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NATO / EUROPE

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PUBLICATIONS /  
REPORTS

LETTERS / STATEMENTS

SEARCH

HOME

**January 20, 1998****MEMORANDUM TO: OPINION LEADERS****FROM: GARY SCHMITT****SUBJECT: NATO Enlargement**

The following memorandum is the fourth in the Project's series on the topic of NATO's expansion.

Project Memos:

1. [Why NATO Enlargement is in America's Strategic Interest](#) (Oct. 8, 1997)
2. [NATO Enlargement: What is the "Threat?"](#) (Oct. 13, 1997)
3. [Russia and NATO Enlargement](#) (Nov. 11, 1997)
4. The Cost of NATO Expansion (Jan. 20, 1998)

### The Cost of NATO Expansion

There has been considerable debate about what the costs of NATO's expansion will be. The worry, of course, is that the American tax payer will get stuck with a bill totaling tens of billions of dollars over the next decade and a half. Although the concern is understandable, it is off the mark. NATO's expansion won't bankrupt us. That's the good news. However, the bad news is that this focus on enlargement's costs has tended to obscure (and, in certain respects, has made it even more difficult to draw attention to) an alliance problem which should be of increasing concern: the continuing decline in defense spending by the major states of NATO. This, unfortunately, may be the hidden cost in the debate over NATO's expansion.

Instead, fueled by a wide variety of estimates, the debate on NATO's expansion has centered at times on what it will cost to add Hungary, Poland, and the Czech Republic to NATO. Estimates have run as high as \$125 billion over a fifteen year period (Congressional Budget Office), as low as \$1.5 billion (NATO), and all points in between (Defense Department and the RAND Corporation). What gives? Why the gross disparity in expansion's estimated costs?

There are two basic reasons. The first is that the studies have different views of what is militarily required of NATO's armed forces. For example, the CBO's high-end estimate of the cost for enlarging NATO rests on what amounts to a "worst case" scenario: designing an alliance defense against an attack on the new members by a resurgent Russian military. In contrast, the other studies presume a less hostile European security environment, which generates military requirements that are less expensive for the alliance to meet. Now it is certainly conceivable that Russia could pose a serious threat to NATO in the future if Moscow altered the direction of its current national security policies and it was able to find the immense sums of money necessary to turn around the decline in its conventional armed forces. But the question is whether this scenario is sufficiently plausible that it should drive NATO's defense plans over the next decade and become the basis for estimating the cost of the alliance's expansion? Since the Pentagon does not see a resurgent and aggressive Russia as a threat it must meet in the years immediately ahead when it goes through its own planning and budget exercises, it seems incongruous that NATO should.\*

The second major reason for the different estimates is that the studies also differ about which of NATO's present and future military requirements results from the specific decision to expand the alliance. In 1991, anticipating a changed security environment in Europe, NATO adopted a "New Strategic Concept" which saw the alliance threatened less by "calculated aggression against the territory of the Allies" than by escalating instabilities around the continent's and the alliance's borders. To address this new concern, NATO determined that it should acquire the capability to conduct large-scale, mobile military operations — a capability that only the U.S. possessed at the time. It is precisely this ability to project significant military power rapidly outside NATO's present borders which is expected to form the core of the alliance's military commitment to its new members. Yet it is also a capability that will be the alliance's as a whole and applicable, as first intended, to circumstances other than defending Poland, Hungary, and the Czech Republic from an invasion.

Traditionally, the great bulk of the expenditures necessary for meeting any alliance-wide military requirement falls within the national defense budgets of each member nation. There are, of course, common NATO budgets to cover the costs of running the alliance's headquarters and common infrastructure. However, the real money for NATO stays in each country's own defense budget, buying the military capabilities that are then made available to the alliance. (In recent years, NATO's common budgets have amounted to less than 1% of NATO's total expenditures on defense.) Given the way in which NATO's budgets are constructed, it is no surprise that NATO's own calculation of what expansion will cost is as low as it is. Enlargement's expenses are basically limited to making sure the new members' militaries can communicate with NATO's and to upgrading a sufficient number of former Warsaw Pact military bases so that they can handle the introduction of a large number of NATO forces into those countries.

Upon review, then, the disparities between the various estimates of the cost of NATO's enlargement are not as significant as they seem at first. They can be traced to different assumptions about the security environment in Europe and the inclusion of costs not directly attributable to the decision to expand the alliance. Nevertheless, sorting through the various estimates does serve the useful purpose of reminding us that what ultimately matters is not the amount of money spent to facilitate NATO's expansion. What matters is the level of resources dedicated by each NATO member to maintaining and modernizing their own armed forces since it is those resources that make it possible for the alliance to make good on its commitments.

But this is precisely the problem. Despite our European allies formal commitment to NATO's "New Strategic Concept," they have been slow to acquire the capability to deploy and operate significant military forces beyond their own borders. At the moment, they have no more than one-tenth the capability of the U.S. military to engage in operations requiring significant and rapid power projection. Combined with continuing cuts in force levels and defense spending more generally, America's NATO allies will find it increasingly difficult to pull their expected weight in the alliance's military affairs.

By most accounts, the costs associated with NATO's expansion are manageable. What is getting tougher to manage, however, is the decision by the alliance's leading members -- including the U.S. -- to continue to cut defense spending beyond what is called for in light of the Soviet Union's collapse. Accordingly, the potential danger with the current debate's focus on keeping the costs of expansion down is that it will implicitly sanction further cuts and, in turn, put at risk NATO's ability to carry out its present strategic responsibilities. Deterring aggression against member states, staying sufficiently strong to reduce the temptation of a revived imperialist effort on Moscow's part, providing forces to stabilize situations in Europe and, when necessary, using military force to secure NATO's interests beyond its immediate borders remain key alliance missions. But they can't be accomplished on the cheap.

\* Critics of NATO enlargement claim that the fact that there is no need for NATO to expend massive amounts of money to meet some serious threat reveals the "internal contradiction" of the argument of those who favor expanding the alliance. (See, e.g., Amos Perlmutter and Ted Galen Carpenter, "NATO's Expensive Trip East," *Foreign Affairs* [Jan./Feb. 1998].) If there is no threat now, why expand what is ultimately a military alliance? By suggesting that expansion can be carried out with minimal cost, enlargement's proponents are supposedly confirming the critics' view that NATO's enlargement is being pushed for a host of reasons, but none strategic. This line of argument overlooks the broader and longer-term strategic benefits of NATO's expansion, as well as, it might be added, the common sense point that "an ounce of prevention is better than a pound of cure." For an explication of these and related points, see the Project's memorandums of Oct. 8, 1997 ("Why NATO's Enlargement is in America's Strategic Interest") and Oct. 13, 1997 ("NATO Enlargement: What is 'the Threat?").