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THE POLITICS OF 2 PERCENT

NATO and the Security Vacuum in Europe

Jan Techau

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About the Author

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Summary

The members of the North Atlantic Treaty Organization (NATO) pledged in 2014 to increase their defense spending to 2 percent of their gross domestic products by 2024. It is unrealistic to assume that this goal will ever be reached by all 28 allies, and yet the 2 percent metric persists—and it has assumed a significance beyond its face value. It is about addressing Europe's growing security vacuum and defining who will be in charge of European security.

2 Percent and European Security

- The reduction of the U.S. security footprint in Europe and Europeans' dramatic loss of military capability since the 1990s have created a security vacuum in Europe. NATO's 2 percent metric is one instrument to address that.
- As a way to measure an increase in military capability, the 2 percent metric is barely useful. It does not measure spending in real terms or actual output.
- The target has had some success in stimulating debate on European security. It has become an important gauge of who is and who is not politically committed to NATO's core task: Europe's security.
- Europeans underestimate the political significance of 2 percent in the U.S. debate over security commitments to Europe.
- Americans overestimate the political significance of 2 percent among Europeans struggling with austerity and divergent threat perceptions, which make it difficult to increase their defense commitments.

Conclusions

- Despite its conceptual flaws, the 2 percent metric will remain the tool of choice in the debate over military spending in NATO. A smarter yardstick would produce a more sophisticated picture of reality but would not have the same political impact.
- The real debate would focus less on spending and more on the widening transatlantic divide over security in Europe. The question of who will guarantee Europe's security in light of global strategic shifts remains unanswered.
- Europe will be forced to step up its defense capabilities in the future if it wants to deal with the myriad threats in its neighborhood. This includes more and smarter defense spending, more defense cooperation, more shared threat assessments, and more leadership by hitherto reluctant nations.

The NATO Summit in Wales

On September 5, 2014, the heads of state and government of the North Atlantic Treaty Organization (NATO) issued a declaration following the alliance's summit in Newport, Wales. This document constitutes NATO's highest-level conceptual response to the crisis that has been unfolding since the fall of 2013 in Ukraine. This crisis led to the deterioration of relations between the West and Russia and is widely seen as marking a fundamental shift in Europe's security architecture.

In an effort to reassure member states on the alliance's Eastern flank that felt threatened by Russia's aggressive action in Ukraine and feared that the collective defense commitment in Article 5 of the NATO treaty needed reconfirmation, NATO adopted a whole series of measures. In terms of their significance for NATO's development as a political and military alliance, two of these measures stand out. First is the adoption of the Readiness Action Plan (RAP) that encompasses a full array of military steps designed to enhance the deterrent value of NATO's military posture on its Eastern border. Second is a pledge by NATO's member states to aim at spending 2 percent of their respective gross domestic products (GDP) on defense within a decade.

While the Readiness Action Plan seeks to address the immediate security concerns stemming from an acute and evolving crisis in NATO's immediate vicinity, the 2 percent pledge is meant to address a more structural problem in the alliance: underfunding. The summit declaration stipulates:

- Allies currently meeting the NATO guideline to spend a minimum of 2% of their Gross Domestic Product (GDP) on defence will aim to continue to do so. . . .
- Allies whose current proportion of GDP spent on defence is below this level will:
 - halt any decline in defence expenditure;
 - aim to increase defence expenditure in real terms as GDP grows;
 - aim to move towards the 2% guideline within a decade with a view to meeting their NATO Capability Targets and filling NATO's capability shortfalls.¹

Although the 2 percent pledge is not a legally binding commitment by NATO's member states, its inclusion in the declaration was widely perceived as a meaningful, even historic step. The goal had been present in the debate over NATO's future and burden sharing at least since the alliance's summit in Riga

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in 2006. A month before that summit, Victoria Nuland, then the U.S. ambassador to NATO, called the 2 percent metric the “unofficial floor” on defense spending in NATO.² But never had all governments of NATO’s 28 nations officially embraced it at the highest possible political level—a summit declaration. In light of the heightened attention to security since the start of the Ukraine crisis, the 2 percent issue has assumed increased political relevance.

But is the 2 percent metric useful? And can it be fulfilled? What is its real meaning? The answers to those questions are of great significance for the debate on the future of the transatlantic alliance.

The Numbers: Bigger NATO, Less Money

Across NATO, a concern and sense of urgency about the development of defense budgets has built up over the last two decades. Since the end of the Cold War in 1990, overall defense spending among NATO members has been cut so significantly and so persistently that serious concerns have arisen about the alliance’s military readiness and its ability to keep credible its security guarantee to its member states. The decision to embrace the 2 percent metric highlighted these concerns, which have culminated with the Ukraine crisis.

In 1990, the then 14 European members of NATO spent around \$314 billion on defense collectively. In 2015, the alliance’s now 26 European members are expected to spend around \$227 billion on defense.³ So while European membership in NATO has nearly doubled since 1990, defense spending

by Europeans has gone down by 28 percent since then. According to the International Institute for Strategic Studies, Germany’s defense spending has fallen by 4.3 percent since 2008 alone. In the same period, the United Kingdom has reduced its defense spending by 9.1 percent and Italy by 21 percent.⁴ This has led to a sharp drop in military capabilities in bigger and more exposed NATO

member states, and it has made the already-uneven burden sharing in the alliance even more lopsided.

And in effect, the dependence of European NATO allies on the United States has further increased since the end of the Cold War, not decreased. As a percentage of GDP, defense spending by European allies fell from an average of 2 percent in 1995–1999 to 1.5 percent in 2014, while that of the United States went up from 3.1 percent to 3.4 percent in the same period.⁵ In 1995, U.S. defense expenditure accounted for 59 percent of overall NATO defense spending; in 2015, the rate is expected to be above 70 percent. It is true that not all U.S. defense spending is dedicated to security in Europe—NATO’s original remit—yet it is clear that European NATO allies have fallen further behind on the issue of financial burden sharing in the alliance.

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It is expected that only five NATO member states (Estonia, Greece, Poland, the United Kingdom, and the United States) will meet the 2 percent target in 2015, one more (Poland) than in 2014.⁶ Overall, European NATO members have shown little enthusiasm for significantly beefing up their defense spending since the Wales summit, despite a number of announcements of increased spending on assorted armaments projects.⁷ To be fair, most national budget cycles for 2015 had already progressed too far or had even been completed by the time governments met in Wales in early September 2014 to pledge higher spending.

Overall, no clear trend emerges. A good number of European NATO members have shown a willingness to spend more in 2015, but the relevant military powers are not among them. And even those willing to spend more are not, for the most part, spending in a way that brings them significantly closer to the decisive 2 percent threshold. While these numbers can be interpreted positively, they don't give too much hope that significantly more military capabilities will be in NATO's arsenal any time soon. The debate over the 2 percent pledge and its strategic rationale is bound to increase in intensity in the coming years.

The Strategic Backdrop: A Security Vacuum in Europe

Whether NATO allies should be spending 2 percent of GDP on defense may appear to be a technical question on the surface. But it is not an isolated topic receiving its relevance from a narrow, procedural concern with the internal goings-on in NATO. It is also not only about those challenges with which it is most closely associated: military capabilities and alliance burden sharing.

The 2 percent issue receives its relevance from a wider strategic question that has been building up in Europe since the early 1990s and that has yet to be resolved. It is the question of who is responsible for keeping Europe safe and free, Europeans or Americans—or both.

Since 1949, the United States has been the guarantee power of (Western) Europe. By means of its nuclear weapons arsenal and a massive troop presence across Europe, U.S. extended deterrence was designed to keep its European allies safe from territorial invasion and political blackmail. After the end of the Cold War, the U.S. security guarantee stayed in place and was even extended to parts of Europe that had hitherto been excluded from it. NATO, as a political organization, was conceived to administer this security guarantee and make the Europeans themselves stakeholders in it. This fundamental principle of the political order of Europe has never been abandoned and remains in place today.

However, the military-political bargain that underlies this arrangement has been questioned over the last decade. The permanent U.S. troop presence in Europe has been very substantially reduced since the 1990s, and continues to shrink.⁸ At the same time, Europeans have not increased their military

capabilities to make up for the reduced American footprint on their continent. The American security guarantee still exists, and few think that the United States would not heed its commitments should an attack on European allies occur. And yet doubts have emerged about whether the stripped-down force posture in Europe would allow the United States to defend Europe even if it wanted to. Meanwhile, Europeans continue, overall, to reduce their military capabilities.

The net result is an emerging security vacuum: both the United States and Europe are less capable militarily in Europe, and they leave an emptied strategic space that could potentially be filled, or at least exploited, by outside powers. Even before the Ukraine crisis and the reemergence of a fear of Russia in Europe, this macro-development in European security was a strategic problem. Europe's neighborhood has traditionally been unstable and the source of conflict and war for several decades—from the frozen conflict in Moldova's breakaway region of Transnistria to the Western Balkans to the Syrian crisis and the rise of the jihadist self-proclaimed Islamic State in the Middle East to tumult in Libya and massive migration flows across North Africa. Add to this the emerging instability in Eastern Europe and the potential conflicts in Europe's wider neighborhood (the Arctic, Central Asia, the Caucasus, the Gulf, and sub-Saharan Africa), and a picture emerges of a continent exposed to considerable security risks.

And so while this strategic situation has become more risky over at least the past decade, the political capital that leaders in both Europe and the United States can spend on security issues concerning their European allies in Europe has diminished. European governments find it difficult to maintain political support not only for defense spending but also, more fundamentally, for conceptualizing security as both territorial defense and expeditionary interventionism.

Even the prime minister of a traditionally robust and interventionist-minded country such as the United Kingdom cannot be sure any longer of an unfettered executive prerogative in the realm of military deployments.⁹ While this may be a welcome development from a theoretical democratic legitimacy standpoint, it illustrates the lack of resources available to maintain levels of readiness commensurate with the threats in Europe's surroundings.

In the United States, meanwhile, the imperative of shifting strategic focus and political and military assets toward the Asia-Pacific has reduced the political relevance of European strategic concerns among elites and decisionmakers in Washington. It is now harder for any U.S. president to make the case for government spending on Europe, and it is less easy to win political attention when European matters are being discussed.

This might well be partly a matter of choice on behalf of an America less interested in things European, but it is primarily a matter of necessity. The most important marketplace for global stability will almost certainly not be Europe, it will be Asia, where great-power rivalry looms large and where regional imbalances, historical grievances, a lack of trust, and military counterbalancing are

already the order of the day. Even if the United States wanted to focus on Europe in the way it had to in the past, it could not.

Between the U.S. necessity to reduce its presence in Europe and the European inability and unwillingness to step in, a power and security vacuum emerges. The Americans and the Europeans leave an emptied strategic space that could potentially be filled, or at least exploited, by outside powers. This vacuum affects the entire European strategic space but is most profoundly visible in Europe's East, where NATO territory is most directly exposed and where no NATO combat forces are permanently stationed.

The discussion about how to fill the void has been going on for almost two decades, but the Ukraine crisis has made Europe's strategic dilemma visible like no other crisis before. Who takes care of European security when America is less likely to carry the overwhelming part of the burden?

The conversation about the 2 percent spending goal in NATO is only one of the many symptoms of the struggle to come to grips with this question. There are other indicators of how fundamental and thus also emotional the question of European security is. The debate over whether NATO should permanently deploy its troops on former Warsaw Pact territory is one. The ongoing exchange about the future role of the European Union (EU) as a potential military actor is another, fired up most recently by a proposal by the president of the European Commission, Jean-Claude Juncker, for the establishment of an independent EU army.¹⁰ In this wider debate, even NATO itself and its exclusive role as the security provider for Europe have been called into question.

Also, the debates about the need for an altogether new security architecture for Europe—one that would include Russia and the countries of Eastern Europe that have little chance to ever join NATO—are a further illustration of how varied attempts to grapple with Europe's fundamental question are. Some analysts point to Germany and assign great relevance to the fact that Europe's economic champion is also becoming its leading hard-power provider, a role the country, for a number of reasons, feels uncomfortable embracing. Also, Britain's debate over whether or not to modernize its aging submarine-based nuclear deterrent can be seen as part of the wider discussion about how to fill the strategic gap in Europe.

Yet another symptom of the problem is the heated debate over the strategic value of the Transatlantic Trade and Investment Partnership (TTIP) that is to be concluded between the United States and the European Union. Some argue the deal is the last chance to cement the transatlantic link in a way that permanently binds the two sides together as strategic partners, thereby creating a security spillover effect from a trade agreement. Others say that Europe's strategic concerns will be best addressed by a regional approach to security,

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pointing out that the Nordics, Easterners, and Southerners in the EU are the most competent, most naturally aligned, and therefore best suited to secure their neighborhoods.

Among these symptoms, the 2 percent issue might be the least publicly visible, but as it illustrates NATO member states' willingness to allocate funds, it is arguably the most valuable indicator of how seriously the underlying strategic issues are being taken. It is not without a degree of tragedy that an issue as comprehensive and overwhelmingly relevant as this one is perhaps most heatedly discussed as a budgetary concern and not, as it would warrant, as one that is tied to geostrategic influence in Europe, the value of U.S. security guarantees, and, ultimately, the future of the liberal world order.

Finding a Metric: The Strengths and Weaknesses of 2 Percent

A heavy burden thus rests on the 2 percent pledge. It serves as a proxy through which a much larger geopolitical issue is being tackled. Is the concept strong enough to do that? Serious doubts have been cast over the value of 2 percent as a useful metric. A look at the conceptual weaknesses of the target reveals why it is so vulnerable to criticism.

The most frequent and perhaps most substantial critique leveled against it is that it measures input instead of output. Spending at 2 percent says very little about a country's actual military capabilities; its readiness, deployability, and sustainability levels; and the quality of the force that it can field. It also is mum about a country's willingness to deploy forces and take risks once those forces are deployed. It does not assess whether a country spends its limited resources wisely.¹¹ And finally, it says nothing about the investment or research and development ratios in the budgets, which are usually counted among the most valuable indicators of whether a country is serious about its defense effort.

Another criticism is that a useful spending metric should not come in the shape of a percentage of GDP but of overall government spending. Only then would it really be an indicator of political will. Yet another analyst claims that the target neither does "a good job of measuring burden sharing" nor is particularly useful to "quantify risk sharing," both of which would be closer to the debate that NATO really needs.¹²

It is certainly a weakness of the 2 percent metric that it is such an arbitrary standard. Why 2 percent, and not 3 or 5 or 1.5? A convincing answer cannot be found, even though a high-ranking official in NATO's Defense Policy and Planning Division has repeatedly claimed that, almost by coincidence,

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spending at 2 percent would generate enough money to buy NATO and its member states all those capabilities the alliance has identified in its own internal capability-gap assessments as lacking.

In general, the 2 percent metric looks weak when held against qualitative standards. It says nothing about the ability of a country to absorb the funds in such a way that produces concrete additional military capability. It also falls short in relating to actual threat assessments and other strategic requirements a government might define. For any of these requirements, the 2 percent metric is simply too static and too simplistic.

An additional weakness, from an institutional perspective, is that 2 percent creates a huge credibility risk for NATO. The alliance has committed, however softly, to meet the target within a ten-year time frame. Any failure to meet the target (or at least get near it) would be seen as proof of how disengaged member states have become, and how little binding power the alliance's own commitments actually have.

Furthermore, the built-in ten-year implementation deadline lets current governments off the hook and increases the temptation to leave the painful implementation to successor governments. The chances of any of the signatory governments still being in power in 2024 are extremely slim. Ignoring a long-term obligation thus comes free of almost all political cost.

Finally, critics of the model have claimed that 2 percent is not only a weak metric but also a distraction from NATO's real problems. These problems are a lack of a shared threat assessment among all 28 allies, slow decisionmaking in the North Atlantic Council, and a lack of early-warning capabilities, among others.

Given this collection of strong arguments against 2 percent, it seems remarkable that the metric is still being used. But a look at the strengths of the concept make it clear that no technical argument can derail an idea whose time has come.

First of all, the 2 percent metric is politically valuable. It boils down a complex issue into a simple numeric narrative. It can be grasped swiftly, and failure or success in meeting the target can easily be measured. This eminent usefulness in the political debate is the main reason why the 2 percent metric has caught on as a mainstay in efforts to sort out the future of NATO.

The political relevance of 2 percent, however, is not just one of practical convenience. Over the course of the last decade or so, 2 percent has gained significant traction in the United States as the one metric that counts when it comes to measuring Europe's dedication to the shared security and defense effort in NATO.

Far beyond what 2 percent is actually measuring, the ability or inability of European allies to meet 2 percent is now seen as a key indicator of the quality of the transatlantic partnership. From Washington's perspective, the quantitative 2 percent metric handily divides America's allies into the two qualitative

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categories of partners and free riders. It is no surprise that U.S. administrations—and, specifically, those Americans who feel strongly about European security—have again and again reminded European NATO members to move toward 2 percent. Those Americans need as high a number of European “two-percenters” as possible to make the case back home in Congress and vis-à-vis the public that Europe is still on board, is willing to reciprocate America’s engagement, and is thus politically and morally worthy of a continued U.S. security investment.

And indeed, even many European observers and NATO officials will admit that, despite its conceptual shortcomings, the 2 percent metric works as a political tool. It is now widely (and correctly) perceived not as a very mean-

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ingful driver toward more military capability but as an indicator of political will.¹³ Those who make an effort to get to 2 percent, or near it, are seen as investors in transatlantic security, regardless of what that money actually buys them. The rest are seen as reluctant or disengaged, no matter how active and involved they might otherwise be.

“Naming and shaming through the 2 percent metric works,” says one senior NATO official. “It is now part of NATO defense planning. Every year, each underperforming country needs to explain why it’s missing the mark. Over time, that will have an effect.”¹⁴

This might be right, even though the record is mixed. Germany seems to be unimpressed by its own underperformance against the 2 percent target, and Belgium has already declared that it will not aspire to reach 2 percent.¹⁵ Belgian Defense Minister Steven Vandeput said in February 2015 that his country’s defense spending would fall to around 0.5 percent of GDP by 2019, claiming that the government would thereafter seek to return to spending between 1.5 and 1.6 percent by 2030. This was widely perceived as an indirect renunciation of the 2 percent pledge by a government that had signed the Wales declaration only a few months earlier.¹⁶ But other countries, such as the United Kingdom, go to great lengths to ensure that they don’t fall below the limit, as the loss of prestige and bargaining power in NATO would be considerable. Indeed, the government of the United Kingdom relabeled parts of its budget so that expenses could be counted as defense, thus keeping its shrinking defense budget above the 2 percent mark.¹⁷

The conceptual weaknesses of the 2 percent metric have led to a quest to find alternative ways of measuring a country’s dedication to NATO’s common defense effort. In 2011, the alliance itself tasked a working group with developing a more output-oriented yardstick. In August 2011, NATO’s Joint Analysis and Lessons Learned Center provided the alliance’s defense ministers with a report assessing 13 defense metrics clustered in five groups.¹⁸ Categories included the qualitative deployability of forces and their sustainability once

deployed, a country's operational commitments to NATO, contributions to the NATO command structure, and investment output metrics.

As a tool for NATO defense planning, this new index has been used annually since its inception. But the reports are classified and for internal use only, so the political value of this more sophisticated metric is limited.¹⁹ According to NATO sources, the new instrument is quite effective in creating pressure inside the alliance on underperforming countries. But no member state wants to risk being named and shamed publicly, so its application remains, for the most part, invisible. No wonder that the Joint Analysis and Lessons Learned Center report has neither fully replaced the 2 percent metric in NATO's internal political discussions nor become a factor in the wider public debate. Member states seem to be able to accept the naming and shaming when it is done based on the rather rough and unsophisticated 2 percent metric, but they try to avoid it when it is based on much more detailed and thus more revealing data.

The strength of the 2 percent metric is its triumph of simplicity over complexity. The fact that those advocating its use have been successful, through insistence and repetition, in turning it into a totemic issue—one that has higher political significance than it would deserve on its technical merits alone—is a testament to this.

How Realistic Is the 2 Percent Spending Goal?

If 2 percent has become the gold standard for defense spending in the debate on NATO's future, then how realistic is it that the goal will ever be reached? Pessimism prevails on this issue. "The guideline . . . if taken literally, would create an impossible situation for some allies," writes Ian Anthony of the Stockholm International Peace Research Institute. A country like Germany would have to absorb €74 billion (\$82 billion) of defense spending instead of its current €37 billion (\$41 billion), something it would be unable (and unwilling) to do and that would in turn lead to "inefficiency and waste, rather than an increase in useful capability."²⁰

Germany is also the focus of another argument that aims at making 2 percent look unrealistic. The enormous increase in absolute defense spending in Germany, with its large economy, that would result from 2 percent could also lead to a degree of nervousness among some of the country's allies. As Karl-Heinz Kamp of the German Federal Academy for Security Policy argues, "If Germany spent 2 percent of its huge GDP, it would produce a defense budget overshadowing those of France and the UK, arguably causing more concern than reassurance among its neighbors."²¹ This is a weak argument, as it essentially questions the political reliability of a key NATO partner that is most under pressure to spend more

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on defense. For the most part, it is a self-serving defensive argument against higher defense spending that has been used primarily by Germans themselves, not so much by other NATO allies.

But the lack of capacity among member states to absorb significantly increased defense budgets is not the only factor that leads to doubt about hitting the 2 percent target. The biggest concern comes from the fact that many NATO countries agreed to the 2 percent pledge in Wales but have no real intention to make good on the promise. “The problem is not that most NATO

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allies will fail to reach the 2 percent bar. The trouble comes with those that don’t even try,” as Kamp puts it.²² Initial budget decisions made around or after the Wales summit and even public announcements by many member states seem to indicate that the political will to really reach 2 percent is indeed underdeveloped across NATO.

Overriding economic concerns are also reasons for skepticism that the 2 percent pledge can be fulfilled. “As long as austerity remains the eurozone’s economic mantra, it is unlikely that European allies will meet the target,” one researcher argues.²³ Under the prevailing economic circumstances, it is often claimed that a reversal of the downward trend in defense spending would already be a success, but that an increase to 2 percent would be too much to realistically expect.

The Wales summit declaration itself makes 2 percent dependent on positive economic development, stipulating that allies “aim to increase defence expenditure in real terms as GDP grows.”²⁴ This conditionality is meant to generate more defense spending from the moment economic recovery sets in. The volume of growth that would be needed to increase defense spending is not specified, nor is a time reference for growth given. Should spending be measured against absolute GDP growth on an annual basis, or should the growth rate be the metric? Or should GDP growth be measured against a fixed point in time—for instance, GDP before the financial crisis?

In reality, conditionality might offer a backdoor for those with no intention to spend more. Unwilling member states will always be able to interpret these soft provisions any which way they want to avoid an increase in defense spending.

For shrinking economies, the 2 percent metric makes it even easier to avoid increasing spending because governments can make adjustments toward the required NATO levels without doing much. If absolute defense spending remains the same in a contracting economy, the percentage automatically goes up, though keeping spending levels the same might not be easy politically in a recession. In extreme cases, this could even lead to countries reaching 2 percent while spending less on defense.

Going forward, with Europe’s sluggish growth and continued uncertainty about the economic future after the euro crisis, economic considerations will remain key factors for Europeans’ underperformance against the 2 percent metric.

The main reason, however, why defense analysts remain skeptical about 2 percent is not about economics. They mention two other issues: First is that the really decisive factor that drives defense spending is neither a multilateral pledge at the NATO level nor economic well-being, but threat perceptions.²⁵ And Europeans, despite the Ukraine crisis and an increase in international terrorist activities at home and in their neighborhood, do not feel threatened enough to really be concerned about their low levels of military capability.²⁶ Second is that Europeans continue to rely on the United States to pick up the costs for keeping Europe safe, and that no warnings or pleas from Washington can convince them that Americans won't continue to do so.²⁷

Overall, it is highly unrealistic that all 28 NATO allies will ever reach the 2 percent spending goal. On the surface this might sound like a potential credibility problem for NATO. If not even a pledge made at the highest political level of the alliance is likely to be fulfilled, then NATO's standing as Europe's bedrock of security could be seriously damaged.

At the same time, it is not so much the failure to reach 2 percent that would be a problem for the alliance. It would be more damaging if member states weren't even trying to get near that level. "For NATO's overall security, it may be more important for allies to start moving toward this objective than to actually fulfill their commitments," says Carnegie's Sinan Ülgen.²⁸ Reaching the goal was improbable from the outset. Not even trying, however, could be seen as a serious show of disinterest in transatlantic solidarity, potentially much more corrosive behavior than underspending itself. It could perhaps even undermine the position of NATO Secretary General Jens Stoltenberg by demonstrating the powerlessness of his role. Stoltenberg made the Wales conclusions very much his own program after entering office in October 2014, and whether he will be deemed a success in office will to a large extent depend on his ability to make allies comply with the Wales program.

The relevance of 2 percent, in reality, also does not depend on all 28 member states—just on a small handful. An increase in defense spending would only have a meaningful impact in terms of increased military capabilities in NATO if it came from the top six spenders (the United States excluded). These are, in descending order, as of 2015: the United Kingdom, France, Germany, Italy, Spain, and Canada.²⁹ In all other countries, with the possible exception of the Netherlands, the small volume of their defense spending indicates that an increase to 2 percent would not constitute a meaningful growth in real capabilities, even if the additional money were spent in the wisest possible way.

If the 2 percent issue is focused on only those countries that matter, the prospects of the target ever being reached—or even of just a significant increase somewhere below the 2 percent threshold—are still rather bleak. The fact that the military value of 2 percent is decided in these six countries does

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not bode well, as most of them will increase their spending only marginally like Germany, struggle to keep it at its current level like the United Kingdom (albeit at a higher level), or cut it further like Italy and Spain.

The United Kingdom and France are already at or near the 2 percent mark, so the onus is less on them than on the others. This situation cannot be saved by countries like Poland and some others that have decided to increase their defense budgets to 2 percent or a rate close to it. Both their budgetary bases and their levels of military capabilities are too small to make a decisive difference.

It seems that the likelihood that 2 percent will produce the military results it is designed to produce is very small. The question now is whether this really constitutes a problem for NATO.

The Real Issue: The U.S.-European Security Divide

With Europeans unwilling and incapable of significantly increasing their contributions to defense, the 2 percent issue is essentially about the future of the presence of the United States in Europe.

The United States has frantically tried to push its European allies to carry a larger part of the defense burden. The decisions of the Wales summit must be seen in this context. While for the Europeans, the Readiness Action Plan is primarily about granting military reassurance to Eastern NATO members, and the 2 percent goal is the financial tool to make that possible, for the Americans it also—perhaps even primarily—works the other way around. For Washington, the Readiness Action Plan is a way to leverage the Europeans up to 2 percent.³⁰

This poses a dilemma for the United States. For years, various U.S. governments have attempted to stimulate higher defense spending by explaining to their European allies that the United States could not provide the full set of security services to Europe as it used to, and by pointing out that the heavily uneven sharing of the defense burden among allies was not sustainable.³¹ Yet, the United States just increased its (temporary) troop presence in Europe and its own funding of defense efforts in Europe after the Ukraine crisis and as part of the Readiness Action Plan. This seemed to confirm Europeans' perception that, if push comes to shove, the United States will be there to help out, as it always has been.

In Ukraine, the United States has been somewhat more engaged, but overall there is a rather limited U.S. footprint in the post-Ukraine reassurance plans. U.S. President Barack Obama's pledge to spend \$1 billion on defense measures in Central Europe was certainly a strong political statement.³² In terms of a decisive investment in real hard security on the ground, however, it was very moderate, especially since this money needs to be stretched out over several years.

The costs of holding military exercises on a rolling basis, as the Readiness Action Plan foresees, and of maintaining a high level of military readiness for mobile forces at all times, are immense. Also, the other crisis response measures, such as temporary troop reinforcements, tank parades,³³ and the forward-deployment of heavy military equipment,³⁴ cannot hide the fact that the United States is not planning to increase its troop presence in Europe in a structurally significant way. The message is clear: we are standing by our European allies, but they need to carry the bulk of the costs for reassurance on their continent themselves.

For some Europeans, this is not a clear-enough commitment by America, and they keep lobbying the U.S. government to show greater dedication to Europe, especially its East. Others are irritated by something else: the rather calculated, instrumental approach to the Readiness Action Plan as an instrument to make NATO's European allies spend more on defense.³⁵ Not only does this smack of manipulation to some Europeans, it might also mean that the United States is attaching too much attention to a metric about which many Europeans have reservations.

And so the dilemma remains: Europeans are still dependent on U.S. services for their security, and they are not too bothered by that fact. At the same time, Americans eagerly want Europeans to do more but can't really sanction them in any painful way because, in the end, Europe is too strategically important for the United States to abandon it and leave its defense to the Europeans alone.

Meanwhile, the United States feels the need to demonstrate to both Europeans and external powers that it stands by its security commitments to Europe and that it is ready to show strength when needed. This could well undermine the strong American push for Europeans to adopt the 2 percent metric. It could make the target less realistic by creating a false sense of security among Europeans that serves as an incentive against, not for, more European defense spending.

In the absence of any political will from the Europeans to significantly beef up their defense, this impasse can basically only be broken in one of two ways: Either the United States is completely honest about its role in Europe and says it will continue to subsidize the continent's security. This will probably mean an expensive, permanent recommitment to Europe over the next decade or so. Or the United States reduces its commitment, thereby risking a security crisis in Europe and the erosion of the cornerstones of its global posture.

Neither of these two radical solutions will be embraced, of course. Instead, a third option will likely continue for some time: balancing the two and hoping that a blend of demonstrated American solidarity, lecturing, and threats of leaving will move the Europeans in the desired direction.

This will be a shaky compromise. It can only last as long as NATO and the territory protected by Article 5 of the NATO treaty are not really threatened by

anyone, and as long as the political consensus in Washington survives that says Europe, America's geostrategic countercoast, must be always defended by the United States. Should the strategic situation in Europe change dramatically, or should America's support for Europe erode, as some say it inevitably will, the status quo will become unsustainable. No one knows how long it will take to reach that point.

The 2 percent metric is a key element in this strategic division between Europe and the United States. It makes visible the gulf between those who feel threatened and those who don't—and between those who feel a responsibility for others and those who have no qualms about taking for granted a security guarantee that is underwritten by others. This is the real usefulness of 2 percent. It makes visible the frontlines in the strategic debate about the future of security in Europe.

The 2 Percent Metric— Flawed but Indispensable

Is the 2 percent metric a useful tool in the debate over NATO's future?

If the purpose of the target is to create and keep alive a political debate on burden sharing and capabilities, the answer would have to be a clear yes. If used well, the 2 percent debate can illustrate the changed strategic landscape in Europe and what's at stake given the increasingly risky neighborhood Europe finds outside its borders. If employed with subtlety and determination, the 2 percent metric might be capable of creating space for at least some sort of public debate on European security. It might serve as the proverbial foot in the door that opens up spaces that are usually inaccessible.

This is why the 2 percent metric, despite its conceptual flaws, is a good thing in itself. Its ultimate political success will, however, depend on how it is used by those who are trying to make the wider strategic point about security in Europe that the 2 percent metric alone is unable to address.

If the purpose of the target is to create and keep alive a political debate on burden sharing and capabilities, the answer would have to be a clear yes.

If the task of 2 percent is concretely defined to generate more defense capabilities on the ground, the answer is less clear. Some countries will want to be on the good side of the argument and thus spend more. Others are untouched by the dynamics of the argument. And even those spending more might not be spending it well. The shortcomings of an input-based metric are too great to create sufficient momentum to deliver capabilities just on its merits.

The 2 percent metric clearly illustrates the divisions among NATO's allies. In Europe, it is underestimated and widely misunderstood to what extent those American policymakers who believe in transatlantic relations eagerly need

Europeans to make some demonstrated improvements on defense spending so they can continue to make the case for Europe in Washington. In Washington, meanwhile, the enormous emphasis on 2 percent as the silver bullet in the transatlantic security debate is perhaps stressed too much. It irritates Europeans and makes the United States appear primarily interested in leaving Europe instead of staying.

And the metric is a reminder of the costs of preserving freedom and peace in Europe. These costs are relatively modest, considering the alternative, even though they might appear painfully high in a European political environment that in mid-2015 is almost exclusively concerned with its economic survival.³⁶ But with a wider strategic neighborhood as conflict-ridden as Europe's, focusing on the economy alone might ultimately be a rather costly attitude.

Finally, 2 percent is also a reminder that pledges and pleas and commitments will in the end not sway elites and voters to spend more on defense. What will sway them are threats they can see and feel. This is as disheartening as it is normal. It will take much more effort from European governments to make the case for better military capabilities if they want to avoid a situation in which real and urgent contingencies—some of which might be about physical survival—force them to do under pressure what they were unable to do when there was still enough time.

The 2 percent metric can only be the starting point of a debate about Europe's future security architecture. Relying on this target alone will not be enough to stimulate that debate. But 2 percent has all the ingredients to touch on all aspects of European security that matter. And this is why, despite its considerable conceptual flaws, the 2 percent metric will remain indispensable in Europe's political discourse for the foreseeable future.

Notes

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