NATO Parliamentary Assembly

POLITICAL COMMITTEE

BURDEN SHARING REVISITED

SPECIAL REPORT

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I. INTRODUCTION

1. Since its founding, NATO has served as a transatlantic forum for political dialogue and consultation to define common political positions and adopt diplomatic and military strategies and actions. The debate over what kind of resources and capabilities are required to ensure Allies’ territorial integrity and security was always a central part of this dialogue, as was the question of who was paying for what. The issue of burden sharing is now again at the top of NATO’s agenda, despite the Allies’ commitments on increased defence spending made at the 2014 Wales Summit and the reiteration of these commitments at the 2016 Warsaw Summit. As in the past, the debate is mainly driven by the United States, which continues to provide the bulk of defence spending among NATO member states. Both the US administration and many members of Congress feel that the United States bears an inequitable share of NATO defence spending and that the Allies need to step up to the plate and contribute their fair share.

2. During his presidential campaign, Donald Trump accused NATO of not spending enough on defence; he has repeated his criticism on several occasions since then, including NATO’s Special Meeting in Brussels in May 2017. President Trump said that “certain member countries owed ‘massive amounts of money’ to American taxpayers” and that NATO members must finally contribute their fair share. Moreover, while he reassured NATO Allies of the US commitment to the Alliance during his first visit to NATO in his new position, US Secretary of Defense James Mattis warned that if Allies do not start contributing more by the end of 2017, the United States might “moderate its commitment.”

3. While his style and manner of communication differs from those of his predecessors, in terms of defence spending President Trump is only repeating what US officials have been demanding for many years. Previous US presidents were pressing Allies to increase their military spending long before the election of President Trump. However, if the commitment of member states is measured in terms of cash, capabilities and contributions, President Trump has shifted the focus primarily to cash (i.e. defence expenditures).

4. Although the debate itself is not new, it could become even more divisive in the current state of international security affairs and the existing political climate. Judging by his public declarations, President Trump appears to have a more transactional approach in his foreign policy, including towards NATO. The Trump presidency has generated intensive debates about the purpose, rationale, and cost of maintaining global partnerships. As one commentator suggested, President Trump “believes that the US has been too generous and can no longer afford the 70-year old security system that America led in creating after the Second World War.”

5. This report is a follow-up on to the information document for the Assembly’s Standing Committee meeting in Tbilisi, Georgia, and offers a fresh look at the issue. It offers a broader understanding of burden sharing that identifies the importance of the capabilities and contributions each member state provides for NATO’s collective defence. While this report argues that the 2% measure is only of limited value, it is an important political symbol for the commitment of Allies to implementing their pledges. The real issue is to provide NATO, and NATO Allies, with the necessary means to fulfil its three core purposes - collective defence, crisis management, and cooperative security and to anticipate and respond to future security threats.
II. BURDEN SHARING IN THE HISTORICAL CONTEXT

6. The debate about fair sharing of the burden is as old as the Alliance itself. When the Alliance was founded in 1949, the economies of the European allies were still recovering from the devastating impact of the Second World War. The United States provided assistance with its “European Recovery Program (ERP)”, the Marshall Plan, while extending its conventional and nuclear “umbrella” to deter Soviet/Warsaw Pact aggression. As Europe’s economies grew, so did the intensity of debates on Alliance burden sharing. The main feature of those debates was the perceived imbalance in the United States’ contribution to the common defence compared to other Allies.

7. The Lisbon force goals of 1952, agreed upon at the height of the Korean War, were the first attempt to build up the forces of European NATO Allies. The failure of the United States’ Allies to muster adequate conventional forces of their own meant an unacceptably low nuclear threshold. As many member nations continued to fall short of generating the desired capabilities, the United States frequently exerted pressure on them to increase their defence spending in order to boost conventional defence. Burden sharing became a continuous issue on NATO’s political agenda and in the US Congress. Over the years, Congress repeatedly threatened to reduce its contribution to European security and its presence in Europe (often in the form of Congressional amendments proposed by, for example, Senators Mansfield, Nunn, and Bartlett). Congress also mandated the US Department of Defense to produce annual reports which rated Allied contributions according to a comprehensive range of parameters. By contrast, some Allies pointed out that calculating defence contributions by merely comparing national outlays for defence was misleading and that other factors should be taken into account to measure national contributions to the defence of the Alliance.

8. Key arguments and counter-arguments that regularly featured in transatlantic burden sharing debates included, among others:

- whether measuring the “burden” was the most appropriate basis for comparison. It was argued that capabilities were what mattered, and that – for instance – Europe’s mainly conscript armed forces enabled it to field proportionately larger forces at less expense than the United States’ professional services.

- what proportion of United States’ spending – or capabilities – should be counted as its contribution to the overall NATO effort. A large portion of United States defence spending and capabilities were assigned to global roles and missions, while almost all European efforts were dedicated to the NATO “theatre”.

- what – if any – non-defence efforts such as economic aid could or should be counted as contributions to Alliance efforts.

9. There was, however, no consensus about what to include in comparisons, notably assets not intended for use in the NATO area and non-defence spending. With the end of the Cold War and the disappearance of the Warsaw Pact, the issue of burden sharing temporarily disappeared from the agenda of the Alliance. Most NATO member countries reduced defence budgets, taking advantage of what was then called “the peace dividend”. Moreover, defence budgets of NATO member states also became more important for other purposes, including social policy, as inflated defence personnel budgets were also used to generate employment in a nation’s armed forces or to protect industrial interests instead of delivering needed capabilities.
10. Burden sharing reappeared as a controversial issue in the early to mid-2000s, primarily in the context of NATO’s engagement in Afghanistan. However, the focus of the debate then was more on the principle of “shared risk”, as national caveats, i.e. restrictions imposed by member states on their armed forces deployed in Afghanistan, imposed limitations on the planning and execution of NATO operations in the country. In addition to having a debilitating effect on International Security Assistance Force (ISAF) operations, national caveats were regarded as undermining NATO’s unity of purpose.

11. Even after 9/11, the defence budgets of European member states continued to decline for more than a decade. This process was in fact accelerated by the global financial and economic crisis of 2008. This continued slippage in defence spending over more than a decade occurred against the background of rising defence expenditures of other international players, including Russia and China. However, as the international security environment became more volatile and the threats on NATO’s periphery increased, the Alliance and NATO member states took on increasing commitments to respond to these threats. This exposed a severe mismatch between commitments and available capabilities. In most cases, it was the United States which had to fill
the gap. For example, during the Libya crisis of 2011, only 11 weeks into the operation against a poorly armed regime, many Allies were running short of munitions and the US had to step in and make up the difference by providing crucial air, sea and logistical support.

**Figure 2**
Defence expenditure as a share of GDP (%)

![Graph showing defence expenditure as a share of GDP.](image)

Source: NATO

12. As defence expenditures of most of America’s Allies continued to decline, the financial aspect of burden sharing became an issue again. At the end of his five-year tenure, during which he had served in both Republican and Democrat administrations, US Secretary of Defense Robert Gates highlighted his concerns in a speech in Brussels in June 2011. While acknowledging the Alliance’s value he expressed grave concern about shortcomings in capabilities and will and warned that NATO was turning into a two-tiered alliance, with some member nations specialising in “soft” humanitarian issues like development and peacekeeping, while only a few were willing to conduct “hard” combat missions. Gates worried about a split between those willing and able to pay the price and bear the burdens of Alliance commitments, and those who enjoy the benefits of NATO membership without sharing the risks and the costs.

13. Capabilities, particularly the gap between the military strength of the U.S and its Allies, remain a contentious issue. Today, the numbers are even more compelling than during the Cold War. In 1980, United States defence spending was about 56% of the NATO total. Today it is about 68%. Moreover, the disparity in capabilities has grown even more than spending figures suggest.
III. WAKE-UP CALLS

14. Russia’s increasingly assertive policies, particularly its invasion and annexation of Crimea in the spring of 2014, and the instability in the Middle East and North Africa (MENA) region, have led to a policy shift among Allied member states. Russia continues to fundamentally challenge the peaceful European order that NATO has sought to foster and aspires to extend. Now Europe finds itself in a very dangerous situation. Crimea remains an occupied territory. Russia is also challenging the post-Cold War structure in other ways. In Syria, Russia supports the Assad regime and its actions have further destabilised the situation.

15. At the 2014 Wales Summit, Allied Heads of State and Government agreed, for the first time at that most senior level, and publicly, to a pledge on defence investment. The pledge commits the Allies to halt declines in defence spending and “aim to move towards” spending 2% of GDP on defence “within a decade,” and 20% of defence budgets on equipment modernisation.

16. Judging from available data NATO Allies are generally implementing the pledge. In 2014, only three Allies spent 2% or more on defence, while five met the guideline in 2016. Similarly, the number of NATO member states which met the 20% guideline on equipment modernisation increased from eight to ten between 2014 and 2016. Moreover, while they did not meet the 2% guideline 19 NATO members have reversed or at least halted their defence spending declines in real terms. Six NATO member states have incorporated the quantitative guidelines of the Wales Pledge into their national defence and budget planning.
Figure 4
NATO Europe and Canada – defence expenditure
(annual real change, based on 2010 prices and exchange rates)

Cumulative spending increase for the period from 2015 to 2017, above 2014 level: +45.8 Bn USD
Source: NATO

Figure 5
Defence expenditure as a share of GDP (%)
(based on 2010 prices and exchange rates)

Source: NATO
17. At the mini-Summit in Brussels in 2017, NATO’s Heads of State and Government took decisions to improve burden sharing in the Alliance. At the point of writing it is expected that 2017 will be the third consecutive year of accelerating defence spending increases by European Allies and Canada, with a 4.3% real increase in defence spending. This means that over the last three years European Allies and Canada spent almost USD 46 billion more on defence. This represents a significant increase. Therefore, a corner has been turned since Wales, and Allies have made progress in reversing the trend of declining defence expenditures. However, Allies must still invest more in equipment and infrastructure to ensure their forces meet NATO standards and can be deployed and sustained in operations. In addition, there is still much work to do to achieve a more balanced sharing of costs and responsibilities. NATO Secretary General Stoltenberg is right when he points out that we need to maintain the momentum that has been generated by the recent increase in defence spending.

IV. CASH, CAPABILITIES AND CONTRIBUTIONS

18. Using defence spending as a share of GDP as an indicator for comparing national efforts devoted to defence appears logical because financial inputs are measurable. However, it is important to note that setting a target as a percentage of GDP only looks at the “input”, i.e. how much member states spend on defence. Such an approach has limitations and can be misleading. For example, one NATO member state that spends 2% of GDP on defence spends 70% of its military budget on salaries and benefits, but has contributed only little to NATO missions in Kosovo and Afghanistan. In comparison Denmark, which spends roughly 1.5% of GDP on defence, has sent much larger contingents to NATO missions. In the same way, Article 5 has only actually been invoked once, when the Allies came to the United States’ aid in the wake of the 9/11 attacks.
Spending as a percentage of GDP is thus not the only measure of countries’ contribution to NATO. Canada, for example, lost 158 soldiers during its engagement in Afghanistan, which was more than any NATO member other than the US or the UK, and at one point during NATO’s engagement in the country the Baltic states had suffered one of the highest ratios of deaths-per-head among coalition forces.

19. However, the main shortcoming of using defence spending as a share of GDP to compare national contributions to the Alliance is that it does not look at the “output”, i.e. what capabilities are generated with this “input” – i.e. what resources NATO ultimately has at its disposal and how member nations contribute to NATO-led missions and operations. This is, in the final analysis, what is important. What is more, if a national economy shrinks at a faster rate than inflation-adjusted defence spending, military spending as a percentage of GDP increases – but this says nothing about the military capabilities.

20. Increasing capabilities is crucially important as the Alliance must adapt to meet a revanchist Russia to NATO’s east, the threat posed by Daesh1 and the instability on NATO’s southern flank which have led to the current migration crisis, as well as emerging security challenges including terrorism and cybersecurity. The challenge is the large and growing gap between the commitments NATO member states have made and the resources, budgets and capabilities available to carry them out. NATO Allies need to strengthen existing capabilities and make sure that their military units are fully manned, fully equipped, trained and ready to deter any potential adversary. The implementation of the Readiness Action Plan, enhancing the Alliance’s deterrence posture and readiness through the NATO Response Force and the Very High Readiness Joint Task Force (VJTF), cannot be achieved on the cheap and requires sufficient funding. What is more, in today’s volatile and changing international security environment it will also be necessary to create new capabilities and provide the extra funding for their development. This is particularly the case for cyberspace, which is already part and parcel of our security today and will be even more so tomorrow.

21. NATO Allies should focus on generating capabilities and increasing spending efficiency. Providing sufficient financial resources will be essential, but effective cooperation is also crucially important. In fact, all NATO member states have agreed to develop and maintain the full range of capabilities necessary to deter and defend against potential adversaries. And the Alliance already has the appropriate process in place: the NATO Defence Planning Process (NDPP). Each ally participates voluntarily in the NDPP, which is a formalised system designed to influence national defence planning efforts in line with NATO capability development priorities. The NDPP is the primary tool for identifying and prioritising the capabilities required for full-spectrum operations agreed upon by the Alliance. The NDPP sets the requirements in specific military capabilities. The target for each NATO member emerges from close consultation between Defence Ministries and NATO defence planners. The first step of the NDPP is the “Political Guidance” which outlines NATO’s shared strategic aims and objectives. More specifically, the “Political Guidance” outlines NATO’s collective level of ambition for defence and security; it defines the “number, scale and nature of operations the Alliance should be able to conduct in the future.” Therefore, the tools to identify capability shortfalls and the possible ways to address them already exist. At present, the Alliance has identified 21 priorities where NATO Allies need to develop their capabilities. These and the Readiness Action Plan provide a roadmap for member states to focus their efforts. Likewise, this also provides a checklist for whether member states are delivering on their promises.

22. Another factor that complicates any assessment of what constitutes a “fair” contribution to the Alliance is the difficulty or ‘rating’ the military (and other) capabilities that nations provide for Alliance efforts. In practice, numerous analyses have demonstrated that the diverse capabilities of the national armed forces cannot be objectively compared. Even within categories – land, sea, air and space – comparisons are subjective, and questions of readiness and operability must also be

1 Arabic acronym of the terrorist organisation « Islamic State in Iraq and Syria »
addressed. Moreover, as failed and failing states generate instability on the periphery of the Alliance, there is a general recognition that "soft" security investments are important for our security. As development assistance and other "capacity building" programmes undoubtedly contribute to global stability, increased spending on diplomacy, humanitarian aid and crisis prevention can potentially increase the security of the Alliance.

V. THE DOMESTIC CONTEXT AND THE NEED FOR LEADERSHIP

23. While the pledge to halt the decline in defence spending and move towards spending 2% of GDP is an important goal, it is necessary to acknowledge that the current economic and political environment in many member countries is not necessarily conducive to the 2% target. For parts of our public opinion defence is still not a priority. Many of our compatriots do not see Russia’s actions in Ukraine and Georgia or ongoing instability in Libya and the Sahel as a clear threat to our interests or security. For many in Europe, the primary threats to stability today remain the Eurozone crisis and ongoing austerity. For them, most challenges to stability in and around Europe, the refugee crisis, terrorism, and energy security, have little to do with conventional military spending. Worse, some argue that defence spending diverts resources necessary to address these challenges. In some member countries, there are voices that already call into question the commitments made at the Wales Summit.

24. It is important to acknowledge that, even if the current threats arising in NATO’s eastern and southern periphery have led to increased awareness of the dangers of our security environment, budgets will remain tight. A responsible long-term fiscal policy is also the prerequisite for generating the capabilities necessary for the conduct of security policy. There will be competing demands for scarce resources, particularly in countries of the European Union which are only beginning to recover from the 2008 economic crisis. Moreover, the fact that EU member countries are required to keep debt to GDP ratio at a sustainable level places limits on their financial flexibility. After reaching a peak at 86.7% of GDP, the EU28 debt to GDP ratio has slightly decreased in 2015 and 2016, currently standing at 83.5%, still far above the 60% ceiling prescribed by the Maastricht criteria. Under these circumstances, significant increases of military budgets, especially at the expense of social programmes, are likely to face strong political opposition in Western Europe. This is all too easily exploited by populist voices.

25. With the domestic challenges that we are facing, including Brexit, NATO must demonstrate its cohesion and its commitment to the security of all its members. The consequences of Brexit for UK defence spending need to be considered. While it is still early, the potential economic consequences of withdrawal from the EU will probably put downward pressure on the UK’s GDP and fiscal posture. Hence, the UK’s ability to maintain even its current level of defence spending will likely be under stress.

26. However, such a negative approach would be short-sighted and dangerous. We need leadership to generate and uphold the necessary domestic support for us to address our security challenges and modernise our military capabilities. Additional military capabilities can be achieved through more defence cooperation among Allies but there is no way around the fact that without sufficient funding we will fail. It is crucial to better inform the citizens of NATO member countries about the need to provide the necessary resources for defence and about NATO’s vital role in providing for our security. This is an important task for our governments but for parliaments as well. As members of parliament responsible for overseeing our governments’ decisions on foreign policy and defence, parliamentarians play a crucial role in shaping public opinion.

27. And there is a window of opportunity, as there has been a recent increase in popularity of the Alliance in many member countries. According to a recent Pew poll, for example, the share of the public with a favourable view of NATO increased by 9% in the U.S. and 10% in Canada, along with a rise of 7% in the Netherlands, 8% in Germany, 9% in Poland and 11% in France.
VI. THE 2% PLEDGE - AN IMPORTANT POLITICAL SYMBOL

28. Burden sharing is a complex issue. Focusing merely on defence expenditures and using defence outlays per GDP can be misleading. But it is an important political symbol, both with regard to Alliance solidarity and cohesion as well as for our partners and potential adversaries. To not fulfill the pledge to work towards 2% defence spending would eventually undermine the trust of those Allies who meet this criterion. Moreover, it would undermine the credibility of the Alliance among partner countries, some of which rely and count on material and financial support.

29. All efforts to strengthen the Alliance’s deterrence and defence posture are reliant upon Allies delivering on the defence investment pledge. Allied governments and parliaments have a key role to play in this regard. Governments need to make further efforts towards committing 2% of their GDP to defence investments, of which at least 20% is on major equipment and research and development, and to continue to demonstrate the political will and unity seen in Warsaw to uphold their Article 5 commitments. Therefore, while the level of defence spending is certainly not an end in itself, it does represent an important means to purchase advanced equipment while fine-tuning national force structures to maximise capabilities.

30. NATO Allies must live up to their commitments. This is particularly important as earlier efforts by NATO to encourage member states to increase defence investments and to maintain sufficient levels of force readiness, like the 1999 Defence Capability Initiative or the 2004 Prague Capability Commitment, have all-too-often fallen short. In fact, during the Defence Ministerial in June 2006 Allies already made a comprehensive Political Guidance commitment to meet the 2% GDP target devoted to defence spending.

VII. CONCLUSIONS

31. In a strictly legal sense, the pledge to increase defence spending from Wales confirmed at the subsequent summit in Warsaw and the Special Meeting in Brussels, is non-binding. However, the transatlantic bond remains the bedrock of our freedom, prosperity, and way of life. It is critical that we all continue to invest in it, politically, militarily, and financially, and that we share the responsibilities of security just as we all share the benefits. Burden sharing remains a crucial issue for Alliance cohesion. Sharing the burden fairly is a necessity, not a choice. We need to provide sufficient resources to implement the capability pledge. We cannot allow this commitment to be watered down – again.

32. Therefore, implementing the Wales capability pledge and acquiring additional capabilities must be an absolute priority, and is a sine qua non for NATO’s effectiveness as well as for its credibility. The goal must be to modernise our forces to make them more mobile and interoperable so that they will be able to perform a broader spectrum of tasks that range from war-fighting to peacekeeping, as well as disaster relief operations.

33. NATO has been instrumental in securing peace and stability in the Euro-Atlantic area for more than 65 years. The absence of major military conflict in our countries has led many in our nations to take security for granted. Our populations are certainly right to ask ‘What do we get out of NATO? What does it cost and what security does that money buy?’ Our national governments therefore need to explain to our citizens why it is necessary to invest in defence and why NATO is crucially important for our security. However, there is also a role for parliaments. As elected representatives of the people, parliamentarians are uniquely positioned to promote greater transparency of NATO policies. Burden sharing has been an important issue on NATO’s agenda since its inception. Many of the distinctions that are explained in this report should be conveyed in a clear, easily understandable manner that is readily available to voters/citizens of NATO member states - and thereby foster informed public discussion about NATO and our common defence.
34. President Trump’s unorthodox approach to foreign policy, including NATO, may be a blessing in disguise. European Allies risk underestimating how important progress on this goal is to America’s view of the transatlantic relationship. If European Allies want a sustained US commitment to a strong and continuing role in transatlantic defence they need to deliver. The former director of Carnegie Europe, Jan Techau, correctly noted that the 2% target is a “flawed but indispensable” indicator of “who is and who is not politically committed to NATO’s core task: European security.”

35. The Alliance will be in trouble if a transactional world-view elevates deals over values. However, citing values without supporting them with real resources rings hollow. The bottom line is that, if not all member states are willing to contribute their fair share to the burden of the Alliance, this will generate a profound crisis that strikes at the heart of NATO’s value as a political and military alliance.
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