

NATO'S POST-LISBON CHALLENGE

SMARTER DEFENSE IN AN AGE OF AUSTERITY



From left in front row, European Commission President Jose Manuel Barroso, European Council President Herman Van Rompuy, NATO Deputy Secretary-General Claudio Bisogniero and NATO Secretary-General Anders Fogh Rasmussen at the summit meeting of NATO Heads of States and Government in Lisbon, Portugal, in November 2010.

LISBOA



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Photos by Agence France-Presse

The November 2010 NATO Lisbon Summit was almost unanimously considered an all-around success, highlighted by the approval of a New Strategic Concept. The process that eventually produced “Active Engagement, Modern Defence” was far less painful than expected after many had criticized the open and inclusive approach taken by the Group of Experts as “opening Pandora’s box.”¹ These critics lamented that such a process would reinforce lasting fissions and undermine Alliance cohesion. Rather, at the end of the day, NATO found itself more united and relevant than many had suggested. While tensions surrounding Operation Unified Protector in Libya have, at various points, seemingly undermined that cohesion, trans-Atlantic leaders must seek to recapture Lisbon’s momentum if history’s most successful Alliance is to “carry out the full range of NATO missions as effectively and efficiently as possible”² in an era marked by austerity and an ever more unpredictable global security environment.

While the ambitious strategy approved at Lisbon was accompanied by reaffirmations that sufficient resources must be provided to achieve its goals, the so-called Lisbon Capabilities Package was more measured, reflecting the tight fiscal realities confronting European governments. The new triad of core tasks – *collective defense, crisis management and cooperative security* – was to be bolstered by a capabilities commitment, but the Allies could only agree to endorse a modest package focused mostly on enablers such as C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance), cyber defense, counter-IED, and medical support logistics. Funding for the further development of missile defense – including a modest 200 million euro split among 28 Allies over 10 years to upgrade the existing ALTBM (Active Layered Theatre Ballistic Missile Defence) system – remains uncertain, though it was included in the package and was identified as “a core element of our collective defense.”³

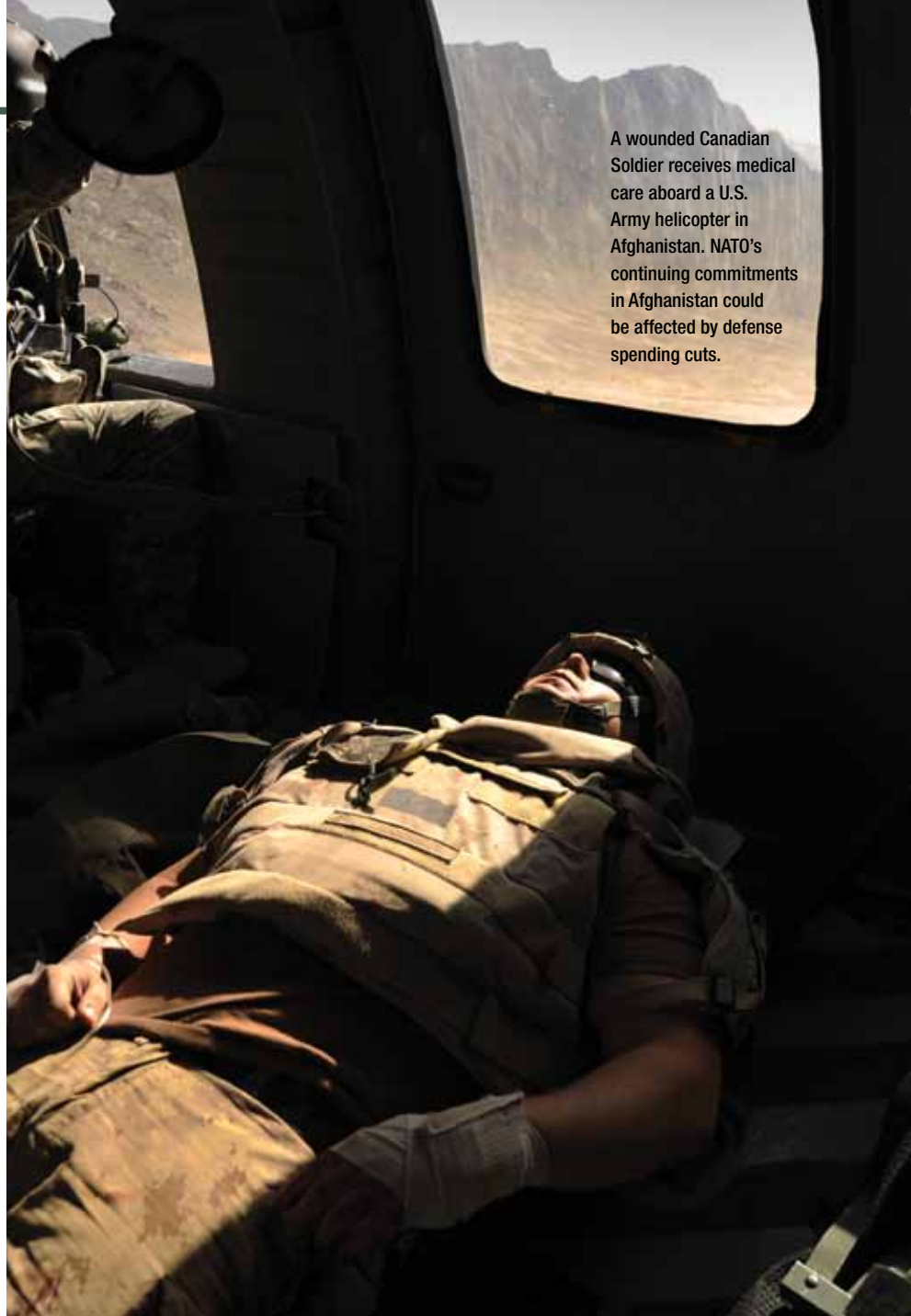
Despite Lisbon’s shortcomings in terms of resource commitments, NATO plans to maintain the capability to sustain “concurrent major joint operations and several smaller operations for collective defence and crisis response, including at strategic distance”⁴ in the face of a toxic political environment for such missions stemming from the International Security Assistance Force mission in Afghanistan. To live up to this level of commitment, the Strategic Concept announced that NATO will “develop and maintain robust, mobile and deployable conventional forces to carry out both our Article 5 responsibilities and the Alliance’s expeditionary operations, including with the

NATO response force.”⁵ However, it remains unclear whether the Alliance’s laudable political ambitions will be met with the necessary resources to ensure these commitments remain credible.

As noted by United States Undersecretary of Defense for Policy Michèle Flournoy, the Strategic Concept merely provides a blueprint, and the Alliance must now undertake the hard work to build it.⁶ In the aftermath of the global economic downturn, which hit Europe hard, an age of austerity has been forced on Allied capitals. The financial outlook for most NATO countries – with the notable exceptions of Turkey, Germany and Poland – appears bleak, both in the short- and long-terms. Even before the crisis, the economic picture for many European countries in the post-2020 period appeared gloomy because of unfavorable demographic trends and their anticipated impact on labor growth and age-related spending.

While Europe is emerging from the crisis, the downturn may have caused a permanent shock to European economies, and the Continent faces the possibility of a “lost decade” in terms of economic growth. For some economies, striking a balance between addressing high public debt and supporting growth presents a difficult challenge. Experiences from prior banking crises suggest that high unemployment may persist, and the unavoidable correction of current account and competitiveness imbalances could prove costly from both growth and budgetary points of view. While fiscal austerity is a necessary instrument of crisis management in times of market turmoil, financial consolidation will soon take its toll on growth. Many countries are adapting to the concept of a significantly less prosperous “new normal” of economic growth.

In late 2009 and early 2010, the reality of impending austerity measures created fears that defense budgets may be a primary target of cuts, and initial consolidation plans did little to allay those concerns. The United Kingdom was considering cuts of 20 to 25 percent in discussions leading up to the Strategic Defence and Security Review, or SDSR. France, which as recently as 2008 underwent a radical defense reform, was considering a cut of 5 billion euros. In Germany, an 8.4 billion euro consolidation order from the treasury was readily accepted. In Italy, a 10 percent budget



A wounded Canadian Soldier receives medical care aboard a U.S. Army helicopter in Afghanistan. NATO’s continuing commitments in Afghanistan could be affected by defense spending cuts.

reduction seemed unavoidable. While these proposed cutbacks were troubling, the situation seemed even more worrisome in Central and Eastern Europe, with Romania facing a 20 percent cutback and Bulgaria a force reduction of roughly the same amount.⁷

These numbers alarmed NATO officials, particularly those from the U.S. In 2009, U.S. Director of National Intelligence Dennis Blair warned that the crisis might render Allies unable to “fully meet their defense and humanitarian obligations,”⁸ an estimate that would be repeated in his Annual Threat Assessment 2010, when he warned that budget consolidation will “constrain European ... spending on foreign priorities ... and spending on their own military modernization and preparedness for much of this decade.”⁹ Likewise, NATO Secretary-General

Anders Fogh Rasmussen worried that “we have to avoid cutting so deep that we won’t, in future, be able to defend the security on which our economic prosperity rests,”¹⁰ while, in his famous farewell remarks, former U.S. Secretary of Defense Robert Gates foresaw the “very possibility of collective military irrelevance.”

Fortunately, defense budgets would ultimately avoid such dire projections. Compared to general consolidation efforts, the share of the burden borne by defense has often been well below the average hit taken in other budget areas. While this is a positive development, it may also be misleading: Afghanistan; obligatory contributions to international organizations such as NATO, the European Union and the United Nations; ongoing reform efforts; contractual procurement obligations; and defense industry concerns have so far protected defense budgets to some degree. However, as the Allies disengage from Afghanistan and the public starts to feel the fiscal contraction in social spending, political pressure to reduce defense spending will ratchet up as the requirement to protect “the boys” declines. In combination with political fatigue arising from Iraq and Afghanistan, calls for a peace dividend seem inevitable. And while defense spending will at best remain constant with defense inflation, the growing pension burden and the costs of the transformation to a more professional force will continue to hollow out budgets from inside. Many states have already recognized that the current reductions will not suffice, as rumors about the content of the U.K.’s next SDSR indicate. In France and elsewhere, a “reform of the reform” seems to be a question of “when” rather than “if.”

Current developments in European defense might also provide some indication of what lies ahead for the U.S. The impact of the planned cutbacks will be particularly painful for European militaries, given recent trends. As opposed to the U.S., where the defense sector experienced an almost unprecedented increase in the last decade, defense cuts in Europe have recurred during most of the post-Cold War period. A recent study by the Center for Strategic and International Studies, or CSIS, shows defense budgets and troop numbers have been steadily declining for 20 years, while operational engagements of European countries have steadily increased.¹¹ Consequently, even before the crisis, only five of NATO’s 28 members were living up to their commitment to spend 2 percent of GDP on defense, and most Allies spent significantly less.

The recently approved Lisbon Capabilities Package, as pointed out by Gebhardt and Crosby, “reflects as much the rapidly changing challenges of national security in today’s world as it does the lack of success of previous efforts.”¹² The many institutional

initiatives, be they NATO’s Defence Capability Initiative and Prague Capability Commitment or the EU’s various Headline goals, have failed to close the transformational gap across the Atlantic. Similar to that in the U.S., the European Allies transformation evolves in three dimensions:

- 1) Continuous involvement in stabilization missions at strategic distance has shifted forces toward a more expeditionary focus;
- 2) Such missions have triggered the adoption of civil-military and whole-of-government concepts, such as the effects-based approach to operations or the Comprehensive Approach;
- 3) This limited revolution in military affairs has spurred attempts to develop networked-enabled (as a more modest form of a network-centric) capability.¹³

The bleak future of European defense spending will put in jeopardy even the recent achievements of these three dimensions of transformation. After years of engagement, NATO forces are now probably better trained and equipped than ever before. Moreover, many upcoming improvements, mainly in the pre-2015 period (for example, in Strategic and Vertical Lift), are hard to stop, owing to contractual and industrial commitments.

But this positive trend will be offset by future developments. The exit from Afghanistan will see the end of extra-budgetary funding like the U.K.’s Treasury Special Reserve, or TSR, which has served as an important driver of “expeditionary” transformation. The country has bought much of its most relevant and modern equipment – Armed Personnel Carriers, UAVs and C4ISTAR equipment – through TSR-funded Urgent Operational Requirements. Where such money was not available,



United Kingdom Secretary of State for Foreign and Commonwealth Affairs William Jefferson Hague, left, listens to European Commission President Jose Manuel Barroso and UK Prime Minister David Cameron at NATO’s Lisbon Summit in November 2010.

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– NATO GROUP OF EXPERTS

prioritization of operations-related procurement has ensured that funds were allocated appropriately within the defense budget. At the same time, predeployment training and operational experience have provided a sense of professionalism.

These prioritizations have, however, come at a price. Modernization projects in other categories have been delayed repeatedly and nonfunded commitments have become more of a rule than an exception (worth 25 billion pounds sterling before the SDSR in the U.K. alone). At the same time, European navies face a decade in which considerable parts of their fleets will require replacement, while elsewhere costly equipment like the Joint Strike Fighter will weigh heavily on many countries' procurement accounts.

Aside from procurement, operations and maintenance costs will remain a reason for concern. The “frontline first” doctrine has often left the operational readiness of nondeployed forces in a disastrous state. As operational training ends and returning equipment is reintegrated into already overstretched maintenance accounts, the condition of forces like Italy's – which currently has one operational *Ariete* tank – provides an early window into a potentially dark future.

These pressures make the prospect of maintaining even current capabilities a formidable challenge. In addition, NATO will have to transform the fields of network-enabled warfare, adopt the Comprehensive Approach, and take on new functions such as missile- and cyber-defense. As a result, many view NATO's 2012 summit in Chicago with anxiety, fearing that the Lisbon Capabilities Package will have met the same fate as its predecessors by then. The history of the NATO Alliance Ground Surveillance System and Medium Extended Air Defense System might preview what is on the horizon.

While this account suggests pessimism, success is not impossible. As the CSIS report outlines, European budgets show a paradoxical trend: a significant decrease in troops and funding contrasted with an increase in spending per soldier as decreases in troops outpace budgetary decline. If we consider per-soldier spending an indicator of military quality, this provides countries with a chance to invest in the right kind of capability. Many European countries spend too much on personnel without improving the overall quality of forces. While force reductions, like those being

undertaken in Germany,¹⁴ carry significant short-term challenges, in the long-term they pave the way toward a “leaner, but meaner” force.

With its highly successful SAC (Strategic Airlift Capability) and SALIS (Strategic Airlift Interim Solution), NATO has again proven that it can play a positive role as a force multiplier. The Anglo-French defense agreement provides another useful example of how partnering with other countries can help nations achieve otherwise unaffordable capabilities. As opposed to multinational projects of the past, which viewed the involvement of as many partners as possible as adding intrinsic value and, according to the “juste-retour” principle, had industrial and political concerns taking priority over both utility and affordability, these initiatives show that cooperation among countries with similar needs and capabilities can be successful. As stated by Secretary-General Rasmussen: “The era of one-size-fits-all cooperation is over.” While many look at such noninstitutional cooperation with suspicion, the heterogeneity of European forces means different Allies might require different approaches to cooperation. In difficult economic times, the mere ideological value of institutional cooperation itself cannot replace real added value.

While one of the great themes of the debate surrounding the Strategic Concept was strengthening consultations, so far consultation on and coordination of reform efforts have been lacking. Nations need to develop a process to ensure the coherence of NATO's future collective defense posture. Washington's leadership will be critical. Fortunately, the 2012 summit in Chicago will ensure American interest in post-Lisbon developments. Because the Europeans are particularly weak in the sphere of research and technology, the U.S. would be well-served to offer incentives, especially in the field of network-enabling capabilities. An increased willingness to share technology with Allies could prevent superfluous spending efforts in some countries and might provide smaller Allies with their only access to such technology. Given the fragmentation of the European defense market and the low level of investment in research and development, easing technology transfer could greatly enhance European capabilities.

Ultimately though, the ball is in Europe's court. It is uncertain whether the demands of this changing security environment combined with economic



Soldiers of the German-Dutch corps return from Afghanistan to Germany's Munster/Osnabruck airport in 2010.

constraints will provide the impetus for leaders to assume a “cooperative imperative” to overcome deficiencies.

In a twist on the now famous words of U.S. Secretary of Defense Robert Gates, former NATO Secretary-General Javier Solana has noted that, rather than demilitarization, the crisis might provide us with a window of opportunity to rationalize defense spending.¹⁵ Secretary-General Rasmussen has coined this ‘Smart Defense’, which he defines as “how NATO can help nations to build greater security with fewer resources but more coordination and coherence, so that together we can avoid the financial crisis from becoming a security crisis.”¹⁶ It’s now up to European leaders to decide whether the Continent will adopt this concept of ‘smarter’ defense, or simply be content to do less with less. □

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3. *Ibid.*, p. 16.
4. *Ibid.*, p. 15.

5. *Ibid.*

6. Michèle Flournoy, “Outcomes of Lisbon, Pathways Forward. (Keynote speech, CSIS conference “NATO Beyond the Lisbon Summit,” November 29, 2010), <http://csis.org/event/nato-beyond-lisbon-summit>.

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