Summary

The topic of reforming NATO—and in particular cutting costs and improving efficiencies—has been with the Alliance for decades. Throw-away lines such as “Why does NATO have 400 committees?” or “Cut the International Staff by 10 percent” have often been used to signal a rough determination to streamline NATO and make it more efficient.

To be sure, there are indeed improvements to the way NATO operates that should be made, and to be sure, they can result in more efficient use of resources, and perhaps even cost savings. But let’s not make the mistake of assuming that the most important problems facing the Alliance today result from a lack of reform. Nor should we assume that internal reforms can compensate for the glaring gaps in members’ political will and resources.

The real problems are far more fundamental: the lack of a strategic consensus on threats and responses, inadequate and still declining Allied defense budgets and capabilities, and a lack of leadership and solidarity among the Allies. Moreover, NATO has already gone through substantial reforms several times since the end of the Cold War.

Still, specific reforms have their place. We suggest below a number which, if the more fundamental issues of political will and capabilities are addressed, would make a good Alliance better and smarter.

What’s the Problem?

The real problems affecting NATO’s credibility and effectiveness are fundamental to the nature of the Alliance itself, and fall into four broad categories:

The Smarter Alliance Initiative

This issue brief is part of the Atlantic Council’s Smarter Alliance Initiative in partnership with IBM. The Atlantic Council and IBM established the Smarter Alliance Initiative in response to the NATO Secretary General’s call for NATO members to adopt a “smart defense” approach to leveraging scarce defense resources to develop and sustain capabilities necessary to meet current and future security challenges in an age of austerity. Working with recognized experts and former senior officials from Europe and the United States, the Atlantic Council and IBM have produced a set of policy-oriented briefs focused on NATO reform and cyber security, with the aim to provide thought leadership and innovative policy-relevant solutions for NATO’s continued organizational reform and role in cyber security.

The publications and their findings will be showcased at public and private events for the defense policy and NATO communities on both sides of the Atlantic in the run-up to the NATO Chicago Summit. The events will coincide with reform and policy development milestones established by the November 2010 NATO summit in Lisbon, Portugal.

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• **Lack of Common Strategic Assessment.** Whereas in the Cold War, there was a basic consensus that the Soviet Union presented a critical threat to NATO nations, there is no comparable unifying purpose today. There are deep-running differences over what constitutes a threat to NATO: Some in the East still fear Russia; others in the South and West do not. Some fear terrorism and see conflict abroad as a direct threat to security; others see such extremism and conflict as, at most, an indirect threat. Some feel that new 21st century challenges are the equivalent of 20th century conventional threats; others feel these do not belong in the category of “security threats.” Without a common understanding of what it is that threatens NATO nations, it will be extremely difficult to agree on common actions to address those threats.

• **Lack of Common Perspective on NATO’s Role.** Even when Allies do share common threat perceptions in given areas—take, for example, cyber-security—that does not necessarily equate to a common vision on NATO’s role in addressing them. Some see cyber-security as integral to overall national defense; others see it as a civilian concern to be regulated and addressed outside of traditional defense structures. More broadly, some believe NATO’s role should be focused on defending the territory of Europe (Article 5) while others have adopted the view (long held by the United States) that NATO should engage in expeditionary activities to address threats wherever they arise (Article 4, or extended Article 5). Some believe NATO should adopt a comprehensive, civil-military approach to addressing security challenges; others believe that civilian functions should be dealt with nationally, or through the European Union, while NATO should be confined to traditional military areas. Such fundamental differences over NATO’s role make it extremely difficult to maintain a strong and effective Alliance.

• **Lack (and Continued Decline) of Allied Defense Capabilities.** Against the backdrop of Allied disagreement over threat perceptions and roles for the Alliance, most NATO nations have dramatically slashed their defense capabilities over the past twenty years. During the 1980s, Allies were urged to maintain defense spending at 3 percent of GDP. As many nations failed to do so, this target was reduced to 2 percent in the 2000s. Even that target is being missed, and indeed European NATO member defense spending as a share of GDP now averages less than 1.7 percent. And Allies are still cutting—the UK, for example, long one of the most robust and deployable of NATO militaries, is taking at least a 7 percent cut in spending, and has scrapped plans for an independent aircraft carrier capacity. The US defense budget once accounted for roughly half of the defense budget of all NATO members, now it is roughly 75 percent. Even assuming common threat perceptions and common goals for NATO action—themselves dubious assumptions—there is no credibility to the notion of Alliance action if most Allies actually lack meaningful capabilities to contribute to NATO missions.

• **Corresponding Gaps in Leadership, Solidarity, and Public Support.** On top of all this lie significant problems with Allied leadership, solidarity, and public support. Whereas the sentiment of Article 5 collective defense is “all for one and one for all,” beginning even with the Balkan interventions, NATO has struggled to ensure that all Allies share the risks and burdens of maintaining collective security. The slogan “in together, out together” was coined to keep the United States from abandoning Bosnia and Kosovo unilaterally. In Afghanistan, though every nation was convinced to contribute assets in some manner, those contributions were often undermined by the imposition of “caveats” on deployed forces, limiting their usefulness and flexibility in contributing to the NATO mission. In Libya, the situation deteriorated even further, with only a handful of Allies taking part in the mission, and the United States itself setting limits on the roles and contributions it would make in the operation. The 2010 Lisbon Strategic Concept was intended to build a new consensus around these fundamental issues—defining the commonly perceived strategic environment, NATO’s role within it, and closing capability gaps. In reality, however, the Strategic Concept papered over these differences, in essence including all things for all Allies, and thus generating genuine political commitment and resources from none.

**Can Reform Help?**

With these fundamental considerations in mind, no amount of reform can compensate for the structural problems plaguing NATO at the moment. But that is not the same as
saying that reform is pointless. It can help—and if NATO is able to improve on the basics, then implementation of intelligent reforms could make a good Alliance better and smarter.

**Strategic Reform Objectives**

An agenda for reform at NATO should be guided by several core principles aimed at helping the Alliance adapt to the changing environment of the 21st century. Examples of such principles could include:

- Increasing “multi-nationality” whenever possible, to avoid national duplications and create economies of scale, as mentioned in the Secretary General’s “Smart Defense” Concept
- Reinvesting “savings” rather than pocketing them back to national budgets
- Ensuring that reforms do not result in, nor provide cover for, a net reduction of defense capabilities
- Eliminating tasks of little relevance to the 21st century security environment
- Adding expertise—civilian development, cyber, energy, area experts, etc—where possible to give NATO the internal capacity to address new challenges
- Improving the partner interface for those non-NATO nations who provide forces to NATO-led missions
- Distinguishing between political decision-making by nations, and practical, executive implementation by NATO as an organization (to avoid micromanagement and re-litigating decisions at multiple points in the process)

**Specific Reform Proposals**

With these principals as a guide, the following are a number of concrete suggestions for reform. Some are already under consideration or development at NATO; others have been tried and shelved; others may be new areas of effort. All are worthy of further exploration:

- **Formally reexamine the “Level of Ambition” and aggressively implement improvements to NATO’s defense planning process.** The gap between the assertion of NATO’s level of ambition and declared force posture—and the reality of what NATO nations provide and the Alliance as a whole can project—has grown to such a point that it strains credibility. As a result, the defense planning process itself has become next to meaningless. By having a serious and grounded debate about reducing the level of ambition, it may also be possible to insist more effectively that declared Allied commitments be fully executed in practice—thus raising NATO’s capabilities and credibility. Moreover, while defense planning reforms have been agreed to, vigorous implementation—and above all delivery of promised capabilities—is essential to restoring credibility to the defense planning process.
- **Expand the use of multinational consortia** (along the lines of the C-17 program) to facilitate acquisition of high-end capabilities for the Alliance (AGS, UAVs, tankers, fighters, etc.) and also for joint C4ISR assets (along the lines of MAJIIIC).
- **Establish formal collaboration between NATO and the European Defence Agency (EDA).** While neither NATO nor the EDA has lived up to their potential as a cost-effective means of facilitating defense procurement, perhaps in combination they can do better than in isolation and reduce the overlap in programs.
- **Consolidate the NATO independent agencies** and bring them under greater supervision by the NAC and Secretary General. This is where the greatest amount of NATO budgetary resources lie, and yet these budgets have not been transparent to NATO Headquarters and national planners. Savings from the consolidation of the agencies and sharing services should be reprogrammed into higher priority needs for NATO to conduct effective operations in the future and into enhancing NATO’s capability.
- **Use the agency consolidation to drive the necessary acquisition reform.** The current acquisition processes for NATO Security Investment Program (NSIP) capabilities and urgent operational requirements are not aligned and take way too long. This process should be fundamentally overhauled and brought in line with the tempo of the current operations and the required transformation.
- **Expand NATO expert civilian staff capacities in the areas of cyber, energy, terrorism, policing, and development assistance.** This would serve to increase NATO’s own knowledge base, to help
integrate these factors into NATO operations and planning; and to ensure that NATO is in a position to coordinate effectively with outside entities such as the United Nations, European Union, World Food Programme and the like. This is also an area for more active collaboration with industry.

- **Upgrade the role of intelligence and communications within NATO** in order to strengthen a shared analytical basis for NATO decisions and actions, and to speed the process by which NATO observes and responds to developments in the world.

- **Re-think the role of Allied Command Transformation.** As a former SAC-T said, “you can’t command transformation.” There are elements under ACT—such as the lessons learned process, and the preparation of headquarters staffs before their deployments to Afghanistan—that work exceptionally well. Yet there are several others that have produced little result at all. While maintaining the ACT headquarters in Norfolk, efforts should be made to strengthen the day-to-day engagement nations have with ACT on the European continent, in order to strengthen ACT’s role in national defense transformation efforts. Building on its training and education mission for Allies, ACT could help to establish a permanent NATO training capacity for partner nations and institutions (GCC, African Union, Mediterranean Dialogue, etc.) Finally, ACT should play the leading role in building NATO’s non-military capabilities essential for addressing non-traditional threats, such as cyber-attacks, terrorism, energy disruptions, and critical infrastructure attacks.

- **Shrink the overall Military Command Structure, and eliminate the notion of geographic footprints** in NATO nations. Instead, geographic responsibilities could be formally assigned to a smaller number of headquarters components.

NATO faces a number of challenges today, not the least being the age of austerity for the transatlantic community which will, and already is, putting immense pressures on defense budgets. While reforming NATO is not a silver bullet for all that ails NATO, careful reform measures can put the Alliance on sounder footing and enable it to work smarter to tackle emerging and dynamic threats to transatlantic security in a fiscally constrained environment.

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