

Testimony before the Senate Foreign Relations Committee

“Defense Issues for the NATO Summit”

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It is a great pleasure for me to appear before this Committee again. I spent nearly a decade working on the staff of this Committee..

NATO is focused on the Chicago Summit. Past summits have marked major turning points in NATO's direction. For example the Prague Summit will be remembered for transforming NATO's military capability, and the Lisbon Summit will be remembered for shifting the alliance's political focus with a new Strategic Concept. This summit will not mark a major turning point in NATO's direction. Instead it will be a celebration of renewed NATO cohesion. At the center of the summit will be an agreement on NATO's ongoing commitment to Afghanistan.

The second key item on the summit agenda behind Afghanistan is the Alliance's military posture. That is what I would like to discuss with the Committee today. Let me divide my testimony into three parts and discuss in turn: 1) NATO's conventional capabilities, 2) European missile defense, and 3) NATO nuclear deterrence and the Deterrence and Defense Posture Review. My general conclusion is that while there are difficult challenges in all three areas, the Alliance is postured to make progress in all three areas at the Chicago Summit.

Conventional Defense Capabilities

The Economics of European Defense Spending

The impacts of economic austerity since 2008 on European defense spending and forces have been significant and are far from over. The situation is especially acute because the recent downturn began from an already low level of defense investment.

At the end of the Cold War European NATO members were spending an average of 2.7% of GDP on defense (in constant 2010 dollars). Soon thereafter budgets declined precipitously as European public sentiment forced a “peace dividend” from which Europe has yet to recover. In 2001 NATO's European members spent an average of 1.9% of GDP on defense. This aggregated to \$279.8 billion, compared to the U.S. defense budget of 3% of GDP, or \$385 billion. These figures equate to 41% and 57% of total NATO defense spending for European NATO members and for the United States respectively.

In 2011, the latest data available, NATO's European members averaged just 1.6% of GDP or \$282.9 billion spent on defense while the United States spent 4.8% of GDP or \$685.6 billion on defense. These figures equate to 69% and 28% of total NATO defense spending for European NATO members and the United States respectively. (In both 2001 and 2011, Canada provides the other approximate 2-3% spending to round up to 100% of NATO spending.) The near term future is not bright: today 11 European countries both within and outside of the Eurozone are officially in recession for a second time in four years.

European capabilities have contracted over this long period of flat or lower spending for two reasons. First, personnel costs have remained relatively fixed even as overall troop strength has declined. Second, unlike the United States, Europeans fund operations such as Kosovo and Afghanistan out of annual budgets without supplemental funding. The only relief is to shrink defense investment accounts even as the costs of new systems increase.

Overall European defense spending in NATO is also less efficient for the obvious reason that spending is disaggregated across 26 separate national military structures and defense bureaucracies. Added to these realities is the gradually growing investment in European Union level structures: those institutions that give visibility and some substance to the concept of a Common Security and Defense Policy (CSDP), intended as a complement NATO at the low end of the military spectrum. CSDP is a positive development endorsed by the United States, however it is not without cost.

Why has Europe invested so little in its own defense over so long, a period unprecedented in modern times? Three reasons underlie this trend. First, most Europeans do not perceive a major military threat, resulting in little appetite for increased defense spending. Since the Cold War European public concern for defense has lingered at less than 10% and from 2003-2011 Eurobarometer polls show only 1-2% of Europeans select defense or foreign affairs among their uppermost concerns. Second, the financial crisis of 2008 that persists across Europe puts further pressure on governments to avoid increases in defense, especially as recent public protest signal that austerity measures may have reached their political limit. Finally, Europeans know they can rely on the United States for strategic deterrence and defense and for operational crisis response in situations such as Libya. From this vantage point, they spend enough to remain credible allies in some areas. Beyond this vague threshold, allies are focused on domestic priorities.

NDU Assessment of European Defense Cuts

In summer 2011 NDU undertook an analysis of the impact of national cuts in defense spending across Europe. Special attention was given to the situations in seven key allied countries. We found that since 2008 most European cuts were typical of earlier downturns but much deeper. We termed these across the board budget reductions 'horizontal cuts.' They affected all national forces through reduced training and exercises, gapped personnel billets, diminished stocks of fuel and munitions, stretched out maintenance and deferred modernization. Transformation initiatives were slowed or ground to a halt.

More drastic cuts were also observed, where nations eliminated whole categories of capability, or most of a capability, in order to stay within available budgets. We call these “vertical cuts.” One example is the Dutch decision to discard all remaining armored forces, rather than continue to trim across the board. Once eliminated, restoring basic defense capabilities such as armored forces is a long term proposition. In essence such cuts redefine national defense strategies in a fundamental way. With the Dutch decision six NATO members have no armored forces (Estonia, Iceland, Latvia, Lithuania, Luxembourg and the Netherlands). These nations must rely on other allies for such capabilities. In recent years, Denmark has eliminated submarine forces and the UK has retired its carrier-based naval aviation for an anticipated period of 10 years.

The biggest impact to date is on the readiness and sustainability of existing forces. Nations focus their spending on deployed or deploying forces to the neglect of their wider forces. NATO is at risk of having far fewer forces ready and able to deploy. There is a limit to how far horizontal cuts can be made before units become untenable as a result of inoperable equipment or untrained and missing personnel. It would appear these limits are being approached and that the only choices that remain are to spend more or cut force structure, i.e, more vertical cuts. The number of allies able to maintain their current spectrum of capabilities, especially in combat brigades, naval combatants and strike aircraft will diminish over the next 10 years without additional defense spending by allies.

European defense spending cuts will therefore soon open unacceptable gaps in the capabilities military commanders deem essential to perform the Alliance’s three strategic tasks of collective defense, crisis management and cooperative security. In order to keep the risk of that outcome low, NATO has to channel near-term national defense spending into efforts that close gaps and provide the optimum capability for each nation’s investment.

There is some good news in this otherwise dim picture of conventional European defense capabilities. Taken as a whole, NATO Europe is still the second strongest military power in the world. They are willing to use their power; for example, 90% of all ordinance dropped on Libya was delivered by Europeans. And some progress has been made on “high end enablers” such as air to ground surveillance, joint intelligence surveillance and reconnaissance, the decision to broaden AWACS to all NATO allies, and the European Union initiative on refueling tankers. This will shift some of the burden from the United States since we usually supply these high end enablers to the Alliance. The problem is that the European firepower that these enablers support is being cut by perhaps 20-30% or more.

The Upcoming NATO Summit – Opportunities for Solutions

The Chicago summit provides an important opportunity for NATO to help members realize the most from their defense investments. In so doing, it will generate the optimum collective return from limited national investments.

First, NATO must agree at the summit on a core set of required capabilities commanders really must have to perform the three strategic tasks cited above. This will likely be something less than what NATO commanders consider the minimum requirement for all stated goals yet it has to establish what NATO needs to remain credible to its members; and to any possible adversary across the spectrum of military missions. At the summit, NATO heads of state and government should endorse a pledge not to reduce any of these required core capabilities if forced to further cut defense spending.

Second, NATO should define at the summit an aspirational goal force, what some are already calling NATO Force 2020. This should describe what a future NATO force should look like when the current financial crisis passes and defense spending recovers. This force should be capable of performing the full level of ambition in terms of the continuous and concurrent NATO operations agreed by nations in 2006 and reaffirmed in 2011. NATO has not been capable of this level of operations for several years. At Chicago it must set a longer-term goal of providing the forces to match its political aims.

Third, the Chicago summit must reaffirm the eleven critical capability commitments agreed by heads of state and government at their last summit in 2010 at Lisbon. Significant progress has been made since then on all eleven in spite of the financial crisis. That is laudable and encouraging. Chicago has to maintain momentum on these critical programs, all of which were carefully weighed and selected at a summit also framed by the pressures of financial constraints. Follow through at this next summit is an important political signal.

Fourth, NATO leaders must press the Alliance to move ahead with command structure and agency reforms approved at Lisbon. These are already being vigorously pursued. They will cut costs and streamline NATO institutions for the management of Alliance political, military and administrative business. It is essential that overhead costs be controlled and wherever possible reduced. NATO has a good plan to achieve these goals, but it will take several more years of strong top down emphasis to put all reforms in place.

Fifth, Secretary General Rasmussen's 2011 concept of Smart Defense, NATO's new capabilities initiative, should be endorsed and put into action. Allied Command Transformation has already identified about 20 specific Smart Defense projects aimed at greater efficiencies through multinational cooperation. More are anticipated. This year the Secretary General announced a related initiative called the Connected Forces Initiative. This initiative concentrates on deepening interoperability among NATO members and partners, through greater emphasis on education and training, more effective exercises – especially for the NATO Response Force, and more adaptive technological interface among existing systems.

Both Smart Defense and the Connected Forces Initiative should include strong links to the EU's parallel initiatives of pooling and sharing defense capabilities, being steered by

the European Defense Agency. The NATO and EU initiatives are complementary and define cooperative efforts intended to get more capability out of what nations invest.

Steps Beyond Smart Defense

NATO's Smart Defense concept opens a new horizon in multinational cooperation that should be pushed beyond the initial steps described above. As European cuts continue, we will need Smart Defense on steroids. Agreements to date are concentrated on cooperation in the areas of procurement, logistics and training infrastructure – with a few operational exceptions. These will cut costs and promise real savings; hence they must be completed in the near term.

A bolder goal should then be set. Clusters of NATO nations should be asked to agree to take on greater role specialization and focus on specific missions. Similarly equipped and like-minded allies and partners would form informal, core clusters of nations interested in honing specific capabilities relative to some of NATO's missions, both Article Five and non-Article Five. NDU has called these Mission Focus Groups.

This phenomenon has existed informally for a long time in the Alliance in select areas and to great effect. NATO has standing maritime groups that refined operational capabilities over more than 10 years in the Mediterranean (Operation Allied Endeavor). These forces are now committed to the anti-piracy mission Operation Ocean Shield where much of the same skills are being applied. Another select group of allies focus on NATO nuclear mission expertise and capabilities and still another provides seasoned multinational capacity for air policing missions over the Baltic States. NATO defines many specific missions within the strategic tasks of collective defense and crisis management that are performed initially by a cluster of allies with the best capabilities and often proximate to the mission area.

Allies are not prepared to accept this bolder concept of mission focused groups at Chicago. It requires a high degree of trust that allied nations will provide capabilities another nation has given up to specialize in other missions. However, as the budget crisis persists and allies are forced to cut deeper into existing capabilities, much can be gained by working with allies to identify mission capabilities they will hold as their highest resource priorities. NATO should build on informal mission clusters already in being, and adopt the concept in other mission areas based on military advice, harmonization with the NATO Defense Planning Process and members' resource constraints.

The Chicago Summit Focus on a Future Role of the U.S. European Command (EUCOM)

In the future EUCOM becomes vital to US operations worldwide as the strongest link to America's most capable and seasoned military allies and partners. At the Chicago summit the United States should emphasize its continuing commitment to NATO through EUCOM in light of announced force drawdowns in 2012 and 2013.

NATO has 28 members, 32 formal partners and 9 informal partners participating or having participated in International Security Assistance Force (ISAF) operations in Afghanistan. By far most of these partners are in NATO and/or the Europe Union. Yet even the seven NATO partners in the Pacific region have come to adopt many NATO standards, tactics and procedures over the past 10 years of ISAF operations. Maintaining this perishable reservoir of interoperable partners should be a primary mission of EUCOM as ISAF operations draw down.

The core of EUCOM's efforts at partner engagement will be the new U.S. commitment to participate in the NATO Response Force (NRF) with elements of a brigade combat team (BCT) based in the United States and deployed annually to Europe for exercises with allies. The details of this commitment are yet to be worked out. However, EUCOM, DoD and the Congress should take a very broad view of partner engagement and build a strong transatlantic bridge that will sustain allied support for the U.S. worldwide. EUCOM should be the engine for engagement with all NATO members and partners. It should make its training areas available for allies. Deploying U.S. forces – air and maritime as well as land – should be programmed for engagement with forces of multiple allies and not limited to the NRF. It should study investing in forward command elements of a brigade and or corps in-theater to plan with allies and periodically exercise as part of the NRF's tactical and operational joint command structure.

In order to reduce the impact of the withdrawal of the final two heavy Brigade Combat Teams from Europe by the end of 2013, the forces rotating to Europe to meet the U.S. commitment to the NRF should be heavy forces as often as possible. While the current trend is toward lighter forces, heavy forces are a reality in Europe where there are almost 10,000 main battle tanks among allies and partners. In contrast, the U.S. will soon have no main battle tanks in Europe for the first time since June 1944. That could have a negative effect on the confidence of some allies in the U.S. commitment to NATO, especially in Central and Eastern Europe where the main interest remains Article 5 preparedness.

A wise investment would be to provide EUCOM with a pre-positioned heavy BCT set of equipment, visibly maintained and exercised in theater as a political symbol of military resolve. Moreover, U.S. force deployments to exercises in Europe would be more affordable and therefore would be more likely to be sustained over the long term, as envisioned by the U.S. commitment.

Given the global value of interoperable partners, Congress should consider establishment of an interoperability line in the DoD budget specific to EUCOM. This budget line should fund NRF participation, plus the maintenance and deepening of interoperability across all NATO members, partners and future partners. The risk in requiring the funding of interoperability activities to come out of Service budgets is that it will be perpetually vulnerable to higher priorities and limited resources. EUCOM should be designated the global coordinator for U.S. interoperability, responsible to reach out to other COCOMs to ensure standards and agreements are consistent for all U.S. forces worldwide.

EUCOM should look innovatively at a host of other initiatives that will nurture transatlantic interoperability, especially as the drawdown of forces under ISAF curtails operational multinational experience.

Partner Initiatives at the NATO Summit

Given the vast numbers of partners in various organizational geometries, NATO needs to find ways to differentiate among partner levels of engagement with the Alliance. A least common denominator approach is no longer the best, neither for NATO or its wealth of partners. Indications are that as many as 13 NATO partners will be present in Chicago, an ideal opportunity for the Alliance to take steps to re-shape its formal partnership programs along more functional and substantive lines. Partners could be invited to signal their willingness to work with the Alliance more closely in operational areas. If mutually agreed, NATO would then design a concentrated program aimed at honing greater interoperability with these allies and establish an appropriate certification process. In turn, NATO would consult more closely with these partners when considering operations that affect their interests.

The European Phased Adaptive Approach

The threat that is driving U.S. (and NATO) missile defense efforts originates from the Middle East, primarily from Iran. In 2007, the Bush Administration proposed creating a "Third Site" in Europe consisting of 10 long range mid-course interceptors in Poland and a radar system in the Czech Republic. The Obama Administration replaced that plan with a more flexible and responsive plan called the European Phased Adaptive Approach (EPAA). EPAA is based on the SM-3 interceptor, deployed in four phases through 2020, on land and at sea. Throughout all four phases, increasingly-capable versions of the SM-3 will be introduced. The EPAA is designed to adapt in response to the evolution of the ballistic missile threat and BMD technology.

The United States plans to make the EPAA its national contribution to the NATO missile defense plan. The United States is not alone fielding the capabilities or in bearing the costs for missile defense in Europe. There is a strong consensus in the Alliance in support of a NATO-wide territorial missile defense capability, in addition to its already agreed position of defending deployed troops against missile threats. Getting this expanded consensus has been a political and technical achievement

.Major milestones include the following:

- Agreement by the Turks to host a U.S. BMD radar. That critical radar was deployed in December 2011.
- Agreement by the Romanians and the Poles to host land based Aegis Ashore SM interceptor sites, in the 2015 and 2018 timeframes respectively.
- Agreement by the Spanish to home port 4 U.S. Aegis ships with SM3 Interceptors, starting in 2014.

- Deployment of the first U.S. Aegis BMD-capable ship (March 2011) to the Mediterranean Sea in support of EPAA.
- Agreement by the Alliance to fund the so-called ALT BMD command and control program for territorial BMD. NATO now has a BMD command and control center at Ramstein Air Base in Germany.
- Agreement by the Dutch and potentially others to upgrade radar systems for BMD use on their frigates.
- Integration of several other national missile defense systems into the NATO BMD effort, such as German and Dutch Patriots, or future French early warning sensors.

At the NATO summit in Chicago, the Alliance plans to announce that it has an operational "interim capability" for command and control for NATO missile defense. This will be common funded and represents the first step in implementing NATO's 2010 decision to pursue territorial missile defense. The interim capability for command and control will allow U.S. EPAA assets to operate under a NATO mission.

While there is good news regarding EPAA implementation and NATO BMD, Russia continues to oppose missile defense in Europe and is refusing to cooperate. That is why President Putin will not attend the Chicago summit. Russia was opposed to the mid-course interceptors proposed by the Bush Administration and after a brief pause they have also opposed the Obama Administration's EPAA. They are concerned about deployments in Poland and Romania, their former Warsaw Pact Allies. They are concerned about Phase III and IV when more capable Standard Missiles will be deployed; they say they fear a threat to their second strike capability. They remain bitter about the abrogation of the ABM Treaty.

In the negotiations on BMD cooperation, the Russians have tried multiple tactics to seek limitations or even a veto over NATO BMD deployments and use. They have also sought to intimidate host nations for EPAA assets.

Per President Obama's direction, U.S. and NATO negotiators have not agreed to such limitations, and have made clear such limitations are unacceptable. The worldwide ballistic missile threat is real and growing, hence the US needs these capabilities for defense of our population, forces, allies, and partners. But there is still a great deal of scope for meaningful and mutually beneficial cooperation with Russia. This is a high-priority effort. We have made numerous proposals and have adapted some Russian ideas, such as the concept for two NATO-Russian centers that might be created for operational coordination and data sharing.

Progress has been slow. To find a breakthrough, the United States has been building a detailed case for why the EPAA and NATO missile defense are not a threat to Russia's strategic deterrent. Last week Assistant Secretary of Defense Madelyn Creedon spoke at a conference in Moscow, presenting a strong argument. She pointed out that even the SM3-IIB is not designed or positioned to catch sophisticated Russian ICBMs. Furthermore she highlighted the quantitative argument. Russia has hundreds of ICBMs,

while the EPAA will employ only a few dozen interceptors. Simply by looking at a globe, one can see that facilities in Poland, Romania, and Turkey are optimally positioned to defend NATO from the Middle East, not counter Russia launches towards the United States.

It remains in the U.S. interest to seek an agreement with Russia on BMD cooperation. But the U.S. can not agree to the "legally binding" assurances that Russia seeks. NATO Secretary General Rasmussen has suggested "political assurances", along the lines of the NATO consensus on EPAA, but Russia does not seem interested. Nonetheless, cooperation is ultimately in Russia's interest. They are testing the Alliance. Once their test fails, the hope is that they will recognize that the transparency and real missile defense benefits they would gain with cooperation will outweigh their other concerns.

The Deterrence and Defense Posture Review

The NATO Strategic Concept, agreed at the Lisbon summit, contains a carefully worked out compromise on the role of nuclear deterrence in Europe. On the one hand it stated that as long as nuclear weapons exist, NATO will remain a nuclear alliance, and that NATO will retain the appropriate mix of nuclear and conventional weapons. On the other hand, it stated that NATO's broad goal is to reduce the role and number of nuclear weapons and to create the conditions for a non-nuclear world. To square this circle, it agreed that nations would not take unilateral action to withdraw nuclear assets and that in negotiating future nuclear reductions the aim should be to seek Russian agreement to increase nuclear transparency and to relocate their weapons away from NATO territory.

This puts the focus in the right place. The nuclear problem in Europe is Russia. They have ten times the non-strategic nuclear weapons that NATO has in Europe. The Russian doctrine is first use. And they have used nuclear weapons to intimidate their neighbors. But they have refused to talk about either non-strategic nuclear weapons transparency or reductions. An agreement on missile defense cooperation could change their attitude.

But several European countries, with Germany in the lead, have sought to modify that NATO consensus. They have concerns about the safety of US nuclear weapons on their soil. And so those nations initiated a Deterrence and Defense Posture review, which has recently been completed. That so-called DDPR assessed NATO's conventional, nuclear, and BMD capabilities. The main protagonists were the Germans and the French.

The U.S. interest here is to retain the Strategic Concept consensus and to put the burden of nuclear reductions in Europe where it belongs, on Russia. While the DDPR has not yet been made public, I anticipate that its basic conclusion will be that the current mix of defenses is sound.

A major issue during the deliberations focused on NATO's declaratory policy. The US sought to bring NATO's declaratory policy for nuclear use closer to that of the United States. U.S. declaratory policy has a so-called "negative security assurance" which says it will not threaten or use nuclear weapons against non-nuclear states who are a party to the

Non Proliferation Treaty, with a possible reconsideration of this policy if biological weapons are used against the U.S. France and the UK have their own declaratory policies. Several nations sought to exclude discussion of declaratory policies from the DDRP.

Reassurance on the Article 5 Commitment

Several years ago some of our Eastern European allies raised concerns about the continuing validity of the Article 5 (all for one) commitment. This became a central issue in the study undertaken by former Secretary of State Madeleine Albright and the Group of Experts. That group highlighted the importance of Article 5 and that emphasis made its way into NATO's new Strategic Concept.

Cuts in defense spending and belligerent Russian comments have reawakened some of those concerns. The Alliance and the US have taken several steps to make clear that the Article 5 commitment remains rock solid. A few examples include the following:

- Defense plans have been refocused on Article 5.
- Exercises have been planned to test that new including "Steadfast Jazz" in 2013.
- Baltic Air Policing will be continued until at least 2018.
- The NATO Response Force will be revitalized and focused more on Article 5 missions.
- The US will conduct F-16 training in Poland.
- A US base will be retained in Romania.

More can be done, for example, to make sure that NATO's core military capabilities retain a robust Article 5 capability.

Conclusion

There are downward pressures on both NATO's conventional defense capabilities and on the willingness for European nations to host U.S. nuclear deterrent assets. The Chicago Summit is poised to take useful steps to mitigate those pressures and retain a useful military capability for the Alliance. The Summit will also take another important step to protect the Alliance against the potential nuclear and missile threat from Iran. The cost for that may be a deteriorating relationship with Russia. While the Summit will be a success with regard to these issues, this Committee will need to continually monitor the situation to assure that those downward pressures on defense budgets do not create the "dim if not dismal" situation that Secretary Robert Gates envisioned.

*The views expressed in this testimony are my own and do not necessarily reflect the views on the Defense Department or the National Defense University.

