



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 17, 1998

Resolution of Ratification of Treaty Document 105-36

**(Protocols to the North Atlantic Treaty of 1949 on Accession of Poland,
Hungary, and the Czech Republic)**

As reported by the Senate Committee on Foreign Relations on March 6, 1998

SUMMARY

The resolution would ratify protocols to the North Atlantic Treaty of 1949 that would admit Poland, Hungary, and the Czech Republic as members of the North Atlantic Treaty Organization (NATO). Expanding the alliance would require the United States to contribute additional funding for equipment or capabilities shared by members of NATO. CBO estimates that those costs would initially be in the tens of millions of dollars and would reach about \$100 million a year after four or five years. Ultimately, the United States and its NATO allies have considerable discretion in how to implement the protocols and, therefore, in the costs that would be incurred.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

On December 16, 1997, the United States and the other parties to the North Atlantic Treaty signed protocols to expand NATO to include three new members. Article V of the treaty commits each nation to provide assistance—including the use of armed force—to restore and maintain the security of any threatened member. The protocols, if ratified, would extend full NATO membership to Poland, Hungary and the Czech Republic including a security guarantee under Article V.

In addition to spending for special national needs, NATO members contribute funds for equipment and facilities needed to accomplish common goals. NATO members share the costs of the alliance's spending for civilian and military headquarters, the Airborne Early Warning Force, various science and public information programs, and the NATO Security Investment Program (SIP) that covers common infrastructure projects, communications and

air defense systems. Overall totals for the commonly funded budgets are determined collectively, and individual contributions are based on formulas for burden sharing.

Expanding the alliance would entail greater costs for improving command, control, communications, logistics and infrastructure—primarily the activities covered under SIP. The United States and its NATO allies, however, would have considerable discretion in how to implement the protocols and, therefore, in the costs that would be incurred. For example, standards for facilities, equipment, and training cover a wide range. Depending on what standards NATO sets, the budgetary consequences could vary substantially. Nevertheless, NATO has provided some initial studies that lay out basic military requirements.

At the December 1997 ministerial meetings, NATO's Senior Resource Board (SRB) presented cost estimates for expansion-related projects that would be eligible for common funding. In that report, the SRB identified costs of \$1.5 billion for the next ten years. Assuming that current rules for burden sharing would continue under the protocols, the United States would cover 25 percent of those costs, or approximately \$40 million per year. Similarly, the Department of Defense (DoD) assumes that NATO funding will increase gradually over the next four to five years with U.S. assessments for additional military costs reaching \$36 million in 2002.

CBO's estimate includes an allowance of \$25 million a year for the likelihood that U.S. costs would rise as NATO finalizes implementation plans, engineering surveys, and eligibility criteria for common funding. U.S. costs might also be higher if new member countries face difficulties paying for infrastructure or if military plans become more ambitious. In addition, the United States is likely to incur bilateral costs for expanded exercises, training, and programs to incorporate NATO compatible equipment into the Central European militaries. CBO estimates these costs would be low in the near-term but could amount to \$30 million to \$45 million a year after 2001 based on additional exercise costs for one brigade and two air squadrons every year plus the cost of subsidies for weapons purchases by the new members.

Thus, CBO estimates that the costs to the United States of expanding NATO would total about \$100 million a year after a transition period of four or five years. Roughly 90 percent of these costs would be charged to Defense Department accounts for operation and maintenance, and military construction. The remaining 10 percent would accrue to budget function 150, International Affairs.

PREVIOUS CBO ESTIMATE

The CBO paper *The Costs of Expanding the NATO Alliance* (March 1996) explored five different scenarios for extending the NATO security guarantee to four central European countries. The scenarios ranged from a low-threat security environment that called for minimal NATO reinforcement of Central Europe to a scenario assuming a resurgent Russian threat that required the forward positioning of NATO troops in Central Europe.

The cost estimates in that report focused on the total costs to all NATO members, including the new members who would bear the largest shares of the total. Average annual costs to the United States over a 15-year period ranged from about \$300 million to \$1.3 billion. However, since CBO prepared that study, the SRB has provided clearer indications of how NATO would use its discretion to implement the protocols.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

Section 4 of the Unfunded Mandates Reform Act of 1995 excludes from the application of that act any legislative provisions that are necessary for the ratification or implementation of international treaty obligations. CBO has determined that these protocols fit within that exclusion, because they make the Czech Republic, Poland, and Hungary parties to the North Atlantic Treaty of 1949.

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