
U.S. Must Remain Active in Post-Cold War Foreign Affairs

By

William S. Cohen

Secretary of Defense

[The following are the edited remarks of Secretary of Defense William S. Cohen to the Foreign Policy Association, in New York City, on April 2, 1998, followed by excerpted questions and answers.]

Rather than having each of you say you're looking forward to my speech and having me say I am, too, and giving you a speech, I thought I'd just talk with you and give a brief summary of some of the things that I've been doing in the field of foreign policy.

One of my favorite stories, of course, is that of Henry Ford. Some of you have heard me tell this story before. Ford was very wealthy, as you know. His wealth had preceded him when he wanted to go back to his fatherland in County Cork, Ireland. When he finally got off the plane, there were local town officials who were waiting to seek a contribution from him for the construction of a local hospital. So when he hit the tarmac, they said, "Mr. Ford, could you please contribute to the local hospital?" He took out a checkbook and made a check out for \$5,000.

The next day in bold print—the Time-magazine equivalent I would say—in bold print it said, "Ford contributes \$50,000 for the construction of a local hospital." The town officials came rushing back to him and said, "Oh, Mr. Ford, we're terribly sorry. It was not our fault, it must have been a typographical error. We'll be happy to see to it a retraction is printed in tomorrow's paper.

Ford said, "Wait a minute. I think I've got a better idea. "That's really where the phrase came from. He said, "If you give me one promise, I'll give you the check in the balance of \$45,000." They said, "Anything you want."

He said, "I want when the hospital is finally completed to have a plaque over the entranceway with a quote taken from a source of my choice." They said, "It's done."

So he gave them the check, the hospital was built, it is there today. Over the entranceway is a plaque with a quote taken from the book of Matthew. It says, "I came unto you as a stranger, and you took me in."

I come unto you a little bit as a stranger. I hope you'll take me in tonight, but not quite in that fashion. ...

Foreign policy, contrary to the statements this evening, is not something that accelerates the heartbeat of many American people.

If you believe in the polls, and no one is suggesting that you do, but I think a poll was taken by the New York Times in which it said that 3 percent of the American people think that foreign policy is of any interest to them. That, of course, would change if it affects their pocketbook interest, but 3 percent is not exactly a very strong majority as far as the American public is concerned, yet nothing could be more important to their interests.

I was thinking ... about [author and futurist] Alvin Toffler. We go back to 1970-1971 when Toffler first came out with his book on "Future Shock." He said we're living in a time of future shock in which time is speeded up by events. And everything becomes accelerated. Everything becomes compressed. We find our values and customs being shaken in the hurricane winds of change.

What was said tonight . . . resonated with me, the idea of how technology is shrinking the globe. Technology is actually miniaturizing the globe. I like to say that the globe is not much bigger than that ball that is spinning on the finger of science. If you think about it, the vast oceans have been reduced to mere ponds. Those countries are now almost as close as neighboring counties today. And it only takes a nanosecond for someone's voice or image to be transported to another country, so nothing is done in isolation today.

So it becomes all the more important that we have a very good understanding of exactly what our role is in the world. I was thinking of a secretary of state, John Hay, back at the beginning of the century. He said that the Mediterranean is the ocean of the past; the Atlantic is the ocean of the present; and the Pacific is the ocean of the future. I think most people . . . would tell you that that is precisely the case. And notwithstanding the kind of economic difficulties that are now being experienced by those in Southeast Asia and perhaps even beyond Southeast Asia—notwithstanding that, there is an enormous amount of responsibility that we have in that region. We have an enormous interest in that region. And for us to simply remain indifferent to it is not acceptable.

There is, of course, a very close link between economics and security. It's something that I have tried to speak to for most of my career in the Senate, tried to persuade my former colleagues to become engaged in global affairs, particularly focusing upon the Pacific. What happens in Indonesia can overwhelm virtually all of the countries in that region, and the consequences can even lap up on our shores. Just last week you probably saw a headline that says Asian woes result in a drop in American exports.

As we see the economies of Asia start to decline, we can expect to see a lack of export activity on the part of the United States going to that region. That's one consequence. No. 2, you're going to see a flood tide of goods with very low cost goods coming into this country. That's going to produce what? That's going to produce shades of Smoot Hawley [1930 trade protectionist tariff act]. You're going to see if the American political activities in this country respond to that by saying, "Wait a minute, we're not going to be the dumping ground for all of those countries who are now struggling." And they're going to start talking about putting up some barriers, and that will set off a kind of trade war that could send this globe into an economic recession.

So everything is important, and we need to focus on that with a great deal of intensity.

I am fond of referring back to Adm. [James] Stockdale [former Vietnam prisoner of war]. You'll recall James Stockdale, the time when he was asked to be a vice president for [presidential candidate] Ross Perot. Here was a true war hero. Certainly out of his element in being in politics, but I remember when he took the stage and he asked two very important existential questions. He said, "Who am I?" and "Why am I here?" It produced a lot of laughter and derision. And people said, "Exactly who is this guy, and why is he there?" But it really is an important question for us to ask as a nation. Who are we? Why are we here or there or anywhere as a country?

We are frequently described as the world's only superpower, and we take some relish in that description, but what does it mean? And more importantly, what are our obligations as being the world's only super power?

In short, it requires us to have some kind of a strategic vision.

That brings me to my favorite subject called the Defense Department. We have a strategic vision for the Defense Department. We filed something last year called the Quadrennial Defense Review. In shorthand, it's QDR. What I had to do in a very short period of time was develop a strategy for the future.

How is our military to function in the future? We have been downsizing rather dramatically since the height of the Cold War. When people ask about where's the peace dividend, saying well, we got quite a peace dividend. We have cut down the size of our force structure about 40 percent. We've had procurement at levels as much as 60 percent reduction. We have reduced the size and the force structure and end strength dramatically since the height of the Cold War.

And so, we now have the same obligations, however. Our strategy has to be one of what we call in three words: *shaping, responding and preparing*. Those are the three words involved in our strategy for the future. Those three words are important for us today. They'll also be relevant for us in the year 2010, 2025.

We want to shape the environment. How do we do that? We have to be forward deployed.

One of the first things I did in discussing the QDR. I said everything's on the table for discussion in terms of how we're going to modify and modernize our military. Then immediately I'm flying to Japan. I said: except we're going to keep 100,000 people in the Asia Pacific region, so that's off the table; and we're going to keep 100,000 people in Europe because that's off the table.

We have to be forward deployed in Europe and in Asia in order to shape people's opinions about us in ways that are favorable to us. To shape events that will affect our livelihood and our security. And we can do that when people see us, they see our power, they see our professionalism, they see our patriotism, and they say that's a country that we want to be with. So we are shaping events on a daily basis in ways that are favorable to our interests. You can only do that if you're forward deployed.

There's that wonderful little novelette that I read years ago, "Jonathan Livingston Seagull." You may recall, that's a story about a seagull that keeps trying to go faster and faster and he comes from the heights and he speeds down to earth and gets completely out of control until a mythical seagull shows up and that mythical seagull says, "Jonathan, you really don't understand. Perfect speed is not a matter of going faster and faster. Perfect speed is being there."

Of course, this mythical seagull was talking in transcendental terms, but I've always used that notion of being there as a metaphor for our forces. There is no substitute for being there. Perfect speed is our being forward deployed in Asia Pacific. We can't get there fast enough from here to there unless we're already there. The same is true in Europe and elsewhere. So forward deployed, shaping people's opinions—not only our friends' about our reliability and our resources, but also shaping people's opinions who are our adversaries, that they really don't want to challenge us in any given situation.

So shaping is going to be part of our strategy for now and well into the indefinite future.

How about responding? We have to be able to have a military that can respond to the multiplicity of types of contingencies that we are likely to confront. All the way from what we call NEO operations—noncombatant evacuation operations. You've got a failed state. You've got Albania, you've got Rwanda. You've got a state which suddenly collapses, you've got American citizens over there, and you've got to rescue them. So you have to have that kind of

flexibility you can send your forces in and get them out. That's a small operation. It can be a dangerous one. but it's a small operation.

Humanitarian missions would be another operation that we have to conduct from time to time. Then we go up to the very small types of contingencies and peacekeeping operations such as Bosnia. We're doing a fantastic job in Bosnia, notwithstanding some of the criticism. The fact is that we have been responsible for savings tens if not hundreds of thousands of lives in that area by being present with our NATO allies. So you have those kind of peacekeeping operations.

Then, of course, you come up to the major regional type of conflicts, potential conflicts, called Korea, or Southwest Asia, mainly the Persian Gulf. You have to have all of that flexibility so you can do one all the way up to defending the United States from any kind of an ICBM attack with a nuclear warhead or a chemical warhead. So those are the kinds of response we have to have. We have to be able to respond to all of that. And that is true for now, it's true again for the year 2010, 2025. We'll have to have that capability.

Then, of course, comes the next element, and that is preparing. We have to prepare for the future. How do we do that? How do we do that living in . . . a constrained budget environment? A balanced budget is something that we as Republicans have felt very passionately about over the years. Let's get our fiscal house in order. But now that we're living in a balanced budget environment, there is not going to be a great deal of additional money devoted to national security than we currently have. We're now living with a budget roughly of \$250 billion. Compare that to the height of the Cold War. We'd be up around \$400 to \$450 billion. We're down to about \$250 [billion] now.

Again, you measure that \$250 [billion] and you say, what are our obligations? We still have the same obligations we had then. We have to deter aggression against the United States. We have to promote stability throughout the Asia Pacific region. We have to also be on guard in South Korea to protect against a North Korean type of attack where we have 37,000 American people.

So you've got the same obligations, and in fact you have different types of obligations, from peacekeeping and humanitarian operations. How do you do that?

We have to manage effectively. It means we have to reduce excess overhead. It's something that I announced this morning. Some of you have been asking me about in terms of "you're really going to recommend some more base closures?" And the answer is, "yes."

We need at least two more rounds of these base realignment and closure processes called BRAC. The reason we need that is because we have reduced our force structure some 36 percent. We've reduced the infrastructure by only 20 [percent] or 21 percent. So we're carrying a lot of excess overhead. That means that we are spending money and wasting your money on facilities we no longer need, but it's very hard to persuade the American Congress—a place where I spent a good deal of my life—that they must take this step.

To give you an example of the savings involved, between 1990 when we first started the process and the year 2002, we will have saved \$25 billion. That's real money that we can invest in modernization and training and exercising and being ready.

From the year 2002 on we will save, on an annual basis, an additional \$5.6 billion. If we have two more base closure rounds, we will save between the years 2008 and 2015 another \$21 billion. Then an additional \$3 billion on an annual basis—almost around \$9 billion annually we'll save, having saved in the timeframe almost \$45 billion.

That money goes into buying aircraft and aircraft carriers, or other types of equipment for our Army and Marines. Without those kinds of savings then we can't invest in the future so we can't prepare for the future.

Why do I bother you or anyone else to talk about the year 2015? It's only 1998. The short answer is, I have to start planning right now to invest in systems that will not come on line until the year 2008, 2010, or 2015. That's how long it takes in order to develop these systems and finally procure them and produce them at a rate that is affordable to you and to all taxpayers. So we need to have those savings.

Unfortunately, the political process is such that there is strong resistance to it, and there's a reason for that—because many communities are . . . fundamentally, dependent upon that influx of revenue that comes from having a major facility in their district. So most communities talk about BRAC saying, "Wait a minute, you're going to take it away; our economy will collapse."

What I have to do is persuade the Congress, and it's going to be a very tough job to do, but say: There's a lot of success stories you have to look to; there is life after BRAC; there is an opportunity to turn these jobs you have by virtue of the military into private entrepreneurial types of jobs which are even better paying and more beneficial to the community.

I did that today by introducing the mayor [Ned Randolph] of Alexandria, La. He got up and made a presentation and said, "We were terrified about the loss of our base. Now we have far more jobs that have been created. We have a much more robust economy." He wants to take that message to the Congress as well. But that's what I have to do is to show more and more people what needs to be done.

Let me not dwell too long on BRAC. It's not something that excites most of the American people, yet it's very important as far as the Defense Department is concerned.

Let me talk just quickly, and I will try to be very quick because you would like to ask some questions and I'd like to have a chance to respond to them. But let me talk about . . . Iraq, because some of you have been asking me how's it going. What's it look like? Is [Iraqi President] Saddam Hussein complying with his agreement? The answer is yes and no—a good political answer. I haven't given up my senatorial credentials as yet. But the answer is yes and no.

As a result of the military power that we demonstrated in the Gulf, [U.N. Secretary General] Kofi Annan would be the first to stand up at this podium and tell you he was able to go to meet with Saddam Hussein and come up with this memorandum of agreement.

Without the U.S. power, without our friends the Brits, I might say—and let me point out, it was not just the United States and Great Britain—there were 25 countries involved in committing their forces in one fashion or another to that area if a conflict were to result. So we overlook the fact that we have 25 nations with us—13 out of 16 NATO countries. If you take the three who are seeking accession into NATO, it would have been 16 out of 19 of the NATO countries also contributing to that effort in the Gulf. But without that display of power and without the display of the intention to use it, Kofi Annan or anyone else could not have been successful in coming up with any kind of agreement.

There's an old adage, as you know—what you cannot win on the battlefield, you can't really succeed in achieving at the bargaining table. You must be prepared to go to battle in order to allow our diplomats to achieve a diplomatic solution.

In any event, having said that, has he complied? The answer is right now that he is imposing no barriers to the inspectors who are going from room to room and from palace to palace. But we should not be deceived by the fact that they're not finding anything. I want you to think about this in concrete terms. It is virtually impossible to take a table the size of this head table here, 20 people or 30 people, turn them loose in a country the size of the state of Wyoming—170,000 square miles—looking for chemically or biologically tipped needles in haystacks that are spread over that country.

To say "we walked into a room, we haven't found anything, they must be complying"—if that is the test, we lose. That should not be the test and it cannot be the test. That is only part of the effort that is under way.

The other part is, Saddam Hussein is under an affirmative obligation to prove that he has destroyed what he claims he had in his inventory, so keep this also in mind. The Iraqi government, the officials, had lied consistently about their having chemical and biological weapons.

Initially after the Persian Gulf War, they said, "We don't have any biological weapons." Then, of course, we found out that they had some 2,100 gallons of anthrax. They said, "We don't have any chemical weapons," and we found they had 4 tons of VX. A single drop of VX on your finger and you will die within a matter of minutes. A single spore of anthrax and you will die within a matter of four or five days. So, you're talking about 2,000 or 3,000 gallons of anthrax and four tons of VX.

They're also developing something called ricin, which you take out of castor beans. Castor beans can be used to produce something we all loved as a child, in our childhood days, and that's castor oil. It can also produce ricin, which is a deadly poison for which there is no antidote. Guess what? They were growing hundreds of acres of castor beans. But all of this they claim they destroyed.

There's only one problem—they can't produce any evidence that showed when, how, where, under what circumstances it has been destroyed. That has been the problem as far as the UNSCOM [U.N. Special Commission] inspectors are concerned. They have asked the Iraqi authorities, "Show us. Where did you destroy it? Where are the records? You keep records on everything in terms of how many ball-point pens you manufactured during the 1980s. Where are the records in terms of the VX and the anthrax and the castor beans and ricin?" They have been unable to produce such records.

In fact about a month ago, prior to the resolution of this memorandum of agreement, [Iraqi Deputy Prime Minister] Tariq Aziz had requested a new team, an evaluation team, to come in and make an assessment. It was headed by a Russian at the request of Tariq Aziz. That team went into Iraq, and they came back and said, filed a report saying, the Iraqis have failed to comply with the U.N. resolutions. They are still stalling. They are still hiding. They are not producing evidence of what they have destroyed.

So what we have to do, and to do it now, is to make it very clear to Saddam Hussein, it's not enough to open up his palace doors, whether you have eight or whether you have 80—they have about 80 of those palatial estates, some of which occupy of acres of land.

It's not enough to open up your doors. It's not enough to enter the empty rooms. It's not enough to look at your computers and find the delete button has been pushed. What you have to do is to supply information to the UNSCOM inspectors that says now we're satisfied. You claim you destroyed 50 Scud missiles that are armed with anthrax. We can only find evidence of 30

having been destroyed. Where are the other 20? You claim you've destroyed 130,000 pounds of precursor chemicals. Where is the evidence that you destroyed it and where did you destroy it?

So they've got all of these questions to answer, and we have to lay that marker down now. If we don't, what's going to happen, I can assure you, is that we'll have more of these inspections: they will turn up little, if anything. Then there will be pressure on the United States to relieve the Iraqi people of any sanctions, and that is his goal—get rid of the inspectors, get rid of the sanctions, and he can go back to doing business again.

If we, at the last moment, come in and say, "by the way you haven't given us evidence of the destruction of those weapons," it will look as if we're moving the goal posts once again at the last moment. No one will be there to support us.

So this is something that we have to focus on now, and not allow that to slip. Until that's done, we cannot claim there has been any successful resolution of this crisis.

Let me say—as Lady Godiva said, "I'm near to my clothes." Let me try and approach my close.

When it comes to government efficiency, there is a quote I remember reading from [political observer and journalist] Walter Lippman. He wrote this back in 1938 in one of his essays. He told the story about a Russian guard who was standing as a sentry by a completely bare spot on the ground. The superior came out, he looked at the young sentry and he said, "Why are you standing there?" "Well, because the captain of the guard told me I should stand here." He said, "Take me to the captain." He went to the captain.

"Why is he standing there?"

"The regulations require it."

He searched and asked everyone, "Why is this man standing over this spot?" No one could tell him the answer. He finally went to the archives and he found out that 100 years earlier Catherine the Great had planted a rose bush in that spot and she mandated that a sentry stand there so her rose bush would not be trampled. A hundred years later, he's still standing there. There's no rose bush, there's no Catherine the Great, but we still had a soldier standing guard.

The same thing is true in terms of how we run our business. I won't take the time this evening unless you really press me in the question and answer period to start talking about something I feel passionately about, and that is the Defense Reform Initiative, to tell you what we're doing in the Defense Department to reform the way in which we're doing business—to save you money, to make us more efficient, to replicate what corporate America has been doing for the last 10 or 20 years to make itself the most efficient businesses in the world.

Let me conclude with a quote taken from one of my favorite authors, Mr. [Alistair] Cooke from public broadcasting. You may recall that he wrote a book called "America" back in 1976. It was during our bicentennial celebration. In the book there was one chapter comparing us, inevitably, to Rome.

He said that we, like Rome, were in danger of losing that which we profess to cherish most—that liberty is the luxury of self-discipline. Liberty is the luxury of self-discipline. And that those nations who have failed to impose discipline upon themselves have had it imposed by others historically.

Then he made a very, I think, astute observation as only Alistair Cooke could. He said, "America is a country in which I see the most persistent idealism and the blandest of cynicism." The most persistent idealism, the blandest of cynicism. "And the race is on between its vitality and its decadence." He said, "We have a great country, and we can keep it, but only if we care to keep it."

That really is the message that was true not only in Benjamin Franklin's days, and that was a paraphrase of Franklin's comments, it's true for us today.

We have the most extraordinary country. . . and we can keep it, but only if we really care to keep it. That requires us to dedicate ourselves to understanding that we're living in a global village with a global environment and a global economy, and that we can't afford to have 3 percent of the American people say foreign policy is of little interest to us.

So my message here is a very simple one. I think that our strategy of shaping, responding, preparing—that's our military strategy—it's a great strategy in terms of our foreign policy as well. We need to have our diplomats forward deployed. We have a fine diplomatic service. They are doing extraordinary work. In combination with diplomats and our worries, we can continue to shape events that are favorable to our interests—but only if we care to.

[Excerpts of selected questions and responses follow.]

Question. I'd like you to share with us something of your comment on U.S.-China relations today and in the future from your perspective.

Answer. I was in China most recently in February. I received a welcome I think has been unprecedented as far as their treatment of me as secretary of defense. I arrived when the weather was very cold, but a very warm reception was given to me.

I think I'm the first secretary of defense who's ever been allowed into their air command control center in Beijing. I believe I'm one of the first, if not the first American secretary, to address their Academy of Sciences. These are their top intelligentsia, wearing their Red army uniforms. We had about 400 of them present, and I addressed them and talked about our Asia-Pacific strategy and why it was in their interest for us to be present and have this relationship with Japan. The U.S.-Japan guidelines are being updated. They've been concerned about that. I explained why it's important and why it's in their interest that we be present throughout the Asia-Pacific region.

They asked questions. It was a very good exchange.

We got an agreement from the Chinese not to deploy or transfer any nuclear technology to Iran. They also made a pledge to stop transferring two types of anti-ship cruise missiles that would pose a threat to our troops in the gulf.

All of that, I think, has been made possible by virtue of [Chinese President] Jiang Zemin's visit to the United States. President Clinton hosted that visit and it went off very well. As a result, they have become much more amenable to sitting down and discussing issues of mutual interest.

Secondly, the issue dealing with most favored nation status: we have had to overcome that objection as [then] President [George] Bush did, to overcome the objection coming from a variety of sources, saying they shouldn't be granted MFN status. The argument is, we should, and we should treat them as a regular trading partner, and we should treat them with respect. They are a power. They are going to be a major power. We can either try to influence them in a

positive way. or we can say they're the enemy and treat them as an enemy and they will react accordingly.

I think China obviously will have its own foreign policy agenda. I think they will seek to challenge us at points in the future, as any other power would. I think we have to deal with them on that basis. But I believe that if we engage them on a regular basis and do so behind the scenes, if we can use that phrase, and not make a public declaration of pounding our chest and saying this is what you will do, and if you don't, we're going to punish you. That's not the way to carry out diplomacy. But if we carry out effective, quiet diplomacy, I believe that we can find a variety of areas that we'll agree on. We'll continue to disagree on some of the areas, but we'll have a mutually beneficial relationship.

Question. Mr. Secretary, (inaudible) ... ?

Answer. ... I'll respond very quickly to the question about sanctions [regarding Iraq].. The sanctions are important. Saddam Hussein has made a choice. He has deprived his people of roughly \$110 billion since those sanctions were imposed. He would rather deprive his people of \$110 billion in revenues than comply with the U.N. resolutions. He made that choice, and yet he has been successful in portraying the United States and the West as the ones who have inflicted the cruel and unusual punishment upon his people.

While he was denying them the revenue from the sale of oil because he wouldn't comply with U.N. resolutions, he was building an additional 40 or 45 palaces. Somehow that escaped everybody's attention, but we were the ones getting the blame for it.

It was overlooked that we were the ones who initiated the so-called Section 986, the oil-for-food program. It was the United States that was responsible for this program, because we wanted to make sure that we tried to persuade the Arab population that we were more concerned about their welfare than he was. We actually supported, during this crisis, a doubling of the oil-for-food program, invoking great criticism, saying, "Aren't you confusing your message? On the one hand you're threatening to punish the hell out of Saddam, and on the other you're doubling the amount of oil that can be sold for food for these people?"

What has to be remembered is that when we have the oil-for-food program, he doesn't like it. He doesn't like it because he doesn't get to control the money. The United Nations gets to control the money, which brings me to another point. We ought to pay our [U.N.] dues

So the sanctions have been effective. Without the sanctions he would be back in a position to rebuild his military. It's probably at about 60 percent of where it was prior to the Gulf War.

He has not had the capability he once had. He doesn't have the ability to simply manufacture either nuclear weapons, which he was trying to do, which require the technology. He doesn't have the ability to, as long as the inspectors are there, to regenerate his ability to produce the delivery systems for the anthrax and the VX and other types of biological and chemical weapons. So we have kept him in a box. The sanctions have been effective. That's why he was resisting—get rid of the inspectors, get rid of the sanctions.

So far he has been somewhat successful, but I would only point out, if you look at where we are today, we do have access to every facility today. All those that were declared off limits are now being inspected. We may find them empty, but the principle is, everything is open to inspection.

Secondly, we are keeping him off balance. He doesn't know exactly where the inspectors are going. He may try to penetrate that, might try to get intelligence on it, but he doesn't know where they are going, and they're off guard at all times.

The third point is something that's very important to the Arab population in the Gulf states in particular. They were worried that we were so anxious to go in there and bomb him, and to kill a lot of innocent people in the process, that they said you should be willing to walk the extra mile for diplomacy.

By walking the extra mile at considerable criticism to the United States, nonetheless, every one of those Gulf states called me and spoke with me personally saying we are glad you were willing to walk the extra mile to see if this won't work. And now we've given him the final chance. Now we can, with good conscience, go to our people who have not been supportive of this and make it clear to them: know the United States was willing to take this last step, and now, if Saddam Hussein in any way inhibits those inspections, we have no trouble in saying we walked the last mile.

You may recall their language was: we hope you'll exhaust every reasonable diplomatic initiative. Once you have done that and if he fails to comply, he will be solely responsible for the consequences. That was language very clearly intended to tell him that they were going to be supportive of our effort.

So we have gained a lot of credibility with the Gulf states, even though with some criticism here at home. We didn't carry through with the potential bombing attack.

I can tell you as . . . someone in charge of our military as . . . the civilian head, bombing is the last resort. Bombing would not have accomplished what the inspectors could accomplish on the ground by keeping him off balance, by keeping him unable to regenerate his capabilities.

We could have done substantial damage, and we would have done substantial damage, and I will tell you without getting into anything classified, that the targets that we had selected and the way in which it would have been carried out, it would have inflicted a great deal of damage upon his ability to regenerate his weapon systems and their delivery mechanism, and it would have put at risk some of the things that he prized most.

So he became very much aware of that. The message got through. As a result, I think he became more willing to sign this memorandum of agreement.

So I think we gained. We lost some, but we gained overall credibility with our Arab friends, the Gulf states. We made it very clear: we've got a U.N. resolution saying the most severe consequences will flow in the event that he goes back to his old ways. So I think this bears every opportunity to revisit that. We may have to. In the meantime, I want to raise that issue about making sure that he has to come forward and prove that he has destroyed what he claims he has destroyed.

Allied Contributions to the Common Defense

A Report to the United States Congress by the Secretary of Defense

[The following are excerpts from a SECDEF report, entitled as above, which was originally prepared in March 1998 and publicly released in July 1998. The excerpts presented herein include the Introduction, Executive Summary (Chapter 1), and Regional Overview and Contributions of Key Allies (Chapter 2). Items of additional interest in the complete report include assessments of country contributions, data notes, country summaries, and a statistical appendix. The full report is available on the internet at http://www.defenselink.mil/pubs/allied_contrib98/index.html]

Introduction

This Report presents the Department of Defense assessment of the relative contributions toward common defense and mutual security made by our NATO allies, our key partners in the Pacific (Japan and the Republic of Korea), and the countries of the Gulf Cooperation Council (GCC).

Under legislative provisions dating to the Defense Authorization Act of 1981 (P.L. 96-342, Section 1006), the Department of Defense is required to compare the defense burdens borne by our allies, explain disparities, and describe efforts to eliminate such disparities. In each of the last two years, the annual Defense Authorization Act (P.L. 104-201, Section 1084, and P.L. 105-85, Section 1221) has recognized that there are multiple and diverse ways in which allies may share the responsibility for mutual security objectives. This represents a major step toward embracing the Administration's policy on responsibility sharing, first set forth in the 1994 edition of this Report. We look forward to continuing to work with the Congress in structuring a comprehensive and balanced framework within which to evaluate allied contributions to common defense and mutual security.

This Report is organized into three chapters. The first chapter presents an executive summary, describing the goals of U.S. responsibility sharing policy and providing a brief assessment of country contributions for 1996-1997. Chapter II provides a regional perspective of U.S. security interests and highlights the contributions of our key allies. Chapter III follows with detailed assessments of country efforts. Additional information is provided in the Annex, which contains sources and notes, and summarizes responsibility sharing contributions on a country-by-country basis. . . .

Chapter I: Executive Summary

U.S. Responsibility Sharing Policy

A National Security Strategy for a New Century (May 1997) identifies a diverse set of threats to U.S. security, including regional or state-centered threats (such as regional aggressors, unstable nations, internal conflicts, or failed states); transnational threats (including terrorism, illegal drugs, illicit arms trafficking, and organized crime); and threats from weapons of mass destruction (from existing arsenals and from the proliferation of advanced technologies).

To meet these challenges, the Administration's national security strategy stresses the need for integrated approaches, specifically to shape the international environment to prevent or deter threats, to maintain the ability to respond across the full spectrum of potential crises, up to and including major theater war, and to prepare now to meet future uncertainties. A central aim of the Administration's strategy to defeat these transnational threats is to strengthen and adapt our

security relationships with key nations around the world—including sharing collective security responsibilities with allies and other friendly nations. To promote U.S. security objectives tailored to different regions of the globe we require a broad range of security arrangements. Our alliances, particularly our security commitments in NATO, our bilateral relationships with Japan and the Republic of Korea, and our growing partnership with the nations of the Gulf Cooperation Council (GCC), are essential to the projection of American power and influence into areas where vital U.S. interests are at stake. These relationships reflect fundamental shared interests and embody close cooperation in both political and military affairs. They enhance our ability to achieve our international security objectives and protect vital economic interests. Our regional security arrangements enable the United States and our allies to provide the security and stability essential to democracy-building, economic progress, and the orderly resolution of international differences. The cornerstone of effective alliance relationships is the fair and equitable sharing of mutual security responsibilities, and the proper balancing of costs and benefits. This, in turn, is the basis of U.S. responsibility sharing policy. The Administration is pleased that Congress accepts this policy and recognizes the breadth and depth of U.S.-allied relationships. This broader understanding, reflected in the FY 1998 Defense Authorization Act, acknowledges that each country's contribution is a mix of political, military, and economic elements, and that influencing and increasing allied efforts is a long-term endeavor heavily influenced by specific historical and geographical circumstances (including economic realities). The manner in which allies contribute to shared security objectives is also defined by the very different multilateral (NATO) and bilateral (East Asia-Pacific and Southwest Asia) frameworks within which those contributions are made.

Summary Assessment

This section includes an assessment of country contributions under the terms specified in the FY 1998 Defense Authorization Act, as well as a more comprehensive evaluation consistent with previous reports.

Assessment Stipulated in the FY 1998 Defense Authorization Act

The FY 1998 Defense Authorization Act urges U.S. allies to increase their efforts in one or more of the following areas:

- Investment in defense, as represented by defense spending as a percentage of gross domestic product (GDP);
- Contributions to multinational military activities;
- Cost sharing for stationed U.S. forces;
- and Foreign assistance.

Chart I-1 presents an overview assessment of contributions made in each of these categories by our NATO and Pacific allies and our security partners in the Gulf. The assessment is based on the most recent, complete, and reliable data available: through 1997 for defense spending and multinational military activities, through 1996 for cost sharing and foreign assistance. The chart shows that all of the countries addressed in this Report meet at least one of the Congressional responsibility sharing targets listed above, and the majority meet two or more of them. National strengths are clearly evident, as are those areas of concern—such as continued pressure on defense budgets—where more clearly needs to be done.

NATO Allies. Like the United States, most of our NATO allies continue to experience real reductions in their defense budgets. European host nation support remains essentially level and

focused on indirect contributions. Many of these nations provide substantial foreign assistance, with the contributions of all NATO allies for which data are available exceeding those of the United States (relative to GDP). Most NATO nations also contribute substantially to and participate extensively in shared military roles, missions, and combined operations within and beyond NATO.

**Chart I-1
Countries Achieving Congressional Targets***

	Defense Spending as % GDP (1997)	Multinational Military Activities (1997)	Cost Sharing (1996)	Foreign Assistance (1996)
NATO Allies				
Belgium				✓
Canada		✓		✓
Denmark		✓		✓
France		✓		✓
Germany		✓		✓
Greece	✓	✓		✓
Italy		✓		✓
Luxembourg		✓		✓
Netherlands		✓		✓
Norway		✓		✓
Portugal		✓		✓
Spain		✓		✓
Turkey	✓	✓		✓
United Kingdom		✓		✓
Pacific Allies				
Japan		✓	✓	✓
Republic of Korea				✓
Gulf Cooperation Council				
Bodrian	✓			
Kuwait	✓			✓
Oman	✓			
Qatar	✓			
Saudi Arabia	✓			✓
UAE	✓			

*Congressional targets are as follows:

1. Increase defense spending share of GDP by 10% over the previous year, or to a level commensurate with the U.S.
2. Increase military assets or other resources contributed to or earmarked for multinational military activities.
3. Increase offsets for U.S. stationing costs to a level of 75% by the year 2000.
4. Increase foreign assistance by 10% over previous year, or to a level commensurate with the U.S.

Pacific Allies. Japan maintains an enviable record of providing host nation support and foreign assistance, although its level of defense spending as a share of GDP remains at just 1 percent due to political constraints. The Republic of Korea also provides host nation support and maintains a substantial investment in defense (over 3 percent of GDP), but in light of its limited per capita GDP makes only very modest contributions to foreign assistance.

Gulf Cooperation Council (GCC). Each of the GCC nations has a per capita GDP below the average of all countries addressed in this Report, yet spends an above-average share of GDP on defense, with the shares of Qatar, Saudi Arabia, Oman, and Kuwait in the 10 to 15 percent range. Kuwait's foreign assistance relative to GDP leads all nations in this Report.

Comprehensive Assessment of Contributions. The targets embodied in the FY 1998 Defense Authorization Act are a sound basis upon which to assess country efforts, although the Department believes that a thorough evaluation requires a somewhat expanded approach. Because nations' efforts are subject to short-term volatility, and due to large differences in the economies, demographics, and standard of living among the nations included in this Report, year-to-year comparisons of absolute levels of effort can be highly misleading. Thus, the Department has long maintained that—in contrast to the short-term, "pass/fail" perspective of the Congressional targets—assessments should acknowledge trends in country contributions, and be based on a country's ability to contribute.

Moreover, in addition to the four categories identified in the Authorization Act, previous assessments by the Department have also addressed military personnel and standing forces as key measures of a country's contribution to shared security objectives. Finally, although an assessment of U.S. efforts is not specified in the Authorization Act, the Department believes such an assessment should be included in this Report for completeness and balance. This more comprehensive evaluation yields an assessment similar to that resulting from the approach mandated in the FY 1998 Defense Authorization Act. That is, when countries' efforts are analyzed with respect to their ability to contribute, each nation in the Report makes substantial contributions in at least one (and the majority in at least two) of the four Congressional categories. As summarized in Chart I-2, however, several key differences emerge relative to the results in Chart I-1.

Chart I-2
Countries Making Substantial Contributions
Based on Ability to Cooperate*

	Defense Spending (1997)	Multinational Military Activities (1997)	Cost Sharing (1996)	Foreign Assistance (1996)
United States	✓		N/A	
NATO Allies				
Belgium		✓		✓
Canada		✓		✓
Denmark		✓		✓
France	✓	✓		✓
Germany				✓
Greece	✓	✓		
Italy		✓		
Luxembourg			✓	✓
Netherlands		✓		✓
Norway		✓		✓
Portugal		✓		
Spain		✓		
Turkey	✓	✓		
United Kingdom		✓		✓
Pacific Allies				
Japan			✓	
Republic of Korea	✓			
Gulf Cooperation Council				
Bahrain	✓	✓		
Kuwait	✓		✓	✓
Oman	✓		✓	
Qatar	✓	✓	✓	
Saudi Arabia	✓			
UAE	✓			

*Assessments are based on comparing a nation's share of total contribution of all nations addressed in this Report with its share of total ability to contribute (either GDP or labor force). A country's efforts are assessed to be "substantial" when its contribution share exceeds by at least 20 percent its GDP or labor force share.

For example, U.S. defense spending is assessed as follows: U.S. share of total defense spending is 51 percent (contribution); U.S. share of total GDP is 38 percent (ability to contribute). U.S. defense spending is related 'substantial' because its contribution exceeds ability to contribute by 34 percent (51 divided by 38).

Chart I-2 (Continued)
Countries Making Substantial Contributions
Based on Ability to Contribute

	Active-Duty Military Personnel (1997)	Ground Combat Capability (1997)	Naval Tonnage (1997)	Tactical Combat Aircraft (1997)
United States			✓	
NATO Allies				
Belgium				✓
Canada				
Denmark				
France	✓			✓
Germany				
Greece	✓	✓	✓	✓
Italy	✓			
Luxembourg				
Netherlands		✓		
Norway	✓	✓		
Portugal	✓		✓	✓
Spain				
Turkey	✓	✓	✓	✓
United Kingdom			✓	
Pacific Allies				
Japan				
Republic of Korea	✓	✓		
Gulf Cooperation Council				
Bahrain	✓	✓	✓	✓
Kuwait	✓	✓		✓
Oman	✓	✓	✓	✓
Qatar	✓	✓		✓
Saudi Arabia	✓	✓		✓
UAE	✓	✓		✓

- Although France and the Republic of Korea fail to meet the Congressional target for defense spending as a share of GDP, these nations - in addition to the countries highlighted in Chart I-1 - merit recognition for contributing a share of defense spending significantly larger than their share of GDP.
- Likewise, while Belgium and Qatar failed to meet the Congressional objective of increasing their contributions in 1997 in the category of multinational military activities, their level of effort is nonetheless substantial in view of their ability to contribute. Conversely, although Germany and Japan did register increases—and thus meet the Congressional target - Japan's share of contributions remains substantially below its share of ability to contribute, and Germany's effort is roughly commensurate with its means.
- Japan is the only nation that meets the Congressional target for cost sharing, yet relative to ability to contribute, Kuwait's bilateral cost sharing contributions to the United States lead all countries in this Report. Qatar, Oman, and Luxembourg also contribute shares of host nation support significantly above their respective share of GDP. (The Republic of Korea is excluded from this list due to measurement problems surrounding estimates of

ROK's indirect cost sharing contributions for 1996, and is expected to rejoin this ranking once full cost sharing estimates for 1997 are compiled later this spring.)

- Almost every nation in this Report meets the Congressional target for foreign assistance, aided by unavoidable anomalies in year-to-year reporting, or by the relatively low ranking of the United States which is used as a benchmark for evaluating allies. When efforts are assessed based on ability to contribute, however, aid provided by countries such as Saudi Arabia, Italy, and Portugal is average, and is below average in the case of Spain, Japan, Greece, and the Republic of Korea - though each of these countries meet the Congressional target, as shown in Chart I-1.

Finally, the more comprehensive approach assesses nations' performance in the additional areas of military personnel and standing forces (ground, naval, and air). Although not addressed by the FY 1998 Defense Authorization Act, these categories are important to the shared security objectives of deterrence and self-defense, and have been evaluated by the Department in previous reports. Chart I-2 shows that most nations make substantial contributions in relation to their ability to contribute in at least one of these categories. Most notably, Greece, Turkey, Bahrain, and Oman register substantial contributions in all four areas, while Portugal, the Republic of Korea, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates achieve this distinction in three categories. In contrast, six nations (Canada, Denmark, Germany, Luxembourg, Spain, and Japan) fail to contribute substantially more than their relative share of GDP or labor force in any of these areas.

Conclusion

As stated in previous reports on this topic, the Department believes country efforts present a mixed but generally positive picture in terms of shouldering responsibility for shared security objectives. The United States continues to maintain a close and systematic dialogue with allied governments at all levels concerning responsibility sharing strengths and weaknesses, and this in turn has contributed to an increased awareness of our concerns in allied capitals. We will persist in engaging allies in this manner, focusing on the need for increased attention to defense budgets and host nation support, and further strengthening of foreign assistance and participation in both bilateral and multilateral efforts to enhance our collective security. This is an evolutionary effort, and we will continue to press for progress across the board. Finally, the Department continues to urge - in the interests of achieving a balanced assessment of nations' efforts - that short-term pass/fail objectives be supplemented with a review of longer-term trends based on countries' ability to contribute.

Chapter II: Regional Overview and Contributions of Key allies

This chapter places the Administration's responsibility sharing policy in strategic perspective, and describes differences in U.S. security objectives, mutual security arrangements, and forward presence in the three regions most important to vital U.S. security interests: Europe, East Asia-Pacific, and Southwest Asia.

NATO Allies

Responsibility sharing in Europe cannot be understood without reference to NATO, the most successful security alliance in history. It is through and in connection with this unique enterprise that our transatlantic security partnership is given form and content, and allied responsibilities are defined, allocated, and shared.

NATO has guaranteed transatlantic peace and security for 50 years. It has played a pivotal role in terminating the Cold War on terms favorable to the United States and our allies, ensuring

security in the Mediterranean, and projecting Western power and influence into the Middle East and North Africa. The Alliance has also served as a useful forum for coordinating policies with respect to other parts of the world. Today, NATO remains a unique instrument for guiding change, deterring and managing crises, and applying military force where necessary.

The Alliance continues to serve as an irreplaceable mechanism for the exercise of U.S. leadership in international security affairs, and for the projection of American power and influence across the Atlantic and beyond. NATO provides the single most important vehicle for the coordination of national security policies and actions, both within and outside of Europe. An integrated political and military organization, the Alliance is the forum where the member states work out arrangements for shouldering political and military risks and economic costs, and for assigning and coordinating military roles and responsibilities.

Unique habits of cooperation have evolved in NATO over the past half-century. Thus, although our European allies do not offset the same percentage of U.S. stationing costs as do Japan and the Republic of Korea, they contribute significantly more toward sharing the military roles, as well as the overall political and economic costs, of protecting shared interests.

NATO's common-funded budgets have long been unique instruments for achieving defense objectives while reducing each country's costs through economies of scale and the development of joint projects. Common funding is among the oldest and most effective means of achieving U.S. responsibility sharing objectives. The United States, in view of its global commitments, participates in NATO's common-funded projects at a "discount"—i.e., the U.S. cost share (roughly 25 percent) is proportionately smaller than its share of NATO's collective GDP (nearly 50 percent). The common-funded budgets are a dramatic example, at the level of finances and resources, of the multiplier effect provided by NATO membership, which allows us to achieve cost-saving, coordinated actions among the member states.

The successful defense of our international security interests depends fundamentally on effective American leadership of NATO. The presence of significant numbers of U.S. forces in Europe underpins that leadership and the military effectiveness of the Alliance. Forward basing strengthens peace and stability within the region and provides a platform for the projection of power and influence beyond Europe that is more immediate, credible, and cost-effective than basing in the continental United States.

The vast majority of the approximately 100,000 U.S. forces based in Europe are stationed in three countries: 49,000 in Germany, and approximately 12,000 each in Italy and the United Kingdom. In addition, France is a principal European ally, and spends more on defense than any other nation in Europe (\$42 billion in 1997). These four countries have for many years shouldered a broad range of political, military, and financial responsibilities vital to the achievement of shared security objectives, by working in concert with the United States diplomatically: hosting U.S. nuclear and conventional forces; maintaining substantial, modern armed forces of their own; participating in combined operations within Europe and beyond in support of defense and deterrence; and extending significant foreign assistance to promote peace and security. The following sections highlight notable contributions of these key NATO allies.

Germany

Germany's geographical location, economic strength, military capabilities and political influence make it a vital European ally. With one of the largest of NATO's armed forces in Europe (over 330,000), German military forces are modern, well-equipped, trained, and led, and are a major component of Alliance military capabilities.

Reflecting growing readiness to participate in crisis management and peacekeeping operations, Germany is increasingly involved in providing forces for multilateral military missions. In 1997, Germany contributed troops to both NATO and UN missions in the former Yugoslavia, Africa, and Asia. Beginning in January 1997, Germany has taken the unprecedented step of deploying a contingent of 3,000 combat troops in the former Yugoslavia as part of SFOR. Germany's military presence in the former Yugoslavia represents a change in Bonn's approach to crisis management and a welcome strengthening of our political-security partnership. In addition to its financial contributions to UN missions, Germany actively *participates* in peacekeeping operations in the former Yugoslavia, on the Iraq-Kuwait border, and in Georgia.

German defense spending in 1997 was 1.6 percent of GDP, down from a level of 2.8 percent in 1990. Pressure on the German defense budget remains strong, particularly in view of the country's difficult economic situation, European Monetary Union imperatives, continuing financial investments in eastern Germany, and assistance to former Soviet bloc countries.

We are concerned about current and projected German defense budget trends, and are urging the German government to give close attention to this matter.

Financially, Germany continues to play a unique role in supporting the successful democratization of Central and Eastern Europe, advancing security and stability as a result. In 1997, Bonn completed payments of almost \$11 billion to facilitate the withdrawal and redeployment of Russian forces from eastern Germany. German government technical assistance also enabled the massive drawdown of U.S. military forces from Germany.

From 1990 to 1996, Germany disbursed over \$65 billion in bilateral assistance (nearly 60 percent of the total contributed by all nations) to Central and East European countries and the Newly Independent States of the former Soviet Union. Germany has also provided billions in aid to the former Yugoslavia (\$355 million in 1996 alone). Furthermore, during 1997, Germany contributed nearly \$10 million to aid nuclear and chemical weapons dismantlement in the former Soviet Union, \$3.9 million to the Korean Energy Development Organization (KEDO), and \$14 million for de-mining operations worldwide.

Typical of NATO allies generally, Germany contributes more to achieving shared interests in the areas of military roles and missions, political cooperation, and economic assistance than in cost sharing for forward deployed U.S. forces. Nevertheless, German cost sharing was estimated at approximately \$1.3 billion in 1996, almost all of which was in the form of indirect contributions. The German government now absorbs all landing fees for U.S. military aircraft, which—according to German estimates—saved the United States some \$18 million. Germany has also expanded host nation support for U.S. bases from which American soldiers have been deployed to Bosnia. This included additional police coverage in housing areas, social services for families, and security and logistical support for deploying forces.

United Kingdom

The United Kingdom remains one of our closest and most important allies, working in concert with the United States across a broad range of political and military issues both within NATO and bilaterally. A nuclear state with significant power projection capabilities, the United Kingdom brings to our security relationship not just a regional but also a global orientation. British forces are deployed to some 30 locations outside the United Kingdom. The British defense budget has declined, but defense spending as a share of GDP (2.8 percent in 1997) has remained more robust than most and among the highest in NATO. The United Kingdom provides substantial host nation support for stationed U.S. forces, almost entirely in the form of indirect contributions. British forces constitute the backbone of the Allied Command Europe

(ACE) Rapid Reaction Corps (ARRC), and play a significant both in NATO military missions as well as in peacekeeping operations under the auspices of the United Nations.

In 1997 the British SFOR contingent numbered some 5,000 ground troops, second in size only to the United States contribution. In December 1996, British aircraft and ships were transferred from NATO operations "Sharp Guard" and "Deny Flight" to operation "Deliberate Guard." Additionally, British forces participate in coalition operations in Southwest Asia, including the enforcement of no-fly zones over northern and southern Iraq, and are also involved in UN-mandated operations in Cyprus, on the Iraq-Kuwait border, and in Georgia.

The United Kingdom provides bilateral assistance for humanitarian efforts and reconstruction projects in the former Yugoslavia (totaling \$70 million in 1996), as well as its share of the European Union aid commitment. The United Kingdom was the first European country to support KEDO, with a \$1 million contribution in 1995, and was among the leaders of the successful effort to secure an EU contribution to KEDO. Under a new agreement between the EU and KEDO, the United Kingdom has agreed to pay an additional \$3.26 million over a five-year period to KEDO. The United Kingdom provided nearly \$3.8 billion in foreign assistance in 1996, a level nearly double that of the United States in terms of ability to contribute.

Italy

Italy contributes actively to our security partnership, both through NATO and bilaterally. Italy is a major staging and logistics base for operations in and beyond the immediate region. Relative to Europe's central region, Italy has always possessed the military advantage of strategic depth, while at the same time providing a key front-line presence in the Mediterranean region. Italy hosts U.S. forces and contributes significantly to U.S. power projection capability into and throughout the region. NATO air bases in Italy, for example, have provided essential staging and transportation points for SFOR operations in Bosnia.

Italian defense spending relative to GDP was just under 2 percent in 1997. This represented only a marginal decrease in this ratio from 1996, and the 10 percent decline in this figure between 1990-1997 is among the lowest in NATO. Italy's host nation support for U.S. forces during 1996 was estimated at more than \$500 million, consisting almost entirely of indirect contributions.

In addition to its NATO missions—including its commitment of 1,700 military personnel to SFOR—during 1997 Italy also participated in UN operations in Jerusalem, Bosnia and Herzegovina, Croatia, Lebanon, on the Iraq-Kuwait border, in the Western Sahara, Albania, Cyprus, and on the India-Pakistan border. Furthermore, Italy played a major role in the stabilization of Albania in 1997, leading and contributing 3,000 troops to a Multinational Protection Force under UN and OSCE auspices to ensure freedom of movement for humanitarian operations in that troubled country.

Italy contributed \$45 million in 1996 for emergency humanitarian and reconstruction assistance to the former Yugoslavia. Italy's total foreign assistance in 1996 was \$2.5 billion, an increase of 29 percent from 1995 levels. In July 1995, Italy pledged to donate \$2.2 billion to KEDO over the course of three years.

Finally, Italy took significant steps in 1997 to promote cooperative security relationships throughout Europe, forming a joint amphibious brigade with the Spanish and a joint maneuver brigade with Slovenia and Hungary. Italy also signed defense cooperation accords with the Czech Republic, Slovenia, Poland, Macedonia, Georgia, Romania, and Slovakia, covering a range of training activities, provision of excess defense articles, and joint military exercises.

France

France carries an important share of the burden of defending Western interests, and maintains substantial defense spending levels. French defense spending relative to GDP was just under 3 percent in 1997, a modest decrease from 1996. Since 1990 this figure has dropped 16 percent, roughly half the rate of decrease for NATO as a whole. Despite its often ambiguous relationship to the NATO alliance, France retains considerable nuclear and conventional military power and thus contributes substantially to the Alliance's deterrent posture.

France makes noteworthy international peacekeeping efforts, and has committed 2,500 troops to SFOR missions - the fourth largest after the United States, the United Kingdom, and Germany. In addition to its NATO missions, during 1997 France participated in UN missions in Jerusalem, Bosnia and Herzegovina, Croatia, Lebanon, the Iraq-Kuwait border, the Western Sahara, Angola, Georgia, and Haiti.

French Reaction Forces outnumber those of any other nation addressed in this Report with a total contribution of four combat divisions, integral combat support and combat service support groups, and nearly 56,000 troops.

In 1996, France contributed over \$7 billion in foreign assistance, third largest of all Allies in this Report, behind Japan and Germany.

Pacific Allies

Our key security relationships in Asia are with Japan and the Republic of Korea. As is the case with NATO in Europe, these alliances grew out of the experience of World War II and the early years of the Cold War. Like NATO, these two bilateral relationships were instrumental in helping to manage Cold War realities and are now adapting not just to a fundamentally altered global geopolitical situation, but to emerging challenges and opportunities in the region.

At the heart of both alliances is the continued presence of significant numbers of U.S. troops: 43,000 in Japan and over 36,000 in Korea. These forces play a vital role in contributing to peace and security in the region, and are a tangible expression of vital American interests in Asia, and of U.S. will and capability to defend those interests in concert with our allies.

In view of the constraints that influence the policies and capabilities of both countries—in Korea the division of the peninsula and the threat of conflict, and in Japan the complex legacy of World War II—their responsibility sharing has focused more on assuming a substantial share of U.S. stationing costs and less on other aspects, such as active participation in shared regional and global military roles and missions.

In late 1995, the United States concluded new multi-year cost-sharing agreements with both countries. These accords build effectively on past arrangements and provide for significant and increasing host country participation in cost sharing. This welcome contribution is critical not only to maintaining the military readiness of our deployed forces, but also for sustaining the political support that is essential to forward stationing, and thus to our ability to project U.S. power and influence in defense of shared interests.

Japan

Our bilateral alliance with Japan is fundamental to both our security policy in the region and our global strategic objectives. Countries throughout the region view the alliance as a major element of stability and security. Japan is expanding cooperation with the United States and is taking an increasingly active role in international security affairs. Although Japan spends less on

defense as a share of GDP than any other major ally (1 percent), because of the size of its economy. Japan ranks third in defense expenditures among the countries in this Report.

Cost sharing in support of stationed U.S. forces remains Japan's most significant responsibility sharing contribution. Its host nation support is the most generous of any U.S. ally. In 1996, Japan's cost sharing in support of U.S. forces amounted to approximately \$4.6 billion or about 78 percent of total U.S. basing costs.

In 1995, we concluded a new five-year (1996-2001) Special Measures Agreement (SMA) with Japan. Under the terms of the SMA, Japan pays virtually all of the costs of local national labor employed by U.S. forces and public utilities on U.S. bases, along with the costs of transferring U.S. training activities from U.S. bases to other facilities in Japan when Japan requests such transfers. In 1996 Japan provided about \$1.0 billion under the SMA.

Under the Facilities Improvement Program (FIP), Japan provides substantial funding for quality-of-life projects. These projects include bachelor and family housing, community support and recreation facilities, and utilities upgrades. In recent years Japan has also shown increased flexibility under the FIP in constructing direct operational facilities, such as hangars and hardened aircraft shelters. In 1996 Japan provided approximately \$1.1 billion for construction, restoration, and maintenance of facilities. In addition, in 1996 Japan also provided roughly \$800 million in rents and around \$700 million for vicinity improvements.

We estimate that under the new SMA, the value of Japan's direct cost sharing (including cash payments and in-kind contributions) will approximate \$1.7 billion per year through 2001, or \$8.5 billion over the life of the agreement. Over these same five years, Japan's combined direct and indirect cost sharing (i.e., including foregone taxes, rents, and revenues) will be approximately \$5 billion per year—for a total of \$25 billion.

Beyond its cost sharing contribution, Japan's evolving international role means greater involvement in multinational efforts to promote regional and global stability. The Japanese actively support crisis management and nation-building efforts around the world. Japan has the second largest foreign assistance budget of any nation in this Report and is the second largest contributor to UNHCR, UNICEF, and other international humanitarian agencies. Additionally, Japanese peacekeepers have been serving in the Golan Heights. To date, Tokyo has also contributed \$31.7 million to KEDO in support of our mutual nuclear nonproliferation efforts on the Korean Peninsula.

On April 17, 1996, President Clinton and Prime Minister Hashimoto signed a bilateral security declaration which reaffirmed both countries' continuing commitment to our defense partnership. In September 1997, the two countries adopted the new Guidelines for U.S.-Japan Defense Cooperation. When implemented, the Guidelines will provide greater Japanese support for U.S. operations in a regional contingency.

The Republic of Korea

Our security relationship with the Republic of Korea remains central to the stability of the Korean Peninsula and Northeast Asia. U.S. forces stationed in the ROK contribute significantly to the security and territorial integrity of the country, and are a tangible manifestation of U.S. support for peaceful change and democratic evolution in the region.

In November 1995, the United States concluded the first multi-year Special Measures Agreement (SMA) with the Republic of Korea, covering the period 1996-1998. Under the SMA, the Koreans agreed to increase their direct cost sharing contribution, which stood at \$300 million for 1995, by 10 percent each year, to approximately \$400 million in 1998. Over the life of the

agreement, this direct support will exceed \$1 billion. Moreover, the cash component of this contribution, which in 1996 made up two-thirds of the total, will increase to three-fourths of the total in 1998, with a corresponding decrease of the in-kind component.

A serious Asian financial market crisis in late 1997 has taken its toll on the Korean economy, and has halved the value of the Korean won relative to the dollar. Because of the SMA's provision to conduct transactions in U.S. dollars, this crisis could have had potentially major cost-sharing ramifications for 1998. In order to preserve the value of the SMA while taking into account the impact of the financial crisis on the value of the won, Secretary Cohen has assured the ROK leadership that we would not profit from this situation. Consequently, we are exploring ways to retain the value, or purchasing power, of the SMA to take into account new exchange rate realities and maintain the ROK's cost-sharing obligations at the level intended by the SMA. This process of adjusting the SMA is now underway.

Not related to the financial crisis, in an effort to validate ROK's methodology in calculating their indirect cost sharing contribution, U.S. Forces Korea has conducted a valuation estimate and analysis of foregone land rents, based on recommendations made during the 1997 SMA Implementation Review in Seoul. This survey estimated foregone rent to the ROK for U.S. controlled exclusive-use land. Based on the results of this survey, as of this writing we estimate that ROK's indirect cost sharing for 1997 amounted to approximately \$277 million.

Apart from cost sharing, the ROK makes major contributions to regional security by maintaining strong, modern armed forces. In 1997 the Republic of Korea devoted 3.2 percent of its GDP to defense. ROK annual defense spending has grown by 33 percent since 1990, compared to a decline of 20 percent for all other Pacific and NATO allies combined, and a reduction of 27 percent for the United States over this period.

Because of the security situation on the Korean Peninsula, Seoul's defense effort continues to focus on the maintenance and improvement of military readiness. As such, the ROK does not participate extensively in military roles and missions, including combined operations, elsewhere in the region and beyond. Furthermore, economic constraints limit the ROK's ability to make large contributions to foreign assistance. In 1996 and 1997, however, Seoul contributed approximately \$12 million to KEDO and provided an additional loan of \$45 million in support of shared nuclear nonproliferation goals under the U.S.-North Korea Agreed Framework. Moreover, the ROK has committed to play the central role in funding the cost of the light water reactors to be constructed in North Korea.

Gulf Cooperation Council

The U.S. security strategy in Southwest Asia remains one of engagement, forward presence, and rapid response. We seek to sustain and adapt security partnerships with key states throughout this critical region, broaden the economic and cultural underpinnings of these relationships, and promote peaceful settlement of regional disputes before they erupt into conflicts that could threaten our interests. Acting alone, neither the United States nor its partners in the region can ensure the security of Southwest Asia. Collective efforts are essential.

The security framework in which we operate in Southwest Asia is strikingly different from those in other regions of vital interest to the United States. Here we have no formal bilateral or multilateral defense treaties, but instead rely on a range of executive agreements for military access, prepositioning, status of forces, and security assistance.

Our principal security partners in this region are the member states of the Gulf Cooperation Council (GCC): Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. These nations carry a substantial proportion of the defense load—each having a lower (and in

some cases, substantially lower) per capita GDP than the average of all nations addressed in this Report, yet spending more (to substantially more) of their GDP on defense than the average. As a result, the contributions of the GCC states to military personnel and standing forces far exceed their share of total GDP of all countries included in this Report. In spite of these laudable efforts, there remains a substantial disparity between the military forces of the GCC states and those of their principal antagonists in the region.

Due to this imbalance, the United States continues to urge the Gulf countries to work closely with other moderate Arab states to enhance their collective ability to defend the region. The first step in this direction was taken immediately following the Gulf War, when the six GCC members plus Egypt and Syria (the so-called "GCC+2") pledged to enhance their common defense capabilities in the 1991 Damascus Declaration.

Our GCC partners also contribute to regional security by providing U.S. forces the use of military facilities, transit rights, and other forms of access. Bahrain, for example, has provided port facilities for U.S. naval forces for nearly 50 years; it also hosts the headquarters for U.S. Naval Forces Central Command, furnishes facilities for prepositioned equipment, and has granted rapid access for U.S. military aircraft when needed. Oman has also permitted the United States to preposition equipment on its territory, and has granted emergency access to its military bases since 1980. Since the Gulf War, defense cooperation agreements permitting access and prepositioning have been signed with Kuwait, Bahrain, Qatar, and the United Arab Emirates. Under the agreement with Kuwait, that nation has agreed to offset U.S. prepositioning and exercise costs. Saudi Arabia also provides access to U.S. forces and has made substantial contributions to offset the cost of U.S. military operations in the region enforcing UN sanctions on Iraq. Furthermore, during 1996-1997 Bahrain and Qatar have hosted an Air Expeditionary Force for two-month rotations in support of Operation Southern Watch.