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THESIS

**GDP-BASED BURDEN SHARING IN NATO:
THE POLITICS OF DEFENSE FINANCING**

by

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June 2018

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DEFENSE FINANCING**

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ABSTRACT

The NATO Allies agreed at the September 2014 Wales Summit to spend at least two percent of their gross domestic products (GDPs) on defense by 2024. This commitment has become a point of contention among the Allies and a distraction from the imperative of improving the Alliance's burden sharing system. The GDP-based burden sharing policy has not proven to be effective or fair, and its implementation has been subject to national political and economic constraints. NATO as a whole has struggled to sufficiently fund the capabilities necessary for its mission effectiveness, even as individual Allies (above all, the United States) have spent enormous amounts on defense. At the same time, some Allies have made significant security contributions—e.g., basing facilities and aid for migrants—that have not shown up in their defense budgets. The disputes over burden sharing have divided the Allies and threatened to further undermine their consensus. U.S. Secretary of Defense Jim Mattis has proposed an approach to burden sharing that would tailor defense spending plans to the unique contributions of individual Allies and focus on strengthening the Alliance's cohesion and effectiveness.

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LIST OF ACRONYMS AND ABBREVIATIONS

ARM	asset risk management
ASW	anti-submarine warfare
COIN	counter-insurgency
EU	European Union
GDP	gross domestic product
ICBM	intercontinental ballistic missile
IISS	International Institute for Strategic Studies
ISBM	intermediate-range ballistic missile
LTDP	long-term defense program
MTDP	medium-term defense plan
NAC	Northern Atlantic Council
NAFTA	North Atlantic Free Trade Agreement
NATO	North Atlantic Treaty Organization
NDPP	NATO Defense Planning Process
ORM	operational risk management
PESCO	Permanent Structured Cooperation on Security and Defense
SAM	surface-to-air missile
SACEUR	Supreme Allied Commander, Europe
TCC	Temporary Council Committee
TOPFAS	Tool for Operations Planning Functional Area Services
TPP	Trans-Pacific Partnership
USD	United States dollar
VJTF	Very High Readiness Joint Task Force

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I. UNDERSTANDING THE NATO BURDEN SHARING DEBATE

The 2016 debate about spending two percent of gross domestic product (GDP) on collective defense is far from being a new issue in the political economy of the Atlantic Alliance or in the formulation of NATO policy. This theme has been discussed many times in the past, using different numbers and methods of delineating financial responsibility.¹ This thesis seeks to illuminate this issue of public policy in its political dimensions, especially as these factors show a high degree of continuity with the debates about burden sharing in former times. Burden sharing is an understandable necessity to maintain an effective multilateral alliance.² However, is the post-2014 Wales Summit goal of having each NATO member spend two percent of its GDP on its defense budget fair, or necessary, for NATO to function properly? This thesis addresses this question by analyzing the importance of burden sharing, its origins and history in NATO, the relevance of the current goal as well as its flaws, and alternative goals.

Allies' attempts to address NATO funding began soon after the alliance was established in April 1949. During its second meeting in November 1949, the North Atlantic Council (NAC) introduced the Defense Financial and Economic Committee.³ The committee was convened to gauge the ability of each NATO member state to support an increase in defense spending; it would then be implemented by the Military Production and Supply Board.⁴ An American plan was presented to NAC and approved in January 1950.⁵ The plan was left intentionally vague in order not to hinder the quick release of funds for the military assistance program.⁶ What this meant for the funding of the Alliance was that

¹ Simon Duke, *U.S. Defense Bases in the United Kingdom: A Matter for Joint Defense* (New York: Saint Martin's, 1987).

² Robert Harkavy, *Bases Abroad: The Global Foreign Military Presence* (Oxford: Oxford University Press, 1989), 3–12.

³ Wallace J. Thies, *Friendly Rivals: Bargaining and Burden in NATO* (New York: M.E. Sharpe, 2003), 60; and Wallace J. Thies, *Why NATO Endures* (New York: Cambridge University Press, 2009).

⁴ Thies, "Friendly Rivals," 60.

⁵ Thies, 61.

⁶ Thies, 61.

a new and more comprehensive plan would have to be commissioned at some point to offer a longer-term solution to the problem of NATO burden sharing.

NATO burden sharing arguably first became part of public discourse in December 1951 in the protracted process through which the NATO allies added the organization to the Washington Treaty during the first five years of the Alliance. It is to this epoch that one must go to find the ground truths of this political process, an exercise that commentators today seem hardly able to achieve. At the end of 1951, after the outbreak of the Korean War in June 1950 and the armament effort in Western Europe that followed in the wake of this war soon after the Washington Treaty went into effect, the Temporary Council Committee's (TCC) report detailed the military risk the Alliance would be faced with if defense expenditures were not increased to meet the threats of the day. This risk assessment included the Korean emergency and the firm expectation that the hot war in Asia would swiftly spread to Europe as had been the case in the 1930s.⁷ Within the framework of the TCC, the painful balance between guns and butter in the NATO Alliance was broached for the first time in a systematic and methodical way. With this report, the political dimensions of how much, by whom, where, and when became a permanent feature of how the NATO nations prepare their forces for the purpose of collective defense.

Since this time over sixty years ago, the political, strategic, and technical discussion surrounding the idea of burden sharing has taken many forms, and the solutions that have been created have seen many different iterations with varying degrees of success. Starting with the 1952 Lisbon Force Goals, the subject has been contentious and divisive. The 1977 Long Term Defense Program (LTDP) set the groundwork for the current burden sharing model; and the 2005 adoption of the two percent of GDP spending guideline, followed by the 2014 pledge to reach that goal by 2024, brings the discussion to where it is today.⁸

⁷ Thies, 71.

⁸ Simon Lunn and Nicholas Williams, "NATO Defense Spending: The Irrationality of 2%," *European Leadership Network*, 5, <http://www.europeanleadershipnetwork.org/medialibrary/2017/06/12/6c4740de170608%20ELN%20Issues%20Brief%20-%20Defence%20Spending.pdf>.

A. SIGNIFICANCE OF RESEARCH QUESTION

NATO burden sharing has long played a significant role in the American-European relationship. Every U.S. president since Harry Truman has had to balance domestic issues with his commitment to European security. The conversation between the American President and his counterparts in other NATO nations has typically been one of tempered constraint, deliberate language, and mutual respect. In a 2014 NATO address, U.S. President Barack Obama affirmed the U.S. commitment to European security, but remarked, “Every NATO member must do their fair share,” and stated that the United States would not be able to carry the burden alone.⁹ In stark contrast to the tone set by his predecessors, recent remarks directed towards NATO members by U.S. President Donald Trump have been more accusatory and have proven to be remarkably divisive. During his presidential campaign Trump referred to NATO as “obsolete.”¹⁰ Once in office President Trump incorrectly accused Germany of owing “vast sums of money to NATO & the United States.”¹¹ Perhaps the most significant break from past U.S. policies concerning NATO came during President Trump’s first NATO address, on 25 May 2017. Despite the efforts of his staff and high-ranking cabinet members, President Trump failed to publically reaffirm the U.S. commitment to NATO collective defense, that is, Article 5 of the North Atlantic Treaty.¹² It was not until the following month that President Trump announced his support for Article 5.¹³

At a time when the conversation about NATO burden sharing appears to be weakening the Alliance, at least in some quarters, it is important for the Allies to remember

⁹ Barack Obama, “NATO Address” (speech, U.S.-Poland Joint Press Conference in Warsaw, Poland, June 3, 2014), <https://obamawhitehouse.archives.gov/the-press-office/2014/06/03/remarks-president-obama-and-president-komorowski-poland-joint-press-conf>.

¹⁰ Donald Trump, interviewed by Michael Gove and Kai Diekmann, January 16, 2017, *The Times of London*, <https://www.thetimes.co.uk/article/full-transcript-of-interview-with-donald-trump-5d39sr09d>.

¹¹ Donald Trump, Twitter, March 18, 2017, <https://twitter.com/realDonaldTrump>.

¹² Donald Trump, “NATO Address” (speech, NATO Unveiling of Article 5 and Berlin Wall Memorials in Brussels, Belgium, May 25, 2017), <https://www.whitehouse.gov/the-press-office/2017/05/25/remarks-president-trump-nato-unveiling-article-5-and-berlin-wall>.

¹³ Peter Baker, “Trump Commits United States to Defending NATO Nations,” *The New York Times*, June 9, 2017, <https://www.nytimes.com/2017/06/09/world/europe/trump-nato-defense-article-5.html?mcubz=1>.

that this conversation has always been present and may play an important part in strengthening NATO capabilities. By examining the positive and negative aspects of the current policy, as well as the history of the policy, NATO members may be able to devise a more effective policy; one that not only covers the cost of operations and capabilities, but does so in a way that does not weaken the already vulnerable members of the Alliance. NATO's missions have been evolving since its inception. As threats evolve, so must NATO, in the way it operates as well as in the way it funds itself. Too long has the subject of burden sharing been left to chance and flimsily constructed policy. If NATO wishes to resolve this issue in a meaningful way, a serious appraisal must be conducted of past and present practices.

B. LITERATURE REVIEW

The purpose of this literature review is to gain an understanding of the public conversation that has surrounded the topic of NATO burden sharing since the founding of the Alliance. Many credible authors have contributed to this discussion over the years; this thesis will discuss some of the most prominent theories and ideas as to why NATO burden sharing has developed as it has, as well as the commonly accepted pros and cons of the current model. This review will provide a baseline understanding of the topic to be built upon by further analysis and lay the groundwork for the primary question to be answered in this thesis. Among the many sources on burden sharing in NATO, three stand out as especially useful for this thesis: works by Simon Lunn, Nicholas Williams, John Duffield, and Wallace Thies.

“NATO Defense Spending: The Irrationality of Two Percent” is a paper authored by Simon Lunn, a former Secretary General of the NATO Parliamentary Assembly, and Nicholas Williams, a long time senior NATO staff member.¹⁴ The paper is a critique of the use of a percentage of GDP as the determining factor of how much a NATO ally should pay for defense. Lunn and Williams draw attention to the disadvantages of using a percentage of GDP as the target, and the inconsistencies involved in measuring an Ally's

¹⁴ Lunn and Williams, “NATO Defense Spending,” 2–9.

contribution based solely on the percentage of its GDP spent on defense. The paper includes a brief history of the NATO burden sharing practices that led to the current two percent of GDP policy. The conclusion of the article offers speculation about the future of burden sharing in NATO based on historical behavior patterns, the authors' understanding of NATO politics, and finally, a plea to NATO to reexamine the policy in hopes of making improvements to it.

The book *Power Rules: The Evolution of NATO's Conventional Force Posture*, written by John Duffield, a professor of political science at Georgia State University, traces the development of NATO's non-nuclear forces from its roots at the beginning of the Cold War to the fall of the Soviet Union.¹⁵ The book examines the historical relevance of NATO's conventional forces as opposed to its often-discussed nuclear deterrence. In order to bring clarity to the complex topic of NATO's conventional posture evolution, Duffield analyzes the international relations aspect of building up NATO forces. This argument takes shape in the form of discussing influence and power among the Allies, the capabilities and intentions of potential adversaries, and the advancement of military technology.

The book *Friendly Rivals: Bargaining and Burden Shifting in NATO*, written by Wallace Thies, a professor of politics at the Catholic University of America, discusses the history and art of "burden shifting" within an alliance, and how it specifically applies to NATO.¹⁶ Thies discusses why states choose to partake in this form of political gambling, how it is subtly executed, as well as the possible consequences of such actions. This book contains a detailed account of NATO's burden sharing history and the decisions that shaped modern burden sharing policy. The author follows the familiar timeline of NATO's policy evolution, but through the unfamiliar lens of burden shifting and political maneuvering.

Some major points discussed by Lunn and Williams will serve as a starting point to lay out the framework for the research. This thesis will investigate the hypothesis that GDP was used as a baseline out of convenience rather than utility, and that a set spending

¹⁵ John Duffield, *Power Rules: The Evolution of NATO's Conventional Force Posture* (Stanford, Stanford University Press, 1995).

¹⁶ Thies, "Friendly Rivals," 3–19.

agreement was never meant to serve as an immovable threshold for allied defense.¹⁷ Lunn and Williams state repeatedly that this benchmark, while not unprecedented, is largely arbitrary and deserves either justification or nullification. The authors observe that the all-encompassing and static nature of the agreement on spending two percent of GDP is an unacceptable flaw that could undermine its very purpose.

It is widely agreed that the floundering attempt made by the United States to build up NATO forces after the outbreak of the Korean War in June 1950 was the catalyst that brought a sense of urgency to the burden sharing conversation within the organization. Prior to hostilities on the Korean Peninsula, the Allies, the United States included, faced tremendous domestic opposition to contributing the necessary conventional forces to NATO to support the organization's strategy.¹⁸ One specific political obstacle to be overcome was the question of whether the newly established Federal Republic of Germany should be allowed to establish armed forces.¹⁹ Despite the decision of the Allies not to support the establishment of military forces in West Germany initially, Allied military planners concluded that even with an optimistic estimate of U.S. and European troops, their strategy was not sustainable without a German contribution. The U.S. Army and U.S. Joint Chiefs of Staff supported this view and lobbied for West German armed forces. However, U.S. State Department leaders were unwilling to make such a proposal to NATO.²⁰ When North Korea suddenly invaded South Korea, NATO was forced to reassess its take on Soviet ambition and its stance on West German armed forces.²¹ After persistent prodding by U.S. officials and the realization that the Soviets were more willing to use force than had been previously assumed, the NATO Allies submitted to U.S. pressure to provide more

¹⁷ Lunn and Williams, "NATO Defense Spending," 2–3.

¹⁸ Duffield, "Power Rules," 36.

¹⁹ Duffield, 35.

²⁰ Duffield, 33.

²¹ Duffield, 36.

conventional military assets and manpower.²² However, there were major disagreements over what the appropriate response from each member state should be.²³

Once it was clear that this process required major improvements to be effective, the 1951 Temporary Council Committee (TCC) was convened to determine the required responses for each member state. The TCC took into account many factors, such as the cost of specific capabilities required to support NATO's grand strategy and the cost of current programs being paid for by each ally.²⁴ The TCC's report made recommendations for the improvement of different military programs and economic policies. The 1952 Lisbon Force Goals used this report to articulate the most detailed NATO burden sharing policy to date.²⁵ While it was a step in the right direction, it would ultimately prove to be too short-sighted in its scope. The 1977 Long Term Defense Program (LTDP), implemented by the Carter administration, was NATO's first long term solution for burden sharing, and because it assigned a set financial obligation to every NATO member, it met with some resistance.²⁶ In 1978, it was reluctantly accepted and its three percent of GDP annual defense spending pledge was used as "a general guideline" for defense spending.²⁷ In 1990 NATO members began to unilaterally shift to a two percent spending goal, which was unofficially adopted in 2005, and officially in 2014.²⁸ It was then that NATO members pledged to reach that goal by 2024, bringing the burden sharing conversation to the forefront of modern NATO discussions.²⁹

NATO is as much a political organization as it is a military one; as is typical in politics, language is critical in crafting expectations. In the two percent of GDP burden sharing policy, as well as the policies that preceded it, the language is consistently crafted

²² Duffield, 37.

²³ Thies, "Friendly Rivals," 69.

²⁴ Thies, 71.

²⁵ Thies, 71.

²⁶ Lunn and Williams, "NATO Defense Spending," 5.

²⁷ Lunn and Williams, 5.

²⁸ Lunn and Williams, 5.

²⁹ Lunn and Williams, 6.

in a way to offer maximum flexibility to the parties concerned. Words such as “aim,” “pursue,” and “target” are used to indicate that efforts will be made to reach the goals discussed; they stop short, however, of declaring absolute resolution outright.³⁰ Such ambiguous language lends credibility to the judgement that agreements are written in such a way that they have a certain degree of flexibility. This practice is not specific to the concept of burden sharing or NATO, but is widely practiced in all of politics; because of this, whenever definitive language is used it is more effective and absolute.

A more disconcerting root cause for the NATO burden sharing discussion is the propensity of the Allies to participate in “burden shifting.”³¹ Wallace Thies defines this phenomenon as “the art of manipulating alliance relationships for political gain.”³² Essentially, each member state is attempting to reap the maximum benefits of being part of a coalition, while restricting its input to the minimum it can get away with. Thies explains the tendency of the Allies to take part in burden shifting by drawing on the similarities between this tactic and the behavior, in respect to alliances, of many of the states that would eventually come to make up NATO prior to its formation.³³ Thies suggested that the impromptu and fragile nature of alliances prior to modern formal alliances incentivized self-serving short-sightedness. If it was already understood that the alliance was temporary, the states involved would have little reason to consider the long-term effects of taking advantage of their partners, especially considering how often alliances were formed and dissolved as the factors that made them necessary shifted. Thies suggests that burden shifting could be a holdover from alliance behavior from decades earlier.³⁴

Burden sharing is a complex and highly consequential topic with global implications. In recent years, limited dialogue and a confrontational aura surrounding the topic has prevented any constructive progress in correcting policy shortfalls. The timeline

³⁰ Lunn and Williams, 6–7.

³¹ Thies, “Friendly Rivals,” 5–18.

³² Thies, 8.

³³ Thies, 5.

³⁴ Thies, 5.

of events that led up to the creation of the current benchmark and the reasons behind each of its components can tell a great deal about what has worked in the past and what should be reexamined. Likewise, the specific need that the policy was meant to address can shed light on how it should be pursued. The Allies should decide whether and to what extent that application is in keeping with the overall mission of NATO. Only by understanding where this policy came from and what influenced its creation can the Allies begin to repair it and transform it from a point of contention into a useful tool for the organization to accomplish its missions.

C. POTENTIAL EXPLANATIONS AND HYPOTHESIS

This thesis investigates the hypothesis that the current NATO model for burden sharing is fundamentally flawed in its conception and in its execution. It takes a “one size fits all” approach to an especially dynamic problem. Not only is this approach ill-suited for the current members of NATO as they are today, but it is meant to be applied over a long period of time, not taking into account the ever-changing threat and global and domestic economic fluctuations that are certain to occur.

It appears that the two percent of a state’s GDP that is to be spent on national defense is a mostly arbitrary number, as was the three percent that served as a benchmark before.³⁵ Both numbers were chosen, some experts hold, because they reflected a goal for NATO members to aspire to, based on their defense spending at the time.³⁶ This decision did not take into account the fact that the global economic landscape might change over the years; nor did it take into account the fact that the capabilities required to complete a NATO mission in 2005 and the investment required to cover the cost might change by 2024. The adoption of a blanket two percent benchmark appears to be a thoughtless, lazy “Band-Aid” used to address an issue that warrants far more serious deliberation.

U.S. presidents prior to Donald Trump insisted, however politely, that all NATO members should pay their fair share, whatever it happened to be during their tenure.

³⁵ Lunn and Williams, “NATO Defense Spending,” 5.

³⁶ Lunn and Williams, 5.

However, due to the culture in NATO surrounding the subject, it was basically understood that each state was not only not obligated to reach the minimum spending requirement, but that they most likely would not put forth an effort to do so.³⁷ This was not a healthy attitude to have towards burden sharing. It is understandable that each head of state or government is responsible to his or her constituents, but to willfully perpetuate a facade of commitment while the underlying problem grows more costly and unruly is irresponsible.

This thesis will also strive to identify means to mend the flawed policy currently in use. NATO might, for example, meticulously assess how much each ally could spend on defense without potentially destabilizing its economy, and then determine what it should spend based on the capabilities needed for NATO to function. The TCC in 1951 took dozens of factors into account to make this determination and recommended an annual reassessment.³⁸ Following this precedent would allow for frequent readjustments to ensure that each ally is committing the appropriate amount to defense while stemming potentially wasteful spending and ending the criticisms that have led to the recent divisive stances being taken within the organization, such as U.S. President Donald Trump's public feud with German Chancellor Angela Merkel or the growing presence of nationalism in NATO member states among political parties vying for power.³⁹

D. RESEARCH DESIGN

To properly assess the current NATO burden sharing process and evaluate its effectiveness and fairness this thesis will analyze NATO's strategic objectives and determine whether the current policy is facilitating or hindering progress toward the achievement of those objectives. This thesis will also examine the current and proposed defense contributions of some NATO members, specifically Estonia, Germany, Greece, Iceland, and Italy. The research will make use of books and articles on NATO burden

³⁷ Thies, "Friendly Rivals," 7.

³⁸ Thies, 69.

³⁹ Michael Birnbaum and Rick Noack, "Germans Perplexed as Trump Escalates Feud," *The Washington Post*, 30 May 2017, https://www.washingtonpost.com/world/europe/germans-perplexed-as-trump-escalates-feud/2017/05/30/eeb30fdc-4552-11e7-8de1cec59a9bf4b1_story.html?utm_term=.d92a24f324ad.

sharing, books about NATO in general, speeches given by heads of state and government, and NATO officials, and various sources concerning the previously mentioned states in regard to their defense spending and the unique challenges they face.

To assess the NATO burden sharing process the research will include an analysis of the history of the modern policy, the decision making that led to it, and the impact it has had on funding NATO. Much of the material that covers the modern burden sharing conversation consists of news articles and public speeches. The information is relatively new and still developing. For that reason, the scope of the research will range from 2008 to July 2017, with the chapter covering the history of the policy going back as far as 1950.

Each of the five NATO members to be examined has an objectively reasonable excuse to not meet the two percent benchmark that is not necessarily limited to them. Iceland is the only member of NATO that does not have a military establishment.⁴⁰ The people of Iceland were persuaded to join the alliance by the United States because of the strategic location of their island.⁴¹ If they were to attempt to meet the benchmark, the spending would be largely symbolic and wasteful. Germany has the largest economy in NATO Europe, and if the Germans were to spend two percent of their GDP on defense, they would have a far more powerful military than their neighbors, a situation which has historically led to conflict. Greece has the opposite problem. Its economy is fairly small and fragile. While it is currently meeting its two percent of GDP obligation, its defense spending is barely noticeable to the rest of the alliance, and that capital might be much better employed to meet domestic needs. Similar to Greece, Estonia has a small economy and its capital investment in defense spending is almost negligible. However, the Estonians have something far more valuable, a strategic location. Their geographic proximity to Russia is not only an invaluable asset, but also a great liability for the people of Estonia and other Eastern European states. While the populations of Great Britain and the United States are relatively safe in the event of a conventional conflict with Russia, NATO's

⁴⁰ Helga Haftendorn, "NATO and The Arctic: Is the Atlantic Alliance a Cold War Relic in a Peaceful Region Now Faced with Non-Military Challenges?" *European Security* 20, no. 3 (July 2011): 337-361, DOI: 10.1080/09662839.2011.608352, 348-349.

⁴¹ Mark A. Stoler, *Allies and Adversaries: The Joint Chiefs of Staff, The Grand Alliance, and U.S. Strategy in World War II* (University of North Carolina Press, Chapel Hill, 2000), 234.

border states are assuming a disproportionate amount of the risk. Finally, Italy may not be meeting the required benchmark for defense spending, but it is spending large amounts of money addressing other domestic issues that arguably can fall under the umbrella of supporting the NATO mission. Since the fall of the Libyan government and the start of the Syrian civil war, Italy has been inundated with refugees seeking asylum in Europe. A reasonable case could be made that this spending serves the NATO mission of maintaining stability in the region, and this is certainly an area where Italy is outspending many of its fellow Allies.

E. THESIS OVERVIEW AND CHAPTER OUTLINE

This thesis is organized as follows. The introduction has set the scene for chapters on the history of the current burden sharing policy, the effectiveness of the current burden sharing policy, examples of exceptions to the current burden sharing policy, alternatives to the current burden sharing policy, and the conclusion. Chapter II's outline of the history of the policy includes the timeline of events that led to the current policy as well as the idea behind the original policy. Chapter III discusses the effectiveness of the current policy. This chapter will compare the capabilities needed to accomplish NATO objectives with those successfully provided by the Alliance. This chapter will also examine how well the current policy is applied and enforced. Chapter IV examines examples of NATO allies that are negatively affected by the current policy and ways in which that policy is being used by some Allies to alienate other Allies that are not meeting the two percent of GDP goal. This undermines the political cohesion of the Alliance. Chapter V presents conclusions. This chapter summarizes the findings of the research concerning the current NATO model for burden sharing and a possible alternative suggested by U.S. Secretary of Defense Jim Mattis.

II. HISTORY OF BURDEN SHARING

The post-2014 burden sharing policy of the North Atlantic Treaty Organization (NATO) is an agreement that all NATO members will dedicate two percent of their annual Gross Domestic Product (GDP) to their national defense budget. Many politicians and experts on the matter have criticized this policy as being overly simplified and not addressing the many nuances involved with funding such a complex multi-national organization. If NATO hopes to create a more effective burden sharing policy in the future, it is important to understand the history of the policy and how it was originally meant to be applied.

In order to understand the history of this policy, this thesis examines its purpose and the effectiveness of each of its components in achieving that purpose. The main ideas to be examined are: the spirit of the idea of NATO burden sharing when it was originally conceived, why NATO burden sharing is divided up the way it is, and the events that brought the discussion among the Allies to where it is today. Starting with the initial informal guidelines set within NATO for national defense spending, this thesis will discuss the reasons behind each component of the policy, beginning with why GDP was chosen to be the common denominator by which a spending goal was determined.

This thesis also investigates how the agreement was meant to be construed: was it regarded as merely a “gentlemen’s agreement,” or was it to be followed in a stricter sense? Once the intentions behind the policy are clarified, this thesis reviews the chronology of events from the initial NATO burden sharing discussion to the modern understanding of the idea, and finally use the data gleaned from the research to recommend a path forward for NATO to improve upon its existing burden sharing policy.

A. THE PURPOSE OF THE TWO PERCENT STANDARD

In the wake of World War II, the United States, the United Kingdom, and France saw the need for a more robust European defense initiative than that provided by the existing bilateral agreements if they hoped to deter a major conflict between Western

Europe and the Soviet Union.⁴² Because of this concern, NATO was established in 1949 to ensure the security of Western Europe under the umbrella of U.S. military power and nuclear deterrence.⁴³ Not long after, the question of how to pay for this multi-national defense institution was broached, and it has remained an active conversation ever since. Due to the large U.S. economy, the powerful standing U.S. military, the U.S. interest in the region, and the severely weakened economies of the great Western European states after World War II, it was agreed that the United States would shoulder much of the responsibility for European defense. However, as the European economies recovered and the United States began to experience slower growth in its own financial markets, U.S. politicians began blaming European dependence on U.S. military protection for emerging U.S. hardships. The U.S. public responded by demanding that action be taken to ease the burden on U.S. tax payers and force Europeans to pay more for their own defense.⁴⁴

The current burden sharing policy is what is known as the “Fundamentalist approach.”⁴⁵ It states that each European member of NATO should spend a proportionate amount of its country’s income on defense, in this instance, two percent of its GDP, or risk the United States reducing its contribution.⁴⁶ This would ensure that the richer Allies would shoulder more of the burden, while still requiring the other Allies to contribute their fair share. Since the argument could be made that the cost of funding NATO’s capabilities was split evenly, every ally was just as deserving of the protection of the alliance and had an equal voice in decision making.

⁴² Gustav Schmidt, “From London to Brussels: Emergence and Development of a Politico-Administrative System,” *NATO’s Post-Cold War Politics: The Changing Provision of Security*, ed. Sebastian Mayer (New York: Palgrave Macmillan, 2014), 31.

⁴³ Schmidt, 31–32.

⁴⁴ Charles A. Cooper and Benjamin Zycher, *Perceptions of NATO Burden Sharing* (Santa Monica, CA: RAND Corporation, 1989), 1.

⁴⁵ Cooper and Zycher, 7.

⁴⁶ Cooper and Zycher, 7.

B. THE COMPONENTS OF THE TWO PERCENT STANDARD

To understand the 2016 burden sharing debate, it is imperative to understand how this debate has evolved over time and how the 2014 Wales Summit defense spending goals came to be. The fact that NATO choose to use GDP as the means by which defense spending is measured is a key factor in the argument against this policy. Also, the initial intentions of the NATO officials who crafted this policy may have been misinterpreted over time to suit domestic political messages as the security and economic climates have shifted.

1. Gross Domestic Product as a Baseline

The idea of using a percentage of GDP as a baseline was more about convenience than utility; and a set spending agreement was never meant to serve as an immovable obstacle for allied defense.⁴⁷ Simon Lunn and Nicholas Williams imply in multiple instances that this benchmark, while not unprecedented, is largely arbitrary and deserves either justification or nullification. Lunn and Williams point out that the all-encompassing and static nature of the agreement is an unacceptable flaw that could undermine its very purpose. A RAND study on the subject suggests that this type of system punishes states for their economic growth.⁴⁸ Because this system focuses so much on spending to meet an arbitrary number, it neglects to address the important question of how that money should be applied.

Two percent of a weaker ally's GDP may provide no significant capability to NATO, and may be better spent on improving that state's infrastructure or on social programs that might aid in economic recovery efforts. This would eventually lead to an overall increase in national GDP, making that state a stronger, more effective ally. In addition to overlooking this possibility, the focus on spending could leave gaps in capability.⁴⁹ With the only directions from NATO being to spend the agreed upon two

⁴⁷ Lunn and Williams, "NATO Defense Spending," 2–3.

⁴⁸ Cooper and Zycher, "Perceptions of NATO Burden Sharing," 7–8.

⁴⁹ Cooper and Zycher, 8.

percent of GDP on defense and 20 percent of that “on major new equipment, including related Research & Development,” each Ally is left to figure out what that money goes towards.⁵⁰ Because national politicians must answer directly to their constituencies, much of the deliberation on how to spend a country’s defense budget is focused on national needs rather than the needs of the alliance.⁵¹

This fact has resulted in unnecessarily redundant capabilities in certain domains across allied militaries, with some capabilities not being attended to at all.⁵² One such example is the comparative neglect of naval forces in the North Atlantic in favor of an over-saturation of naval forces in the Mediterranean to counter the growing Russian naval presence.⁵³ While a strong show of force in the Mediterranean by NATO is important, the lack of coordination on the part of the Allies has left a shortfall in naval forces and Anti-Submarine Warfare (ASW) platforms in the North Atlantic, a shortfall that is only now being addressed with the reopening of Keflavik Airbase in Iceland and the purchase of Boeing P-8 Poseidon maritime patrol and reconnaissance aircraft by Norway and the United Kingdom.⁵⁴

2. The Flexibility of the Spending Policy

NATO is as much a political organization as it is a military one; as is typical in politics, language is critical in crafting expectations. When considering the two percent of GDP burden sharing goal and its predecessors, the language is consistently crafted in a way to offer maximum flexibility to the parties concerned. Words such as “aim,” “pursue,” and “target” are used to indicate that efforts will be made to reach the goals discussed; they

⁵⁰ “2014 Wales Summit Declaration,” North Atlantic Treaty Organization, accessed September 7, 2017, paragraph 14, http://www.nato.int/cps/en/natohq/official_texts_112964.htm.

⁵¹ Lunn and Williams, “NATO Defense Spending,” 7.

⁵² Lunn and Williams, 7.

⁵³ Andrew Chuter. “Report Flags NATO’s Naval Shortage vis-a-vis Russia.” *Defense News*, March 5, 2017. <https://www.defensenews.com/naval/2017/03/06/report-flags-nato-s-naval-shortfalls-vis-a-vis-russia/>.

⁵⁴ Chuter.

stop short, however, of declaring absolute resolution outright.⁵⁵ In the 2014 Wales Summit Declaration, the Allies agreed on the following statement:

We agree to reverse the trend of declining defence budgets, to make the most effective use of our funds and to further a more balanced sharing of costs and responsibilities. Our overall security and defence depend both on how much we spend and how we spend it. Increased investments should be directed towards meeting our capability priorities, and Allies also need to display the political will to provide required capabilities and deploy forces when they are needed. A strong defence industry across the Alliance, including a stronger defence industry in Europe and greater defence industrial cooperation within Europe and across the Atlantic, remains essential for delivering the required capabilities. NATO and EU efforts to strengthen defence capabilities are complementary. Taking current commitments into account, we are guided by the following considerations:

- Allies currently meeting the NATO guideline to spend a minimum of 2% of their Gross Domestic Product (GDP) on defence will aim to continue to do so. Likewise, Allies spending more than 20% of their defence budgets on major equipment, including related Research & Development, will continue to do so.
- Allies whose current proportion of GDP spent on defence is below this level will:
 - halt any decline in defence expenditure;
 - aim to increase defence expenditure in real terms as GDP grows;
 - aim to move towards the 2% guideline within a decade with a view to meeting their NATO Capability Targets and filling NATO's capability shortfalls.
- Allies who currently spend less than 20% of their annual defence spending on major new equipment, including related Research & Development, will aim, within a decade, to increase their annual investments to 20% or more of total defence expenditures.
- All Allies will:
 - ensure that their land, air and maritime forces meet NATO agreed guidelines for deployability and sustainability and other agreed output metrics;
 - ensure that their armed forces can operate together effectively, including through the implementation of agreed NATO standards and doctrines.⁵⁶

⁵⁵ Lunn and Williams, "NATO Defense Spending," 6–7.

⁵⁶ "2014 Wales Summit Declaration," North Atlantic Treaty Organization, September 7, 2017, paragraph 14, http://www.nato.int/cps/en/natohq/official_texts_112964.htm.

Such ambiguous language lends credibility to the judgement that agreements written in such a way are to be viewed with a certain degree of flexibility. This practice is not specific to the concept of burden sharing or NATO, but is widely practiced in all of politics; because of this, whenever definitive language is used, it is more effective and categorical.

It was always understood that domestic politics would be a factor in each state being able to meet its spending requirements.⁵⁷ Making use of such open-ended language allows for the politicians of each state to cater to the needs of their voters while also making strides to meet NATO spending requirements. Because NATO is an alliance between sovereign states, each Ally must have the latitude to act on behalf of its own national interests to a degree. This also allows for latitude within NATO to assess and reassess defense and budget needs on a case by case basis.⁵⁸ If something is thought to be an absolute necessity one year, any number of political, military, or economic events could shift NATO priorities quickly. If every Ally has its money rigidly tied up in defense, unable to quickly shift it towards emerging needs without working through bureaucratic processes, it could cost the Allies their adaptability and flexibility.

3. The Chronology of NATO Burden Sharing

It is widely agreed that the attempt made by the United States to mobilize NATO forces after the outbreak of the Korean War was the catalyst that led to the burden sharing conversation within the organization becoming a serious issue. However, from the very beginning of the alliance, the United States sought to push the European allies to invest more in the defense of Europe. In July 1949, President Truman pushed legislation to the House of Representatives that would provide military assistance to the European allies.⁵⁹ The idea was that injecting financial aid directly into the militaries of the recovering European nations might be enough to kick start their military programs and rejuvenate their ability to contribute to defense in a more meaningful way. European Allies rejected these

⁵⁷ Cooper and Zycher, "Perceptions of NATO Burden Sharing," 8.

⁵⁸ Cooper and Zycher, 6.

⁵⁹ Thies, "Friendly Rivals," 55.

initial attempts by the United States, arguing that before they could rebuild their armed forces, it was imperative to rebuild their infrastructure and domestic economies. European Allies did not view the Soviet Union as an immediate threat and held that a large-scale buildup of NATO forces could be put off until the region was able to stabilize economically.⁶⁰

Once North Korea invaded South Korea, any European illusions of temporary peace were dashed. The Allies saw the June 1950 conflict in Korea as a prelude to a Soviet invasion into Europe. The United States immediately began a rapid military buildup in Western Europe and reiterated its call to its allies to do the same.⁶¹ After persistent prodding by U.S. officials, NATO Allies submitted to U.S. pressure to provide more military assets and manpower. However, there were major disagreements over what the appropriate response from each member state should be.⁶² The French had several objections to the plan laid out by the United States, including where to send troops, the timeline to deploy them, and how production quotas would be met.⁶³ The U.S. plan called for the Allies to coordinate among themselves to maximize production efficiency.⁶⁴ The French argued that without direction from NATO, the U.S. plan would lead to wasteful duplication and confusion.⁶⁵

Once it was clear that this process required major improvements to be effective, the 1951 Temporary Council Committee (TCC) was convened to determine the required responses for each member state. Chaired by the “three wise men,” Averill Harriman of the United States, Edwin Plowden of the United Kingdom, and Jean Monnet of France, the TCC would juxtapose the price of the NATO programs currently in place with the cost of the forces and capabilities necessary to fulfill the Medium-Term Defense Plan (MTDP), a

⁶⁰ Thies, 56.

⁶¹ Thies, 65.

⁶² Thies, 69.

⁶³ Thies, 65–66.

⁶⁴ Thies, 65.

⁶⁵ Thies, 66.

plan to facilitate improvements in the militaries of each NATO member.⁶⁶ The TCC would then evaluate the overall operational risk if defense expenses were not increased, and finally, consult with representatives of each NATO member state to assess their individual plan to meet the MTDP requirements.⁶⁷ Once the investigation was completed, the TCC made recommendations based on its findings to improve military and economic policies in individual states as well as NATO itself.⁶⁸ The TCC report also recommended that the investigation be an annual occurrence to reassess changes in military threats, domestic and international economic conditions, and NATO priorities.⁶⁹ The 1952 Lisbon Force Goals used this report to articulate the first NATO burden sharing policy and marked the beginning of a comprehensively integrated international alliance.⁷⁰

While the progress made on NATO's burden sharing policy was slow between the early 1950s and late 1970s, the 1950s were critical to the development of the intra-alliance relationship aspect of the burden sharing debate.⁷¹ The United States was the strongest world power after World War II, and it assumed practically all of the responsibility for the security of NATO Europe while the Marshall Plan aided in the rebuilding of Western Europe.⁷² As the European Allies grew stronger, so did U.S. expectations that these Allies would assume more responsibility for their own security. However, instead of rushing to relieve the United States of a portion of the burden, the recovering European Allies began to "slow roll" the process and delayed increasing their own contributions to the Alliance's collective defense as a way to keep U.S. forces entangled in Europe.⁷³

⁶⁶ Thies, 61, 71.

⁶⁷ Thies, 71.

⁶⁸ Thies, 71.

⁶⁹ Thies, 71.

⁷⁰ Thies, 72.

⁷¹ Simon Duke, *The Burdensharing Debate: A Reassessment* (London: The Macmillian Press, 1993), 42.

⁷² Duke, 42–43.

⁷³ Duke, 43.

In 1956, Admiral Arthur Radford, Chairman of the U.S. Joint Chiefs of Staff, proposed what became known as the Radford Plan: a plan meant to reduce the number of conventional U.S. forces in Europe while maintaining the number of European forces.⁷⁴ Owing in part to the introduction of new technologies and the abandonment of large conventional military formations in favor of advanced weaponry, this initiative did not succeed in convincing the European Allies to commit more conventional troops.⁷⁵

The Soviet introduction of the Intercontinental Ballistic Missile (ICBM) in the late 1950s temporarily undermined the importance of the network of overseas U.S. bases hosted in Alliance countries, but these bases were restored to relevance by the introduction of the Intermediate Range Ballistic Missile (IRBM). The advancement of missile technology, radars, and long-range aircraft further negated the importance of large numbers of conventional troops and emphasized the reliance of the European Allies on U.S. nuclear protection.⁷⁶

Even as France and Great Britain invested in their own nuclear capabilities, Robert McNamara, then the U.S. Secretary of Defense, criticized their efforts in a 1962 speech as wasteful and redundant, while attempting to appeal to the Allies to make a more concerted effort to build up their conventional defenses in Europe.⁷⁷ The annual reduction of 15,000 to 20,000 U.S. troops in Europe between 1967 and 1969 left the U.S. force level number below 200,000 by 1970, more than a 55 percent reduction.⁷⁸ Despite U.S. efforts to spur European interest in security investments, at no time during this U.S. reduction of forces did the European Allies make any significant increases to the conventional defense of Alliance security.⁷⁹ While the Alliance's increasing reliance on advanced technology did play a part in this decision by the European Allies to resist increasing conventional

⁷⁴ Duke, 43.

⁷⁵ Duke, 43–44.

⁷⁶ Duke, 44–45.

⁷⁷ Duke, 48–49.

⁷⁸ Duke, 45–46.

⁷⁹ Duke, 49.

commitments to Alliance defense, the lack of integrated decision making also influenced their resolve.⁸⁰

In 1981, British scholar Laurence Martin explained the minimalistic British approach to providing conventional troops to the NATO Europe security effort by stating that it was a tactic used by the British to preserve the U.S. troop presence in the area.⁸¹ Martin explains that London's reasoning behind this tactic was that as long as U.S. troops were ensnared by the threat of violence, the credibility of the U.S. nuclear deterrence posture would carry more weight. In a similar fashion, after NATO membership was bestowed upon West Germany, the new Ally inquired as to what was the bare minimum contribution required to obtain the "American guarantee," alluding to the U.S. promise of nuclear retaliation should West Germany come under a Soviet attack.⁸²

Improving relations between NATO and the Soviet Union coupled with the reemergence of financial restraints in the early 1970s resulted in a measured drawdown of allied forces. In contrast, Warsaw Pact forces were steadily growing and improving, putting NATO at a disadvantage.⁸³ The 1977 Long Term Defense Program (LTDP), introduced by President Jimmy Carter, sought to make small, qualitative improvements to allied forces in Europe to stem off the widening divide between NATO and Warsaw Pact conventional forces.⁸⁴ This program assessed inadequate performance in ten areas and made recommendations for improvements; however, the assessment did not include a cost analysis.⁸⁵ Instead, a three percent of GDP defense spending goal was recommended as a general guideline due to the fact that this is what was being spent by most Allies at the time.⁸⁶ Despite having the intention of being a long-term tool for NATO improvement,

⁸⁰ Duke, 49.

⁸¹ Laurence Martin, "The Domestic Context of British Defense Policy," *The Internal Fabric of Western Security*, ed. Gregory Flynn (London: Croom Helm, 1981), 154.

⁸² Josef Joffe, "German Defense Policy: Novel Solutions and Enduring Dilemmas," *The Internal Fabric of Western Security*, ed. Gregory Flynn (London: Croom Helm, 1981), 68.

⁸³ Duffield, "Power Rules," 195.

⁸⁴ Duffield, 195.

⁸⁵ Lunn and Williams, "NATO Defense Spending," 5.

⁸⁶ Lunn and Williams, 5.

few measurable improvements had been made by the time President Carter left office in 1981.⁸⁷

Upon the fall of the Soviet Union in 1991, NATO member states began drastically reducing military spending; however, as early as 1990, without any direction from NATO, some states had begun to unilaterally shift from the previous spending goal of three percent of GDP to a reduced goal of two percent of GDP.⁸⁸ Not many of the Allies were able to maintain the three percent of GDP spending goal consistently when it was in effect; now, without the menace of the Soviet Union looming over every decision, even fewer of the Allies were willing or politically able to maintain the modest spending goal of two percent of GDP.⁸⁹ By the early 2000s it was understood among NATO allies and aspiring members that two percent of GDP was an acceptable defense spending target; however, in 2002, Edgar Buckley, then the Assistant Secretary General for Defense Planning, confirmed that “there is no NATO agreed policy that aspirants should spend 2% or any other figure, on defence.”⁹⁰ By 2005, due to the policy being constantly reiterated, NATO adopted the policy as a loose guideline.⁹¹ Once again, the number was chosen more or less arbitrarily. It represented no cost analysis, but merely an agreeable number that was just beyond the 1.7 percent of GDP that most Allies were spending, therefore making it something to strive for, and a way to prevent complacency among NATO planners.⁹² At the 2014 Wales Summit meeting, as previously noted, all members of NATO unanimously pledged to reach the two percent of GDP spending goal within a decade, that being the year 2024.⁹³ This pledge and the fact that Estonia, Greece, Poland, Romania, the United Kingdom, and the United States are the only six members of the alliance currently successful in meeting the

⁸⁷ Duffield, “Power Rules,” 205.

⁸⁸ John R. Deni, “Perfectly Flawed? The Evolution of NATO’s Force Generation Process,” *NATO’s Post-Cold War Politics: The Changing Provision of Security*, ed. Sebastian Mayer (New York: Palgrave Macmillan, 2014), 180.

⁸⁹ Deni, p. 181.

⁹⁰ Edgar Buckley, Letter to Simon Lunn, 2002, quoted in Lunn and Williams, 6.

⁹¹ Lunn and Williams, “NATO Defense Spending,” 5.

⁹² Lunn and Williams, 8.

⁹³ Lunn and Williams, 6.

two percent of GDP spending goal are among the key events that have brought this conversation to the forefront of the modern NATO burden sharing discussion.⁹⁴

C. THE PHENOMENON OF BURDEN SHIFTING

A more disconcerting root cause for the NATO burden sharing discussion is the propensity of the Allies to participate in “burden shifting.”⁹⁵ Wallace Thies defines this phenomenon as “the art of manipulating alliance relationships for political gain.”⁹⁶ Essentially, each state is attempting to reap the maximum benefits of being part of a coalition, while restricting its input to the minimum it can get away with. Thies explains the tendency of the Allies to take part in burden shifting by drawing on the similarities between this tactic and the historical behavior, in respect to alliances, of many of the states that would eventually come to make up NATO prior to its formation.⁹⁷ Thies suggested that the impromptu and fragile nature of alliances prior to modern formal alliances incentivized self-serving short-sightedness. If it was already understood that the alliance was temporary, the states involved would have little reason to consider the long-term effects of taking advantage of their allies, especially considering how often alliances were formed and dissolved as the factors that made them necessary shifted. These types of alliances were typical in the eighteenth century, and in addition to being mutually accepted as temporary, they would often include secret clauses to give the signatories maximum maneuverability within the agreement.⁹⁸ Thies suggests that burden shifting could be a holdover from alliance behavior from decades and centuries earlier.⁹⁹

⁹⁴ NATO Public Diplomacy Division. Defence Expenditure of NATO Countries (2010-2017). Communiqué PR/CP (2017)111, Brussels Belgium: NATO Press and Media, June 2017. Graph 3: Defence Expenditure as a share of GDP Percentage. http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2017_06/20170629_170629-pr2017-111-en.pdf.

⁹⁵ Thies, “Friendly Rivals,” 7.

⁹⁶ Thies, 8.

⁹⁷ Thies, 5.

⁹⁸ Robert Osgood, *Alliances and American Foreign Policy*, (Baltimore: The Johns Hopkins Press, 1968), 25–28.

⁹⁹ Thies, “Friendly Rivals,” 5.

D. HOW THE HISTORY OF THE POLICY AFFECTS THE PRESENT

U.S. lawmakers have been criticizing the size and apparent value of the U.S. commitment to European defense in the face of insufficient contributions on the part of the European NATO members since the 1951 decision to send large numbers of U.S. ground forces to the continent.¹⁰⁰ This criticism is well founded, as explained in the previous section, but more importantly, it is constructive. If the object of studying past policies is to create new and improved policies, past criticisms outline shortcomings and deficiencies to be addressed. Each of the components discussed has room for improvement based on what is known about their origins.

1. Response to the Two Percent Benchmark

With the knowledge that not only was the two percent of GDP benchmark chosen arbitrarily, with no cost analysis associated with the policy, but so was the three percent of GDP benchmark that it evolved from, it could be surmised that requiring NATO member states or aspiring NATO member states to reach that particular defense spending benchmark is not critical to the function of NATO. With the understanding that every Ally does indeed need to pay a fair amount, and that capabilities do need to be acquired, the alliance need not be locked into this particular percentage of GDP nor this method of dividing up financial responsibilities. As demonstrated by the allies who took it upon themselves to unilaterally adjust their defense budgets to account for a changing domestic economy and other factors, only to have the rest of the alliance follow suit shortly afterwards, long term commitment to such a rigid spending policy is not practical. In fact, because the policy stems from the arbitrary assignment of a percentage of a state's GDP without considering any form of cost analysis, it can actually be seen as irresponsible. This policy, which is actually referred to as a guideline, is described by Lunn and Williams as “merely what was considered possible, and desirable, to provide a restraint against the freefall in defence expenditures.”¹⁰¹

¹⁰⁰ Hubert Zimmerman, *Money and Security: Troops, Monetary Policy, and West Germany's Relations with the United States and Britain, 1950–71* (Cambridge: Cambridge University Press, 2002), 189.

¹⁰¹ Lunn and Williams, “NATO Defense Spending,” 6.

2. Response to Policy Inflexibility

In respect to the rigidity of the policy, the language used to describe the intent of the Allies is not coincidental. The policy is presented the way that it is for a specific reason. As previously noted, the 2014 NATO Wales Summit declares that:

Allies currently meeting the NATO guideline to spend a minimum of 2% of their Gross Domestic Product (GDP) on defense will aim to continue to do so. Allies whose current proportion of GDP spent on defense is below this level will aim to move towards the 2% guideline within a decade with a view to meeting their NATO Capability Targets and filling NATO's capability shortfalls.¹⁰²

Using such ambiguous language was not done by accident. Modern politicians have honed the art of communication over hundreds of years to allow for or restrict action, and this policy is no different. With this in mind, and by closely analyzing the text, the determination could be made that the failure of any state to meet this requirement does not preclude it from enjoying the full protection of the alliance. Moreover, no state below the desired benchmark merits chastisement by any state above it. Furthermore, the mandate allows all members until 2024, a decade after the 2014 declaration, to meet this benchmark; so, according to the declaration, as long as a state currently below the benchmark is not cutting defense spending, it is in fact operating within the guidelines given by NATO. However, in the spirit of process improvement, it is important to continue to discuss the issue publicly for it to maintain its relevance. Despite whether or not a state is technically in compliance with the declaration, it must be pushed and assisted if necessary to meet its spending requirement; and this must be done in a non-divisive and constructive way. Because maintaining the Alliance is imperative, making threats to default on responsibilities or abandon the Alliance all together would be completely counter-productive.

¹⁰² "2014 Wales Summit Declaration," North Atlantic Treaty Organization, September 7, 2017, paragraph 14, http://www.nato.int/cps/en/natohq/official_texts_112964.htm.

3. Response to the Chronology of the Policy

Past burden sharing policies have offered perspectives on what worked and what did not. By analyzing the pros and cons of those policies as well as the current policy, one can take the best aspects of each and create something that is more effective, fair, and achievable. The TCC was extremely effective when it was used to shape the NATO European forces just after the commencement of the Korean War.¹⁰³ However, despite the effectiveness of the committee and the recommendation that its investigations be institutionalized as an annual occurrence, there is no evidence to suggest that was ever the case. An organization does exist to audit common NATO expenditures, but nothing similar to TCC to look into individual state's defense expenditures.¹⁰⁴

According to David Yost, a professor at the U.S. Naval Postgraduate School, "Allied governments have been more susceptible to persuasion and 'peer pressure' from fellow Allies than to pleas advanced by NATO institutions such as the International Staff and the NATO Military Authorities."¹⁰⁵ With this principle in mind, the NATO Defense Planning Process (NDPP), a process of systematic peer pressure, was introduced in 2009. The NDPP is a mechanism that allows for the discussion of desired NATO capabilities among Allies and deliberations about how those capabilities should be procured. Each NATO member then has the opportunity to argue for or against the proposal, citing its own national interest. Any decisions agreed upon in the process would be those of a majority of the Allies, a majority being a unanimous decision minus one. Allies nonetheless remain "free not to accept the capability responsibilities assigned to them."¹⁰⁶

Perhaps the most important thing to be garnered from the evolution of the NATO burden sharing policy is the fact that the only constants have been the need for a better

¹⁰³ Thies, "Friendly Rivals," 72.

¹⁰⁴ "International Board of Auditors for NATO," North Atlantic Treaty Organization, September 7, 2017, <http://www.nato.int/issues/iban/iban-strat-plan-2015-2019.pdf>.

¹⁰⁵ David Yost, *NATO's Balancing Act* (Washington DC: United States Institute of Peace Press, 2014), 77.

¹⁰⁶ David Yost, 78.

policy than the one that exists and the repeated reiterations of the same type of thinking in creating new policies.

4. Response to Burden Shifting

While the European Allies were content with U.S. strategic deterrence against the Soviet Union during the Kennedy administration, the United States insisted that a conventional force was necessary and that European contributions would be instrumental in its success.¹⁰⁷ While Europe was attempting to shift the burden of deterrence entirely to the U.S. nuclear arsenal, the United States was attempting to shift it towards European conventional forces, as the United States intended to provide only naval and air power, something that would be required despite NATO, once the European ground forces were in place.¹⁰⁸ Because the Europeans feared, and rightfully so, that the U.S. ground forces would pull out of Europe once West Europe could be manned with British, French, and German soldiers, among others, they reacted slowly to the call for more European troops.¹⁰⁹ This resulted in symbolic gestures from all sides to assure the other allies that an Ally was doing its part, therefore staying out of the political line of fire.¹¹⁰ Some examples of these gestures are President Carter including the 1978 NATO spending requirements in the domestic defense budget and Italy accepting U.S. fighter jets that were being expelled from Spain in 1981.¹¹¹

A contemporary tool developed to combat burden shifting is computer software. Because national governments could evade the force generation process by impeding the authorization of the force generation and activation processes of the Supreme Allied Commander, Europe (SACEUR) by the Northern Atlantic Council (NAC), the NATO officials responsible for planning and force generation were at the mercy of the nations that

¹⁰⁷ Thies, "Friendly Rivals," 166.

¹⁰⁸ Thies, 166.

¹⁰⁹ Thies, 166.

¹¹⁰ Thies, 168.

¹¹¹ Thies, 168.

were conspiring to participate in burden shifting.¹¹² This new software, Tool for Operations Planning Functional Area Services (TOPFAS), gives SACEUR access to all the military data from every ally so that NATO no longer has to depend on state representatives to make information available to support force generation decisions.¹¹³

E. LEARNING FROM HISTORY

NATO burden sharing is a complex and highly consequential topic with global implications. In recent years, limited dialogue and a confrontational aura surrounding the topic have prevented any constructive progress in correcting policy shortfalls. The timeline of events that led up to the creation of the current benchmark and the reasons behind each of its components can tell a great deal about what has worked in the past and what should be reexamined. It can be determined that a benchmark based on a percentage of GDP can be unnecessarily expensive and possibly harmful. Likewise, the specific need that the policy was meant to address can shed light on how it should be applied. If the policy was meant as a guideline, then it should be used as a guideline and not a mandatory requirement. The Allies should decide whether and to what extent that application is in keeping with the overall mission of NATO. If by imposing a policy, there is a potential to create fissures within the Alliance, that policy should be reconsidered, if only in terms of application. NATO has learned from some of its past actions, such as burden sharing, and has taken steps to improve its policies. The same attention should be paid to the rest of its history in policy and applied to improve its effectiveness. NATO must conduct an in-depth analysis of what it wishes to accomplish, and through meticulous research and evaluation, design a thoughtful, comprehensive system to fund the organization and meet operational requirements that serves all members fairly and does not act as a distraction from the greater purpose. Only by understanding where this policy came from and what influenced its creation can the Allies begin to repair it and transform it from a point of contention into a useful tool for the organization to accomplish its missions.

¹¹² Christian Tuschhoff, “The Impact of NATO’s Defence Planning and Force Generation on Member States,” *NATO’s Post-Cold War Politics: The Changing Provision of Security*, ed. Sebastian Mayer (New York: Palgrave Macmillan, 2014), 202.

¹¹³ Tuschhoff, 202.

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III. REQUIREMENTS VERSUS CONTRIBUTIONS

In order to understand the issue of burden sharing within NATO, it is imperative to comprehend what the policy is meant to achieve. This goal can be discerned by analyzing the NATO mission objectives and what the Alliance leaders have determined to be the capabilities necessary to accomplish those missions. This chapter will compare the capabilities required to accomplish the NATO mission objectives with those currently provided by Alliance members. It will then attempt to determine if there are any spending inefficiencies, such as capability gaps or redundant capabilities, brought on by pressure from NATO leaders or other Allies for members to meet the two percent of GDP defense spending goal.

The NATO core tasks are outlined in the North Atlantic Treaty Organization's 2010 Strategic Concept, and the required unclassified capabilities are discussed in summit declarations, such as the 2014 Wales Summit Declaration and the Warsaw Summit Communiqué. The "essential mission" of NATO is "to ensure that the Alliance remains an unparalleled community of freedom, peace, security and shared values."¹¹⁴ That basic mission is expanded upon with three core tasks:

- A Collective Defense: NATO members will always assist each other against attack, in accordance with Article 5 of the Washington Treaty. That commitment remains firm and binding. NATO will deter and defend against any threat of aggression, and against emerging security challenges where they threaten the fundamental security of individual Allies or the Alliance as a whole.
- B Crisis Management: NATO has a unique and robust set of political and military capabilities to address the full spectrum of crises, before, during and after conflicts. NATO will actively employ an appropriate mix of those political and military tools to help manage developing crises that have the potential to affect Alliance security, before they escalate into conflict; to stop ongoing conflicts where they affect Alliance security; and to help consolidate stability in

¹¹⁴ "2010 Strategic Concept for the Defence and Security of the Members of the North Atlantic Treaty Organisation," North Atlantic Treaty Organization, November 11, 2014, preface, http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_publications/20120203_strategic-concept-2010-eng.pdf.

post-conflict situations where that contributes to Euro-Atlantic security.

- C Cooperative Security: The Alliance is affected by, and can affect, political and security developments beyond its borders. The Alliance will engage actively to enhance international security, through partnership with relevant countries and other international organisations; by contributing actively to arms control, non-proliferation and disarmament; and by keeping the door to membership in the Alliance open to all European democracies that meet NATO's standards.¹¹⁵

The NATO capabilities outlined in the 2014 Wales Summit Declaration are far too numerous to be adequately addressed here, so this chapter will focus on three high priority capabilities that are pertinent to this thesis. The first capability is the Very High Readiness Joint Task Force (VJTF). The VJTF is primarily a land force, supported by appropriate air, maritime, and special operations forces that could assemble quickly in response to an immediate threat to Alliance members or NATO partner nations.¹¹⁶ The second capability is the ability to effectively respond to threats originating from North Africa and the Middle East.¹¹⁷ This capability is left intentionally vague to allow for a flexible interpretation of what constitutes a threat, giving NATO a range of options to employ as circumstances dictate. The third capability that this thesis will consider is NATO's ability to counter asymmetrical threats, including, but not limited to: covert military action, paramilitary action, and aggression via civilian actors.¹¹⁸

In order to compare the intentions of the NATO burden sharing policy to its actual results, this thesis will examine the current spending practices of some of the NATO allies. While some Allies have increased their defense spending in recent years, a few to the point

¹¹⁵ "2010 Strategic Concept for the Defence and Security of the Members of the North Atlantic Treaty Organisation," North Atlantic Treaty Organization, November 11, 2014, par. 4, http://www.nato.int/nato_static_fl2014/assets/pdf/publications/20120203_strategic-concept-2010-eng.pdf.

¹¹⁶ "2014 Wales Summit Declaration," North Atlantic Treaty Organization, September 7, 2017, paragraph 8, http://www.nato.int/cps/en/natohq/official_texts_112964.htm.

¹¹⁷ "2014 Wales Summit Declaration," North Atlantic Treaty Organization, September 7, 2017, paragraph 5, http://www.nato.int/cps/en/natohq/official_texts_112964.htm.

¹¹⁸ "2014 Wales Summit Declaration," North Atlantic Treaty Organization, September 7, 2017, paragraph 13, http://www.nato.int/cps/en/natohq/official_texts_112964.htm.

of compliance with the 2014 Wales Summit two percent of GDP guideline, how they are spending their money is just as important as how much they are spending, if not more so. The Allies that will be the focus of scrutiny are those that have increased their defense spending, but have not increased the readiness of the Alliance in any meaningful way. The research will focus on capability gaps, which are capabilities that have been overlooked due to a lack of coordination or willful deflection of responsibility, and redundant spending, which is spending on capabilities that had already been adequately addressed by other means.

After any apparent capability gaps and spending redundancies have been identified, the focus of the research will turn to alternative spending capabilities. Many Allies are spending money on assets and capabilities that do not count towards their official defense spending budget, but do support the achievement of one or more of the NATO mission objectives. This chapter will identify these instances and argue the merits of giving NATO members credit for their contributions to NATO security, even if they do not meet the criteria for defense spending specified in paragraph fourteen of the 2014 Wales Summit Declaration.¹¹⁹ This chapter will also identify non-monetary contributions, such as base hosting in Eastern Europe, and geostrategic contributions, such as strategic locations and a disproportionate assumption of risk in the case of a conventional or nuclear conflict.

A. CURRENT SPENDING PRACTICES IN NATO

When determining the effectiveness of a NATO member's defense spending, it is important to consider, not only how much money is spent, but how it is spent. It is possible for a state to have a large defense budget that includes spending that benefits the country domestically, but actually does little to contribute to collective defense. Likewise, it is possible for a state to have astutely focused spending that supports critical military capabilities while still falling short of the quantitative benchmark of two percent of national GDP. If all NATO members are preoccupied with individually meeting spending requirements without effective coordination being a priority, the result will be that states

¹¹⁹ "2014 Wales Summit Declaration," North Atlantic Treaty Organization, September 7, 2017, paragraph 14, http://www.nato.int/cps/en/natohq/official_texts_112964.htm.

that spend recklessly are rewarded, while states that spend responsibly are publicly criticized, even if their prudent spending offers more capability to the Alliance than that of their more wasteful counterparts.

1. Ineffective Defense Spending Practices: Celebrating Wastefulness

An example of a NATO member meeting the spending requirement without judiciously advancing Alliance capability is Greece. Second only to the United States among NATO allies in defense spending as a percentage of GDP, Greece spends 2.32 percent of its GDP on defense.¹²⁰ With the twelfth largest GDP in the Alliance of \$247B (USD), Greece's defense expenditures total roughly \$4.6B (USD). This is a commendable effort on the part of the Greek government, but Greece is using almost all of its defense equipment budget to invest in surface-to-air missiles (SAMs) and fifth generation fighter jets.¹²¹ When accounting for training requirements, maintenance, and consumable parts, the cost of these systems does not appear to be sustainable given the current economic environment in Greece.¹²² Greece's decision to invest in these weapons systems may stem from its ongoing border disputes with fellow NATO member and neighbor, Turkey.¹²³ In fact, in a 2017 interview with the Anadolu Agency, Kostas Grivas, an associate professor of geopolitics at the Hellenic Military Academy, theorized that Greece's interest in purchasing several F-35 Lightning II Joint Strike Fighters arose only because Turkey purchased them first.¹²⁴

¹²⁰ NATO Public Diplomacy Division. Defence Expenditure of NATO Countries (2010-2017). Communique PR/CP (2017)111, Brussels Belgium: NATO Press and Media, June 2017. Graph 3: Defence Expenditure as a share of GDP Percentage. http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2017_06/20170629_170629-pr2017-111-en.pdf.

¹²¹ NATO Public Diplomacy Division. Defence Expenditure of NATO Countries (2010-2017). Communique PR/CP (2017)111, Brussels Belgium: NATO Press and Media, June 2017. Table 2, Table 4: Defence Expenditure as a share of GDP Percentage. http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2017_06/20170629_170629-pr2017-111-en.pdf.

¹²² Anadolu Agency, "Cash-strapped Greece to spend up to \$10B on new military equipment upgrades," *Daily Sabah: Europe*, February 17, 2017, <https://www.dailysabah.com/europe/2017/02/17/cash-strapped-greece-to-spend-up-to-10b-on-new-military-equipment-upgrades>.

¹²³ Anadolu Agency.

¹²⁴ Anadolu Agency.

This is particularly troublesome because not only is this evidence of a deepening rift between two NATO members, but it constitutes an unnecessary capability redundancy and a missed opportunity to fill a capability gap. While a long-range missile strike originating from the Middle East is not outside the realm of possibility, the chances of such a strike coming from North Africa appear doubtful. Greece is in a prime location to intercept missiles from Syria and Iran, but other strategically positioned allies, such as Turkey and Romania, already possess this capability.¹²⁵ If an aerial threat were to emerge from North Africa in the Central Mediterranean, Greece's existing interceptor inventory of more than 200 aircraft, coupled with Turkish aircraft, Italian aircraft, and U.S. aircraft stationed at Naval Air Station Sigonella, and Naval Air Station Souda Bay would provide a formidable defense against any attempted attack.¹²⁶ During a meeting with Libyan Prime Minister Fayez al-Sarraj on 1 February 2017, NATO Secretary General Jens Stoltenberg stated, "NATO stands ready to assist Libya in building effective security and defense institutions."¹²⁷ Training and equipping Libyan security forces could involve placing NATO ground forces in hostile territory. The risk that these NATO training forces could come under attack from hostile ground forces in the area appears far greater than that of Greece coming under aerial attack from a North African adversary. Given its geographical location, Greece is in an excellent position to serve as a quick reaction base for such threats originating from North Africa. Greece's defense budget would serve the Alliance far better if it were employed to expand and renovate the aging Souda Bay Naval Base, providing a larger and better equipped forward base for a Very High Readiness Joint Task Force (VJTF).

While the contribution of the Greek government to NATO collective defense can be described as secondary in comparison with the assets of larger Allies, its impact on

¹²⁵ North Atlantic Treaty Organization. NATO Ballistic Missile Defence. accessed November 1, 2017, https://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2016_07/20160630_1607-factsheet-bmd-en.pdf.

¹²⁶ "Total Fighter / Interceptor Aircraft Strength by Country." *Global Firepower*. accessed November 20, 2017, <https://www.globalfirepower.com/aircraft-total-fighters.asp>.

¹²⁷ Jens Stoltenberg. North Atlantic Treaty Organization. "Libyan Security Meeting," 1 February, 2017, https://www.nato.int/cps/en/natohq/news_140515.htm.

domestic politics is having some major ramifications. Despite Greece's declining economy, ongoing debt crisis, and public outcry against any measures that would increase the deficit, Greece has increased its defense spending for three years in a row, with a small decrease in 2017.¹²⁸ It is reasonable to assume that having an economically fragile state on the verge of political collapse or upheaval as a member of the Alliance is not conducive to maintaining stability in the region. Some observers might say that the most important thing the Greek government could do to help strengthen NATO is to focus on managing the country's resources, stabilizing its economy, and repairing its relationship with its citizens.

Given the strategic location of its islands, including Crete, Greece's ability to host NATO bases is far more advantageous to the alliance than an investment in a capability that already exists in redundancy, and mainly serves to enhance Greece's preparedness for a hypothetical conflict with one of its own allies. By serving as a forward staging area for NATO's VJTF, Greece can provide the capabilities necessary for defending against and reacting to threats to NATO personnel in North Africa without spending so much on new missile systems and a fleet of fifth generation fighter jets, according to conservative cost estimations.

2. Effective Defense Spending Practices: Marginalizing Prudence

Several NATO members are providing critical capabilities to the Alliance while still failing to meet the two percent of GDP guideline. As of 2017, Denmark's defense budget is 1.17 percent of its GDP, while Italy and Norway spend 1.13 and 1.59 percent of their GDPs, respectively.¹²⁹ However, because of their prosperity and larger economies (in comparison with Greece), these smaller percentages equate to far more capital being invested in collective defense. Moreover, because these economies are more stable, this

¹²⁸ NATO Public Diplomacy Division. Defence Expenditure of NATO Countries (2010-2017). Communiqué PR/CP (2017)111, Brussels Belgium: NATO Press and Media, June 2017. Table 5: Defence Expenditure as a share of GDP Percentage. http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2017_06/20170629_170629-pr2017-111-en.pdf.

¹²⁹ NATO Public Diplomacy Division.

money can be spent without a risk of destabilizing the government or neglecting sensitive domestic issues.

The Danish defense budget allows the small nation to contribute to NATO missions in Afghanistan and Iraq, fulfilling the desired NATO capability of responding to threats in the Middle East and Africa in support of the NATO core tasks of crisis management and cooperative security.¹³⁰ Moreover, Denmark contributed to the French-led operation in Mali in 2013–2014. Denmark is also providing forward deployed troops to NATO activities in Estonia and Turkey, contributing to the NATO core task of collective defense. Similarly, Norwegian forces have played an important role in combating terrorism in Afghanistan as well as against ISIS-linked groups throughout the Middle East.¹³¹ Norway has also moved a number of troops to NATO activities in Bosnia, Kosovo, and Lithuania. Denmark and Norway have both been instrumental in coordinating regional defense efforts involving the Baltic states, including non-NATO members, Finland and Sweden.¹³² In a region that is especially susceptible to Russian influence, maintaining a robust defensive posture against this threat and including other vulnerable states in these efforts is imperative to cooperative security.

Italy's relatively meager defense budget is a gross misrepresentation of its substantial contributions to NATO. While it does not meet the two percent of GDP guideline, it has deployed 7,000 of its approximately 90,000 troops internationally, second only to the United States, with over 1,000 of those troops being stationed in Afghanistan, an area to which most other NATO members are reluctant to commit forces.¹³³ In contrast, Poland, with a population of 40 million people, deployed fewer than 900 troops abroad in

¹³⁰ Elisabeth Braw, "The 2% Benchmark is Blinding us to NATO Members' Actual Contributions," *Defense One*, October 12, 2017, <http://www.defenseone.com/ideas/2017/10/benchmark-blinding-us-nato-members-contributions/141736/?oref=d-river>.

¹³¹ Braw.

¹³² Luke Coffey and Daniel Kochis, "The Role of Sweden and Finland in NATO's Defense of the Baltic States," *The Heritage Foundation*, April 28, 2016, <http://www.heritage.org/europe/report/the-role-sweden-and-finland-natos-defense-the-baltic-states>.

¹³³ Braw, "The 2% Benchmark is Blinding us to NATO Members' Actual Contributions."

2014, and in the same year Greece deployed none of its 21,500 deployable troops.¹³⁴ After a major NATO draw-down in 2014 from Afghanistan, Italian troops remained in the country, taking the lead in providing training, advising the beleaguered Afghan army in restructuring its chain of command, and improving the quality of its leaders.¹³⁵ Italy's efforts to combat the Taliban directly support the NATO core task of Cooperative Security by working with NATO partners in Afghanistan to further security in the region. Italy's presence in the region also provides NATO the capability of being able to quickly respond to threats from the Middle East.

B. ALTERNATIVE SPENDING CONSIDERATIONS FOR NATO

While there are many experts who criticize the two percent of GDP guideline as it is written or interpreted, most of them agree that NATO is faced with major funding issues that must be addressed. The blanket spending policy currently in use does not fairly distribute the cost of funding the Alliance, as it fails to account for any extenuating factors that might affect how much one ally is required to spend on defense in contrast to another. Some examples of these extenuating factors are the expenses Italy incurs while processing migrants and refugees, Iceland's strategic location in the North Atlantic, and the asymmetrical amount of risk assumed by states in the Baltic region and in Eastern Europe if nuclear or conventional war were to break out between NATO and Russia.

1. Refugee Spending: The Cost of Processing and Resettlement

In 2016, Italy blocked the European Union (EU) budget from passing because it failed to provide adequate financial support to the Mediterranean countries being inundated by refugees from North Africa and the Middle East.¹³⁶ That same year Italy and Greece

¹³⁴ Braw.

¹³⁵ Ann Chaon, "Italian Troops use Winter to Bolster Afghan Army Against Taliban," *The Local IT*, March 26, 2017, <https://www.thelocal.it/20170326/italian-troops-use-quiet-winter-to-bolster-afghan-troops-against-the-taliban>.

¹³⁶ Quentin Aries, "Italy Blocks EU Budget Rules Revision," *POLITICO*, December 13, 2016, <https://www.politico.eu/article/italy-blocks-eu-budget-rules-revision-migration-refugees-europe-crisis/>.

received 181,436 and 173,450 refugees, respectively.¹³⁷ Federico Gelli, the President of an Italian Parliamentary Commission charged with overseeing the country's refugee crisis, estimated that Italy spent 2.1 billion euros processing refugees in 2016.¹³⁸ Using the HSBC Bank's estimated cost of 12,500 euros to process a single refugee, Greece would have spent more than 2.2 billion euros processing refugees in 2016.¹³⁹

None of the money used to rescue, house, feed, process, and resettle refugees counts as defense spending. Therefore, it does not count towards the NATO two percent of GDP guideline. However, the expeditious and thorough processing of these people coming from North African and Middle Eastern countries is imperative to the security of Europe, and should be recognized by NATO as such. If the process is not adequately meticulous, malevolent actors could slip into Europe by the droves. If the process is thorough but poorly executed, as to leave refugees in poor conditions for extended periods of time, a situation could arise in which once innocent asylum seekers could be radicalized, either by other radicals in the refugee camps before they are discovered, or once they arrive in Europe, having been reoriented by months of being forced to live in squalor and poor treatment by Europeans. The billions of euros spent on processing refugees could be recognized by NATO as counting towards the two percent of GDP guideline, as it does aid in safeguarding the security of Europe and could be interpreted as countering a threat from North Africa and the Middle East.

2. Strategic Location: The Priceless Commodity

Iceland is one of the founding members of NATO. Because of its key position in the center of the North Atlantic, the United States surmised that including the island nation in the newly formed alliance was the best way to ensure that its convenient location could

¹³⁷ "Migrant Crisis: EU Leaders Agree Plan to Stop Libya Influx," *BBC*, February 3, 2017, <http://www.bbc.com/news/world-europe-38850380>.

¹³⁸ Jon Rogers, "Migrant Numbers in Italy exceed 5 Million Costing State Billions," *Express*, November 10, 2016, <https://www.express.co.uk/news/world/731059/Migrant-numbers-in-Italy-exceed-5-million-costing-billions>.

¹³⁹ Mark Melin, "Here's How the Refugee Crisis is Impacting Germany's Economy," *Business Insider*, March 29, 2016, <http://www.businessinsider.com/impact-refugee-crisis-on-germanys-economy-2016-3>.

be used by NATO against the Soviet Union.¹⁴⁰ Ever since World War II, Iceland has been an indispensable piece of real estate in the fight against Europe's enemies, once referred to by Winston Churchill as an "unsinkable aircraft carrier."¹⁴¹ Officially established in 1951, Iceland's Keflavik Airbase continued to serve as a base for maritime patrol and reconnaissance aircraft, fighter jets, tankers, and rescue helicopters during the Cold War, up until its closure in 2006.¹⁴² Due to an increase in Russian submarine activity in the North Atlantic, Iceland's location is once again the focus of NATO's strategy in the region. The United States is spending \$21.4 million to renovate and reopen Keflavik Airbase for the Boeing P-8 Poseidon maritime patrol and reconnaissance aircraft. Between Iceland, Norway, and the United Kingdom, NATO will be able to patrol the entire North Atlantic, with Iceland serving as the key to providing coverage to the straits on either side of the island.

Because Iceland has a relatively small national GDP of \$20B (USD), two percent of that amount would not provide any significant capabilities to the Alliance.¹⁴³ Iceland's location is intrinsically more valuable than any material capability it could purchase with two percent of its GDP. The United States and the other founding Allies understood this when they invited Iceland to join NATO in 1949, and it remains relevant today. Aircraft, ground forces, missile defense systems, and all other forms of armament can be provided by anyone, but Keflavik's location is a unique advantage that only Iceland can provide. It would be foolish to risk losing this critical strategic asset over an insignificant monetary contribution from a country with no standing military, except for its coast guard, which is comprised of four ships, two helicopters, and a single fixed-wing aircraft.¹⁴⁴

¹⁴⁰ Lawrence S. Kaplan, *NATO Divided, NATO United: The Evolution of an Alliance* (Westport CT: Greenwood Publishing Group, 2004), 3.

¹⁴¹ The Baltic Initiative and Network, accessed December 8, 2017, <http://coldwarsites.net/country/iceland/keflavik-airbase-reykjavik>.

¹⁴² Steven Beardsley, "Navy Aircraft Returning to Former Cold War Base in Iceland," *Stars and Stripes*, February 9, 2016, <https://www.stripes.com/news/navy-aircraft-returning-to-former-cold-war-base-in-iceland-1.393156>.

¹⁴³ World Bank, accessed December 7, 2017, <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>.

¹⁴⁴ Icelandic Coast Guard, accessed January 10, 2018, <http://www.lhg.is/english/icg/about-us/ship/>.

3. The Appraisalment of Risk

As previously discussed, location can be an advantage for many reasons. In the cases of Greece and Sicily, their southern-most islands can serve as a staging area and jump off point for operations in North Africa. Iceland, Norway, and the United Kingdom serve as bases to conduct sustained patrols of the North Atlantic. In certain cases, location is not necessarily a disadvantage, but it comes with a significant amount of risk. Because so much of the NATO collective defense mission is geared towards countering a potential threat from Russia, the states on its border are fortified with NATO troops and defense systems, making them the first line of military targets should NATO enter a conventional conflict with Russia. Not only is a Russian invasion of these border states recognized as an inevitability in the case of a major conventional conflict, but preparedness to meet such a Russian attack is an integral part of the NATO strategy. U.S. Secretary of Defense Robert McNamara referenced the idea in his 1962 address to NATO when he discussed the importance of NATO's non-nuclear forces and the role they would play in an armed conflict with the Soviet Union. It was understood that any NATO conventional forces stationed on the border of the Warsaw Pact, including the Soviet Union, now Russia, would not be able to repel promptly a full-scale invasion, and might only serve as a deterrence mechanism.¹⁴⁵

If Russia ever decided to risk nuclear war and invade a NATO country, the Eastern European states would probably be among the first battlegrounds of such a war. Bulgaria, Estonia, Poland, and Romania would likely be ravaged by missile strikes and ground assaults in the very early stages of the war. The Western European and North American members of NATO might only be threatened directly if the conflict were to escalate to a nuclear exchange. Given the geostrategic circumstances of the Eastern-most NATO allies, their immediate security would undoubtedly suffer in a time of war as a consequence of hosting NATO bases that Russia would regard as military targets. The risk assumed by these allies should carry some value and count towards their contribution to NATO defense. Different states may assume different amounts of risk based on geographic

¹⁴⁵ Robert McNamara, NATO Ministerial Meeting, Athens Greece: May 5, 1962.

location and what military installations they host. Whether there is a blanket value placed on risk assumption or whether it is measured on a scale, it should be accounted for in some way.

One option could be a points system similar to that used by the Department of Defense to measure risk in its “Operational Risk Management” (ORM) system.¹⁴⁶ On a scale from one to four, the severity of a risk is assigned a numerical value, with one being catastrophic and four being nominal. Next, the probability of that risk is assigned on the same scale, with one being almost certain and four being not likely. Each risk would ultimately have a number assigned to it between one and five, and each number could be assigned a specific cost, allowing for individual caveats. The matrix explaining the combinations of the numerical values is found in Chapter V.

C. MAXIMIZING DEFENSE SPENDING EFFECTIVENESS

Funding an organization as complex as NATO is a complicated matter, and it should be approached as such. Establishing requirements based on an arbitrary criterion with no analysis to justify it is a dangerous practice when considering what is at stake. The lives and livelihoods of millions of people depend on the successful implementation of NATO policy; to not put forth the effort needed to divide the financial responsibilities in a way that is fair and logical is reckless, to say the least.

The emphasis on meeting this arbitrary benchmark of two percent of GDP has pressured states such as Greece that are already teetering on the edge of economic ruin to squander precious resources on capabilities that may not increase the effectiveness of the Alliance. These resources could be better spent elsewhere, solving problems that would strengthen the integrity of the Alliance. Meanwhile, states such as Denmark, Iceland, and Norway, that do increase the effectiveness of the Alliance through means other than unnecessary spending are marginalized, and their contributions to counter-insurgency (COIN) efforts and anti-submarine warfare (ASW) are overlooked.

¹⁴⁶ Commander, Navy Installations Command, accessed January 17, 2018, https://www.cnmc.navy.mil/regions/cnrma/om/safety/operational_risk_management.html.

Besides simply redefining how much each ally should spend on defense, there are many other ways in which their contributions can be evaluated. Domestic spending to increase regional security, strategic location, and risk assumption are a few examples discussed here, but the possibilities are only limited by the creativity of the people charged with restructuring the burden sharing archetype. The leaders of each state understand their state's strengths and weaknesses, and the leaders in NATO have a more comprehensive idea of what the Alliance needs overall. It is vital that all of these decision makers meticulously address the requirements and capabilities of each state and of NATO to best determine what should be required of each Ally. Also, contributions should be measured by the level of capability that they bring, meaning whether or not they provide a capability that was previously lacking or inadequate, not the price tag they carry. This would stem wasteful spending and encourage allies to invest in more sustainable defense systems, increasing the effectiveness of each member state and ultimately that of NATO as a whole.

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IV. POLITICAL CONSEQUENCES OF DIVISIVE BURDEN SHARING PRACTICES

Governing a large organization such as NATO is both an art and a science. The mathematics of simply dividing financial responsibility based on a single factor, such as a percentage of GDP, is relatively straightforward; however, the internal politics of determining how much one Ally should pay for the common defense and what it should pay for is open to interpretation and depends on many factors. The current burden sharing policy of each NATO member spending two percent of its national GDP on defense attempts to solve the funding problem by using a purely black-and-white mathematical approach; it fails to consider the political aspect of the problem, thus creating conflict within the organization that undermines its very purpose of maintaining an undivided allied front against potential threats. In order to create an environment within NATO that fosters cooperation, the strengths and weaknesses of each member state must be considered on a one-by-one basis, and its contributions should be tailored to match that state's individual capabilities while keeping in line with the overall NATO mission of ensuring the peace, freedom, and security of all NATO member states.¹⁴⁷

Chapter III of this thesis addresses some of the ineffective and wasteful spending practices that the current two percent of GDP burden sharing policy encourages. This chapter discusses the political tribulations bought forth by this policy and the conclusion offers an alternative burden sharing policy based on the mission contributions of individual allies, rather than a "one size fits all" defense spending benchmark. The connections between policy, national interest, and political climate are difficult to trace, but important nonetheless. While the United States has always urged its European allies to pay more for the defense of NATO, the current administration is using tactics that have been widely interpreted as antagonistic. Chapter I of this thesis addresses some of the ways in which President Trump's methods have been seen as disruptive, but now other NATO allies are

¹⁴⁷ "2010 Strategic Concept for the Defence and Security of the Members of the North Atlantic Treaty Organisation," North Atlantic Treaty Organization, November 11, 2014, preface, http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_publications/20120203_strategic-concept-2010-eng.pdf.

using this shifting paradigm as an opportunity to pursue their own national goals, thus disrupting the spirit of NATO cooperation even further. France and Germany are both seeking leadership roles in Europe, while Poland and the United Kingdom are seeking unilateral defensive solutions. Poland openly criticizes NATO allies who have not met the two percent of GDP defense spending benchmark.¹⁴⁸

A. NEW LEADERSHIP IN EUROPE

Once, the United States was seen by its European allies as an unbiased outside mediator.¹⁴⁹ More recently, the United States has surrendered its leadership role, opting for a more selective approach to engagements in international politics. Not only has President Trump restricted the United States' involvement in multi-lateral security efforts overseas and impeded the progress of multi-lateral trade agreements, but he has also made several decisions that stand in stark contrast to the opinions of some other nations.¹⁵⁰ Pulling the United States out of the Trans-Pacific Partnership (TPP) and hindering the progress of the North Atlantic Free Trade Agreement (NAFTA) have isolated the U.S. economically, but pulling the United States out of the Paris Climate Agreement and declaring Jerusalem the capital of Israel have isolated the country ideologically. President Trump's adamant defense of the two percent of GDP guideline with no consideration given to improving the burden sharing process or specifying what capabilities need more attention is another manifestation of the current U.S. administration's divisive isolationist policies.

¹⁴⁸ Alessandra Scotto Di Santolo, "EU is full of 'Free Riders!' Furious Poland shames members shirking NATO spending target," *Express*, February 18, 2018, <https://www.express.co.uk/news/world/920245/Munich-Security-Conference-2018-NATO-spending-donald-trump-poland-Mateusz-Morawiecki>.

¹⁴⁹ Thomas Wright, "A Post American Europe and the Future of U.S. Strategy," Brookings, December 2017, https://www.brookings.edu/wp-content/uploads/2017/12/fp_20171205_post_american_europe.pdf, 3-4.

¹⁵⁰ Oren Dorell, "Trump's foreign policy smacks of isolationism and retreat, French FM says," *USA Today*, December 18, 2017, <https://www.usatoday.com/story/news/world/2017/12/18/trump-foreign-policy-smacks-isolationism-and-retreat-france/960926001/>.

1. Germany: The Reluctant Hegemon

To fill the gap in leadership left by the United States, both France and Germany have been positioned, by their own doing or otherwise, to take up the burden of superintendence in NATO. Due to the influence commanded by its powerful economy and stable political climate, Germany has long been the de facto leader of Europe.¹⁵¹ Even though Germany has since World War II been reluctant to take on a hegemonic role in Europe, many economists suggest that German leadership may be exactly what Europe needs to move forward.¹⁵² In fact, in a speech in Berlin on November 28, 2011, Radek Sikorsky, then the Polish Foreign Minister, commented, “I fear German power less than I am beginning to fear German inactivity.”¹⁵³ With the election behind her and having secured her fourth consecutive term as German Chancellor, Angela Merkel can refocus on the task of saving Europe, as she has been attempting to do for years through economic reforms.¹⁵⁴ However, with Russia becoming increasingly aggressive and the United States trying to scale back its commitments, Europe might need more than just an economic leader; it might need a political-military leader.

While European leaders such as Radek Sikorsky have advocated for more German leadership, Chancellor Merkel’s party has actively resisted that role in NATO but has relished taking on the responsibility in the European Union. Chancellor Merkel has gone on record refusing to meet the two percent of GDP guideline, suggesting that it is “unnecessary and unrealistic.”¹⁵⁵ With Europe’s largest economy (a GDP of 3.4 trillion dollars in 2017) and a defense budget of only 1.2 percent of its GDP, Germany has slowly

¹⁵¹ Stefan Theil, “Should Germany step up and lead the West?” *Handelsblatt*, September 8, 2017, <https://global.handelsblatt.com/our-magazine/looking-for-a-new-leader-germany-global-politics-elections-us-trans-atlantic-nato-819817>.

¹⁵² “The Reluctant Hegemon,” *The Economist*, June 15, 2013, <https://www.economist.com/news/leaders/21579456-if-europes-economies-are-recover-germany-must-start-lead-reluctant-hegemon>.

¹⁵³ Radek Sikorsky, “Poland and the future of the European Union,” Berlin: November 28, 2011, <http://www.mfa.gov.pl/resource/33ce6061-ec12-4da1-a145-01e2995c6302:JCR>.

¹⁵⁴ “The Reluctant Hegemon,” *The Economist*, June 15, 2013, <https://www.economist.com/news/leaders/21579456-if-europes-economies-are-recover-germany-must-start-lead-reluctant-hegemon>.

¹⁵⁵ Charles Pena, “Germany must meet its obligation to NATP,” *National Review*, January 17, 2018, <https://www.nationalreview.com/2018/01/germany-nato-defense-spending-obligation-must-meet/>.

begun to increase its defense spending for NATO.¹⁵⁶ However, Chancellor Merkel has expressed interest in investing in the European Union's Permanent Structured Cooperation on Security and Defense (PESCO).¹⁵⁷ While there is some overlap between the two organizations, there are some additional members in the EU that are not included in NATO, as well as some key NATO allies that are not included in the EU, including Canada, Norway, Turkey, and the United States.¹⁵⁸ Non-EU NATO allies still manage to influence the strategic conversation, as is evident with the burden sharing debate.¹⁵⁹ Without these competing powers to contend with for influence, Germany, along with some input from France, Italy, and Spain, would be free to shape the European defense agenda. Unlike with NATO, with its burden sharing complications, as a member of the EU, Germany, undoubtedly the most influential member of this the EU's new PESCO policy framework, is free to suggest how best to employ the shared resources, opting for political solutions in place of military ones when it suits the interests of those involved.¹⁶⁰

2. France in the Age of Macron

Having Germany take a more "hands on" approach to leadership in political and military affairs within the Alliance would not pose any major threat to stability in Europe if it were the only contender for the position. However, Emmanuel Macron, France's new President, has his own ambitions for Europe. Presenting himself as a pro-European centrist, President Macron has earned the admiration of top European Union officials.¹⁶¹ While France does not have the same economic pull as Germany, it does have political momentum and not only the support of the EU but also that of prominent public figures in Germany, such as Joschka Fischer, Germany's former foreign minister, and Jurgen Habermas, an

¹⁵⁶ Charles Pena.

¹⁵⁷ Aaron Mehta, "US cautiously watching EU military proposal," *Defense News*, February 13, 2018, <https://www.defensenews.com/global/europe/2018/02/13/us-cautiously-watching-eu-military-proposal/>.

¹⁵⁸ Aaron Mehta.

¹⁵⁹ Aaron Mehta.

¹⁶⁰ Aaron Mehta.

¹⁶¹ Mehreen Khan, "Hegemon or Political Dwarf: Germany in the Age of Macron," *Financial Times*, November 14, 2017, <https://www.ft.com/content/53d7c54c-c92e-11e7-ab18-7a9fb7d6163e>.

influential German scholar.¹⁶² Not all German political figures are as supportive of France's budding aspirations. The President of Germany's Bundesbank, Jens Weidmann, is challenging French economic influence by seeking the support of Chancellor Merkel to become the head of the European Central Bank, which is an uncharacteristically high-visibility position for Germany to seek out.¹⁶³ Additionally, Constanze Stelzenmüller, a German expert at the Brookings Institution in Washington, admitted that "We [the Germans] have been free-riding on U.S. security for a long time now, and we could have done something to address that," suggesting that others in Germany might be prepared to take a more active leadership role.¹⁶⁴

These two competent allies, France and Germany, vying for control over the same territory or economic sector is not necessarily indicative of future problems. In fact, healthy competition could serve as an engine that drives progress. A 2016 White Paper on German security policy acknowledged that, "Politically, economically and militarily, the international system is moving towards a multipolar order."¹⁶⁵ The White Paper went on to suggest that building new relationships and sharing power would be important for Germany "as a globally networked country that depends on free access to global routes of information, communication, supply, transport and trade."¹⁶⁶ One "red flag" that could suggest otherwise, however, is the historically bitter relations between the two nations: from the Franco-Prussian War in 1870 to the end of World War II in 1945, Franco-German relations were notoriously antagonistic.¹⁶⁷ Much of Europe was in a recurrent state of warfare in the eighteenth and nineteenth centuries, but France and Germany were especially prone to violence towards each other, spurring many wars from the seventeenth

¹⁶² Khan, "Hegemon or Political Dwarf."

¹⁶³ Khan.

¹⁶⁴ Guy Chazan, "Merkel Washington visit overshadowed by Macron triumph," *Financial Times*, April 27, 2018, <https://www.ft.com/content/d6a84298-4940-11e8-8ae9-4b5ddcca99b3>.

¹⁶⁵ "Strategic Review and Way Ahead," *White Paper on Security Policy and the Future of the Bundeswehr*. German Bundeswehr, July 2016, 30–31.

¹⁶⁶ "Strategic Review and Way Ahead," 31.

¹⁶⁷ Carine Germond and Henning Turk, *A History of Franco-German Relations in Europe: From Hereditary Enemies to Partners* (New York: Palgrave Macmillan, 2008), 1.

century to the Paris Peace Treaties in 1947.¹⁶⁸ Besides their bloody history, another possible impediment to Franco-German cooperation is the Thucydides Trap. The ancient Greek historian described this phenomenon as an established hegemon having its power threatened by a rising power, resulting in a chain reaction of escalatory events, eventually leading to war between the two competing powers.¹⁶⁹ Thucydides first suggested that this principle might have been one of the causes of the Peloponnesian War when he described the consequences of the expansion of Athenian power: “The growth of the power of Athens, and the alarm which this inspired in Lacedaemon, made war inevitable.”¹⁷⁰ This principle could explain Germany’s sudden shift from passive, begrudging leadership to overtly challenging France for control of Europe’s economy.¹⁷¹ Even if these two competing powers never return to open military conflict, any relationship in which their national interests are not aligned to benefit Europe as a whole will be counter-productive for NATO.

B. DIVERGING NATIONAL INTERESTS

National politics play a part in the decision-making process of every head of state. It is the responsibility of those heads of state to pursue what is best for their constituents; however, in order to preserve the integrity of NATO, all considerations should be taken to ensure national interests align with those of the Alliance as much as possible. Ignoring the more controversial aspects of NATO’s agenda in favor of less provocative national policies could simplify the policy-making process, however, it could also damage the effectiveness of the Alliance as a whole. The United Kingdom and Poland have both demonstrated behavior that would suggest that they may be shifting their national policies away from those of NATO; the United Kingdom with its aid spending policy and Poland with its attitude towards the idea of collective defense.

¹⁶⁸ Germond and Turk, “A History of Franco–German Relations in Europe,” 1.

¹⁶⁹ Declan Sullivan, “Destined for Competition: An Analysis of Graham Allison’s Thucydides Trap,” *The Strategy Bridge*, January 24, 2018, <https://thestrategybridge.org/the-bridge/2018/1/24/destined-for-competition-an-analysis-of-graham-allisons-thucydides-trap>.

¹⁷⁰ Thucydides, *The History of the Peloponnesian War*, Edited by Richard Crawley (Auckland, New Zealand: The Floating Press, 2008), 27.

¹⁷¹ Khan, “Hegemon or Political Dwarf.”

1. The Literal and Metaphorical Island of the United Kingdom

As many European states are experiencing a surge in nationalist sentiment, the United Kingdom has not been immune. Electing to separate from the EU in the referendum held on June 23, 2016 in what would become known as Brexit, the United Kingdom began the controversial process of politically partitioning itself off from the rest of the European Union.¹⁷² While there is no evidence that Brexit is in any way directly linked to NATO burden sharing, the nationalistic sentiment that drove it has also been apparent in the United Kingdom's policies and emerging views of NATO. In 2017, the U.K. was rocked by a scandal that claimed that the NATO ally spent less than two percent of its GDP on defense in 2016 and merely manipulated exchange rates to make it appear as if it was spending more.¹⁷³ The British government, via a spokesperson for the Minister of Defense, rejected these claims as false and assured NATO that the U.K. would continue to increase its defense spending and urge other allies to do the same.¹⁷⁴ However, the International Institute for Strategic Studies (IISS) calculated that the defense budget as a percentage of the United Kingdom's GDP would continue to decrease.¹⁷⁵

As the country's priorities continue to shift inward, a trend of isolationism can be seen emerging. The United Kingdom's International Development Secretary, Penny Mordaunt, came under intense scrutiny when she announced her plan to spend her department's overseas budget on projects described as "pursuing pathetic headlines in the right-wing press."¹⁷⁶ Instead of seeking to reduce poverty overseas or aid refugees, the money was to be spent on less controversial endeavors that would not rattle the

¹⁷² Theresa May, "Article 50 Letter: Message to EU as BREXIT begins," *Independent*, March 29, 2017, <http://www.independent.co.uk/news/uk/politics/article-50-letter-read-full-brexit-theresa-may-takes-uk-out-of-eu-statement-a7655566.html>.

¹⁷³ Jon Stone, UK Faces embarrassment over NATO defense spending ahead of summit," *Independent*, February 14, 2017, <http://www.independent.co.uk/news/uk/politics/nato-spending-uk-target-target-michael-fallon-brussels-summit-a7578986.html>.

¹⁷⁴ Stone.

¹⁷⁵ Stone.

¹⁷⁶ Rob Merrick, "Penny Mordaunt Under Fire for Pledging to Spend UK Foreign Aid on 'National Interest' Not Just to Help World's Poorest," *Independent*, January 15, 2018, <http://www.independent.co.uk/news/uk/politics/penny-mordaunt-international-aid-uk-foreign-spending-national-interest-world-poorest-british-people-a8160631.html>.

conservative base, such as protecting wildlife and preventing plastic pollution.¹⁷⁷ Secretary Mordaunt explained the U.K. government's policy for aid spending by pointing out that she would "ensure that our aid spend directly contributes to tackling the issues that matter most to the British people."¹⁷⁸ Kate Osamor, the Labour Party Shadow International Development Secretary, criticized this policy by explaining that Secretary Mordaunt's plan to use the United Kingdom's aid budget "For short-sighted national interest is an insult to the generosity and intelligence of the millions of British people who donate their time and money each year to make the world fairer."¹⁷⁹ This is important because if the U.K. refused to support humanitarian missions overseas, it would put itself at odds with one of NATO's goals (addressing the current migrant crisis) and the role addressing that crisis plays in contributing to the stability and security of Europe, as discussed in the previous chapter. Brexit, combined with this increasingly nationalistic agenda, has begun to create an ever-widening gap between the interests of the United Kingdom and those of the rest of the EU.

2. Poland Alone

Instead of simply contradicting some of the NATO missions with its own national agenda as the United Kingdom has done by reallocating refugee aid money to fund wildlife protection and combat plastic pollution, Poland seeks to completely replace NATO with its own national defense plan. In May 2017, Polish Defense Minister Antoni Macierewicz stated, "In no more than twelve years Poland will be able to defend itself with its own forces."¹⁸⁰ Despite NATO officials and security analysts predicting that such an ambitious undertaking could destabilize Poland economically and leave it more vulnerable to attack from outside aggressors such as Russia, the right-wing Law and Justice (PiS) government

¹⁷⁷ Merrick.

¹⁷⁸ Merrick.

¹⁷⁹ Merrick.

¹⁸⁰ Lidia Kelly, "Poland Plan Trump-Era Defense Spending Splurge Critics Say is Unrealistic," *Reuters*, June 16, 2017, <https://www.reuters.com/article/us-nato-poland-defence/poland-plans-trump-era-defense-spending-splurge-critics-say-unrealistic-idUSKBN1970Y6>.

believes it can unilaterally defend Poland against a major threat like Russia without the aid of the hundreds of NATO forces already stationed in the country.¹⁸¹

While Poland is in fact spending more than two percent of its GDP on defense, its new missile defense system will serve only to build Poland's "self-sufficiency."¹⁸² Typically, the NATO air defense and missile defense networks are spread out over several countries, with multiple locations housing warning radars, missile sites, and control centers, and forming what is referred to as layered missile defense.¹⁸³ The idea is that, even if an individual site is attacked and destroyed, other redundant sites could take over the functionality of the lost site, thus maintaining the integrity of the network.¹⁸⁴ Instead, Poland has opted to spend several billions of dollars on a missile defense system that is to be situated entirely within its own borders.¹⁸⁵ While NATO will benefit greatly from the additional missile defense capabilities, the fact that Poland has openly voiced its goal of self-reliant defense outside of NATO raises the question of Poland's dedication to the Alliance. Poland is not at fault for improving its ability to defend itself; however, it appears that Poland is preparing to limit its involvement with NATO in favor of a more nationalistic defense plan.¹⁸⁶ Officials in Poland's dominant Law and Justice party have also driven a wedge between Poland and the European Union by accusing Brussels and Germany of "Dictating terms to newer members and trying to impose an elitist, secular vision."¹⁸⁷ Poland is technically operating within the NATO guidelines by spending two percent of its GDP on defense and the additional missile defense capabilities are useful to the Alliance.

¹⁸¹ Kelly.

¹⁸² Kelly.

¹⁸³ NATO, "NATO Review Magazine: Missile Defense," accessed March 17, 2018, <https://www.nato.int/docu/review/Topics/EN/Missile-defence.htm>.

¹⁸⁴ NATO, "NATO Review Magazine: Missile Defense," accessed March 17, 2018, <https://www.nato.int/docu/review/Topics/EN/Missile-defence.htm>.

¹⁸⁵ Jen Judson, "Poland Has Sticker Shock Over Unacceptable Price Tag for Patriot Buy," *Defense News*, December 6, 2017, <https://www.defensenews.com/land/2017/12/06/poland-surprised-by-high-price-tag-for-its-long-awaited-patriot-purchase/>.

¹⁸⁶ Kelly, "Poland Plan Trump-Era Defense Spending Splurge Critics Say is Unrealistic,"

¹⁸⁷ Steven Erlanger and Marc Santora, "Poland's Nationalism Threatens Europe's Values, and Cohesion," *The New York Times*, February 20, 2018, <https://www.nytimes.com/2018/02/20/world/europe/poland-european-union.html>.

However, some observers contend, by straining the relationship between itself and its Allies, Poland is arguably not acting within the spirit of the Alliance.

C. POLAND: THE NEW SPENDING LEADER?

As discussed in Chapter III of this thesis, the debate on burden sharing in NATO is as old as NATO itself. Most experts and politicians agree that more needs to be done but disagree on how to move forward. Besides being fiscally ineffective, the current two percent of GDP guideline is also politically contentious. A relatively new manifestation of this reality is the public shaming of allies that do not meet the two percent of GDP benchmark. This is a problem, because rather than focusing on constructive ways in which to improve the burden sharing process or ways to employ NATO assets more effectively, Poland has used the two percent of GDP benchmark as a wedge issue to push its national agenda within NATO.¹⁸⁸

After U.S. President Donald Trump normalized the practice of criticizing Allies that, in his judgement, did not spend enough on defense, Polish Prime Minister Mateusz Morawiecki also began to “bash” members of NATO that did not meet the two percent of GDP guideline.¹⁸⁹ There appears to be a correlation between Poland’s berating of its Allies and Poland’s planned increase in spending on national defense.¹⁹⁰ Poland may be using the sub-optimal level of defense spending by its Allies to justify expanding its own army, building its national missile defense system, and lobbying for more NATO troops to be stationed on its soil to deter Russia from committing aggression.

Obviously, Poland has the right and the obligation to ensure its own security; however, its decision to push an increasingly nationalist agenda may be damaging to the cohesion of the alliance.¹⁹¹ If the two percent of GDP guideline did not exist, or if it were

¹⁸⁸ Alessandra Scotto Di Santolo, “EU is full of ‘Free Riders!’ Furious Poland Shames Members Shirking NATO Spending Target,” *Express*, February 18, 2018, <https://www.express.co.uk/news/world/920245/Munich-Security-Conference-2018-NATO-spending-donald-trump-poland-Mateusz-Morawiecki>.

¹⁸⁹ Di Santolo.

¹⁹⁰ Kelly, “Poland Plan Trump-Era Defense Spending Splurge Critics Say is Unrealistic,”

¹⁹¹ Editorial Board, “The European Union Must Stand Up to Polish Nationalism,” *The New York Times*, February 28, 2018, <https://www.nytimes.com/2018/02/28/opinion/eu-polish-nationalism.html>.

re-structured to be more effective in acquiring critical military capabilities, there is no guarantee that Poland would behave any differently, but at least burden sharing would not be the vehicle used to shame its allies for their poor defense spending performance. It could also be argued that a more effective burden sharing policy could diminish Poland's desire for a more self-sufficient military if the authorities in Warsaw regarded NATO as adequately equipped and postured to defend Poland against external threats.

D. NAVIGATING ALLIANCE POLITICS

The connections between NATO's two percent of GDP burden sharing policy and the politics of instituting this policy are subtle yet critical. Throughout human history, the nuances of politics have shaped the events that made the world what it is today. From the Peloponnesian War, to the American Revolution, to World War II, decisions made by politicians based on their relationships with one another drove the violent campaigns that determined which cultures would thrive and which ones would vanish; contemporary politics are no different.

France and Germany have been involved in many conflicts in the past. NATO made them military allies, as it aligned their respective national security interests. These two Allies may not have agreed on everything, but the security gained by being a part of the Alliance kept them together. Thanks to disagreements over burden sharing, those shared security priorities may again be in a state of disarray. Brexit and the inconsistencies of U.S. leadership have given both states the opportunity to be more influential in NATO, and the formation of PESCO has given them an alternative to the organization that once held them together. President Macron's fierce dedication to NATO's two percent of GDP guideline and Chancellor Merkel's reservations about the policy may be among the factors dividing Europe's most powerful nations in the future.¹⁹²

As with Germany's decision to pursue alternative defense solutions in PESCO, the United Kingdom's and Poland's decisions to pursue more nationally focused defense solutions may stem from a loss of confidence in NATO's ability to effectively divide

¹⁹² "France Boosts Defense Spending to Hit NATO Target," *The Local*, February 8, 2018, <https://www.thelocal.fr/20180208/france-boosts-defence-spending-to-hit-nato-target>.

financial responsibilities among its members. The wave of nationalism sweeping over Europe can be attributed to many factors, including the migrant crisis and domestic economic woes. However, that newfound sense of nationalism, combined with a growing lack of confidence in NATO, is a recipe for dissension. The United Kingdom, historically more isolated than the rest of Europe, may feel more tempted to pursue a more U.K-centric agenda if it feels the rest of NATO is not paying enough for defense. Poland, however, is already moving in that direction. Polish Prime Minister Mateusz Morawiecki has cited recent Russian aggression against Georgia and Ukraine as key reasons for the build-up of the Polish Army, but he has also used the fact that Poland is one of only six allies to meet the two percent of GDP benchmark to justify its national unilateral actions and divisive criticisms of its Allies.¹⁹³

Whether the burden sharing debate pushes NATO Allies apart based on diverging national interests or simply sours their relationships, the resulting animosity can have tangible and lasting effects. There is already substantial evidence presented in the previous chapters of this thesis that suggests that the two percent of GDP policy is ineffective and counter-productive. The possibility that this policy could be harmful to the cohesion of the NATO alliance should be enough to spur NATO officials and Alliance Heads of State and Government into action. The only way for NATO to remain effective in the future is for the Alliance members to agree on how to fund the organization and the performance of its core tasks. At the moment, few Alliance members regard the current system as flawed beyond the point of being useful. A new system which takes into account the more nuanced factors of national governance is the only way to move NATO past this stumbling block.

¹⁹³ Lidia Kelly, "Poland Plan Trump-Era Defense Spending Splurge Critics Say is Unrealistic," *Reuters*, June 16, 2017, <https://www.reuters.com/article/us-nato-poland-defence/poland-plans-trump-era-defense-spending-splurge-critics-say-unrealistic-idUSKBN1970Y6>; and NATO Public Diplomacy Division. *Defence Expenditure of NATO Countries (2010-2017)*. Communiqué PR/CP (2017)111, Brussels Belgium: NATO Press and Media, June 2017. Graph 3: Defence Expenditure as a share of GDP Percentage. http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2017_06/20170629_170629-pr2017-111-en.pdf.

V. BURDEN SHARING RESOLUTION

In order to fund NATO more fairly and for the Alliance to be able to operate more effectively, factors other than GDP must be considered. As mentioned in Chapter III, some of those qualifying factors must be: the needs of the Alliance as they relate to material capability and mission relevance, asymmetrical risks assumed by specific Allies, geo-strategic positions, domestic politics, national spending that may benefit the NATO security mission but does not count toward defense spending, and participation rates, measured by the percentage of national assets an ally commits to specific NATO operations. An example of this last factor is the number of combat troops that Italy and Greece dedicated to NATO Afghanistan missions in 2014. Of its 7,000 internationally deployed troops, Italy sent 1,800 to Afghanistan, while Greece deployed none of its 21,500 troops outside of its borders.¹⁹⁴ The weight given to each extenuating factor should be well defined for the sake of fairness, but remain subjective enough to allow for flexibility in interpretation, and the overall system must take the inherent fluidity of national and alliance politics into account. Two options NATO has to improve its burden sharing policy are: the application of behavioral economics to the current policy or focusing on building and maintaining relationships with partners and allies, as described by U.S. Secretary of Defense Jim Mattis in a written statement given to the House Armed Services Committee on 12 April 2018.¹⁹⁵

Behavioral economics is a well-established discipline that seeks to explain economic decision-making by applying a psychological understanding of human behavior to standard economics.¹⁹⁶ This is a system already used widely in corporate marketing and

¹⁹⁴ Reuters Staff, “Germany and Italy to Keep up to 1350 Soldiers in Afghanistan,” *Reuters*, November 19, 2014, <https://www.reuters.com/article/us-afghanistan-germany-troops/germany-and-italy-to-keep-up-to-1350-soldiers-in-afghanistan-idUSKCN0J211820141119>; and Elisabeth Braw, “The 2% Benchmark is Blinding us to NATO Members’ Actual Contributions,” *Defense One*, October 12, 2017, <http://www.defenseone.com/ideas/2017/10/benchmark-blinding-us-nato-members-contributions/141736/?oref=d-river>.

¹⁹⁵ Jim Mattis, (United States Secretary of Defense), Written Statement for the House Armed Services Committee, 12 April 2018.

¹⁹⁶ Oxford, s.v. “behavioral economics,” accessed April 8, 2018, https://en.oxforddictionaries.com/definition/behavioural_economics.

stock predictions to take into account the illogical human behavior that drives some aspects of the global economy. The U.S. Navy's Operational Risk Management (ORM) matrix can be used to assign value to these factors, but these values will be relatively subjective. ORM is a program that assigns numerical values to the severity and probability of operational hazards in order to determine if contending with that specific hazard is worth the operational risk.¹⁹⁷ These alterations to how NATO calculates burden sharing performance would not make the system perfect, but they would make it fairer and less divisive.

The approach discussed by Secretary Mattis describes an alliance in which the rules and procedures would be more flexible and the division of financial responsibility would be agreed upon on a state to state basis.¹⁹⁸ It would focus on prioritizing defense budgets to cover necessities rather than meeting arbitrary spending goals and fostering good will between allies by compromising on policy rather than forcefully dictating to smaller allies from a position of power.¹⁹⁹ Secretary Mattis described these new processes as "Ally friendly," and went on to say that "The Department [of Defense] will do more than just listen to other nations' ideas—we will be willing to be persuaded by our partners, recognizing that not all good ideas come from the country with the most aircraft carriers."²⁰⁰ This approach would emphasize the importance of the Alliance member states, and NATO officials would be accountable for the money spent on defense to ensure that NATO is "gaining full benefit from every single taxpayer dollar spent on defense."²⁰¹

As it stands in NATO today, the GDP of a country is the only factor taken into account when determining how much it should spend on defense. In order for the principles of behavioral economics to be applied here, other, more fiscally subjective factors must be considered, such as the ones listed above. Secretary Mattis's method also calls for a wide

¹⁹⁷ Department of Naval Operation, *Operational Risk Management*, OPNAV Instruction 3500.39C, (Washington, DC: Department of the Navy, 2010), <http://www.public.navy.mil/airfor/nalo/Documents/SAFETY/OPNAVINST%203500.39C%20OPERATIONAL%20RISK%20MANEGEMENT.pdf>.

¹⁹⁸ Mattis, "Written Statement for the House Armed Services Committee."

¹⁹⁹ Mattis, 15–17.

²⁰⁰ Mattis, 16.

²⁰¹ Mattis, 17.

range of flexibility to be given to NATO officials. To understand how NATO burden sharing, behavioral economics, and ORM fit together, there must be a solid understanding of all three concepts. NATO burden sharing has been explained throughout the length of this thesis, and this chapter focuses on explaining behavioral economics and ORM, and how they can be used to craft a comprehensive solution to the NATO burden sharing debate. The application of behavioral economics will then be compared to the method suggested by Secretary Mattis to determine which would be more effective in improving NATO's burden sharing policy.

A. UNDERSTANDING BEHAVIORAL ECONOMICS

Standard economics, sometimes referred to as traditional or rational economics, makes the assumption that people make financial decisions based solely on logic and that they have all of the pertinent facts surrounding a particular decision to come to an informed conclusion. This set of economic principles also assumes that all people operate with a uniform set of decision making criteria, and that there are no conflicting internal priorities to distract someone from making the most mathematically logical choice in any given situation.²⁰² This is basically the way the two percent of GDP burden sharing policy is structured. All of the Allies are expected to spend at least two percent of their GDPs on national defense, resulting in a mathematically even division of NATO's burden sharing responsibilities.

Behavioral economics not only takes into account the irrational decision making that sometimes accompanies international politics, but it also recognizes the fact that some countries have priorities and concerns that do not exist for others, as is the case with individual people. In addition to taking into account a person's individual priorities, behavioral economics also takes into account "framing," or how information is presented to the consumer.²⁰³ This aspect of behavioral economics is demonstrated by the principle of "nudging," or intentionally framing a set of options in a particular way in order to play

²⁰² "What is Rational Choice Theory," Investopedia, accessed April 12, 2018, <https://www.investopedia.com/terms/r/rational-choice-theory.asp>.

²⁰³ Alain Samson, "An Introduction to Behavioral Economics," *Behavioral Economics*, accessed April 12, 2018, <https://www.behavioraleconomics.com/introduction-behavioral-economics/>.

off the subconscious factors that may drive a person to make a certain decision.²⁰⁴ An example of this can be seen in the listing of calories on food packaging. If the calories on a bag of chips were listed as 100 grams per serving and five servings per bag, a health-conscious customer would be more likely to purchase the chips than if the calories were simply listed as 500 grams per bag. This could have tremendous implications for how NATO Allies view one another in respect to performance in meeting the burden sharing requirements. For instance, if the rules concerning burden sharing were rewritten to include money spent on resettling migrants in the two percent of GDP spent on defense, every Ally that accepts migrants would be required to spend less on defense while still meeting the minimum requirement of two percent of GDP.

1. Operational Risk Management

The U.S. Navy’s operational risk management (ORM) program seeks to maximize the chances of operational success by identifying, mitigating, and managing risk.²⁰⁵ As described in Chapter III, the probability and severity of a specific hazard are assigned a number from one through four, with one being a high probability or severity and with four being a low probability or severity. The matrix would be constructed as shown in Table 1.

Table 1. Operational Risk Management Matrix²⁰⁶

	SEVERITY				
		1	2	3	4
PROBABILITY	1	1	1	2	3
	2	1	2	3	4
	3	2	3	4	5
	4	3	4	5	5

²⁰⁴ Anne Stephenson, “Nudging: How Behavioral Economics Applies to Marketing,” *Explorer Research*, May 5, 2017, <https://explorerresearch.com/how-behavioral-economics-applies-marketing/>.

²⁰⁵ Department of Naval Operation, *Operational Risk Management*.

²⁰⁶ Adapted from Department of Naval Operation, *Operational Risk Management*.

If the ORM assessment is determined to have a numerical value of three or higher, the hazard could be worth the operational risk, depending on how critical the Commander deems that particular mission after risk mitigating controls are put in place.

Where ORM seeks to mitigate hazards after identifying them and assigning values, the proposed system of asset risk management (ARM) would only seek to identify and assign value to alliance assets. This system would depend on the operational experience of NATO officials and military officers to come to a consensus on the value of the abstract factors mentioned at the beginning of this chapter. The value of each asset will then correlate to a percentage of that country's GDP. For example, a one would be equal to 0.5% of GDP, a two would be equal to 0.4% of GDP, a three would be equal to 0.3% of GDP, a four would be equal to 0.2% of GDP, and a five would be equal to 0.1% of GDP.

A theoretical application of this process could be to determine the strategic value of Iceland's geographic location to the Alliance. For this example, the "Probability" axis will represent the probability of the asset being employed in NATO security missions and the "Severity" axis will be relabeled "Value," and will represent the value of the asset to the Alliance; in this instance, the asset would be Iceland's geographic location. First the NATO committee to be established in accordance with this thesis proposal would need to rank the value of the asset from one to four. The NATO officials that would make up the committee would need to agree on how important Iceland's geographic location is to NATO, possibly by referring to its historical importance, the role it could possibly play in future operations, and the possibility that Iceland's role in these operations could be replaced by facilities in another geographic location. Given the remoteness of the island and the existing infrastructure in Keflavik, it is likely that the committee would assign a value of two for this aspect of the asset. Next, the committee would need to rank the probability of Iceland's geographic location being employed in current or future operations. Since Keflavik Airbase is currently in use by NATO forces, the committee would assign a value of one to this aspect of the asset. The cross-section of those two values on the ARM matrix would equate to a value between one and five; in this example, it would equal one. Finally, it would be left to the judgement of the committee to determine if the ARM value of the asset should in fact be valued as such, in this case, 0.5% of GDP. Now

that the mechanics behind ARM have been clarified, all that would be left to do is to apply it to NATO burden sharing using the principles of behavioral economics.

B. BEHAVIORAL ECONOMICS APPLIED TO NATO BURDEN SHARING

The application of behavioral economics to NATO burden sharing would keep in place much of the inflexibility of the current policy as it pertains to the percentage of GDP spent on defense. The difference would be what can be included in that percentage. Instead of only accounting for the liquid capital that a country spends on defense, this new method would consider assets that were previously not attributed a monetary value and spending that would not strictly be considered defense spending. The example given earlier in this chapter could be applied to any of the factors mentioned at the beginning of this chapter. Once the ARM values were correlated to a percentage of GDP value, the country being evaluated would only need to pay the difference to bring its total defense expenditures to two percent of its GDP.

If all members of the Alliance were to agree to this system, it would allow for a greater deal of flexibility in the national defense budgets of many allies and could potentially save billions of dollars that could be invested in other sectors of the economy. States such as Greece, struggling with budget deficits, could use the saved money to stabilize its economy. Greece, Italy, Spain, and Turkey could count the money spent on rescuing, housing, feeding, and processing migrants towards their two percent of GDP spending goals, and states across NATO could improve their infrastructure. Each ally would have more money to spend on improving itself internally, making it a stronger state, thus improving the strength of the Alliance as a whole. The most impactful change this policy could bring about is how the allies perceive each other. Relating back to the behavioral economics principle of framing, in which information is presented to be more appealing to a consumer without actually changing the substance of what is being presented, if all the Allies believed that every Ally was paying a fair amount towards NATO defense and security, the divisive behavior festering as a result of the current policy

might vanish.²⁰⁷ To present a hypothetical example, if all the Allies continued to pay the same percentage of their GDPs, but the Allies paying less were able to incorporate the extenuating factors that affect them, their defense expenditure could potentially be made to equal the equivalent of two percent of their GDPs without them spending any additional capital. The result could be an end to the bickering among Allies over inequalities in defense spending and a stronger bond between the members of NATO.

Some drawbacks of instituting this policy would be the requirement to create more administrative bureaucracy, the requirement for Allies to come to a consensus in determining the value of abstract assets such as geographic location and asymmetrical risk, and the fact that at its core, the burden sharing policy would still depend on Allies meeting the arbitrary goal of spending at least two percent of their GDP on defense. These factors could lead to a more convoluted burden sharing system. Written instructions would have to be generated to govern the process, which could require a large investment of money, time, and manpower. This investment would be risky because there is no guarantee that this policy would be successful.

To address the issue of obtaining consensus among the allies, the possibility of burden shifting must be taken into consideration. Getting so many different Allies to agree on the monetary value of their assets would be dependent on each Ally being honest about how much it believes its assets are worth as well as the value of other states' assets. This may be possible if concessions are made; however, it creates the possibility of the value of all the assets being inflated, leading to underfunding of NATO by many Allies across the board.

The most significant problem to consider when employing this policy would be the fact that it still relies on allies spending two percent of their GDPs on defense. This number is arbitrary and was agreed upon without conducting any research to determine how much should actually be paid by the Alliance as a whole to fund its needs.²⁰⁸ This fact alone makes the utility of retaining the two percent of GDP policy in any form open to debate.

²⁰⁷ Samson, "An Introduction to Behavioral Economics."

²⁰⁸ Lunn and Williams, "NATO Defense Spending," 5.

C. BURDEN SHARING POLICY CENTERED ON RELATIONSHIPS

As with the points made in Chapter III of this thesis, Secretary Mattis supports a burden sharing policy that is tailored to address the strategic needs of the Alliance, strengthens relationships between Allies, and seeks to eliminate wasteful spending.²⁰⁹ Unlike the policy centered around behavioral economics, Secretary Mattis's approach would circumvent much of the bureaucracy and depend on the judgment, leadership, and cooperation of NATO officials to build relationships with each other and foster an environment in which compromise and problem-solving were used to resolve burden sharing issues.²¹⁰ Secretary Mattis acknowledges the need to listen to the concerns of all the Allies and to consider them when crafting policy.²¹¹

The only significant drawback of this approach is its informality. Instead of articulating a concrete agenda of what is expected from each Ally, and how to measure its contributions, this approach is more fluid in determining how much should be paid by whom, and what that spending should go towards. This type of bargaining environment could lead to burden shifting as Allies try to limit their individual contributions to the minimum amount possible. Without a well-defined system to measure contributions, some Allies negotiating the value of similar extenuating factors could come to different conclusions on how much an asset is worth. This could lead to continued feuding over burden sharing inequalities among the Allies. To mitigate these obstacles, the Allies would need to be willing to embrace the spirit of alliance captured by Secretary Mattis's quotation of former United Kingdom Prime Minister Winston Churchill: "the only thing harder than fighting with allies is fighting without them."²¹²

The advantages to Secretary Mattis's approach include its simplicity and flexibility, and the fact that it is centered around building camaraderie among the Allies. To enact this policy would require little to no new infrastructure. All that is required is for the Allies to

²⁰⁹ Mattis, "Written Statement for the House Armed Services Committee."

²¹⁰ Mattis, 2–5.

²¹¹ Mattis, 16.

²¹² Mattis, 15.

listen to each other, actively participate in the problem-solving process, and shape the results into a new defense spending policy. The burden sharing dilemma could be solved without the use of matrices and reams of new policy provisions. It would take time to rebuild some relationships that have been splintered in the past, such as that of Greece and Turkey, to ensure that all agreements are negotiated with the best intentions in mind.²¹³

The lack of rigidly prescribed parameters for the values of extenuating factors would allow NATO and national officials more leeway in negotiating spending plans. Some Allies might be given more or less credit than others after appraising their extenuating factors, but as long as the Alliance receives all the funding that is required and individual Allies are able to do what is best for them, NATO will be stronger as a result.

One of the issues addressed by Secretary Mattis in his testimony is wasteful spending. He announced a comprehensive audit of the Department of Defense and stated that the FY 2019 budget “requires each and every one of us in the Department to be good stewards of every taxpayer dollar spent on defense.”²¹⁴ Considering his stance on the importance of prudence in national defense spending, it is reasonable to assume that Secretary Mattis would be receptive to other Allies taking the same stance against needless spending and wastefulness in pursuit of equality in defense spending. None of this would be possible without a culture of mutual respect and goodwill. This idea is the centerpiece of the proposed policy. Only when Allies are willing to give a little more than their fellow Allies if these Allies are unable to do more, and those Allies respect the sacrifice of other Allies, can NATO truly grow in strength.

D. THE FUTURE OF NATO BURDEN SHARING

Chapter II of this thesis discussed the inception of the current NATO burden sharing policy and Chapters III and IV of this thesis discussed arguments as to why it is ineffective. The application of behavioral economics to the two percent of GDP policy could ease the national political pressure on some Allies to spend more on defense and change the

²¹³ Yiannis Baboulias, “Greece and Turkey are Inching Toward War,” *Foreign Policy*, April 18, 2018, <http://foreignpolicy.com/2018/04/18/greece-and-turkey-are-inching-toward-war/>.

²¹⁴ Mattis, “Written Statement for the House Armed Services Committee,” 18–22.

perceptions some Allies face of not paying enough towards collective defense and the other core tasks of the Alliance. Its application could also lead to a costly build-up of bureaucracy and encourage burden shifting. Moreover, as noted previously, it does not address the core issue of using GDP as a means of measuring how much each Ally should spend on defense. The relationship-centered method could streamline spending, eliminate wasteful spending, and strengthen the relationships between Allies. However, its inherently informal nature could also encourage burden shifting.

This comparison of these two possible solutions to the problem, including their pros and cons, concludes that the relationship-centered method described by Secretary Mattis would be the more effective approach. Its focus on relationship-building has important implications beyond burden sharing. Stronger relationships between Allies could deter potential adversaries from exhibiting antagonistic behavior. Allies might be more receptive to compromises in burden sharing as well as in the division of operational responsibilities. Stronger relationships could also counter some Allies' tendencies to practice burden shifting. The individually tailored spending budgets could ensure that all of NATO's necessary capabilities are paid for, while leaving any remaining capital to the member state to be put towards national projects. Spending the excess from the defense budget domestically could help fragile states stabilize and improve the overall security of the Alliance.

The most important difference between the two policies resides in the fact that the relationship-centered policy could dissolve the requirement for Allies to pay at least two percent of their GDPs towards defense. As stated earlier in this chapter, the two percent of GDP requirement is an arbitrarily assigned value and a holdover from an era before the burden sharing policy was meant to be interpreted so rigidly, with no research to justify its adoption.²¹⁵ Even if such research and analysis had been performed, given the constantly shifting state of domestic and international economics, two percent of an Ally's GDP would not consistently represent the amount that NATO requires from each Ally to operate.

²¹⁵ Lunn and Williams, "NATO Defense Spending," 5.

NATO is a large and complex organization, and its ability to effectively fund itself and operate has widespread global implications. A matter so vital to the stability of European and world affairs deserves more attention than to be an after-thought used for political jockeying. Any advancements made on this issue would be an improvement over the current state of burden sharing in NATO. Relationships are what NATO is centered around, and it is only fitting that they be the pillars on which the Alliance builds its future.

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