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REPORT TO THE CONGRESS



Status Of Efforts Balance-Of-Paym For Fiscal Year 1974 Attributable To Maintaining U.S. Forces In Europe

Department of Commerce
Department of Defense

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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FEB. 7, 1975



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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To The President of the Senate and
Speaker of The House of Representatives

The Department of Defense Authorization Act, 1974 (Public Law 93-155) contained a provision (sec.812, the Jackson-Nunn Amendment) for reducing U.S. Forces in Europe by a percentage equal to the percentage the balance-of-payments deficit attributable to maintaining such forces in Europe was not offset. The Congress, in passing the act recognized that a significant American presence in Europe was essential to a strong and cohesive North Atlantic Treaty Organization but believed a more equitable sharing of the burden of maintaining an adequate American presence should be sought. In particular, a need was noted for an alliance-wide effort to offset the drain on U.S. balance of payments to insure continuing public support for maintaining U.S. Forces in Europe. C1358

Section 812(a) of the act states that the fiscal year 1974 balance-of-payment deficit incurred as the result of deploying U.S. Forces in Europe in fulfillment of U.S. treaty commitments and obligations shall be determined by the Secretary of Commerce in consultation with the Secretary of Defense and the Comptroller General of the United States. Section 812(b) provides for reducing these forces to the extent that the determined deficit is not offset. This is our report on the status of the deficit determination and includes our legal analysis on application of the legislation. (See appendix.) 74

On the basis of guidelines agreed to in a working group of staff members from Commerce, Defense, and GAO, a preliminary estimate of the net balance-of-payments deficit for fiscal year 1974 ranges from \$400 million to \$1,000 million. It appears, however, that the troop reduction provisions of section 812(b) will not have to be applied, because, in accordance with the legislation, offsets against the fiscal year 1974 deficit may be computed for an additional 10-1/2 months--July 1, 1974, to May 16, 1975. Therefore, a period of 22-1/2 months is provided to offset 12 months of expenditures.

COMPTROLLER GENERAL'S
CONSULTATIVE ROLE

The Secretary of Commerce has authority to determine the balance-of-payments deficit without the Comptroller General's concurrence. The Comptroller General is not expressly assigned responsibility by section 812 to review the acceptability of offset items. We believe, however, that consultation implies the right and duty to participate in and to present views on formulation of the deficit determination and that therefore, the Secretary has a duty to at least consider our views before making his determination. We also believe that our Office is entitled to be fully apprised of all sources and inputs and to have access to all relevant documentary materials and other information. Although we cannot overrule or formally challenge the Secretary's determination, we need not agree with such determination. Accordingly, we remain free to make known any analysis, disagreement, or criticism thereof in the form of a report to the Congress or by other appropriate means.

BALANCE-OF-PAYMENTS DEFICIT
AND ITS RELATIONS TO OFFSET

Section 812(b) does not specify what official is ultimately to determine the acceptability of offsetting items. We believe that, because in determining the amount under subsection (a) the Secretary of Commerce must consider offset items, his responsibility for the determination of offset items is coextensive with that for items contributing to the deficit. Any other position would largely negate his authority to determine the net deficit. Subsection (b) requires consideration of offsets occurring during July 1, 1974, through May 16, 1975.

DETERMINATION OF BALANCE-
OF-PAYMENTS DEFICIT

We have participated with Commerce and Defense in discussions and decisions to date upon which the following concepts and estimate of the deficit is based. We have not regarded our consultation role as requiring us to audit the source data supporting the computations.

Balance of Payments Deficit for
Fiscal Year 1974 (note a)

	<u>Amount</u> (Millions)
Direct defense expenditures	\$ 2,557
Less adjustments for U.S. activities not related to NATO, such as U.S. strategic forces in NATO countries, major equipment purchased in Europe and imported into the United States, expenditures in Canada, and expenditures in Europe for the afloat operations of the 6th Fleet.	<u>-574</u>
Gross deficit	\$ 1,983
Offsets against gross deficit:	
Transfers under U.S. military agency sales contracts	\$ 725
Commercial sales of military equipment (note b)	175 to 800
Interest income forgone by NATO countries as result of negotiated concessional rates on purchases of securities of the U.S. Government and on deposits of funds with United States.	<u>55</u>
Total credits	<u>955 to 1,580</u>
Net deficit to be offset	<u>\$ 403 to 1,028</u>

a/ Preliminary figures as of Dec. 31, 1974.

b/ Estimated range, pending further receipt and analysis of data.

If the above offset items continue at similar rates during the first 10-1/2 months of fiscal year 1975, the deficit for 1974 will likely be offset and the penalty provisions of section 812(b) will not be applicable.

In addition to the above types of offsets, we believe that it would be appropriate to include the items listed below contained in the German offset agreement for July 1, 1974, to May 16, 1975. The acceptance of these items is subject to objective evidence that the expenditures were incurred during this period and that these items resulted in U.S. budget reductions.

German offset items programed for fiscal year 1975
adjusted to 10 1/2 months --
July 1, 1974 to May 16, 1975

	<u>Amount</u> (millions)
1. Modernization, construction, and improvement of troop barracks and accommodations of U.S. forces stationed in FRG.	\$ 107.5
2. Payments by Germany on U.S. behalf for property taxes, landing fees, and charges for use of German airfields.	3.6
3. Payments for purchase of uranium separation work as well as the pertinent natural uranium.	53.8
4. Scientific and technological cooperation in the fields of energy, space, and medicine.	<u>17.9</u>
Total	^a \$ 182.8

^aAmount could be increased or decreased contingent on actual expenditures. Conversion to dollars based on exchange rate at Dec. 24, 1974.

One major item in the offset agreement that we could not accept as an offset was the purchase of U.S. Government securities (\$921 million during July 1, 1973, to May 16, 1975) although we agree that the concessional interest attributable to these securities is an eligible offset. Although we do not require that legitimate offsets be restricted to military purchases or other related cash transactions, we believe that to be acceptable, offsets must involve transactions having a substantive and demonstrable balance-of-payments benefits. The sales of

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bonds and/or notes only temporarily accomplishes the goal of offsetting the transfer of real resources to Germany as a result of U.S. Government expenditures for NATO purposes in that country.

We plan to issue a further report on our consulting role involving section 812 as developments warrant.

We are also sending this report today to the President of the Senate. Copies are being sent to the Secretaries of Commerce and Defense and to concerned Committees and Members of Congress.

Sincerely yours,

A handwritten signature in cursive script, reading "James B. Stewart".

Comptroller General
of the United States

Legal analysis of application of section 812, Pub. L. No. 93-155.

The so-called "Jackson-Nunn Amendment," section 812 of the Department of Defense Appropriation Authorization Act, 1974, approved November 16, 1973, Pub. L. No. 93-155, 87 Stat. 606, 619, provides:

"SEC. 812 (a) The Congress finds that in order to achieve a more equitable sharing of the costs and expenses arising from commitments and obligations under the North Atlantic Treaty, the President should seek, through appropriate bilateral and multilateral arrangements, payments sufficient in amount to offset fully any balance-of-payment deficit incurred by the United States during the fiscal year ending June 30, 1974, as the result of the deployment of forces in Europe in fulfillment of the treaty commitments and obligations of the United States. This balance-of-payment deficit shall be determined by the Secretary of Commerce in consultation with the Secretary of Defense and the Comptroller General of the United States.

"(b) In the event that the North Atlantic Treaty Organization members (other than the United States) fail to offset the net balance-of-payment deficit described in subsection (a) prior to the expiration of eighteen months after the date of enactment of this section, no funds may be expended after the expiration of twenty-four months following the date of enactment of this section for the purpose of maintaining or supporting United States forces in Europe in any number greater than a number equal to the average monthly number of United States forces assigned to duty in Europe during the fiscal year ending June 30, 1974, reduced by a percentage figure equal to the percentage figure by which such balance-of-payment deficit during such fiscal year was not offset.

"(c) The Congress further finds (1) that the other members of the North Atlantic Treaty Organization should, in order to achieve a more equitable sharing of the cost burden under the treaty, substantially increase their contributions to assist the United States in meeting those added budgeting expenses incurred as the result of maintaining and supporting United States forces in Europe, including, but not limited to, wages paid to local personnel by the United States, recurring expenses incurred in connection with the maintenance and operation of real property, maintenance facilities, supply depots, cold storage facilities, communications systems, and standby operations, and nonrecurring expenses such

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as the construction and rehabilitation of plants and facilities; (2) that the amount paid by the United States in connection with the North Atlantic Treaty infrastructure program should be reduced to a more equitable amount; and (3) that the President should seek, through appropriate bilateral and multilateral arrangements, a substantial reduction of the amounts paid by the United States in connection with those matters described in (1) and (2) above.

"(d) The President shall submit to the Congress within ninety days after the date of enactment of this Act, and at the end of each ninety-day period thereafter, a written report informing the Congress of the progress that has been made in implementing the provisions of this section."

Subsections 812(a) and (b) require full offset of any fiscal year 1974 balance-of-payments deficit incurred as a result of the deployment of United States forces in Europe in fulfillment of our NATO commitments. To the extent that the deficit is not fully offset, proportional troop reductions are required. Subsection (a) provides for determination of the 1974 deficit. Subsection (b) specifies time periods for offset of the deficit and for implementation of troop reductions if the deficit is not fully offset. Subsection (b) also provides a formula for determining such troop reductions.

Subsection 812(c) provides that, in order to achieve more equitable sharing of NATO costs, the other NATO members should substantially increase their contributions to assist the United States in meeting its direct costs in maintaining and supporting United States forces in Europe. Subsection 812(d) requires periodic reports to the Congress on progress in implementing section 812.

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At the outset, we will comment on the functions of GAO. Subsection 812(a) states that the balance-of-payments deficit "shall be determined by the Secretary of Commerce in consultation with the Secretary of Defense and the Comptroller General of the United States." Accordingly, the Secretary of Commerce has authority to determine the deficit without GAO's concurrence. Also, GAO is not expressly assigned responsibility by section 812 to review the acceptability of offset items. However, several additional observations are relevant in terms of the role of GAO, as well as that of the Department of Commerce.

Concerning determination of the deficit, subsection 812(a) as enacted departs from the Senate-passed version of this legislation, which would have assigned the function of determining the deficit to

GAO. The conference report on the legislation states in regard to agency responsibilities under the version enacted, H. Rept. No. 93-588 (1973) at 46-47:

"As amended by the conference, the section provides that the balance-of-payments deficit relating to troop deployments shall be determined by the Secretary of Commerce, in consultation with the Secretary of Defense and the Comptroller General. The conferees agree that this provision will permit all concerned agencies an opportunity to be represented. * * *"

It is clear, as noted previously, that the Secretary's determination of the deficit is conclusive and binding upon GAO. Also, the sources and inputs which the Secretary relies upon in making his determination are essentially at his discretion. At the same time, GAO's consultative role does confer certain rights and impose correlative duties upon the Secretary of Commerce. First, GAO has the right and duty to participate in, and to present its views concerning, formulation of the deficit determination; and the Secretary has a duty to at least consider the GAO views prior to making his determination. Second, in order to meaningfully exercise its rights to consult and be represented, we believe that GAO is entitled to be fully apprised of all sources, inputs, and considerations being relied upon by the Secretary and, in this connection, to have access to all relevant documentary materials and other information. Finally, it might be noted that, while GAO cannot overrule or formally challenge the Secretary's determination, it need not agree with such determination. Accordingly, GAO remains free to make known any analysis, disagreement, or criticism thereof on its part in the form of a report to the Congress or by other appropriate means.

While subsection 812(b) does not specify what official is to ultimately determine the acceptability of offsetting items, it seems clear to us that since the Secretary of Commerce in determining the amount of the deficit under subsection (a) must take into consideration such offset items, his responsibility regarding the determination of offset items is coextensive with that regarding items contributing to the deficit. To hold otherwise would largely negate his authority to determine the net deficit.

GAO would, of course, remain free to challenge determinations by the Secretary regarding his determinations of offset items in the same manner and to the same extent as indicated above with respect to deficit items.

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We believe it would be helpful to consider the general legal framework and approach under section 812(a) and (b). As noted previously,

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three basic implementing steps are prescribed. First, the figure representing the balance-of-payments deficit for 1974 must be determined by the Secretary of Commerce (subsection (a)). Second, it is necessary to determine the extent to which this deficit figure is offset within 18 months following enactment of section 812, i.e., through May 16, 1975 (subsection (b)). Third, to the extent that the deficit is not fully offset within the prescribed time period, a percentage reduction of United States forces is required, effective upon the expiration of 24 months after the date of enactment of section 812, i.e., effective on November 17, 1975 (subsection (b)). Each of these three steps merits general analysis as follows:

Elements comprising the deficit. Subsection 812(a) refers to "any balance-of-payment deficit" incurred by the United States during fiscal year 1974 "as a result of the deployment of forces in Europe in fulfillment of the treaty commitments and obligations of the United States." Subsection 812(b) refers to "the net balance-of-payment deficit described in subsection (a) * * *." Apparently the terms "balance-of-payment deficit" and "net balance-of-payment deficit" are used synonymously. Initially, it is clear that the deficit so described covers only balance-of-payments considerations relating to the deployment of forces in Europe for NATO purposes. It would therefore exclude consideration of forces associated with the United States strategic deterrent. See 119 Cong. Rec. S17622, S17626 (daily ed., September 25, 1973) (remarks of Senator Jackson). Thus the first point of reference in determining the deficit would be the figure for outflows during fiscal year 1974 incident to the deployment of forces for NATO purposes. This figure is, however, to be comprehensive, including all related and ancillary costs such as costs of dependents. See 119 Cong. Rec., supra, S17626-27 (colloquy between Senators Johnson and Jackson). In addition, it must be noted that the term "deficit" of itself conveys the concept of an adjusted figure. This is particularly clear in the instant context since the statute at one point even uses the term "net deficit." Accordingly, the other basic procedures in arriving at the 1974 deficit would be to ascertain valid offsets which occurred during fiscal year 1974 and to subtract this figure from the outflow figure.

Offsets for purposes of subsection (b). As noted above, determination of the deficit figure for 1974 under subsection (a) requires consideration of offsets which occurred during that fiscal year. Subsection (b), of course, also requires consideration of offsets. However, the offsets here relevant are those which occur during the period from July 1, 1974, through May 16, 1975. In our view, the same criteria would apply under both subsections in terms of the validity or acceptability of offset items. The key distinction between an offset for purposes of subsection (a) or for purposes of subsection (b)--and the only distinction which we perceive--is the point in time at which the offset occurs. Obviously individual offsets can be counted only once.

Percentage formula for troop reductions. Subsection (b) provides in substance that, if the 1974 deficit is not fully offset, United States forces in Europe (based on average force levels during fiscal year 1974) shall be reduced by a percentage equal to the percentage of the deficit not offset. There appears to be no doubt as to application of the formula in view of the clear and specific language of subsection (b) and the equally clear explanations offered during Senate consideration. See 119 Cong. Rec., supra, S17622 (remarks of Senator Jackson and of Senator Nunn). Thus Senator Jackson observed:

"* * * The formula is simple: If the offset is only 75 percent then we shall only retain 75 percent of the present force level in Europe; if the shortfall is 10 percent, then 10 percent of the forces will be withdrawn. * * *"

In addition to the foregoing comments concerning the mechanics of section 812(a) and (b), we would offer several observations concerning our understanding of the general approach and general criteria to be employed in implementing the steps required thereunder. Apart from the basic limitations discussed previously, these subsections do not expressly elaborate upon the definition of the balance-of-payments deficit; nor do they expressly provide any criteria or guidance as to the acceptability of particular offsets. However, we believe that the legislative history is instructive on both of these matters.

The original Jackson-Nunn amendment as proposed during Senate consideration of the Department of Defense authorization bill differed in two respects from section 812 as enacted. See 119 Cong. Rec., supra, S17621 for the text of the amendment (Amendment No. 510). The original version provided periods of 12 months and 18 months, respectively, for offset of the deficit and effectuation of troop reductions, rather than the 18-month and 24-month periods specified in the enacted version. Also, the original amendment contained no provision as to how the deficit would be determined.

Senator Fulbright objected to the absence of a provision concerning determination of the deficit, and observed, 119 Cong. Rec., supra, at S17624:

"This amendment is not mandatory in the true sense of the word. There is no way to ascertain just what the deficit is--that is, there is no way other than to take the President's word as to what it should be. If this amendment provided that, as a result of the deficit and the imbalance of payments incurred by the troops in Europe, as determined by the General Accounting Office, within 12 months the troops had to be reduced in accordance with that deficit as estimated by the GAO, I think it would be worthy of consideration. I think it [sic] would support it. But I anticipate that the effect of this amendment will be simply to weaken the support that the Mansfield amendment may have."

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Subsequently, Senator Fulbright offered an amendment to the original Jackson-Nunn amendment to have the deficit determined by GAO. Id., S17626. Senator Jackson expressed agreement with this amendment. A discussion then took place concerning its purpose and effect which may be summarized as follows:

"Mr. HARRY F. BYRD, JR. Mr. President, for the sake of the legislative history, is the Senator [Senator Fulbright] speaking now of the net balance of payments deficit [to be determined by GAO]?"

"Mr. FULBRIGHT. I am taking the words of the Senator from Virginia in his statement of September 6, that the General Accounting Office determined the amount to be \$1.7 billion for calendar year 1972, I assume that that is so; the Senator from Virginia proposed it.

"Mr. HARRY F. BYRD, JR. That is correct; but I just want to point out to the Senator from Arkansas that when the Secretary of Defense testified before the Armed Services Committee, he gave a figure of a little over \$2 billion for the balance of payments thus far. Then he began to offset that figure and cut it down to \$200 million. I feel certain that what the Senator from Arkansas has in mind is the net balance of payments after the General Accounting Office takes off what it considers to be legitimate offsets.

"Mr. FULBRIGHT. That is correct. That is the way I understand the report of the Senator from Virginia. In fact, his investigation is what inspired this amendment.

"Mr. HARRY F. BYRD, JR. Unless we put some figure in the amendment, we shall not be getting very far.

"Mr. NUNN. Mr. President, I think the Senator from Virginia has made a good point, and I believe the perfecting amendment of the Senator from Arkansas has inspired this. I was present when the Secretary of Defense testified to the balance of payments. It was a very strange method of computing payments; in fact, it was so strange that many of us got a chuckle out of it. I think that the Department of Defense is no longer using that method of computation--at least, I hope it is not.

"I have found that the Department of State, in their definition of the method of computation, is not far from the method of the General Accounting Office. I think there

is less disagreement at this time than there was a couple of months ago. But there is a divergence of opinion on that subject, and I think a determination by the General Accounting Office, following the language of the amendment, will certainly be one of equity.

"Mr. HARRY F. BYRD, JR. I think it certainly would tend to make the amendment far more effective than to leave it open to each individual to determine for himself what it might be.

"Mr. FULBRIGHT. What inspired this was the procedure by which the General Accounting Office arrived at the figure of \$1.7 billion in the report. In response, I have said that I believe that procedure should be followed in connection with this amendment. In other words, the legislative history should show that this procedure in arriving at the net deficit we have used is the one given by the Senator from Virginia in his report."

Senators Jackson and Nunn went on to emphasize that GAO should include only NATO-related troop deployments in its deficit determination (see discussion hereinabove). However, there was apparently no disagreement with the conclusion that, in determining the 1974 deficit, GAO should follow the same procedure employed in its report to Senator Byrd on the 1972-73 deficit. The report referred to, B-156489, dated August 8, 1973, which was prepared by the International Division, appears in full at 119 Cong. Rec. S15977-78 (daily ed., September 6, 1973). This report was addressed primarily to purported offsets said by the Department of Defense to total \$4.1 billion for the period covered. The report contained the following general comments:

"The \$4.1 billion figure is not, in our opinion, an accurate measure of offsets to DOD balance of payments expenditures in NATO. While some of the elements in this offset figure are accurate, in our opinion other elements lack relationship as defense offsets and are not accurate in the dollar amounts stated.

"Balance of payments concepts include a substantial variety of economic theories related to total international transactions. Contrasted with the 2-year \$400 million net DOD deficit presented by the Secretary of Defense, we have recently updated an analysis which indicated a \$1.7 billion foreign exchange cost for calendar year 1972 alone.

"We are enclosing this analysis for your use. It does not include some of the offsets used by DOD; however, it is a conventional measurement of net deficit recognized by the Department of Commerce."

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The report then analyzed and commented upon specific offset items used by the Department of Defense to arrive at its \$4.1 billion figure.

As noted previously, the legislative history during Senate consideration of the Jackson-Nunn amendment clearly had the effect of incorporating for purposes of the 1974 deficit determination required thereunder the procedures followed in the GAO report. This does not necessarily indicate that every specific finding and conclusion contained in the report should be adhered to in determining the 1974 deficit. However, we believe it does evidence an intent that the 1974 determination should be made generally along the same lines as the GAO report. The most significant factor here, in our view, is the statement in the report that its analysis represents "a conventional measurement of net deficits recognized by the Department of Commerce." We assume that this statement refers particularly to the conventional economic concepts and measurements employed by the Commerce Department's Bureau of Economic Analysis in its balance-of-payments work. Thus, in summary, we interpret the legislative history developed in the Senate as establishing an intent that the deficit should be determined by application of conventional economic concepts and measurements, in contrast to the methodology employed by the Department of Defense which was questioned in the GAO report and criticized during the Senate debate.

It has also been noted that the conferees transferred ultimate authority for determining the deficit from GAO to the Secretary of Commerce. Accordingly, the question arises whether the substitution of the Secretary of Commerce for GAO has the effect of vitiating or modifying the intent established by the Senate as to procedures applicable in making the determination.

The conference report does not explain this change, except to note that the House conferees "questioned the manner in which the balance-of-payments deficit is determined." H. Rept. No. 93-588 at 46. No elaboration on this point was provided during consideration of the conference report in either House. We are aware of some sentiment to the effect that the conference action was designed to provide maximum flexibility in defining the deficit. See the remarks of Congressman Stratton, one of the conferees, during Hearings before the Ad Hoc Subcommittee of the House Committee on Armed Services, 93d Cong., 2d Sess., on U.S. Military Commitments to Europe (1974) (H.A.S.C. No. 93-41), at 71. However, such a design is not evidenced in the formal recorded legislative history. Absent any formal indication to the contrary, we cannot interpret the conference action as overruling the Senate's clear manifestation of intent as to the approach to be followed in implementing section 812. In fact, vesting the deficit determination in the Department of Commerce, of which the Bureau of Economic Analysis is a component, seems on its face to be fully consistent with the emphasis upon a conventional economic approach.

In view of the foregoing, we conclude that conventional economic concepts and measurements apply in the Secretary's determination of the 1974 deficit. As noted previously, offset considerations apply both in initial determination of the 1974 deficit under subsection 812(a) and in subsequent implementation of subsection 812(b). Since presumably the offset items and considerations would be the same under both subsections, we believe that conventional economic concepts and measurements are also governing for purposes of both subsections.

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We believe that the considerations discussed hereinabove establish the general legal framework for implementation of section 812(a) and (b). For the reasons stated previously, we believe that the basic thrust of this legal framework is to require treatment of particular offset questions in terms of whether the purported offset is cognizable under conventional concepts and measurements.

Relative to acceptability of offsets subsection 812(a) refers to "payments sufficient in amount" to fully offset any deficit. We also note the statement of Senator Percy during Senate consideration of the legislation that "* * * we should insist on real offsets--either actual military purchases in this country or, to the extent that such equipment is not needed, the remainder of the offset should be in direct cash payments, not loans." 119 Cong. Rec., supra, S17625. Senator Percy was referring particularly to the past practice on the part of foreign governments of making loans to the United States Treasury, which he believed--rightly, in our view--to be artificial in terms of any balance-of-payments benefit since such loans must eventually be repaid. Although we are not prepared to conclude that legitimate offsets are restricted absolutely to military purchases or other related cash transactions, we do believe that offsets must, in order to be acceptable, involve transactions having a substantive and demonstrable balance-of-payments benefit.

The United States-Federal Republic of Germany (FRG) offsets agreement provides for improvement of troop facilities. Such improvements as the rehabilitation of barracks would not be relevant in determining the deficit for fiscal year 1974 because, to be so considered, such an item would have to be both added in as a constructive expenditure and then subtracted to reflect the FRG's absorption of these costs. It might also be difficult to ascertain and delimit as an offset for purposes of subsection 812(b) under conventional measurements. However, it does appear that such efforts on the part of other NATO members should be encouraged, and are in furtherance of the direct cost-sharing objectives of subsection 812(c). Accordingly, we do not

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believe that an offset credit here would necessarily be unreasonable provided that DOD could furnish some objective evidence that such rehabilitations actually resulted in reduced outflows during the period from July 1, 1974, through May 16, 1975.

In computing the gross deficit one would generally consider only outflows in the form of expenditures, although, as noted previously, the deficit is meant to encompass all expenditures relating to or arising from the deployment of forces for NATO purposes. The status of interest income foregone appears to be primarily an economic question, although, we perceive no legal objection to use of a "constructive payment" theory to the extent that it comports with conventional economic concepts.

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