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A TEN-POINT PROGRAM FOR INCREASING THE ALLIES' SHARE OF DEFENSE COSTS

INTRODUCTION

America's generous and sweeping security commitment to its European and Asian allies has enabled them to prosper and enjoy political stability. The countries that once received Marshall Plan aid ran a \$25 billion trade surplus with the U.S. in 1987. Despite this mounting wealth, however, most U.S. allies fail to contribute a fair share of the costs for their own defense and the defense of common Western interests. Proportionally, Americans pay about twice as much for defense as members of the North Atlantic Treaty Organization (NATO) and roughly six times as much as the Japanese.

The inherent injustice of this situation is eroding gradually the U.S. commitment to allied defense. The incoming Bush Administration thus faces the challenge of inducing the allies to expand their defense efforts to levels commensurate with their financial capabilities. Early in his administration, George Bush should communicate to the allies his determination to update the increasingly anachronistic division of defense costs and responsibilities between the U.S. and its allies.

Taking the Initiative. A strong presidential initiative also is required to forestall unilateral action by Congress, where frustration with the allies increasingly is being expressed in isolationist terms. Last August's bipartisan report by the Defense Burdensharing Panel of the House Armed Services Committee, for example, explicitly warns NATO allies to "be prepared to defend their own territory without a large-scale U.S. ground commitment."¹ With pressure building in Congress to cut U.S. military spending as a deficit

¹ U.S. House of Representatives, *Report of the Defense Burdensharing Panel of the Committee on Armed Services*, August 1988, p. 8.

reduction measure, support for U.S. troop withdrawals is sure to build, unless the Administration is able to offer credible burden-sharing alternatives.

To take the initiative on the burden-sharing issue, Bush should prepare a burden-sharing agenda to be presented to the allies at a Western summit. The agenda should:

- 1) Propose negotiations with NATO allies to specify defense roles that could be shifted to them, such as greater responsibility for NATO's rapid reinforcement mission.**
- 2) Expand cooperative arms development and procurement programs with NATO and Asian allies.**
- 3) Press NATO allies to meet military preparedness and military spending obligations.**
- 4) Press Japan to increase its naval capabilities.**
- 5) Propose ways for Japan to expand its foreign aid budget.**
- 6) Renegotiate host nation support agreements with allies as a means of reducing the cost of stationing U.S. forces abroad.**
- 7) Stop permitting the smaller allies to tie U.S. basing rights to increases in U.S. foreign assistance to them.**
- 8) Seek expanded allied cooperation on restricting technology and capital transfers to the Soviet bloc.**
- 9) Strengthen joint anti-terrorism cooperation with the allies.**
- 10) Expand consultations with the allies on NATO "out-of-area" military operations.**

THE U.S. SHARE OF NATO'S MILITARY BURDEN

U.S. economic and military aid to Europe in the years following World War II was designed to deter further Soviet aggression and subversion and thereby provide a secure foundation for restored West European economic and political strength. In this it has succeeded spectacularly. Western Europe's combined national wealth (as measured by Gross Domestic Product, or GDP) exceeds that of the Soviet Union and all of Eastern Europe combined, and rivals that of the U.S.

Western Europe, however, remains militarily dependent on the U.S. About 325,000 American servicemen and servicewomen are stationed there. In the

event of a full NATO mobilization, the U.S. would provide roughly 42 percent of NATO's fully reinforced combat capability. France and West Germany, by comparison, each would provide about 21 percent.² The U.S. also provides the ships and planes that would be needed to reinforce NATO.

Nuclear Guarantor. Further, the U.S. maintains and controls most of NATO's European-based "tactical" nuclear weapons, including nuclear artillery, short-range *Lance* missiles, nuclear-capable aircraft, and sea-based nuclear forces dedicated to NATO missions. As important, almost the entire burden of strategic nuclear deterrence is borne by the U.S., the only NATO ally with intercontinental and sea-launched ballistic missiles and long-range bombers able to counter Soviet strategic forces.³ As nuclear guarantor of the alliance, the U.S. puts itself at risk of nuclear attack in the event of a Soviet attack on its European allies.

Beyond its NATO missions, of course, the U.S. deploys a global navy of nearly 600 ships along with air- and sea-transportable strike forces which bear primary responsibility for responding in force to emergencies threatening critical NATO interests around the globe.

Doubling the European Average. This American commitment to European security is expensive. Expenditures directly related to European defense consume about 60 percent of the annual U.S. defense budget of nearly \$300 billion. It is, by and large, a major reason why U.S. defense spending is so high. In 1988, the U.S. spent about 6 percent of its GDP on defense, over twice as much as the average for European allies, whose spending ranges from Greece's 6.6 percent (mainly as a result of its ongoing conflict with Turkey) to Luxembourg's 1.3 percent. Of the major allies, only Britain's 4.5 percent approaches U.S. military spending levels, while France at 3.9 percent, West Germany at just under 3 percent, and Italy at 2.4 percent lag behind.⁴

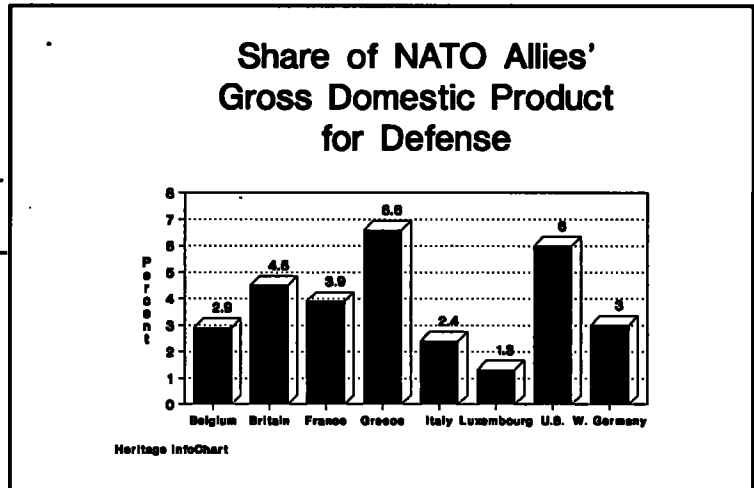
The U.S. over the years has attempted to encourage Europeans to increase their defense efforts. In 1978, NATO members at U.S. urging committed themselves to 3 percent annual growth, after inflation, in defense spending. Only the U.S. honored this pledge with any consistency. In the 1977 Long-

2 U.S. Congressional Budget Office, *U.S. Ground Forces and the Conventional Balance in Europe*, June 1988, p. 93.

3 Britain and France have small nuclear forces. Germany renounced the nuclear option under the provisions of the 1954 London and Paris Accords and the Nuclear Non-proliferation Treaty, which it signed in 1970.

4 *Enhancing Alliance Collective Security: Shared Roles, Risks and Responsibilities in the Alliance*, NATO Defense Planning Committee, December 1988, p. 12. Figure for France is from U.S. Department of Defense, *Report on Allied Contributions to the Common Defense*, April 1988, p. 90.

term Defense Plan and again in the 1985 Conventional Defense Improvements (CDI) plan, NATO allies committed themselves to addressing such conventional defense deficiencies as shortfalls in munitions stockpiles. The results of both programs have been spotty.⁵



Europeans have made it clear, publicly and privately, that increased defense budgets are not on their immediate agenda, particularly in the wake of Soviet leader Mikhail Gorbachev's December 7, 1988, United Nations speech, in which he announced his intention to reduce Soviet forces in Europe.⁶

NATO ALLIES' MILITARY DEFICIENCIES

The armies of America's European allies for the most part cannot meet their combat commitments. Belgian forces, for example, lack adequate air defense because the Belgian government, which spends only 2.9 percent of GDP on defense, decided that it cannot afford the U.S.-made *Patriot* air defense system fielded by other NATO armies. Making matters worse, 70 percent of Belgian and Dutch active forces, ostensibly committed to defending NATO's front line, are stationed days away from the front, in their home countries. The reason: to save money, even though these forces are vital to the defense of West Germany's critical northern sector. British forces, meanwhile, have only 60 percent to 70 percent of the ammunition they need. West German ammunition stocks are not much better, and French stocks are in even worse shape.⁷

NATO's defense problems result not only from the European allies spending too little, but also from unwise spending. Britain, France, and West Germany, for example, each produce a main battle tank. France and West Germany are leading separate European consortia to develop expensive new

⁵ While Great Britain, West Germany, and the U.S. met 95 percent or more of their CDI commitments, no other NATO ally has done better than 75 percent. *Enhancing Alliance Collective Security*, *op. cit.*, p. 24.

⁶ Author's discussions with British and German parliamentarians. Military analysts have pointed out that even major reductions in Soviet forces will not appreciably affect NATO's military requirements. See, for example, Stephen J. Flanagan and Andrew Hamilton, "Arms Control and Stability in Europe," *Survival*, September/October 1988, p. 455.

⁷ Center for Strategic and International Studies, *Meeting the Coming Challenge: An Alliance Action Plan for Conventional Improvements and Armaments Cooperation*, December 18, 1987, pp. 17-18.

fighter aircraft, each of which would duplicate capabilities available in advanced versions of existing U.S. planes. Both Britain and France maintain a range of nuclear, air, and naval forces at the expense of the readiness of their ground armies. France continues to refuse to participate in NATO's integrated military command. Such choices divert defense resources that could be spent more effectively, imposing heavy compensatory costs on other members of the alliance, particularly the U.S.

THE ALLIES' RESPONSE TO CRITICISM

NATO allies argue that their contributions to the common defense are underrated. West Germans, for example, point out that nearly 900,000 active duty military personnel (over 400,000 of them foreign troops) are stationed on their territory and that 5,000 annual air and ground military maneuvers present dangers to the population and disrupt everyday life. They also emphasize that if war erupts, their country will be the most likely battleground. The other side of this coin is, of course, that West Germany is the main beneficiary of defense efforts that deter war. West Germans tend to ignore, moreover, that the U.S. keeps under arms a significantly higher share of its population than does West Germany, largely as a result of the U.S. commitment to defend West German territory.⁸

Quantifying Costs. West Europeans further argue that U.S./European comparative defense spending figures are misleading because: 1) they include the increased personnel costs of America's volunteer army (all NATO allies except Britain, Canada, and Luxembourg, have conscript armies); 2) West Europeans provide rent-free land and facilities for NATO forces; 3) the figures do not include West European costs indirectly related to defense, like foreign aid or West German economic support to Berlin.

In fact, however, these costs have been counted. The U.S. Congressional Budget Office (CBO) recently quantified them and concludes that when they are taken into consideration, the defense burden on the West German or other allied economies still does not begin to approach the U.S. burden.⁹

Some Europeans question the legitimacy of the burden-sharing issue altogether, arguing that as a "global" power the U.S. necessarily incurs proportionally higher defense budgets than the other NATO countries. This argument might have contained some truth a few decades ago; today it ignores the point that European NATO is a global economic power with worldwide interests. If the U.S., for instance, did not deploy a navy protecting the flow of oil and raw materials into European ports, or nuclear weapons to deter those of the Soviet Union, West Europeans would have to buy these forces for themselves.

⁸ U.S. Department of Defense, *Report on Allied Contributions to the Common Defense*, April 1988, p. 101.

⁹ See Robert F. Hale, testimony before the Defense Burdensharing Panel, U.S. House of Representatives Committee on Armed Services, May 10, 1988.

MODEST PROGRESS IN SHARING DEFENSE RESPONSIBILITIES

While fundamental disparities in U.S. and West European defense efforts have yet to be addressed, some progress has been made toward more evenly distributing defense costs and responsibilities within NATO. Example: after Spain evicted a U.S. F-16 air wing from its base in Torrejon in December 1987, Italy accepted the planes. At U.S. congressional insistence, NATO will share the \$500 million cost of the aircraft transfer through the NATO Infrastructure Program, for which the U.S. contributes 28 percent of the funding.

Further, there is a dawning recognition among NATO allies that a failure to address U.S. burden-sharing concerns could damage the alliance. This was recognized explicitly by British Prime Minister Margaret Thatcher in a speech last September, and by NATO Secretary-General Manfred Woerner, who commissioned a special NATO working group on the subject. The report of the working group, released last month, recognizes "significant differences between individual national contributions" to alliance security, and recommends that NATO's Defense Planning Committee pursue greater equity.¹⁰

Eliminating Duplication. Limited but important progress also has been made in alliance-wide cooperation in weapons planning through NATO's Conventional Armaments Planning System. Alliance-wide cooperation in the development of new weapons has expanded, largely within the framework of the 1985 Nunn-Roth-Warner and Quayle Amendments, which set aside U.S. weapon development funds for cooperative ventures. Arms cooperation reduces overall arms costs for the alliance by eliminating duplication of effort, exploiting comparative advantage, and expanding economies of scale.

Arms cooperation among European NATO members also has expanded, and West European defense ministers are discussing the possibility of moving toward a common armaments market.¹¹ This would benefit the Western defense effort only, of course, if it occurs within the context of increasing arms cooperation with the U.S. and does not spur "fortress Europe" protectionist measures.

Other signs of a more effective and efficient West European defense effort include the revival and planned expansion of the long moribund West European Union (WEU), an all-European defense organization with its origins in the 1948 Brussels Pact. Also noteworthy is the increasing military cooperation between France and West Germany, including the creation of a joint army brigade.

¹⁰ *Enhancing Alliance Collective Security, op. cit.*

¹¹ Europe Gingerly Steps Toward Common Arms Market, *Defense News*, September 19, 1988, p. 1.

OTHER IMPORTANT BURDEN-SHARING ISSUES

The burden-sharing debate extends beyond the question of defense spending. On a range of issues, West European actions undermine NATO's defense effort and add to the U.S. defense burden. These include:

◆◆ Increased "untied" and other loans to the Soviet bloc by West European and Japanese banks. During a ten-day period in October, for instance, West European and Japanese banks offered \$9 billion in credit to Moscow; this is \$1 billion more than had been offered during all of 1986, 1987, and 1988 to that point combined.¹² These and other loans provide Moscow with hard currency that it can use to modernize its armed forces and help support its global empire, thereby creating greater military responsibilities — and hence costs — for the U.S.

◆◆ Laxity in enforcing restrictions on transferring sensitive technology to the Soviet Union and its allies. Last year, the West German government, taking advantage of a loophole in Western export controls, established a joint venture with Moscow to produce sophisticated machine tools with clear military applications.¹³ Such actions are costly to the U.S. It is estimated, for example, that it may cost the U.S. up to \$5 billion to counter the military consequences of Soviet gains in submarine warfare resulting from the 1987 illegal sale of sensitive equipment to Moscow by Japan's Toshiba Machine Company, a subsidiary of Toshiba Corporation, and the Norwegian state-owned arms firm Kongsberg Vaapenfabrik.

◆◆ Adoption of anti-U.S. rhetoric and disregard of alliance responsibilities by NATO's smaller allies. Examples: Spain's December 1987 eviction of the U.S. F-16 fighter wing and Spain's establishment last November of formal intelligence ties with Cuba; Greece's decision to close the U.S. base at Hellenikon used to monitor Soviet naval activity in the Mediterranean; a vote by the Danish parliament last spring threatening to bar nuclear-armed U.S. warships from Danish ports; and the increasing use of basing rights negotiations by such allies as Greece, Portugal, and Turkey to exact increased foreign aid from the U.S.

◆◆ Confusion over defense of common interests in regions not specifically covered by NATO defense arrangements (known as "out of area" issues). At a cost of over \$20 million per month, for over two years U.S. warships escorted oil tankers in the Persian Gulf, through which Western Europe imports 43 percent of its oil.¹⁴ While NATO allies ultimately coordinated their own military actions with the U.S. Gulf operation, the *ad hoc* and

12 "U.S. Split on Rise in Allies' Lending to Soviets," *The New York Times*, October 21, 1988, p. 1.

13 Juliana Geran Pilon, "Technology Leaks in Soviet Joint Ventures," *The Wall Street Journal*, September 6, 1988.

14 U.S. Energy Information Administration, *International Petroleum Statistics Report*, December 1988, pp. 20-21.

sometimes fractious nature of NATO military efforts in the Gulf revealed a need for better planning for future contingencies.

ASIAN ALLIES' DEFENSE RESPONSIBILITY

In Asia the U.S. maintains bilateral defense treaty relationships with Australia (signed in 1951), the Philippines (1951), the Republic of Korea (1954), Thailand (1954), and Japan (1960). In contrast to NATO, these alliances are only loosely linked. Asia, moreover, predominantly is a maritime theater where U.S. naval forces bear principal responsibility for keeping the sea lanes open. U.S. nuclear forces, meanwhile, provide the only nuclear capability in the region to counter Soviet nuclear weapons.

Under Gorbachev, Moscow has increased its military and political challenge to Asian security. In Asia the Soviets now deploy 56 army divisions, 14,900 tanks, and 1,300 combat aircraft. The Pacific Fleet is the largest in the Soviet Navy with two *Kiev* class aircraft carriers, 76 attack submarines, and 80 surface combatants.¹⁵

Japan Expands Its Defense Role

The U.S.-allied defense burden-sharing issue focuses primarily on Japan, which in 1987 had a \$58 billion trade surplus with the U.S. After many years of U.S. pressure, Japanese attitudes toward defense have begun changing and Japan is now building a significant defense capability. For years, Japanese defense efforts have been restricted by a 1976 unofficial agreement within the ruling Liberal Democratic Party, which limited Japanese defense spending to one percent of gross national product (GNP). In the past two years, however, Tokyo has been nudging defense outlays above this ceiling.

The Reagan Administration has prompted Tokyo to expand force levels and defense expenditures. In 1981 Japanese Prime Minister Zenko Suzuki pledged that Japan would protect its air and sea lanes out to 1,000 nautical miles. His successor, Yasuhiro Nakasone in 1983 pledged that, in an emergency, Japanese forces would block the three strategic straits around Japan. This was a warning that Japan would prevent Soviet naval access to the Pacific. In September 1986, Nakasone accepted Washington's offer to participate in Strategic Defense Initiative research.

Fulfilling Its 1981 Pledge. Nakasone also was able to break what had been seen as the sacrosanct one percent of GNP defense spending limit. In 1987, Japanese defense spending inched up to 1.004 percent of GNP (\$28 billion) and to 1.013 percent of GNP (\$30 billion) in 1988. The Japanese Self Defense Forces comprise about 450,000 personnel, 220 modern jet fighters, and 54 destroyers and frigates.

15 International Institute for Strategic Studies (London), *The Military Balance, 1987-1988*, pp. 44, 45.

When completed, Japan's 1986-1990 Mid-term Defense Plan will provide forces necessary to fulfill the 1981 pledge, including over 300 modern jet fighters, about 60 destroyers, and 100 P-3C *Orion* anti-submarine aircraft. Tokyo is studying the purchase of in-flight refueling aircraft and long-range over-the-horizon radar; Washington should encourage this. Japanese defense forces are deficient in underway replenishment ships to service naval escorts at sea, war material stockpiles for sustained combat, and reserve personnel.

Support Comparable to West Germany's. About 55,000 U.S. military personnel are stationed in Japan. The U.S. Seventh Fleet is headquartered at Yokosuka Harbor, located inside Tokyo Bay. This year Japan will pay \$2.5 billion to support these U.S. forces. This is roughly equivalent to the amount of peacetime host nation support provided by West Germany, which hosts roughly five times as many U.S. troops as Japan.¹⁶

Japanese host nation support covers about 40 percent of the estimated \$6 billion cost to the U.S. of keeping its forces at over 100 facilities in Japan. By 1990, Japan will pay 100 percent of labor costs of Japanese support personnel; today Japan pays 50 percent of these costs. Since 1979, Japanese Maritime Self Defense forces have participated in RIMPAC (Rim of the Pacific) exercises with the U.S., Australia, and Canada. In 1986, the first U.S.-Japanese combined service exercises were held.

Sharing Advanced Technology. Despite its policy not to export weapons, Japan has been increasing technology cooperation with the U.S. throughout this decade, slowly reversing a one-way street of U.S. defense technology exports to Japan. Bowing to considerable U.S. pressure, Japan in 1987 opted not to produce its own next-generation fighter aircraft, called the FSX. Instead it will develop an advanced version of the U.S. F-16, which will give the U.S. 35 percent to 45 percent of \$6.4 billion in production work and access to technological improvements developed by the Japanese. Despite this, the U.S. still could benefit from greater access to Japanese defense-related technology.

In 1987, the House and the Senate passed a resolution calling for Japan to spend 3 percent of its GNP on defense, or about \$90 billion. Current Japanese spending levels already approach British, French, and West German levels in absolute terms. Recently Assistant Secretary of Defense Richard Armitage asks: "What would the additional funds be used for? A nuclear capability? Offensive projection forces. . . is that what Congress wants?"¹⁷

¹⁶ West Germany also would provide 93,000 military personnel for wartime host nation support of U.S. forces.

¹⁷ Remarks By The Honorable Richard L. Armitage, Assistant Secretary of Defense for International Security Affairs, to the National Defense University Pacific Symposium, February 25, 1988.

Many Asians understandably remember Japan's aggressive and militaristic recent past. As such, they would be nervous about Japan boosting its military capability. This could cause instability in the region and damage U.S. relations with Asia. Some U.S. officials suggest Japan can maintain an effective defense by spending only 1.2 to 1.5 percent of GNP.¹⁸ Because of nervousness over Japanese military growth, it may be decided that Tokyo can support Western security better by increasing the amount of its Overseas Development Assistance.

The U.S. Commitment to the Republic of Korea

Since the end of the Korean War in 1953, U.S. forces in the Republic of Korea (ROK) have helped deter North Korean aggression. This has enabled South Korea to become an economic and political development success story. But the North continues to pose a grave military threat, deploying 750,000 troops, 2,900 tanks, and 840 warplanes against the ROK's 542,000 troops, 1,300 tanks, and 476 warplanes.

It costs the U.S. about \$3 billion annually to maintain its 41,000 troops and 150 aircraft in the ROK. Seoul provides \$1.9 billion in rent and tax free land. In addition, the ROK annually spends 5 percent to 6 percent of its GNP on defense. When Washington recently asked for an increase in funding support for expenses like local labor, Seoul responded with an increase from \$34 million to \$40 million.

New Zealand's Refusal to Carry Its Share

Among the pro-Western allies in Asia, only New Zealand has reneged completely on its joint defense responsibilities. Prime Minister David Lange continues to support anti-nuclear policies that have made U.S.-New Zealand military cooperation impossible since 1985. New Zealand stands alone among U.S. allies in its refusal to allow in its ports U.S. ships carrying nuclear weapons needed to deter Soviet nuclear armed forces. Nevertheless, New Zealand continues to benefit from the U.S. global nuclear deterrent.

IMPROVING THE DEFENSE EFFORTS OF AMERICA'S ALLIES

The Bush Administration must present a program to promote a gradual devolution from the U.S. to its allies of specified defense costs and missions, and greater defense cooperation among allies. By defining the agenda, Bush can head off attempts in Congress to use the burden-sharing issue as a pretext for substantial U.S. troop withdrawals from bases abroad. At the same time, he can initiate needed changes in the defense relationship between the U.S. and its allies that ultimately will save money and move the Western nations

¹⁸ Robert Manning, "Still comrades in arms," *Far Eastern Economic Review*, September 10, 1987, p. 40.

toward a global strategy based on a more equitable and rational division of defense responsibilities.

At a Western summit early in his Administration, Bush should express U.S. concerns about the skewed distribution of defense costs and responsibilities with its allies. At the meeting, he should unveil a ten-point program to redress defense burden-sharing inequities between the U.S. and its allies through a redistribution of costs and responsibilities and through improved defense cooperation. He should request bilateral and intra-alliance negotiations to carry out the initiative. Bush's proposal should:

Point #1: Call on European allies to increase responsibility for rapid reinforcement of NATO's central front.

Responsibility for rapidly reinforcing NATO's central front in the event of war is now borne primarily by the U.S. at great expense. Two alternatives might be presented: First, NATO allies could share responsibility for this mission by accepting additional costs for NATO rapid reinforcement. For example, NATO could share the costs of procuring and operating the C-17 transport aircraft, which the U.S. is purchasing primarily to meet its NATO rapid reinforcement commitments. The Congressional Budget Office (CBO) estimates that this would save the U.S. about \$20 billion over the next twelve years.¹⁹

West Europeans also could contribute to the cost of stockpiling equipment in Europe for use in wartime by U.S. reinforcements. According to the CBO, these stocks are about two-thirds filled. The cost of providing the equipment to fill them is estimated at between \$4 billion and \$6 billion.²⁰ At least half of this cost should be borne by West Europeans.

Alternatively, the U.S. unilaterally could transfer from active duty to the Army National Guard two of the six U.S.-based heavy divisions (about 17,000 troops each) now slated for rapid NATO reinforcement.²¹ This would save about \$15 billion to \$20 billion over five years, in addition to considerable savings from reduced airlift requirements.²²

It then would be up to Europeans to decide how to replace these reinforcements on the central front. France, for example, could commit

19 Hale testimony, p. 20.

20 Author's discussion with CBO analyst.

21 See also Dov S. Zakheim and Jeffrey Record, "The Army," and Dov S. Zakheim and Kim R. Holmes, "The United States and NATO" in Charles L. Heatherly and Burton Yale Pines, eds., *Mandate for Leadership III: Policy Strategies for the 1990s* (Washington, D.C.: The Heritage Foundation, 1989).

22 Warren W. Lenhart, *The Mix of United States Active and Reserve Forces*, Congressional Research Service, November 1983, p. 11. Figures adjusted for inflation.

equivalent manpower from the First French Army to reinforcing specified sectors along the central front. These forces would have to be brought up to NATO standards in war stocks and equipment and to some extent integrated into NATO's military command, at least at the operational level. If France refused to do this, NATO European allies could improve their rapid mobilization capabilities by creating "ready reserve" divisions, forces that could be called up in a matter of days.²³

Point #2: Expand Cooperative Armaments Programs.

Cooperative arms planning – including the trial NATO Conventional Armaments Planning System (CAPS) and the cooperative arms development and procurement programs undertaken under the Nunn-Roth-Warner and Quayle Amendments – help rationalize defense spending within NATO. If executed ambitiously, defense cooperation would become an important means for efficiently allocating defense resources among Western allies and encouraging joint investment in advanced defense technologies.

One way to expand the scope of these programs would be to invite Japan to participate in NATO-wide cooperative arms development and planning programs. Japanese participation would be an important step toward molding the economic resources of the Western industrial democracies into an increasingly integrated defense resource base.

Point #3: Press NATO allies to meet military preparedness and military spending obligations.

NATO's recent evaluation of country performance indicates that only Britain, West Germany, and the U.S. are meeting the major force modernization goals highlighted in the 1985 Conventional Defense Improvement program. Not surprisingly, those countries with low scores for the most part also rank low in defense spending. The U.S. should press in negotiations for renewed commitments to CDI force targets. In concert with Britain, the U.S. also should press for across the board defense spending increases by NATO allies, particularly Belgium, Canada, Denmark, Italy, Luxembourg, Spain, and West Germany, each of which spends less than 3 percent of GDP on defense.

Point #4: Push Japan to increase its naval capabilities.

Japan has agreed to acquire the forces to defend its sea lanes out to a radius of 1,000 nautical miles. To fulfill this pledge, Japan must increase from 220 to 300 the number of F-15 and F-16 type combat aircraft in its inventory, modernize air defenses with *Patriot* surface to air missiles, increase from 54

²³ The existing reserve structures of Belgium, The Netherlands, France, and West Germany could be reorganized to meet the rapid reinforcement need. See William Mako, *U.S. Ground Forces and the Defense of Central Europe* (Washington, D.C.: Brookings Institution, 1983), pp. 88-93.

to 60 its destroyer-type ships, increase from 30 to 100 its P-3C *Orion* anti-submarine aircraft, and acquire two guided missile destroyers with U.S.-developed *Aegis* air defense systems.

The U.S. should provide the *Aegis* only after negotiating procedures to prevent *Aegis* technology from being given to the Soviet Union. The U.S. should press Japan to purchase additional underway replenishment ships to facilitate sustained naval escort operations. Japan should also increase its war material stocks to enable sustained combat and increase the number of reserve forces personnel.

The U.S. should help Japan improve the preparedness of its forces by expanding joint air and naval exercises designed to integrate Japan into the Pacific defense network and proceed with plans to sell Japan naval high technology.

Point #5: Encourage Japan to increase foreign aid.

Since Japan's military budget will likely remain lower proportionally than that of the U.S. or major NATO allies, Japan must be encouraged to find other ways to contribute to overall Western security. A major way of doing this would be to increase substantially its assistance to developing countries. This already exceeds \$10 billion, but Japan easily could afford much more — particularly for nations important to the common security of the industrial democracies. These include the Philippines and Turkey, two Western allies hosting U.S. bases that control sea lanes vital to Japanese economic security, and Egypt and Pakistan. Japan has been responsive to such requests by the U.S.

Point #6: Renegotiate host nation support agreements.

The U.S. should reopen base negotiations with its allies, requesting additional allied support for base operating costs, construction, salaries and benefits, and cost-of-living supplements for U.S. personnel. According to the Congressional Budget Office, the U.S. would save over \$7 billion annually by transferring all of these costs to the allies. Some costs, of course, would continue to be carried by the U.S. in order to maintain adequate control over base activities.²⁴ Economically stronger allies such as Japan and West Germany, moreover, can increase aid to less wealthy allied countries like Greece, Spain, and Turkey to help them offset the costs of supporting NATO bases. The NATO Infrastructure Fund can be used for this.

Point #7: Press smaller allies to accept responsibilities.

The U.S. should cease permitting smaller allies such as Greece and the Philippines to tie continued U.S. basing rights in their countries to increases

²⁴ Hale testimony, p. 22.

in U.S. foreign assistance. These allies gain from the regional security provided by the U.S. bases on their territories; so do other allies. If the host allies cannot be counted on to support U.S. bases, the U.S. should develop more secure alternatives.

Point #8: Restrict loans and technology transfers to the Soviet bloc.

The Japanese and European allies have been providing billions of dollars in untied loans to the Soviet bloc. Since these credits enable Moscow to upgrade its arsenal, they increase U.S. defense costs. Bush should direct his new National Security Council to develop a set of criteria by which the security impact of East-West transactions can be assessed. These criteria should serve as the basis for alliance guidelines for discouraging untied loans to the Soviet Union and its allies.

Further, recent actions, such as West Germany's decision to produce machine tools in a joint venture with Moscow, indicate that tougher policies are needed to control the export of advanced technology to the Soviet bloc. The U.S. should propose to the Coordinating Committee for Multilateral Export Controls (COCOM), the body that establishes and monitors Western technology transfer policy, more strict regulations on "joint ventures" with Soviet enterprises. In addition, Bush should increase the Pentagon role in setting U.S. strategic trade policy and resist any efforts by allies to relax COCOM restrictions.

Point #9: Improve Anti-terrorism Cooperation.

The Reagan Administration has convinced NATO allies of the need to increase cooperation in fighting terrorism. They are doing so through intelligence sharing and joint military planning. Bush should augment these efforts by proposing the formation of a joint NATO Counter-terrorism Coordinating Committee, which would consult on possible joint responses to international terrorism.

Point #10: Expand consultations with the allies on cooperation in NATO "out of area" operations.

Only the U.S. has sufficient naval power, long-range air power, and troop mobility to deal in strength with such contingencies as the recent Persian Gulf escort mission. Though technically outside the NATO area, these operations serve allied interests. As such, the U.S. should seek allied political, military, and financial support for operations when their interests are involved. The U.S., however, should not encourage its allies to improve their power projection capabilities at the expense of needed local defense improvements. Global power projection should remain primarily the responsibility of the U.S.

CONCLUSION

Since World War II the U.S. has accepted more than its fair share of responsibility for the defense of Western interests. Allies have come to take this U.S. commitment for granted and have taken advantage of it by lowering their own defense efforts proportionately. Today, with the U.S. facing severe budgetary problems, it is time for U.S. allies to accept their share of a burden that the U.S. has borne without complaint for nearly forty years. They are wealthy enough to do so without major sacrifice.

For all its shortcomings, the House Defense Burdensharing Panel Report is correct in concluding that allies are apt to accept their share of responsibility only when it becomes clear that the U.S. no longer is prepared to bear a disproportionate share. Strong leadership will be required from George Bush to persuade the allies that this is the case. If he is unable to do so, Congress is sure to force the issue in ways that may do lasting damage to U.S. alliances.

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