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Fixing NATO's 2014 Defense Investment Pledge

By Robert G. Bell | 23 February 2022

Key Issues

- NATO agreed at the 2014 Wales Summit a far-reaching Defense Investment Pledge (DIP).
- This DIP comprised two “input” metrics on how much each ally needed to spend and nine “output” metrics on how wisely those resources are spent.
- The best-known of these metrics - the promise to spend 2 percent of GDP by 2024 - became quite controversial due to former President Trump’s haranguing of Germany on this issue.
- Allies’ reporting on the nine “output” metrics has remained invisible to the public, leading to criticisms that the DIP is unbalanced and a flawed measure of burden-sharing.
- The result has been a political strain on Allied unity: allies who may be lagging on their total defence spending but excelling in the capabilities they are fielding to NATO operations and missions have come to feel increasingly aggrieved.

Every American President since Eisenhower has, at one time or another, expressed his frustration with the degree to which U.S. allies contribute to NATO. In 2011, these sentiments reached a breaking point. In a strongly-worded “farewell” speech in Brussels, Secretary of Defense Robert Gates warned of a “dim if not dismal future” for NATO if allies did not start contributing more and better capabilities to the Alliance’s operations and missions. Prompted by this speech, the Obama administration won acceptance at the 2014 Wales Summit for a far-reaching Defense Investment Pledge (DIP). Seven years later, NATO leaders meeting at the 2021 Brussels Summit reiterated their commitment to this pledge “in its entirety”. In essence, the leaders were acting on the recommendations laid down in “NATO 2030”, a report by a group of experts tasked by the NATO Secretary General in 2020 to advise the Alliance on how best to address key political and military issues that must be resolved in its new Strategic Concept, which NATO intends to agree at its summit in Madrid in June 2022. In the report, the experts’ group had warned that “elimination or dilution” of the pledge would not only prevent the Alliance from fielding military capabilities “necessary for deterrence and defense,” but also “undercut the credibility of future political commitments.”

The continued support for the DIP at the highest political levels of the Alliance may have come as a surprise to many. Its best-known element - the promise by all allies to spend at least 2 percent of their Gross Domestic Product (GDP) on defence by 2024 – has over the last seven years become increasingly

controversial. This is due in large measure to former President Trump's repeated badgering, belittlement, and bad-mouthing of Germany among other allies on this issue. As the experts noted, in something of an understatement, the 2 percent pledge produced "political strain on Allied unity."

Why, then, have the United States' 29 NATO allies unreservedly re-endorsed it? In part, this can be explained as a holding action. The leaders recognised that, with the DIP due to expire in 2024 and with informal consultations already begun on the new Strategic Concept, their first summit meeting with President Biden was no time to rock the boat. Most likely the leaders also understood that the DIP encompassed more than simply the 2 percent of GDP commitment. Indeed, this explains why their re-endorsement of it at Brussels adds the words "in its entirety." What, then, are all the DIP's constituent parts?

Input Metrics

The September 2014 Wales Summit was held in the immediate aftermath of Russia's illegal annexation of Crimea and its military intervention in the eastern Donbas region of Ukraine. NATO leaders meeting there had been shocked by this aggression and were resolved to strengthen NATO's deterrence and defence. As part of that response, they made the Defense Investment Pledge, including two easily understood quantitative "input" metrics:

1. All allies promised to maintain or "aim to move towards" spending a minimum of 2 percent of their GDP on defence "within a decade" (i.e., by 2024); and
2. Allies promised to allocate a minimum of 20 percent of their defence spending on "major new equipment" (to include procurement and related Research and Development).

These two metrics were clearly described in the summit communique and provided precise benchmarks for measuring and comparing allies' performance. Each ally's progress (or in some cases lack thereof) in moving towards the two goals has been publicly reported each year in the NATO Secretary General's Annual Report. The results,

seven years on, have in many respects been highly successful. Total non-U.S. NATO allied defence spending has substantially increased every year. As of 2021, the increase stood at €260 bn and is expected to rise to over €300 bn by 2024. Eleven allies' defence spending is now at or above 2 percent of GDP, with two-thirds expected by 2024. Nineteen allies are now at 20 percent major new equipment goal, with 27 of 30 expected by 2024. One setback, though, has been that Europe's largest ally – Germany – has declared that despite increasing its defence spending substantially, it cannot reach the goal until after 2024.

Output Metrics

Other than this disappointment, what then is the problem? Put concisely, it is that each ally's performance as measured against the *rest* of the DIP – the nine metrics agreed at Wales that indicate how *wisely* each ally is spending its defence resources - has proven to be *invisible*.

What are these "output" metrics?

1. The percentage of air, land, and naval forces that are deployable;
2. The percentage of deployable air, land, and naval forces that can be sustained in deployment;
3. The percentage of Capability Targets allocated to that ally in accordance with the NATO Defense Planning Process (NDPP) that have been met;
4. The percentage of deployable air, land and naval forces deployed on NATO Operations and Missions abroad;
5. The percentage of deployable air, land, and naval forces deployed on non-NATO Operations and Missions abroad;
6. The percentage of deployable air, land, and naval forces deployed in support of NATO Assurance Missions;
7. The percentage of billets within the NATO Command Structure assigned to that ally that have been filled;

8. The percentage of billets within the NATO Force Structure Headquarters assigned to that ally that have been filled; and

9. The contribution by that ally to the Immediate Response Force (IRF) of the NATO Response Force (NRF).

It is important to note that output metric 5 relates to contributions that NATO allies may make to European Union (EU)'s or United Nations' missions and operations. Although the DIP does not refer specifically to the various programmes the EU has agreed to encourage its Member States to work together more efficiently in planning, financing and organizing their defence efforts, it does acknowledge that EU Common Security and Defense Program (CSDP) missions and operations represent "value added" in terms of European security.

but excelling at fielding and contributing to NATO's needed capabilities, in support of agreed operations and missions, have come to feel highly aggrieved.

This was not the intention at Wales. Before the U.S. proposed, in 2014, that allies for the first time in NATO's history agree at the Head of State-level on a defence spending commitment, many allies resisted, and some quite forcefully. Their main argument was that total defence spending was too blunt an instrument to fairly assess burden-sharing performance. A common refrain in the first months of negotiation was that "it is not how much you spend on defense but how smartly you spend it."

The United States soon came to appreciate that there would be no Head of State-level commitments to increase defence budgets substantially unless these arguments were taken into account. A protracted dialogue with key U.S. allies ensued on what

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NATO should publish each Ally's total contribution to burden-sharing in form of scores based on the 3 C's (cash, capabilities, contributions), measured against the 11 input and output metrics of the Defense Investment Pledge.

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Unfortunately, after the Wales summit all U.S. allies, except Denmark, chose not to release their reporting against these 9 metrics and the data as received at NATO has remained classified. This has meant that the only information on the DIP that has been released to the public each year are the statistics concerning the 2 percent and 20 percent input goals. This has created an impression that the DIP is comprised solely of these two numerical benchmarks. That in turn has sparked criticism from many quarters that it was a "one size fits all" quantitative measure that ignored crucial qualitative considerations which need to be taken into account if a full and objective measure of burden-sharing is to be reached. Thus, Allies who have been lagging in meeting the 2 percent goal

"package" of "output" metrics best encompassed allies' performance in meeting NATO's capabilities and contributions requirements. The result was the nine benchmarks listed above. But in the summit communique, there was only a cryptic reference to all allies' committing to ensuring "that their land, air and maritime forces meet NATO agreed guidelines for deployability and sustainability and other agreed output metrics."

A Proposed Framework for a "Defense Investment Pledge 2.0"

To fix this problem, it's not necessary either to "re-invent the wheel" or "throw the baby out with the

bathwater." A new "Defense Investment Pledge 2.0" could be based on the three pillars of the agreed NATO fair burden-sharing baseline that NATO Secretary General Stoltenberg calls the "3 C's" i.e., cash, capabilities, and contributions. As he explained; "cash" purchases tomorrow's "capabilities," which in turn support allies' "contributions" to operations the day after tomorrow. For each of these three categories, NATO has agreed to formal mechanisms that allow allies to monitor, measure and if appropriate challenge each ally's performance.

In order to make the contribution of each NATO ally to burden-sharing visible and easily understandable, NATO should release to the public a summary based on the 3 C's of each ally's annual reporting against the 11 metrics, input and output, of the DIP.

As elaborated below, there could be separate "scores" for "cash", for "capabilities," and for "contributions". Each "score" could be depicted on a scale of 0-10 within a common formula (e.g., "x/y/z"), with a total of 30 points possible.

A fictional example for demonstration; the United States might receive a 10/10/10; while Germany might receive, say, a 6/8/7; and Denmark a 7/10/10. This would make clear to all that the *main* emphasis in the DIP is on encouraging allies to generate agreed capabilities and deliver them to NATO when needed. At the same time, it would preserve the important catalyst for these two goals represented by the existing input metrics. Lastly, it would readily allow for comparisons between each ally's "scores" in each of the 3 C's categories, as well as every ally's performance in each of these categories from year to year.

The three "scores" explained

Cash: Increased spending remains essential in the face of the continued deterioration of the security environment in Europe, which we are observing. Hence NATO should maintain the current 2 percent and 20 percent metrics but extend the goal accomplishment date to 2030, the time horizon for the new Strategic Concept.

Economic dislocations related to COVID provide ample justification for extending the original

deadline. Based on allies' data inputs, NATO could translate each allies' reporting on the two metrics into a numerical co-efficient for each, say, on a scale of 0-5. For example, allies at/above 2 percent would receive a 5, and those at/above the 20 percent metric would receive a 5 (with a total of 10 points total possible under "Cash"). Allies not at 2 percent or 20 percent, but increasing their performance under these metrics, could receive a mid-range score. Allies not at 2 percent or 20 percent, but going in reverse, might receive a below mid-range score. The exact scoring methodology would need to be determined in consultation between the Secretary General and allies based on the rule of consensus. Once agreed, the appropriate Assistant Secretary General (ASG) - in this case, the ASG for Defense Investment - would apply that methodology to submit a report with a numerical co-efficient for each ally on the 2 percent and the 20 percent metrics for inclusion in the Secretary General's published Annual Report.

Capabilities: Similarly, NATO could establish a single numerical co-efficient on a 0-10 scale reflecting each ally's performance with regard to "Capabilities." This could be based on each ally's reporting on the first 3 of the 9 output metrics as listed above. For example, an ally with highly deployable and sustainable air, land, and naval forces, and that is fully delivering all of its assigned Capability Targets from the last NDPP cycle, would receive a 10. As with "Cash," the scoring correlation would need to be worked out in consultation with allies. The responsible ASG (in this case, the ASG for Defense Policy & Plans) would then apply that methodology to submit a report for the Annual Report with each ally's numerical score for "Capabilities."

Contributions: Finally, based on allies' reporting on the other 6 output metrics as listed above, NATO could establish a single numerical co-efficient on a scale of 0-10 reflecting each ally's performance with regards to "Contributions." In this case, the responsible ASG would presumably be the ASG for Operations.

Summary

Robert E. Osgood contended that an alliance is a "latent war community, based on general cooperation that goes beyond formal provisions

and that the signatories must continually estimate in order to preserve mutual confidence in each other's fidelity to specified obligations."

Although NATO intensified its efforts to dissuade Russia from committing further aggression against Ukraine and to enhance its Article 5 deterrence and defence posture on its eastern "flank", those efforts failed. This has included decisions by many allies to deploy additional air, land and naval units to the Alliance's eastern "flank." Thus, impartially assessing each ally's willingness to accept its fair share of the collective Alliance burden remains as critical as ever. If this "latent war community" NATO is to assess its members' performance in meeting "specified obligations" for burden-sharing in a way that "mutual confidence" is maintained, all three components of those obligations must be encompassed and publicly recognised.

Transitioning to this "rebalanced" Defense Investment Pledge 2.0 would not require any change in how, when, or what allies are already reporting against the 11 metrics. It would, however, require agreeing on a new method for summarising and scoring these submissions in a way that encompasses the nine output measures, agreed in Wales, and makes each ally's performance in this dimension of the Pledge evident to the public.

In short, a Wales Pledge revised to reflect Stoltenberg's 3 C's would provide a basis for better understanding by publics and politicians alike as to how each ally is shouldering its fair share of NATO's collective burdens. This would not only be measured in terms of how much it is spending on defence, but also how effectively those resources are used to create and contribute the capabilities most needed by the Alliance.



ABOUT THE AUTHOR

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