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Myths Surrounding the Two Percent Debate – on NATO defence spending

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The question whether NATO member states should spend two percent of their gross domestic product (GDP) on defence, as they have pledged to do, is currently once again hotly debated. The two percent question is a contentious issue in Germany in particular. However, the same arguments have been used for years. Many of them turn out to be half-truths, myths or feeble claims and some confidently made claims are only partly accurate. On closer examination it becomes clear that the question of defence spending must ultimately be settled at the *political* level.

With the foundation of NATO 70 years ago, the United States of America implemented a fundamental transatlantic “deal” which was decisive for the economic reconstruction of (Western) Europe: The United States subsidised European security by placing its superior military capabilities at the service of NATO, thus freeing the European allies from their own high defence burdens. The resources saved in that manner were invested in European economy and infrastructure, which contributed to Western Europe’s rapid resurgence. The more Europe prospered, however, the stronger became the feeling of injustice in the United States regarding this subsidisation. Time and again Washington has admonished Europe to invest more into its own security, and time and again these justified appeals for more burden sharing have been ignored – also and especially by Germany. Now US President Trump is reiterating these demands in an unusually aggressive manner.

Ever since, sharing the security burden has once again become a matter of contention in Germany as well as between Germany and its allies. The debate focuses on what is referred to as NATO’s ‘two percent target’. Disregarding such peculiarities as alleged “armaments races” or warnings against a “dictate of the United States”, this debate is appropriate and important, since the question of the priorities according to which a government allocates its financial resources is one that deserves broad attention. The debate also shows that there is definitely a security policy discourse going on in political and public circles in Germany. However, the debate on defence spending has been using the same arguments for years, many of which have long since turned out to be half-truths, myths or feeble claims. This complicates the neutral assessment of an ultimately highly political question that cannot be reduced to a seemingly objective evaluation of whether a certain number is reasonable or not. This paper will therefore examine the factual integrity of some of the theses brought forward in the two percent debate.

“Two percent is not a meaningful way of defining military capabilities.”

True – but that is not really helpful. The mere ratio between defence spending and a nation’s GDP says little about its actual defence efforts as a NATO member. Greece, for example, has reduced its defence budget a number of times over the past years and still meets the two percent target – simply because the Greek GDP has continuously decreased. Another commonly cited proof of the unsuitability of the two percent criterion is that Germany would quickly meet the set target if it fell into deep economic recession. Hardly anyone would contest that there are probably more suitable parameters to measure fair burden sharing within the Alliance – e.g. the number of military units actually provided to the Alliance, or the participation in multinational operations. Regardless, NATO has agreed on this criterion, which has over the years turned the two percent into a *political* number, repeatedly confirmed by all allies. Hence, the two percent target has developed a politically binding effect, even if it cannot be legally enforced. To reject it today as unsuitable almost inevitably results in criticism, especially after it has been reaffirmed so many times. Therefore, neither US President Trump nor the increasing number of NATO member states meeting the target will be dissuaded from using this figure.

“The two percent target is primarily a demand by the US president.”

This is not true. The demand for defence budgets to amount to two percent of the GDP goes much further back, which is why it has only indirectly to do with Donald Trump’s urging. It goes back to the late 1990s and the NATO debate on enlargement when the Alliance demanded that its candidate states pledge a specific military commitment which was to be reflected in the amount of their defence budgets. Especially with regard to the Baltic nations’ wish to join NATO, its representatives demanded that their future defence spending should correspond to at least two percent of their GDPs. Before the NATO summit in Prague in 2002, the United States attempted to make this requirement mandatory by laying it down in the summit communiqué, but was unable to succeed with its attempt. In 2006, i.e. 13 years ago, the pledge was first mentioned in a NATO document, namely in the *Ministerial Guidance of the Defence Planning Committee*. Although the target is not mentioned in the summit declaration of the 2006 NATO summit in Riga, the heads of state and government made an oral pledge even then. Ever since, the United States has repeatedly reminded Europeans of their pledge, such as US Secretary of Defence Robert Gates during his famous speech in Brussels in June 2011. The two percent target was first laid down in a summit document at the NATO summit in Wales in 2014.

“Two percent is not a pledge, but only a vague declaration of intent.”

True – but this does not diminish the criticism directed at Germany. The 2014 summit communiqué demands that NATO members whose contribution is below two percent must move towards it in the coming 10 years, i.e. until 2024. This is laid down in the communiqué in a highly stilted manner and is a typical example of a compromise formula in contentious NATO questions. Germany pointing out that it is meeting this minimal consensus at least in principle by “moving towards” it, will hardly silence the critics – and not only in the United States. In the eyes of many NATO members, Germany has significantly fallen short of a pledge made for years by stating that it intends to reach 1.5 percent by 2024. It seems difficult to present this as a clear willingness to fairly share the burden. If, in accordance with the latest financial planning, the value threatens to fall to 1.36 percent of the GDP, the claim that this is at least more than the current percentage of 1.24 – that Germany thus continues to move towards the target – seems rather insipid. Even the assurance that over time, spontaneous increases may likely occur, will hardly diminish the strong criticism directed against Germany.

“Owing to its high GDP, Germany contributes more to defence spending with less than 1.5 percent than most of the other allies.”

True, but problematic in terms of Alliance policy. The differences between NATO members’ defence budgets are striking. While Estonia’s defence budget is significantly larger than the two percent target, it is at the same time extremely small at 637 million US dollars when compared to the 51 billion dollars provided by Germany in 2018, amounting to 1.24 percent of the country’s GDP. However, to conclude in consequence that the Federal Republic could outdo the contributions made by most other partners with small increases in percentage means to misjudge the signal sent by such commitments to the Alliance. This is particularly true as economically weaker partners may interpret Germany’s high GDP as precisely the reason why the country should show more commitment. If Germany, as the most densely populated and economically strongest NATO member after the United States, continues to contribute a share significantly below the two percent target, numerous other allies will also continue to lag behind their pledges and overtly or covertly refer to Germany as a case in point. As a result, Germany’s unwillingness to provide sufficient means for military capabilities will undermine Alliance cohesion as a whole.

“What counts is not abstract percentages, but real military contributions.”

True, but unfortunately Germany is not convincing in this area either. One can certainly point out that while France and the United Kingdom (almost) meet the two percent target with their defence budgets, they also finance their expensive nuclear weapons with it and can therefore invest less into their conventional armed forces. Nevertheless, French or British armed forces are *more* effective than the Bundeswehr, despite fewer human and material resources. This is largely due to Germany not even rudimentarily meeting a second pledge made to NATO, namely to spend 20% of the defence budget on equipment. In 2017 France spent 24.37 percent and the United Kingdom 22.03 percent on equipment, whereas Germany spent just about 13.75 percent. While equipment expenses significantly increased in 2018 and 2019, they will just as significantly decrease again in 2020. According to current planning, Germany will invest less than ten percent in defence equipment in 2022.

“The billions flowing into the defence budget could be spent much more usefully on German society.”

Strange! The polemic question of how many day-care centres could be bought for the cost of a large weapon system has been going around since the fierce debates with the peace movement of the 1970s and 80s. Such reasoning has always ignored the fact that responsible politics must do both – guarantee social security as well as society’s internal and external security. With regard to the debate about transatlantic burden sharing, such polemics are even less appropriate. Political stakeholders in Germany may of course ask themselves how many day-care centres one could build for the price of one tank. However, their counterparts in the United States and the American population are asking themselves the same question: How many civilian infrastructural projects could be financed in the United States with the money that has so far been spent on providing military capabilities to European allies? Given the urgent economic and social problems in the United States, the answer to this is very clear: The demand for Europe to do significantly more for its own defence is strongly supported across the entire political spectrum in the United States. If this demand is not met, US approval of NATO will suffer. Well-meant German arguments about American soldiers having been accommodated on German territory during the Cold War and Germany having borne the burden and dangers of being a basing country hardly convince anybody in Washington and seem extremely outdated.

“If the two percent target were met, Germany’s defence budget would be higher than Russia’s.”

And what is the point of this argument? Aside from the fact that Russia, with its defence budget having vastly exceeded 50 billion US dollars since 2012, needs to spend significantly less on individual soldiers and their equipment and also hides defence-related expenses in other budgets, the direction of this argument is not quite clear. The intention is probably to create the impression that such a large German defence budget would result in a threat to Russia. However, it is Russia that is waging a war in Eastern Ukraine with a relatively low defence budget, has annexed parts of a sovereign nation and has permanently shaken up the European security order. It has also made its armed forces capable of invasion at regional level. Russia’s evolution from a former partner to a military threat to its Western neighbours is what makes increasing funds for the establishment of reliable deterrence and defence capabilities so urgent. In a slightly modified manner, this argument has sometimes even been applied to Germany’s neighbours: France, the United Kingdom or Poland would feel threatened by a high German defence budget as this could once again go hand in hand with German great power ambitions. However, by 2011 at the latest, this argument turned out to be a pretext, as Radek Sikorski, Poland’s foreign minister, said in a speech held in Berlin that he feared “German power less than German inactivity”.

“As parliament has not agreed to the two percent target, Germany is not bound by it.”

Only partly true. The argument that the German Bundestag has not agreed to NATO’s two percent target, which can therefore be ignored, fails to recognise that NATO decisions are taken at government level and only require parliamentary approval in exceptional cases – such as the accession of new members. For instance, the Bundestag did not have to approve the *Long Term Defence Programme* signed by the NATO heads of government in 1978, in which even three percent of the GDP had been suggested as a reference level. What is more, the Bundestag has already discussed the two percent target. In November 2018, the party DIE LINKE tabled a motion demanding that the Federal Government publicly revoke the commitment to the two percent target at the NATO summit in Wales. The motion was rejected on 8 November 2018 by 520 to 128 votes. An overwhelming majority of the Bundestag has thus agreed to retain the two percent target.

“If the Bundeswehr received more money, it would be unable to spend it usefully.”

A blanket statement like this is not at all true. Without doubt, the Bundeswehr procurement system is in a dire state and the intended reforms have so far had only very limited success. Wastefulness and mismanagement as a result of unclear decision-making channels and a lack of controls are a permanent problem in the Bundeswehr. These problems can, however, only be solved by dealing with them and not through further budget cuts. It should also be kept in mind that the introduction of complicated procurement processes and the outsourcing of Bundeswehr capabilities were also due to massive cuts in defence spending after the Cold War and as a result of the more recent austerity policy. As a comparison: While in 1989 the defence budget still made up approximately 20 percent of the overall federal budget (and significantly more than 2 percent of the GDP), it is at about 10 percent today. Numerous “managed services” were provided through the outsourcing of Bundeswehr tasks to civilian companies, such as the vehicle fleet, maintenance and repair, and IT. Until a few years ago, only 70 percent of major equipment was scheduled to be operationally ready as part of the austerity measures in place, and commanders had to borrow tanks, artillery and other weapon systems from other units to participate in exercises.

While some critics are claiming that the Federal Government is conducting a military buildup of the Bundeswehr, what the armed forces are really working on currently is to equip existing units to even reach complete operational readiness again. Especially against this backdrop it is not surprising that it is difficult to explain to Bundeswehr soldiers, who are sent by parliament on demanding and often dangerous missions abroad, that this same parliament is unwilling to spend the equivalent of two cents per euro on their equipment and protection. 1.5 percent, which is the figure so far stated as the Federal Government's target for 2024, is not pure invention but based on important projects and expenditure plans. In February 2018, the Ministry of Defence even announced a "4+5+6" plan, which stands for the goal of increasing the budget by 4 billion euros in 2019, by 5 billion in 2020 and by six billion in 2021. The amount of 15 billion euros was also based on expenditure plans and would have enabled Germany to reach 1.5 percent as early as by 2021. On this basis, Germany could have credibly argued that it would be able to achieve the required two percent by 2024. The Federal Government's budget plans, announced in March 2018, undid these plans, however.

"It is not just the Bundeswehr which makes a valuable contribution to security and defence."

*True – however, this does not change the fact that the Bundeswehr must be capable of action. Security is not ensured by armed forces alone; especially in the age of hybrid threats and hybrid warfare, civilian entities also take on defence-related tasks. For example, the Federal Police, who in case of a crisis in Eastern Europe would massively support traffic control in Germany (and even had combatant status until the 1990s when it was still the Federal Border Guard), makes considerable contributions to Germany's defence capability and resilience. The same applies to civil protection and civil defence provided by Technisches Hilfswerk (THW) as well as to civilian cyber security entities. Expenses for these are taken into account only to a very limited extent in NATO's criteria catalogue for achieving the two percent target, while other NATO partners include forces such as the French *gendarmerie* or the Italian *carabinieri*. Internal NATO criteria for the two percent target should therefore be revised.*

However, all this does not make it less necessary to equip the Bundeswehr in a way that it can meet security policy requirements – after years of neglect and having reached the absolute limits of its capability. This will simply be impossible with a defence budget ranging between one and one-and-a-half percent of the GDP. If the cost in the event of a possible crisis on NATO's eastern borders resulting from Germany's geostrategic location and role as a hub for military movement were added to regular expenditure for the Bundeswehr, even the hotly debated two-percent target would hardly be sufficient – because the protection of transport routes, infrastructure, ports and airports requires more long-term investments, even with the support of allies.

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This article reflects his personal opinions.*