

## CHAPTER II

### REGIONAL OVERVIEW AND CONTRIBUTIONS OF KEY ALLIES

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This chapter places the Administration's responsibility sharing policy in strategic perspective, and describes 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. The overview of Alliance and country contributions presented in this chapter is given further elaboration in Chapter III.

#### **NATO ALLIES**

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

#### **The Alliance Transforms Itself**

The North Atlantic Treaty (also known as the Washington Treaty) provides the framework for United States involvement in the North Atlantic Treaty Organization (NATO). Last year, 1999, marked NATO's 50<sup>th</sup> anniversary of successfully guaranteeing transatlantic peace and security, and also witnessed the admission of three Cold War-era opponents -- the Czech Republic, Hungary and Poland -- as full members of the Alliance. NATO played a pivotal role in terminating the Cold War on terms favorable to the United States and its 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. 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 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. As 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.

NATO continues to transform itself in several important respects to meet the requirements of the post-Cold War era, with a direct and favorable effect on responsibility sharing within the Alliance. In early 1999, a new command structure was implemented in order to enable allies to assume a greater share of the burden of command. In addition, NATO is making further progress in implementing the Combined Joint Task Force (CJTF) concept, developing lighter and more versatile structures with which to carry out its missions, and permitting the involvement of partners in NATO operations. Furthermore, arrangements are being concluded between NATO and the European Union (EU) to enable our European allies to take principal responsibility for a greater range of operations through development of the European Security and Defense Identity (ESDI). Finally, in response to a U.S. proposal, the

Alliance launched a Defense Capabilities Initiative, which emphasizes improving interoperability and the incorporation of technological advances among allied armed forces in order to enhance their capability to fulfill the complete range of Alliance missions.

### **The Defense Capabilities Initiative (DCI)**

Allied Heads of State and Government officially launched the DCI at the April 1999 Washington Summit. Specifically, the Heads of State and Government endorsed decision sheets in five functional areas: 1) deployability and mobility; 2) sustainability and logistics; 3) consultation, command and control (C3); 4) effective engagement; and 5) survivability of forces and infrastructure. These decision sheets include numerous short- and long-term objectives. Given the importance of logistics and C3 to future military operations, the Summit Communiqué emphasized meeting specific objectives through implementation of the Multinational Joint Logistics Center (MJLC) concept by the end of 1999 and development of a C3 system architecture by 2002 (to allow interoperability with national systems).

As DCI's key mechanism, the Heads of State and Government established a High Level Steering Group (HLSG) to oversee implementation of the initiative, and to coordinate, prioritize and harmonize the work of NATO's defense-related committees. Allied leaders also endorsed the notion of Concept Development and Experimentation (CDE) as a useful tool for future Alliance force planning.

The Alliance is pursuing DCI improvements on two tracks, both of which involve work in Brussels and in Allied capitals. To specifically address each of the objectives, NATO committees are meeting regularly to address those objectives that fall under their purview. NATO's High Level Steering Group (HLSG) oversees this process. The HLSG has been meeting on a monthly basis at the Assistant Secretary of Defense level to track progress and expedite actions assigned to committees.

The second track of DCI implementation involves ensuring that NATO Force Proposals, currently being developed by the Strategic Commands (ACE-Allied Command Europe and ACLANT- Allied Command Atlantic) as part of the NATO defense planning process for the year 2000 and beyond, are geared to achievement of DCI objectives. Force goals must be sufficiently robust so as to clearly signify and allow measurement of how each member nation is being called upon to enhance Allied capabilities.

The success of DCI will, of course, depend considerably on the actions taken by individual nations. For the 18 countries that participate in NATO's defense planning process, however, a very large portion of the national activity to implement DCI falls under the purview of that process. NATO Force Proposals are developed every two years, and negotiated and accepted by each nation participating in the defense planning process. Once approved by Defense Ministers, Force Proposals become Force Goals and are intended to represent a "reasonable challenge" to nations. This means that in each NATO force planning cycle, nations are expected to meet this "reasonable challenge" by providing the forces and capabilities requested by the Strategic Commands. For NATO to realize a true increase in its capabilities, the United States has argued that Force Proposals 2000 should be more robust, and Allies must accept the new proposals during Spring 2000 and fully implement them during the 2001-2006 implementation cycle. In the coming months, Force Proposals 2000 may continue to be expanded and refined before they are finally agreed by Defense Ministers in June 2000.

Many of the new Force Proposals have been accepted by nations, indicating that they consider the military requirement as valid and implementation as feasible. Some nations have exercised their right to refuse a Force Proposal when they believe it imposes an unduly harsh burden. However, acceptance of Force Goals as reasonable planning targets does not guarantee implementation, but is only the beginning of the process of increasing capabilities. In 2000, as NATO moves into the next stage of the defense planning process, the United States will again have the opportunity to encourage Allies to accept their 2000 Force Proposals and implement them after they become Force Goals.

The success of DCI depends upon the provision of sufficient resources. Allies need to show leadership in making the necessary investments to field a 21<sup>st</sup> century force. Defense budgets will always be a function of national priorities, but they must also be a function of both international challenges and the capabilities needed to address those challenges as an Alliance. Yet, unresponsive defense budgets continue to erode Alliance capabilities. While Allies acknowledge their capability shortfalls, few have made concrete efforts towards their amelioration by increasing defense budgets and reallocating funds. In fact, defense spending has been cut by several key Allies. To provide the necessary resources to support DCI, nations must re-evaluate the percentage of their GDP devoted to defense spending, and will need to consider restructuring existing forces, reallocating within existing defense budgets, and increasing defense spending.

In short, NATO nations must begin to concentrate on more efficient, more focused, better-planned and coordinated use of resources. Innovative approaches to meeting capabilities can increase the efficiency and effectiveness of the resources spent. For example, many mobility, sustainability and logistics requirements can be met through commercially available assets and off-the-shelf technology. One approach would be to harness the capabilities of commercial sector shippers for military logistics management. Increased leveraging of commercial logistics and mobility assets holds opportunities for greatly improved capabilities without large spending increases. Finding ways to leverage the unique strengths of our industrial sectors could lead to procurement reforms that can make the most of defense spending. Further savings could potentially be found by restructuring forces to be lighter, more mobile and more sustainable.

The fate of the ongoing effort to develop a European Security and Defense Identity (ESDI) is closely linked to the outcome of the Defense Capabilities Initiative. Since ESDI's fundamental objective is for European nations to establish a military capability to perform crisis management operations in cases where NATO chooses not to become engaged, its success ultimately depends on improving allied military capabilities in the same areas targeted by the DCI.

### **European Security and Defense Identity (ESDI)**

The United States and its NATO Allies have been working on ESDI since 1994 with the Western European Union (WEU), and since last year, with the EU. ESDI should mean stronger and more capable European Allies – Allies who will be better partners for the U.S. in pursuit of our shared interests and values, and better able to contribute to transatlantic security. The success of ESDI, like that of DCI, is an integral part of equipping the Alliance with the tools and options it will need to deal with the challenges of the new century.

The key to ESDI's success is real improvement in European capabilities. Both the United States and our Allies recognize that one of the lessons of Kosovo is that NATO's European pillar needs to do a better job in acquiring and maintaining the types of capabilities Operation ALLIED FORCE required. In this area, the DCI and the EU's December 1999

Helsinki Summit Communiqué are major steps forward. At Helsinki, the EU Heads of State and Government laid out a “Headline Goal.” This goal envisions that, by 2003, a force of 50-60,000 troops will be deployable within 60 days and sustainable for up to one year. To do this, the nations of the EU will have to follow up on enhancements in the capabilities areas identified in the DCI – deployability and mobility, sustainability and logistics, consultation, command and control, effective engagement and survivability. The United States welcomes this important commitment and awaits greater details regarding the EU’s strategy to meet the stated goal by the appointed date.

As work continues within NATO and the EU, the United States needs to ensure that ESDI meets what NATO Secretary General Lord Robertson has called the “three I’s” of ESDI: **Increased** capabilities, **Inclusiveness** of all Allies, and **Indivisibility** of transatlantic security. While the Department believes that a good framework for the future of ESDI was laid out at NATO’s Washington Summit and the EU’s Helsinki meeting last year, it will continue to remind Allies of the following points. Firstly, ESDI must reflect the interests of all Allies, including those who are not members of the EU. Secondly, ESDI is intended to reinforce and complement NATO’s role in European security, not supplant it, and thus, the U.S. is pressing for the timely establishment of NATO-EU ties at least as strong as those that have been worked out between NATO and the Western European Union (WEU) over the past few years. Finally, without enhanced European capabilities, ESDI will be a hollow shell, so the EU must now follow up on its admirable Helsinki Headline Goal to make ESDI a reality.

Looking ahead, there is still hard work to be done to achieve an ESDI that benefits both sides of the Atlantic. It is in the interest of both the Alliance and the EU that it is done well and expeditiously. The promise of ESDI – a stronger European pillar in NATO and a new step in European unification – is a goal worth cooperating to achieve. A stronger Europe means a stronger Alliance, and a stronger Alliance is better able to deter threats and maintain peace and stability.

### **Cost Sharing in the Alliance**

The NATO Alliance has evolved unique ways and means of cooperation over the past fifty years. Thus, although most of 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.

Under long-standing cost sharing agreements, our NATO allies collectively pay about three-quarters of the NATO common-funded budgets, which totaled \$1.1 billion in 1999. The United States’ one-quarter share of the NATO common-funded budgets (in which all 19 members participate) provides significant leverage in Alliance decision-making, and access to facilities and programs that the U.S. would otherwise not be able to use without a much greater national investment. Common budgets are also a cost-efficient means of dealing with large expenditures which, if funded unilaterally, would create a very heavy burden for any one nation. Within NATO, allies consult on the goals and priorities for their national defense programs, and engage in a regular process of candid peer review with the aim of increasing effectiveness, improving burdensharing, and anticipating future challenges to the Alliance.

## **Forward Presence: Essential for U.S. Power Projection and Alliance Leadership**

The successful defense of U.S. international security interests in Europe 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 well beyond Europe that is more immediate, credible, and cost-effective than basing in the continental United States.

### **Contributions of Selected NATO Allies**

The remainder of this section describes notable burdensharing contributions by Germany, the United Kingdom, Italy, and France. These nations collectively host over 90 percent of the U.S. military personnel stationed in Europe, and account for nearly three-fourths of the defense spending of all our European-NATO allies.

*Note:* the following paragraphs do not specifically address Allies' performance in the core DCI objectives. See Part IV, Actions Taken By Each Member of the Alliance Other Than the United States to Improve the Capabilities of its Forces in Certain Areas, of the classified section of the Report to the Congress on NATO Defense Capabilities Initiative, required by section 1039 of the National Defense Authorization Act for Fiscal Year 2000.

#### **Germany**

Germany's geographical location, economic strength, military capabilities and political influence make it a vital European ally. Its armed forces are among the largest and most modern in NATO, with over 330,000 well-equipped, well-trained, and well-led troops that are a major component of Alliance military capabilities. Germany is presently conducting a Strategic Review, scheduled for completion in the Spring of 2000, that is expected to recommend further downsizing and restructuring the remaining forces to make them more rapidly deployable, and altering conscription policy. Other anticipated reforms include developing vital strategic deployment, strategic reconnaissance, long-range command and control, and joint service operational capabilities.

During 1999, Germany demonstrated its unwavering commitment to NATO, and its growing willingness to engage in crisis management and peacekeeping operations, by deploying German troops in an active combat role beyond national territory for the first time since World War II. The German air force flew hundreds of combat missions during Operation ALLIED FORCE, and 6,100 German troops served with KFOR in Kosovo, where a German headquarters commanded one of the five sectors of the peacekeeping operation, Multi-National Brigade South (MNB-S). In 1999, Germany also contributed troops to SFOR in Bosnia, and to UN missions in Georgia and the former Yugoslavia.

Germany also provides extensive financial assistance for the pursuit of shared security objectives in the Balkans. It is allocating approximately \$2 billion to support military activities necessary for implementation of the Southeastern European Stability Pact over the next two years, plus another \$160 million a year in humanitarian and other assistance. Furthermore, Germany committed over \$90 million for reconstruction in Southeast Europe in 1999, including projects in Kosovo, Albania, Bosnia and Bulgaria.

Germany's real defense spending increased by 1.5 percent between 1998 and 1999, but as a share of GDP, dropped by half a percentage point to 1.5 percent -- just over half the 1990 level of

2.8 percent. Due primarily to the enormous costs of reunification, Germany's economic situation is very difficult, with a 10 percent unemployment rate and sluggish growth. High levels of public debt have led the German government to seek an austerity package that will require defense budget reductions in 2000. The Department is concerned about the effects of current and projected German defense budget trends on German readiness and capabilities, and is urging the German government to give close attention to this matter.

During 1999, Germany supported proliferation prevention efforts by contributing almost \$9 million to Russia and Ukraine for nuclear and chemical weapons destruction under the Expanded Threat Reduction Initiative (ETRI), and also contributed \$4.5 million to the Korean Energy Development Organization (KEDO) - an international body committed to replacing North Korea's existing nuclear facilities with light-water reactors that will produce far less weapons-grade plutonium.

As is generally true of our NATO allies, 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 over \$950 million in 1998, almost all of which was in the form of indirect contributions. The German Ministry of Defense provides support services both within Germany and in the field for U.S. forces serving in the Balkans, including materials transport, meals, accommodation, security escorts, and security personnel for the families of deployed U.S. soldiers.

### **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 not just a regional, but also a global orientation to our security relationship, with over 25,000 forces stationed abroad.

The British defense budget declined slightly in real terms between 1998-1999, but defense spending as a share of GDP (2.6 percent in 1999) remains among the highest in NATO. The United Kingdom provides substantial host nation support for U.S. forces, almost entirely in the form of indirect contributions. British forces are the backbone of the Allied Command Europe (ACE) Rapid Reaction Corps (ARRC), and play a significant role both in NATO military missions and in peacekeeping operations under the auspices of the United Nations. The United Kingdom provides the third largest share of allied naval tonnage relative to its GDP share, trailing only Greece and Turkey. In July 1998, the U.K. government completed a Strategic Defense Review (SDR) designed to make British military forces more deployable, sustainable, and flexible, and the SDR-related reforms helped prepare them to better respond to the Kosovo crisis.

British aircraft flew approximately 1,600 sorties (including about 1,000 strike sorties) during Operation ALLIED FORCE, contributing five percent of the overall air effort, and just under 10 percent of the strike effort. The United Kingdom also contributed extensively to KFOR, deploying five maneuver battalions and the U.K.-staffed NATO ARRC headquarters. At its peak, the British contingent totaled approximately 10,000 troops, though it was reduced to less than 4,000 at the end of 1999 by the withdrawal of three battalions and the ARRC headquarters. Approximately 4,000 British troops served with SFOR during 1999, though their numbers were to be trimmed to 3,300 by year's end. 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, Georgia, Sierra Leone, the Democratic Republic of the Congo, and East Timor. The United Kingdom is also a major provider of funding for UN peace operations; though, of the 26 nations covered in this report, it ranks only ninth in contributions relative to its share of total GDP.

The United Kingdom provided over \$4.4 billion in foreign assistance in 1998, an 11 percent increase in real terms from the 1997 level. The United Kingdom's objective is to continue increasing foreign aid to reach the UN target of 0.7 percent of GDP, compared to its 1998 level of 0.3 percent. The United Kingdom was the first European country to support the KEDO, with a \$1 million contribution in 1995, and, under the terms of a 1996 agreement between the EU and KEDO, has agreed to provide an additional \$2.8 million annually over a five-year period.

The United Kingdom contributes to proliferation prevention efforts through a program to help control fissile material in countries of the former Soviet Union. It has also held discussions with the Russian leadership on ways of assisting Russia's chemical weapons destruction program. In 2000, it plans to conduct a feasibility study to assist U.S. efforts to establish a chemical weapons destruction facility. In addition, during 1999 the United Kingdom conducted over 1,000 military assistance activities with countries across Central and Eastern Europe. Additionally, the U.K. has adapted its organization and planning structures to give greater emphasis to countering biological and chemical weapons threats, and cooperates with the United States through the bilateral Counterproliferation Joint Venture Oversight Group.

### **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, were essential for the prosecution of the bombing campaign against Yugoslavia during Operation ALLIED FORCE, and continue to provide essential staging and transportation points for the peacekeeping missions in Kosovo and Bosnia.

Italian real defense spending shrank slightly during 1999, though the ratio of defense spending to GDP remained at the same level (2.0 percent) as in 1998. Italy's host nation support for U.S. forces during 1998 was estimated at nearly \$1.1 billion, consisting almost entirely of indirect contributions which offset 60 percent of total U.S. stationing costs.

The Italian Air Force flew almost 1,400 missions during Operation ALLIED FORCE, including nearly 1,100 tactical sorties. At the end of 1999, Italy had roughly 5,200 paramilitary and Army troops serving in Kosovo, some 1,900 in Bosnia, and approximately 1,500 in Albania (it is the principal contributor to the NATO force in that country). Italy was also among the first nations to send troops to East Timor, where 600 personnel – including a paratroop company -- are currently deployed. During 1999, Italy also participated in UN operations in Jerusalem, Bosnia and Herzegovina, Lebanon, in the Western Sahara, and Guatemala. It also made the third largest financial contributions to UN peace support operations, relative to its share of total GDP, of all the nations covered in this Report (trailing only France and the United Arab Emirates). Italy's total foreign assistance in 1998 was approximately \$2.6 billion, a 63 percent increase over 1997 levels.

Italy is active in a number of regional and cooperative security initiatives that complement NATO and U.S. efforts to build security in Europe. These include contributions to the multinational "Southeast Europe Brigade," the Italian/Hungarian/Slovenian Brigade, and EUROMARFOR – a multinational maritime force subordinate to the Western European Union.

### **France**

France possesses considerable nuclear and conventional forces, including the largest and most capable reaction forces of any NATO nation except the United States. It also has a national consensus for maintaining a strong military, and has repeatedly demonstrated a willingness to employ military power to defend its interests around the globe. It thus contributes substantially to NATO's deterrent posture and, more broadly, to Western interests worldwide – most notably in Africa, and most recently to peacekeeping operations in East Timor. France is currently engaged in trimming its armed forces and reducing its forces stationed overseas, but shall remain a major military power whose worldwide engagement will continue to complement U.S. and NATO policies.

France registered a 2.7 percent increase in defense spending during 1999 (2.8 percent of GDP), continuing a post-Cold war pattern of relatively consistent and strong defense budgets compared to most NATO allies. However, the French armed forces are still in the throes of a major restructuring that was launched during 1996 in response to rapidly rising defense acquisition program costs, growing budget deficits, and the need to comply with European Monetary Union requirements for the introduction of the Euro. Military budgets and manpower will be reduced, though the remaining force structure shall be extensively realigned in order to yield greater efficiencies and dramatically improve power projection capabilities.

France's contributions to Operation ALLIED FORCE included 91 aircraft that flew just over 3,600 sorties. France also contributed approximately 6,300 troops to KFOR, and at the end of 1999, had a total of nearly 40,000 troops deployed abroad, including 8,000 in the Balkans and more than 6,000 in Africa. France is also one of the top three contributing nations to peacekeeping operations worldwide. In addition to its troop contributions, France is responsible for a sensitive sector in Bosnia. Finally, of all the G-7 nations, France spends the largest share of its GDP (0.46 percent) on official development assistance.

### **NATO's Role in the Balkans**

The post-Cold War era has seen a dramatic decline in conventional military threats to the United States and its allies, but has also generated a host of political, economic and ethnic instabilities that still pose serious threats to shared security interests. Nowhere have these new threats posed a more direct and immediate challenge to NATO than in the Balkans, where the gradual disintegration of Yugoslavia has spawned a series of civil wars and mass refugee flights that endanger the tenuous stability of the entire region.

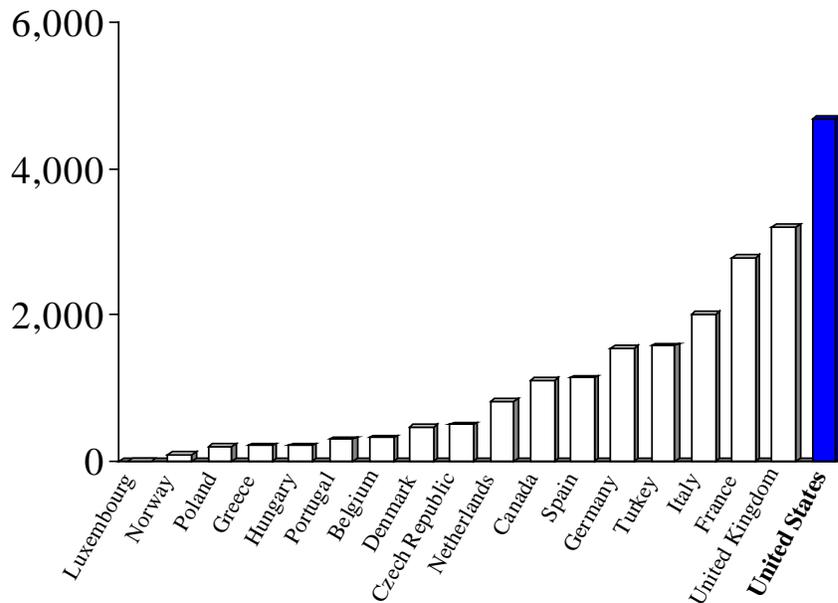
#### **Stabilization Force (SFOR) in Bosnia-Herzegovina**

In late 1995, the NATO-led Implementation Force (IFOR) was established in Bosnia-Herzegovina to enforce the terms of the Dayton Peace Agreement. Nearing the end of IFOR's one year mandate, it had become clear that a longer-term international military presence was required to help ensure lasting security and stability. Accordingly, UN Security Council Resolution 1088 of December 1996 authorized a Stabilization Force (SFOR) to implement the military aspects of the Dayton Peace Agreement as the legal successor to IFOR.

The primary mission of SFOR is to contribute to the secure environment necessary for the consolidation of peace. Its tasks are:

- To deter or prevent a resumption of hostilities or new threats to peace;
- To consolidate IFOR's achievements and contribute to a climate in which the peace process can continue to move forward; and
- To provide selective support to civilian organizations within its capabilities.

**Chart II-1**  
**NATO Troop Contributions To SFOR**  
As of February 2000



All NATO nations except Luxembourg committed personnel to SFOR. In September 1999, SFOR had approximately 32,000 troops in Croatia and Bosnia-Herzegovina. The U.S. share of the total NATO contribution was approximately 6,200 (20 percent).

In November 1999, NATO began to implement a restructuring of SFOR that will reduce its strength to approximately 20,000 by April 2000. The U.S. contribution will also be reduced to roughly 4,600. Whereas the U.S. provided one-third of the troops at the start of the mission in December 1995, nearly 80 percent of contributed forces are now non-American. SFOR will continue to perform all key tasks, including support for civil implementation. The reconfigured force will rely on its ability to react quickly and flexibly with rapid response units throughout the SFOR area of responsibility, including across command sector boundaries.

### Operation ALLIED FORCE

On March 24, 1999, NATO launched Operation ALLIED FORCE, a phased bombing campaign against the Federal Republic of Yugoslavia (FRY), in order to stop the Milosevic regime's campaign of terror against the Kosovar Albanians. From March 24 through June 10, 1999, NATO forces conducted strikes designed to degrade the Yugoslav government's capacity

to wage war on its own people, and to force compliance with the Alliance's demands. This action was taken only when it had become clear that President Milosevic had no intention of ending the repressive operations in Kosovo despite repeated diplomatic initiatives. At that time, a campaign of ethnic cleansing by Yugoslav forces had already begun to generate an exodus of displaced persons that would ultimately number in the hundreds of thousands, and create a humanitarian crisis that threatened to destabilize the whole South Balkan region.

NATO's objectives in Kosovo were:

- Demonstrate the seriousness of NATO's opposition to Belgrade's aggression in the Balkans;
- Deter the Milosevic regime from continuing and escalating attacks on helpless civilians and create conditions to reverse ethnic cleansing; and
- Damage Serbia's capacity to wage war against Kosovo in the future or to spread the war to neighbors, by diminishing or degrading its ability to conduct military operations.

Fourteen of the nineteen NATO nations contributed to Operation ALLIED FORCE. Approximately 400 aircraft were committed by Alliance nations at the start of the campaign; by the end of the operation that number had more than doubled to over 1,000 aircraft. The U.S. provided 723 (69 percent) of these aircraft, and initially flew the bulk of the strike sorties, though by the end of the campaign, the proportion of all strike missions flown by Allied aircraft had risen to roughly 47 percent. The U.S. accounted for over 80 percent of the munitions delivered; and provided the preponderance of assets in several critical areas, including precision-guided munitions, all-weather attack aircraft, electronic warfare assets, anti-radiation missile shooters, search and rescue, and maritime air surveillance and control.

#### Kosovo Force (KFOR)

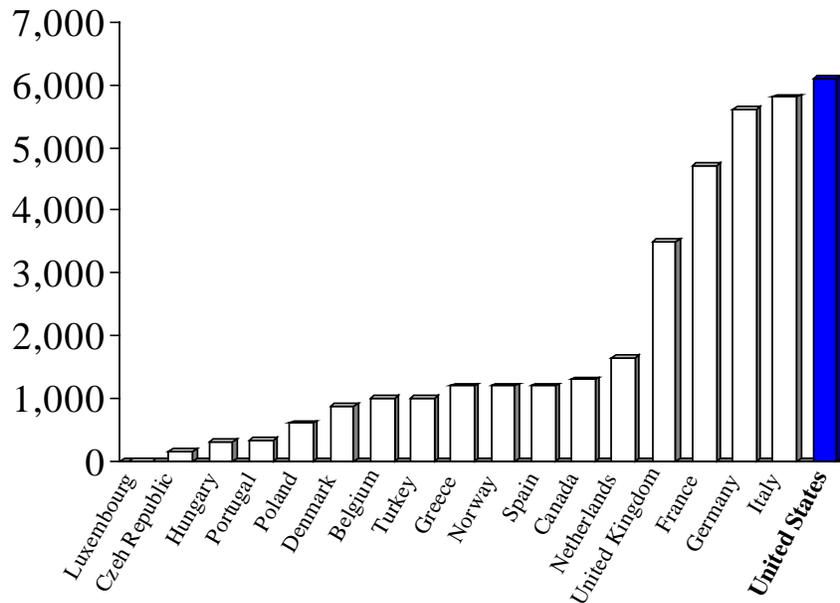
On June 12, 1999, after the successful attainment of NATO's military objectives, Kosovo Force (KFOR) began deploying into Kosovo for Operation JOINT GUARDIAN. KFOR is a NATO-led multinational force under unified command and control, which is tasked with establishing and maintaining a secure environment, and supporting, within its means and capabilities, the UN Mission in Kosovo (UNMIK).

The basic objectives of Operation JOINT GUARDIAN are:

- To maintain a military presence in Kosovo, as authorized by United Nations Security Council Resolution 1244 and further defined in the Military Technical Agreement (MTA) that was signed by military authorities of the FRY and NATO;
- To verify and enforce the terms of the MTA;
- To establish a secure environment in which refugees can return home safely;
- To establish a secure environment in which the international civil presence can operate, a transitional administration can be established, and humanitarian aid can be delivered; and
- To help achieve a self-sustaining secure environment which will allow public security responsibilities to be transferred to appropriate civil organizations.

As of February 2000, NATO Allies and 15 other countries had deployed approximately 44,000 KFOR troops in Kosovo, Macedonia, Greece and Albania. In terms of responsibility sharing, the U.S. troop contribution is approximately 6,000 (14 percent), while European NATO troops make up the bulk of the remainder.

**Chart II-1**  
**NATO Troop Contributions To KFOR**  
 As of February 2000



Total KFOR/SFOR personnel numbered almost 78,000 at the end of 1999, including contingents from all 19 NATO allies plus 27 non-NATO troop contributing nations. These forces continue to work together extremely well, achieving military objectives assigned to them by the North Atlantic Council in order to establish and maintain peace in that troubled region. The lessons learned from KFOR and SFOR have been invaluable in developing policies and procedures for NATO goals of enlargement, enhanced Partnership For Peace, implementation of the CJTF concept, and a new European Security and Defense Identity (ESDI).

Notwithstanding these contributions, the operation highlighted a number of disparities between U.S. capabilities and those of its allies, including precision strike, mobility, and command, control, and communications capabilities. These gaps were real, and had the effect of impeding U.S. forces' ability to operate at optimal effectiveness with allied forces. For example, because few NATO allies could employ precision munitions in sufficient numbers (or at all), the United States conducted the preponderance of the strike sorties during the early stages of the conflict. The lack of interoperable secure communications forced reliance on non-secure means that compromised operational security. These problems persisted throughout the campaign. Furthermore, insufficient allied air mobility assets slowed deployment of KFOR ground forces once Milosevic agreed to NATO's terms to end the conflict. Such disparities in capability will seriously affect NATO's ability to operate as an effective alliance over the long term. If the Alliance is to meet future military challenges effectively, it must successfully implement the Defense Capabilities Initiative –

which was introduced in the spring of 1998 and formally adopted at the April 1999 NATO Summit. The Defense Capabilities Initiative will enhance allied military capabilities in five key areas: 1) deployability and mobility; 2) sustainability and logistics; 3) consultation, command and control; 4) effective engagement; and 5) survivability of forces and infrastructure. The United States will continue to promote the DCI and encourage NATO members to experiment with new and advanced warfighting concepts. Successful implementation of the DCI must remain one of NATO's' top priorities – a lesson strongly influenced by the Kosovo experience.

## **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 experiences 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 forward-stationed U.S. troops: 40,000 in Japan and over 36,000 in Korea. In addition, Japan serves as the forward deployment site for approximately 14,000 U.S. naval personnel and the *U.S.S. Kitty Hawk* carrier battlegroup. 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 constitutional restrictions that strictly limit the scope of its military activities – their responsibility sharing has focused more on assuming U.S. stationing costs and less on other aspects, such as active participation in shared regional and global military roles and missions.

The United States maintains 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. Bear in mind that recent fluctuations in exchange rates in this region have resulted in decreases in the dollar value of the cost sharing estimates described below. This affects cost sharing estimates for Japan in particular, since all Japanese direct cost sharing transactions are conducted in yen.

### **Japan**

Our bilateral alliance with Japan (the 1960 Treaty of Mutual Cooperation and Security between the United States of America and Japan) is the key to our security strategy in the Asia-Pacific region, and is crucial to the forward deployment of U.S. forces there. Countries throughout the region view the alliance as a major factor helping maintain stability and security. Japan is expanding its cooperation with the United States and is taking an increasingly active role in international affairs. Although Japan spends a smaller share of GDP on defense than any other major ally (1 percent), the size of its economy is such that it nonetheless ranks second in defense expenditures among all the countries in this Report, and third worldwide.

Cost sharing in support of stationed U.S. forces remains Japan's most significant responsibility sharing contribution. Indeed, its host nation support is the most generous of any U.S. ally, and consists of funding covered under both the Special Measures Agreement (SMA) and the Facilities Improvement Program (FIP). Department estimates of Japan's cost sharing support for U.S. forces in 1998 ranged from \$4.0 to \$4.7 billion, covering over 76 percent of U.S. basing costs.

The five-year (1996-2001) bilateral SMA was concluded in 1995. Under its terms, Japan pays virtually all of the costs of local national labor employed by U.S. forces, as well as the costs of public utilities on U.S. bases. In addition, the SMA covers the costs of transferring U.S. training activities from U.S. bases to other facilities in Japan when the Government of Japan requests such transfers. U.S. Forces Japan reports that in 1998 Japan provided between \$0.8 and \$1.7 billion (depending on the source) under the SMA.

Under the separate FIP, Japan voluntarily provides substantial funding for quality-of-life projects, including 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 1998, Japan provided approximately \$0.9 billion for construction, restoration, and maintenance of facilities. In addition, in 1998 Japan also provided \$675 million in rents and around \$540 million for vicinity improvements.

The Department estimates that under the SMA, the value of Japan's direct cost sharing (at 1999 exchange rates) will approximate \$1.3 billion per year through 2001, or \$6.3 billion over the life of the agreement. Over the same five year period, Japan's direct and indirect cost sharing, including foregone taxes, rents, and revenues, will be \$4 to \$5 billion per year.

In addition to its cost sharing contributions, Japan's evolving international role means greater involvement in multinational efforts to promote regional and global stability. Japan actively supports crisis management and nation-building efforts around the world, and has the second largest foreign assistance budget of any nation in this Report. In 1998, Japan provided \$10.7 billion in foreign assistance, which represents 0.26 percent of its GDP. Japan also provided loans to East Asian economies affected by the financial crisis; contributed over \$700 million for Bosnia reconstruction, humanitarian and refugee aid; and covered \$22.5 million in cleanup/containment costs at the Chernobyl reactor site in Ukraine. In 1999, Japan pledged \$235 million for reconstruction in the Balkans, \$300 million for East Timor, and \$220 million in support of the Middle East peace process.

Japan is a founding member of the KEDO, and to date has contributed \$32 million to KEDO in support of nuclear nonproliferation efforts on the Korean Peninsula. In 1999, Japan appropriated \$1 billion to fund the construction by KEDO of two light water reactors in support of the U.S.-North Korea Agreed Framework.

On April 17, 1996, President Clinton and Prime Minister Hashimoto signed the U.S.-Japan Joint Declaration on Security, which reaffirmed both countries' continuing commitment to our security alliance. In September 1997, the two countries adopted the Guidelines for U.S.-Japan Defense Cooperation, and in May 1999, the Japanese Diet passed legislation to implement the Guidelines in Japanese law. When fully implemented, the Guidelines will provide greater Japanese support for U.S. operations in a regional contingency. In August 1999, the U.S. and Japan signed a Memorandum of Understanding to begin Joint theater missile defense (TMD) technical research focusing on sea-based TMD.

## **The Republic of Korea (ROK)**

Our security relationship with the Republic of Korea (formally known as the Mutual Defense Treaty between the United States of America and the Republic of Korea) remains central to the stability of the Korean Peninsula and Northeast Asia. U.S. forces stationed in the Republic of Korea 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.

The 1995 Special Measures Agreement (SMA), which outlines ROK offsets to non-personnel stationing costs incurred by the United States, called for an increase in ROK direct contributions from \$330 million in 1996 to \$399 million in 1998. However, the severe Asian financial crisis in late 1997 took its toll on the Korean economy and significantly reduced the value of the Korean won relative to the dollar. In order to preserve the SMA while taking into account the reduced value of the won, Secretary Cohen assured the ROK leadership that the U.S. would not profit from the situation and agreed to the principle, "No windfall, No shortfall." Accordingly, the United States agreed to adjust the ROK's 1998 direct contribution to \$314 million, a level that retained the value, or purchasing power, of the original ROK obligation, while taking into account new exchange rate realities.

In December 1998, U.S. Forces Korea (USFK), the U.S. Embassy, and the ROK Ministry of National Defense reached a new multi-year SMA agreement covering 1999-2002. This calls for a ROK contribution of \$325 million for 1999, with increases in 2000 and 2001 to be based on ROK GNP growth and inflation. Payments for the years 2000-2001 will be calculated by adding the percentage of ROK GNP change plus the inflation rate for the previous year, to determine the percentage increase for that year.

In an effort to validate the ROK's methodology for calculating its indirect cost-sharing contribution, USFK conducted a valuation estimate and analysis of foregone land rents for U.S.-controlled exclusive-use land, based on recommendations made during the 1997 SMA Implementation Review. USFK estimates total indirect cost-sharing for 1998 at \$427 million.

Apart from cost sharing, the ROK makes major contributions to regional security by maintaining strong, modern armed forces. In 1999, the Republic of Korea devoted 2.8 percent of its GDP to defense, a decline of roughly 10 percent from 1998. Yet, ROK annual defense spending has grown by 17 percent since 1990, compared to a decline of nearly 25 percent for all nations covered in this Report, and a reduction of 26 percent for the United States over the same period.

Because of the security situation on the Korean Peninsula, Seoul's defense effort continues to focus on the maintenance of and improvements to military readiness. As such, the ROK does not participate extensively in global military roles and missions, including combined operations, elsewhere in the region and beyond. However, during 1999, the ROK dispatched 419 troops to serve with the International Force for East Timor (INTERFET), the first time it had ever committed combat troops to a peacekeeping operation.

Economic constraints limit the ROK's ability to make large contributions to foreign assistance. However, since 1995, the ROK has contributed \$64.1 million to KEDO. Of this amount, \$45 million was in the form of loans in support of shared nonproliferation goals under the U.S.-North Korea Agreed Framework. Moreover, the ROK is committed to playing the central role in funding the cost of the light water reactors to be constructed in North Korea by KEDO. The ROK contribution will cover about 70% of the estimated \$4.6 billion in construction costs for the project.

## **GULF COOPERATION COUNCIL**

The U.S. security strategy in Southwest Asia remains one of engagement, forward presence, and rapid response. The U.S. seeks 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 Southwest Asia is strikingly different from those in other regions of vital interest to the United States. Here the U.S. has no formal bilateral or multilateral defense treaties, and instead relies upon a range of executive agreements for military access, status of forces, and prepositioning of equipment and supplies. The United States has no military bases of its own in the region.

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. All of these nations have per capita GDPs that are lower (and in some cases, much lower) than the average for all nations addressed in this Report. Yet, without exception, all of them continue to spend above-average (and sometimes considerably above-average) shares of GDP on defense – even despite defense budget reductions caused by weak oil prices in 1998. Thus, the GCC nations' shares of military personnel and standing forces far exceed their corresponding shares of total GDP. Qatar, Oman and the United Arab Emirates provide the largest shares of active duty military as a percentage of labor force of all the countries in this Report. Relative to its share of total GDP, Bahrain contributes the largest share of ground combat capability; the second largest share of combat aircraft; and the third largest share of naval tonnage. No other nation in the Report matches this performance in all three armed services. Kuwait's foreign assistance contributions relative to GDP are second only to Denmark's, and it is the only other nation that meets the highly ambitious Congressional foreign assistance target of contributing one percent of its GDP. Kuwait provides significant grant aid and humanitarian assistance to lesser-developed countries, primarily in the Arab world, but also including nations in Southeast Asia, Africa and the Balkans.

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 Persian Gulf. 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.

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 to U.S. naval forces for 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 likewise allows the United States to preposition equipment on its territory, and has granted 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. At the end of 1999, Kuwait housed the bulk of U.S. ground troops in the region and much of our air power. Saudi Arabia also provides access to U.S. forces, contributes substantially to offset the costs of

U.S. military operations enforcing UN sanctions on Iraq, and funded the construction of a \$120 million friendly forces housing complex. In addition, since November 1995, both Bahrain and Qatar have hosted several Air Expeditionary Force deployments in support of Operation Southern Watch. Furthermore, the United Arab Emirates contributed forces to the NATO-led peacekeeping force in Kosovo – its first ever out-of-area deployment.