

BRIEF

ADDRESSING THE BURDEN-SHARING CHALLENGE

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| KRISTĪNE RUDZĪTE-STEJSKALA |

NATO leaders have recognised that “fair burden sharing underpins the Alliance’s cohesion, solidarity, credibility, and the ability of the Allies to fulfil [their] Article 3 and Article 5 commitments.”¹ Burden sharing is thus regularly debated at NATO ministerial meetings and summits. But these debates tread such familiar ground—input or output measures, qualitative or quantitative measures — that it is not clear that they add value, except to provide a forum for the US to voice concerns on insufficient European defence spending. If the root issue of burden sharing—the disparity between the contributions of the US and other Allies—is to be addressed while continuing to ensure interoperability and cohesion, we must look beyond the very tired arguments about simple spending measures.

WHAT IS BURDEN SHARING?

NATO has tracked and compared the defence inputs and outputs of its members for many decades to assess how they share the burden of collective defence. It has always been apparent that Europe should do more. The disparity between the US and Europe is vast: the US currently spends two-and-a-half times more on defence than all the other Allies together.² The burden-sharing discussion is thus primarily, but not only, a long-running, transatlantic, political-military debate about the so-called 3Cs: cash (defence spending); capabilities (implementation of capability targets assigned by NATO); and contributions (to operations and missions).

The Allies use several basic burden-sharing metrics. Two are specific targets adopted at the 2014 Wales Summit as part of the Defence Investment Pledge: that 2% of Gross Domestic Product (GDP) should be spent on defence, and that 20% of that total should be spent on major new equipment and related research and development. Allies also measure: the percentage of their national armed forces that are deployable and sustainable; the extent to which they implement NATO capability planning targets; their contributions to NATO operations; and the level to which they meet the requirement to fill positions in the NATO command structure.³ The basic data is always made public, but it is left to the nations to decide whether to release more detailed assessments of their own performance.

CURRENT SITUATION

Over the years there have been many attempts to minimise disparities between Allies’ contributions, with most attention being paid to quantitative, rather than qualitative, data. Since the Wales Summit, even sharper focus has been put on the 2% and 20% targets. Such

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straightforward numbers are easy for politicians and the public to comprehend and the emphasis placed on this requirement—including in some rather robust statements from the US in the past four years—has certainly been important in increasing some Allies’ defence expenditure.

In Wales, the Allies agreed a ten-year timescale to achieve the 2% and 20% targets, a period during which real progress on increasing spending and investing in new equipment ought to have been possible. It was no surprise that the Baltic nations began to spend 2% of GDP on defence and considerably increased their investments in major defence equipment and infrastructure after Russia's aggression in Ukraine. But Allies across the board have increased their defence spending. Comparing data from 2014 and 2020, there is no Ally that has not increased defence spending as a share of GDP. In fact, several have seen rather sharp increases—among them, Latvia, Lithuania, Romania, and the Slovak Republic who have all close to or more than doubled their percentage expenditure.⁴

In real terms, defence spending by the European Allies and Canada has increased by 4.6 % over the last five years, and many have also increased spending on major equipment.⁵ It is estimated that between 2016 and 2020, the European Allies and Canada will have added \$130 billion to their defence budgets, and that this figure will

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have increased to \$400 billion by the end of 2024, figures recognised by NATO Secretary General Stoltenberg as “unprecedented progress.”⁶ The Wales Summit Declaration, the relatively stable economies of Allied nations, and the emphasis placed on defence spending by the Trump administration have all played a part in encouraging this progress. However, NATO-wide increases in defence spending have not eradicated the large disparity between the US and Europe. Furthermore, it can be predicted with some confidence that Covid-19 will have an adverse effect on defence spending and investments in the coming years.

While NATO's input metrics are well-known and easy to understand, output metrics (such as the percentage of the armed forces that are deployable and sustainable, and national contributions to NATO operations and the NATO command structure) are not normally part of the public debate. Metrics that are wholly or partly

qualitative (such as the extent to which NATO capability targets have been properly implemented, or the operational effectiveness of an Ally) are less visible still, making it difficult to assess the overall effectiveness of national defence spending.

RETHINKING BURDEN SHARING

The limitations of NATO's current burden-sharing measurements, and the polarising nature of the debate suggests that new approaches should be considered.

Investments in dual-use infrastructure—such as railways, port facilities, bridges and highways that have both civilian and military utility—are critical to enabling Allied reinforcement at speed and in quantity. In the same vein, investments in societal resilience are important to ensure the continued functioning of societies during crises when faced with disinformation and cyber threats, and the disruption of vital goods and services. Some analysts have thus suggested that national investments in resilience—both in dual-use capabilities and in societal preparedness—should also be included in NATO's burden-sharing assessment and

that (some) expenditure in this area should count towards the 2% target.⁷

Another aspect to be considered is the potential role of NATO common funding—the NATO civil and military budgets and NATO Security Investment Program (NSIP) to which all Allies contribute in accordance with an agreed cost-share formula. The military budget and NSIP, currently used to fund the command structure, certain military capabilities that are considered over and above national requirements, and common-funded elements of operations could also be expanded and used to stimulate common-funded capability delivery, and to incentivise broader and faster cooperative capability development and innovation. A good example is emerging disruptive technologies, which offer the Allies opportunities to create advantages over potential adversaries. But without common direction and funding incentives for joint development, uncoordinated

national initiatives may be inefficient and damage interoperability. Using common funding to develop practical cooperation platforms would be a valuable step towards maintaining NATO's much discussed technological edge.

Recent developments in the EU, including measures to collaboratively address capability gaps and fund technology development through the European Defence Fund, under which almost €8 billion of capability projects are planned over the coming seven-year period, should also feature in the burden-sharing discussion. The key question is how these rather bold EU developments can also be applied to NATO's capability requirements. The Defence Fund can certainly help the European Allies do more on the output side. At the same time, it will be necessary to encourage stronger cooperation between the EU and NATO to ensure that investments meet the needs of both organisations. It will also be important not to leave this issue to the member states, but rather to allow experts in both organisations to develop workable proposals for how to take this rather complicated matter forward in a way that strengthens transatlantic relations.

BALTIC VIEWS

According to defence officials in the Baltic states, Estonia, Latvia, and Lithuania are satisfied with their performance as it relates to the basic input requirements of burden sharing—the 2% and 20% targets.⁸ NATO statistics paint a less rosy picture: in the last six years (2015-2020) Estonia is the only Baltic state to have never reached 20% for equipment expenditure, Latvia has met this target in the last three years (since 2018) while Lithuania has done so every year since 2015.⁹ In terms of outputs—national delivery against NATO capability targets—Baltic defence officials stated that their focus was identifying the right capability developments to produce the effects NATO required, their need to maintain current commitments and levels of contribution for the foreseeable future, and the significance of political will in meeting burden-sharing requirements. Latvia also stressed the need to fine-tune capability requirements for frontline states to consider investments in societal resilience.

Together, these notions essentially lead to the conclusion (though the Baltic states do not articulate it) that 2% of GDP may not be enough for them to develop the forces required, sustain them in the long run, ensure appropriate stockpiles, invest in host nation support, and provide for strong societal resilience. This is not a new concern—NATO data shows that all three Baltic states are already spending around 2.3% of GDP on defence.¹⁰

Baltic officials recognise that current output metrics are unlikely to change as there have already been a number of attempts to balance them for fairness.¹¹ Even so, burden sharing might be fairer if NATO capability targets were also to take account of whole-of-government approaches and acknowledge investments in resilience.¹² After all, NATO itself has recognised that resilience is an essential basis for credible

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deterrence and defence and the effective fulfilment of the Alliance's core tasks.¹³ Furthermore, NATO resilience targets would offer a much broader assessment of Allies' overall crisis preparedness. On the other hand, this approach would not eliminate the core problem of European Allies not meeting the targets set in the Defence Investment Pledge.

RECOMMENDATIONS

Any debate about fair or fairer burden sharing will essentially come back to one thing: cash. Capabilities and commitments will follow, but if there is no political will to deliver more cash, then commitments and capabilities will be insufficient. If we can only be, at best, cautiously optimistic about sustaining the present improvement in transatlantic burden sharing, and if Covid-19 is likely to have adverse economic impacts in the coming years, the prudent approach would not be to spend energy on developing new requirements or recasting those that already exist. It would be to stress, continually, the need for Allies to fulfil current commitments on defence spending and to reassess how NATO's current common funding instruments and defence metrics can be used to rebuild NATO cohesion.

Fair burden sharing should lead to every Ally facing a reasonable set of defence development challenges and shouldering a reasonable share of the burden. But the very nature of the Alliance means that transatlantic tensions about the need for the European Allies to invest more, to produce more capabilities, and to make them available to NATO are inevitable. Defence spending is likely to see only modest increases in next decade. To avoid burden sharing becoming more divisive than it need be, we must evaluate how Allies can do more with the current instruments available to them. NATO should:

- Reassess common funding arrangements to stimulate joint capability delivery and ensure interoperability and cohesion in the future.
- Find real and workable synergies with EU efforts to invest in defence capabilities and technologies in the framework of the European Defence Fund.
- Introduce new targets for resilience to encourage the Allies to invest in overall crisis preparedness.

ENDNOTES

¹ NATO, "[Brussels Summit Declaration. Issued by the Heads of State and Government participating in the meeting of the North Atlantic Council in Brussels 11-12 July 2018](#)," press release (2018) 074, 11 July 2018, para 3.

² NATO, "[Defence Expenditure of NATO Countries \(2013-2020\)](#)," press release 2020 (104), 21 October 2020, 7.

³ Alexander Mattelaer, "[Sharing the burden of keeping Europe whole, free and at peace](#)," NATO Review, 5 May 2017.

⁴ NATO, "Defence Expenditure of NATO Countries," 8.

⁵ Ibid., 7, 13.

⁶ NATO, *The Secretary General's Annual Report 2019* (Brussels: NATO, 2109), 38; NATO, "[NATO Secretary General announces increased defence spending by Allies](#)," press announcement, 29 November 2019.

⁷ Derek Chollet, Steven Keil, and Christopher Skaluba, "[Rethink and Replace Two Percent](#)," The Atlantic Council, 14 October 2020; Octavian Manea, "[A Tour of Horizon Interview with Lieutenant General Ben Hodges on NATO Adaptation and the Russian Way of Warfare](#)," Small Wars Journal, 7 August 2018; Interview with official of the Ministry of Defence of Latvia, January 2021.

⁸ The material in this section is based on January 2021 responses from senior officials of the Ministry of Defence of Estonia, Ministry of Defence of Latvia and Ministry of National Defence of Lithuania to the questions: how do you rate your national contribution to the Alliance's overall tasks and objectives? Is it fair or proportionate? What is more important: spending 2 % of GDP on defence or making available to the Alliance the capabilities it requires and deploying them when needed? How might NATO address the challenge of disparity (real or perceived) in burden sharing over the coming decade.

⁹ NATO, "Defence Expenditure of NATO Countries," 13.

¹⁰ NATO, "Defence Expenditure of NATO Countries," 8.

¹¹ Response from official of the Ministry of National Defence of Lithuania.

¹² Response from official of the Ministry of Defence of Latvia.

¹³ NATO, "[Warsaw Summit Communiqué. Issued by the Heads of State and Government participating in the meeting of the North Atlantic Council in Warsaw 8-9 July 2016](#)," press release (2016)100, 9 July 2016, para 73.

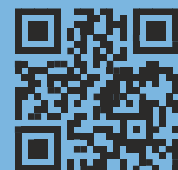
ABOUT THE AUTHOR

KRISTĪNE RUDŽĪTE-STEJSKALA

Kristīne Rudžīte-Stejskala is Director of Logistics and Defence Investment Policy Department at the Ministry of Defence of Latvia.

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INTERNATIONAL CENTRE FOR DEFENCE AND SECURITY
63/4 NARVA RD., 10120 TALLINN, ESTONIA
INFO@ICDS.EE

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