

## **European Security and its Costs**

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The author bears sole responsibility for the views expressed herein

## Introduction

Security has many dimensions. The one considered in this paper is military security with respect to military threats. Europe – meaning Western Europe in the cold war, and the European Union, plus a few states that belong to NATO but not the EU, today – has had only one possible military threat since the end of World War 2: Russia. First, during the cold war, in the guise of the Soviet Union and the Warsaw Pact. Then on its own – even if, during a pause between the early nineties and 2014, Moscow was no longer considered an adversary by Europe and NATO. The Russian military threat is of course hypothetical: while Moscow is a real and present danger to Ukraine sovereignty, its intentions toward the rest of Europe are more hyped than really known (para 4).

So, the first part of this paper (para 1-3) measures Europe's security relative to Russian conventional military capabilities and the Russian economy which is behind them. Conventional, because against nuclear weapons there is no defense, only the hope that deterrence work. Or, better, nuclear disarmament. On the contrary, defense against a conventional attack is possible and depends, by and large, on the balance of forces. A discussion of what little the UE does in the defense field, and of what more and better it could do, follows (para 5).

The current debate on whether European defense efforts are adequate to counter the hypothetical Russian threat - an old question: how much is enough?<sup>1</sup> – revolves almost exclusively around percentages (of GDPs). It is a most inappropriate yardstick with which to gauge defense efforts. It has turned the discussion into a race at upping the ante with no linkage to economic realities, on the one hand, and to the yet unknown additional military capabilities NATO is supposed to buy with its members' money, on the other (para 6 and 7).

Next, I turn on two issues that, on the contrary, do not receive, in my opinion, enough attention: how strong is Europe's military security today compared with the cold war (para 8) and how necessary arms control is to bring about military stability (para 9).

Finally (para 10), I go back to what Europe on the one hand, and the U.S. on the other, tried to do - or didn't - to first dissuade Russia's hostility toward Ukraine and then persuade Ukraine to negotiate with Russia. To show that Europe needs to pursue its strategic autonomy.

### 1. Arms

How is today the conventional military balance between NATO and Russia? Is it really so unfavorable to NATO that the Alliance needs to drastically raise its military spending and prepare to war, as we read and hear every day?

There are many ways to look at conventional capabilities. Some, such as the level of readiness of most military units, or the overall quantitative availability of certain – not all - weapon systems (or munitions therefor), are beyond the reach of lay persons as myself, because they are classified.<sup>2</sup>

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<sup>1</sup> Alain C. Enthoven, K. Wayne Smith, *How Much Is Enough? – Shaping the Defense Program 1961-1969*, originally published by Harper & Row, Publishers Inc., in 1971, republished 2005 by The Rand Corporation, Santa Monica, Arlington, Pittsburgh.

<sup>2</sup> Actually, during the cold war there were fairly reliable, publicly available, estimates of the level of readiness of Soviet and NATO divisions. To the best of my knowledge, this is no longer the case.

Nonetheless, there are so many data on the world's weapons' holdings, that the main problem is to find criteria making comparisons meaningful.

As for the NATO-Russia conventional military balance, I found only logical to use the categories employed by the Conventional Forces in Europe (CFE) Treaty of 1990, from which Russia withdrew in 2023 but NATO still takes part in, although in a suspension mode. In these categories, the Treaty led to the actual destruction, in the tens of thousands, of actual weapon systems that were then, and are now, considered to be the backbone of military force.

The war in Ukraine has shown the growing importance of other weapons, such as drones and short-range anti-tank and anti-aircraft missiles. It was this kind of hardware, supplied by Western countries, that decisively helped Ukraine to repel Russia's initial attempt to reach Kyiv. But, ultimately, it is still with the stuff included in the CFE Treaty that armies win or lose a war over territory.

The CFE categories are the following five: main battle tanks, armored combat vehicles (armored personnel carriers, armored infantry fighting vehicles), artillery (of 100mm caliber and above), combat aircraft (air superiority fighters, fighter-bombers, tactical air support fighters) and attack helicopters.<sup>3</sup> The source of the relevant data is the *Military Balance* of the International Institute of Strategic Studies (IISS), 2021 and 2024 editions for, respectively, the situation before (2020) and after (2023) Russia's invasion of Ukraine.

In both cases, *even considering only NATO Europe* - i.e. excluding Canada and the United States, both of which deploy military units in Europe,<sup>4</sup> and are also ready to reinforce on relatively short notice - Russian force numbers appear to be clearly inferior (see Tables 1 and 2). As for the quality, the superiority of NATO weaponry is well known and undisputed.

In 2020 Russia had roughly one third of the tanks, about half of the armored combat vehicles, four fifths of the artillery pieces and 40 percent of the combat aircraft of NATO Europe's. The only Russian advantage was in attack helicopters, twice as many as NATO Europe's.

Russia also had in 2020 great numbers of old equipment in store: 10,200 tanks, 14,500 armored combat vehicles, 22,485 artillery pieces. Many of those, after refurbishment, ended up replacing heavy Russian losses in the Ukrainian war.

In 2023, the situation appears to be largely the same: NATO Europe has slightly less of something (tanks, aircraft, helicopters), presumably for having transferred to Ukraine some of its hardware, Russia substantially less of everything, especially as far as artillery is concerned, certainly due to its losses in Ukraine. Russian equipment in store as well, now appears to have decreased substantially:

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<sup>3</sup> The text of the CFE Treaty, with the definition of the limited equipment, is available in 6 different languages on the website of the Organization for Security and Cooperation in Europe, <https://www.osce.org/library/14087>. For a short history of the Treaty see "The Conventional Armed Forces Treaty in Europe and the Adapted CFE Treaty at a Glance", *The Arms control Association*, November 2023, <https://www.armscontrol.org/factsheets/conventional-armed-forces-europe-cfe-treaty-and-adapted-cfe-treaty-glance>.

<sup>4</sup> Canada has troops in Cyprus (with the U.N.) Kosovo, Latvia (1,000), Poland, the UK and the North Sea. The U.S. in Belgium, Bulgaria, Germany, Greece, Denmark (Greenland), Hungary, Italy, Kosovo, Lithuania, the Mediterranean Sea, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain, Turkiye, and the UK, for a total of more than 100,000. See International Institute for Strategic Studies, *The Military Balance 2024*, (London: Taylor & Francis, 2024).

there are but 4,000 tanks, 5,100 armored combat vehicles and 14,110 artillery pieces remaining in store.

According to the widely quoted Dutch website of open source intelligence Oryx (Oryxspioenkop.com), visually confirmed Russian losses of equipment (destroyed, damaged, abandoned or captured) in Ukraine, cumulatively amounted, as of mid-November 2024, to 3,588 main battle tanks, 6,074 armored combat vehicles, 1,705 artillery pieces, 132 aircraft (including some transport and strategic bomber aircraft), 147 helicopters (including 38 transport helicopters).

Compare these numbers with those of Russian holdings in 2020 (Table 1) and it turns out that Moscow lost the entire fleet of main battle tanks it had then, *plus another fourth*, almost half (44%) of its armored combat vehicles, 20% of its artillery pieces, 12% of its combat aircraft, 12% of its attack helicopters.

Discussing the possibility for Russia to expand its force structure, the IISS notes that it “[...] would also further strain Russia’s domestic defense industry and remaining stockpiles of Cold War-era armor and artillery. Although the inventory of that equipment is nominally still sizeable, many of the remaining platforms are probably either in poor condition or have been stripped of parts to sustain the current fleet. The actual number of platforms available for reactivation is, therefore, likely to be significantly lower than headline totals suggest.”<sup>5</sup>

The loss of NATO/Western equipment transferred to Ukraine, according to the same source at the same point in time, is far less than Russia’s: 65 main battle tanks, 598 armored combat vehicles, 272 artillery pieces, 8 aircraft (1 F-16 and 7 L-39 trainers), 1 transport helicopter.

The CFE categories used here ignore naval forces. These might have an impact, though, on a hypothetical war in Europe between NATO and Russia: besides hunting SSBNs and other vessels, they can be used to attack targets on land, to land troops on shore, to secure sea lanes of communications for reinforcement of weapons and troops.

But this is a field where NATO’s advantages are so glaring that few in the West ever waste time mentioning them: the Russian Navy, inferior in numbers and quality, is mainly bottled in the Black and North Sea, whose accesses are under total NATO control. Its capacity to sail in the Mediterranean has been further hit recently by the fall of the Assad regime in Syria and the consequent loss of the use of the port at Tartus.<sup>6</sup> According to the Oryx website, Ukraine, practically without a Navy of its own, managed to destroy (21) or damage (7) Russian naval vessels in the Black Sea, including the flagship cruiser Moskva, three corvettes, one Kilo class submarine, four landing ships.

In short, Russia has been weakened in Ukraine by big losses of key weapon systems, replaced by and large by obsolete refurbished materiel long kept in storage, much less by newly produced stuff, in a proportion of about three to one.<sup>7</sup>

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<sup>5</sup> Ibid., p. 167. See also “Russian vast stocks of Soviet-era weaponry are running out”, *The Economist*, July 16, 2024.

<sup>6</sup> “Syrian rebels have dealt a blow to Vladimir Putin’s naval ambitions”, *The Economist*, December 10, 2024.

<sup>7</sup> Dara Massicot (with Richard Connolly), “Russian Military Reconstitution: 2030 Pathways and Prospects”, *Carnegie Endowment for International Peace*, September 2024, p.36.

When the U.S. Secretary of Defense, Lloyd Austin, went to Kyiv on April 24, 2022, exactly two months after the beginning of Russia’s invasion of Ukraine, he made clear that by aiding Ukraine, Washington wanted to weaken Russia militarily.<sup>8</sup> A bid that now seems to have succeeded.

“Objectively – wrote *The Economist*, I don’t know if candidly or cynically - American support to Ukraine is a superb deal. With cumulative American aid for the war standing at below 10% of the annual US defense budget and no American casualties, America ties down Russia’s army and impairs its economy. Most of the money spent on weapons for Ukraine remains in America.”<sup>9</sup>

Simply going back to the manning and weapon holdings levels ante-invasion of Ukraine will take years to Russia, at least the rest of the present decade, and reaching such a goal remains contingent on a number of constraints, ranging from how long the war in Ukraine will still last, to adverse demographics and labor shortages in the Russian economy, to a lack of resources for further investment in military production, even in the framework of moderate GDP growth in the near term.<sup>10</sup>

Before February 24, 2022, NATO’s conventional superiority vis-à-vis Russia was not even discussed, inasmuch as it was given for granted. For example, a common explanation for the reason why Russia is keeping thousands of tactical, short-range nuclear weapons – as opposed to the hundred or so deployed by NATO in Europe – is that “[...] these weapons are able to offset the superior conventional forces of NATO, particularly of the United States. After Russia’s significant conventional losses in the Ukraine war, the relative importance of nonstrategic nuclear weapons will likely be further reinforced or even increase.”<sup>11</sup>

“The inescapable fact – wrote the current Chief of the British Defense Staff, Admiral Sir Tony Radakin – is that any Russian assault or incursion against NATO would prompt an overwhelming response. The thousands of Allied troops currently stationed in Poland and the Baltic states could draw on the 3.5 million uniformed personnel across the Alliance for reinforcement. NATO’s combat air forces — which outnumber Russia’s 3 to 1 — would quickly establish air superiority. NATO’s maritime forces would bottle up the Russian Navy in the Barents and the Baltic, just as Ukraine pushed the Black Sea Fleet from Crimea. NATO has four times as many ships and three times as many submarines as Russia [...] With a collective GDP twenty times greater than Russia. And a total defense budget three-and-a-half times more than Russia and China combined. Plus, NATO has the additional strategic depth of a population of over 1 billion. And sitting above all of this is NATO as a nuclear alliance. The biggest reason that Putin doesn’t want a conflict with NATO is because Russia will lose. And lose quickly.”<sup>12</sup>

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<sup>8</sup> Kylie Atwood, Jennifer Hansler, “Austin says US wants to see Russia’s military capabilities weakened”, *CNN*, April 25, 2022.

<sup>9</sup> “The world is bracing for Donald Trump’s possible return”, January 22, 2024.

<sup>10</sup> Massicot, cit.

<sup>11</sup> Hans Kristensen, Matt Korda, Eliana Johns, and Mackenzie Knight, “Russian nuclear weapons, 2024”, *The Bulletin of the Atomic Scientists*, March 7, 2024.

<sup>12</sup> Chief of the Defence Staff, Admiral Sir Tony Radakin, Keynote Speech at Chatham House Security and Defence Conference, February 27, 2024, quoted in George Beebe, Mark Episkopos, Anatol Lieven, “Right-Sizing the Russian Threat to Europe”, *Quincy Institute for Responsible Statecraft*, Quincy Brief No. 60, July 2024. The entire text of Radakin’s speech is available at <https://www.gov.uk/government/speeches/chief-of-the-defence-chatham-house-security-and-defence-conference-2024-keynote-speech>.

## 2. People

Beyond numbers, Russian armed forces showed in Ukraine obvious problems of performance. In this regard, the IISS wrote in early 2023 that “defense and intelligence specialists need to sharpen focus on methodologies important to the assessment of military capabilities, and *in this case revise how they evaluate Russia’s armed forces* [...] Russian forces displayed lower standards of tactical competence, command, leadership and logistics than their Ukrainian counterparts.”<sup>13</sup>

About a year later, the Director of the Central Intelligence Agency (CIA), William J. Burns, wrote what follows. “Putin’s war has already been a failure for Russia on many levels. His original goal of seizing Kyiv and subjugating Ukraine proved foolish and illusory. His military has suffered immense damage. At least 315,000 Russian soldiers have been killed or wounded, two thirds of Russia’s prewar tank inventory has been destroyed, and Putin’s vaunted decades-long military modernization program has been hollowed out.”<sup>14</sup>

Since then, Russian losses only got worse. In October 2024, according to U.S. assessments, Russian casualties in the war numbered 615,000 - 115,000 killed and 500,000 wounded. This is double Burns’ estimate at the beginning of the same year, 2024. Ukraine would have suffered about half of Russia’s casualties, or little more than 57,500 killed and 250,000 wounded.<sup>15</sup>

More precisely and independently, by collecting public information such as obituaries, cemetery burials and the public notary database, journalists from two Russian news outlets, Mediazona and Meduza, and the BBC Russian Service estimated that Russia’s military had suffered a total of 405,000 irreplaceable losses (soldiers who are dead or so seriously injured that they will never see battle again) by late October. Using a similar method, Olga Ivshina of the BBC estimated 484,000 irreplaceable Russian losses in the same period.<sup>16</sup> This corresponds to about half of Russia’s active personnel in 2020 (see Table 3).

Whatever estimate one takes, it appears that Russia has lost more personnel in Ukraine than in all the other wars combined it fought since the end of World War 2.

As for Ukraine, according to another estimate, between the start of the war and November 19, 2024, “at least 60,000-100,000 Ukrainians have died. Perhaps a further 400,000 are too injured to fight on [...] nearly one in twenty men of fighting age [18-49-years-old] have been killed.”<sup>17</sup> A conservative estimate of civilian victims in Ukraine, from the beginning of the Russian invasion up to October 2024, is more than 12,000 killed and about 27,000 injured.<sup>18</sup>

And when it comes to injuries, an American volunteer surgeon who spent several weeks in the war zone in eastern Ukraine wrote to have “never seen the sheer number of complex and horrifying

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<sup>13</sup> International Institute for Strategic Studies, *The Military Balance 2023* (London: Routledge, 2023) ch. 1, “Defence and Military Analysis – The Shadow of War”, emphasis added.

<sup>14</sup> William J. Burnes, “Spycraft and Statecraft”, *Foreign Affairs*, January 30, 2024.

<sup>15</sup> Eric Schmitt, “September Was Deadly Month for Russian Troops in Ukraine, U.S. Says”, *The New York Times*, October 10, 2024.

<sup>16</sup> See Anatoly Kurmanaev, “Russia Has Suffered Colossal Losses in Ukraine. Is Its Army Depleted?”, *The New York Times*, November 19, 2024.

<sup>17</sup> “How many Ukrainian soldiers have died?”, *The Economist*, November 26, 2024.

<sup>18</sup> See United Nations, Office of the High Commissioner for Human Rights, *Ukraine: Protection of civilians in armed conflicts*, October 2024 Update, 15 November 2024.

injuries Ukrainians are suffering” and of “catastrophically wounded civilians and soldiers injured by artillery, drones, hypersonics and glide bombs.”<sup>19</sup>

If one imagines Russia at war with NATO, the level of material and human losses observed in Ukraine must be multiplied by orders of magnitude – even without escalating to nuclear weapons – thus becoming, I very much hope, unthinkable – even though, as we shall see below, there are plenty of people around these days who do nothing but think about that, including the newly appointed secretary general of NATO, Mark Rutte, according to whom we “must switch to a wartime mindset.”<sup>20</sup>

Table 4 - whose data are from the same source as for weapon holdings, i.e. the Military Balance of the IISS – shows some further comparisons between NATO and Russia. In terms of military personnel, for example, NATO Europe on its own had in 2023 two thirds more active personnel than Russia and almost the same number of reserve personnel.

Currently, the EU has a population (450 million) which is three times Russia’s (145 million). The U.S. (342 million) two and half times Russia’s. When the U.S.S.R. was dissolved, Ukraine had a population of about 50 million, one third of Russia. From that point in time onward, Ukraine has been having a gradual demographic contraction, due to decreasing birth rates and increasing emigration – before and after Russia’s invasion. Today, its population is estimated at about 38 million, approximately one fourth of Russia’s.

### 3. Money

In 2023 – see again Table 4 - NATO Europe’s military expenditures were between 5- and 3.4-times Russia’s (in U.S. dollars) at current exchange rates, or between 2.2- and 1.5-times (in U.S. dollars) at parity of purchasing power (PPP) – depending on the criteria used to calculate Russian spending.<sup>21</sup> And this is, let me emphasize once again, excluding from the comparison the U.S. and Canada.

Let us also not forget that we are comparing here two very different things. On the one hand you have Russia, a country in the third year of a high attrition war, which burns at a very sustained rate what spends for its human and material military forces. While on the other, you have NATO, a coalition of 32 much richer countries, which are not directly involved in that war and whose losses are limited to the materiel, not always top of the line, turned over to Ukraine.

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<sup>19</sup> Jeff Colyer, “You Should Be Alarmed by the War Wounds I Treated in Ukraine”, *The Wall Street Journal*, May 31, 2024. The author is a former governor of Kansas.

<sup>20</sup> Katya Adler and Maia Davies, “NATO must switch to a wartime mindset, warns secretary general”, *BBC News*, December 12, 2024.

<sup>21</sup> The smaller figure for Russia in Table 2 under a) is strictly the National Defense budget and excludes other defense-related expenditures under other budget lines”, such as pensions, paramilitary forces, housing etc., included in the bigger figure under b). Note that the Stockholm International Peace Research Institute (SIPRI) Yearbook, *World Military Expenditures and Arms Transfers*, also uses the latter, more inclusive, definition. To turn currencies into PPP dollars, I used the data on Gross Domestic Product (GDP) of various countries provided by the International Monetary Fund (IMF), *World Economic Outlook Database*, October 2024 available at the following link: <https://www.imf.org/en/Publications/WEO/weo-database/2024/October>. *The Economist*, using different, unspecified criteria, also showed comparisons based on “military” PPP in “How countries rank by military spending”, May 7, 2024. Using those data instead of those shown in Table 2, NATO Europe’s defense spending is about 1.75 Russia’s.

As if all this was not enough, provisional data for 2024 show a further increase of NATO defense expenditures of 11% in real terms over 2023 – which breaks down to an 18% increase for NATO Europe (and Canada) and 7.2% for the U.S.<sup>22</sup>

As for the overall economy that is behind defense expenditures, Russia's GDP is a little more than one tenth of the EU's and 7.2% of the U.S.'s at current exchange rates; about one fourth of both the EU's and the U.S.'s at PPP.

The publicly available data and information shown so far make clear beyond any doubt that however and whenever its invasion of Ukraine is going to end, Russia is no military match for NATO as a whole, nor for NATO Europe on its own. Contrary to what we hear and read every day, invading Ukraine has made Russia weaker, not stronger, than it was before. Europe should exit its state of panicked hysteria (about which more below), calm down: it has enough relative to its only adversary, Russia. Its security is strong, what it needs may be improvements at the margins, not blind, indiscriminate injections of hundreds of billions of Euros (about which more below).

The panic so widespread in the Northeastern arc of NATO is as much about Russia as, or more, about U.S. President Donald Trump threats of abandoning Europe to its destiny if it does not spend more on defense.

Most (23 out of 32) allies have now met the 2% target.<sup>23</sup> The gap in NATO favor with Russia's military expenditures and conventional capabilities widens. Nonetheless the drumbeat for further increases never stops. A list of people and media sources advocating just that would be longer than this paper. Let's just take Jens Stoltenberg.

Who, shortly after having left his post as secretary general of NATO, is reported in an interview as saying that "Europe has too few weapons, capabilities and troops at high readiness" – as I noted above, on readiness there are no public data, but weapons, capabilities and troops, on the contrary, Europe definitively looks like having enough.

But Stoltenberg insists: "We know that we are behind [the Russians], I can't tell you exactly how much it will cost. But I can tell you with certainty that if allies are going to deliver on the capabilities they have promised . . . it will cost much more than 2 per cent, whether it's 2.5 or 3."<sup>24</sup>

Perhaps the European taxpayers that ultimately would foot this huge bill (1% of the EU GDP, for example, corresponds to about € 170 billion and it's equal to the whole EU budget) deserve more information than this rule-of-thumb estimates proffered over lunch by the former secretary general of NATO. What additional capabilities does Europe need? More tanks, more aircraft, more ships, more troops? More of what?

Over time, this bad habit of shooting in the dark ever higher figures of additional money to be spent on vague concept such as NATO "defense preparedness", or arms "production capacity", has only got worse. Take for example the report on European competitiveness chaired by the former head

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<sup>22</sup> NATO Press Release, "Defense Expenditures of NATO Countries (2014-2024)", June 12, 2024.

<sup>23</sup> Ibid.

<sup>24</sup> Henry Foy, "Former NATO chief Jens Stoltenberg: 'So far, we have called Putin's bluff'", *Financial Times*, October 4, 2024. The interview took place according to a format the newspaper calls "Lunch with the FT".



of the European Central Bank, Mario Draghi. Overall, boosting competitiveness would require “a *minimum annual additional investment of € 750 to 800 billion*” or “4.4-4.7% of EU GDP in 2023.”<sup>25</sup>

Defense is only one of many sectors considered in the report and it is not clear what its share of this massive investment effort would be. The only hint is this implicit endorsement: “In June 2024, the Commission estimated that additional defense investments of around € 500 billion are needed over the next decade.”<sup>26</sup> The source for this estimate is a speech by Ursula von der Leyen, the President of the European Commission.

Note that only a few months before, in January 2024, the Commissioner then in charge of the internal market and defense industry, the French Thierry Breton, had called for the creation of a fund to foster cooperation in the defense sector of € 100 billion.<sup>27</sup> At the time it already looked as a big amount. Little did anybody know then that it was about to be multiplied by five.

Here is, in von der Leyen’s words, the methodology used to arrive at the estimate. “We have taken various sources, from the Strategic Compass to the European Defense Industrial Strategy, to identify the defense capabilities that are required. We have on top, in addition, some Member States that have recently called for a European air defense shield, and others that called for the reinforcement of the Union’s eastern land border. And if we take all of this into account and based on non-classified sources, we estimate that additional defense investments of around € 500 billion are needed over the next decade.”<sup>28</sup>

Even though this looks more like a hastily put together cooking recipe than analysis, it has soon acquired a life of its own and seems to be at a relatively advanced stage of realization. It would involve the set-up of a so-called special purpose vehicle (SPV), a financial instrument to issue bonds backed by national guarantees (read: create further public liabilities) of participating countries. These would not only be EU member states, but would include for example Norway and the UK. The European Investment Bank, the lending arm of EU, so far kept outside the financing of defense projects, would help administer the SPV.<sup>29</sup>

As if all this were not enough, in another report to the European commission, the former president of Finland, Sauli Niinistö, proposed that at least 20% of the overall EU budget – i.e. € 30-40 billion a year - contribute to the EU’s security and crisis preparedness.<sup>30</sup>

But again, these are vague goals. What is all this money supposed to buy? In about three years of sustaining Ukraine’s defense against Russia’s invasion only one weakness has emerged with clarity

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<sup>25</sup> *The future of European competitiveness*, part B, “In-depth analysis and recommendations”, September 2024, p.281.

<sup>26</sup> *The future of European competitiveness*, part A, “A competitiveness strategy for Europe”, September 2024, p.50.

<sup>27</sup> See Aurélie Pugnet, “Breton pitches € 100 billion fund for defense industry cooperation”, *Euroactiv*, January 10, 2024. In September 2024, Breton resigned citing “questionable governance” on the part of Ursula von der Leyen. See Jennifer Rankin, “France’s European Commissioner resigns amid row with von der Leyen”, *The Guardian*, September 16, 2024.

<sup>28</sup> European Commission, “Opening remarks by President von der Leyen at the joint press conference with President Michel and Belgian President De Croo following the meeting of the European Council of 27 June 2024”, Brussels, June 28, 2024.

<sup>29</sup> See Paola Tamma, Henry Foy, Eleni Varvitsioti and John Paul Rathbone, “Europe races to set up € 500 billion defense fund”, *Financial Times*, December 5, 2024.

<sup>30</sup> See *Safer Together - Strengthening Europe’s Civilian and Military Preparedness and Readiness*, Report by Sauli Niinistö, former President of the Republic of Finland, in his capacity as Special Adviser to the President of the European Commission, 30 October 2024, p.29.

in the public domain: artillery shells. The cry for more has consistently been: munitions, munitions, munitions. NATO does not produce enough of those, for itself and to sustain Ukraine.<sup>31</sup>

From what I understand, NATO may have had lower levels of artillery ammunitions in store, and a fairly limited production capacity, simply because its reliance on so-called “combined arms operations” allows it to use its artillery less intensively than the legacy armies of the former Soviet Union, including of course Russia’s and Ukraine’s. An additional problem has been the different calibers, with respect to NATO’s standards, of the artillery employed by the Ukrainian army.

However, remedies have been taken on both sides of the Atlantic, production capacity and output are increasing, both for helping Ukraine and for filling NATO’s storage sites.<sup>32</sup> The EU Act in Support of Ammunition Production (ASAP), is seemingly succeeding in bringing ammunition production to 2 million pieces a year by 2025. With only € 500 million. A mere half a billion.<sup>33</sup>

So, it is hardly believable that this – plus let’s say the production of more missiles of different sorts and more drones - can possibly imply hundreds of billions of euros of additional expenditures, year after year after year.

If European arms production is so depleted by “decades of neglect” and the “peace dividend” – as the incessant complaint goes – a sudden injection of money on the demand side risks either to go unspent, or to chase higher prices, i.e. to fuel a sector-specific inflation. Higher prices mean higher profits for arms makers, and this is exactly what the markets seem to expect if one looks at the valuation of the major European arms production from the beginning of Russia’s invasion of Ukraine onwards.

The relevant FT composite index (see Figure 1) doubled in the two years since February 2022. Some firms did much better than average: the German Rheinmetall, for example, quintupled its market capitalization over the same period of time. The curve shows a first puncture to what began to look as a speculative bubble in the spring of 2024<sup>34</sup>. Worse times, from the point of view of investors, may of course come if fighting in Ukraine stops, or if the priorities of Europe’s welfare states in a tight fiscal environment displace the grandiose projects of more defense spending, or both.

Substantial additional spending could perhaps be needed for some time, if Europe decided to pursue a degree of strategic autonomy from the U.S., because this would imply the duplication of assets and capabilities in fields like command, control, intelligence, strategic transport, force projection - that only the U.S. currently has.

But this is clearly not what Stoltenberg – who is from Norway, a country outside the EU - has in mind, given his vehement opposition to such duplications and indeed to any EU defense role not

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<sup>31</sup> “Can Europe arm Ukraine – or even itself?” – asked *The Economist*, January 14, 2024. But the article almost exclusively touched upon, photos and all, artillery shells. Its title in the press edition of January 20 was in fact “Shell-shocked”.

<sup>32</sup> See Sylvia Pfeifer and Nic Fildes, “Defense companies search for scale in ammunition race for Ukraine”, *Financial Times*, October 14, 2024.

<sup>33</sup> More information on this program at the following link: [https://defence-industry-space.ec.europa.eu/eu-defence-industry/asap-boosting-defence-production\\_en](https://defence-industry-space.ec.europa.eu/eu-defence-industry/asap-boosting-defence-production_en).

<sup>34</sup> See Tina Teng, “Defense stocks take a dive: Why are traders nervous about their record run?”, *Euronews*, April 11, 2024.

merely ancillary to NATO's in general and America's in particular.<sup>35</sup> Note that "avoiding unnecessary duplications" – code for taming any ambition the EU may have in the defense field – punctually appears in the final communiqué of the Washington NATO summit of July 2024 apropos NATO-EU relations.<sup>36</sup>

#### 4. Putinology

Russian intentions are the object of a novel discipline, putinology, characterized by the property of supporting whatever conclusion and its opposite at the same time. When putinologists want to downplay the threat of a Russian nuclear first use, Vladimir Putin is as cold minded as a bluffing poker player. When they want to overplay the Russian threat, he is so irrational, so blinded by fury, as to be ready and eager to go beyond Ukraine – where his troops are bogged down since the beginning of 2022 - and attack NATO, just for the sake of it.

Thus, we are entering a realm where everything seems to become possible, even the extremely unlikely or implausible. And it often comes from people who are supposed to know better.

Thus, according to the Danish Defense Minister, Troels Lund Poulsen, "It cannot be ruled out that within a three- to five-year period, Russia will test Article 5 and NATO's solidarity [...] Russia's capacity to produce military equipment has increased tremendously [...] Russia potentially has the will to [launch attacks]. Now they can also have the ability in terms of military capability earlier than we expected."<sup>37</sup>

If a Russian invasion is so imminent, the alarm rises dramatically. "The past few years have also made it very, very clear that NATO as a military alliance, a lot of countries, are not ready to conduct largescale operations — meaning, in simple human language, a lot of NATO militaries are not ready to fight Russia" says to The New York Times Maj. Gen. Veiko-Vello Palm, the commander of the Estonian Army's main land combat division<sup>38</sup> – an army of 3,750 personnel, in a country with a population of 1.3 million, i.e. about one third of Madrid's or Berlin's, that actually depends for its own defense on "a lot of NATO militaries" deployed on its very territory.

Since Russia's invasion of Ukraine, leaders of the three Baltic states have been relentless in telling European NATO partners what they should do, particularly how they should spend their money. "Latvia's [President] Edgars Rinkēvičs [said] that European countries needed to return to 'cold war-era spending' levels and should discuss the return of compulsory military service to boost defense

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<sup>35</sup> "NATO chief warns EU against setting up a 'competing' force", *Financial Times*, September 20, 2024.

<sup>36</sup> "NATO recognises the value of a stronger and more capable European defence that contributes positively to transatlantic and global security and is complementary to, and interoperable with NATO. The development of coherent, complementary and interoperable defence capabilities, *avoiding unnecessary duplication*, is key in our joint efforts to make the Euro-Atlantic area safer". North Atlantic Treaty Organization, *Washington Summit Declaration*, Press Release 2024 001, July 10, 2024, p. 9, emphasis added.

<sup>37</sup> Richard Milne and Marton Dunai, "Russia could attack a NATO country within 3 to 5 years, Denmark warns", *Financial Times*, February 9, 2024. More recently, the Danish prime minister, Mette Frederiksen, declared "I have never thought that this war is primarily a question about Ukraine. I see this as a question about Russia [...] They will continue to attack European countries in different ways and different levels". See Ben Hall, "Denmark to revamp defense plan agreed just 8 months ago", *Financial Times*, December 18, 2024.

<sup>38</sup> Lara Jakes and Christina Anderson, "For Europe and NATO, a Russian Invasion Is No Longer Unthinkable", *The New York Times*, February 9, 2024.

forces' manpower. [...] Estonian President Alar Karis said [...] that a special tax to fund military purchases was worth considering, while Europe should aim to match US defense spending at a minimum — implying a more than doubling of current levels.”<sup>39</sup>

For the record, NATO deploys a battlegroup, “fully combat-capable formations”, in each of the Baltic nations. Contributing nations are: the UK (lead), France and Iceland in Estonia; Canada (lead), Albania, Czechia, Iceland, Italy, Montenegro, North Macedonia, Poland, Slovakia, Slovenia and Spain in Latvia; Germany (lead), Belgium, Czechia, Luxembourg, the Netherlands and Norway in Lithuania.<sup>40</sup>

Perhaps, it is an old reflex from the cold war, or the historical dread the Nordics and the Baltics have vis-à-vis Moscow, but even considering the shock caused throughout the West by Russia's invasion of Ukraine, there is this strong tendency to depict NATO as being hopelessly under armed and underfunded, or to lend credence to the most unlikely scenario one can think of.

Take the news that “NATO states are able to provide *less than 5 per cent* of air defense capacities deemed necessary to protect its members in central and eastern Europe against a full-scale attack”. Less than 5 per cent means practically zero, NATO is defenseless. If this is the case, of course this is “laying bare the scale of the continent's vulnerabilities”. But where this news comes from? Classified information, NATO's internal calculation, “people familiar with confidential defense plans.”<sup>41</sup> No way to independently check, so anything goes.

As complicated scenarios go, here is a Russian-Chinese joint military exercise in 2030 in the Arctic leading, first, to Russia announcing its control over the Arctic continental shelf and then to a Sino-Russian invasion of Norway's Svalbard archipelago. What can the hapless Europeans do at that point, given the preceding U.S. disengagement from the defense of the old continent? Either cede control of the archipelago or launch a (French or British) nuclear retaliatory strike. Terrible strategic dilemma.<sup>42</sup>

The race to concoct ever more implausible scenarios or to call for ever more resources to plug unspecified holes in NATO defense capabilities is actually a testimony to the basic soundness of European security vis-à-vis Russia under plausible scenarios and with the current, adequate resources.<sup>43</sup>

## 5. A European Army

I will not touch at length here on the many initiatives undertaken by the EU in the defense field since the beginning of Russia's invasion of Ukraine. The EU has always been kept at arms' length from security and defense by its member states, wanting to retain for themselves this function of

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<sup>39</sup> Richard Milne and Ben Hall, “Baltic leaders urge NATO members to bring back conscription”, *Financial Times*, March 25, 2024.

<sup>40</sup> See North Atlantic Treaty Organization, “NATO's Military Presence in the East of the Alliance”, July 8, 2024.

<sup>41</sup> Henry Foy and John Paul Rathbone, “NATO has just 5% of air defense needed to protect eastern flank”, *Financial Times*, May 29, 2024.

<sup>42</sup> See John Paul Rathbone, Henry Foy and Ben Hall, “Can Europe defend itself without America?”, *Financial Times*, November 25, 2024.

<sup>43</sup> For a sober and realistic analysis of Russia's intentions and capabilities, see George Beebe, Mark Episkopos, Anatol Lieven, “Right-Sizing the Russian Threat to Europe”, cit.

government – as several others. Nonetheless, Brussels has a way of creeping into national prerogatives over time, by doing little, ancillary things under the heading of coordinating member states on this or that and providing some ‘seed’ money to foster this or that.

If you read in what I just wrote a critique of this state of affairs you are correct. But not to the EU for being too intrusive into the preserve of national capitals. Rather for its contrary, i.e. for national capitals not transferring further key functions of government - beginning precisely with security, defense and foreign policy - to Brussels, the EU potential federal center.

The way for the EU to step outside of its turf is its strong mandate on the internal market, which means production, which means industry, therefore perhaps defense industry.

A European Defense Agency exists since 2004 precisely with the goal of “promoting cooperation” among EU member states to improve their “defense capabilities”, but has achieved little in twenty years beyond providing good salaries to national officials seconded to Brussels, the site of the Agency.

At the beginning of 2021, a European Defense Fund (EDF) started functioning. It “incentivizes and supports collaborative, cross-border research and development in the area of defense. It aims at fostering the competitiveness and innovativeness of contributing to the EU's strategic autonomy.” It has a budget of less than € 8 billion for the 2021-2027 period – not much on the scale of current and future European defense expenditures.

In March 2024, the Commission presented the European Defense Industry Strategy (EDIS) and the European Defense Investment Program (EDIP). The former is a communication, the latter is a regulation, not yet approved by the Parliament and the Council. Funding: € 1,5 billion.

EDIS and EDIP are meant to promote joint procurement between EU countries and aim at increasing interoperability of defense equipment. They grant Ukraine a very similar treatment to the one accorded to EU countries.<sup>44</sup>

Finally, ideas are circulating to divert money earmarked for existing EU policies to defense needs. For example, from structural and cohesion funds, which absorb about a third of the EU budget and aim at “reducing economic and social disparities and promoting sustainable development”. An example? To build or reinforce roads and bridges to allow the passage of tanks and other armored vehicles. Or to boost weapon production.<sup>45</sup>

Keeping the presence and the leadership of American forces in Europe – and the EU limited to the management of its internal market - is a key foreign and security policy goal of a substantial group of European countries that include at least the UK, the four Nordic countries (Denmark, Finland, Norway and Sweden), the Baltics (Estonia, Latvia and Lithuania), Poland and Czechia.

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<sup>44</sup> More information on Eu policy initiatives in this field at the following link:

[https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/europe-fit-digital-age/stronger-european-defence\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/europe-fit-digital-age/stronger-european-defence_en)

<sup>45</sup> See Paola Tamma, “Brussels to free up billions of euros for defense and security from EU budget”, *Financial Times*, November 11, 2024.

Since they all believe that Russia's invasion of Ukraine vindicated their fears of Moscow's malign intentions, we can call them the group "We told you so". It partially overlaps with the Joint Expeditionary Force (JEF), a multi-national military partnership led by the UK and operational since 2018 – well before Finland and Sweden joined NATO – that includes Iceland and the Netherlands but not Poland and Czechia.

The group now moves as such independently from the EU or NATO on the world stage. Together, Poland, Denmark, Finland, Sweden, Lithuania, Latvia, Estonia, Iceland and Norway, for example, successfully lobbied the International Monetary Fund to cancel its routine mission to Moscow as a gesture of solidarity with Ukraine.<sup>46</sup>

On the other hand, more ambitious goals of a federalist nature that would include an *autonomie stratégique européenne* are certainly nurtured by France and are not be written off, depending on the governments in power, in the other founding members of the European Communities - Germany, Italy and the Benelux countries – probably backed by Spain and Portugal.<sup>47</sup> We can call this group the "Tepid Integrationists".

Things are changing in the U.S. itself and the traditional consensus of the foreign policy establishment on the continued relevance of the American leadership in NATO is eroding. Even without lending too much faith in Donald Trump's pronouncements about the Alliance in the course of his successful 2024 presidential campaign trail, a partial U.S. disengagement from NATO, coupled with a shifting of the burden for defending Europe to Europeans, is advocated by a growing number of experts. Who, not surprisingly, are outside the circuit of think tanks associated with the blob, the once bipartisan foreign policy establishment recalled above.<sup>48</sup>

Even in the unlikely event of a complete U.S. disengagement from NATO, the cold numbers tell us that Europe has the raw capacity to guarantee its own security from a Russian conventional threat. Russia has but one clear military advantage over Europe: it is one. Whereas NATO Europe is the EU 27, minus four neutrals (Austria, Cyprus, Ireland and Malta) plus seven non-UE (Albania, Iceland, Montenegro, North Macedonia, Norway, Turkiye and the UK).

This mindbogglingly fragmented group of countries has so far needed the U.S., not only for its firepower, but also for its military leadership in NATO. It is the Pentagon that designed and shaped the force structure over the years, and possesses the intelligence, the hardware and the experience to timely spot threats and conduct operations. Washington is the glue that holds together all the

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<sup>46</sup> See Max Seddon and Paola Tamma, "IMF scraps mission to Moscow after objections from Kyiv's allies", *Financial Times*, September 18, 2024.

<sup>47</sup> Germany will hold general political elections on February 23, 2025. The party leading the polls and probably the next coalition governing the country, is the Christian Democratic Union (CDU). A recent article by Norbert Röttgen, a CDU Member of Parliament, chair of the Bundestag Foreign Affairs Committee between 2014 and 2021, is a balancing act that seems meant to leave all options open to Germany. See his "Europe has run out of time", *Foreign Affairs*, November 22, 2024. At the moment of writing this paper (November 2024), France is in deep political crisis, with no clear majority to form a new government and no chance to hold new legislative elections before July 2025. The government in power in Italy is the least pro-European since the end of World War 2. Governments change, however, and traditional foreign policy attitudes count.

<sup>48</sup> Two written examples of this emerging school of thought are Sumantra Maitra, "Pivoting the U.S. Away from Europe to a Dormant NATO", Policy Brief of the *Center for Renewing America*, 16 February 2024; Justin Logan and Joshua Shiffrinson, "A Post-American Europe", *Foreign Affairs*, August 9, 2024. Logan and Shiffrinson, both with the Cato Institute, go as far as writing that "rather than urge European states to buy American and avoid duplications, Washington should encourage European states to invest in their own defense-industrial base".



other members of the Alliance. It is not by chance that the Supreme Allied Commander has always been an American general.

But if Washington really “pivots away” from Europe to Asia, it is not by simply pumping more money into their defense budgets, or by just strengthening and rationalizing their industrial defense base – very hard as both these things are to put in practice - that the Europeans can keep feeling secure vis-à-vis Russia.

To begin with, money is as scarce as ever. Old Europe is of course aging, its population shrinking, all the more so since the door is now closing to immigration everywhere. A spike in productivity to fuel growth is unlikely. Debt is a problem in all its major economies, well over 100% of GDP in France, Spain and Italy and, outside the EU, in the UK as well. The only big country with some fiscal space, Germany, is saddled by negative growth and low investments, as well as by its constitutional brake on deficit spending.

In spite of all the best efforts of the EU and other well-intentioned, weapons production and procurement will continue to be fragmented as long as the demand is also fragmented among so many spending centers. Any of which inevitably favors its own domestic industrial base, if it has one, and forgets consolidation, economies of scale, interoperability and the like in just one breath.

As an example, take Italy. Its next generation air superiority fighter will be built by its own aerospace firm Leonardo in a consortium with British Aerospace and Japan Aircraft Industrial Enhancement Co (JAIEC), two partners both outside of the EU.<sup>49</sup> This is a step back, in terms of European cooperation, from the equivalent fighter now deployed, the Typhoon, which is built by Eurofighter, another consortium that beyond the British and the Italians, includes German and Spanish firms. It goes without saying that the Italo-Japanese-British aircraft will have not only an American competitor, but also at least another European one, built by a Franco-German-Spanish consortium.

Similarly, when it came to choose one or more European partners to build its next generation main battle tank with, Italy’s Leonardo (again) refused to join the existing KNDS consortium between the German firm Krauss-Maffei Wegmann (the manufacturer of Leopard tanks) and the French firm Nexter, to set up instead a joint venture with another German firm, Rheinmetall, better known for guns and howitzers than for tanks.<sup>50</sup> In any case, this clearly detracts from European standardization and interoperability, even though it meets the condition the Italian parliament attached to the financing of the tank’s development and production, i.e. having substantial industrial and technological spin-offs in Italy itself.

But even if these two obstacles – finding more money and decreasing the fragmentation of European arms procurement and production - were somehow to be overcome, there would remain the huge problem of how to replace the U.S. leadership.

I believe that only the creation of a European army could at the same time help limit spending, consolidate the European arms industry and allow Europe to act autonomously on defense. The waste associated with the existence of so many decision-making centers in as many national capitals

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<sup>49</sup> Sylvia Pfeifer, Lucy Fisher and Harry Dempsey, “Uk, Italy and Japan’s defense groups set up venture overseeing fighter jet project”, *Financial Times*, December 13, 2024.

<sup>50</sup> See Gianluca Di Feo, “Carro armato europeo, patto da 23 miliardi Leonardo-Rheinmetall”, *La Repubblica*, July 4, 2024.

is self-explanatory. Such *e pluribus unum* would very likely lead to higher cost effectiveness, or a bigger bang for the buck. Scale could underpin the ambition of replacing the Pentagon in shaping the force structure, collecting the intelligence to timely spot threats and conducting operations. Yes, via duplicating whatever needs to be duplicated. How much would it cost?

The truth is, nobody knows. Actually, it would be a great subject for research. The only thing that can be said with some confidence is that the higher initial costs required by creating ex novo capabilities now provided by the U.S., would be balanced in the mid- long-term by economies of scale all over the place, from running just one organization instead of many, to being able to use a far more convincing argument – monopsony - to consolidate and rationalize European arms production. As shown in other parts of this paper, however, forecasts of future NATO defense costs are put forward under no less vague assumptions and arrived at with no less approximation.

In all the great military soul searching that has been going on in the West since Russia's invasion of Ukraine, there has been little or no discussion on a hypothetical European army – a victory for the “We told you so” coalition of European states opposed to a big, leading role, of the EU on defense.

There are, however, two big precedents that make such a hypothesis worth discussing. The first is the European Defense Community (EDC) of the early fifties. It would have set up a pan-European military with a central command, common budget, common armaments, centralized procurement – all the things Europe now needs - and supervising political institutions that practically coincide with those of today's EU. Proposed by France, the EDC was killed by France, when, on August 30, 1954, its *Assemblée Nationale* failed to ratify the Treaty establishing it. Note that Belgium, Germany, Luxembourg and the Netherlands had already ratified it, whereas Italy halted its ratification process after the French vote had made it pointless.

The second big precedent is the EU monetary union, i.e. the creation of the euro. Long considered unthinkable, since it entailed the peaceful transfer from a national to a federal level of government of such a key sovereign prerogative as issuing a legal tender, it's been working since 1999 through sometimes rough financial seas to become the second world reserve currency after the U.S. dollar – despite all the skepticism that surrounded not only its creation but also its viability, particularly from American economists of all schools.

The success of the euro could serve as a blueprint for the creation of a Military Union. The European currency was not done overnight but in stages over a period of about ten years. As a first step, a steering committee, similar to the Committee on the European Monetary Union (EMU) chaired by Jacques Delors in the late eighties, could be set up. It would include military chiefs of staff, senior diplomats and some independent experts. Something similar to the European Monetary Institute (the precursor to the European Central Bank) could then take care of planning, procurement and the progressive integration of operational units into a unified chain of command. Only in the third and last phase, a European army would see the light.<sup>51</sup>

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<sup>51</sup> These ideas were first spelled out in the late nineties by Emma Bonino, then EU Commissioner. At that time, I worked in the EU Commission as an advisor, member of her private office. See her “A single European army”, *Financial Times*, February 3, 1999.



The euro started in 1999 with 11 member states, later grown to 20 over the years. Its membership remains open to the 7 EU members that still have their own national currencies.<sup>52</sup> Military Union can be done by reforming the EU Treaty – as was the case with EMU – or by an ad hoc legal instrument outside the Treaty – as was the case with the creation of the “Schengen space” in Europe without internal borders - that could also, however, remain open to other European nations later willing to join.

In other words, the eight “Tepid Integrationists” – Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Portugal and Spain - could proceed regardless of the “We told you so”. In 2023 the former group represented 41% of NATO Europe’s active personnel and 54% of its military expenditures – as well as the bulk of NATO Europe’s defense industry. Let me emphasize once again that, with the U.S. partially or totally out of the picture, the creation of a European Army is the only move that is capable to deny to Russia the only clear military advantage it has vis-à-vis NATO Europe: being one. In this sense, it is also a test of how serious European intentions in the defense field really are.

The impact of a European Army on EU tax and spending would be huge. Currently the EU budget amounts to no more than one percent of the EU GDP. On the revenue side, it is made up exclusively of transfers from member states - direct taxation of citizens and companies is not allowed. Expenditures go almost exclusively to subsidies to various sectors of the European economy, beginning with agriculture. Only a tiny fraction of it pays for carrying out core functions of government, such regulating the EU internal market and monetary policy.

Transferring to the European level another key function of government, such as security and defense, would *ipso facto* imply a tripling of the EU budget – assuming all member states joined and military expenditures remained at around two percent of GDP. It could not be done, I believe, without allowing the EU to tax. In a manner similar to the fiscal division of labor in the U.S. between federal and state taxation. This would eliminate by definition any risk of having some member states – the smallest, or the westernmost, say – free riding on others.

At the moment, it is clearly the “We told you so” in the ascendancy, as shown among other things by the choice made by the President of the EU Commission Ursula von der Leyen, a German and herself a former defense minister, of having as Commissioner for Security and Defense Policy a former Estonian Prime Minister, Kaja Kallas, and as Defense Commissioner (a newly created post) a former Lithuanian Prime Minister, Andrius Kubilius. A choice meant more to symbolize solidarity with NATO’s vocal protectorates’ perceptions of the Russian threat, than to convey a serious approach to the EU security and defense policy.

As was the case before with monetary union, military union looks unlikely. Until it doesn’t.

If the Europeans persist in their delusion of being able to keep their medium-size, small, and minuscule nation states with all their prerogatives intact, if they refuse to integrate further, they

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<sup>52</sup> Actually, joining Monetary Union and adopting the euro is an obligation for EU member states - except for Denmark which had obtained an opt out clause through a protocol attached to the 1992 Maastricht Treaty. The others circumvent the obligation by avoiding on purpose to meet one or more of the convergence criteria for adopting the euro, also spelled out in Treaty. It is not a shining example of good faith, in my opinion, since member states certainly knew what they were adhering to when they ratified the Treaty.

deserve to remain, all of them, collectively, indefinitely, a protectorate of the United States of America. At least as long as the U.S. likes the idea of protecting them.

## 6. Stupid percentages: a digression

Let me now spend a few words about this whole idea of committing to defense a fixed percentage of a nation's income. It is almost as old as NATO. In the eighties, for example, the target was 3%. Then, as now, it was a non-binding pledge. Then, even fewer members than now met it. Then, as now, it was meant to avoid, to the extent possible, having the European allies and Canada free ride on the United States. Donald Trump is not the first to having used it to name and shame the laggards, but its effectiveness to avoid free riding is debatable – absent two big scares such as Russia's invasion of Ukraine and the U.S. President threat to withdraw from Europe altogether.

Why the pledge is bound not to work under normal, peaceful or relatively peaceful, conditions was explained by a brilliant American economist, Mancur Olson, in the sixties.<sup>53</sup> Security is a public good. By definition the fruition of a public good cannot be limited and does not reduce others' fruition. As long as there is a hegemon power, such as the U.S. in NATO, with a strong incentive to provide it (Russia's containment), its allies have a no less strong incentive to free ride on the hegemon.

The problem disappeared with the end of the cold war, when it was totally justified in my opinion to focus on demobilization rather than on how to spend more on defense – as it always happens when wars, hot or cold, end.

As a phoenix from its ashes, it came to live again in 2006. Right in the golden age when NATO, in its own words, had “no adversaries”, its defense ministers “agreed to commit” a minimum of 2% of their GDP to defense spending. The commitment was understandably – remember: no adversary - ignored by practically all. After Russia's annexation of Crimea in 2014, it became a Defense Investment Pledge. Commitment or pledge, it was and still is non-binding, whatever President Trump's opinion may be on the matter.

Even after 2014, few allies made good on it. But many became to get closer and thanks also to growing GDPs, defense spending grew very substantially *in real terms*, which is the only thing that counts if growth is needed – as can be seen in Figures 2 and 3.

Looking at defense expenditures purely as a percentage of GDP over time may mislead the observer into thinking that they are stagnating or contracting. Whereas if one looks at their evolution *in real terms* – i.e. at parity of purchasing power over time – the reality is that they grow, and grow a lot. Thanks to the general growth of the Western economies - as shown in Figures 4,5 and 6 for the U.S., and in Figures 7,8 and 9 for the EU.

In 2002, the then President of the European Commission, Romano Prodi, said that the Stability Pact – which is EU law and contains two fixed percentages of GDP, one for public deficits of 3%, and another for public debts of 60% - was “stupid.”<sup>54</sup> Given his role as head of the EU Law's enforcing

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<sup>53</sup> Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Harvard: Harvard University Press: 1965).

<sup>54</sup> Andrew Obsborn, “Prodi disowns ‘stupid’ stability pact”, *The Guardian*, October 17, 2002. However, the logic behind the two figures was that if a country whose debt to GDP ratio is 60%, has a nominal growth of its GDP of 5% (rather

body, it was inappropriate for him to say so. But it was met by the public and the press with a certain empathy, because these fixed percentages are indeed stupid, as laws and as pledges.

Public debts, and the deficits that led to their creation, can be high or low, good or bad, depending on the general state of the economy, beginning with its actual and potential growth, and on the use governments made of them.

By the same token, in the defense realm what counts most is the output, i.e. whether capabilities are adequate to the threats a nation or an alliance faces. In its turn, the monetary input should be adequate to the capabilities to be bought. This has little or nothing to do with any fixed percentage of GDP. Growing capabilities may imply growing expenditures if the latter composition is left unchanged, but it is not a given that they can be obtained through a spending target weighed on GDP.

A country that meets, or even exceeds, the target, but whose GDP is contracting, may end up with less and less resources to spend on capabilities. Whereas a country that remains on, or even sinks below, the target, but whose GDP is growing, may end up with more and more resources to spend on capabilities. Depending in both cases, and other things being equal, on the general economy's growth rate.

Labor is not a lump sum, went the standard objection to the critics of globalization concerned by its effects on rich countries' less qualified workforce. Apparently, though, nor is a nation's product.

On the other hand, the idea that military expenditures must be a fixed percentage of GDP is like saying that a family must spend a fixed percentage of its income on food no matter what – whereas it is well known that the share of income going to food decreases the bigger one's income becomes over time.

The funny thing is that the same press, particularly the stiff British economic-financial press, that for years and years lectured us against the fallacy of seeing labor as a lump sum, or criticized the Stability Pact's fiscal ceilings as too rigid and ultimately – as Prodi said – stupid, now treats the NATO spending target as the fountain of wisdom, the Holy Grail of seriousness in defense matters.

Missing the target when it did not exist at all, i.e. ante-2006, or when NATO had no adversaries, i.e. ante-2014, indulging in the peace dividend, is supposed to have led to decades of neglect. “Decades of neglect after the cold war – writes *The Economist* - have left both personnel and equipment levels severely depleted.”<sup>55</sup> But depleted with respect to what? If it is with respect to corresponding Russian levels, the assertion is patently false. If it is with respect to cold war levels, true, there are less uniformed people and military hardware around in Europe, but most of the remaining people and hardware are in NATO, since both the Warsaw Pact and the Soviet Union are no more.

The standard *lamentatio* on the lost decades leading to the depletion of European military assets has now become self-explanatory, with no need to be corroborated by facts and data. “Additional investments are also needed to restore lost capabilities owing to decades of underinvestment and to replenish depleted stocks, including those donated to support the defense of Ukraine against

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the norm in the Europe of the eighties, when the Treaty of Maastricht was negotiated), a deficit of 3% leaves the debt to GDP ratio unchanged.

<sup>55</sup> “The maths of Europe's military black hole”, November 25, 2024

Russian aggression” - one can read in the Draghi Report on European competitiveness.<sup>56</sup> And never mind if the much deeper equipment losses in Ukraine of Russia, NATO’s only adversary in Europe, actually leave the Alliance stronger.

So far, the new secretary-general of the Alliance, the former Dutch prime minister Mark Rutte, has refrained from indicating a new spending target. But the direction is clear: “I can tell you, we are going to need a lot more than 2%.”<sup>57</sup>

Others already aim at specific figures, though. “Assuming that Mr. Trump deigns to attend the next NATO summit in The Hague in June, a commitment to hitting 3% may be needed to stop him from ‘throwing his toys out of the pram’, as one official in Prague put it. Bastian Giegerich, the director-general of the IISS, says that 3% is, moreover, easy for everyone to understand.”<sup>58</sup> Very sophisticated arguments indeed to advocate a further raise of 50% in most NATO’s nations’ military spending.

Strangely absent from this debate is the aid to Ukraine. Between January 24, 2022 and October 31, 2024, EU members and institutions have committed more than € 201 billion of aid to Ukraine (about 70 of which military aid), the U.S. € 119 billion (about 66 of which military aid). The UK a further € 24 billion (17 of which military aid), Norway € 13 billion (7 of which military aid), Canada € 12 billion (3 of which military aid).<sup>59</sup> Europe is clearly providing the lion share of aid to Ukraine, to the tune of hundreds of billions of euros (or dollars). Europe, particularly the EU, is also expected to be the largest contributor to Ukraine’s reconstruction – way above the U.S. - when the war ends.

By the same token, also unjustly absent from the debate on NATO’s burden sharing are the uneven effects the sanctions against Russia for its invasion of Ukraine had on European economies as opposed to the U.S. Think to the dramatic increase in energy prices for all the former importers of Russian oil and natural gas, beginning with Germany. Or to the exports lost in economies, such as Europe’s, that on exports rely heavily - again beginning with Germany.<sup>60</sup>

## 7. What money can buy

Let’s turn the money argument on its head to, more correctly, ask first what capabilities all this money is supposed to buy. As a matter a fact, astonishing as it may sound, NATO simply does not know.

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<sup>56</sup> *The future of European competitiveness*, part A, “A competitiveness strategy for Europe”, September 2024, p.50.

<sup>57</sup> North Atlantic Treaty Organization, “To Prevent War, NATO Must Spend More”, Speech by NATO Secretary General Mark Rutte at the Concert Noble, Brussels, December 12, 2024. The text includes a transcription of a session of questions and answers.

<sup>58</sup> “The maths of Europe’s military black hole”, cit.

<sup>59</sup> Data on aid to Ukraine from Christoph Trebesch, Arianna Antezza, Yana Balanchuk, Pietro Bompreszi, Katelyn Bushnell, Daniel Cherepinskiy, Jakob Drews, Yelmurat Dyussimbinov, Catarina Chambino, Celina Ferrari, Andre Frank, Pascal Frank, Lukas Franz, Caspar Gerland, Giuseppe Irto, Ivan Kharitonov, Bharath Kumar, Taro Nishikawa, Javier Ospital, Ekaterina Rebinskaya, Christopher Schade, Stefan Schramm & Leon Weiser (2024), “The Ukraine Support Tracker: Which countries help Ukraine and how?” *Kiel Working Paper*, No. 2218, 1-75.

<sup>60</sup> The Rand Corporation, in a study on burden sharing commissioned by the Office of the U.S. Secretary of Defense in 2018, tried to include metrics other than just military spending, such as “the exports that countries lost as a result of sanctions” and this led to “a limited number of counterintuitive results”. See King Mallory, Gene Germanovich, Jonathan W. Welburn, Troy D. Smith, “Burden sharing and its Discontents”, Research Report, *The Rand Corporation*, 2024, p. iv.

In the words of Rutte: “When you look at the capability targets [...] We are in the process of establishing them, and we try to before summer [2025]. It was foreseen for October, but we have taken forward, because we cannot wait till October. So, we will speed up the whole process. And *hopefully* defense ministers will agree on closing off this whole process of reviewing our collective defense by May or June.”<sup>61</sup> Get the money first and see later what to do with it.

Will in fact NATO taxpayers know, eventually, what capabilities their money will buy? “It could help, obviously – answers an embarrassed Rutte – [...] to underpin the need to spend more. But obviously there are also political considerations we have to take into account. And sometimes there are some sensitivities, but we are looking at that. At what level of aggregation you can share the capability targets once they have been established.”<sup>62</sup>

From what one can read in the IISS’s *Military Balance*, capabilities and spending are now enough, relative to Russia. But from what NATO does not know yet and probably will not tell us anyhow, no, they are not.

Perhaps the truth is that all this debate is not about money as such, nor about the military capabilities this money can buy and NATO may or may not need – but simply about posturing, signaling. “To signal to Mr. Putin that they [the European countries] would fight back if he attacked, they would need to dramatically increase their own defense spending and overhaul their arms industries.”<sup>63</sup>

So, let’s just hope that all this crying for more is just barking at Russia that will gradually come to an end when a settlement is reached in Ukraine.

## 8. Times harder than now

It is eighty years, since the end of WW2, that the main military threat to European security is Russia. Also lost in the discussion on the current war in Ukraine is that NATO used to have it far, far worse. During the cold war Russia had no need to invade Ukraine, since the latter was part of the Union of Soviet Socialist Republics (USSR), a federation of 15 states under Moscow’s direction and strict control.

No less under Moscow’s direction and strict control was the Warsaw Pact, a military alliance created in 1955 to confront (Western) Europe and NATO. It included Poland, Hungary, the Czech Republic and Slovakia (then together in Czechoslovakia), Romania, Bulgaria, Albania (up to 1968) and the Deutsche Demokratische Republik (DDR), five Länder in the East,<sup>64</sup> adjacent to some of the other countries just mentioned.

All the countries in the preceding sentence are now members of NATO - the former DDR’s Länder through German unification, i.e. their incorporation into the Federal Republic of Germany.

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<sup>61</sup> “To Prevent War, NATO Must Spend More”, cit., emphasis added.

<sup>62</sup> Ibid.

<sup>63</sup> “How to make a success of peace talks with Vladimir Putin”, *The Economist*, November 30, 2024.

<sup>64</sup> Saxony, Saxony-Anhalt, Thuringia, Brandenburg, Mecklenburg-Western Pomerania - plus East Berlin.

The Soviet Union was not always the slumbering giant some people now tend to have rosy recollections of. It invaded Hungary in 1956, Czechoslovakia in 1968 and Afghanistan in 1979. And, most importantly from the point of view of our topic, together with its Warsaw Pact allies, had assembled very strong conventional forces, numerically superior to NATO's, that directly threatened (Western) Europe's territorial integrity.

Along the border between West Germany on the one hand, and East Germany and Czechoslovakia on the other – NATO's 700 km long central front – there were in the 1980s about a million soldiers of NATO and the Warsaw Pact ready for combat. The Red Army deployed right there, within the territory of today's Germany, its best, combat ready, armored divisions.

According to a 1984 NATO document, all in all the Warsaw Pact could count then on 6 million active duty military personnel - army, air force and navy - against NATO's 4.5 million; 115 army divisions against NATO's 88; 27,000 tanks against NATO's 13,500; 2250 combat aircraft against NATO's 1960.<sup>65</sup> Spanish and French forces were not assigned to NATO's integrated command and were not counted by the Alliance - there were 10 French and 4 Spanish divisions, plus substantial air forces, especially in the case of France.

Counting these and also the superior quality of its weapons and personnel, better trained and motivated, NATO's defense was perhaps less hopeless than the raw numbers would suggest. Still not enough, however, to offset in the prevailing Western perceptions a sense of almost inevitable defeat in the event of an attack by the Warsaw Pact.

Gen. Bernard W. Rogers, NATO's Supreme Allied Commander Europe from 1979 to 1987, made repeatedly known that he had no choice but to resort to nuclear weapons to try to halt a Warsaw Pact advance – unless the allies replenished their insufficient munitions stockpiles and raised to 3% of GDP their military expenditures.<sup>66</sup>

Insufficient munitions stockpiles, missed spending targets: sounds familiar?

The nuclear threshold referred to by Rogers was worryingly low: there were in Europe in the mid-1980s nearly 6,000 U.S. short-range tactical nuclear warheads assigned to NATO. There was everything from demolition mines to anti-aircraft missiles, from artillery projectiles to depth charges for anti-submarine warfare. Most of them were deployed in Germany. The Soviets in their turn had thousands of short-range tactical nuclear weapons with which to respond, many of them presumably also close to the central front. In sum, the bleakest of nightmares from which Europe had the luck to wake up intact and freer.

The cold war has another lesson for us. The Soviet leaders of the cold war who came before Mikhail Gorbachev were not more pleasant, less ruthless, or easier to deal with, than Vladimir Putin. Nonetheless, not only did the West talk with them, but also made important arms control and disarmament agreement with them. So, it is possible.

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<sup>65</sup> See *NATO and Warsaw Pact Force Comparisons* (1984: NATO Information Service, Brussels).

<sup>66</sup> See Jonathan Dean, "Assessing the Warsaw Pact threat to NATO's Central Front", *The International Spectator*, issue 3, 1986.

## 9. Stability and arms control

Compared to the cold war, defending Europe is today a piece of cake, even considering the war in Ukraine.<sup>67</sup>

American and Russian nuclear weapons, tactical and strategic, are much fewer: their combined arsenals contained some 63,000 warheads in 1986, as opposed to around 11,000 today. They are also deployed much farther apart, thousands of kilometers away from each other.

NATO has 32 members as opposed to 16 back then, having been joined not only by the states of the former Warsaw Pact, but also by three of the 15 states of the former USSR - Estonia, Latvia and Lithuania - by four states of the former Yugoslavia – Croatia, North Macedonia, Montenegro and Slovenia – by two former neutral countries – Finland and Sweden.

Belarus is the only Russia's ally left in Europe, albeit not so enthusiastic if one considers how careful it has been so far to keep any military involvement in Moscow's invasion of Ukraine at arm's length.

True, NATO's huge membership is not always significant in terms of military capabilities: there are states with zero (Iceland) or bonsai armies, such as Albania, Luxembourg, North Macedonia, Montenegro, Estonia, Latvia and Lithuania. While the non-Baltics in this group are sufficiently far from Russia and surrounded by much stronger NATO allies, the Baltics border with Russia and Belarus and the only way to defend them is to deploy troops from other NATO allies on their territories. In this sense, they are militarily more a liability than an asset.

Also, NATO and Russian (and Belarusian) troops face each other along a much longer border than the Central front of times past.<sup>68</sup> Finland and Norway in the North share a 1,500 km long border with Russia. Estonia and Latvia a further 500 km. Belarus has a 1,250 border with Latvia, Lithuania and Poland. The longer the border, the more numerous the countries involved, the likelier incidents stemming from mutual misperceptions and misunderstandings become.

All the more so, since after Russia's invasion of Ukraine mutual trust is at its lowest and NATO's military doctrine is still forward defense coupled with the option of nuclear first use, as it used to be during the cold war. This is rather paradoxical, because at that time these two tenets were justified by the lack of depth of the West German territory to be defended. Now that depth would theoretically abound, the Alliance sticks to them anyhow. Evidently, border states hate the idea of providing depth and love both forward defense and nuclear deterrence.

If the comparison with the cold war could be reassuring to NATO, if only someone made the effort to make it from time to time, it is definitely not to Russia. In the questions and answers session following Rutte's first public speech, the secretary-general was asked if "it is conceivable that strengthening and emboldening NATO causes more instability because non-NATO powers become more nervous". His answer was: "No, it's not conceivable. And why? Because NATO is not an

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<sup>67</sup> NATO's Secretary General, Mark Rutte, born 1967, has a different opinion: "I'll be honest: the security situation does not look good. It's undoubtedly the worst in my lifetime." "To Prevent War, NATO Must Spend More", cit.

<sup>68</sup> During the cold war, Greece and Turkey, two NATO members, shared a border of about 1.250 km with Bulgaria (750 km), a Warsaw Pact member, and the USSR itself (500 km). Norway, a border of about 200 km with the USSR. However, these theaters received, on both sides of the iron curtain, very limited attention with respect to the central front.

offensive organization. It is a defensive organization [...] But if we are not strong enough [...] Putin and others [...] might start to try to attack us.”<sup>69</sup>

Now, this is the perfect recipe for disaster. It’s the Guns of August. How NATO see itself is irrelevant. What counts is how its adversary perceives its intentions and its actions. This is the main lesson one can draw from those who thought deeper and harder about war and peace in the nuclear era and who laid the foundations of nuclear deterrence and arms control.

The only way to defuse this spiral of ever-increasing tension and mutual distrust between NATO and Russia is in fact arms control. Nuclear and conventional – actually the two are linked because if one wants to address anything nuclear below the strategic level, one has to tackle what Russia perceives as its conventional inferiority vis-à-vis NATO.

Let’s put aside, for the time being, both the grand schemes about a so-called “European security architecture” and a return to the bean counting typical of the cold war, of which the CFE Treaty is a primary example. What is needed is first of all a drawdown of forward deployments on both sides of the long NATO/Russia-Belarus divide, coupled with confidence-building and verification measures to make any such agreement stick.

When life with Russia was easy, i.e. pre-2014, the Atlantic Alliance had unilaterally renounced to its nuclear and conventional forward deployments.<sup>70</sup> Wisely, it still maintains this policy as far as the former are concerned, despite repeated offers by successive Polish governments to host nuclear bombs and nuclear certified aircraft on its territory.

So, it makes sense doing it and it can be done. Unilaterally, to a certain extent. Or, much better and more thoroughly, bilaterally. In this spirit, conventional forces *on both sides* could be restructured around stability, so as to be incapable of conducting large offensive operations, while at the same time presenting insurmountable defensive hurdles to an invasion. This was called *strukturelle Nichtangriffsfähigkeit*, structural inability to attack – or, more simply, defensive defense - in a working group set up toward the end of the eighties by the Pugwash Conferences of World Affairs and led by a German philosopher, Albrecht von Müller, and a Danish physicist, Anders Boserup.

When one says bilaterally in this context, it actually means 32 subjects on the NATO side and 2, Russia and Belarus, on the other. The EU could play an important role in this context to coordinate its 23 members belonging to NATO and come up with one stance on the major issues to be negotiated, thus avoiding a cacophony of western voices.

But in order to proceed bilaterally, even in the sense above, one needs to talk with the counterpart. No matter how unpleasant this counterpart can be. Talking exclusively and around the clock about rearmament and more military spending, is not going to make arms control talks any nearer. We’ll

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<sup>69</sup> “To Prevent War, NATO Must Spend More”, cit.

<sup>70</sup> The 1997 NATO-Russia Founding Act on mutual relations, cooperation and security, and the NATO-Russia Council, established in 2002, made Russia not quite a member of NATO, but nevertheless an equal partner of each NATO member state. And for many years after that, the Alliance kept publicly stating that it had no adversary against whom to target its nuclear weapons (See for example the NATO document, “NATO’s Nuclear Forces in the New Security Environment”, 22 October 2009). More generally, in 1997 Russia had become one of the participants in the G8 - previously the G7, the forum of the richest democratic nations - thus obtaining a sort of international recognition both as a global player and as a new-born democracy. Europe, and more generally the West, had largely ceased to see Russia as a security threat.



see whether the atmosphere will change when and if the talks to halt the fighting in Ukraine promised by President Donald Trump get underway.

## 10. Europe and the war in Ukraine

How did Europe, as distinct from the U.S., ended up into renewed hostility with Russia? Very reluctantly, I would argue. Germany, France, Italy and the Benelux countries – the founding members of the EU – are on record to have been strongly against inviting Ukraine and Georgia to join NATO at the Alliance 2008 Bucharest summit.<sup>71</sup>

To avoid a public split between the Europeans and the most ardent sponsor of the two former Soviet republics, then U.S. President George W. Bush, a compromise was reached: the final communiqué did not invite the two nations to enter into a Membership Action Plan – the formal process that leads to actually joining NATO – but simply stated that “these countries will become members of NATO”, without spelling out how and, most of all, when. If the Europeans hoped that by making the pledge indeterminate they had swept the problem under the carpet, they were wrong.

In her recently published memoir, Angela Merkel, then German Chancellor, recalls how at the time inviting Kiev in the Alliance made little sense, since a majority of the Ukrainians were against joining NATO.<sup>72</sup> Also, she wrote, since Russia’s Black Sea Fleet was stationed in Crimea, a NATO candidate would find itself entangled in Russian military structures. On the other hand, she wanted to avoid a deepening of the rift with the U.S. caused by her country (and France’s) non-participation in the war in Iraq. Hence, the compromise reflected in the communiqué.

But there is no doubt that the main European concern was to avoid antagonizing Russia: they had most likely listened carefully the year before, in February 2007, to Vladimir Putin saying that “NATO expansion [...] represents a serious provocation that reduces the level of mutual trust. And we have the right to ask: against whom is this expansion intended?”<sup>73</sup> The expansion meant by Putin could not but refer to Ukraine, since all the other former members of the Warsaw Pact, plus the Baltics, had already joined NATO in 2007.

The Europeans were not enthusiastic about *EU enlargement* to Kyiv either, due to entirely different reasons. Ukraine, with its large population by EU standards (about 45 million people at that time), was an economic basket case in the hands of a few oligarchs backed by a series of corrupted governments. With its huge primary sector (agricultural subsidies were then almost half of the EU budget and their redistribution to recent entrants such as Poland and Romania had already cost Brussels a lot of political capital), it was seen as too large and troublesome to swallow. Not unlike Turkey, one may add, which for similar reasons sits in the EU waiting room as an EU “candidate country” since 1999, even if it is in a Customs Union with the EU since 1995 and is an associated member since 1963, when the EU was still the European Economic Community.

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<sup>71</sup> See Steven Erlanger and Steven Lee Meyers, “NATO Allies Oppose Bush on Georgia and Ukraine”, *The New York Times*, April 3, 2008.

<sup>72</sup> “For many Ukrainians, joining Nato is not a priority. Only 30% of respondents in the former Soviet state support the move”, wrote at the time Luke Harding in “Bush backs Ukraine and Georgia for NATO membership”, *The Guardian*, April 1, 2008. Angela Merkel’ memoir is *Freiheit* (Cologne: Kiepenheuer & Witsch, 2024). Translations in many languages are available.

<sup>73</sup> “Putin’s Prepared Remarks at 43rd Munich conference on Security Policy”, *The Washington Post*, February 12, 2007.

It was indeed an association agreement with the EU that, in late 2013, then Ukrainian President Viktor Yanukovich, under Russian pressure, refused to sign, ultimately triggering the Euromaidan uprising of early 2014 that led to his removal from office through a vote of the Parliament in February, as well as to Russia's annexation of Crimea and its support to the separatist forces in the Donbass.

Nonetheless, Europe's attitude toward both enlargements to Ukraine, EU's and NATO's, continued to be, well into 2014, far more circumspect than that of the U.S., to the frustration of the latter. On February 7 of that year, the record of a recent conversation between Victoria Nuland, then Assistant Secretary of State for European and Eurasian Affairs, and Geoffrey R. Pyatt, then U.S. Ambassador in Kyiv, discussing a Ukrainian government reshuffle appeared on YouTube.

Nuland – a career diplomat and archetype of the blob, having served in the Bush, Obama and Biden administrations - can be clearly heard saying “fuck the EU” and Pyatt replying “exactly”. There may have very well been a Russian hand behind the leak, but Nuland apologized for her words, thus confirming their authenticity. In another leaked conversation published the same day on YouTube, the number two foreign policy person in the EU, Helga Schmid, tells the EU ambassador to Ukraine, Jan Tombinski, that “It's very annoying that the Americans are going around criticizing the EU and saying we are too soft.”<sup>74</sup> Angela Merkel's spokeswoman, Christiane Wirtz, declared that “The chancellor finds [Nuland's] remarks totally unacceptable and wants to emphasize that Mrs. Ashton [then European Commissioner for Foreign and Security Policy] is doing an outstanding job.”<sup>75</sup>

Exactly a year after these episodes, the rift between the U.S. and the EU came out into the open at the 2015 Munich Conference on Security Policy. While most American participants, from the Administration and from Congress, publicly advocated increased military assistance to Kyiv, the German Chancellor “bluntly opposed providing lethal military support to Kiev and called instead for continued efforts to persuade Russia and separatist forces to cease fire.”<sup>76</sup> French President François Hollande took the same line. Over the same days the two were negotiating with Russian President Vladimir Putin and Ukrainian President Petro Poroshenko what later became known as Minsk II Agreement, reached on February 12, 2015.

Its measures comprised, among other things, a constitutional reform of Ukraine to allow more decentralization, as well as legislation on the special status of some districts of the breakaway regions, an OSCE-observed unconditional ceasefire, release of prisoners of war, withdrawal of heavy weapons from the front line, Ukrainian control over the border with Russia, the withdrawal of all foreign forces.

With ups and downs, this agreement substantially held its own for about seven years, i.e. until the eve of Russia's invasion of Ukraine on February 24, 2022. Only 16 days before that day, in fact, French President Emmanuel Macron declared that “the shared determination [to put into effect the Minsk Accords] is the only way allowing us to construct peace and build a viable political solution.”<sup>77</sup>

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<sup>74</sup> “‘F\*\*k the EU,’ US Envoy Says in leaked recording”, *France 24*, February 7, 2014.

<sup>75</sup> “Victoria Nuland Gaffe: Angela Merkel condemns EU insults”, *BBC News*, February 7, 2014.

<sup>76</sup> Michael R. Gordon, Alison Smale and Steven Erlanger, “Western Nations Split on Arming Kiev Forces”, *The New York Times*, February 7, 2015.

<sup>77</sup> Quoted in Tim Lister, “What is the Minsk Agreement and is it a way out of Ukraine crisis?”, *CNN*, February 10, 2022.

Between 2015 and 2022, however, three different U.S. Administrations – Obama’s, Trump’s and Biden’s – had gone ahead, ignoring European reservations about military aid to Kyiv, and provided Ukraine with military training and weapons worth about \$2.5 billion.<sup>78</sup> A drop in the ocean if compared with the amount of aid necessary to help Ukraine after the Russian invasion began.

Russia had been massing troops near the border with Ukraine since the spring of 2021. Then, on December 17, 2021, when the alarm had already risen to a very high pitch in Europe and the U.S., it made public two draft treaties, one with NATO, the other with the U.S. They restated well known Russian concerns with NATO enlargement, particularly to Ukraine, and with U.S. and NATO weapons and troops deployment in Eastern Europe.

“The Russian proposal[s] – immediately dismissed by NATO officials – [...] codified a series of demands floated in various forms in recent weeks by Russian officials [and] also reinforced the notion that Mr. Putin seemed willing to take ever-greater risks to force the West to take Russian security concerns seriously and to address historical grievances largely ignored for decades” – thus the New York Times on the same day Moscow came out in the open with its two draft treaties.<sup>79</sup>

In retrospect, one wonders why had those proposals to be *immediately dismissed by NATO officials*, in a matter of hours. NATO had at the time 30 members, is it reasonable to assume that each and all the relevant governments were against opening a channel to discuss the draft with the Russians, if nothing else at least to buy time and defuse the mounting tension? Is this coherent, for example, with the fact that France and Germany, backed by the EU as a whole, tried to keep Minsk 2 alive until the very last days before Russia’s invasion of Ukraine began? Is not this a major decision for governments, as opposed to anonymous officials, to take?<sup>80</sup>

Moscow’s draft treaty with NATO read in art. 6: “All member States of the North Atlantic Treaty Organization commit themselves to refrain from any further enlargement of NATO, including the accession of Ukraine as well as other States”. Apparently, this was seen by the Alliance as amounting to granting the Russians a veto power on NATO enlargement and thus enough to judge the offer as practically dead on arrival and unworthy of being discussed.

NATO says that enlargement happens according to its so-called “open door policy”, based on art. 10 of the North Atlantic Treaty.<sup>81</sup> The latter simply says, though, that “The Parties may, by unanimous agreement, invite any other European State in a position to further the principles of this Treaty and to contribute to the security of the North Atlantic area to accede to this Treaty”. This is everything but an open door. Ajar perhaps, but surely not open.

According to the letter of the Treaty, which is supposed to take precedence on any policy, the Parties – or even just one party - may as well decide that welcoming another European State does *not*

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<sup>78</sup> See Robert Burnes, Aamer Madhani and Hope Yen, “AP FACT CHECK: Trump distorts Obama-Biden aid to Ukraine”, *The Associated Press*, March 28, 2022.

<sup>79</sup> Andrew E. Kramer and Steven Erlanger, “Russia Lays out Demands for a Sweeping New Security Deal with NATO”, *The New York Times*, December 17, 2021.

<sup>80</sup> Again, on the same day, according to the Guardian, “The White House press secretary, Jen Psaki, said the US had seen proposals from Russia to start talks and was speaking with its European allies and partners, Reuters reported”. It would appear, then, that the “officials” stole the scene and the initiative from the governments in NATO. See Andrew Roth, “Russia issues list of demands it says must be met to lower tensions in Europe”, *The Guardian*, December 17, 2021.

<sup>81</sup> See “Enlargement and art. 10”, [https://www.nato.int/cps/en/natolive/topics\\_49212.htm](https://www.nato.int/cps/en/natolive/topics_49212.htm).

contribute to the security of the North Atlantic area. And such a conclusion may be the consequence of rather common-sense considerations, such as bearing in mind the concerns of a third party which, among other things, was at the time the primary energy exporter to Europe and had the biggest nuclear arsenal on earth. This is, I insist, common sense, and does not amount to granting Russia any veto on any NATO policy.

However, can this policy oscillate between lofty, politically correct, principles - anyone aspiring to join should be admitted, no matter what – and a supercilious despise of Russia leading NATO to refuse to even talk to Moscow in the heat of a major crisis? By burning the bridges with Russia in early 2022, the U.S. and its reluctant allies actually engaged in a game of chicken, almost challenging Moscow to really use the troops it had amassed at its border - to either invade Ukraine or lose face.

Unfortunately, Moscow chose to invade, European governments panicked and decided they had no choice but to close ranks and make a big show of unity behind the leadership of the United States. But if one looks at what went on before, it is apparent that, from 2008 onward, Europe was prevailed over at every turn by the U.S. into a commitment to Ukraine that proved to be impossible to both upend and uphold.

NATO certainly knew in 2021-2022 that it could not fight alongside Ukraine in case of a Russian attack. And not just for the formal reason that it had no obligation, Kyiv not belonging to NATO yet, but for the very substantial one of avoiding world war three – as the U.S. President, Joe Biden, made clear in exactly the same words at the beginning of the Russian invasion.

NATO certainly knew in 2021-2022 that in case of a Russian attack the odds were stacked against Ukraine. In spite of this, not only did it refuse to at least try to talk the Russians out of invading. For more than two years, NATO also kept encouraging the Ukrainians - after they had done the miracle of pushing the invaders away from Kyiv into Eastern and Southern Ukraine - to pursue an impossible eviction by force of Russian troops from Ukrainian territory. Instead of an early opportunity to negotiate an end of the hostilities.<sup>82</sup>

So, while the invasion of Ukraine is Russia's unequivocal sin of commission, it is also at the same time NATO's, particularly the U.S.'s, many sins of omission: of not wanting to heed Moscow's security concerns and warnings, of refusing to even try talking with Russia before the invasion and of not encouraging Kyiv to do it in the early aftermath, of not making clearer to the Ukrainians the limits of their military capabilities and of NATO's support.

The war brought immense suffering and damages to Ukraine. But it has not been without grave consequences for Europe either. Sanctions did not dent much the Russian war economy, but played havoc in Europe's peace economy, bringing inflation everywhere and recession in Germany, the traditional engine of the continent's growth. Millions of Ukrainian refugees have been hosted in European countries increasingly impatient toward immigration. All things that are greatly helping nationalist, populist parties everywhere.

The EU and its member states committed two hundred billion euros in military and non-military aid to Ukraine so far. But many more hundreds of billions will be needed to help the reconstruction of Ukraine – a task that Britain and the U.S. give for granted only the EU will undertake. Several

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<sup>82</sup> See Samuel Charap and Sergei Radchenko, "The Talks That Could Have Ended the War in Ukraine", *Foreign Affairs*, April 16, 2024.

hundreds of billions more are advocated by the “We told you so” group in this now ridiculous race at upping the ante in NATO’s spending that reached the new height of 5% of GDP.<sup>83</sup> And not out of any military necessity vis-à-vis Russia – that was never there in the first place - but simply to appease Donald Trump and persuade him to keep the U.S. engaged in Europe’s defense.<sup>84</sup>

The European Union is increasingly divided. On the one hand the core, founding members, are struggling with a worsening fiscal and economic situation due in large part to the consequences of the war in Ukraine. Both in France and in Germany, the engine of Europe’s political integration, the crisis is also political: right-wing populist parties in the ascendance, early elections in Germany, repeated failed attempts in France to form a government capable of tackling growing public deficits.

On the other hand, you have this group of Nordic-Baltic-Eastern countries – led by Britain, a country outside the EU - that pursue their own agenda of further rearmament and higher military spending, of hostility toward any serious military role for the EU, of intransigence toward Russia and a negotiated end to the war in Ukraine, of coldness and diffidence toward the European core, of forever and only America first.

If Nuland’s utterance of 2014 was meant as a prophecy, it turned out to be true: the EU was indeed fucked up. By and large by its own inability to integrate further and become more assertive in foreign and security policy. But also, by Russia, by George W. Bush and the American foreign policy establishment, a.k.a. the blob - and more recently by a British Foreign Office bent on reclaiming a role in European affairs that was all but lost after Brexit.

Immense suffering and destruction in Ukraine, Europe at its political and economic nadir in decades, increasing tensions, open hostility, a new arms race and risks of escalation with Russia. For nothing: although it is difficult to predict the outcome of negotiations to end the hostilities in Ukraine that have yet to become, it appears that in all probability Ukraine will not join NATO, nor the EU any time soon. And, for the time being, it will have also lost about 20% of its territory.

If Europe wants to avoid to find itself again in such a predicament, it is time for the Europeans who care to hold themselves together and pursue their strategic autonomy.

## Conclusions

Europe is well defended. A Russia deeply weakened by its three-year war to Ukraine, and that will need the rest of this decade to reconstitute militarily, is no match for NATO as a whole, nor for NATO Europe on its own. Improvements at the margins are always possible. But a convincing case for the

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<sup>83</sup> See Lucy Fisher, Henry Foy and Felicia Schwartz, “Trump wants 5% Nato defence spending target, Europe told”, *Financial Times*, December 20, 2024. Currently, one percentage point of NATO Europe’s GDP roughly corresponds to \$ 200 billion. So, 5% translates into about a trillion, which would be well above the current level of U.S. spending. To buy what? To do what?

<sup>84</sup> The “We told you so” have discovered a sort of reverse free riding. By inflating the Russian threat and raising their own spending they are trying to leverage the much more substantial defense expenditures of the rest of Europe and to keep the U.S. engaged. For example, an increase in Estonia’s military budget of a further 2% of its GDP would bring \$ 0.8 billion more to NATO Europe’s defense spending, a rounding error. The “We told you so” have also understood that “Any kind of war that is discussed enough becomes familiar, seems realistic, and is granted some degree of likelihood”. Thomas C. Schelling, *Arms and Influence*, (New Haven and London: Yale University Press, 1966) p. 178.

hundreds of billions of euros (or dollars) that are incessantly advocated - either indirectly via the creation of specific funds, or directly via the doubling or tripling of member states' military expenditures, or both - has yet to be made. No one – beginning with NATO itself - has yet spelt out what additional capabilities these gigantic resources are supposed to buy.

An American disengagement from Europe – partial or total, gradual or sudden – may of course happen. It may be in the best interest of both America and Europe. The Americans who, in growing numbers, argue that Europe has the means to provide autonomously for its own security are right. The way Americans prevailed over Europe's caution toward NATO's enlargement to Ukraine – with disastrous consequences for both Ukraine and Europe - shows that, as Angela Merkel said, “we Europeans must really take our destiny in our own hands”.<sup>85</sup>

In this case, Europe would need to duplicate some assets that are currently provided only by the U.S., and thus to spend more during a transitional period. But it would be up to Europeans themselves to decide how to finance them, without the pressure of making any American president happy. And hopefully by the correct procedure of first defining what is needed and then the amount of money necessary to buy it.

If pursued with determination, the transfer to the EU level of another function of government after monetary policy, i.e. defense and security, and the consequent creation of a European Army would, on the other hand, lead to economies of scale and a rationalization of Europe's defense procurement and production. While at the same time radically do away with long vexing problems, such as free riding. Or standardization and interoperability.

It won't be easy. The EU is today divided between its weakened historical core of France, Germany and other western member states on the one hand, and its north-eastern arc of member states on the other. The latter group has no intention of pursuing strategic autonomy and is determined to keep the U.S. engaged in Europe at all costs.

No matter how the intra-EU debate on the future of European security will play out, it is of capital importance, as soon as the war in Ukraine comes to a halt, to prevent the recurrence of armed conflicts on the old continent. Instead of obsessing over how to increase military spending and rearm, Europe should focus on stability and reconfigure its armed forces accordingly through defensive defense postures, persuading Russia to do the same through arms control and disarmament measures.

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<sup>85</sup> “Europeans must take ‘destiny into our own hands,’ Merkel says after G-7 summit”, *CBS News*, May 28, 2017.

## Tables and Figures

Table 1. Weapons holdings by country, 2020

Country	Battle Tanks	ACVs	Artillery	Combat Aircraft	Attack Helicopters
Albania	0	48	12	0	0
Belgium	18	97	46	54	0
Bulgaria	90	280	176	24	6
Croatia	75	300	113	11	0
Czech Rep	30	247	96	38	17
Denmark	44	344	32	44	0
Estonia	0	180	128	0	0
Finland	200	825	672	107	0
France	467	3135	265	341	67
Germany	323	1547	262	228	51
Greece	1228	2299	1818	230	28
Hungary	48	392	31	14	8
Iceland	0	0	0	0	0
Italy	459	1140	689	213	36
Latvia	3	0	72	0	0
Lithuania	0	282	91	0	0
Luxembourg	0	48	0	0	0
Macedonia N	31	211	131	0	2
Montenegro	0	8	62	0	0
Netherlands	0	382	36	73	28
Norway	36	481	60	63	0
Poland	808	1979	719	94	28
Portugal	37	436	180	30	0
Romania	377	927	941	60	0
Slovakia	30	357	49	19	0
Slovenia	46	115	68	9	0
Spain	411	1128	794	188	24
Sweden	120	1475	120	96	0
Turkiye	2378	5911	2598	306	95
UK	227	1299	250	162	40
NATO Europe	7486	25873	10511	2404	430
Canada	82	993	187	101	0
USA	2509	15948	5951	3448	867
Ucraina	2119	1986	1964	125	35
Bielorussia	537	990	333	93	12
Russia	2840	13758	8015	1021	902

Source: The International Institute for Strategic Studies, The Military Balance 2021

Table 2. Weapons holdings by country, 2023

Country	MBTs	ACVs	Artillery	Combat Aircraft	Attack Helicopters
Albania	0	48	12	0	0
Belgium	18	94	46	53	0
Bulgaria	90	280	176	20	6
Croatia	74	278	121	8	0
Czech Rep	33	253	96	38	13
Denmark	44	434	16	54	0
Estonia	0	180	120	0	0
Finland	200	1207	1451	89	0
France	425	3209	245	296	67
Germany	313	1556	245	226	51
Greece	1228	2276	1826	229	28
Hungary	57	388	21	14	8
Iceland	0	0	0	0	0
Italy	413	819	570	206	33
Latvia	0	204	84	0	0
Lithuania	0	325	108	0	0
Luxembourg	0	48	0	0	0
Macedonia N	0	209	131	0	2
Montenegro	0	8	62	0	0
Netherlands	0	381	39	78	28
Norway	36	481	36	40	0
Poland	476	1715	664	83	16
Portugal	34	435	153	28	0
Romania	377	743	965	41	0
Slovakia	36	314	60	8	0
Slovenia	14	95	68	9	0
Spain	303	1131	799	187	18
Sweden	110	1378	146	99	0
Turkiye	2378	7057	2762	294	91
UK	213	1194	214	201	50
NATO Europe	6872	26740	11236	2301	411
Canada	74	993	183	108	0
USA	2640	15679	4891	3211	905
Ukraine	937	2815	1639	78	45
Belarus	497	1077	803	63	11
Russia	2000	10820	3992	1086	766

Source: The International Institute for Strategic Studies, The Military Balance 2024



Table 3. Military expenditures and personnel, 2020

Country	Year 2020	Milex (current \$ bil.)	Milex (PPP \$ bil.)	Active Pers (x1000)	Reserve Pers (x1000)
NATO Europe		302	429,8	1848	1452
Canada		20	22,3	67	36
USA		738	738	1388	845
Ukraine		4,3	18	209	900
Belarus		0,6	2,3	45	290
Russia a)		43,1	134,7	900	2000
Russia b)		60,6	189,4	"	"

Table 4. Military expenditures and personnel, 2023

Country	Year 2023	Milex (current \$ bil.)	Milex (PPP \$ bil.)	Active Personnel (x 1000)	Reserve Personnel (x 1000)
NATO Europe		373,4	539	1829	1408
Canada		24,2	28,1	67	34
USA		905,4	905,4	1326	807
Ukraine		30,1	104,9	800	400
Belarus		1	3,8	49	290
Russia a)		74,8	243,1	1100	1500
Russia b)		108,5	352,6	"	"

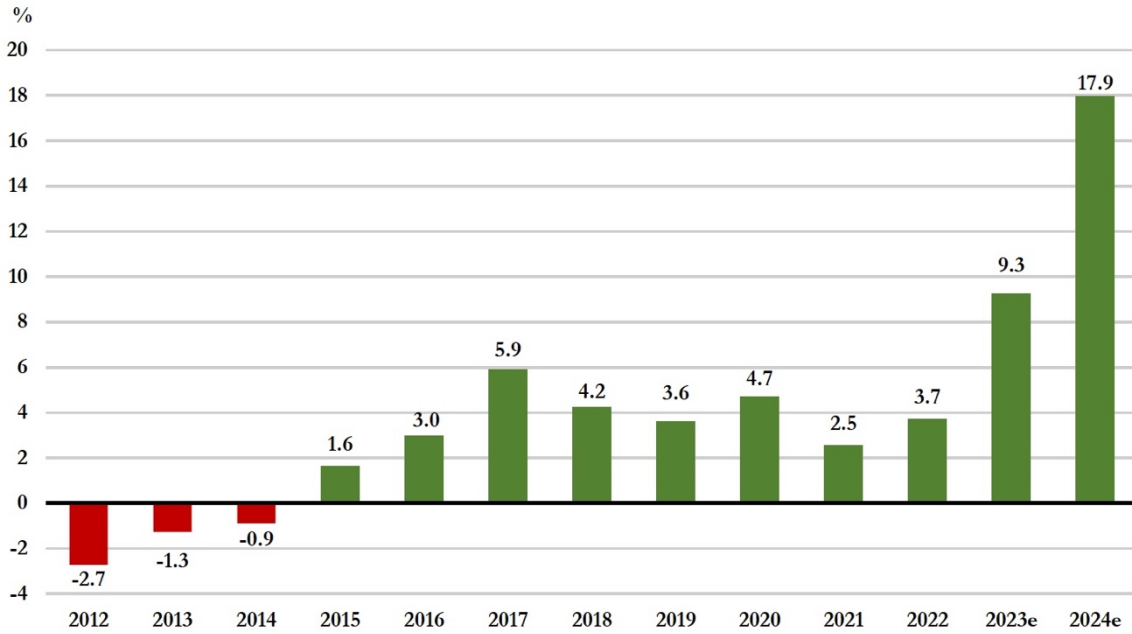
Source: The International Institute for Strategic Studies, The Military Balance 2021 (above) and 2024 (below). IMF World Economic Outlook Database, Oct 2024, to turn current \$ into PPP \$

Figure 1. Stoxx Europe aerospace and defence index



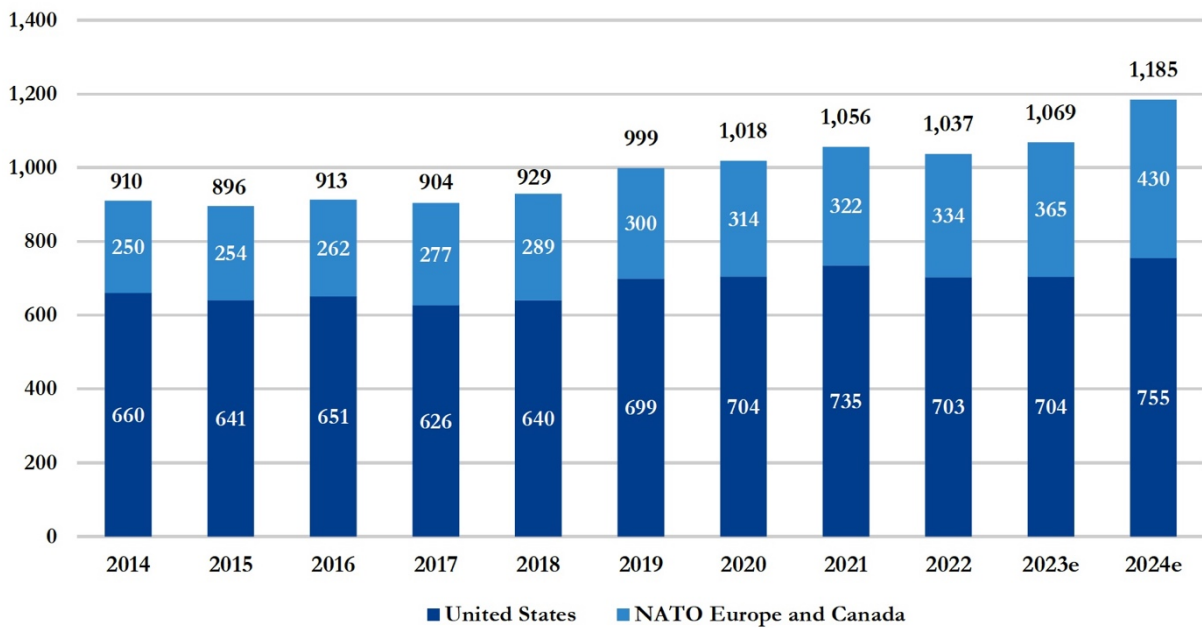
Source: "Do not sound the alarm on Europe's defence sector yet", Financial Times, April 29, 2024

Figure 2. NATO Europe and Canada - defence expenditure  
(annual real change, based on 2015 prices and exchange rates)



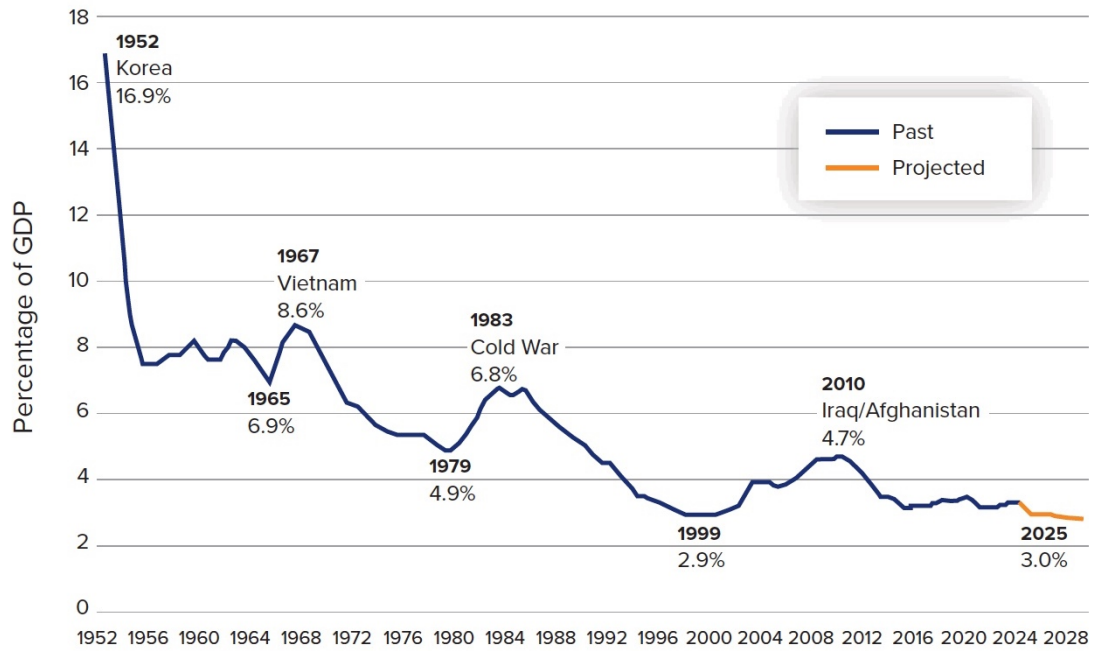
Source: "Defence Expenditure of NATO Countries (2014-2024)", NATO Press Release, 2024

Figure 3. NATO - defence expenditure  
(billion US dollars, based on 2015 prices and exchange rates)



Source: "Defence Expenditure of NATO Countries (2014-2024)", NATO Press Release, 2024

Figure 4.  
 Defense Department Budget Authority as Percentage of Gross Domestic Product,  
 FY 1952 to FY 2029



Source: Commission on the National Defense Strategy, July 2024

Figure 5.

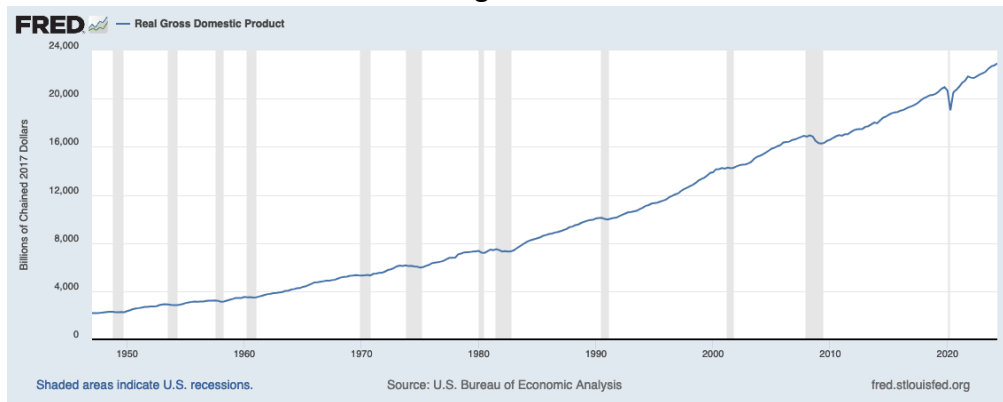


Figure 6.

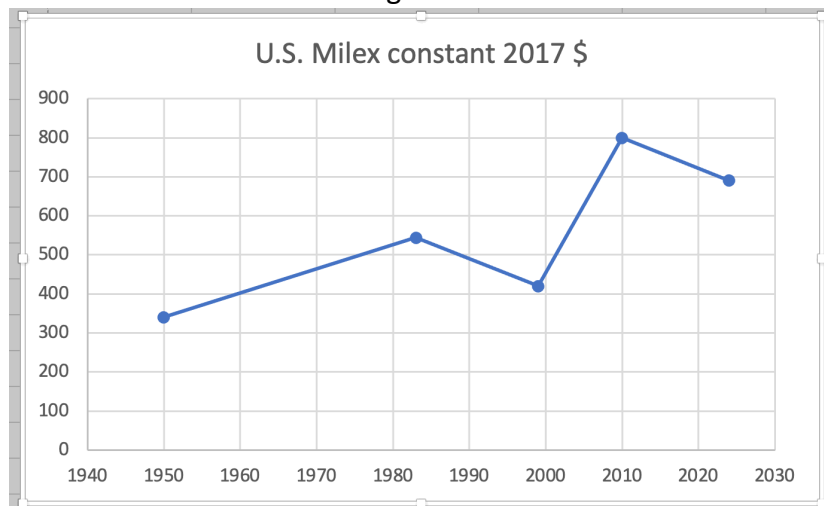
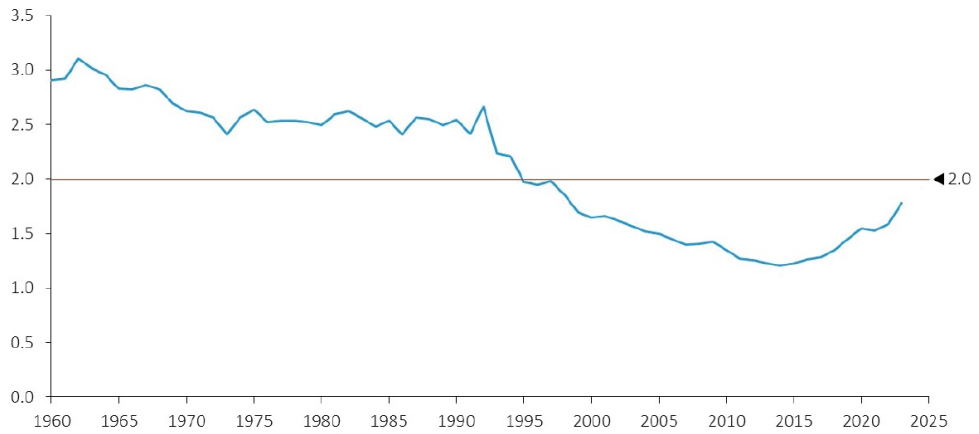


Figure 7.

### EU Member States' defence expenditure

% of GDP



Source: SIPRI. Accessed 2024.

Source: Draghi Report on the Future of European Competitiveness, 2024

Figure 8.

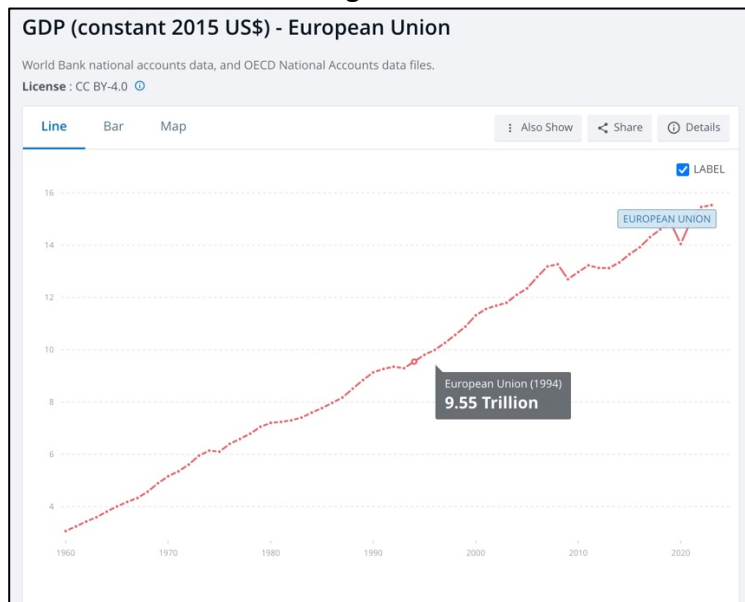


Figure 9.

