

Transatlantic Defense Troubles

Richard Weitz

In his last major policy speech as Secretary of Defense, Robert Gates on June 10 made his most public rebuke ever of Europe's failure to provide adequate defense resources in international missions. Before a meeting of the influential Security and Defense Agenda in Brussels, Gates complained that NATO had finally become what he had long feared: a "two-tiered alliance" divided between those few allies that engage in "hard" combat missions and the overwhelming majority of those members that can only contribute extensively to "soft" non-combat humanitarian, peacekeeping, and development missions. Gates noted that proposed NATO-wide reforms and efficiency measures would at best have a limited impact; ultimately, our European allies would need to spend more on defense. He cited the Libyan campaign as providing ample evidence of the problems arising from lackluster European defense spending.¹

During his first visit to Europe as Secretary of Defense, Leon Panetta echoed much of what his predecessor had said four months earlier. Speaking at an event hosted by the Carnegie Endowment for International Peace on October 5 in Brussels, Panetta recognized the contributions of NATO members in the Libya campaign but pointed out the "significant shortfall in capabilities" of NATO allies, specifically citing the shortage of supplies and munitions that "forced the United States to sell millions of dollars of ammunition, repair parts, fuel, technical assistance and other support items simply to keep the operation going." He further went on to state that "nowhere was the gap more obvious than in the critical enabling capabilities, refueling tankers, and the provision of ISR platforms...without these capabilities Libya Operation would have had a very difficult time getting off the ground or being sustained." Panetta expressed his concern that NATO would not be able to again sustain operations such as Libya and Afghanistan without the U.S. taking on even more of a burden, something he emphatically stated would not occur when he said that "as for the United States, many might assume that the U.S. defense budget is so large that it can absorb and cover alliance shortcomings, but make no mistake about it; we are facing dramatic cuts with real implications for alliance capability."²

European NATO members suffer from low personnel levels and a lack of adequate material. Furthermore, each member's armed forces have poor interoperability with those of other members. A lack of specialization creates excessive redundancies. Though plans have been put forward to address these issues, they are rarely implemented, often because of domestic politics. The ongoing financial crisis has led many European states to reduce their defense budgets. Their defense spending has dropped almost 2% annually for a decade, even in the face of continuing NATO operations in Afghanistan.³ Even without the crisis, European public opinion is frequently against higher defense spending. Often, European governments are keen to preserve their independent defense industries at the expense of greater integration and specialization. As a result, the United States increasingly sees itself as having to fill this funding gap, leading to Gates' complaint of a "two-tiered alliance."

¹ Speech by Secretary of Defense Robert M. Gates, Brussels, Belgium, U.S. Department of Defense, June 10, 2011, <<http://www.defense.gov/speeches/speech.aspx?speechid=1581>>.

² Speech by Secretary of Defense Leon Panetta, Brussels, Belgium, U.S. Department of Defense, October 5, 2011, <<http://www.defense.gov/speeches/speech.aspx?speechid=1618>>.

³ Ibid.

Though an international alliance, NATO is funded from national governments and so domestic politics plays a crucial role in questions of funding. The largest European NATO members have passed austerity measures and are cutting the size and budget of their armed forces, decreasing future capabilities. There is a risk that Europe would thus become increasingly irrelevant and unable to promote stability even in nearby regions. Defense specialization and collaborations has already been mooted by EU and NATO leaders as a cost-effective way of maintaining European military strength. National interests have often proven to be a stumbling block, however. European militaries are often cumbersome and based around territorial defense. Moves towards expeditionary forces are overdue. NATO itself is currently experiencing a funding gap. Plans to reduce NATO structures will likely cause acrimonious debates among members.

Why is this funding issue such a problem? In his speech, Secretary Gates stressed the injustice and political impossibility of perpetuating a situation in which some NATO members are “apparently willing and eager for American taxpayers to assume the growing security burden left by reductions in European defense budgets.” Gates cited severe capability shortfalls with the NATO missions in Afghanistan and Libya to illustrate how slumping European defense budgets were depriving European militaries of essential capabilities. He lamented how, despite having more than two million military personnel and an aggregate \$300 billion in defense spending, the non-U.S. allies struggled to maintain 25,000 to 45,000 soldiers in the field in Afghanistan. Furthermore, European militaries have consistently proven unable to provide adequate helicopters, transport aircraft, and support assets. As a result of the Obama administration’s surge of forces into the conflict, what had been a genuine coalition effort—with an approximately equal number of American and European troops engaged—became Obama’s War, in which some two thirds of the foreign soldiers fighting against the Taliban are American. The problem is that most European militaries spend excessively on territorial defense capabilities, leaving relatively little to meet global challenges through expeditionary forces. Gates did praise the allies for sustaining the Afghanistan mission for so long—NATO forces have been there for almost a decade and have gradually overcome integration problems, such as the insistence of many governments on limiting how their forces are employed through “national caveats.” But he warned against any “rush to the exits” now that victory was in sight, arguing that the only way to induce the Taliban to negotiate seriously about reconciliation was to convince them that they cannot win on the battlefield.

Gates was even more critical of the NATO effort in Libya, which dominated the previous two days of meetings among the alliance defense ministers. He lamented that, while all the NATO members had voted in favor of Operation Unified Protector, less than half of them had participated in combat missions, and even fewer were engaged in strike operations. In particular, Gates noted that the lack of European intelligence, surveillance and reconnaissance (ISR) aircraft and aerial refueling planes has required the United States to provide the largest share of these planes despite its own strike aircraft disengagement from that mission. And the United States had to make up the ammunition shortfall European air forces began to experience only a few weeks into the campaign. The irony was that, as Gates noted, if ever there was a NATO operation that should be European-led, Libya was it. Operation Unified Protector encountered little domestic political opposition, did not involve NATO ground forces on Libyan territory, and was occurring right in Europe’s own backyard. Yet, while singling out Belgium, Canada, Denmark, and Norway for pulling above their weight in contributing to the air strikes, Gates bewailed that these cases represent a handful of exceptions in an otherwise gloomy picture. According to Gates, “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."⁴

Gates advanced these ideas in a similar speech on February 23, 2010, warning that European governments' failure to meet their minimum defense spending obligations was creating "funding and capability shortfalls [that] make it difficult to operate and fight together to confront shared threats." Perhaps the main reason for this enduring problem was what Gates had then termed "the demilitarization of Europe—where large swaths of the general public and political class are averse to military force and its attendant risks. He colorfully called this "an impediment to achieving real security and lasting peace in the 21st century."⁵ It is much easier to mobilize support among European publics for peaceful purposes even if their governments want them to go to war. Panetta reinforced all of these criticisms in his speech in October. While recognizing that Europe took on the brunt of the combat operations "after the United States employed its unique assets in the first week of the conflict," he noted as well that without U.S. supplies, especially ammunition and ISR platforms, the operation could not have been sustained.⁶

Since then, many European defense budgets have fallen even further while that of the United States has until recently been on the ascent. Indeed, the Stockholm International Peace Research Institute (SIPRI) calculates that total military expenditure in Europe in 2010 was \$382 billion – a 2.8% decrease from 2009.⁷ Although this figure is 11.9% higher than in 2001, much of that increase can be attributed to the spending on combat operations in Afghanistan and the 21.9% increase in military expenditures by the United Kingdom in that same period⁸ – a trend unlikely to continue in light of the cuts already being evoked by the Strategic Defense and Security Review (SDSR) instituted by the coalition government. If the SDSR will prove to be the norm for larger European members, the situation could deteriorate even more drastically due to the large cuts in the smaller countries such as Bulgaria (28%), Latvia (26%), Estonia (23%), and Albania, Greece, Hungary, Lithuania, and Slovakia (all more than 10%).⁹

According to NATO Secretary General Anders Fogh Rasmussen, during the Cold War the United States and the other NATO members spent roughly equal sums on defense, whereas the United States currently accounts for 75 percent of all NATO defense spending, though the massive \$1.34 trillion U.S. budget deficit could soon force some reductions in U.S. defense spending.¹⁰ Since the end of the Cold War, defense spending by the European NATO countries has fallen by almost 20 percent, while their combined GDP has risen by around 55 percent. This inverse relationship between military spending and GDP growth portends poorly for the future. Rasmussen does not believe that NATO lacked military capabilities during the Libya operation, but that any shortfalls were primarily due to political, rather than, military constraints. However, Secretary General

⁴ Ibid. See also Camille Grand, "Libya Campaign Shows Need to Re-Think the Transatlantic Link," European Institute, June 2011, <http://www.europeaninstitute.org/EA-June-2011/libya-campaign-show-need-to-re-think-the-transatlantic-link.html>.

⁵ Robert Burns, "Gates Urges Europe to Bolster NATO Capability," *Boston Globe*, February 24, 2010, <http://articles.boston.com/2010-02-24/news/29334386_1_nato-alliance-european-members-defense-secretary-robert-gates>.

⁶ Speech by Secretary of Defense Leon Panetta

⁷ Stockholm International Peace Research Institute, *SIPRI Yearbook 2011: Armaments, Disarmament and International Security*, Oxford: Oxford University Press, 2011, 186.

⁸ Ibid.

⁹ Ibid.

¹⁰ Anders Fogh Rasmussen, "Building Security in an Age of Austerity," 2011 Munich Security Conference, February 4, 2011, reprinted at <http://www.nato.int/cps/en/natolive/opinions_70400.htm>.

Rasmussen did acknowledge that if the precipitating downward trends in European defense budgets continue at the current pace, that it would be difficult to envision how Europe would maintain enough military capability for a similar scenario as in Libya.¹¹

This paper shows how NATO members have been struggling to overcome these problems of decreasing collective capabilities due to declining spending on troops and equipment as well as less than desirable interoperability and specialization. The allied governments clearly recognize these problems, try to address them through collective policy initiatives, and have demonstrated some progress in certain areas. But this article shows how many of their plans to reduce these gaps are uncoordinated and incompletely executed. Many of the recent cuts have been occurring with little coordination among the states. Often a country will announce a reduction without even informing NATO allies in advance, let alone soliciting their views on their plans.¹² The European governments have also been cutting capabilities without making much effort to preserve essential capabilities. The text ends with some recommendations for further progress—or at least damage limitation. For example, the allies need to ensure that, if they prune essential capabilities, these will remain available with partners—at least transatlantic ones if not within Europe.

Even so, several independent variables are driving this widening gap in transatlantic defense spending and related problems—such as declining European influence in global affairs—and making it difficult for the commonly prescribed solutions to overcome it. These variables include Europe's deepening financial crisis, limited public support for sustaining defense expenditures at the expense of welfare spending, domestic politics and political processes that make it difficult for leaders to resist these popular sentiments (especially during times of economic crises), and the ability of special interest groups such as defense companies and labor unions to promote inefficient defense industrial practices that allocate large portions of military spending to employment and industrial policy concerns. Nationalism and sovereignty concerns also work against greater defense specialization within the alliance. Finally, the willingness of the United States to pick up the slack and sustain high levels of defense spending (and if necessary bail out allied militaries as in Libya) combined with “buy America” defense procurement policies that further weaken transatlantic defense integration reinforces these problems of the sub-optimal allocation of defense resources.

Transatlantic Capability Shortfalls

Although Gates focused on the current NATO missions in Afghanistan and Libya in his Brussels speech, the capabilities shortfall problem spans a range of Alliance issues. The deep defense budget cuts adopted by many NATO members recently, on top of years of insufficient military spending, call into question whether the Alliance can maintain and develop the expanding capabilities called for by the 2010 Strategic Concept, which lists a growing range of security challenges requiring an Allied response. The November 2010 NATO heads-of-state Summit in Lisbon that adopted the Concept also approved a so-called Lisbon package of priority capability needs. These ten critical capabilities—ranging from missile and cyber defenses to improved protection against improvised explosive devices in Afghanistan—aim to bolster the Alliance's ability to address global threats. For example, NATO's newly expanded cyber mission will require significant, accelerated, and efficient

¹¹ Anders Fogh Rasmussen, “The Atlantic Alliance in Austere Times,” *Foreign Affairs* (July/August 2011).

¹² Julianne Smith, Principal Director (Europe and NATO), Office of the Under Secretary of Defense (Policy), presentation on “European Defense Trends,” Center for Strategic and International Studies, July 29, 2011, <http://csis.org/event/european-defense-trends>.

modernization among alliance members to guarantee security across communications, military, and energy networks. In addition, the development and deployment of the NATO-wide system to protect European populations from missile attacks from Iran and other rogue states may prove uncertain given that equally important projects are already encountering funding difficulties. Furthermore, sustaining NATO's nuclear capabilities will require the Alliance to maintain a means to deliver those nuclear weapons it decides to retain. Europe's fleet of expensive dual-capable aircraft able to drop U.S. nuclear bombs has reached the end of its operational life and must now be replaced with new delivery systems.

On October 19, 2010, the British government released its Strategic Defense and Security Review. If implemented as described, it will cut military personnel by ten percent, scrap forty 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 David Cameron described the proposal as an effort to streamline and modernize the "overstretched, under-equipped and ill-prepared" armed forces.¹³ Altogether the military spending cuts amount to an approximate eight percent reduction in overall military expenditures and are one component in Cameron's promise to eliminate more than \$130 billion in government expenditures by 2015. As pointed out by critics, the decommissioning of the Royal Navy's only aircraft carrier nine years before its replacement comes online makes Great Britain virtually unable to project military power to meet its own strategic needs without significant American support.¹⁴

British austerity measures are neither unique nor the most severe being considered by NATO's European members as their governments struggle to overcome individual and collective financial crises. In late October 2010, then-German Defense Minister Karl-Theodor zu Guttenberg announced plans to reduce defense ministry staff from 3,300 to 1,600 and troop levels from 250,000 to 180,000, with a final decision to be made by January 2011.¹⁵ Similarly, France has announced plans to curtail outlays by \$1.77 billion over the next three years and Italy is planning to cut its defense budget by nearly ten percent.¹⁶ Elsewhere, Spain has postponed the procurement of a new Armored Fighting Vehicle, and the Netherlands has reduced its planned purchase of new F-35 Joint Strike Fighters from 85 to 50.¹⁷ Smaller countries like Denmark are also following suit, with plans to cut \$500 million by 2014.¹⁸

• • •

¹³ John F. Burns, "Britain Announces Severe Military Cutbacks." *New York Times*, October 19, 2010, <<http://www.nytimes.com/2010/10/20/world/europe/20britain.html?scp=9&sq=nato%20austerity&st=cse>>.

¹⁴ Tony Karon, "Britain's Defense Cuts: Grim Portent for U.S. Military?" *Time*, October 21, 2010, <<http://www.time.com/time/nation/article/0,8599,2026961,00.html>>.

¹⁵ "Germany Undertakes Major Military Restructuring." Bloomberg, October 26, 2010, <<http://www.businessweek.com/ap/financialnews/D9J3AP580.htm>>.

¹⁶ James Joyner, "NATO in an Age of Austerity." World Politics Review, October 26, 2010. <<http://www.worldpoliticsreview.com/articles/6839/nato-in-an-age-of-austerity>>

¹⁷ All data from "NATO'S Defense Budgets 2011," Atlantic Council of the United States, November 19, 2010, <http://www.acus.org/files/ISP/111910_ACUS_Kordosova_NATOBudget.pdf>.

¹⁸ Ibid.

Best Laid Plans?

Europeans concerned about falling into strategic irrelevance due to a lack of military power can easily point to the 1998 St. Malo Declaration between Britain and France, which inaugurated the European Security and Defense Policy. It declared that: “The Union must have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them and a readiness to do so, in order to respond to international crises.” The declaration further called for “strengthened armed forces that can react rapidly to the new risks, and which are supported by a strong and competitive European defense industry and technology.”¹⁹ Despite the passage of more than a decade since the two EU members with the largest defense budgets issued this declaration, the EU has made little progress in developing a collective military capacity.

At the September 2010 informal meeting of EU defense ministers in Ghent, French Defense Minister Hervé Morin warned his colleagues that Europeans needed to pool their defense capabilities more effectively or risk Europe “gradually becoming a protectorate - 50 years from now we’ll become a pawn in the balance between the new powers and we’ll be under a joint dominion of China and America.”²⁰ Morin has long been pressing EU governments to make defense a more important priority, telling one interviewer a few years ago that having a common defense policy was at least as important to the EU as having a common currency.²¹ At Ghent, Morin argued that, without sufficient military capability, Europe could not exert significant influence in the world. He was particularly concerned that Europe was neglecting the key interest of maintaining stability in Africa, where Islamist militancy was on the rise, often in countries that were separated from Europe merely by the Mediterranean Sea.²² Morin argued that, notwithstanding their defense cuts, European governments could enhance their overall military capabilities by deepening their defense cooperation. He proposed that all 27 EU states compile a list of their military capabilities and specify those that should be shared and those that should remain under the control of the individual nation states.²³ German Defense Minister Karl-Theodor zu Guttenberg likewise thought that the EU could mitigate the adverse effects of their declining military budgets by agreeing to specialize in different defense areas and by combining their defense procurement orders “to secure better deals.”²⁴

Guttenberg proposed a three-step program to promote such defense specialization and collaboration. First, EU members would determine which defense capabilities the individual members had to retain as national assets. Second, they would assess which areas would produce savings if procured collectively. Finally, the members would distribute defense assets among the individual members, which would make these capabilities available to other members if necessary.²⁵ The EU’s foreign affairs chief, Catherine Ashton, attending the UN General Assembly session in New York in September 2010, said that “we [Europe] need to turn the crisis into an opportunity” by “pooling and sharing” the increasingly limited EU defense resources. Ashton proposed that the EU exploit “joint research programmes” for dual-use items, such as Unmanned Aerial Vehicles

¹⁹ “Franco-British Summit: Joint Declaration on European Defense,” Saint-Malo, December 4, 1998, <http://www.atlanticcommunity.org/Saint-Malo%20Declaration%20Text.html>.

²⁰ David Brunnstrom, “EU Risks Being Pawn of China, US: France,” Reuters, September 24, 2010, <<http://arabnews.com/world/article146152.ece>>.

²¹ Mark Beunderman, “French EU Presidency to Push for Defence Integration,” November 13, 2007, <<http://euobserver.com/9/25131>>.

²² Brunnstrom, “EU Risks Being Pawn.”

²³ Ibid.

²⁴ Ibid.

²⁵ “EU Defense Ministers Advocate Military Cooperation as Austerity Measure,” Deutsche Welle, September 24, 2010, <<http://www.dw-world.de/dw/article/0,,6043477,00.html>>.

(UAVs), which could be used to monitor the EU's external borders and in several civilian applications. She also called for making better use of the European Defense Agency to develop new common projects. Ashton further called for pursuing “greater complementarity with NATO” in developing joint defense capabilities, noting that the European Council gave her a clear mandate “to move forward on EU-NATO co-operation in crisis management.”²⁶ Belgium’s Defense Minister, Pieter De Crem, optimistically noted that the EU was making progress in pursuing collective defense efforts. He specifically cited an agreement signed earlier that month in which Belgium, France, Germany, and the Netherlands agreed to place 200 transport aircraft under a single command. The governments of Spain and Luxembourg are considering joining the project.²⁷ Crem told reporters that the economic crisis could actually prove beneficial to furthering EU defense cooperation. Using language similar to that of Lady Ashton, Crem said that “we have to turn this into an opportunity to develop cooperation in capabilities.”²⁸ The head of the liberal grouping in the European Parliament, Guy Verhofstadt, even thought the imperative to cut military budgets had now perhaps created the necessary incentives to take the ultimate step of creating a common European army: “There are two million soldiers in Europe, but only 300,000 in the US, and I think that the American army is more efficient than the European forces. So that's a good reason to start this.”²⁹ Seeking to make this position more credible, Verhofstadt noted that the EU would simply be replicating the progress it had made in the diplomatic realm in the related area of defense: “We have now a diplomatic service, which is very important, but we also need the other instrument - a common European defense, a common European army.”³⁰

Few expect the EU to seek a common European army, but whether the Union can achieve even the more limited proposals to pool defense assets and significantly expand their collective defense procurement efforts is questionable. At Ghent, the ministers asked the European Defense Agency to evaluate how the EU states could enhance their military cooperation and report back at a formal meeting of defense ministers in December.³¹ Since its creation in 2004, the Agency has proved unable to promote the bloc's collective defense capabilities, largely due to its miniscule budget of €30 million (\$40.2 million US).³² The EU defense ministers have consented to Morin’s suggestion to compile lists of national capabilities, but one should not be too optimistic about this initiative. The EU governments have yet to implement earlier agreements to deepen joint military training and education, logistics, and surveillance. They are even less likely to share their even more sensitive combat capabilities. At best, the EU members seem prepared to establish a multinational helicopter wing that could be used for disaster response and other emergencies as well as to support combat operations.³³

Defense budget cuts could be realized without hampering capabilities as there is much scope for reform within and among the European armed forces. At present, European defense spending is

²⁶ “Remarks by High Representative Catherine Ashton at the informal meeting of EU Defence Ministers Ghent, 23 and 24 September 2010,” European Union, September 24, 2010, <http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/116710.pdf>.

²⁷ “France Wants Europe to Boost Defence Cooperation,” September 27, 2010, <<http://www.euractiv.com/en/foreign-affairs/france-wants-europe-boost-defence-cooperation-news-498152>>.

²⁸ Ibid.

²⁹ “EU Defense Ministers Advocate Military Cooperation.”

³⁰ Ibid.

³¹ Laurent Thomet, “EU Risks US-China Domination with Military Cuts: France,” Agence-France Presse, September 24, 2010, <http://www.google.com/hostednews/afp/article/ALeqM5iS4DBOnZnocGOMmQ5dQbOO9yO_-g>.

³² Ibid.

³³ Brunnstrom, “EU Risks Being Pawn.”

misallocated for meeting governments' self-described global security requirements. Funds go overwhelmingly toward paying for personnel and operations and not towards developing or buying weapons.³⁴ In 2009, more than half of European defense spending went to military personnel, while only one fifth was used to procure equipment. These distributions will not soon change due to the rigidity of many military pay structures. Furthermore, most European militaries still devote most spending for capabilities related to territorial defense—a legacy of their Cold War orientation—rather than for meeting global challenges.³⁵ Of the two million European active duty forces, only 3-5% of them are readily deployable and sustainable at strategic distances from Europe in complex contingencies, such as stabilization, counter-piracy or peacekeeping missions. These deployments address emerging threats that directly affect Europeans' interests if not necessarily their national frontiers.³⁶ NATO needs dynamic and flexible forces to address these threats rather than legacy forces that suck up funds but provide relatively little defense capability. At present, only British and French forces are able to join their U.S. counterparts as equals in the initial phase of a war (as in the two invasions of Iraq in 1990 and 2003). The other European powers now generally lack sufficient advanced weapons systems required to support out-of-area missions against a regional power like Iran—and these are precisely the procurement projects likely to be degraded by the recent wave of budget cuts.

At the aggregate level, only 5 (Albania, Britain, France, Greece and the United States) out of 28 NATO members in 2009 met alliance requirements to spend two percent or more of national GDP on defense. Bulgaria and Turkey fell below that threshold after meeting it in 2008.

Yearly military expenditure levels from 2001-2010 highlight the huge disparity between spending levels of the U.S. and NATO. For the U.S., military expenditures totaled (in millions): \$379, \$425, \$484, \$528, \$553, \$562, \$576, \$619, \$669, and \$687 in that time frame. In contrast, NATO Europe accounted for: \$277, \$285, \$286, \$296, \$290, \$293, \$293, \$299, \$308, and \$298.³⁷

Without major changes in these conditions, Americans could become even more annoyed at perceived European free riding. The defense cuts could also increase tensions among European countries since some, such as Britain and France, spend much more on defense than others with roughly equivalent economies and populations, such as Germany and Italy. In fact, there is a five-to-one ratio between the highest and lowest European country in terms of spending on military R&D.³⁸

For the moment, the United States is committed to remaining a major European security player despite NATO's spending problems. On April 8, 2011, the U.S. Department of Defense announced that it was revising its 2004 plan to withdraw two of the four U.S. Army Brigade Combat Teams (BCTs) currently stationed in Europe.³⁹ Consultations with allies and the NATO Strategic Concept reviews led the Obama administration to decide to retain three BCTs in Europe. Their missions are to maintain a flexible and rapidly deployable ground force to meet the U.S. commitments to NATO, to conduct a robust engagement mission with NATO members and partners, and to address the

³⁴ Nick Amies, "NATO Unity Threatened by Defense Budget and Equipment Shortfalls," Deutsche Welle, March 3, 2010, <<http://www.dw-world.de/dw/article/0,,5310375,00.html>>.

³⁵ Fabio Liberti, "Defence Spending in Europe: Can We Do Better Without Spending More?," Notre Europe Policy Paper 46, p. 17, http://www.notre-europe.eu/uploads/tx_publication/Policy46_FLiberti_EN.pdf.

³⁶ Ibid.

³⁷ SIPRI Yearbook 2011 Armaments, Disarmament and International Security. Oxford: Oxford University Press, 2011, 194.

³⁸ Ibid.

³⁹ "DOD Announces U.S. Force Posture Revision in Europe," U.S. Department of Defense, April 8, 2011, <<http://www.defense.gov/releases/release.aspx?releaseid=14397>>.

broad range of 21st-century security challenges. The fourth BCT will be removed in 2015, when Pentagon planners anticipate a reduced demand for U.S. ground forces in the European region. The remaining three BCTs in Europe after 2015 will consist of a Heavy, Stryker, and Airborne BCT. The Pentagon noted that these BCTs will be complemented by other U.S. capability enhancements, including the forward deployment of U.S. Navy Aegis ships to conduct BMD missions, land-based missile defense systems in Poland and Romania as part of the European Phased Adaptive Approach, forward-stationing of special operations aircraft, and a new permanent aviation detachment in Poland. These efforts were strengthened in October with the international agreement to base Aegis-equipped ships at Rota, Spain, about 60 miles northwest of Gibraltar.⁴⁰

In early June 2011, the Center for Strategic and International Studies (CSIS) released a comprehensive report on European countries' defense economic and industrial policies. Thus far, European governments have devoted sufficient resources to keep their deployed forces in a state of high readiness. Often this has required special funding mechanisms such as supplementary appropriations kept separate from their countries' regular defense budgets. Furthermore, since the size of most European national armed forces has decreased more rapidly than their governments have cut defense spending, the result has been that spending on the remaining military personnel has increased for the average individual soldier.⁴¹ The combined effect of these two trends—a general per capita increase in spending and extra resources flowing to select deployable units—has been that some of their forces, particularly those regularly sent to Afghanistan, have received adequate training and equipment to develop the expeditionary capabilities needed by NATO and the EU for sustained post-conflict stabilization operations.

Unfortunately, these few military units represent the exception. For the most part, European governments have kept their other non-deployed forces at lower readiness levels. In addition, they have deferred many of their defense procurement and modernization programs. These funding and capability shortfalls have created major problems in unit readiness levels. In the current Libyan campaign, many European militaries have experienced major shortages in precision-guided munitions and other essential equipment, ordnance, and other capabilities. The United States, which had been eager to limit its resource allocations to the Libyan War to prioritize the Afghanistan and Iraq conflicts, felt compelled to fill these gaps by supplying almost all of the aerial refueling, intelligence, surveillance, reconnaissance and suppression of enemy air defenses for the campaign.⁴² Furthermore, whatever the per capita effects, Europe's aggregate defense capacity has probably already declined due to decreased defense budgets and force levels. For example, the number of active duty military personnel in the 37 European countries studied in the CSIS report (not all were NATO members) declined from 3.5 million in 2001 to about 2.3 million in 2009.⁴³

Furthermore, although the CSIS Defense Industrial Initiatives Group found that many European countries have protected their defense budgets during the last few years from the most severe cuts—often because of commitments to NATO, industrial policy considerations, or contractual obligations—the analysts anticipate that this figure will fall as European countries experience major

⁴⁰ Michael Fabey, "Navy Anchors European BMD Mission With Basing," *Aviation Week*, October 7, 2011. <http://www.aviationweek.com/aw/generic/story_generic.jsp?channel=aerospacedaily&cid=news/asd/2011/10/07/06.xml>.

⁴¹ Guy Ben-Ari, David J. Berteau, and Joachim Hofbauer, "European Defense Trends: Budgets, Regulatory Frameworks, and the Industrial Base" (Washington, DC: Center for Strategic and International Studies, November 2010).

⁴² James Joyner, "Libya Exposes Transatlantic Contradictions," CNN's Global Public Square, August 26, 2011, <http://globalpublicsquare.blogs.cnn.com/2011/08/26/libya-exposes-transatlantic-contradictions/>.

⁴³ Ibid.

structural economic problems in the next decade. These macroeconomic challenges will include slow growth, high unemployment, enormous fiscal deficits, and an increase in the ratio of retired pensioners to taxpaying workers. All these trends will squeeze defense budgets still further. Presuming military personnel levels stabilize, the result will be declining per capita spending on soldiers and a decrease in their ability to contribute to NATO missions, most of which will involve expeditionary rather than territorial defense operations.⁴⁴ The end of the Afghanistan War could further encourage decreasing European defense spending in the future since that would remove one argument (alliance solidarity in current missions) defense ministries have used to sustain their spending.

From 2001 to 2009, aggregate European defense spending fell from €251 billion to €218 billion (a negative compound decline of 1.8 percent annually). Over the same period, aggregate spending per soldier increased in constant terms, from €73,000 to €91,000 (a compound annual growth rate of 2.8 percent). These same broad trends can be found in the narrower defense spending categories. For example, European military research and development (R&D) spending in Europe fell from €12.3 billion⁴⁵ in 2001 to €10.3 billion in 2008, but R&D per active duty member rose somewhat from €6,700 in 2001 to €7,200 in 2008. Operations and maintenance fell the least during the 2001-2009 period, largely because of the need to sustain the missions in Afghanistan, the Balkans, and elsewhere during this decade.⁴⁶

Glass Half Full or Half Empty?

Optimists hope that the downward pressure on military spending will force European governments to take long-needed measures to reduce procurement duplication and pursue greater military specialization and interoperability. NATO and EU leaders have cited the cost pressure as giving them an opportunity as well as an imperative to secure more military value for defense spending through such measures as reducing unwanted defense duplication, reallocating resources based on collective rather than national priorities, encouraging more national military specialization on niche capabilities, as well as pursuing more collaborative research, development, and procurement based on common funding mechanisms. In some cases, NATO can act as a force multiplier, allowing members to contribute to expensive projects that they could not have afforded to pursue on their own. The Alliance has achieved some success in such collective defense capability initiatives, such as in the case of the Strategic Airlift Initiative (a helpful resource for NATO's mission in support of the African Union in Darfur) and the Allied Ground Surveillance System. NATO Secretary-General Rasmussen and others have cited the timeshare operations for C-17 transport aircraft based in Hungary as another worthy example of emulation.⁴⁷ Another example of success in collaborative research, development, and procurement is the joint Franco-Italian FREMM (Frégate Européen

⁴⁴ David Berteau, Guy Ben-Ari, Joachim Hofbauer, and Roy Levy, "European Defense Trends: Briefing Update," (Washington, DC: Center for Strategic and International Studies, July 29, 2011), <<http://csis.org/event/european-defense-trends>>.

⁴⁵ A note for our international readers: the *billion* used here is an American billion, ie. *one thousand million* or 10⁹.

⁴⁶ Ibid.

⁴⁷ James Joyner, "NATO in an Age of Austerity," *World Politics Review*, October 26, 2010. <<http://www.worldpoliticsreview.com/articles/6839/nato-in-an-age-of-austerity>>.

Multi-Mission) program, developed in part due to recognition of impending and future budget cuts and potential European naval shipbuilding consolidation.⁴⁸

The best hope for keeping transatlantic capabilities somewhat in harmony would be greater defense specialization on select military acquisitions by country, increased multinational cooperation in procuring and using military capabilities, and a commitment by NATO governments to concentrate their remaining resources on developing smaller, more expeditionary-capable forces.⁴⁹ These steps would best ensure that NATO's collective capabilities more closely match the sum of its individual members' contributions.

Unfortunately, pessimists can point to enduring obstacles to enhanced European defense industrial coherence, and wonder if progress will come soon, or prove sufficiently widespread, to have much of an impact on their military capabilities. Industrial policy concerns such as sustaining domestic employment as well as a natural national reluctance to rely on other countries for important military capabilities typically exert much more influence on NATO or EU spending than collective security considerations. For this reason, proposals to extend NATO- or EU-wide defense procurement have never made much progress. NATO defense investment continues to be diluted across an excessive number of projects, with the most important military powers seeking to sustain national aviation, shipbuilding, and other high-technology sectors (valued for their stimulus to economic development as well as the skilled jobs they produce) despite the resulting duplication, inefficiencies, and insufficient economies of scale.⁵⁰ For example, the European tradition of relying on state run or majority state led defense contractors such as Navantia in Spain and DCNS in France highlights a hurdle in the move towards a cohesive European defense industry. Even in European countries with large aggregate defense budgets, such as Germany and Turkey, spending is not optimized to NATO's expanding international security obligations since money flows predominately to manpower and maintenance rather than researching, developing or procuring new weapons systems.⁵¹

The key question is whether Europe's most important military powers pursue similar policies. The United Kingdom, France, and Germany represent about 65 percent of all defense expenditure in Europe and 88 percent of all military research and development in Europe. Most other allies can only make small or niche contributions to expeditionary missions, while still requiring that they keep defense spending sufficiently high to permit their military personnel of valuable potential training opportunities. Despite budgetary strains, their governments are still planning to retain major expeditionary military capabilities—having the ability to deploy some 10,000 to 30,000 troops within a few months on a multi-month mission—for the next few years. But the end of the Afghanistan mission around 2014 combined with probable future demographic trends such as expected rises in welfare spending due to aging national populations and other fiscal pressures will likely result in further reductions over time in force levels, military readiness, and defense procurements.

⁴⁸ Interview with Xavier Itard, Defense Professionals Daily, September 9, 2011.

<<http://www.defpro.com/daily/details/879/>>.

⁴⁹ Ben-Ari, Berteau, and Hofbauer, "European Defense Trends," November 2010.

⁵⁰ Judy Dempsey, "The Peril That NATO Can't Ignore," *New York Times*, November 10, 2010,

<http://www.nytimes.com/2010/11/11/world/europe/11iht-letter.html?_r=1&scp=2&sq=nato&st=cse>.

⁵¹ Amies, "NATO Unity Threatened."

The NATO Group of Experts that helped write the Strategic Concept cautioned in their May 2010 report that the transatlantic capabilities gap “could undermine Alliance cohesion.”⁵² The United States spends almost five percent of its GDP on defense when one includes the supplemental expenditures relating to the wars in Iraq and Afghanistan. Even after the latest round of budget cuts, Britain will still spend more than two per cent of its GDP on defense, and retain the ability to surge forces into distant theaters of war. But many other European governments have been keeping military expenditures to minimum levels well before their recent austerity reductions. In 2009, only five out of 28 NATO members met NATO’s requirement that they spend at least two percent of national GDP on defense. Yet, achieving a global capability, and sustaining domestic political support for the transatlantic alliance in Washington, requires that the European allies have some capabilities that they can commit to non-European missions.

NATO itself now has an operating deficit for the first time in its history, estimated at perhaps as much as €500 million.⁵³ The alliance is cutting some collective expenses by reducing committees and through improved auditing, but more radical proposals—such as reducing the number of headquarters from 11 to 6 or NATO defense agencies from 14 to 3—are encountering severe resistance since every member wants a few high-profile positions and installations.⁵⁴ In any case, NATO’s entire military and administrative budget is only €2 billion, or less than 0.5% of the allies’ combined defense budgets, and any savings would be distributed among many members. And cutting funds supporting common operations and equipment could lead less wealthy members to shun foreign deployments, which could weaken these missions’ political legitimacy (renewing cries of Anglo-American imperialism). Hopes to improve these figures through a further rationalization of defense spending will depend on overcoming some long-standing barriers in this area. NATO and EU members’ defense practices sometimes appear more responsive to industrial policy considerations than collective or even national military needs.

European leaders have proposed reducing duplication of military investment across NATO and EU member states by promoting further cooperation between the two organizations. But collaborating on defense procurement has proven surprisingly difficult in the past and nothing new has occurred to suggest things will prove any easier now. Turkey constrains NATO collaboration with Cyprus while Cyprus limits Turkey’s engagement with the EU; their mutual vetoes restrict broader institutional collaboration. European governments pledge the same forces to both organizations while hoping they do not receive simultaneous requests for the same assets. Meanwhile, Europeans view with skepticism proposals to create a transatlantic defense market by citing protectionist pressures within the United States. For example, they point to alleged favoritism shown Boeing against European companies in the bidding for the next U.S. mid-air tanker. The NATO governments will probably avoid another transatlantic blowup soon over the issue because, even while cutting overall defense spending, most European governments have sought to sustain their combat presence in Afghanistan to address the evident priority concern of the Obama administration. For example, French Defense Minister Herve Morin said that, while his ministry would cut spending by some €3 billion through 2013, France would maintain its Afghan operation at

⁵² “NATO 2020: Assured Security; Dynamic Engagement: Analysis and Recommendations of the Group of Experts on a New Strategic Concept for NATO,” May 17, 2010, p. 38, <<http://www.nato.int/strategic-concept/expertsreport.pdf>>.

⁵³ Valentina Pop, “NATO to Make Cutbacks Amid Budget Crisis,” EU Observer, June 11, 2010, <<http://euobserver.com/13/30269?print=1>>.

⁵⁴ Christoph Hasselbach, “NATO looks to tighten its belt,” Deutsche Welle, June 10, 2010, <http://www.dw-world.de/popups/popup_printcontent/0,,5673017,00.html>.

current levels. Similarly, the Italian government has announced plans to cut back on military hardware, such as by buying fewer Eurofighters, but conduct its own surge in Afghanistan, to 4,000 soldiers by the end of this year. Most prominently, the UK SDSR did not cut defense spending as much as was feared in Washington. According to the figures released by the UK government, Britain can still participate in future missions like Iraq or Afghanistan, but with a contribution of about one-third fewer forces. British defense planners anticipate being able to sustain a 6,500-troop brigade on an overseas mission, while having the capacity to surge to as many as 30,000 troops for a short period. The corresponding figures for Afghanistan now and Iraq in 2003 are 9,500 and almost 50,000 personnel. The accelerated withdrawal of British ground forces from Germany and the increased spending on transformational forces and capabilities—such as those for cyber defense—coincides well with alliance priorities and could be profitably emulated by other NATO allies as they try to sustain their military power while cutting their defense budgets once again. The Netherlands have already left Afghanistan, and Bulgaria is cutting almost a third of its troops there.⁵⁵

Two issues merit further detailed discussion. First, the recent British-French defense treaties raise the possibility of enhanced military industrial cooperation between some European countries. Under its terms, Britain and France will jointly procure some items, share other military assets, and create a joint expeditionary force of 10,000 personnel.⁵⁶ Rasmussen said that the Anglo-French defense collaboration treaties could point the way forward for other allies as they seek to balance reduced military spending with their alliance obligations. The United Kingdom and France are the largest European military powers (45% of the continent's military budget, 55% of battle-ready forces and 70% of military research and technology), so their bilateral defense collaboration has the potential to have the greatest impact on European military capabilities.⁵⁷ The UK defense budget in 2011 will be around 34 billion British pounds.⁵⁸ In September 2011, the French Ministry of Defense said that its defense allocation next year would amount to €31.1 billion, though the current plan hinges on the successful €1.1 billion sale of unused military radio frequencies to private operators. Additionally, the continued rise in the polls of the French Socialist Party, which has traditionally been less inclined to spend on defense, could result in cuts in 2012 or even the cancellation of the 2009-2014 six-year military spending program.⁵⁹ Most recently, Germany and Italy have announced plans to cooperate more in the procurement of defense equipment and modernization of their respective armed forces.⁶⁰ Until now, though such defense cooperation does occur between NATO allies—especially between Britain, France, Germany, and the United States—it normally involves a limited number of partners (typically two) and a few select systems.

Second, the German situation is complex since the pressure to reduce defense spending is coinciding with proposals to abolish conscription and switch to an all-volunteer military. That transformation could make the German forces more usable since currently conscripts cannot be forced to

⁵⁵ Elizabeth Konstantinova, "Bulgaria to Cut Three Quarters of its Troops in Afghanistan," Bloomberg, November 30, 2011, <http://www.bloomberg.com/news/2011-11-30/bulgaria-to-cut-three-quarters-of-its-troops-in-afghanistan.html>.

⁵⁶ Patrick Wintour, "Britain and France Sign Landmark 50-Year Defence Deal," *Guardian*, November 2, 2010, <<http://www.guardian.co.uk/politics/2010/nov/02/britain-france-landmark-50-year-defence-deal>>.

⁵⁷ Neuger, "NATO Says Europe Risks Becoming 'Paper Tiger'."

⁵⁸ Ben Jones, "Franco-British Military Cooperation: a New Engine for European Defence?," European Union Institute for Security Studies Occasional Paper no 88 (February 2011), p. 12, http://www.iss.europa.eu/uploads/media/Setting_a_standard_for_stakeholdership-JPZ.pdf

⁵⁹ J.A.C. Lewis, "France Eyes Asset Sale as Way to Maintain Spending Levels," *Jane's Defense Weekly*, October 5, 2011, 23.

⁶⁰ Sabine Pirone, "Germany, Italy May Cooperate in Defense-Equipment Alliance," Bloomberg, November 30, 2011, <http://www.bloomberg.com/news/2011-11-30/germany-italy-may-cooperate-in-defense-equipment-alliance.html>.

participate in foreign combat missions. Currently, only some 10,000 German soldiers can easily be used overseas. Still, Germany's already low levels of defense spending might not be able to purchase all the modern equipment the additional forces would need.⁶¹ And in this regard, former German Defense Minister Guttenberg has noted that the democratic nature of EU military policy constrains both defense spending and the actual use of national or collective armed forces on military missions. Like many EU militaries, the Bundeswehr is a parliamentary force answerable to the German legislature. Within the EU, not only do all 27-member governments need to support a collective defense mission, but also the members' national legislatures, which enjoy considerable influence in many European countries and whose members are highly responsive to their constituents' opposition to foreign military adventures, have to endorse every foreign mission.⁶²

The Way Ahead

European defense cuts are threatening core NATO military capabilities and deepening fears of the emergence of a "two-tier alliance" with a small number of important military powers and a large number of essentially free riders. Public preferences and a stringent budgetary climate are leading European members to reduce the size, quality, and funding of their armed forces. The recent Libyan intervention has demonstrated how these developments have hampered Europeans' ability to act independently and increased the dependence on the capabilities of the United States.

Many European members have inefficiently organized armed forces. A lack of specialization and interoperability across states prevents them from working together effectively. There is no lack of intelligent proposals, but thus far an element of political inertia and perhaps national pride has hindered substantive integration. Some argue that the current deep crisis offers an impetus to much-needed reform and integration. Belgium, Denmark, and Norway were able to provide valuable contributions during the recent Libyan War thanks to their intelligent use of limited resources.

There are several examples of how NATO countries have been able to develop the dynamic and flexible forces the Alliance needs to address emerging threats rather than legacy forces that suck up funds but provide relatively little defense capability. Belgium, Canada, Denmark, and Norway have all been able to make important contributions to the NATO operation in Libya despite their limited defense spending because they have concentrated their resources on developing expeditionary capabilities such as strike aircraft.

There are several additional ways in which NATO could help overcome these budgetary problems. NATO can save money collectively by reducing the size and rationalizing the management of the Alliance's numerous commands, defense agencies, and other support structures and processes. The November 2010 Lisbon Summit endorsed proposals to make NATO's new command structure more effective and flexible—specifically by making these structures more easily deployable outside the Euro-Atlantic area. At the summit, NATO committed to adopting a new, streamlined Command Structure, which should reduce costs by around 35%.⁶³ Such a move will decrease the number of

⁶¹ Ben Knight, "Budget Cuts Are a Good Pretext for Reforming Military Policy, Say Experts," Deutsche Welle, September 6, 2010, <<http://www.dw-world.de/dw/article/0,,5979046,00.html>>.

⁶² "EU Defense Ministers Advocate Military Cooperation as Austerity Measure," Deutsche Welle, September 24, 2010, <<http://www.dw-world.de/dw/article/0,,6043477,00.html>>.

⁶³ "Lisbon Summit Declaration", NATO, November 20, 2010, Paragraph 49, <http://www.nato.int/cps/en/natolive/official_texts_68828.htm>.

high-end headquarters from eleven to seven, and reduce military personnel by about a third.⁶⁴ The number of NATO agencies is set to fall from fourteen to three in a similar effort to achieve greater efficiency.⁶⁵

Even so, a great deal rests with national leaders. They have deferred deciding which specific cuts to make—and the individual allies can be expected to bargain hard to retain their share of these dwindling assets. How much integration can be achieved in NATO’s administration and logistics support functions, and with what effects, is also uncertain. Even if these changes in NATO’s support structures and processes are extensive, the history of almost all modern defense organizational reforms suggests that realizing massive financial savings or huge efficiency gains is improbable. The appropriate capabilities—and even strategy and tactics—required to fulfill the new NATO missions, such as ensuring members’ cyber and energy security, have only begun to be studied.

The NATO organization could assist the defense cooperation initiatives of its individual members by improving its long-term force planning processes to ensure better coherence and integration among allies’ future defense programs, especially for the less visible so-called out-year forces whose procurement will occur at least six years beyond the current budgetary cycle. This could also allow NATO members, including the United States, to develop complementary future capabilities that avoid gaps and leverage synergies. Some of this is already occurring through existing alliance-wide processes as well as initiatives among a few NATO members. For example, the 2010 British-French treaties has led both countries to consider how to ensure that their various naval capabilities are complementary and even provides for the sharing of an aircraft carrier. The Visegrad Group, the Weimar Group, and the Nordic countries are also engaging in more pooling, sharing, and integrated defense planning. But the procedure needs to be extended to cover more capabilities and countries, including the United States, which has many defense programs that proceed largely independent of NATO.

The best hope for keeping transatlantic capabilities somewhat in harmony would be if the Allies would pursue greater defense specialization through more selective military acquisitions by country, increased multinational cooperation in procuring and using military capabilities, and a commitment by NATO governments to concentrate their remaining resources on developing smaller, more expeditionary-capable forces.⁶⁶ These steps would best ensure that NATO’s collective capabilities more closely match the sum of its individual members’ contributions. As such, the onus remains on national governments making intelligent decisions. A reduction in funding need not mean a reduction in capability when there is so much scope for reform already within the system. If European members wish to retain power and influence within the Alliance, they will need to overcome their political concerns and take serious steps towards reform.

About the Author

Richard Weitz is Senior Fellow and Director of the Center for Political-Military Analysis at Hudson Institute, as well as a non-resident Senior Fellow at the Center for a New American Security.

⁶⁴ Ian Davis, “NATO Reform Lite: An Evaluation of the Lisbon Summit (Part 1),” *NATO Watch Brief* No. 14, November 26, 2010, p. 7,

http://www.natowatch.org/sites/default/files/An_Evaluation_of_the_Lisbon_Summit_Part_I_0.pdf.

⁶⁵ *Ibid.*

⁶⁶ Ben-Ari, Berteau, and Hofbauer, “European Defense Trends,” November 2010.