

May 2003

NATO ENLARGEMENT

Reports Are
Responsive to Senate
Requirements, but
Analysis of Financial
Burdens Is Incomplete



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Highlights

Highlights of [GAO-03-722](#), a report to Senate and House Committees on Armed Services and Appropriations, the Senate Committee on Foreign Relations, and the House Committee on International Relations

Why GAO Did This Study

On November 21, 2002, the North Atlantic Treaty Organization (NATO) invited seven countries to join the alliance. To facilitate congressional consideration of NATO enlargement, the U.S. Senate mandated in 1998 that GAO review and assess the reports the Senate directed the President to provide on countries invited to join NATO. The President submitted the required reports to Congress on March 25, 2003. To fulfill its mandate, GAO determined if (1) the reports met the Senate's requirements and the information was accurate and current, (2) the methodology for assessing the likely impact on NATO's military effectiveness was reasonable, and (3) the methodology for analyzing the ability of the invited countries to fulfill the full range of financial burdens of NATO membership was reasonable.

What GAO Recommends

To ensure sound analyses of invited countries' financial capabilities in reports required for any future NATO enlargement, GAO recommends that those reports fully explain the methodology, ensure the range of information is sufficient to support the conclusions, and consistently apply the methodology.

We provided a draft of this report to the National Security Council. The council did not provide comments on this report.

www.gao.gov/cgi-bin/getrpt?GAO-03-722.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Joseph Christoff, 202-512-8979.

NATO ENLARGEMENT

Reports Are Responsive to Senate Requirements, but Analysis of Financial Burdens Is Incomplete

What GAO Found

The President's reports responded to the Senate's requirements. The information provided in the reports was generally accurate and current.

The methodology for assessing the likely impact of each invited country on NATO's military effectiveness was reasonable. The reports provided a clear explanation of the methodology used and provided information on countries' defense reform plans, past and current contributions to U.S. and NATO operations, and expectations of countries' ability to contribute specialized military capabilities. The methodology was consistently applied to assessments of each of the seven invited countries.

The methodology used to analyze each invited country's ability to fulfill the full range of financial burdens of NATO membership was not described and the information provided was limited. The reports included some cost information but did not discuss the costs of maintaining representation at NATO's headquarters or military command posts. Furthermore, the same types of information were not consistently provided for each country.

European NATO Members and Countries Invited to Join the Alliance



NATO members
 Countries invited to join NATO
 Other countries

Source: GAO.

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G A O

Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

May 5, 2003

Congressional Committees:

In the Senate resolution ratifying enlargement of the North Atlantic Treaty Organization (NATO) in 1999,¹ the Senate required the President to submit to Congress a classified and an unclassified report that provides updated information on the status of political, economic, defense, and related issues for countries invited to join NATO. In addition, these reports are to provide an assessment of the invited countries' likely impact on NATO's military effectiveness and an analysis of the ability of each invited country to fulfill the full range of financial burdens of NATO membership. The President submitted these reports to Congress on March 25, 2003. The Senate mandated that GAO review and assess these reports.

The President had previously submitted a report to Congress that provided information on the nine countries that were seeking NATO membership.² As required by the Senate, this August 2002 report assessed how countries would further the principles of the North Atlantic Treaty, contribute to North Atlantic security, and affect U.S. national security interests. It also evaluated countries' eligibility for membership and estimated the military requirements and costs associated with a country's membership for both NATO and U.S. budgets. In our November 2002 report, we found that the President's report met the Senate's requirements. However, we provided additional information on such eligibility issues as border relations, judicial independence, civil rights, human rights, and minority rights because the President's report did not provide a full understanding of the

¹Section 3(2)(E)(ii) of the Senate Resolution of Ratification on the Protocols to the North Atlantic Treaty of 1949 on the Accession of Poland, Hungary, and the Czech Republic, 144 Cong. Rec. S4217-20, 1998.

²Section 3(2)(E)(i) of the Senate Resolution of Ratification on the Protocols to the North Atlantic Treaty of 1949 on the Accession of Poland, Hungary, and the Czech Republic required the President to provide such a report before NATO extended any invitations to countries seeking membership.

challenges facing these countries and their efforts to address those challenges.³

To fulfill our mandate to review the President's current reports, we determined if (1) the reports met the Senate's requirements and the information was accurate and current, (2) the methodology for assessing the likely impact on NATO's military effectiveness was reasonable, and (3) the methodology for analyzing the ability of the invited countries to fulfill the full range of financial burdens of NATO membership was reasonable.

To assess the President's current reports, we developed information from a broad array of sources, including U.S., NATO, and foreign government reports and analyses of the countries invited to join NATO and discussions with U.S. and foreign government officials. We determined if each of the Senate's requirements was addressed and if the information provided was accurate and current. To assess the methodologies used for the analyses in the reports, we determined if the methodology was clearly and fully described, if the range of information provided supported the conclusions, and if the methodology was applied consistently to analyses for each invited country.

The President submitted a classified and an unclassified report to Congress on the seven countries that NATO invited to join the alliance—Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia. The National Security Council was responsible for developing these reports. While we reviewed both reports, no classified information has been included in our observations.

Results in Brief

The President's reports responded to the mandated requirements for each of the seven countries invited to join NATO and provided information that was generally accurate and current. The information was generally consistent with the data we collected independently from a broad array of sources, including U.S. government, NATO, and foreign government sources. No recent events have occurred to alter the general information provided in the reports.

³See U.S. General Accounting Office, *NATO Enlargement: Report Is Responsive to Senate Requirements, but Additional Information Could Be Useful*, [GAO-03-255](#) (Washington, D.C.: Nov. 15, 2002).

We found that the methodology for assessing the likely impact of each invited country on NATO's military effectiveness was reasonable. The reports clearly identified the methodology used and the assessments in the reports provided information on the countries' defense reform plans, past and current contributions to U.S. and NATO operations, and expectations of countries' abilities to contribute specialized military capabilities. The methodology was consistently applied to assessments of each of the seven invited countries.

We found that the methodology for analyzing invited countries' ability to fulfill the full range of the financial burdens of NATO membership was limited. The reports did not identify the methodology used and did not provide information on the costs of maintaining representation at NATO's headquarters or military command posts, which representatives of the invited countries consider part of the costs of membership. In addition, invited countries' representatives to NATO stated that their commonly funded costs and the costs of maintaining representation at NATO ranged from about 1 to 4 percent of their defense budgets and that these total costs have been included in their budgets. The reports also did not identify the costs of NATO membership as a percentage of the countries' total defense budgets. This information would have identified the level of demand these costs would place on the country's total allocation of funds for defense. Finally, the reports did not consistently discuss the same types of information for each of the seven countries. The discussions of these types of information for each country are classified.

Although the methodology for assessing the likely impact of the invited countries on NATO's military effectiveness was reasonable, the methodology for analyzing the ability of countries to fulfill the full range of financial burdens of membership was limited. Therefore, to ensure that sound analyses of invited countries' financial capabilities are provided in future reports, we are recommending that the National Security Council fully explain the methodology, ensure that the range of information is sufficient to support conclusions, and consistently apply the methodology.

The National Security Council provided no comments on this report.

Background

The North Atlantic Treaty was signed on April 4, 1949, by 12 European and North American countries to provide collective defense against the emerging threat that the Soviet Union posed to the democracies of Western Europe. Since its inception, NATO has enlarged its membership four times as changing political and strategic circumstances have

warranted. Turkey and Greece joined NATO in 1952, West Germany in 1955, and Spain in 1982.

In 1994, NATO committed to enlarging its membership to include the newly democratic states of the former Communist bloc. In 1999, Poland, the Czech Republic, and Hungary became the first of those countries to join the alliance. At its summit meeting in November 2002 in Prague, NATO invited seven countries to join: Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia. Figure 1 shows the invited countries and the current members of NATO.

Figure 1: Countries Invited to Join NATO and Current European NATO Members



Source: GAO.

Reports Responded to the Mandate's Requirements

The President's reports responded to the three requirements in the Senate's mandate with regard to each of the seven invited countries. First, to provide updated information on the five issues required to be addressed in the report submitted to Congress on August 26, 2002, the reports included updated information on the political, economic, defense, budgetary, information security, and legal conditions and preparations of the invited countries. Because NATO's military requirements did not change, the reports included no changes in the methodology for assessing the potential costs of enlarging the alliance or in the estimates provided in

the earlier report. Second, the reports provided an assessment of each invited country's likely impact on NATO's military effectiveness. Third, the reports provided a variety of information regarding each country's ability to meet the financial burdens of NATO membership, including such issues as current and planned defense spending levels and economic growth rates.

The information provided in the reports was generally accurate and current. No major events appear to have been excluded. The information provided in the reports was generally consistent with the data we collected independently from a broad array of sources, including U.S. government, NATO, and foreign government sources. The reports' cutoff date for the timeliness of information was January 31, 2003, and the timeframes for events, particularly recent ones, were usually identified. No recent events have occurred to alter the general information provided in the reports.

Methodology for Assessing Likely Impact on Military Effectiveness Was Reasonable

We found that the methodology for assessing the likely impact of each invited country on NATO's military effectiveness was reasonable. The reports clearly described the methodology. That methodology called for assessing the soundness and feasibility of each country's defense reform plan, each country's support of U.S. and allied actions through contributions to U.S. and NATO military operations, and the ability of each country to contribute specialized military capabilities to NATO once it becomes a member. The information provided supported the reports' conclusions about the likely impact of these countries on NATO's military effectiveness. The discussion of defense reform plans provided an understanding of the status of the countries' defense modernization efforts and their degree of military preparedness. Identifying examples of how countries have participated in or contributed to NATO or other multilateral defense operations demonstrates how countries can be expected to participate in NATO operations as members of the alliance. Determining what kinds of specialized military capabilities a country could provide to NATO illustrates how the country will enhance NATO's preparations for future missions. Finally, the methodology was consistently applied in the assessment of each invited country.

Methodology for Analyzing Ability to Meet Financial Burdens Was Limited

We found that the methodology for analyzing the ability of invited countries to fulfill the full range of financial burdens of NATO membership was limited. The reports did not explain the methodology used and the information provided to support the conclusions was limited.

The reports discussed the ability of countries to meet their share of NATO's commonly funded costs,⁴ but did not consider the costs of supporting country representation at NATO facilities. Officials of the invited countries told us that their share of NATO's commonly funded costs generally ranged from about 1 to 2 percent of their annual defense budgets. However, becoming a member also entails the cost of supporting country representation at NATO's facilities such as its civilian and military headquarters in Belgium and its command posts in Europe. According to officials of each of the seven invited countries, the costs of establishing and maintaining country representation at NATO facilities are part of the costs of NATO membership. Those country officials anticipated that the costs for establishing and maintaining country representation at NATO will vary between under 1 percent to, in one case at least, as much as 2 percent of their annual defense budgets. While the reports do not address these costs, officials of the seven invited countries stated that the costs of supporting country representation—along with their share of NATO's commonly funded costs—have been accounted for in the defense budgets.

The reports also did not identify the costs of NATO membership as a percentage of countries' total defense budgets. Although this was not a requirement, these data would have provided useful information about the level of demand these costs will place on a country's total allocation of funds for defense.

Finally, the discussions of countries' abilities to meet the financial burdens of NATO membership did not consistently address the same types of information for each country. The report provided several types of information intended to demonstrate the countries' ability to meet the financial burden of membership. The report provided information on such factors as a country's share of NATO's commonly funded costs, the percentage of Gross Domestic Product committed to defense spending, commitment to funding needed defense expenditures, and economic

⁴Commonly funded costs cover NATO's day-to-day operating costs, military headquarters, and defense infrastructure projects in member countries. Each member of NATO pays a certain percentage of these costs.

growth. The discussions of these types of information for each country are classified.

Conclusion

The President's reports responded to the Senate's requirements, providing information that was generally accurate and current on each of the seven countries invited to join NATO. While the methodology for analyzing the likely impact of the invited countries on NATO's military effectiveness was reasonable, the methodology for analyzing countries' ability to meet the full range of the financial burdens of NATO membership was limited. The methodology used to analyze invited countries' financial capabilities was not explained. Lack of discussion of the methodology used limits the understanding of how the conclusions were derived. Also, because the reports did not discuss all of the costs associated with NATO membership, the reports did not provide comprehensive support for their conclusions on this issue.

Recommendation for Executive Action

To ensure that sound analyses of invited countries' financial capabilities are provided in future reports required under section 3(2)(E)(ii) of the Senate Resolution of Ratification on the Protocols to the North Atlantic Treaty of 1949 on the Accession of Poland, Hungary, and the Czech Republic, we recommend that the National Security Council fully explain the methodology, ensure the range of information is sufficient to support conclusions, and consistently apply the methodology.

Agency Comments and Our Evaluation

We provided a draft of this report to the National Security Council. The council provided no comments on this report.

Scope and Methodology

We assessed the President's reports by determining the extent to which they addressed each of the mandated requirements. We assessed the accuracy of the information in the reports by determining if it was consistent with the information in the sources we developed. We assessed the currency of the information by determining whether any recent events identified in our sources raised questions about the accuracy of any of the reports' main findings. We did not independently assess foreign laws or regulations. To make this assessment, we developed an extensive array of documentary information from a broad spectrum of sources, including reports and analyses of the U.S. government, NATO, and governments of the seven countries invited to join NATO, including:

-
- invited countries' commitments to NATO upon accession and the timetable for meeting those commitments;
 - invited countries' defense modernization and reconstruction plans and their planned defense expenditures;
 - NATO assessments of invited countries' defense capabilities;
 - invited countries' documentation updating progress in meeting NATO political, economic, budgetary, information security, and legal membership goals;
 - the U.S. State Department's country background reports and its annual reports assessing human rights practices and religious freedom;
 - reports of the Congressional Research Service on NATO enlargement;
 - the European Union's 2002 annual regular progress report on the political and economic developments and other preparations of countries seeking membership in the European Union;
 - Freedom House 2002 Nations in Transit report's country ratings of democratization, rule of law, and economic liberalization;
 - Freedom House Annual Survey of Press Freedom 2002;
 - Transparency International Corruption Perceptions Index 2002; and
 - related media coverage.

We met at NATO headquarters in Brussels, Belgium, with representatives of Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia, and obtained additional testimonial evidence through discussions with U.S. agency officials in Washington, D.C. and NATO headquarters, as well as with NATO international staff.

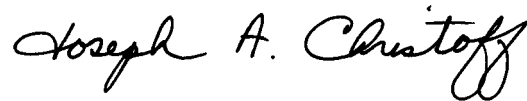
To assess the methodologies used to analyze the likely impact of new members on NATO's military effectiveness and the ability of invited countries to fulfill the full range of the financial burdens of membership, we determined (1) if the methodology and analytical criteria were clearly and fully described; (2) if the methodology provided a range of information that supports the conclusions; and (3) if the methodology were applied consistently to analyses for each of the seven invited countries.

We conducted this review from December 2002 to April 2003 in accordance with generally accepted government auditing standards.

We are sending copies of this report to other interested congressional committees, the Chairman of the National Security Council, the Secretary of State, and the Secretary of Defense. We will also make copies available

to others upon request. In addition, this report will be available at no cost on the GAO Web site at <http://www.gao.gov>.

Please contact me at (202) 512-8979 if you or your staff have any questions about this report. Key contributors to this report were F. James Shafer, Beverly Ann Bendekgey, Monica Brym, Martin de Alteriis, Ernie Jackson, and Lynn Cothorn.

A handwritten signature in black ink that reads "Joseph A. Christoff". The signature is written in a cursive style with a large, stylized initial "J".

Joseph A. Christoff, Director
International Affairs and Trade

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