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Introduction

Responding to the terms of reference laid out by the Joint Committee on the National Security Strategy, this paper focuses on three strategically important challenges facing the Atlantic alliance over the next five years: the search for a new focus for NATO following the withdrawal of ISAF from Afghanistan, including Russia’s reaction to NATO’s return home; the implications of the rebalancing of America’s foreign policy towards Asia; and the impact of the eurozone crisis.

My conclusion is that NATO will remain of fundamental strategic value to its members on both sides of the Atlantic for the foreseeable future. However, these developments will pose a number of strategic challenges for the UK, the United States and other NATO members.

- After NATO’s withdrawal from Afghanistan, the idea of returning to a more singular focus on NATO’s Article V guarantee to each ally’s territorial defence is not likely to be sustainable. If NATO’s focus returns to its core mission of security in the Euro-Atlantic area, this risks complicating relations with Russia.

- US foreign policy is undergoing an important rebalancing process to reflect the rising economic and political weight of the Asia-Pacific. This shift will diminish the day-to-day relevance of NATO to US security.

- European states do not share the range of interests and obligations that the US has in Asia, which raises questions as to whether aspects of a transatlantic security partnership towards Asia can ever come to fruition, whether through NATO or bilaterally. However, there may be opportunities to cooperate with the US in specific areas, including on cyber security and climate change.

- The euro crisis has important implications for NATO. In the short term, there will be growing pressure on diminishing European defence budgets. Attempts to specialise and share capabilities to make EU defence more cost effective will face political difficulties, exacerbated by the euro crisis.

- In the longer-term, Europe’s comparative defence expenditure will decline compared to many emerging economies. The politics of a more economically robust EU and eurozone in 2030 under de facto German leadership may leave less space for a robust, proactive NATO. And a more integrated core Europe is unlikely to become more security conscious or capable.

- Under these circumstances, NATO will likely become more an important insurance policy of last resort rather than an asset that its members can use in order to enhance their day-to-day security.

Searching for NATO’s purpose
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NATO’s purpose will come under renewed scrutiny over the course of the next five years. Once NATO forces return home from Afghanistan, the alliance will lack either a clear enemy or an active political-military mission for the first time in its history. The gap between the collapse of the Soviet Union and Warsaw Pact (the threat that brought NATO into existence) and the response to the attacks of 9/11 (which gave the impetus for NATO’s twelve-year operation in Afghanistan) was bridged by interventions in the Balkans, and the push to enlarge NATO and to engage Russia within a post-Cold War security architecture for Europe. What will NATO’s purpose be for the next five to ten years?

Persisting with the idea of what out-going US Ambassador to NATO Ivo Daalder called a ‘global NATO’, or even aspiring to delivering ‘security through crisis management’, as elaborated in NATO’s 2010 Strategic Concept, seem unrealistic propositions, given the lack of shared US and European interests in military engagement around the world and the reality of ever-declining European defence capabilities.8

For some European NATO members, the next five years offer an opportunity instead to refocus NATO on its core mission: providing collective defence within the Euro-Atlantic space. In this regard, the re-election of President Putin in 2012 has already re-awakened fears among central European and Baltic members that Russia’s military modernisation might provide muscle to a more assertive approach to its relationship with its European neighbours. From this perspective, Russian military capabilities are part of Russia’s armoury of intimidation, alongside its growing financial muscle within national European politics and communications.

For its part, Russia will not appreciate the idea of NATO ‘returning home’ if this means a return to some of the unfinished business of the post-Cold War period, such as new negotiations over conventional forces in Europe, further NATO enlargement, and moving forward with deploying a NATO missile defence shield.

Russia has long championed the notion of creating a new European security architecture in which Russia would form an integral part. However, neither President Putin, his close advisers, nor the Russian military believe that they will ever be equal partners alongside the US and its NATO allies, or that the latter take their security concerns seriously.

At the same time, European leaders now appear to be converging in their attitudes and approaches to Russia. The nature of President Putin’s 2012 election victory and his subsequent crack-down on political opponents and non-governmental groups have united the EU around a more sceptical outlook towards Russia. This outlook echoes more closely the views held in Washington, which has seen US relations with Russia enter another difficult period following President Obama’s second term election victory.

This being said, no party has an interest in seeing relations deteriorate too far. President Putin’s foreign policy aims to balance other world powers. While he may seek to develop

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closer relations with China as a counterweight to the US, for example, he must also be careful not to reply upon a relationship that is so economically and demographically unbalanced. In this context, keeping lines and means of communication open with the West, via NATO if needs be, makes perfect sense.

And the US is likely to continue to need to engage with Russia on a range of issues of common interest, from Syria’s future to Iran’s nuclear programme and coordination on counter-terrorism.

So, while NATO’s return home after Afghanistan will put its relations with Russia closer to the front of the agenda, the idea of returning to a more singular focus on NATO’s Article V guarantee to each ally’s territorial defence is not likely to be sustainable.

Instead, conscious that it currently shoulders the lion’s share of NATO defence spending, but must now start to cut those outlays, the US may push its NATO allies to emphasise the alliance’s provision of collective security. Under this approach, the US would maintain an important military footprint in Europe, but with the principal view of having these forces forward-deployed for operations outside the Euro-Atlantic space and at a reduced level which requires Europeans to take up a larger share of the responsibility for policing their own neighbourhood.

This has already been the US approach to Libya and Mali. The US’s core conventional and nuclear capabilities continue to ensure that NATO serves as a credible insurance policy against the re-emergence of a major external threat to European security. But Europeans are expected to take the lead in safeguarding their day-to-day security environment, including in such ‘non-traditional’ military domains as combatting extremists and delivering cyber and energy security, while the US ‘enables’ them to do this through the provision of support functions.

Those European allies that share security interests with the US beyond the Euro-Atlantic area can support the US on security missions on a coalition basis, using NATO command structures and the lessons of military interoperability learned in Afghanistan alongside an enhanced role for new NATO partners. In essence, the US would ‘forward-partner’ with its European allies.

Dealing with the US focus on Asia

A key question is whether this shift of emphasis for NATO could support the dominant foreign policy initiative of the Obama administration’s first term: its ‘pivot’ of US diplomatic effort to the Asia-Pacific region. At the heart of this approach was the need for the US to

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9 See R. Nicholas Burns, Anchoring the Alliance (Washington, DC: Atlantic Council, 2012), which proposed creating a ‘Pacific Peace Partnership’ involving countries such as Australia, Japan, New Zealand, Singapore and South Korea.

respond to the growing political and economic influence of China across the region, given America’s own growing economic interests there and long-standing security commitments to its allies, from Japan to South Korea and Australia. What US National Security Adviser Tom Donilon has recently called the ‘rebalancing’\(^\text{11}\) of US foreign policy reflects a long-term shift in the centre of gravity of geopolitics and geo-economics.

The Asia-Pacific region combines burgeoning economic growth that is reshaping the structure of the global economy with an environment riven by historical grievances, territorial disputes and inadequate security structures. America’s ability to remain the world’s leading power will be contingent on how successful it is in helping manage this environment, even as it continues to protect and promote its own economic interests across the region.

The US adjustment to this new geopolitical environment is ongoing. Planned military re-deployments, especially a substantial increase in the proportion of the US navy deployed to the region and adjustments to US diplomatic commitments and internal bureaucratic organisation, are still under way. Recalibrating US foreign and security policy towards managing China’s rise in the Asia-Pacific region will remain a dominant feature of President Obama’s second term and for at least the first term of the next President.

For the past ten years at least, US officials have sought to engage their European counterparts in a more strategic debate over security in Asia. There has been some appetite for such a debate at a bilateral level, not surprisingly from British and French officials. And EU High Representative Catherine Ashton sought to create a closer EU-US linkage with then-Secretary of State Hillary Clinton on political issues in Asia during the latter part of the first Obama term in office.\(^\text{12}\)

Still, it is unlikely that bolstering security in the Asia-Pacific region will be any more of a fruitful base for transatlantic cooperation in the second Obama term than it was in the first. European nations do not have the same range of interests and commitments in the region as the US. Collective European security horizons remain limited principally to Europe’s Southern and Eastern neighbourhoods. And national military capabilities and strategies, even in the UK, appear to downplay the potential for partnership with the US in the Asia-Pacific region, aside from disaster response and some contributions to joint exercises.\(^\text{13}\)

Attempts by the Chinese leadership to develop a foreign policy commensurate with the country’s growing regional and global weight are more likely to stimulate closer US and European cooperation in non-NATO policy areas.

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\(^{12}\) This was highlighted in the joint statement by Catherine Ashton and then-US Secretary of State Hillary Clinton after their meeting in Phnom Penh on 12 July 2012 to exchange views on developments in the Asia-Pacific region, [http://www.state.gov/r/pa/prs/ps/2012/07/194896.htm](http://www.state.gov/r/pa/prs/ps/2012/07/194896.htm).

\(^{13}\) In a speech in Washington, DC in July 2012, UK Defence Secretary Philip Hammond noted that, ‘For the UK, the defence relationship with the US will always be paramount. But in order to support your rebalancing, we will seek to work more closely with our neighbours in Europe, particularly France and Germany, to enhance the capabilities of our own region, for homeland defence and for intervention abroad.’ See Philip Hammond MP, ‘Address to the Center for a New American Security’, 18 July 2012, [https://www.gov.uk/government/speeches/2012-07-18-address-to-the-centre-for-a-new-american-security](https://www.gov.uk/government/speeches/2012-07-18-address-to-the-centre-for-a-new-american-security).
For example, if the US and the EU can complete their planned comprehensive trade agreements with Japan, this would send an important signal to China of transatlantic support for Japan at a time when the two countries remain in a stand-off over their dispute over the Senkaku/Diaoyu Islands. The trade deals might also strengthen Japan’s capacity to resist economic pressure applied upon it by the Chinese side should Sino-Japanese relations deteriorate further in the future. Similarly, completion of the US-EU Transatlantic Trade and Investment Partnership in the next couple of years would strengthen considerably US and Europe’s ability to promote a transparent and rules-based approach to international trade and investment.

US and European governments could also take a more coordinated transatlantic approach to resisting the growing number of cyber-attacks emanating from China that are targeting each side’s economic interests. The UK’s new ‘Cyber Security Information Sharing Partnership’ could serve as a template for new levels of information sharing by the US and European private sectors alongside governments on either side of the Atlantic.

And President Obama’s commitment to re-engage the United States in international negotiations to combat climate change (combined with the more flexible approach towards cutting carbon emissions now being sought by some EU governments in the context of restoring economic growth) could provide a further avenue where closer US and European positions might help engage China more effectively.

But, whether these parallel transatlantic steps are successful or not, they will not alter the fact that the US shift of strategic focus to Asia will diminish the day-to-day relevance of NATO to US security.

This shift will also pose an important challenge to the UK-US relationship. On the one hand, the UK should adjust its own security outlook towards Asia to reflect changes in the balance of economic power. Although it does not have the same level of security commitments to the region, the UK is trying to remain one of the world’s leading trading nations through a reinforced commercial diplomacy. It cannot achieve this goal without raising its interaction in the Asia-Pacific region considerably.

As a Permanent Member of the UN Security Council and as a signatory to the Five Power Defence Arrangement, however, it is unrealistic to suppose that the UK could sit by if the


security situation in some part of the Asia-Pacific region were to deteriorate. While standing ‘shoulder-to-shoulder’ with the US there may prove very difficult politically and in terms of resources, the UK should be planning today to assess in what ways it could support the US under such a scenario. Being able to pick up temporarily a few key responsibilities from the US in safe-guarding other vulnerable regions, such as the Persian Gulf, Indian Ocean or the Eastern Mediterranean, would be a valuable form of support.

The US has tried to pivot away from the Middle East during President Obama’s first term. However, a number of challenges will all serve to keep a large part of America’s political and military focus on the Middle East and, therefore, on Europe’s and the UK’s neighbourhood. These include the conflict in Syria, instability across North Africa and the Levant, the very real risk of conflict with Iran over its nuclear weapons programme, and the growing inter-linkages between groups in the Arabian Peninsula and the Sahel affiliated to al-Qaeda.

Clearly, it would be more efficient if the UK were able to offer such support to the US, whether in Asia or the Middle East via a NATO that had prepared for such contingencies. But how open will European NATO members, including the UK, be to such contingency planning?

**The impact of the eurozone crisis in the near-term**

Over the next five years, members of the eurozone and, indeed, the EU as a whole, are likely to experience a period of slow or flat economic growth. Eurozone countries whose loss of economic competitiveness was exposed by the 2008-2009 financial crisis have no alternative other than to undertake profound structural reforms and reduce the cost of labour before they have any hope of rekindling their growth rates. The close economic interdependence between all EU economies means that the effects of this reform programme, exacerbated by simultaneous deficit-cutting programmes, will have a depressive effect upon the more robust eurozone members and non-eurozone members alike.

There are two implications for NATO. First, the need to cut government spending will lead to further cuts in European defence spending over the coming years. Only 3 European members of NATO currently spend over 2% of GDP on defence in 2012 – the United Kingdom, Greece and Estonia. By 2018, this number could be zero. Complaints from US leaders that it is unacceptable that the US continue to account for 70% of NATO defence spending will likely fall on deaf ears. After all, some $115 billion of the $650 billion US

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17 The main mechanism through which the UK maintains a military commitment in Asia is through the auspices of the Five Power Defence Arrangement (FPDA). The alliance dates back to 1971, when the UK withdrew from the region following the Suez crisis. FDPA is a loose consultative arrangement between Malaysia, Singapore, Australia, New Zealand and the UK which came together for the primary purpose of protecting Malaysia and Singapore from external aggression. The FDPA provides no legal obligation to military action, but commits members to consultation. Today, the FDPA members hold joint military exercises as the agreement continues to provide justification for UK presence in Southeast-Asia. For more information, see Carlyle A. Thayer, ‘The Five Power Defence Arrangements: The Quiet Achiever’, Security Challenges, February 2007, http://www.securitychallenges.org.au/ArticlePDFs/vol3no1Thayer.pdf.


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defence budget in 2012 reflected the operational costs of US engagement in Afghanistan and, residually, in Iraq – military operations which carry little political or public support across Europe.\textsuperscript{20} In the eyes of many Europeans, these operations have undercut the logic that higher levels of defence spending help to deliver a safer security environment abroad or improved security at home. As the US enters a period of forced defence cuts as part of the ‘sequester’ process, discussion of military burden-sharing within the Atlantic alliance will return once again.

Recognising that defence spending is unlikely to rise in the coming years, absent a new external military threat, European defence ministries and NATO staff are proposing that European members of NATO adopt a ‘smarter’ approach to their defence investments. For the majority of NATO members with smaller defence budgets, this means pursuing options to integrate particular defence capabilities between members and to specialise in others, while letting go of those capabilities that are not central to a particular country’s defence needs.

As logical as this approach is, the politics of voluntarily giving up particular defence capabilities is difficult. European states may lose the capacity to undertake military operations individually and may find they have political differences with partners upon which they come to rely for joint operations or niche capabilities.

The reservoirs of political goodwill between EU member states that will be essential to move forward with the concept of smart defence and a coordinated approach to cuts in defence spending are being seriously depleted by the mistrust arising out of the eurozone negotiations. Is defence specialisation – the reliance by certain EU members upon the capabilities of others – credible at a time when deficit and creditor members of the eurozone feel there is a ‘devil take the hindmost’ attitude to each other’s economic security? Franco-German cooperation across multiple areas of EU decision-making appears to be weakening. Certainly, the decision by the German government to block the proposed merger between EADS and BAE SYSTEMS was a sign of a more self-interested, nationalist approach in Berlin than might have been expected five years ago.

The eurozone crisis is also one of the factors driving Prime Minster David Cameron to reconsider the UK’s relationship with the EU. While the outcome of the referendum pledge is hard to predict at this time, it is clear that the UK will not form part of the closer political union on monetary and financial that seems likely within the eurozone. The question then is whether the UK can retain influence in key areas of non-monetary European coordination, such as defence integration or Common Security and Defence Policy, when it is no longer part of the mainstream business of European integration.

It is also possible that the US will take a different approach to its EU relations, relying increasingly on relations in Berlin rather than in London in order to try to influence EU decision-making. This shift in US attention need not affect the ‘special’ aspects of the US-UK relationship, such as cooperation in intelligence, counter-terrorism, nuclear weapons programmes and military operations. However, it may affect the underlying strength of the political axis between Washington and London within NATO.

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The longer-term impacts of the eurozone crisis

There will also be longer-term implications for the Atlantic alliance as a result of the euro crisis. Most worrying is that the emergence of a more economically robust EU and eurozone in 2030 may leave little space for a robust, proactive NATO at the same time.

Slow economic growth across the eurozone countries will not only lead to stagnant or declining European defence budgets. Europe’s process of structural economic adjustment will also accelerate the process of global economic rebalancing which has accelerated dramatically in recent years. Relative levels of defence spending between Europe and other parts of the world are already changing markedly. Saudi Arabia already spends more on its defence than Germany.\(^{21}\) Russian defence spending once again exceeds that of France and Germany, while Chinese defence spending is second only to the US.\(^{22}\)

The challenges that these changes in defence capability mean to security not only in Europe, but more profoundly in the Middle East and Asia, will shift the US focus firmly towards those parts of the world where rising defence spending reflects underlying tensions which might lead to conflict and, from there, to economic dislocation. It will also accelerate the process whereby the US seeks out new regional partners or allies in these parts of the world (Indonesia, the Philippines) at the same time as investing more deeply into relationships with existing allies such as Saudi Arabia, Japan, Australia and South Korea.

In contrast, if an EU banking union is established, this will cement German leadership in Europe. But politico-economic leadership of this kind is highly unlikely to be accompanied by a rise in Germany’s military capabilities or a change in its defence mind-set or geopolitical ambitions. It is hard to see Europe as a whole becoming more outwardly-focused and security conscious under this scenario. In place of formal consultation and action via NATO, the US may have to rely more on bilateral European security relationships and coalitions of the willing, such as in Libya, for proactive responses to security threats within and beyond the Euro-Atlantic area.

A big unknown will be how Turkey manages these developments. Even in fifteen or twenty years, Turkey is now unlikely to be a member of the EU. However, it is likely to be the second largest defence spender and have the second largest armed forces in NATO, after the US. With prospects of EU membership diminishing, and with the UK potentially sitting on the edge of Europe, it is possible that Turkey and the UK will develop a closer strategic relationship. At the very least, the US will ensure that it retains close security relationships with both and, in so doing, may contribute to bringing Turkey and the UK closer together.

Another matter to consider in the longer-term is how the painful process of economic adjustment across Europe contributes to the continuing erosion of support for mainstream European political parties and how this might affect NATO. Membership of the Atlantic alliance has been a central point of reference for some of Europe’s leading political parties,

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\(^{22}\) Russia spent c. $60 billion in 2012, while Germany and France spent $40.4 billion and $48.1 billion respectively. China spent $102.4 billion in 2012, roughly twice the spending of the UK, the third highest spender. See IISS, Military Balance, 2013.
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including the Conservatives in the UK, the CDU and SPD in Germany, Dutch Christian Democrats, and the centre right in Italy. Established political narratives were framed not only around traditional political ideologies of right and left, conservatism and social solidarity, but also around notions of being part of a West that was protected by NATO and the Atlantic Alliance against outside threats.

The rise of populist alternatives, with more local agendas, and the emergence of a more ‘liquid’ form of democracy as a result of ubiquitous social media and greater online political activism are likely to undermine notions of membership of a formal alliance. This is also driven by the absence of the external threat which led to NATO’s formation, and the fact that new, global threats, whether from Asia or the Middle East, are of little immediate relevance to these parties’ political agendas.

In the EU’s case, it is unlikely that current forms of political leadership and oversight will persist without substantial further reform in the next decade or two. If the EU survives it will have done so by creating new interconnections between national parliaments and an increasingly powerful European Parliament whose membership is among the most combative to US leadership, whether in the realms of individual privacy, approval of scientific standards or human rights.

Conclusion

In a changing strategic environment, NATO faces important choices regarding its role and contributions to Euro-Atlantic security and defence. Ideas about a ‘global NATO’ now seem unrealistic. NATO’s focus after withdrawing from Afghanistan will face pressure to shift back towards its core mission of security in the Atlantic area, with the potential to complicate relations with Russia. At the same time, the United States will continue to push European states to bear a greater burden of defence expenditure and take the lead on operations in Europe’s neighbourhood. But this pressure is unlikely to prevail over the imperative to reduce government spending in the wake of the euro crisis.

In addition, US foreign policy is undergoing an important rebalancing process to reflect the rising economic and political weight of the Asia-Pacific region. This shift will diminish the day-to-day relevance of NATO to US security and defence. European states do not share the range of interests and obligations that the United States does across this region.

In the longer-term, Europe’s comparative defence expenditure will decline compared to many emerging economies. And a more economically robust EU and eurozone in 2030 may leave little space for a robust, proactive NATO or a more security conscious or capable EU.

Overall, if European NATO members are unable to make better or smarter use of their limited defence resources and take up more of the slack from a US which is increasingly a ‘primus inter pares’ in a multipolar world, then NATO will become more an insurance policy of last resort rather than an asset that its members can use in order to enhance their day-to-day security.

9 May 2013

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