

STRATEGIC ALERT

NATO SPECIAL MEETING OF MAY 25TH 2017



May 25th marks the first visit of U.S. President Trump to Europe. It will also be the first time the newly-elected U.S. President will attend a NATO gathering. Besides opening NATO's new headquarters, leaders will discuss NATO's burden sharing, counterterrorism actions and tense relations with Russia. High on the meeting's agenda will be the 2% GDP defense spending pledge, a topic that has dominated NATO's airwaves again since President Trump took office. The US administration has been clear about its demand for its European partners to spend more of their national budgets on defense and adhere to the Wales 2% GDP spending pledge. The EU-NATO partnership has meanwhile gained in importance. The potential of enhanced cooperation between the EU and NATO is clear: more efficient defense spending will yield both more and better capabilities, and in turn boost NATO's defense posture. This alert sets out the key strategic challenges and opportunities and offers four recommendations for the leaders of state meeting in Brussels.

Closer EU defense cooperation and enhanced EU-NATO cooperation is a solution for the capability shortfalls that have resulted from the lack of defense spending of European allies over the past few decades. A stronger European defense posture would certainly please their ally on the other side of the Atlantic Ocean, but the real rationale for greater investment in defense derives from the challenges in the ring of instability surrounding Europe, especially after decades of neglect has had a detrimental impact on Europe's strategic military abilities.

The NATO-EU strategic partnership has been given more substance since the NATO Warsaw Summit held last year.¹ The effectiveness of the two institutions leveraging each other's efforts should be placed in the strategic context of developments within the EU and NATO as well as the various domestic changes ongoing in different NATO and EU member states. This special NATO meeting takes place against a backdrop of challenges to both NATO's internal and external proceedings. The hybrid nature of the threats to the southern and eastern flanks of the alliance makes the case for further development of relations between NATO and the EU and a smart division of labor. Nevertheless, the election of Trump, the impending Brexit and domestic developments in Turkey are potential game changers for NATO's coherence.

THE NATO DEFENSE SPENDING DEBATE

The call from the Trump administration to take European security and defense spending more

seriously is certainly not new nor has it lost any urgency. In 2011, Secretary Gates spoke to a large Brussels audience stating that the alliance burden sharing in risks and the costs were unequal and "unacceptable".² More specifically, he noted:

"[the] blunt reality is that there will be dwindling appetite and patience in the U.S. Congress – and in the American body politic writ large – to expend increasingly precious funds on behalf of nations that are apparently unwilling to devote the necessary resources or make the necessary changes to be serious and capable partners in their own defense".³

This was echoed in 2015 by Defense Secretary Carter who openly said "they're [Europe] not doing enough".⁴ President Trump has called NATO 'obsolete' and 'not obsolete' and pivoted multiple times on his criticism on the relevance and value of NATO as a military alliance. While his personal view on the alliance might continue to change, the fundamental and continuous pressure by the Americans on its European allies to increase defense spending and adhere to the pledge that was made during the Wales Summit in 2014 will surely remain. With only five members of the Alliance (including the US) having reached this target, and the US' leadership growing impatience with the continuous low defense spending numbers in Europe, the spending and burden sharing debate is here to stay.

This debate of who invests in defending North Atlantic Treaty territory is important, however the method chosen by NATO governments – using the 2% of GDP

spending goal – does not necessarily help in measuring the actual burden sharing efforts. Due to domestic (political) constraints and the sovereign character of a defense budget, most European countries will effectively and practically never reach the 2% goal. As was noted by John Deni: “the 2 percent goal is not reflective of burden sharing – or at least not in isolation”.⁵ It is therefore important to focus on the output and effectiveness of such spending. The pledge itself does not specifically address the capability shortfalls that Europe is dealing with or those that are needed to actually utilized for NATO operations and missions. It is key whether members of the alliance can in practice build up, deliver and sustain the capabilities that are needed.

In comparison to the tremendous amount of money collectively spent by European member states on defense, relatively little output is generated in terms of capabilities that are available to be deployed. As recently noted in a study by RAND Cooperation, even the larger European members of NATO – the UK, France, and Germany – will experience difficulties mustering and sustaining a single heavy brigade for (immediate) deployment for the defense of NATO-partners in the east.⁶ Moreover, not only does the lack of defense capabilities pose a liability in immediate reaction to a crisis, but it also undermines the credibility of Europe’s deterrence efforts.

Additionally, the lack of investments and spending on conventional defense capabilities and the issue of maldeployment also increases the risk of uncontrolled escalation that would occur should a conflict arise. Maldeployment refers to asymmetries in deployment of NATO and Russian forces and the inability of rapid NATO deployments in case of an escalating crisis due to treaty constraints, the lack of freedom of movement of allied forces within the NATO territory and the lack of sustainability. Without the possession of adequate and deployable means that belong to the conventional escalation steps, the risk of skipping steps towards, for example the nuclear option, becomes a real risk. Investments in the needed capabilities is key to maintaining Europe’s ability to deter, defend and maintain its own strategic autonomy.

TWO ORGANIZATIONS KEEPING EUROPE SAFE

However, when looking past the practical value of the 2% spending threshold, there remains a considerable political and strategic value to the spending pledge – one long underestimated and disavowed by Europeans. At its core, the pledge is about who will

take care of Europe’s security – Europe or the US – and the Trump Administration has confirmed the importance it places on the pledge in many instances. The real issue of European defense is sovereignty, which leads to fragmentation and duplication. With the EU upping its game, the ‘EU pillar’ of NATO has the potential to be further developed and strengthened. More efficient defense spending by European members potentially leads to more and better capabilities and, in turn, a better defense posture of NATO as a whole.

Finding synergies through intensified EU cooperation on defense and enhanced EU-NATO cooperation by making way for less fragmentation of strategic capabilities and inefficiency in spending between member states is the solution for the financial problems of many of the member states.⁷ Hence, it would offer a solution to the capability shortfalls that have arisen from the lack of defense spending by the European allies demonstrated over the past decades.

A WAY FORWARD: EU-NATO COOPERATION

With the abundance of attention paid to the defense spending debate, a small paper reporting on the progress of EU-NATO cooperation that is to be presented at the NATO Special Meeting will probably pass by under the radar for many. But this effort deserves more attention. With the impending Brexit and changes to Turkey’s domestic political standing, factors of complication internal to NATO vis-à-vis must be taken into consideration to render the benefits of such cooperation.

For the first time since relations were institutionalized in 2001, the EU and NATO issued a Joint Declaration on security cooperation during the Warsaw Summit of last year.⁸ An intrinsic part of the Global Strategy’s Implementation Plan on Security and Defense is a follow-up of the Joint Declaration signed in Warsaw by the President of the European Council, the President of the European Commission and the Secretary General of NATO. The declaration aims to give ‘new impetus’ and ‘new substance’ to the EU-NATO strategic partnership. The common set of proposals made in Warsaw included actions that, until now, have had mostly practical implications and effects, focusing exclusively on consultations between the different NATO and EU staffs on capacity building (and communication). Although this might not be groundbreaking, these (institutionalized) consultations did not take place a mere two years ago.

Almost at the same time, the EU issued its new strategic document for foreign and security policy: the EU Global Strategy. Setting out the EU's strategic principles, the document specifically underlines the need for a deepened partnership with NATO through "coordinated defense capability development, parallel and synchronized exercises, and mutually reinforcing actions".⁹ The documents also highlights the need for attention to 'complementarity' and 'synergy' between the two organizations, calling to put an end to fears of duplication.

Looking at the mix of civil and military challenges and hybrid threats facing the two institutions, a clear case for cooperation between the two can be made. The EU, as a global power with extensive capabilities in security sector reform and training missions, is perfectly complementary to NATO as a military organization that is highly effective in non-permissive environments. Both organizations could support each other in operational matters that would – in turn – amplify each other's role and capabilities. Moreover, coercive diplomacy and military coercion usually requires the concerted use of the economic and military instruments of power. Here too, the EU and NATO are complementary.

THE MOMENTUM FOR EUROPEAN DEFENSE COOPERATION

Europe is facing a plethora of challenges and threats. There is currently sufficient momentum, and a strong sense of urgency, to push for reforms and enhanced initiatives. President Juncker stated the urgency of the matter in his 2016 State of the Union:

"Europe needs to toughen up. Nowhere is this truer than in our defense policy. The Lisbon Treaty enables those Member States who wish, to pool their defense capabilities in the form of a permanent structured cooperation. I think the time to make use of this possibility is now".¹⁰

With the election of Macron in France, and with that the possibility to revive the German-Franco tandem, the current political alignment should be used to further enhance defense cooperation between EU member states.¹¹

European defense cooperation is the only effective way to combat shortfalls in European military capabilities, given that no single European country, especially smaller ones, can afford to maintain a full-spectrum of military capabilities on their own. While steps to increase defense spending, or at least halt the

decline, must be made on the national level, curbing duplication and fragmentation and enhancing mass and volume through economies of scale between EU-members can only be done on a European level.

Firstly, it will answer the problem of fragmentation through integration.¹² With Brexit and the publication of the EU Global strategy, Permanent Structured Cooperation¹³ (PESCO) has become – for the first time since the signing of the Treaty of Lisbon – a meaningful part in setting up serious discussions about a defense cooperation framework. PESCO is a structure that allows different capable and willing member states to deepen defense cooperation. It is appropriate for joint contributions to EU-missions and operations, and intensified cooperation in joint development of defense capabilities and has the potential to further drive the Global Strategy's Implementation Plan on Security and Defense and the Defense Action Plan. This would entail linking political initiatives to financial incentives:

"PESCO is a ready-made mechanism and it has one great advantage over all the alternatives: if it can be linked to the European Commission's proposal for a European Defense Fund, it will come with money attached".¹⁴

PESCO could furthermore serve as an entry point to CSDP (Common Security and Defense Policy) efforts for the UK after it officially leaves the EU. The structured cooperation could allow the UK to team up with small groups of countries that have opted for closer and more integrated cooperation on different aspects of the military.

Secondly, jointly investing in collaborative research and the joint development of defense equipment, procurement and technologies generates the scale-up that is needed to acquire the capabilities that EU member states – and hence NATO members – are currently deprived of. Most of the EU's members currently cannot afford large scale individual (or national) research, development and procurement projects as they are often too costly. Cooperation on a European level has the potential to create the critical mass that is needed to make procurement economically viable.¹⁵

EU INITIATIVES: TAKING DEFENSE INVESTMENTS SERIOUSLY

The European defense cooperation agenda can be further enhanced by attaining the needed political support and promoting an active attitude towards

European defense by policymakers in Brussels. On the level of the EU, a wider range of initiatives have been taken in the past year to up the defense effort among its member states. Plans and ambitions set out in the EU Global Strategy, published last year just after the Brexit vote, received a follow up with several – some even pioneering – initiatives.

- In 2016 the European Commission, in consultation with European member states, outlined the **Global Strategy's Implementation Plan on Security and Defense**, which sets out a new level of ambition for the Union and identifies actions to fulfil it, as well as with the implementation of the EU-NATO Joint Declaration. At the special meeting on May 25th, NATO members will receive an update on the progress of the different initiatives taken since July 2016;
- The EU set up a joint **headquarters for military training operations**¹⁶ within the existing EU Military Staff of the European External Action Service. The facility (Military Planning Conduct and Capability Facility) will command the EU's military (training) missions and serves to improve operational planning and conduct capabilities for CSDP missions and operations (currently in the Democratic Republic of Congo, Mali and Somalia).¹⁷ This facility could potentially serve as the nucleus for all other mission and operation coordination in the future;
- In autumn of last year, the European Union put forward its **Defense Action Plan**¹⁸, which includes the creation of the **European Defense Fund**¹⁹ to support investment in joint research and the joint development of defense capabilities and technologies. With this fund, it will be the first time that a budget has been allocated specifically to stimulate cooperation on a European level; for the first time matching a political initiative on European defense with financial means.

Viewing these (complementary) initiatives in a broader context, it would help EU member states to reach economies of scale to amass volume to their defense spending output. Strengthening the output and capabilities of the European members of NATO will in turn also strengthen NATO's deterrence posture and capabilities.

OBSTACLES FOR EU-NATO COOPERATION

Despite the joint declaration in Warsaw last year and the intentions set forth in the EU Global Strategy, EU-

NATO cooperation itself is still embryonic, and hinges on the effectiveness of political leadership. At the same time, the impending Brexit and domestic developments in Turkey are potential game-changers for NATO's coherence and relations with its partner, the EU.

Fraught relations with Turkey

The most significant political blockade for enhancing EU-NATO cooperation has long been the fraught relation between non-NATO EU member Cyprus and non-EU NATO member Turkey. Turkey for example blocked the sharing of NATO security and intelligence information with the EU while on the other hand Cyprus restricted formal EU-NATO dialogue to the operations conducted under the Berlin Plus arrangements, the precursor to the Warsaw document. Despite these obstructions, ALTHEA²⁰ is currently the only operation that is being undertaken under the Berlin Plus Agreement.

At the moment peace talks are underway between Turkey and Cyprus. Should there be a breakthrough on Cyprus, it would further relax relations in this respect. On the other hand, recent domestic developments in Turkey could potentially influence Turkey's standing within NATO and its attitude towards the Cyprus talks. Disagreements between Ankara and NATO over strategic and operational matters could have been manageable were it not for Turkey's troubling internal situation.²¹ Additionally, its role in the conflict in Syria, its continuous controversies with the Kurds, its changing relation with Russia and fraught relation with the EU over the refugee deal has frustrated Turkish relations with its Western allies.²²

The domestic drivers of its foreign policy presume a prelude to the widening of relations between the EU, NATO and Turkey in general. Even in the current domestic situation, the Turkish position towards enhanced EU-NATO cooperation is pivotal and will prevent any EU decision-making on initiatives in which NATO is involved. The deterioration of relations between the EU and Turkey on the one hand and Turkish domestic developments on the other threaten the advancement of EU-NATO cooperation.

Brexit in the EU-NATO nexus

On June 23rd 2016, another strategic challenge to the alliance presented itself with a vote by the British people in favor of leaving the EU. The UK's Brexit referendum vote has accelerated a period of deep uncertainty for the EU and NATO in many policy fields.²³ As mentioned previously, Brexit will not only

influence further developments in the CSDP framework, but will also influence the UK's standing in NATO as well as its relations with the US.

On the one hand there are fears that the UK leaving the EU would destabilize the European security architecture, as one of the EU's most capable military partners would leave the EU table.²⁴ With this, the EU needs to partially redefine its own strategic position as a global security actor and must also re-evaluate its bilateral relations with the UK, with which it will continue to cooperate within the NATO framework. On the other hand, a final Brexit will make the EU's proposals for enhancing European defense cooperation – and with that the deepening of CSDP initiatives – easier to channel. As the UK has been one of the obstacles for establishing an EU-Headquarters, this in turn could potentially trigger more (and more efficient) European defense cooperation.

If the EU manages to boost its defense capabilities, the UK will need an access route to the EU. A strengthened partnership between the EU and NATO could be instrumental in this aspect. It is in the interests of the EU, UK and NATO to remain closely interlinked. Should the CSDP further develop, the EU could become a stronger, more credible actor in crisis response, and a clearer, more formalized division of labor between the EU and NATO may emerge. The future of the EU and NATO relationship will, in turn, evolve depending on the nature of CSDP post-Brexit, as collaboration between the two organizations could wither if the development of the CSDP stagnates. At the same time, the UK will be in a similar position as Turkey regarding the Berlin Plus Agreement, having the opportunity to influence (or block) initiatives that relate to EU-NATO cooperation as a non-EU NATO member.

The UK already voiced its intent to strengthen its commitment towards NATO, but has not yet spelled out any of the details.²⁵ NATO will remain the most important platform for the UK's collective defense efforts – in fact, as Major and Von Vos argue, “it will be the only defense forum in Europe in which the UK can still play a role – and which would allow London to underpin its ‘global Britain’ ambitions”.²⁶ The UK traditionally focused on expeditionary operations, and with NATO's refocusing on reinforcing territorial defense, it might call on the UK to make more contributions in the future. Simultaneously, with the UK moving away from its EU partners and with US leadership seemingly divesting from the global liberal order, the UK now finds itself in a new geopolitical position. This position will further deteriorate if the EU compensates decreased American leadership by

further integration. However, PESCO actually might prove to be the UK's gateway, as third country, to a possibly enhanced CSDP in order to stay close to EU.

Besides the formal formats of defense cooperation, such as NATO and the EU, bilateral cooperation will increase in importance for the UK. Existential defense cooperation takes place in bilateral or regional clusters, and the importance of such networks will only increase for the UK. The primary UK security interest lies in flourishing cooperation in not just the military field but – with changing threats in a hybrid and civil-military form – also in cooperation on other issues such as energy security, hybrid warfare, and intelligence, which require a whole of government responses and have recently become more important. It is therefore in the interest of the UK to maintain a positive relationship with the EU as a third country, which in turn might lead to a more balanced approach towards the institutions rather than obstructing the development of CSDP initiatives.

SO WHAT? STRATEGIC CONSIDERATIONS

For European policy makers, it is imperative to look at the potential of enhanced EU-NATO cooperation as a solution for the financial and capability problems that many EU and NATO member states are currently facing. An impending Brexit and the evolving domestic situation in Turkey pose two obstacles that could derail cooperation between the two institutions. But given the plethora of challenges Europa is facing, the necessary political momentum has finally materialized to push on with reform and enhanced initiatives.

In little over a year, the EU has taken on a range of initiatives to boost the ‘EU’ in EU-NATO cooperation. European states can and should work together to (re)gain and maintain autonomous action capabilities for the EU. The election of President Macron, the prospects of a fourth term for Merkel, and the UK exiting the EU and CSDP, creates a unique window of opportunity to further strengthening and enhancing the European defense agenda. Strengthening European autonomous action will strengthen the European pillar of NATO and NATO's defense posture as a whole. In this context, it is important that:

- The burden sharing and defense debate should go beyond the 2% defense pledge and also addresses other critical issues at hand: maldeployment, underinvestment, fragmentation and duplication of capabilities by European member states that are needed for credible deterrence and the

defense of NATO territory. Correcting critical capability shortfalls will require major increases in national defense budgets. Other problems, such as national legal barriers for the movement of military forces across borders or creating economies of scale for defense research, will require political courage on a national level and effective initiatives on a European level. For example, a 'military Schengen Zone' could remove most legal barriers.

- In addressing their spending and capability gaps, EU member states have different tools (e.g. PESCO and European Defense Fund) to their disposal to effectuate cooperation between member states. The EU member states should leverage these tools to address their national shortcomings in defense investments and capability developments.
- Europe should continue to seek close cooperation in the defense realm with the UK which will also provide an access route to greater EU-NATO cooperation. Initiatives taken in through PESCO could be used as a gateway to involve the UK in the development of CSDP activities (as a third state). Additionally, it is imperative for individual countries to strengthen bilateral cooperation and gain access to the UK capability toolbox;

- Overall, the EU-NATO strategic partnership has to move beyond mere consultations and has to be deployed to help, especially the European members of NATO, to combat fragmentation and duplication of military capabilities.

The range of hybrid threats and wide variety of challenges that the alliance is facing is only to be met with civil and military cooperation, the potential of enhanced EU – NATO cooperation in alleviating any initiatives in this regard is clear.

ABOUT STRATEGIC ALERTS – STRATEGIC MONITOR

Rapid changes in the international environment require constant monitoring to keep up to date with unfolding developments. These developments are analyzed in the context of broader patterns and trends that are identified in the Strategic Monitor, commissioned by the Ministry of Foreign Affairs and Ministry of Defense. Strategic Alerts are part of the Strategic Monitor and can either be directly triggered by real world incidents or crises, or prepared in advance but with their publication timed to coincide with an important event. Going beyond mere trend descriptions, Strategic Alerts have a clear 'so what' focus as they also offer reflections on the potential policy implications.

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- ¹¹ Judy Dempsey, "From Paris to Berlin," *Carnegie Europe*, May 11, 2017, <http://carnegieeurope.eu/strategieurope/?fa=69936>

¹² Sven Biscop, "How the EU Can Save NATO." *Egmont Institute*, March 29, 2017,

¹³ Permanent Structured Cooperation, or PESCO, allows a core group of countries to take systematic steps towards a more coherent security and defence policy without dividing the Union, in line with Article 46 TEU and its Protocol 10.

¹⁴ Sven Biscop, "How the EU Can Save NATO.", *Egmont Institute*, March 29, 2017

¹⁵ Ibid.

¹⁶ European Council, "Security and Defence: Council Reviews Progress and Agrees to Improve Support for Military Missions," March 6, 2017, <http://www.consilium.europa.eu/en/press/press-releases/2017/03/06-defence-security/>.

¹⁷ Ibid.

¹⁸ European Commission, "European Defence Action Plan: Towards a European Defence Fund," November 30, 2016, http://europa.eu/rapid/press-release_IP-16-4088_en.htm.

¹⁹ The European Commission proposes to set aside € 90 million per year for defence research and hopes that by 2020 this part of the budget will reach € 550 million per year. For the next programming period, the EC intends to propose a separate defence capability programme worth € 5 billion a year.

²⁰ ALTHEA in Bosnia and Herzegovina (BiH) was launched on 2 December 2004

²¹ Barin Kayaoğlu, "A Farewell to the West? Turkey's Possible Pivot in the Aftermath of the July 2016 Coup Attempt," *HCSS Strategic Monitor 2016-2017 The Hague: The Hague Centre for Strategic Studies*, 2017, <http://hcss.nl/sites/default/files/files/reports/A%20Farewell%20to%20the%20West%20%28Turkey%20case%20study%29.pdf>.

²² Ibid., p. 17.

²³ Adding a further dimension of uncertainty is the threat of a repeat of the 2014 referendum on Scottish independence, which could raise questions over the future costs and basing of the UK's nuclear deterrent. See more: James Black et al., "Defence and Security after Brexit" *RAND Corporation*, 2017, https://www.rand.org/pubs/research_reports/RR1786z1.html.

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²⁵ An example is the role the UK plays as a leading nation in Estonia under the Enhance Forward Presence mission.

²⁶ Claudia Major and Alicia Von Vos, "European Defence in View of Brexit," *Stiftung Wissenschaft und Politik*, April 2017, p.3.

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