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# NATO's Pointless Burden Sharing Debates

## The Need to Replace a Mathematically Ridiculous 2% of GDP Goal with Real Force Planning

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## **NATO's Pointless Burden Sharing Debates: The Need to Replace a Mathematically Ridiculous 2% of GDP Goal with Real Force Planning**

**Anthony H. Cordesman**

NATO has started 2019 with yet another round of growing divisions between the U.S. and Europe over what are meaningless arguments about burdening sharing. It is time to put an end to one of the most pointlessly divisive debates in NATO's history, and focus on what is really needed to deter Russia and deal effectively with the key threat to Western security. The United States and its European allies have fixated on one of the most meaningless and truly stupid strategic debates in modern history: the extent to which given NATO countries spend 2% of their GDP on defense by 2024.

NATO needs to scrap this goal, and the equally meaningless goal of spending 20% of its defense budgets on equipment, and focus on developing an effective strategy to deter Russia, and national force plans that will implement this strategy, create more effective forces, and reinforce its deterrence and defense capabilities in all the areas now under pressure from Russia.

It needs to fully examine how to better use defense spending levels that already vastly exceed those of Russia, and focus on how to best adjust the radically different levels of national effort to make each country's forces more effective, rather than set some fixed spending goal for every country. Instead of dividing, it needs to recognize that that NATO Europe alone is already spending far more than Russia, and that the real challenge is for NATO to use its resources as wisely as possible rather than simply call for more spending.

### **The Meaningless NATO Spending Goal: 2% of GDP**

NATO's present goal of having every member country spend at least 2% of its GDP on defense by 2024 did not make any sense even at the time it was declared on September 5, 2014 – at the end of a summit of the heads of state and governments of the North Atlantic Treaty Organization (NATO) held in Newport, Wales. It was never tied to any clear strategy, or any net assessment of NATO and Russian capabilities. It was never linked to what each country was already doing and spending, or what it needed to do in the future, and ignored the fact that Russia had already seized Crimea and effectively invaded Ukraine.

In fairness to NATO, it was one of two key steps that Ministers took at the meeting. Ministers also adopted the Readiness Action Plan (RAP) that called for a range of more immediate steps designed to boost NATO's capabilities along its Eastern border, and that have continued to make limited incremental steps in improving NATO's real-world deterrence of Russia.

At best, setting the 2% goal may still have seemed to be a relatively harmless way of encouraging member countries to spend more on defense at a time when Ministers could still hope that Russia would still become as a potential “partner for peace,” rather than a serious security challenge – although Russia had already invaded Crimea in February and sent forces into Ukraine, and had previously invaded Georgia in 2008.

More probably, it was chosen for reasons of political expediency at the cost of security. Europe was only slowly emerging from the recession that had begun in 2008. Eastern European economies near Russia were particularly weak. The 2% goal did not require any given country to do anything

immediately, and meeting a goal as low as 2% of GDP over so long a period could not strain the economy of even the weakest states.

At the same time, Ministers also adopted a Readiness Action Plan (RAP) that called for a range of more immediate steps designed to boost NATO's capabilities along its Eastern border, and that called for real-world short-term efforts to deter Russia. Moreover, anyone who actually examined member country force plans and defense budgets at the time had to know that the 2% goal had no military value or meaning, and was a hollow exercise that would do nothing to address the real needs of the alliance. It was already painfully clear that even if all NATO countries had then been willing to meet the 2% goal immediately – rather than ten years in the future – the resulting funding level would not have fully funded the current force structure, readiness, and level of equipment modernization of even two-thirds of the countries in the alliance.

It had to be clear to Ministers that individual country efforts to go to 2% – or exceed it – would produce little more than an uncoordinated mess without a coordinated set of force plans focused on what each country needed to do to actually increase its contribution to the deterrence of Russia. Simply spending at the 2% level would not correct the major weaknesses that had developed in most country's military forces since the collapse of the USSR and Warsaw Pact.

It also had to be clear that for most NATO European countries, a slow increase in military spending to 2% of GDP on existing national force structures and defense plans would not create an effective NATO deterrent. Given the problems in many national force structures, only spending 2% on these force structures in 2024 would have had only a marginal impact on at least two-thirds of the European countries in the alliance. In fact, even if many had gone well beyond 2%, the net effect would only have been marginal.

The best that can be said for the 2% of GDP goal is that it may have seemed like an expedient political tool for keeping the alliance together. It may have seemed to encourage enough effort to maintain some kind of military capability and still allow many countries to keep taking massive "peace dividends," and make further cuts cut their forces. It also then seemed likely to avoid any divisions and debates over effort to adopt a truly functional common strategy, create effective common levels of defense or deterrence, and the embarrassing shortfalls in given national forces.

### **No Meaningful "Progress" in Meeting the 2% Goal and No Reason to Meet It**

Half a decade later, NATO has still made some progress in reinforcing deterrence, but none of it has anything to do with the 2% goal, and most of this progress has probably occurred in spite of it. The NATO military staffs have set meaningful goals for making short-term improvements and some member countries have carried out the steps necessary to meet these goals. One of NATO's continuing strengths is that its militaries do share a level of realism and professionalism that its Ministers often either lack or subordinate to political expediency.

The end result, however, has been to divide the alliance over spending as a percent of GDP without focusing on the changes needed in NATO force planning a strategy, and polarize the U.S. and Europe over a pointless set of spending goals when they should be focusing on Russia. Moreover, it has done so at a time when NATO is already spending far more than Russia. The irony of NATO's lack of military focus is that if member countries actually did use their current resources to create a more effective level of deterrence, and on effective collective efforts to meet their other military goals in areas like terrorism, they might well already have the collective financial resources they need.

One does not have to be a forensic accountant to see the key trends involved. **The charts and tables at the end of this analysis** draw on the most recent annual report by the Secretary General of NATO to show the different spending trends shaping NATO's progress and how irrelevant the 2% goal really is, and on recent estimates by DIA, IISS, and SIPRI to show how much more NATO (and NATO Europe alone) are already spending than Russia:

- **Graph One: Defense expenditure as a share of GDP (%) (based on 2010 prices and exchange rates) shows that NATO Europe has not made any meaningful increase in its average level of defense spending relative to its GDP since the 2% was set in 2014.**

The minor increases in the percent of GDP spending by some European countries are largely offset by cuts in others. Moreover, while the U.S. has made major increases in its spending to the point where it is spending over twice the percent of GDP as NATO Europe, the vast majority of this spending is for global power projection and not on forces dedicated to NATO.

- **Graph 2: NATO Europe and Canada - defense expenditure (billion US dollars, based on 2010 prices and exchange rates), however, provides a very different message.**

This kind of rise in the European effort since 2014 scarcely represents any progress in burdensharing. More significantly, it is level of spending in past years that is so low that it obviously cannot collectively sustain existing European and Canadian force structure size and quality -- much less strengthen NATO existing level of defense and deterrence without major changes in force structure and mission priorities.

- **Graph 3: NATO, United States, and NATO Europe defense expenditure (in of current billion US dollars, based on 2010 prices and exchange rates), versus Russian military spending in 2017 dollars does, however, provides a very different message.**

This comparison shows that U.S. intelligence estimates that NATO is already spending far more than Russia – or Russia and Belarus combined – is spending on defense. It also shows that NATO Europe alone is spending several times more than Russia and Belarus.

To put these NATO versus Russian military spending trends in further perspective, Graph 3 shows NATO spending in current dollars. NATO does not include substantial amounts of security spending by countries like the United States because of its definition of military spending. Even so, it estimates that NATO countries spent a total of \$957.0 billion in 2017, and that NATO European countries spent \$249.7 billion.

Even allowing for the differences between NATO country and Russian prices in purchasing power parity terms, these spending data indicate that NATO has tremendous potential capability to buy the forces it needs to deter Russia *if it can develop better coordinated ways of spending its defense money on a common strategy and in ways that are better integrated and more interoperable.*

Sources do differ over the level of Russian spending, but all major sources agree that Russia spends far less than NATO and just the NATO countries in Europe. The U.S. Defense Intelligence Agency issued the official intelligence estimate of Russian spending shown in Graph 3 in its 2017 report on *Russia Military Power*. The DIA estimated that Russian spending *in 2017 dollars* had slowly risen from \$27.1 billion in 2006 to \$40 billion in 2013. It then rose more during from 2014-2016 and peaked at \$60.8 billion.

Russian spending then dropped to \$42.3 billion in 2017, however, as cuts in petroleum revenues and other economic problems forced Russia to cut back on military spending and investment. *If one uses this DIA estimate of Russian military spending, NATO spending in 2017 was some 22.6 times larger than Russia's, and NATO European spending was 5.9 times larger.*

The estimates in the 2018 edition of the IISS *Military Balance* does not differ significantly for the DIA estimate. The IISS estimates that Russia spent between 4.07% and 4.84% of its GDP on military forces in 2014-2017, and 4.17% in 2017. It also notes that s probably close to limit Russia's weak petroleum economy can sustain. The IISS estimates that total Russian official defense budget only amounted to \$45.6 billion in 2017.

It is important to note that the IISS also estimates that Russian military spending only totaled \$61.7 billion even if Russia prices and costs are adjusted to be directly comparable with the NATO data. *If one uses these data for the Russian spending level, NATO as whole spends 15.5 times more on military forces than Russia, and NATO Europe alone spends 4.0 times as much.* Moreover, even if one added all of the Belarus defense budget for 2017 to the Russian total, it would only add \$1.03 billion.

The figures again only change marginally if one uses current SIPRI estimates. SIPRI estimates Russian Federation spending at \$66.4 billion in current \$US in 2017, and Belarus spending at only \$631 million.

*All three sources indicate that NATO – and NATO European alone – have the potential to buy far more capable forces than Russia if they can coordinate properly, develop an effective national strategy, and reduce the impact of pursuing so many different national approaches to force development.*

- **At the same time, Graph 4 –Defense expenditure as a share of GDP (%) 2014 and 2017 – provides a clear picture of just how radically different the spending levels have been and are between NATO countries. It shows all too clearly that fixing on the same 2% of GDP percentage in 2024 cannot possibly produce an effective result for the lower spending countries.**

Only four NATO countries that play a major role in NATO's forward deterrence and defense met even the 2% level of GDP goal in 2017: the U.S., the United Kingdom, Estonia and Poland. Sixteen countries spent less than 1.5%, and six spent 1% or less. Four key countries close to Russia were at or below the 1% level: Albania, Hungary, the Czech Republic, and Slovenia.

Germany, once the keystone of NATO forward defense spent well under 1.5% of GDP for years, dropping precipitously in readiness and force strength. Four other powers critical to the defense of the central region and the Baltic were consistently well under 1.5% from 2014-2017: Canada, Denmark, the Netherlands, and Belgium.

There is no magic percentage of GDP that is right, but if one reviews the member country force levels shown in the annual *ISIS Military Balance*, or the more detailed force descriptions provided in open source country studies like those of IHS Janes. *It is clear that it would take consistent spending at levels about 3% of GDP to bring current force levels up to the level of manning, readiness, and equipment modernization necessary to make current national forces really effective.*

- **Modernization is a very real issue but the 20% of defense spending goal is analytically absurd. Graph 5: Equipment expenditure as a share of defense expenditure (%) 2014 and 2017 shows that Germany, Greece, Hungary, Denmark, Albania, Belgium, and Slovenia have very low modernization rates.**

At the same time, it is far from clear that higher equipment spending rates percentages are a valid measure of success. Key powers like France, Poland, Italy, Canada, Estonia, Latvia, and the Netherlands have relatively good scores on this metric, but have not modernized at rates that will maintain their present air, naval, and major land weapons strength.

Once again, however, it is far from clear that NATO does not collectively spend enough on equipment. The problem is that there is so little coordination in national efforts, no clear common strategy, and no integrated effort at force planning.

- **Graph 6: Defense expenditure by Country (million US current dollars), and Graph 7: Defense expenditure by Country (in million US dollars at Constant 2010 prices and exchange rates), provide more detail on the same trends in military spending.**

Graph 7 is particularly useful in showing the net decline in spending by many NATO countries over time – a decline that has often led to a steady cumulative loss of force strength, readiness, and/or modernization that it will take years of spending at levels well over 2% to correct.

Comparing the same nation-by-nation trends in Graph 5 and Graph 6 also shows that the 2% goal by 2024 is meaningless are that (a) it will do nothing to correct years of underspending, (b) do nothing to compensate for the gross differences in member country effort, (c) do nothing to improve interoperability and integration, and (d) do nothing to implement a common strategy.

## **Killing NATO's Nonsense Spending Goals and Shifting to Meaningful Force Planning**

Given this background, it is all too clear that both NATO's current 2% of GDP, and 20% of military spending equipment, and the U.S. versus European burdensharing debate over the levels of effort involved borders on the theater of the absurd. When it comes to who is right about burdensharing, focusing on the 2% goal is so silly that there is little substantive difference between Trump versus Merkel and a play by Pirandello – although Aristophanes' last play might be the better standard of comparison.

If Putin's Russia were not a serious potential threat, this might not matter. Having some 30 countries spend 2% in different ways with no clear goals in terms of strategy and force building would continue to waste a great deal of money but it would not threaten the West's security. Putin has made it all too clear, however, that he will continue to put pressure on Europe, build up Russia's nuclear forces, and present political threats in areas like cyber and information warfare as well.

NATO needs to react and react effectively. This, however, cannot be done simply by taking low-cost and short-term steps – important as these are. It requires a clear set of strategic goals tailored to the different needs of the Northern Flank, Baltic, Central Region, Southern Europe, and NATO's Southern Flank. It requires nation-by-nation force plans base on what member countries actually can and cannot do over a period of years, and it require the countries in the rear to be able to provide rapid and effective reinforcement. It also means that NATO countries addressing key new

needs like integrated air-missile defense, cyberwarfare, and asymmetric political warfare, as well reexamine nuclear deterrence and out of area requirements.

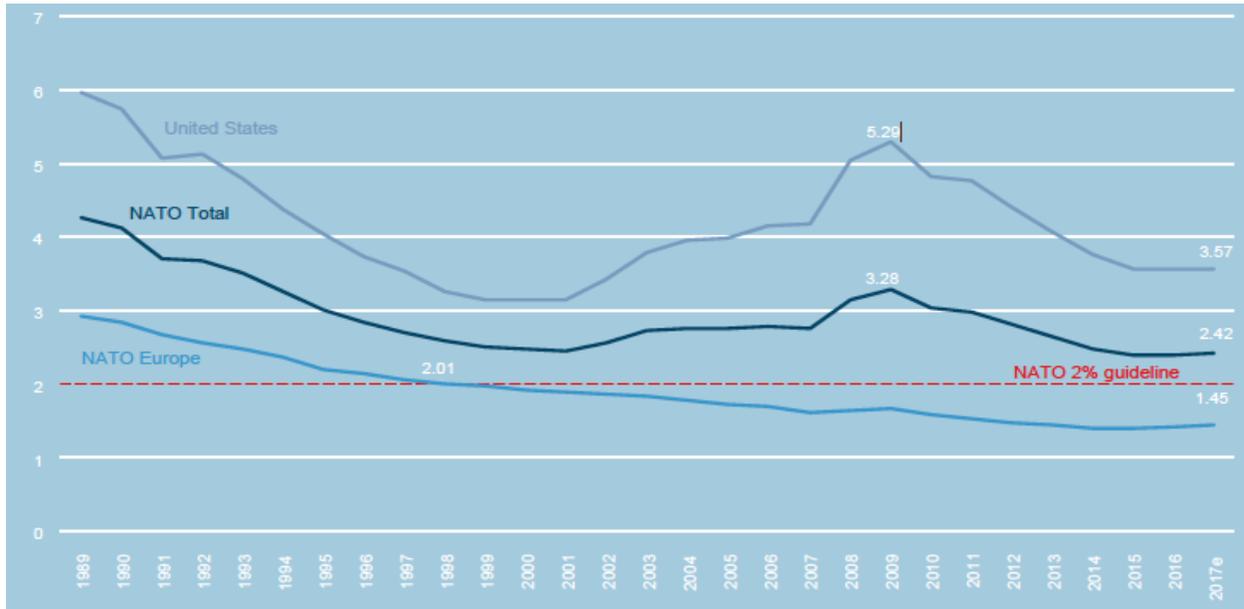
In the process, nations should be judged by how they meet the need for common defense, and not some arbitrary spending goal. Politics are politics, but this does not mean that politics should be a source of paralysis. NATO has successfully addressed such issues in the past. It carried out a coordinated NATO Force Planning exercise in the 1960s. It dealt with the Soviet deployment of the SS-20 by deploying the GLCM and Pershing II. It managed to link force planning and arms control in agreeing on the CFE and INF Treaties.

This is the kind of force planning effort it needs today, not a debate over meaningless criteria for "burdensharing." NATO needs collective and serious military planning linked to clear political goals that both enhance deterrence and offer Russia real incentives to move back towards stability and away from challenge and confrontation. Put bluntly, NATO's present level of incompetence is at least dangerous as appeasement was in very different era.

*For a more detailed assessment of the problems in individual NATO country forces and force plans see Anthony H. Cordesman, **NATO "Burden Sharing": The Need for Strategy and Force Plans, Not Meaningless Percentage Goals**. August 16, 2018, [https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180816 NATO Burden Sharing 0.pdf](https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180816_NATO_Burden_Sharing_0.pdf)*

## NATO's Meaningless 2% Solution: Spending Too Little Without Common Direction Purpose or Direction

**Graph 1: Defense expenditure as a share of GDP (%) (based on 2010 prices and exchange rates)**

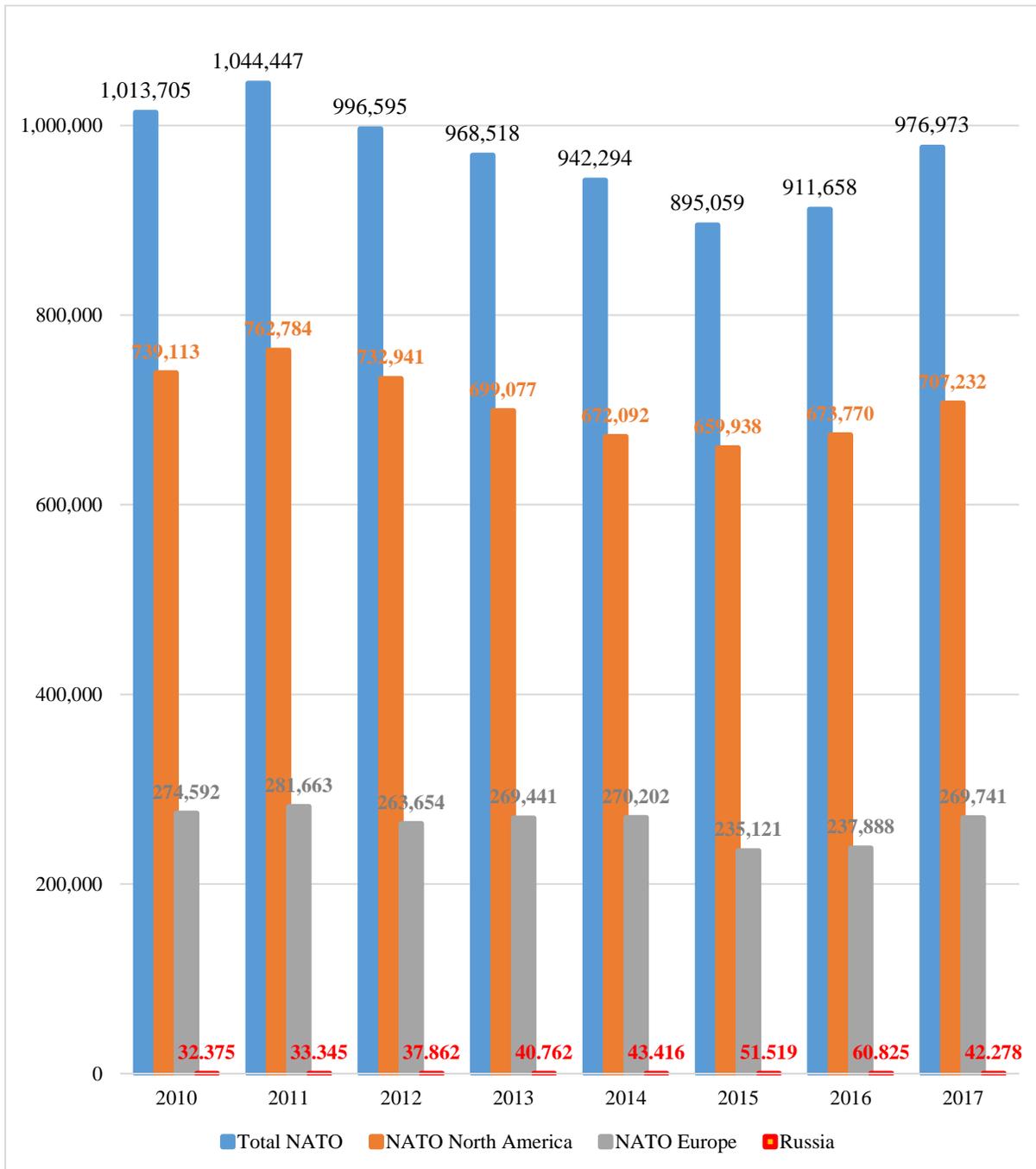


**Graph 2: NATO Europe and Canada - defense expenditure (billion US dollars, based on 2010 prices and exchange rates)**



Source: NATO, *Secretary General's Annual Report 2017*, Mar 15, 2018, p. 105

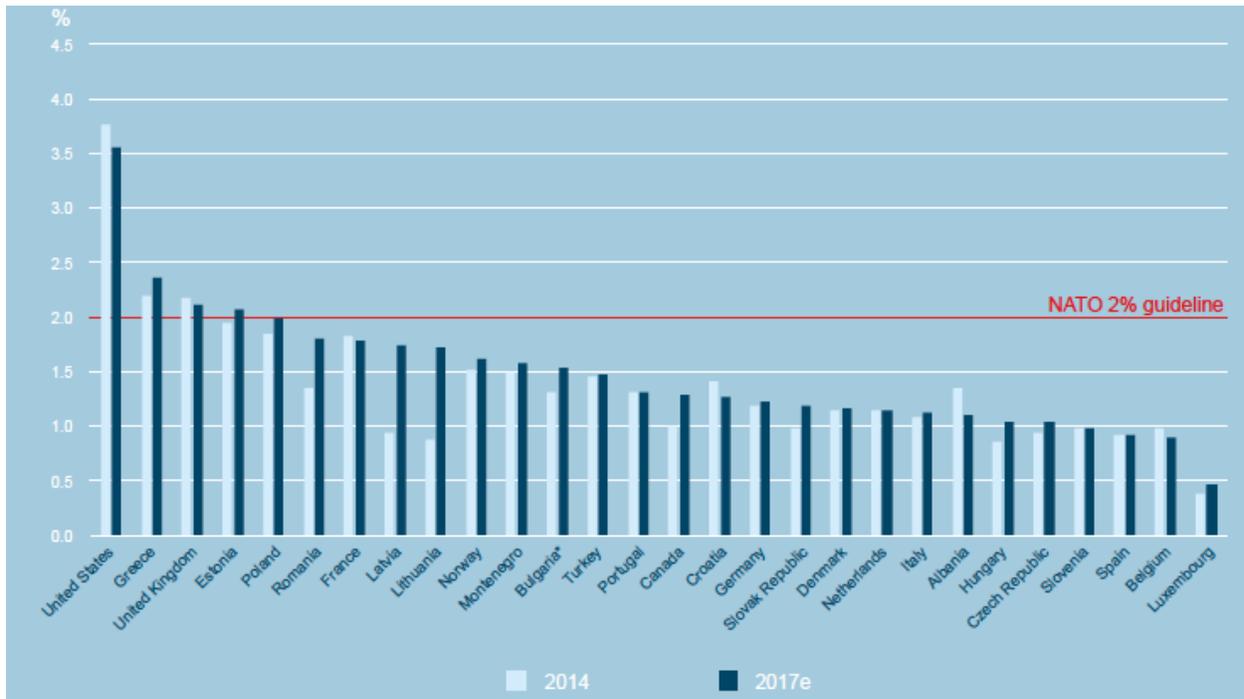
**Graph 3: NATO vs. Russian Defense Spending: 2010-2017 (Billions \$USD)**



Note: NATO reports on country spending in current dollars at current exchange rates by NSTO's own definition of military spending which is significantly lower for the U.S. than the US Defense Budget total. The only official source on Russian spending is a DIA estimate made in 2017dollars, which overstates the value of past Russian budget figures by raising the total for each past year to equal its value in inflated 2017 dollars.

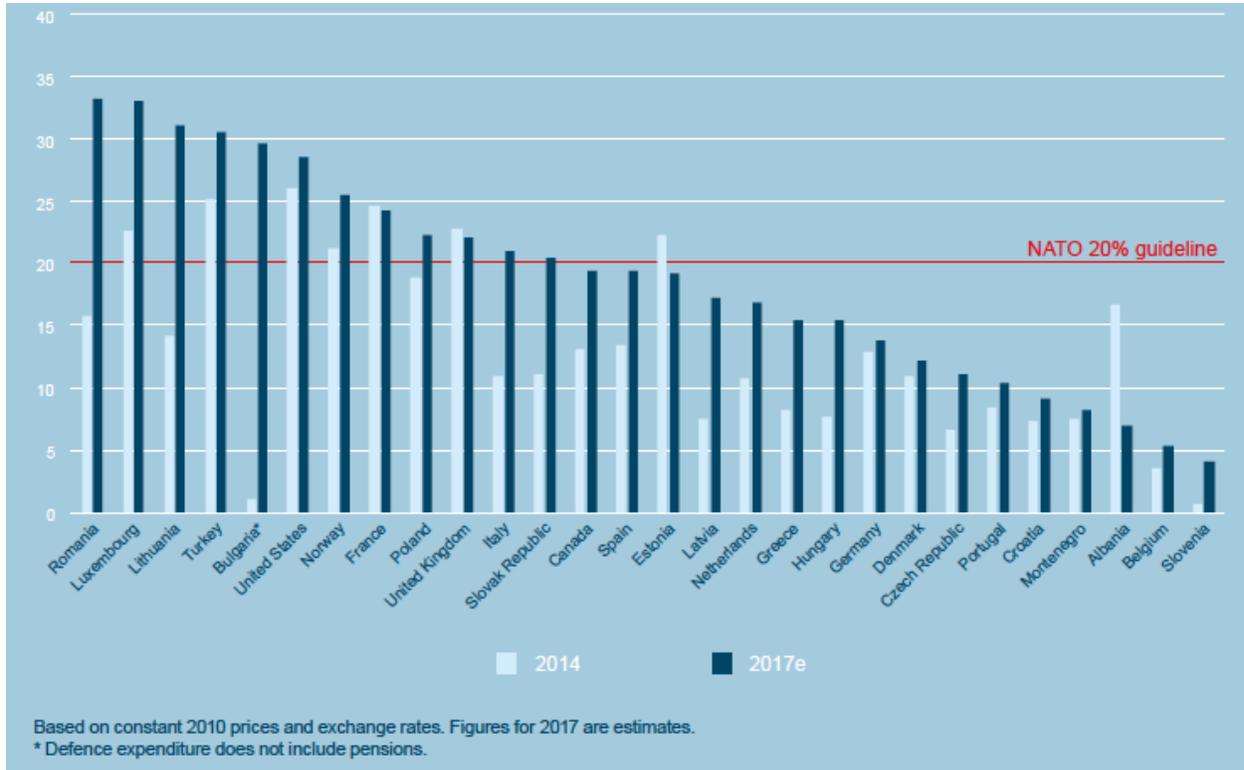
Source: Defense Intelligence Agency, *RUSSIA MILITARY POWER, Building a Military to Support Great Power Aspirations*, 2017, DIA 2017, page 20.

**Graph 4: Defense expenditure as a share of GDP (%) 2014 and 2017**



Source: NATO, *Secretary General's Annual Report 2017*, Mar 15, 2018.

**Graph 5: Equipment expenditure as a share of defense expenditure (%) 2014 and 2017**



Source: NATO, *Secretary General's Annual Report 2017*, Mar 15, 2018, p. 34

**Graph 6: Defense expenditure by Country (million US current dollars)**

Country	2010	2011	2012	2013	2014	2015	2016	2017e
<b>Current prices and exchange rates</b>								
<b>NATO Europe</b>	<b>274,592</b>	<b>281,683</b>	<b>263,654</b>	<b>269,441</b>	<b>270,202</b>	<b>235,121</b>	<b>237,888</b>	<b>249,741</b>
Albania	186	197	183	180	178	132	131	145
Belgium	5,245	5,500	5,169	5,264	5,192	4,202	4,315	4,458
Bulgaria *	832	758	722	811	747	633	671	871
Croatia	920	996	865	850	805	669	623	690
Czech Republic	2,660	2,437	2,185	2,148	1,975	1,921	1,866	2,249
Denmark	4,504	4,518	4,423	4,216	4,056	3,364	3,593	3,802
Estonia	332	389	437	480	513	463	497	538
France	51,971	53,441	50,245	52,316	51,940	43,474	44,191	45,927
Germany	46,255	48,140	46,470	45,932	46,102	39,813	41,590	45,472
Greece	7,902	6,858	5,633	5,310	5,226	4,517	4,635	4,737
Hungary	1,351	1,472	1,322	1,280	1,210	1,132	1,289	1,464
Italy	28,656	30,223	26,468	26,658	24,448	19,566	22,373	23,369
Latvia	251	286	248	281	293	281	403	529
Lithuania	326	344	324	355	427	471	636	814
Luxembourg	248	232	214	234	253	249	236	288
Montenegro	74	80	68	65	69	57	62	74
Netherlands	11,220	11,339	10,365	10,226	10,332	8,668	9,108	9,765
Norway	6,499	7,232	7,143	7,407	7,336	5,816	6,064	6,698
Poland	8,493	9,106	8,710	9,007	10,104	10,596	9,405	10,337
Portugal	3,540	3,652	3,040	3,262	3,003	2,644	2,615	2,824
Romania	2,086	2,380	2,100	2,452	2,692	2,581	2,633	3,658
Slovak Republic	1,138	1,065	1,020	968	997	986	1,003	1,129
Slovenia	772	666	543	507	486	401	449	478
Spain	14,743	13,984	13,912	12,607	12,614	11,090	9,971	12,074
Turkey	14,134	13,616	13,895	14,427	13,583	11,957	12,629	12,118
United Kingdom	60,329	62,852	58,016	62,263	65,690	59,492	56,964	55,237
<b>North America</b>	<b>739,113</b>	<b>762,784</b>	<b>732,941</b>	<b>699,077</b>	<b>672,092</b>	<b>659,938</b>	<b>673,770</b>	<b>707,232</b>
Canada	18,690	22,040	19,994	18,221	18,150	18,685	17,711	21,275
United States	720,423	740,744	712,947	680,856	653,942	641,253	656,059	685,957
<b>NATO Total</b>	<b>1,013,705</b>	<b>1,044,467</b>	<b>996,595</b>	<b>968,518</b>	<b>942,294</b>	<b>895,059</b>	<b>911,658</b>	<b>956,974</b>

Source: NATO, *Secretary General's Annual Report 2017*, Mar 15, 2018, p. 108

**Graph 7: Defense expenditure by Country (in million US dollars at Constant 2010 prices and exchange rates)**

NATO Europe	274,592	265,944	260,840	257,667	254,159	255,562	264,604	275,379
Albania	186	187	184	177	172	152	149	155
Belgium	5,245	5,137	5,123	4,996	4,898	4,691	4,754	4,719
Bulgaria *	832	681	691	757	695	689	715	904
Croatia	920	952	891	847	808	801	741	787
Czech Republic	2,660	2,258	2,207	2,138	2,035	2,319	2,210	2,530
Denmark	4,504	4,286	4,421	4,051	3,855	3,805	4,069	4,158
Estonia	332	352	415	426	449	479	507	518
France	51,971	50,439	50,721	50,711	50,096	49,619	50,376	51,097
Germany	46,255	45,378	46,675	43,783	43,204	43,752	45,223	47,909
Greece	7,902	6,482	5,782	5,401	5,419	5,662	5,880	5,845
Hungary	1,351	1,392	1,354	1,265	1,203	1,327	1,508	1,615
Italy	28,656	27,746	25,853	24,536	22,130	20,840	23,323	23,715
Latvia	251	256	232	250	257	295	422	530
Lithuania	326	312	309	323	385	507	680	821
Luxembourg	248	211	206	213	227	265	254	299
Montenegro	74	75	69	63	66	64	66	76
Netherlands	11,220	10,670	10,367	9,747	9,766	9,791	10,225	10,610
Norway	6,499	6,530	6,556	6,659	6,947	6,833	7,281	7,826
Poland	8,493	8,667	8,904	8,910	9,927	12,346	11,415	11,892
Portugal	3,540	3,489	3,155	3,203	2,929	3,023	2,956	3,104
Romania	2,086	2,180	2,090	2,264	2,460	2,750	2,796	3,770
Slovak Republic	1,138	999	1,022	934	964	1,142	1,170	1,283
Slovenia	772	627	551	490	467	456	508	518
Spain	14,743	13,319	14,327	12,519	12,560	13,130	11,802	13,957
Turkey	14,134	14,027	14,289	14,799	14,911	15,128	16,413	17,586
United Kingdom	60,329	59,368	54,517	58,269	57,399	55,761	59,227	59,155
<b>North America</b>	<b>739,113</b>	<b>746,525</b>	<b>704,836</b>	<b>661,929</b>	<b>629,104</b>	<b>615,352</b>	<b>624,148</b>	<b>641,898</b>
Canada	18,690	20,504	18,557	17,158	18,015	21,615	21,102	24,229
United States	720,423	726,021	686,280	644,772	611,089	593,737	603,046	617,669
<b>NATO Total</b>	<b>1,013,705</b>	<b>1,012,469</b>	<b>965,676</b>	<b>919,596</b>	<b>883,264</b>	<b>870,915</b>	<b>888,752</b>	<b>  917,277</b>

Note: The NATO Europe and NATO Total aggregates from 2017 include Montenegro, which became an Ally on 5 June 2017.  
\* Defence expenditure does not include pensions.

Source: NATO, *Secretary General's Annual Report 2017*, Mar 15, 2018, p. 108

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