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NATO and the Challenges of Austerity

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Summary

In the coming decade, NATO faces growing fiscal austerity and declining defense budgets. The global economic crisis has forced most European governments to trim their defense budgets: Germany will reduce defense spending by a quarter over the next four years, Britain's defense budget will be slashed by more than 8 percent in real terms by 2015, and the defense budgets of some of the smaller European nations have taken even larger cuts. The United States is also planning significant reductions.

These cuts have been driven almost entirely by the need to reduce large budget deficits—not by a change in the nature of external threats. The cuts have been made, moreover, with little intra-Alliance coordination. If this uncoordinated process of budget cuts and reductions intensifies, NATO will lose critical capabilities. U.S. and European forces might no longer be able to operate together to meet evolving security challenges confronting the Alliance.

Meanwhile, the United States is shifting defense priorities. The Obama administration's national security strategy, released in January 2012, gives increased priority to U.S. engagement in Asia and the Pacific.¹ As Washington focuses increasing attention on enhancing stability and security in Asia, pressure is likely to grow on America's European allies to take greater responsibility for providing security in areas such as the Mediterranean littoral, where Europe has strong historical interests. The planned cuts, however, will greatly limit NATO Europe's ability to assume any such responsibility.

¹ "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense," U.S. Department of Defense, January 2012.

Impact of Planned Cuts on the Capabilities of Key NATO Members

The impact of planned cuts on the armed forces of seven key allies—the United Kingdom, France, Germany, Italy, Spain, the Netherlands, and Poland—is summarized below. These seven countries were selected because they have the highest proportion of deployable and sustainable forces. Together they represent somewhat more than 80 percent of NATO Europe’s defense spending.

The United Kingdom

The current UK government is undertaking a draconian downsizing of the British Armed Forces. All three major services will face significant reductions. The Royal Navy has demobilized its naval combat air fleet with the hope that a new generation of capability will emerge by the end of this decade. The British Army is being reduced in size to that of its pre–Boer War Victorian counterpart and will become a heavy-weight force equipped with a modest number of armored fighting vehicles (AFVs). In 2010, the British Army had roughly 100,000 troops in the active force. Under the most recent British plans, by 2018 the army will decline to about 82,000 active duty personnel.² In turn, the Royal Air Force (RAF) will shrink in size to the equivalent of five U.S. Air Force (USAF) air combat squadrons (approximately 130 Typhoon fighter bombers). Furthermore, much of the RAF’s airborne intelligence, surveillance, and reconnaissance (ISR) capability is on track to being demobilized. If the RAF does not buy the F-35B, its resulting total inventory of 132 Typhoons by the end of the decade will mean that the RAF will be smaller than the air force of Singapore.

Although the Franco-UK Defense Treaty appears promising in a number of dimensions, these areas of cooperation will be hostage to the UK’s ability to undertake three major procurement programs during the beginning of the next decade: (1) acquisition of a naval fighter fleet to populate the *Queen Elizabeth*–class aircraft carriers, (2) the mod-

² “Army 2020: Presentation to the Army Chain of Command 5 July 2012,” Secretary of State A2020 announcement, UK Ministry of Defence, 2012.

ernization of the British Army's AFV fleet, and (3) the investment in a follow-on to the *Vanguard*-class ballistic missile submarine (SSBN) fleet to assure a continuous at-sea deterrent posture.

France

France is more militarily engaged in NATO now than at any time since the 1960s, fielding sizable ground and air forces in Afghanistan and its aircraft carrier in NATO operations in Libya 2011. France intends to maintain a credible "full-spectrum" capability despite cuts to its military. As it has done in the past when facing budgetary austerity, Paris will seek to protect its major weapon system programs by stretching its procurement out even at the cost of production inefficiencies and higher unit costs. The new Hollande government plans a strategic review of France's national military strategy, which may call for further defense reductions above and beyond those proposed by the previous Sarkozy administration. Given the current budget pressure facing the new French government, further defense spending cuts are likely.

The French military has been stretched dangerously thin by recent engagements. The aircraft carrier *Charles de Gaulle* that France sent to support operations in Libya is the sole carrier in France's arsenal, and maintenance needs restrict the amount it can be used. The 2008 French White Paper on Defence and National Security called for reductions in the overall number of French troops, from 270,000 to 225,000, and corresponding budget cuts. Therefore, though France may be a most willing partner, its capabilities will be limited.

Germany

Germany also faces deep cuts in its armed forces. The German Ministry of Defense plans to cut \$10 billion (or roughly €7.8 billion) from its defense budget by 2013. If these cuts are implemented as planned, the entire German Armed Forces will number 180,000 personnel; by contrast, 20 years ago Germany had twice that many active duty soldiers in the army alone, not including the Luftwaffe (German Air Force) and the navy. Germany will have a modest number of well-equipped deployable forces.

The German Army will experience the most significant restructuring of the armed forces, as the other services will mainly endure cuts in personnel and equipment. The new army structure will entail two modified divisional headquarters, six brigades, and a new Rapid Forces Command.³ This new command will be comprised of one paratrooper and one light infantry regiment, plus one Tiger combat helicopter and two NH90 transport helicopter regiments

Italy

In the face of powerful budget pressures, Italy is attempting to maintain a full spectrum of military capability similar to that of the United Kingdom. Major procurement programs will be sustained, but stretched out.

Like other key NATO Europe governments, the Italian government has underestimated the cost of converting from a conscription system to an all-volunteer force. Under budget pressure, the Italian Armed Forces have had to slash its operations and maintenance budget to ensure the readiness of those forces of brigade size that deploy to the International Security Assistance Force (ISAF) in Afghanistan. As in the case of the French and German armies, the Italian Army will maintain several heavy brigades but at reduced readiness. The ongoing euro financial and debt crises may compel Italy to make further spending cuts that could reduce its ability to maintain the operational readiness of its forces.

Spain

The Spanish Armed Forces are attempting to respond to downward budget pressure similar to that of Italy. All three Spanish services will preserve their major procurement programs by stretching out their 15-year plan to 20 years. This will produce rising unit costs but is regarded in Madrid as the only plausible way to maintain a “full-spectrum force.” Similar to Italy, the Spanish Armed Forces have had to cut their overall operations and maintenance budgets in an attempt to protect procurement programs and force structure, albeit downsized. As with Italy,

³ “Army—Germany,” *Jane’s World Armies*, July 22, 2011.

this attempt to sustain a viable procurement account and force structure is hostage to the ongoing euro crisis, the outcome of which may impose draconian limits on future Spanish defense spending.

The Netherlands

The Dutch government has imposed cuts on the Dutch Armed Forces that constrain their capacity to conduct expeditionary operations. All three services have been downsized to the equivalent of a brigade-sized structure. Overall, the Dutch Armed Forces are being reduced to the point where they will have only a marginal capacity to project military power. Their traditional contribution of maritime forces, which are well suited to operating in littoral waters and in high demand in the Alliance, are targeted for reduction as well.

Poland

Since joining NATO in 1999, Poland has become a vital member of the Alliance with significant troop contributions and leading roles in Iraq, Afghanistan, and other international missions (though not Libya). The Polish Armed Forces have recently undergone significant restructuring: In 2008, Poland decided to professionalize its army and ended conscription; troop levels have dropped from 180,000 in 1999 to 100,000 at the end of 2011. In 2009, Warsaw adopted an ambitious ten-year modernization plan to replace equipment, and increase interoperability, deployability, and sustainability.

Poland's defense budget grew by over 50 percent between 2005 and 2010. The budget crisis of 2009 only put a temporary damper on Poland's defense spending and budget growth. It stands out as the only country that has managed to increase its budget—by 7 percent in 2011, with a similar rise expected for 2012. While Poland has the smallest defense budget of the countries examined in this study, it consistently spends close to the 2 percent level desired by NATO. If Poland is able to sustain the same trajectory, its significance as a key NATO ally will also increase.

Impact of Defense Cuts on NATO's Capacity to Conduct Important Military Missions

When viewing NATO Europe's overall military capability in the coming decade, the lack of "quantity" has a qualitative effect. Given the anticipated cuts and future financial constraints, the capacity of the major European powers to project military power will be highly constrained:

- The units of account for European ground forces will be battalion battle groups and brigade combat teams and not full-strength divisions and corps.
- If UK and French forces were to become tied up in a protracted deployment along either the coast of Africa during a counter-piracy mission or while conducting a protracted peacekeeping operation in that continent's sub-Saharan region, they would be strained to execute a time-urgent major Mediterranean expeditionary operation outside NATO. Conversely, if NATO Europe got involved in a major operation in the Mediterranean, it would not likely have the reserve capacity to address long-distant lower-risk contingencies, much less a higher-risk contingency in the Persian Gulf region. At best, the United States can hope that NATO Europe, including France, the UK, Italy, and Spain, can maintain a militarily credible Mediterranean capacity, with the understanding of the limits of that capability.
- In light of the collective NATO experience during its protracted large-scale counterinsurgency operation in Afghanistan, NATO Europe will have neither the will nor the capability to maintain a multi-brigade expeditionary force over a long distance from Europe for a multiyear peace-enforcement mission.

Meeting NATO's Defense Challenges in an Era of Austerity

In light of the cuts currently under way and those that are anticipated, Alliance members will have to find ways to provide security with fewer resources. These include the following:

Pooling and Sharing. As European governments have been forced to make deeper cuts in defense spending, they have begun to pay greater attention to possibilities for pooling and sharing resources. Bilateral partnerships, such as the British-French Defense Co-operation Treaty, may provide a more effective way of reducing costs and producing synergies and should be encouraged. But, while pooling and sharing can help to rationalize defense efforts and reduce costs, they cannot easily make up for sustained drops in defense spending.

Leapfrogging. The strategy of “leapfrogging”—cutting defense expenditures heavily today while investing in new types of capabilities—may also prove to be a more effective way of coping with changing technological realities, emerging new threats, and declining defense budgets than maintaining the old capabilities. Britain and the Netherlands appear to have chosen this path.

Informal Ad Hoc Coalitions. As the Libyan intervention underscored, in the future, internal differences within the Alliance may make it difficult to obtain a consensus for NATO to engage in some missions beyond Europe's borders. As a result, we may see coalitions of allies operating both inside and outside a NATO context. This highlights the importance of sustaining interoperability among U.S. forces and the forces of individual NATO allies. This, in turn, requires maintaining a U.S. force posture in Europe that can be augmented in time of crisis.

Crisis Management in the Maghreb. As the United States increasingly focuses on Asia, Washington should encourage NATO Europe to take lead responsibility for managing future crises in the Maghreb⁴—a region in which Europe, especially the southern Alliance members, have strong historical interests. In this region, the United

⁴ The Maghreb refers to the area west of Egypt and includes Morocco, Tunisia, Algeria, Libya, and Mauritania.

States would play a supporting role, providing key enablers to European allies who would have the lead in day-to-day combat missions.

As part of this new division of labor, the United States should encourage France, the UK, and Italy, together with Spain, to assume primary responsibility for ensuring peace and stability in the Maghreb and to maintain forces capable of carrying out this task. In particular, the United States should encourage the French and British to widen the scope of their military cooperation to include closer integration of their military forces with Italy and Spain.

British-French Defense Cooperation. The United States should encourage Britain and France to intensify the defense cooperation that they initiated with the signing of the November 2010 defense treaty. This collaboration should help Britain and France to sustain a high-performance naval strike capability to support U.S. efforts to contain Iran's geostrategic influence if Tehran acquires an operational nuclear arsenal. This cooperation is all the more important because of the growth of Euro-skepticism within the Conservative Party and the strong economic constraints on defense spending that the Cameron government will face in the next several years. Britain's firm engagement in Europe is critical to maintaining NATO's political and military vitality in the coming decade and should be strongly encouraged by Washington. Without strong British participation, it will be difficult to build a credible European defense capability within NATO and the EU.

The Weimar Triangle and Baltic Region. Germany should be encouraged to take on greater responsibility for ensuring security and stability in Eastern Europe. The United States should urge Germany to maintain a robust ground force for this purpose. At the same time, Berlin should be encouraged to intensify defense cooperation with Poland within the framework of the Weimar Triangle and to work closely with Denmark and Sweden to ensure the security of the Baltic region. In addition, defense cooperation between NATO and Sweden and Finland should be strengthened.