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# Support for the FY1999 Security Assistance Budget Request

By

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**Under Secretary of Defense for Policy**

[The following is a reprint of testimony provided by Mr. Slocombe before the Foreign Operations Subcommittee of the House Committee on Appropriations in Washington, D.C., on 25 February 1998.]

Again, as in past years, I am here to support the Administration's foreign aid request and would like to discuss with you the continued importance and viability of the security assistance program as a component of our national security policy. Like the overall foreign aid budget, the security assistance budget provides us with tools with which to stay engaged with the world and to help us shape events in regions vital to American interests. Your leadership, and the consistent support of this Committee, has made the success of this important program possible.

As we sit here today, American soldiers, sailors, and airmen are deployed in many spots around the world with allied personnel, many of whom are equipped with U.S. weapons, have studied at U.S. military schools, U.S. and have conducted joint training exercises with U.S. forces. One of the reasons they are able to work with us and are able to share responsibilities, is the strength of the ties between our militaries established through the security assistance program. Because defense self-sufficiency and interoperability with U.S. forces are two of the major goals of the program, the burden carried by the United States is not quite as heavy and the risks borne by American servicemen and women are not as great.

In every part of the world, America's interests are being served by robust security assistance relationships. From the expansion of NATO to demining activities in Africa and Asia to counternarcotics efforts in Latin America, the dollars spent on security assistance contribute to making us safer and to the spread of American values. The seeds sown by these programs bear fruit in the form of more stable and prosperous nations who are less likely to attack their neighbors or terrorize their citizenry. Additionally, by creating environments conducive to economic development, American workers will benefit from expanding global markets and trade.

We fully understand, however, that fiscal responsibility dictates close scrutiny of our budget request. I believe that you will find that we have taken the expenditure of taxpayer money very seriously—in fact, this year's Foreign Military Financing (FMF) request is \$44.34 million less than what we asked for last year. The lion's share of that amount is the result of program success. This year, we are not requesting FMF assistance for two of our NATO partners. Both Turkey and Greece, have developed their military infrastructure to a point where they no longer need the \$46 million loan subsidy requested last year. This, and other program changes, effectively allowed us to increase support to Partnership for Peace programs which is a vital part of our NATO expansion efforts and to European security.

Two other parts of our request that are of special interest to the Department of Defense are those supporting Voluntary Peacekeeping Operations (PKO) and Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR). In both instances, we are seeking increased funding for programs we believe are critical to major foreign policy activities. First,

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in the case of PKO, we are seeking \$83 million in FY 99. Part is to support ongoing activities designed to ensure continued progress in consolidating democracy in Haiti and part is to support Organization for Security and Cooperation in Europe's (OSCE's) Bosnia peacekeeping activities, OSCE preventative diplomacy missions elsewhere Europe, and to support the Africa Crisis Response Initiative.

Second, the bulk of the increase in the NADR account request of \$215 million will help to support humanitarian demining efforts connected with the President's Demining 2010 Initiative. By leveraging other international contributions, we believe that the \$50 million will go a long way toward reaching the President's goal of ridding the world of uncleared landmines that threaten civilian populations by the year 2010.

These are just a few examples of how security assistance works directly for the U.S. taxpayer, producing security and economic benefits far in excess of the money spent. I will touch on several other programs important to our foreign policy agenda—all represent good investments in a future friendly to American interests and need your continued support.

### **International Military Education and Training (IMET)**

IMET is perhaps our most cost-effective security assistance program. IMET fosters military-to-military relations and promotes military professionalism, both of which are key to our ability to quickly and effectively conduct joint operations as well as to contribute to the ability of our friends and allies to defend themselves. It also trains small-unit and field commanders in how to conduct operations in ways that are both effective and respectful of the rights of both combatants and non-combatants. Further, the Expanded International Military Education and Training (E-IMET) program addresses issues of military justice, respect for internationally recognized human rights, effective defense resource management, and improved civil-military relations. All of these issues contribute to our objectives of building democracy and broadening respect for American values in such places as Central America, Africa, and the Newly Independent States. In the Middle East, Jordan is one of the most significant long-term IMET success stories in the world.

Graduates of both the traditional and the Expanded IMET programs frequently rise to positions of significant responsibility in their home countries — a factor that can be of considerable importance in building positive government-to-government relationships. For this reason, the Commanders in Chief of the unified commands have consistently identified IMET as a key tool for enhancing political/military relations with the various countries in their regions.

Since 1991, we have broadened the reach of the IMET program to nearly 30 new countries, primarily in Central Europe and the Newly Independent States of the former Soviet Union (NIS/FSU). The IMET program is an important component of our plan for expanding NATO to include Poland, Hungary, and the Czech Republic as well as of our efforts to improve the professionalism of, and enhance interoperability with, the militaries of other Partnership for Peace countries. In FY97, we trained more than 8,000 international students through the IMET program, of which 22% came from PFP nations. In FY98, we expect to train approximately 8,000 more students worldwide many of whom, again, will be from Central European and NIS countries. Therefore, we are asking for \$50 million, an amount consistent with last year's request for IMET funding and commensurate with the program's global utility and the requirements for training in these new democracies.

### **Central Europe and the NIS**

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We are requesting \$80 million in FMF grant funding for the Warsaw Initiative, an increase of \$13 million over last year's request. This funding support for NATO's Partnership for Peace is critical in helping to ensure that Poland, the Czech Republic, and Hungary will be ready to accept the military, political and economic burdens of NATO membership. It also helps to keep the door open to countries not yet invited. The progress of the NATO enlargement process makes it essential that we fund the program at a level sufficient for the armed forces of new NATO invitees to become truly interoperable with U.S. and NATO forces. At the same time, we need to continue helping other Partner countries progress toward possible membership. Further, funds are also needed to enhance cooperation with eight countries of the NIS that became eligible for FMF grant funding for the first time in FY 1997.

### **Loans to Central Europe**

We are also requesting \$20 million to subsidize an estimated \$167 million in loans to Central European (CE) countries. Unlike the grant assistance requested for PFP, these loans are intended to help address major infrastructure deficiencies, such as lack of airlift capability and NATO-compatible air defense, radar, and communications equipment.

One important aspect of assistance to CE countries, especially those that may not be invited to join NATO initially, is peacekeeping. Virtually all of the CE countries already maintain or are forming dedicated peacekeeping units. Unfortunately, lack of compatible transportation and communications equipment is a major limitation on these countries' ability to work alongside U.S. or NATO troops in international peacekeeping missions. Grants and loans to these countries can make their peacekeeping contributions more effective in the near term, while helping to make them better prepared for possible future NATO membership.

### **Greece and Turkey**

For the first time, we are not requesting assistance money in our FY 99 request for either Greece or Turkey. This represents a success for the security assistance program, as did the previous transitions of such NATO allies as Spain, Italy, and Portugal. Across the board, our long-term objective is the full defense self-sufficiency of friends and allies. In the cases of Greece and Turkey, this goal has been achieved.

This does not, however, mean that we will be any less engaged with these nations. It is strongly in our interest to continue to assist Turkey even as we engage the Turks frankly and openly on issues of concern to us, such as human rights and regional tensions. Turkey remains a close ally. It is enduring substantial economic losses and political burdens to maintain the embargo upon Iraq and the enforcement of the no-fly zone over the northern portion of that country. It is playing a leading role in the training and equipment effort in Bosnia. Above all, it is an important, pro-Western bulwark at the juncture of several unstable regions, and it supports interests vital to the United States.

It is also in our interest to continue our efforts to strengthen Greece—a key NATO ally in a strategic location—and their ability to support us and NATO in response to various crises in a volatile part of the world. We want to see Greece expand its participation in NATO operations, including peacekeeping, and to improve its interoperability with NATO forces. Transfers of excess defense articles and IMET assistance will be some of the tools we will use to meet our goals as well as continuing to support the maintenance and refurbishing of U.S. origin weapon systems.

### **Middle East Peace**

Once again we are requesting \$1.8 billion in FMF grants for Israel and \$1.3 billion for Egypt to fulfill our commitment under the Camp David accords. Maintaining Israel's

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qualitative advantage and modernizing the Egyptian armed forces continue to be major goals of these programs. In the case of Israel, FMF dollars will allow continuation of such programs as new F-15I aircraft purchases, combat systems for SAAR-5 corvettes, AIM-120 (AMRAAM) missiles, MLRS, and support for their Apache and Blackhawk helicopters. Additionally, provision of EDA will help support the peace process as well as a wide array of joint activities, including counterterrorism efforts. Such joint R&D projects as Arrow and THEL also help Israel in developing TMD [Theater Missile Defense] and anti-rocket systems which have important benefit to the U.S.

With respect to Egypt, I would like to point out that our FMF assistance plays an important role in promoting regional peace and has the additional benefit of building a strong and reliable coalition partner. Egypt, for example, provided over 40,000 troops in the Gulf War, troops whose interoperability with U.S. forces was greatly increased by U.S.-provided training and equipment. This year's request will allow the Egyptians to continue such major programs as armor and air defense modernization, frigate acquisitions, and to support their F-16s and Apaches.

Another Arab country that has recently taken risks for peace in the region is Jordan. As a gesture of our continued support, we are requesting \$45 million in FY 99 FMF for Jordan to support a squadron of 16 F-16A/B aircraft for which Congress appropriated \$100 million in FY 1996 and \$30 million in FY 1997. The program is on schedule and within programmed cost. To date, nine aircraft have been delivered and the remaining seven are scheduled to arrive in Jordan in March 1998.

### **Demining**

The demining program is an important initiative this Administration has undertaken. The FY 1999 request of \$50 million will help to make a reality President Clinton's Demining 2010 Initiative - an effort intended to leverage global efforts to deal with the tragic consequences of landmine contamination of farmland and infrastructure and to rid the world of those mines by the year 2010. This effort is intended to help the most severely afflicted countries in Central America, the Middle East, Africa and Asia, by providing defense articles and services needed to develop indigenous mine clearing and awareness programs.

### **Enhanced International Peacekeeping Capabilities (EIPC)**

Providing training and equipment to friends and allies for peacekeeping duties is an increasingly important use of security assistance funds. In an effort to improve the peacekeeping readiness of countries that have demonstrated significant potential for greater contributions to international peacekeeping operations, and at the same time reduce U.S. costs for such missions, last year we established a new program called EIPC—Enhanced International Peacekeeping Capabilities. This program is unlike other security assistance programs in that it seeks to train and educate the leadership of selected militaries in peacekeeping operations rather than to simply provide equipment. This year, we are requesting \$8 million, an increase of \$1 million from last year, to continue to strengthen this relatively new program. This FMF program account is distinct from the traditional voluntary peacekeeping account (PKO) because its program requirements will rely upon DoD to provide Mobile Training Teams (MTTS) and specialized training and equipment. As such, DoD-administered FMF funds are better suited than PKO funds to meet the requirement.

The funds will be targeted to help selected countries improve their ability to develop and implement effective peacekeeping training and education programs consistent with internationally-approved standards. The effort will focus on training the military leadership of a selected country rather than on training and equipping standing peacekeeping units. Through

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the procurement of special education training aids, information technologies, and instruction on the development of national-level peacekeeping training and education programs, we will significantly improve the confidence and capability of developing countries to contribute to international peacekeeping missions. This program is being developed in consultation with selected allies to ensure cooperative efforts and avoid duplicative programs. Standardizing peacekeeping training via EIPC will enhance the cohesion and leadership capabilities that often challenge a rapidly-assembled multinational peacekeeping force.

### **Africa Crisis Response Initiative (ACRI)**

Recently, in Africa, there have been several instances where the UN or regional peacekeeping forces have intervened and where African countries themselves have expressed the desire for greater capability to respond to such crises. Accordingly, we are requesting \$20 million (\$15 million from the PKO account and \$5 million in FMF) for the Africa Crisis Response Initiative. Through provision of training and some equipment, our goal is to achieve a threshold of about 10,000 African troops (designated by African countries) for rapid deployment in international peacekeeping and humanitarian operations by the end of FY 99. Primarily a training initiative, the program is designed to permit the U.S. to work with selected African states to create effective, rapidly-deployable peacekeeping units which can operate jointly in a humanitarian crisis or peacekeeping situations. This program will help limit the deployment of U.S. troops for these types of missions.

In addition to ACRI, we will continue to build upon our May 1997 agreement with France and the UK to cooperate and collaborate in a joint effort to enhance African capabilities in the peacekeeping and crisis response area. We will continue to work to try to expand the circle of countries willing to participate in this effort.

### **East Africa Regional Assistance**

Sudan, Africa's largest country, remains a destabilizing factor in the Horn of Africa. Both the Organization of African Unity and the UN Security Council have condemned the government of Sudan for its involvement in the attempted assassination of Egyptian President Mubarak in June 1995. Sudan continues to sponsor or assist efforts to destabilize its neighbors, notably in Uganda, Eritrea, and Ethiopia. Under the rubric of East Africa Regional Assistance, we are again requesting \$5 million in FMF to help these three countries resist Sudanese-fostered destabilization.

### **Caribbean Regional Fund**

Caribbean nations traditionally have been strong allies of the U.S. One of our primary objectives in the Caribbean region is maintenance of regional stability, as the Caribbean constitutes America's "third border." This entails assistance to cooperative security organizations—principally through regional coast guards — to fight against international crime, including terrorism, narcotrafficking, arms trafficking, money laundering, and illegal migration. It also includes support for search and rescue and natural disaster response. We are again requesting \$3M for the regional fund for long-deferred operations and maintenance support to the Eastern Caribbean's Regional Security System (RSS) and the broader Caribbean Community and Common Market (CARICOM) states.

### **Administrative Expenses**

We are requesting \$29.91 million for FMF Administrative Expenses, \$6.66 million over the FY 1998 request level. This line item pays for the non-FMS aspects of our security assistance program worldwide, such as non-FMS security assistance activities of Security Assistance Organizations and Unified Commands, administration of International Military Education and

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Training, Presidential-ordered drawdowns under the authority of the Foreign Assistance Act, and non-FMS Excess Defense Article transfers. It should be noted that the FMS aspects of our security assistance program are charged to a separate account, the FMS Trust Fund Administrative account under the annual FMS administrative obligation ceiling.

The \$6.66 million increase between FY 1998 and 1999 is due to a change in the way the State Department bills for support services they provide to this program in overseas posts. Their support includes financing for the administrative costs for the security assistance activities of the Unified Commands as well as a major part of the costs of the Security Assistance Offices in our embassies abroad (costs relating to FMS work are paid out of administrative surcharges on FMS sales). IMET administration is a particularly important component of these costs. However, we intend to hold costs to support IMET to the same level as in FY 1998.

### **Korean Peninsula Energy Development Organization (KEDO)**

On the issue of US funding for KEDO, the State Department has requested \$35 million in non-security assistance funds to support the organization for FY98. KEDO is charged with implementing technical aspects of the Agreed Framework, including delivery of heavy fuel oil and construction of two light water reactors in North Korea, in return for the North freezing activities at, and eventually dismantling, its nuclear weapons capable facilities. From DoD's perspective, this project is critical to safeguarding the security interests of the US and its allies in the region. A failure of KEDO's efforts could lead to a reactivation of North Korea's nuclear program, which would pose a substantial risk to US forces in the region as well as heighten tensions and insecurity among all Northeast Asian countries. US financial backing is extremely important in demonstrating to our partners in KEDO, particularly the Republic of Korea and Japan, that the US is willing to assume its share of the burden in this security enterprise. US funding also sets an example for other potential contributors that are trying to assess the importance of this project.

There are two other items I need to add before closing. The first is the current Pacific Rim economic situation. Until 1997, the Asia-Pacific region was recognized as the fastest growing economic area in the world. Its market share accounted for over one-third of the world's economic growth, and 25% of the USG's Foreign Military Sales (\$3B in FY 96 and \$2.3B in FY 97). However, 6 months ago, every stock market in the world was shaken by the Pacific Rim economic situation and the subsequent currency devaluation which ranged from 30-50% in some countries. To regain stability, Thailand, Indonesia, and South Korea accepted International Monetary Fund aid packages and reforms, and imposed constraints on budget and procurement actions. Based on currency devaluation alone, Asia Pacific countries have either stretched out FY 98 programs or reduced quantities of systems to stay within budgetary constraints. The impact of the economic crisis will be long felt in the Pacific Rim countries.

The prognosis for future FMS sales in this region is not good. We anticipate delays in military force modernization and reductions in military-to-military contacts as countries wrestle with their fiscal and economic concerns, and civilian priorities. State-of-the-art systems will continue to be in demand but will be less affordable. We will continue to work with customer countries and adjust payment and delivery schedules to keep current programs solvent and to provide for sustainment, maintenance, and military-to-military relationships required for coalition warfare.

The second item I'd like to mention concerns my support for the Comprehensive-Nuclear Test Ban Treaty, or CTBT. On 22 September 1997, President Clinton submitted the CTBT to the Senate for its advice and consent to ratification. DoD is preparing for CTBT entry-into-force. Both Secretary Cohen and the Chairman of the Joint Chiefs of Staff, General Shelton,

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favor ratification of CTBT, as noted in their response to questions during testimony 3 February 1998 before the SASC [Senate Armed Services Committee] addressing the FY99 Defense Budget. Indeed, the Treaty will help shape the international security environment in ways favorable to U.S. interests.

### **Conclusion**

In conclusion, I'd like to stress once again the cost effectiveness of the security assistance program. I strongly believe that the dollars spent to further the defense self-sufficiency of our friends and allies yield benefits to the American public far in excess of their cost. Each time an ally joins us in a peacekeeping effort, each time American servicemen do not need to be deployed to some corner of the globe to deter aggression, and each time a foreign officer or government official takes home an appreciation for democracy, civilian control of the military, and respect for human rights, we strengthen an environment conducive to peace and prosperity and the spread of American values. For this reason, I strongly urge you to support our budget request.

Again, I'd like to thank you Mr. Chairman, and the Committee, for the continued support of this vital program and for the opportunity to address you on the FY 1999 security assistance budget request.

# Fiscal Year 1998 Security Assistance Funding Allocations

By

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On 5 February 1998, the Department of State notified the Senate and the House of Representatives of the allocation of funds which the Executive Branch intends to make available for security assistance programs in Fiscal Year 1998. The funding allocations are based on the funding levels established in the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1998 (P.L. 1205-118, dated 26 November 1998). DISAM's analysis of this legislation appeared in the Winter 1997-1998 issue of *The DISAM Journal* (pp. 1-43) prior to the announcement of the FY1998 funding allocations; the funding tables presented herein, covering FMFP, IMET, ESF, and PKO, update the previous article.

**Table 1**

**SECURITY ASSISTANCE PROGRAM APPROPRIATIONS  
 FISCAL YEARS 1997 AND 1998 FUNDING LEVELS  
 (Dollars In Millions)**

	<b>P.L. 104-208 30 Sep 96 FY1997 Funding</b>	<b>FY1998 Budget Request 12 Feb 1997</b>	<b>S.955 Senate Proposal 17 Jul 97</b>	<b>H.R. 2159 House Proposal 4 Sep 1997</b>	<b>P.L. 105-118 26 Nov 97 FY1998 Funding</b>
<b>FMFP</b>	\$3,764.000	3,973.750	\$4,068.450	\$3,916.250	\$3,953.550
[Grants]	[3,224.000]	[3,274.250]	[3,308.950]	[3,259.250]	[3,296.550]
[Loans]	[540.000]	[699.500][2]	[759.500]	[657.000]	[657.000] [1]
(Subsidy)	(60.000)	(66.000)	(74.000)	(60.000)	(60.000)
<b>IMET</b>	43.475	50.000	47.000	50.000	50.000
<b>ESF</b>	2,362.500	2,497.600	2,541.150	2,400.000	2,400.000
<b>PKO</b>	65.000	90.000	75.000	77.500	77.500
<b>TOTALS</b>	<b>\$6,234.975</b>	<b>\$6,611.350</b>	<b>\$6,731.600</b>	<b>\$6,443.750</b>	<b>\$6,481.050</b>

[1] The FY 1998 FMFP loan program provided \$60M in loan subsidy funding designed to support a maximum of \$657M in direct loans issued at current average treasury rates of interest. Congress placed ceilings for these loans at no more than \$150M for Turkey, and no more than \$105M for Greece. However, the Administration chose to provide grant funds rather than loans to the two countries. These grants were drawn from the FMFP loan subsidy (\$60M), with Turkey receiving \$20.8M and Greece, \$14.42M. See Table 2, Notes 3 and 4, for further information on the FY1998 FMFP loan account.

**Table 2**

**PART I - FOREIGN MILITARY FINANCING PROGRAM GRANT FUNDING**  
(Dollars in Millions) (E - Earmark; C - Ceiling)

<u>Country/Program by Geographical Region</u>	<u>FY1997 FMFP Grant Funding</u>	<u>FY1998 Budget Request</u>	<u>FY1998 FMFP Grant Funding</u>
<b><u>NEAR EAST</u></b>			
Egypt	\$1,300.000 [E]	\$1,300.000	\$1,300.000 [E]
Israel	1,800.000 [E]	1,800.000	1,800.000 [E]
Jordan	30.000	45.000	50.000 [E] [1]
Subtotals	3,130.000	3,145.000	3,150.000
<b><u>EUROPE &amp; THE NIS</u></b>			
Partnership for Peace (PFP)	60.000 [E][2]	70.000	94.350
Greece	0	0	14.420 [3]
Turkey	0	0	20.580 [3]
FYROM	(0.148)	0	2.900 [4]
Baltic Battalion	0	0	2.100 [4]
Subtotals	60.000	70.000	134.350
<b><u>LATIN AMERICA</u></b>			
Caribbean Regional	2.000	3.000	3.000
Subtotals	2.000	3.000	3.000
<b><u>AFRICA</u></b>			
Africa Crisis Response Force	3.000	5.000	10.000
East Africa Regional (Sudan "Front Line States")	4.750	5.000	5.000
Subtotals	7.750	10.000	15.000
<b><u>EAST ASIA &amp; PACIFIC</u></b>			
Cambodia	1.000	1.000	0
Subtotals	1.000	1.000	0

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**Table 2, Continued**

**PART I - FOREIGN MILITARY FINANCING PROGRAM GRANT FUNDING**  
(Dollars in Millions) (E - Earmark; C - Ceiling)

<b>Country/Program by Geographical Region</b>	<b>FY1997 FMFP Grant Funding</b>	<b>FY1998 Budget Request</b>	<b>FY1998 FMFP Grant Funding</b>
<b><u>MISCELLANEOUS</u></b>			
Landmine Clearing & Training	(7.000) [5]	15.000	(15.000) [6]
Defense Admin Expenses	23.250 [C]	23.250	23.250 (C)
Defense Admin Expenses (ICASS)	(0)	(0)	(6.490) [7]
Enhanced International PKO Reserve	0	7.000	7.000
	0	0	3.950
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Subtotals	23.250	45.250	34.200
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<b><u>TOTAL GRANT PROGRAM</u></b>	<b><u>\$3,224.000</u></b>	<b><u>\$3,274.250</u></b>	<b><u>\$3,336.55</u></b>

**PART II - FOREIGN MILITARY FINANCING PROGRAM LOAN FUNDING**  
(Dollars in Millions)

<b>Country/Program by Geographical Region</b>	<b>FY1997 FMFP Loan Funding</b>	<b>FY1998 Budget Request</b>	<b>FY1998 FMFP Loan Funding</b>
<b><u>EUROPE &amp; THE NIS/FSU</u></b>			
Turkey [Loan]	\$175.000 [C]	175.000	0 [3]
Greece [Loan]	122.500 [C]	122.500	0 [3]
Central Europe Defense Loans	242.500	402.000	200.000 [4]
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<b><u>TOTAL LOAN PROGRAM</u></b>	<b><u>\$540.000</u></b>	<b><u>\$699.500</u></b>	<b><u>\$200.000</u></b>
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<b><u>TOTAL GRANT PROGRAM</u></b>	<b><u>\$3,224.000</u></b>	<b><u>\$3,274.250</u></b>	<b><u>\$3,336.550</u></b>
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<b><u>PROGRAM TOTALS [8]</u></b>	<b><u>\$3,764.000</u></b>	<b><u>\$3,973.750</u></b>	<b><u>\$3,536.550</u></b>

[1] For FY1998, Congress authorized Jordan be provided a direct grant drawdown of DoD defense articles, services, and military education and training valued at not less than \$25M. The value of this drawdown is to be added to \$50M of appropriated grant FMFP funds, thereby representing an overall \$75M program earmarked for Jordan.

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[2] In addition to the \$60M in FY1997 FMFP grant funding for the PFP, another \$6.9M (not included above) was transferred to the FMFP account from two economic assistance accounts: *Assistance for Eastern Europe and the Baltic States* and *Assistance for the New Independent States (NIS) of the Former Soviet Union (FSU)*.

[3] In lieu of FMFP loans for Greece and Turkey as originally planned for FY1998, the Administration drew \$35M from the \$60M FY1998 FMFP loan subsidy and allocated it to the two countries in the form of FMFP grants in accordance with the Congressionally-stipulated 7-10 ratio.

[4] The total \$5M grant funding for FY1998 for the FYROM (Former Yugoslav Republic of Macedonia) and the Baltic Battalion was drawn from the \$60M FY1998 loan subsidy. Together with the \$35M of the subsidy used for Greece and Turkey, the remaining \$20M of the subsidy supports the \$200M FMFP loan program for Central Europe.

[5] \$7M in landmine clearing and training funding was appropriated for FY1997 in a new appropriations account, *Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR)*. These funds were designated for use in demining operations under the FMFP authority provided by §23, AECA.

[6] \$15M in demining funding was included in the Administration's FY1998 budget request. These funds were again appropriated in the separate FY1998 NADR account.

[7] An additional \$6.49M will be available to finance ICASS (International Cooperative Administrative Support Services) in FY1998; these funds were provided in the Commerce, Justice, State, and Justice Appropriations Act, 1998, P.L. 105-119, 26 November 1997.

[8] These program totals reflect the sum of all direct *grant* appropriations plus the actual value of the *loan* program. Funds to be transferred from other accounts as shown within parentheses (e.g., Landmine clearing and ICASS funding) are not included in the program totals.

**Table 3**

**International Military Education and Training (IMET)**

**FY 1997 and FY1998 Funding  
(Dollars in Thousands)**

<b><u>Country/Program by Geographical Region</u></b>	<b><u>FY1997 IMET Allocations</u></b>	<b><u>FY1998 Funding Request</u></b>	<b><u>FY1998 Allocated Funding</u></b>
<b><u>AFRICA</u></b>			
Angola	174	200	200
Benin	350	350	350
Botswana	391	500	500
Cameroon	104	125	125
Cape Verde	208	100	100
Central African Republic	158	150	150
Chad	27	50	100
Comoros	76	75	75
Congo (Brazzaville)	147	175	0
Cote d'Ivoire	170	150	150
Djibouti	94	100	100
Eritrea	413	400	425
Ethiopia	313	450	475
Ghana	243	285	340
Guinea	55	150	150
Guinea-Bissau	119	125	125
Kenya	304	400	400
Lesotho	76	75	75
Madagascar	113	100	100
Malawi	228	225	275
Mali	152	175	275
Mauritius	22	50	50
Mozambique	204	175	175
Namibia	188	200	200
Rwanda	359	300	300
Sao Tome & Principe	72	75	75
Senegal	697	675	735
Seychelles	50	75	75
Sierra Leone	3	115	0
South Africa	656	800	800
Swaziland	85	75	75
Tanzania	5	225	225
Togo	25	40	40
Uganda	342	350	400
Zambia	172	150	150
Zimbabwe	298	350	350
<b>Regional Totals</b>	<b>7,093</b>	<b>8,015</b>	<b>8,140</b>

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**IMET, Table 3, Continued**

<b><u>Country/Program by Geographical Region</u></b>	<b><u>FY1997 IMET Allocations</u></b>	<b><u>FY1998 Funding Request</u></b>	<b><u>FY1998 Allocated Funding</u></b>
<b><u>EAST ASIA AND PACIFIC</u></b>			
Cambodia	463	600	0
Indonesia	105	800	400
Malaysia	631	700	700
Mongolia	365	325	425
Papua New Guinea	111	200	200
Philippines	1,295	1,350	1,350
Solomon Islands	146	150	150
Thailand	1,600	1,600	1,900
Tonga	105	100	100
Vanuatu	99	100	100
Western Samoa	95	100	100
Regional Totals	5,015	6,025	5,425
<b><u>EUROPE &amp; THE NIS</u></b>			
Albania	666	600	600
Belarus	273	300	100
Bosnia and Herzegovina	500	600	600
Bulgaria	903	900	950
Croatia	427	425	425
Czech Republic	737	1,300	1,350
Estonia	572	650	650
Georgia	312	375	375
Greece	28	25	25
Hungary	1,014	1,500	1,500
Kazakhstan	389	550	550
Kyrgyzstan	257	325	325
Latvia	535	650	650
Lithuania	523	650	650
Malta	104	100	100
Moldova	268	350	450
Poland	1,000	1,500	1,600
Portugal	551	800	800
Romania	922	900	1,025
Russia	842	850	900
Slovakia	621	600	600
Slovenia	400	600	650
The FYRO Macedonia	319	400	450
Turkey	1,454	1,500	1,500

(Continued on next page.)

**IMET, Table 3, Continued**

<b><u>Country/Program by Geographical Region</u></b>	<b><u>FY1997 IMET Allocations</u></b>	<b><u>FY1998 Funding Request</u></b>	<b><u>FY1998 Allocated Funding</u></b>
<b><u>EUROPE, Cont'd</u></b>			
Turkmenistan	262	300	300
Ukraine	1,015	1,200	1,250
Uzbekistan	286	350	400
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Regional Totals	15,180	18,300	18,775
<b><u>LATIN AMERICA &amp; CARIBBEAN</u></b>			
Argentina	603	600	600
Bahamas	107	100	100
Belize	208	250	250
Bolivia	509	550	550
Brazil	222	225	225
Chile	395	450	450
Colombia	0	900	900
Costa Rica	200	200	200
Dominican Republic	622	500	500
Eastern Caribbean	420	450	450
Ecuador	425	500	500
El Salvador	455	500	500
Guatemala	205	225	225
Guyana	178	175	175
Haiti	275	300	300
Honduras	425	500	500
Jamaica	487	500	500
Mexico	1,008	1,000	1,000
Nicaragua	57	200	200
Panama Canal Area			
Military School (PACAMS)	520	550	550
Paraguay	284	200	200
Peru	483	450	450
Suriname	149	100	100
Trinidad & Tobago	95	125	125
Uruguay	332	300	300
Venezuela	388	400	400
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Regional Totals	9,052	10,250	10,250

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**IMET, Table 3, Continued**

<b><u>Country/Program by Geographical Region</u></b>	<b><u>FY1997 IMET Allocations</u></b>	<b><u>FY1998 Funding Request</u></b>	<b><u>FY1998 Allocated Funding</u></b>
<b><u>NEAR EAST</u></b>			
Algeria	61	75	125
Bahrain	149	175	250
Egypt	1,000	1,050	1,000
Jordan	1,655	1,700	1,600
Lebanon	547	600	550
Morocco	812	900	900
Oman	117	200	225
Tunisia	837	900	900
Yemen	52	75	125
Regional Totals	5,230	5,675	5,675
<b><u>SOUTH ASIA</u></b>			
Bangladesh	342	375	375
India	404	475	475
Maldives, Republic of	85	100	100
Nepal	196	225	225
Sri Lanka	200	225	225
Regional Totals	1,227	1,400	1,400
<b><u>NON-REGIONAL</u></b>			
Defense Administrative Costs	678	335	335
Non-Regional Totals	678	335	335
<b><u>PROGRAM TOTALS</u></b>	<b><u>\$43,475</u></b>	<b><u>\$50,000</u></b>	<b><u>\$50,000</u></b>

**Table 4**  
**Economic Support Fund (ESF)**  
**FY 1997 and FY1998 Funding**  
(Dollars in Thousands) (E=Earmark) (C = Ceiling)

<u>Country/Program by Geographical Region</u>	<u>Actual FY1997 Funding</u>	<u>FY1998 Budget Request</u>	<u>FY1998 Allocated Funding</u>
<b><u>MIDDLE EAST</u></b>			
Egypt	804,223 E	815,000	815,000 E
Israel	1,200,000 E	1,200,000	1,200,000 E
Jordan	122,977	25,000	140,000 E
Lebanon	12,000	12,000	12,000
Middle East Democracy	750	5,000	5,000
Middle East Development Bank	1,000	52,500	0
Middle East Peace Process			
Multilaterals	3,250	5,000	5,000
Middle East Regional	7,000	7,000	7,000
Northern Iraq Peace Monitor Force	1,500	0	0
West Bank-Gaza [ME Peace & Stability]	75,000 [100,000]	75,000	85,000 [115,670]
Regional Totals	2,127,700	2,196,500	2,153,330
<b><u>EUROPE and the NIS</u></b>			
Cyprus	15,000 E	15,000	15,000 E
Ireland Fund	19,600 E	19,600	19,600 E
Turkey	22,000	50,000	0 C
Regional Totals	56,600	84,600	34,600
<b><u>SUB-SAHARAN AFRICA</u></b>			
Africa Regional Fund	\$4,500	\$15,000	15,000
Angola	5,500	10,000	10,000
Regional Totals	10,000	25,000	25,000
<b><u>SOUTH ASIA</u></b>			
South Asia Democracy	0	3,000	3,000
Regional Totals	0	3,000	3,000

(Continued on next page.)

**ESF, Table 4, Continued**

<b><u>Country/Program by Geographical Region</u></b>	<b><u>Actual FY1997 Funding</u></b>	<b><u>FY1998 Budget Request</u></b>	<b><u>FY1998 Allocated Funding</u></b>
<b><u>LATIN AMERICA &amp; CARIBBEAN</u></b>			
AOJ/ICITAP [1]	7,500	10,000	10,000
Guatemala	20,000	0	25,000
Haiti	56,888	70,000	70,000
Latin America Regional	17,812	22,700	11,000
Peru/Ecuador Peace	0	5,000	0
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Regional Totals	102,200	116,000	116,000
<b><u>EAST ASIA AND PACIFIC</u></b>			
Asia Regional Fund	4,800	6,250	9,000
Cambodia	35,000	37,000	20,000
East Asia Reg. Security	0	250	0
Mongolia	7,000	7,000	12,000
So. Pacific Fisheries Treaty	14,000	14,000	14,000
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Regional Totals	60,800	64,500	55,000
<b><u>NON-REGIONAL</u></b>			
Human Rights and Democracy	1,300	8,000	10,000
Reserve	0	000	22,995
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Non-Regional Totals	1,300	8,000	32,995
<b><u>PROGRAM TOTALS</u></b>	<b><u>\$2,358,600 [2]</u></b>	<b><u>\$2,497,600</u></b>	<b><u>\$2,419,925</u></b>

[1] AOJ/ICITAP - Administration of Justice/International Criminal Investigation Training Assistance Program of the U.S. Department of Justice.

[2] Total includes \$19.6M for the Ireland Fund that for FY1997 and FY1998 was appropriated in separate accounts rather than directly in the IMET account. This account represents the U.S. contribution to the International Fund for Ireland and shall be made available in accordance with the provisions of the Anglo-Irish Agreement Support Act of 1986 [P.L. 99-415].

**Table 5**

**Peacekeeping Operations (PKO) (Voluntary)**

**FY 1997 and FY1998 Funding  
(Dollars in Thousands)**

<b><u>Program</u></b>	<b><u>FY1997 PKO Allocations</u></b>	<b><u>FY1998 Budget Request</u></b>	<b><u>FY1998 PKO Allocations</u></b>
Africa Regional	\$2,000	\$10,000	\$7,130
African Crisis Response Initiative	10,500	15,000	10,000
ARA Regional [1]	000	4,000	0
Albania	1,500	0	0
Erurope Regional	0	14,000	0
Europe Regional/OSCE [2]	18,400	11,000	25,000
Haiti	15,728	15,000	15,500
Israel-Lebanon Monitoring Group	738	2,000	870
MFO – Sinai [3]	15,434	16,000	15,500
Northern Iraq Peace Monitor Force	1,500	0	0
Organization of African Unity	3,000	3,000	2,000
UN Rapidly Deployable Mission HQ	200	0	0
UN Transitory Authority in E. Slavonia	0	0	1,500
<b><u>PROGRAM TOTALS</u></b>	<b><u>\$69,000</u></b>	<b><u>\$90,000</u></b>	<b><u>\$77,500</u></b>

[1] ARA Regional - Latin America and Caribbean Regional

[2] OSCE - Organization for Security and Cooperation in Europe

[3] MFO – Multinational Force and Observers in the Sinai

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# Report to the Congress On the Military Requirements and Costs of NATO Enlargement

[The following is a reprint of the Executive Summary, Introduction, and Conclusion of the Clinton Administration's February 1998 *Report to the Congress on the Military Requirements and Costs of NATO Enlargement*. The complete report is accessible on the Internet at [http://www defense link. mil/ pubs/nato/](http://www.defense link. mil/ pubs/nato/).]

## Executive Summary

At the July 1997 NATO summit in Madrid, the North Atlantic Treaty Organization invited Hungary, Poland, and the Czech Republic to begin accession talks to join the Alliance. On February 11, 1998 the President transmitted the accession protocols to the United States Senate seeking its advice and consent on this central pillar of the Administration's strategy for ensuring European stability into the 21<sup>st</sup> century. This report, submitted to Congress pursuant to the FY98 Department of Defense Authorization and Appropriations Acts and the FY98 Military Construction Appropriations Act, discusses the U.S. assessment of the NATO reports on common-funded enlargement requirements and costs, describes the analytical means used to prepare those reports, and delineates the anticipated U.S. share of NATO common-funded costs through 2002, as well as other considerations related to NATO enlargement.

The February 1997 *Report to the Congress on the Enlargement of NATO: Rationale, Benefits, Costs and Implications* illustratively outlined the broader dimensions of the military implications and costs of NATO enlargement, beyond just common-funded enlargement requirements and costs. That report also discussed both current members' and new members' military upgrades, which would be funded by those nations and are not addressed in detail in this more focused response to the Congressional requests cited above.

As a subsequent GAO report affirmed, the many uncertainties associated with the exact military implications and costs of enlargement prior to NATO's invitation to specific nations led DoD to develop an illustrative cost estimate. Many of these uncertainties were resolved at the July 1997 Madrid Summit and thereafter, as NATO formally decided which nations to invite, NATO's military authorities identified the military requirements of enlargement, and NATO staff developed an estimate of the costs of meeting those requirements.

The major conclusions of this report include:

- **NATO's study of enlargement requirements is thorough, militarily sound, and based on supporting a range of reasonable contingencies.** Meeting these requirements will ensure that new members are integrated into the Alliance's military structure. This will enable an enlarged NATO to respond effectively to the challenges it could face in the projected security environment.
- **NATO's estimate of common-funded enlargement costs (about \$1.5 billion over 10 years) based on the military requirements study and endorsed by the Joint Staff, reflects more recent and more complete information and is, therefore, a better estimate than the common-funded portion of DoD's illustrative figure (\$4.9-6.2 billion)<sup>1</sup>.** Thus, NATO enlargement will cost the United States considerably less than previously estimated.

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<sup>1</sup> Adjusted to reflect three new members, rather than the four potential new members assessed in the DoD study. DoD's common-funded cost estimate for four new members was 45.5-\$7.0 billion.

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- **The U.S. share of common-funded NATO enlargement costs will be the standard U.S. share, about 25 percent (\$400 million over ten years).** For FY99, these costs will be affordable within DoD's planned budget. In FY00-01, DoD expects to request \$5-12 million above current budget levels for NATO common-funded military budgets to cover projected enlargement costs. DoD projects that this figure will increase to \$32 million in FY02.
  - **NATO's studies of enlargement requirements and costs and DoD's earlier illustrative analysis share important common features.** Both studies used the same reinforcement strategy and developed very similar military requirements, including the numbers and type of reinforcing forces and reception facilities. Both studies' common-funded enlargement cost estimates were spread over essentially the same time period.
  - **NATO's estimate of enlargement costs is significantly different from DoD's earlier estimate.** First, NATO estimated only common-funded costs, while DoD estimated three broad categories of enlargement-related costs. Second, prior to NATO's identification of new members, DoD outlined general requirements and an illustrative cost estimate for four potential new members; after the July 1997 Madrid Summit at which NATO named the three invitees, NATO identified detailed military requirements and a common-funded cost estimate for three new members. Third, NATO's studies were based on more recent and detailed data on new members' infrastructure (e.g., airbases, road and rail networks) that revealed better conditions than DoD had previously assumed. Other differences were:
    - DoD assumed common funding for some requirements that NATO determined are nationally funded.
    - DoD's costing methodology and, in some instances, pricing assumptions differed from NATO's.
    - DoD included a few enlargement requirements that NATO did not.
  - **The Administration's FY99 request of \$135 million for Warsaw Initiative activities is indicative of future funding requests.** The Administration does not plan to request significant funding increases for the Warsaw Initiative program in future years due to NATO enlargement.

### Introduction

NATO enlargement is a crucial element of the U.S. and Allied strategy to build a broader, undivided, democratic and peaceful Europe. The end of the Cold War changed the nature of the threats to this region, but not the fact that Europe's peace, stability, and well-being are vital to our own national security. The accession of Poland, Hungary, and the Czech Republic to the North Atlantic Treaty Organization will improve the ability of the United States to protect and advance our interests in the transatlantic area. The addition of well-qualified democracies, which have demonstrated their commitment to the values of freedom and the security of the broader region, will help deter potential threats to Europe, deepen the continent's stability, bolster its democratic advances, erase its artificial divisions, and strengthen an Alliance that has proven its effectiveness both during and since the Cold War.

Poland, Hungary, and the Czech Republic have signed protocols of accession to join NATO as full members, with all the ensuing privileges and responsibilities of Alliance membership. While NATO enlargement will enhance the security of the United States and its allies and partners in Europe, enlargement will also entail certain financial costs for the United States and our allies in the coming years.

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NATO member states provide resources to support the Alliance in two ways. First, states use national funding to ensure their own military forces can fulfill NATO requirements, and second, states make contributions to NATO's three common-funded budgets. These three budgets are the Military Budget, which primarily funds operations and maintenance for NATO military activities; the NATO Security Investment Program (NSIP), which primarily funds infrastructure improvements; and NATO's Civil Budget, which primarily funds personnel and facility costs for NATO's political officials.

The Department of Defense reported to Congress in February 1997 that the total costs of enlargement would be about \$27-35 billion over thirteen years. The DoD study was completed before NATO invited the Czech Republic, Hungary, and Poland to join the Alliance. DoD determined there were three categories of enlargement-related costs: the costs to new members to continue to restructure their militaries, the costs of force improvements already being pursued by existing members, and those costs related directly to enlargement (i.e., for ensuring interoperability between the forces of current and new members). While not directly related to enlargement, the first two categories of costs are important for the military credibility of an enlarged Alliance. The portion of DoD's total estimate for direct enlargement costs eligible for NATO common funding was \$4.9-6.2 billion.<sup>2</sup>

As a subsequent GAO report emphasized, the many uncertainties associated with the exact military implications and costs of enlargement prior to NATO's invitation to specific nations led DoD to develop an illustrative cost estimate. Many of these uncertainties were resolved at the July 1997 Madrid Summit and thereafter, as NATO invited the Czech Republic, Hungary, and Poland to join the Alliance, and commissioned a study of the military requirements for enlargement, and the resource implications of meeting those requirements.

NATO's two studies concluded that the addition of the three invitees will require approximately \$1.5 billion in NATO common-funded costs over the next ten years. The United States currently provides about 25 percent of these common-funded budgets, and will continue to do so after the addition of the new members. This means that the costs of enlarging NATO to include Poland, Hungary, and the Czech Republic for the United States will be approximately \$400 million over the next ten years, considerably less than previously estimated.

There are other costs to the United States less directly related to NATO's enlargement. Through the Warsaw Initiative program, the United States provides bilateral assistance to Partnership for Peace participants, including Poland, Hungary, and the Czech Republic. While this bilateral assistance supports their efforts to become more interoperable with NATO, it is not a direct or automatic cost of enlargement, and continuation of this assistance will require annual appropriations and authorizations by Congress.

## Conclusion

At the July 1997 NATO Summit in Madrid, as the Alliance formally invited the Czech Republic, Poland, and Hungary for membership, NATO's leaders tasked the Military Authorities to formulate initial advice on the military requirements of an enlarged Alliance and to support the development by NATO's Senior Resource Board of an initial estimate of commonly-funded costs for meeting these requirements.

The Joint Chiefs of Staff validated the common-funded military requirements developed by the Major NATO Commanders as militarily sound. The development of these requirements was the first, not the last, formal step in integrating new members into the Alliance's defense

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<sup>2</sup> Adjusted to reflect three, rather than four, new members.

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planning process. It will not be easy to meet these requirements—it will require careful planning, reordered priorities, and sustained commitment. Such challenges are nothing new to NATO, nor does the scope of this challenge exceed previous tests that NATO has successfully met. Meeting these military requirements will enable an enlarged NATO to respond effectively to all anticipated contingencies in the projected security environment.

The Department of Defense assesses NATO's initial estimate of common-funded enlargement costs as sound and reliable. In the Department's best judgment, this cost estimate is reasonable, as it is based on the NATO military requirements study endorsed by the Joint Staff and employs conservative assumptions where appropriate. Because NATO's estimate of common-funded enlargement costs (about \$1.5 billion over 10 years) reflects more recent and complete information, it is a better estimate than the common-funded portion of DoD's illustrative figure (\$4.9-6.2 billion).