The Cost of Enlarging NATO
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This report appeared in 1999 in James Sperling (ed.), *Two tiers or two speeds? The European security order and the enlargement of the European Union and NATO* ((Manchester University Press). The report examined the costs associated with the first round of post-Cold War NATO enlargement but the arguments continue to apply as NATO enlargement continues.

**Introduction**

The enlargement of the North Atlantic Treaty Organization (NATO) to central and eastern Europe will cost as little or as much as the current and prospective member countries of the Alliance are willing to spend. Each country’s willingness to spend, in turn, will be determined by its own threat perceptions, by its level of confidence in the viability of Europe’s collective defense, by the state of its public finances, and by the resolve of its leaders. It is unfortunate that most of the studies competing to describe the cost of NATO enlargement make the foregoing observations seem like startling insights. The goal of this chapter is to review and to critique the debate over the cost of NATO enlargement in such a way as to remove some of its surrounding clutter.

On the surface, the enlargement-cost debate consists of competing dollar figures. Beneath the surface, much of the cost debate actually is an extension of the older debate over the general wisdom of NATO enlargement or an extension of the ancient debate over burdensharing within the Alliance. Those who support NATO enlargement generally subscribe to low estimates of its cost or a reassuring range of possibilities. They make generous assumptions about the willingness of European NATO members or prospective members to pay a large share of the enlargement bill. Those who believe NATO enlargement to be folly align themselves with enormous cost estimates. They display skepticism about the willingness of European NATO members or prospective members to pay a sizable share of the bill.

The enlargement-cost debate also conceals other, more fundamental, concerns and conflicts within the existing Alliance. There remain serious disagreements over the purpose and resulting structure of NATO in the post-Cold War world. Continued American leadership of the Alliance is disputed, both in Europe and in the U.S. itself. Opinion regarding the desirability and viability of a European Security and Defense Identity (ESDI) varies not only between the U.S. and Europe but also among the members of the European Union (EU) themselves. Threat perceptions among NATO members today differ greatly, with some directed southward, others eastward, and still others to points beyond the European continent. There is no consensus on the Alliance’s posture towards Russia, with opinion divided among those who believe enlargement will mitigate future problems with Russia, those who believe enlargement will provoke Russian hostility, and those who believe that Russia itself must be part of a new NATO that emphasizes collective security rather than collective defense. Meanwhile, what amounts to demilitarization has occurred in many of the European NATO-member countries during the 1990s, leaving them without credible power-projection capabilities or even a meaningful capacity for self-defense. There appears to be a declining interoperability of forces between the U.S. and its...
European allies, with the U.S. surging forward in the level of its technology. Europe’s defense firms see their global clout constantly diminishing in comparison with the consolidated American giants. Europe’s own military research and development (R&D) and joint procurement efforts are in a shambles while European governments carve out specialties in peacekeeping or take an ever more constricted view of their global security obligations.

Particular views about those issues almost always color the analysis of NATO’s enlargement plans and their associated costs. The result is a complex web of facts and assumptions that probably does more to confuse than to enlighten parliamentarians and attentive citizens -- the two groups that now must cast the decisive vote on NATO enlargement, a major security commitment that so far has been debated only inside the expert community.

The foregoing observations about the state of the enlargement-cost debate are not meant to disparage the methodologies or serious intentions of its participants. The existing studies put forward a great deal of helpful raw material on the expenses that may or may not be associated with NATO enlargement. This chapter examines that material. The studies also deserve credit for being open about most (though not all) of the many assumptions that underlie their cost projections. But breathtaking assumptions they are and fabulous projections the resulting numbers remain. Their extreme range -- from next to nothing to almost $170 billion over the course of the next 10 to 15 years -- guarantees that one or more will turn out to be right. Which ones?

This chapter will not answer that question. It will not pick a winner from among the existing studies or offer a fresh set of estimates. One the one hand, calculating the costs associated with NATO enlargement is only slightly less grandiose an undertaking than having tried in 1948 to determine how much the defense of Western Europe would cost through 1960. What Western Europe? Against what threats? Including what types of expenditures? Under what kind of political leadership? In the context of what level of economic performance? As opposed to what alternative? On the other hand, the issue of how much NATO enlargement will cost is a secondary issue, now that the political decision to admit new members to the Alliance has been taken. NATO must enlarge now or die of ignominy. If the military-strategic rationale behind enlargement is sound -- and I believe that it is -- then even the highest cost estimates should not deter policymakers and legislators when seen against the trillions of dollars that will be spent by the U.S. and its allies on defense in the next decade, with or without a change in NATO’s membership roster.

Grandiose or secondary, however, the debate over the cost of enlargement must reach at least a temporary resting point in the minds of Alliance leaders and legislators before the addition of the Czech Republic, Hungary, Poland, and perhaps other new members to NATO can occur. In this chapter I begin by comparing the existing cost studies and then describing a set of conclusions (and possible fallacies) that they share. Next, I examine Spain’s admission to NATO in the mid-1980s in order to extract lessons regarding the cost of the current Alliance enlargement. I conclude with an effort to simplify the process by which decisionmakers and NATO taxpayers consider the actual costs of enlargement.
The Existing Analyses

The assumptions and conclusions of three comprehensive enlargement-cost studies will be reviewed here, by the Congressional Budget Office (CBO) in March 1996, the RAND Corporation in the fall of 1996, and the Pentagon in a February 1997 report to Congress. Four other reports will be examined briefly: NATO’s December 1997 study of the enlargement costs likely to accrue to the Alliance’s common budgets, the U.S. General Accounting Office’s review of the U.S. studies, a response to the Pentagon study prepared by the privately funded CATO Institute in October 1997, and a little-noticed but important report by the Polish Euro-Atlantic Association (EAA) released in early 1997. Significantly, no independent analyses of NATO enlargement costs have been made public in the current European member countries of the Alliance.

The foregoing list of studies and reports might lead one to conclude that the debate over the cost of NATO enlargement is taking place among a diverse group of competitors and methodologies. That conclusion would be wrong. The incestuous nature of the cost debate is remarkable. The preface of the CBO study credits a methodology for formulating NATO-enlargement options developed by Richard Kugler of RAND, who became one of the primary authors of RAND’s own study. The author of the CBO study, Ivan Eland -- then a member of CBO’s National Security Division -- appeared almost two years later as the director of defense policy studies at the CATO Institute and author of CATO’s critique of the Pentagon study. For its part, the Pentagon study was released to the Congress as part of a package assembled by the Department of State’s Bureau of European and Canadian Affairs. The Deputy Assistant Secretary of State for European and Canadian Affairs and one of the officials chiefly responsible for defending the Pentagon report is Ronald Asmus, who before joining the government was the lead author of the RAND cost study. There is nothing inappropriate or even particularly surprising about those connections among a small group of very talented and prolific experts with strong views on the enlargement of NATO. However, since the studies described here have formed the basis for almost the entire secondary discussion of NATO’s enlargement costs in expert publications and in the U.S. and European press, it is fair to point out that decisionmakers and opinion leaders are being exposed to a very small set of approaches and perspectives.

The CBO Study

The Congressional Budget Office offered the first enlargement-cost study and its general approach, which is to define the costs associated with enlargement broadly and to offer a range of possible grand totals, echoes throughout both of the succeeding studies.1 The CBO is a non-partisan and theoretically objective agency that carries out research on behalf of the U.S. Congress, in this case the Committee on International Relations of the House of Representatives. Ideally, therefore, the CBO might have assigned its NATO cost study to a principal author who was agnostic on the underlying importance of enlargement. Instead, it assigned the study to Ivan Eland, whose writings 18 months later at CATO Institute leave no doubt that he is a fierce opponent of enlargement.2 Be that as it may, Eland’s CBO study begins with a balanced summary of the general options that faced NATO in the mid-1990s, ranging from the termination of the Alliance to the rapid expansion of NATO to include Russia. Following Congress’s lead, the study quickly rejects the outlying options and focuses on the costs associated with a limited expansion of NATO to the so-called Visegrad countries -- the Czech Republic, Hungary, Poland, and Slovakia.

The CBO study briefly acknowledges that “[i]n the current environment, NATO can probably spend as much or as little as it likes to undertake expansion.”3 However, the study’s five “illustrative options” for

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1 The Costs of Expanding the NATO Alliance (Washington: Congressional Budget Office, March 1996).
3 The Costs of Expanding the NATO Alliance, p. xii.
NATO’s defense of the Visegrad countries through 2010 include no minimalist posture. The first and lowest-cost CBO option (at $60.6 billion) provides for infrastructure improvements to permit external reinforcement, if needed, but assumes that NATO will limit itself to helping the Visegrad countries defend themselves against border skirmishes or limited attacks by “a regional power.” The largest cost item in CBO’s “Option I” is $19.2 billion to upgrade and purchase weapons for the Visegrad states’ own arsenals. It also includes significant expenses for training and exercises; command, control, communications, and intelligence (C³I); air-defense, and other infrastructure improvements.

CBO’s remaining four options range in total cost from $79.2 billion to $124.7 billion. They all assume the need for a robust preparations against Russia, increasing incrementally from the projection of NATO air power eastward to defend the Visegrad countries (Option II) to the projection of NATO ground forces from bases in Germany (Option III) to the prepositioning of equipment (Option IV) to the limited stationing of NATO forces on Visegrad soil (Option V). Options II and III again include significant costs for exercises, along with large-scale expenditures on the part of existing NATO members to enhance their power-projection capabilities and to improve the infrastructure needed to receive their forces in the Visegrad countries. Option IV carries the relatively small price tag of $1.2 billion in additional costs while the most expensive line item of Option V (at $12.5 billion) is the cost of upgrading Visegrad bases to permit the permanent stationing of two and two-thirds ground-force divisions and two air wings from other NATO countries.4

CBO assigns 70 percent of the costs under Option I ($42 billion of $60.6 billion) to the aspiring-member countries themselves, even as it opines that “the Visegrad states might not be able to afford even this least ambitious option” if their military budgets do not increase substantially.5 The U.S. is assumed to pay $4.8 billion for Option I and the existing NATO members $13.8 billion. The costs of CBO’s Options II to V are assigned primarily to the U.S. and to other existing members of NATO (for a total of $18.9 billion assigned to the U.S. and $54 billion to the existing allies if Option V is needed). Divided evenly throughout the remaining 11-year time period to 2010, the CBO estimates imply a cost to the U.S. of between $430 million and $1.7 billion per year for NATO enlargement.

The RAND Study

The RAND Corporation’s study of NATO-enlargement costs, unveiled in the British journal Survival, was prepared by a trio of analysts whose earlier articles, speeches, and high-level contacts played a major role in laying the intellectual and political groundwork for NATO’s planned enlargement to central and eastern Europe.6 RAND’s Asmus, Kugler, and F. Stephen Larrabee share with their CBO counterpart strong personal views on the ultimate outcome of NATO’s transformation -- though of the opposite persuasion. It is not surprising, therefore, that while the RAND group’s spectrum of cost estimates extends to roughly the same heights as the CBO study’s, the RAND numbers begin from a much lower minimum and are placed repeatedly into the reassuring context of large overall transatlantic defense expenditures.

Like the CBO study, the RAND estimates focus almost exclusively on NATO’s enlargement to the Visegrad countries. The RAND study also puts forward a spectrum of four possible “defense postures” almost identical to the five option categories used in the CBO analysis, reflecting the shared intellectual origins of the two efforts. The first and least expensive posture is to support the new Alliance members in their own self-defense, which RAND estimates would cost between $10 and $20 billion over a decade’s time. The goals defined by RAND for this posture are to make the new members’ forces and infrastructure compatible with

4 Ibid., pp. 51-54.
5 Ibid., p. xv.
NATO standards, to improve the quality of new members’ forces (including the purchase of expensive new air-defense systems), and to configure them for self-defense. Costs associated with preparing the new members for combined operations with other NATO members are not included in this posture, which assumes that direct military interaction between the Visegrad countries and older NATO member members will involve only C3I and logistics support. The second posture examined by RAND would allow for the projection of NATO air power from existing-member countries into east-central Europe during crisis periods. The total estimated cost of $20 to $30 billion for this posture depends on whether five or ten fighter wings are prepared for forward deployment to the Visegrad countries. RAND’s third posture calls for joint-power projection and therefore requires the preparation of NATO ground units for deployment to east-central Europe. Its total estimated cost of $30 to $52 billion depends on whether five or ten NATO divisions are added to the earlier self-defense and air-power expenditures. Finally, RAND outlines a forward-presence posture, “purely to illustrate a worst-case scenario where new members faced the threat of a large, short-warning military attack.” The total estimated cost of permanent forward deployment ranges from $55 to $110 billion depending on how many (up to a maximum of 10) air wings and ground divisions are stationed in the Visegrad countries.

The RAND study links those four postures to three “paths to enlargement” ranging from an “evolutionary” course in parallel with the European Union’s (EU’s) enlargement, to a more ambitious effort to “promote stability” in east-central Europe by filling an existing security vacuum, to a “strategic response” to possible Russian aggression. The choice of one of those paths is assumed to arise from an assessment of the threats facing east-central Europe at the time of the enlargement decision. Unlike the CBO study, the RAND study offers its own recommendation as to which force posture and enlargement path would be most prudent at the present time. The RAND analysts dwell on an “illustrative” $42 billion package at the level of joint-power projection, based on the belief that NATO must use the enlargement of the Alliance to promote regional stability rather than following the slower evolutionary path in tandem with the EU. That package assumes that NATO will prepare five divisions and 10 fighter wings for possible crisis deployment to east-central Europe but would continue to base those forces outside the new-member countries.

The RAND group goes on to offer an “illustrative breakdown of costs” in which the new NATO members pay about 19 percent ($8 billion) of the highlighted package’s cost while current members pay 61 percent or $25.6 billion, mainly to upgrade their own forces. The remaining 20 percent ($8.4 billion) would be covered by a doubling of NATO’s infrastructure fund, whose costs are shared according to negotiated formulas among all member countries. The study points out that the total bill could be made more acceptable to the largest NATO countries (the U.S., Britain, France, and Germany) if other existing members were to earmark some of their forces for crisis deployment to Visegrad Europe and to assume the costs of preparing them for that purpose. The RAND analysts also suggest that the $42 billion enlargement option could be undertaken at no net cost to the Alliance if some superfluous forces were cut in western Europe, if the new members reduced their large military overheads, and if existing Alliance members made greater progress toward multinational integration of logistics, procurement, and other expensive military requirements. They acknowledge that domestic political sensitivities inside the member countries make the no-cost scenario highly unlikely. The RAND study does not put forward a specific estimate of costs to the U.S., except to state that “the U.S. will have to pay its fair share of common infrastructure funds and cover the costs incurred by U.S. forces when carrying out new . . . commitments” to the defense of east-central Europe.

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7 Ibid., p. 15.


The Pentagon Study

The U.S. Department of Defense’s estimate of NATO enlargement costs, released to the U.S. Congress in February 1997 as part of a more comprehensive State Department report on enlargement, has been the most controversial of the major cost studies for a number of reasons.11 According to news accounts, the Pentagon estimate emerged “after months of bitter debate” between two factions in the Defense Department. One faction believed that the official estimate should include only direct costs to NATO of accepting new members (which would have totaled $10 to $13 billion), while the other faction believed that a meaningful estimate must include some “indirect” costs of enlargement such as the modernization of new members’ forces and improved NATO airlift capabilities (which would have brought the estimate to about $40 billion).12 The resulting compromise was an estimate of between $27 and $35 billion, which enlargement opponents denounced as having been driven by the Clinton Administration’s desire to see enlargement go forward.

There is little doubt that the Pentagon’s estimate endured some downward pressure as a result of the White House’s desire to achieve a painless Senate ratification of NATO enlargement. It also is true, however, that the Pentagon estimate does not depart significantly in its core assumptions from the earlier, well-publicized studies by CBO and RAND. Like the others, the Pentagon assumes the entry of a small group of central European countries into Alliance membership, a time frame until 2010, and a cost allocation in which individual countries bear the expenses associated with their own force modernizations while sharing infrastructure expenses. The major difference between the Pentagon study and its predecessors is that the official estimate does not put forward a wide range of threat assumptions or resulting defense postures. It builds exclusively on the assumption that “[i]n the existing threat environment, there would be no need to station or permanently forward-deploy substantial NATO forces on the territories of new members” and that “NATO’s existing strategic concept [with its heavy emphasis on force projection] would serve as the foundation for meeting the defense requirements that result from enlargement.”13 Those assumptions echo those of RAND’s $42 billion package. Indeed, one of the RAND authors later wrote that the Pentagon’s estimate would have been “virtually identical” to the RAND package if the Pentagon had used a reinforcement posture of five ground divisions and 10 air wings; instead, the official estimate used a posture of four divisions and six wings.14

The Pentagon’s enlargement-cost total includes three categories of expenditures. First, it includes costs required to bring new-member militaries to a “mature capability” through the procurement of “one squadron of refurbished Western combat aircraft,” a surface-to-air missile system, armor upgrades, and other items. The Pentagon’s $10 to $13 billion estimate for this category obviously excluded several billion dollars worth of upgrades that CBO deemed necessary to include its much more expensive “self-defense” option. Like the earlier studies, however, the Pentagon’s assigns most of these modernization costs to the new members themselves. Second, the Pentagon estimate includes $8 to $10 billion for bringing current NATO members’ deployment, logistics, and sustainment capabilities up to the level necessary for crisis missions in central Europe. The Pentagon argues that since the U.S. already has high standards and experience in force projection, the U.S. would not bear a significant part of these costs. Finally, the official estimate includes $9 to $12 billion for “direct enlargement costs” such as C3I and logistics improvements to permit basic interoperability between existing- and new-member command structures, along with the training expenses and facilities construction

needed to permit joint NATO exercises. The U.S. share for commonly funded infrastructure improvements in this category would come to $1.5 to $2 billion, the Pentagon argues, or an average of between $150 and $200 million per year. The Pentagon report states that the only additional U.S. costs would be “an undetermined portion of the cost of restructuring the militaries of new members, contingent on decisions by NATO, new member states, and the United States Congress.”

The NATO Cost Study

In December 1997 NATO completed an internal study of the direct expenditures attributable to enlargement that will become part of NATO’s three common budgets. Under existing practice, each member of NATO contributes a pre-determined percentage of the infrastructure, military, and civilian budgets needed to run the Alliance itself. The NATO cost study has not been made public as of this writing, but press reports and statements by U.S. officials indicate that it puts forward a figure of roughly $1.5 billion as the total increase required in the three common budgets over 10 years. About $130 million of that amount is earmarked for C3I, $580 million for air defense, $700 million for reinforcement preparations, and $40 million for training. A U.S. official attributed the difference between NATO’s $1.5 billion projection and the Pentagon’s $6 billion estimate of commonly funded enlargement costs to the fact that NATO had conducted an on-the-ground assessment of existing Visegrad infrastructure and found it to be in better condition than previously assumed.

Reviews and Responses

The three major enlargement-cost studies generated several reviews and responses worthy of closer examination. Janusz Onyszkiewicz and the Polish “Euro-Atlantic Association” (EAA) produced a unique analysis from the perspective of an aspiring-member nation. The EAA report appeared shortly after the CBO study and challenges some of CBO’s key assumptions. Most importantly, the EAA argues that “a very sharp distinction has to be drawn between the cost of restructuring the armed forces (due to the disappearance of the former rivalry between two mutually opposed geopolitical blocs) of both current and prospective members, the cost of on-going modernization (i.e. of the steady effort to keep up with technological advances), and the direct cost of NATO enlargement.” As a result, for example, the EAA does not consider it legitimate that the CBO included the expense of upgrading Visegrad weapons systems in its enlargement-cost analysis. The Polish report confines itself primarily to the “direct costs” of joining NATO that Poland is likely to incur, drawing on the findings of the Polish Ministry of Defense. Integrating the Polish command system with NATO’s, achieving compatibility between Polish and NATO telecommunications and air-defense systems, and modernizing Polish airfields are described as “integral to NATO ascension” and estimated to cost $1.26 billion through 2010. Poland’s total direct costs are estimated at $1.5 billion through 2010 if Polish contributions to NATO’s common budgets and the costs of liaison missions to NATO commands are included. Dividing that total over the years through 2010, the EAA concludes that the annual direct costs of NATO membership would amount to only about four percent of Poland’s 1995 military budget.

An appendix to the EAA report analyzes the indirect costs necessary to build “an adequate national defense system” and acknowledges that these will “far exceed the current budget of the Ministry of Defense.” No solution to this dilemma is put forward, other than “to increase the budget of the Ministry of Defense.

15 “Report to the Congress,” p. 17.
16 Telephone interview by the author with an official of the U.S. Department of State’s NATO Enlargement Ratification Office, 13 January 1998.
18 Onyszkiewicz, pp. 17, 18.
considerably, or else to create a special central budget to finance the army’s modernization.”

However, Onyszkiewicz argues -- with the logic of NATO’s own history on his side -- that “it is always cheaper to join a collective security system than to depend solely on national military resources.”

Poland would not be spared the need to create a modern military force if it does not join the Alliance; indeed, its cost of doing so would be greater without NATO.

A more recent review of the enlargement-cost debate came in October 1997 from the U.S. General Accounting Office (GAO), which was asked by the U.S. Senate’s Committee on Appropriations to comment on the Pentagon cost estimate and to compare the other studies. The GAO’s most important contribution may have been its candor in admitting that “[t]he ultimate cost of NATO enlargement will be contingent on several factors that have not yet been determined.”

The GAO asserted that NATO cannot be certain of the long-term threat environment in Europe, has not set a strategy for defending an expanded alliance, cannot be certain of the “force and facility requirements” of the new members, and is not clear how enlargement will be financed.

The GAO nevertheless concluded that the Pentagon’s enlargement cost estimate was based on reasonable assumptions. It criticizes the study primarily for “its decision to include cost elements that were not directly related to enlargement.”

The GAO nevertheless points out that the U.S. may incur additional costs to the extent that it provides credits and other financial assistance to the new-member countries in modernizing their forces.

Taking a very different tack, the private CATO Institute issued a stinging critique of the Pentagon’s enlargement-cost estimate in October 1997. It is legitimate to include force-modernization expenses as a cost of NATO enlargement, CATO asserts, and those expenses will be considerably greater than the Pentagon claims. The CATO document provides considerable financial detail and could be regarded as a separate cost analysis were it not primarily an extrapolation of the earlier CBO study by the same author, Ivan Eland.

Eland describes as “dubious” the Pentagon’s assumptions that the current benign threat environment in central Europe will continue and that the Alliance will not be required to permanently station forces in the new-member countries. He suggests (without offering any evidence or scenarios) that tensions between Hungary and Serbia and between Poland and Belarus, along with a likely NATO-Russian confrontation over the possible build-up of forces around the Kaliningrad enclave, will force the stationing of NATO troops in the new-member countries.

For purposes of its cost critique, however, the CATO report accepts the Pentagon’s assumptions and simply recalculates the expenses that it believes will be associated with even a minimalist NATO posture in central Europe.

CATO takes particular aim at the Pentagon’s so-called “level-of-effort” approach to calculating necessary expenditures. “The levels of effort were based on DoD analysts’ perceptions of how much new members could afford to spend on particular categories, not on what was needed,” the CATO report charges.

Using more specific cost categories than the Pentagon estimate and calculating the cost of specific types of

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20 Ibid., p. 4.


22 Ibid., p. 2.


necessary weapons systems and infrastructure improvements, CATO arrives at an “alternative estimate” of $69 billion to accomplish the objectives laid out by the Pentagon at a cost of $27-35 billion.\(^{25}\)

**Common Conclusions**

The dollar amounts put forward in the existing enlargement-cost studies vary widely. They differ in their unstated assumptions about the desirability of enlargement and in their stated assumptions about the degree of effort that will be needed to create a credible security guarantee for the Czech Republic, Hungary, and Poland. However, when considered side-by-side, the competing cost studies actually point to several important common conclusions.

**NATO is a military alliance and so it must remain.** This is a simple but important bit of common ground. In the case of the EU’s contemplated enlargement to central Europe, numerous serious observers argue that Union’s fundamental character must be altered to permit enlargement. The EU must give up its traditional unanimity on a range of important issues in order to make enlargement practical, some say. Others suggest that the Common Agricultural Policy and the cohesion and structural funds should be vastly curtailed or eliminated in order to make an opening of the EU’s membership more affordable. In contrast, the debate over the cost of NATO’s enlargement has not included the suggestion that NATO’s common infrastructure, its pursuit of technical interoperability, and its preparation for multinational military operations should be de-emphasized or set aside in an effort to keep costs down.

**There is no checklist of mandatory expenses.** Joining NATO is not like joining a country club or a homeowners association, in which a prospective new member is presented with a list of mandatory financial obligations and a detailed list of voluntary extras. The existing cost studies shy away from that fundamental observation, though their use of terms such as “options,” “postures,” and “illustrative breakdowns of costs” all testify to the open-endedness of expenditures associated with NATO enlargement. NATO has been and can remain an Alliance capable of accommodating a broad range of national force postures and defense budgets. Among current members, defense expenditures as a percentage of Gross Domestic Product (GDP) range from 0.7 percent in the case of Luxembourg to 4.8 percent in the case of Greece.\(^{26}\) Those differences reflect a similarly broad range of national traditions, separate security obligations, and unique geostrategic circumstances. The Alliance strives for technical interoperability and a shared strategy for securing Europe as a whole. It does not, however, oblige or enforce conformity in national budgeting or procurement decisions.

**The general categories of expenditures are not disputed.** All of the cost studies describe expenditures associated with NATO enlargement that can be grouped into three categories. First, NATO’s common-budget expenditures will increase as the civilian and military bureaucracies of the Alliance create at least a basic common infrastructure, including compatible C\(^3\) I systems and air defenses, and basic reception capacities in the new-member countries to permit reinforcement. Estimated expenditures in this category range from a low of $1.5 billion over 10 years in the case of NATO’s own analysis to about $10-11 billion in the CBO, RAND, and Pentagon studies (the Pentagon estimate calls these “direct enlargement costs”). Second, the new-member countries will face significant expenditures in the next decade or more to upgrade their weapons systems and facilities to a level that approaches NATO standards and permits them to take part in the kinds of NATO missions they aspire to. Estimated expenditures in this category range from $10 billion in the case of the Pentagon’s package to $42 billion in the CBO study. Finally, the existing members will face significant costs to improve their power-projection capabilities if a credible ability to defense the Visegrad countries is to be

\(^{25}\) The CATO categories are virtually identical to the categories used by Eland in his earlier CBO study; see Eland, p. 14, for a breakdown.

demonstrated. These estimated costs range from a low of $8-10 billion in what the Pentagon calls “NATO regional reinforcement capabilities” to $55 billion or more in the CBO and RAND top-end forward presence options.

The potential sources of funds are clear and there is general agreement on their relative magnitude. The costs associated with NATO enlargement will be paid using some combination of three mechanisms: (1) The prospective member countries will spend their own money on contributions to NATO’s common budgets and on national force and infrastructure upgrades. (2) The existing member countries will spend their own money on common-budget contributions and some will make improvements in their national power-projection capabilities. (3) Some of the existing member countries may transfer money to the prospective member countries in the form of aid earmarked for military purposes. In the CBO’s breakdown, the prospective members would carry the largest share of the burden for CBO’s “Option 1” (in which NATO assists the Visegrad states in their own upgraded defense) while the existing members would be required to cover the vast majority of the costs associated with the more expensive forward-presence options. RAND’s “illustrative” package also tilts heaving in the direction of expenditures by existing members for force projection. The Pentagon estimate divides more evenly, projecting an almost 50-50 split between expenditures assigned to old and new members over and above the direct institutional costs of enlargement. None of the studies offer an estimate of the potential financial aid likely to flow from west to east as a result of NATO enlargement, though both CBO and RAND suggest that it will be difficult enough to assure that the existing members undertake the necessary investments in their own military forces.

The Double-Counting Problem

The major enlargement-cost studies share a common fallacy as well as common conclusions. The most serious problem affecting the analyses of NATO’s enlargement costs is a tendency to place expenditures on the enlargement account that almost certainly would be required even in the absence of new members. For example:

There is a direct correlation between the emphasis that each study places on preparations against Russia and the size of its resulting “enlargement cost” projections. The CBO bases all but the most modest of its options on the premise of a resurgent, aggressive Russia; its resulting cost estimates range over $100 billion. The Pentagon never mentions Russia and arrives at a low cost estimate. This is not surprising but it is surprisingly disingenuous on both sides. Obviously, a renewed NATO effort to contain an aggressive Russia would be very expensive. Would a NATO that does not enlarge stand idly by, however, as Russia begins to threaten its western neighbors and aggressively rebuild its armed forces? Let us hope not. Therefore the cost of containing Russia should not be construed as a cost of NATO enlargement. Since the ability to operate from bases in allied Visegrad countries would place NATO forces much closer to Russia and its potential adversaries, enlargement would -- if anything -- reduce the costs of containing Russia, should that become necessary. The Pentagon estimate’s silence regarding Russia may be the appropriate diplomatic posture but it also skirts the inescapable truth: Russia’s future behavior will shape NATO’s missions and force-structure decisions, regardless of whether or not the Alliance grows.

Similarly, to varying degrees, each of the studies counts as a cost of NATO enlargement force modernizations and infrastructure changes that will be necessary on the part of aspiring and existing NATO

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27 Some observers believe that the enlargement of NATO will compel hostility on Russia’s part, and so those same observers may feel justified in counting military preparations against Russia as a cost of NATO enlargement. Of course, if that assertion were known to be true, no rational person would support the enlargement of NATO. It cannot be proved, however, and remains hotly disputed; indeed, some experts believe that NATO enlargement will have a stabilizing effect on Russia. Even if Russia does turn hostile in the period after NATO enlargement, experts will debate forever the causes of that change in behavior.
countries regardless of whether or not new members join the Alliance. The existing members of NATO have agreed to a military strategy that emphasizes power projection rather than traditional territorial defense. This shift is in no way aggressive in nature. It simply reflects the post-Cold War geopolitics of Europe, in which the threat to NATO comes not in the form of a massive land army poised astride the European heartland but in the form of smaller conflicts on the European periphery. Dealing with real or potential conflicts on the periphery may at some time require the large European members of NATO to move their ground, air, and naval forces across several hundred miles and to manage those forces in a complex and distant battlefield. New investments in air- and sealift capabilities as well as C^5I improvements are being and will continue to be undertaken by the NATO allies to give them the requisite capabilities. It is not the enlargement of NATO that compels those investments but rather the existing and well-advised strategy of the Alliance. NATO enlargement may increase the urgency of force modernization and transformation among existing members, but that will be a benefit of enlargement, not a cost.

The double-counting problem applies to the aspiring members of NATO as well. As the EAA report makes clear, the Czech Republic, Hungary, and Poland would not be spared the need to modernize their armed forces in the absence of NATO membership. To the contrary, remaining outside the Alliance could be more expensive if the Visegrad states feel less secure and are not drawn into NATO’s R&D and procurement communities. Therefore, counting as “enlargement costs” the upgrading of infrastructure, the acquisition of advanced weapons systems, and the training of national forces in the Visegrad countries is highly misleading.

The Case of Spain’s Entry into NATO

NATO enlarged its membership previously, most recently to Spain in 1982 (ratified by the Spanish people in a 1985 referendum). Spain’s accession to NATO is instructive with regard to some aspects of the current enlargement-cost debate. The cases are by no means identical. Spain joined NATO at the height of the Cold War but at the fringes of the Alliance. The three Visegrad nations will join during a period of relative calm in Europe but in close proximity to the region that holds the greatest potential for future volatility. Spanish opinion remained sharply divided on the desirability of NATO membership, not least because of widespread hostility toward the existing U.S. military role in Spain. In contrast, there is almost no serious opposition to NATO membership in the Visegrad nations and their elites and publics alike generally respect and desire closer ties with the U.S. Many important similarities exist between the two cases as well. Like the Visegrad nations today, Spain joined NATO as a nascent democracy emerging from several decades of dictatorship. Spain sought broader linkages with Europe through the (then) European Economic Community, just as the Czech Republic, Hungary, and Poland today aspire to EU membership. Like the Visegrad nations today, Spain in the early 1980s was a relatively poor nation in Europe, with an outmoded and poorly equipped military. Like the Visegrad nations today, Spain was at peace with its neighbors, though not without minor territorial disputes (regarding Gibraltar and the Spanish enclaves on the Moroccan coast).

In comparing the issue of enlargement costs, then and now, the most striking contrast is the relative absence of a cost debate surrounding Spain’s accession to NATO. A thorough search of expert publications and media reports from the period leading up to Spain’s NATO membership identified only one significant publication devoted to the cost question; its conclusions were sanguine.28 Even inside Spain, there appears to have been very little specific discussion of costs brought about by NATO membership. Instead, debate seems to have focused on the degree of modernization required of the Spanish armed forces regardless of NATO membership; the level of foreign (particularly U.S.) military aid that could be expected under scenarios of

28 A.G. Garcia, Spain and NATO: The Price of an Alliance JPRS L/10512 (May 12, 1982); translated from Spanish, the report was a doctoral dissertation by a Spanish army officer.
NATO membership or non-membership; and the likely impact of Alliance membership on Spain’s own arms industry.  

To the extent that estimates of the costs associated with Spain’s NATO membership were put forward at all, they proved excessive. One report just prior to Spain’s NATO accession offered an estimate of $3 billion required to modernize Spain’s military over a five-year period and quoted Alliance officials as believing that NATO itself would bear most of that cost.  Earlier estimates suggested that Spain would need to increase its defense spending from two percent of Gross Domestic Product (GDP) to three percent. In fact, Spanish defense spending increased dramatically in the period from 1982 to 1990, from under $4 billion to almost $8 billion, but Spain’s economy grew disproportionately, more than doubling in size during the same period. As a result, Spanish defense spending as a percentage of GDP remained essentially unchanged during the 1980s. It peaked at 2.4 percent of GDP in 1984 but had fallen back to 1.85 percent of GDP by 1989. Spain did modernize its armed forces considerably, but at little or no cost to other Alliance members.

The overriding lesson of Spain’s entry into NATO for today’s enlargement is that the process of economic and military-strategic integration is not a zero-sum game. Spain’s entry into NATO was part of a broader process of economic and political modernization, and it coincided with Spain’s integration into the larger European and global economies. As a result, the direct costs associated with joining the Alliance were more than offset by economic benefits that accrued to Spain. Similarly, if the Visegrad countries continue to build stable democracies and encourage private enterprise; if they gain unfettered access to important European and global markets; and if they rationalize and modernize their own defense industries as a result of exposure to NATO partners, then there is no reason to believe that the Czech Republic, Hungary, and Poland cannot equal or exceed Spain’s economic resurgence and fund the lion’s share of a substantial military-modernization effort from their own resources. The conclusions of the one major cost study of Spain’s NATO accession warrant a lengthy citation, both because they proved accurate and because the important assumptions that underlie them have found little expression in the current enlargement-cost debate:

The only unavoidable economic obligations entailed in . . . membership in the Atlantic Alliance are the periodic contributions to the financing of its organizational structure and common infrastructure. These contributions are negotiable, and in any case Spain’s share could be described as inconsequential in relation to its total defense budget.

The remaining economic obligations, stemming from NATO’s joint planning of Force Goals, take the form of “recommendations” [for military modernization] and will under no circumstances cause a substantial rise in the level of national defense spending, neither above what is necessary for our own security nor in excess of what the nation can afford. . . .

Our overall conclusion is that while the economic consequences of NATO membership could be positive for the nation’s economy, they are not important enough to be considered a conditioning factor in the political decision of whether or not to join. . . . [S]uch a decision involves value judgments, strategic and political ones in particular.

32 Data from annual editions of The Military Balance (International Institute for Strategic Studies).
33 Garcia, op cit., pp. 162, 163.
Similar circumscription regarding the true costs of NATO membership and similar humility regarding “value judgments” would have made the current studies of the Visegrad enlargement more helpful to decisionmakers and the public alike.

A Fresh Look

To understand the costs associated with the enlargement of NATO, a rather mundane analogy may be helpful. Envision a bucket, the contents of which are the dollars and marks and zlotys required to finance NATO enlargement. Most of the enlargement-cost studies fill the bucket very high as a result of what they include, either because they seek to dampen enthusiasm for enlargement itself or because they regard enlargement as part of a larger process of NATO evolution in which substantial costs will be unavoidable.

Decisionmakers and taxpayers throughout the Alliance should not ignore the heavy bucket shown to them by the enlargement-cost experts. The security of the Atlantic Community in the early 21st Century will not come cheap. However, to be fair in their assessment of enlargement’s actual costs to the U.S. and western Europe, they should pick up a ladle. They should use the ladle to remove from the bucket force-modernization expenditures assumed to be required of the Visegrad countries. Those countries, like Spain, will modernize their armed forces as a requirement of sound public policy to the extent and at the rate that their economic performance will permit. Western decisionmakers and taxpayers also should remove from the bucket the expenditures that will be demanded of the existing NATO allies in meeting their declared goals of mobility and advanced battlefield management. They should remove from the bucket expenditures that may be required to deal with an aggressive Russia, since an aggressive Russia would be of even greater concern to a NATO of 16 members than to a NATO of 19 members.

The resulting bucket of actual enlargement costs will be light, perhaps as light as $6 to 12 billion, spread over 19 countries and two decades, a trivial burden when seen against the vast military expenditures of recent history. Those are the bare minimum expenses associated with NATO enlargement. Clearly, some NATO members may choose to devote greater resources to the effort, in the form of specific military preparations and infrastructure choices needed for force projection into central Europe, in the form of exercises and training with the Visegrad countries that otherwise might not have taken place, in the form of military aid and assistance directed at the new members, or in the form of offsetting economic aid or trade concessions. Many factors unique to each NATO-member country will influence whether such additional expenditures are undertaken, including geostrategic circumstances (Germany may feel a special obligation to assist the nearby Visegrad countries), views on the underlying importance of the Atlantic Alliance (it would not be surprising if Britain is more inclined than France to incur additional enlargement costs that win the favor of the United States), and the condition of public finances (Belgium and Italy, for example, will remain unlikely donors to the cause of NATO enlargement). Most importantly of all, individual leadership will determine the size of financial contributions to NATO’s eastward enlargement and to the larger evolution of the Alliance. Presidents, Prime Ministers, and legislators who remain convinced of NATO’s importance will argue forcefully for large contributions while those who doubt the continued wisdom of the Alliance will be unable or unwilling even to make the case for small additional expenditures. As trite as the observation may sound, NATO remains first a political alliance and then a military alliance. It is not military necessity but political will that built and sustained NATO. That will remain no less true in an enlarged Alliance. NATO can afford the financial costs of enlargement if it can build and maintain a political consensus behind the extension of collective defence to central Europe.