 197 | 410 |
| Lithuania | 196 | 410 |
| Malta | 58 | 75 |
| Moldova | 106 | 225 |
| Poland | 747 | 1000 |
| Romania | 460 | 700 |
| Russia | 413 | 750 |
| Slovakia | 253 | 530 |
| Slovenia | 150 | 300 |
| Sweden | 0 | 0 |
| Turkmenistan | 118 | 225 |
| Ukraine | 707 | 950 |
| Uzbekistan | 95 | 225 |
| Total | \$5,965 | \$10,215 |

^aFormer Yugoslav Republic of Macedonia.

Current Value of Excess Defense Articles That Services Have Authorized for Transfer to PFP Member Nations, Fiscal Year 1995

| In U.S. dollars | |
|--------------------|--------------------|
| Recipient | FY 1996 |
| Albania | \$609,164 |
| Armenia | 0 |
| Austria | 0 |
| Azerbaijan | 0 |
| Belarus | 0 |
| Bulgaria | 452,818 |
| Czech Republic | 0 |
| Estonia | 658,994 |
| Finland | 0 |
| FYROM ^a | 0 |
| Georgia | 0 |
| Hungary | 80 |
| Kazakhstan | 0 |
| Kyrgyzstan | 0 |
| Latvia | 268,469 |
| Lithuania | 291,651 |
| Malta | 0 |
| Moldova | 0 |
| Poland | 0 |
| Romania | 4,337,329 |
| Russia | 0 |
| Slovakia | 10,598 |
| Slovenia | 0 |
| Sweden | 0 |
| Turkmenistan | 0 |
| Ukraine | 0 |
| Uzbekistan | 0 |
| Total | \$6,629,103 |

^aFormer Yugoslav Republic of Macedonia.

Comments From the Department of State



United States Department of State

Chief Financial Officer

Washington, D.C. 20520-7427

April 1, 1996

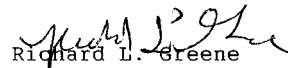
Dear Mr. Hinton:

We appreciate the opportunity to provide Department of State comments on your draft report, "NATO ENLARGEMENT: NATO and U.S. Actions Taken to Facilitate Enlargement," GAO Job Code 711153.

As indicated during exit discussions, we would have preferred GAO report drafters to address in the report: that the U.S. Government has been the driving political force behind NATO's enlargement process; clarify that the Partnership for Peace assistance programs contribute directly to a partner's readiness for potential NATO membership; and that the cited cost estimates are purely speculative. We understand, however, that our detailed attached comments along with this letter will be published in full at the back of the report.

If you have any questions concerning this response, please call Mr. Keith Eddins, EUR/RPM, at (202) 776-7297.

Sincerely,


Richard L. Greene

Enclosure:
As stated.

cc:
GAO - Mr. Shafer
STATE/EUR/RPM - Mr. Eddins

Mr. Henry L. Hinton, Jr.,
Assistant Comptroller General,
National Security and International Affairs,
U.S. General Accounting Office.

Appendix V
Comments From the Department of State

Department of State Comments on the GAO Draft Report:
"NATO Enlargement: NATO and U.S. Actions Taken to Facilitate
Enlargement," GAO Job Code 711153.

The GAO's draft report on U.S. actions in support of NATO enlargement fails to adequately convey two relevant points:

- The U.S. government has been the driving political force behind NATO's enlargement process; and
- NATO's Partnership for Peace (PFP) program exists both to prepare partner states for eventual Alliance membership and to serve as a long-term cooperative structure linking NATO with those partners who do not become members of the Alliance, thus support for partners' PFP activities directly helps some of them prepare for eventual NATO membership.

With regard to U.S. support for NATO enlargement, beginning with the January 1994 NATO Summit decision by Alliance heads of state and government, it was the U.S. government which most vigorously pushed for the initiation of the enlargement process. Subsequent NATO actions and decisions, including the on-time completion of the Alliance's Study of Enlargement and the initiation of the ongoing "intensified dialogue" stage of the expansion process, owe much to U.S. encouragement and support.

Concerning the dual nature of the Partnership for Peace, the GAO report fails to make clear that PFP assistance programs (e.g. the Warsaw Initiative) contribute directly to a partner state's readiness for potential NATO membership. Thus, U.S. support for partners' participation in exercises with NATO forces, transfers of NATO-compatible equipment, and training in the English language and in NATO doctrine and operations -- all of which are funded through the President's Warsaw Initiative -- ensure interoperability between partners and NATO, which is an essential prerequisite for Alliance membership. While not all partners will eventually join NATO, those who do will have been made ready by participating in PFP and with U.S. support for PFP activities.

Finally, we note that the funding estimates quoted in the GAO report are extremely soft, unsubstantiated numbers. Because the Alliance is still in the process of determining how NATO will enlarge, when enlargement will occur, and which states will be the first to join, all estimates as to the cost are purely speculative. We will, of course, work very closely with Congress on the funding requirements for NATO expansion as legitimate estimates become available, but it is much too early to provide meaningful estimates of the eventual costs. The report lends too much credence to numbers derived from bases that are unclear and unsubstantiated.

Comments From the Department of Defense



INTERNATIONAL
SECURITY AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

2400 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2400



10 2 APR 1996

Mr. Benjamin F. Nelson
Director, International Relations
and Trade Issues
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Nelson:

This is the Department of Defense response to the General Accounting Office draft report, "NATO ENLARGEMENT: NATO and U.S. Actions Taken to Facilitate Enlargement," dated 8 February 1996 (GAO Code 711153), OSD Case 1093. The Department partially concurs with the report.

Two key issues require your attention:

- The first issue relates to the report's description of the purpose of DOD funding support in the area of the Warsaw Initiative. There are four specific instances of inaccuracy.

Now on p. 10.

-- Page 16, 2nd paragraph. Last sentence should be changed to read "Regional Airspace Initiative studies provide input to the United States on an architecture for system modernization." Rationale: The intent of the studies is to provide information to U.S. consumers.

Now on p. 10.

-- Page 16, 3rd paragraph. Second sentence should be changed to read "The Office of the Secretary of Defense makes available program analysts to offer advice to host country counterparts in compiling force capability and cost data and analyzing alternative force structures." Rationale: The U.S. does not provide analytical support directly to host countries.

Now on p. 10.

-- Page 17, 1st paragraph. The second sentence should be changed to read "...provide capabilities to the partners willing to pay for access that will provide real-time dial-up voice communications..." Rationale: Partner countries must pay their share of costs if they wish to participate.

Now on p. 11.

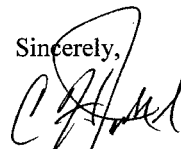
-- Page 17, 1st paragraph. The last sentence should be changed to read "...Joint Staff funds supported DOD costs associated with the PFP Information Management System." Rationale: DOD funds are allocated only to support DOD costs; not to support Partner costs.

Now on p. 13.

- The second issue is related to the conclusion that the NATO Security Investment Program may benefit from a funding windfall at the end of 1997. Specifically, the language on page 23, 4th and 5th sentences, is incorrect. The sentences should be changed to read "This funding dilemma will extend indefinitely. Costs for the out-years are projected to be similar (or even increase, dependent on the effect of NATO enlargement) to current year costs." Rationale: There is a backlog of NATO commonly funded projects that will continue well past the planning period.

Technical corrections to the report were provided separately. The department appreciates the opportunity to comment on the draft report.

Sincerely,



Clarence H. Juhl
Director, NATO Affairs

Additional technical corrections to the GAO Report on NATO Expansion:

Now on p. 2.

1. Page 3, 2nd paragraph. Change the second sentence to add a footnote after "Foreign Military Financing" in the program list. The footnote should read "² In fiscal year 1996, \$60 million of FMF Funding is in support of the Warsaw Initiative." Rationale: Highlights the fact that in FY 96, FMF is part of the Warsaw Initiative.

Now on p. 9.

2. Page 6, footnote number 5. Should be changed to read "Former Yugoslav Republic of Macedonia". Rationale: correctness.

Now on p. 9.

3. Page 14. Correct values for "Support Funds" for the appropriate countries are: Belarus -- 500; Georgia -- 500; Kazakhstan -- 1,125; and Uzbekistan -- 1,375. Total amounts should be recomputed. State Department funding values are correct.

Now on p. 11.

5. Page 17, 3rd paragraph. First sentence should be changed to read "...Joint Chiefs of Staff, in coordination with the Defense Security Assistance Agency." Rationale: DSAA is given an opportunity to coordinate on the JCS proposed program, however DSAA does not share in the execution of the program.

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