

**COSTS OF WITHDRAWING ARMY TROOPS FROM EUROPE**

**Prepared by**

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**for the  
Defense Subcommittee  
of the  
Senate Appropriations Committee**

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In response to your Subcommittee's request for assistance during your review of U.S. defense commitments, CBO estimated the costs of withdrawing U.S. troops stationed in Europe. This memo summarizes our findings and transmits a final version of our estimates. The memo also discusses the effects of our current overseas forces on U.S. trade balances.

We confined our estimates to costs of withdrawing some of the 205,000 U.S. Army troops now stationed in Europe. We estimated costs of withdrawing from 5,000 to 70,000 personnel.

There are one-time costs and savings associated with these withdrawals, along with recurring savings. The net effect on costs depends mostly on whether the troops that are withdrawn from Europe are also eliminated from the Army's strength. If they are, savings could be substantial. If the troops stay in the Army, the one-time costs for basing them in the United States, and possibly for prepositioning additional equipment in Europe, could be many times the size of annual recurring savings.

If, for example, 70,000 troops are withdrawn from Europe and the Army's strength is reduced accordingly, then recurring savings in costs for personnel and for operations and maintenance would equal \$1.9 billion a year (see Summary Table 1). (All costs are in fiscal year 1983 dollars.) Another \$6.6 billion in one-time costs would be saved by avoiding buying new equipment for these forces. Savings for the withdrawal of 5,000 troops would be much more modest: \$130 million a year in recurring costs and \$360 million in one-time equipment costs. While savings would be largest, this approach would also cause the greatest delay in our reinforcement of NATO in the event of war.

Recurring savings would be much smaller if the withdrawn troops were kept in the Army and based in the United States. If, for example, 70,000 troops were moved from Europe back to the United States, recurring savings could amount to \$400 million a year. But one-time costs, mostly to build new facilities, could equal \$3.5 billion. On the other hand, a small withdrawal of 5,000 troops could save \$40 million a year and might require little or no added basing costs, since enough spare facilities might be available at existing bases.

Recurring savings would be still smaller, and one-time costs much larger, if equipment for withdrawn troops were prepositioned in Europe to speed their redeployment in the event of war. Building new stateside facilities for 70,000 withdrawn troops, and

buying extra equipment to allow prepositioning while also providing equipment for stateside training, could result in one-time costs of \$10.4 billion. Recurring savings would amount to only \$330 million a year. A reduction of 5,000 troops under this scheme would result in one-time costs of \$520 million compared to annual savings of \$30 million. Such large one-time costs and small recurring savings probably makes this approach uninteresting from a cost standpoint. Nonetheless, prepositioning of equipment would minimize adverse effects on the U.S. ability to reinforce NATO in the event of war.

These estimates employed CBO models and data for personnel costs and for some equipment costs. Army estimates, which we carefully reviewed, were used for costs for basing and for some other cost categories (see appendix for details).

We did not consider alternatives that placed withdrawn troops in the reserves or that withdrew personnel from services other than the Army, even though about one-third of U.S. personnel stationed in Europe are not in the Army. Nor did we consider the effects of year-by-year budgets. Finally, we did not analyze in any detail the effects of the troop withdrawals on military effectiveness, though it seems clear that the U.S. ability to aid in the defense of NATO would be diminished if substantial numbers of our troops were withdrawn.

At the Subcommittee's request, we have also compiled data on the effects on U.S. trade balances of current U.S. forces stationed in Europe. In fiscal year 1980, the latest year for which data are available to date, U.S. defense expenditures associated with stationing troops in the Federal Republic of Germany are estimated at approximately \$3.2 billion. In all of NATO, expenditures totaled \$5.9 billion for fiscal year 1980 1/ (see Summary Table 2).

Because these expenditures are not included in calculating U.S. trade accounts, they have no direct effect on trade balances. This conclusion is a consequence of how trade balances are defined rather than the absence of economic effects. To the

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1/ Data are based on estimates by the Comptroller of the Department of Defense and, in some cases, have been checked for reasonableness against estimates made by the Bureau of Economic Analysis in the Department of Commerce.

extent that such expenditures stimulate foreign economic activity, and alter relative U.S. and foreign competitive positions, they will create increased foreign demand for U.S. goods, as well as increased foreign exports to the United States. The magnitude of these changes in volumes of trade, and their net effect on bilateral payments balances, will be a function of the macroeconomic policies of the United States and NATO nations and is likely to be modest because the total volume of trade between the United States and NATO was substantially larger than \$5.9 billion in 1980. Nonetheless, if all U.S. troops stationed in NATO were to be withdrawn, the stimulating effect that U.S. spending has on these economies and on U.S. trade would be eliminated.

SUMMARY TABLE 1. COSTS(+)/SAVINGS(-) OF WITHDRAWING TROOPS FROM EUROPE  
(In millions of fiscal year 1983 dollars)

	One-Time			Total	Recurring
	Equipment	Basing	Operations/ Maintenance <u>a/</u>		Operating <u>a/</u>
<u>Withdraw 5,000</u>					
Move to CONUS; Preposition Equip	+360	0 to +120 <u>b/</u>	+40	+520	-30
Move to CONUS; No Prepositioning	--	0 to +120 <u>b/</u>	+10	+130	-40
Reduce Strength	-360	--	+10	-350	-130
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<u>Withdraw 20,000</u>					
Move to CONUS; Preposition Equip	+1,800	+770 to 830 <u>c/</u>	+130	+2,760	-100
Move to CONUS; No Prepositioning	--	+770 to 830 <u>c/</u>	+40	+870	-120
Reduce Strength	-1,800	--	+40	-1,760	-530
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<u>Withdraw 70,000</u>					
Move to CONUS; Preposition Equip	+6,600	+3,320 <u>d/</u>	+460	+10,380	-330
Move to CONUS; No Prepositioning	--	+3,320 <u>d/</u>	+190	+3,510	-400
Reduce Strength	-6,600	--	+190	-6,410	-1,870

a/ No estimates of costs or savings available for return of facilities to Germany without more detail on specific withdrawals.

b/ These costs assume that all existing facilities (including temporary structures) are used to station a brigade-size unit. These costs include some additional new construction, and the rehabilitation of temporary structures.

c/ The lower end of the range assumes that all existing facilities (including temporary structures) are used to station a division-size unit. These costs include some new construction, and the rehabilitation of temporary structures. The higher end of the range assumes the use of permanent and semi-permanent facilities only. The costs assume that additional new construction is needed to station a division-size unit.

d/ These basing costs assume construction of new facilities for all withdrawn troops. Thus, they probably represent an upper bound on costs. Costs would be lower to the extent that space were available at existing facilities.

SUMMARY TABLE 2. U.S. DEFENSE EXPENDITURES SPENT OVERSEAS  
IN FISCAL YEAR 1980 (In millions of dollars)

Type of Expense	Federal Republic of Germany	Total NATO
Military and Civilian Payrolls	764	1,124
Foreign National Payrolls	735	850
Equipment	39	109
Construction	178	262
Infrastructure	3	163
Petroleum, Oil and Lubricants	114	1,305
Material and Supplies	223	404
Services (Utilities)	855	1,391
Other Payments, Including Retired Military Pay, Damage Claims	243	295
Other	1	1
Foreign Currency Fluctuations	13	-15
<b>TOTAL <u>a/</u></b>	<b>3,168</b>	<b>5,903</b>

NOTE: Data are based on estimates provided by the Comptroller of the Department of Defense.

a/ Totals may not add due to rounding.

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**APPENDIX**

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BACKGROUND ON U.S. COMMITMENT TO THE DEFENSE OF NATO

- O AS PART OF THE NATO LONG-TERM DEFENSE PROGRAM, THE UNITED STATES COULD PROVIDE 10 DIVISIONS TO NATO WITHIN APPROXIMATELY 10 DAYS AFTER MOBILIZATION.
  
- O UNITED STATES HAS STATIONED ROUGHLY 205,000 PERSONNEL IN U.S. ARMY, EUROPE (USAREUR). THESE ARE DIVIDED INTO: 4 DIVISIONS, 3 SEPARATE BRIGADES, 2 ARMORED CAVALRY REGIMENTS, AND VARIOUS SUPPORT UNITS.
  
- O UNITED STATES ALSO HAS 77,000 AIR FORCE AND 36,000 NAVY/MARINE CORPS PERSONNEL IN EUROPE.
  
- O TO MEET THE 10 DIVISION FORCE COMMITMENT, THE ADMINISTRATION PLANS TO INCREASE TO 6 THE NUMBER OF DIVISION SETS PREPOSITIONED IN EUROPE. (CURRENTLY, THERE ARE 4 DIVISION SETS PREPOSITIONED.)

OPTIONS FOR TROOP WITHDRAWAL CONSIDERED BY CBO

- 0 WITHDRAW 5,000 (ONE BRIGADE)
  - RETURN TO CONUS AND PREPOSITION EQUIPMENT
  - RETURN TO CONUS; NO PREPOSITIONING
  - REDUCE END STRENGTH
  
- 0 WITHDRAW 20,000 (ONE DIVISION)
  - RETURN TO CONUS AND PREPOSITION EQUIPMENT
  - RETURN TO CONUS; NO PREPOSITIONING
  - REDUCE END STRENGTH
  
- 0 WITHDRAW 70,000 (2 DIVISIONS PLUS CORPS SUPPORT)
  - RETURN TO CONUS AND PREPOSITION EQUIPMENT
  - RETURN TO CONUS; NO PREPOSITIONING
  - REDUCE END STRENGTH

RATIONALE FOR OPTIONS

- O PROVIDE A WIDE RANGE OF NUMBERS OF TROOPS WITHDRAWN
  
- O ILLUSTRATE OPTIONS THAT VARY IN DEGREE OF EFFECTS ON SPEED OF WARTIME REINFORCEMENT

<u>OPTION</u>	<u>EFFECT</u>
RETAIN AND POMCUS	LIMITED REDUCTION OF WARTIME COMMITMENT
RETAIN BUT NO POMCUS	SLOW BY SEVERAL WEEKS OR MORE
CUT END STRENGTH	SLOW BY SEVERAL MONTHS OR MORE

## KEY ASSUMPTIONS IN COST ANALYSIS

- 0 ONLY ARMY TROOPS WITHDRAWN
  
- 0 COSTS ESTIMATED AS "ONE-TIME" AND "RECURRING," NOT BY YEAR
  
- 0 BASING COSTS ASSUME THE USE OF EXCESS CAPACITY AT EXISTING FACILITIES IN CONUS. THESE ESTIMATES ILLUSTRATE A RANGE OF COSTS FOR NEW CONSTRUCTION AND REHABILITATION
  
- 0 COSTS OF ADDITIONAL POMCUS ASSUME THAT UNITED STATES CONSTRUCTS STORAGE FACILITIES
  
- 0 EQUIPMENT SAVINGS REPRESENT AVOIDING THE PURCHASE OF NEW EQUIPMENT
  
- 0 NO ESTIMATES OF COSTS OR SAVINGS AVAILABLE FOR RETURN OF FACILITIES TO GERMANS WITHOUT MORE DETAIL ON SPECIFIC WITHDRAWALS

COSTS(+)/SAVINGS(-) OF WITHDRAWING TROOPS FROM EUROPE  
(In millions of fiscal year 1983 dollars)

	One-Time			Total	Recurring Operating
	Equipment	Basing	Operations/ Maintenance		
<u>Withdraw 5,000</u>					
Move to CONUS; Preposition Equip	+360	0 to +120	+40	+520	-30
Move to CONUS; No Prepositioning	--	0 to +120	+10	+130	-40
Reduce Strength	-360	--	+10	-350	-130
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<u>Withdraw 20,000</u>					
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## IMPLICATIONS OF TROOP WITHDRAWALS FROM EUROPE

- 0 AT PRESENT, THE CONVENTIONAL BALANCE OF FORCES IN CENTRAL EUROPE APPEARS TO FAVOR THE WARSAW PACT. NATO HAS TOO FEW CONVENTIONAL FORCES TO OFFER A HIGH PROBABILITY OF A SUCCESSFUL DEFENSE OF EUROPE IF DETERRENCE FAILS AND THE WARSAW PACT COUNTRIES ATTACK.
  
- 0 THE U.S. ABILITY TO DEFEND NATO WOULD BE DIMINISHED IF TROOPS WERE WITHDRAWN FROM EUROPE. PREPOSITIONING OF A UNIT'S EQUIPMENT WOULD ALLOW THE RAPID DEPLOYMENT TO EUROPE IN THE EVENT OF WAR. UNTIL THAT UNIT AND ITS EQUIPMENT ARRIVED IN EUROPE, HOWEVER, THE U.S. ABILITY TO DEFEND NATO CONVENTIONALLY WOULD BE DIMINISHED.

**DETAILS ON COSTS  
OF  
THREE OPTIONS**

DETAILED COST ASSUMPTIONS

Type of Cost	Category	Option	Costs/Savings Are For
One-Time	Equipment	Retain and POMCUS	Purchase New Equipment for Training
		Retain but no POMCUS	No Costs/Savings
		Cut Strength	Avoid Purchase of New Equipment
	Basing	Retain and POMCUS	Build and Rehabilitate Facilities in CONUS; Build POMCUS Sites
		Retain but no POMCUS	Build and Rehabilitate Facilities in CONUS
		Cut Strength	No Costs/Savings
	Operating	Retain and POMCUS	Transport equipment to POMCUS Sites
		Retain but no POMCUS	Transport Equipment to CONUS
		Cut Strength	Transport Equipment to CONUS
Recurring Operating	All	Retain and POMCUS	MILPERS Savings, Operating Costs for POMCUS, Savings in Operating Costs between Europe and CONUS
		Retain but no POMCUS	MILPERS savings, Savings in Operating Costs Between Europe and CONUS
		Cut Strength	MILPERS Savings, Savings in Operating Costs

CASE I. RETURN 5,000 TROOPS TO CONUS AND MAINTAIN COMMITMENT TO NATO, COSTS (+)/SAVINGS (-) (In millions of fiscal year 1983 dollars)

		One-Time			Annual			
MCA (CONUS)	POMCUS (OMA&MCA)	EQUIP	OMA	Total	POMCUS (OMA)	MILPERS	OMA	Total
+120	+43	+364	--	+527	+6	-16	-20	-30

CASE II: RETURN 20,000 TROOPS TO CONUS AND REDUCE U.S. COMMITMENT TO NATO, COSTS (+)/SAVINGS (-) (In millions of fiscal year 1983 dollars)

		One-Time		Annual		
MCA (CONUS)		OMA	Total	MILPERS	OMA	Total
+770 to 830		+43	+873	-41	-81	-122

CASE III: REDUCE 70,000 TROOPS FROM ARMY STRENGTH AND REDUCE COMMITMENT TO NATO, COSTS (+)/SAVINGS (-) (In millions of fiscal year 1983 dollars)

		One-Time		Annual		
EQUIP		OMA	Total	MILPERS	OMA	Total
-6600		+188	-6412	-1146	-721	-1867