

US LEADERSHIP AND NATO

Revisiting the Principles of NATO Burden-Sharing

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ABSTRACT: The debate over NATO burden-sharing needs to be reappraised continuously on both sides of the Atlantic. This re-look requires methodological rigor as well as an appreciation of the principles on which the Alliance was founded. While European allies have not been pulling their weight, additional funding will not constitute a panacea. The burden-sharing debate is ultimately not about defense accounting, but about military planning and agreeing who should do what for defending the European continent.

A widespread consensus has emerged in the United States that European allies fail to pay their fair share when it comes to defense. Although this debate is hardly new, the present intensity of naming-and-shaming allies is striking. Donald Trump, the leading contender for the Republican presidential nomination, had loudly argued that NATO is “costing us a fortune” that cannot be afforded anymore.¹ In a striking parallel, President Barack Obama has openly complained about “free riders” and forcefully argued that “Europe has been complacent about its own defense.”² While Democrats and Republicans may agree on little else, the debate on NATO proves bipartisanship still exists.

Transatlantic disagreement on how to split NATO’s bills is as old as the Alliance itself.³ The fundamental bargain between US commitment to defending its allies and European contributions to NATO can be measured on the basis of many different parameters.⁴ Spending a fixed share of gross domestic product on defense constitutes only a crude indicator of transatlantic commitment. To make matters worse, methodological nuances in measuring contributions often serve to obfuscate differences in political ambitions that nations seek to realize through their NATO membership. Put simply, European nations want to be allied with the United States when their policy preferences converge—as they are likely to do whenever their defense is concerned—but may not want to contribute to those US undertakings about which they have

1 Philip Rucker and Robert Costa, “Trump Questions Need for NATO, Outlines Noninterventionist Foreign Policy,” *Washington Post*, March 21, 2016.

2 Jeffrey Goldberg, “The Obama Doctrine,” *The Atlantic*, April 2016; and “Remarks by President Obama in Address to the People of Europe,” Hannover, Germany, April 25, 2016, <https://www.whitehouse.gov/the-press-office/2016/04/25/remarks-president-obama-address-people-europe>.

3 For a short history, see Ellen Hallams and Benjamin Schreer, “Towards a ‘Post-American’ Alliance? NATO Burden-Sharing after Libya,” *International Affairs* 88, no. 2 (2012): 313–327; Alan Tonelson, “NATO Burden-Sharing: Promises, Promises,” *Journal of Strategic Studies* 23, no. 3 (2000): 29–58.

4 Charles A. Cooper and Benjamin Zycher, *Perceptions of NATO Burden-Sharing* (Santa Monica, CA: RAND Corporation, 1989).

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strong reservations, such as further NATO enlargement, ballistic missile defense, or certain expeditionary operations. The transatlantic row over Iraq in 2003 constitutes a clear example thereof.

This article argues the discussion on burden-sharing needs to be continuously relearned on both sides of the Atlantic. On the one hand, this relearning requires methodological nuance and rigor. Depending on the metrics used, the picture that emerges looks very different. On the other hand, a careful appreciation of security trends is in order because these will eventually herald an evolution in terms of the military tasks that need to be distributed across the Alliance. NATO functions best when such a wide approach to burden-sharing is maintained. At its inception, the Alliance was organized around a set of principles that bridged these different dimensions. Given that NATO leaders declared 2014 to be a pivotal moment in Euro-Atlantic security, the Warsaw Summit would do well to reconnect proven ideas with future challenges.

This article proceeds in three parts. The first section traces the methodological discussion on burden-sharing parameters back to its historical origins, namely the list of defense planning principles codified in the early strategic concepts. These principles—with a remit far beyond financial metrics—highlight the delicate balancing act NATO defense planning typically entails. The second section takes stock of where European allies stand on pulling their weight. In financial terms, defense spending trends may well be turning around. Yet nations may be shifting course for their own reasons, and difficulties about how to share the burden are likely to persist even when European defense budgets are on the rise. The third section argues a collectively agreed plan on how to run NATO as a real alliance is more important than any set of detailed figures. Relearning the original defense planning principles and applying these to present circumstances and future challenges may therefore constitute a useful way forward.

From Burden-Sharing Metrics to Defense-Planning Principles

A thousand different ways exist for evaluating Alliance burden-sharing. This has not only to do with methodology, but also with the tendency in all nations to discount the value of the efforts undertaken by others. Engaging in this debate, therefore, requires careful consideration of the available approaches and the broader purpose these serve. This section reviews the metrics currently in use and contrasts these with frequent criticisms and alternatives. It goes on to discuss their historical inspirations, which helps to transform a debate that tends to focus on defense accounting into one on military strategy. Commonly agreed principles of Alliance strategy are of greater importance than numeric details divorced from their historical and geographical context.

At present, NATO defense planners evaluate burden-sharing on the basis of eleven metrics that measure financial inputs as well as military outputs. The best known of these are the investment parameters, namely the percentage of GDP spent on defense expenditure and the percentage of overall defense expenditure spent on major equipment and Research & Development, currently set at 2 percent and 20 percent. With respect to military capabilities, NATO planners track the percentages of any ally's armed forces that are deployable and sustainable on expeditionary

operations. They also evaluate the extent to which every ally implements the national capability targets assigned under the NATO defense planning process.⁵ An additional guideline in this regard is that no ally can be asked to provide more than 50 percent of any individual capability set during the apportionment of national targets. The underlying idea here is to wean the Alliance off its near-exclusive reliance on a single ally—read the United States—for certain capabilities. A third set of metrics concerns actual contributions: the percentages of deployable land forces, airframes, and vessels that are effectively deployed on operations, the extent to which an ally fills assigned staff positions in the NATO Command Structure and NATO Force Structure headquarters, and the contribution made to filling the requirements of the NATO Response Force.

Depending on what measurement parameters one prefers to look at, a different picture emerges. The share of GDP spent on defense often makes media headlines, but this metric draws frequent criticism on methodological grounds.⁶ Most importantly, it does not differentiate between defense spending for national and for Alliance purposes. It is no secret the United States—which scores the highest on this scale—also has significant national responsibilities that lie far beyond the remit of the Alliance, such as its security guarantees to South Korea and Japan. In some European capitals, it is a rhetorical question to ask whether the United States would spend a dollar less on its military if its allies were to spend more. In addition, alternative metrics are occasionally put forward. These would typically skew the balance in a particular direction. Measuring defense spending per square kilometer of national territory would constitute an extreme example of this kind. Last, but not least, there is the discussion on common funding. While small in size relative to overall defense spending, NATO's common budgets arguably constitute the purest expression of how the bills of the Alliance are split. The cost-sharing arrangement for the civil budget, the military budget, and the NATO security investment program follows an agreed formula based on Gross National Income.⁷ One important exception to this formula is the United States, which assumes a 22.14 percent share of the total, whereas its economic weight within the Alliance accounts for more than 40 percent of the NATO total. Taking this discount into consideration, the largest proportional share of NATO common funding is thus borne by Germany (14.65 percent), the ally otherwise most notorious for not meeting investment targets.

It is easy to get lost in the jungle of data that these metrics generate. They also bear little direct relationship to the changing security environment the Alliance faces and the precise mix of military capabilities that is required for meeting future challenges. In other words, a focus on any particular parameter is akin to putting the cart before the horse. It is therefore well worth remembering that during the first decades of the Alliance's existence, successive strategic concepts articulated a list of general principles deemed fundamental to the organization of a

5 For a short introduction to the NATO defense planning process, see Alexander Mattelaer, "Preparing NATO for the Next Defense-Planning Cycle," *RUSI Journal* 159, no. 3 (2014): 30-35.

6 Christian Mölling, *NATO's Two Percent Illusion: Germany Needs to Encourage Greater Efficiency within the Alliance*, Berlin: *Stiftung Wissenschaft und Politik*, SWP Comments 36, August 2014.

7 "Funding NATO," (Brussels: NATO), June 3, 2015. Available from: http://www.nato.int/cps/en/natohq/topics_67655.htm (accessed May 4, 2016).

common defense. As coined by the 1949 Strategic Concept, the list ran as follows (emphasis added):⁸

- (a) The main principle is common action in defense against armed attack through *self-help* and *mutual aid*. (...)
- (b) (...) each nation will contribute in the most effective form, consistent with its situation, responsibilities and resources, such aid as can *reasonably be expected of it*.
- (c) In developing their military strength consistent with overall strategic plans the participating nations should bear in mind that economic recovery and the attainment of *economic stability* constitute important elements of their security.
- (d) The armed forces of those nations so located as to permit mutual support in the event of aggression should be developed on a coordinated basis in order that they can operate most economically and efficiently in accordance with a *common strategic plan*.
- (e) A successful defense of the North Atlantic Treaty nations through *maximum efficiency* of their armed forces, with the *minimum necessary expenditures* of manpower, money and materials, is the goal of defense planning.
- (f) (...) each nation should undertake the task, or tasks, for which it is best suited. *Certain nations, because of the geographic location or because of their capabilities, will appropriate specific missions.*

Many of these principles strongly echo in today's debate. The NATO Defense Policy and Planning Committee still needs to juggle what constitutes a "reasonable challenge" when apportioning targets to individual nations. Such a decision gets taken according to the "consensus minus one" principle, meaning individual nations can be overruled. NATO planners also continue to take the relative wealth of individual allies and prevailing macroeconomic conditions into account.

At the same time, other principles have been all but forgotten. In recent months, the United States has had to remind some nations the Article V security guarantee does not absolve them from the responsibility to maintain their own self-defenses. More important is the notion that a common strategic plan goes hand in hand with a clear distribution of military roles and tasks in function of geography and available capabilities. From the early days of the Cold War, these principles guided a broad division of labor within the Alliance. Because of its possession of the atomic bomb, the United States would assume responsibility for strategic bombing. In turn, the continental European allies would provide the hard core of ground forces and the bulk of tactical air support and air defense, all of which were to be organized into regions and sectors in keeping with local geography. Last, but not least, the United Kingdom and the United States would be responsible for the oceanic lines of communication, while other nations would secure their harbor defenses and coastal approaches. Taken together, these principles enabled deep

⁸ Note by the Secretary to the North Atlantic Defense Committee, "The Strategic Concept for Defense of the North Atlantic Area, DC 6/1," (December 1, 1949) in *NATO Strategy Documents 1949-1969*.

coherence between common defense plans and burden-sharing. If anything, this dimension is the one the present focus on metrics fails to illuminate.

Rising European Defense Spending: No Panacea

With the above background in mind, we can turn to consider the present state of burden-sharing. In general, the Alliance has indeed become overly dependent on the United States and European allies collectively fail to pull their weight. This dependence may have more to do with the present helplessness of most European militaries to operate without United States assistance than with them not meeting any specific budgetary target. This nuance is important for several reasons. First, there are early indicators that the trend-line of European defense spending is about to turn. Yet, because of the long delay between financial input and military capability output, the burden-sharing debate will persist long after the European share of the financial burden has started growing. Second, individual allies tend to authorize additional defense outlays with their national priorities in mind. Additional inputs may, therefore, occasionally fail to translate into a broader basis for shouldering the burden. Third, the burden-sharing debate will ultimately be measured against what the Alliance wants and needs to accomplish. As this goal remains a politically defined moving target, the burden-sharing debate cannot help but morph into the realm of strategy. With respect to all three reasons, the old defense planning principles offer more guidance and orientation than any of the formal metrics used today.

The story about European allies not meeting the NATO defense investment targets is well known. In 2015, all but five allies (the United States, the United Kingdom, Poland, Greece, and Estonia) did not meet the 2 percent target, seven of them missing it by a wide margin and sinking below 1 percent.⁹ Similarly, only eight allies meet the 20 percent target to be spent on major equipment and R&D, whereas six do not even achieve 10 percent, thus jeopardizing the sustainability of their force structure over time. These investment metrics are a notoriously poor guide to predicting actual contributions to Alliance operations. Some nations—Denmark being a prominent example—fail to meet either target, yet still manage to outperform most other allies in terms of capabilities and contributions. Similarly, there is little doubt more output could be generated from the 235 billion dollar total sum of European defense expenditure. The present degree of fragmentation in European defense markets and organizational structures virtually guarantees a poor return on investment, and yet this is a price European governments willingly pay for maintaining national decision-making flexibility.

The real drama resides not so much in the absolute figures, but in the degree of helplessness European nations find themselves in without US support. During the air campaign in Libya, all European allies ran desperately low on precision-guided ammunitions. Similarly, the International Security Assistance Force in Afghanistan highlighted shortfalls in helicopters, transport aircraft and ISTAR capabilities, leading then Secretary of Defense Bob Gates to complain about “the

⁹ For all data in full, see *Defense Expenditures of NATO Countries (2008-2015)*, Brussels: NATO HQ (Press Release 11), January 28, 2016.

very real possibility of collective military irrelevance.¹⁰ This situation manifests itself even clearer during operations undertaken under national command. When France launched Operation Serval in Mali, it was critically dependent on the support of the United States and a handful of allies to lift its forces into theatre and sustain the operational tempo.¹¹ Following terrorist attacks in Paris and Brussels, the Belgian government decided to deploy its army units on homeland operations. Being unprepared for such a large-scale deployment, it soon found it had to borrow even simple body armor kits from the United States.¹² In other words, the decade-long process of hollowing out their militaries in terms of numbers, equipment and readiness levels has led to a situation wherein many European nations are incapable of self-help in an increasingly wide range of contingencies.

In financial terms, it seems a turn of the tide is near. When looking at year-on-year changes in defense expenditures, the aggregated downward trend has all but stopped. Some allies—such as Latvia, Lithuania, Poland, Romania, and Slovakia—are increasing their defense outlays in double-digit percentages and many more are projecting increases in the years ahead.¹³ This group includes some of the largest allies, such as France and Germany, which have each committed additional billions to their defense budgets. While it is not clear whether these increases will keep up with future growth of GDP, any budget growth by itself heralds the dawn of a new era for European defense planners. Important to note is the issue of stark regional variation: this turn of the tide is rolling over the European continent from the east to the west and from the north to the south.¹⁴ However, some caution is warranted with regard to these future projections. These budgetary plans tend to be based on the assumption of slow economic growth and do not factor in the possibility of another recession hitting the global economy in the future.

Despite the improved outlook for European defense budgets—even if it were to beat all expectations—the burden-sharing debate is far from over. To start, defense investment does not immediately translate into ready-to-use military capabilities. This delay means the present level of European military dependency on the United States is likely to persist for many years to come: it is already “baked in the cake.” Furthermore, this effect will be significantly aggravated by the sorry state many European defense establishments find themselves in. Challenges in terms of personnel recruitment and maintaining adequate levels of investment in force modernization stand out as matters of grave concern for all too many European allies. Not unlike the United States itself, they now face a “bow wave” of future funding requirements simply for preserving their current force structures intact.¹⁵ Years of reducing the defense

10 Robert Gates, *Reflections on the Status and Future of the Transatlantic Alliance*, (Brussels: Security and Defense Agenda, June 10, 2011).

11 François Heisbourg, “A Surprising Little War: First Lessons of Mali,” *Survival* 55, no. 2 (2013): 7-18.

12 Jimmy Stroobants, *Defensie Leent Kogelrijke Vesten Van Amerikaans Leger* (Brussels: Belgian Ministry of Defense, November 26, 2015).

13 For more data, see Alessandro Marrone, Olivier De France, and Daniele Fattibene, eds., *Defense Budgets and Cooperation in Europe: Developments, Trends and Drivers* (Rome: IAI, January 2016).

14 Cf. Olivier de France, *Defense Budgets in Europe: Downturn or U Turn* (Paris: EU Institute for Security Studies Issue Brief 12, May 15, 2015).

15 Cf. Todd Harrison, *Defense Modernization Plans Through the 2020s: Addressing the Bow Wave* (Washington, DC: Center for Strategic and International Studies, 2016).

budget while trying to maintain operational output in Afghanistan and elsewhere typically implied postponing the necessary modernization of equipment—a curse for force planners that at some point comes home to roost. As such, the foreseeable increases of defense spending will be partially offset by this hidden financial crater and fail to generate many extra capabilities for years to come.

In addition, it remains to be seen how future budget increases get spent. In conformity with their desire to improve self-help, several nations are considering investing in home defense forces. This relates not only to those nations fearful of Russian aggression and engaging in contingency planning for guerrilla-type resistance, but also to those nations hit by terrorist attacks. Yet, the idea of rebuilding non-deployable forces flies in the face of the burden-sharing discussion as it has unfolded in recent years. To a lesser extent, this issue replicates itself with other investments that are geared primarily towards territorial defense, as this touches upon the delicate balance between the three different core tasks of the Alliance.

Most fundamentally, burden-sharing must ultimately be measured against a moving target, namely the security context. No amount of defense spending constitutes a panacea for maintaining Alliance cohesion. The real issue for NATO is to do what is necessary for achieving the desired result and to have agreement on how to divide the tasks. The acute problem is not the lack of investment in an abstract sense, but the fact the military requirements for NATO's core task of collective defense are rapidly outpacing what can be delivered. As a military confrontation with Russia is no longer unthinkable, the force pool NATO requires must include much more high-end war-fighting capabilities than were needed for crisis management missions. While it is unclear what attrition rates could be expected in a scenario of major conflict, the combined NATO force pool may lack sufficient depth in terms of ready units to sustain operations beyond first contact. In that sense, the real burden-sharing discussion is no longer about financial targets, but about developing credible defense plans and determining which military tasks individual allies should commit to. Such a discussion involves money, but it also requires clear commitment to fight together. In retrospect, what is most remarkable is how the burden-sharing discussion over the past years has become increasingly dissociated from actual war plans and therefore tumbled into a strategic void.

One for All, All for One: Towards a Common Plan

The days of non-committal Alliance membership are over. During the historical timeframe in which NATO re-oriented itself towards expeditionary crisis management and cooperative security outreach, allies had considerable discretion over the extent to which they subscribed to NATO operations and other endeavours. At the 2014 Wales Summit, NATO leaders made it unambiguously clear that collective defense as per Article V of the Washington Treaty constitutes the greatest responsibility of the Alliance. This forces the organization to reconnect burden-sharing with planning for war, which has the side effect of greatly limiting political room for maneuver and buck-passing. As the Alliance searches for a new consensus on the best way to safeguard the territories and populations of all allies, it would do well to revisit the

idea of a division of labor. For burden-sharing to be politically sustainable, allies must understand their own role and responsibility within the Alliance as a whole.

It is important to realize how NATO's level of ambition has repeatedly but invisibly changed over the past decades. For many years, planners could implicitly assume NATO's ambition to conduct several crisis management operations simultaneously would suffice to meet the unlikely possibility of conflict with Russia or any other third party. For crisis management purposes, resources were collected ad hoc, i.e., on the basis of force generation conferences. This accustomed nations to the idea they could freely choose to what extent they would engage in any expeditionary operation.¹⁶ Given many of them had reservations about the wisdom of such operations, the level of ambition withered *de facto*, if not on paper. Ever since the Russian annexation of Crimea—combined with growing concern that the security environment throughout the Alliance's southern neighborhood could spin dangerously out of control—this implicit level of ambition has started to grow again. Once planners realized high-intensity combat on NATO's borders could not be excluded, a dramatic adaptation of the required force mix started to unfold, with shortfalls in long-range artillery and ground-based air defense being detected and readiness requirements spiking upwards.¹⁷

At the Wales Summit, NATO leaders decided to shore up the defense of the eastern flank by creating a mobile tripwire force and relying on a system of swift reinforcement by follow-on forces.¹⁸ The discussions on the upcoming Warsaw summit indicate a widespread recognition that an enhanced forward presence is required.¹⁹ The deployment of a third brigade combat team to US Army Europe (on a rotational basis) as part of the European Reassurance Initiative constitutes an early indication thereof.²⁰ While the precise details of NATO's forward presence remain to be clarified, it can be assumed that all European allies are being asked to contribute to this effort—not only by the United States, but also by those allies most vulnerable geographically.

In the world of collective defense, operational planning and burden-sharing must go hand in hand. It is for this reason the old principles from 1949 acquire a new salience: they constitute critical connectors between these different discussions. Through self-help, the message is conveyed all allies are expected to contribute meaningful combat capabilities. The proportionality of national contributions—however difficult this is to measure—can be expected to feature prominently in the debate. Economic stability and relative wealth are justly regarded as important factors in the underlying analysis. And crucially, Alliance coordination

16 In Afghanistan, for instance, troop contributions were typically based on the idea of “doing just enough to maintain solidarity with the United States,” as argued by Jo Coelmont, *End-State Afghanistan* (Brussels: Egmont Institute Egmont Paper 29, March 2009): 17.

17 Personal communication with various NATO officials, March–April 2016.

18 See Rainer L. Glatz and Martin Zapfe, *NATO Defense Planning Between Wales and Warsaw: Politico-Military Challenges of a Credible Assurance Against Russia*, Berlin: Stiftung Wissenschaft und Politik, January 2016.

19 Cf. e.g. Michal Baranowski and Bruno Lété, *NATO in a World of Disorder: Making the Alliance Ready for Warsaw* (Washington, DC: German Marshall Fund of the United States, March 2016).

20 EUCOM, “EUCOM Announces European Reassurance Initiative Implementation Plan,” EUCOM Live Blog, <http://eucom.dodlive.mil/2016/03/eucom-announces-european-reassurance-initiative-implementation-plan/> (March 30, 2016).

assumes the development of common plans in which different allies take on different roles—namely those for which they are the most suited.

What could a new division of labor look like in the security environment of the 21st century? It can be safely assumed the allies most exposed to different threats will have to strengthen their local defenses, while those less exposed can be called upon for support. As different threats can emanate from various geographical vectors, a regional distribution of responsibilities may need to be put in place, in particular as far as land forces are concerned. At the same time, more functional approaches remain applicable to non-geographic threats such as terrorism. Taken together, this suggests a hub-and-spokes model for organizing European defense efforts, in which a western European core needs to support and reinforce the efforts undertaken by eastern, southern and northern spokes for securing Europe's external borders. Correspondingly, western European allies need to continue investing in rapidly deployable capabilities whereas others, by virtue of necessity, must harden their forces at the cost of reduced mobility.

Such regionalization raises important questions about the overall size and allocation of the force pool: how much capability should be allocated to specific regions and how much should be held in reserve, to be committed when and where needed? Answering such questions requires detailed modelling of how operational scenarios could unfold and what political risks to Alliance unity these may entail. One likely take-away is individual European allies will need to rebuild and modernize their force structures for dealing with an environment in which threats have come closer home and in which European helplessness becomes politically unaffordable. Under such a scheme the United States needs not provide the bulk of forward forces as long as it remains strategically engaged as the underwriter of the system, enabling its allies to defend themselves.

Looking Ahead

If NATO is serious about recommitting to all its core tasks then the road ahead is a long one. The way in which the burden-sharing debate unfolded over the previous two decades offers little meaningful guidance in this regard, precisely because it was not a debate about the defense of the European continent. What is needed now is to revamp plans to defend all allies from the various threats they face and to distribute the military tasks this entails. Instead of trying to measure past contributions, NATO leaders would do well to look forward and craft a meaningful division of labor of what needs to be done in the years ahead. The principles that guided this debate in 1949 arguably constitute a better starting point for today than anything the Alliance has discussed since the end of the Cold War. In that sense, the discussion on burden-sharing truly needs to be relearned over and over again.

