NATO's Burden-Sharing Debate in the 1990s

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"A growing number of the American people feel abused by our allies. They feel that we spend a much greater portion of our wealth on the common defense, that we have too large a number of soldiers stationed on their territory, and that the allies use the money they save on defense to subsidize their trade, creating our enormous trade deficit."

—US Representative Pat Schroeder

Since 1949 and the first days of the alliance, NATO has experienced repeated waves of controversy over what the appropriate level of shared costs for cooperative defense should be. Many Atlanticists hope that the current furor over burden sharing will fade as it has so often in the past. But this optimistic attitude fails to appreciate either the magnitude or persistence of the problem for the United States. For many on the American side of the Atlantic, the burden-sharing debate is about the trade imbalance, economic policies, base negotiations, security assistance, the deficit, or the perception that the US defense budget has been excessive for too long while allies have been getting a free ride. Rarely, if ever, have so many forces for change come together across the American political and economic spectrum.

Fundamentally, the growth in the relative importance of the burden-sharing debate can be credited to three underlying developments. First and most obvious is the relative economic decline of the United States since World War II. In 1948 the United States was able to finance the cost of reviving the European economic order by directly subsidizing Europe's reconstruction, even while guaranteeing its security. This was possible because of the unchallenged global economic and military dominance of postwar America, a dominance that in many ways was artificial and transient; it could not last. In this light, the United States has slipped from its position of unchallenged global hegemonic leadership and may now be unable to carry on as before. Paul Kennedy, in his immensely
1. REPORT DATE
   1990

2. REPORT TYPE

3. DATES COVERED
   00-00-1990 to 00-00-1990

4. TITLE AND SUBTITLE
   NATO’s Burden-Sharing Debate in the 1990s

5a. CONTRACT NUMBER

5b. GRANT NUMBER

5c. PROGRAM ELEMENT NUMBER

5d. PROJECT NUMBER

5e. TASK NUMBER

5f. WORK UNIT NUMBER

6. AUTHOR(S)

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)
   U.S. Army War College, ATTN: Parameters, 122 Forbes Avenue, Carlisle, PA, 17013-5238

8. PERFORMING ORGANIZATION REPORT NUMBER

9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)

10. SPONSOR/MONITOR’S ACRONYM(S)

11. SPONSOR/MONITOR’S REPORT NUMBER(S)

12. DISTRIBUTION/AVAILABILITY STATEMENT
   Approved for public release; distribution unlimited

13. SUPPLEMENTARY NOTES

14. ABSTRACT

15. SUBJECT TERMS

16. SECURITY CLASSIFICATION OF:
    a. REPORT unclassified
    b. ABSTRACT unclassified
    c. THIS PAGE unclassified

17. LIMITATION OF ABSTRACT
    Same as Report (SAR)

18. NUMBER OF PAGES 12

19a. NAME OF RESPONSIBLE PERSON

Standard Form 298 (Rev. 8-98)
Prepared by ANSI X39-18
popular history of global decline, *The Rise and Fall of the Great Powers,* uses the term "imperial overstretch" to describe the resulting imbalance between a nation's global obligations and its ability to economically sustain those obligations. If left uncorrected, this imbalance could destroy the national economic foundation upon which, according to Kennedy, hegemonic power is ultimately based.¹ In practice, this view, when applied to US-European relations, may be somewhat overstated in that there may not be a satisfactory alternative to continued US alliance leadership. Nonetheless, the relative economic decline—or adjustment, as some prefer to call it—of the United States is real, not just an aberration or a transitory phenomenon.

The second important development that has brought the current burden-sharing controversy to center stage is the public perception of a diminished Soviet threat. Referring to a recent poll suggesting that 75 percent of West Germans felt the Soviet threat was no longer serious, a senior diplomat in Bonn noted that for his countrymen the "threat seems to have departed."² The prevailing attitude is much the same on the US side of the Atlantic. According to a recent *New York Times*/CBS News poll, a growing number of Americans see Secretary General Mikhail Gorbachev as a radical departure from his predecessors, and two out of every three Americans now believe Moscow "no longer poses an immediate military threat to the United States."³ If in the end Mr. Gorbachev is as successful as he now appears to be, then the principal justification for the Atlantic alliance may well be seriously brought into question. Thus the need to increase or even sustain the present level of national defense spending begins to seem unnecessary.

Third is the budget crunch. Enormous pressure is building in the United States to pare the defense budget. Legislators are caught between the national debt and their constituents, who increasingly resent the reluctance of Europeans to contribute more to their own defense. With tax increases politically unacceptable, with social programs already cut back, with servicing the skyrocketing national debt inescapable, it is not surprising that the military budget and particularly overseas military commitments have come under attack by congressional and administration critics alike.

In the days before huge US deficits, debates over the cost of alliance more often focused on fairness rather than economic necessity. Today the tables

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have turned, with the focus shifting to the new global economic realities. The
decision to continue in an alliance that has become far more expensive for all
participants is now in large measure dependent on the calculus that security
benefits are at least equal to shared “roles, risks, and responsibilities.”

It may be alarming that the defense posture of the United States and, in
turn, its commitments to its allies have become hopelessly entangled with the US
budget deficit and the attending foreign trade imbalances. But the reality is that
they have. The American attitude toward NATO and alliance strategy in general
is today largely shaped by the accurate perception that Europe has experienced
a vast economic growth since World War II which leaves it in the enviable
position of being able to assume greater economic responsibility for its own
security. While in principle it may be desirable to keep security concerns separate
from economic relationships, in practice this may no longer be possible. As
Ambassador Alton Keel, US permanent representative to NATO, recently stated,
“On the one hand, the allies cannot decry the worldwide woes caused by US
fiscal and trade deficits and, on the other, become indignant when US political
pressures, generated at least in part by those deficits, fuel the debate on burden
sharing.” Hence, solutions to the NATO burden-sharing dilemma have little
likelihood of success if they fail to provide cost reductions for the United States.
This could be the most important key to understanding just how divisive burden
sharing becomes for the alliance.

Measuring the Burden

There is little agreement as to how defense burdens can or should be
gauged. Any quantifiable measure of effort suffers from some limitation, and
virtually every non-quantifiable measure is so subjective that it likewise provides
little room for agreement. Clearly, land use, rent-free housing, and other forms
of host-nation support all contribute to the common defense and to meeting
alliance needs. Unfortunately, many of these defy quantification. Even those
measures that are clearly quantifiable can lead different analysts to strikingly
different conclusions. Former Secretary of Defense Caspar Weinberger observed
in his 1987 report to Congress on burden sharing that the NATO allies were
“bearing their fair share of the common defense burden.” A little over a year
later, using much the same data, the House Armed Services Panel on Burden­
sharing under chairwoman Pat Schroeder flatly declared that the “United States
is bearing a disproportionate share of the [alliance] defense burden.” The gap
between these two views may not be as wide as it seems. Neither assessment is
in fundamental disagreement with the other as to the factors that make up a “fair
share,” but they differ on the weight that should be given to each. The House
Armed Services Committee has taken a more restrictive view, seeing “sharing”
especially as a means to reduce US costs. Secretary Weinberger, on the other
hand, while recognizing the importance of economic considerations, gives greater weight to the intangible contributions of our allies.

For all these reasons, any definition of burden sharing, whether quantifiable or not, is inevitably partial and arbitrary. Every nation can and does find advantages or disadvantages with each formula and selects the one that best presents its own national contribution. The numbers used by the analysts ultimately come from the countries themselves and reflect both the similarities and differences of their respective national economic systems. The effects of domestic inflation, fluctuating exchange rates, and national economic controls—including how tax laws may be applied to defense spending—are often not readily apparent nor reflected in the hard data. While my intent here is not to become bogged down in a debate over the numbers, they do give a sense of the respective national sacrifices made in the name of cooperative defense and thus merit some elaboration. 10

The first measure to consider is Gross Domestic Product, a traditional indicator of a nation's well-being and, in turn, its ability to devote resources to defense or elsewhere. There have been, interestingly, only marginal shifts in wealth within NATO, as measured by GDP, since 1960. As Gordon Adam and Eric Munz note in their 1988 study of alliance burden sharing, "the relatively steady shares of alliance-wide GDP since 1968 reflect the unsurprising reality that economic prosperity and decline tend to happen alliance-wide," 11 and, further, that Europe's postwar economic recovery was all but completed by the early 1960s. In other words, Western Europe has been relatively healthy for some time vis-à-vis the United States.

Another and probably the easiest understood measure of burden sharing may be the percentage of GDP devoted to defense. This measure broadly depicts the total resources generated by an economy in terms of the shares devoted to security expenditures. In 1986 the average defense spending within NATO was 3.5 percent of GDP, with significant variation among the several members. At one end were Greece, Turkey, the United Kingdom, and the United States, all with spending in excess of 4.8 percent. At the lower end of the spectrum, well below the average, were Canada, Denmark, Italy, and Luxembourg.

In isolation these statistics seem to lead to the conclusion that the United States is doing a good deal for the alliance but not necessarily that the United States is carrying a disproportionate share of NATO's fiscal burden. However, this picture changes radically when you consider that from 1960 to 1986, the United States always provided in excess of 61 percent of alliance defense contributions while never achieving more than a 55.5-percent share of the total alliance GDP. The contrast holds true for per capita defense expenditures: the NATO average in 1986 was $654 while the US contribution was $1,120. Therefore, not only has the United States contributed more in an absolute sense, but it

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has consistently contributed an amount significantly greater than its relative economic position within the alliance would have dictated.

It can be argued, with some justification, that the high levels of defense spending by the United States in the 1960s, by France and the United Kingdom in the 1950s and 1960s, and by Portugal in the 1970s were largely in response to non-NATO commitments. However, the bottom line is that in terms of input measures—that is, dollars spent—the United States has devoted a larger percentage of its GDP to defense than any other NATO ally and has done so for some time.

The translation of input measures into output measures—measures of military capability—is often pointed to by European analysts in particular as a more appropriate determinant of a nation’s true contribution to alliance security. From this point of view, what counts is not how much is spent but rather how well it is spent. That is, how much defense capability is actually purchased. In this regard many NATO allies have, in fact, done better than they are often given credit for, and in some areas they are shouldering an equitable share of the alliance defense burden. In main battle tanks, tactical aircraft, and sealift, the allies exceed their proportionate share, and they have essentially matched their fair share for total ground combat forces and artillery. By comparison, the United States exceeds its fair share in airlift, naval surface combatants, naval combat and patrol aircraft, and in all areas of nuclear forces.

While it is true that some allies do better when an output criterion is used, the numbers still demonstrate that the United States, in terms of its economic share and population, continues to make the greatest sacrifice. Moreover, as the US House Armed Services Committee report on burden sharing pointed out, the US contribution may in fact be understated since most measures simply count weapon systems and make little allowance for modernization or quality. For example, former Secretary of Defense Frank Carlucci reported to Congress in 1988 that while the US tactical combat aircraft fleet was about equally divided between new-generation and current-generation aircraft, only about 28 percent of the NATO allies’ fleets were new-generation aircraft. The same observation holds true for ground combat equipment, where the allies account for only half of the current- and new-generation tanks and artillery, owing to their greater retention of old equipment.

In the end, every discussion of national contribution ultimately returns to the elusive intangible measures of alliance cooperation. The inclusion of social and economic contributions, which cannot be easily quantified, is always fraught with disagreement and controversy. Nonetheless, it is in this bog that burden-sharing discussions most often end up and become irrevocably stuck.

The West Germans are quick to point to the high social and economic costs for their country—about the size of Oregon—to host 400,000 foreign
soldiers along with a large number of foreign civilians and dependents. Aside from the loss of land-use revenues, the Germans must absorb the consequent political and environmental costs of annually hosting some 5,000 military exercises and 80,000 low-level training flights, with their inevitable collateral damage amounting to some 40 million Deutsche Marks per year. In fairness, however, it must be pointed out that there are substantial benefits as well as burdens to be had from the influx of foreign currency into local European economies. And as for the social cost of hosting foreign troops, there is likewise a social cost of being a soldier posted in a foreign land that in many ways is the greater burden. Being far from home, coping with language problems, encountering social and racial prejudices, and having only limited employment opportunities for accompanying dependents are realities which leave many military men and women less than enthusiastic for foreign service.

Conscription is another intangible often touted as a hidden social cost and an understated economic burden for those West European countries that practice it. According to Simon Lunn, the low pay of conscripts results in understating manpower costs by as much as 20 percent for some NATO countries. Lunn further contends that if this figure were used to recompute the personnel costs of European military budgets, the non-US NATO total would be much nearer their fair share. On the other side of the coin, one can generally expect to get what he pays for in terms of training and unit morale. The level of skill that European conscripts attain during their short terms of active service (10-18 months) is generally not comparable to that achieved by the volunteer forces of Canada, the United Kingdom, or the United States. As Representative Schroeder's Burdensharing Panel discovered, not one US military commander was willing to trade the training and preparedness of the volunteer US military forces for that of any European conscript army.

Hence, if conscription carries with it political and social costs that a volunteer force does not, so be it. For the economically well-off Western Europeans, the decision to conscript their youth is essentially a national, not an alliance, decision. When the social costs of conscription are determined to outweigh the economic advantage for Europeans, then those allies can choose to switch to a volunteer force. Until then, the issue is largely a matter of national political choice and not one that requires corporate alliance compensation.

Thus, in any realistic review of NATO's defense spending, whether measured by input, output, or any of the intangibles so often cited, one finds significant differences in effort among the allies; by almost every measure the United States is carrying the heaviest burden in both real and relative terms. While this distribution may not be without merit for an alliance leader, it can be allowed to continue only with risk to alliance cohesion and solidarity. It is unreasonable to expect that the United States will be willing to continue to sustain its current level of NATO commitment without a new deal being cut.

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whereby the allied share of defense expenditures is made more commensurate with today’s economic realities. Even should the current euphoric arms reduction hopes engendered by the Bush-Gorbachev summits and the crumbling of the Berlin Wall bear rich fruit in terms of sizable defense economies, some significant level of NATO defense obligations will remain. And as long as this is true, we can expect continued tensions between the United States and its NATO allies as to a fair distribution of the load.

**Prescription for Change**

Whatever else happens, resolution of the burden-sharing debate will not be easy. Sustaining an adequate level of US commitment to the alliance will entail dispelling the American notion of European indifference to the costs shouldered by the United States and persuading Americans that the allies are fully committed themselves. What is needed is a redistribution of effort which accounts for the diverse national self-interests within the alliance while concurrently providing a mechanism that encourages sufficient European contributions for their own defense.

To establish an equitable formula for burden sharing, five underlying principles should guide NATO efforts.

- First, equitable burden sharing must result in cost reductions for the United States. Whatever method or scheme is devised to define and share the burden, it must ultimately reduce the economic frustrations of US participation. It will not suffice merely to raise the defense expenditures of the non-US NATO allies while maintaining the current level of US defense contributions. That will not satisfy the need for reduced US defense spending. Europeans can, should, and must carry a greater relative share of the alliance defense burden.

- Second, the solution should apply alliance-wide and in an alliance context. Burden sharing must not become a case of the United States versus the rest of the alliance. This is, after all, a matter of equitable commitment among essentially equal partners with shared economic, political, and security interests that range far beyond the narrow confines of military strategy.

- Third, any burden-sharing solution must be both credible and politically acceptable to ensure public support on both sides of the Atlantic. This is an especially difficult challenge at a time when the perception of a diminished Soviet threat has added impetus to further cut the already austere European defense budgets. In this climate it is unrealistic to expect that any of the allied governments could dramatically increase defense spending without instituting politically unacceptable adjustments to public-sector spending. Lacking a clear and apparent Soviet threat, there is little likelihood that we will see a reversal of this alliance-wide trend in the near future.
Fourth, resolution of burden sharing must not weaken NATO militarily relative to the Soviets and the Warsaw Pact. Despite the Western perception of a diminished Soviet threat, the reality is less rosy. The Soviets' perestroika and glasnost offensives are seen by many as proof of changed Soviet military intentions, but the conclusion that somehow the Soviets have become docile is unfounded. To date, no appreciable change in either the Soviet military posture or capability has occurred. Undeniably there is reason for optimism; nevertheless, it should be a guarded optimism mixed with a fair amount of old-fashioned caution. NATO cannot afford to ignore the fact that the Soviets are continuing to modernize their military forces at a rapid pace. At a time when the viability of NATO is under question, it would be wise to remind ourselves that NATO has maintained a peaceful and stable Europe by sustaining a creditable military deterrent, not by Soviet disarmament, unilateral or otherwise.

Finally, the United States must not let the burden-sharing debate become the litmus test of alliance solidarity. The real issue is not whether NATO is worth defending, for it is. Rather, the issue is one of equitable sharing of the roles, risks, and responsibilities among sovereign nations which can and should contribute fairly to their own defense. Collective security remains the most cost-effective means of assuring American global interests, and it cannot be set aside as easily as some neoconservatives have suggested without first dramatically changing the scope of US strategic commitments. A return to isolationism would not be an appropriate response to America's budget deficit challenge.

Following these guidelines, a solution to the burden-sharing debate is possible, but not without reshaping America's role within the NATO alliance. If the United States is to retain leadership of NATO and the Western World, it must come to terms with matching strategic ends to economic means. Reducing both the extent and cost of present US commitments, specifically military commitments, should begin in Europe. As long as NATO continues to be based largely on US dominance, even long after European economic recovery from World War II, it will remain inherently unstable in spite of what its 40 years of history might suggest.

A first step would be to recognize that while the forward defense of the United States begins in Europe, this is not to say that it must begin in Europe at any cost. Only so long as NATO remains an essential instrumentality for managing US-Soviet competition will it be in America's interest to remain in Europe without reservations. In this regard, for Europeans to assume that there are no circumstances under which American forces would depart would be a grave miscalculation.

Ultimately, US forces are forward-deployed to demonstrate a US commitment to the alliance and to train where the most important, if not the first,
battle for control of Western Europe is most likely to occur. They are not there because US national survival, narrowly defined, demands it, but rather in support of Western Europe’s alliance strategy and European security interests. As Josef Joffe, foreign editor and columnist of West Germany’s largest-circulation daily, *Suddeutsche Zeitung*, has correctly observed, “[W]ile West Europeans serve American security interests in many ways, they do not underwrite the inviolability of America’s territory and population.”

The real question for American strategists is not whether US interest in Europe remains high, or even whether the centrality of NATO in American military strategy is appropriate; rather, the issue is one of what relative weight should be given to a region that has both the economic strength and military potential to do more for itself. What I am suggesting is not the abandonment of Europe—for that is clearly not in the US interest—but recognition that non-US NATO members can do far more of the job of providing for their own corporate security. Hence, the need for costly US forward-deployed ground forces is reduced. Since Europe retains a credible deterrent of its own whether the US forces remain or not, it makes little sense for the United States to continue its present level of overseas force deployments. Any recommended solution must inevitably begin with US force reductions on the order of 50,000 to 100,000 troops over the next ten years. Reductions should, however, be accomplished within an alliance context and as a consequence of asymmetrical Soviet reductions, not at the cost of a credible NATO deterrent.

Obviously any reduction, let alone a unilateral one, comes with a certain risk. Care must be taken to ensure that the United States does not convey the impression that the Warsaw Pact threat has diminished to an inconsequential level. Abrupt, large-scale troop reductions make little sense given the current conventional imbalance in Europe. But substantive asymmetrical Soviet troop reductions now seem to be in the cards. Even were that not so, we should recall that over the past 40 years the level of US forces maintained in Europe has fluctuated considerably without apparently harmful side effects. Today, with US force levels at 326,000, a reduction of some 50,000 soldiers in Europe would return the United States troop levels only to those of the early 1970s.

Since burden-sharing adjustments in NATO will amount first and foremost to cost reduction for the United States, it is inevitable that some US forces will be cut back. We certainly cannot afford a return to the hollow Army of the 1970s, where forces were pared down but missions were essentially unchanged or even expanded. However, neither can we retain every soldier at a cost of reduced training, operations, and maintenance. It is clear that the present US military force structure, including the Army’s 28 divisions, will have to adjust to a no-growth defense budget. Here, a word of caution: If Fred Iklé and the seers of the Commission on Integrated Long-Term Strategy are correct in asserting
that the United States needs more, not fewer, flexible forces, then it would be exceedingly unwise to hastily reduce the new light divisions in an effort to save European heavy units. It is precisely because of the relative economic health of Europe that the United States can consider taking cuts in armor-heavy forces before cutting the already austere light forces.

Beyond US troop reductions NATO has another option, that is, to corporately reimburse the United States or any other ally for the additional costs associated with forward deployment of military forces in Europe, including the costs of transportation, training, and housing. The idea of reimbursement is not new. Bilateral offset arrangements were originally negotiated between the United States and the Federal Republic of Germany by the Kennedy Administration in the early 1960s. Under these first protocols it was agreed that the additional costs of stationing American forces in Germany would be offset by the German purchase of US military hardware and US government securities. Between 1961 and 1976 there were eight such agreements, offsetting some $11.2 billion in stationing costs.

The problem with past efforts to use an offset formula has been that they were confined to just a few partners, leaving unaffected those allies not having large numbers of US or other foreign troops stationed within their borders. In essence, these efforts have failed to recognize that the forward
stationing of military forces is an alliance strategy which might better be served by an alliance-wide solution. Similar to the infrastructure formula for apportioning construction costs in advance of construction, a burden-sharing formula should be developed which apportions costs and benefits among all the NATO partners. In this way burden-sharing offset payments might receive greater alliance-wide support, since individual contributions would be relatively small in terms of national defense budgets, and since, as with infrastructure spending, greater costs could be apportioned to those members who are deemed to receive the greater benefits. Undoubtedly there would be difficulties in negotiating the initial formula, both in terms of what should be credited as a US expense and in terms of what should be the other nations’ fair-share contributions based on the expected benefits to be received. Neither of these hurdles is insurmountable, however.

Finally, on the European side, there needs to be a greater appreciation of the fact that their defense cannot continue to rest on an essentially US guarantee. Europe must bear a greater share of the responsibility for its own defense. Europeans must understand that their growing clamor for political and economic independence from the United States rings hollow without first assuming a greater share of their own security costs. A stronger European pillar is not only desirable for future alliance cohesion, it is essential: it is a prerequisite to solving the present burden-sharing debate in a way such that the United States will be able to reduce its deployment levels and costs while the alliance retains a credible deterrent.

Unquestionably, encouraging the growth of a stronger Europe comes at a price. A truly bipolar alliance will increase the economic and political rivalry between the United States and its European allies. The influence of the United States will be diminished relative to Western Europe’s growing independence. This eventuality should not cause great gnashing of teeth on either side of the Atlantic, however. The ties that bind the United States to Europe are much stronger than the familiar security domain of NATO. The NATO alliance is not only a security structure, but also a community of like-minded economic, cultural, and political systems linked by history and tradition. Fears of Soviet coercion should the United States lessen its hold over Europe are grossly exaggerated, resting on a failure to appreciate the durability of this linkage. A diminished US influence will not lead to a Europe that falls under Soviet domination, nor is there any reason to believe that in practice the United States would cease to be an active and influential participant in European affairs. Devolution is not disengagement. There will be no decoupling of the North Atlantic link as a result of reasonable and realistic US force reductions.

In the end, the determinant of how divisive the burden-sharing debate becomes for the alliance does not rest in Europe, but rather in the United
States, where deficit reduction and the perception of an excessive defense budget continue to hold political center stage. The US commitment to NATO will remain. The question is whether, after 40 years, the United States must persist in paying a disproportionate share of the alliance costs in order to honor that commitment. I think not.

NOTES

2. For a more complete discussion of the political and economic implications of decline, see Paul Kennedy, The Rise and Fall of the Great Powers: Economic and Military Conflict from 1500 to 2000 (New York: Random House, 1987); David P. Calleo, Beyond American Hegemony: The Future of the Western Alliance (New York: Basic Books, 1987); and Earl C. Ravenal, NATO: The Tides of Discontent (Berkeley, Calif.: Univ. of California Press, 1985). Their message is that the United States, like other great powers before it, has now entered a period of decline.
16. Lunn, p. 55.