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AN/5

November, 1974

EUROPE'S DEFENCE: SOME BASIC FACTS

The attached paper is slightly adapted from Fact Sheets issued in Department of State Publication 8782 in October 1974, by the United States Department of State, Washington D.C.

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EUROPEAN DEFENCE EFFORT IN NATO

Financial Contribution

The contribution of the European NATO allies to alliance defence is often underestimated:

- European defence spending (converted to dollars at current prices, existing exchange rates) rose from \$25 billion in 1970 to about \$40 billion in 1973 and will rise to over \$42 billion in 1974. In comparison, the US defence budget has held constant at about \$80 billion during this period. The percent of GNP devoted to defence by the Europeans had been declining from 5.8 in 1964 to 5.2 in 1967 and was at 4.2 in 1970. In response to the US pledge to maintain and improve its forces in Europe if the allies took a similar course, the allies have held their percent of GNP going to defence at 4.2 during 1974. At the same time, the percent of US GNP devoted to defence has declined from 9.4 in 1968 to 5.9 in 1974.

- The spending by the European allies is almost totally devoted to general purpose forces stationed in Europe. US spending to pay, train, operate, and support its 300,000 troops in Europe is less than \$5 billion a year. If is added the cost of their equipment and a proportionate share of the administrative and training support in the United States, the costs are still below \$8 billion.

- About \$2.1 billion of the spending by and on behalf of US troops in Europe enters the international balance of payments. The USA has negotiated offset agreements and sales of military equipment with its European allies to offset these balance-of-payments expenditures associated with stationing US forces in Europe.

Force Contribution

US troops in Europe have declined from a peak strength in 1962 of 434,000 to 300,000. More than two-thirds are stationed in the Federal Republic of Germany, 25,000 are afloat, and 21,000 are in the United Kingdom. Of its total combat units, the United States has stationed in Europe 4-1/3 of its 13 active combat

divisions, 22 tactical fighter squadrons out of 69, and 2 aircraft carriers out of 15. None of the combat units of US strategic forces and none of the combat units of the Marine Corps are in Europe. US forces in Europe comprise only one-seventh of the total US military manpower force of 2.1 million men.

While US personnel strength has declined, the Europeans have maintained their active duty forces at 3,300,000. European forces make up 25 (including 5 French divisions) of NATO's 29-1/3 active divisions on the central front. The Europeans provide three times as many tactical fighters in Europe as the United States, and they provide four times as many naval vessels in the European theatre as the United States. All the European countries, with the exception of the United Kingdom and Luxembourg, continue to rely on conscription. This means that European personnel costs are lower than they would be without conscription. In fact, US personnel costs (civilian and military in the defence establishment) exceed European personnel costs by almost \$7,000 per man per year, or the United States spends \$22 billion more on defence each year than its allies because of higher US personnel costs.

Qualitative Force Improvements

The most significant increases in the allied contribution to the common defence, however, are occurring in the area of qualitative improvements. Without great publicity, the allies have made major advances in setting up greatly improved forces, and they have ambitious plans for further improvement. Almost all countries are completing the purchase of new weapons systems - many from the United States - particularly combat and marine patrol aircraft and modern tanks. Their plans call for additional sizeable purchases of the modern armour and anti-armour forces to counter the more than 16,000 Warsaw Pact tanks in northern and central Europe.

Too little credit is given for allied progress since World War II when their economies and forces were left in shambles. The allies have come a long way, particularly when one takes into account that it was only in 1967 that the Alliance accepted and began to concentrate on conventional forces to implement the flexible response strategy. Progress has included expensive

adjustments to make nuclear trained air units dual-capable, i.e., able to deliver conventional weapons, improve their survivability against conventional attack, and improve command and control systems. Among the efforts is the agreement on NADGE - the integrated air defence system - which is also significant because of the multinational infrastructure cost-sharing arrangements that provide for sharing of the burden. All these measures, while not highly visible because no quantitative changes were evident, did greatly enhance Alliance capabilities to meet the new challenge posed by development of Soviet nuclear arms, which created a need for a convincing conventional defence.

Qualitative Equipment Improvements

Europeans are spending nearly \$3 billion a year on equipment purchases. This provides a very substantial, continual modernization of their forces. They are re-equipping their tank forces and upgrading former infantry divisions and brigades to armoured. The United Kingdom has completely re-equipped its forces with the Chieftain tank. Germany is building more than 2,500 Leopard tanks for its own use and that of Belgium, the Netherlands, Italy, and others. The Europeans are also adding to their anti-tank capabilities. They are currently developing a second generation of wire-guided anti-tank missiles. A more detailed description of allied improvements planned for 1974 appears below.

EUROPEAN DEFENCE IMPROVEMENT PROGRAMME (EDIP)

The Eurogroup, consisting of Belgium, Denmark, the Federal Republic of Germany, Greece, Italy, Luxembourg, the Netherlands, Norway, Turkey and the United Kingdom, was organized in 1968 so that the European nations within NATO could play a more active role than in the past. When the US President made his 1970 pledge that "given a similar approach by the other allies the United States would maintain and improve its forces in Europe", the Eurogroup responded with the first European Defence Improvement Programme worth \$1 billion in additional defence spending over 5 years.

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In 1971 a second Europackage was announced which pledged member countries to increase their defence budgets by over \$1 billion in 1972 - the first European defence increase in real terms in a considerable period. The increasing European defence budgets brought the following equipment into service in 1971 and 1972:

Army

- over 1,100 main battle tanks
- over 300 self-propelled heavy artillery pieces
- approximately 700 medium-range, anti-tank weapons
- over 600 combat vehicles, armoured cars, and armoured personnel carriers

Navy

- 2 guided-missile destroyers
- 5 other destroyers and ocean escort frigates
- 3 nuclear fleet submarines
- 10 other submarines
- 27 maritime patrol aircraft
- 8 tank landing craft
- 4 guided-missile fast patrol boats

Air Force

- approximately 400 modern combat aircraft
- over 50 heavy tactical transport aircraft
- approximately 200 troop-lift and reconnaissance helicopters
- over 450 anti-aircraft guns

The Europackage for 1973 continued these force improvements. The 1973 increase in European spending was \$2.9 billion - enough to take care of rising prices and pay and to continue the EDIF momentum.

The Eurogroup announced a further increase in their defence budgets for 1974 of about \$2 billion. These funds will bring the following major new equipment into service in 1974:

Army

- 474 main battle tanks
- 1,079 other armoured vehicles
- 199 anti-armour weapons

Navy

- 5 destroyers/escorts
- 15 submarines (including one nuclear powered)
- 10 fast patrol boats
- 33 maritime helicopters

Air Force

- 195 modern combat and maritime patrol aircraft
- 140 land-based helicopters
- 820 anti-aircraft guided missiles
- 853 anti-aircraft guns

The Eurogroup defence ministers meet periodically to monitor these programmes and the several programmes of defence cooperation undertaken by the Eurogroup in the fields of training, logistic support, tactical communications systems, medical services, and future equipment purchases.

BUDGETARY AND BALANCE-OF-PAYMENTS COST
OF US FORCES COMMITTED TO NATO

For the purposes of calculating the budgetary cost of maintaining US forces in Europe, the European area includes the Mediterranean basin and forces afloat in the Mediterranean, the Middle East, North Africa, Greenland, Iceland, the Azores, as well as continental Europe. The 300,000 US military forces stationed in the European area include all Department of Defense related personnel in the European command area, including attachés, Military Advisors and Assistance Group, and various other non-NATO functions.

Defence expenditures associated with US NATO commitment fall in two general categories: expenditures for those forces in Europe, and expenditures for all US forces oriented toward Europe.

Lastly to be considered is the extent to which expenditures in NATO Europe appear as a debit in US balance-of-payments military account.

Forces "in" Europe

The operating cost of US forces stationed in the European area (including the Sixth Fleet) is estimated to be about \$5 billion in financial year 1975. This figure represents military personnel costs, including pay and allowances, and costs for operating and maintaining the facilities used by these personnel. This figure does not include the indirect logistics and administrative costs from outside NATO Europe, major procurement and construction costs, or the US contribution to the NATO infrastructure programme.

If is added the cost of the US-based support (i.e. the cost of new equipment, and a proportionate share of the US-based training and logistics support) to the \$5 billion operating cost, the budget cost is about \$8 billion. This figure (\$8 billion) represents most accurately the total cost of US forces in the European area.

Forces "oriented" Toward Europe

Much larger figures have been used by some for previous financial year totals, but these included a "slice" of the total cost of US general purpose forces (land, tactical air, naval, and mobility forces) oriented toward NATO and their related support elements, i.e. forces now in the European area (the 300,000), and forces (both active and inactive) that are usually based in the continental United States and elsewhere, e.g. the Pacific, that the US would expect to use in Europe in case of a major European war. This larger total would also include the cost of all support in the United States attributable to these forces (training, individual support, and logistics); the military aid programme for NATO countries; and US contribution to the NATO infrastructure programme. In peacetime the forces not in Europe serve various national purposes and are available for and have often been used in other parts of the world, for example, Viet-Nam.

Return to the United States

Defence expenditures associated with the US NATO commitment would not be reduced by returning troops from Western Europe and stationing them in the United States if they are kept in readiness for early return. In fact, the budget cost of maintaining a comparable war-fighting capability to that which the US now have by keeping the forces in readiness for early return to Europe (30 days or less) would be increased the first year by an estimated \$2.3 billion per division force (48,000 men). To reduce its defence expenditures, the US would have to abandon the commitment and deactivate the forces.

US BALANCE-OF-PAYMENTS (BOP) DEFICIT AND OFFSET

Net NATO-related financial year 1974 US BOP military account expenditures are still expected to be \$2.1 billion. This is the deficit to be covered by our NATO allies, according to the Jackson-Nunn Amendment to the 1974 Defence Appropriation Authorization Act. "Jackson-Nunn" stipulates that unless the allies offset the deficit by 16th May, 1975, the President beginning on 16th November, 1975, must reduce the number of US forces in NATO Europe by the percentage of the uncovered gap to the total deficit. The Departments of State, Defence, Commerce and Treasury will be monitoring carefully the data developed, so that the necessary steps can be taken to avoid troop cuts. As of 31st August, 1974, estimates showed the deficit will be met by a combination of the US-Federal Republic of Germany offset agreement and military procurement in the United States by other NATO allies.

Note by the NATO International Staff: It is expected that slightly more than half of the deficit to be covered will be accounted for by the FRG offset agreement and the NATO Economic Directorate is developing data on the other allied countries' procurement of US military items. To that effect a questionnaire was sent to the other European member countries. On the basis of the replies received the total amount of European member countries' purchases of defence and defence-related goods and services from the United States slightly exceeds US \$1 billion. This amount covers payments made under government-to-government, government-to-firm and firm-to-firm transactions as well as purchases through NATO Agencies and commonly funded programmes. The purpose of this exercise is to provide the United States Authorities with the detailed information that will allow them to identify payments

in the balance-of-payments data as recorded under the American accounting system. To the extent that these cannot be fully verified by the Departments of Commerce and Defence, using their BOP data, field trips to European capitals might be necessary this winter. In conclusion, subject to further identification of some detailed items it seems that the solution of the problem of US balance-of-payments on military account deficit and offset is near at hand.⁷

US-FEDERAL REPUBLIC OF GERMANY OFFSET AGREEMENT

Department of State Press Release 157, April 25, 1974

"The Governments of the Federal Republic of Germany and the United States of America, represented by Ministerial Direktor Dr. Peter Hermes and Ambassador Martin Hillenbrand, today (April 25) signed an agreement which provides for offsetting the balance-of-payments costs of stationing US forces in the Federal Republic. The Agreement resulted from several months of negotiation and from informal talks held on March 19, 1974, between the Federal Minister of Finance, Herr Helmut Schmidt, and the Secretary of the Treasury of the United States of America, Mr. George Shultz. Remaining details were subsequently agreed between the negotiating delegations.

"The new agreement covers the period from July 1, 1973, to June 30, 1975. It involves a total value of 5,920 million DM (about 2.2 billion dollars at a conversion rate of \$1 = 2.669 DM). As previously, military procurement is the largest element (2,750 million DM). Similar to the 1970/71 agreement, the present agreement includes procurement of uranium separation work for civilian purposes and, for the first time, bilateral projects in the field of scientific and technological co-operation (300 million DM). The program for modernization of barracks and other facilities used by United States forces in Germany, included in the previous agreement, will be continued (600 million DM). In addition, the United States forces will be exempt from landing charges in German civilian airfields and from certain real estate taxes (20 million DM). As previously, provision has been made for the acquisition of low-interest United States Treasury securities by the Deutsche Bundesbank (2,250 million DM).

"The agreement is based on the strength of the United States forces in the Federal Republic of Germany as of July 1, 1973. Both Governments are informing their NATO allies about this agreement, which will form an integral part of the NATO burden-sharing program currently under discussion.

"Both sides welcome the agreement as a visible and convincing example of excellent German-American co-operation within the Alliance."