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# Foreign Policy In Focus

## The Hidden Costs of NATO Expansion

Kathryn Schultz and Tomas Valasek

In his January 1997 State of the Union speech, President Bill Clinton stated that “our first task is to help to build, for the first time, an undivided, democratic Europe. When Europe is stable, prosperous and at peace, America is more secure.” The president hopes to build a seamless Europe to the Russian border by expanding the North Atlantic Treaty Organization (NATO) to include Central and Eastern Europe.

Clinton first proposed NATO expansion in 1994—and revived the idea during the 1996 election campaign—largely as a bid to win Central and Eastern European ethnic votes. While the administration has advanced the

scheme, top U.S. military officials and some congressional members are quietly wary of the expansion. If a treaty on enlargement is signed, the Senate will have to ratify it, and the House will have to vote on any appropriations required for NATO expansion. But without, as yet, a highly vocal opposition or much public debate, expansion is proceeding rapidly and the American taxpayer will likely foot much of the bill.

The ramifications of NATO expansion are numerous (see *In*

*Focus: Costs and Dangers of NATO Expansion*), but the monetary cost of enlarging the alliance may prove to be the main obstacle to expansion. Estimates range from \$14 billion to \$125 billion (see table on page 3). It remains unclear what NATO expansion will entail when it is completed, but it is already clear that improvements in the infrastructure of new member states will be necessary. Furthermore, new member nations will be encouraged to replace their aging Soviet weapons with more modern equipment, which is considered necessary to ensure interoperability with NATO forces in the event of a conflict.

Many military and economic analysts agree that potential members do not currently have the resources to

upgrade their armed forces with Western weapons. Moreover, the cost studies done to date illustrate the problem inherent in pricing a given activity when there are more variables than constants. These variables include: the number of countries that join NATO, the amount and type of infrastructure improvements necessary to allow for rapid reaction by NATO forces, the quantity and quality of military equipment these nations will buy, the number of NATO Fighter Wings and Army Divisions earmarked to defend the expanded region, and whether these NATO forces will be deployed in the new member states or operate from bases in current NATO countries.

The cost-sharing arrangements between new member states and NATO, as well as those among current member states, have yet to be determined. These arrangements will play a significant role in assessing the true cost of NATO expansion to the United States.

In addition, the U.S. deploys approximately 100,000 troops on European soil, and there are no plans to bring them home despite the lack of a superpower threat. NATO expansion entails not only the continuing cost of maintaining these troops but also a large-scale extension of U.S. security guarantees to defend new members.

Secretary of State Madeline Albright downplayed the cost, claiming that new members will “carry their share of the burden.” But judging from the past, Americans should not count on having new members carry the additional burden. Throughout NATO’s history, the U.S. has been concerned about burdensharing. For example, NATO set various standards with regard to defense spending and weapons stockpiles, but rarely have U.S. allies met these levels. If the U.S. could not count on its healthy, wealthy, and powerful Western European allies to carry their share of the load, what will it be like if economically troubled nations join NATO? As *New York Times* columnist Thomas Friedman warned, “We [get] nothing for NATO expansion but a bill.”

### Key Problems

- Expansion of the NATO military alliance is proceeding rapidly despite an overwhelming lack of public or congressional debate.
- Overall cost estimates for NATO expansion vary widely, from \$14 billion to \$125 billion.
- NATO’s history suggests the U.S. may end up footing the majority of the bill.

The ramifications of the proposed NATO transformation will depend on the exact form that enlargement takes. There is a certain bare minimum necessary to make new members' communications networks, air traffic control systems, aircraft, and identification systems compatible with other NATO countries. Much of this infrastructure is already being upgraded or purchased with U.S. assistance.

Under the more modest options for NATO expansion, new members would largely rely on their existing military equipment, which would undergo extensive upgrades. U.S. government studies list the potential members' aging fleet of Soviet aircraft and tanks as the first candidates for modernization or replacement.

Other options call for more sweeping and costly measures. These include improving roads and railways, extending existing NATO pipelines, dredging some Polish ports to make them navigable for NATO ships, and rebuilding runways and adding hangars and storage facilities to accommodate Western aircraft.

Military equipment and infrastructure in the former Warsaw pact nations are below Western standards and would have to be brought up-to-date. Representatives of NATO-candidate countries complain that the U.S. underestimates their existing defense capabilities. But even if current defense mechanisms were to remain in place after joining NATO, they would, for the most part, have to be refurbished and brought up to NATO standards. Estimates of the price of NATO membership to candidate countries vary, but all U.S. studies agree that the cost would represent an extremely heavy burden on their economies.

From the moment NATO expands, current members will be obliged to defend new members if they are under attack. Consequently, current NATO members will also need to improve their ability to protect the new members. Thus the magnitude of the upgrades and purchases that NATO expansion would require will burden the budgets of all members. Current and potential NATO members need to assess their economies, their defense budgets, and their populations' willingness to increase defense spending and invest in NATO expansion.

Some of the infrastructure costs will be covered by NATO's Security Investment Program, about 23% of which the U.S. funds. This part of NATO's budget is designed to pay for the construction of communication and information systems, fuel pipelines, radar and navigational aids, and missile sites in member states. The bulk of the costs associated with defense, including the procurement of new weapons, however, are borne by NATO members themselves.

Poland is the only serious contender for NATO membership to have published its own comprehensive study on the cost of joining the alliance. Its authors calculated that Poland would need to spend \$1.3 billion on achieving interoperability and compatibility with

NATO forces and another \$7.8 billion on modernization of its armed forces. Only by labeling modernization as an indirect cost could the Polish study come to the optimistic conclusion that NATO accession is well within the country's budgetary capabilities.

Although the Clinton administration's NATO expansion study clearly places the burden of modernization on the new members, the study recognizes the financial limitations of these countries and indicates that the U.S. may pick up a large portion of the tab. The NATO expansion cost to the U.S. "would, of course, increase if there were...a decision by the U.S. to bear a larger share of the costs that would otherwise fall on our current allies or the new members." The U.S. has carried most of the burden of NATO activities in the past. The arrival of a new group of relatively poor nations may result in Uncle Sam, as the biggest advocate of NATO expansion, paying the majority of the bill.

The U.S. has already begun assisting prospective NATO members with money and military equipment. In 1997, the top candidates for NATO—the Czech Republic, Hungary, and Poland—were awarded \$60 million in Foreign Military Financing (FMF) grants. Congress also appropriated \$242 million under the Central European Defense Loans program. The loans are expected to be repaid, but they received a \$20 million subsidy from the U.S. budget. The 1997 allocation marked the first increase in FMF funding in 13 years, attributable mostly to preparations for NATO expansion.

The NATO Enlargement Facilitation Act of 1996 also designated NATO-membership candidates as priority destinations for weapons transferred through the Excess Defense Article (EDA) program. Weapons purchased for the U.S. military are sold at a deep discount or simply given away under the EDA program.

In addition, during 1996 the administration diverted \$15.6 million from economic assistance funds for former Soviet bloc countries to military purposes. For 1997, the administration is authorized to spend up to \$7 million originally earmarked for economic assistance on defense programs.

Even with substantial U.S. taxpayer assistance in the form of loans and grants, the cost may still be too high for the new NATO aspirants. Taking its cue from major auto manufacturers, the U.S. has offered to lease advanced jet fighters to prospective members. Although leasing may enable U.S. weapons manufacturers to gain a foothold in a new market, the proposed deal would not generate the funds necessary for service upgrades.

## Key Problems

- New members would be hard pressed to modernize their armed forces with Western weapons without substantial assistance from NATO allies—chief among them, the United States.
- Assistance to candidates for NATO membership has triggered the first increase in U.S. military aid in 13 years, as resources originally earmarked for economic aid in Central Europe have been reasigned as military assistance.
- Expansion costs will not be offset by U.S. arms sales to prospective members in the near future.

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### Editors

Martha Honey (IPS)  
Tom Barry (IRC)

### Production

Grant Moser

### Communications Director

Erik Leaver (IRC)

### Orders and subscription information:

**Mail:** PO Box 4506  
Albuquerque, New Mexico 87196-4506  
**Phone:** (505) 842-8288  
**Fax:** (505) 246-1601  
**Email:** resourcectr@igc.apc.org

### Editorial inquiries and information:

**IRC Editor** **IPS Editor**  
**Phone:** (505) 388-0208 **Phone:** (202) 234-9382/3 ext. 232  
**Fax:** (505) 388-0619 **Fax:** (202) 387-7915  
**Email:** resourcectr@igc.apc.org **Email:** ipsps@igc.apc.org  
**Website:** <http://www.zianet.com/infocus>

NATO expansion entails hidden costs to the U.S., and the U.S. public should be informed of them. Congress must also assess all costs before deciding on the enlargement of NATO. In addition to payments for training and infrastructure upgrades in new member countries, the U.S. may have to share the burden of buying new equipment for Central and Eastern European countries. The administration has steadfastly denied that it plans to cover these costs, but the economic reality of the potential new members may require it. Western European allies are unlikely to contribute to modernization of the new members' armed forces, considering the cuts in their own defense budgets. Central and Eastern European countries do not have the resources to undertake a transformation of the magnitude and speed envisioned by NATO.

Security and stability in Central and Eastern Europe is indeed a vital U.S. interest, as claimed by proponents of NATO expansion. There are, however, much wiser and less expensive ways of achieving this objective.

The countries of Central and Eastern Europe are in the middle of a costly and often tumultuous transformation to a market economy. NATO membership would force them to shift their focus from economic development to military spending and waste their resources in the process. Stability in these nations would be gained more quickly and be longer lasting if achieved via economic prosperity and mutual trade rather than through a military alliance. Instead of siphoning money off from economic aid in order to help countries buy fighter aircraft, the U.S. should consider the long-term security of these

nations (see *In Focus: Restructuring East-Central European Economies*).

The U.S. cannot afford to spend large amounts of money defending Europe against nonexistent threats. The United States' failure to respond to changes wrought by the end of the cold war is exemplified by the continued presence of 100,000 American troops on European soil. Why do we need forces permanently based overseas when there is no enemy in Europe (unless we create one by excluding Russia from a fully integrated Europe)? We can effectively deter international aggression and fulfill our commitments to our allies with global reach; we do not need global presence.

NATO could build upon the success of the Partnership for Peace (PfP), transforming it from a stepping stone to a cornerstone. A re-energized Organization for Security and Cooperation in Europe (OSCE) could complement the PfP by serving as a forum to address other security concerns such as conflict mediation, arms control, human rights, refugees, the environment, economic development, and political reform. The OSCE, which includes all of the nations concerned, has the mandate and experience necessary to address the many concerns—such as the roots of internal conflict in Albania—that are outside the realm or interest of a military alliance.

*Kathryn Schultz is a Senior Research Analyst and Tomáš Valášek is a Research Analyst at the Center for Defense Information, an independent research organization in Washington, DC.*

## Cost Estimates of NATO Expansion

According to . . .	Time Frame	New Members Include	Options	Cost
<b>Clinton Administration</b>	FY 1997-2009	Small, unspecified number	Restructuring forces of new members, plus enhancing alliance ability to intervene in new member states, plus direct enlargement	\$27-35 billion
<b>Congressional Budget Office</b>	FY 1996-2010	Visegrad states (Poland Hungary Czech Republic Slovakia)	Restructuring forces of new members and increasing power projection capabilities of current members	\$60.6 billion
			Above restructuring, plus further enhancement of power projection capabilities	\$109.3 billion
			Above restructuring and enhancement, plus prepositioning of equipment and stationing limited number of NATO forces in new member states	\$124.7 billion
<b>RAND Corporation</b>	10-15 years	Visegrad states	Improving forces of new members	\$14-20 billion
			Improving forces, plus power projection of allied forces	\$25-52 billion
			Improving forces, plus power projection of allied forces, plus stationing limited number of NATO forces in new member states	\$70-110 billion

# Sources for More Information

## Organizations

### British American Security Information Council (BASIC)

1900 L St. NW, Ste. 401  
Washington, DC 20036  
Voice: (202) 785-1266  
Fax: (202) 387-6298  
Email: basicusa@igc.apc.org

### Center for Defense Information (CDI)

1500 Massachusetts Ave. NW, Ste. 24  
Washington, DC 20005  
Voice: (202) 862-0700  
Fax: (202) 862-0708  
Email: info@cdi.org  
Website: <http://www.cdi.org>  
(CDI's arms trade database:  
<http://www.cdi.org/atdb/>)

### Federation of American Scientists

307 Massachusetts Ave. NE  
Washington, DC 20002  
Voice: (202) 675-1018  
Fax: (202) 675-1010  
Website: <http://www.fas.org/man/nato/>

### Organization for Security and Cooperation in Europe (OSCE)

Website: <http://www.osceprag.cz/>

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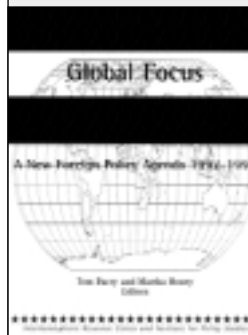
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