Targeting 2%
The Logistics of a More Sophisticated Approach to Burden-Sharing

LTG (Ret.) Ben Hodges
Carsten Schmiedl
September 2018
All opinions are those of the author(s) and do not necessarily represent the position or views of the institutions they represent or the Center for European Policy Analysis.

About CEPA

The Center for European Policy Analysis (CEPA) is a 501(c)(3), non-profit, non-partisan, public policy research institute. Our mission is to promote an economically vibrant, strategically secure, and politically free Europe with close and enduring ties to the United States. Our analytical team consists of the world’s leading experts on Central and Eastern Europe, Russia, and its neighbors. Through cutting-edge research, analysis, and programs we provide fresh insight on energy, security, and defense to government officials and agencies; we help transatlantic businesses navigate changing strategic landscapes; and we build networks of future Atlanticist leaders.

© 2018 by the Center for European Policy Analysis, Washington, D.C. All rights reserved.

No part of this publication may be used or reproduced in any manner whatsoever without permission in writing from the Center for European Policy Analysis.

Center for European Policy Analysis
1275 Pennsylvania Avenue NW, Suite 400
Washington, D.C., 20004
E-mail: info@cepa.org
www.cepa.org

Cover page: NATO Secretary General Jens Stoltenberg at the 2018 Brussels Summit. Credit: NATO.
Targeting 2%

The Logistics of a More Sophisticated Approach to Burden-Sharing

LTG (Ret.) Ben Hodges
Carsten Schmiedl
September 2018
The Issue

NATO’s Brussels Summit in July was marked by transactional discourse around the 2% benchmark. Certainly, the Alliance requires a baseline level of defense spending and must improve the readiness, maintenance, and modernization of Alliance capabilities. But 2% should not be the only metric of burden-sharing. It is, in fact, an inadequate measure of real military value. Moving forward, NATO should consider a more sophisticated approach to burden-sharing that builds on Alliance cohesion and incentivizes greater participation from members.
Introduction

It is time to take a more sophisticated approach to burden-sharing and what the 2% actually means.

NATO’s Brussels Summit in July was marked by transactional discourse around the benchmark.\(^1\) Certainly, the Alliance requires a baseline level of defense spending, the benchmark offers a clear objective—a guiding ‘North Star’—to aim for, and it is neither unreasonable nor arbitrary.

The guideline is neither the ultimate objective nor does it guarantee the alignment of NATO’s means and ends. In reality, it is an inadequate measure of burden-sharing and real military value, necessary but insufficient for securing the Alliance and achieving deterrence. In the wake of the Brussels Summit, NATO should recalibrate its approach to burden-sharing according to the Alliance’s core needs – with the ultimate goal of achieving greater strategic cohesion.

To that end, the Alliance should address three questions: (1) To what extent does the existing framework contribute to burden-sharing; (2) What should a strategically-cohesive NATO look like; (3) How could the current burden-sharing framework be adapted accordingly?

“The guideline is neither the ultimate objective nor does it guarantee the alignment of NATO’s means and ends.”

as Allies surpassed 2% during and immediately after the Cold War.\(^2\) If achieved, tangible improvements in the readiness, maintenance, and modernization of Alliance capabilities would follow. But the 2% is becoming a totemic symbol. It should not be the only metric of burden-sharing.

The 2% Benchmark and Burden-Sharing

At Wales in 2014, the Alliance declared its “aim to move towards the existing NATO guideline of spending 2% of GDP on defense within a decade” in order to fulfill “NATO capability priorities [and] display the political will to provide required capabilities and deploy forces when they are needed.”\(^3\) This includes spending a minimum of 20% of defense expenditures on equipment modernization, including research and development.\(^4\) Allies already achieving these targets should continue; those falling short should aim for them; all Allies should ensure that land, air, and maritime forces meet NATO’s “agreed guidelines for deployability and sustainability and other agreed output metrics” and “ensure that their armed forces can operate together effectively, including through the implementation of agreed NATO standards and doctrines.”\(^5\)
Clearly, the guideline is not legally-binding, so NATO members must be willing to step forward to contribute to burden-sharing. As NATO states, “this guideline principally serves as an indicator of a country’s political will to contribute to the Alliance’s common defense efforts.” So Allies must be incentivized rather than compelled to deepen their commitment.

Further, the guideline allows for broad interpretation and ‘creative accounting.’ This obfuscates the assessment of real military value contributed to the Alliance. Such loopholes have already been probed and even exploited, such as adding war pensions and intelligence expenditures into national defense budgets, lobbying for including foreign aid, or raising Ministry of Defense wages. Each example affects perceived burden-sharing, not the actual contribution of each member to NATO’s real needs and capabilities.

Defining Strategic Cohesion

If the 2% benchmark should not be the only metric of burden-sharing – what then? What should the Alliance aim for instead? One useful construct of burden-sharing is “cash, capabilities, and contributions.” This concept emphasizes the need for increasing defense expenditures, investing in military capabilities, and contributing to missions and operations. But the true strength of the Alliance is its cohesion – the political and economic power behind twenty-nine members that share democratic values and a commitment to cooperation. Essential to greater cohesion is harnessing burden-sharing for strategic effect.

An often overlooked aspect of burden-sharing is how it preempts threats to the Alliance. France and Germany’s intervention within the
context of the United Nations Mission in Mali is a recent example. Other Allies benefitted through greater regional stability in Europe’s periphery (in this case Northern Africa), yet without having to participate directly. This is an often-overlooked benefit of effective burden-sharing and strategic cohesion: Allies protect each other, even when the benefits are not explicitly quid pro quo.

Further, as a defensive alliance, NATO must achieve a comprehensive and credible deterrent effect. Adversaries intending to undermine the Alliance should have no doubt about its capabilities and resolve if triggered under the North Atlantic Treaty. In practice, this entails moving as fast or faster than adversaries in all potential areas of conflict—land, air, sea, electronic, cyber, financial, informational—by maximizing the speeds of recognition, decision, and reinforcement. If the Alliance demonstrates the ability to quickly identify a threat (recognition), choose a response (decision), and assemble substantial force (reinforcement), this establishes a credible deterrent effect. Fundamentally, speed combined with capabilities equals deterrence. And establishing an unwavering deterrent effect across the Alliance signals strategic cohesion.

Recent burden-sharing initiatives have encouraged some progress on this front. At Prague in 2002, the Alliance established the NATO Response Force (NRF); in 2006, Defense Ministers committed to spending 2%; at Wales in 2014, this commitment was reaffirmed, the 2024 deadline established, and the Very High Readiness Joint Task Force (VJTF) created; European Allies reversed the decline in defense expenditures beginning in 2014; at Warsaw in 2016, the Alliance established Enhanced Forward Presence (eFP) and committed to closer NATO-European Union relations; and in Brussels this year, joint force commands—one in Norfolk, Virginia, one in Ulm, Germany—were established to better coordinate reinforcements, while NATO defense spending increased for the fourth consecutive year. These developments have bolstered the Alliance’s deterrent effect by addressing capability gaps and increasing readiness and responsiveness.

“NATO has not fully adapted to the strategic realities of the post-Cold War era.”

But this is not achieving strategic cohesion. Certainly, defense expenditures remain too low with only eight of 29 members expected to reach the benchmark in 2018. More important, NATO has not fully adapted to the strategic realities of the post-Cold War era. The Eastern Flank of NATO now extends from the Barents Sea and Baltic littorals to the Black Sea. In a crisis, reinforcements from Germany could be required in Tallinn, a driving distance roughly equivalent to New York to Jacksonville, Florida. Deterrence—and the speed required for credibility—must extend across the Alliance, particularly to protect frontline Allies.

There are other practical requirements for strategic cohesion that would grease NATO’s interior lines of movement: more consistent intelligence-sharing, established crisis decision-making procedures and more authority for NATO’s Supreme Allied Commander Europe (SACEUR), streamlined logistics with better
sustainment and reinforcement networks across Europe, exercised and improved interoperability, and embedded border control procedures that facilitate and do not impede military mobility in a crisis. And while the Alliance needs rail transport instead of more tanks, closing the maintenance and readiness gaps plaguing existing capabilities is non-negotiable.

If every NATO member hit the 2% benchmark, but only treated this number as ‘membership dues’ in the NATO clubhouse, then the Alliance would not succeed in its organizing mission. Burden-sharing is about achieving greater strategic cohesion between covenant allies. Another aspect to consider: time and space. This means the speed and distance at which Allied capabilities are most effective. Finally, there is the need to preempt threats within a multilateral context. Finding a means of incentivizing a more sophisticated approach to burden-sharing is therefore one of the last frontiers in this effort.

**Reframing Burden-Sharing**

By redefining burden-sharing so that the 2% benchmark is not the only metric of burden-sharing, NATO members will need to eliminate ‘creative accounting’ that counts toward national defense spending. This process could be difficult for some, but the benefits will be multiplied for all. NATO members can do this by incentivizing smarter, more targeted, and more accurate assessments of Alliance capabilities. The goal: calculate their real-world contribution to the actual military value within the Alliance. There are several practical steps that NATO could initiate towards this end:

- **Strengthen the Alliance’s commitment to the 20% modernization guideline.** Existing capabilities underpin any deterrence effort and defensive strategy. Their readiness is an essential prerequisite for reinforcement. Any subsequent efforts towards strategic cohesion
are null without maintaining, modernizing, and readying existing capabilities. The Alliance should emphasize this aspect of the existing burden-sharing framework in subsequent summits and only count capabilities in strategic planning that meet this standard. This would also entail greater transparency among Allies in mutually sharing respective readiness and maintenance levels. In addition to aiming for 2% by 2024, NATO should consider an earlier deadline for reaching the 20% threshold. For Allies currently below the threshold, the 20% standard would be normalized to theoretical 2% defense expenditures, not current spending.

Designate a NATO-mandated task force to define the requirements for strategic cohesion. The Alliance must agree on the practical requirements for greater strategic cohesion then add them to the existing burden-sharing agreement. As introduced above, one useful framework is ‘speed equals deterrence,’ which should be consistent across NATO territory and particularly the entire Eastern Flank. Another is establishing a standard for speed across the Alliance: for example, requiring a battlegroup formation to move from A to B within X days, then building capabilities towards that goal. This could include streamlined border control procedures as well as roads, rails, and bridges certified for Heavy Equipment Transports. A third framework is meeting the multiple forms of nonconventional power of adversarial hybrid threats. The Alliance should consider how the concept of ‘speed equals deterrence’ applies in these scenarios as well – particularly as strategies and technologies evolve.

Adapt the 2% calculation to incentivize greater strategic cohesion. Knowing the requirements for strategic cohesion, the Alliance should agree to adapt the 2% calculation to reflect real military value. Logistics should count, including military-specific and dual-use projects, as long as there is demonstrable real military value. More robust rail networks and private sector Heavy Equipment Transports are additional examples. The European Union could assist with identifying costs, particularly for infrastructure development projects; at least part of the cost of dual-use projects should count towards defense expenditures. Cyber capabilities and better intelligence networks, for example among NATO members on the Black Sea, should count as well. Even Allies with smaller conventional capabilities could strengthen sustainment networks or contribute munitions. And so should involvement in multilateral operations that preempt threats to NATO members. The point is that burden-sharing is more than an expenditure threshold, and should be calculated and incentivized as such.
Endnotes


7 “Press conference by NATO Secretary General Jens Stoltenberg following the meeting of the North Atlantic Council at the level of Defence Ministers,” NATO, June 29, 2017, https://www.nato.int/cps/en/opinions_145385.htm


Targeting 2%, 7


