



## EU / NATO Defense Capabilities

**The** financial crisis that swept over the US and EU in 2008, and which is still being felt today with the expected Greek exit from the Eurozone (the so-called ‘Grexit’) and the debt crisis that is enveloping Spain are some of the largest threats to the EU’s collective defense capabilities and the role of European states in NATO. This paper argues that the public policy choices that have been made on defense by European governments since 1998, the lessons and legacies from the Afghanistan and Libyan campaigns (be it within or outside NATO) and the switch in American strategic emphasis from Europe to the Middle East and South Asia have dramatically reduced NATO’s defense capabilities, and imperiled the future of the Alliance. This paper focuses in on the European dimension of the Alliance to argue that the future direction of collective European defense cannot be left to continental European governments.

### Strategic Divergence

One of the key issues in making an assessment of NATO capabilities is the strategic focus and political position of the US towards Europe, because – in reality – the militarily deployed NATO is the US plus the European allies it wants to bring along. As a manifestation of this, the large debates of the 1990s in defense technology circles were about ‘interoperability’, namely could European militaries operate alongside the US; this was both a cultural question and one of technological compatibility. Interoperability, in this technical sense, is still a very real part of the debate inside NATO circles, but what is now more important is the extent to which the Europeans can bring useful and usable capabilities to the military table. The absence of a coherent strategic vision for NATO, and the US administration’s refocusing away from Europe has made this ambiguity starker.

Increasingly the Alliance is divided into the English-speaking bloc and separately the continental Europeans, both of which have distinct and divergent visions for how the Alliance should proceed. President Obama’s Administration has been reasonably clear that it sees its strategic priorities in the Pacific, South Asia and Middle East.<sup>1</sup> Despite the awe in which Obama is held by European politicians, he has clearly been antipathetic towards European governments which the Administration has broadly assessed to be lacking the will to create sufficient capabilities to be useful partners.<sup>2</sup> The reorientation of US (and English-speaking NATO nations) focus away from Europe has created a large problem for the Alliance, as a two-speed NATO will in effect be created: one dealing with security problems in South Asia and the Middle East, and the second replicating the failure of the EU to create a European defense identity targeted at facing prospective territorial risks to continental Europe.

An indigenous and collective European defense identity is dead in the water. The capable European military powers have consistently failed to place serious capabilities within a European setting. The ‘capabilities-catalogue’ established in 1999<sup>3</sup>, which aimed to provide the fledgling European Union defense initiative with real capabilities, has still yet to be fully populated by member governments, and the Anglo-French agreements of November 2010 and February 2012 have only served to emphasize a shift away from collective European defense initiatives to bi- and multilateral coalitions of the willing and able. A NATO whose future is left to the continental European powers will be one of rapid decline. Part of this equation is the will and cohesion amongst NATO publics: can it really be said that there is a common understanding between European and American publics concerning collective defense and security? What is more, the Cold War social contract of the US providing security to the least capable members of the Alliance in exchange for sharing NATO’s institutional tasks can be seen to be under serious tension as the US rightly interprets this contract as equating to a disproportionate financial and military burden for little or no return. The political leaders within the Alliance have a mantra that NATO is forged on common values<sup>4</sup>, but in an era that lacks a territorial existential crisis the presence of a set of shared values (which is highly contested anyway) is not going to be sufficient to bind the Alliance. A fully functioning Alliance would now be trying to find ways of dealing with the cuts to military capability brought on by austerity, and to do so through sharing the burden of capacity across the Alliance. Neither the Lisbon (2010) nor Chicago (May 2012) negotiations properly addressed this urgent requirement.

The 2012 Chicago summit did not address the fundamental strategic divergence between the two blocs of NATO. The headline agreement emerging from the summit concerned the interim ballistic missile-defense capability.<sup>5</sup> This might also be viewed through the lens of the US reorientation away from Europe, as it merely provides missile defense cover over Europe, rather than a fully-fledged defense of the continent. The agreed missile defense program (with accompanying ‘X-band’ radar systems) sees the Alliance able to defend Southern Europe against a limited form of ballistic missile attack (the anticipation being that this might come from Iran – see companion brief) and that by 2020 the whole of NATO’s European area would be covered by missile defense systems, something – on the Eastern flank- that Russia is implacably opposed to. On May 5, 2012, the Chief of the Russian defense staff, General Makarov said: “Taking into account the destabilizing nature of the missile defense system and, in particular, creating an illusion of an unpunishable strike, the decision about a pre-emptive use of force will be made in a period of heightened tension,”<sup>6</sup> Following on from this on June 14, 2012, newly re-elected Russian President Putin commented, ahead of his meeting with President Obama, that the NATO missile defense shield degraded Russian nuclear capabilities and would provoke a Russian reaction. He also announced a \$614bn overhaul of the Russian military in the following eight years, an indication of the strategic threat posed by Russia to continental Europe.<sup>7</sup> NATO officials have noted throughout, however, that they have “reiterated their commitment to cooperate with Russia on missile defense, making clear that this is the best means to provide Russia with the assurances it seeks regarding NATO’s missile-defense plans and capabilities.”<sup>8</sup> The crucial dates regarding Russia and missile

defense are the deployment of the system in Romania in 2015, and, more importantly, in Poland in 2018; there is a high probability of a crisis within European security at these times.

### **Lessons from Libya (and some from Afghanistan)**

The campaign against Libya in 2011 provides us with some insights into the future conduct of transatlantic military relations. The Libya campaign was the first in which the US adopted a backseat-driver role, allowing the British and French governments to pursue a policy restraining the Gadhafi regime, and only playing a better developed role when UK and French military capabilities were found wanting. The Centre for European Reform commentator, Tomas Valasek, makes the argument that the success of the Libya mission was due to ‘access’ to US capability, rather than the US’ role per se.<sup>9</sup> The reality was that the European powers also lacked the sort of command and control and electronic warfare capability to prevail in the conflict without US assistance.

The Libya campaign demonstrates that international military interventions are reliant upon US airpower (in the form of airborne sorties to erode enemy infrastructure and troop movements), US naval born precision munitions and US intelligence capability, to create accurate targeting schematics and to provide intelligence about the capabilities and intentions of both pro- and anti-regime forces. The extent of the continued reliance on the US in this theatre of operation has come as a shock both to the US administration and also to its European partners, who led the political drive to militarily restrict the Gadhafi regime. Not only did Libya demonstrate that the US remains the cornerstone of European security, it also highlighted that even capable EU military powers find even small scale military campaigns difficult to execute independently. The stark lesson from Libya is that NATO without American capabilities brought to the fore is barely functional.

In addition to Libya, the campaign in Afghanistan – and its aftermath- also threatens to mire the Alliance for some time to come. The French government’s decision to withdraw its military presence from Afghanistan has done nothing to lessen the perception amongst the British, Canadian and US militaries that they have paid too high a blood price in the Afghanistan campaigns, and that – consequently – that European partners are unreliable partners in these sorts of operations (the same sense that had resulted from the Dutch withdrawal in 2010). What both these withdrawals have done is to further reduce the capacity for collaborative endeavor within NATO and reduce the prospects for further joint operations. Such trust will be difficult to rebuild in the medium term, without substantial investment from European members in both military capabilities and the political will to take full roles in NATO operations.

The Anglo-French defense agreements of November 2010 and February 2012, aimed to strengthen the core of the European based military alliance, to improve the functionality of NATO in Europe and in part to convince the US administration that they had capable partners to work with in Europe. Whilst these agreements might produce some common equipment

programs and joint training sufficient to mount small scale operations, they are not radical enough to resolve the decline of NATO capabilities as discussed above.

### **Austerity and Capabilities**

In this age of austerity the balance between strategic focus, ambitions, austerity and capabilities are increasingly important. This is particularly the case in a global security environment that is particularly fluid: the emergent and re-emergent threats from Iran, China, Russia and the asymmetric threats presented by resource conflicts, civil wars and cyber-security (to name but a few) lend themselves to an increase in defense budgets and capabilities, not an era of historic cuts and contractions. The 2010 Lisbon summit produced the Strategic Concept, a paper that was supposed to guide the Alliance forward, and yet this document remained short on details about how to square the problem of budget cuts and enhanced roles.<sup>10</sup> Such a failure does not auger well for the future of the Alliance. The difficult decisions that remain untaken concern affordability and which states within the Alliance will spend more to bridge the capabilities gap (or even what the essential NATO capabilities should be). As previously highlighted, the recent summit in Chicago (May 2012) also did little to address these fundamental tensions.

The logic of austerity should be that strong capabilities are distributed across the Alliance, to ensure that there is as little duplication as possible by members of the Alliance. This logic runs in contrast to the reality that most member governments are wedded to the incompatible positions of independent ‘full-spectrum’ military capabilities (the ability to perform the full range of military tasks, which normally relies upon a defense budget of at least 5% of GDP, not the 1-2% being spent by European countries<sup>11</sup>), retaining indigenous defense manufacturing capability, whilst cutting the number of equipment lines procured and maintained. Thus there is a great deal of duplication across the alliance, which does not take into account the political difficulties in bringing that capability into military operations. The other logic of this austerity is for nations to develop less military capability of their own and to instead buy it ‘off the shelf’, from large defense manufacturing concerns – we mostly think of these being American manufacturers. Within Europe, the UK, France, Italy, Sweden and Germany retain good-sized defense manufacturing bases, but even the UK government has broken the historic preference for buying British designed and manufactured equipment, opening the way for off-the-shelf equivalents to be purchased at reduced unit cost price.<sup>12</sup> We also know that built into the US Department of Defense’s budgeting rounds, there is a cost saving of \$492 billion already agreed by lawmakers, with a possible further \$500 billion over the next 10 years also possible.<sup>13</sup> Thus, while the US retains – even after the initial budget cuts -- the world’s best funded military, it has fewer resources to direct to supporting European security (hence the move towards missile defense in Europe) and to ensuring that strategic failures can be avoided (eg. A failure to contain Gaddafi’s forces in Libya, 2011). For European governments, even the militarily capable ones, there has come a moment when their strategic disposition has to be refined in the light of what they are able to deliver. Full

spectrum military operations are beyond all individual European militaries, including the British and the French. This may have the effect of making NATO a body within which future coalitions of the willing can be quickly constructed.

Following Afghanistan and Libya, the US Department of Defense is now acutely aware of the considerable limitations on European defense capabilities and what this means for future military interventions. The question for future administrations will be to what extent the Europeans remain useful as part of a political justification for military intervention.

## Procurement

Austerity poses several problems for the practice of defense procurement. The European defense manufacturing base is in a period of contraction. In the UK, for example, the principle defense manufacturer, BAE Systems has increasingly switched its focus to developing markets such as India, and Australia, whilst moving the mainstay of its effort and shareholder base towards the large American defense market. The other trend of which BAE is emblematic, and other European manufacturers have followed suit, is the move from research intensive and low volume equipment manufacturing into service provision, and alternative security ventures, such as cyber security and surveillance. Austerity is having an impact, therefore, not just on the scale of defense industry, but also in the areas that are actively developed.

Further downstream impacts are being felt by those employed by the primary contractors (for example, BAE Systems shed 3000 aviation jobs in 2011, 600 jobs in land technologies in early 2012, and are said to be reviewing the Portsmouth sea technologies site, which hosts 1,000 employees<sup>14</sup>), by those small and medium enterprises who feed into the main manufacturing effort, and by the research industries (including higher education) who are dependent on research income from their industrial partners and student income from those wishing to go on to careers in high-end design and technology industries. Once the 'cradle to grave' defense manufacturing capacity is lost, it will be very difficult to regain. Thus, European defense industries find themselves at an extremely challenging moment, unable to support their home militaries even if the money were there to fund them.

European governments have responded in several ways to the realization of this decline: the first is to actively support and promote defense equipment exports to third countries – the French and German governments have made this important aspects of their foreign and trade policy missions, the second is to try and prolong the life of existing equipment and to multirole platforms (the UK government also sought savings by not replenishing stocks, which meant that the Libyan campaign radically depleted stocks of certain kinds of munitions), and the third is to try and reduce the numbers of those employed in the armed forces, placing a large emphasis on civilian reservists who can be re-drafted at short notice. All of these responses are mere band-aids over the critical problem of underinvestment in defense spending.

## Summary

The future of NATO has looked bleak since the end of the Cold War, and the desire amongst many within the Alliance is to draw down a 'peace-dividend'. Many commentators questioned the ability of NATO to survive a redrawing of its role into an era of peace, as many imagined the 1990s would be, and many thought that the European Union would gradually fill the vacuum NATO was bound to leave in Europe. None of these pessimistic voices was correct, and so we might take from this that it is all too easy to prematurely write-off the Alliance. But the prospects for NATO are difficult at the moment: austerity is biting into defense budgets across the Alliance as a whole, and for peripheral members, defense budgets are low priority items domestically. For the longer term, these austerity cuts are having a deep impact not only on defense manufacturers but on the sectors that feed into them and rely upon them. Finally, the social contract that sits at the heart of the Alliance, of shared burdens and understandings has been fundamentally tested by the Afghan campaign and by the strategic reality of America looking towards Asia and the Middle East. Just as with the EU, this is the time for greater levels of integration and cohesion, but what can be observed is a fracturing of cohesion across the Alliance, something which may well imperil its long-term future.

---

<sup>1</sup> Defence Secretary Panetta has described this as the 'Asian pivot', BBC News (5 June 2012), US envoy Leon Panetta hails India role in Asia security, (<http://www.bbc.co.uk/news/world-asia-18327849>)

<sup>2</sup> Adrian Croft and David Brunnstrom (16 May 2012) Austerity to strain transatlantic ties at NATO Chicago summit, (Reuters: London)

<sup>3</sup> The updated version can be found here at 'EU Headline Goal 2010': <http://ue.eu.int/uedocs/cmsUpload/2010%20Headline%20Goal.pdf>

<sup>4</sup> For an example see the Chicago Summit declaration:

[http://www.nato.int/cps/en/natolive/official\\_texts\\_87593.htm?mode=pressrelease](http://www.nato.int/cps/en/natolive/official_texts_87593.htm?mode=pressrelease)

<sup>5</sup> Summit Declaration on Defence Capabilities: Toward NATO Forces 2020, (20 May 2012)

[http://www.nato.int/cps/en/SID-FB8AE38F-64696A0A/natolive/official\\_texts\\_87594.htm](http://www.nato.int/cps/en/SID-FB8AE38F-64696A0A/natolive/official_texts_87594.htm)

<sup>6</sup> Phil Black and Zarifmo Aslamshoyeva (5 May 2012), Russian general raises idea of pre-emptive strike against missile shield, CNN: New York, ([http://articles.cnn.com/2012-05-05/world/world\\_europe\\_russia-us-missile-defense\\_1\\_missile-shield-defense-shield-russian-missiles?\\_s=PM:EUROPE](http://articles.cnn.com/2012-05-05/world/world_europe_russia-us-missile-defense_1_missile-shield-defense-shield-russian-missiles?_s=PM:EUROPE))

<sup>7</sup> Vladimir Soldatkin (14 June 2012), Putin assails missile shield before Obama meeting, (UK Reuters: London)

<sup>8</sup> Ivo Daalder (6 June 2012), A Missile Shield Over Europe, New York Times

<sup>9</sup> Tomas Valasek (July 2011), What Libya says about the future of the transatlantic alliance, (Centre for European Reform: London).

<sup>10</sup> <http://www.nato.int/lisbon2010/strategic-concept-2010-eng.pdf>

<sup>11</sup> Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database, <http://milexdata.sipri.org/> (accessed 15 June 2012)

<sup>12</sup> UK Ministry of Defence (February 2012), National Security Through Technology, (The Stationary Office: London)

<sup>13</sup> Donna Cassatta (14 June 2012), Panetta warns of 'disaster' from defense cuts, Associated Press.

<sup>14</sup> Dan Milmo (31 May 2012), BAE Systems to Axe 600 jobs, (The Guardian: London)

<http://www.guardian.co.uk/business/2012/may/31/bae-systems-job-cuts>