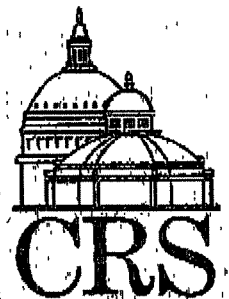


CRS Issue Brief

Persian Gulf War: U.S. Costs and Allied Financial Contributions

Updated September 21, 1992
(Archived)

by
Stephen Daggett and Gary J. Pagliano
Foreign Affairs and National Defense Division



CONTENTS

SUMMARY

ISSUE DEFINITION

BACKGROUND AND ANALYSIS

Costs of Operation Desert Shield/Desert Storm

Budget Impact of the War

Budgetary Treatment of Costs of the Iraq/Kuwait Crisis

Congressional Action on Funding in 1990

Establishment of the Defense Cooperation Account

Invocation of the Food and Forage Act

Issues Raised by the Administration's Initial 1991 Supplemental Appropriations Request

Congressional Action on Supplemental Appropriations in 1991

Allied Contributions

Allied Financial Commitments in Brief

Contributions Pledged and Received to Date

Economic Assistance

Legislation Passed in the 101st Congress

LEGISLATION

Persian Gulf War: U.S. Costs and Allied Financial Contributions

SUMMARY

Operation Desert Shield and Operation Desert Storm, the successful military effort to eject Iraqi forces from Kuwait, cost a substantial amount of money. In estimates first provided in July 1991, the Defense Department calculated incremental costs of \$61.1 billion. Not all of these costs require appropriations from the Congress. The Department of Defense (DOD) estimates that \$5.8 billion will be covered by in-kind contributions from allies, \$1.0 billion will be absorbed by the Department internally, \$1.2 billion represents the cost of material that will not be replaced, and \$3.9 billion is the cost of veterans benefits and related expenses that will be considered later. According to these calculations, DOD requires \$49.2 billion in supplemental appropriations to cover its war costs.

Congress has appropriated \$53.7 billion to cover DOD's direct, war-related expenses, including \$2.0 billion provided in October 1990 for expenses in FY1990; \$1.0 billion appropriated in the FY1991 defense appropriations bill, also approved in October 1990, for FY1991 expenses; \$42.6 billion provided in March 1991 in a Desert Shield/Desert Storm supplemental appropriations bill; \$655 million, also appropriated in March, for expanded personnel and veterans benefits; \$4.0 billion appropriated in November 1991 for additional military costs; and \$3.4 billion approved in September 1992. In addition to funds for DOD military costs and related benefits, Congress has provided \$850 million in emergency aid to Israel and Turkey and \$562 million for refugee relief, which DOD does not include in its estimates of costs.

Under the budget compromise that Congress and the Administration reached in October 1990, incremental costs of military

operations in the Persian Gulf are exempted from caps on military spending. Congress and the Administration also agreed to consider added personnel and veterans' benefits, aid to Israel and Turkey, and aid to refugees to be emergency appropriations that are similarly exempted from expenditure limits.

In providing supplemental funds for operations in the Persian Gulf, Congress established a mechanism for accepting contributions from allies and handling taxpayer funds. Cash contributions from allies have been deposited into a Defense Cooperation Account in the Treasury that is administered by the Secretary of Defense. These funds may be transferred to Defense Department operating accounts for which funding has been authorized and appropriated. Congress also established a Persian Gulf Regional Defense Fund with \$15 billion in U.S. funds. DOD could draw on this account only to the extent that funds are not available in the Defense Cooperation Account. In the end, only about \$300 million was drawn from the Persian Gulf Regional Defense fund for refugee relief activities, and Congress has now rescinded funds remaining in the Persian Gulf Regional Defense Fund.

Since substantial financial contributions have been received from allies, the financial costs of Operation Desert Storm to the U.S. taxpayer are limited. According to Administration figures, allies pledged almost \$54 billion to offset costs of U.S. military activities in the Persian Gulf, including \$48.1 billion in cash, all of which has now been received.



ISSUE DEFINITION

The Administration requested that Congress provide funding for the military costs of the conflict with Iraq through emergency appropriations that are exempted from limits on defense spending established in the budget compromise that Congress reached in October 1990. Costs of the conflict appear substantial, but contributions from allies have offset a significant part of the price. The issue for Congress is how to provide necessary funding for operations in the Persian Gulf and ensure that promised allied contributions are received.

BACKGROUND AND ANALYSIS

Operation Desert Shield, the deployment of more than 500,000 U.S. troops to the Persian Gulf, and Operation Desert Storm, the successful military effort to eject Iraqi forces from Kuwait, cost a substantial amount of money. The total cost, however, can be defined in a number of different ways. A very broad assessment of costs to the United States might take account of current and future increases in foreign aid, military support to allies, veterans benefits, or even future U.S. military deployments in the Persian Gulf region. A narrower focus on near-term costs is reflected in congressional action on supplemental funding.

To date Congress has provided \$53.7 billion in supplemental funds for the incremental costs of military operations in the Persian Gulf and for some expanded personnel and veterans benefits. Administration officials have projected total costs for Operation Desert Shield/Desert Storm of \$61.1 billion. Not all of these costs require funding from Congress, however, since some expenses have been absorbed by DOD, costs for personnel and veterans benefits will not appear for many years, and other costs have been offset by in-kind contributions from allies. The bulk of the money appropriated for costs of the war have been offset by allied financial contributions.

This issue brief (1) reviews Administration and other estimates of the incremental costs of operations in the Persian Gulf, (2) briefly discusses how the October 1990 long-term budget compromise anticipated that these costs would be treated, (3) discusses some of the issues that emerged in congressional consideration of the Administration's supplemental appropriations requests, (4) summarizes congressional action on supplemental appropriations, and (5) reviews the status of allied contributions to offset the costs of U.S. military operations.

Costs of Operation Desert Shield/Desert Storm

Costs to the United States of the conflict with Iraq can be defined in several different ways, including:

- Total costs to the United States of the Iraq-Kuwait crisis. A broad assessment of costs to the United States might take account not only of the costs of U.S. military action in the Persian Gulf but also of current and future increases in foreign aid, military support to allies, veterans benefits, and, possibly, expanded future U.S. military deployments in the Persian Gulf region. An even broader definition might

include a share of the costs over many years of maintaining U.S. military forces capable of responding to the crisis.

- Total costs of Operation Desert Shield and Desert Storm to the Department of Defense. Costs to DOD could be defined broadly to include the value of equipment lost and munitions expended in the Persian Gulf War even if DOD does not expect to replace that material due to declining future requirements.
- DOD financial requirements resulting from Operation Desert Shield/Desert Storm. Financial requirements would exclude the value of equipment that will not be replaced and other costs that will be absorbed by DOD.
- Costs to U.S. taxpayers. Defined narrowly, these would include only costs of military operations not covered by allied contributions and the cost of foreign assistance resulting from the crisis that is exempted from caps on international affairs spending established in the October 1990 budget compromise.

In back-up material for its supplemental funding request presented on July 9, 1991, the Department of Defense (DOD) provided revised estimates of overall incremental costs of the Persian Gulf War. Incremental costs represent expenses over and above the normal operating costs of U.S. forces. Table 1 provides an overview of these estimates updated to reflect data available in July 1992.

**TABLE 1. DOD Estimate of Incremental Costs of
Operation Desert Shield/Desert Storm
(budget authority in billions of dollars)**

	Reported Costs, Aug. 1, 1990 to Jan. 31, 1992	Estimated Additional Costs	Estimated Total Costs
Airlift	3.3	0.2	3.5
Sealift	4.9	0.2	5.1
Personnel	6.5	0.3	6.8
Personnel Support	6.8	0.3	7.1
Operating Support	20.0	0.9	20.9
Fuel	4.8	0.2	5.0
Investment	8.4	--	8.4
Military Construction	0.4	--	0.4
Long-term Benefits	0.8	3.6	3.9
TOTAL	55.4	5.7	61.1

Sources: Department of Defense, *Conduct of the Persian Gulf Conflict: An Interim Report to Congress*, July 1991, p. C-18. Office of Management and Budget, report to Congress required by Section 401 of Public Law 101-25, Jul. 15, 1992, based on data provided by DOD.

IB91019

09-21-92

In legislation authorizing supplemental funds for Operation Desert Shield/Desert Storm (S. 725, P.L. 102-25, passed on Mar. 21, 1991), Congress required the Administration to submit more detailed, monthly reports on incremental expenses actually incurred by DOD. Table 2, from the seventeenth report, submitted on July 15, 1992, shows Administration figures on costs incurred through May 31, 1992.

TABLE 2. Administration Estimate of Incremental Costs of Operation Desert Shield/Desert Storm Incurred Through May 31, 1992^a
(budget authority in millions of dollars)

	<u>FY1990</u>	<u>FY1991</u>	<u>FY1992</u>			Total 8/90-5/92
	Aug-Sep	Oct-Sep	Oct-Apr	May	Total	
Airlift	412	2,631	204	19	223	3,266
Sealift	295	4,313	329	59	388	4,936
Personnel	223	5,247	924	62	986	6,456
Personnel Support	352	6,261	187	23	210	6,823
Operating Support	1,210	15,549	3,055	180	3,235	19,994
Fuel	626	3,922	258	2	260	4,808
Procurement	129	8,266	48	0	48	8,443
Military Construction	11	340	0	0	0	351
TOTAL	3,197	46,531	5,003	346	5,348	55,076

Source: Office of Management and Budget, report to Congress required by Section 401 of Public Law 101-25, Jul. 15, 1992, based on data provided by DOD.

Note: Totals may not add due to rounding.

a. Figures represent a preliminary estimate of costs incurred through May 31, 1992. Figures do not include costs of future long-term benefit and disability payments.

These total cost figures do not represent DOD financing requirements. In light of the declining military threat in Europe and planned cuts in the size of U.S. military forces, some equipment losses and munitions expenditures will not need to be replaced. Moreover, DOD's financial requirements may not translate directly into requests for additional appropriations, since some expenses may be covered by transfers from other DOD accounts and some may be offset by in-kind contributions from allies. In data provided with a July 9, 1991, supplemental appropriations request, DOD estimated that \$5.8 billion will be covered by in-kind contributions from allies, \$1.0 billion will be absorbed by the Department internally, \$1.2 billion is the cost of material that will not be replaced, and \$3.9 billion is the cost of veterans benefits and related expenses that will be considered later. With total costs of \$61.1 billion, DOD calculated that it would require \$49.2 billion in supplemental appropriations to cover its financing requirements.

IB91019

09-21-92

Budget Impact of the War

Budgetary Treatment of Costs of the Iraq/Kuwait Crisis

The Administration's Desert Shield/Desert Storm supplemental appropriations requests have been presented in accordance with provisions of the long-term budget agreement that Congress implemented in 1990. The Budget Enforcement Act of 1990, a part of the omnibus reconciliation bill that Congress passed in October, exempted the incremental costs of military operations in the Middle East from limitations on defense funding. Specifically, the compromise capped the FY1991 national defense budget at \$288.3 billion in budget authority and \$297.0 billion in outlays, but provided that funds for operations in the Middle East would be provided through emergency appropriations that are not subject to these limits. (Technically, the Administration is treating emergency Desert Shield/Desert Storm appropriations as an increase in the defense cap.) Funding that is provided in this fashion would simply add to defense spending, and to the Federal deficit, without triggering the automatic cuts in spending that would otherwise be mandated.

When the budget compromise was reached, DOD projected that Desert Shield would cost about \$15 billion in total in FY1991 with about half of that amount coming from the allies. Much higher cost estimates following increased troop deployments in November led some Members of Congress to argue that the higher than expected costs of the deployment would undermine the deficit reduction measures in the budget agreement. At least part of the cost, they concluded, should therefore be paid for by some increase in revenues, such as an income tax surcharge. As it turned out, however, allied contributions cover most of the cost, and, although the Administration request for \$15 billion in U.S. funds exceeded what was initially assumed, sentiment for some kind of war tax soon waned.

The Budget Enforcement Act of 1990 also included a number of special provisions concerning the budgetary treatment of other expenses related to the Iraq/Kuwait crisis. Egyptian debt forgiveness, for example, was exempted from caps on funding for international programs. An increase in the U.S. quota for contributions to the International Monetary Fund was also exempted from caps on international affairs funding, and an increase included in the Administration's FY1992 budget request, though Congress has not yet approved it.

Significantly, increased bilateral foreign assistance to frontline states or to other countries because of the crisis was not explicitly exempted from caps on international spending, nor were increased U.S. contributions to the World Bank or other multilateral lending institutions other than the IMF. Such funding, therefore, could be exempted from the caps on international affairs spending only if it was provided in "emergency" appropriations measures, designated as such by Congress and the Administration. This is one reason why supporters of Israel proposed designating increased assistance to Israel as an emergency measure in the supplemental bill (H.R. 1281) provided as a companion to the initial Desert Shield/Desert Storm supplemental (H.R. 1282). In the end, Congress designated \$650 million in aid to Israel and \$200 million in aid to Turkey as emergency measures.

IB91019

09-21-92

Congressional Action on Funding in 1990

In the fall of 1990, Congress appropriated about \$3 billion for incremental costs of Operation Desert Shield in FY1990 and FY1991. In August, 1990, DOD notified Congress that it was exercising its authority under the Food and Forage Act to obligate funds through the remainder of FY1990 for certain military needs in advance of appropriations (see below). Subsequently, the Administration submitted a supplemental appropriations request for FY1990 to cover these and other Desert Shield-related expenses. On September 30, in H.J.Res. 655, P.L. 101-403, the first continuing resolution for FY1991, Congress appropriated \$2,018,664,000 for Desert Shield expenses in FY1990 and provided authority for DOD to transfer an additional \$75,037,000 from other DOD accounts into accounts used for Desert Shield. The appropriation of these funds, along with an additional \$1 billion for FY1991, was subsequently authorized in the FY1991 defense authorization act (H.R. 4739, P.L. 101-510) that was enacted on October 26. Later, in the FY1991 DOD appropriations act, H.R. 5803, passed on October 27 and signed on November 5 as P.L. 101-511, Congress appropriated \$1 billion from amounts contributed by allies for Operation Desert Shield.

Establishment of the Defense Cooperation Account

H.J.Res. 655 also included a provision authorizing the Secretary of Defense to accept contributions from foreign nations or from individuals to offset the costs of Desert Shield. This provision set up a "Defense Cooperation Account" in the Treasury into which such contributions must be deposited. The provision also stipulates that funds in the Defense Cooperation Account may only be obligated as permitted in subsequent authorization and appropriations acts.

Invocation of the Food and Forage Act

According to Administration testimony, as a result of troop deployments to the Persian Gulf, the military services expected that FY1991 operation and maintenance funds would begin to run out as early as the end of March 1991 due to the increased pace of activities. As a result, unless Congress provided supplemental appropriations quickly, DOD would have had to resort to deficiency spending, i.e., spending in excess of funds appropriated by the Congress for specific accounts. DOD does, however, have authority to spend at a deficiency rate and also to spend in advance of appropriations under the Food and Forage Act, a law that has been on the books in various forms since the early 19th Century (now codified at 41 U.S.C. 11). On Feb. 12, 1991, DOD announced that it was invoking the Food and Forage Act. Operations in the Persian Gulf were not in danger of grinding to a sudden halt because of lack of congressional funding.

IB91019

09-21-92

Congressional Action on Supplemental Appropriations in 1991 and 1992

Issues Raised by the Administration's Initial 1991 Supplemental Appropriations Request

On Feb. 22, 1991, the Administration requested supplemental, emergency appropriations to cover its financial requirements and proposed a rather unique procedure for handling these funds. Usually, supplemental appropriations for defense activities are provided in specified amounts for specific DOD appropriations accounts, such as "Operations and Maintenance, Army" or "Aircraft Procurement, Navy." In this instance, however, the Administration requested that Congress appropriate \$15 billion for a "Working Capital Account" from which the Secretary of Defense, with the approval of the Office of Management and Budget (OMB), could transfer funds to various DOD appropriations accounts to cover incremental costs of Persian Gulf operations. In addition, the Administration requested that Congress allow the Secretary of Defense, with the approval of OMB, to transfer funds from the Defense Cooperation Account, into which allied contributions are deposited, into either the Working Capital Account or specific appropriations accounts. The Administration also requested that Congress formally appropriate for the Department of Defense the amount contributed to the Defense Cooperation Account, with no specific amount of money indicated. In hearings on the supplemental request, however, several Members of Congress raised questions about this procedure, since it would allow the Secretary of Defense considerable discretion in determining the incremental expenses of Persian Gulf operations.

Several other issues emerged in early congressional review of the supplemental request, including the following:

- **Fuel costs:** The cost estimates included with the supplemental request counted the impact of fuel price increases on overall DOD operations as an incremental cost of Operation Desert Shield/Desert Storm. Both CBO and the General Accounting Office (GAO) questioned whether this was proper. DOD and other agencies frequently experience increased costs for fuel and other consumables, and such cost increases are normally absorbed in agency budgets.
- **Munitions and other procurement:** Initial DOD cost estimates included \$6.4 billion for weapons upgrades and for increased procurement of munitions, missiles, and other equipment. GAO and some Members of Congress expressed a concern that some of these proposed expenditures went beyond what appeared necessary to replace equipment used in the Persian Gulf and that some of the weapons upgrades would not be completed until well after the war was over. After the end of combat, DOD provided key congressional committees with a revised list of equipment needs that totaled \$2.9 billion. Subsequently, after further discussions with DOD, Congress provided \$3.4 billion.
- **Replacing weapons lost in combat:** Several Members of Congress questioned whether lost equipment needed to be replaced in light of planned cuts in the size of the force over the next several years. A related issue was how to replace items that are no longer in production.

IB91019

09-21-92

Congressional Action on Supplemental Funding

Notwithstanding some questions about the size of the Administration's supplemental appropriations request, on Mar. 22, 1991, in H.R. 1282, the Congress appropriated \$42,625,822,000 for Operation Desert Shield/Desert Storm in FY1991. The Congress also approved H.R. 1281 that provides supplemental appropriations for other expenses related to Desert Storm, including \$650 million in emergency aid to Israel, \$200 million in emergency aid to Turkey, and \$655 million in expanded personnel and veterans benefits considered to represent incremental costs of Operation Desert Storm and funded out of the Defense Cooperation Account. Desert Storm appropriations and increased benefits were authorized in S. 725, passed on March 21.

As requested, the Desert Storm appropriations, H.R. 1282, allows transfers from the Defense Cooperation Account and sets up a new account, called the Persian Gulf Regional Defense Fund, into which \$15 billion in U.S. funds is deposited. The measure does not, however, provide open-ended authority for the Secretary of Defense to transfer funds into other DOD accounts. Instead the measure allows the Secretary to transfer funds only up to amounts appropriated for specific accounts and requires that DOD inform congressional defense committees of proposed transfers and wait seven days before executing them. The bill also requires the Secretary of Defense to certify that transfers are only for incremental costs of Operation Desert Shield/Desert Storm. The measure provides \$3.4 billion to purchase weapons and munitions for stockpiles, rather than the \$6.4 billion the Administration originally projected as an incremental cost. The measure also provides \$7.9 billion for costs of combat. Congress refused to allow transfers of funds from the Persian Gulf Regional Defense Funds to be used to cover costs of fuel price increases except on fuel used in the Persian Gulf conflict -- transfers of funds from the Defense Cooperation Account, however, apparently may be used for such expenses. **Table 3** summarizes the final appropriations.

**TABLE 3. Congressional Appropriations for
Operation Desert Shield/Desert Storm (H.R. 1282)**
(current year dollars in millions)

Military Personnel	7,922.7
Operation and Maintenance	23,021.3
Procurement	3,415.2
Research and Development	69.1
Revolving and Management Funds	271.0
Combat Costs	
Operation and Maintenance	6,000.0
Procurement	1,872.7
Military Construction	35.0
Coast Guard	18.9
TOTAL^a	42,625.8

Source: Congressional Record, Mar. 22, 1991, p. H2064.

a. Figures may not add to total due to rounding.

IB91019

09-21-92

Much of the debate in Congress over supplemental funding concerned various measures included in the companion supplemental appropriations bill, H.R. 1281. The debate in the House focused on a provision in the House bill that would provide funding for increased personnel and veterans benefits only if the President agreed to designate them as emergency measures not subject to caps on discretionary spending or to pay-as-you-go provisions governing entitlements. Ultimately, Congress provided that increases in personnel and veterans benefits are to be considered incremental costs of Operation Desert Shield/Desert Storm and may be funded out of the Defense Cooperation Account. H.R. 1281 as passed also includes language that the Administration objected to requiring expenditure of funds provided in prior years for the F-14 and V-22 aircraft programs and funding for an overhaul of the aircraft carrier *Kennedy* at the Philadelphia Naval Shipyard. In the end, Administration officials backed away from a threat to veto the measure over these provisions. Some controversy also accompanied proposals to provide aid to Israel as an emergency appropriation not subject to spending caps. Ultimately, the Administration agreed to provide such assistance as an emergency measure.

Additional Supplemental Funding in 1991

On July 9, 1991, the Administration submitted an additional request for \$2.949 billion in supplemental funds for the incremental costs of Operation Desert Shield/Desert Storm. The Administration also requested permission to transfer \$6.573 billion of the amount that was appropriated in H.R. 1282 among the accounts for which funding was provided, since the legislation provided more than has proved necessary for some accounts and less than was necessary for personnel and for operations and maintenance.

On October 17, the House Appropriations Committee reported H.R. 3543, which provided \$3,261.6 million in additional supplemental funds for Operation Desert Shield/Desert Storm. H.R. 3543 passed the House on October 29. Subsequently, the Senate Appropriations Committee incorporated supplemental appropriations of \$3,814.1 million for Desert Storm into H.J. Res. 157, a technical measure that had been pending for some time. This measure was reported on November 15 and passed the Senate on November 22. A conference agreement on H.J. Res. 157 was approved in both Houses on November 27. The final version provided \$3,968.5 million in supplemental appropriations for Operation Desert Storm. Notably, the bill added \$268.8 million to the Administration request to procure 3 F-15E aircraft and \$63.0 million for 18 M1A1 tanks. Other major items to be purchased include 13 UH-60 helicopters (including 7 to replace lost UH-1s), 9 F-18 aircraft (including 4 to replace lost A-6s), 6 AV-8B aircraft, 4 Marine Corps Light Armored Vehicles, 155 HMMWVs ("Hummers"), and 436 5-ton trucks. Table 4 summarizes the final appropriations.

The bill also approved the transfer of \$6,282.4 million of amounts previously appropriated. This accorded with the Administration request except that Congress turned down a request to transfer \$291 million to establish sites in the Persian Gulf region for pre-positioning of U.S. equipment, saying that negotiations with allies are still under way and DOD has not developed an overall strategy for pre-positioning.

IB91019

09-21-92

**TABLE 4. Congressional Appropriations for
Operation Desert Shield/Desert Storm (H.J. Res. 157)
(current year dollars in millions)**

Operation and Maintenance	665.7
Procurement	2,028.6
Research and Development	106.3
Revolving and Management Funds	1,140.0
Coast Guard	17.9
Veterans Administration Health Care	10.0
TOTAL	3,968.5

Source: H.Rept. 102-394.

Supplemental Funding in 1992

On July 8, 1992, as part of a request for supplemental appropriations for several agencies, the Administration requested an additional \$429 million for incremental costs associated with Operation Desert Shield/Desert Storm, all to be transferred from the Defense Cooperation Account into DOD personnel accounts. Based on further discussions with the Defense Department, on July 21, the House Appropriations Committee reported a bill, H.R. 5620, that included \$5,182,878,000 from the Defense Cooperation Account and the Persian Gulf Regional Defense Fund to provide for all remaining of the operation. In addition, the committee bill provided \$100 million from the Defense Cooperation Account for Kurdish relief activities. The Committee calculated that this would leave \$12,485,466,313 in the Persian Gulf Regional Defense Fund (out of the \$15 billion originally appropriated), and it proposed that this remainder be rescinded. On July 28, the full House approved these supplemental appropriations.

On September 10, the Senate Appropriations Committee reported a version of H.R. 5620 that also provided supplemental appropriations for Operation Desert Shield/Desert Storm, along with emergency funding for hurricane relief and other purposes. The Committee bill provided \$2,375,974,000 to cover all remaining costs of Operation Desert Shield/Desert Storm, \$2.8 billion less than the House provided. The Committee bill also rescinded funds remaining in the Persian Gulf Regional Defense Fund, which would total \$14,969,040,000. On September 15, the full Senate approved these supplemental appropriations.

Subsequently, without going through a conference committee, on Sept. 18, 1992, the House approved an amended version of the Senate provisions, that provided \$3,431,176,560 out of the Defense Cooperation Account to cover all remaining Desert Shield costs. The measure also allowed \$611 million previously provided for certain DOD accounts from the Defense Cooperation Account to be used in other accounts, and provided \$40 million for Kurdish refugee relief. As in the Senate bill, the measure rescinded \$14,969,040,000 from the Persian Gulf Regional Defense Fund. Later on September 18, the full Senate approved the House-passed measure, clearing it for the President.

IB91019

09-21-92

Allied Contributions

Perhaps the greatest controversy surrounding funding for the Persian Gulf War concerned the issue of burdensharing. While pledges of financial support from allies were substantial, many Members of Congress expressed skepticism that promised contributions would materialize. As a result, Congress added some provisions to Desert Storm funding bills designed to put pressure on key allies to fulfill their pledges. The main burdensharing measure is a requirement added to H.R. 1282 that prohibits arms sales to nations that have not fulfilled their commitments to provide funds to the United States. The requirement survived despite Administration opposition. S. 725, the final version of the supplemental authorization bill, also includes a section that requires DOD to withhold from non-paying pledging nations payments that would otherwise be made as reimbursements for indirect-hire foreign nationals working at U.S. installations abroad, though the Secretary of Defense may waive this provision.

Burdensharing has been a major matter of controversy virtually from the start of the U.S. effort to reverse the Iraqi invasion of Kuwait. In mid-September, 1990, Secretary of State Baker and Treasury Secretary Brady undertook a series of visits to major allies to seek commitments to share the financial costs of the effort. As projected U.S. costs grew, the burdensharing issue became more heated, and it was a central matter of contention in the congressional debate over granting the President authority to use force against Iraq. In the wake of that debate, and following the start of hostilities, the Administration reportedly undertook negotiations to divide the financial burden of the military effort according to a formula that calls for Japan to provide 20% of the cost, the United States and other allies to provide 20%, and Kuwait and Saudi Arabia to provide 60%. (*Washington Post*, Jan. 24, 1991, p. A17.)

Efforts to obtain aid from allies were quite successful. Following the start of hostilities on Jan. 16, 1991, Japan pledged \$9 billion to the military effort, a 20% share when total costs of \$45 billion were anticipated, Saudi Arabia and Kuwait promised \$13.5 billion each, and Germany promised \$5.5 billion, all in addition to earlier commitments. As of Mar. 11, 1992, the only amounts still owed were \$836 million from Saudi Arabia and \$104 million from Korea. Thus, allied contributions have offset most U.S. costs for Operation Desert Shield/Desert Storm.

The following analysis briefly reviews the status of financial commitments by major allies and then provides specific data from Administration sources on contributions received and accounted for to date. The value of some other contributions is not fully accounted for, however. A number of nations contributed smaller amounts of supplies and equipment to the military operation or provided transportation for U.S. forces moving to the Middle East. Saudi Arabia provided cash, transport, and in-country support to offset military costs of other nations, in addition to the United States, and Kuwait provided some cash to other nations. In addition, allies pledged more than \$16 billion in economic assistance to frontline states and to other nations damaged by the cutoff of oil supplies from Iraq and Kuwait. Finally, a big factor that is missing is the financial value of the military forces that Britain, France, Saudi Arabia, and other nations provided. Britain estimates that its costs may reach \$5.6 billion.

It should be noted that the analysis that follows does not constitute a full discussion of the burdensharing issue. Such a discussion would require (1) a review of

IB91019

09-21-92

military forces that allies have sent to the region; (2) an appraisal of the degree of political support that various nations have proffered and of the sacrifices that such commitments might entail; and (3) an understanding of special circumstances that might affect allied contributions. For a full review of allied military deployments in the region, see CRS Report 91-167 F: Persian Gulf War: Summary of U.S. and Non-U.S. Forces. For an assessment of the context surrounding Persian Gulf burdensharing issues, see CRS Issue Brief 90131: Iraq/Kuwait Crisis: The International Response and Burdensharing Issues.

Allied Financial Commitments in Brief

U.S. allies pledged a total of about \$54 billion to offset costs of U.S. military operations in the Persian Gulf region, including \$9.7 billion promised in calendar year 1990 and \$44.2 billion promised after the start of combat. In addition, allies promised more than \$16 billion in economic assistance to frontline states and other nations damaged by the crisis. The major contributions can be summarized as follows:

-- Saudi Arabia, Kuwait, and the United Arab Emirates, acting through the Gulf Cooperation Council, initially promised to provide \$12 billion in support of the multinational effort, with about half for military costs and half for economic assistance to frontline states. Of this amount, Saudi Arabia and Kuwait provided \$5 billion each and the UAE \$1 billion. As promised, much of this support was delivered by the end of calendar year 1990. A large part of the Saudi contribution was in the form of "in-kind" support for forces in the region.

-- On Jan. 26, 1991, it was reported that the Saudis pledged an additional \$13.5 billion to the United States. Saudi economic aid to frontline states also grew. Saudi Arabia was frequently criticized for not providing enough financial support in light of windfall oil profits. The Saudi government responded that it suffered a substantial net loss when all of its costs and contributions are taken into account, including costs of increasing oil production, arms purchases, cash and in-kind support for allied military forces, and foreign economic assistance. According to press accounts, the Saudis were experiencing some cash flow problems and at one time proposed providing some of the amount owed the United States in oil rather than in cash. The Saudis reportedly agreed to complete the bulk of their promised cash payments to the United States by the end of June, 1991, but as of September 12, they still owed some \$3.0 billion. By Apr. 30, 1992, however, the entire commitment had been fulfilled.

-- On Jan. 25, 1991, the government of Kuwait announced a contribution of \$13.5 billion to the U.S. military effort in addition to the \$5 billion it initially promised. On Feb. 10, 1991, the British Foreign Secretary announced that Kuwait had agreed to provide \$1.25 billion to Britain. Kuwaiti officials also claim that economic aid exceeds \$4 billion.

-- The United Arab Emirates promised an additional \$3 billion in funds for the United States and has reportedly provided some support to Britain.

-- Japan initially agreed to provide \$4 billion in support, equally divided between military costs and economic aid, with \$1.74 billion to offset U.S. costs. On Jan. 24, 1991, the Japanese cabinet announced a decision to provide an additional \$9 billion, and on Mar. 6, 1991, the Diet approved the yen equivalent of that amount, though, by

IB91019

09-21-92

then, changes in exchange rates had reduced its value to \$8.6 billion, and Japan announced that part of that money would be provided to other allies. Administration officials insisted that Japan promised to provide \$9 billion in dollars to the United States, and that the decline in the dollar value of the contribution, together with channeling of some money to other allies, was not part of the agreement. In a meeting with President Bush on July 11, Japanese Prime Minister Kaifu offered to provide an additional \$500 million in war-related funding, bring the total up to more than \$9 billion. Of the total, however, \$700 million will be provided to allies, leaving about \$8.3 billion for the United States. This settled the issue to the Administration's satisfaction.

-- Germany initially agreed to provide about \$2.2 billion in support, about equally divided between military and economic assistance. On Jan. 29, 1991, Chancellor Kohl announced a commitment of \$5.5 billion more to the U.S. military effort. The German Embassy reported that Germany's pledge to the United States totals \$6.651 billion, and that Germany promised an additional \$3 billion to support the allied military effort, including \$978 million in assistance to European allies with forces in the region, \$1.029 billion to Turkey, \$826 million to Israel, and \$205 million to NATO. The Embassy also reports that commitments for economic aid total \$1.726 billion, including \$1,138 billion initially promised, \$367 million in additional aid to frontline states, and \$221 million in contributions through the European Community (EC). Some members of the opposition Social Democratic Party complained that allied contributions to the United States may exceed actual U.S. costs, and they urged Chancellor Kohl to seek the return of some funds if that proves to be the case. The German Finance Minister subsequently came to Washington to discuss costs of the war.

-- According to Treasury Department figures, the European Community collectively committed \$2.5 billion in economic aid to frontline states, including \$805 million from the EC budget, with the rest from member nations. Part or all of the German economic aid commitment mentioned above is counted in the EC total.

-- The International Monetary Fund and the World Bank reportedly undertook a collective program of economic assistance to nations damaged by the crisis. U.S. officials have calculated that additional loans and grants could total \$9 billion.

-- A number of other nations provided additional contributions to the military effort. Initially, South Korea pledged \$80 million to the U.S. military effort, mostly in the form of air and sea transport services, and on Jan. 30, 1991, announced another \$305 million pledge. Now, however, the White House has reported a smaller Korean commitment of \$275 million in 1991, for a total of \$355 million pledged, of which Korea has provided \$251 million. Since the remaining amount could not be utilized, Korea has agreed to support other activities.

Contributions Pledged and Received to Date

Table 5 shows major allied commitments to offset the costs of Operation Desert Shield/Desert Storm and the value of cash and in-kind contributions received by the United States. These contributions directly offset the incremental costs to the U.S. Department of Defense of military operations.

IB91019

09-21-92

TABLE 5. Major Allied Commitments to Offset Costs of Operation Desert Shield/Desert Storm (U.S. dollars in millions)

	Initial Pledge	Second Pledge	Total Pledged	Cash Received	In-Kind Received	Total Received
Saudi Arabia	3,339	13,500	16,839	12,809	4,045	16,854
Kuwait	2,506	13,550	16,056	16,015	44	16,059
United Arab Emirates	1,000	3,088	4,088	3,870	218	4,088
Germany ^a	1,072	5,500	6,572	5,772	688	6,455
Japan	1,680	8,332	10,012	9,441	571	10,012
Korea ^b	80	275	355	150	101	251
Other	3	26	29	8	22	30
Total	9,680	44,271	58,951	48,064	5,684	58,749

Sources: Compiled by Office of Management and Budget from data provided by Departments of Defense, State, and Treasury.

a. The commitment has been fulfilled. Germany made available over \$200 worth of ammunition, which the United States chose not to accept due to the end of the war.

b. The commitment has been fulfilled. The total commitment could not be fully utilized by the United States for Desert Shield/Desert Storm requirements. Korea has agreed to provide in-kind support for other activities in an amount equivalent to the difference.

Legislation Passed in the 101st Congress

P.L. 101-403, H.J.Res. 655

Makes continuing appropriations for FY1991, supplemental appropriations for fiscal year 1990, and for other purposes (including establishment of the Defense Cooperation Account); reported Sept. 25, 1990 (H.Rept. 101-754). Passed House with amendment (382-41); passed Senate without amendment by unanimous consent Sept. 30, 1990. Signed into law Oct. 1, 1990.

LEGISLATION

P.L. 102-25, S. 725

Persian Gulf Conflict Supplemental Authorization and Personnel Benefits Act of 1991; introduced in the Senate, considered and passed without amendment by voice vote, Mar. 21, 1991; called up in the House by unanimous consent and passed, Mar. 21, 1991 (396-4); signed into law, Apr. 6, 1991. (Note: Substituted for H.R. 1176 and S. 578.)

IB91019

09-21-92

P.L. 102-27, H.R. 1281

Making dire emergency supplemental appropriations for the consequences of Operation Desert Shield/Desert Storm, food stamps, unemployment compensation administration, veterans compensation and pensions, and other urgent needs for FY1991, and for other purposes; reported Mar. 5, 1991 (H.Rept. 102-9); passed the House with amendments Mar. 7, 1991 (365-43); reported in Senate with amendments, Mar. 14, 1991 (S.Rept. 102-24); passed Senate with amendments Mar. 20, 1991 (92-8); House conferees instructed by yea-nay vote, Mar. 21, 1991 (398-2); conference report filed with disagreements, Mar. 22, 1991; motion to recommit rejected in House, Mar. 22, 1991 (91-295); House agreed to conference report, Mar. 22, 1991 (340-48); Senate agreed to conference report by voice vote, Mar. 22, 1991; signed into law, Apr. 10, 1991.

P.L. 102-28, H.R. 1282

Making supplemental appropriations and transfers for Operation Desert Shield/Desert Storm for FY1991, and for other purposes; reported Mar. 5, 1991 (H.Rept. 102-10); passed the House Mar. 7, 1991 (380-19); reported in the Senate with amendments, Mar. 14, 1991 (S.Rept. 102-23); passed the Senate with amendments, Mar. 19, 1991 (98-1); conference report filed with disagreements, Mar. 22, 1991 (H.Rept. 102-30); House agreed to conference report, Mar. 22, 1991 (379-11); Senate agreed to conference report by voice vote, Mar. 22, 1991; signed into law, Apr. 22, 1991.

P.L. 102-229, H.J. Res. 157

Making dire emergency supplemental appropriations for incremental costs of Operation Desert Shield/Desert Storm and for other purposes; reported to the Senate, with amendments, Nov. 15, 1991 (S.Rept. 102-216); passed the Senate, amended, Nov. 22, 1991 (75-17); conference held, Nov. 25, 1991; conference report filed, Nov. 27, 1991 (H.Rept. 102-394); agreed to in the House, Nov. 27, 1991 (303-114); agreed to in the Senate by voice vote, Nov. 27, 1991; signed into law, Dec. 12, 1991.

H.R. 1175 (Aspin)

Authorizing supplemental appropriations for FY1991 in connection with operations in and around the Persian Gulf and for other purposes; reported Mar. 7, 1991 (H.Rept. 102-16); passed the House with amendments, Mar. 13, 1991 (398-25); Senate struck all after the enacting clause and substituted the language of S. 578 as amended, passed Senate in lieu of S. 578, Mar. 19, 1991.

S. 578 (Nunn)

Authorizing supplemental appropriations for FY1991 for the Department of Defense for Operation Desert Storm and for other purposes; reported Mar. 6, 1991 (S.Rept. 102-18); passed the Senate with amendments, Mar. 14, 1991 (97-1); incorporated into H.R. 1175, Mar. 19, 1991.

H.R. 3543 (Whitten)

Making dire emergency supplemental appropriations for incremental costs of Operation Desert Shield/Desert Storm and other purposes; reported Oct. 17, 1991 (H.Rept. 102-255); passed the House, with amendments, October 29, 1991 (252-162).

IB91019

09-21-92

H.R. 5620 (Whitten)

Making supplemental appropriations, transfers, and rescissions for the fiscal year ending Sept. 30, 1992, and for other purposes. Reported by House Appropriations Committee, July 21, 1992 (H.Rept. 102-672); passed the House, with amendments, July 28, 1992 (297-124); reported by Senate Appropriations Committee, Sept. 10, 1992 (S.Rept. 102-295); passed the Senate, with amendments, (84-10), and Senate requested a conference, Sept. 15, 1992. House agreed to Senate amendments, with amendment, Sept. 18, 1992 (voice vote); Senate agreed to House-passed measure, Sept. 18, 1992 (unanimous consent).