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Getting Traffic Moving on NATO's Two-Way Street

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> *Don't tell me what we're doing wrong in NATO. Tell me what we should be doing that's right.*
>
> General David C. Jones[1]

NORTH Atlantic Treaty Organization (NATO) standardization has a lot in common with the weather. That is, everybody seems to be talking about standardization, but, unlike the weather, something is being done about it. The Department of Defense now has an adviser to the Secretary of Defense for NATO affairs, and Congress has spelled out U.S. policy in the 1977 DOD Appropriation Authorization Act:

> It is the policy of the United States that equipment procured for the use of personnel of the Armed Forces of the United States stationed in Europe under the terms of the North Atlantic Treaty should be standardized or made interoperable with that of other members of the North Atlantic Treaty Organization.[2]

Across the Atlantic, the European members of NATO are banding together in an Independent European Program Group to Pursue cooperative efforts. In addition, the United States and four NATO countries have chosen the F-16 as a common fighter. However, still more must be done. Duplicate development and logistics efforts are costing the alliance $11 to $27 billion a year. Incompatibility of ammunition, communication, fuels, and other equipment means a less effective NATO.

Recent DOD initiatives have been a step in the right direction, but the Europeans are wary. They see standardization as a "two-way street," with a greater percentage of European participation. To them, standardization does not necessarily mean "Buy American." Moving traffic both ways on that two-way street will require more than policy statements. No one nation can do it alone, but, obviously, the United States must take the lead by clearly demonstrating its commitment. That commitment must be broadly based and expressed in a vehicle that can move quickly, is flexible, and is fair to all NATO members on both sides of the Atlantic. In this article, I propose a NATO Defense Cooperation Act, which could be just the vehicle needed.

NATO and Standardization

The call for standarization of Allied Forces' equipment is almost as old as the alliance itself. In 1949, the Military Production and Supply Board was established "to promote coordinated production, standarization and technical research in the field of armaments...."[3] This was not a serious problem in the early years, since the United States supplied most of the military equipment. But as the European countries recovered from the war, they began to produce more of their own weapons. Destandardization became the rule despite efforts by NATO commanders to coordinate developments. National considerations, especially economic factors, took precedence over alliance interests.[4] Standardization efforts continued, but with less emphasis. Success with standardization agreements (STANAGs) was limited because they addressed standardization of components rather than major weapon systems. The withdrawal of France, with its large defense industry, from active military participation in NATO in 1966 further fragmented European cooperation. The next few years saw the United States turn away from Europe to Vietnam and its particular requirements.[5] Despite these setbacks; NATO's Conference of National Armaments Directors (CNAD) continued to encourage cooperative research and development, and it has several working groups dealing with future requirements. The CNAD has produced several joint projects, including the British-German-Italian Tornado, a multi-role combat aircraft, and the NATO Sea Sparrow, a shipboard defensive missile system now under way for seven nations. Other multinational programs, such as the Roland short-range air defense missile, the F-16 fighter, and the Jaguar attack aircraft, have evolved outside the CNAD structure.[6]

Since the early 1970s, the NATO countries have reawakened to the need for Standardization and the potential benefits of such a move. The modernization of the Warsaw Pact forces r combined with pressures on Allied defense I budgets to drive home the point that the! NATO Allies can no longer afford to go their r separate ways. Senators Dewey Bartlett and: Sam Nunn highlighted the military problem in ' their 1977 report on "NATO and the New Soviet Threat." They concluded that interoperability and standardization must be relentlessly pursued, since failure to do so serves only the interest of the Warsaw Pact.[7] NATO commanders, too, are aware of the military benefits of standardization. In November 1971, Air Marshal Sir Harold Martin, Commander 2d Allied Tactical Air Force, told a House of Commons committee that the ability to rearm aircraft at Allied airfields would increase the operability of the force as a whole by 200 to 300 percent.[8]

Effectiveness is just one side of the coin. Duplication of effort in research and development, production, and logistics is siphoning away precious resources. No one really knows the cost of these parallel efforts, but estimates run from $1 billion[9] to $2 billion[10] in research and development alone, and from $11 billion[11] to $27 billion[12] in the total amount wasted each year in the alliance.

Recognition of the military and economic costs of not standardizing has led to a reaffirmation of the 1949 goal. In May 1975, the Eurogroup Defense Ministers,[13] the NATO Defense Planning committee,[14] and President Gerald R. Ford addressed the need for more standardization. In his speech at the NATO summit, President Ford described NATO's primary task as maintaining a strong and credible defense through more effective use of defense resources. He stated:

> We need to achieve our long-standing goals of common procedures and equipment. Our research and development efforts must be more than the sum of individual parts. Let us become truly one in our allocation of defense tasks, support and production.[15]

In the four years since these words were spoken, policies have been shaped on both sides of the Atlantic to further standardization. The North Atlantic Council, meeting in London in May 1977, with the participation of heads of states and governments, concluded that "Allies are determined to cooperate in all aspects of defense production." One aim was "to develop a more balanced relationship between European and North American members of the Alliance in the procurement of defense equipment."[16]

The commitment of the European allies to improved cooperation is shown in the progress of the Independent European Program Group. One of the group's primary goals is to further standardization and interoperability. It has begun to work toward this goal by selecting as candidates for cooperative programs those items of equipment with common replacement schedules in several countries.[17]

U.S. policy has been spelled out in a variety of ways. Probably the most significant is the gradually increasing commitment expressed by Congress through legislation. One of the first steps was a 1974 requirement that the Secretary of Defense assess the loss of effectiveness in NATO caused by the failure to standardize.[18] In 1976, Congress adopted the policy statement on standardization quoted earlier. It also provided an exception to the Buy American Act for equipment to be used in Europe by authorizing the Secretary of Defense to determine that buying such equipment in the United States is inconsistent with the public interest. The law also directed the secretary to report to the Congress any procurement of a new major system that is not standardized or interoperable with the equipment of other NATO members.[19] As a result of a request by the Department of Defense, the prohibition on buying specialty metals overseas was relaxed in 1977 by exempting purchases made to further NATO standardization and interoperability or to comply with offset agreements.[20]

The Department of Defense has also promoted standardization. As early as 1963, it had published DOD Directive 3100.3, "Cooperation with Allies in Research and Development of Defense Equipment." In November 1975, the Director, Defense Research and Engineering, noted the need for renewed emphasis of those earlier policies and directed full consideration of standardization in weapon systems, particularly those systems in support of NA TO.[21] Recent guidance has been very specific, as in the March 1977 Defense Planning and Programming Guidance:

> All Service development and procurement programs...will include NATO standardization and interoperability goals as fundamental considerations...Cost-effectiveness of systems... should be evaluated on a NATO-wide basis...[22]

In August 1977; Ambassador Robert W. Komer was assigned as Adviser to the Secretary and Deputy Secretary of Defense for NATO Affairs, with the task of pulling together all the strands of NATO policy and programs and advising the secretary on "how best to proceed with initiatives to strengthen NATO's defense posture."[23]

Secretary of Defense Harold Brown has also been on the road, taking the message of NATO standardization to the people. The theme is repeated across the country: "We aim for more standardization of equipment...more of a 'two-way street' in defense procurement."[24]"There certainly will have to be greater United States purchases from European sources...."[25] "...standardization of equipment and training is essential."[26]

The policy seems clear on both sides of the Atlantic, but policy is not necessarily practice. It must be implemented, and the objective must be considered together with the roadblocks standing in its way. Is the objective really standardization? There is general agreement that full standardization is neither necessary nor desirable. Standardization will not occur overnight, but intermediate steps toward compatibility, interoperability, and standardization are necessary now. There must be room for specialization to support special missions, but when there is a common mission, forces must be capable of reinforcing and supporting each other.[27] Since nations have different needs, replacement schedules, and budgets, each item must be analyzed to determine whether standardization is crucial.[28] But standardization as a philosophy must be considered in the aggregate. Because of European sensitivity to U.S. dominance, the U.S. approach to standardization should take advantage of both American *and* European technological and industrial strength.[29] Thus, the immediate objective is not full standardization but improved cooperation.

Yet there are a number of roadblocks, including restrictions on technology transfer for security or commercial reasons;[30] competing foreign policy objectives (reducing worldwide arms sales conflicts with increased transfers in the name of standardization);[31] foreign military sales procedures that do not recognize the special nature of cooperative programs;[32] and protectionistic economic policies that virtually scuttle coproduction programs.[33] These roadblocks on both ends of the "two-way street" are not really the problems. They are only symptoms of what Dr. Walter LaBerge, NATO's former Assistant Secretary General for Defense Support, calls a lack of dedication in finding a solution.

> As far as I can see from my office in Brussels, the leaders of the Alliance are not seriously studying how to provide the environment that allows the nations on each side of the ocean to share their efforts.[34]

Dr. LaBerge is searching for an environment that fosters teamwork. He notes that standardization cannot be legislated or dictated,[35] but that is not the objective. The goal is an environment to promote better cooperation, and I believe the environment can be legislated.

The Approaches

Three basic approaches toward creating the needed environment are the NATO common defense market, the Defense/Commercial Balance, and the Technology Exchange. Each must be examined in terms of timeliness, flexibility, and fairness.

The first proposal considers the NATO alliance on a macroeconomic rather than a project-by-project basis. Citing the 1941 Hyde Park Agreement between the United States and Canada as an example of a viable form for a common defense market, Thomas Callaghan projected this structure onto the NATO scene.

He envisions a structure in which the participants are not mired in requirements, industrial property rights, or duties and taxes; broad goals are established; and the projects sort themselves out. The three-pronged American initiative

would address a North Atlantic common defense market, cooperation in civil technology (especially energy), and open (barrier-free) government procurement. The common defense market would be formally established through a treaty, but cooperative effort would begin immediately. Treaty terms are outlined and goals established for full implementation in twelve years.[36]

Callaghan's approach has attracted a great deal of attention. In a 1975 report for the Department of Defense, Ambassador Komer stated that it provided the bold initiative needed to lift the issue to the level where statesmanship can operate. However, he also recognized that the United States, with its non-NATO needs, might be the slowest to accept and that other efforts were needed.[37]

The common defense market might provide the appropriate environment, but it would require time to evolve. One could argue that the negotiations for the treaty would create the initial environment, with interim objectives for equitable two-way traffic further developing the proper atmosphere. This may be true, but the United States cannot create the atmosphere unilaterally. Objectives for U.S. purchases from NATO countries would be established through negotiations. Experience with allocating F-16 subcontracts in Europe has shown the complexity of the task.[38] Once negotiations were complete, any U.S. commitment to buy X percent of its advanced weapons from other NATO countries would reduce flexibility of action for the United States. This factor, combined with political pressures and technological considerations, renders this approach implausible.[39]

The second approach is the Defense/Commercial Balance. As described by Charles Wolf in a Rand Corporation paper, this approach links trade liberalization to standardization in NATO. As an alternative to the often inefficient quid pro quo offset agreements that are part of weapons sales like the F-16, Wolf suggests lowering barriers to nonmilitary exports by NATO members to the United States. Commercial sales to the United States would be used to balance defense sales to Europe. He identifies certain fields, such as electrical machinery, where European cost and supply might meet U.S. demands. The proposal includes three elements:

1. A "NATO-round" of trade liberalization to help create an environment in which standardization can proceed more effectively;

2. Encouragement of joint bidding by American and European firms on *defense* R&D and procurement contracting;

3. Removal of Buy American restrictions on U.S. government non-military, as well as, military procurement.[40]

The first, and major, part of the proposal is the most difficult to implement. Wolf himself identified time, legal obstacles, and the traditional disconnection between economics and defense as problem areas. Dr. LaBerge has identified a more serious flaw: diverting U.S. funds to the commercial market would destroy the financial base considered by the European defense industry to be critical for technology development and, ultimately, survival.[41] In the interest of fairness, the approach requires more emphasis on cooperation.

The Technology Exchange is somewhat less idealistic than the other two approaches. The flow of traffic on the two-way street would be primarily a flow of ideas and drawings. This can be done through licensing agreements. A 1977 study for the Department of Defense examined licensing of production as a means toward greater cooperation and standardization. The study concluded that it was "a primary and workable mechanism for increasing interoperability or standardization."[42] It is working now: the U.S. production of the Franco-German Roland and European production of the F-16 are the most obvious examples. Flexibility of action is retained, and both sides can maintain their labor and technology bases, assuming the existence of a cooperative environment.[43] The study on licensing recognized hurdles, such as technology transfer and economic issues, and it identified some administrative steps by which the Department of Defense could "facilitate greater use of licensing."[44] However, this approach has no overall framework for the greater emphasis in the future.

NATO Defense Cooperation Act

The appropriate initiative to build the framework could take several forms. Defense studies of groups of potential cooperative projects, presidential pronouncements, or more congressional hearings on standardization are possibilities. But since foreign policy is a joint responsibility of the executive and legislative branches, the two branches should act together to send an unmistakable message through passage of a NATO Defense Cooperation Act. This act would consolidate legislation related to NATO standardization and provide the framework for working with NATO partners in cooperative development, production, and logistics programs.

Besides expressing the U.S. commitment, the proposed act would help to fill a void in existing legislation. Section 1 of the Arms Export Control Act states:

> . . . it remains the policy of the United States to facilitate the common defense by entering into international arrangements with friendly countries which further the objective of applying agreed resources of each country to programs and projects of cooperative exchange of data, research, development, production, procurement, and logistics support to achieve specific national defense requirements and objectives of mutual concern.[45]

Despite the lofty policy statement, the Arms Export Control Act only authorizes sales; it is silent on cooperative effort.

The NATO Defense Cooperation Act would address the other areas in five chapters: policy, development and procurement, logistics and support, review and approval, and general provisions.

The first chapter would restate U.S. policy and consolidate in one place the concepts expressed in the Arms Export Control Act and the various authorization acts discussed earlier. This chapter would also address the special relationship between the United States and NATO; this relationship serves as a basis for the unique procedures in the act and exceptions to other law. It would cover such thorny areas as third-country exports of coproduced items. (Because of overcapacity in production, the Europeans rely heavily on exports. Restrictions on such exports would benefit intra-European cooperation at the expense of the United States.)[46] This chapter could also spell out preferences for various approaches, such ~s multinational programs versus international consortiums bidding on national programs. Finally, it would assign responsibilities for implementation and describe the relationship of the act to the Arms Export Control Act.

Chapter Two, "Cooperative Development and Procurement," would outline the framework for cooperative efforts. It would authorize bilateral or multilateral arrangements in a format appropriate to the type of agreement and cover payment and credit terms. Because of the variety of possibilities, no single form would be prescribed, but there would be established principles that would apply either to allied efforts in the United States or to U.S. efforts overseas. The key to this chapter is that it would reinforce the theme of cooperation.

According to Dr. LaBerge, "Europeans complain that U.S. Foreign Military Sales regulations frequently cause disagreeable working relationships."[47] They prefer to be treated as partners rather than customers. One major bone of contention is the administrative charge of three percent levied on most sales to cover estimated costs of administering the programs. By agreement, the surcharge was not applied to certain NATO countries with whom the United States had substantial cooperative efforts. But, in 1976, the Congress made "an appropriate charge for administrative services" mandatory on all sales. By prohibiting surcharges or administrative charges except as agreed on in NATO STANAGs, and by establishing workable concepts for joint efforts in Europe and the United States, this chapter could go a long way toward demonstrating U.S. commitment to true cooperation.

The next chapter would contain provisions relating to logistics and support. It would address overseas procurement of supplies and services for U.S. forces in NATO countries and cross-servicing of NATO units.

The fourth chapter would provide for appropriate congressional review and approval of specific programs, perhaps using dollar thresholds similar to those now in the Arms Export Control Act. The current thresholds of $7 million for major defense equipment and $25 million for defense articles and services could be increased to $25 and $50 million respectively for NATO or NATO countries. Congress would still receive annual reports listing all programs exceeding $1 million and could continue to receive the annual standardization progress reports from the Secretary of

Defense.

The fifth and last chapter is perhaps the most important chapter in the proposed act. In addition to administrative sections dealing with the effective date and definitions, this chapter would repeal or amend conflicting legislation. The legislation falls into several categories. In the first category are the various NATO policy statements that would be superseded by Chapter 1 of the NATO Defense Cooperation Act. In the second category are those provisions of law that should be repealed to provide a consistent policy on NATO cooperation. These, for example, include the constraints on foreign research and development contracts and the prohibition on the purchase of foreign buses.[48] The last category includes all the laws that must be amended to exempt NATO, such as the Buy American Act, the annual procurement and specialty metals restrictions, and the Arms Export Control Act, as it relates to foreign military sales. This final chapter is the capstone of the act.

When it is passed, the NATO Defense Cooperation Act will serve two purposes. It will focus the attention of the President and Congress on the entire NATO standardization question, rather than on pieces of it. And it will signal our NATO partners that the United States is firmly committed to a two-way flow of traffic on the transatlantic highway.

Air Command and Staff College

Notes

1. General David c. Jones made this remark during a visit to Air University (ATC). Maxwell AFB, Alabama, in January 1978.

2. U.S., Congress. Senate, Committee on Foreign Relations., House, Committee on International Relations, *Legislation on Foreign Relations through 1976*, vol. II, Joint Committee Print (Washington: Government Printing Office, 1977), pp. 16-17, (Public Law 94-361, Sec. 802).

3. *NATO Facts and Figures*, North Atlantic Treaty Organization, Information Service, 1976, p. 27.

4. U.S., Department of Defense, *Rationalization/Standardization within NATO: A Report to the U.S. Congress by the Secretary of Defense*, 31 January 1976, pp. 49-50.

5. U.S., Congress, House, Committee on International Relations, *NATO Standardization: Political, Economic, and Military Issues for Congress*, prepared by the Congressional Research Service, Committee Print (Washington: Government Printing Office, 1977), pp. 11-12.

6. *Rationalization/Standardization*, 1976, p. 51; U.S., Department of Defense, Office of Assistant Secretary of Defense (Public Affairs), "The Federal Republic of Germany the Seventh Nation to Join NATO Sea Sparrow Project," News Release 61-77, 15 February 1977.

7. U.S, Congress, Senate, "NATO and the New Soviet Threat," *Congressional Record*, vol. 123, 25 January 1977, p. S1417.

8. Thomas A. Callaghan, *U.S./European Economic Cooperation In Military and Civilian Technology*, revised edition (Washington: Center for Strategic and International Studies, 1975), p. 35.

9. Joseph Luns, Secretary General of NATO, quoted by Keith Williams, "20th Annual Session of the North Atlantic Assembly," *NATO Review*, February 1975, p. 21.

10. Admiral of the Fleet, Sir Peter Hill-Norton, "NATO in 1975: The Military Issues at Stake," NATO Review, April 1975, p. 11.

11. Callaghan, *U.S./European Cooperation*, p. 37.

12. Elliot R Goodman, "The Puzzle of European Defense: The Issue of Arms Procurement," *Atlantic Community Quarterly*, Winter 1976/1977, p. 479.

13. "Eurogroup Communique," *NATO Review*, June 1975, p. 31.

14. "Defense Planning Committee Communique," *NATO Review*, June 1975, p. 28.

15. U.S., President, *Weekly Compilation of Presidential Documents*, 5 June 1975, p. 576.

16. "North Atlantic Council Final Communique," *NATO Review*, June 1977, p. 20.

17. Luciano Radi, "A European Initiative for Cooperation in the Armaments Field," *NATO Review*, June 1977, pp. 8-9.

18. *Legislation*, vol. II, pp. 18-19. (Public Law 93-365, Sec. 802).

19. *Legislation*, vol. II, pp. 16-17. (Public Law 94.361, Sec. 802).

20. *Department of Defense Appropriation Act,* 1978, Public Law 95-111, Sec. 823 (91 Stat. 904).

21. *U.S., Congress, Senate, Committee on Armed Services, European Defense Cooperation, Hearing before the Subcommittee on Research and Development and the Subcommittee on Manpower and Personnel of the Senate Committee on Armed Services*, 94th Cong., 2d sess., 1976, pp. 165-66.

22. U.S., Department of Defense, *Planning and Programming Guidance* (U) (Secret), 11 March 1977, p. III-26.

23. U.S., Department of Defense, Office of Secretary of Defense (Public Affairs), "Ambassador R. W. Komer Appointed Adviser for NATO Affairs," News Release No. 432-77, 15 September 1977.

24. U.S., Department of Defense, Office of Secretary of Defense (Public Affairs), "Remarks by Secretary of Defense Harold Brown at News Conference, Friday, May 6,1977."

25. Harold Brown, "To Strengthen the American Alliance: The Better Training and Equipment in NATO Forces," *Vital Speeches of the Day*, 15 June 1977, p. 525.

26. Harold Brown, in remarks at Mississippi State University, 21 October 1977, quoted in *Air Force Policy Letter for Commanders*, 15 November 1977.

27. Gardiner L. Tucker, "Standardization and the Joint Defense," *NATO Review*, February 1975, p. 13.

28. Walter LaBerge, "Standardization and Interoperability: Another Perspective," *NATO Review*, December 1976, p. 16.

29. Clarence A. Robinson, Jr., "U.S. Mulls NATO Standardization Moves," *Aviation Week & Space Technology*, 28 June 1976, p. 23.

30. U.S., Department of Defense, *Rationalization/Standardization within NATO: A Report to the U.S. Congress by the Secretary of Defense* (U) (Secret), 18 January 1977, p. 66.

31. Cecil Brownlow, "Export Curb, NATO Goal Clash," *Aviation Week & Space Technology,* 30 May 1977, p. 12.

32. The author became familiar with this and other issues involving foreign military sales as Chief, General Security Assistance Division, Electronic Systems Division, AFSC, Hanscom AFB, Massachusetts.

33. Benjamin F. Schemmer, "Pentagon Reevaluates Carter Arms Transfer Policy," *Armed Forces Journal*

International, August 1977, p. 12.

34. Walter LaBerge,"A Concept of a Two-Way Street," Defense Systems Management Review, Summer 1977, p. 5.

35. Ibid., p. 6.

36. Callaghan, *U.S./European Cooperation*, pp. 57-61, 108, 110-25.

37. Robert W Komer et al., *Rationalizing NATO's Defense Posture* (U) (Secret), R-1657 (Santa Monica: Rand Corp., 1975), pp. xxv, 273-75.

38. Edward H. Kolcum, "Fighter Effort Tests Collaboration Effort," *Aviation Week & Space Technology*, 2 May 1977, p. 44.

39. LaBerge, p. 5.

40. Charles Wolf, Jr., *"Offsets," Standardization, and Trade Liberalization in NATO*, Paper P-5779 (Santa Monica: Rand Corp., 1976), p. vi.

41. LaBerge, p. 5.

42. Robert A. Gessert et al., *NATO Standardization and Licensing Policy--Exploratory Phase*, vol. I (McLean, Virginia: General Research Corp., 1976), p. 27.

43. LaBerge, p. 6.

44. Gessert, p. 31.

45. *Legislation*, vol. II, p. 256. (22 USC 2751).

46. Brownlow, p. 12.

47. Walter B. LaBerge, "Chanson de Roland," NATO Review, June 1977, p. 14.

48. *Rationalization/Standardization*, 1976, pp. 73-78.

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