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NATO SUPPORT AGREEMENTS

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HEARING
BEFORE THE
SUBCOMMITTEE ON
PROCUREMENT POLICY AND REPROGRAMING
OF THE
COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE
NINETY-SIXTH CONGRESS

SECOND SESSION

ON

H.R. 5580

TO AMEND TITLE 10, UNITED STATES CODE, TO AUTHORIZE
THE SECRETARY OF DEFENSE TO ENTER INTO CERTAIN
AGREEMENTS TO FURTHER THE READINESS OF THE MILITARY
FORCES OF THE NORTH ATLANTIC TREATY ORGANIZATION

JANUARY 30, 1980

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NATO SUPPORT AGREEMENTS

JANUARY 30, 1980

U.S. SENATE,
SUBCOMMITTEE ON PROCUREMENT
POLICY AND REPROGRAMING,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:14 p.m., in room 212, Russell Senate Office Building, Hon. Robert Morgan (chairman of the subcommittee) presiding.

Present: Senators Morgan and Humphrey.

Committee staff present: John C. Roberts, general counsel; John T. Ticer, chief clerk; Rhett B. Dawson, counsel; James R. Locher, professional staff member; and Lynn E. Cowart, clerical assistant.

Also present: Frank Krebs, assistant to Senator Cannon; John Stirk, assistant to Senator Morgan; and Mike Donley, assistant to Senator Jepsen.

Senator MORGAN. The subcommittee will come to order.

The Subcommittee on Procurement Policy and Reprograming is meeting today to consider H.R. 5580, legislation proposed to provide authority to supply logistic support and services for the U.S. Armed Forces in Europe.

[The bill, H.R. 5580 follows:]

[H. R. 5580, 96th Congress, 1st session]

AN ACT To amend title 10, United States Code, to authorize the Secretary of Defense to enter into certain agreements to further the readiness of the military forces of the North Atlantic Treaty Organization

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "North Atlantic Treaty Organization Mutual Support Act of 1979".

SEC. 2. (a) Title 10, United States Code, is amended by inserting after chapter 137 the following new chapter:

"CHAPTER 138—NORTH ATLANTIC TREATY ORGANIZATION ACQUISITION AND CROSS-SERVICING AGREEMENTS

"Sec.

"2321. Authority to acquire logistic support, supplies, and services for United States armed forces in Europe.

"2322. Cross-servicing agreements.

"2323. Law applicable to acquisition and cross-servicing agreements.

"2324. Methods of payment for acquisitions and transfers by the United States.

"2325. Liquidation of accrued credits and liabilities.

"2326. Crediting of receipts.

"2327. Limitation on amounts that may be obligated or accrued by the United States.

"2328. Inventories of supplies not to be increased.

"2329. Regulations.

"2330. Annual reports.

"2331. Definitions.

"§ 2321. Authority to acquire logistic support, supplies, and services for United States armed forces in Europe

"Subject to section 2323 of this title and subject to the availability of appropriations, the Secretary of Defense may acquire from the Governments of North Atlantic Treaty Organization countries and from North Atlantic Treaty Organization subsidiary bodies logistic support, supplies, and services for elements of the armed forces deployed in Europe and adjacent waters.

"§ 2322. Cross-servicing agreements

"Subject to section 2323 of this title and to the availability of appropriations, and after consultation with the Secretary of State, the Secretary of Defense may enter into agreements with the Government of any North Atlantic Treaty Organization country and with any North Atlantic Treaty Organization subsidiary body under which the United States agrees to provide logistic support, supplies, and services to military forces of such country or subsidiary body deployed in Europe and adjacent waters in return for the reciprocal provision of logistic support, supplies, and services by such country or subsidiary body to elements of the armed forces deployed in Europe and adjacent waters.

"§ 2323. Law applicable to acquisition and cross-servicing agreements

"(a) Except as provided in subsection (b), acquisition of logistic support, supplies, and services under section 2321 of this title and agreements entered into under section 2322 of this title shall be made in accordance with chapter 137 of this title and the provisions of this chapter.

"(b) Sections 2207, 2304(g), 2306(a), 2306(b), 2306(e), 2306(f), and 2313 of this title, section 3741 of the Revised Statutes (41 U.S.C. 22), and section 719 of the Defense Production Act of 1950 (50 U.S.C. App. 2168) shall not apply to acquisitions made under the authority of section 2321 of this title or to agreements entered into under section 2322 of this title.

"§ 2324. Methods of payment for acquisitions and transfers by the United States

"(a) Logistics support, supplies, and services may be acquired or transferred by the United States under the authority of this chapter on a reimbursement basis or by replacement-in-kind or exchange of supplies or services of an identical or substantially identical nature.

"(b)(1) In entering into agreements with the Government of another North Atlantic Treaty Organization country for the acquisition or transfer of logistic support, supplies, and services on a reimbursement basis, the Secretary of Defense shall negotiate for adoption of the following pricing principles for reciprocal application:

"(A) The price charged by a supplying country for logistics support, supplies, and services specifically procured by the supplying country from its contractors for a recipient country shall be no less favorable than the price for identical items or services charged by such contractors to the armed forces of the supplying country, taking into account price differentials due to delivery schedules, points of delivery, and other similar considerations.

"(B) The price charged a recipient country for supplies furnished by a supplying country from its inventory, and the price charged a recipient country for logistics support and services furnished by the officers, employees, or governmental agencies of a supplying country, shall be the same as the price charged for identical supplies, support, or services acquired by an armed force of the supplying country from such governmental sources.

"(2) To the extent that the Secretary of Defense is unable to obtain mutual acceptance by the other country involved of the reciprocal pricing principles for reimbursable transactions set forth in paragraph (1)—

"(A) the United States may not acquire from such country any logistic support, supply, or service not governed by such reciprocal pricing principles unless the United States forces commander acquiring such support, supply, or service determines (after analysis) that the price thereof is fair and reasonable; and

"(B) transfers by the United States to such country under this Act of any logistic support, supply, or service that is not governed by such reciprocal pricing principles shall be subject to the pricing provisions of the Arms Export Control Act (22 U.S.C. 2751 et seq.).

"(3) To the extent that indirect costs (including charges for plant and production equipment), administrative surcharges, and contract administration

costs with respect to any North Atlantic Treaty Organization country are not waived by operation of the reciprocal pricing principle of paragraph (1), the Secretary of Defense may, on a reciprocal basis, agree to waive such costs.

"(4) The pricing principles set forth in paragraph (2) and the waiver authority provided in paragraph (3) shall also apply to agreements with North Atlantic Treaty Organization subsidiary bodies under this chapter.

"§ 2325. Liquidation of accrued credits and liabilities

"Credits and liabilities of the United States accrued as a result of acquisitions and transfers of logistic support, supplies, and services under the authority of this chapter shall be liquidated not less often than once every three months by direct payment to the entity supplying such support, supplies, or services by the entity receiving such support, supplies, or services.

"§ 2326. Crediting of receipts

"Any receipt of the United States as a result of an agreement entered into under this chapter shall be directed to applicable appropriations, accounts, and funds of the Department of Defense.

"§ 2327. Limitation on amounts that may be obligated or accrued by the United States

"(a) Except during a period of active hostilities involving the North Atlantic Treaty Organization, the total amount of reimbursable liabilities that the United States may accrue under this chapter (before the computation of offsetting balances) may not exceed \$100,000,000 in any fiscal year, and of such amount not more than \$25,000,000 in liabilities may be accrued for the acquisition of supplies (other than petroleum, oils, and lubricants).

"(b) Except during a period of active hostilities involving the North Atlantic Treaty Organization, the total amount of reimbursable credits that the United States may accrue under this chapter (before the computation of offsetting balances) may not exceed \$100,000,000 in any fiscal year.

"§ 2328. Inventories of supplies not to be increased

"Inventories of supplies for elements of the armed forces may not be increased for the purpose of transferring supplies under the authority of this Act to military forces of any North Atlantic Treaty Organization country or any North Atlantic Treaty Organization subsidiary body.

"§ 2329. Regulations

"The Secretary of Defense shall prescribe regulations to implement this chapter and shall, not later than sixty days before the effective date of such regulations, transmit copies of such regulations to the Congress. No agreement to make an acquisition or transfer under the authority provided by this chapter may be entered into until such regulations take effect.

"§ 2330. Annual reports

"The Secretary of Defense shall submit to the Congress not later than February 1 of each year a report containing—

"(1) a description of each agreement entered into under the authority of this chapter that was in effect during the fiscal year preceding the fiscal year in which such report is submitted;

"(2) a report of the dollar value of each reimbursable acquisition or transfer of logistic support, supplies, or services by the United States (by appropriation, account, or fund) during such fiscal year under each such agreement;

"(3) a report of nonreimbursable acquisitions and transfers of logistic support and services by the United States (by appropriation, account, and fund) during such fiscal year under each such agreement; and

"(4) a description of each agreement entered into (or expected to be entered into) under the authority of this chapter that is expected to be in effect during the fiscal year in which such report is submitted, together with a report of the estimated total dollar value of acquisitions and transfers by the United States (by appropriation, account, or fund) expected to be made during such fiscal year under each such agreement.

"§ 2331. Definitions

"In this chapter:

"(1) 'Logistic support, supplies, and services' means food, billeting, transportation, petroleum, oils, lubricants, clothing, communications services, medical services, ammunition, base operations support (and construction

incident to base operations support), storage services, use of facilities, training services, spare parts and components, repair and maintenance services, and port services.

"(2) 'North Atlantic Treaty Organization subsidiary bodies' means—

"(A) any organization within the meaning of the term 'subsidiary bodies' in article I of the multilateral treaty on the Status of the North Atlantic Treaty Organisation, National Representatives and International Staff, signed at Ottawa on September 20, 1951 (TIAS 2992; 5 UST 1087); and

"(B) any international military headquarters or organization to which the Protocol on the Status of International Military Headquarters Set Up Pursuant to the North Atlantic Treaty, signed at Paris on August 28, 1952 (TIAS 2978; 5 UST 870), applies."

(b) The tables of chapters at the beginning of subtitle A, and at the beginning of part IV of subtitle A, of title 10, United States Code, are amended by inserting after the item relating to chapter 137 the following new item:

"138. North Atlantic Treaty Organization Acquisition and Cross-Servicing Agreements..... 2321".

Passed the House of Representatives December 3, 1979.

Attest:

EDMUND L. HENSHAW, Jr.,
Clerk.

By BENJAMIN J. GUTHRIE,
Assistant to the Clerk.

Because of the sustained Warsaw Pact buildup over the next decade, we need to be more concerned than ever with the ability of the NATO forces to operate cooperatively in the European theater. One of the procedures that can strengthen our ability to train with and fight alongside our NATO allies will be an improved structure to provide mutual logistic support. This is required to be done by formal purchase contract and formal military sales procedures under our existing domestic law. It appears to be not only too cumbersome but also unnecessary and inappropriate to conduct business between sovereign nations.

Training exercises already planned will be jeopardized if this legislative relief is not granted.

We want to get on the record today the basis for this legislation and how it will work, so that we can expeditiously report this matter to the full committee. We will begin by hearing from Ambassador Komer, the Under Secretary of Defense for Policy.

Gentlemen, we welcome you here. Mr. Ambassador, we will be glad to hear from you.

STATEMENT OF HON. ROBERT W. KOMER, UNDER SECRETARY OF DEFENSE FOR POLICY

Ambassador KOMER. Thank you, Mr. Chairman.

I think your opening statement really says it all. What we are trying to do is to seek ways to simplify U.S. procedures for both securing and providing for alliance logistic support to U.S. forces in the field, precisely because the present arrangements aren't working very well. They are creating difficulty for our allies and, perhaps more importantly, they are adversely affecting NATO readiness.

Mr. Chairman, if you will permit me, I would like to move things along by simply submitting my prepared statement for the record.

Senator MORGAN. We will be happy to have it, and we will insert the entire statement in the record.

Ambassador KOMER. Thank you, sir.

[Prepared statement of Ambassador Komer follows:]

PREPARED STATEMENT OF AMBASSADOR R. W. KOMER, UNDER SECRETARY OF
DEFENSE FOR POLICY

Mr. Chairman, I wish to urge on this subcommittee something which I believe is emphatically in the national interest—legislation to facilitate mutual logistics support arrangements between our forces in Europe and those of our Allies. We are seeking ways to simplify U.S. procedures for both securing and providing Alliance logistic support in the field, because the present arrangements are not working well, are causing great difficulties with our Allies, and are adversely affecting NATO readiness.

I have with me as a principal witness Lieutenant General Arthur Gregg, Army Deputy Chief of Staff for Logistics, former Director for Logistics of the Joint Staff, and former chief logistician of the Army in Europe, because he is intimately familiar with the problem. He will give you the view of the military, while I will speak to the implications for the NATO Alliance and to some of the important points at issue. With me also is Mr. Benjamin Forman from our General Counsel's Office.

The Department of Defense first proposed corrective legislation in 1978. This was introduced in the House as H.R. 11607 but did not reach the floor. The redrafted proposal, 96-4, which we submitted this year was introduced jointly in the House as H.R. 4623 by Chairman Zablocki of Foreign Affairs and by Chairman Price of Armed Services. We had hoped this new draft might meet some of the objections we heard to last year's version, but it became evident in the intervening months that our formulation still raised some questions of law and procedure that could not be resolved in this session of Congress. Therefore, we now support the less comprehensive version passed by the House as H.R. 5580.

Our Commander in Chief Europe, General Rogers, strongly supported the original DOD proposal in H.R. 4623. Indeed, in a recent letter to Secretary Brown, he reiterated that "the passage of H.R. 4623 is essential if we are to establish an Alliance capability for mutual logistical support in time of crisis or conflict. The Government of the Netherlands has indicated that it will not support Reforger 80 without such legislation. Furthermore, all other cross-servicing agreements are dependent on the same legislative action. In our view, a strong large-scale joint exercise program is increasingly important to demonstrate resolve and to refine our capabilities to reinforce Europe. It is urgent that Congress pass H.R. 4623 in the current session."

General Rogers has since studied H.R. 5580 and stated for the record that he believed with a few minor changes it would generally meet his needs. These changes have been incorporated in the bill passed by the House and now before your Subcommittee.

Now let me first review the problem we are addressing in this legislation and what I believe it means in the real world of NATO military operations. We spend the great bulk of our Defense appropriations on general purpose forces and most of those forces are trained and equipped largely for the defense of Europe.

But we cannot defend Europe alone. Nor is this our plan. Instead we depend on a coalition approach, one which integrates the forces of all NATO nations under a combined NATO command. American forces will fight alongside (and train alongside in peacetime) Germans, British, Belgians, Dutch, Italians, Norwegians, Turks, and other allied troops. This raises important questions of mutual logistic support in this field. We cannot all behave as if we were logistically independent when in the crunch we will all be dependent on each other. Hence the first purpose of the proposed legislation is to facilitate such mutual support, especially in peacetime training and exercises, to facilitate common readiness in event of war.

Second, we Americans have to operate in Europe at the end of a logistic pipeline 3,000 miles long. While we have had far more experience in long distance logistics than any other major power in the history of modern warfare, there are always short-term demands for U.S. forces under peacetime field conditions. We simply cannot expect to meet these with an attitude of "business as usual." By the same token, our Allies, even with their much shorter logistical pipelines, sometimes require short-term support from us in exercise situations. If we cannot respond directly and efficiently we cannot respond at all.

During September 1979 to December 1980 U.S. forces are scheduled to participate in ten different major NATO field training exercises. We will, among other things, be exercising mutual logistics support. I think it is clearly understood by all of us here that in crisis or war all bets are off and we operate logistically as we must. But the purpose of these exercises is to test the ability of our forces, and those of our Allies, to function under wartime conditions. I submit,

then, that our arrangements for mutual logistic support during exercises should be as close to realism as we can practically make them. It is, after all, not sensible to have Allied units elbow-to-elbow in the field and unable to provide prompt on-the-spot support to one another.

Beyond the special requirements of exercises we have to deal with the effects of the continuing shift from tail to teeth. The Congress has pressed the Defense Department to get more bang for its militray buck and we have been more than willing to oblige. In fact I have been one of the most persistent voices in favor of this re-balancing of our forces in Europe, because I believe it makes good sense to rely on the considerable pool of European resources for logistic support. We call it Host Nation Support, and we are moving aggressively to get more of it. The Europeans—and particularly the Germans—understand this tail-to-teeth equation and want to maximize the U.S. fighting capabilities.

This can mean, if we are successful, Host Nation Support in both peace and war for routine base operations, including perimeter security, food services, maintenance and minor construction, transport and a host of other support services which now draw off U.S. manpower from combat and direct combat support. But here again, we need flexible U.S. procedures which can better adapt to the real conditions on the ground.

At present our hands are effectively tied because the U.S. laws and systems that govern acquisition and transfer of goods and services are too cumbersome and inflexible for the situations I have just described. When we buy logistics support from our Allies we impose on them the complicated contract formats, procedures and clauses required by the Armed Services Procurement Act and related statutes. When we furnish support we must meet requirements of the Arms Export Control Act which are totally inappropriate for these kinds of transactions. This act also precludes the furnishing of logistics support on the basis of reimbursement in kind.

Aside from the fact that existing restrictions make it very difficult for us to do our military job in the defense of Europe, our Allies have strenuously objected to what they view as an imposition and even an infringement of their sovereignty. The Dutch have warned us for two years that they could not continue to furnish exercise support under our restrictive conditions. For reforger 78 and 79 they supported us under letter agreements which included references to our statutory clauses. They have now told us that they will not extend these extraordinary measures for Reforger 80. Germany, Belgium, Italy, and Norway have given similar warnings.

Again, on the other side of this two-sided logistical coin, there have been numerous instances in which U.S. forces have been unable to give short-term local support to Allied units during exercises because of FMS restrictions which require item-by-item "cash-on-the-barrelhead" transactions.

Enactment of this legislation would permit us to negotiate reciprocal arrangements designed to meet our special requirements in Europe. It would also do much to insure that NATO forces would use the same logistic procedures in peacetime exercises that they would have to use under the stress of wartime conditions. I think the subcommittee should also know that all of our Allies have agreed to the use of simplified procedures for mutual logistic support. So they have some reason to be impatient with our insistence on business as usual.

I want to assure you that we are not, in the new bill, asking for authority to buy or sell initial order quantities of major equipment or any controlled combat material. This was never our intent and I regret that the broad way in which we drafted our original legislative proposal may have given rise to concern lest we might use the authority for this purpose.

I will leave it to the experts to discuss what precisely should be included under the heading of "logistic support." I will simply note that the emphasis is on services, because that's what consumes manpower and it's what the host nations are best equipped to provide. The material items—POL, clothing, ammunition, and so forth—are required principally for exercises and for situations in which U.S. or Allied forces may find themselves temporarily cut off from their own sources. I think the subcommittee will agree that what we are trying to do makes sense.

Now, let me briefly review the areas of current legislation affected by H.R. 5580. First, we are asking in this proposed legislation for complete relief from the Arms Export Control Act for transfers of consumable and expendable supplies and the provision of services to our Allies. We need the flexibility of cross-servicing agreements to be able to deal simply and directly with them in training and maneuver situations as they are now able to do with us. Under the terms of H.R.

5580 the supplies transferred to Allied units must come from the inventory of U.S. forces in Europe and the inventory cannot be inflated to meet these special requirements. Services can only be those normally available from same U.S. forces. Beyond those built-in safeguards against abuse of this authority, I can assure the subcommittee that H.R. 5580 will have absolutely no effect on U.S. sales to NATO of weapons or major end items. It will also not supplant agreements for normal follow-on parts and components under the Arms Export Control Act, nor will it apply to CONUS training conducted under the Act.

H.R. 5580 would also relieve us of the requirement to use purchase contract procedures when we receive goods or services from our Allies. The bill gives authority to the Secretary of Defense to waive several provisions of Chapter 137, title 10, United States Code, the chapter of the Armed Forces title devoted to procurement. These are provisions most applicable to procurement from private firms and therefore least appropriate for government-to-government agreements.

My second point, Mr. Chairman, is that section 8 of the bill sets limits on the amounts that may be obligated or accrued by the U.S. as a result of this legislation. Without getting into detail—General Gregg is well-prepared to do that—I will simply note that our obligations, that is acquisitions, will very likely hit that limit by fiscal year 1981. Storage service charges for pre-positioned material alone could easily reach the \$100 million mark in the fiscal year 1982–86 time frame. On the accrual side the figures are more modest and we don't expect to hit this (present) limit before fiscal year 1983 or 1984. This is normal because we are operating on the turf of our Allies and we need more from them than they do from us. As this subcommittee well knows, we build our major FMS accruals in a different section of the ledger and those figures make this one look insignificant.

My final point goes to the inevitable question of third-party transfers. This is a touchy issue and I appreciate that the DOD position must be clear. In essence, Mr. Chairman, we are convinced that the things we need to do with the authority in this bill just won't confront us with that issue. We are talking about services and minor material items like a spare generator or a tank of jet fuel. Even where critical spares are involved, we think the risks of unwanted diversions to third parties are minimal because the quantities involved are simply too small to be significant.

To sum up, during the last session of Congress and now in this one, the Defense Department has sought a measure of legislative relief which we consider both reasonable and effective. H.R. 5580 does leave us saddled with some basic requirements of applicable legislation, but it would certainly take us a long step toward resolving our present difficulties. I also think that our Allies would take a positive view of this improvement and would be willing to maintain normal support arrangements if H.R. 5580 were to become law. Let me also reiterate that in seeking this legislation we have no intent of using it for procurement or transfer of major end-items. I urge the Senate to support this bill.

Ambassador KOMER. I had hoped to have with me as another principal witness Lt. Gen. Arthur Gregg, who is the Deputy Chief of Staff for Logistics for the Army and was the former logistician of the Army in Europe. Unfortunately, General Gregg had a death in the family and he could not attend.

I would like to submit his rather more detailed statement for the record, if I might.

Senator MORGAN. We will make General Gregg's statement part of the record also.

Ambassador KOMER. Thank you, sir.

[Prepared statement of General Gregg follows:]

PREPARED STATEMENT BY LT. GEN. ARTHUR J. GREGG, USA, ARMY DEPUTY CHIEF OF STAFF FOR LOGISTICS

Mr. Chairman and members of the subcommittee, I welcome the opportunity to comment on H.R. 5580, the NATO Mutual Support Act of 1979, and to express my full support for its early passage.

My recent experience as the Deputy Chief of Staff for Logistics, U.S. Army in Europe; and as the Director for Logistics, Organization of the Joint Chiefs of Staff; and my current job as the Army Deputy Chief of Staff for Logistics gives me a substantial appreciation for the importance of this bill.

We need authority when dealing with NATO governments and agencies to arrange logistic support on the basis of agreements rather than contracts. H.R. 5580 will provide this authority. It will permit our Armed Forces stationed in or deployed to NATO countries to arrange for needed logistic support agreements.

First, we need to be able to arrange cross-servicing agreements for supplies and services for both reimbursable acquisitions and replacement-in-kind transactions. This will enable United States and NATO forces to refuel each other's vehicles, service each other's tanks, arm each other's fighters, and take other steps that will insure the best possible support for our respective forces in peace and war.

Second, when we conduct NATO training exercises, we want to be able to use each other's facilities for billeting and feeding. In addition, during our annual reinforcement of Europe exercise, Reforger, we want our NATO Allies at the aerial and water ports to receive and offload materiel and equipment, and provide transportation to the forward exercise areas.

Third, we need to be able to establish service agreements for the storage, maintenance, and safeguarding of our pre-positioned stocks in Europe.

Fourth, we want to relieve our forces in Europe from base operations functions so that they can concentrate on their wartime mission.

Current law requires that we use purchase contract procedures to obtain logistic support from our Allies. The clauses we must use in contracts are such as to treat Allied governments as private firms.

Chief among these are the "officials not to benefit" clause. This clause specifies that no Member of Congress or resident commissioner shall benefit from the contract. Our NATO Allies object to the suggestion that their government officials may act improperly with officials of the U.S. Government. Further, they feel that their national laws provide adequate means to protect the public interest and to deal with officials who violate the trust of their office.

Second is the "contingency fees" clause. This clause prohibits payment of fees to middlemen who solicit contracts. In requesting host-nation and common logistic support, we deal directly with the government concerned. There is no solicitation and, therefore, no agents to be paid.

Third is the "gratuities" clause. This clause prohibits a contractor from giving gratuities to U.S. personnel in order to receive favorable contract treatment. This is a useful clause when dealing with contractors. However, it is considered unnecessary in arrangements with governments.

We believe that these clauses serve no useful purpose in a government-to-government context. Therefore, their application provides no substantial advantage to the United States, while conveying to our NATO Allies the appearance that we are infringing on their sovereignty.

This issue did not arise until about 1976 when we placed increased emphasis on host-nation support as a means of improving interoperability and readiness. When we attempted to exercise our Benelux Lines of Communication Agreements during the 1976 Reforger exercise, NATO Allies balked at accepting required U.S. clauses and threatened future refusal unless the United States ceased its insistence on using specific objectionable clauses. Since then, matters have not improved. In August 1979, a Netherlands Ministry of Defense official notified us that the Netherlands would be unable to furnish logistic support to the United States in Reforger 80 under current U.S. contractual requirements. The Italian Minister of Defense is now refusing to accept U.S. provisions in an agreement for United States use of the NATO Italian POL Pipeline System. In both cases, we are seeking a temporary solution, but the outcome is uncertain. From a military point of view, we are concerned that our exercises and overall readiness programs may be adversely impacted by disputes over the form in which a host nation satisfies U.S. requirements.

Our foreign military sales (FMS) procedures are very formal and not designed to accommodate the more immediate, time-sensitive needs anticipated by this proposed legislation.

Transfers from U.S. stocks must now be made under FMS provisions. These provisions do not permit reciprocal exclusion of indirect costs and administrative surcharges. Moreover, FMS requires advance payment before the supply or service is transferred and provides no authority for replacement-in-kind as a method of payment.

We believe that both purchase contract and FMS procedures are not appropriate for the conduct of transactions envisioned under H.R. 5580 between sovereign nations.

Our overseas requirements for goods and services will continue to be satisfied primarily from United States or foreign commercial sources in accordance with

U.S. statutes and the Defense Acquisition Regulation. I want to particularly note that we do not propose authority for major end item procurement or transfer.

H.R. 5580 does not oblige U.S. forces elements to provide our Allies with anything. It only permits us to do so when we have the capability and we decide that it is in our best interests. It does not provide authority for a NATO commander to reallocate U.S. stocks to the use of Allied forces. It addresses only voluntary transfer for value. H.R. 5580 prohibits increasing U.S. inventory levels solely to carry out the terms of cross-servicing agreements.

H.R. 5580 is primarily a readiness measure. It will facilitate the provision of host-nation support and it will permit reciprocal cross-servicing arrangements that greatly improve mutual planning and interoperability.

I believe that passage of H.R. 5580 will be an important step in improving NATO's defense posture and in promoting a closer and more effective working relationship between the United States and our NATO Allies. I urge you to support this bill.

Thank you, Mr. Chairman.

Ambassador KOMER. General Groves, who is now the Deputy Adviser for NATO Affairs, was the Chief of Staff of our ground forces in Europe and so is also quite familiar with the problems we are seeking to remedy in this legislation. Therefore, we have asked him if he would substitute for General Gregg as a principal witness along with me. That just about covers what I would like to say. We have been trying for 2 years to get this legislation. It is rather modest in its scope.

There is a \$100 million limit on how much we can get from our allies under this legislation. There is a dollar limit on how much we can provide to our allies under this legislation annually, also \$100 million. And to make sure that we do not use this legislation in a way which I must say we do not intend, that is to purchase major end items, the restriction is that we can't procure goods other than POL within that overall \$100 million ceiling of more than \$25 million in value a year. So, I would submit to you, Mr. Chairman, that this legislation is very carefully crafted now not to permit any abuse.

Finally I would like to say that the military services and our commanders in Europe are all solidly behind this. There is no difference of view between the uniformed services and the Defense Department or anybody else. We would like to have this as a matter which would really improve our ability to exchange services with our allies in peacetime exercises as well as in wartime on a more efficient and cost-effective basis.

That is all I will say at this point, sir.

Senator MORGAN. Just one question, Mr. Ambassador.

Can you live within the limits placed in the bill by the House of Representatives?

Ambassador KOMER. That is a good question. We thought we could when the limits were first proposed. We believe that it is possible, in terms of what we want to buy in Europe from our allies mainly logistic services and storage charges, that we may bump against that \$100 million ceiling fairly quickly, perhaps even in fiscal 1981 or probably in fiscal 1982.

The similar ceiling of \$100 million on what we provide our allies probably would not cause us a problem until perhaps 1984 or 1985. Nonetheless our very strong preference would be to go ahead with the legislation with these limits in it and then come back for relief next year rather than having to go back and run the bill through the House of Representatives again.

Senator MORGAN. Time is of the essence.

Ambassador KOMER. Yes, sir.

Senator MORGAN. It is with me, too, right now. So, if you will permit me I must leave and vote before we start with General Groves testimony. I will be right back.

[A brief recess was taken.]

Senator MORGAN. Gentlemen, Senator Humphrey has joined us. General Groves, we will be glad to hear from you now.

STATEMENT OF LT. GEN. RICHARD H. GROVES, U.S. ARMY, OFFICE OF SECRETARY OF DEFENSE, DEPUTY ADVISER ON NATO AFFAIRS

General GROVES. Thank you, Mr. Chairman, I welcome this opportunity to comment on H.R. 5580, the NATO Mutual Support Act of 1979, and to urge its early passage.

My recent experience as Engineer and later Chief of Staff, United States Army in Europe; and now as the Deputy Adviser on NATO Affairs gives me an appreciation for the need of U.S. commanders in the field for the kind of flexibility that this bill would provide.

We need authority when dealing with NATO governments and agencies to arrange logistic support on the basis of agreements rather than contracts. H.R. 5580 will provide this authority. It will permit our Armed Forces stationed in or deployed to NATO countries to enter into simplified arrangements for logistic support that respond to the varying and often short-term needs of our troops and those of our allies.

We need to be able to enter into cross-servicing agreements for supplies and services both as reimbursable acquisitions and as replacement-in-kind transactions. This will permit flexible arrangements under which United States and NATO forces can refuel each other's vehicles, service each other's tanks, arm each other's fighters, and take other steps that will insure responsive logistic support for our respective forces in peace and war.

When we conduct NATO training exercises, we need to be able to use each other's facilities for billeting and feeding. In addition, during our annual reinforcement-of-Europe exercise, Reforger, we must depend on our NATO allies at the aerial and water ports to receive and offload materiel and equipment, and provide transportation to the forward exercise areas.

We need to be able to enter into service agreements for the storage, maintenance, and safeguarding of our prepositioned stocks in Europe.

We seek to relieve our forces in Europe from base operations functions so that they can concentrate on their wartime mission. By drawing upon the host nations for this support, we can devote more time to training and equipment maintenance, increasing our combat readiness and enhancing the deterrent effect of our forward deployed forces.

H.R. 5580 as passed by the House will enable us to do these necessary things. In addition, it will enable us to deal more effectively with our allies. Current law requires that we use purchase contract procedures to obtain logistics support from them. These procedures cause us to treat their governments as private firms. Some of the required clauses also seem to offend them as sovereign nations. H.R.

5580 has been tailored to solve the specific problems I have cited here. I urge you to support this bill.

Thank you, Mr. Chairman.

Senator MORGAN. Thank you, General.

I have a number of questions that I would like you to comment on. These are basically questions that the staff feels we need to put in the record. I will start off with you Mr. Ambassador, by saying that the bill as you have already stated has gone through a number of revisions and improvements but it does provide authority for waiving certain provisions of law that are designed to protect the American taxpayer in case of contracts with commercial companies.

You and General Groves have made clear the policy reasons for your support of the bill. As you might imagine, one of the questions in my mind, and I am sure will be in the minds of my colleagues as we begin to vote on it on the floor of the Senate, is whether the provisions of the bill relating to pricing provide sufficient protection for the taxpayer.

I take it from your previous testimony that you are satisfied that the pricing procedures in this bill give us a maximum assurance that appropriated funds will not be wasted. Is that substantially correct?

Ambassador KOMER. That is correct, Mr. Chairman. You will bear in mind that this is a lot of very small purchases and it would be very hard for us to get the advantages, for example, of bulk purchase, but that is not the purpose of this bill in the first place. This is when we need some things in the field when we are on exercises or to pay storage charges or something like that.

So, we believe that the costs will not be any greater basically under this legislation than they would be if we were to go through the full procurement drill.

Senator MORGAN. One thing I think we have to remember is that while we are giving the Department some leeway, we don't expect you to fail to exercise good judgment in these matters. We do have confidence in your judgment.

Ambassador KOMER. You are entitled to expect that, Mr. Chairman, and we will report back to the Armed Services Committees, annually, on what our experience has been under this legislation. So, you will have a chance to check up on whether we have done what we said we would do.

Senator MORGAN. I think that is a safeguard, too. I wonder whether General Groves or some of the others who have accompanied you here can go into some detail on specific instances where foreign governments have declined to go into mutual support arrangements in NATO because of the requirements in our law?

Ambassador KOMER. We can do that, Mr. Chairman. I have Brigadier General Honor, Deputy Director, J-4, in the Joint Staff, Mr. Ben Forman of the Office of the Defense Department General Counsel, and Mr. James Saylor, of the Comptroller's Office here. So, we can give you a number of such instances.

General GROVES. Mr. Chairman, the three clauses that give us trouble, which are mandatory clauses in our contract form, are the one that deals with officials not to benefit, the one which relates to contingency fees, and the gratuities clause.

Repeatedly in our dealings with foreign governments, the Germans, the Belgians, the Dutch, Luxembourgers, and the Italians,

to draw on my personal experience, we find those clauses that were designed for dealing with private contractors are offensive to their sensibility, as they say.

Senator MORGAN. I understand that. In the interest of time we would not want any great detail, but if some of you gentlemen could give us some specific instances that have already occurred, so that I can say to my colleagues that this is not something that we are anticipating might happen, but it is something that has already happened.

General GROVES. In August 1979 the Netherlands Ministry of Defense notified us that the Netherlands would be unable to furnish logistics support to the United States in Reforger 1980 under current U.S. contractual requirements, namely under those clauses.

The Italian Minister of Defense right now is refusing to accept U.S. provisions in an agreement for U.S. use of the NATO POL pipeline system for the same reason.

There are many more similar instances in the past. If you would like we could provide them for the record.

Ambassador KOMER. We can provide a great deal more for the record if you would like, Mr. Chairman.

Senator MORGAN. If you would, please submit another half dozen for the record. You need not burden us with them, but provide just enough so that we may be able to use them as illustrations.

Ambassador KOMER. Yes, sir.

[The information follows:]

EXAMPLES OF DIFFICULTIES ENCOUNTERED IN PROVIDING AND RECEIVING LOGISTICAL SUPPORT

The following comments in messages and letters from Senior Field Commanders in the United States European Command are quoted: American Embassy, The Hague message 270955Z August 1979 to CINCUSAREUR: "... For REFORGER 80, the Netherlands will not extend the extraordinary measures taken by the Royal Netherlands Army for support of REFORGER 78 and 79. For these past exercises, Netherlands provided support through letters of agreement which contained only references to the statutory clauses in the Defense Acquisition Regulations. The 27 August message contains a Netherlands stipulation that unless DOD legislative proposal 96-4 (H.R. 5580) is passed they will withdraw from participation in REFORGER 80. The impact is that we cannot exercise the Netherlands portion of the LOC.

The following message text from the United States Commander in Chief, Europe, is quoted in part: CINCEUR message 131436Z September 1979, subject: H.R. 5580 NATO Mutual Support Act of 1979. "... Certain NATO member nations have indicated the need for authority for mutual logistics support exchanges by agreement in lieu of purchase contracts and foreign military sales procedures. Germany, Belgium, Italy and Norway have repeatedly voiced objections to present procedures, especially when we attempt to arrange host-nation support for exercises such as REFORGER. They all believe that the use of contracting procedures is not the appropriate vehicle for conducting business between sovereign nations."

The following text from a letter of 25 August 1977 to Brigadier General De Fiori, USAREUR Judge Advocate from Mr. Backes, Ministerialrat, Administration and Law; Germany Ministry of Defense, is quoted in part: "... Support of U.S. Forces should be arranged by administrative agreements, not contracts. Our official position is that Federal Republic of Germany (FRG) agencies will not sign U.S. Forces contracts based on the objectionable clauses required by your Government's Off-Shore Procurement Agreements (OPA) or model contracts. The reasons for rejection are: (1) the political, economic and military conditions on which the OPA was premised are no longer valid with respect to procurement from government agencies, (2) the primary purpose under OPA was to assist in developing FRG defense capabilities, a purpose that has been fulfilled."

The following text from a letter of 19 November 1979 from LTG Berry, Commander of Fifth Corps to CINCUSAREUR is quoted in part: "... I am concerned about our inability to participate in cross-national logistics with our NATO allies due to host-country refusals to sign contracts and become involved in the extensive and time-consuming procedures of foreign military sales cases. Because of this the well-publicized logistics interoperability exercise objectives of Exercise CONSTANT ENFORCER could not be realized. The activities which we cancelled included drawing fuel from III(GE) Korps depots with replacement in kind reimbursement; accomplishing interoperability maintenance and exchange of repair parts with Canadian and Belgium forces; and employing cross-national support, especially in POL, to sustain U.S. counterattack units when they moved into positions more efficiently supported by III Korps. If we do not obtain relief from current restrictions, we anticipate our allies will lose confidence in our ability and willingness to participate in cross-national support. If we are to continue to develop true partnership relations with our Allies, legislation must be enacted immediately to provide a legal basis. The only alternative is to restructure our forces to go it alone."

The following text from a CINCUSAREUR message 281547Z September 1979 is quoted in part: "... The Arms Export Control Act restricts U.S. Forces from providing defense articles or services to foreign countries except under FMS procedures, a cumbersome and time-consuming process. The following examples are provided: (1) the Second Armored Division was prohibited from providing POL support to a Danish Battalion attached for exchange training, (2) two German engineer companies attached in support of the Second Armored also could not receive support, (3) Fifth Corps was prohibited from delivering non-U.S. owned petroleum to an attached Belgian Battalion. Since we are legally precluded from providing support, our NATO allies are refusing to provide support to our forces until enactment of H.R. 5580 is accomplished by the Congress."

The following text from the minutes of the 11-12 September 1979 meeting with the Ministry of Defense Italy on the renegotiations for use of the Italian pipeline system is quoted in part: "... The Italian Government objects to the clauses and contract conditions we require to meet minimum U.S. legal and statutory conditions. These clauses are not applicable to the realities of government-to-government negotiations. They are designed, in our view, for use with commercial contractors. They are currently operating under a temporary extension while the Italian Government awaits the outcome of H.R. 5580 legislation."

In summary, during 1980 U.S. Forces are scheduled to participate in 10 different major field training exercises. One of the principal objectives of these exercises is to test our ability to successfully participate in mutual logistics support activities with our NATO Allies. Our inability to do so will seriously impact on the successful conduct of these exercises and prevent us from practicing in peacetime what we most assuredly must do in wartime.

Senator MORGAN. Let me go to the dollar question. As you mentioned, the bill before us limits total U.S. expenditures under this authority to \$100 million a year. I believe you told us that this figure was arrived at by the House. Am I not correct in that?

Ambassador KOMER. If I recall correctly, sir, it was a negotiated figure between us and the House. Let me ask Mr. Forman of the General Counsel's Office how that came about.

STATEMENT OF BENJAMIN FORMAN, OFFICE OF THE GENERAL COUNSEL, DEPARTMENT OF DEFENSE

Mr. FORMAN. The Secretary is correct. The original House version of the bill had a very modest figure inserted by the House just for drafting purposes. The committee asked us to supply a figure which we thought we could live with. The \$100 million ceiling is the one we proposed based on statistics of our experiences to date, basically during 1979 and what we project for the future, and along the lines Secretary Komer indicated earlier about where we would begin to hit the ceiling.

Senator MORGAN. What is your estimate of the dollar value of such support agreements during the last fiscal year?

Mr. FORMAN. During fiscal year 1979 the U.S. forces in Europe expended slightly over \$40 million for these support costs. We expect that will grow substantially for various reasons. One is the increased cost for petroleum and lubricants and also a great deal more of increased cost for storage and everything else that goes with prepositioning as we make additions to our POMCUS levels and increase use of collocated bases.

Senator MORGAN. With regard to authority for spending beyond appropriations, Mr. Komer, is my understanding correct that the authority contained in this bill relates only to the details of the mutual support arrangements themselves, and does not give the Department any additional authority to expend funds?

Ambassador KOMER. I believe that is quite correct, sir.

Senator MORGAN. In other words, all expenditures under these agreements would come out of funds otherwise authorized and appropriated for by the Congress for operations in NATO?

Ambassador KOMER. Yes, sir. We are not asking for any additional appropriated funds, simply for greater flexibility.

Senator MORGAN. With regard to the payment system, could you give the subcommittee a clearer understanding of how the reciprocal payment works under this bill?

Ambassador KOMER. Yes, sir. Perhaps Mr. Forman could handle that one too, or Mr. Saylor.

Mr. FORMAN. Basically, the bill contemplates, Mr. Chairman, that there be pricing on a reciprocal basis.

For goods and services which one country procures and then transfers, the price it would charge to the recipient country would be no more than it is paying or at least no less favorable than the price it pays, bearing in mind there might be differences in delivery points and schedules.

Goods from an in-house arsenal or in-house services would be supplied at the same price that would pertain for an intraservice arrangement. For example, if we were providing the service it would be the same kind of service to the Germans that our Army would provide our Air Force, we would charge the Germans the same price as the Army would charge the Air Force and the Germans would do the same for our forces.

On an accounting basis the bills would be settled once a quarter.

We are devising for the purpose of the regulation which will be submitted to Congress and lie before the Congress as required by the bill, a reporting form which would identify item by item the category of goods acquired and transferred and the value thereof.

Do you want to add anything to that, Mr. Saylor?

STATEMENT OF JAMES SAYLOR, OFFICE OF THE COMPTROLLER, DEPARTMENT OF DEFENSE

Mr. SAYLOR. Mr. Chairman, let me just add two items to that. One, in addition to what we would issue or buy on a reimbursable basis, we also have in this bill a provision for replacement in kind so that if we issued a generator, we could get a replacement in kind for that generator. Now in the absence of a reciprocal pricing arrangement we would then revert back to the Arms Export Control Act and we

would charge based on the pricing policy of the Arms Export Control Act.

Senator MORGAN. You could not pay back in kind, under the present law?

Mr. SAYLOR. We are not allowed to.

Senator MORGAN. Under this law, you could pay back in kind, if you have it?

Mr. SAYLOR. Yes.

Senator MORGAN. If you don't have it, it is anticipated you would pay every quarter.

Mr. SAYLOR. It requires that when we balance the books at the end of the quarter we would swap money between NATO countries at the issuing activity level quarterly. By effecting reimbursement at the activity level, we insure that one Defense appropriations does not augment another appropriation.

Senator MORGAN. Do I understand correctly that the bill allows countries involved to simply pay the net amount after deducting each other's goods?

Mr. SAYLOR. Yes, sir.

Senator MORGAN. This bill would allow that?

Mr. SAYLOR. Yes, sir.

Senator MORGAN. With regard to the provision against building up inventory for mutual support, Secretary Komer, as I understand it, the bill provides enough inventory in Europe solely for the purpose of providing support under these agreements. We worked hard to get the Department to increase our prepositioned and war reserve stocks in Europe. We don't want to see these arrangements to weaken this progress. We would expect the Department to stand by the letter and spirit of the provision if passed by the Congress.

Ambassador KOMER. That is a perfectly reasonable expectation, Mr. Chairman. We will abide by it.

Senator MORGAN. It has been suggested that the acquisition and transfer authority contained in H.R. 5580 be geographically expanded to include NATO forces employed in North America and adjacent waters, as well as Europe and adjacent waters. Why shouldn't Canada be included in this support authority?

Ambassador KOMER. This was rather new to us, Mr. Chairman. We were rather surprised that the Canadians came to the committee before coming to us and telling us that there was a problem. But we have since been in discussion with them. We do not believe on present reading that we have the same kind of reciprocal problems with Canada that we do with the European NATO countries where we have far larger forces deployed. We have over 300,000 men in Europe and many fewer in Canada and, while we do have numerous joint exercises with the Canadians, they have not brought up the same kinds of problems that we have run into in Europe on cross servicing of the sort that General Groves described.

Therefore, we have been in touch with the Canadians and they have proposed to us that we discuss this matter at one of our early joint meetings to see whether indeed there is a problem. If there is one, I can assure you that the Defense Department is perfectly prepared to come back next year or the year after and ask for an amendment of the legislation to include them.

Senator MORGAN. What problems would result from just going ahead and extending the authority to do so now?

Ambassador KOMER. I think one big problem would be that we would have to go back to the House again which has already passed the bill, which means we would lose another whole maneuver season before we could get a change in language straightened out. Since we think the Canadian problem is de minimis, until we have discussed it with the Canadians, and we are not at all clear what the problems are, we would urge you, if we could, to proceed with the bill as it is. We would request an amendment if indeed there is a problem. I might add, Mr. Chairman, that the Canadians have found the proposal I have just described quite acceptable to them.

Senator MORGAN. I am advised that the Canadians are not really insisting on anything. There is a problem that this bill does go to the Foreign Relations for referral. Are there any differences in the existing law providing for acquisition and transfer by and from the United States and Canada, as compared to other NATO countries?

Ambassador KOMER. I think there are in the procurement field, though I suspect not in the logistics field, but I would like to ask my colleagues if there are any differences.

Mr. FORMAN. Let me say basically the laws are the same for Canada both ways; that is, our acquisition and our transfer. Our relationship with Canada, however, has been traditionally different from that which we have with the rest of the world and even our other NATO allies. We have had a special relationship with Canada, going back to the Odgenberg and the Hyde Park meetings with Roosevelt during World War II, with respect to treating the two countries as almost a common market for the purpose of a defense production base for both countries. There has been a great deal of cross-border procurement.

Our contracts have been given to Canadian firms for bidding without regard to "Buy America" for years. We have had no problems with Canada in terms of acquisition. They are fully familiar with the way we do business and contract, and have accepted our contracts for many years.

Looking at it from the other point of view of our transferring things to them, of course we do that under the Foreign Military Sales Act. They are next door to us. The supply lines are closer and there really is not a problem on tying in for the logistics system and getting the support they need.

Now, so far as the exercises that Secretary Komer referred to, as I understand it these are basically small unit exercises of companies or platoons, either one of ours going into Canada or one of theirs coming down here for a small training exercise. We don't have very many people in Canada. I believe it is less than two dozen military people permanently stationed in Canada.

So we don't need support for our armed forces in Canada. When we are talking about company- and platoon-level exercises which are not that frequent, there is very little needed in the way of logistics support—maybe some billeting, some food, some medical care occasionally. That kind of thing we have been handling and we see no reason why we can't continue to handle that.

Now, if there is some problem that we are unaware of, and the Canadians have not pointed to any, we are perfectly prepared to sit down with the Canadians, and we have so told them, to explore these matters. If some remedial legislation is necessary, we will be glad to come back here and propose it to the Congress.

Ambassador KOMER. Could I add one point, Mr. Chairman, and that is that the current Canadian proposal, as we understand it, includes much more than just adding Canada to the list. It calls for adding North America to the list, and that would create a situation in which not only Canada but NATO countries could come over and get reduced logistics cost for some very extensive training that they receive in the United States.

Therefore, we want to look very carefully at the Canadian proposal and see if it does not have some hooks in it that go far beyond the intent of the legislation that we have proposed to the Congress.

Senator MORGAN. You have raised an issue that the committee may want to take a further look at.

Let me go to coverage of activities outside NATO. It has been suggested by some that we ought to be preparing to undertake military action outside of the geographic boundaries of NATO to protect interests of the United States and our allies, to protect the oil in the Persian Gulf. In light of this possibility, do you think the legislation ought to be expanded, provided we don't get into a hassle with the House, to cover NATO forces operating jointly outside of the geographic boundaries of NATO?

Ambassador KOMER. Mr. Chairman, let me answer that in two ways. No. 1, it is difficult to see under the NATO Treaty how allied forces could operate as NATO forces outside the treaty boundaries. This is not to say that, for example, British and French forces might not join us in responding to some emergency in the Middle East or that we might not be supporting Korean forces in the Far East, but they would not be going outside as NATO forces.

So, we did consider this. We thought that we would get further with the Congress if we gained experience in dealing with this problem, first of all, in the NATO area where the great bulk of our currently deployed overseas forces are, before we looked into the much more complicated question of how this might be applied to forces outside. If they are outside the treaty area, they will not be NATO forces per se. They will be other forces, and it raises questions of how we would do business with Saudi Arabia or other countries where normally, if we are providing them support, we charge the full price.

Where there is not so much reciprocal assistance, where they are helping us to the extent we are helping them, et cetera, it raises a whole host of questions that we have not thoroughly analyzed. We are not sure analysis would justify extending this kind of authority beyond the NATO area. However, we will continue looking at that and if over the course of the next year or two it appears that this is desirable and effective, we would be prepared to come back to the Congress and say, "Would you extend this authority in other areas?"

Senator MORGAN. Gentlemen, thank you very much. I believe with your statements which have been submitted for the record and your answers given to the questions prepared by the staff, you have satisfied one member, if not two members, of this committee. I feel that the record is satisfied.

Thank you, sir.

Ambassador KOMER. Thank you, Mr. Chairman.

Senator MORGAN. The hearing is adjourned.

[Whereupon, at 2:55 p.m. the hearing was adjourned.]



