

Course:

DEFENSE AND SECURITY ECONOMICS

Distance Support Material

TOPIC 7

MILITARY ALLIANCE AND INTERNATIONAL COOPERATION IN DEFENSE

BRNO

2014

Topic 7



Military Alliance and International Cooperation in Defense

CONTENTS

INTRODUCTION.....	5
1 BASIC CONCEPTS.....	6
2 POLITICAL THEORY OF MILITARY ALLIANCE.....	12
3ECONOMIC THEORY OF MILITARY ALLIANCE.....	14
4MICROECONOMIC ANALYSIS OF MILITARY ALLIANCE ECONOMIC ASPECTS OF MILITARY ALLIANCE	17
5ECONOMIC ASPECTS OF MILITARY ALLIANCE.....	19
CONCLUSION.....	22

LEARNING OUTPUTS

Students will know:

- Basic concepts from economic and politic theory of alliance,
- Basic causes of origin military alliances

Students will be able to:

- State the character of good – defense providing by alliance
- Explain and realize microeconomic analysis of membership of military alliance.

Students will capable of:

- Discussion about pros and cons in connection with military alliance enlargement.

MILITARY ALLIANCE AND INTERNATIONAL COOPERATION IN DEFENSE

KEY TERMS

Military alliance, Cost sharing, NATO financing principles, problem of free rider in multilateral defense securing,

TIME NEEDED FOR CHAPTER STUDY

3 hours

INTRODUCTION

In recent years, the interest in alliances and similar transnational collectives has grown in importance. Rather than the tranquillity and security anticipated by the end to the Cold War, the superpower confrontation has given way to small, vicious wars driven by territorial disputes, internal power struggles, resource claims, and ethnic conflicts. In 1999, 27 wars raged throughout the globe in 26 locations (Stockholm International Peace Research Institute 1999, p. 9).

During the post-Cold War era, defense collectives have increasingly turned to peacekeeping and peace enforcement in the world's trouble spots.³ The reation of highly mobile forces, drawn from multiple allies, requires a degree of integration and cooperation heretofore never experienced in NATO (Palin 1995).

Dramatic declines in defense budgets in the post-Cold War era have augmented the importance of allocative efficiency in the defense sector, as countries must maintain security with diminished resources assigned to defense.

1 BASIC CONCEPTS

1.1 Theory explaining the origin of military alliances

THEORY EXPLAINING ORIGIN OF MILITARY ALLIANCES

× **"BALANCE OF POWER"**

× **"BALANCE OF THREAT."**

BASIC QUESTIONS

Which existing realist alliance theories bear the most potential for explaining intra-alliance cooperation on coalition formation during unipolarity?

Two questions will structure the following discussion of the different approaches:

- 1) When and under which conditions do the theories expect alliances to form? I.e. which hypothesis of alliance formation can be derived from the theories, what is the argument behind and under which conditions?
- 2) What is the explanatory power of the theories in the current international system?

1.2 Definition of military alliance

Snyder defines alliances as:

- *“formal associations of states for the use (or nonuse) of military force, in specified circumstances, against states outside their own membership”*

Walt defines alliances and alignment as:

“formal or informal arrangement for security cooperation between two or more sovereign states”

Die **Hopmann** and **John Sullivan**. For them three elements are essential for an association to qualify as an alliance:

- 1) a formal treaty – open or secret
- 2) it must be directly concerned with national security issues
- 3) the partners must be nation-states

The analysis of some of the most important definitions of the concept of alliance in the alliance literature showed three important things:

- there is no single definition that is accepted by all or most of the authors,
- not much energy has been spent up to now to develop a theoretically useful and practical definition of the concept of alliance,
- the existing definitions are only of limited use because most of them are too vague and too broad.

1.3 Typology of military alliance

In accordance **Bueno de Mesquita, Singer, Ward:**

- An Alignment
- A Coalition
- An Alliance

An **alignment** is usually understood as any general commitment (závazek) to cooperation or collaboration. By implication, its objectives tend to be broad and vague rather than narrow and explicit. Since alignments may involve different states across a variety of military, economic, political, and cultural issues, their memberships are likely to be overlapping and crosscutting.

An example of an alignment is any voting bloc within the General Assembly of the United Nations.

A **coalition** is characterized by the commitment of two or more states to coordinate their behaviour and policies in order to perform particular functions or pursue specific goals. Unlike alignments, coalitions tend to focus on a single military or non-military issue, which implies that states cannot be in overlapping or crosscutting coalitions across different issues or concerns.

An example of a coalition is that among the United States, the United Kingdom, and the Soviet Union during World War Two.

An **alliance** is based on a written, mostly voluntary, formal agreement, treaty, or convention among states pledging to coordinate their behaviour and policies in the contingency of military conflict. The more aggressive an external enemy, or the more serious a military threat, the more cohesive a formal alliance (Liska, 1962). Unlike either alignments or coalitions, alliances are concerned primarily with issues limited to military security affairs.

The degree of overlapping and crosscutting in alliance bonds depends largely on whether military security encompasses a variety of not only military aspects but also such non-military concerns as trade or human rights. The predominant goal of alliances is to guarantee each signatory's integrity and security on the basis of collective military defense.

Basic Concepts – Typology of Military alliance – forma point of view

According to Small and Singer (1969), there are three basic types of formal military alliances.

- **defense pact** (NATO – 1949),
- **nonaggression/ neutrality treaty**(Hitler – Stalin treaty – 1939),
- „**entente** “ (Great Britain and France, 1904).

According to Small and Singer (1969), there **are three basic types of formal military alliances**.

First is a **defense pact**, which requires its signatories to intervene with military force on behalf of any alliance partner(s) engaged in armed hostilities.

Second is a **nonaggression/ neutrality treaty**, in which the signatories pledge not to resort to military action against any alliance partner(s).

Third is an **entente**, where the signatories merely agree to consult one another in the event of military interactions.

Probably the most frequently cited example of a defense pact is the North Atlantic Treaty Organization (NATO), established in 1949. An infamous example of a non-aggression/neutrality treaty is the Hitler-Stalin Pact of 1939. A good example of an entente is the British-French Entente Cordiale of 1904.

After I have presented a way to define whether a given cooperation is an alliance or not, I will in the following section attend to the second step in the characterization on alliances.

This can help determine what kind of alliance the given cooperation might be characterized as. A relevant point of departure for this is Singer and Small's (1966) three typologies.

Generally these typologies have been widely applied in alliance studies during the last 40 years. The three typologies are based on different weighting on commitment variable on a continuum (see diagram 5).

Commitment is according to Singer & Small as mentioned earlier only defined in terms of the character of what states commit to do on a long term basis e.g. a mutual promise of defense or only a mutual promise of consultancy.

First, neutrality or non-aggression pacts are commitments to remain neutral militarily if the partner were attacked.

Second, ententes are commitments to consult with or cooperate in a military contingency.

Third, deterrence pacts, defence treaties or defense pacts are commitments wherein signatories obligate to intervene militarily on behalf of one another if either were attacked (Singer & Small 1966: 5). The typologies are still applicable and relevant.

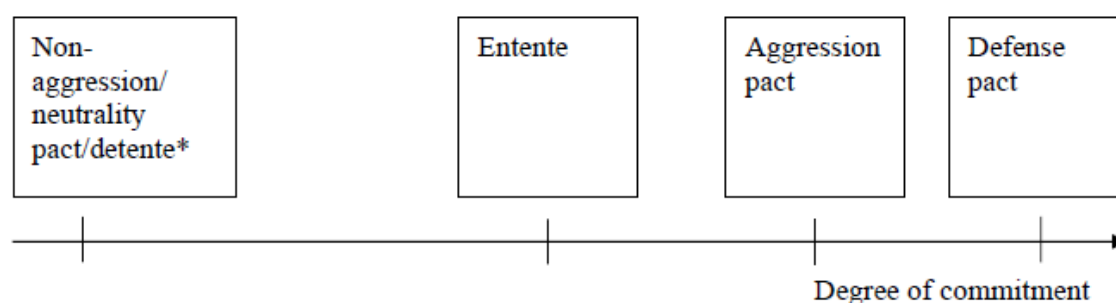
However, I find the typologies only including defensive alliances at the expense of offensive agreements. Especially one category is lacking; an 'aggression' pact. Glenn Snyder includes both offensive and defensive pacts in his definition of defense pacts (Snyder 1997: 12-13).

However I define aggression pacts as an agreement entered with the main purpose of conducting a military intervention but without the mutual defense promise as inherent in defense pacts.

Thus the commitment is smaller in aggression pacts than in defense pacts. This is especially relevant seen in the light of the post-Cold War change; the increased use of ad hoc international coalitions often conducting military interventions.

Finally, it is also important to emphasize that there are numerous different types of alliance agreements and I merely see these four alliance types as broad overall categories covering the main spectrum of different types of alliances and thus allowing for some variation within each type. See diagram 4 for an illustration of the typologies in relation to each other on a continuum of degree of commitment.

Diagram 4 Singer & Small typologies + 1:



Basic Concepts – Typology of Military alliance – under H. J. Morgenthau

- Interests (tangible x intangible)
- Dividing of power (homogeneous x heterogeneous)
- Extend of interests (limited x general)
- Time of existence (temporary x permanent)
- Character (defensive x expansive)
- Efficiency

1.4 Historical perspective

Basic Concepts – Historical perspective

- Dominant form of security providing along side 19 th and 20 th centuries.
- Old and powerfull tool of diplomatic way of increasing power of states.
 - nejstarší dochovaná alianční smlouva z roku 1296 př. n. l. mezi egyptským faraónem Ramsessem II. a chetitským králem Chattušilišem III.
 - smlouva byla nepřímě zaměřená proti rostoucí moci Asýrie
 - „Zaútočí-li jakýkoliv nepřítel na území Ramsesse, nechť Ramsess řekne velkému králi Chetitů: *pojď se mnou proti němu se všemi svými silami... Rozhněvali se Ramsess na své otroky, když se vzbouří a půjde je potlačovat, musí s ním ruku v ruce jít i král Chetitů.*“
- Vojensko–politické spojenectví se uzavíralo velmi živelně, nahodile a většinou velmi krátce před předpokládaným nebo plánovaným konfliktem.
- Zpravidla po ukončení konfliktu se koalice rozpadla.
- Po druhé světové válce však můžeme sledovat následující nové jevy:
 - Koalice se tvoří velmi dlouho před možným vypuknutím konfliktu
 - Aliance se tvoří na základě ideologických zájmů
 - V rámci aliancí dohází k intenzivním integračním procesům
 - Dochází ke zrychlování internacionalizačním procesům

2 POLITICAL THEORY OF MILITARY ALLIANCE

2.1 Balance of power

The most dominant work on alliances during the Cold War-era is that of Kenneth Waltz. Waltz' structural neorealist balance of power, BOP. I will thus, in this section present Waltz' main argument in relation to alliance formation. BOP theory highlights the distribution of capabilities as the most critical variable in determining if there will be an alliance or not and how many alliances are likely. Hence Waltz studies alliances as outcome in the international system (Waltz 1979). This theory suggests that states form alliances to balance stronger states/coalitions for two reasons.

First, by aligning against the strongest power and the potential hegemon, states ensure that no one states will dominate the system: in doing so they stabilize the system and thus a new equilibrium or balance is established.

Second, by joining the weaker and more vulnerable side, states increase their relative influence in the weaker coalition. Waltz argues that if secondary states are free to choose they flock to the weaker side for it is the stronger side that threatens them. On the weaker side they are both more appreciated and safer, provided, of course, that the coalition they join achieves enough defensive or deterrent strength to dissuade adversaries from attacking (Waltz 1979: 127).

Waltz sees alliances as a defensive means to survival and writes that in the quest for security alliances may have to be made. In this quest for security the two main means to states are to balance internal (arms build up) or external (allying) thus Waltz defines alliances as external balancing.

Alliances are according to Waltz made by states that have some but not all of their interest in common. This common interest is mostly the fear of other states. Further Waltz argue that alliance strategies are always the product of compromise since interest of allies and their notion of how to secure them are never identical. Thus Waltz has argued that internal balancing are more reliable and precise e.g. during the Cold War Russia and the U.S. relied mainly on themselves and they balanced each other by the means of internal balancing (arms build up) (Waltz 1979:166).

In sum Waltz applies a wide alliance definition wherein he is quite open regarding the degree of commitment ranging from ad hoc to long termed but not permanent, the object of the alliance will however always be targeted directly against another state or alliance of states and the character of the alliances are offensive means even though the end is defensive to ensure just the right amount of security. According to Waltz power is a relative concept. Waltz argues that power has to be defined in terms of the distribution of capabilities because it cannot be inferred from the result a state may or may not get to use power is to apply one's capabilities in an attempt to change

someone else's behaviour" (Waltz 1979: 191). Thus power can be measured based on a state's score on seven capabilities (territorial size, size of population, military strength, economical capability, resource endowment, political stability and competence⁶⁴ (Waltz 1979: 98, 131)) in relation to the score of other states. Power is defined as a means not an end (Waltz 1979: 126) and the outcome of its use is necessarily uncertain.

A hypothesis of alliance formation derived from Waltz' (1979) balance of power theory would be:

Δ int. distribution of power → states counterbalance the strongest power

2.2 Balance of threat

Stephen Walt (1987) offers one of the most thorough and extensive further developments of Waltz's theory on the issue of alliance formation. I will therefore in this section present Walt's main argument. Walt redefined Waltz' balance of power theory to a balance of threat theory wherein he included both systemic and domestic level variables while still trying to offer parsimony (Walt 1987). Walt's main prediction is that states ally to balance against threats rather than against power alone. Walt basically adopts Waltz neorealist framework⁶⁸ and agrees that Waltz's explanations are fundamentally sound, however find that they are not sufficient. Walt's alliance definition is as discussed in detail in section 2.1 a wide definition. Walt aims to specify which variables triggers alliance formation arguing that states ally to balance against threats rather than against power alone, thus the main threat does not necessarily come from the strongest power as presumed by Waltz. The distribution of power is an important variable but Walt sees the level of external threat as a function of four factors: distribution of capabilities, geographic proximity, offensive capabilities and perceived aggression intentions (Walt 1987: 22). Hence, Walt uses alliances as the dependent variable as Waltz but aim to explain behaviour rather than outcome.⁶⁹ Walt's conditions are external and internal and material and cognitive. Walt tests his theories on the development of alliance formation in the Middle East (Walt 1987).

A hypothesis of alliance formation derived from Walt would be:

Δ Threat (Aggregate power,
Geographical proximity,
Offensive capabilities and
Perceived intentions) → states counterbalance the biggest threat

3 ECONOMIC THEORY OF MILITARY ALLIANCE

3.1 Costs of defense securing

- Problem of good character
- Problem of benefit determination from shared military alliance and expression of ally's burden share and reasonable payment for it.
- „Free rider problem“

3.2 Unilateral versus bilateral (multilateral) securing of defense

- Unilateral defense – country carries burden of autonomy defense alone – costly way securing defense and security.
- Bilateral (multilateral) defense
 - Sharing of costs of defense and security securing
 - Imbalance in burden sharing („free rider problem“)

3.3 Costs and benefits of military alliance

- **Political C & B**
 - Collective defense
 - Collective security
 - Limited autonomy
 - Critique for „bad solutions“
 - Threats or Risks of breach of ally's obligations
- **Military C&B**
 - Access to state-of-the-art military technologies,
 - transfer, acceptance and sharing the best "military procedures",
 - Necessity learn new forms of communication (interoperability)
- **Economic C&B**
 - Lower costs of defense and security securing,
 - Common sharing costs on collective defense and security,
 - „Free Rider“ problem
 - Economic growth and development (foreign investment)
 - Development of defense industrial base

3.4 Economic theory of alliance

- Definition
- Cause of Origin
- Object and subject
- Development of Economic theory of alliance

3.4.1 Economic theory of alliance – origin causes

- 50-ties
- Result of effort of decreasing US defense burden into NATO.
- Main aim was description of benefit and costs sharing – consequently open discussion about revision military – political decisions.

3.4.2 Economic theory of alliance –Content

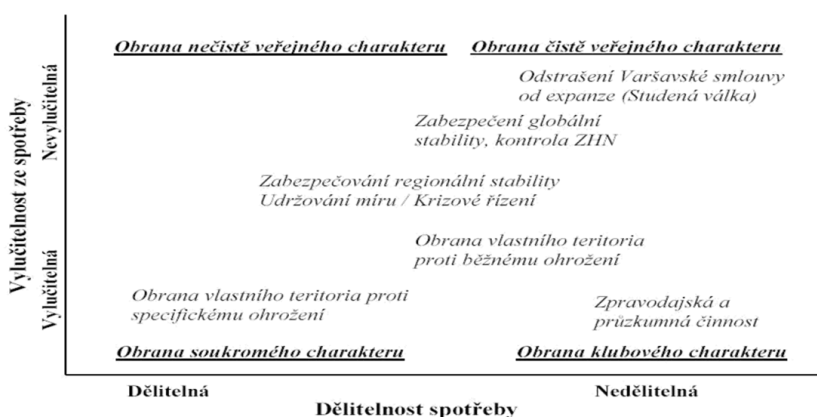
- Character of produced goods and behaviour of members of alliance in connection of production of security and defense.
- Sharing of costs burden among members of military alliance.

3.4.3 Economic theory of alliance – defense readiness of alliance

Three components of collective defense and security:

- Detergence (public pure goods);
- Reduction of damages; (mixed goods)
- Own defense (pure private goods)

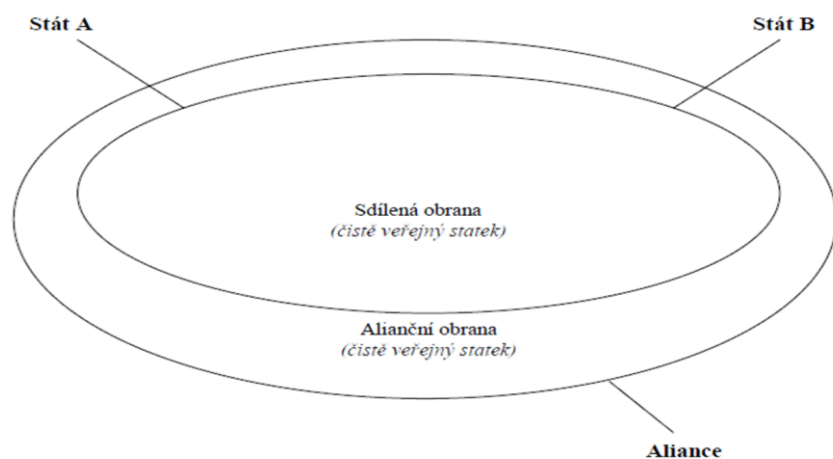
3.4.5 Kinds of provided goods



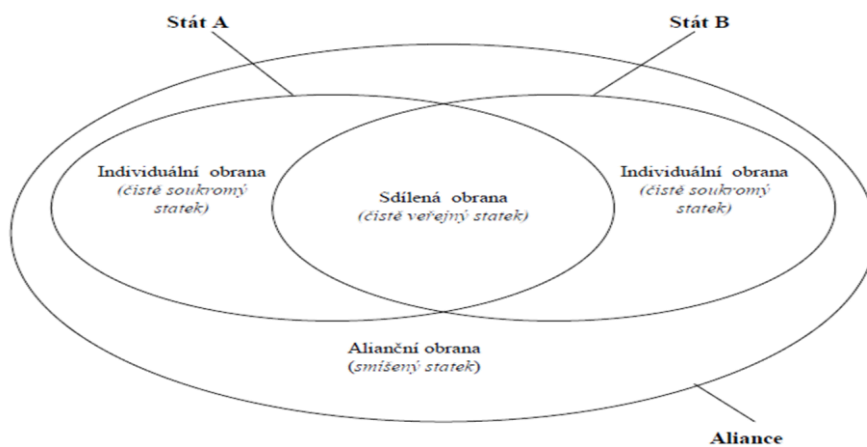
Pramen: GATES, W., TERASAWA, K., *Reconsidering Publicness in Alliance Defence Expenditures: NATO Expansion and Burden Sparing, Defence and the Peace Economics*, 2003, Vol. 14(5), October, str. 373

Pozn.: Obrázek slouží k demonstračním účelům. Přesné hranice rozdělující jednotlivé typy statků v něm není možné určit.

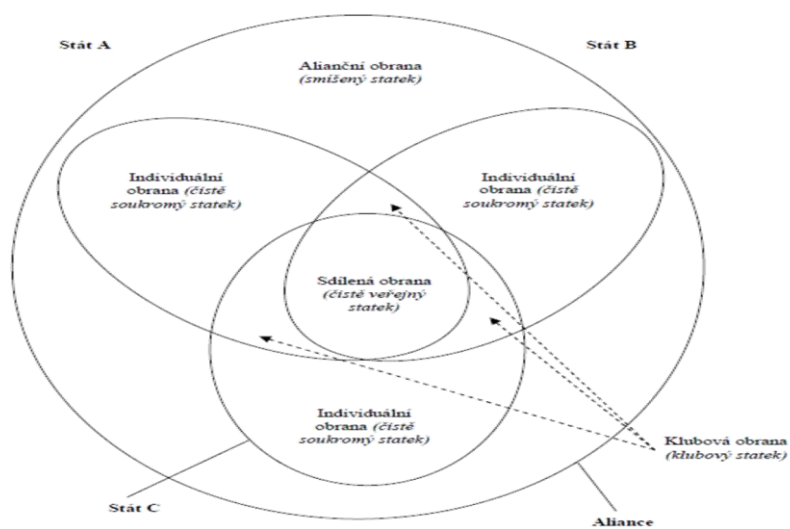
3.4.6 Olson – Zeckhauser model of common defense



3.4.7 Model of Mixed Good – Vyn Ypersel de Striha



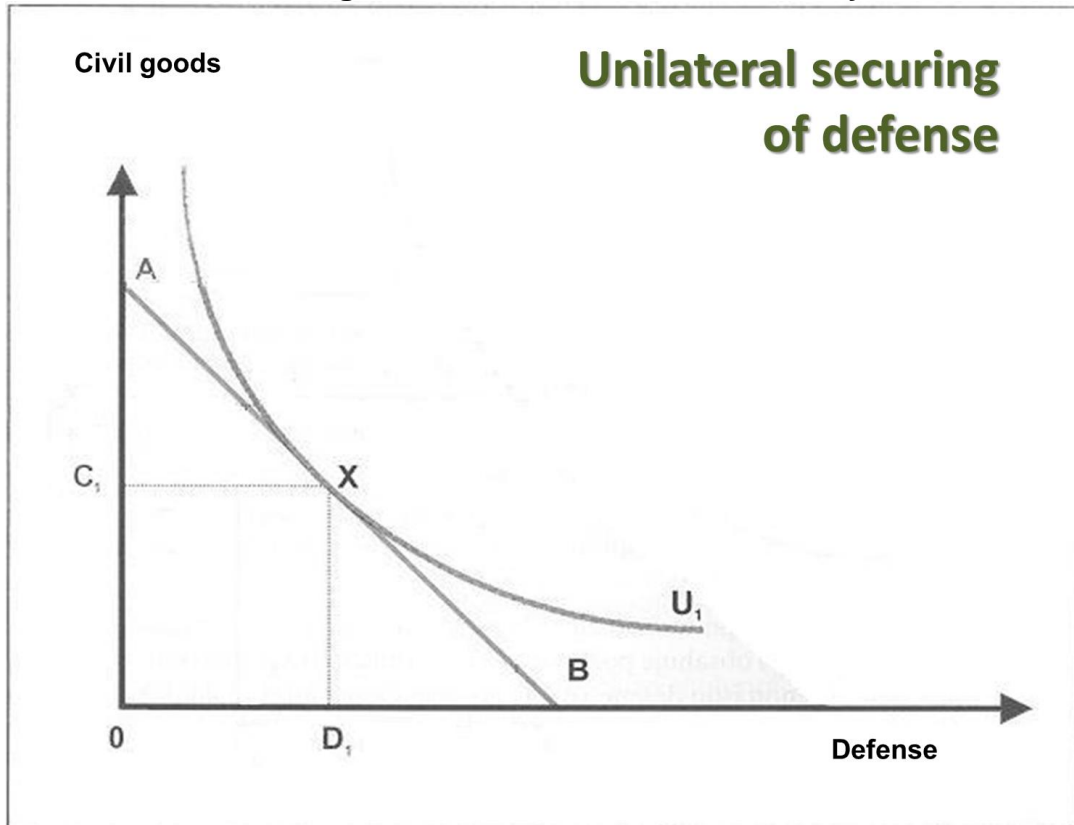
3.4.8 Club Good Model



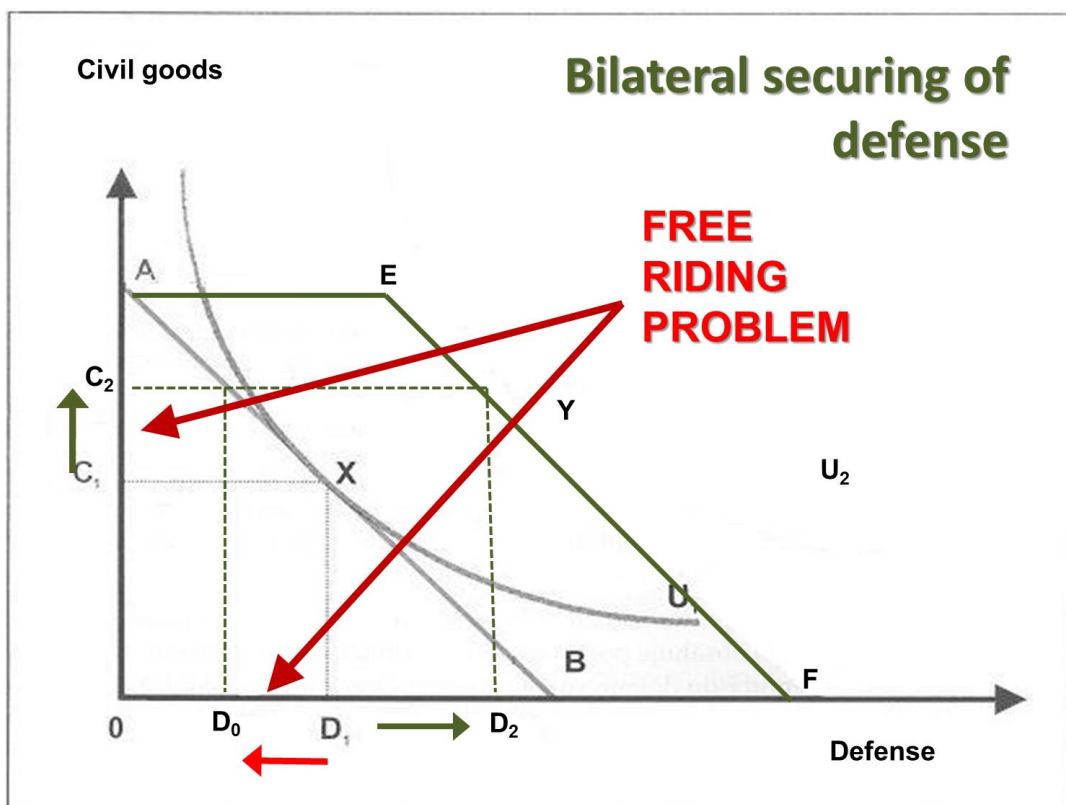
4 MICROECONOMIC ANALYSIS OF MILITARY ALLIANCE

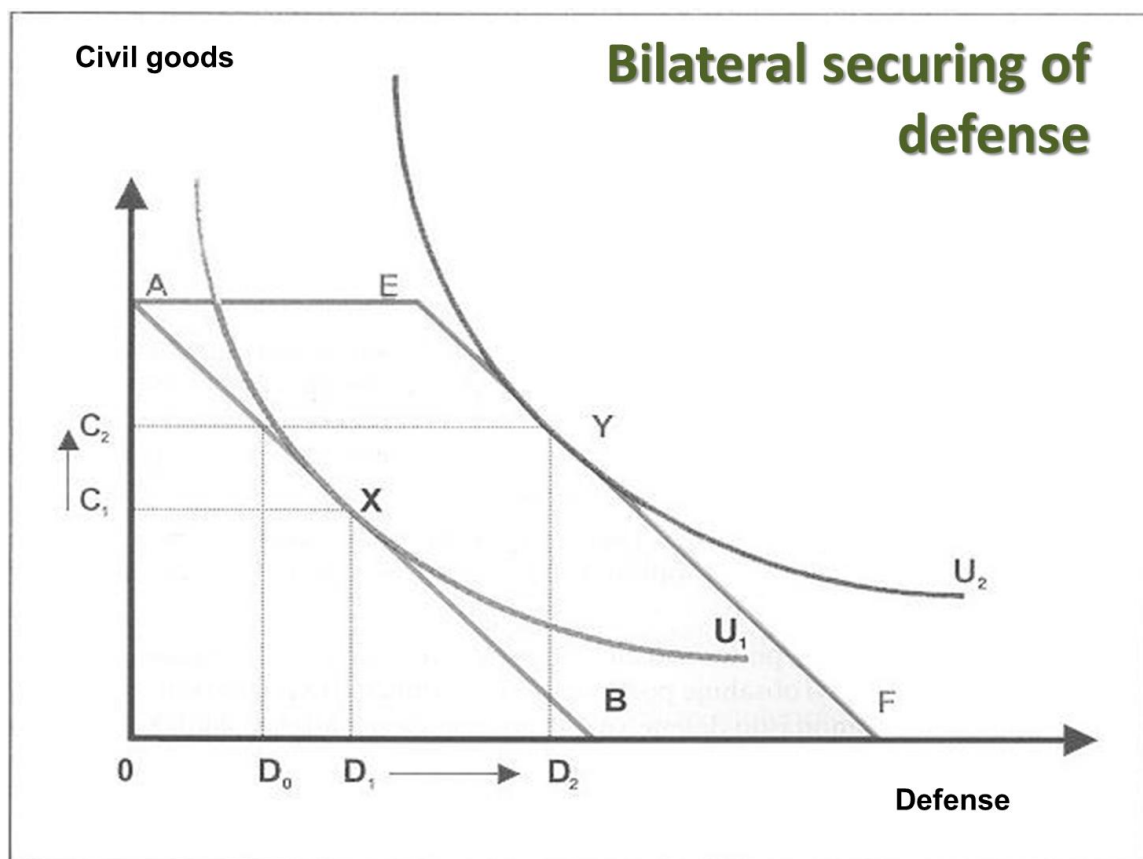
ECONOMIC ASPECTS OF MILITARY ALLIANCE

4.1 Unilateral Securing of Defense microeconomic analysis



4.2 Bilateral Securing of Defense microeconomic analysis





5 ECONOMIC ASPECTS OF MILITARY ALLIANCE

5.1 Principles of NATO financing



26 Apr. 2010

NATO transformation and reform vital to facing new challenges

On 26 April, NATO Secretary General Anders Fogh Rasmussen delivered a key speech at the Belgian Royal High Institute for Defence in Brussels, stressing that transformation and reform are vital to making NATO more effective and adaptable in tackling new security threats.

The Secretary General explained six ways NATO can get better value for taxpayers' money while retaining adequate resources, even in a time of financial crisis:

"Prioritization, collective solutions, common funding, specialization, avoiding duplication, and reform – these are all opportunities for making NATO more effective and for making better use of our nations' limited defence resources," he said.

"They are also opportunities for ensuring that NATO continues to deliver value for money, and real security."

Two levels of costs consideration

- the costs of maintaining military forces (national interests)
- the costs of civil and military representation in Alliance (multinational interests)

NATO funds are devoted essentially to those expenditures which reflect the interests of all member countries.

With few exceptions, NATO funding does not therefore cover the procurement of military forces or of physical military assets such as ships, submarines, aircraft, tanks, artillery or weapon systems.

Military manpower and materiel are assigned to the Alliance by member countries, which remain financially responsible for their provision.

An important exception is the NATO Airborne Early Warning and Control Force, a fleet of radar-bearing aircraft jointly procured, owned, maintained and operated by member countries and placed under the operational command and control of a NATO Force Commander responsible to the NATO Strategic Commanders.

NATO also finances investments directed towards collective requirements, such as air defence, command and control systems or Alliance-wide communications systems which cannot be designated as being within the responsibility of any single nation to provide.

Costs Sharing

- Level of connection and activities across NATO structure
- Principle of payment ability
- Take note of NATO enlargement process
- Formula for calculating of cost burden come from 50-ties last century.

5.2 NATO financing

Three types of budgets

- Civil Budget
- Military Budget
- Program of NATO security investment (NSIP)

The Civil Budget is established and executed under the supervision of the Civil Budget Committee and is primarily funded from the appropriations of Ministries of Foreign Affairs.

It covers the operating costs of the International Staff at the NATO Headquarters in Brussels:

the execution of approved civilian programmes and activities;

and the construction, running and maintenance costs of facilities including the personnel costs associated with providing conference services for all meetings of NATO committees and subordinate groups, security services, etc

The Military Budget, established and executed under the supervision of the Military Budget Committee, is largely financed from the appropriations of Ministries of Defence.

It covers the operating and maintenance costs and, with the exception of major construction and system investments financed by the NATO Security Investment Programme, the capital costs of the international military structure.

This includes:

- the Military Committee, the International
- Military Staff and associated Agencies,
- the two NATO Strategic Commands (ACE and ACLANT) and associated command, control and information systems,
- research and development agencies, procurement and logistics agencies,
- and the NATO Airborne Early Warning and Control Force.

The NATO Security Investment Programme is implemented under the supervision of the Infrastructure Committee within annual contribution ceilings approved by the North Atlantic Council.

The Programme finances the provision of the installations and facilities needed to support the roles of the NATO Strategic Commands recognised as exceeding the national defence requirements of individual member countries.

The investments cover such installations and facilities as:

- communications and information systems, radar, military,
- headquarters,
- airfields,
- fuel pipelines and storage,
- harbours, and navigational aids.

CONCLUSION

Creating coalition between nations and states belongs to basic natural expressions of securing and protecting national interest and own existence of states.

From historical point of view nowadays shape of military alliances gains more elaborate form and reacts on newly emerging threats.

Origin of military alliance is shaped by political and economical grounds.

TASKS FOR SELFSTUDY



1. Vymezte výhody a nevýhody vstupu do aliančního uskupení. Pro jejich vymezení můžete využít politických, vojenských nebo ekonomických kritérií.
2. Provedte mikroekonomickou analýzu vstupu do aliance. Jak s touto analýzou souvisí problém černého pasažerství (free riding problem)?
3. O jaký typ statku se jedná v případě „Aliančního zabezpečování obrany“? Je při jeho vymezování možné využít tzv. „Teorii klubu“?
4. Mělo se a mělo by se NATO i nadále rozšiřovat? Jaké teoretické i praktické problémy jsou spojeny s rozšiřováním aliančních svazků?
5. Pokuste se nalézt příklady vojenských aliancí jak z minulosti, tak ze současnosti (využijte historicko-deskriptivní metodu). Popište jednotlivé alianční partnery, důvod jejich vzniku, činnost, délku trvání a případně důvodu jejich rozpadu.
6. Popište fungování NATO, především vysvětlete systém financování a sdílení nákladů „Aliančního zabezpečování obrany“.

REFERENCES



1. HARTLEY, Keith., SANDLER, Todd. Handbook of Defense Economics. Amsterdam: Elsevier, 1995. ISBN 0444818871
2. CORNES, Richard., SANDLER, Todd. The Theory of Externalities, Public Goods and Club Goods. Cambridge: Cambridge University Press, 2003. ISBN 0521477182
3. SANDLER, Todd., HARTLEY, Keith. The Political Economy of NATO. Cambridge: Cambridge University Press, April 13, 1999. 306 s. ISBN 978-0521630931
4. SANDLER, Todd., SHIMIZU, Hirofumi. Nato Burden Sharing 1999-2010: An Altered Alliance," Foreign Policy Analysis, Vol. 9, 2013.
5. ŠEVČÍK, Vladimír. Ekonomická teorie a praxe členství v NATO. Vojenské rozhledy. 2001, roč. 11, č. 3. ISSN 12103292