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The Impact of Accession on Military Expenditure Trends for New NATO Members

Jomana Amara and Martins Paskevics

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In the years following the end of the Cold War, NATO undertook a rapid expansion by adding new members. This study examines the impact of NATO membership on military expenditures among country groups which are closely linked by the timing of their accession to the alliance. The nations analyzed are the Visegrad countries: Poland, Hungary and the Czech Republic, the Baltic countries: Latvia, Estonia, Lithuania, and the Adriatic countries: Croatia, Albania, and FYROM. We conclude that a commitment to join NATO has an impact on a country's military expenditure level—it increases up to the membership point, and then starts to decline. However, on average, none of the country groups that joined NATO reached the informal guideline of military expenditures at 2% of GDP.

Keywords: NATO; Military expenditures; Alliance; defense burden; Partnership for Peace; Membership Action Plan;

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Alliances expand by the time-tested method of adding members who share the same interests and values. Forming and joining these alliances always demands some resources allocated from the countries who want to commit themselves to participation in them. Security, which results from defense, is not a free good in economic terms. As with all expenditures, defense expenditures involve a trade off of other goods and services, raising controversies about military versus social-welfare spending and whether defense is a benefit or burden to an economy.¹

The twelve countries that formed NATO in 1949, agreed, by signing the North Atlantic Treaty that:

- They are determined to safeguard the freedom, common heritage and civilization of their peoples, founded on the principles of democracy, individual liberty and the rule of law.
- They seek to promote stability and well-being in the North Atlantic area.²

NATO eventually expanded its membership and the alliance was joined by other countries who wanted to share this common feeling of security and to contribute to trans-Atlantic security: Greece and Turkey (1952), West Germany (1955) and Spain (1982). In fact, the defense spending of NATO members represented their response to the perceived threat from the Soviet Union and its allies in the Warsaw Pact.³

After the collapse of the USSR in 1991 and the end of the Cold War, the borders and defense lines between the opposing sides were erased. Countries from the former Warsaw Pact wanted to join NATO to share the perceived protection and benefits of membership of the alliance as security challenges arose. This group included Hungary, the Czech Republic and Poland in 1999; and Estonia, Latvia, Lithuania, Slovenia, Slovakia, Bulgaria and Romania in 2004.

NATO is described as “a voluntary international club” which specializes in providing collective defense, a public good. Nations will join the club and remain members so long as membership is expected to be worthwhile, benefits exceed costs.⁴ It means that all countries who join the “club” anticipate that the benefits received outweigh the costs incurred. However, an alliance built on the premise that all members expect to benefit more, receive more security and stability, then they contribute will eventually collapse. That is why several countries are willing

to over contribute, get less than they contributed, in order to achieve other certain intangible benefits such as building trust and relationships, and expanding their influence and culture.

NATO members contribute to the Alliance in various ways. The most significant means by far is through funding and the deployment of their respective armed forces in support of NATO missions.

Over the past decade, as the alliance has undertaken enlargement, current member countries have been providing bilateral assistance to prospective future members. Defense analysts point out that the NATO allies also contribute to mutual security in many other ways.⁵

However, intangibles are difficult to account for and a nation's contribution to an alliance, its burden sharing measure, is still best measured in monetary, military and tangible resources⁶

A variety of indicators to measure burden sharing can be formulated and classified into the following categories:

1. Military quantitative: size of the armed forces, population pool for conscription, number of military equipment available;
2. Military qualitative: quality of the armed forces, training, funding and readiness levels of the respective units, quality and effectiveness of the military equipment available to fulfill mission goals;
3. Civil quantitative: contribution to humanitarian missions, economic aid provided, assistance to refugees;
4. Civil qualitative indicators: quality of the help provided, impact and effectiveness of the contribution.

The military indicators distinguish between expenditures, the various components of defense budgets, national contributions to NATO, final outputs in the form of force effectiveness, and contributions to peacekeeping. Data on some of these indicators are either not available in the public domain or hard to quantify, such as force effectiveness.

Where data are available, the spending levels on the various categories need to be placed in perspective. For example, contributions to NATO common funding (e.g. infrastructure) average less than 1% of total NATO defense spending: hence, over

contributing to common funding does not make up for under contributing to defense, because common funding is so small.⁷

Military spending as a share of Gross Domestic Product (ME/GDP) is the most commonly used measure of defense burdens; however, it has limitations. Nations can differ in their definition of defense spending choosing to include or exclude certain expense such as pensions or research and development. In addition, some countries rely on conscript forces so that their defense budgets underestimate their defense burdens as reflected by the opportunity costs of using troops.

There are several more limitations on the usage of this measure of a nation's contribution to defense spending: Countries have different mixes of public and country-specific defense forces. Nations might apply the economic principle of substitution using alternative methods of providing protection, reflecting each nation's comparative advantage in resources. Differences are also likely to arise in the efficiency with which various nations convert defense expenditures into combat-effective armed forces. Some nations might have highly inefficient forces which would not be evident from ME/GDP measures, although the impact on force effectiveness might be assessed by examining various components of the defense budget. Various quantitative indicators show the strength of a nation's commitment to NATO as reflected in its willingness to support the alliance leader such as basing and over flight rights.⁸ Despite its shortcomings, defense spending as a share of Gross Domestic Product remains the most commonly used measure of defense burdens.

NATO ENLARGEMENT PROCESS

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. *Article 10, The North Atlantic Treaty Washington DC, 4 April 1949*

Since 1949, the number of NATO member countries has increased from the twelve founding countries to 28 following two major enlargements after the Cold War. The Czech Republic, Hungary and Poland joined the Alliance in March 1999, following an invitation issued at the 1997 Madrid Summit Meeting; while Latvia, Estonia Bulgaria, Romania, Slovenia,

Lithuania and Slovakia joined in 2004, after receiving the invitation at the 2002 Prague Summit Meeting.⁹

Already since the Washington Summit Meeting in April 1999 NATO leaders underlined the continuing openness of the Alliance to further new members and pledged that NATO would continue to welcome new members in a position to further the principles of the Treaty and contribute to peace and security in the Euro-Atlantic area.¹⁰

Even after these large accessions, which more than doubled the original number of members, NATO continues to adhere to the openness policy adopted in 1999; the member states agreed that NATO enlargement is an ongoing process, not a single event.¹¹

Several other countries subsequently have expressed their willingness to join NATO and began NATO accession preparation procedures for full fledged membership: Albania, Croatia and FYROM. Albania and Croatia joined in 2009 and FYROM's accession remains unresolved.

To facilitate the accession of new members into NATO, the alliance developed specific plans to accommodate a smooth introduction of the new members into the alliance. These tools include the Partnership for Peace (PfP) and Membership Action Plan (MAP).

Table 1: NATO Accession Mechanisms¹²

COUNTRY	PFP	MAP	MEMBERSHIP
<i>Poland</i>	1994	-	1999
<i>Hungary</i>	1994	-	1999
<i>Czech Republic</i>	1994	-	1999
<i>Latvia</i>	1994	1999	2004
<i>Lithuania</i>	1994	1999	2004
<i>Estonia</i>	1994	1999	2004
<i>Albania</i>	1994	2002	2009
<i>Croatia</i>	2000	2002	2009
<i>FYROM</i>	1995	1999	Not invited to join, until official name issues with Greece are solved

At the Brussels Summit in 1994, NATO leaders reaffirmed that the alliance still has an open door policy to European states that follow the principles of the Washington Treaty and contribute to security in the North Atlantic area. Building on this, in December 1994, the Alliance Foreign Ministers determined the criteria for future admissions into the Alliance. These conditions were examined by the Allies in 1995.¹³ A study was completed after the meeting and the resulting “Study on NATO Enlargement” was shared with interested Partner countries in September 1995 and made public. These guidelines are still applicable to NATO enlargements today.

New members will be accepted according to the Article 10 prerequisites and they will become full-fledged members after completing certain procedures and fulfilling certain benchmarks. At the same time countries must conform to all NATO requirements in practice and not only on paper - they must have real capabilities. Countries that have internal or external disputes (democracy issues, unsolved border disputes etc.) should solve them by peaceful means before becoming members.

Ultimately, the Study concluded, Allies would decide by consensus whether to invite each new member to join, basing their decision on their judgment - at the time such a decision has to be made - of whether the membership of a specific country would contribute to security and stability in the North Atlantic area or not. No country outside the Alliance has a veto or ‘droit de regard’ over the process of enlargement or decisions relating to it.¹⁴

Mechanisms of Enlargement

PfP is an important initiative introduced by NATO at the January 1994 Brussels Summit of the North Atlantic Council. The aim of the Partnership is to enhance stability and security throughout Europe. NATO addressed the PfP Invitation to all states participating in the North Atlantic Cooperation Council and in the Conference for Security and Cooperation in Europe who were interested, able and of course willing to contribute to the alliance. The invitation was accepted by a total of 33 countries. The activities which each Partner undertakes in support of NATO are based on jointly defined Individual Partnership Programs. The PfP focuses primarily

on defense related cooperation, but it also goes beyond dialogue and cooperation in the military and defense field in order to forge real partnerships between Partner countries and NATO.¹⁵

The NATO enlargement process, after the end of the Cold War, can be divided into five stages. Initially, under PfP, military cooperation is initiated between the alliance and the applicant nation. This first stage of the accession process is primarily a declaration of intent from the applicant and the realignment of common defense and security directions. Even though this step is one of the easiest, there are cases when countries did not receive the “green light” from NATO. For instance, Croatia was not able to join PfP until May 2000, when the government started an internal democratization process.¹⁶

The first stage is followed by a step up in PfP cooperation that may include a formulation of a request for membership by the country.¹⁷ This second stage of the accession procedure signals that the country is ready to develop and strengthen its relationship to NATO, potentially culminating in full NATO membership. However, some countries end their commitment at this stage. For example, Switzerland has been active in non-military PfP activities for years, signaling its desire to cooperate with but not join NATO.¹⁸

Stage three is the midpoint of the accession procedure when the military cooperation grows into an eventual membership to NATO. This constitutes a process of consensus building within NATO regarding the given country’s eligibility for consideration for membership and detailed discussion of the potential accession. In Stage two, a country can state whether it wants to join NATO, but in Stage three it is up to NATO to accept a country into the alliance. The MAP is the tool for declaring such intent. It transforms the vision of NATO membership into reality. MAP process was started in April 1999 to assist those countries, mostly those countries that joined NATO in 2004, who wish to join the Alliance in their preparations by providing advice, assistance and practical support on all aspects of NATO membership. Its main features are: the submission by aspiring members of individual annual national programs on their preparations for possible future membership, covering political, economic, defense, resource, security and legal aspects; a focused and candid feedback mechanism on aspirant countries’ progress on their programs that includes both political and technical advice, as well as annual meetings to assess progress; a clearing house to help coordinate assistance by NATO and by

member states to aspirant countries in the defense/military field; a defense planning approach for aspirants which includes elaboration and review of agreed planning targets.¹⁹

Aspirant countries are expected to achieve certain goals not only in the military field but also in the political and economic fields. These non military goals include settling any international, ethnic or external territorial disputes by peaceful means; demonstrating a commitment to the rule of law and human rights; establishing democratic control of their armed forces; and promoting stability and well-being through economic liberty, social justice and environmental responsibility.²⁰

Full participation in PfP is an essential component, because through their individual PfP programs which specifically include goals for each country, aspirants can focus on essential membership related issues. Partnership Goals for aspirants include planning targets covering those areas which are most directly relevant for nations aspiring to NATO membership.²¹ At this point, the aspirant country commits sufficient resources to defense to meet the commitments that future membership would bring in terms of collective NATO undertakings.²² In addition, Security issues center on the need for aspirant countries to make sure that procedures are in place to ensure the security of sensitive information. Legal aspects address the need for aspirants to ensure that legal arrangements and agreements which govern cooperation within NATO are compatible with domestic legislation.²³

Placing a country in the third stage of the NATO accession process is usually done by a public statement from the NATO side. Even though Ukraine and Finland actively participated in Stage 2, neither country advanced to the third stage.

Stage four starts when the countries' aspiration efforts are recognized by NATO and the intra alliance discussion on the countries' weaknesses starts. Countries then are evaluated compared to the criteria listed in the 1995 NATO Enlargement study: Do they meet the criteria or not?

Then in multilateral and bilateral meetings, at various levels, between the aspirant and NATO country representatives, a schedule is agreed for the country specific MAP process – to correct certain weaknesses before NATO accession in order to strengthen the candidacy. When the minimum requirements are met, the accession process goes to its final stage.

Stage five is the final stage of the NATO accession process where the country receives an official invitation to join NATO. Such an invitation can be achieved only after an intra-alliance bargaining procedure, and consensus recognition among NATO members that the aspirant country has fulfilled Stage 4 minimum requirements and is ready to join NATO.²⁴

COUNTRY ANALYSIS

Visegrad: Poland, Czech Republic, Hungary²⁵

Poland

At the end of the Second World War, Poland's occupation by the Red Army led to establishment of a pro-Soviet regime which lasted until 1989.²⁶ After the collapse of the Soviet Union, Poland, a founding member of the Warsaw pact,²⁷ declared its interest in joining NATO in 1991.²⁸ In preparation, Poland joined the PfP program in 1994, five years prior to NATO membership, and began to modernize its armed forces according to NATO standards. In 1999, Poland joined the North Atlantic Treaty organization during a challenging period for NATO. The Alliance was facing major changes and challenges: enlargement, new threats, new missions, new technology, and declining defense budgets.²⁹

During the Cold War in 1988, the Polish armed forces were second in size only to the USSR in the Warsaw Pact, numbering 897,000 with 406,000 active and 491,000 reserves. By 1992, the number dropped to 731,500 with 296,500 active and 435,000 reserves.³⁰ The force reductions came under the terms of a 1991 plan with NATO and the EU.³¹ Currently the Armed Forces in Poland conscript 67,500 persons annually, around 40 per cent of the total number of the personnel, and plans are to reduce the number of conscripts to 58,500 by 2008. The intention is to increase the share of volunteers in the armed forces to 65 percent by 2010. In addition, Poland has already amended the conscript service time in the armed forces from 12 to 9 months. The drive toward fully professional armed forces should be complete in 2012, when conscription will be suspended.

At the end of the Cold War, Poland was left with a broken economy and armed forces in urgent need of transformation.³² The newly democratic country was forced to decrease the portion of military expenditures in the state budget to address its economic trouble. From

1990 to 1991 alone, the decrease was 1,847 million dollars or 31.7%. But after 1994, it is possible to see a gradual increase in Polish military expenditures in terms of dollars spent, because Poland joined the PfP initiative as a stepping stone to NATO membership.

Table 2: Defense burden (ME/GDP %) ³³

Year	Visegrad			Baltic			Adriatic		
	Poland	Czech	Hungary	Latvia	Estonia	Lithuania	Albania	Croatia	FYROM
1988	2.6		3.8e				5.6		
1989	1.9		3.1e				5.2		
1990	2.8		2.8e				5.9		
1991	2.4		2.4e				na		
1992	2.4		2.4		0.5		4.9e	7.8e	
1993	2.7		2.2	0.7	0.8	0.6e	3.2	10e	
1994	2.4p	2.3p	2.1p	0.8p	1.0p	0.4ep	2.5p	11.1e	
1995	2.0	1.9	1.6	0.9	1.0	0.4e	2.1	11e	p
1996	2.0	1.8	1.5	0.7	0.9	0.4e	1.4	9.8e	3.0
1997	2.0	1.7	1.7	0.6	1.1	0.6e	1.3	8.9e	2.2
1998	2.0	1.9	1.5	0.6	1.1	1.0e	1.2	6.6e	2.2
1999	1.9n	2.0n	1.7n	0.8a	1.3a	0.9ea	1.2	5.2e	1.8a
2000	1.8	2.0	1.7	0.9	1.4	1.4e	1.2	3.6ep	1.9
2001	1.9	1.9	1.8	1.0	1.5	1.3e	1.3	3.2e	6.6
2002	1.9	2.0	1.7	1.6	1.7	1.4e	1.3a	3.2ea	2.8
2003	1.9	2.1	1.7	1.7	1.8	1.4	1.3	2.4e	2.5
2004	1.8	1.8	1.5	1.3n	1.5n	1.4n	1.4	2.0	2.5
2005	1.8	1.8	1.4	1.3	1.5	1.2	1.3	1.9	2.2
2006	1.8	1.7	1.2	1.6	1.4	1.2	1.6	1.9	2.0
2007	1.8	1.4	1.3	1.6	1.9	1.2	na	na	na

The defense burden drops significantly after the end of the Cold War. During the PFP phase, Poland maintains ME/GDP at 2% as required by NATO. Subsequent to joining, the defense burden drops to an average of 1.8% and remains at this level.

Czech Republic

After the collapse of the Soviet Union, the Czech Republic was among the countries that left the influence sphere of Russia and joined NATO and the European Union. Lodged firmly in the memory of the population was 1968, when an invasion by Warsaw Pact troops ended the efforts of the country's leaders to liberalize Communist Party rule and create "socialism with a human face".³⁴

The Czech Republic was the larger of two countries to emerge from the breakup of the former Czechoslovakia on 1 January 1993; this so called "velvet divorce" formed the Czech Republic and Slovakia. A year later, after the "velvet divorce," the Czech Republic joined the European Union,³⁵ and in 1999, NATO. As with other former Eastern bloc countries during the 1990s, the Czech Republic struggled to adapt its economy to the new situation.³⁶

During the last years of the Warsaw Pact there were approximately 201,000 personnel on active duty in the CSLA , Czechoslovak People's Army, in 1987, about 145,000, 72 percent of whom served in the ground forces. Of these, about 100,000 were conscripts.³⁷

But the Czech military underwent several transformation procedures in the 1990s, personnel end-strength was cut from 106,101 in 1991 to 67,702 in 1995.³⁸ In 1994, the Czech Republic joined the Partnership for Peace Program, which helped the Czech armed forces to adopt NATO procedures and NATO standards and increased interoperability with NATO forces. The Czech Republic completed its accession talks and became a NATO member, together with Hungary and Poland, on 12 March 1999.

However, the armed forces remained larger than necessary for the new situation. For instance, in 1997 the Defense Ministry still employed more than 80,000 persons, or 25,000 more than planned in the first reform concept approved in 1993. In addition, between 1996 and 1998, according to various doctrinal documents, army development concepts and acquisition

plans were made in a conceptual vacuum. This was because older, high-level strategic documents were no longer valid and new reviews were only approved at the beginning of 1999.³⁹

The low speed of military reforms can be traced back to the fact that, during the 1990s, the main priority of the government was the improvement of economic situation due to the slow GDP growth. In the middle of 2001, the government approved terms of reference for what was supposed to be the last major reform of the Czech Army, a shift toward a professional force in the beginning of 2005.⁴⁰ Reductions in armed forces personnel strength continued and in 2006 the Czech army had the size of 26,000 military personnel.⁴¹

In the years prior to accession, the average defense burden for the republic was around 1.9% and the burden was maintain at the same average level post accession.

Hungary

In 1956 Hungary, as the rest of Eastern Europe, fell under communist rule. Hungary subsequently revolted and announced its withdrawal from the Warsaw Pact. This announcement was met with a massive military intervention by Moscow. However, the Hungarian government under the leadership of Janos Kadar in 1968 was allowed to liberalize its economy. This liberalization was named the "Goulash Communism."⁴² In 1990, Hungary held its first multiparty elections, started the transition to a free market economy, and joined the European Union in 1994. The fact that "Goulash Communism" was already in place since the 1970s smoothed the country's transition to a market economy. Within four years of the collapse of communism, nearly half of the country's economic enterprises had been transferred to the private sector, and by 1998 Hungary was attracting nearly half of all foreign direct investment in its region.⁴³ In 1999, Hungary joined NATO, together with Poland and the Czech Republic.

During the Cold War, the Hungarian armed forces were one of the smallest in the Warsaw Pact. Approximately 100,000 personnel were on active duty in the Hungarian People's Army in 1988, of which about 64,000 were conscripts.⁴⁴ One of the main reasons for the small force was that 200,000 Soviet Army troops were stationed in the country, filling many of Hungary's defense needs by their presence. Hungary ranked last, along with Bulgaria and Romania, in the number of military helicopters, and only Romania had fewer tanks.

During the last decade, the Hungarian army underwent a transformation that cut its armed forces from 121,600 to 74,463 in 1996.⁴⁵ Hungary finished its armed forces transformation in 2004, switching to a professional military at a current level of 23,000 personnel.⁴⁶ Even though Hungary's forces were relatively ineffective compared to other former Warsaw Pact countries and higher levels of investment were needed to rebuild the Hungarian armed forces, this was reflected in the defense burden measures for the country. In the years after independence and before PfP, Hungary's defense burden was on average 2.3 percent. During PfP, the average was 1.6 percent and after accession it drops to 1.4 percent.

Baltic Countries: Latvia, Estonia, Lithuania

The Baltic countries have always been at the crossroads of interests of major countries in Europe, Russia and Germany in recent memory, Poland and Sweden in previous centuries. They became independent states for the first time after the collapse of the Russian Empire in 1918. Then the countries enjoyed a brief spell of independence which lasted for 22 years. This period was ended by Soviet occupation in 1940, an occupation that lasted until the USSR's collapse in 1991.

After the collapse of the USSR, Latvia, Estonia and Lithuania sought an international mechanism which would provide them safety and security. All three countries declared membership in NATO and EU to be a primary goal of their foreign policies and planned to join as early as possible. But it was a long road for the Baltic countries to travel, as 50 years of Soviet occupation had left scars on the economies of the three countries and their readiness to take security related responsibilities in the international area.⁴⁷

In order to make the accession to both organizations harder, Russia stated its opposition to the membership of the three Baltic countries in the EU and NATO. This made the issue of accession not only dependent on the success of the reforms and progress done by the countries, but also on political bargaining and negotiation among Russia, NATO and EU officials at the highest levels.

Latvia

After the collapse of the Soviet Union in 1991, Latvia had no defense forces so there was a need to build a new defense system from scratch. On 24 January 1991, the Public Security Department was established, but the specific defense institutions began to form after the real restoration of independence.⁴⁸ The first step was the establishment of the Ministry of Defense in November 1991 and development of the first draft structure of the armed forces. At this time other institutions, such as the State Defense Forces, the National Academy of Defense and other entities related to state defense, were subordinated directly to the Ministry of Defense.⁴⁹

Until 1994, the Latvian armed forces totaled 6,600 soldiers, including 1,650 in the army, 630 in the navy, 180 in the air force, and 4,140 in the border guard. Plans called for 9,000 active members in the armed forces. In addition, the security service of the Ministry of Interior and the reserve Home Guard—totaling 17,000 members—served as a national guard and assisted the border guard and the police.⁵⁰

A conscript based system was established for a 15 year period, ending in 2007. This resulted in 40,718 soldiers serving in the armed forces. Latvia revised its National Defense Concept in 2003, changing emphasis from territorial defense with a conscript base to an all volunteer force with the main focus on participation in collective defense. The changes in the armed forces were implemented for several reasons: NATO membership and participation of Latvian armed forces in NATO operations; A need to improve Latvia's host-nation capabilities; Changes in the international situation: Shift from territorial defense forces to developing force components for NATO forces; Taking into account the opportunity costs of conscript-based armed forces, it was decided to use more efficient, well-equipped professional units. The transition to a fully professional force of approximately 5,000 soldiers was finished in 2007.⁵¹

In 1994, Latvia joined the PfP framework in order to improve its interoperability with NATO forces. Its ME/GDP averaged 0.7 percent during its PfP phase and increased to 1.2 percent during MAP. After accession, the defense burden stabilized at 1.3 percent. At no point in time from 1993 to the present did Latvia's defense burden reach 2 percent.

Estonia

Estonia mirrored the other post-USSR Baltic countries in the need to rebuild its armed forces from scratch. The government took swift measures to build up its defense forces, so much so that by 1994 the Estonian Defense Forces numbered about 3,000, a 2,500-member army a 500-member navy.⁵² There was also a 6,000-member reserve militia, known as the Defense League, a 2,000-member paramilitary border guard under the command of the Ministry of Interior, and a maritime border guard, which also functioned as a coast guard.⁵³ To further stress the importance of national defense, the Estonian parliament in March 1994 adopted a law mandating 8 to 12 months of military service for all male citizens aged 19 to 27 years.

In 2006, Estonia reported to NATO armed forces strength of 5,000 military personnel,⁵⁴ but currently the average size of the Estonian Regular Armed Forces is about 3,800; 3,300 in the Army; 300 in the Navy; 200 in the Air Force. The forces include about 1,500 conscripts. The Voluntary Defense League also has about 8,000 members. The planned size of the operational structure is 16,000 personnel.⁵⁵

Estonia joined PfP in 1994, and thereby gaining specific partnership goals which needed to be accomplished before talks on possible NATO membership could start. Starting from 1994, Estonia spent on average of 1 percent of GDP on military expenditures, but as with Latvia and Lithuania never reached the 2 percent benchmark. Estonia's average burden increased to 1.5 percent during MAP and reached 1.6 percent after accession.

Lithuania

After independence on 11 March 1990, one of the major priorities of the Lithuanian government was reestablishment of the armed forces as Soviet army forces deployed in Lithuania, approximately 34,600 troops withdrew.⁵⁶ By 1994, Lithuania was able to field a force numbering about 8,900 including a 4,300-member army, 350-member navy, 250-member air force, and 4,000-member border guard. In addition, a coast guard, modeled on the United States Coast Guard, and a 12,000-member Home Guard force were established.⁵⁷ Currently, the

Lithuanian Armed Forces are a conscript based armed force of 11,000 personnel.⁵⁸ It is currently the largest military among the Baltic countries.⁵⁹

After Lithuania joined the PfP program in 1994, it allocated on average 0.6 percent of GDP to the military. After joining the MAP process in 1999, Lithuania increased its average military expenditure to 1.3 percent of GDP. After accession to NATO, Lithuania maintained 1.3 percent defense burden.

Albania

The country declared independence from the Ottoman Empire in 1912 but was occupied in 1939 by Italy. Later, it was taken over by communist partisans in 1944 and became a member of the Eastern bloc. Once established, Albania's governing communist regime was very xenophobic. It was allied with the USSR until 1960 when Albania left the Warsaw Pact and thereafter with China, until 1978.

During the years of the Cold War, Albania isolated itself from the rest of the world and relied on its own capabilities to defend itself. In 1992, the total number of the Albanian armed forces was estimated to be 48,000 men, of which 50% were conscripts. The force structure was copied from the Red Army model, with realignment to the Chinese model after 1961.⁶⁰

Albania finally opened to other countries in the 1990s and started a transition to a democratic society, but the transformation was a hard one as successive governments have tried to deal with high unemployment, widespread corruption, powerful organized crime networks, and combative political opponents.⁶¹

Albania's first request to join NATO came in 1992, immediately after the country's first multiparty elections. Albania since then continued to develop and expand relations with NATO member countries. Albania was mostly neutral during the Yugoslavian wars in the Balkans in the 1990s, though Albanian forces did join the NATO led SFOR peacekeeping force in Bosnia and Herzegovina in 1996. The cooperation with NATO went further in 1999, when NATO established a logistical base in Tirana to support Allied operations in Kosovo.⁶² In 2002, the base was transformed into NATO Headquarters in Tirana.⁶³

Albania joined NATO's 'PfP Initiative in February 1994, and is a member of the US Adriatic Charter of Partnership, signed in Tirana in 2003.⁶⁴ Albania entered MAP in 1999 and was officially invited to join NATO during the Bucharest summit on April 2-4, 2008.⁶⁵ Albania struggled economically during the 1990s, but continued to sustain high numbers of military personnel due to the Yugoslavian wars raging in neighboring countries. Only in 2002 did the Albanian military launch a ten year transformation program under the guidance of the U.S. Department of Defense (DOD) to trim down and thoroughly modernize its current standing force of more than 30,000 troops. The Albanian army participates in the peacekeeping missions in Bosnia, Afghanistan and Iraq. The total strength of the armed forces is estimated currently at 21,500.⁶⁶

Albania itself saw its membership in NATO as an opportunity to spread NATO's influence in southeastern Europe. In its MAP, Albania focused on: Improving public order and fighting against corruption; Encouraging and developing respect for human rights; Strengthening democratic institutions and their role in society; Establishing an efficient public administration system; Strengthening civilian democratic control over the armed forces; Maintaining economic growth particularly in privatization; Continuing good neighbor policies and making use of regional programs; Adapting legislation compatible with NATO; Guarantying internal control of weapons and the disarmament process.⁶⁷

In the years leading up to PfP, Albania maintained an average defense burden of 4.7 percent. This declined to 1.5 percent during PfP and further to 1.3 percent during MAP. Albania became a member of NATO in 2009 and it is unclear how its defense burden will evolve.

Croatia

Croatia was part of the Austro-Hungarian Empire until the end of the World War I. It then became a part of the Yugoslavian kingdom and, after the Second World War; Croatia became a part of Yugoslavia, an independent communist country. This unification lasted until 1991, when Croatia declared its independence. Following independence, Croatia contended with a domestic rebellion supported by the Yugoslav People's Army. It took four years before

occupying Serb armies were cleared from the territory of Croatia. Under UN supervision, the last Serb-held enclave in eastern Slavonia was returned to Croatia in 1998.⁶⁸

Croatia focused on development of its economy, which was heavily damaged during the early 1990s and experienced growth only after 1995. At the same time, Croatia paid attention to the transformation of its armed forces within the frameworks and tools offered by NATO.⁶⁹

Since declaration of independence, Croatia has established relations with NATO and joined the PfP process in 2000 and the MAP process in 2002. Croatia was invited, together with Albania, to join NATO in April 2008.⁷⁰ After independence, Croatia was forced to hastily establish its armed forces since the young country needed them right from the beginning as it fought a four-year war.⁷¹

In the mid 1990s it was estimated that Croatia had 180,000 men in its armed forces.⁷² By 2002 at the end of hostilities, the Croatian forces were reduced to 51,000 active military personnel and 140,000 reserves.⁷³ According to the latest plans, the Croatian Armed Forces will be stabilized at 16,000 from the current 25,000.⁷⁴ In early 2008, Croatia transitioned to a professional military.

Croatia has also been contributing to NATO mission such as peacekeeping efforts in Afghanistan since 2003. Croatia also actively cooperates with other Adriatic countries in the military field, including deployment of a joint medical unit with Albania and FYROM to Afghanistan.⁷⁵

In the years before joining the PfP and potentially due to its conflict with Serbia, Croatia average defense burden was 8.8. The defense share of GDP dropped to 3.4 percent between 2000 and 2002 during the PfP phase. Croatia's defense burden further dropped to an average of 2.3 percent during the MAP.

FYROM (Macedonia)

FYROM gained independence from Yugoslavia in 1991 in a peaceful way and in contrast to the other Yugoslavian republics was spared hostilities during the 1990s. However, the country

was challenged in 2001 when the Albanian minority in the country demanded their rights. NATO stepped in to end the fighting.⁷⁶ Of more serious concern is the FYROM dispute with Greece regarding recognition of the country under its current official name even though the U.S. has referred to the country as the Republic of Macedonia since 2004.⁷⁷ This has prevented the country from receiving an invitation to join NATO in April 2008.⁷⁸

When FYROM declared its independence in 1991, its armed forces consisted simply of local militia and old equipment left by the Yugoslav People's Army. In 1992, the Armed Forces of the Macedonian Republic were formed. FYROM was not involved in the Yugoslav wars in the 1990s, and therefore the build up of the armed forces was slower than in other former Yugoslavian republics. Under the last reforms in the Ministry of Defense and the armed forces, the total military strength is 12,858 soldiers, of whom 70% are professional soldiers.⁷⁹

Therefore, the country was able to gradually increase its military spending during the late 1990s—especially when FYROM joined the MAP process in 1999. Since then, military expenditure has slowly increased, as FYROM has declared NATO membership to be one of the country's foreign policy priorities. FYROM averaged a defense burden of 2.5 percent during the PfP process and increasing to 2.8 percent during MAP. However, this increase may have been affected by the curious one time spike in defense expenditures. FYROM increased its burden to 6.6 percent in 2001 probably as a result of its dispute with the Albanian population.

It is unclear when or under what conditions FYROM will be invited to full NATO membership.

Concluding Remarks

Central and Eastern European countries have undergone major changes after the end of the Cold War which impacted their defense expenditure behavior. There was a shift away from the inherited Soviet-style armed forces, especially for the Visegrad countries, to modern armed forces ready to jointly operate with other NATO armed forces.

It was widely acknowledged that these old-style armed forces were too large and that the country's fledgling economies could not afford them. The burden on the economies from

defense was unmanageable.⁸⁰ In contrast to the Visegrad countries, the Baltic countries needed to establish their defense forces from scratch. This they did, mostly using the military infrastructure left by the Soviet Army.

In the beginning and in the mid 1990s, the Visegrad countries made large cuts to military expenditures basically halving expenditures from their Cold War level. Also, similar and even more drastic cuts were applied to the military personnel numbers as major procurement programs were stopped and training levels decreased.⁸¹ The story was quite different for the Baltic countries there was simply nothing there to cut, as these countries had only recently regained their independence.

These reforms, of course, were not easy. The issue was always there: butter or guns. As countries struggled economically, there was an internal fight for the scarce funds among services and spending categories within the military budgets. Therefore, it is possible to argue that accepting the Central and Eastern European countries to NATO was more a political than a capabilities based decision and

...while there is broad political support for the United States' war on terrorism, the absence of direct and immediate threats to the Central and Eastern European states suggests that more dramatic increases in defense spending are unlikely in future and Central and Eastern European governments face the difficult task of reconciling their limited resources available for defense with their commitment to participate in international peace-support operations, the declining operational effectiveness of the bulk of the armed forces and postponed procurement decisions.⁸²

This could result in a delay in development of the national armed forces, and reliance on NATO in cases of emergencies. Of course, these countries have contributed their share to NATO international in particular the NATO led operations in the Balkans. Participation in these operations has contributed to the professionalization of the participating units. It may also have a positive trickle-down effect on the countries' armed forces more broadly, as soldiers are rotated into and out of the operations.⁸³

Most of the post-communist Central and Eastern European countries found that the defense transformation was more difficult and slower than expected. Additional reforms were required after joining NATO. Tools provided by NATO, PfP and MAP, were useful in

streamlining the transformation processes and revealing weaknesses which were remedied to enhance the new NATO members' capabilities. Involvement of the new NATO members in NATO defense planning with the adoption of the new Strategic Concept, which launched the Defense Capabilities Initiative that resulted in the force goals, also put additional stress on the modernization issues of the armed forces and increase of their rapid reaction time and mobility.

In the Visegrad countries, the manpower reductions in the early 1990s were not followed by similar cuts in assets. For example, the Polish armed forces were still using high maintenance equipment and munitions of little military and training value, such as T-55 tanks and 100 mm shells.⁸⁴ Another problem for the armed forces were the large stockpiles of obsolete weapons which needed to be monitored; therefore, the governments tried to sell these stockpiles, but generated funds have been usually much lower than predicted. In order to use funds more effectively, Central and Eastern European countries are starting to evaluate changes to the procurement procedures and use of outsourcing services to the private sector.⁸⁵

Several basic conclusions can be drawn and attributed to all countries which wanted to enter NATO after the end of the Cold War:

- All needed to modernize and develop their militaries.
- Modernization and development efforts of the armed forces were hampered by economic decline at the start of the 1990s, as countries underwent a transition from planned to market economies.
- Countries that had larger armed forces and were independent during the Cold War, Poland, Czech Republic, Hungary, and Albania, drastically decreased military expenditure in the early to mid 1990s.
- Increased military spending at latter stage was due to the need to meet NATO requirements.
- Once accepted for NATO membership, nations' military expenditure decreased. None of the country groups who joined NATO on average reached the NATO informal level of ME as 2 percent of GDP.
- After the end of hostilities, military expenditures were cut drastically, and fell way below 2 percent of GDP mark for Croatia.

- After regaining independence in 1990, the Baltic countries started to increase their military spending gradually
- Croatia and FYROM spent significant amounts of GDP on development of the armed forces in the early 1990s, as they were involved in hostilities with their former Yugoslavian compatriots or had ethnic insurgencies within their territories.
- Tools provided by NATO to aspirant countries, PfP and MAP, were useful in order to prepare the countries for full fledged NATO membership.

NATO will remain a defensive alliance. However, it is apparent that NATO is evolving and may be in the process of morphing into an alliance with a political emphasis. It appears that NATO in the future will continue to encourage and support democratic reforms, including the establishment of civilian and democratic control over military forces. NATO will increase the emphasis on transparency in defense planning and military budgets, thereby reinforcing confidence among states and reinforcing the tendency toward integration and cooperation in Europe. Furthermore, NATO will continue to strengthen the Alliance's ability to contribute to European and international security and support peacekeeping under the United Nations or OSCE (Organization for Security and Co-operation in Europe), and it will strengthen and broaden the transatlantic partnership.⁸⁶

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