

# NATO's Last Chance



## Invest Its Scarce Resources Wisely or Accept Strategic Irrelevance

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## Executive Summary

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The North Atlantic Treaty Organization (NATO) is struggling to transition from a deployed Alliance focused on conducting significant counterinsurgency operations, to a responsive Alliance prepared to react to any number of demanding and unpredictable contingencies. According to NATO Secretary General Anders Fogh Rasmussen, “We must complete the transition from a deployed NATO to a prepared NATO: delivering critical capabilities now while also planning for the future, and finding new ways to generate new capabilities.”<sup>1</sup> The Alliance must make this transition while member nations continue to downsize their militaries, struggle with declining defense budgets, suffer from growing costs for military hardware and personnel and pay for a high level of expensive overseas operations.

Yet the ability of the Alliance to meet current obligations as well as future operational and technological requirements is open to serious doubts. For more than two decades, NATO spending on defense has declined to levels today that are perilously close to disarmament. Senior U.S. officials have repeatedly warned NATO that its failure to invest adequately and appropriately in defense places the future of the Alliance at risk. In 2011, Secretary of Defense Robert Gates called on NATO to invest its defense resources both more wisely and strategically.

Such an investment strategy must recognize that NATO is facing a strategic paradox. On the one hand, Europe has never been safer, wealthier or more integrated, at least economically. On the other hand, it is militarily weaker and more divided on issues of security and the use of force than it has been since the end of World War Two. In addition, in the absence of an existential threat, Alliance members are quite reluctant to give up sovereignty over decisions involving force structure, acquisition programs and research and development (R&D) expenditures in favor of greater collective decision making, increased pooling of assets and more sharing of resources. Yet, both the spectrum of potential crises NATO must face and their geographic diversity continue to increase. The U.S military draw down and the pivot to Asia will stress Washington’s ability to commit forces to NATO.

Not only is NATO defense spending continuing to decline and the Alliance’s force structures continuing to shrink but decisions regarding the character of residual forces and the allocation of remaining defense resources are skewed in ways that make it more difficult to deploy effective military power, particularly for expeditionary activities of significant scale. NATO has had to reduce the size of its core crisis response capability, the NATO Response Force (NRF). The lack of coordination among national ministries of defense on force structure changes and modernization programs makes it difficult to ensure adequate capabilities in some areas while there are clear surfeits in others. Non-U.S. NATO continues to lag in its investments in critical enablers for modern, knowledge-intensive power projection military operations.

There is nothing about the shortcomings in NATO’s military capabilities that additional money from the members would not fix. However, there is no reason to believe NATO will find either

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<sup>1</sup> NATO, “National Armaments Directors discuss NATO capabilities,” [http://www.nato.int/cps/en/SID-9C89104F-6A47F864/natolive/news\\_100107.htm](http://www.nato.int/cps/en/SID-9C89104F-6A47F864/natolive/news_100107.htm) (April 18, 2013).

the wallet or the will to increase defense spending in the near future. Therefore, if resources are to be made available to provide for strategic investments they must come as a result of additional force structure reductions and/or changes in the way resources are distributed and managed.

NATO not only does not spend enough on defense, but what it does have it spends poorly. NATO consistently overspends on people; half of NATO's total defense spending goes to personnel. Procurement and, in particular, R&D are shortchanged. In addition, differences in political perspectives and values, concerns over the loss of sovereignty, a lack of trust, the desire to protect domestic jobs and industries and even hostility between member countries are all making it extremely difficult to take the obvious and necessary steps to coordinate defense decisions, pool resources, share assets and seek out opportunities for role specialization.

Political differences, concerns over the loss of sovereignty, the desire to protect domestic jobs and industries and even hostility between member countries are all making it extremely difficult to take the obvious and necessary steps to coordinate defense decisions, pool resources, share assets and seek out opportunities for role specialization.

NATO must restructure its forces in order to free up resources to devote to critical investments to support the capabilities to perform those missions. NATO members need to reduce traditional combat capabilities by an average of 20 percent, particularly those non-deployable ground forces in favor of air, sea, networks and logistics and sustainment capabilities. NATO members need to coordinate how they reduce forces. An uncoordinated program of force structure cuts could readily result in NATO finding itself without critical enablers or even sufficient front-line combat forces.

The Alliance's level of ambition needs to be re-examined in view of the continuing decline in defense spending, ongoing force structure reductions and the U.S. decision to withdraw additional forces from Europe and shift the weight of its military deployments to the Asia-Pacific region. Currently, NATO's Level of Ambition (LOA) is to be able to simultaneously conduct two major joint operations (MJOs) and six small joint operations (SJOs). Analysis of past operations suggests that while the Alliance should be able to conduct multiple SJOs, it lacks the available, trained forces and critical enablers to manage one, much less two MJOs particularly if it is also conducting several SJOs.

The Alliance should either to fix the NRF or disband it. This should be NATO's number one priority for strategic investments. NATO needs to decide if the NRF is a rapidly deployable military capability, the leading edge of the Alliance's ability to respond to a wide range of unpredictable crises or, as it is increasing being portrayed, a tool of transformation. If the NRF is to be a credible force for deterrence and crisis response, it must be fully resourced and staffed. In addition, its training and exercises must reflect the types of missions it will be asked to perform. The NRF would benefit from specific investments in capabilities to enhance its combat potential. These include: tactical mobility platforms, a plug-and-play C4ISR architecture, on-the-move tactical communications systems, night vision gear, Identification Friend and Foe systems, tactical unmanned aerial vehicles and precision munitions.

If NATO is serious about deploying a force structure capable of meeting its LOA, it must devote additional resources to creating the capacity to conduct sustained, medium-scale expeditionary operations. This should be its second highest priority, just behind fixing the NRF. In particular, NATO needs to invest in stocks of munitions and spare parts.

In addition, NATO nations need to increase their investment in such critical enablers as airborne ISR, intelligence information management systems, unmanned platforms, cyber defense, automated C3 networks, electronic warfare/suppression of enemy air defenses and rapid logistics. Current programs, while addressing some critical capability gaps such as aerial refueling and transport, do not go far enough towards investing in those force elements that almost without exception are absolutely essential to modern military operations.

NATO should agree to support more robust R&D spending. NATO is in danger of falling behind, or not even being a player, in a number of important and potentially transformational areas including unmanned systems, directed energy, hypersonics, advanced power systems and cyber security.

NATO should renew its efforts to expand defense industrial relationships, perhaps through a trans-Atlantic Smart Defense initiative. This must be a two-way street. Facing its own decline in defense spending, the Department of Defense should avail itself of advanced capabilities NATO allies can provide in such areas as sensors, precision weapons, naval systems and avionics.

Finally, NATO would benefit immensely from conducting a comprehensive Net Assessment that examines the Alliance's ability to meet its defined missions. In particular, such a study needs to focus not on traditional quantitative indicators, the "bean count," but on qualitative factors such as interoperability, training, exercises, intelligence, logistics and sustainment.

The key to an effective defense of Europe, whether conducted by NATO or a coalition of the willing, is a pooling of national assets and rationalizing defense procurement through major collaborative programs. This is at the heart of NATO's Smart Defense initiative. Nations would promise to make their particular capabilities available to other nations. By unifying national contributions in such pools, the whole becomes greater than the sum of the parts that individual nations can afford. In addition, nations could afford increased specialization in their military force structures knowing that there were pools of assets available.

But to achieve an effective level of pooling and sharing, NATO members will have to accept significant limits to their sovereignty. In its own way, this would constitute the military equivalent of fiscal union, a mutualization of security in much the same way that the creation of Eurobonds and a fiscal oversight mechanism would mutualize financial risks and responsibilities. However, just as fiscal interdependence will require political union, effective pooling of military assets would require a military union. No nation would risk its security by planning on the use of assets belonging to other nations without a certainty of access to them. Access would have to be formalized in a legally binding agreement. Both those providing the resources and those accessing the pool would have to have a prior agreement as to the circumstances under which access would be provided and conditions, in any, under which it could be denied.

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## CHAPTER I

**NATO: Trying to Weather the “Storm of the Century”**

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It is common to refer to situations in which organizations and governments confront multiple intersecting or reinforcing stresses that challenge the institution’s viability or even its very survival as a “perfect storm.” By this measure, the North Atlantic Treaty Organization (NATO) is confronted by what can only be described as a political, financial and military “storm of the century” or even the “storm of the millennium.” This unprecedented situation is the product of uncertainty, change and even decline across a host of issue areas. These include tightening budgets, the transition out of a wartime posture, a changing threat environment, a broadening spectrum of missions and the desire to access new and potentially revolutionary technologies. NATO has been struggling with this set of problems for more than a decade while at the same time altering its processes and procedures, adding members and trying to rationalize its defense industrial base.

Throughout its history, NATO weathered repeated crises regarding how much to spend, what to spend it on and how to deploy and employ available resources. However, during its formative years, the members of the NATO Alliance agreed to a set of core principles or concepts. Chief among the items on which they agreed was the nature of the primary threat and the importance of unified Alliance decision making with respect to responses to aggression against member countries. The United States almost always provided the single largest contingent of forces to each of its alliances and often the most capable units. In addition, the United States also built and deployed a variety of specialized capabilities from surveillance satellites, manned intelligence, surveillance and reconnaissance (ISR) platforms and strategic bombers to nuclear aircraft carriers and attack submarines, precision weapons, high-performance fighters and strategic transport aircraft. For the most part, U.S. allies were given access to some of these specialized capabilities, or in rare instances – for example the E-3 Sentry Airborne Warning and Control System (AWACS) and E-2 Hawkeye early warning aircraft – were allowed to acquire their own versions of these systems. But, U.S. war plans depended on the contributions of its allies both in terms of warfighting capabilities and a host of supporting activities such as logistics, basing rights and intelligence sharing.

During this period, U.S. allies provided the majority of ground and tactical air forces available in Europe. Frontline states such as Germany, Turkey and Greece maintained large ground forces that were forward deployed and backed up by an extensive reserve component. Even smaller allies such as Italy, Belgium, the Netherlands and Norway were expected to (and did) maintain significant high-end conventional forces, which included armored divisions or brigades, tactical fighter squadrons, air-defense batteries and fleets of surface ships and submarines. Over time, it became a standard planning assumption that longtime U.S. allies also would provide certain specialized capabilities such as theater air defense and mine countermeasure vessels. More generally, U.S. allies were committed to contributing significant conventional military capabilities to their own common defense. Special status was accorded to certain allies by virtue of their size, economic capacity and possession of critical strategic military capabilities. In addition to their conventional military power, France and the United Kingdom (U.K.) also occupied positions of special prominence because they possessed nuclear weapons. West

Germany deployed the largest contingent of ground forces on the European continent. The allies also recognized that the weight of their voices in alliance or bilateral councils was directly related to the size and capability of their armed forces.<sup>2</sup>

The dominant cause of friction between the United States and its various allies over the latter's contributions to the common defense was the chronic disparity between the United States and its major allies in the amount of resources spent on defense. On average, NATO nations as a whole spent approximately two-thirds of what the United States spent on defense.<sup>3</sup> This pattern continued even when the gross domestic product (GDP) of European NATO rivaled that of the United States. This led to accusations that Europe was "free riding" on the large U.S. defense budget and Washington's willingness to backstop European forces.

A second issue that beset NATO throughout its entire history was that of interoperability between national contingents. In some respects, improvements in interoperability must stand out as one of NATO's greatest achievements. The integrated command structure provided the basis for coordinated strategic and operational planning, cooperation and transparency. NATO has achieved a significant degree of commonality in its ground-based air defense system and its airborne early-warning capability based on the E-3 AWACS. Among the most important means of enhancing interoperability were the NATO Standardization Agreements (STANAGs). Often addressing such seemingly mundane items as the use of a common language (French and English) in both print and electronic communications, the type of jet fuel for NATO fighters, and the caliber of tank main-gun ammunition, STANAGs provided for a basic level of interoperability that enhanced Alliance deployments and operations. The conduct of joint exercises also contributed to enhancing the ability of allied forces to operate with one another.

Despite the progress NATO made over the decades since its founding, the limits of its deployable military capabilities were clearly demonstrated in a series of new and unanticipated operations. The first of these was the 1998 Operation Allied Freedom in the Balkans. Within days of the onset of hostilities, it became evident that the majority of European forces lacked the essential communications, electronic warfare and suppression of enemy air defenses or precision-strike weapons to contribute to the air campaign. Many allied air forces, having focused for decades on defense of NATO airspace, had not provided for sufficient training in air-to-ground operations.<sup>4</sup> Additional difficulties in transportation, intelligence and logistics hampered the deployment of NATO ground forces. British forces alone possessed a significant number of advanced capabilities, largely of U.S. design, including air-delivered precision weapons and submarine-launched Tomahawk cruise missiles.<sup>5</sup>

The performance of NATO forces in Kosovo raised issues with respect to both the quality and character of the allied military contribution to the common defense in the new century. Even at

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<sup>2</sup> Jack E. Vincent, Ira L. Straus, and Richard R. Biondi, "Capability Theory and the Future of NATO's Decision-making Rules." *Journal of Peace Research*. Volume 38, Issue 1, (January 2001), pp. 67-86.

<sup>3</sup> U.S. Department of Defense, *Report to the Congress on Allied Burden-sharing*, (September 2011).

<sup>4</sup> Benjamin S. Lambeth (2001), *NATO'S Air War For Kosovo: A Strategic and Operational Assessment*, RAND Corporation (Santa Monica, CA. MR-1365-AF, 2001), pp. 66-77.

<sup>5</sup> John E. Peters, Stuart E. Johnson, Nora Bensahel, Timothy Liston and Traci Williams, *European Contributions to Operation Allied Force: Implications for Transatlantic Cooperation*, RAND Corporation (Santa Monica, CA. MR-1391-AF, 2001), Chapter 3.

the end of the 1990s, non-U.S. NATO forces remained oriented towards their erstwhile Cold War missions, despite extensive discussions of new missions for the Alliance. In particular, NATO allies lacked the capabilities central to the conduct of out-of-area operations. The allies, for the most part, had been slow to invest in the critical capabilities for conducting modern combined arms, high-speed combat (particularly intelligence, communications, geo-location and precision-strike systems). A number of the allies, notably Germany, still relied too heavily on conscripts, whose use outside of national borders was extremely circumscribed, if not prohibited outright. Many European members of the Alliance found it difficult to organize and deploy fully capable and supported forces to a conflict literally just over NATO's borders.

The effort to conduct more distant expeditionary operations to Southwest Asia and North Africa proved even more daunting for most NATO militaries. Despite the strong response by NATO and other U.S. allies to 9/11 and the participation of dozens of long-standing allies in both Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom, it became quite evident that the majority still lacked the capability to make a significant contribution to coalition operations, particularly when they were required to project military power beyond their own borders.<sup>6</sup> Typically, even allies willing to provide forces lacked the infrastructure to deploy and support their assets. Most NATO allies had not invested in the qualitative improvements needed if allied forces were to fight alongside those of the United States and the U.K.<sup>7</sup> Stabilization Force units required U.S. assistance in order to deploy to Afghanistan and, in most cases, Iraq. Overall, allied units were not rapidly deployable, lacked long-range strike capabilities, were served by limited logistics and support structures and still did not have sufficient interoperable communications and intelligence systems to permit them to match U.S. concepts of operations. A review of non-U.S. NATO military capabilities to support an expanded presence in Iraq quickly led NATO officials to conclude that of the more than 2.8 million people under arms in Europe at the time, less than 50,000 were actually fit for out-of-area deployments. The rest were too poorly equipped, trained and organized for anything more than territorial defense, if that.<sup>8</sup>

A decade later, the Libyan operation not only confirmed the continuing existence of significant gaps in NATO's capabilities for out-of-area operations but highlighted new problems, as well. Without significant U.S. assistance, NATO would not have been able to initiate the air campaign and the Alliance's air armada would be grounded today. The Libyan campaign began with several hundred cruise missile strikes on Libyan air defenses, most of which were conducted by U.S. ships and submarines. Ongoing patrols to suppress residual enemy air defenses are being conducted by U.S. Air Force F-16CJs and U.S. Navy EA-18G Growler electronic attack aircraft. According to a White House report, the U.S. is providing nearly 70 percent of NATO's ISR capability. This is not just a matter of numbers of sensor platforms. The U.S. deploys a range of unique capabilities for which there is no NATO counterpart including the U-2 reconnaissance aircraft, the E-8 Joint Surveillance Target Attack Radar System ground surveillance aircraft, and the Navy's P-3C Orion maritime patrol aircraft. Without these U.S. capabilities NATO would be conducting its air operations in the blind.

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<sup>6</sup> U.S. Department of Defense, *Report to the Congress on Allied Burden-sharing, op. cit.*, Chapter 11.

<sup>7</sup> Bernard Jenkin, "The War Against Terrorism, the EU's Response and the Future of NATO," The Heritage Foundation, Lecture #735 on Europe (March 7, 2002).

<sup>8</sup> "There Must be Some Way Out," *The Economist* (November 15, 2003), p.5.

The Libyan operation has been something of a cold dash of water to NATO officials and European defense experts. The prestigious *Economist* criticized the lack of Alliance solidarity at both the political and military levels displayed in Libya. The journal concluded that:

NATO's military members were highly dependent on American military help to keep going. America provided about three-quarters of the aerial tankers without which the strike fighters, could not have reached their targets. America also provided most of the cruise missiles that degraded Colonel Qaddafi's air defenses sufficiently for the no-fly zone to be rapidly established. When stockpiles of precision guided munitions ran low after only a couple of months, America had to provide fresh supplies. And . . . few attack missions were flown without American electronic warfare aircraft operating above as "guardian angels."<sup>9</sup>

More than a decade after NATO first publicly acknowledged that it was not spending its defense resources wisely or organizing its military capabilities with an eye to the future strategic environment, very little has changed. In some ways the situation has become, if anything, even worse.

In his final speech to the NATO leadership in Brussels, outgoing U.S. Secretary of Defense Robert Gates sounded a clarion call for radical change in the way European nations resource, organize and employ their militaries. He made what can only be described as a withering critique of NATO:

Though we can take pride in what has been accomplished and sustained in Afghanistan, the ISAF [*International Security Assistance Force*] mission has exposed significant shortcomings of NATO – in military capabilities, and in political will. Despite more than 2 million troops in uniform – NOT counting the U.S. military – NATO has struggled, at times desperately, to sustain a deployment of 25- to 45,000 troops, not just in boots on the ground, but in crucial support assets such as helicopters, transport aircraft, maintenance, intelligence, surveillance and reconnaissance, and much more.

Turning to the NATO operation over Libya, it has become painfully clear that similar shortcomings – in capability and will – have the potential to jeopardize the alliance's ability to conduct an integrated, effective and sustained air-sea campaign.

Frankly, many of those allies sitting on the sidelines do so not because they do not want to participate, but simply because they can't. The military capabilities simply aren't there.<sup>10</sup>

In his speech, Secretary Gates pointed out that several countries were spending only modestly on their militaries but still managed to "punch above their weight" in Libya. It is interesting that the nations he mentioned had all invested in U.S. systems, notably F-16 and F/A-18 aircraft. "In the Libya operation, Norway and Denmark have provided 12 percent of allied strike aircraft yet have

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<sup>9</sup> "NATO After Libya: A Troubling Victory," *The Economist* (September 3, 2011), p. 59.

<sup>10</sup> Robert M. Gates, U.S. Secretary of Defense, "The Security and Defense Agenda," Remarks, Brussels, Belgium (June 10, 2011).

struck about one third of the targets. Belgium and Canada are also making major contributions to the strike mission. These countries have, with their constrained resources, found ways to do the training, buy the equipment, and field the platforms necessary to make a credible military contribution.”

In fact, Europe spends a not inconsiderable amount on defense, the equivalent of nearly \$300 billion annually. They also have a large military establishment, with almost two million people under arms (some six million if reserves and paramilitaries are included). Yet, as Gates pointed out, when it comes to deploying military forces abroad, say to Afghanistan, Europe’s abilities are woefully inadequate.

The primary reason for this problem is that Europe spends its scarce defense resources poorly. In particular, it fails to invest in critical enablers, including personnel and their training, that allow it to have a usable, effective military. Gates noted a number of examples from the Libyan campaign.

In particular, intelligence, surveillance, and reconnaissance assets are lacking that would allow more allies to be involved and make an impact. The most advanced fighter aircraft are little use if allies do not have the means to identify, process, and strike targets as part of an integrated campaign. To run the air campaign, the NATO air operations center in Italy required a major augmentation of targeting specialists, mainly from the U.S., to do the job – a “just in time” infusion of personnel that may not always be available in future contingencies. We have the spectacle of an air operations center designed to handle more than 300 sorties a day struggling to launch about 150.<sup>11</sup>

The lack of enablers, training, personnel and sustainment was acknowledged by NATO itself. The report on Operation Unified Protector (OUP), the name NATO assigned to the Libyan campaign, by NATO’s own Joint Analysis and Lessons Learned Centre noted that, “Several nations reported that personnel assigned to fill staff positions in support of OUP often lacked pre-requisite training and/or experience resulting in a mismatch of people and skills required, and that there was a reduced effectiveness of OUP Headquarters due to the frequent rotation of assigned personnel.” The report went on to identify other areas of weakness including information sharing, precision guided munitions, air tasking order cycle, and the lack of intelligence, surveillance and reconnaissance assets.<sup>12</sup>

A similar situation occurred in the much smaller 2012 intervention in Mali. While the French government’s decision to take the initiative in Mali was commendable, its actions also highlight serious and growing weaknesses in its military capabilities and, by extension, those of U.S. NATO allies. Then-Secretary of Defense Leon Panetta, who happened to be in Europe at the time, promised France assistance in the form of drones and other surveillance aircraft, aerial refueling tankers and troop transport aircraft. While the French military still retains a modest expeditionary capability, it and the other NATO nations are sorely lacking in critical enablers and logistics assets vital to the operation of a modern military. It needs to be emphasized that the

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<sup>11</sup> *Ibid.*

<sup>12</sup> *Operation Unified Protector: Lessons Learned from National Military Perspectives*, NATO Joint Analysis and Lessons Learned Centre (February 27, 2012).

operation involved deployment of a relatively small number of troops to a country relatively close to France and one that was once a French colonial possession. Yet, neither France by itself nor a coalition of willing European nations seems to have the wherewithal to conduct such an operation without U.S. support.

The situation in Mali suggests two preliminary conclusions. First, the effort to build partner capacity is likely to be more difficult and the results less satisfying than U.S. strategy assumes. Second, despite commitments by NATO allies to bolster their military capabilities and invest in critical assets such as ISR platforms, logistics systems and aerial lift and refueling, the Alliance remains woefully deficient in these areas. With the U.S. looking to offload some of its global security responsibilities to allies and partners, neither of these conclusions bode well for the future of NATO.

The solution, at least in the near-term, according to Secretary Gates is for NATO to change how it establishes requirements and funds programs.

Despite the pressing need to spend more on vital equipment and the right personnel to support ongoing missions – needs that have been evident for the past two decades – too many allies been unwilling to fundamentally change how they set priorities and allocate resources. The non-U.S. NATO members collectively spend more than \$300 billion U.S. dollars on defense annually which, if allocated wisely and strategically, could buy a significant amount of usable military capability. Instead, the results are significantly less than the sum of the parts. This has both shortchanged current operations but also bodes ill for ensuring NATO has the key common alliance capabilities of the future.<sup>13</sup>

As Gates acknowledged, his critique was hardly new. His views have been echoed by senior NATO defense officials. The British Minister of Defense, Liam Fox, commented that too many European allies “are looking for a free ride.” He went on to remark rather tartly that, “If they want the insurance policy, perhaps they should be willing to pay the premium.”<sup>14</sup> NATO leaders appear to have reached similar conclusions to those made by Gates. NATO Secretary General Anders Fogh Rasmussen admitted that absent U.S. contributions the Alliance could not have achieved success in Libya and that additional budget cuts could compromise NATO’s ability to project power even to nearby regions.

The fact is that Europe could not have done this on its own. . . . The lack of defense investments in Europe will make it increasingly difficult for Europe to take on responsibility for international crisis management beyond Europe’s borders.”<sup>15</sup>

Gates’ critique centered on two issues. First, NATO nations need to have a minimum defense spending level, at least 2 percent of GDP. Even at this level, actors such as duplication of efforts, uneconomical purchase quantities and excessive manpower costs would make it difficult for NATO as a whole to field a capable military force. Today, there are many who worry that

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<sup>13</sup> Robert M. Gates, “The Security and Defense Agenda.” *op. cit.*

<sup>14</sup> Robert Wall (July 22, 2011). “Libyan Campaign Reveals Capability Gaps.” *Aviation Week*.

<sup>15</sup> Stephen Fidler and Alistair MacDonald, “Europeans Retreat on Defense Spending,” *Wall Street Journal* (August 24, 2011), p. A1.

nothing that will save Western militaries from creeping decline and irrelevance but another miracle: more money. Even during the Cold War, when the Alliance faced the very real threat from the Soviet Union and the Warsaw Pact, it was difficult to get some member countries to meet agreed-to targets for defense spending. With the end of the Cold War virtually all of NATO took the opportunity to extract a “peace dividend” from their military budgets. Five years of recession and economic stagnation has taken defense budgets across Europe to below 2 percent of GDP.<sup>16</sup> This is an insufficient level of spending to ensure that the Alliance can meet likely military challenges, even with U.S. involvement. As Gates concluded in his frustrated diatribe; “2% is 2% is 2%. Period.”

Second, at whatever level of resources the Alliance possessed, it was vital to invest in capabilities that were employable across most of the prospective spectrum of conflict and able to be employed alongside those of other nations, most centrally but not exclusively, NATO countries. Among the capabilities Gates enumerated in his critique of NATO inadequacies were ISR systems, electronic warfare and suppression of enemy air defense systems, aerial refueling tankers, combat search and rescue aircraft, precision guided weapons and tactical communications networks.

There is an “iron law” in force development which says the more sophisticated the military the higher the costs of people, equipment and training. In part, this reflects the unique demands placed on military goods and services that raise their costs relative to commercial items. Another reason is the set of government imposed regulations and restrictions that distort the market and limit the use of cost-reducing measures common in the commercial marketplace. In the U.S., the regulatory burden has been estimated to increase prices by 20 percent or more. A third reason is that most modern militaries are volunteer-based, staffed by professionals who demand serious wages and deserve generous benefits. Finally, even with the best equipment and people, there is a need for continuous, costly training. In an Alliance of 28 member nations, collaborative training is particularly important. As a consequence of these factors, the cost of maintaining a capable military has increased even as the size of such establishments has fallen.

A budget focused assessment of NATO’s situation will inevitably understate the Alliance’s strategic and decision making challenges. What passes for consensus at NATO Summits on areas for additional investment masks profound disagreements and contradictions on a number of levels including the threats against which NATO must be prepared, the minimum expenditure member states must make in order to ensure a credible defense, reasonable limits on sovereign rights when it comes to eliminating or creating military capabilities, a common investment strategy for 21st century capabilities and the appropriate mechanism for creating coalitions of the willing and, in such a situation, for accessing shared or pooled assets.

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<sup>16</sup> *Financial and Economic Data Relating to NATO Defence*, NATO Public Affairs Division, Brussels (February 24, 2014), p. 6.

## The Absence of a Common Threat

Even during the Cold War, it was difficult for a smaller and more cohesive NATO to agree on minimum defense spending levels and, more significantly, to ensure that members who had signed up to a given percentage of GDP for defense actually spent that amount. The end of the Cold War eliminated the single organizing force that held the Alliance together: the Soviet threat. Europe felt less vulnerable and hence, was willing to admit to long-held differences in political views. As one well-respected European analyst explained it:

During the Cold War, the ever-present Soviet threat helped keep the West united. More recently, however, attempts to mend the transatlantic rift by pointing to present dangers have only deepened the cultural divide. Leaders on both sides of the Atlantic must accept that ‘the West’ has now split into European and American halves.<sup>17</sup>

Over time, as the implications of the absence of the Soviet threat took hold in Europe, the divide in American and European views of what constituted a threat to national security grew wider. Both European and American analysts agreed that the two sides of the trans-Atlantic region are motivated by fundamentally different perspectives on the nature of the threats to their national security and how to address them.

The central problem lies in the divergence of U.S. and European agendas. Whereas Washington remains obsessed with rogue states and weapons of mass destruction, Europeans are more concerned with the future of the planet and of their food. This dichotomy explains not only the gap between a ‘responsible’ global power and ‘selfish’ regional players but also the shift from the Cold War to the global age.<sup>18</sup>

And,

Most Europeans seem to lack in their DNA the sense of global responsibility that drives U.S. foreign policy; they simply want to be a big Switzerland: prosperous and safe, but reluctant to worry about problems in other parts of the world.<sup>19</sup>

A decade later and despite collaboration in two major conflicts and a host of lesser operations, the political and ideological split between Europe and America has, if anything, widened. Even Secretary Gates had to acknowledge that the Alliance’s inability to meet reasonable budgetary targets or to come together with respect to making prudent and strategic investments in future forces reflected a basic collapse of the political consensus that undergirded NATO for more than 50 years.

Right now, the alliance faces very serious, long-term, systemic problems. The NATO budgetary crisis is a case in point and a symptom of deeper problems with the way NATO perceives threats, formulates requirements, and prioritizes and allocates resources.

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<sup>17</sup> Dominique Moisi, “Reinventing the West,” *Foreign Affairs* (November/December 2003).

<sup>18</sup> Dominique Moisi, “The Real Crisis Over the Atlantic,” *Foreign Affairs* (July/August 2001).

<sup>19</sup> Tomas Valasek, in Tomas Valasek, ed., “Introduction,” *All alone? What US retrenchment means for Europe and NATO*, Center for European Reform (February 2012), p. 2.

The problem is not just underfunding of NATO. Since the end of the Cold War, NATO and national defense budgets have fallen consistently – even with unprecedented operations outside NATO’s territory over the past five years. Just 5 of 28 allies achieve the defense-spending target of 2 percent of GDP.

These budget limitations relate to a larger cultural and political trend affecting the alliance. One of the triumphs of the last century was the pacification of Europe after ages of ruinous warfare. But, as I’ve said before, I believe we have reached an inflection point, where much of the continent has gone too far in the other direction. The demilitarization of Europe – where large swaths of the general public and political class are averse to military force and the risks that go with it – has gone from a blessing in the 20th century to an impediment to achieving real security and lasting peace in the 21st.<sup>20</sup>

Even the experiences of the past decade have done little to push the members of the Alliance to a new consensus on the threats and how to deal with them. NATO leaders had hoped to use the Lisbon Conference and the formulation of a new Strategic Concept to define not only threats but the required portfolio of capabilities the Alliance would require in order to address them. The outcome of the deliberations that produced the 2010 Strategic Concept, not surprisingly, was less than had been hoped for at the start.

Due to a desire for simplicity and brevity and the existence of serious differences on Alliance policies between members, the 2010 Strategic Concept did not detail NATO’s security posture. Some member states wanted to take the opportunity to review existing nuclear arrangements including American nuclear weapons on European soil, some wanted to re-assess the required mix of conventional, nuclear and missile defense capabilities to fulfil the Alliance’s missions, others thought both or either of these steps were unnecessary and potentially dangerous to alliance cohesion at a time of great strategic uncertainty.<sup>21</sup>

The new Strategic Concept also failed to resolve the basic contradiction between the Alliance’s core mission of providing for the collective defense of the members and the reality that the Euro-Atlantic area is overwhelmingly peaceful and the Alliance has repeatedly stated that it does not consider any particular nation its enemy. The Strategic Concept asserts that, “the threat of a conventional attack against NATO territory is low” and that most threats are unconventional or asymmetric in character – terrorism, failed states, proliferation, economic, social or environmental instability, demographic shifts, etc. – and are likely to occur outside the Euro-Atlantic area.<sup>22</sup> But, the strategy avoided addressing the question of the appropriate balance of forces between the missions of collective defense and crisis management.

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<sup>20</sup> Robert M. Gates, U.S. Secretary of Defense, “NATO Strategic Concept Seminar (Future of NATO),” Remarks, National Defense University (Washington, DC, February 23, 2010).

<sup>21</sup> Nicole Ameline, *Matching Capabilities to Ambitions: NATO Towards 2020*, NATO Parliamentary Assembly, Sub-Committee on Transatlantic Defence and Security Co-Operation (November 2012), p. 9.

<sup>22</sup> *Active Engagement, Modern Defense*, Strategic Concept for the Defense and Security of the members of the North Atlantic Treaty Organization (November 19-20, 2010).

We should recognize, however, that while the Strategic Concept brought valuable clarifications and guidance, it did not put to rest all questions and differences among Allies about NATO's role in 21st century security. Differences remain in particular as to the appropriate balance between collective defense and NATO's involvement in crisis management, as well as to the type of crises NATO should be prepared to respond to. As the product of the compromises inherent to a consensus based process, the 2010 Strategic Concept is also far less explicit about NATO's capability needs than its 1999 predecessor.<sup>23</sup>

The problem of diverging threat perceptions also is creating fissures among European countries. A number of countries, notably France and the U.K., see clear potential dangers to the continent's security arising from a host of negative trends. Others, particularly Germany, see few. This has led Berlin to take a very cautious approach to many efforts to enhance NATO defense capabilities and coordinate force structure changes and modernization programs.

As a result, German security policy is not focused on a clear strategic goal. Without a strategic goal, the drive to accomplish change or to optimize current tools and processes gets lost. Maintaining the status quo becomes the most attractive strategy. Surrounded by Allies who are not satisfied with the status quo and who seek to update the Alliance into a useful tool against what they perceive to be pressing threats, Germany thus turns from a driver of strategic adaptation into a stumbling block. In that sense, Germany is indeed 'NATO's new France', not because it has reversed policy so much as it has stopped going with the flow. While Germany was at the forefront of transforming NATO 1.0 into NATO 2.0, most German officials seem to look at today's NATO 3.0 with the same wariness many users reserve for a new operating system on their personal computer: the update usually includes a lot of pseudo-sophisticated applications nobody really needs and that are prone to malfunction.<sup>24</sup>

The inability of the Alliance to agree on the nature of the threat has profoundly negative implications for both force planning and investment strategies. Bluntly stated, it is virtually impossible to develop a strategic approach to force sizing and composition or military modernization absent a common perspective on the nature and severity of the threat. NATO could agree on a so-called Level of Ambition which is largely descriptive in nature but at the same time be unable to provide strategic guidance on how to conduct specified operations or clear qualitative metrics for force requirements. Indeed, efforts to refine the NATO Defense Planning Process by developing concrete statements of threats to guide force planning and operations have floundered due to disagreements in NATO councils. There is more to this failure to achieve a consensus on threats than disagreements regarding intelligence assessments. Absent a common threat definition, it is difficult to criticize any unilateral defense decision member nations take. Moreover, there is no analytic basis for defining a sufficiency of forces or

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<sup>23</sup> Nicole Ameline, *op.cit.*, p. 1.

<sup>24</sup> Patrick Keller, "Germany in NATO: The Status Quo Ally," *Survival*, IISS (London, May 18, 2012), p. 80. The same basic point was made by Wolfgang Ischinger in Tomas Valasek, ed., *op. cit.* "Germany after Libya: Still a responsible power?" pp. 46-47.

the necessary range of capabilities required to address either a major or small-scale contingency.<sup>25</sup>

Not only is there no shared view of the threats against which NATO must be prepared to act, there is a growing split between Europe and the United States on the role of the Alliance itself in the West's security. A recent speech by Norway's Minister of Defense, Espen Barth Eide made this conflict clear.

In Washington, the long-held "vision of Europe is that there's a bunch of reasonably rich countries, relatively lazy, and not standing up for American-initiated missions abroad as much as they should," he said.

In contrast, Eide said, resentment and opposition to the U.S.-led occupations of Iraq and Afghanistan has reduced popular backing for NATO among many Western European countries. "NATO was identified simply as the organization that takes away our sons and daughters and sends them to faraway places to do nation-building in the desert."<sup>26</sup>

The ultimate consequence of the failure to establish a common understanding of the future threat could be that NATO will be saddled with a force posture that meets domestic political criteria but is utterly out of synch with the kinds of operations Alliance members will be asked to undertake.

The allies, no longer unified by a common enemy, worry about different threats. And if they agreed only to fight wars about which all allies cared equally passionately, NATO would shrink back into solely looking after the territorial defense of its member states.<sup>27</sup>

## **National Sovereignty Trumps Collective Security**

Today, it is no exaggeration to say that the fate of two of Europe's (really the world's) greatest collective organizations of nations hang by a proverbial thread. Having successfully ended the Gaddafi regime in Libya, but at the price of revealing to the world its fundamental weaknesses in will, wallet and the means of war, NATO must now demonstrate its ability to address these deficiencies or risk a fundamental trans-Atlantic breach. The European Union (EU) is equally beset by difficulties that call into question its relevance and even viability. Anti-EU sentiment in Europe is rising.

Much and perhaps most of NATO and the EU's current travails can be traced to the same basic cause: national sovereignty. Both organizations have elaborate consultative and rule-making structures. NATO has a unified command structure. There is even a European parliament. Yet,

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<sup>25</sup> Author's interviews with NATO officials, 2012-2013.

<sup>26</sup> Craig Whitlock, "NATO allies grapple with shrinking defense budgets," *The Washington Post* (January 20, 2012), p. A2.

<sup>27</sup> Kori Schake in Tomas Valasek, ed., *op. cit.* "US retrenchment is right and overdue," p. 23.

the central fact that determines the way both organizations function -- or in this case fail to do so -- is that their members retain their sovereign rights as independent states.

But most of the military forces the Alliance has are the result of decisions by individual countries. Rather than this being seen as a serious problem for the Alliance, its members view the exercise of national sovereignty in ways that do damage to the collective security of all members as something in which to take pride.

Up to now, when confronted with the diminished sovereignty greater security cooperation would require, NATO member states have balked. They fear a loss of control over where and how their militaries will be deployed. They also find it difficult to agree on common weapons systems, because each country has its own arms industry. They also fear that a clearer division of labor could lead to problems in time of emergency, because they may not be able to rely on their NATO partners. For how can it be ensured that an operation will be carried out if a partner nation doesn't want to participate, even if its military capacities, for example aircraft, are needed? How can we guarantee that a country will not be left out in the cold during an operation when another suddenly withdraws its troops? How can we ensure that a member state isn't slacking off at the expense of the rest?<sup>28</sup>

Member nations have different reasons for asserting national sovereignty with respect to defense investment decisions. Several members, France and the U.K. most notably, regard their military capabilities, operational performance, and defense industry as vital levers to exert regional and even global influence. These two nations are also the repositories for Europe's independent nuclear deterrent. Hence, retaining capabilities that fit across the spectrum of conflict, including high-end conventional warfare, are essential to Paris' and London's ability to assert their strategic independence.<sup>29</sup>

The recent financial crisis appears to have exacerbated nationalistic tendencies with respect to decisions on defense spending levels, force structure cuts and industrial policies.

The initial response of member states to the financial crisis has been to evoke the traditional pattern of national prerogatives in defense matters rather than a security guided rationale. The member states have sidelined NATO and the EU in identifying spending cuts. They planned and started to implement their current reforms in a rather uncoordinated manner. At the same time, member states know little about the defense reforms and cuts that their neighbors and alliance partners in EU and NATO have implemented. Hence, they seem to be willing to accept and even actively work towards reduced levels of common security by cutting capabilities without informing one another of the consequences or gaps that are created by the alliance or EU as a whole.<sup>30</sup>

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<sup>28</sup> Claudia Major, "Price of NATO Survival: Diminished Sovereignty," *Die Zeit* (May 18, 2012).

<sup>29</sup> Leo G. Michel, "Cross-currents in French Defense and U.S. Interests," *Strategic Perspectives No. 10*, Institute of National Strategic Studies, National Defense University (Washington, DC, April, 2012), p. 1.

<sup>30</sup> *The Impact of the Financial Crisis On European Defense*, Directorate-General for External Policies of the Union, European Parliament (April 2011), p. 11.

For some states, the assertion of sovereignty with respect to the quantity and quality of national military forces has to do with domestic politics and a reluctance to shift its defense policy and program from NATO's traditional focus on continental defense to an emphasis on out-of-area operations.

When the peaceful revolution in 1989-90 ended totalitarianism in Europe, the country [*Germany*] lost the desire for further change. While over the past 30 years NATO's focus has shifted from territorial defense to the defense of universal rights and a global campaign against terrorism, Germany has only partly digested these changes. Nowhere is this clearer than in Afghanistan, where the Bundeswehr has only grudgingly and belatedly engaged in counterinsurgency operations. Germany's armed forces remain unprepared for Afghanistan-style challenges; they lack the political support at home for direct combat, and the government and the elites pay little attention to military issues.<sup>31</sup>

More fundamentally, as a few observers are willing to admit, NATO defense integration efforts suffer from what can only be described as a basic lack of trust.

The most basic issue that has prevented Allies from approaching the Smart Defense idea with the promised novelty, is a lack of trust. States are invariably attached to the concept of retaining as much sovereignty in the defense and security domain as possible. It is interesting to observe that the only truly common NATO projects—the ones, in which nations have cooperatively acquired, maintained and operated a joint capability—are either extremely expensive assets (the AWACS fleet or the C-17 transport aircraft as part of the Strategic Airlift Capability) or “extra” capabilities for expeditionary tasks or that serve a special purpose (the examples can be niche capabilities such as signal battalions or training centers, like the Joint Force Training Centre in Bydgoszcz, Poland). It means that nations are willing to cooperate in two cases: if they could hardly afford a given capability themselves (the most recent example is the Franco–British attempt to share aircraft carriers or develop nuclear weapons together) or if the cooperation gives their militaries expertise and fosters transformation (this has been the motive driving Central and Eastern European Allies' commitment to the NATO Response Forces).<sup>32</sup>

As a consequence of widely varying views of the threat both across the Atlantic and between member states within Europe, it has proven extremely difficult to define an appropriate minimum NATO force structure. This internal dissonance also means that there is wide divergence as to the kinds of capabilities nations should retain or invest in and which should be divested. The answer to the question of what forces to maintain for what operations remains too confused and constrained by individual national considerations including the protection of their defense industries.

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<sup>31</sup> Wolfgang Ischinger in Tomas Valasek, ed., *op. cit.*, pp. 46-47.

<sup>32</sup> Marcin Terlikowski, *Not As Smart As It Could Be: the NATO Smart Defense Initiative—Chicago and Beyond*, The Polish Institute for International Affairs, Strategic File #22 (May 2012), p.3.

## The Difficulty in Building and Sustaining Coalitions of the Willing

NATO is busier than ever, but it has also become less central to many members. It is doing more now than during the Cold War, but its wide range of activities does not easily inspire or sustain public, parliamentary -- and hence financial -- support. It is performing at an unprecedented tempo, but this operational reality has exposed differences among allies in terms of threat perceptions, strategic cultures, resources, and capabilities. It is not heavily engaged in some key security challenges facing its members, and is not succeeding at some in which it is engaged.<sup>33</sup>

Even proponents of NATO's newfound "assertiveness" in Libya had to temper their enthusiasm with a strong dose of caution regarding the evident lack of political unity among even the Alliance's members, particularly the major core military powers -- France, the U.K., Germany and Italy.

The lack of political solidarity over Alliance efforts in Libya is part of a larger, dangerous trend. Beginning with Germany's damaging abstention on United Nations Security Council Resolution 1973 authorizing the campaign, continuing with Turkey's effort to limit France's scope of military action, and Central Europe's absence in the campaign, Libya did little to heal the sense that the allies are drifting apart. Furthermore, the United States, by limiting itself largely to a supporting role after the initial phase, helped to legitimize the corrosive practice of allies picking and choosing what they will and won't do as part of NATO operations. Having spent years complaining about European "caveats" in NATO, the United States has now done exactly the same thing.<sup>34</sup>

This lack of solidarity among NATO's leading members resulted in greater importance being accorded to the bilateral relationships and consultations that took place among the leading European countries, notably France and the U.K. As discussed above, overall military power, both the size and sophistication of national military forces, provided significant political benefits to NATO's major members and was a primary reason why these countries were reluctant to restructure their forces and depend too highly on non-sovereign capabilities. Even more so than had been the case in the past, the ability of NATO to act will depend on the health of a handful of European militaries and the strength of the bilateral and trilateral relationships that have been forged.<sup>35</sup>

There has been no closer security relationship in the world than that between the U.K. and the United States. This "special relationship" was one of the existential pillars that sustained the NATO Alliance from its earliest days. The unique relationship between these two countries was based, at its core, on shared national security interests. These included: protecting and, if possible extending, the family of democratic nations, ensuring the stability of the international system, maintaining free use of the global commons and preventing the rise of hegemonic powers on the Eurasian landmass. This informal pact was sealed by the willingness of both

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<sup>33</sup> Alexandra Sarcinski, "NATO In 2009 and Its New Strategic Concept: Between Opportunities and Challenges," *Strategic Impact*, Issue 1/2010 (2010), p. 53.

<sup>34</sup> Damon M. Wilson, "Learning from Libya: The Right Lessons for NATO," *Issue Brief*, Atlantic Council (2012).

<sup>35</sup> *Accidental Heroes: Britain, France and the Libyan Operation*, An Interim Campaign Report. Royal United Services Institute (September 2011).

sides, in most instances, to go in harm's way shoulder-to-shoulder. Even when they were not in combat together, as in Vietnam, both countries continued to man the ramparts in Central Europe to protect the Free World from Soviet aggression.

On August 29, 2013, the British Parliament voted 285-272 in opposition to Prime Minister David Cameron's proposal to take military action against Syria for its use of chemical weapons. The debate that preceded the vote was a wonderful example of the "mother of parliaments" at its best. Although the vote was not binding on the government, Cameron said he would abide by this expression of the will of the British people.

Parliament's action could signal the beginning of the end for NATO. One of the factors that helped maintain the U.S. connection to NATO was the relationship with the U.K. Since the end of the Cold War, both sides of the trans-Atlantic alliance have been struggling to avoid the natural tendency to turn inward in the aftermath of the Cold War and find a new defining purpose. 9/11 seemed to affirm the value of NATO in the 21st century as that organization invoked Article 5<sup>36</sup> for the first time and Alliance surveillance aircraft helped provide security for the U.S. homeland. Yet, progressively, over the past decade, the will and the military strength of the Alliance have ebbed. It has proven increasingly difficult even to organize so-called coalitions of the willing.

## **The Challenges to Investing Increasingly Scarce Resources Wisely and Strategically**

NATO is struggling to transition from a deployed Alliance focused on conducting significant counterinsurgency operations, to a responsive Alliance prepared to react to any number of demanding and unpredictable contingencies. According to Secretary General Rasmussen, "We must complete the transition from a deployed NATO to a prepared NATO: delivering critical capabilities now while also planning for the future, and finding new ways to generate new capabilities."<sup>37</sup> The Alliance must make this transition while member nations continue to downsize their militaries, experience declining defense budgets, suffer from growing costs for military hardware and personnel and pay for a high level of expensive overseas operations.

At a recent conference on the Trans-Atlantic Defense Cooperation Initiative, Mr. Patrick Auroy, NATO Assistant Secretary-General for Defense Investment, framed the problem thus:

We are conducting our business in the middle of a major economic crisis. Budgets are decreasing. Prices are increasing. New players are emerging. Security risks and threats are multiplying. And technology is now advancing more rapidly than ever.

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<sup>36</sup> NATO, "What is Article 5?" <http://www.nato.int/terrorism/five.htm> (n.d.)

<sup>37</sup> NATO, "National Armaments Directors discuss NATO capabilities," Conference of National Armaments Directors (CNAD), [http://www.nato.int/cps/en/SID-9C89104F-6A47F864/natolive/news\\_100107.htm](http://www.nato.int/cps/en/SID-9C89104F-6A47F864/natolive/news_100107.htm) (April 18, 2013).

The cost of new equipment continues to rise faster than inflation. And often, also faster than the gross domestic product. With the falling levels of defense investment, there is a real risk that nations, and NATO, will be unable to afford the modern military capabilities we need.

Until recently, this was considered to be a uniquely European issue. But the economic crisis is now also impacting on the United States' defense budget. All NATO nations need to make savings in their national expenditure. And in many countries, expenditure on defense seems to be taking a disproportionate hit.

Over the past 2 years, European NATO members have cut defense spending by 45 billion dollars. That's more than the annual German Defense budget. And those cuts will get bigger. We have a NATO target of 2% of Gross Domestic Product to be spent on defense. Yet very few Allies meet this. Some are barely spending 1%.

These dwindling defense budgets are also being increasingly consumed by the costs of our operational commitments. Fighting for freedom does not come for free. NATO nations are involved in many operations. And the costs are considerable. Consequently, there is even less money left for research and development, and for procurement of new equipment.

Taken together, these developments are a major challenge for all NATO Allies. And they are a challenge to our defense industries as well. Sales opportunities are reducing. Defense companies will be competing with each other over a smaller market share. And they will also be facing increasing competition from defense companies in emerging economies – such as China, Brazil or South Africa.<sup>38</sup>

Complicating the Alliance's budgetary and investment decision making is the problem of leadership within Europe on defense issues. A growing number of observers, experts and even European officials have commented on the lack of leadership in Europe on the issue of defense collaboration. France and the U.K. have recently shown a greater interest in collaborating on defense planning and even industrial production. However, there is no center of gravity across NATO Europe as a whole. As one expert on defense collaboration observed:

None of Europe's largest states appears suited to claim the mantle of leadership. Germany, the world's third-largest exporter, is regressing to economic nationalism after opposing a much-needed jolt to Europe's fragmented defense industrial base, the proposed merger between EADS and BAE Systems. Britain is flirting with the idea of an EU exit at a time when it should be seeking greater influence within the only forum in which its voice still carries some weight. Meanwhile, France is pursuing a "competitiveness pact" against the advice of many who believe only shock therapy can reverse the country's global competitiveness decline.<sup>39</sup>

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<sup>38</sup> NATO, "Smart Defense, Smart TADIC," Conference to address Trans-Atlantic Defense Technological and Industrial Cooperation (TADIC), Conference of National Armaments Directors (CNAD) (October 2011), p.15.

<sup>39</sup>Christina Balis, "Transatlantic Defence Cooperation: Europe's Weakness Denies America a Key Partner," The European Security and Defence Union, ISSN 2192-6921, Volume No. 14,

The danger is that as individual member nations exercise their sovereign right to choose which forces to cut, which to keep and where to place scarce investment dollars, critical enabling or integrating capabilities will be lost. NATO has attempted to put in place a number of reforms and initiatives in order to address the fundamental problems of insufficient investment in defense and the absence of an overall strategy for preparing the Alliance for the challenges of the 21st century. As a result, the Alliance faces two very different potential futures.

The question may be framed as whether (1) NATO will be a framework for collective defense and consultation, a survivor of the 20th century which has undergone some reforms and adaptations for the 21st but may be less capable of conducting ambitious missions as it has over the past decade, or whether (2) the Alliance will deepen multinational co-operation in procurement, capability development and force integration, using smart defense principles to maintain and improve its military capabilities.<sup>40</sup>

Some observers have an even more negative vision of the future. One well-respected European defense expert, Francois Heisbourg, argued that the West's growing strategic weakness reflects not only a loss of hard military power but the dissipation of the political cohesion and common strategic perspective provided during the Cold War by a unifying threat.

The West's strategic decline has also been hastened by its own divisions, even when there has been agreement in the Security Council to authorize the use of force. During the 2011 Libyan air campaign, fully half of NATO's members, and the same proportion of the EU, refused to have anything to do with it. Among those that supported it, not all flew combat missions. America's otherwise apposite decision to shift its strategic focus towards the Asia-Pacific region has compounded the material effect of these divisions by imposing a greater burden on a limited set of allies with shrinking defense assets. A fellow analyst, Camille Grand, styles the strategic outcome as the "coalition of the unable and the unwilling".<sup>41</sup>

The combination of a lack of agreement at the top on everything from threats, to resource expenditures and commitments and the absence of effective consultation and coordination at the national level with respect to both disinvestments and modernization programs, makes it extremely difficult to see a way clear to an investment strategy that will allow the Alliance as a whole to meet not only its current responsibilities but its future challenges too. Given the lack of political will to keep defense spending at the agreed 2 percent of GDP level or to fully embrace the various formulations related to defense collaboration, it is hard to imagine how the 28 member nations will accept the measures dictated by a strategic approach to investments in future forces and capabilities.

Recently, Secretary of Defense Chuck Hagel joined the long-standing Greek chorus that has warned of the dire political and military consequences of NATO's failure to spend adequately in

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<https://www.avascent.com/blog/2012/11/29/transatlantic-defence-cooperation-europes-weakness-denies-america-a-key-partner/> (November 29, 2012).

<sup>40</sup> Nicole Ameline, *op. cit.*, p. 5.

<sup>41</sup> Francois Heisbourg, "The west is accelerating its strategic decline," *The Financial Times* (September 4, 2013).

defense. At the February 26, 2014 meeting of NATO Defense Ministers, Secretary Hagel stated that “As European economies recover, leaders must make the case for renewed investment in military capability. The current path is not sustainable. Our alliance can endure only as long as we are willing to fight for it, and invest in it.” He went on to declare that “If the alliance is to remain effective, adaptable, and relevant, rebalancing NATO's burden-sharing and capabilities is mandatory - not elective.”<sup>42</sup>

The challenge for NATO is to develop a useful and usable portfolio of capabilities without increased budgets, a significantly greater degree of defense integration or more certainty with respect to the membership of future coalitions. National decisions will continue to dominate what forces NATO will possess as well as how and even whether they can be employed. The best that can be expected is a better allocation of fiscal resources and a closer alignment of the capabilities available across the Alliance with its level of ambition. In particular, NATO needs to take steps to make its present and likely future force structure more deployable and employable and also reduce risks that a future coalition will lack essential capabilities, particularly critical enablers.

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<sup>42</sup> Robert Burns, “Hagel Says that Europeans Should Step Up NATO Support,” *Associated Press* (February 26 2014).

## CHAPTER II

## The Growing Disconnect between Requirements, Budgets and Forces

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For almost two decades, NATO has struggled to resolve the profound disconnect between its security needs, the military capabilities required to meet a robust level of ambition with respect to anticipated military operations and its willingness to spend resources. Since it first attempted to define a post-Cold War vision of the desired level of Alliance military capabilities, the 1999 so-called Defense Capabilities Initiative, NATO has repeatedly proposed and then backed away from both the quantity and quality of investments necessitated by its own definition of the security challenges in the 21<sup>st</sup> century. Each successive plan diminished the scope of NATO's force plans and investment programs while nevertheless maintaining a robust requirement for highly capable forces, what is termed the Alliance's Level of Ambition (LOA).

In the run up to NATO's Lisbon Summit in 2010 which saw the formal unveiling of the Alliance's new Strategic Concept, the *Report of the Group of Experts* clearly identified the source of NATO's crisis of capabilities.

The primary limiting factor hindering military transformation has been the lack of European defense spending and investment. Today, only six of twenty-six European Allies spend 2 percent or more of GDP on these purposes; only about a dozen have met goals for making military forces deployable and sustainable. The Alliance benchmark of 20 percent of military spending allocated to investment has been achieved by less than half of NATO nations (though the trend is slowly improving). The gap is especially large between U.S. capabilities and the rest of NATO, an imbalance that if left unchecked could undermine Alliance cohesion. Contributing to the problem is the fact that, in the past twenty years, European defense spending has been consumed disproportionately by personnel and operational costs. As a result, European national forces generally do not have nearly enough transformed forces.<sup>43</sup>

NATO without the United States today spends nearly \$300 billion a year on defense and maintains some 1.6 million men under arms. This should be enough to produce a military of enormous power. But such is not the case. As the conflict in Afghanistan and the air war over Libya demonstrated, NATO has spent its money poorly, buying too much of some capabilities and not enough of others. As multiple studies, including many by European institutions and think tanks have clearly demonstrated, it is less security and strategic political considerations that characterize the capability generation process among NATO members than a mixture of national industrial and technology policies and structural policy.

Two years after U.S. Secretary of Defense Robert Gates warned the NATO countries of their unwillingness to spend the minimum necessary to support a reasonable defense, the situation has changed very little and not for the better. Today, only two countries, Greece and the United

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<sup>43</sup> Group of Experts, *NATO 2020: Assured Security; Dynamic Engagement*, NATO Public Diplomacy Division (Brussels, Belgium, May 17, 2010), p. 38.

Kingdom spend the agreed on 2 percent of GDP. Even for the U.K. with its desire to maintain a full spectrum of capabilities, including an independent nuclear deterrent, this has not prevented a deep draw down in forces as part of that country's Strategic Defense Review.

The case of the Netherlands illustrates how precipitous and consequential defense spending cuts are.

Since the end of the Cold War Dutch defence spending has fallen from 2.8% of gross domestic product (GDP) to 1.4% GDP and is planned to fall to 1.14% GDP by 2015. Indeed, if one removes Dutch Gendarmerie forces from the defence budget the figure is nearer 1% GDP or half of NATO's agreed defence investment level of 2% GDP. Moreover, according to the CIA the Netherlands ranks 92<sup>nd</sup> in comparative world military expenditure out of 173 states and **15<sup>th</sup> out of NATO's 28 members**. To be fair 'superpower' Germany comes in at 102<sup>nd</sup> and Canada 120<sup>th</sup>, but the rest comprise mainly minnows such as Albania, Belgium, Iceland, and Luxembourg (emphasis in original).<sup>44</sup>

As budgets have declined, NATO nations have cut forces and reduced investments in new capabilities. The major powers have continued to try and maintain a full spectrum of capabilities. However, given budgets, it is quite clear that this will not be possible in the future. Most of the smaller countries have given up any ambitions of this sort and have chosen either to focus on so-called niche capabilities or to maintain what might well be termed a minimum force posture. A number these countries have decided to maintain their relevance to the Alliance by retaining one or two high-end specialized capabilities. The Netherlands, for example, has almost entirely given up on its land forces while maintaining, albeit at a reduced level, modern air and naval forces (including a commitment to acquire the F-35 Joint Strike Fighter).<sup>45</sup> The same situation pertains with respect to Belgium, Norway and Spain. Still others, primarily the Alliance's newer members in Eastern Europe remain focused on the traditional collective defense mission. As a result, they have resisted investing in capabilities to support expeditionary operations and sought to maintain and even improve their ability to conduct territorial defense.

The issues of underspending and the misallocation of available resources are nothing new for NATO. But now they have reached crisis proportions. The combination of declining defense spending, uncoordinated national decisions on force structure reductions and investment priorities and the need to focus on both expeditionary operations and the abiding collective security mission not only threatens to sunder the trans-Atlantic relationship, as former Secretaries of Defense Gates and Panetta both warned, but to set the European members of the Alliance against one another and reduce Europe's role and influence in global security issues.<sup>46</sup> NATO Secretary General Anders Fogh Rasmussen summarized the dangers thusly:

If current trends in Europe continue, the gap between defense capabilities across the Atlantic will continue to widen. We risk a weak and divided Europe – more than 20

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<sup>44</sup> Julian Lindley-French, *The Dutch Cut NATO!*, The Atlantic Council (September 23, 2013).

<sup>45</sup> Marcial Hernandez, *Dutch Hard Power: Choosing Decline*, American Enterprise Institute (April 2013).

<sup>46</sup> Richard Weitz, "Global Insights: NATO Spending, Capabilities Gaps Continue to Grow," *World Politics Review* (February 12, 2013).

years after the fall of the Berlin Wall. And a weak and divided Europe would be a loss not just for the United States, but for the world as a whole.<sup>47</sup>

## **What Does NATO need to be able to do?**

As outlined in Chapter I, at the political level, there is no agreement on what missions the Alliance should be prepared to perform post-Afghanistan other than those associated with traditional Article 5 obligations. The threat to Europe has been judged to be very low.

Nevertheless, in a series of summits and meetings, the Alliance has defined requirements for its force structure both quantitatively and qualitatively.

The first attempt to define requirements for modern NATO was at the 2002 Prague Summit. Here, the members of the Alliance agreed to the creation of the NATO Response Force (NRF). The NRF is intended to be a highly ready and technologically advanced multinational force made up of land, air, maritime and Special Forces components that the Alliance can deploy quickly to wherever it is needed. It is comprised of three parts: a command and control element from the NATO Command Structure; the Immediate Response Force, a joint force originally sized at around 25,000 but since reduced to about 13,000 high-readiness troops provided by allies; and a Response Forces Pool, which can supplement the Immediate Response Force when necessary. The Immediate Response Force has: a brigade-sized land component based on three Battle Groups and their supporting elements; a maritime component based on NATO's Standing Naval Maritime Groups and Standing Naval Mine Counter Measures Groups; a combat air and air support component; Special Forces; and a chemical, biological, radiological and nuclear defense task force.<sup>48</sup>

Regarding the Alliance's ability to conduct operations, the organization established a clear goal in 2006 when the members approved the level of ambition as part of NATO's Comprehensive Political Guidance (CPG) for the next 10 to 15 years. The CPG directed that NATO develop and maintain the ability to conduct multiple large and small-scale operations and that a specific fraction of total forces be structured and supported in a manner that would support rapid and continuous actions.

In order to undertake the full range of missions, the Alliance must have the capability to launch and sustain concurrent major joint operations and smaller operations for collective defense and crisis response on and beyond Alliance territory, on its periphery, and at strategic distance; it is likely that NATO will need to carry out a greater number of smaller demanding and different operations, and the Alliance must retain the capability to conduct large-scale high-intensity operations.

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<sup>47</sup> Anders Fogh Rasmussen, NATO Secretary General, "Building security in an age of austerity," Keynote speech at the 2011 Munich Security Conference (February 4, 2011).

<sup>48</sup> NATO, *The NATO Response Force: At the centre of NATO transformation*, [http://www.nato.int/nato\\_static/assets/pdf/pdf\\_2013\\_10/20131018\\_131022-MediaBackgrounder\\_NRF\\_en.pdf](http://www.nato.int/nato_static/assets/pdf/pdf_2013_10/20131018_131022-MediaBackgrounder_NRF_en.pdf) (last updated October 15, 2013).

Regardless of its overall size, each operation is likely to require a command and control structure able to plan and execute a campaign to accomplish a strategic or operational objective, employing the appropriate mix of air, land and maritime components. It also requires forces that are structured, equipped, manned and trained for expeditionary operations in order to respond rapidly to emerging crises, for which the NATO Response Force would be a key element, effectively reinforce initial entry forces, and sustain the Alliance's commitment for the duration of the operation.

On this basis, the Alliance requires sufficient fully deployable and sustainable land forces, and appropriate air and maritime components. This requirement is supported by political targets as set out by Defense Ministers for the proportion of their nation's land forces which are structured, prepared and equipped for deployed operations (40%) as well as the proportion undertaking or planned for sustained operations at any one time (8%), and by the Allies undertaking to intensify their efforts, taking into account national priorities and obligations, to this end.<sup>49</sup>

To this robust level of ambition, NATO leaders added still greater requirements. Based on the CPG, NATO decided that the Alliance must be able to perform two major joint operations (MJO) and six small joint operations (SJO) simultaneously.<sup>50</sup> The scale of the joint operations varies. The two MJOs are considered to require multi-division or corps deployments. Of the SJOs, two are defined as land-heavy, requiring the equivalent of a division of land forces plus appropriate air and naval elements. Two are also land-heavy but smaller, necessitating deployment of no more than a brigade. The fifth and sixth SJOs are envisioned to be air and maritime focused, respectively.<sup>51</sup>

To support multiple, simultaneous operations, NATO created six deployable joint staff elements (DJSE) to provide command and control in the field for the eight simultaneous major and small joint operations. As described in NATO documents:

A number of small, lean DJSEs would thus be available, taking turns to provide the “in-theatre” part of an Operational Level HQ [*headquarters*] tasked to run a given operation from its peacetime location. The Operational Level HQ would thus be enabled to conduct more than one operation at a time from their standing HQ locations “at home”, running several DJSEs in the respective operation's area simultaneously.<sup>52</sup>

NATO's CPG and the related level of ambition are critical to the development of a strategic approach to the investment of the Alliance's increasingly scarce resources for two reasons. First, the LOA defines concretely how NATO's strategic objectives are to be realized in terms of specific forces and capabilities. Second, they are the link connecting the Alliance's requirements

<sup>49</sup> NATO, *Comprehensive Political Guidance* (November 26, 2006), p. 3.

<sup>50</sup> NATO Public Diplomacy Division, *NATO Handbook* (2006), p. 53.

<sup>51</sup> Lt Col Roland G. Iffert, *NATO Response Force: Briefing to “NATO METOC Orientation Course,”* Oberammergau (May 8, 2012).

<sup>52</sup> NATO, “History of the Headquarters,” Headquarters Allied Force Command Headquarters Heidelberg,” <http://www.nato.int/fchd/FCHD/history.html> (n.d.).

for forces and the assessment of capabilities and shortfalls generated by the NATO defense planning process.

What is missing from this process is the connection between NATO's LOA and decisions made within the Alliance on defense budgets and force structures. The Alliance has never actually established the level of resources or the numbers of brigades, ships and planes needed to ensure an ability to meet its LOA.

Yet, it is increasingly unlikely that NATO will have either the financial resources or properly organized, trained and equipped forces with which to meet its LOA. As one analyst observed:

When the allies approve a level of ambition, it should become the reference not only for the employment of forces, but also for the required capabilities and for the contribution of every member to achieve this goal. Recent experiences such as ISAF [*International Security Assistance Force*] provide clear examples of how decisive the participation of the U.S. in NATO operations could be. Nowadays, the problem for the Alliance is not only if it could reach the level of ambition without the participation of the U.S. but also that that participation is becoming increasingly unlikely.<sup>53</sup>

Without fail, every analysis of NATO's current state and future prospects acknowledges the twin challenges posed by declining budgets and shrinking forces. NATO's manifest military weaknesses would not be of great concern were it not for three factors. First, NATO has been involved in a wide range of operations and this condition shows no sign of decreasing. Whether it was the Libyan campaign, France's intervention in Mali and the Central African Republic or possible Syrian strikes, these were expeditionary operations that had not been anticipated by political leaders and military planners even a few months prior to their initiation. Second, the proliferation of advanced weapons technologies suggests that future Alliance operations will have to confront more serious opposition than those of the past several decades. Finally, NATO has set out for itself a rather robust set of operational requirements.

## **Declining Defense Budgets and Conflicting National Spending Priorities**

Underfunding and idiosyncratic investment strategies are nothing new for NATO. These issues have been part of NATO's political and strategic firmament for nearly 50 years.<sup>54</sup> This historic problem has been exacerbated by three conditions. The first was the decision by virtually all NATO members after the end of the Soviet Union to extract a peace dividend from extant defense budgets. These cuts were deepened as a consequence of the second condition, the financial crisis which began in 2008 and forced the majority of NATO members to further reduce defense spending. The third condition was the increase in the number, duration and complexity of out-of-area operations that imposed a significant cost on militaries that had not planned for such operations and which were relatively ill-prepared to carry them out.

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<sup>53</sup> Major Alejandro Serrano Martínez, *NATO's Level of Ambition in Light of the Current Strategic Context*, School of Advanced Military Studies, Army Command and Staff College (Fort Leavenworth, KS, 2012), p. 13.

<sup>54</sup> Daniel Goure, *The Limits of Alliances*, Lexington Institute (Arlington, VA, April 2004).

In terms of capability generation, the European states are faced with manifold challenges:

They have to maintain the operating and strategic effectiveness of their armed forces while being presented with the contradictory relationship between decreasing resources and increasing numbers of ongoing operations. Despite the military engagements in the Balkans, Afghanistan and Iraq defense budgets have not recovered from their massive cutbacks after the end of [the] Cold War. In those states where defense expenditures have slightly re-increased in the past few years, the added funding has rarely been used for investments in military capabilities or equipment. Frequently, these sums only cover the increased attrition of material due to the many military operations.<sup>55</sup>

Everyone agrees as to the basic problem: NATO is not spending enough even to maintain its current reduced military capabilities. Existing spending levels make it virtually impossible for the Alliance to invest sufficiently in a new generation of systems or to adequately support the new strategic focus in expeditionary operations. Former U.S. Ambassador to NATO, Ivo Daalder, observed in his farewell speech, almost exactly two years after Secretary Gates' famous critique of European defense spending, that: "Unfortunately, NATO's capabilities – or, more precisely, European capabilities – are dwindling. And they are dwindling for one simple reason: European investment in defense has been on a prolonged period of decline."<sup>56</sup>

The decline in defense spending by European NATO in the new millennium has been dramatic. As Ambassador Daalder pointed out:

In 2000, NATO Allies aside from the United States spent almost 2.0% of their combined GDP on defense. By 2007, well before the financial crisis hit, the non-U.S. defense effort in NATO had already been cut by a quarter. Today, these Allies spend less than 1.4% of their combined GDP on defense—nearly a one-third reduction in spending compared to what European Allies devoted to defense at the start of this century.

After years of slashed European defense budgets, the United States now accounts for nearly 75% of overall Alliance defense spending. Almost three quarters! In 2000, the percentages were much closer—more nearly a 50-50 split.<sup>57</sup>

In absolute terms, NATO spends a not insubstantial amount on defense, some \$282 billion in 2011. However, this still represents a considerable decline in absolute terms from the amount spent at the end of the Cold War. The average reduction has been on the order of 2 percent per annum from 2001 to the present. At the same time, inflation across Europe over the same period exceeded 2 percent per year. As a result, the net value of NATO defense budgets declined by more than 4 percent annually (the combination of decreasing defense budgets and the reduced purchasing power of available funds). It should also be noted that inflation in defense goods and services tends to exceed that of the general economy. This is a consequence of the specialized

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<sup>55</sup> *The Impact of the Financial crisis on European Defense*, *op. cit.*, p. 20.

<sup>56</sup> Ivo Daalder, Ambassador, "Remarks at Carnegie Europe, Brussels," United States Mission to NATO, <http://nato.usmission.gov/sp-06172013.html> (June 17, 2013).

<sup>57</sup> *Ibid.*

character and content of many of these products, particularly hardware and platforms, as well as the small production runs for most European military systems.

Moreover, the decline in aggregate defense spending by NATO allies masks even more severe reductions by individual countries. The most extreme is Lithuania which cut its expenditures by approximately 50 percent in just two years. Many other smaller members, including long-standing members of the Alliance have drawn down their defense budgets by an average of 30 percent since the beginning of the financial crisis. Spending decreases of these magnitudes suggest that NATO is indeed moving towards a two-tier structure in which the smaller members lack the wherewithal to provide any meaningful addition to the collective strength of the Alliance.<sup>58</sup>

As a result of such budget cuts, NATO spending on an aggregate basis as well as by individual countries has dropped significantly below the 2 percent threshold.

On average, defense spending of European Allies was 1.62 percent of the GDP, with 20 out of 28 NATO members spending less than this average and only 6 European countries (Estonia, France, Greece, Poland, Turkey, and the United Kingdom) spending more.<sup>59</sup>

Even the major European military powers have generally seen their defense spending fall below the 2 percent threshold. This is extremely significant since four countries (France, the U.K., Germany and Italy) provide 70 percent of European defense spending and ten (adding Spain, Poland, the Netherlands, Belgium, Sweden and Greece) account for 90 percent.<sup>60</sup> Just three member states (France, the U.K. and Germany) account for a whopping 88 percent of Europe's entire military research and development spending.<sup>61</sup> According to an extremely well-documented study by the Center for Strategic and International Studies:

Analyzing total defense spending as a percentage of GDP reveals that in 2011 only two European countries, the United Kingdom and Greece, met NATO's minimal goal of at least 2 percent of GDP spent on defense. Here too the trend is a downward one, with five countries meeting the NATO benchmark in 2008, four in 2009, and three in 2010.<sup>62</sup>

It does not appear that reductions in defense spending are over. Based on national defense planning and budgeting documents, defense spending by European members of NATO is

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<sup>58</sup> Christian Mölling in Clara Marina O'Donnell, ed., "Trends within the European Union," *The Implications of Military Spending Cuts for NATO's Largest Members*, Center on the United States and Europe, The Brookings Institution, Analysis Paper (July 2012), pp. 6-7. And, Fabio Liberti, *Defence spending in Europe: Can we do better without spending more?* Research Paper 46, Notre Europe (2013), pp. 15-16.

<sup>59</sup> Heather A. Conley and Maren Leed, "NATO in the Land of Pretend," Commentary, Center for Strategic and International Studies (June 26, 2013), p. 1. And, European Defense Agency, *European – United States Defence expenditure in 2009* (December 21, 2010).

<sup>60</sup> Daniel Keohane and Charlotte Blommesteijn, *Strength in Numbers? Comparing EU Military Capabilities 2009 with 1999*, EU Institute of Security Studies (December 2009), p. 3.

<sup>61</sup> Richard Weitz, "Transatlantic Defense Troubles," *Strategic Insights*, Volume 10, Issue 3 (Winter 2011), p. 52.

<sup>62</sup> David Berteau, Guy Ben-Ari and Joachim Hofbauer, *European Defense Trends 2012: Budgets, Regulatory Frameworks and Industrial Base*, Center for Strategic and International Studies (Washington, DC, December 18, 2012), p 1.

expected to decline by a net 2.9 percent between 2010 and 2015. In this period, Germany is projected to reduce defense spending by 21 percent, the U.K. by 11 percent and France by 2 percent.<sup>63</sup>

While in a particular year individual NATO members may maintain stable defense budgets or even increase spending slightly, the overall trend is downward. In addition, the scale of budget reductions far exceeds that of any increases.

In 2011, European members of NATO spent about \$22 billion less on defense than in 2009, the most recent year in which spending increased. This decrease amounts to more than one-third of U.K. or French defense expenditures in 2009 and exceeds the total defense spending of all Central and Eastern European NATO members for that same year. Although defense expenditures fell between 2009 and 2011 by “only” 7.3 percent in reality they returned to the 2000/2001 levels. In other words, nine years of increases were lost in just two years. Even the post-Cold War cuts of the early 1990s did not exceed this percentage—the highest recorded decrease, 1993–1995, was 5.6 percent.<sup>64</sup>

NATO spending has been declining for so long and has reached such low levels that it would be a supreme effort for most Alliance members to simply meet the 2 percent goal. Another way of looking at the situation is by observing how much more NATO countries would have to spend to meet that target. According to one analysis:

For Europe’s industrial base, the collective failing of so many nations to commit to defense has created colossal under-capacity. . . .the cost of Europe’s defense deficit can be roughly estimated. In crude terms, the total shortfall between the 2 percent of GDP target and Europe’s actual defense spending amounts to \$54.6 billion per annum (approximately £36 bn, based on 2010 figures). If the scale of this shortfall needs further illustration, this is essentially the equivalent of the U.K.’s entire annual defense spend, or around 25% of combined annual European military budgets.<sup>65</sup>

It is not surprising that the financial crisis would trigger a new round of reductions in defense spending. What is difficult to exaggerate is the effect of these reductions on available resources and on defense acquisition in particular. Germany’s need to cut defense spending resulted in the most far-reaching reforms of the Bundeswehr, most notably the termination of conscription.

In fact, what triggered the current and most far-reaching reform since the founding of the *Bundeswehr* in 1955 was not a security-political decision by the minister of defense but a budget decision by the minister of finance. In reaction to the crisis, Germany passed a constitutional amendment limiting new federal debt to 3.5 percent of GDP. To comply with this *Schuldenbremse* (“brake on debt”), the finance minister in 2010 prescribed every ministry an exact amount of money to be saved over the next four years (later

<sup>63</sup> Stephen Fidler and Alistair Macdonald, *op. cit.*, p.1.

<sup>64</sup> Marcin Terlikowski, *op. cit.*, pp. 1-2.

<sup>65</sup> Jonathan Dowdall, “As Europe Wakes to Defence Spending Shortfall, NATO Risks Losing US Investment,” Defense Dateline Group, <http://www.defenceiq.com/defence-technology/articles/as-nato-wakes-to-defence-spending-shortfall-intern> (March 14, 2011).

amended to five). In relation to its overall budget, defense had to cut the most: 8.3 billion between 2010 and 2014 (now 2015). Considering that the annual budget of German defense is about €30 billion, those are staggering numbers.<sup>66</sup>

The same phenomenon occurred across Europe. The new Conservative Government in the United Kingdom decided on defense budget cuts ostensibly amounting to 7.5 percent. However, when changes in the proposed defense program are factored in, the cuts were really on the order of 25 percent.<sup>67</sup>

Such a level of underfunding for two or more decades inevitably results in a military that is under modernized and, hence, obsolescing. It also creates a capabilities deficit which would require spending levels well above the 2 percent threshold for years if NATO were to attempt simply to rectify the damage created by prolonged starvation of its defense sector. Underfunding not only limits the ability of NATO members to maintain existing assets or acquire new ones, it also limits the ability to accomplish many prosaic tasks such as adequate training and to ensure the availability of the necessary stocks of material and spare parts with which to actually go to war. In many respects, a poorly trained and prepared force is worse than one that has failed to modernize.

This situation is rendered significantly worse by the fact that not only is NATO not spending enough to field an adequate military capability but it is allocating increasingly scarce resources in a manner that inevitably results in waste, duplication of effort, unmet requirements and further erosion of capabilities. Also, the international security environment has produced more demands for resources even as the amount goes down. Those countries holding spending at or above 2 percent face the problem of declining availability of funds for modernization. According to one analysis that used NATO data:

Only four other NATO members met their obligation to invest in critical future capabilities and spend at least one-fifth of their defense budget on major defense equipment. During the past decade, the gap in this modernization spending between the United States and other NATO members has widened.<sup>68</sup>

Another significant reason for this growing disconnect between requirements and capabilities has been Europe's willingness to take reductions in force structure independent of any strategic planning or assessment of needs. When the Berlin Wall fell, European militaries fielded a total military manpower of between 3-3.5 million personnel. Today, the European Union's total available manpower is approximately 2 million. Between 2009 and 2011, during the height of the financial crisis but while the NATO-led operation in Afghanistan was at a critical stage, the troop numbers for all European countries fell by nearly 200,000. Thus, far from being an

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<sup>66</sup> Patrick Keller, *Challenges for European defense budgets after the economic crisis*, American Enterprise Institute for Public Policy Research, No.1 (July 2011).

<sup>67</sup> Andrew Dorman, "The United Kingdom" in Clara Marina O'Donnell, ed., *op cit.*, (July 2012), p. 9.

<sup>68</sup> Richard Weitz, "Global Insights," *op. cit.*, p. 1. And, Anders Fogh Rasmussen, NATO Secretary General, *The Secretary General's Annual Report 2012*, NATO Public Diplomacy Division (Brussels, Belgium, December 2012), p. 11.

unprecedented response to an unusual fiscal situation, the recent personnel cut-backs announced by many European states fit into an existing pattern.<sup>69</sup>

Despite significant reductions in the number of people in uniform, the fraction of defense spending devoted to personnel actually has increased. In part this reflects the shift in several countries from conscription-based to professional militaries. The cost per service person has risen significantly but this has not been reflected in an increase in the number of uniform personnel who are deployable.<sup>70</sup> In 2009, more than half of European defense spending went to military personnel, while only one-fifth was used to procure equipment.<sup>71</sup> Virtually all assessments agree that the reasons for the skewed character of European defense spending are high compensation rates for professional soldiers, the retention of excess infrastructure and the massive headquarters and back office establishments supporting a decreasing number of individuals in uniform.<sup>72</sup> According to one analyst: “the Bundeswehr requires 35 uniformed and 15 civil personnel to support each soldier in combat duty: a hard-to-believe 50 to 1 ratio.”<sup>73</sup>

Not only does NATO still spend too much on personnel and insufficiently on procurement and R&D, what is spent is often wasted on duplicative programs intended to protect domestic industries and the associated jobs.

European NATO members are buying duplicative capabilities to support their own domestic industries which undermine proposed pooling and sharing arrangements. For example, there are no less than 23 different types of armored vehicles with varying calibers of ammunition that will be commissioned in Europe in the next 10 years for 26 European NATO members. European armed forces have seven types of combat helicopters and four types of main battle tanks. Simply put, European military capabilities are fragmented, duplicative, and more expensive than they need to be.<sup>74</sup>

A recent quantitative analysis of European versus U.S. spending patterns on military platforms clearly shows that in every category, from ships and submarines to armored vehicles and aircraft, more types are produced, generally in smaller lots and at an overall higher cost. The fundamental reason for this is the desire of individual nations to protect domestic industrial production and the jobs that go with it.

What the data clearly show, in other words, is that cooperation in Europe is still driven strictly by economic necessity and not by political goals. Developing costs for an armored personnel carrier runs into millions of euro: developing naval vessels costs dozens of millions: fighter jet development costs runs into billions. Therefore, relatively

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<sup>69</sup> Jonathan Dowdall, “The Real Reasons Behind Europe’s Diminishing Force Numbers,” Defense Dateline Group, <http://www.defenceiq.com/air-land-and-sea-defence-services/articles/why-europe-s-militaries-are-moving-towards-smaller/> (February 7, 2011).

<sup>70</sup> David Berteau, et al., *op. cit.*, p. 5-6.

<sup>71</sup> Richard Weitz, “Transatlantic Defense Troubles,” *op. cit.*, pp. 58-59.

<sup>72</sup> Tomas Valasek, *Surviving Austerity: The case for a new approach to EU military collaboration*, Centre for European Reform (2011), p. 12. And, Fabio Liberti, *op. cit.*, pp. 17-18.

<sup>73</sup> Marko Savković, *Europe’s Defence in Times of Austerity*, Swiss Federal Institute of Technology Zurich (October 29, 2012), p. 3.

<sup>74</sup> Heather A. Conley and Maren Leed, *op. cit.*, p. 2.

cheap items such as personnel carriers are developed nationally throughout Europe: expensive platforms such as fighter jets are developed mostly on a multinational basis. While there has been a considerable political drive towards rationalizing and consolidating defense demand, the raw numbers tell us that this drive hasn't yet translated into a major factor shaping procurement decisions. Political considerations on the effectiveness of European armed forces or on the efficiency of European and national defense spending are still secondary compared to the support of national industrial bases.<sup>75</sup>

A major NATO conference noted that given long-standing underinvestment in conventional military forces in NATO Europe and current and prospective defense budget cuts, "it cannot be assumed that existing capabilities can be maintained over time at the current level of effectiveness. This bounds, the confidence that might be placed in conventional deterrence, which on its own has not generally been demonstrated to be effective. Indeed, conventional deterrence is unstable and expensive and its failures have been striking."<sup>76</sup>

The conference report went on to observe that, "With regard to conventional forces, they are severely under-resourced, the few expeditionary capabilities that exist are overstretched in operations, and the force structures are unbalanced and do not enable the generation of deployable units." A senior U.S. official participating in this conference was quoted regarding NATO headquarters' claims that the Alliance could improve its expeditionary warfare capabilities while maintaining its collective defense obligations thusly:

This is where I am not very reassured: expeditionary forces are trained to deal with poorly armed and trained insurgents, which is not the same as determined conventional armies. The NATO Response Force, which was supposed to be the ultimate insurance against unexpected contingencies, has struggled mightily and has never been used in combat. . . . a lot of spending [is] wasted on administration and infrastructure costs. In many cases, only some 5 percent of troops are deployable and even fewer are sustained in operations."<sup>77</sup>

One of the most enduring problems confronting the Alliance has been the structure of national defense investments. Simply put, NATO has always suffered from a degree of malinvestment. There was an excess of people, air defense and armor and not enough in ISR, rotary wing lift, logistics, war stocks and intelligence. In addition, member countries tended to underinvest in R&D and at the same time engage in redundant investments. This reality did not change with the end of the Cold War. Almost two decades ago, then-Supreme Allied Commander, General Joseph Ralston, warned that a serious imbalance continued to exist between United States and European military capabilities due to growing asymmetry in technology. Ralston said that, "Europe's shrinking defense industrial base and limitations in production of advanced military

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<sup>75</sup> Valerio Briani, *Armaments Duplication in Europe: A Quantitative Assessment*, Centre for European Policy Studies, Brief No. 297 (July 16, 2013), pp. 4-5.

<sup>76</sup> Cited in David S. Yost, *NATO's Deterrence and Defense Posture After the Chicago Summit*. U.S. Naval Postgraduate School (Monterrey, CA, November 2012), pp. 4-5.

<sup>77</sup> *Ibid.*, p.5

capabilities could lead to a future in which only the United States had the capacity to engage globally.”<sup>78</sup>

Nor, with a few exceptions, did the situation change after 9/11. One only has to examine current allied defense budgets and acquisition programs to understand the difficulty most of them will have in meeting even the modest modernization goals set out by NATO much less the more ambitious targets of a transformational modernization path. European defense planning, even after 9/11, did not see a serious increase in the resources available for defense. In a fit of despair, outgoing Secretary of Defense Gates fumed: “The mightiest military alliance in history is only 11 weeks into an operation against a poorly armed regime in a sparsely populated country, yet many allies are beginning to run short of munitions, requiring the U.S., once more, to make up the difference.” No less a figure than Norway’s Minister of Defense, Espen Barth Eide warned in a recent speech at the Europhile think tank CSIS that, “Article 5 is not in such good shape. . . I’m not talking about political will, but the actual ability to deliver if something happens in the trans-Atlantic theater of a more classical type of aggression.”<sup>79</sup>

NATO spends an inadequate amount on research and development and procurement and overspends on personnel, including nondeployable forces. Then there is duplication of effort and investment in obsolescent capabilities. Europe has deployed three different fourth-generation fighters, the Rafale, Typhoon and Grippen, while the U.S. leapt ahead to fifth-generation aircraft, the F-22 and F-35. The U.S. is buying over 100 P-8 antisubmarine warfare aircraft; Europe is buying none. The U.S. already has deployed a fleet of C-17 long-range cargo aircraft while Europe is struggling to buy the shorter range A400. The list goes on and on: missile defenses, the Joint Direct Attack Munition, Small Diameter Bomb, Global Hawk unmanned aerial vehicles and directed energy weapons. Add to that the lack of investment in critical enablers, particularly intelligence, reconnaissance and surveillance.

Even where NATO is acquiring modern capabilities it often does so in numbers too few to meet the demands of modern warfare. For example, British strike sorties in Libya have made extremely good use of the Brimstone anti-tank missile. Because of its unique tandem warhead design, this system can strike point targets with great precision while minimizing collateral damage. However, the Royal Air Force found itself running out of this important munition and lacking the plan or resources to rapidly replenish its stocks.<sup>80</sup>

Another area where NATO remains challenged is that of logistics and sustainment. Historically, NATO relied largely on national systems organized to support short-term, close to home territorial defense operations. NATO’s new strategic concept which focuses on supporting expeditionary forces conducting a spectrum of missions required a radical change in Alliance logistics. The new strategic concept and force structure model requires significant additional expenditures on more agile, expeditionary and joint logistics.

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<sup>78</sup> Cited in Paul Mann, “NATO’s Transatlantic Market Pits Politics Versus Business,” *Aviation Week and Space Technology* (June 17, 1995), p. 7.

<sup>79</sup> Espen Barth Eide, Minister of Defense of Norway, “The Future of European Defense and Transatlantic Solidarity.” Remarks to Statesmen’s Forum. Center for Strategic and International Studies (January 12, 2013).

<sup>80</sup> Thomas Harding, “Libya: RAF Fears over Missile Shortage,” *The Telegraph* (April 20, 2011).

The new strategic concept, however, also means reducing or mothballing major equipment, massive reductions in supplies, a decrease in the logistics capabilities of operational units, as well as a concentration and consolidation of logistics services in service centers, to include, if need be, even outsourcing of logistics tasks. Logisticians are required to support the routine peacetime operations of the armed forces across the whole spectrum of military missions, thus ensuring NATO's reaction forces can deploy for possible action without buildup. They also must prepare to support a practically unlimited number of operational options. These include the provision, as required by the situations, of suitable command and management structures and the capability for multinational cooperation or, preferably, integration.<sup>81</sup>

One of the principal reasons for the pattern of malinvestment is the determination of member countries to protect their domestic defense industrial bases even as declining defense budgets make such a strategy increasingly costly. Europe underwent a significant consolidation of its defense industry in the late 1990s leading to the creation of mega-companies such as BAE Systems and the European Aeronautic Defence and Space Company (EADS). Mergers also created large niche players in such areas as helicopters (Eurocopter) and missiles (MBDA). Despite these efforts, Europe still has a defense industrial base that is oversized for the domestic demand. Moreover, as demonstrated by the decision of the German government to prevent the proposed BAE Systems-EADS merger, national considerations, particularly the protection of jobs, still trumps proposals to improve the efficiency of industrial production and reduce costs.

Unfortunately, the global financial crisis and Europe's slow recovery from it has exacerbated the trends towards underinvestment in modernization and widened the gap between European modernization efforts and those in the United States.

The economic crisis risks exacerbating the 'modernization', 'participation' and 'legitimacy' gaps which exist in the transatlantic alliance. Even before the economic downturn there was a discrepancy between the speed at which the U.S. and Europeans modernized their military capabilities and introduced new technologies – leading many to suggest that NATO was already a multi-tier alliance. As a result of the current spending cuts, this gap is set to widen. The U.S. will continue its frequent technological upgrades, but the larger European states will modernize their military platforms at a slower pace than originally planned. Furthermore, several of the smaller countries will completely suspend the modernization of some of their weapons.<sup>82</sup>

NATO is approaching a spending threshold that would deny it the ability to maintain even its existing expeditionary capabilities much less address capability shortfalls. Secretary General Rasmussen warned that, "There is a point where you no longer cut fat; you're cutting into muscle, and then into bone."<sup>83</sup> Lt. Gen. Aarne Kreuzinger-Janik, the German Air Force chief of staff, warned that if European defense spending were to fall further, this would require additional

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<sup>81</sup> Peter Schmitz and John Rausch, "Operational Logistics in NATO," *Air Force Journal of Logistics*, Volume XXIV, Number 1 (Spring 2000), p. 1.

<sup>82</sup> Christian Mölling in Clara Marina O'Donnell, ed., "Trends within the European Union," *op cit.*, p. 8.

<sup>83</sup> Anders Fogh Rasmussen, NATO Secretary General, "The New Strategic Concept: Active Engagement, Modern Defence," Remarks to German Marshall Fund of the United States (Brussels, Belgium, October 8, 2010).

force structure cuts that could result in “potentially even bigger gaps and shortfalls.”<sup>84</sup> Another observer made the point even more starkly: “At the current pace of cuts, it is hard to see how Europe could maintain enough military capabilities to sustain similar operations (to Libya) in the future.”<sup>85</sup>

Unhappily, as defense budgets have continued to decline, with the U.S. facing a \$1 trillion reduction in projected defense budgets over ten years, these measures are just not enough. The Secretary General has been forced to take out his tin cup, begging his members to spend what is necessary for their own defense and that of the Free World. In a recent speech, Rasmussen warned that its members had to increase defense spending if the Alliance was to remain relevant. NATO is rapidly approaching a point of no return beyond which it will lack not just the military capabilities to meet current contingencies but also the industrial base, research and development facilities and training establishments with which to build future forces.<sup>86</sup> This is ironic because since the end of the Cold War, the Alliance has proven itself remarkably flexible and effective in a range of operations from Afghanistan to the Horn of Africa and, most recently, Libya. It would be the height of strategic folly for the members of NATO to allow this unique organization to fade away in a misguided effort to save a few dollars, euros or pounds.

For more than 20 years, NATO has been trying to transform itself from a territorial defense to a balanced force capable of multiple expeditionary operations. During this period it has had frequent lessons, beginning with the Balkans campaign in the late 1990s, on the inadequacies of its existing force structure and command and control capabilities as well as on the need to restructure its forces to make them more deployable and sustainable. Yet, some two decades hence and with the experiences of Afghanistan and Libya before it, NATO’s Secretary General felt it necessary to warn the Alliance of the importance of investing in new and enhanced capabilities.

We must build on what we have gained in operations such as Afghanistan. Not cash in what some may perceive as the post-ISAF dividend.

In this age of austerity, that looks like an attractive option. But it would be the wrong option. Because security challenges won’t wait while we fix our finances. And more cuts now will lead to greater insecurity in the future, at a cost we simply can’t afford. We saw this after the Cold War, when we were ill prepared to respond to the crises in the Balkans.

Now, we need to reinvest the ISAF dividend in defense.<sup>87</sup>

Given current views of the threat to European security, competing pressures on national budgets, the depth of the economic recession in Europe and the slow recovery and the inherent costs of

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<sup>84</sup> Robert Wall, *op.cit.*

<sup>85</sup> Cited in Richard Cohen, “Shipwreck or Lifeboat: NATO in a Story Century.” *On Track Magazine* (February 16, 2012).

<sup>86</sup> Anders Fogh Rasmussen, NATO Secretary General, “Building security in an age of austerity,” *op. cit.*

<sup>87</sup> Anders Fogh Rasmussen, NATO Secretary General, “NATO after ISAF – staying successful together.” Remarks at the Munich Security Conference (February 2, 2013).

building and sustaining a modern military, it is extremely unlikely that NATO will listen to the warnings from its outgoing Secretary General. According to one well-researched study, European defense spending is likely to continue its downward trend at least through 2020. The optimistic assessment is that spending will decline by the post-Cold War average of approximately 1.8 percent annually. The pessimistic scenario is based on deeper cuts of around 3.2 percent annually, cutting the total resource base available by more than a third over the same period.<sup>88</sup>

### **Shrinking Force Structures, Reduced Modernization and Declining Capabilities**

Obviously, declining defense budgets have been reflected in shrinking force structures, reductions in sustainment activities and truncated or even cancelled modernization programs. Although NATO still maintains a quantitatively large military establishment, the quality of those forces, their level of training, interoperability and deployability are significantly less than their size and expense would suggest.

The reality is that the military capabilities of the majority of NATO countries have been in a state of secular decline for almost two decades. While initial defense reductions following the collapse of the Iron Curtain and the end of the Cold War made sense, NATO Europe has continued to see its defenses decline as defense budgets are reduced. As far back as NATO's Balkan campaigns of the 1990s it was clearly recognized that the forces provided by many NATO members were of limited utility precisely because they lacked precision strike capabilities, all-weather/day-night strike aircraft, airborne ground surveillance, stealth, and tactical airlift.<sup>89</sup>

The extent of the decline in NATO military aptitude may be difficult for many observers to truly fathom. This is due in large part to the fact that reductions are taken at the national level and rarely aggregated or assessed across the Alliance.

Between 2009 and 2011, European states discharged 160,000 soldiers, understanding cuts as necessary to maintain effective armed forces in times of economic austerity. By a rule, they are implemented within broader government spending reductions. Many of the measures proposed are drastic and would have been hard to imagine only a decade ago. Spain, for instance, is vacating air bases and introducing more unmanned drones to its air force. Close to 20,000 soldiers will leave the British Army, in what Defense Secretary Philip Hammond has described as "the biggest shake-up in 100 years". Last October, German Minister of Defense Thomas de Maiziere announced how, out of 328 Bundeswehr bases, 31 will be shut and 90 sized down.<sup>90</sup>

Over the past twenty-odd years, the most profound change has been a shift away from capabilities to conduct high-end conventional conflict and towards medium and even light-weight forces more appropriate for crisis intervention and stability operations. For example, the

<sup>88</sup> David Berteau, et al, *op. cit.*, pp. 48-50.

<sup>89</sup> Paul E. Gallis, *Kosovo: Lessons Learned from Operation Allied Force*, Congressional Research Service, RL30374 (November 19, 1999).

<sup>90</sup> Marko Savković, *op. cit.*, p. 1.

reduction in heavy armor has been dramatic. Between 2002 and 2012, Germany reduced its tank inventory from some 2,400 to a little over 300. The U.K., France, Italy and Spain all reduced their inventories of tanks by 50 percent or more. Belgium, the Netherlands and Denmark essentially eliminated their tank formations entirely. After the currently planned cuts, the U.K., France, Germany and Italy will possess a total of just seven heavy brigades.<sup>91</sup>

NATO's naval forces also have undergone a significant reduction in overall numbers. Some countries, notably the U.K, Spain and the Netherlands, have seen their naval force structure shrink by approximately 50 percent. This is important because of the requirement to ensure a rotational base to support operations of any appreciable duration. At the same time, the capabilities of individual ships and submarines has increased. The effort by France, the U.K. and Italy to maintain a balanced fleet with naval aviation, multi-mission surface combatants, attack submarines and amphibious operations ships results in navies with very small numbers in each category.<sup>92</sup>

NATO air forces have been thinned out with the retirement of obsolescent platforms. However, NATO still maintains an air fleet that is too heavily weighted in favor of interceptor aircraft and insufficiently invested in strike assets. Also, modernization of European air forces has proceeded at an extremely slow pace and has been excessively focused on combat platforms at the expense of enablers such as ISR platforms, transports and aerial refuelers.

The extent of the transformation, some might call it the decline of European military capabilities, is masked by the still substantial size of the continent's total defense spending and aggregate military forces. However, at a national level the changes have left all countries weaker and some incapable of performing traditional missions. The loss of capabilities has been particularly profound in the medium sized members of the Alliance.

Overall, the Alliance is suffering from what one analyst described as a "capability-capacity crunch," a formulation that is the mirror of the basic challenge the U.S. Department of Defense confronted in its 2013 Strategic Capabilities and Management Review. For the smaller NATO members, the choice of capability over capacity may be more a means of hiding the collapse of their militaries.

Furthermore, given the rise in the cost of defence equipment the continual cuts to the Dutch defence equipment budget makes the size of the force the enemy of the cost of the equipment the force needs – a capability-capacity crunch. Indeed, the Dutch are now struggling to afford any military capabilities hence only 37 JSF which is not a viable force. 'Not a viable force' is an accusation that can now be levelled against the entirety of the Dutch armed forces as The Hague drives them below an irreducible level.<sup>93</sup>

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<sup>91</sup> Col. Christopher Langton, ed., *The Military Balance 2003*. International Institute for Strategic Studies (October 2003). And, Col. Christopher Langton, ed., *The Military Balance 2013*, International Institute for Strategic Studies (March 2013).

<sup>92</sup> *Ibid.* Also, Bryan McGrath, "NATO at Sea: Trends in Allied Naval Power," *National Security Outlook*, No. 3. American Enterprise Institute (Washington, DC, September 2013).

<sup>93</sup> Julian Lindley-French and Wouter van Straten, "Exploiting the Value of Small Navies: The Experience of the Royal Netherlands Navy," *The RUSI Journal*, Volume 153, Number 6 (December 12, 2008), p. 3.

It is important also to remember that the core of NATO Europe's military capabilities reside in just four countries: the U.K., France, Germany and Italy. They alone possess multi-brigade armies, naval forces that can support expeditionary operations and air forces that possess the minimum set of ISR, air-to-air and air-to-ground capabilities. Hence, the ability of NATO as a whole to meet its LOA rests on the shoulders of these four countries.

The overall size, composition and capabilities of each of these core nations has been significantly reduced over the past decade.

**United Kingdom.** On October 19, 2010, the British government released its Strategic Defense and Security Review (SDSR). If implemented as described, it will cut military personnel by 10 percent, scrap 40 percent of the Army's artillery and tanks, withdraw all British troops from Germany within ten years, force the early retirement of the aircraft carrier *HMS Ark Royal* and the Harrier jump jets, forego the new Nimrod maritime patrol aircraft, delay construction of a new fleet of Trident nuclear submarines, and eliminate 25,000 civilian jobs in the Defense Ministry. Prime Minister Cameron described the proposal as an effort to streamline and modernize the overstretched, under-equipped and ill-prepared armed forces.<sup>94</sup>

Plans for both the Royal Navy and Air Force center on significant reductions with smaller numbers of more capable, multi-mission platforms replacing single purpose ships and planes. Modernization plans for the Royal Navy center on the construction of two aircraft carriers, a handful of Type 42 destroyers and attack submarines. The fate of the Royal Air Force depends on fulfilment of current acquisition plans for the Typhoon and the F-35 Joint Strike Fighter. Later the British government decided to build but then mothball or sell one of the two aircraft carriers.

On the heels of the SDSR, the British government approved yet another plan for land forces, British Army 2020. This plan not only cuts combat forces further than the SDSR but significantly reduces sustainability and readiness.<sup>95</sup> One British analyst observed that the reduction in land forces clearly signaled a reduction in their operational capabilities.

The British Army, as a result, is undergoing its most radical re-organization for fifty years, including a 20 per cent reduction in regular manpower. A 'Reaction Force' will have a division of three heavy armored infantry brigades with a mixture of tanks and armored infantry. The Air Assault Brigade will retain its mixture of parachute battalions and attack helicopters, although its ground element will shrink, as will the army's contribution to the Royal Navy's amphibious force. At the same time, a mixed regular-reserve 'Adaptable Force' division of infantry brigades will be able to generate up to two, largely regular, combined arms light brigades for an enduring stabilization operation.<sup>96</sup>

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<sup>94</sup> Richard Weitz, "Transatlantic Defense Troubles," *op. cit.*

<sup>95</sup> Gabriele, "UK Armed Forces Commentary: The Force of Army 2020," *UK Armed Forces Commentary*, <http://ukarmedforcescommentary.blogspot.com/2012/09/the-force-of-army-2020.html> (September 15, 2012).

<sup>96</sup> Ben Barry, Brigadier (Rtd), "The Age of Gloom? Implications for Key NATO Armies," Royal United Services Institute (June 26, 2013), p.3.

Another well-respected analyst saw even more far-reaching and negative implications for the future in the SDSR, arguing that it:

. . . essentially ended the era of Great Britain as a world power. Major operations such as the Iraq War or unilateral missions on the scale of the Falklands War will no longer be possible with the forces such a budget can sustain. Until 2020, Great Britain's land forces will encompass only five brigades; overall troops will be reduced from 180,000 to 163,000; nuclear submarines will not be modernized; and many crucial systems will be decommissioned, including tanks, Tornado aircraft, and the aircraft carrier Ark Royal (plus its airplanes). Two new aircraft carriers remain under construction because aborting the program would be more expensive than completing it—yet neither will be ready before 2020 and only one carrier is expected to be put into service.<sup>97</sup>

A similar conclusion was reached by the RAND Corporation.

In operations in the Middle East in 1991 and 2003, the British were able to field and sustain division-sized mechanized units with multiple fighter-bomber squadrons for support. This type of engagement is now impossible. In the most recent round of cuts, the British Army has been reduced to an almost pre-Victorian level in terms of active duty numbers. Reductions in equipment and elimination of various platforms make it unlikely that Britain will be able to field a force comparable to that seen in 1991 or 2003 in the foreseeable future.<sup>98</sup>

Recently, the Chief of the Defense Staff, General Sir Nicholas Houghton, appeared to indicate that in its pursuit of capacity and the illusion of a spectrum of capabilities, the U.K. was in danger of crossing a threshold point in terms of the true capability of the British military.

Unattended, our current course leads to a strategically incoherent force structure: exquisite equipment, but insufficient resources to man that equipment or train on it, . . .

We are critically deficient in the capabilities which enable the joint force. Such things as intelligence, surveillance, compatible communications, joint logistics and tactical transport.<sup>99</sup>

**France.** In 2008, France published a defense white paper in which it articulated what even then were considered ambitious capability goals. First, France would be able to deploy a force of 50,000 troops committed to a NATO-led, high-intensity operation in Europe. Second, the military would have the capacity and capabilities necessary to deploy up to 30,000 troops for one year, with 5,000 troops rotated every four months, meaning a total commitment of 50,000.

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<sup>97</sup> Patrick Keller, *Challenges for European defense budgets after the economic crisis*, op cit., p. 4.

<sup>98</sup> F. Stephen Larabee, Stuart E. Johnson, John Gordon IV, Peter A. Wilson, Caroline Baxter, Deborah Lai, and Calin Trenkov-Wermuth, *NATO and the Challenges of Austerity*, RAND Corporation (Santa Monica, CA, 2012), p. 7.

<sup>99</sup> Gen. Sir Nicholas Houghton, chief of the defense staff, cited in Andrew Chuter, "UK Military Chief Warns of Hollowing Force," *Defense News* (December 19, 2013).

Finally, to support a single 15,000-strong, relievable force indefinitely, each of these forces would be fully combined arms with air and naval elements included.<sup>100</sup>

The 2013 Defense and National Security White Paper reduced the goal for deployable forces by some 50 percent while also defining down the array of forces required for both large and small deployments:

- Larger Interventions. With warning of around 6 months, Special Forces, 2 joint arms brigades of 15,000 men, fully equipped, with the option to take a foreign brigade under command, 45 combat aircraft Air Force/Navy together, aircraft carrier 1–2 BPCs, a frigate flotilla, SSNs, MPAs.
- Smaller Crises. A Special Forces group, a joint arms brigade of a maximum of 6,000 men, deployed in stages, 1–2 frigates, a BPC amphibious ship, an SSN, 8-10 aircraft, all with support (tankers, helicopters etc.).<sup>101</sup>

At the same time, the white paper clearly demonstrates France’s intention to maintain all the trappings of a full spectrum military power even as its ability to address many conventional military tasks, particularly power projection and force sustainment actually declines.

The preservation of the airborne and submarine ‘legs’ of the nuclear deterrent and the ongoing commitment to defense industrial and technological autonomy confirm the status of the *force de frappe* and the armaments industry as the crown jewels of French grand strategy. They also reaffirm France’s penchant for military and strategic autonomy. Additionally, the maintenance of a global network of overseas military stations and of world-class maritime and amphibious capabilities also confirm France’s ambition to maintain global strategic reach. A renewed emphasis on pre-positioned forces in Africa or the recent opening of a military station in the Gulf underscore the value France continues to attach to forward presence. As so does its commitment to maintaining a world-class navy, one including four ballistic missile submarines, six attack submarines, an aircraft carrier, fifteen frigates, over twenty patrol and surveillance ships or three command and strategic projection ships.<sup>102</sup>

The 2013 Defense White Paper also calls for significant further reductions in overall military capabilities. The overall size of the military is being reduced. The Army will have fewer tanks and helicopters. Plans for a second aircraft carrier have been permanently abandoned. The number of surface combatants will be reduced. The size of the Air Force’s fighter fleet is being cut by more than 30 percent; fewer new transport aircraft and aerial refuelers will be purchased.<sup>103</sup>

<sup>100</sup> F. Stephen Larabee, et al., *op. cit.* p. 21.

<sup>101</sup> 2013 *Defense and National Security White Paper*, Direction de l’information légale et administrative, (Paris, 2013). See also, Francis Tusa, “The French Livre Blanc 2013: The Analysis,” *Defense Analysis* (June 3, 2013).

<sup>102</sup> Luis Simón, “The 2013 French Defence White Paper: Don’t write France off just yet,” <http://europeangeostrategy.ideasoneurope.eu> (May 1, 2013), p. 1.

<sup>103</sup> *French White Paper on Defense and National Security-2013*, [www.defense.gouv.fr/content/download/215253/2394121/file/](http://www.defense.gouv.fr/content/download/215253/2394121/file/), (n.d.).

The reduction in overall combat forces has not resulted in a more effective balance between tooth and tail. In its most recent operations in Mali and the Central African Republic, France was forced to ask for U.S. assistance in both deploying and sustaining land forces that never amounted to a single brigade.

French infantrymen must now deploy with barely half the number of logistical transport vehicles the military had planned four years ago. French diplomats spent the first week of the Malian intervention haggling with the U.S., Canada and Britain for American-made C-17s to transport soldiers and gear to Mali.<sup>104</sup>

As difficult as France's current military situation may be, it is looking to a future that is truly bleak.

. . . the actual risk France runs lies less in the condition of today's French forces than in their future state. Essentially freezing the defense budget for several years as planned will cost the French military in a number of ways. By not replacing equipment in an orderly fashion, an increasing portion of the defense budget will go to maintaining aging equipment; already, the amount devoted to maintenance is up by 8 percent in 2013. Indeed, according to the French chief of the defense staff, estimates in 2013 for the availability of armored personnel carriers, frigates, and combat planes would be 40, 48, and 60 percent, respectively. And while French forces are no longer in Afghanistan, budget constraints will make it more difficult to keep training levels up to previous standards, which is a must for some units such as joint tactical battalions that, moving forward, will be the core building block for French interventionist forces. Moreover, if France wants to continue to be a global leader in developing and fielding military technologies, it will need to maintain a significant level of investments in R&D. In fact, before the expiration of the recently passed military programming law in 2019, France will need to have begun work on next-generation weapons systems if it expects to sustain itself as a modern fighting force.<sup>105</sup>

**Germany.** Germany has been reducing its defense spending and cutting forces and capabilities almost from the end of the Cold War. The 2011 restructuring plan will impact all parts of the *Bundeswehr*.

The number of soldiers, currently about 252,000, will be reduced sharply to about 180,000. In addition, the organizational structure of the *Bundeswehr* and the ministry itself will be trimmed. The real savings, however, will come not from cutting personnel but from cutting equipment, both systems and platforms now in service and those projected to be procured. Across the board, active weapons systems will be put out of service, including six U206 submarines, fifteen Transall transport aircraft, one hundred Tornado fighter bombers, and sixty Marder armored tracked vehicles. As far as contracts

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<sup>104</sup> "Why France Can't Fight: Years of shortchanging defense are showing up in its Africa campaign," *The Wall Street Journal* (January 29, 2013).

<sup>105</sup> Dorothee Fouchaux, "French hard power: Living on the strategic edge," *National Security Outlook*, American Enterprise Institute (February 4, 2014), p 11.

and international agreements allow, major defense projects will also be reduced in scope. There will be cuts made to strategic and tactical airlift (A400M transporter and NH-90 and Tiger helicopters) programs and stop orders placed on the procurement of thirty-seven Eurofighter jets, more than a quarter of the projected four hundred Puma armored tracked vehicles, and, very likely, the last transatlantic armament project, the missile defense system MEADS. In general, standardized off-the-shelf solutions will be preferred over customized development.<sup>106</sup>

These reforms also define a new level of ambition. Previously, the German armed forces were supposed to be able to sustain up to 14,000 troops in international crisis management operations. In reality, it proved difficult for Germany to sustain more than 8,000 troops on operations with short term peaks of around 10,000. The smaller all-volunteer force the Cabinet is currently building aims to sustain 10,000 troops on operations. If this goal is reached, it will be an improvement, even if officially the previous level of ambition will have been reduced. In the new Army structure, infantry combat capabilities will be strengthened while command and support elements will be scaled back. Germany will have eight brigades (down from 11), only two of which will be heavy and six of which will be able to replace each other on operations.<sup>107</sup>

Another study of the downward spiral experienced by the land forces of France, the U.K. and Germany concluded that:

Successive budget cuts driven by fiscal considerations rather than changes in the security environment have forced Europe's three largest and most capable armies to scramble to find ways to maintain their commitment to the full spectrum of capabilities while compromising on size, sustainability, and readiness. Possessing the full spectrum of capabilities has arguably evolved into more of an ideal or an aspiration than a reality, as British, French, and German armies are increasingly obliged to make compromises based on their assessment of risk and their effort to arbitrate among competing priorities. Moreover, they have reached the point where there is no more fat to cut; the knife now finds only bone and muscle. To maintain as capable a force as possible, the three armies are calculating that having smaller, less sustainable, and, to some degree, less ready forces represents an acceptable risk.<sup>108</sup>

**Italy.** The final "big" military power in Europe, Italy, seeks to maintain a broad spectrum of capabilities while spending only about one percent of GDP on defense. To date, Italy has sought to maintain a balance of air, ground and naval capabilities by reducing manpower and cutting back on key modernization programs. For example, the planned acquisition of 230 Typhoon and F-35B/C fighters has been cut by some 50 airframes. When remaining obsolescent aircraft are retired, the Italian Air Force will be able to deploy only half the number of combat aircraft as it did 20 years ago. The Army will be reduced from 19 brigades in 1991 to no more than nine

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<sup>106</sup> Patrick Keller, *Challenges for European defense budgets after the economic crisis*, *op. cit.*, p. 4.

<sup>107</sup> Bastian Giegerich, "Germany," in Clara Marina O'Donnell, ed., *op. cit.*, p. 17. And, Patrick Keller, "German hard power: Is there a there there?" *National Security Outlook*, American Enterprise Institute, (Washington, DC October 8, 2013).

<sup>108</sup> Michael Shurkin, *Setting Priorities in the Age of Austerity: British, French, and German Experiences*, RAND Corporation, RR222, (Santa Monica, CA, 2013), p. 37.

under current plans. The number of tanks and artillery will drop by more than half. Resource issues have caused other major modernization programs for surface combatants, amphibious warfare ships, submarines, medium armored vehicles, multirole helicopters, and various advanced munitions to be slipped as much as four years to the right.<sup>109</sup>

In addition, recent defense budgets have shortchanged force logistics, sustainment and training. Proposed defense budgets appear to continue this pattern. The result is an illusion of strength. In reality, a system of selective readiness is taking hold in the Italian Armed Forces.

Under current plans, Italy's military will retain a wide spectrum of capabilities befitting a medium-sized global power. As such, according to [*Minister of Defense*] Di Paola, the government will not only have sufficient "hard power" to ensure Italy's own defense, but a range of military tools from which Rome can pick and choose how it will involve the country in operations abroad. But without strategic airlift and sealift, Italy will in most instances either require a relatively permissive environment to deploy a substantial number of forces or the assistance of NATO allies. Moreover, with cuts in numbers to personnel, platforms, and resources, Italian policymakers will find they have less discretion in where and when they use the military. While the forces themselves might be more capable, a smaller military in a tight fiscal environment will inevitably lead Rome to conserve the capabilities it has.<sup>110</sup>

NATO's major military powers have arrived at a point where they are no longer able to deploy a full spectrum force alone. Indeed, it is not clear that even collectively they retain the ability to undertake a major military operation against a medium-weight foe on their own.

### **Net Assessment: What Remains and what is it good for?**

There is no question that a profound disconnect exists between NATO's overall level of military forces and what could be characterized as its effective military power. One recent analysis assessed the nominal strength of the non-U.S. Alliance in terms of major combat capabilities as relatively robust (see Table 1).<sup>111</sup>

**Table 1: NATO Europe's Principal Combat Forces in 2012**

	<i>Ground Brigades</i>	<i>Fighter Aircraft</i>	<i>Naval Combatants</i>
Modern Militaries	54	1,368	153
Other Original Members	62	664	61
New Members	37	316	18
<b>Total</b>	<b>153</b>	<b>2,348</b>	<b>232</b>

<sup>109</sup> Gary J. Schmitt, *Italian hard power: Ambitions and fiscal realities*, American Enterprise Institute (November 2012). And, F. Stephen Larabee, et al, *op. cit.*, p. 36.

<sup>110</sup> Gary J. Schmitt, *op. cit.*, p. 9.

<sup>111</sup> Richard L. Kugler and Linton Wells II, *Strategic Shift: Assessing Recent Changes U.S. Defense Plans and Priorities*, Center for Technology and National Security Policy, Institute for National Strategic Studies, National Defense University (Washington, DC, April 29, 2013), p. 97.

However, as the analysis observes, only a small portion of this impressive array of forces and platforms is actually organized, trained and equipped to conduct operations on even extended notice.

NATO has never publicly put forth an official estimate of its power-projection capabilities, but a common appraisal is that NATO could swiftly deploy only about 10 percent of its forces: e.g., four divisions, 200-250 fighters, and 20-25 naval combatants over 2-3 months. This limited deployment capacity is not only far less than possessed by U.S. forces, but falls far short of that required by NATO's own defense strategy.<sup>112</sup>

Moreover, this analysis does not reflect the quality of NATO forces. For example, the majority of NATO's ground combat brigades are medium and even light formations; a significant fraction, approximately 30 percent are neither mechanized nor motorized. Of NATO's 2,000 fighter aircraft less than half can be characterized as modern. Moreover, a very large fraction of this air fleet, some 40 percent, are air superiority aircraft even as recent conflicts have demonstrated the overwhelming number of sorties by combat aircraft are for air-to-ground missions. During the Libya campaign, the Royal Air Force had to undertake the emergency conversion of a number of Typhoon FGR4 from their standard air-to-air mode to air-to-ground in order to meet demands for precision strike capabilities.<sup>113</sup>

The lack of critical enablers has been one of NATO's perennial problems. The situation with respect to the lack of aerial transports and refueling tankers is well-recognized. Less well known and understood is the limited state of NATO's capabilities for airborne ISR and electronic intelligence (ELINT). NATO's fleet of E-3A Airborne Warning and Control System aircraft has demonstrated its effectiveness in multiple conflicts. The U.S. military currently deploys some 500 manned and unmanned ISR and ELINT platforms; NATO collectively can deploy at most a handful. Even here, older systems such as the British Nimrod R1s are being retired before replacement systems are fielded, and are creating a protracted capabilities gap. The Alliance has struggled for more than two decades to acquire the capability for airborne ground surveillance, finally deciding to acquire five Global Hawk high-altitude unmanned aerial systems to provide some coverage in this area. Generally, NATO's development and acquisition of unmanned systems lags significantly behind that of the United States and other Western nations. With respect to electronic warfare and the related area of airborne suppression of air defenses, the U.S. currently deploys nearly 200 modern platforms while NATO as a whole can field less than 40 and all of these are aging.<sup>114</sup>

Even less attention is being paid to the crucial area of logistics and sustainment. NATO is spending relatively modestly on logistics enablers beyond the programs for new aerial transports and refueling platforms such as intra-theater movement and distribution systems, logistics common operating picture software and operations logistics communications systems. A number

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<sup>112</sup> *Ibid.*, p. 98.

<sup>113</sup> *Lessons Offered from the Libyan Air Campaign*, Royal Aeronautical Society (London, July 2012), p. 10.

<sup>114</sup> *The Military Balance 2012*, International Institute for Strategic Studies (March 7, 2012). Also, Colin Clark, "NATO to OK Global Hawks, Announce Interim Missile Defense Capability," *Breaking Defense* (January 31, 2012). Also, David Pearson, "Europe's Elusive Drone Push," *The Wall Street Journal* (October 9, 2013), p. B6. And, *Lessons Offered from the Libyan Air Campaign*, *op. cit.*, pp. 9-10.

of NATO exercises demonstrated significant problems with respect to logistics planning, transportation asset management, supply chain operations and inventory controls. Since the NRF became operational, it has proven extremely difficult to identify logistics lead nations. Moreover, logistics force generation has been found to be unreliable.<sup>115</sup>

There is no effective information flow between nations and NATO headquarters that provides NATO with adequate logistics data. Nor is there an organizational structure concept allocating the different NATO command levels defined and clearly delineated responsibilities, tasks, and tools for logistics management. Former NATO Assistant Secretary General for Defense Investment, Robert Bell, characterized NATO's logistics issues thusly:

Most observers agree that one of the most significant weak links in the NRF to date has been with its multinational Joint Logistics Support Group. This is due principally to the fact that most NATO Allies are simply too small to have theatre-level assets in the logistics field, and others much prefer to rely upon their own national logistics support elements for crisis response operations and expeditionary missions. The result too often has been the need to paste together disparate national elements, rather than achieve a more efficient and effective integrated logistics structure to support the NRF.<sup>116</sup>

An assessment of the capabilities that the four major European military powers will possess following the next round of planned force structure reductions and changes inexorably leads to the conclusion that the Alliance's ambitions significantly exceed its resources.

Following the planned defense cuts, only four NATO European members will have the military capacity to conduct medium-sized expeditionary operations in the near abroad: France, the U.K., Italy, and Germany. Depending on the nature of the political military crisis and its location, Spain and possibly Turkey may play a military role. In theory, the first four countries could make available their expeditionary force. That could involve the deployment of three to six brigades and their supporting air and naval forces. After the planned cuts, both France and the U.K. will maintain the equivalent of two amphibious brigade combat teams, and Italy will have a large battalion-sized amphibious force and appropriate amphibious ships. All four will have the equivalent of one or two brigades each to be used as follow-on and/or exploitation forces.<sup>117</sup>

To any consideration of the disparity between the gross measure of NATO force levels and the more refined assessment of deployable and capable formations must also be added consideration of the availability of critical enablers, joint training and adequate personnel. This problem was highlighted in the Libyan operation. NATO's lessons learned study highlighted the problems of inadequate ISR assets, poor training and coordination at all levels and a limited ability to process, exploit and disseminate intelligence.<sup>118</sup>

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<sup>115</sup> Colonel Edward M. Daly, *NATO Logistics Reform: Central to NATO Response Force (NRF) Success*, U.S. Army War College (Carlisle Barracks, PA, March 15, 2008). Also, David Shouesmith, "Logistics and Support to Expeditionary Operations," *RUSI Defense Systems* (Summer 2011). And, Fred Van Der Hoek, *Commercial Support Solutions for Expeditionary Operations*, NATO Maintenance and Supply Agency (May 4, 2011).

<sup>116</sup> Robert Bell, "Sisyphus and the NRF," *NATO Review* (Autumn 2006).

<sup>117</sup> F. Stephen Larabee, et al, *op. cit.*, p. 80.

<sup>118</sup> John A. Tirpak, "NATO's Lessons From Libya," *Air Force Magazine* (June 2013).

The authors of the study cited in Table 1 went on to note that the Alliance's effective military capability was substantially less than a simple quantitative assessment would indicate. In fact, only about half the total can be reasonably judged to be usable in demanding combat operations. Moreover, because of a dearth of critical enablers, material stocks and sustainment resources, NATO's immediately deployable combat potential can be judged as no more than 10 percent of the nominal total.

These downward trends are further exacerbating an already-existing serious problem that arises because of NATO Europe's lack of adequate forces and capabilities for major deployment missions and expeditionary operations in distant areas. In recent years, NATO Europe has had the military wherewithal to deploy about 35,000 troops to ISAF in Afghanistan, to carry out its bombardment campaign in Libya with significant U.S. support, and to pursue numerous small operations in such places as Kosovo and Africa. But the act of mounting bigger, more-demanding expeditionary operations is another, more-problematic matter because, Britain and France aside, European forces remain mostly configured for local border defense missions.<sup>119</sup>

A RAND Corporation assessment of the impact of European defense cuts on NATO's ability to meet its stated mission requirements concluded that:

When viewing NATO Europe's overall military capability in the coming decade, the lack of "quantity" has a qualitative effect. Given already planned cuts and future financial constraints, the capacity of the major European powers to project military power will be highly constrained:

- The units of account for European ground forces will be battalion battle groups and brigade combat teams and not full-strength divisions and corps.
- If U.K. and French forces were to become tied up in a protracted deployment along either the coast of Africa during a counter piracy mission or while conducting a protracted peacekeeping operation in that continent's sub-Saharan region, they would be strained to execute a time-urgent major Mediterranean expeditionary operation outside NATO. Conversely, if NATO Europe got involved in a major operation in the Mediterranean, it would not likely have the reserve capacity to address long-distant lower risk contingencies, much less a higher-risk contingency in the Persian Gulf region. At best, the United States can hope that NATO Europe, including France, the U.K., Italy, and Spain, can maintain a militarily credible Mediterranean capacity, with the understanding of the limits of that capability.
- In light of the collective NATO experience during its protracted large-scale counterinsurgency operation in Afghanistan, NATO Europe will have neither the will nor the capability to maintain a multi-brigade expeditionary force over a long distance from Europe for a multiyear peace-enforcement mission.<sup>120</sup>

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<sup>119</sup> Richard L. Kugler and Linton Wells II, *op. cit.*, p. 130.

<sup>120</sup> F. Stephen Larabee, et al, *op. cit.*, p. xvi.

One long-time European defense expert argued that NATO was facing a serious capability-capacity crunch and would have to attempt to do more with less while relying on a handful of critical enablers.

This basic dilemma is the result of a capability-capacity crunch from which all Western forces suffer. The task-list is growing due to the increasing operational tempo and intensity. Task attrition is reinforced by the new role of armed forces as planning and command hubs for complex civil-military effect. However, with defence budgets under pressure from defence inflation and the cost of operations, the gap between available and required military capabilities for effect is growing. The result is a ‘crunch’ which sees armed forces having to generate creative effect through new shared concepts and partnerships, both with allied and partner militaries and the civilian sector.<sup>121</sup>

Despite repeated efforts by senior national and NATO officials to prod the Alliance into action, there has been very little progress on filling many key capability gaps. According to a recent story in Germany’s *Spiegel* news weekly, an internal NATO study finds the Alliance woefully deficient in many critical military capabilities. The report identifies 15 major areas of deficiency. These include: inadequate supplies of precision munitions, too few aerial refueling tankers, a lack of medical personnel, too few electronic jamming devices and insufficient equipment for Special Forces. The report also notes that NATO required at least 235 refueling jets but had only 81.<sup>122</sup>

Some analysts continue to assert that the allies, particularly larger powers such as France and the U.K., are able still to deploy significant military capabilities which they have demonstrated in a series of operations, primarily in Africa.<sup>123</sup> There are two problems with this perspective. First, residual NATO capabilities cannot scale. Requirements of major joint operations are not just additive based on two or three small joint operations. Second, as members focus on maintaining forces for smaller operations, they reduce supporting capabilities too. So, they are even less capable of providing means for MJO support.

The essential challenge is to augment the standards that direct NATO’s Defense Planning Process. Quantity of forces is important, but in an era marked by unpredictable and changing threats, quality is even more important.

So how are we to understand what NATO forces as currently configured are capable of doing, what changes should be undertaken and what investments made? The Libyan operation is one important data point, showing both what worked and what didn’t for NATO. The Libyan operation demonstrated that a subset of NATO members could successfully conduct a significant expeditionary operation. Libya demonstrated how far the Alliance had come since the end of the Cold War as well as how far it has yet to go. Of approximately 7,300 strike sorties, 84 percent were conducted by non-U.S. aircraft; French planes alone conducted a third of this total. More

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<sup>121</sup> Julian Lindley-French and Wouter van Straten, “Exploiting the Value of Small Navies: The Experience of the Royal Netherlands Navy,” *op. cit.*, p. 67.

<sup>122</sup> Cited in “Report: NATO Paper Warns Of Military Shortfalls,” *Defense News* (June 9, 2013).

<sup>123</sup> See, for example, Bruno Tertrais, “Leading on the Cheap? French Security Policy in Austerity,” *The Washington Quarterly*, Vol. 36, No.3 (Summer 2013), pp. 47-62.

or less alone, these countries had sufficient strike assets to do the job. At the same time, as Secretary of Defense Gates pointed out, the Libya operation demonstrated weaknesses in such critical enabling capabilities as aerial refueling, ISR, suppression of enemy air defenses, electronic warfare, combat search and rescue, targeting, air operations planning and stockpiles of precision munitions. More recently, France required support by the U.S. Air Force to move land forces, identify targets and refuel fighters in its successful effort to counter the advance of Islamic extremists in Mali. Even the extraordinarily modest French intervention in late 2013 in the Central African Republic had to rely on U.S. aerial transports to support the timely deployment of French intervention forces.

Observers have been complaining about this situation for years, even decades. NATO has tried to improve its posture. Some of these insufficiencies may be ameliorated by planned acquisitions of aerial refueling tankers, large transport aircraft, Global Hawk drones, communications equipment, targeting pods and additional munitions. Others have yet to be addressed. The difficulty is that the Alliance must rely on its members to acquire the right equipment, in the necessary quantities. As a consequence of each nation making largely unilateral decisions on what forces to maintain and equipment to acquire, the result is an overabundance of capability in certain categories, armored fighting vehicles and tactical fighters, for example, and deficiencies in many others.

The analysis of European defense challenges after the economic crisis yields two basic insights. First, budget pressures have downgraded nearly all European defense capabilities. Second, EU member states are far away from a common European approach that will cut costs and secure effectiveness. Many intelligent solutions and tools on the table would facilitate such an approach, from the Ghent Initiative to the Weimar Triangle, and from the EDA [*European Defense Agency*] to PSC [*permanent structured cooperation*]. In practice, however, every country plans and acts for itself. There are two dozen national defense transformations and reforms underway in Europe, but hardly any truly European reform. Unless a greater degree of cooperation and common planning develops among at least a few of the major European powers, the national militaries are doomed to kludge.<sup>124</sup>

It has become increasingly clear over the past several years that the Alliance continues to have difficulties meeting relatively straightforward requirements such as those for NATO's Response Force. In part, this reflects the convoluted and inefficient ways member nations have structured their military; actually deployable forces constitute a small fraction of overall available manpower. It also is a function of the scarcity of major enabling capabilities and the lack of adequate resources for sustainment. At no time have NATO members been able to provide more than 75 percent of the force levels required by the NRF.

NATO's inability to man both the NRF and ongoing operations reflects the Alliance's critical lack of deployable forces. Despite years of transformational efforts, several European member states are still far from meeting NATO's so-called usability goals, stating that 50 percent of national land forces must be "structured, prepared and equipped for deployed operations" and 10 percent must be "undertaking or planned for sustained

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<sup>124</sup> Patrick Keller, *Challenges for European defense budgets after the economic crisis*, op. cit., p. 11.

operations.” Some Allies – like for instance Turkey, Greece and Belgium – have only restructured their militaries half-heartedly and on the cheap. Given the current economic situation in most NATO nations there is little prospect for rectifying the imbalance between operational demands and the number of usable forces in the short run.<sup>125</sup>

More broadly, the gap between NATO’s security ambitions and military capabilities has never been wider.

NATO’s Level of Ambition (LOA) calls for the capacity to deploy enough forces to handle 2 major joint operations (MJO) and 4 small joint operations (SJO). Such a capability would require concurrent deployment of 40 percent-50 percent of NATO’s existing forces. As a result, NATO today is capable of meeting only about one-fourth of its deployment needs. NATO’s LOA is criticized in some quarters as being too ambitious, but even if a more prudent standard is employed, the gap between NATO’s limited capabilities and demanding requirements is quite large: large enough to prevent NATO Europe from being anywhere near a co-equal partner with the United States in this arena.<sup>126</sup>

An EU study of that organization’s current and projected future military capabilities predicted that without radical changes in the way the member states procured and shared capabilities there would be a continuing decline into irrelevance.

- *in 3-5 years - ‘bonsai’ armies*: existing troop formations will increasingly shrink, and so will their capability range. Bigger countries may manage to preserve some sort of full-spectrum capabilities but at the price of decreased sustainability. For smaller ones, entire capabilities will be abandoned. As a result, major functional gaps will emerge, with immediate effects on the overall capacity to launch joint and combined missions.
- *in 5-8 years - defence industrial exodus*: the current and foreseeable financial situation of most EU countries render the launch of new large-scale defence industrial/technological projects highly unlikely. As developments over the past few years show, given the expansion of extra-EU defence markets, Europe-based defence contractors will try to increase their foreign presence through a mix of export, cooperation, joint ventures and acquisitions. EU dependency on non-EU partners and suppliers will inevitably ensue.
- *in 8-12 years - loss of technological leadership*: decreasing R&T [*research and technology*] funds will impact negatively on Europe’s current relative technological edge, rendering the required minimum of ‘strategic autonomy’ a pipedream. In prospect, this could lead to a de facto ‘de-industrialisation’ of European defence.<sup>127</sup>

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<sup>125</sup> Jens Ringsmose, *Taking Stock of NATO’s Response Force*, Research Paper No 54, NATO Defense College (January 2010), p. 4.

<sup>126</sup> Richard L. Kugler and Linton Wells II, *op cit.*, p. 98.

<sup>127</sup> Antonio Missiroli, ed., *Enabling the future European military capabilities 2013-2025: challenges and avenues*, EU Institute for Security Studies (May 2013), p. 12

## CHAPTER III

## Going it Alone: Meeting the Minimum Requirements for the Alliance

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NATO has never been under any illusions that it has difficulty providing sufficient resources for an adequate defense or in providing the “best bang for the Euro/pound.” There is a general recognition that chronic underfunding of defense budgets and large force structure cuts has weakened the Alliance. Although most members clearly are unwilling to increase defense spending or grow their military force structures, there also has been an acceptance of the need to make additional investments in selected areas; most notably, theater missile defense, strategic lift, aerial refueling, intelligence, surveillance and reconnaissance (ISR) and cyber. It remains to be seen whether NATO will actually see through current plans to acquire additional capabilities in these areas and, once acquired, whether they can be reliably accessed when the need arises.

In addition to filling recognized requirements for critical capabilities that are in short supply, NATO also needs to address the force structure and force generation implications of shifting from a focus on current conflicts to preparation for the unknown. NATO has struggled for more than two decades to make the transition from a singular focus on territorial defense and collective security in the face of a well-defined threat to a broader approach to security requiring the capabilities for expeditionary operations based on the forces provided by coalitions of the willing which must be capable of meeting challenges that cannot easily be defined ahead of time.

This is a decisive year in the transition process as the United States and NATO essentially complete its mission in Afghanistan. For the first time in more than a decade, the Alliance will not be engaged in a major ongoing conflict. It is a time to shift the focus of planning, modernization and collaboration from the demands of current fights to future requirements. NATO Secretary General Anders Fogh Rasmussen expressed his vision of NATO’s strategic future as follows: “Overall, I see our Alliance shifting from operational engagement to operational readiness. From campaign to contingency. From deployed NATO to prepared NATO.”<sup>128</sup>

The new reality, the need to “reboot” NATO post-Afghanistan, is recognized by NATO analysts.

NATO’s collective defence role provides an enduring security guarantee for its members. Continued investment in collective defence and deterrence, in reassurance measures, and in capabilities to defend against new types of threats, is therefore essential.

However, the Euro-Atlantic area is overwhelmingly peaceful, and Alliance leaders have repeatedly stated that the Alliance does not consider any particular nation its enemy. While areas of instability remain, notably the unresolved conflicts in the South Caucasus and Moldova, the North Atlantic is largely at peace. As the new Strategic Concept recognises, “the threat of a conventional attack against NATO territory is low”. Most threats are therefore of an unconventional nature – stemming from non-state actors,

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<sup>128</sup> Anders Fogh Rasmussen, NATO Secretary General, “NATO after ISAF – staying successful together,” *op. cit.*

instability connected with failed or failing states, proliferation risks, economic, social or environmental instability, etc. – and many are likely to originate outside the Euro-Atlantic area. This therefore raises the question of what the appropriate balance is between an Alliance focused on the collective defence mandate assigned to it by Article 5 and an Alliance contributing more broadly to crisis management and the projection of democratic stability beyond the Euro-Atlantic area. Indeed, this latter role has taken ever greater prominence in recent years.<sup>129</sup>

This strategic metamorphosis has significant ramifications for NATO's force structure and decision making processes. The most important of these is the need to ensure that a larger fraction of residual forces are accessible and deployable. Also, in order to be adequately prepared for a wide range of contingency operations, the Alliance needs a sufficient number and variety of critical enablers – ISR platforms and systems, as well as a robust processing, dissemination and exploitation network, strategic lift, aerial tankers, logistics and medical systems and sufficient trained personnel. The Libya operation demonstrated clearly that NATO today lacks both the systems and the trained people to support the intelligence and targeting requirements for European-led contingency operations.

In addition to these two challenges there is the need for NATO to address the shift in U.S. geo-strategic priorities away from Europe and the trans-Atlantic relationship and towards Asia, the so-called “pivot.” The consequences of this shift in terms of both the military capabilities available to NATO and leadership are only beginning to be appreciated. At a minimum it will mean that fewer U.S. forces will be available for NATO-oriented operations. It is also likely that European nations will lead more of those operations, much as NATO did in Libya and France in Mali and the Central African Republic. Consequently, NATO must be able to access the command and control, communications, ISR and intelligence processing capabilities necessary to direct future operations.

NATO has long suffered from the accusation that some, perhaps now even most, of its members have benefitted from the ability of the U.S. to provide both the quantitative and qualitative edge necessary for deterrence and defense. The so-called free rider problem grew more acute with the end of the Cold War and, most particularly, the current recession.

As many in Europe now recognize, this situation is coming to an end. If Europe wishes to lead in crises where the United States either won't or can't respond, it must be able to deploy the full panoply of capabilities, particularly those that, at present, only the U.S. deploys.

. . . the Libyan experience will, or should, compel European force planners to revisit long-standing assumptions about military role-sharing between the US and other NATO countries. The US has long discouraged its allies from “uselessly duplicating” America's defense capabilities, and European armed forces continue to lack many weapons and skills that the US possesses. This is also true for France and the UK, which have ambitions to field broad-spectrum military forces but lack the financial means to do so. The US continues to enjoy a quasi-monopoly on weapons that suppress enemy air defenses or provide close air support (CAS) to allied troops on the ground. The

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<sup>129</sup> Nicole Ameline, *op. cit.* p. 4.

Europeans fare no better in comparison with the US in cutting-edge technology such as unmanned ‘drones’ and command, communication and intelligence systems. In future, the French or the British will have to assume that American weapons such as CAS aircraft might not always be available.<sup>130</sup>

While NATO officials and some European leaders have railed against declining defense budgets, few have shown a willingness even to adhere to the 2 percent of GDP spending standard much less increase the resources they make available for defense. Moreover, absent a clear and massive threat to the continent, this condition is likely to pertain for the foreseeable future. Nor have member states shown a serious willingness to cede sovereignty over national defense budgets or military forces to NATO or other states. As a result, the Alliance had to look for ways of doing more with what forces were available to the collective enterprise. From this perspective, it was natural to focus on ideas such as pooling of available forces and collective acquisitions as the most plausible solutions offered to budget problems.

But while NATO and individual nations now have greater clarity on the requirements – many of which sit in the air domain – the limitations on the resources available and the spiralling costs make achieving these capability goals more challenging than ever.

So let’s be blunt: If NATO is to satisfy its collective level of ambition then it, and the nations that it comprises, must either work more closely together to do more with less – or simply accept that they will only be able to do less.<sup>131</sup>

## **NATO’s Approach to Filling Critical Capabilities Gaps**

Over the past two decades, NATO summits, policy papers, and public statements all focused on finding ways to address identified shortfalls. While there has been some debate and disagreement regarding the extent of such deficits, there has been general acceptance of the reality that in a number of critical areas, NATO does not possess the minimum capability to support its own forces and level of ambition. Much more effort has been devoted to identifying means for addressing these recognized needs.

**NATO AWACS Program.** The most prominent example of resource pooling by the Alliance is the NATO AWACS program. In 1978, the Defense Planning Committee agreed to acquire 18 aircraft through the 16 member NATO Airborne Early Warning and Control (AWACS) Program Management Organization (NAPMO). The agreement also included the creation of a robust network of ground stations and infrastructure to support training, maintenance and operation of the aircraft. NAPMO collectively has provided some \$6.8 billion in funding for the original acquisition program, ongoing operations and periodic upgrades. In addition, while operating

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<sup>130</sup> Francois Heisbourg “The defense of Europe: Towards a new transatlantic division of responsibilities,” in Tomas Valasek, ed., *All Alone? What US retrenchment means for Europe and NATO*, *op. cit.*, p. 30.

<sup>131</sup> Air Marshal Sir Christopher Harper, Director General of NATO International Military Staff, “NATO Air Power: Learning from the Past – Looking to the Future,” Lord Trenchard Memorial Lecture, Royal United Services Institute (December 10, 2013).

their own AWACS aircraft, the U.K. and France (to a lesser extent) cooperate with the NATO program.<sup>132</sup>

**Defense Capabilities Initiative.** NATO recognized that it was insufficient to rely solely on national defense plans and modernization efforts to ensure that gaps in capabilities were addressed and responded with a series of initiatives intended to establish priorities for investment of scarce resources. Concerns over the capabilities gap, as demonstrated during the Kosovo campaign, led NATO in 1999 to propose the Defense Capabilities Initiative (DCI). The goal of the DCI, which encompassed some 53 priorities for improvement in five areas (mobility and deployability, sustainability and logistics, effective engagement, survivability and consultation, command and control), was to ensure that U.S. allies were capable of engaging in the full spectrum of possible NATO operations up to high-intensity warfare.<sup>133</sup>

In comments to a European audience in 2001 that from the vantage point of 2014 appear eerily prophetic, then-Ambassador to NATO, Alexander Vershbow, warned that:

If European military capabilities are not strong and credible, neither the Alliance nor the EU will be able to effectively defend our interests and ensure our ultimate goal of a Europe whole, free and at peace. Unfortunately, two years after the Washington Summit, the reality is that rhetoric has far outpaced action when it comes to enhancing capabilities.<sup>134</sup>

Ambassador Vershbow went on to give NATO a failing grade with respect to its implementation of the DCI.

Nevertheless, it is troubling to report that Alliance defense spending has only increased by 1.4% since the Summit. If North America is removed from the equation, defense spending increased even less. Worse, only 19% of total spending went towards procurement of new equipment. A startling 45 percent of Allied defense budgets still go largely to cover personnel and infrastructure costs. Amazingly, the number of Europeans in uniform in NATO has grown since the Summit, while the amount of money spent to equip this now 3-million-strong force continues to decline. This is indicative of the poor follow-through on meeting DCI goals. The Alliance as a whole gets a failing grade. Two years on, only 50 percent of DCI commitments have actually been met, a record that no one should be proud of.

A primary American objective in pushing for increased Alliance capabilities is to improve the balance and burden-sharing between the U.S. and its European Allies. NATO operations in Bosnia and Kosovo have shown that we should not be satisfied with the current state of affairs. Were we to carry on with our present divergent course, we could see the emergence of a two-tiered Alliance in which European Allies focus primarily on low-intensity conflict situations, leaving the United States responsible for

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<sup>132</sup> NATO, "AWACS: NATO's 'Eye In The Sky'," Fact Sheet (March 19, 2013).

<sup>133</sup> NATO, "Defence Capabilities Initiative," Press Release NAC-S(99)6 (April 25, 1999).

<sup>134</sup> Alexander Vershbow, Ambassador to NATO, "Vershbow Remarks on Euro-Atlantic Security and Defense," (Barcelona, Spain, May 15, 2001).

handling the high end of the spectrum. This sort of division of labor is not the kind of partnership that NATO wants or needs. It certainly would not be balanced or sustainable, nor would it be defensible in political terms – certainly not in the United States.<sup>135</sup>

In 2002, NATO sought to address the obvious and growing gap between its level of ambition and available means at the Prague Summit. The first significant step towards making better use of available capabilities by working more closely together was the establishment of the NATO Response Force. The NRF, in essence, was a form of pooling of resources. The NRF is described as a highly ready and technologically advanced multinational force made up of land, air, maritime and Special Forces components that the Alliance can deploy quickly to wherever it is needed. Originally conceived as a force of some 20,000 total personnel intended to fight alongside the United States in high-intensity conflicts, the mission of the NRF has subsequently expanded to address crisis management and humanitarian missions. Three rotating aggregations of units will be identified, each to be available for deployment on a rotating basis. For this reason, the NRF would be expected to represent the bulk of European investments in advanced weapons systems and command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR).<sup>136</sup> According to the *NATO Fact Sheet*, 25 allies are providing military forces to the NRF in 2013. For 2014, indications are that up to 19 allies will commit forces to the NRF.<sup>137</sup>

The creation of the NRF addressed, in part, the fact that the DCI had failed. Europe made only slow progress over the past year towards fulfilling the demands of the DCI. According to a report published in April 2001, in the first year since the DCI was announced, only 14 of its 59 action items had been nearly or fully implemented. Virtually all of the action items dealing with improved mobility, deployability and combat effectiveness on the part of European forces were not implemented. In most instances, inadequate national defense budgets are at the root of the problem. Although basic capabilities have been committed, there are large gaps in specific critical capabilities associated with independent out-of-area operations. These include satellite surveillance, air and sealift, surveillance and reconnaissance, communications and precision munitions.<sup>138</sup>

**Prague Capabilities Commitment.** NATO also formulated the Prague Capabilities Commitment (PCC), a scaled-down version of the DCI. The PCC identified eight specific capabilities areas where significant additional investment was required: chemical, biological, radiological, and nuclear defense; intelligence, surveillance, and target acquisition; air-to-ground surveillance; command, control, and communications; combat effectiveness; strategic air and sealift; air-to-air refueling; and deployable combat support and combat service support units.<sup>139</sup>

The PCC also places greater emphasis on multinational commitments and pooling of funds than did the DCI. According to one assessment of the PCC, this opened up the opportunity for groups

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<sup>135</sup> *Ibid.*

<sup>136</sup> NATO Response Force, *NATO RESPONSE FORCE - NATO's Expeditionary Capability*, Briefing, NATO Headquarters (Brussels, Belgium, December 2002).

<sup>137</sup> NATO, *NATO Response Force (NRF)*, Fact Sheet (February 2013).

<sup>138</sup> Charles Barry, "Coordinating with NATO," in Hans Binnendijk, ed., *Transforming America's Military*. National Defense University Press (Washington, DC, June 2002), pp. 237.

<sup>139</sup> Nicholas Fiorenza, "NATO To Adopt Capabilities Plan." *Defense News* (November 18-24, 2002), p.2.

of countries, including smaller members of the Alliance, to devote more of their increasingly scarce resources to the purchase of hardware that otherwise would be unaffordable.

The Netherlands, for example, volunteered to lead a group of countries buying conversion kits to transform conventional bombs into PGMs [*precision guided munitions*]. Germany managed a consortium that will acquire strategic air transport capabilities, while Spain headed another group that would lease tanker aircraft. Norway and Denmark coordinated procurement of sealift assets. The Czech Republic has concentrated on countering the effects of chemical, biological, radiological and nuclear (CBRN) weapon. In addition, PCC recognizes the value of role specialization, or niche capabilities.<sup>140</sup>

At its 2010 Summit in Lisbon, the Alliance once again revisited the issue of inadequate defense spending and the need to ensure investments in critical capabilities but this time in the context of the New Strategic Concept (NSC). While continuing to give primacy of place to collective security obligations, the NSC placed particular emphasis on new threats including the proliferation of weapons of mass destruction, ballistic missiles, terrorism and cyber warfare. The Summit also agreed to reforms of NATO command structure, agencies and headquarters in order to create a more agile, efficient and lower cost organization.<sup>141</sup>

**Lisbon Critical Capabilities Commitment.** The Lisbon Summit recognized that the Alliance, struggling to deal with a severe recession, could not meet all the needs identified in the Prague commitment. A new Lisbon Critical Capabilities Commitment (LCCC) was formulated that prioritized investments in order to address the most critical capability shortfalls. The LCCC identified a core set of ten critical programs for common funding or multinational collaborative support. Some of these addressed well-recognized operational shortfalls in NATO and national capabilities such as air command and control and airborne ground surveillance. Others support emerging and future missions, such as missile and cyber defense. Some of these initiatives were NATO capability programs – funded by all or some allies – while others were to be built up from individual national initiatives and activities.<sup>142</sup>

The ten programs identified in the LCCC were:

- Afghanistan Mission Network (AMN)
- Counter Improvised Explosive Device Action Plan
- Strategic and Tactical Airlift Support
- Expansion of Active Layered Theater Ballistic Missile Defense (ALTBMD)
- Protection against Cyber Attacks
- Comprehensive Approach/Stabilization and Reconstruction-related Capability Requirements
- Bi-Strategic Command Automated Information Systems (Bi-SC AIS)

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<sup>140</sup> Carl Ek, *NATO's Prague Capabilities Commitment*. Congressional Research Service, RS21659 (Washington, DC, January 24, 2007), p. 4.

<sup>141</sup> Richard Weitz, "Transatlantic Defense Troubles," *op cit.*, p. 5.

<sup>142</sup> Peter Flory, "After Lisbon, Execution is Key," *Defense News* (November 29, 2010).

- Air Command and Control System (ACCS)<sup>143</sup>
- Joint Intelligence, Surveillance and Reconnaissance (JISR)
- Alliance Ground Surveillance (AGS)<sup>144</sup>

Over the ensuing two years it was clear that even the modest proposals of the Prague and Lisbon Summits, regarding ways for NATO to maintain a minimum credible defense posture were facing enormous difficulties due to the continuing recession in Europe and fundamental disagreement among Alliance members regarding threats and strategic responses to them. Additionally, NATO members were continuing to revise their defense policies and cut force structure without much consideration of their impacts on the capabilities of the Alliance overall. The experience in Operation Unified Protector underscored both the operational and force structure deficiencies that continued to plague NATO.

A key challenge for the 2012 Chicago Summit was to resolve the issues left open in Lisbon in light of the dynamic fiscal and security environment and a changing international context. Allies struggled to deal with the problem of matching NATO's capabilities to stated ambitions, i.e. to decide what role they are prepared to see the Alliance play in the next decade, and what resources they will provide for it to fulfill this role.<sup>145</sup>

Reflecting the challenge posed by declining defense budgets across the Alliance and the tendency of member states towards unilateral decision making, NATO sought to place greater emphasis on the pooling of available resources, collaborative investments and role specialization as means for retaining critical defense capabilities.

NATO allies need to combine their efforts in order to minimise the effects of the crisis on defence spending. However, only a few allies may be able to acquire certain capabilities, while others may be in a position to focus their limited resources on "niche" assets (in the field of strategic lift, logistical support, power projection and missile defence). As most allies are no longer capable of acquiring certain military capabilities and closer cooperation is necessary anyway, multinational coordination is seen as the only way to share procurement programmes and stay relevant on the international stage.<sup>146</sup>

**The Smart Defense Initiative.** It was increasingly evident that NATO was in danger of creeping military irrelevance but also that the Alliance was unable and unwilling to spend more on defense. Recognizing the imperative to do more with less, the Smart Defense initiative was proposed by Secretary General Rasmussen in February of 2011. Rasmussen argued that the way forward was to make better use of what assets and resources they possessed. "The way forward lies not in spending more but in spending better – by pursuing multinational approaches, making the transatlantic compact more strategically oriented, and working with emerging powers to manage the effects of the globalization of security."<sup>147</sup>

<sup>143</sup> Anders Fogh Rasmussen, NATO Secretary General, "Building security in an age of austerity," *op. cit.*

<sup>144</sup> NATO, "Improving NATO's Capabilities," [http://www.nato.int/cps/en/natolive/topics\\_49137.htm](http://www.nato.int/cps/en/natolive/topics_49137.htm) (n.d.).

<sup>145</sup> Nicole Ameline, *op. cit.* p.1.

<sup>146</sup> Francesco Gobbi, "NATO in the Aftermath of the Financial Crisis." *Library Briefing*, Library of the European Parliament, (March 4, 2013), p. 4.

<sup>147</sup> Anders Fogh Rasmussen, NATO Secretary General, "NATO After Libya: the Atlantic alliance in Austere Times," *Foreign Affairs*, Volume 90, No 4 (July/August 2011), p. 6.

He called upon NATO allies to pool resources in order to develop, acquire and maintain jointly operated military capabilities under the banner of Smart Defense.

Smart defense is about building security for less money by working together and being more flexible. This requires identifying those areas in which NATO allies need to keep investing. The operation in Libya has underlined the unpredictability of threats and the need to maintain a wide spectrum of military capabilities, both frontline and enabling ones. Keeping a deployable army, a powerful navy, and a strong air force costs money, however, and not all European countries can afford to have a bit of everything. So they should set their priorities on the basis of threats, cost-effectiveness, and performance – not budgetary considerations or prestige alone.

Smart defense also means encouraging multinational cooperation. As the price of military equipment continues to rise, European states acting alone may struggle to afford high-tech weapons systems such as the ones used in Libya. European nations should work in small clusters to combine their resources and build capabilities that can benefit the alliance as a whole. Here, NATO can act as a matchmaker, bringing nations together to identify what they can do jointly at a lower cost, more efficiently, and with less risk.<sup>148</sup>

The Smart Defense initiative was formally adopted at the Chicago Summit. The summit sought to incorporate Smart Defense into a long-term capability strategy. This strategy included identification and implementation of a range of multinational projects to address critical capability shortfalls. It also meant the continuation of longer-term multinational projects that include missile defense, Alliance Ground Surveillance and air policing and a set of longer-term strategic projects covering areas such as joint intelligence, surveillance and reconnaissance and air-to-air refueling. Groups of allies have already begun to act upon this recommendation, coming together to acquire RQ-4 Global Hawk unmanned aerial vehicles (UAVs) to satisfy the NATO airborne ground surveillance requirement. A consortium has also formed to create the Strategic Airlift Capability. Under this initiative, 12 nations, including ten NATO allies are jointly leasing and operating C-17 transport aircraft, using multinational crews and operating under multinational military command.

Collaboration among groups of allies allows each to acquire capabilities it would not be able to afford on its own.

The most attractive savings can be achieved if states – or their groupings – specialise in certain kinds of capabilities and abandon the concept of each sustaining a full spectrum of armed forces (with land, air, and naval forces capable of fulfilling all possible tasks). Free from the need to finance the multitude of capabilities, states could use their defence budgets more efficiently and could invest in selected assets, developed together with their partners. Not only would this approach bring more capabilities for the Alliance as a whole but also it would allow member nations to actually save money. It would be a genuine less-for-more scenario: the money used to sustain a full spectrum of armed forces (in which large portions often suffer from underinvestment and are thus badly

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<sup>148</sup> *Ibid.*, pp. 3-4.

equipped and trained) could be spent on fewer more-modern and more-accessible capabilities.<sup>149</sup>

One of the simplest ways of pooling assets is for countries to acquire the same systems. When several nations acquire the same system not only do they generally get a better price but there are advantages in terms of returns to scale, reduced spare parts inventories and a sharing of installations for training and maintenance. NATO has done this in the multination program for the A400 transport. The best example of this form of pooling is the international F-16 program. Over the years, some 4,500 F-16s have been built and are currently operated by 25 countries around the world, eight of whom are NATO members. Belgian, Danish and Norwegian F-16s together conducted more than 30 percent of allied strike sorties in the Libyan operation.

Another example is the international program for the F-35 Joint Strike Fighter. A number of NATO allies including the U.K., Italy, the Netherlands, Canada, Denmark, Norway and Turkey are not only acquiring the Joint Strike Fighter but are participating in the development and production of the aircraft. At least for now, the United Kingdom is the only other country besides the United States that is acquiring the short takeoff/vertical landing variant, the F-35B. Not only does the international program reduce the cost of acquiring fifth-generation fighters for all participants, but there will be tremendous advantages to be gained by virtue of the global supply chain, availability of shared facilities and standardized procedures. This program is also important as a means of supporting defense industrial collaboration across the partner countries. When it comes to conducting actual combat operations, the “pool” of F-35s in NATO will be one of the smartest defense investments the Alliance has ever made.<sup>150</sup>

The most visible and measurable examples of NATO’s efforts to improve its collective defense capabilities are the ten areas noted in the Lisbon Commitment that focused on the Alliance’s most pressing capability needs. NATO has made substantial progress towards addressing several of these areas, including strategic and tactical airlift shortfalls. This is one area where the Smart Defense concept of pooling assets appears to be viable. Its member nations maintain a fairly large inventory of tactical airlift assets including C-130s which remain the backbone of the Alliance’s tactical airlift capability, as well as C-27s and Transall C-160s. In addition, seven NATO members have placed orders for 170 A400 long-range transports. To meet the current shortfall in heavy air transport, NATO supports two initiatives. The Strategic Airlift Interim Solution is an arrangement under which 14 nations have pooled their resources to charter six Antonov An-124-100 transport aircraft. The complementary Strategic Airlift Capability centers on the acquisition and operation of three Boeing C-17s by ten member countries. In addition, a number of countries continue to participate in the Sealift Consortium which provides common funding with which to charter up to ten “roll-on/roll-off” ships.

A second area where demonstrable, albeit limited, progress has been made is theater missile defense. At the Chicago Summit the Alliance declared operational an interim ballistic missile defense capability as an initial step to establish NATO’s missile defense system, which will protect all NATO European territories, populations and forces against the increasing threats posed by the proliferation of ballistic missiles. The Active Layered Theater Ballistic Missile

<sup>149</sup> Marcin Terlikowski, *op.cit.*, p. 3.

<sup>150</sup> NATO, “Smart Defence Smart TADIC,” *op. cit.*, p. 21.

Defense is designed to provide the planning and information capability to support development and deployment of a functioning ballistic missile defense for NATO based on national capabilities.

ALTBMD also will allow NATO missile defense to be integrated with the new U.S.-built European Phased Adaptive Architecture (EPAA), the first phase of which is now being deployed. The EPAA, based on the Aegis Ballistic Missile Defense System and the Standard Missile 3, will provide progressively more capable defenses against long-range ballistic missiles. The EPAA will consist of both Aegis missile defense capable ships and Aegis Ashore installations in Romania and Poland.

NATO's next step in the deployment of theater missile defense will be a study to define the architecture dedicated to the defense of Europe and to set up requirements for the NATO command-and-control systems. This will support the deployment of a NATO – wide command control system for ballistic missile defense.<sup>151</sup>

It is important to point out that no member state has actually made a commitment to acquire and deploy additional theater missile defense capabilities.

No publicized major joint research endeavors have been codified. No proposed defensive groundwork has been put forward or any mutual agreements on codevelopment signed. In fact, there has been no tangible evidence at all to show that Europe considers ballistic missile defense a top priority.<sup>152</sup>

No NATO nation or consortium of countries has yet committed to developing missile defense capabilities beyond sensors and command, control and communication systems. As one long-time observer of the NATO scene commented, "In sum, NATO members support a missile defense system built by the United States, with common decision making structures, but do not specify what they are going to contribute. Some European allies even doubt the urgency of a missile defense system."<sup>153</sup>

NATO identified cyber defense as a critical capability for the Alliance's future security. To various degrees, individual NATO members are making investments in people, organizations, tools and training. NATO members disagree as to where the locus of investments in cyber defense should reside.

Smaller countries with limited resources are keen to take advantage of NATO's cyber defence capabilities and Rasmussen believes NATO should have a capacity to help. But larger members, such as the United States, Britain, France and Germany, disagree. Since they spend large sums on cyber defence at home, they are reluctant to divert money to NATO activities that will largely benefit others.<sup>154</sup>

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<sup>151</sup> Pierre Tran, "European-US Team to Bid for NATO BMD Contract," *Defense News* (November 30, 2013).

<sup>152</sup> Harrison Menke, "Passing the Buck on Missile Defense." *U.S. News and World Report* (November 12, 2013).

<sup>153</sup> Karl-Heinz Kamp, *NATO's Chicago Summit: A Thorny Agenda*. NATO Defense College Research Paper 70 (November 2011), p. 4.

<sup>154</sup> Adrian Croft, "NATO boosts cyber defenses but members differ on its role," *Reuters* (June 4, 2013).

The Alliance itself has undertaken a number of steps to improve its capabilities in this area. It has published a new policy on cyber defense that integrates cyber operations into NATO's Defense Planning Process, sets out the framework for NATO assistance to allies, and defines standards for information sharing and situational awareness, collaboration and interoperability. Estonia is home to NATO's Cyber Defense Center of Excellence. In addition, by the end of 2012, NATO stood up a Rapid Reaction Team as well as a Computer Incident Response Capability in the Consultation, Command and Control Agency. Belgium is developing the Malware Information Sharing Platform (MISP) intended to facilitate information sharing of the technical characteristics of malware without having to share details of an attack.

If there is one area of NATO's defense that cries out for an integrated approach it is cyber defense. Yet, the overriding burden of national sovereignty prevents this. "Due to national sovereignty concerns of member-states, NATO decided it would not be responsible for national network security. This presents a particular problem for countries like the U.S., which have a great deal to lose through vulnerable networks of weaker member-states."<sup>155</sup> Overall, in the absence of a clear assessment of national capabilities and with little collaborative activities, it is hard to be confident more than a year after the Chicago Summit that NATO is making significant progress towards an effective cyber defense.

Another critical capability area is aerial refueling. The Libyan operation underscored a well-recognized capability gap in aerial refueling. U.S. assets had to provide most of the refueling support for NATO aircraft. NATO members currently deploy a limited number of airborne tankers including C-130s, KC-135s, KC-767s and aging VC10s and Tristars.

A number of NATO members plan to modernize their aerial refueling fleets. France, Germany and Spain will acquire a variant of the A400. The U.K. will replace their VC10s and Tristars with the Airbus A330 Multi-Role Tanker Transport. The new tanker aircraft will generally carry more fuel and be capable of more rapid offloads. Nonetheless, the character of future air operations (e.g., distance of operating theater from NATO airbases, number of aircraft sorties) can rapidly stress the capacity of the planned fleet of airborne tankers.

The Alliance has invested substantially in the NATO Air Command and Control System (ACCS) intended to network national air command and control systems across Europe. The program is building a system at 17 locations in NATO Europe using common hardware and software, and sharing operational data over a high-speed communications network. The ACCS program also has developed capabilities to support out-of-area operations. The Deployable Combined Air Operations Center (DCAOC) and the Deployable Air Control Center (ACC), Recognized Air Picture (RAP) Production Center, Deployable ACC RAP Sensor Fusion Post are mobile, sheltered, containerized extensions of the NATO Air Command and Control System designed to support any NATO out-of-area operations.

NATO has long-recognized the importance of intelligence, surveillance and reconnaissance. A number of NATO members maintain national airborne ISR capabilities, primarily manned but beginning to evolve towards mixed fleets of manned and unmanned systems. The U.K. which

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<sup>155</sup> Daniel Pitcairn, "A Missed Chance for NATO's Cybersecurity Future," *Defense One* (October 23, 2013).

once deployed the most robust fleet of airborne command and control and ISR platforms, including E-3A AWACS, is substantially reducing its capabilities. The U.K. is retiring its fleet of Sentinel airborne ground surveillance aircraft and its Nimrod R1s and has cancelled its planned deployment of the Nimrod MRA4 ISR aircraft. It will acquire three RC-135 Rivet Joint signals intelligence aircraft to replace the retiring Nimrod R1. In addition, the U.K. Ministry of Defense has acquired a fleet of MQ-9 Reapers in response to an urgent requirement and is proceeding with its Watchkeeper program to deploy a fleet of Hermes 450 UAVs in support of the British Army.

NATO has moved forward to create a common Alliance Ground Surveillance (AGS) capability. The Alliance has decided to acquire five Global Hawk Block 40 unmanned systems equipped with advanced radar as the core of its capability. Production of the first of these large UAVs began in late 2013.<sup>156</sup> The AGS program also will have access to the United Kingdom's Sentinel and the French Heron TP unmanned systems. However, even taking all these assets together, these capabilities fall far short of the number needed: 50 high altitude and 20 medium altitude long endurance unmanned aircraft, according to planning documents.<sup>157</sup>

In addition, under the Smart Defense banner, a number of members of the Alliance are part of an ISR coalition. The Multi-Sensor Aerospace-Ground Joint ISR Interoperability Coalition (MAJIIC) project is intended to develop and evaluate operational and technical means for interoperability of a wide range of ISR assets. MAJIIC grew out of the Afghan Mission Network intended to share intelligence information between all members of the International Security Assistance Force. The new program will establish common operating and technical standards, architectural standards and protocols for ISR investment, collaborative activities and eventually the construction of a common ISR platform. It will also provide prototype technologies that advance intelligence processing, exploitation and dissemination. Phase 2 of this program is currently underway.<sup>158</sup>

Smart Defense also involves a wide range of collaborative programs of varying size, sophistication and duration. The largest, most complex and costly of these are associated with fulfilling the ten Lisbon objectives. There are 28 multinational projects that will deliver improved operational effectiveness, economies of scale and connectivity between national forces ranging from the pooling of maritime patrol aircraft and logistics partnerships to multinational partnerships to improve maintenance for MRAP vehicles and helicopters and various projects to enhance training. In addition, Allied Command Transformation has identified nearly 150 smaller projects, often involving just a few member nations and intended to address a specific, immediate and practical need.<sup>159</sup>

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<sup>156</sup> "Production of NATO's First Global Hawk Aircraft Begins," <http://navaltoday.com/2013/12/04/production-of-natos-first-global-hawk-aircraft-begins/> (December 4, 2013).

<sup>157</sup> Lt Col Rafael Saiz and Col Daniel Lewandowski, "UAS in NATO: Fostering Transformation," The JAPCC Perspective of UAS in NATO, [http://www.uasresearch.com/UserFiles/File/108-111\\_Feature-Article\\_UAS-In-NATO\\_Fostering-Transformation.pdf](http://www.uasresearch.com/UserFiles/File/108-111_Feature-Article_UAS-In-NATO_Fostering-Transformation.pdf) (n.d.), p. 111.

<sup>158</sup> George I. Seffers, "NATO Works MAJIIC Again," *Signal Magazine* (October 2011).

<sup>159</sup> NATO, "Multinational Projects," *Media Backgrounder* (October 2013). And, Amaani Lyle, "Training, Resource Sharing Boost NATO Transformation Initiatives," American Forces Press Service (December 13, 2012).

Soon after the promulgation of Smart Defense, it was recognized that in order to deploy effective forces starting with the NRF, more was required than just enhanced procurement or management of platforms and systems. In order to get the maximum utility from existing capabilities, NATO needed to significantly improve the integration of disparate national formations and capabilities. Critics of Smart Defense rightly pointed out that it depended to an extraordinary degree on both the political cohesion among NATO members and on structures and practices that would enable pooling and role specialization to result in usable military capabilities. In recognition of these concerns, Secretary General Rasmussen declared that “we need an initiative to complement Smart Defense. One that mobilizes all of NATO’s resources so we strengthen our ability to work together in a truly connected way. I call this the ‘Connected Forces Initiative’.” This initiative consists of three parts: training and education; expanded exercises, particularly involving the NRF; and better use of technology, in particular investing in connectors to allow national systems to operate together.<sup>160</sup>

Smart Defense focused on the pooling countries' buying power to equip the Alliance with shared capabilities; the Connected Forces Initiative (CFI) focused on a series of measures in the field of education and training, exercises and technology.<sup>161</sup>

CFI works to maintain Alliance forces' readiness, interoperability and military credibility, particularly in a post-Afghanistan era. This is achieved by creating a connected, efficient, effective, and affordable education and training system of the highest quality with the most experienced instructors. A new era is upon us and we must work to preserve a decade of expertise and likewise utilise collective knowledge in training, simulation and exercises. CFI interconnects the Alliance through collective activities for a common purpose. CFI guarantees our military sustains trained, deployable forces while advancing the transformational goals of the Alliance.<sup>162</sup>

On February 21, 2013, the Alliance officially agreed that the NRF will be the core of the CFI in order to maintain NATO’s readiness and combat-effectiveness. In particular, it was recognized that NATO needed to expand its exercise and training program. The forces designated as deployable need to practice together the operations that they could be called on to perform on a week’s notice. NATO ministers agreed that the Alliance should hold a major live exercise in 2015 that will include the NRF and draw up a comprehensive program of training and exercises for the period 2015-2020.<sup>163</sup>

The Chicago Summit also was noteworthy for its articulation of the “NATO Forces 2020” goal. The vision expressed in Chicago for NATO forces in 2020 and beyond is one of modern, tightly connected forces equipped, trained, exercised and commanded so that they can operate together

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<sup>160</sup> Anders Fogh Rasmussen, NATO Secretary General, “NATO 2020: Shared leadership for a shared future,” Speech at the Brussels Forum (March 23, 2012). And, Foreign Minister Guido Westerwelle, “Building Euro-Atlantic Security,” Speech to the Munich Security Conference (February 4, 2012).

<sup>161</sup> Lieutenant General Karlheinz Viereck, “Connected Forces Initiative: Reshaping Priorities,” NATO Allied Command Transformation (March 29, 2012).

<sup>162</sup> Robin Michelle Barnett, “10 Years of Transformation: A Solid Foundation for the Future,” Interview with Supreme Allied Commander Transformation, General Jean-Paul Paloméros, NATO Allied Command Transformation (March 29, 2012).

<sup>163</sup> NATO., *The NATO Response Force: At the center of NATO transformation*, op. cit.

and with partners in any environment. NATO Forces 2020 established a goal against which progress by the Alliance to achieving agreed upon force structure improvements and investment priorities could be measured through the use of the NATO Defense Planning Process.<sup>164</sup>

With a focus on the implementation of 2010 Strategic Concept, NATO's Heads of State and Government established *NATO Forces 2020* (NF 2020) as the Alliance's capability focus point and what is ultimately a waypoint towards 2030 and beyond.

In a strategy context, NF 2020 represents an 'ends.' NATO's Defence Planning Process (NDPP) is the primary 'means' for the Alliance to achieve NF 2020. But, as Allies find it increasingly difficult to maintain and develop cost-effective, interoperable military capabilities, the Connected Forces Initiative (CFI) and Smart Defence are being identified as important 'ways' to help Allies realise their NF 2020 strategic goal.<sup>165</sup>

NATO Forces 2020 is the capability by which the Alliance sees through to completion its commitment to the force goals associated with the NRF, including the ten LCCC programs.

This constitutes what has been coined the “Chicago Defense Package”, which aims to ensure the Alliance has all the requisite capabilities to implement the 2010 Strategic Concept and the 2011 Political Guidance. The Chicago Defense Package is a mix of new and existing initiatives. The new initiatives consist of Smart Defense and the Connected Forces Initiative; the existing initiatives include the Lisbon Summit package focused on the Alliance’s most pressing capability needs; the ongoing reform of Alliance structures and processes; and the NATO Defense Planning Process, mentioned previously.<sup>166</sup>

## How Wise is Smart Defense?

NATO has tied its future as a military organization to Smart Defense (and its related Connected Forces Initiative) with its emphasis on collaborative investments, the pooling of assets and the fulfillment of the LCCC. However, despite the fanfare associated with this effort, it is not at all certain that Smart Defense will change the downward trajectory in NATO’s effective military power. A survey by the Atlantic Council and *Foreign Policy* of more than 60 senior U.S. and European government officials, members of Congress/parliaments, defense experts and diplomats on the future of NATO asked about the impacts of Smart Defense on NATO’s defense capabilities. Approximately 60 percent of those surveyed had a negative assessment of the new initiative believing that it either would mask the Alliance’s inability to make hard defense decisions, result in further cuts in defense spending or produce new investments only slowly and over a protracted period of time.<sup>167</sup>

<sup>164</sup> Lt Col David Cathro, *NATO Defense Planning Process (NDPP)*. Briefing, NATO Allied Command Transformation (n.d.).

<sup>165</sup> Major Jon McGowen and Mr. Rick Perks, “Ways to Get There,” NATO Allied Command Transformation (March 29, 2012).

<sup>166</sup> NATO., “Improving NATO’s Capabilities,” *op. cit.*

<sup>167</sup> “Atlantic Council/Foreign Policy Survey: the future of NATO,” Atlantic Council, <http://www.atlanticcouncil.org/events/past-events/atlantic-council-foreign-policy-survey-the-future-of-nato> (May 14, 2012).

Analysts have warned that in order to be successful Smart Defense must add to NATO's deployable capabilities and not serve just as a screen behind which Alliance members continue to reduce their defense expenditures and gut their force structures.

While many of the European armies have already reached or are about to reach critical thresholds of military readiness that affect their ability to fulfill missions, whether the defense of their territory or the ability to contribute to militarily significant operations of the alliance, it is necessary to recall that Smart Defense must preserve and strengthen the over-all defense posture of the alliance and not simply mask cuts or facilitate the behavior of free-riders.<sup>168</sup>

In recent comments before a U.S. audience, Norway's Defense Minister, Ine Eriksen, criticized Smart Defense as a slogan designed to cover up continuing reductions in defense spending. "If you do that in an uncoordinated manner, the risk is that you end up losing vital capabilities that are crucial to the alliance and to alliance security."<sup>169</sup>

One of the key tenets of Smart Defense is for NATO members to pool assets so as to create more robust capabilities that will be made available to support whatever operations the Alliance or a coalition of members decides to undertake. NATO has already done this in such areas as strategic lift, airborne ground surveillance and aerial refueling. In a lot of areas there are no arrangements yet for pooling assets or such arrangements are not supported by the necessary planning, training, exercises, maintenance and logistics.

As previously demonstrated, prioritization, pooling and collaboration are not new concepts to NATO. The theory of Smart Defense, as with preceding proposals and initiatives for doing more with less are fine. The implementation has proven much more difficult. As one source pointed out:

Prioritization is not new to NATO, as previous capability initiatives (e.g., Prague, Lisbon) remind us. However, as the identification of priorities has not yielded the expected results of delivering enhanced capabilities, the question is how NATO can articulate common, realistic priorities consistent with the mission and level of ambition of the alliance. The main difficulty is the relationship between the priorities of each ally and the priorities of the alliance, which do not always overlap (to put it mildly).<sup>170</sup>

National sovereignty, a perennial stumbling block to NATO efforts to coordinate the defense plans and programs of member states even during the Cold War, has if anything become more of a challenge since the collapse of the Warsaw Pact.

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<sup>168</sup> Dr. Lisa Aronsson and Dr. Molly O'Donnell, *Smart Defense and the Future of NATO: Can the Alliance Meet the Challenges of the Twenty-First Century?* Conference Report, The Chicago Council on Global Affairs (March 28-30, 2012), p. 5.

<sup>169</sup> Andrea Shalal-Esa, "Europe must step up on NATO defence burden - Norway defence chief," Reuters (January 10, 2014).

<sup>170</sup> Dr. Lisa Aronsson and Dr. Molly O'Donnell, *op cit.*, p. 6.

The potential benefit of being able to do more with less by way of pooling and sharing comes at the cost of reduced national autonomy. Governments who cooperate closely on defense matters need to be certain that partners will do their part when called upon to participate in operations. On the other hand, governments will worry about being pressured to participate in operations they themselves do not consider vital. Hence, pooling and sharing requires a degree of trust that is currently not shared among all NATO allies. Different strategic cultures, levels of ambition, defense industry concerns, and legal frameworks regarding the use of the armed forces – to name but a few hurdles – stand in the way. Successful pooling and sharing efforts will remain rare and will tend to come in the form of pragmatic cooperation among a few countries rather than Alliance-wide initiatives.<sup>171</sup>

Another European source was even blunter in its assessment of the problems associated with implementing Smart Defense:

To understand why so few countries have systematically agreed to collaborate, one has to view pooling and sharing through governments' eyes. While most European states lost the capacity to fight significant wars by themselves decades ago, they cherish the power to decide independently on when and how to use their armed forces. Governments do not entirely trust their partners: if they build joint units with another country, it may deny them access in times of trouble. Conversely, capitals fear being dragged into an unwanted conflict by their partners in collaboration. The creation of joint units often costs extra money in the initial stages, before delivering savings later, and defence ministers are reluctant to invest, given that their finance ministers are demanding cuts immediately. If and when collaborative projects take root, defence ministers have no assurance that they will benefit from the saving; treasuries usually take the spoils. And ministers may fear a political backlash if mergers lead to layoffs – the unions are certain to be displeased, while the potential savings of such move are hard to quantify. So, unsurprisingly, many countries choose inaction over collaboration.<sup>172</sup>

Smart Defense is not a centrally planned and directed effort. Rather, it is an attempt to broaden national or group efforts in order to extract from them some measure of collective benefit. As one NATO official characterized Smart Defense, "If a nation is planning to dig a hole Smart Defense would seek to have that nation move its location to where it would meet not only it but one or more additional nations."<sup>173</sup>

For the most part, Smart Defense has become a means for capitalizing on national acquisition programs. Moreover, most projects identified with Smart Defense address real but not critical capability gaps.

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<sup>171</sup> Bastian Giegerich, "Smart Defense and the Future of the Transatlantic Alliance," *Hampton Roads International Security Quarterly* (April 1, 2012).

<sup>172</sup> Claudia Major, Christian Mölling and Tomas Valasek, *Smart but too cautious: How NATO can improve its fight against austerity*, Policy Paper, Center for European Reform (May 2012), p. 2.

<sup>173</sup> Interview with NATO officials (November 2012).

Speaking officially, all member states are for more cooperation. At the NATO Summit in Chicago, they will present their “Smart Defense” projects. But the problems of the Alliance will not be resolved with the proposals on the table, the savings from which would be limited. What the Alliance needs, for instance, are new transport helicopters, drones and reconnaissance capacities. Here, member states are simply reintroducing already existing and ongoing collaboration.

The new Smart Defense projects involve – with few exceptions – areas like logistics, training and mine clearing. But the potential savings in these areas is limited. Furthermore, these projects fail to fill the most serious gaps in capability, which were revealed by the Libya operation and worsened by the financial crisis. NATO members can only tap further savings if they consciously and in an organized fashion take upon themselves greater reliance on their partners when it comes to security policy.<sup>174</sup>

NATO leaders have strongly implied that by practicing Smart Defense the Alliance can counterbalance deep spending cuts. This is not likely to be found true.

. . . (W)hile pooling, sharing, and cost-cutting exercises can ameliorate the consequences of a lean budget, it is clear by now that security and a responsible role in international affairs come at a price. Europe cannot pool and share its way out of this dilemma. In the end, one needs to buy things – planes, tanks, rifles, computers – and pay the people using them. The sooner Europeans come around to this insight, the more likely they will remain safe, independent, and influential actors in the international arena.<sup>175</sup>

One long-time observer of the European/NATO defense scene was even blunter in his assessment of the impacts of Smart Defense on NATO’s ability to deploy credible military capabilities:

The little pooling that will occur in Europe may generate some financial savings. But it will come nowhere near to offsetting the effect of current and prospective budget cuts. The Europeans will not do ‘more with less’, as EU and NATO officials sometimes optimistically proclaim, but ‘less with less’.<sup>176</sup>

When the contributions of Smart Defense projects are considered against the backdrop of both the minimum quantity of forces needed to meet NATO’s level of ambition and spectrum of requirements for future NATO forces, it has little impact. Most of the projects are relatively modest. Moreover, they tend to be initiated by individual governments or small coalitions and reflect particular desires more than they do the collective interests or needs of the Alliance as a whole.

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<sup>174</sup> Claudia Major, “Price of NATO Survival: Diminished Sovereignty,” *op. cit.*

<sup>175</sup> Patrick Keller, *Challenges for European defense budgets after the economic crisis*, *op. cit.*

<sup>176</sup> Francois Heisbourg, “The defence of Europe,” in Tomas Valasek, ed., *op. cit.*, p. 34.

## How Far has NATO Really Come?<sup>177</sup>

NATO efforts to fill capability gaps have provided some improvement. But it is not enough to counterbalance the overall loss of capabilities. Smaller members of the Alliance have engaged in vertical reductions in capabilities, eliminating entire types of equipment such as submarines or heavy armor. This has led commentators to discuss the phenomenon of specialization by default. These cuts have not been done in a coordinated fashion nor have the resources freed up been applied to priority investments in new capabilities.<sup>178</sup>

Specialization by default is likely to degrade the collective capability of the Alliance and might undercut common security. Unilateral, uncoordinated cuts will, moreover, increase the burden on those countries that still possess the capabilities in question, thereby testing allied solidarity and conceptions of appropriate burden-sharing. To be clear: not all cuts are harmful. If governments were to use the financial pressure to retire obsolete equipment and balance cuts in a multinational and complementary framework, the crisis could be a blessing in disguise. Up to this point, however, the balance of evidence suggests that the usability and deployability of European armed forces has not improved over the past few years and is set to deteriorate further.<sup>179</sup>

Even before their recent rounds of force structure cuts, well-respected analysts were warning that:

Given these trends among the big three, and limited spending by other allies, NATO Europe will make only marginal improvements in capabilities to undertake various missions absent significant restructuring and defense integration. Most other allies will probably be able to contribute no more than a battalion to future expeditionary operations. In the naval domain, allies will be able to contribute limited numbers of surface combatants for sea control, maritime security, and humanitarian operations, but reduced force levels will constrain operational flexibility and global presence. Air forces will suffer from aging aircraft and declining readiness.<sup>180</sup>

The creation of the NRF in 2002 can be considered a step forward both as a response to the new strategic circumstances confronting the Alliance and to the need to pool resources. However, over time the capabilities embodied in the NRF have been defined down. Moreover, reports indicate that NATO has consistently failed to fulfill the quantitative requirements for this force.

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<sup>177</sup> This section has been enriched by interviews and discussions with both NATO and national military experts.

<sup>178</sup> John Gordon, Stuart Johnson, F. Stephen Larrabee and Peter A. Wilson, "NATO and the Challenge of Austerity," *Survival*, Vol. 54 Issue 4 (August 2012), pp. 121-142. And, Charles Barry and Hans Binnendijk, "Widening Gaps in U.S. and European Defense Capabilities and Cooperation," *TransAtlantic Current*, National Defense University (July 2012).

<sup>179</sup> Bastian Giegerich, "NATO's Smart Defence Agenda: From Concepts to Implementation," in Ricardo Alcaro and Sonia Lucarelli, eds., *Dynamic Change: Rethinking NATO's Capabilities, Operation and Partnerships*, NATO ACT/University of Bologna, Academic Conference (2012), p. 19.

<sup>180</sup> Stephen Flanagan, principal, *A Diminishing Transatlantic Partnership? The Impact of the Financial Crisis on European Defense and Foreign Assistance Capabilities*, Center for Strategic and International Studies (Washington, DC, May 2011), p. ix.

This fact plus the failure to deploy the NRF other than to support two minor humanitarian missions suggest that there is less to the force than described in public affairs statements.

An assessment of NATO efforts to invest in critical capabilities must conclude that to date they constitute a qualified success. In the majority of cases – networking, command and control, theater missile defense, cyber, joint ISR and logistics – most activity has been process-oriented. That is, NATO's efforts have focused on procedures, standards, frameworks and policies rather than on actual hardware. The absence of an Alliance-wide net assessment to determine how individual member states have invested in capabilities to fill these critical capability areas makes it very difficult to know whether there has been any real progress.

With respect to strategic lift, aerial refueling and airborne ground surveillance, NATO programs are moving ahead. The Strategic Airlift Program, based around a small number of C-17s, has proven valuable. The A400 consortium has held together and an initial set of aircraft are being built and delivered. The tanker version of the A400 will complement national programs in Germany and the U.K. and will provide an improved capability, albeit not enough to support a major joint operation without assistance from the U.S. Similarly, investments in airborne ISR and ground surveillance, most particularly NATO's AGS program, will enhance the Alliance's overall capability in this area. The procurement of a limited number of manned platforms and delays in fielding large UAVs, and the cancellation of the German Eurohawk high altitude signals intelligence UAV program in June 2013 means that NATO will lag behind in this area for years to come.

Not surprisingly, Smart Defense and the Connected Forces Initiative have produced less in the way of concrete results than their initial hype would have suggested. In particular, neither has generated a major collaborative program. However, Smart Defense has led to some 150 different activities across a wide range of military interests. Some, such as the program to share helicopter maintenance services in Afghanistan, have led to not insignificant resource savings.<sup>181</sup> Overall, Smart Defense and CFI do not appear to be moving towards addressing core capability shortfalls.

NATO supporters generally acknowledge the Alliance's problems with respect to maintaining an adequate level of defense spending and providing the requisite numbers and variety of forces to meet operational requirements. Their response is to argue that it is a matter of perception, that NATO is taking steps albeit small ones, to improve its defense posture. Moreover, they argue it is better to have NATO, weak as it is, rather than no Alliance at all. The phrase often used is that the glass should be viewed as half full.

The analogy of the glass half full or half empty misdirects the discussion of how far NATO has come in addressing critical budgetary and capability shortfalls because it avoids directly the issue of the minimum required capability for the Alliance. Two years after Secretary Gates' final speech to NATO in which he warned of the danger of a rift in trans-Atlantic relations over the unwillingness of NATO countries to do enough for their own defense, a senior U.S. official

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<sup>181</sup> Amaani Lyle, "Smart Defense Team Helps NATO Face Lean Times," American Forces Press Service (December 13, 2012).

declared that, “Europe’s decision to abdicate on defense spending increasingly means it can’t take care of itself, and it can’t be a valuable partner to us.”<sup>182</sup>

Certainly NATO does not spend its collective defense resources wisely. Nor have the members of the Alliance adequately coordinated reductions in their military forces and capabilities. What is of greater concern is NATO’s failure to recognize and respond to the strategic challenge of transitioning from a deployed Alliance focused on conducting significant counterinsurgency operations, to a responsive Alliance prepared to react to any number of demanding and unpredictable contingencies.<sup>183</sup>

It must make this transition while member nations continue to downsize their militaries. At the same time, NATO must make sure that residual forces will be effective, responsive, flexible and scalable. The danger is that as individual member nations exercise their sovereign right to choose which forces to cut, which to keep and where to place scarce investment dollars, critical enabling or integrating capabilities will be lost. Understanding and tracking the full range of national and NATO military capabilities is particularly important as the U.S. begins to reduce its military capabilities. The real long-term risk to NATO is that gaps will appear in the European force structure that the U.S. won’t be able to fill, and that the Alliance will be less able to act in a future crisis.

Residual forces need to be capable, scalable, and flexible in order to confront a range of demanding and unpredictable operational engagements. However, there are grave doubts among observers that on its current trajectory NATO will even be able to hold its current position, much less increase its defensive capabilities.

While the United States would like to be able to rely more on its European allies, many experts doubt that even the strongest among them, Britain and France, could carry out their part of another Libya operation now, and certainly not in a few years. Both are struggling to maintain their own nuclear deterrents as well as mobile, modern armed forces. The situation in Britain is so bad that American officials are quietly urging it to drop its expensive nuclear deterrent.

The challenge is particularly acute as NATO pulls its forces out of Afghanistan after a long, wearying and unsatisfying war, with results widely seen as fragile, even unsustainable. After Afghanistan, with Europeans looking inward and the Russian threat considered more rhetorical than real, some wonder once more about the real utility of NATO.<sup>184</sup>

NATO needs to determine whether the force structure goals – ready, scalable and flexible – are feasible. Pursuing readiness and a scalable capability need not be incompatible. The Graduated Readiness Forces embedded in the NATO force structure already offer scope for staggered

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<sup>182</sup> Steven Erlanger, “Shrinking Europe Military Spending Stirs Concern.” *The New York Times* (April 22, 2013), p. A3.

<sup>183</sup> Barry Pavel and Magnus Nordenman, *Global Trends and the Future of NATO Alliance Security in an Era of Global Competition*, Issue Brief, Atlantic Council (October 31, 2013).

<sup>184</sup> *Ibid.*

response times and for expanding force packages – for instance from a NATO Naval Task Group to a fully-generated NATO Expanded Task Force with multiple aircraft carriers. Yet, it is clear that maintaining the requisite force levels has come at the expense of modernization, particularly in the critical enablers so much a part of modern militaries. With reduced budgets among member nations, it may be necessary to choose only two of these criteria, such as a force that is scalable and capable, but not always immediately ready to conduct operations.

The observable gap between the nominal deployability of forces of many allies and the actual number of deployed troops suggests that this nominal number is not very reliable and that the decline in defense spending is affecting force performance adversely in these critical categories of readiness, training, etc. What is well documented, however, is that NATO is not apportioning available defense funds properly in order to acquire and sustain sufficient investment in modern military systems, networks, and critical enablers.

Over the past decade, European countries have become increasingly involved in military operation – from Iraq to Afghanistan, from counter-piracy operations in the Gulf of Aden to stabilisation missions in western Africa and the bombing campaign over Libya. However, rather than raising defence spending to pay for this increased operational involvement (as the US did, dramatically), European countries decided to pay for these added costs with funds originally allocated to buying and investing in new equipment.

So future European defence capabilities suffered a double whammy this past decade: not only did overall spending decline sharply, but an increasing amount of what remained went to pay for current operations rather than to invest in future capabilities. Not surprisingly, the US spends **three times** as much as Europe on equipment, **four times** as much per soldier, and **seven times** as much on defence research and development. In other words, the gap between European and American capabilities is big, and getting bigger (emphasis added).<sup>185</sup>

One of the problems NATO experts have identified is that, compared with the Cold War, NATO no longer keeps track reliably of the actual combat status of allied forces. The Supreme Headquarters Allied Powers Europe still promulgates standards for NATO forces but it is unclear if their implementation is monitored or if failure to meet defined levels of performance is adequately enforced. Fighter cross-servicing exercises are no longer held; operational evaluation of units are rare outside the important but narrow NRF certification process; etc. In short, by neglect, NATO's command authority has been allowed to atrophy and functions that nations at one point considered essential, and which they expected NATO to discharge on their behalf, have been abandoned.

Today, planning in the NATO Defense Planning Process (NDPP) remains primarily quantitative, not qualitative. However, national reductions across the Alliance are focused on achieving financial targets, without much awareness of the capability impact individual reductions have. One of the weaknesses of the NDPP is that while requirements are developed Alliance-wide, the “apportionment” of capability targets to individual allies perpetuates a fragmented overview of capability shortfalls. Nations have little visibility into capability reductions by other nations,

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<sup>185</sup> Ivo Daalder, Ambassador, “Europe Must be Prepared to Spend on Defense,” *Financial Times* (January 3, 2014).

which prevents compensatory measures, either in reducing redundancy, in generating capabilities abandoned by others or in adding additional capability, as appropriate.

But before the implications of such issues on capability can be understood, a qualitative baseline is needed, which NATO doesn't have. Member states also need to reflect on what capability the Alliance actually has, and/or would need in various future scenarios against various adversaries. Even with spending reductions NATO continues collectively to invest in many of the wrong things.

One of most important lessons must be that there is no such thing as a “one-off,” unilateral defense decision. Defense reviews and subsequent budget reductions are ongoing processes that require constant consultation, as their impact will be felt for years, and across the entire alliance.

This is why NATO's current National Defense Planning Process (NDPP) is out of synch with the current “cascade effect” of national decisions on power projection capabilities of the alliance as a whole. The 2011 NATO Libyan operation was a perfect case in point: the British decision to eliminate its Harrier Aircraft and air carrier capability for a decade was a national decision that left NATO scrambling for options.<sup>186</sup>

There is a real risk that further reductions in defense spending will result, below the radar screen, in losses in readiness and the ability to respond and deploy. These losses will be difficult to observe, track and measure, unless NATO is empowered and given the resources, notably in the NATO Command Structure, to monitor and enforce unit capability and readiness standards, as this was done during the Cold War through the Supreme Allied Commander Europe's annual Combat Effectiveness Report to the Military Committee.

In addition, although NATO has managed to make some progress on multinational collaborative programs in areas such as strategic transport and missile defense, there are numerous examples of attempts at collaboration that have failed largely due to resistance by individual Alliance members. Recently, NATO failed to reach agreement on a multi-national program to develop a new jet trainer. Similarly, Germany recently decided not to join the French-led Multinational Space-based Imaging System for Surveillance, Reconnaissance and Observation electro-optical satellite program – a project designed to address a capability and is therefore critical to Europe's ability to operate autonomously. The effort to rationalize European defense industry through the merger of aerospace giants BAE Systems and EADS was blocked by the German government.<sup>187</sup>

Ultimately, new schemes for rationalizing defense capabilities across the Alliance cannot obviate the need for a defined minimum level of defense spending. Failure to either spend more or reduce already shrunken forces will inevitably result in a force structure that is more hollow than real.

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<sup>186</sup> Heather A. Conley and Maren Leed, *op. cit.*, p. 3.

<sup>187</sup> Luis Simón, “No might, no right: Europeans must re-discover military power.” *Toward a European Global Strategy*, Real Instituto Elcano (March 19, 2013).

## CHAPTER IV

### Making Wise Investment Decisions

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Any discussion of the elements of a wise investment strategy for the Alliance requires as its point of departure a clear-eyed view of where NATO stands, what missions it needs to undertake and who among the 28 is willing to do which missions. It is important to make an unbiased assessment of where NATO's militaries stand today, the capacity of the Alliance to improve its military posture and recent experience with various reform initiatives. It is of little use to propose increases in defense spending that cannot be achieved or to design schemes for pooling resources, sharing capabilities and collaborating on programs that exceed the willpower of member states.

It is at a minimum premature to write off NATO entirely. Even those inclined to criticize the Alliance for its financial, operational and political limitations, such as former Secretary of Defense Robert Gates, will acknowledge that the organization retains value. Chief among these is its consultative mechanisms. Almost equal in value is the array of NATO infrastructure programs and activities as well as its evolving command structure. In the view of one respected American defense institute, "NATO alone continues to provide the multinational interoperability, structure, and deployable capabilities that make it the partner of first resort for the United States."<sup>188</sup>

NATO is like the bumble bee insofar as it too suffers from the popular misconception that it was incapable of flight. The Alliance did respond with real military forces in Afghanistan. At its peak, the ISAF mission was staffed nearly one-third by NATO forces, or 40,000 personnel. In fact, over the past 12 years some 250,000 Europeans have deployed to Afghanistan.<sup>189</sup> The Libyan operation demonstrated that a subset of NATO members could successfully conduct a significant expeditionary operation. Libya demonstrated how far the Alliance had come since the end of the Cold War as well as how far it has yet to go. Of approximately 7,300 strike sorties, 84 percent were conducted by non-U.S. aircraft; French planes alone conducted a third of this total. More or less alone, the countries involved had sufficient strike assets to do the job.

Overall, NATO has proven its ability to deploy significant military forces to multiple theaters simultaneously, both taking on challenging military missions and relieving the United States of the need to deploy its own forces.

Forty percent of troops after the surge were European. There are 15,000 European troops in Iraq. There are 3,700 French troops in Mali. All this demonstrates that Europeans are capable of defending their allies. The International Security Assistance Force in Afghanistan at its peak was composed of 67 percent U.S. forces, 29 percent NATO

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<sup>188</sup> Jacob Stokes and Nora Bensahel, "NATO Matters. Ensuring the Value of the Alliance for the U.S.," Policy Brief, Center for a New American Security (October 4, 2013).

<sup>189</sup> Gordon Lubold, "U.S. will keep cutting its bases in Europe, Top General Says," *Foreignpolicy.com* (January 14, 2014).

forces, and 2 percent non-European forces. Forty thousand European forces in an international NATO operation means that 40,000 U.S. men and women can stay home.<sup>190</sup>

Throughout the course of Operation Enduring Freedom, NATO held together. Now, with the Afghan operation ending, NATO is not abandoning its focus on collective security, no one is leaving the organization. Rather, it is seeking to reposition itself, to become an Alliance preparing for the security challenges of the future. The fact that it is not making this transition smoothly and that it has serious issues with respect to the adequacy of its military capabilities should not entirely negate the basic fact that NATO is still perceived as being of value to all its members.<sup>191</sup>

The alliance is certainly not doomed. In 2011, Europe still had two million personnel under arms and spent about €15 billion on defense; those numbers are declining. NATO emerged victorious in Libya without losing a man; and maritime operations are having a positive impact against pirates and terrorists.<sup>192</sup>

Supporters of the Alliance are correct in arguing that NATO is better postured than it was in the past and in some ways even more valuable today than at the end of the Cold War. But even so, proper praise must be accompanied by appropriate cautions or even criticisms.

Today, the Alliance enjoys significant advantages in military effectiveness and capabilities, even when taking into account the drastic reductions in defense spending undertaken by some allies as part of austerity measures in the wake of the global financial crisis. The Alliance is currently able to generate high-quality military power for missions as diverse as counterinsurgency in Afghanistan and an air campaign over Libya. Furthermore, continuous NATO operations over the last decade have led to real improvements in allied interoperability that require long-term maintenance. The diffusion of technology around the world and continued fiscal pressures, however, could rapidly erode NATO's high ground. The current era of defense austerity will certainly take its toll on future military capabilities (a project cancelled or number of platforms reduced today means that they will not be in the inventory in a decade).<sup>193</sup>

However, Secretary Gates' critique, one acknowledged by many others, must be taken seriously. NATO found it extremely difficult to deploy forces to Afghanistan proportional in size and capabilities to the Alliance's overall force structure and budget. The Libya operation demonstrated weaknesses in such critical enabling capabilities as aerial refueling, ISR, suppression of enemy air defenses, electronic warfare, combat search and rescue, targeting, air operations planning and stockpiles of precision munitions. More recently, France required support by the U.S. Air Force to move land forces, identify targets and refuel fighters in its successful effort to counter the advance of Islamic extremists in Mali. Some of these

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<sup>190</sup> Merle Maigre, *Exit Venus: Europe needs to be Stronger About Defense*, Foreign Policy Papers, German Marshall Fund (2013), p. 10.

<sup>191</sup> Karl-Heinz Kamp, *Is NATO Set to go on Standby?* Atlantic Council (September 9, 2013).

<sup>192</sup> Hans Binnendijk, "A Leaner NATO Needs a Tighter Focus," *The New York Times* (February 4, 2012).

<sup>193</sup> Barry Pavel and John Nordenmann, *op. cit.*

insufficiencies will be remedied by planned acquisitions of aerial refueling tankers, large transport aircraft, unmanned aerial systems and additional munitions.<sup>194</sup>

At the same time, there are major flaws in the decision making processes, command and control structures and the supporting infrastructure and transportation capabilities needed to enable NATO's still substantial forces to actually be mobilized and deployed. Moreover, the effort to sustain NATO's forces in Afghanistan over the past 13 years sucked most of the oxygen out of NATO force generation capabilities and resources for modernization. Now, in the absence of a demanding current operation, without a common threat perception and facing continuing fiscal pressures, it isn't surprising that NATO is having such a difficult time coming to a consensus on future force structure and spending levels.

Many studies over the past decade have assumed greater political will for collaboration and integration on defense issues than ever was evident. Hence, these efforts to promote NATO reform and improve its defensive capabilities tended to propose large scale transformational ideas, usually involving not only the expenditure of additional resources but the generating of political support among populations generally opposed to military involvement in distant and difficult to understand conflicts.

The obvious answer is for Europeans to renew their investment in their common defence efforts. (This is certainly the answer that Americans now press upon them, consigning to history the old concerns about incompatibility between CSDP [*Common Security and Defense Policy*] and NATO.) Since they are all in the same boat (the same fiscal problems, the same geostrategic situation), Europeans should address their defence crisis together – that is, they should make the choice for decisive further defence integration. In practice, this would amount to little more than properly implementing policies already agreed, and utilising institutions already created – a proposition both simple and, as the lack of progress over the past decade has demonstrated, deeply intractable.<sup>195</sup>

Another, and European, assessment is even more critical regarding the Alliance's ability to achieve a consensus on building a future force.

The west's strategic decline has also been hastened by its own divisions, even when there has been agreement in the Security Council to authorise the use of force. During the 2011 Libyan air campaign, fully half of NATO's members, and the same proportion of the EU, refused to have anything to do with it. Among those that supported it, not all flew combat missions. America's otherwise apposite decision to shift its strategic focus towards the Asia-Pacific region has compounded the material effect of these divisions by imposing a greater burden on a limited set of allies with shrinking defence assets. A

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<sup>194</sup> Theo Farrell, "Testing Times: NATO War-Making in Afghanistan and Beyond," in Jens Ringsmose and Sten Rynning, eds., *NATO's New Strategic Concept: A Comprehensive Assessment*, Danish Institute for International Studies Report (February 2012), pp. 120-123.

<sup>195</sup> Nick Witney, "How to stop the Demilitarisation of Europe," Policy Brief, European Council on Foreign Relations (November 2011), p. 8.

fellow analyst, Camille Grand, styles the strategic outcome as the “coalition of the unable and the unwilling.”<sup>196</sup>

NATO leaders have found it particularly challenging to address the strategic and political divisions within the Alliance. Finding a solution to these problems would require not just acceptance of the fissures threatening NATO unity but admitting and even exploiting them. The result of such an alternative approach would be, for want of a better term, a tiered alliance. One well respected analyst of NATO issues commented that one of the Alliance’s key policy failures was not to create a hierarchy on membership that reflected both the will and capacity to engage in security operations. “After 2014 there will be nothing left but the general pool of partners, since the 2011 Berlin reform did not fill the political vacuum. It thus failed to create a partnership policy which institutionalizes the close operational cooperation with NATO’s longest-standing and most like-minded members.”<sup>197</sup>

Lest the reader conclude that the problems discussed above belong solely to NATO and that the European Union could achieve greater consensus and more progress in the context of the Common Security and Defense Policy (CSDP), expert assessments are equally bleak on this score.

The European Council agenda should concentrate on realities, not wish lists or lofty but futile strategy documents. The fundamental question before the heads of state and government is: What is the real state of European defence? What military and industrial capabilities do the EU and its members have today and which will they have in twenty years time?

Asking which future capabilities EU-states would like to have would replicate two key mistakes of CSDP: first, assuming a consensus over priorities that does not exist, and, second, evading painful decisions in the present by debating how a bright future might look.<sup>198</sup>

It is clear that NATO and European leaders are cognizant of the current and prospective threats facing the Alliance. Nor are they unaware of the political and military risks they entertain by underfunding their militaries and failing to do more to pool resources and share forces. The fact that with a 65 year long history of working together the Alliance cannot do more to coordinate their defense policies and programs is a statement of how formidable are the political obstacles these leaders face.

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<sup>196</sup> François Heisbourg, “The west is accelerating its strategic decline,” *op. cit.*

<sup>197</sup> Karl-Heinz Kamp and Heidi Reisinger, *NATO Partnerships After 2014: Going West*, Research Paper No. 92, NATO Defense College (May 2013), p. 2.

<sup>198</sup> Hilmar Linnenkamp and Christian Mölling, “A Doable Agenda for the European Defence Council 2013: Three Proposals,” SWP Comments 28, Stiftung Wissenschaft und Politik (August 2013), p. 2.

## Should NATO Rethink its Level of Ambition?

As recent crises have shown, while it is easy to predict a world that is complex, dangerous and even violent, it is hard to know with certainty where, when or in what form future conflicts will take place. Nevertheless, based on its principal documents and agreed policy statements, NATO must be ready to meet a wide range of contingencies and possibly conduct multiple, geographically spaced, operations simultaneously. Currently, it is NATO's ambition to be able to conduct simultaneously two Major Joint Operations – or one high intensity MJO – and six Small Joint Operations, the size of the Kosovo peacekeeping operation.

It is quite evident that available resources are insufficient to support NATO's quantitative and qualitative objectives. After a decade of reform efforts, there are not enough ready forces, even if the NATO Defense Planning Process assumption of full participation by member states is accepted. Moreover, the transformation of residual capabilities is not only proceeding slowly but suffers from a continual scarcity of resources.

The alliance that will emerge from the creative disarray that has ensued may well be somewhat diminished: it is hard to imagine how, given the twin challenges of US retrenchment in Europe and the economic crisis, NATO can maintain its ambition to fight two large conflicts and six small ones simultaneously. The alliance's credibility may be better served by discussing frankly its current financial and military difficulties, and adjusting NATO's ambitions accordingly.<sup>199</sup>

Recent experiences both in the field and in national capitols raise further questions regarding the Alliance's ability and will to do what is necessary in order to meet this level of ambition.

However, none of these steps will matter until we do one basic thing – stop pretending. NATO is a different organization than it was 15 years ago and failing to acknowledge this reality has put the alliance on a path toward obsolescence. We must urgently redefine what NATO can do realistically, both militarily and politically, to ensure that NATO will be institutionally relevant in the future.<sup>200</sup>

Lacking the resources, at least in the near-term, to fill all the identified capabilities gaps while simultaneously maintaining existing force levels and conducting multiple ongoing operations, NATO needs a different approach to spending what monies are available better. One long-serving Alliance official proposed a rather simple initial response to these challenges. "I suggest that NATO as a whole now needs to develop a far more clear-sighted focus on what we really need in terms of our core military capability. And set that against an even more objective and sophisticated assessment of how good we really are now."<sup>201</sup>

If, as some sources have argued, the Alliance's critical strategic challenge is to survive the current fiscal storm with a basic set of capabilities and institutions intact on which to build

<sup>199</sup> George Robertson and Tomas Valasek, "Conclusion," in Valasek, ed., *op. cit.*, p. 64.

<sup>200</sup> Heather A. Conley and Maren Leed, *op. cit.*, p. 6.

<sup>201</sup> Steven McCarthy, "The Spending Squeeze: Crisis or Opportunity?" Remarks to the NATO Defence Planning Symposium (Oberammergau, January 11, 2012).

NATO's future forces, then the demand to sustain a force structure to meet the level of ambition (LOA) is misplaced.

It does not make sense to maintain a very high level of ambition and require the nations to spend more and develop new capabilities when, instead, the challenge currently is the other way around: to maintain as many critical capabilities as possible while nations are desperately trying to save money.

Thus, NATO must, first of all, develop a more realistic, lower level of ambition. The challenge is to reach consensus on a new level of ambition since there are different interests among nations. Basically, there are two main groupings within NATO: a group of nations wanting to give priority to collective defence and a group of nations wanting to prioritize NATO's ability to operate "out of area". At the same time, there is an increasing need for the European NATO nations to be able to "walk alone" if the US is engaged elsewhere, e.g. in Asia. In any case, the US would, for the foreseeable future, be able to undertake missions on a global scale on its own, so the challenge is really for the European nations to reach a consensus on the extent to which they want to be able to undertake crisis response operations without the US – how many operations they would be able to undertake simultaneously, on what scale and how far from Europe. In any case, it is essential for the level of ambition to be in harmony with the nations' interests if they are to accept it as a baseline for capability development.<sup>202</sup>

Another analysis argued that NATO's force planning paradigm, the NDPP, defining force requirements based on the LOA and the resulting minimum capabilities requirement (MCR), emphasizes the wrong variables and creates a demand for unaffordable forces.

The Allies should bring NATO's ambitions in line with their crisis-reduced budgets. They should relinquish plans to build a global NATO through continued expansion, and eschew missions that entail unaffordable projection of military force across long distances. They should prioritise missions closer to home, in Europe and its near abroad. Their investments in military hardware should be similarly adjusted: NATO countries need to focus on making their equipment and doctrines compatible. The allies' ability to fight as a (more or less) unified force is NATO's unique asset, which needs to be protected from budget cuts.<sup>203</sup>

A similar argument was put forward by another well-respected European defense expert.

Given the confluence of budget cuts and US rebalancing, NATO ought to give serious consideration to reducing its ambitions. Its militaries aspire to be able to fight two major wars and six minor ones simultaneously, which does not seem very credible. To stem further loss of military power, the European allies also need to try much harder to squeeze efficiencies out of collaboration. . . . governments can buy more power for less

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<sup>202</sup> Colonel Frank Mathiassen, *Smart Defense – Is it likely to Succeed*, Briefing, NATO Defense College (August 2013).

<sup>203</sup> François Heisbourg, "The defence of Europe: Towards a new transatlantic division of responsibilities, in Tomas Valasek, ed., *op. cit.*, p. 42.

money by getting rid of unneeded equipment, merging their defence colleges, sharing training grounds, or buying and maintaining future generations of weapons together.<sup>204</sup>

Some observers suggest that revising downward the LOA or otherwise reducing demands on NATO to spend more or modernize its force could be a temporary solution to the problem and NATO could be expected to spend more in the longer-term. Two eminent European defense experts argued for the temporary narrowing of NATO's LOA reflecting current fiscal realities with a commitment to spending increases when national finances improved and more resources were available.

There is no way to force Allies to spend more money and the Euro-crisis makes it unlikely that any Allies will increase their defense spending in the near term. At the same time there is no way to fund all the activities NATO has signed up for in the 2010 Strategic Concept with the budgets currently provided. NATO needs to lower its Level of Ambition (LOA) (down from handling simultaneously two major and six smaller ones) while also reinforcing the commitment to two percent of GDP in the long run when national budgets recover. There is nothing about shortcoming in NATO's military capabilities that additional money from the nations could not fix.<sup>205</sup>

Two U.S. defense analysts made a similar argument.

Nations are already well short of the Minimum Capability Requirement (MCR) that NATO military leaders say is needed to achieve the LOA. The MCR is no longer the "floor" below which national capabilities should not go; instead it has become a future goal. The Alliance has little choice but to provide an interim metric, one that advises Allies on what capabilities within the MCR are *most* critical – what NATO must have in order to address the LOA with the least possible risk to forces and mission success. From within the MCR and the closely related priority shortfall areas that strategic commanders are now defining, NATO should identify the most critical '*must have*' mission capabilities. Such guidance would help Allies make budget decisions that are most in concert with NATO needs and have the minimum impact on the Alliance. This too will protect the most critical LOA force and critical enablers as nations cut. NATO members should commit to protect these capabilities when faced with future cuts.

By 2020, most Allies should be able to invest beyond more than a minimal core force as the financial crisis ebbs and economies recover. An appropriate future force must be rebuilt, and that is what NATO 2020 is all about. Allies will need to rebuild Alliance capabilities to meet the LOA again, taking full advantage of gains in multinational cooperation, prioritization mechanisms, and specialization techniques . . .<sup>206</sup>

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<sup>204</sup> Tomas Valasek, "NATO ponders austerity and US 'pivot,'" Centre for European Reform (May 18, 2012).

<sup>205</sup> Dr. Karl-Heiz Kamp and Ambassador Kurt Volker, "Chapeau Paper," in Mark D. Ducasse, ed., *The Transatlantic Bargain*, NATO Defense College (January 2012), p. 21.

<sup>206</sup> Charles Barry and Hans Binnendijk, "Widening Gaps in U.S. and European Defense Capabilities and Cooperation," *op. cit.*, p. 5.

European Union defense documents make a similar argument.

European governments should also commit themselves to stable defence budgets, less devoted to unnecessary manpower or outdated weapons, while investing in technological innovation. Common procurement, pooling arrangements and specialisation would be the key initiatives for reforming NATO's set of capabilities. Investment priorities should be streamlined and a higher threshold of deployable forces should be agreed upon.<sup>207</sup>

NATO faces a strategic paradox: what it will likely need to do (complex stability operations and “punitive” operations) is neither desirable to its members nor readily managed with the reduced force postures. What it must commit to and what may become the defining challenge of the future (mid-to-high intensity conflicts against rogue regimes and so-called hybrid threats, e.g., Hezbollah) are missions for which the Alliance lacks ready combat forces. As one experienced NATO official concluded, this paradox requires a cleverly structured approach to force management.

Consequently, the immediate task for the Alliance could be described as the “50/50 challenge.” Member states must find a way to preserve a standing start NATO that has enough residual capability to initiate operations quickly, providing the first 50 percent of the effort. The remaining 50 percent can then be added from national force structures according to the agreed-upon operational concept.

Of course, the Alliance must first determine what such a core NATO would look like by 2016, when the Alliance moves into its new Brussels headquarters. What core components should NATO maintain – the integrated command structure, the NATO Response Force, the integrated European air defense system, the missile defense system, the NATO computer incident and response center? Around these core components, NATO would need to develop clusters of capabilities in order to move quickly into an operation. Those clusters could include framework nations, national headquarters, mission focus groups, or clusters of allies providing niche capabilities, such as air transport, air refueling, precision-guided munitions, intelligence, reconnaissance and ground surveillance assets like drones, suppression of enemy air defenses, and all the other tangibles of modern war fighting that were highlighted by NATO's recent campaign in Libya.<sup>208</sup>

It is also important to consider that even when resources are being expended on modernizing forces, it does not mean that they are being spent wisely or at least with an eye towards the conflict NATO is most likely to fight. For example, investments by the United Kingdom and France in aircraft carriers and ballistic missile submarines come at the expense of additional surface ships and attack submarines.

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<sup>207</sup> Library of the European Parliament, “NATO in the Aftermath of the financial crisis,” Library Briefing (March 4, 2013), p. 5.

<sup>208</sup> Jamie Shea, *Keeping NATO Relevant*, Policy Outlook, Carnegie Endowment for International Peace (April 19, 2012), p. 5.

The desire to maintain a balanced fleet – irrespective of its size – cannot help but raise the question of whether what is driving these decisions is as much about national pride as national or alliance strategy. Certainly, eliminating either their aircraft carriers or their ballistic missile submarines would free up funds for an expanded French or British fleet of surface combatants.<sup>209</sup>

## Basic Principles of a Wise NATO Investment Strategy

**First**, absent a clear, even existential threat, no more money will be forthcoming, at least in the near-term.

European voters are typically ambivalent about defence spending even in good times. Far-sighted governments can make – as many have already – the case for robust defence spending, but always at considerable expense of political capital. Times are anything but good, with the prospect of default or downgrade looming over governments with weak public finances. Hence, it may be years before the European members of NATO are in a position to increase defence spending and procurement.<sup>210</sup>

There is the theoretical possibility that more resources will be available in the mid-to-long term. This has led some analysts to sound NATO countries a cautionary note with respect to eliminating entire capabilities that may be needed in the future. Similarly, some observers have proposed that NATO invest modestly in advanced capabilities such as theater missile defense and unmanned surveillance in the near-term with an eye towards building familiarity with the technologies involved and developing processes, procedures and techniques that would underpin a more robust capability in the medium-term.<sup>211</sup>

**Second**, any investment strategy must be political not military in nature. National agendas, political, military, fiscal and industrial will continue to dominate decision making on spending, forces, modernization and collaboration. There have been some notable successes in pooling resources and multinational collaborative programs, NATO AWACS being the best known. There is also the less-well known Benelux Deployable Air Task Force (DATF) agreement. Reflecting the fiscal constraints and force structure reductions of the early 1990s, DATF was cofounded by Belgium and the Netherlands but later expanded to include Norway, Denmark and Portugal. DATF was initially possible because of the participating nations' common purchase of the F-16; shared procurement of the same platform eliminated interoperability obstacles and made future, more thorough operational integration possible. In addition, the involved nations shared important political ties, enjoyed a long history of cooperation, and possessed a common strategic culture.<sup>212</sup>

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<sup>209</sup> Bryan McGrath, *op. cit.*, p. 8.

<sup>210</sup> George Robertson and Tomas Valasek, "Conclusion," in Tomas Valasek, *op. cit.*, p. 61.

<sup>211</sup> Charles Barry and Hans Binnendijk, "Widening Gaps in U.S. and European Defense Capabilities and Cooperation," *op. cit.*

<sup>212</sup> Paul Johnson, Tim LaBenz, and Darrell Driver, "Smart Defense: Brave New Approach or Deja Vue?" *Naval War College Review*, Vol. 66, No. 3 (Summer 2013), pp. 42-44.

These experiences and recent successes in the areas of strategic transport and NATO airborne ground surveillance suggests further room for informal groupings of like-minded Alliance members to pursue collaborative programs.

Going forward, there will be profound barriers to further pooling, multinational projects and dependencies particularly among the bigger powers who are the core of NATO and must set the tone. Alliance proposals to increase the pooling of assets and the sharing of activities need to be developed with a clear recognition of the factors that promote successful collaboration. One recent study of NATO reform efforts identified a number of these factors.

There is little evidence that these political attitudes will change anytime soon: while falling defence budgets make a stronger economic case for pooling and sharing, the economic crisis has also made EU governments more protective of their political rights and somewhat more suspicious of the EU. Future proposals will therefore need to take into account these political sensitivities, and to incorporate other lessons learned from previous pooling and sharing projects. Those that have succeeded did so because the participating states had many or all of the following characteristics in common (listed in the order of importance):

- Similarity of strategic cultures;
- Trust and solidarity;
- Forces of similar size and quality;
- Level playing field for defense companies;
- Clarity of intentions;
- Seriousness of intent;
- Low corruption.<sup>213</sup>

U.S. Ambassador to NATO Ivo Daalder took the idea of groupings of nations with common values a bit further:

He (ambassador Daalder) posited that Smart Defense, NATO's flagship initiative to pool and share defense resources during an era of austerity, is a viable concept for small groups of countries (such as the Benelux countries, the Visegrad Group, and the Baltic states), but it will not work for NATO's largest European members: Germany, France and the United Kingdom.<sup>214</sup>

**Third**, the Big 4 will continue to set the standard, and be the core around which capabilities and coalitions will form. The others are likely to follow their example (but the U.S. can exert influence as in the F-16/F-35, theater missile defense and airborne ISR programs). The U.K. and France remain the leaders for non-U.S. NATO because they both continue to maintain a full spectrum force and are committed to investing in forces that are both modern and expeditionary

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<sup>213</sup> Tomas Valasek, *Surviving Austerity: The Case for a new approach to EU military collaboration*, op. cit., p. 22-26.

<sup>214</sup> "Future NATO: Deterrence and Collective Defense," Atlantic Council, <http://www.atlanticcouncil.org/events/past-events/future-nato-deterrence-and-collective-defense> (November 12, 2013).

in nature. Both these countries as well as Germany are making similar air, land and IT/cyber capabilities.<sup>215</sup>

This reality suggests that as go the Big 4 so goes the rest of NATO. There is some good news here given the British and French commitment to a set of small but highly capable forces and their willingness to participate in and even lead coalitions of the willing in expeditionary operations. As one commentator observed: “it is perhaps the only European relationship willing to think big about military matters in a very big military world.”<sup>216</sup> Also, these two nations have made their desire to cooperate more closely both industrially and operationally absolutely clear with the Franco-British Treaty on Defense and Security Cooperation. To a large extent, the Treaty reflected an evolution in the signatories’ policies and practices when it comes to defense cooperation that preceded the actual agreement. The centerpiece of the new agreement was the acknowledgement of the need to retain access to military capability, whether that is through mutual dependence on each other’s industrial base and armed forces, or through access to or sharing of deployed military capabilities.<sup>217</sup>

The Franco-British relationship also can serve as a mechanism to enable closer U.S. defense cooperation with NATO countries even as America pivots to Asia. An example of such collaboration is the Trilateral Strategic Initiative, established in October 2010 by the Air Force chiefs of staff of the U.S., France and the U.K. The initiative supports peacetime collaborative planning, training and intelligence sharing activities as a way of preparing the air forces of the three countries to cooperate together as part of a coalition of the willing in the event of a crisis. As part of the Initiative, the three countries have been conducting workshops and training sessions in a number of areas. One of the most recent workshops was dedicated to command and control processes, targeting and information sharing based on the experiences of the Libyan campaign.<sup>218</sup>

Among the major European defense powers, Germany may be an outlier. This is largely for political reasons. Its defense budget is already well below that of both the U.K. and France. Although its defense reforms are in line with many of those undertaken by the other major European militaries, it may not make sense to count German forces and capabilities in the same way as other major European powers when assessing the Alliance’s overall military strength or defining its ability to meet the MCR. A recent assessment of the developments in British, French and German ground forces concluded that:

The German army is retaining heavy forces, but it is reducing their size and marginalizing them. On paper, the resulting force resembles the French army. However, available evidence suggests that, due to cultural and other factors, including the legal framework in which the military operates, Germany’s commitment to the combined-arms maneuver warfare end of the capability spectrum is the weakest of the three militaries

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<sup>215</sup> Michael Shurkin, *op. cit.*, p. 38.

<sup>216</sup> Julian Lindley-French, “Is the Franco-British strategic defense relationship in danger?” *The New Atlanticist* (July 12, 2012).

<sup>217</sup> Ben Jones, “Franco-British Military Cooperation: a new engine for European defense?” *Occasional Paper 88*, European Union Institute for Security Studies (February 2011).

<sup>218</sup> Murielle Delaporte “The Trilateral Strategic Initiative: An Allied Air Force Model,” *Breaking Defense* (November 21, 2013).

discussed in this report. It is instead sliding toward a focus on stability operations while the French try to dig into a middle ground.<sup>219</sup>

Resolving the lingering question of Germany's willingness to participate in or, at a minimum, support NATO military activities, including expeditionary operations, is the most serious political issue facing the Alliance. As one observer remarked, Germany "consistently does less than its allies would like it to do and less than a country of its size and influence probably should."<sup>220</sup> Its behavior has also done harm to the effort of European countries to develop an independent, collective military capability. The Franco-German brigade could not be deployed to Afghanistan due to disagreements between Paris and Bonn over rules of engagement. Germany's decision not only to eschew participation in the Libyan operation but to withdraw its crews from NATO AWACS, did positive harm to the overall credibility of multilateral programs.<sup>221</sup> Absent Germany, any assessment of NATO's military might must take an entirely different complexion.

Germany makes the crucial difference between Europe being a middle military power or a great one. Germany's economy is larger by a third than those of Britain or France, yet the country fields 60 per cent fewer troops capable of rapid response to crises than they do. Left unchanged, this discrepancy in military strength will corrode ties between Europe's largest countries. Now that the US expects Europe to lead many future operations, the UK and France, by virtue of their military might, are the most likely leaders. But if the two countries repeatedly find themselves providing the bulk of the troops and weapons, with some allies helping but many of the rest free-riding, the French and British publics will question why the military burden is not divided more equitably. In effect, London and Paris have inherited America's old job of haranguing other allies to reform their militaries. And Germany will be foremost in their thoughts.<sup>222</sup>

**Fourth**, absent a clear threat to Europe, future operations will be made by coalitions of the willing with all the planning, deployment and operational problems that will entail. The collapse of the Soviet Union removed the centripetal force holding Alliance members in a tight and coherent relationship to one another as well as the common lens through which they viewed local and regional crises. The value of solidarity within NATO declined as the requirement to all hang together lest they risk being hanged separately diminished. Particular interests and concerns, some based on history, others on local geography and still others on political or ideological values, are more central to the way nations perceive a given situation and react to threats. Many of the forces that threatened to pull NATO apart in the past and that result in the need to create coalitions of the willing to deal with emerging crises were clearly at play at the beginning of the 21<sup>st</sup> century. If anything, they have become more pronounced as a result of the events of the past decade. Hence, it was clear that coalitions of the willing would become more common.<sup>223</sup>

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<sup>219</sup> Michael Shurkin, *op. cit.*, p. xii.

<sup>220</sup> Wolfgang Ischinger, "Germany after Libya: Still a responsible power?" in Tomas Valasek, ed., *op. cit.*, p. 58.

<sup>221</sup> F. Stephen Larabee, et. al., *op. cit.*, p. 95.

<sup>222</sup> George Robertson and Tomas Valasek, "Conclusion," in Tomas Valasek, *op. cit.*, pp. 63-64.

<sup>223</sup> Daniel Goure, *op. cit.*

This is not just a trans-Atlantic phenomenon. Even within Europe, creating coherent foreign and security policy has proven devilishly difficult. As recent crises in Africa and the Middle East have demonstrated, it is increasingly difficult for European nations to develop a common position with respect either to the situation or the nature of the required response. If anything, critics of NATO's political and military failings have been even harsher regarding the European Union.<sup>224</sup>

Military realities also play into the likelihood that future operations by NATO members will consist of coalitions of the willing. A number of smaller members of the Alliance maintain force structures of such limited scope and scale that they cannot participate in expeditionary operations without significant external support. Some nations literally can't afford the cost of involvement. Absent the U.S., it is by no means certain that NATO members will have the capacity in critical enablers, lift and logistics to sustain the participation of the smaller states in future coalitions. Incompatibilities in weapons systems and operational procedures, possibly due to different approaches and commitments to military modernization, are likely to further segregate NATO members into "coalitions of the capable." In addition, air and sea-centric SJOs will naturally gravitate to coalitions of nations with relevant capabilities and, perhaps most significantly, the equipment and experience that supports interoperability.

It is increasingly evident that NATO no longer serves the interests of its members as well as it once did. Alliance politics and decision making processes have imposed temporal and operational limits on the ability of the United States to respond to threats. This is particularly problematic in an era when speed of response is necessary to address a new class of threats that may only be accessible for a short period of time or new situations such as genocidal campaigns that could be completed in short order. Technological incompatibilities also increase the difficulty of operating U.S. and allied forces together. The lesson of Kosovo, Operation Enduring Freedom and Iraqi Freedom, Libya and even Mali is that efforts to restrict the scope, scale and tempo to reflect the lesser capabilities of some allied forces, in comparison to those deployed by the U.S. and few others, can significantly compromise the character of an operation.

There is real value in pursuing a pragmatic strategy of creating coalitions of the willing under a NATO umbrella. There is a degree of legitimacy conferred on NATO-backed coalitions. Coalitions can be created and sent forward more rapidly than can be done using NATO's often ponderous consultative mechanism. They can be readily tailored to the characteristics of the situation.<sup>225</sup>

Like any standing alliance based on a largely static commitment of capabilities and alignment of interests, NATO thus struggles to effectively tackle threats and challenges that are increasingly in flux. In the process, so-called coalitions of the willing have emerged as a popular institutional and operational alternative. The key to their appeal

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<sup>224</sup> Ian Bond, *Fail to Plan, Plan to Fail: European Security and Defense*, Bulletin, Issue 93, Centre for European Reform (December 2013/January 2014). And, Kurt Volker "Afghanistan and Libya Point NATO to Five Lessons," *The Christian Science Monitor* (July 28, 2011).

<sup>225</sup> Richard L. Kugler and Linton Wells II, *op. cit.* Also, Judy Dempsey, "Beginning of the End for NATO," *The New York Times* (June 13, 2011). And, Tom Donnelly, "Rethinking NATO," *NATO Review*, <http://www.nato.int/docu/review/2003/Wake-Iraq/Rethinking-NATO/EN/index.htm> (2003).

lies in their flexible, adaptive design – and three factors in particular that enable them to cope much more effectively with the increasingly situational security environment discussed above. First, temporary coalitions offer an issue-specific approach, which allows for the development of custom-tailored responses to individual threats and challenges. Second, they offer a situational opt-in, which allows for a case-by-case commitment of relevant capabilities. Third, they offer a situational opt-out, which allows for a case-by-case alignment of compatible interests.<sup>226</sup>

**Fifth**, reform is possible but much more difficult than anyone had imagined. The Alliance has undertaken some significant policy reforms such as its Smart Defense and Connected Forces Initiatives as well as making targeted investments in such areas as airborne ground surveillance. Individual member countries, the U.K. and France most notably, also have undertaken sweeping reforms to their defense establishments and initiated significant cooperative defense arrangements.

Recent initiatives such as Smart Defense and the Connected Forces Initiative (CFI) can help improve NATO force effectiveness and interoperability but only on the margin. Smart Defense does encourage collaboration, promotes sharing of capabilities and even reduces the costs for some programs. It has not and arguably cannot engender the kind of pooling of major assets needed to halt the decline in NATO's military capabilities. Indeed, Smart Defense has been most successful when it avoids the political and organizational challenges associated with pooling assets.

In practice, however, obstacles abound. The potential benefit of being able to do more with less by way of pooling and sharing comes at the cost of reduced national autonomy. Governments who cooperate closely on defense matters need to be certain that partners will do their part when called upon to participate in operations. On the other hand, governments will worry about being pressured to participate in operations they themselves do not consider vital. Hence, pooling and sharing requires a degree of trust that is currently not shared among all NATO allies. Different strategic cultures, levels of ambition, defense industry concerns, and legal frameworks regarding the use of the armed forces – to name but a few hurdles – stand in the way. Successful pooling and sharing efforts will remain rare and will tend to come in the form of pragmatic cooperation among a few countries rather than Alliance-wide initiatives.<sup>227</sup>

It has become quite evident that neither Smart Defense nor CFI can bear the full weight of keeping NATO modernization afloat militarily in the absence of sufficient resources and will.

It is a mistake to see the Alliance's near-term challenge as maintaining current force levels or even adding new capabilities as reflected in the Lisbon goals. The most important task is to ensure a baseline capability that is credible, predictable, responsive and available. There should be no surprises but also no exaggerations. NATO must be able to do what it has signed up for. It would be better to have reduced ambitions, reduced forces, and limited reach/power/resilience

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<sup>226</sup> Karsten Jung, "Willing or Waning? NATO's Role in an Age of Coalitions," *World Affairs* (March/April 2012).

<sup>227</sup> Bastian Giegerich, "Smart Defense and the Future of the Transatlantic Alliance," *op. cit.*

than to make commitments that the Alliance cannot service. Yet, that is what the current LOA and MCR are driving NATO to do.

Military planners always run the risk of building a force that is unable to meet future contingencies. To mitigate this risk, they have several strategies available. For example, they can choose to prepare for all contingencies or they can try to build a force optimized for a limited range of contingencies. A third strategy is to be somewhat prepared for a broad range of tasks. The budget pressure sketched above will lead defense planners to look for specialization and optimization strategies. However, the deep uncertainty of the international security environment, in which the only safe prediction seems to be that one cannot predict the shape and size of what is around the corner, makes this a high risk option. In fact, uncertainty calls for a “prepare for everything” approach – exactly the kind of strategy that is not affordable.<sup>228</sup>

## **A Wise Investment Strategy for NATO in the 21st Century**

It is commonly recognized in NATO circles, that there are few challenges the Alliance faces that could not be solved with more money. It is also clear, as Secretary General Rasmussen recently declared, that “if European defense spending cuts continue, Europe’s ability to be a stabilizing force even in its neighborhood will rapidly disappear.”<sup>229</sup>

Therefore, the first priority for a wise investment strategy for NATO is to find additional deployable resources to put against acquiring critical capabilities and ensuring the employability of NATO forces. The consensus among virtually all observers of the European economic-defense scene is that the ongoing recession will prevent NATO from spending more on defense for some years to come. The budgetary wherewithal to halt the slide in deployable capabilities and to implement the necessary modernization of NATO forces, improve interoperability and enhance collaboration must come from eliminating wasteful, duplicative and unnecessary spending and using these resources to address critical capabilities shortfalls. The streamlining of NATO’s command and control structure was a step in the right direction. So too have been the collaborative programs conducted under the Smart Defense initiative.

Where can NATO find the necessary resources to make priority investments? Such an inquiry must start by recognizing that NATO mispends the resources it has. Multiple studies have come to the conclusion that Europe (both NATO and non-NATO countries) spends too much on personnel and not enough on procurement and R&D. The European Defense Agency reported that as of 2012, member states spent half their defense money on personnel costs – civilian employees as well as military personnel. Europe continues to spend far less than the U.S. when it comes to research and development and procuring equipment. In 2010 the total amount was just 4.4 percent of their defense expenditures, about one-third of the amount the U.S. spends. In

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<sup>228</sup> Bastian Giegerich, “NATO’s Smart Defence Agenda: From Concepts to Implementation,” in Ricardo Alcaro and Sonia Lucarelli, eds., *op. cit.*

<sup>229</sup> Anders Fogh Rasmussen, NATO Secretary General, “NATO after Libya: The Atlantic Alliance in Austere Times,” *op. cit.*

fact, while equipment procurement has actually increased slightly in recent years as a percentage of defense spending, R&D spending has declined by half since 2006.<sup>230</sup>

The lack of resources for new projects threatens to cripple Europe's aerospace industry. This would render moot any strategy for NATO defense modernization. On this subject, a European Union (EU) study warned that:

Europe's strategic position in aerospace has been achieved through past long term investment, but that investment – in defence – is now in decline. The financial crisis has constrained government budgets and further depressed national defence investment. This is particularly problematical for military aerospace research and technology – which is key to future industry competitiveness and there are few new programmes on the horizon. Without consistent investment, skills are eroding and industrial competences are being lost. The military aerospace sector – which represents some 50% of Europe's defence industrial base, employing directly over 200,000 – cannot be sustained with its current capacities in the long term. Transformational action and new ways of business are necessary.<sup>231</sup>

### **Free up resources for priority investments**

A sensible strategy for restructuring military forces in response to budget cuts will necessitate balancing competing requirements for both quantity and quality. Given NATO's LOA and the associated MCR, it would seem as though quantity would take precedence in Alliance force planning. However, in light of the reality that only a small fraction of European forces are actually deployable, it would make sense to cut low-readiness forces and equipment in order to maintain funding for deployments and modernization. Some studies suggest that NATO/EU could reduce its collective land forces by up to a third (300,000), thereby saving close to \$10 billion annually.<sup>232</sup>

NATO also should focus on reducing obsolescent and aging equipment and units. A recent study of EU force structure, applicable however to NATO as well, identified several capability sets that could readily be trimmed.

EU countries' force structures encompass an excess of certain military capabilities in both relative and absolute terms. In fact, the EU as a whole avails itself of capabilities well beyond its needs in such areas as third- and fourth-generation combat aircraft and mechanised fighting vehicles. Manpower is also an issue – although less than a decade ago – as is equipment: for example, the EU has over 5,000 main battle tanks in its arsenal (slightly less than in the US), despite the fact that both modern technology (fire

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<sup>230</sup> European Defense Agency, "For Sixth Year, EU Defense Spending Continues to Decrease," Atlantic Council, <http://www.atlanticcouncil.org/blogs/natosource/for-sixth-year-eu-defense-spending-continues-to-decrease> (December 13, 2013). Also, United Press International "Europe Outlines Defense Spending Gap" (January 30, 2013). And, Richard Weitz, "Transatlantic Defense Troubles," *op. cit.*

<sup>231</sup> European Defense Agency (November 9, 2012). *Future Air System (FAS)*, Fact Sheet.

<sup>232</sup> Blanca Ballester, *The Cost of Non-Europe Report: European Common Security and Defence Policy*, European Added Value Unit, The European Parliament (April 2013), p. 22.

protection, situation awareness and precision-guided munitions) and military operations mean that significantly lower numbers are required.<sup>233</sup>

Another potential option for finding the necessary additional resources is to redefine the scope of NATO's LOA, limiting the demand for expeditionary capabilities and focusing on capabilities more suitable to less stressing scenarios. The answer, and not a bad compromise, might be that NATO's ambition should be simply to do well what it can do in its own neighborhood. NATO must find a balance between global availability and more regional involvement.<sup>234</sup> Another analysis suggested that NATO actually forego investments in long-range capabilities in order to acquire shorter-range (and presumably less-costly) systems.

The combination of these different pressures suggests that the Europeans will have to sacrifice their ability to send substantial forces for extended periods to far-away countries such as Afghanistan, in order to defend their interests at home and in their near-abroad. It would be convenient if the military requirements of close-to-home and far-flung operations were broadly comparable, but they are not. Governments may therefore have to reduce some planned equipment purchases such as long-distance transport aircraft, in favour of investments in other areas such as drones, intelligence, command centres and communications.<sup>235</sup>

The major European military powers have already taken deep cuts in force structure and modernization. Because these countries, particularly France and the U.K., will inevitably constitute the core around which an expeditionary capability will be built, further reductions in their forces should be avoided. Germany could again be an exception; in view of its reluctance to deploy forces, perhaps Germany should be encouraged to reduce its forces even further while devoting the resources saved to supporting multinational collaborative programs to provide the Alliance with critical enablers. This proposal would necessitate deeper reductions by the smaller NATO countries and a greater focus on role specialization.

One recent study proposed an approach by which NATO could address the related problems of budget insufficiency, the requirement to maintain a minimum set of high-capability response forces and the need for greater specialization and resource pooling. Charles Barry and Hans Binnendijk set out the idea of "Mission Focus Groups" which exploit natural synergies among like-minded, similarly-equipped, equally committed and/or geographic proximate groups of countries. "The MFG concept is a planning tool to optimize the planning, training, resources, and capabilities of a core group of likeminded members and partners around particular NATO missions. The aim is to provide NATO with reliable mission capabilities as well as expertise that can be promulgated across the Alliance as required."<sup>236</sup>

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<sup>233</sup> Antonio Missirolli, *op. cit.*, p. 10

<sup>234</sup> Henning Riecke, "Focused Engagement: NATO's Political Ambitions in a Changing Strategic Context," in Dr. Lisa Aronsson and Dr. Molly O'Donnell, *op. cit.*, p. 25.

<sup>235</sup> Francois Heisbourg, *op. cit.*, p. 2. (( To #194 or #201)????

<sup>236</sup> Charles Barry and Hans Binnendijk, "Widening Gaps in U.S. and European Defense Capabilities and Cooperation," *op. cit.*, p. 8.

### **Make better use of existing resources**

Another means that NATO members could employ to harvest resources for modernization is by rationalizing the fractured and fractious European defense industrial base. It is ironic that it is the home of the European Union which finds it so difficult to develop a coordinated defense market.

The Single Market has been arguably the greatest success of the European Union; the free movement of goods, services, people and capital has led to lower prices and a significant increase in trade. However, the European institutions have struggled to impose these basic economic freedoms on the EU defence industry, which remains highly fragmented along national lines – 73 per cent of defence equipment in the EU was procured within national boundaries in 2011, and 82 per cent in 2012.<sup>237</sup>

Over the past several decades, there has been a marked consolidation of European defense industries, resulting in the creation of global aerospace companies such as BAE Systems and EADS, missile powerhouse MBDA and defense, aerospace and IT conglomerate Finmeccanica. Nevertheless, there is still marked overcapacity in Europe's defense industrial base sustained in large part by the unwillingness of national governments to collaborate on major procurement activities.

National rather than European priorities have largely been reflected in equipment procurement programs. In 2010, the EU member states spent just over €34 billion on investments in equipment procurement, but only €7.5 billion on collaborative programs, barely more than 20% of the total. There is tremendous waste in European defense spending. For instance, there are thirteen producers of aircraft, ten of missiles, nine of military vehicles and eight of ships; by contrast, the US – with double the market size – has twelve producers of aircraft, five of missiles, eight of military vehicles and just four of ships. The result of this national fragmentation is a duplication of development and production and different standards of equipment. This fragmentation also hinders the development of common logistic support systems and diminishes military interoperability.

In general terms, those countries with a significant defense industry are much more likely to participate in a cooperative program than those countries which do not have a large defense sector. The six major European arms-producing countries (Britain, France, Germany, Italy, Spain, and Sweden) account for more than 90% of defense equipment production in the EU. This means that most European countries are primarily consumers rather than producers – although many smaller countries are major sub-contractors and component suppliers. The large number of different defense equipment programs and producers in Europe shows that European governments do not yet coordinate much of their demand for defense products, despite their shared capability goals. The task for European governments in the future is to coordinate more of their demand and to spend

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<sup>237</sup> Antonio Missirolli, *op cit.*, p. 51.

their defense budgets more efficiently, if they wish to acquire the full range of required capabilities.<sup>238</sup>

Solipsism at home and competition abroad results in a fragmented defense industrial base, excess capacity and high unit costs for relatively small production lots.

Whenever a major contract is in the offing somewhere in the world, the European nations compete against one another. But when they are the ones procuring military equipment, they isolate themselves and ignore all rules of reason and the market in the interest of protecting the domestic defense industry.<sup>239</sup>

A study by the European Parliament concluded that the cost of maintaining the current degree of sovereignty in national defense rather than pursuing greater integration across all areas, what was termed “non-Europe” in defense, is between \$32.5 and \$162.5 billion.<sup>240</sup> Just rationalizing defense procurement could save a minimum of \$7.5 billion annually with no reduction in capabilities.<sup>241</sup> NATO could formally advocate that members commit to rebalancing their defense budgets to reduce spending on personnel and increase that for procurement and R&D. One commentary by two long-time NATO policy experts went even farther, proposing a specific reallocation target.

Nations should adopt a standard of 1/3, 1/3, 1/3 for the allocation of their defense budgets among personnel, training and equipment. For nations whose spending is unbalanced towards personnel and that are unable or willing to allocate greater resources to defense, a reduction in overall force numbers and reallocation of saved resources would be a difficult but viable option.<sup>242</sup>

The objective of this effort at triage would be to create a pot of money that can be plowed back into readiness and filling critical capability gaps. As two American defense experts pointed out, “If NATO could achieve 25 percent deployability by 2020, this alone would be a significant accomplishment.”<sup>243</sup> Given that only ten percent of today’s NATO forces are judged to be fully ready and deployable this would be a significant increase in real capabilities for a relatively modest investment.

Any savings garnered from force structure cuts should naturally go towards investments in cutting edge capabilities, particularly those not already being sponsored by NATO itself or by a coalition of like-minded countries.

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<sup>238</sup> Daniel Keohane, “Smart Defense and the Capability Challenge: Why NATO Needs the EU,” in Alcaro and Lucarelli, *op. cit.*, p. 38-39.

<sup>239</sup> Gordon Repinski, Christoph Schult and Gerald Traufetter, “Self Defense: Protectionism Rules in EU Arms Industry,” *Spiegel International* (December 11, 2013).

<sup>240</sup> Blanca Ballester, *op. cit.*, p. 8.

<sup>241</sup> Bastian Giegerich, “NATO’s Smart Defense Agenda,” in Ricardo Alcaro and Sonia Lucarelli, eds., *op. cit.*

<sup>242</sup> Paul Gebhard and Ralph Crosby, *NATO Defense Capabilities: A Guide for Action*, Atlantic Council Strategic Advisors Group (April 2010), p. 6.

<sup>243</sup> Richard L. Kugler and Linton Wells II., *op. cit.*, p. 59.

Even if the reduction in troop numbers diminishes overall personnel spending in the medium to longer term, addressing new challenges such as cyber, ballistic missile defense, and space will require allocation of additional defense resources. With operations having driven the shift toward more expeditionary forces, the transformational dimensions of network-centric warfare (or, as preferred in Europe, “net-enabled capability”) and an effects-based approach to operations will drive developments over the next decade. Considerable funds for all these initiatives will likely have to be found in the budget and will gradually consume a greater proportion of dwindling resources.<sup>244</sup>

At the same time, NATO needs to consider increased reliance on reserves. With a substantial fraction of NATO’s active component at a low readiness status, it makes sense to consider shifting these forces into a reserve mode, thereby saving resources. The U.S. has had great experience over the last decade with activating reserve forces. The U.K. has made this move with its new Whole Force.<sup>245</sup> Making greater use of reserves requires addressing the challenges of integration with the regular force and equipment modernization. More important, such reforms must establish a pact with employers to allow for sufficient time off for training and job security post-deployment.<sup>246</sup>

An additional challenge NATO faces in developing a strategy for maintaining an adequate force structure and modernization program is the structure of military finances. The overwhelming share of funding for NATO forces, programs and operations comes from national budgets. A significantly smaller, but nonetheless significant investment in capabilities comes from cooperative acquisitions (AWACS, AGS) where coalitions of member countries provide both procurement and operations funding. NATO also invests common funds in a variety of infrastructure projects as well as ongoing research and activities in the creation of standards, interfaces and protocols.

NATO could expand the use of its Security Investment Program (NSIP) as well as liberalize the terms under which investments are made. Over the past decade the fund, with nearly \$1 billion in assets to spend annually, has been employed to construct infrastructure and communications networks in Afghanistan in support of ISAF forces. “The NSIP account, however, retains some of its traditional, ‘national return on investment’ approach to funding. A full review of the NSIP and its funding priorities with the objective of building a program that supports truly common NATO military requirements would be productive.”<sup>247</sup>

NATO could encourage greater collaboration in ongoing operations and even in exercises by altering the way the Alliance pays for them.

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<sup>244</sup> Stephen J. Flanagan, T. J. Cipoletti, and Alessandro Scheffler, “Outlook for Defense: Doing Less with Less?” in *A Diminishing Transatlantic Partnership? The impact of the financial crisis on European defense and foreign assistance capabilities*, Center for Strategic and International Studies (Washington, DC, May 2011), p. 22.

<sup>245</sup> Mark Phillips, *The Future of UK’s Reserve Forces*, RUSI Occasional Paper (April 2012).

<sup>246</sup> Guillaume Lasconjarias, *Send the Reserves! New Ways to Support NATO through Reserve Forces*, Research Paper, No. 99, NATO Defense College (November 2013).

<sup>247</sup> Paul Gebhard and Ralph Crosby, *op cit.*, p. 5.

NATO and the EU need to think more creatively about how to encourage nations to collaborate. (The EU's 'pooling and sharing' initiative shares many of the goals of smart defence.) For example, NATO countries could agree to set aside a portion of their common infrastructure funds to cover the 'start-up' expenses of collaborative projects. Many good ideas for pooling and sharing cost money in the short term, before delivering savings later. Common funding for those short-term costs can make a real difference, particularly for the smaller allies.<sup>248</sup>

Another sensible reform would be to alter the mechanism whereby NATO funds activities such as exercises and deployments. The current model of payment is one of "letting costs lie where they fall." Each country that signs up for a mission or those in the rotation as part of the NRF if it is activated must pay for the costs of mobilizing, deploying and operating those forces. This has resulted in "sticker shock" for some countries.<sup>249</sup>

This funding approach is inefficient. Moreover, it inhibits the ability of some NATO members and partners, otherwise willing and able to participate in operations, from so doing. The Alliance should examine the value of creating a common fund for out-of-area operations beginning with a commitment to provide resources for all transport of troops and equipment. Non-participating countries could still contribute to this fund.<sup>250</sup>

In broad terms, the one obstacle NATO must address is current rules for assigning the costs of operations. The Alliance should agree to an expansion of eligibility rules for common funding for selected operations, in particular with regard to NRF operational deployments. If operations cannot be commonly funded in full, NATO should look for additional phases or functions that can be commonly funded, such as deployment cost, logistics center operations, or no-cost support from Alliance agencies like NATO Consultation, Control and Command Agency (NC3A) to help sustain deployed national systems.<sup>251</sup>

It is important to note that EU defense experts also have identified the issue of common funding as an important step in its own right as well as a move towards greater defense collaboration and cost sharing.

Only a very limited level of "shared costs" for military operations – generally around 10% of total costs – is defrayed by all Member States via the so-called Athena mechanism. The one-sided burden on commitment-ready Member States paves the way for freeloaders and in particular limits the actual operational readiness of bodies like the EU Battlegroups. A substantial expansion of shared financing that is possible without a change to the EU treaties would cause all Member States to fully share the political and financial responsibilities of CSDP operations.<sup>252</sup>

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<sup>248</sup> George Robertson and Tomas Valasek, "Conclusions," in Valasek, ed., *op cit.*, p. 62.

<sup>249</sup> Jens Ringmose, "Taking Stock of NATO's Response Force," *op. cit.*, p. 5.

<sup>250</sup> *Ibid.*

<sup>251</sup> Center for Technology and National Security Policy, *Affordable Defense Capabilities for Future NATO Missions*, Special Report, National Defense University (February 23, 2010), pp. 10, 27.

<sup>252</sup> Ronja Kempin, *How to Maintain Hard Capabilities in a Time of Budget Cuts*, Policy Paper 66, Notre Europe, The Jack Delors Institute (February 2013), p. 5.

NATO needs to increase the resources available for such collective activities as headquarters operations and training. The Norwegian defense minister recently proposed three steps to improve the Alliance's military posture. The most important of these are not hardware investments but improved collaboration and interoperability of existing forces.

1. Resume operational planning in a generic manner for future contingencies, taking into account the full spectrum of NATO missions. For this we need to make the NATO Command Structure more capable and usable, including strengthening our collective situational awareness.
2. Increase NATO training and exercise activity, thereby ensuring interoperability. Also these activities will provide a venue for exercising and validating NATO's operational plans. Norway will continue to offer our territory for Allied training and exercises, and we are also considering an offer to host NATO's high visibility exercise in 2018.
3. We need to establish mechanisms whereby we can develop high-end deployable capabilities that are made available for NATO. This should include agreeing on key projects to meet critical capability shortfalls, and mechanisms for ensuring implementation.<sup>253</sup>

NATO is conducting some new exercises but they are not yet on a scale or of a scope appropriate to test its ability to meet the LOA. *Steadfast Jazz* was NATO's biggest live-fire exercise since 2006. The exercise in Poland and the Baltic states, which occurred in November 2013, included non-NATO members Sweden, Finland and Ukraine. About half of the 6,000 troops engaged in simulated combat; the rest were part of a command-and-control exercise integrating land, air, maritime and Special Forces. *Trident Juncture*, to be conducted in southern Europe in 2015 is planned to be six or seven times bigger.<sup>254</sup>

A return to a robust exercise program such as that which NATO conducted during the Cold War, albeit focused not on reinforcing the continent but instead on deploying forces to crisis spots, would make a great deal of sense.

Robust exercises – at sea, in the air and on the ground – are the *sine qua non* of combat readiness. Effective training meshing the alliance's national military forces in both field and virtual exercises are essential to guarantee military interoperability across the alliance, especially after combat operations end in Afghanistan. Europe continues to have some of the most advanced training ranges and facilities in the world, a legacy of Cold War NATO investments. Reinvigorating an annual exercise program could incentivize demanding training standards among NATO nations similar to the ways the Return of Forces to Germany (REFORGER) exercises did on a massive scale at the height of the Cold War. Such an exercise program would focus alliance military

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<sup>253</sup> Ine Eriksen Søreide, Minister of National Defense of Norway, "Writing NATO's Next Chapter: The View from Norway," Statesmen's Forum, The Center for Strategic and International Studies (Washington, DC, January 9, 2014).

<sup>254</sup> "NATO's future-Response Force beyond Europe," *Economist* (November 14, 2013).

investment and training by maintaining clear, achievable standards that all NATO members would be expected to meet.<sup>255</sup>

A related investment initiative that would not cost much would focus on improving the strategy for Smart Defense as well as the way it is managed. Smart Defense efforts need to focus more narrowly on activities that would 1) help support the NRF and 2) address identified capability gaps. NATO should consider establishing a relatively small fund to provide seed money for such endeavors.

NATO can improve Smart Defense's relevance by ensuring that it focuses on strengthening badly needed combat capabilities for deployment missions, such as air-refueling assets and modern information networks, rather than on lower priority assets such as military infrastructure for territorial defense and logistic support in Europe, minor research and development projects, and improved basic military training. NATO headquarters could help by setting sound defense priorities: e.g., by striving to improve the deployability of European forces in stages rather than all at once. Another important imperative is organizing how individual Smart Defense measures are carried out. Currently each measure is equipped with a single national leader but, especially for major measures, this single leadership model will need to grow into a larger group of involved countries that work closely together.<sup>256</sup>

Smart Defense, with its focus on shared capabilities and collaborative investments, addresses only part of what is needed to build and maintain a robust and flexible Alliance. Equally important are qualitative factors such as training time, flying hours, resources for sustainment, information sharing and cooperative exercises. NATO acknowledged the importance of these qualitative factors when it announced the Connected Forces Initiative which focuses on those activities that contribute to real operational readiness thereby ensuring that the forces member states contribute to NATO operations can actually operate together. The three basic elements of the CFI are expanded education and training, increased exercises and better use of technology to enhance interoperability of forces. If NATO operations are going to be in response to unpredictable events and based on coalitions of the willing, then lots of exercises and training are needed. NATO headquarters recently announced that it would conduct the first major live combined arms exercise in more than ten years. The classic reinforcement exercises that Cold War NATO used to do annually have not been conducted in decades.

One of NATO's signature accomplishments has been establishing standards to support interoperability. Responding to the weaknesses of coalition forces in the Libyan operation, NATO is pursuing a standard that, if adopted and implemented, will allow aircraft from different nations to use precision-guided munitions (PGMs) from various sources and countries.<sup>257</sup> A senior European defense official suggested that the establishment of standards to improve interoperability should be a central theme for Smart Defense.

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<sup>255</sup> Jacob Stokes and Nora Bensahel, *op. cit.*, p. 4.

<sup>256</sup> Richard L. Kugler and Linton Wells II, *op. cit.*, p. 77.

<sup>257</sup> Julian Hale, "Shared Precision: NATO Nears Standard on Cross-platform PGM Use," *Defense News* (January 21, 2014).

Common, compatible systems are a force multiplier that allow nations to “plug and play” and are cheaper overall through greater economies of scale. In the current economic climate that should be a no-brainer. **Standards should be the DNA of Smart Defence** (emphasis in the original).<sup>258</sup>

### **Making additional investments in critical capabilities**

Numerous studies and analyses on both sides of the Atlantic have pointed to the importance of leveraging existing forces by improving C3 (command, control, communication) capabilities, ISR, information sharing and training. Unfortunately, most of the capabilities that would enhance the combat capabilities of available NATO forces are in short supply.

European shortfalls exist in those areas to which military ‘transformation’ assigns particular importance, namely: strategic air- and sea-lift capacities, tactical transport, air-to-air refuelling capabilities; field hospitals and other medical facilities; C4 (command, control, computers and communications) capabilities to coordinate among different services and national contingents; ISTAR (intelligence, surveillance, target acquisition and reconnaissance) capabilities to achieve situation awareness; and precision-guided munitions to ensure effectiveness and minimise collateral damage.<sup>259</sup>

The focus on force enhancements, meeting critical capabilities identified in Lisbon and reaffirmed in Chicago and addressing shortfalls has been demonstrated in recent operations. Finishing those investment projects NATO has begun would be a prudent step forward.

The priority given to the reduction of capability gaps must be affirmed. Smart Defense is not a tool of industrial policy, but must focus on building capabilities that Europeans are not all able to acquire only through national budgets. Particular emphasis should be given to critical enablers to prevent the undermining of NATO’s ability to act. Amongst the projects that deserve to be given priority, ISR capabilities and air-to-air refueling stand out.<sup>260</sup>

### **Investments in critical capabilities and enablers**

The obvious number-one priority of a strategic investment plan for NATO is to fix the NRF. The NRF is not only the Alliance’s 9-1-1 capability, it is a symbol of NATO’s fundamental principles and the mechanism by which the new Strategic Concept can be implemented. In addition, the NRF is expected to be the core of NATO’s CFI efforts.<sup>261</sup>

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<sup>258</sup> Bryan McCarthy, *op. cit.* This idea was echoed in a recent EU study on improving defense collaboration: Blanca Balester, *op. cit.*, p. 58.

<sup>259</sup> Antonio Missirolli, *op. cit.* p. 10.

<sup>260</sup> Camille Grand, “Smart Defense,” in Dr. Lisa Aronsson and Dr. Molly O’Donnell, *op. cit.*, p. 45.

<sup>261</sup> Anders Fogh Rasmussen, NATO Secretary General, “Remarks,” Munich Security Conference (February 4, 2012).

It is unacceptable that the NRF has not been fully manned or that it lacks any of the critical enablers and sustaining capabilities needed to be a crisis response force for either an MJO or SJO.

A NATO Response Force, agreed to in 2002, was supposed to be an all-terrain rapid reaction force, with rotating membership for land, air, naval and special forces, ready to go anywhere and do most anything with at least 13,000 troops. But it has never been used, except in part to add security to the 2004 Athens Olympic Games and the 2004 Afghan elections and to provide disaster relief.<sup>262</sup>

NATO should consider investing in a core set of critical enablers and sustainment systems to ensure that the NRF can meet its mission requirements. Some of these such as NATO AWACS and AGS are already available. But arrangements need to be made to guarantee the availability of sealift, aerial refuelers, ISR platforms, medical support and munitions.

The Allies should renew their commitment to the maintenance of a high-readiness NATO Response Force (NRF) with defined, fully resourced commitments by Allies in providing trained, equipped and deployable forces on a permanent basis. The NRF is NATO's only means of deploying a highly capable military force on short notice for unseen contingencies. Everything else is either AWACS, C17s or a tin-cup exercise. It also assures a long-term Alliance commitment to multi-nationality, operational excellence and political risk-sharing. The NRF is the only formation that gives NATO decision-makers a genuine collective military option from the outset; it should therefore take priority in national resource decisions.<sup>263</sup>

A study by the RAND Corporation that reviewed recent NATO-involved operations identified a minimum set of critical enablers – primarily ISR, strategic air and sea-lift and precision munitions – that the Alliance should ensure are readily available for immediate employment in the “neighborhood.” Specifically, NATO requires:

- sufficient ISR platforms to provide persistent and survivable intelligence and targeting support over important portions of the battlefield;
- sufficient armed UAVs to provide persistent air reconnaissance and CAS [*close air support*] to maneuvering NATO ground forces;
- sufficient suppression of enemy air defense (SEAD) capability, if only to gain local aerial supremacy over the battlefield;
- adequate missile defense capability, depending on the level of threat;
- sufficient sea mine countermeasure capability to allow amphibious operations to be affected in a militarily decisive manner;
- sufficient maritime surveillance and attack capability to defeat the surface and subsurface naval forces of the targeted country;
- enough amphibious lift to affect a two-brigade amphibious assault;
- sufficient airlift to affect a brigade-sized or larger airborne assault;

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<sup>262</sup> Steven Erlanger, *op. cit.*

<sup>263</sup> Dr. Karl-Heinz Kamp and Ambassador Kurt Volker, *op. cit.*, pp. 20-21.

- sufficient sealift (military and commercial) to deploy and sustain three to five medium and heavy brigades during the exploitation phase;
- precision guided munitions (PGMs) to conduct a multi-month campaign of high tempo.<sup>264</sup>

ISR and precision guided munitions are the two capabilities most central to the modern way of war. High quality, rapid collection, processing and dissemination of intelligence and targeting data is absolutely vital to the ability to employ precision weapons to full effect. This requires not only the appropriate array of platforms equipped with a broad range of sensors to collect information but, in addition, the requisite networks, trained personnel and data management tools with which to exploit information. As demonstrated in Afghanistan and Libya, NATO had weaknesses across the entire ISR chain. Joint ISR (JISR) has been identified as a priority shortfall area with specific problems being: scarce JISR assets, lack of efficient intelligence sharing for dynamic targeting, insufficient JISR dedicated staff preparedness, and over-dependence on a few nations for skilled officers trained in dynamic targeting operations.<sup>265</sup>

NATO nations need to expand their investments in ISR platforms and systems. In particular, NATO appears to be close to sufficiency in tactical manned reconnaissance but is significantly lacking in airborne early warning, airborne ground surveillance, electronic and signals intelligence and strategy surveillance capabilities.<sup>266</sup> Programs such as NATO's AGS are a beginning. But the Alliance needs a focused, decade-long program to acquire an expanded fleet of intelligence collecting platforms. In addition, NATO must see through to completion its JISR Initiative which is focused on providing the networks and personnel for rapid processing, dissemination and exploitation of multinational intelligence.<sup>267</sup>

NATO has long identified military UAVs as a priority capability shortfall. Yet, this is the area where Europe is the farthest behind the U.S.

European efforts to develop surveillance drones that fly at medium altitude (known as MALE), in particular, have become bogged down in competing and unsuccessful initiatives. A French-led effort to develop a joint European MALE that began in 2004 collapsed a few years later. At the time of the Lancaster House treaties, the UK and France promised to develop a MALE bilaterally. This led Germany and Italy – upset about being left out – to declare that they would build their own medium altitude drone. But three years later, neither London and Paris, nor Berlin and Rome have signed any contracts to build these aircraft. And the picture has become further muddled by calls from the French government to widen Franco-British defence efforts to other European countries, when London remains opposed to the idea.<sup>268</sup>

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<sup>264</sup> F. Stephen Larabee, et al, *op. cit.*, p. 82.

<sup>265</sup> Matthew J. Martin, "Unifying Our Vision: Joint ISR Coordination and the NATO Joint ISR Initiative," *Joint Forces Quarterly*, No. 72 (1<sup>st</sup> Quarter 2014), p. 55.

<sup>266</sup> Jim Squelch, *NATO's Defense Planning Processes*, Briefing, NATO International Staff (January 2013).

<sup>267</sup> Matthew J. Martin, *op. cit.*, pp. 57-59.

<sup>268</sup> Clara Maria O'Donnell, *The Trials and Tribulations of European Defense Cooperation*, The Center for European Reform (July 2013), p. 5.

NATO would be well-served by coordinating a multinational R&D program to develop European medium and high altitude UAVs. It appears that France will become involved in the U.K.'s Watchkeeper UAV program.<sup>269</sup> Alternatively, NATO could readily go into the international market as France and the U.K. have done and forego a lengthy and potentially difficult effort to develop a home-grown capability.

The explosion in anti-access and area denial capabilities will necessitate additional investments in systems to conduct electronic warfare (EW) and suppression of enemy air defenses. NATO has only a very limited capability to conduct airborne EW/SEAD. Germany's unwillingness to participate in the Libyan operation sidelined nearly half of NATO's total SEAD capability.<sup>270</sup> A wise investment strategy for NATO would be to replace some of its aging air superiority aircraft with EW/SEAD platforms or at a minimum, acquiring EW pods for older platforms. European nations involved in the F-35 program should consider devoting some fraction of their aircraft to this mission.

Since the time that NATO's weakness in precision strike capabilities was first revealed in 1999 during Operation Allied Force, the Alliance has made only halting improvements in this area. NATO needs to invest in both additional precision targeting systems as well as an expanded inventory of precision guided munitions. NATO can select from an array of European-made precision weapons. In addition, several countries have acquired U.S. and Israeli-made weapons. Some European militaries are resistant to increased investments in this area because of the greater cost of precision weapons. However, detailed analysis has shown that precision strike systems have a substantial cost-effectiveness advantage over "dumb" bombs. NATO needs to double or even triple its inventory of precision weapons.<sup>271</sup>

An expanded role for theater ballistic missile defense to include protection of allied territory and populations in addition to deployed forces became part of the new Strategic Concept in 2010. One thing that Europe should do, according to Secretary General Rasmussen, is invest in missile defense. "Missile defense might be one key area whereby the Europeans can demonstrate such commitment... and also demonstrate to the American public that the alliance is relevant." Such a system would go a long way to devaluing the threat that Iranian ballistic missiles already pose to portions of Southeastern Europe. In addition, a willingness to invest in a comprehensive missile defense system would send a powerful "political signal" to friends and potential adversaries alike. "Proliferators must know that we are unwavering in our determination to collective defense," Rasmussen said.<sup>272</sup>

At the Chicago Summit, NATO declared its initial ballistic missile defense capability, termed the Active Layered Theatre Ballistic Missile Defence (ALTBMD), operational. ALTBMD consists of NATO BMD and the U.S.-built European Phased Adaptive Architecture (EPAA). To date, the U.S. has contributed the most to NATO's evolving missile defense capability, deploying

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<sup>269</sup> Andrew Chuter and Pierre Tran, "Both Sides are Optimistic ahead of France-UK Summit," *Defense News* (January 27, 2014), p. 9.

<sup>270</sup> *The Military Balance*, IISS (London, 2012), pp. 123.

<sup>271</sup> Tamir Eshel, "High Cost of Precision Strike," *Defense-Update* (May 6, 2011).

<sup>272</sup> Anders Fogh Rasmussen, NATO Secretary General, "Building a Euro-Atlantic Security Architecture," Speech at the German Marshall Fund's Brussels Forum 2010 (March 27, 2010).

Aegis Ballistic Missile Defense (BMD)/Standard Missile-capable destroyers to Rota, Spain and developing the Aegis Ashore system which will be deployed in Eastern Europe with land-based interceptors in Romania by 2015 and Poland by 2018.

A critical next step will be if NATO allies actually make good on their promises to upgrade their missile defense capabilities. Much could be done in sensor integration, the sharing of engagement algorithms, collaboration in testing and the establishment of common standards and interfaces.<sup>273</sup>

An even better sign would be when countries that are capable already of operating the air defense variant of the Standard Missile would also acquire the new missile defense version. This is beginning to take place. Spain announced that a BMD-capable Aegis frigate of the *Alvaro de Bazan*-class would enter service in 2012 and the Netherlands declared its intent to deploy four BMD-capable naval vessels as part of this shield. In February 2012 NATO announced that it will base a command center for the European missile shield in Ramstein, Germany. Even though the U.S. is determined to terminate its participation in the multinational consortium to develop the medium extended air defense system, or MEADS, the other participants – Germany and Italy – and possibly Poland, appear determined to see this system through to deployment.

Subsequent steps would include networking all NATO's missile defense capabilities and expanding investments in more capable interceptors and sensors.

The decision as to whether and how to connect the European NATO allies' short- and medium-range theater missile defense systems to the U.S. long-range missile defense system will be critical to the coherence of Alliance-wide BMD. The current work in integrating the EPAA and ALTBMD is an important step toward fully-integrated BMD. A high level of commitment to international partnership from both the United States and its allies – already evinced by ALTBMD and C2BMC shared situational-awareness tests – will encourage successful interoperability initiatives. This interoperability will, in turn, help ensure the success of the Phased Adaptive Approach.<sup>274</sup>

NATO could create a formidable theater missile defense capability simply by upgrading some 20 in-service destroyers and frigates in the fleets of half a dozen NATO members to make them BMD capable. Many of these ships could deploy the Standard Missile 3. Such a force alongside the Spanish and Dutch navies contributions discussed above would provide sufficient assets with which to maintain a continuous defensive shield for the continent, plus provide missile defenses to one or two expeditionary operations.<sup>275</sup>

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<sup>273</sup> General Patrick O'Reilly, USA (Ret.), "Ten Ideas for Smarter NATO Missile Defense," *Issue Brief*, Atlantic Council (January 2014).

<sup>274</sup> George Galdorisi, "The Phased Adaptive Approach: Integration of the EPAA and ALTBMD," *Defense Media Network* (August 17, 2013).

<sup>275</sup> Steve Whitmre and John Deni, *NATO Missile Defense and the European Phased Adaptive Approach: The Implications of Burden Sharing and the Underappreciated Role of the U.S. Army*, Strategic Studies Institute, U.S. Army War College (Carlisle, PA, October 2013), p. 25.

Most of the Alliance's investments in cyber warfare are in national defense budgets, hence relatively difficult to assess. France is reported to be planning to spend some \$2 billion to upgrade its cyber defense capabilities and increase the number of trained personnel. The U.K. Ministry of Defence is expanding its cadre of trained cyber personnel as well as developing operational concepts for cyber warfare. Others have created cyber security centers but have not moved forward to integrate cyber operations into their military plans or their force structures.<sup>276</sup>

NATO has made some progress towards the development of cyber capabilities. The NATO Computer Incident Response Capability provides protection of NATO Headquarters, commands and agencies. Cyber defense has been included in NATO's defense planning process. NATO now conducts annual coalition cyber exercises; the most recent was held in November 2013 in Estonia involving NATO participants in addition to seven partner countries and the European Union. There are a number of collaborative cyber security projects one of which is the Multinational Cyber Defence Capability Development intended to improve sharing of technical information and promote awareness of threats and attacks.

At the same time, however, there are warning signs that NATO is falling behind other countries and, most significant, the threat. In addition, NATO is largely focused on cyber defense, leaving relatively unaddressed the important areas of cyber intelligence and cyber offense. The lack of an overarching set of standards, minimum capabilities requirements, mechanisms for sharing information and common tools and techniques is particularly worrisome for an organization that seeks to fight as one.<sup>277</sup>

At a time when NATO's future is unclear, the alliance cannot afford to have cybersecurity concerns jeopardizing working relationships between allies. NATO should move beyond statements and prioritize setting minimal security requirements for member-states' networks. If the alliance is to cement its role as a reliable provider of stability and security for the transatlantic community in the 21<sup>st</sup> century, it must tackle the most fundamental cyber issues head on.<sup>278</sup>

Strategic lift is one area where NATO has made substantial improvements. The Strategic Air Lift, Interim Solution (SALIS) involves fifteen NATO members and a Russian consortium, Ruslan. SALIS contracts with Ruslan for a minimum of 2,000 flying hours annually. To meet their needs, Ruslan keeps two An-124s on hand for immediate use by consortium members, with two more available on six days' notice and another two on nine days' notice.

NATO strategic airlift also operates a heavy airlift wing under the aegis of Strategic Airlift Capability (SAC), a twelve-nation consortium. The wing has flown more than 600 missions, totaling more than 10,000 flight hours. The three C-17s have carried more than 65 million pounds of cargo and more than 38,000 passengers. The Heavy Air Wing, its aircrews, logistics and command and control teams have all acquired certification training in the core competencies

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<sup>276</sup> Agence France Presse, "France Military to Upgrade its Cyber Defense" (January 21, 2014). And, BBC, "UK to Create New Cyber Defense Force," <http://www.bbc.co.uk/news/uk-24321717> (September 29, 2013).

<sup>277</sup> Amber Corrin, "NATO Cyber Defense Lags," *Federal Computer Week* (February 2, 2012).

<sup>278</sup> Daniel Pitcairn, *op. cit.*

required for the full spectrum of missions. These include air refueling, single-ship air drop, assault landings, aero-medical evacuations, and all-weather and night operations.<sup>279</sup>

NATO members currently plan to acquire nearly 200 A400 transport aircraft. This may well be more than is required, particularly if the Alliance revises downward its LOA and associated MRC. Consequently, this is an area where NATO might trim its expectations and use the resources saved for higher priority programs.

Good logistics is very much a matter of timely and accurate communications, centralized command and control and integrated supply chain management. Virtually all of these functions are resourced, deployed and directed at national levels. This results in extreme difficulty when it comes to moving and sustaining multinational forces. NATO has defined standards and developed a set of planning, data management and command and control tools.

The experience in Operation Enduring Freedom (OEF) has underscored both the critical importance of logistics to the conduct of expeditionary operations as well as all its difficulties. The central role played by the U.S. military and its set of world-class logistics organizations (e.g., the Defense Logistics Agency, Army Materiel Command, and U.S. Transportation Command) to the operation of the logistics network for OEF cannot be underestimated. In addition, the role of private sector logistics providers such as Maersk Line, Limited and APL must be recognized.

Addressing shortfalls in logistics for expeditionary operations may prove one of the more difficult challenges confronting NATO. The decentralized character of the Alliance makes it difficult to integrate and manage logistics. It also makes it difficult to accurately assess requirements to support future operations as well as the extent of capability gaps.

NATO should pursue initiatives to modernize its logistics capability. First, it needs to create the capability to establish a common logistics operating picture. Second, it needs to identify measures that would allow for greater integration of national logistic capabilities during an operation – essentially to design-in “plug-and-play” features. Third, it should examine ways to increase the support that the NATO Maintenance and Supply Agency (NAMSA) can provide to coalition forces. NAMSA should be able to do rapid contracting and even create contracting arrangements in peacetime to be activated when conflict ensues. Expansion of NAMSA’s Operational Logistics Support Partnership should also be considered.

The EU too has accepted the reality that if Europe is going to retain influence in the international system it will have to invest in its defense. At the EU’s December 2013 summit, the European Defense Agency (EDA) identified four defense technology priorities for cooperative investment: remotely piloted aircraft systems (RPAS), air-to-air refueling, satellite communications and cyber.<sup>280</sup> It is also important to consider long-term defense requirements and to begin to encourage NATO and the EU to create the relationships and planning structures that could

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<sup>279</sup> Brendan McNally, “Outsourcing Strategic Airlift: NATO’s Two Very Different Solutions,” *Defense Media Network* (July 25, 2013).

<sup>280</sup> “EU Summit Sets Defense Technology Focus on: UAS, Aerial Refuelling, SATCOM and Cyber,” *Defense Update*, [http://defense-update.com/20131220\\_eu\\_tech\\_focus.html](http://defense-update.com/20131220_eu_tech_focus.html) (December 20, 2013).

evolve into a synchronized multinational defense requirement and procurement cycle. This process would use as its point of departure the natural need of Alliance members to address the replacement of equipment acquired several decades ago. An EDA study of Europe's future military requirements points out that:

Over the next decade or so, European countries will have to replace – or start thinking about replacing – a good part of their equipment, including conventional (and nuclear) submarines, naval destroyers and frigates, main battle tanks, combat aircraft, observation satellites, and other items.<sup>281</sup>

In addition to investing in the filling of priority capability gaps, one could add emerging capabilities with disruptive potential such as unmanned air, land and sea systems, cyber warfare, directed energy, hypersonics and nano-technologies. In view of Europe's inadequate overall spending on military R&D and the duplication of effort, it is difficult to see how the Alliance will catch up to the U.S. and others in these critical areas. Only a serious increase in collaborative R&D projects will have even a modest impact on NATO's future military capabilities.<sup>282</sup>

## **European Sovereignty versus European Security**

The problem with developing a common European security system, surprisingly, is that the continent does not have enough rules. The basis for the Eurozone's current financial crisis is that establishment of a monetary union was not accompanied by the creation of a fiscal one. The root cause of the current euro crisis is the unwillingness of the nations of Europe to relinquish their sovereignty at the time the monetary union was created. The extremely apt metaphor employed recently by historian Niall Ferguson is that Europe's situation is as if the U.S. was still operating under the failed Articles of Confederation which preceded our Constitution. The Articles had been written so as to hamstring the central government and preserve almost all power in the states. The results then were pretty much what we are seeing in Europe today. However, the resulting political and financial crises in the U.S. which led to the calling of the Constitutional Convention in Philadelphia were minor compared to the scale of the problems facing Europe today.

It has become transparently clear that the price of saving the euro must be closer fiscal union among the member states. Without such a union, and specifically enforceable rules to prevent nations from repeating the mistakes made by Greece, Portugal, Italy and Spain, no more money will be forthcoming to prop up these debtor nations. But no nation will be willing to subordinate its sovereignty on fiscal and budgetary matters to the European Union without the creation of new political institutions that guarantee that the will of the people and not the whims of faceless, grey bureaucrats in Brussels determine how such power is wielded. Europe must take not just one but two giant leaps toward integration if it is to survive.

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<sup>281</sup> Antonio Missirolli, *op. cit.* p. 50.

<sup>282</sup> *Ibid.*, p. 11.

Actually, make that three leaps. Political and fiscal integration is not enough to secure Europe. There is also a need for military integration. The involvement of Europe in a series of expeditionary military operations over the past decade has clearly demonstrated that while in the aggregate, the continent's military establishment is large and relatively expensive (almost \$300 billion a year), the whole is actually less than the sum of the parts. The reason for this is, once again, national sovereignty. Each country gets to determine the size and structure of its military and the kinds of equipment that will be acquired. Each of the large nations still tries to maintain a full spectrum military. As defense budgets continue to decline across the continent, this disaggregated system of national preferences, priorities and sensibilities is no longer tolerable.

NATO has provided the basis for a degree of integration. There are NATO standards for most military activities and even for a lot of hardware. There are cooperative defense programs such as the multinational NATO Airborne Early Warning and Control Force that collectively operates 18 E-3 AWACS aircraft and the new NATO Airborne Ground Surveillance Program which will acquire and operate five Block 40 Global Hawk unmanned aerial systems with an advanced radar. But in most areas, there are neither sufficient national capabilities to go it alone nor adequate arrangements for collecting and sharing assets.

The key to building an effective defense capability in Europe, whether conducted by NATO or a coalition of the willing, is the pooling of national assets and rationalizing defense procurement through major collaborative programs. This is at the heart of NATO's Smart Defense initiative. Nations would promise to make their particular capabilities available to other nations. By unifying national contributions in such pools, the whole becomes greater than the sum of the parts that individual nations can afford. In addition, nations could afford increased specialization in their military force structures knowing that there were pools of assets available with which to fill any capability gaps.

In its own way, this would constitute the military equivalent of fiscal union, a mutualization of security in much the same way that the creation of eurobonds and a fiscal oversight mechanism would mutualize financial risks and responsibilities. However, just as fiscal interdependence will require political union, effective pooling of military assets would require a military union. No nation would risk its security by planning on the use of assets belonging to other nations without a certainty of access to them. Access would have to be formalized in a legally binding agreement. Both those providing the resources and those accessing the pool would have to have a prior agreement as to the circumstances under which access would be provided and conditions under which it could be denied. From this point it is just a short step – well, maybe another leap – to full integration of national security policies.

Any proposal for greater pooling of assets, sharing of resources or cooperation on procurements immediately must address the issue of its implications for national sovereignty.

Trying to answer this question requires clarifying what 'sovereignty' may mean. If it is meant to entail a high degree of strategic autonomy and self-sufficiency in military/defence matters, virtually no European country is 'sovereign' anyway (strictly speaking, not even the US is, as it relies on foreign intelligence and allied facilities world-wide). If it is meant to entail a high degree of independence in decision-making, most EU

countries have conferred the defence of their national territory to the Atlantic Alliance, while a few others have bilateral arrangements with it and/or the US itself; moreover, all EU members have already subscribed to art 42 TEU in its entirety, as well as to the so-called 'solidarity clause' (art. 222 TFEU).<sup>283</sup>

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<sup>283</sup> Antonio Missiroli, *op.cit.*, p. 52.

## CHAPTER V

## Conclusions and Recommendations

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It is increasingly important that NATO develop an approach to investing its scarce defense assets wisely and strategically. For more than two decades, NATO spending on defense has declined to levels today that are perilously close to disarmament. Senior U.S. officials have repeatedly warned NATO that its failure to invest adequately and appropriately in defense places the future of the Alliance at risk. In 2011, then-Secretary of Defense Robert Gates called on NATO to invest its defense resources both more wisely and strategically. He also provided this warning to an assemblage of NATO leaders on the consequences of failing to change the way it acquired and maintained military capabilities.

The blunt reality is that there will be dwindling appetite and patience in the U.S. Congress – and in the American body politic writ large – to expend increasingly precious funds on behalf of nations that are apparently unwilling to devote the necessary resources or make the necessary changes to be serious and capable partners in their own defense. Indeed, if current trends in the decline of European defense capabilities are not halted and reversed, future U.S. political leaders – those for whom the Cold War was *not* the formative experience that it was for me – may not consider the return on America’s investment in NATO worth the cost.<sup>284</sup>

Two and a half years later, Secretary of Defense Chuck Hagel made similar remarks, albeit with less of an edge, but this time the context was of the imminent withdrawal of U.S. forces from Afghanistan, declining U.S. defense budgets and the American pivot to the Asia-Pacific. Pressure is growing on NATO members to increase their defense expenditures and devise improved ways of investing those resources. As the current Secretary Hagel pointed out in his speech to the annual security conference in Munich, “In the face of budget constraints here on this continent, as well as in the United States, we must all invest more strategically to protect military capability and readiness.”<sup>285</sup>

### The study reached the following conclusions:

- NATO is facing a strategic paradox. Europe has never been safer, wealthier or more integrated, at least economically. At the same time it is militarily weaker and more divided on issues of security and the use of force than it has ever been. Defense spending continues to decline. Force structures continue to shrink. Both the spectrum of potential crises NATO must face and their geographic diversity continue to increase. Beginning with the intervention in the Balkans, NATO has since deployed combat forces to the Horn of Africa, Libya, Turkey and most recently the Central African Republic. These forces have primarily functioned within operational constructs generally referred to as “coalitions of the willing.” But in the aftermath of 9/11, NATO formally invoked Article V and deployed NATO AWACS to the U.S. and combined arms forces to Afghanistan.

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<sup>284</sup> Robert M. Gates, “The Security and Defense Agenda,” *op. cit.*

<sup>285</sup> Chuck Hagel, Secretary of Defense, “Speech to the Munich Security Conference” (February 1, 2014).

This paradox impacts NATO decision making in two fundamental ways by creating:

...a schism in Alliance strategic culture and concept, driven by deepening divisions over the world view and the future of the Euro; and the austerity-driven need for shrinking armed forces to work ever more closely together in a world in which the balance of power is tipping against the West.<sup>286</sup>

- The immediate issue impacting NATO's ability to field an adequate military is declining defense budgets. NATO's ability to develop a strategic investment plan is severely hamstrung by continuing fiscal problems first in Europe and now on both sides of the Atlantic. In particular, declining defense budgets in virtually all member states have created an environment in which some members will cease to be relevant contributors to collective/global security. Even those countries that are managing to maintain a semblance of a credible defense budget are not providing enough funding to support current forces, programs and operations and also invest adequately in modernization.

Europe's recent financial problems have led to heightened concern about European allies' willingness and ability to project power as a global security actor in the years ahead. The European debt crisis came amid already long-standing U.S. concerns about a downward trend in European defense spending and shortfalls in European defense capabilities. In 2011, collective defense spending by NATO European allies as a percentage of GDP was about 1.6%. In 2013, just three NATO allies (Greece, the UK, and the United States) exceeded the alliance's informal goal of spending 2% of GDP on defense; and, since 2001, the U.S. share of total allied defense spending has grown from 63% to 72%. Most observers agree that the current transatlantic burden-sharing situation may not be sustainable.<sup>287</sup>

As one analysis noted, "There is nothing about the shortcomings in NATO's military capabilities that additional money from the members would not fix."<sup>288</sup>

However, there is no reason to believe NATO will find either the wallet or the will to increase defense spending in the near future. Europe is only just now emerging from the recession that started in 2007, but now faces the possibility of deflation; Germany and the U.K. are showing reasonable growth rates; many other Alliance members, notably the countries of Southern Europe but also France, are still under significant risk of falling back into recession. Therefore, if resources are to be made available to provide for strategic investments they must come as a result of additional force structure reductions and/or changes in the way resources are distributed.

- NATO not only does not spend enough on defense, but what it does have it spends poorly. NATO consistently overspends on people; half of NATO's total defense spending goes to

<sup>286</sup> Julian Lindley-French, "NATO: Connected Forces, Connected Minds? (July 23, 2012).

<sup>287</sup> Paul Belkin and Derek Mix, "Military Capabilities in Selected European Countries," *Memorandum*, Congressional Research Service (January 27, 2014), pp. 1-2.

<sup>288</sup> Dr. Karl-Heiz Kamp and Ambassador Kurt Volker, *op cit.*, p. 21.

personnel. Procurement and, in particular, R&D are shortchanged. In 2012, only five allies met the NATO guideline to devote 20% of defense expenditures to the purchase of major equipment, considered a key indicator of the pace of military modernization.<sup>289</sup>

- NATO has experienced what can only be described as extreme force structure reduction. The U.K. and France, the two nations on which the Alliance will have to rely as the core of future expeditionary operations, are struggling to maintain a semblance of full spectrum capabilities. Even then, the U.K. will not have even one aircraft carrier for a decade. Retention of nuclear forces are exacting a heavy price in terms of residual defense resources needed to maintain relevant conventional combat power. As former Secretary of Defense Gates recently observed, “With the fairly substantial reductions in defense spending in Great Britain, what we’re finding is that it won’t have full-spectrum capabilities and the ability to be a full partner as they have been in the past.”<sup>290</sup>
- Some observers point to the still considerable force totals NATO disposes, asserting that this means the Alliance is still a militarily powerful organization. However, this is truly an illusion of capability. Only a small percentage of forces are really deployable. There is a dearth of critical enablers. There is also a lack of sufficient training and enough international exercises to assure that multinational forces have the ability to operate together effectively.
- NATO has begun to make progress in acquiring assets to address critical capabilities shortfalls identified at various Alliance Summits. NATO has organized two temporary strategic airlift capabilities, the SALIS and HAW, which have served admirably. Individual countries have acquired additional airlifters, notably U.S. C-17s. In addition, the A400 consortium is about to begin delivery of some 175 medium-lift aircraft.
- A clear sign of the Alliance’s inability, some would say unwillingness, to get serious about investing in capabilities to address the likely conflicts of the 21<sup>st</sup> century is its lack of commitment to adequately support the NATO Response Force. The NRF is supposed to be the Alliance’s high-readiness crisis response force able to undertake a rapid deployment in response to a range of crises. It is intended to deploy a combined land, air and sea force that can hold its own in a major joint operation for at least 30 days.

The NRF has never lived up to its publicity. It has only been deployed six times and only one of these deployments (Libya 2011) was for an actual combat operation, the rest were humanitarian operations. More significant, repeated annual NRF rotations have failed to find enough nations willing to commit sufficient forces to meet the required quantitative levels and qualitative breadth. In fact, the overall size and composition of the NRF had to be officially reduced by nearly one-half since its inception.<sup>291</sup> The NRF lacks access to the kinds of critical enablers, particularly ISR, networks, strategic lift and aerial refueling that are essential to the ability of an early arriving force to operate effectively.

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<sup>289</sup> Anders Fogh Rasmussen, NATO Secretary General, *Annual Report 2012* (January 31, 2013).

<sup>290</sup> Casandra Vinograd, “Robert Gates warns on UK military spending Cuts,” *Associated Press* (January 16, 2014).

<sup>291</sup> Guillaume Lasconjarias, *The NRF: From a Key Drive of Transformation to a Laboratory of the Connected Forces Initiative*, Research Paper No 88, NATO Defense College (January 2013). And, NATO. *The NATO Response Force: At the centre of NATO transformation, op. cit.*

- Political differences, concerns over the loss of sovereignty, the desire to protect domestic jobs and industries and even hostility between member countries are all making it extremely difficult to take the obvious and necessary steps to coordinate defense decisions, pool resources, share assets and seek out opportunities for role specialization.

Clearly, the Alliance must slim down, though it can't do that without ignoring the global security agenda of its members. A smaller NATO can remain both politically and militarily engaged in world affairs if it simply undertakes some serious cost-benefit analysis. It could reduce its expenditures and still increase efficiency and rationality in the way it provides security. The Alliance should focus on ensuring the full participation and buy-in of its member states to increase burden sharing and the pooling of resources. Member states should strive to find unified positions, increase consultations with partner countries as well as industry leaders and state governments, and solidify existing and new partnerships. They should develop the capabilities to anticipate crises, and then prioritize and prepare for them.<sup>292</sup>

- NATO has numerous other problems, some structural, others that are matters of policy which, in the absence of an existential threat, could derail efforts to maintain a viable military capability. Lack of common vision, threat perception, stance on the use of force, and national sovereignty all inhibit collaboration not only when it comes to actual operations but also on procurement programs or asset sharing schemes.

. . . . public apathy in Europe increasingly extends to defense policy in general, not only international peacekeeping. Understandably, most Europeans currently do not seem to feel militarily threatened by a non-EU state – albeit they still care for non-military threats to their livelihoods such as terrorist attacks, gas cuts, cyber-attacks, organized crime or the potential security implications of climate change. The economic crisis makes it even more difficult for politicians to explain why defense policy matters relative to jobs, pensions, health or education.<sup>293</sup>

- National leaders, parliamentarians and defense experts alike are struggling to articulate a positive public case both for defense spending and NATO. New members of the Alliance are generally more accepting of NATO's virtues but even here only a few are willing to spend on defense. Although many leaders and commentators believe that Europe would be willing to spend more on defense once it has emerged from its current economic travails, there is no hard data to support this supposition. In fact, given the trend in predictions regarding Europe's economic performance over the mid-term and projections of rising social expenditures to support rapidly aging populations, there is little reason to be confident in a return to even the 2 percent budget levels of the late Cold War period.
- The consequence of this lack of vision, focus, commitment and action is likely to be increasing irrelevance for Europe, even more than NATO, on the world stage.

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<sup>292</sup> Jamie Shea, "Keeping NATO Relevant," *op. cit.*, pp. 2-3.

<sup>293</sup> Bastian Giegerich, "NATO's Smart Defense Agenda," in Ricardo Alcaro and Sonia Lucarelli, eds., *op. cit.*, p. 41.

The key problem in all this is the appalling lack of ambition Europeans reveal in all areas of foreign and security policy. Europeans don't seem to want much from the world, or from their own role in it. In the debate, interests are permanently confused with values, and if, at last, a real European interest is defined, nothing follows from it. No one really wants to shape the world anymore to make it a safer, better place that serves Europe's goals. Nobody is willing to act on the insight that a wealthy, democratic, values-oriented, trade-dependent continent is by default a global stakeholder in need of powerful foreign policy tools.<sup>294</sup>

- As a result, NATO is perilously close to the proverbial tipping point which will mark its inability to deploy and sustain the forces necessary to address one, much less the current requirement of two major contingencies. In addition, NATO lacks the critical enablers, particularly command, control and communications, intelligence, surveillance and reconnaissance, lift and logistics to address multiple MJOs and SJOs at one time.
- Even as budgets and forces shrink, NATO's vision of its future missions expands. Secretary General Rasmussen described his vision of NATO as responding to crises whenever, and wherever, the allies judge their security interests are at stake. According to him, the arc of crisis extends from the Sahel to Central Asia. Major General Peter Bayer of NATO's Allied Command Transformation is pushing Alliance planners to consider its potential roles in the Asia-Pacific region.
- There is a potentially dangerous disconnect between the lack of political support in Europe for the use of military force and the way NATO members are structuring their forces. NATO populations and parliaments are increasingly reluctant to support uses of force that do not address core security issues. The most recent evidence of this is the negative vote by the British Parliament on supporting military operations against Syria. In addition, the International Security Assistance Force's long campaign in Afghanistan has soured many countries on involvement in so-called stability operations, particularly if they appear open-ended. A few Alliance members, most notably France, still are committed to the idea of interventions abroad; the majority are not.

At the same time, however, European nations are recasting their militaries to be more capable of dealing with missions at the lower end of the conflict spectrum, including humanitarian crises and stability operations. Heavy land forces are being reduced. A number of NATO countries are downsizing their fleets of tanks and heavy artillery and acquiring middle weight capabilities including light tanks, armored cars and infantry fighting vehicles. As a result, NATO in general, but the leading military powers in the Alliance – France, the U.K. and Germany – in particular, are recasting their forces to deal with conflicts for which there is the least political support by the population and becoming less capable of addressing classic Article V conflicts that are politically palatable, albeit unlikely to occur.

The British Army is in the worst state of the three, owing to the strain that the Afghanistan and Iraq missions have placed on its resources at the same time it has been

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<sup>294</sup> Jan Techau, "A Farewell to Foreign Policy Relevance," <http://carnegieeurope.eu/strategieurope/?fa=4940> (September 18, 2012).

subject to successive budget cuts. The army judges that it can best meet future exigencies in spite of greatly reduced numbers by dividing the force into a somewhat FSO-capable conventional force and a force geared toward stability operations and bridging this division with a tiered readiness system reliant on reserves. The UK is gambling that it will not have to mount a large operation or sustain an operation, and that it will not have to do so autonomously. In the process, it hopes to occupy as much of the middle of the spectrum of capabilities as possible while also being able to finance the modernization of its medium-weight armored vehicles.<sup>295</sup>

- Force structure cuts have been taken by nations in an uncoordinated fashion. Despite NATO allegiance to collective decision making and its longstanding work to promote standards and interoperability, member states seem to have forgotten that actions taken by one on defense will impact others. Over the past two decades, countries have acted as if their decisions matter little to their neighbors in the Alliance or to that institution's overall strength.<sup>296</sup>

One of most important lessons must be that there is no such thing as a “one-off,” unilateral defense decision. Defense reviews and subsequent budget reductions are ongoing processes that require constant consultation, as their impact will be felt for years, and across the entire alliance.<sup>297</sup>

It is no longer possible for NATO to ignore the problem of uncoordinated national decisions on budget cuts and force structure reductions.

European states can no longer afford a purely national perspective in their defense reforms and planning. With current spending cuts, many European armed forces are undergoing severe restructuring. It is a shame that there is not more of a coordinated international effort before or at least while enacting such reforms. Coordination afterwards will be far less effective – and much more expensive. Similarly, the EU should finally strengthen the authority of the European Defense Agency as a true coordinating institution of European-wide procurement and defense planning.<sup>298</sup>

- One of the most important and potentially far-reaching multinational acquisition programs for the future of NATO and Europe is the acquisition of the F-35 Joint Strike Fighter by a group of countries including the U.K., Italy, Belgium, the Netherlands, Norway, Turkey and Canada. Like its predecessor, the F-16 international program, acquisition of the F-35 will support interoperability between these NATO countries. The F-35 has inherent capabilities that can enhance NATO's airborne ISR and EW posture.
- The few states that are seeking to maintain a substantial military capability and a full spectrum force structure are slipping below the budgetary thresholds that would allow this strategy to be sustained. Without the anchor provided by France, the U.K. and Germany, the

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<sup>295</sup> Michael Shurkin, *op. cit.*, p. 37.

<sup>296</sup> Andrew Dorman, “NATO's 2012 Chicago summit: a chance to ignore the issues once again?” *International Affairs*, No. 88 (February 2012), p. 310.

<sup>297</sup> Heather A. Conley and Maren Leed, *op. cit.*, p 4.

<sup>298</sup> Patrick Keller, “Defending Europe,” *Policy Brief*, GlobSec2012 (April 12-14, 2012), p. 2.

Alliance will find it increasingly difficult to organize and deploy capable forces for medium and high-end missions.

Without greater investments by the stronger Western European nations, the continent's defense capabilities – still formidable in terms of air superiority and heavy armor – will remain inadequate for the expeditionary-type roles tasked to their armed forces. The end result could be that in the event a Euro-army emerges, it might not carry the significant weight as envisioned by the idea's enthusiasts.<sup>299</sup>

- Alliance force structure and defense spending continues to be skewed in ways that make it more difficult to deploy effective military power, particularly for expeditionary activities of significant scale. NATO has had to reduce the size of the NRF. The lack of coordination among national ministries of defense on force structure changes and modernization programs makes it difficult to ensure adequate capabilities in some areas while there are clear surfeits in others.
- Non-U.S. NATO continues to lag in its investments in critical enablers for modern, knowledge-intensive power projection military operations. Legacy platforms such as the British Nimrod aircraft are being retired while replacements are either delayed or, mostly, nonexistent. Declining budgets will put pressure on NATO countries to reduce the scale of current modernization programs in such vital areas as transport and refueling aircraft, ISR systems, logistics, cyber forces and expeditionary maintenance.
- NATO's central concept to address the lack of adequate capabilities for modern conflicts, the Smart Defense initiative, has so far failed to promote the kind of asset pooling and multinational programs that would meet current requirements. Smart Defense's pooling of resources is fine in theory but not if there is uncertainty regarding access to shared capabilities.

Some critics maintain that Smart Defense is just the latest in a long line of post-Cold War efforts to enhance capabilities that have had mixed success, at best. They argue that the limited outcomes may reflect a general lack of public support for military engagement and divergent threat perceptions both across the Atlantic and within Europe. Within Europe, for example, some allies have emphasized the need for territorial defense capabilities, while others have stressed the importance of more flexible, rapidly deployable units and civilian-military crisis management operations. An increasingly strained budget environment appears to be amplifying these differences.<sup>300</sup>

- Alliance members lack sufficient multinational training opportunities. NATO's Connected Forces Initiative to expand education, training and integrated technologies sounds good but is not supported by sufficient resources or personnel to have a significant impact on overall capabilities.

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<sup>299</sup> "European Defense Spending Shrink," [http://defense-update.com/analysis/analysis\\_121108\\_european\\_defense\\_budget.htm](http://defense-update.com/analysis/analysis_121108_european_defense_budget.htm) (n.d.).

<sup>300</sup> Paul Belkin and Derek Mix, *op. cit.*, pp. 2-3.

NATO needs to develop alternative funding mechanisms that will permit member states confronting short-term financing issues to still support and participate in NATO exercises and operations. Letting costs fall where they lie makes no sense. NATO should create a common fund from which members in need could draw in order to participate in exercises or even expeditionary missions. NATO also could expand the use of its Security Investment Program as well as liberalize the terms under which investments are made.

- NATO needs to pay close attention to the creation of legal authorities and agreements that support the sharing of capabilities. As NATO increasingly depends on “coalitions of the willing” there needs to be greater certainty that those participating will be able to deploy assets shared with member nations who choose not to participate. Even bilateral arrangements such as those between the U.K. and France lack sufficient specificity and legal rigor to ensure that either country will be able to employ jointly acquired and owned assets.

**The study proposes a number of recommendations for improving NATO’s defense investments:**

- Having agreed on a set of fundamental and enduring missions for the Alliance, NATO must restructure its forces in order to free up resources to devote to critical investments to support the capabilities to perform those missions. NATO members need to reduce traditional combat capabilities by an average of 20 percent, particularly non-deployable ground forces in favor of air, sea, networks and logistics and sustainment capabilities. Germany and Italy, in particular, need to undertake serious additional restructuring.
- NATO members need to coordinate how they reduce forces. An uncoordinated nationally-focused program of force structure cuts could readily result in NATO finding itself without critical enablers or even sufficient front-line combat forces. One European defense analyst has proposed the concept of “Smart Reductions.”

Severe reductions in NATO’s military capabilities might be inevitable, but they need to be executed in a coordinated way. Currently, each Alliance member takes its own reductions without taking the reductions by other member states into account. Unless NATO manages to achieve a more synchronized approach, it could lose critical military capabilities simply because no one thought of keeping them up. In addition to NATO’s “Smart Defense” approach, there is the urgent need for “Smart Reduction” initiative, so as to ensure that after the cuts, the sum of all remaining capabilities will add up to an effective military force.<sup>301</sup>

- The Alliance’s level of ambition needs to be re-examined in view of the continuing decline in defense spending, ongoing force structure reductions and the U.S. decision to withdraw additional forces from Europe and shift the weight of its military deployments to the Asia-Pacific region. Currently, NATO’s LOA is to be able to simultaneously conduct two major joint operations and six small joint operations. Analysis of past operations suggests that while the Alliance should be able to conduct multiple SJOs, it lacks the available, trained

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<sup>301</sup> Karl Heinz-Kamp, *The Transatlantic Link After Chicago*, NDC Research Report, NATO Defense College (May 12, 2012).

forces and critical enablers to manage one, much less two MJOs particularly if it is also conducting several SJOs.<sup>302</sup>

- Fix the NRF or disband it. This should be NATO's number one priority for strategic investments. NATO needs to decide if the NRF is a rapidly deployable military capability, the leading edge of the Alliance's ability to respond to a wide range of unpredictable crises or, as it is increasingly being portrayed, a tool of transformation. Without question, the NRF should be the initial focal point for efforts to improve NATO interoperability. There should also be a close relationship between the NRF and efforts to develop concrete plans under the Connect Forces Initiative. What better way to improve the deployability of the NRF than by pursuing the kind of training and exercise regime advocated by the CFI. As national units rotate through the NRF they can acquire skills that enhance their overall interoperability.<sup>303</sup>

But the NRF is first and foremost a military capability that must be fully supported by all members of the Alliance. Thus, it must be adequately resourced and supported not just by those nations committed to a particular rotation but by the Alliance as a whole. Its very purpose is also the source of its existential problem. As one analyst pointed out, the very idea of a force that could rapidly and with relatively little warning be deployed to a mid-to-high intensity conflict makes NATO members reluctant to fully embrace the NRF.

The NRF as conceived was as a response to growing threats in a non-permissive environment, that is to say a highly improbable commitment, as nations may always be reluctant to commit their forces on potential killing grounds. This reluctance helps understand why the NRF has to date been deployed only in permissive environments.<sup>304</sup>

If the NRF is to be a credible force for deterrence and crisis response, it must be fully resourced and staffed. In addition, its training and exercises must reflect the types of missions it will be asked to perform. To maintain the NRF in order to address threats for which it will never be deployed is both a waste of scarce resources as well as a step towards discrediting NATO's 2010 New Strategic Concept and with it, the Alliance as a whole.

The NRF would benefit from specific investments in capabilities to enhance its combat potential. These include: tactical mobility platforms, a plug-and-play C4ISR architecture, on-the-move tactical communications systems, night vision gear, Identification Friend and Foe systems, tactical UAVs and precision munitions. A number of these technologies are available from the U.S.<sup>305</sup>

- If NATO is serious about deploying a force structure capable of meeting its LOA, it must devote additional resources to creating the capacity to conduct sustained, medium-scale

<sup>302</sup> Major Alejandro Serrano Martínez, *op. cit.*, pp. 40-44.

<sup>303</sup> Charles Barry, "Building Future Transatlantic Interoperability Around a Robust NATO Response Force," *Transatlantic Currents*, National Defense University (October 2012).

<sup>304</sup> Guillaum Lasconjarias, *The NRF, op.cit.*, p. 7.

<sup>305</sup> Jeffrey P. Bialos and Stuart L. Koehl, *The NATO Response Force: Facilitating Coalition Warfare through Technology Transfer and Information Sharing*, Center for Technology and National Security Policy, National Defense University (Washington, DC, September 2005).

expeditionary operations. This should be its second highest priority, just behind fixing the NRF. In particular, NATO needs to invest in stocks of munitions and spare parts.

- In addition, NATO nations need to increase their investment in such critical enablers as airborne ISR, intelligence information management systems, automated C3 networks, EW/SEAD and rapid logistics. Current programs, while addressing some critical capability gaps, do not go far enough towards investing in those force elements that are absolutely essential to modern military operations, almost without exception. The need for these critical enablers is likely to grow as NATO nations seek to maintain current capabilities rather than pursue costly modernization programs.

It is clear that no European country can conduct none but the smallest, least stressing missions without the support of other countries. Conversely, the Libyan campaign demonstrated that with the proper support in such areas as ISR/targeting, communications, refueling and airspace management, relatively small sets of national assets could perform very credibly. Hence, regardless of whether a nation supports an expansive or a restrictive vision of NATO's future role, it must recognize the absolute importance of interoperability between national forces. Such interoperability is not feasible without the appropriate investment in critical enablers and supporting infrastructure.

NATO needs to invest in airborne ISR platforms, both manned and unmanned. The current NATO AGS program is a good first step. But even with this program moving forward, NATO lacks sufficient advanced assets with which to conduct robust tactical ISR, multi-intelligence strategic reconnaissance and airborne early warning. NATO also remains far behind the U.S. in the development and deployment of both medium and small UAVs. This is one area where multinational collaborative acquisition programs make great sense.

A related area is electronic warfare and the suppression of enemy air defenses. The proliferation of so-called anti-access/area denial capabilities will put a premium on the acquisition of modern EW/SEAD systems in order to insure that NATO can maintain its advantage in offensive air operations.

- NATO has begun the process of investing in cyber security resources and even building collaborative capabilities. However, there are justifiable concerns that neither NATO nor individual countries are committing sufficient resources to protect critical military networks. NATO should expand its efforts to establish minimum standards for the security of critical networks as well as suggest minimum funding levels to create and maintain the required cyber capabilities.
- NATO's plan for theater missile defense if fully implemented, will provide increasing levels of capability between now and the end of the decade. By 2014, NATO plans to have an expanded command and control system, additional missile defense radars and terminal interceptors and links to the U.S.-built European Phased Adaptive Architecture. By the end of the decade, NATO plans to deploy exoatmospheric interceptors linked to the enhanced EPAA. The most straightforward means to upgrade NATO's missile defense capabilities is by enhancing existing sea-based air defense platforms employed with a half dozen navies. A

number of these navies could readily acquire and employ the anti-ballistic missile variants of the Standard Missile.

- NATO should make a concerted effort to restructure and consolidate its defense industry. Excess capacity in shipbuilding, aircraft and vehicles needs to be rationalized. Successful programs such as the A400 and aerial refueling aircraft are a model for other areas. At the same time, advanced capabilities in such areas as underwater operations, surface naval systems, helicopters and avionics must be nurtured.
- NATO should agree to support more robust R&D spending. NATO is falling behind, or not even a player, in a number of important and potentially transformational areas including unmanned systems, directed energy, hypersonics, advanced power systems and cyber security.
- NATO needs to consider an expanded role for the private industry in providing logistics, lift and sustainment for expeditionary operations. European companies such as Maersk Line, Limited and APL have played an important role in support of coalition forces in Iraq and Afghanistan. In its recent Strategic Defense and Security Review, the U.K. focused on greater use of private contractors and reservists to support expeditionary operations. This is a good start for what needs to be a NATO-wide effort.
- Finally, NATO would benefit immensely from conducting a comprehensive Net Assessment that examines the Alliance's ability to meet its defined missions. In particular, such a study needs to focus not on traditional quantitative indicators, the "bean count," but on qualitative factors such as interoperability, training, exercises, intelligence, logistics and sustainment. Such a process was proposed recently by Philip Hammond, British Secretary of State for Defence. Hammond laid out a three-step process for helping NATO grapple with its current budget problems.
  1. The Allies should first conduct a comprehensive assessment of the Alliance's collective capabilities. "This needs to take account of what we know of reductions that are already planned, how these impact on current capabilities and how well these capabilities are supported and able to be sustained."
  2. Comparing the results with NATO's stated requirements would reveal what gaps exist.
  3. Then the Allies could "collectively direct the drive towards a number of capacity enhancing actions: greater pooling and sharing of capabilities; mission, role and geographic specialization; greater sharing of technology; co-operation on logistics; alignment of research and development programs; and more collaborative training."<sup>306</sup>

A similar proposal was made by the prestigious Stiftung Wissenschaft und Politik.

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<sup>306</sup> Richard Weitz, "Transatlantic Defense and the New US-UK Partnership," <http://www.sldinfo.com/transatlantic-defense-and-the-new-us-uk-partnership/> (February 13, 2012), p. 4.

Heads of state and government should demand a European defence review, to be delivered within a year. There is already a mandate for such a review, as the Council in November 2012 requested a coherent strategic reporting to the political level.

Europe needs an assessment before it decides how to develop its military capabilities in the following decades. Leaders need to know what they have today and what they will have in twenty years in terms of capabilities and in terms of industrial base. Such an assessment can significantly influence debates. For example, EU capitals are currently discussing buying armed drones that provide fire support from the air. Helicopters can cover the same task. A defence review will find out that Europe today has about 200 attack helicopters of the latest generation. In ten years the number will double to 400. These simple figures could change the perceived need for armed drones.

The review should be conducted by an independent commission to keep it as objective as possible: political but disinterested in national politics, oriented solely on a comprehensive and coherent European perspective.<sup>307</sup>

An EU study that explored ways of improving defense collaboration made a similar suggestion observing that “nobody can decide what to cut if nobody knows exactly what is in stock.” The EU member states need to coordinate their actions both to avoid creating further capabilities shortfalls and to address the likely political, economic and social fallouts that such military consolidation will inevitably trigger.

Conducting a stocktaking exercise of existing capabilities: armed forces, military equipment, logistical infrastructure and military-industrial facilities. This process is necessary for two main reasons. First, the last combined EU-wide assessment occurred over a decade ago along with the formulation of the initial Headline Goals. Second, recent budget cuts within the EU have completely reshaped its military landscape. In capabilities terms, however, there is insufficient knowledge of the current state of play.<sup>308</sup>

Finally, such an analysis, if established as a key element of the NATO Defense Planning Process, also could help energize a political campaign in NATO circles on improvements to the ways the Alliance spends its scarce defense resources.

The primary agreed objective for the output metrics remains to mobilize political will by introducing peer pressure among Allies. The metrics may give credit where credit is due and ultimately shame the free riders into action. Alas, they remain classified, and as such have limited utility vis-à-vis national parliaments and publics. Since so much effort has gone into defining and agreeing to this set of criteria, NATO must now find a way by which those defense ministers that deem the metrics useful can use them openly in their quest for more political support and investment into NATO.<sup>309</sup>

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<sup>307</sup> Hilmar Linnenkamp and Christian Mölling, “A Doable Agenda for the European Defence Council 2013,” *op. cit.*, pp. 2-3.

<sup>308</sup> Antonio Missirolli, *op. cit.*, p. 36.

<sup>309</sup> Mario Nicolini, “NATO Beyond 2020: Preserving Strength, Adapting Capabilities: Actions to Boost Political Will in the Alliance,” Policy Papers, The Center for European and North Atlantic Studies (June 2013), p. 3.

## Glossary of Terms

9/11	September 11, 2001
ACC	Air Control Center
ACCS	Air Command and Control System
AEW	Airborne Early Warning
AGS	Alliance Ground Surveillance
ALTBMD	Active Layered Theater Ballistic Missile Defense
AMN	Afghanistan Mission Network
AWACS	Airborne Warning and Control System
Bi-SC AIS	Bi-Strategic Command Automated Information Systems
BMD	Ballistic Missile Defense
BPC	(Bâtiment de Projection et de Commandement) a Multi-mission Amphibious Assault, Command and Power Projection Ship
C2BMC	Command, Control, Battle Management and Communications
C3	Command, Control, Communications
C4	Command, Control, Communications and Computers
C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance
CAS	Close Air Support
CBRN	Chemical, Biological, Radiological and Nuclear
CFI	Connected Forces Initiative
C-IED	Counter Improvised Explosive Device
CPG	Comprehensive Political Guidance
CSDP	Common Security and Defense Policy
DATF	Deployable Air Task Force
DCAOC	Deployable Combined Air Operations Center
DCI	Defense Capabilities Initiative
DJSE	Deployable Joint Staff Elements
EADS	European Aeronautic Defence and Space Company
EDA	European Defense Agency
ELINT	Electronic Intelligence
EPAA	European Phased Adaptive Architecture
EU	European Union
EW	Electronic Warfare
FSO	Full Spectrum Operations
GDP	Gross Domestic Product
HALE	High Altitude Long Endurance
HAW	Heavy Airlift Wing
HQ	Headquarters
ISAF	International Security Assistance Force
ISR	Intelligence, Surveillance and Reconnaissance
JISR	Joint Intelligence, Surveillance and Reconnaissance
ISTAR	Intelligence, Surveillance, Target Acquisition and Reconnaissance
LCCC	Lisbon Critical Capabilities Commitment
LOA	Level of Ambition
MAJIIC	Multi-Sensor Aerospace-Ground Joint ISR Interoperability Coalition
MALE	Medium Altitude Long Endurance
MCR	Minimum Capabilities Requirement

MEADS	Medium Extended Air Defense System
MISP	Malware Information Sharing Platform
MJO	Major Joint Operation
MPA	Maritime Patrol Aircraft
MRAP	Mine Resistant Ambush Protected
NAEW&C	NATO Airborne Early Warning and Control
NAMSA	NATO Maintenance and Supply Agency
NAPMO	NAEW&C Program Management Organization
NATO	North Atlantic Treaty Organization
NC3A	NATO Consultation, Control and Command Agency
NDPP	NATO Defense Planning Process
NF 2020	NATO Forces 2020
NRF	NATO Response Force
NSC	New Strategic Concept
NSIP	NATO Security Investment Program
OEF	Operation Enduring Freedom
OUP	Operation Unified Protector
PCC	Prague Capabilities Commitment
PGM	Precision Guided Munition
PSC	Permanent Structured Cooperation
R&D	Research and Development
R&T	Research and Technology
RAP	Recognized Air Picture
REFORGER	Return of Forces to Germany
RPAS	Remotely Piloted Aircraft Systems
SAC	Strategic Airlift Capability
SALIS	Strategic Air Lift, Interim Solution
SDSR	Strategic Defense and Security Review
SEAD	Suppression of Enemy Air Defenses
SHAPE	Supreme Headquarters Allied Powers Europe
SJO	Small Joint Operation
SSN	Nuclear Powered Attack Submarine
STANAG	Standardization Agreement
STOVL	Short Takeoff/Vertical Landing
U.K.	United Kingdom
U.S.	United States
UAV	Unmanned Aerial Vehicle



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