

For a Realistic Planning of NATO Integration Costs		Legal Studies Keywords: Cost, integration process, realistic planning, budget, expenditure.
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<p style="text-align: center;">Abstract</p> <p>In this article I will try to focus on the costs that a country is obliged to pay during the NATO integration process, based upon the experience of previous countries after they joined NATO. I hope this article will serve to leaders and planners working in the relevant Army structures, in order to create a general idea of the costs their country is going to pay because of the activities related to NATO integration. It also will help them to develop as realistic as possible financial plans and programs for the coming years after the “de jure” membership event.</p>		

Introduction

NATO membership is a long and difficult process. As a general rule, after the invitation the country will undergo the NATO integration process, which has many difficulties to overcome, and needs a close cooperation with different NATO structures, and especially with NATO Headquarter in Brussels. This process is not only an integration of Ministry of Defense, but integration of all the country, and as such requires the joint efforts by all state organizations. To successfully accomplish the integration process countries must allocate the proper budgets to become compatible with NATO requirements, especially in operational field.

The guideline of the NATO is that all member states to allocate 2% of their share of GDP to defense budget. Actually only 5 out of them have fulfilled this requirement while the others have allocated around 1-1.5%. Based on the experience gained by countries that joined NATO after 1990, for the period of integration this requirement should be met, and countries should allocate 2% of the share of GDP to defense organization. To overcome this difficult period of integration, changes in concepts, doctrines, organizations, training, materials, and equipment are required in order to be compatible with those of NATO. The above mentioned changes of course need financial support. Based on their national strategies countries might have other national priorities, especially related to economy, security, public order, and juristic system, which are defined in their national strategic documents.

Methodology

The methodology used in this article is analytical, comparative and descriptive, based on contemporary literature exploited to collect, analyze and draw conclusions for a realistic planning of NATO integration cost.

Results

The integration process of a country in NATO requires national efforts, from all state institutions. It needs knowledge, close cooperation, synergy, and definition of clear objectives and of course allocation of required funds to reach them. At least for a middle-term, NATO integration process must be the highest national priority.

Discussions

Undoubtedly the NATO is the most successful and efficient security organization in the world. Its success depends on the share values of all member states, as democracy, freedom, rule of law, free market economy etc. Since the creation NATO has undergone deep and wide transformation, especially after the Cold War. It was enlarged with new member states and transformed from a classical organization of collective defense to a security and peace organization, able to adapt to new challenges. Regardless the periodical discussions for its existence, which wake up again lately, NATO, have been able to adopt in new geopolitical situations. NATO has been, is and will be the most powerful global organization of security and peace. The discussions in process will increase its unique values in a world in continuous changes, they will raise the contribution of each member state, but they do not put in question its existence.

The membership of all Balkan countries in NATO will contribute directly in the strengthening of democracy, peace, stability, market economy and rule of law in this ex-problematic region. But, joining the Alliance doesn't require only the transformation of the Army, but essentially accomplishment of deep political, institutional and economical reforms.

In general the countries that have joined the NATO lately didn't have a realistic and balanced understanding of requirements of NATO membership. Especially the issue of membership costs is a less discussed topic even at the highest levels of government, but moreover less discussed and understood by the public. The politicians speak more for the benefits of different political groups and benefits that country will have, but they do not speak for obligations and the membership costs that country has to pay. Thus the public doesn't have information about the costs, but also information related to the benefits the country is expecting from NATO membership.

Membership in a club brings benefits, but participation in it requires paying. The country has to fulfill a number of standards, including political standards, as: electoral reform, rule of law, institutions strengthening etc. After all is the Ministry of Defense that will face the main burden of NATO integration. During the Cold War the military expenditures in all ex-communist countries were too high, up to 20% as a share of the GDP. After 1990 the military expenditures were reduced highly and actually they go on the average to around 1.3% of their GDP. After the NATO

membership the military expenditures should be 2% of the GDP, but benefits that country gains are bigger, because of the higher security for the country and its citizens.

Every country allocates a portion of its budget to defense organization, dependent of the country, its geographical position, risks and level of ambition. It is very important to use this money effectively in order to speed up transformation process and to reach the required standards for NATO integration. This is the only way that costs and sacrifices having heavy middle-term effects to be transformed in long-term benefits. The main tendency must be the modernization of the Army that includes education and training of personnel, armaments, systems, equipment and related infrastructure.

After all the studies of multiple effects of NATO integration must be deepened, beyond political declarations. They must be focused not only in politico-military issues, or only in security issues, but also in the economic, social, juridical, organizational areas which are direct functions of integration. In this article I will focus in the costs that country has to pay during NATO integration process based on the experience gained by countries that already are NATO members.

Assessment of the costs is not an easy mathematical calculation, but a complex one, because of the combination of many measurable and non measurable, direct and indirect factors. Also there didn't pre-exist any guidance or methodology how to calculate that costs. To prepare a full balanced table of effects you must not take into consideration only the costs, but also the benefits coming from NATO integration. The issue doesn't have to be analyzed only for the costs, but also for particular benefits, for the integrated effects.

During this analyze you encounter a considerable number of factors and effects, which in many cases represent difficulties to be presented in monetary terms, as for example the estimation through figures of e country's security. This influence should be extended in time for middle- term and long-term period. There are too many unknown factors, but analysis and estimations must be done, based on actual values of benefits and costs from the moment of membership.

It is created a wrong perception that main responsibility for NATO integration lays upon Ministry of Defense. In fact the obligations and benefits from this process belong to all segments of government and political spectrum of the country, which requires the coordination of work between all of them.

NATO actually is in the process of deep reforming trying to adapt to the new stage of security and geopolitics, what makes more difficult to anticipate the measures and actions in military area by new members. The integration cost must be seen in two aspects: in a narrow focus limited only to military area, and in a wider focus, from the perspective of economy and the costs that all the country has to pay. Continuing in a narrower term and further estimation, the cost related to military area is divided in direct cost and indirect cost.

I. Direct Military Costs

The countries that have joined NATO lately encounter with some problems in defense area in order to reach NATO standards, as: limited resources and capacities to guarantee their sovereignty, and low technological, training and reaction capabilities. As a consequence their military contribution during 10 years after membership has been minimal. Defense budgets as a consequence of economical situation of the country have been limited; there has been a lack of military capabilities to react independently in peace support operations. To successfully accomplish needed reforms in defense area a political long-term consensus should be reached between all political forces, in order to take into consideration relatively high costs for small and weak economies of these countries.

In the direct defense costs are included all costs related to NATO integration along with reforms that will be done in the military area to reach optimal capabilities for cooperation with NATO structures and to guarantee the country's contribution for collective defense.

These costs are: the membership cost for NATO common fund; the cost of civil-military representation in NATO structures; the cost of participation with troops in joint operations; the cost of participation in joint NATO activities (joint training, conferences, workshops etc); the cost for modernization and restructuring process of Army in accordance to NATO standards; the cost for development and adaptation of national infrastructure and territory and the cost related to legal, procedural and organizational rules.

1. The Membership Costs as a Contribution for NATO Common Fund

As a general rule, all member states contribute for expenditure which are accepted for common financing and represent the interest of all member countries. Part of the NATO common fund are: civil budget, budget for NATO operations and missions, military budget and the investment and security program (NSIP). In the execution of the principle for common financing and cost sharing, member countries define financial sources with which they will contribute individually for the well functioning of the Alliance. The membership cost is a direct cost and is considered as "extra cost" contributing to all four abovementioned budgets. Common fund is used by related NATO structures for enlargement functions, improvement of military structures of new members, for operations, for stationing of NATO troops in their territory, to support new members to improve their defense systems etc.

The contribution of each state to common fund is negotiated between members based on some factors. With agreement the accepted formula to share the costs seems that reflect "ability of each state to pay". Nevertheless the basic formula that applies is as much political as it is economical. It has changed by the time and was adopted reflecting the contribution of new members and the scale of participation in integrated structures of NATO. All of four NATO

budgets have different formulas and different percentage of contribution by member states. All together they constitute nearly 0,5% of total expenditures for defense of NATO member states. But, these costs shouldn't be paid only by defense budgets, but also by Ministry of Foreign Affairs, which has its own staff in national representative office in NATO HQ.

In addition to above mentioned costs, a cost for membership in NATO agencies must be paid if the country intends to join them, as for example NAMSA.

This is the contribution with actual criterions, because the contribution for common funding has been and will be in uninterrupted changes.

2. The Costs of Civil-Military Representation in NATO Structures

With the aim to have effective communications, consultations and collective decision making between NATO countries, each member state must have a permanent diplomatic and military representation in NATO HQ, as well as other representatives with a staff consisting normally 50% by civilians and 50% by military man. The cost for that personnel includes the expenditure for salaries, rewards and other benefits based on national regulations of each state, expenditure for renting of the space where personnel works, expenditure for maintenance and reception of military missions which constitute a national obligation.

3. The Costs of Participation with Troops in Joint Operations

The main obligation of NATO countries is to participate with troops in NATO joint operations abroad. These operations could take place inside the area of responsibility of NATO, close to it or in faraway areas from it. The majority part of military troops and equipment of member states are under control of national commands, but they must be assigned under NATO control for special tasks, in accordance with NATO objectives. But, the expenditure for troops, equipment, training, salaries etc. are paid by defense budgets of each member state.

Member states must have until 8% of their terrestrial troops abroad in operations and missions. Based on their Army composition and number of personnel each member state must have in readiness a contingent of 40% of its terrestrial troops, ready to be assigned under NATO control for operations. To have this contingent equipped and in readiness the member states must procure new armament, systems and equipment compatible with requirements of NATO Force Goals and compatible with the Armies of other members states participating in an operation. This budget might be great for a small member state and normally it requires a period of 10-15 years for its Army to reach full capabilities. This contingent must be prepared with double role, for the missions inside and for the mission outside the country. This approach will reduce expenditures to procure new armament, equipment and systems. Also their training must be conducted in accordance with operational doctrine and NATO standards.

4. The Costs of Participation in Joint NATO Activities

Here are included the costs related to participation of member states in different NATO activities, such as conferences, workshops, joint exercises, different committees and commissions of NATO etc. After the NATO membership this expenditure will be paid by member states. The reduction of expenditure for that participation will lead to decrease in the number of activities, but at the same time in a request for higher effectiveness. The countries must employ and the possibility of participation and training in distance, so called “e-learning”.

5. The Costs of Development of Infrastructure to Accomplish the Host Nation Support

The infrastructure and the territory of a NATO countries, its terrestrial and maritime roads, seaports, airports, telecommunication systems, operational centers, ammunition depots, fire ranges and training areas, the electricity networks etc must be prepared to be used by Alliance, if situations will require it, for the missions inside the country or close to it. All the costs for infrastructure improvement and services of the type “host nation support”, (which must be build in accordance with NATO standards), must be accomplished by member states, except the cases when these objects represent strategic interest for the Alliance. In these cases the investment might be financed by NATO common fund. Based on the interest that a project represents the NSIP might finance up to 2/3 of the investment in new member states.

This costs must be defined precisely in figures in order to be included in total cost estimation. But, in addition to expenditure, part of these costs might serve as a source of income creation, for countries industry, as tourism, employment, transport, food, telecommunication, increase of direct foreign investments etc. having an influence on the increase of the GDP of the country.

Many studies have tent to compare expenditures done by national budgets with security, peace, stability and other benefits after membership. But, majority part of the view that they tent to create is missing and some benefits and hidden or elusive costs cannot be included in that table. It seems that these costs and elusive benefits, from the membership in NATO, might be better estimated through making of a comparison with the case when the country wouldn't be a NATO member.

The data of some countries that joined NATO after 1990 indicate that after the NATO membership for an increase of the defense budget by 0.1% of GDP, the related increase of foreign investments in the country was in average 0.1-0.2% of GDP. Based on their analyses these benefits justify the membership and the increase of military expenditures for that period. All the scholars and analysts agree in a point that benefits from the membership in NATO heavily exceed the costs spent, for the country as well as for the Alliance itself.

In many cases of investment there is a possibility to share the funds in accordance with regional agreement with neighbor countries that are already NATO members. In the same way some of the projects for infrastructure improvement might be given with concession to foreign countries and actors, as World Bank, European Bank of Investment, EU, USAID, etc. That's why is necessary to coordinate at national level with other ministries to prevent overlapping and imprecise planning. We should be aware that investment for extension and improvement of infrastructure in most cases bring improvement in other areas of economy and between them the increase of foreign investment, development of tourism, the reduction of transport costs, the reduction of informal economy, etc.

6. The Costs for Legal, Procedural and Organizational Arrangements

In this group are included all expenditure related to organizational and procedural measures, different legal arrangements and the rules that must be undertaken to guarantee the compatibility with NATO requirements, obligations and standards, like:

- The cost for constant improvement of military legislation;
- The cost of the programs to improve democratic control over defense organization by Government and Parliament;
- Establishment of functional organizational structures, taken as example by other advance countries in the region and the NATO models for the procedures of procurement, related control and responsible organizations;
- the cost for preparation of laws, rules, standards, working procedures, procurement of vehicles, equipment and the services for building, extension and improvement of infrastructure, fuel supply for vehicles, the services for maintenance of land, air and naval vehicles, etc.

II. Indirect Military Costs

As underlined above, NATO membership is not a simple political decision with an important meaning only for defense organization. But, there are other dimensions of NATO integration, in addition to explicit and implicit political and military indications, which are elaborated as part of obligations for a country in the NATO integration process. Economic cooperation is one of the aspects directly expressed in Washington Treaty. There is a close cooperation between security and economic cooperation, clearly defined in the Marshall Plan, which had as a goal establishment of a secure environment for economic development.

By the obligations that a country has for the NATO it is clearly understood that the integration process cannot pass easily by the countries just joined the Alliance, because they have to fight corruption, authoritarian practices, disrespect for the rule of law, abusing with the free will of voters, aberration of market economy, disrespect for minority rights, individual and press freedom, etc. The NATO integration requires from member states political will and sufficient

capacities to implement reforms, which are translated in multiple costs in addition to military ones.

1. Political Costs

There are too many arguments and polemics related to reduction of country's sovereignty which become subject to collective decisions for security by Alliance. But, today in a situation of multiple and non conventional risks for a country, with limited financial resources, and as a consequence with limited military capabilities, it is impossible to guarantee the security of a country based only on its own assets. The arguments should be expanded further and must be consolidated in cases when the collective defense by Alliance is missing and country must evaluate the costs of possible scenario to reach the required security.

Another cost would be the lack of public support for the party or the coalition of the parties in power, in the cases of engagement of military troops in dangerous areas abroad, in NATO led military operations. These costs are becoming more sensible, too heavy and visible in death cases of any serviceman in operations abroad.

Furthermore the country for the reasons of alignment with Alliance might be perceptible as a country more exposed against terrorist attacks, a possible cost, if we analyze the latest cases in some NATO countries.

The fulfillment of standards for electoral processes and juridical reform consist an addition cost for the country.

2. Economic Costs

The countries aspire to join NATO have many economic problems and it's not easy to allocate a part of their limited resources for security, due to NATO standards. Other costs might be related to the fulfillment of reforms in general, not only for NATO but also for EU. We might mention the costs for further restructuring and liberalization of market economy, encouragement of business, the sanctions of the right of property, the privatization of economy, improvement in the system of social security, reforms in administration, health and education, etc.

As a result of rigorous control of terrestrial and maritime borders is expected a reduction of informal economy, the decrease of income from illegal trade, narcotics etc. because of the routes of trafficking and smuggling will be cut off. In reality country will lose a hidden source of economic increase, but it will gain an important result, the trust and assurance of foreign investors, NATO integration, and regional cooperation and EU membership. As a consequence the costs we pay will be overcome by a big number of expected benefits.

3. Social Costs

The war against corruption, organized crime, trafficking of arms, narcotics and humans is one of the biggest challenges for every democratic government, because it sustains one of the biggest social problems for the country. Against good governmental programs and extraordinary improvement in the region, again this has been and will be one of the most difficult battles.

The reforms in defense field might lead to reduction of Army personnel. In the state budget there will be added some costs for social security for this category, addition programs for their reintegration at job, etc.

4. Infrastructure Costs

NATO integration requires the setting of appropriate conditions for the execution of joint activities with Allies in a country just joined the NATO. The concept of national security requires employment of the civil infrastructure for NATO needs within a limited time. Improvement in road infrastructure, energy, telecommunications, etc requires additional costs.

It is important to underline that all included costs in this list, as those related to judiciary, elections, economic reforms etc. must be done by country. Much of them will be done with or without foreign donators. The influence of reform execution is worth for all economy of the country. Each reform expressed in monetary terms serves also for common goal of quick integration at the same time in EU, for economic stability of the country and the protection of macroeconomic stability. The only different thing is the speed to perform these changes, that's why we have defined them as indirect costs for NATO integration.

As a conclusion, benefits from investment in the framework of NATO integration are multiple if we evaluate the contributions for the stability of institutions, attraction of foreign investments, increase of country's security and increase of macro-economic performance. Furthermore they create a possibility for greater integration in EU, because many goals and principles for integration, especially in political field are common and complement each-other having a synergy. That was experienced by many countries that joined NATO and EU during latest decades.

III. The Size of Defense Budget

There are too many factors influencing the size of defense budget of NATO countries. It is allocated in accord with the size of national budget, with national ambition and goals, as well as the contribution of each new member state for the NATO common fund, etc. As mentioned before, if we analyze the table of defense budgets of NATO countries for 2017, as share of GDP, we notice that only 5 out of 29 member states exceed the limit of 2% of the share of GDP. Because of

USA contribution, which pays 60% of the NATO's annual budget, this figure for all 29 member states went in average to 2,42 of the share of GDP.

Defense is one of the numerous areas financed by state budget. The politicians must decide and hold responsibility for the definition of priorities. And the Parliament has to decide "how much should be spend for defense and how much for other areas". The possibility to choose is wide and unlimited. The decisions are made with the goal to gain maximal capabilities from allocated resources for defense.

The division of the budget in budgetary programs will depend on the features of each state, and it is defined in close coordination with the Ministry of Finance. The budget must support the progress of transformation, establishment of a modern military force, qualitative, well equipped, specialized and able to participate in international missions and tasks in compatibility with Armies of other member states.

NATO integration will require an adjustment of expenditures balance, an increase of the expenditures for equipment over 20% of the defense budget, what is a heavy burden for the defense budget. For that reason the country should aim to profit by NSIP budget and other sources.

Conclusions

1. The efforts to express the NATO integration costs only in monetary terms are difficult.
2. NATO integration brings multiple benefits, political, economic and social, but the leaders at all levels of government and the population must be aware for the obligations that come out from NATO membership, and the costs the country has to pay.
3. In addition to financing from state budget the country must discover the possibilities for other sources of financing, for accomplishment of common national, regional and NATO projects, with the goal to relieve as much as possible the financing only from defense budget.
4. Defense budget must be transparent and spent effectively. The priorities should be defined cautiously and supported properly. This requires an increase of management capabilities of all leaders of military structures and especially by finance specialists dealing with these tasks.
5. This article serves to make aware leaders and planning personnel that work in defense organizations of the costs of NATO integration and for preparation of a precise middle-term program.

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