



# IDSS COMMENTARIES (05/2003)

*IDSS Commentaries are intended to provide timely and, where appropriate, policy relevant background and analysis of contemporary developments. The views of the authors are their own and do not represent the official position of IDSS.*

---

## NATO in Crisis: A PUBLIC GOOD FAILURE?

Adrian Kuah\*

March 2003

### Introduction

The current crisis within NATO in the run-up to the potential war against Iraq poses two critical challenges to the underlying rationale of defence alliances and the notion of security as a public good.

First, it questions the viability and coherence of NATO as a mutual-defence alliance, when the rationale for a pre-emptive strike against Iraq as advocated by the United States is viewed with scepticism by other prominent NATO members and, more importantly, seen to be a function of US unilateralist interests while spreading the burden and costs among the allies. The present crisis within NATO clearly demonstrates that there is a failure in articulating and agreeing on what 'collective security' and 'mutual defence' means. Could NATO's failure be cited as a case of a 'public bad' of insecurity, a consequence of one its pre-eminent members unilaterally pursuing a private good? If that is the case, and if NATO is indeed unravelling in the face of problems it is ill-equipped to tackle, then how else is collective security in the post-9/11 world to be articulated?

Second, and in the broader context of global terrorism, this paper questions the usefulness and effectiveness of a traditional defence alliance of nation-states in conflicts that are not only asymmetrical, but where the actors are transnational in nature and location. If the problem of terrorism eludes the 'defence as a public good' approach of states-based alliance action, then perhaps the privatisation of counter-terrorism strategies might be in order. The transition for NATO from being a mutual defence pact against a traditional enemy state to being a collective security organization dealing with asymmetric threats, transnational terrorism and civil conflict is proving to be more difficult than envisaged. Witness NATO floundering after the Cold War as it grappled and mishandled the Balkans and the Kosovo war. At the heart of this crisis lies the question of whether state-centric instruments should take centre-stage against non-state threats, or even if there is an effective role for it.

### Private Goods and Public Bads

NATO's role and its behavioural dynamics in the post-Cold War period must be seen in the context of US hegemony, and in the wake of 9/11, increasing unilateralism. Although there is debate about whether US power must be dissected and considered at different levels, such as cultural, political and economic, as Nye does, or whether the United States is yet

again basking in a unipolar moment as Krauthammer contends, it is evident that in the geopolitical-security dimension, the United States is the dominant power. Consequently, NATO goes as the United States goes. However, despite US leadership within NATO and its influence on shaping its thrust and direction, there has always been a fundamental alignment of interests and policies. In the absence of such consensus, US leadership within NATO becomes a source of instability instead of stability.

Hegemonic stability theory is used to explain the behaviour of states at the systemic level given the existence of a dominant power. In the post-Cold War world, the preponderance of US power played a significant role in stabilizing the international states system. The security and stability provided by the United States found its ultimate expression in the deterrence of the nuclear shield, the very definition of a public good.

In this regard, not much has changed in the aftermath of 9/11: US hegemony (not to be confused with its perceived sense of impregnability) was preserved, even reinforced, and the international system remained stable. The changes that 9/11 wrought occurred at the level of the sub- and transnational. The search for answers and policy solutions, on the other hand, have been occurring at the national level (in the case of US unilateral manoeuvres) and the supranational level (in the case of getting the UN and NATO to back US-led plans to attack Iraq). The mismatch between state-centric solutions to problems that defy state-centric classifications constitutes one major part of the deadlock between the United States and its traditional allies.

The other part of the deadlock revolves around differing views of the analytical chain underpinning the broader counter-terrorism challenge. The Bush administration sees a conflation between global terrorism and rogue states: simply put, to war upon Saddam Hussein is to war upon terrorism. France, Germany and Belgium, by no means alone in this, hold the view that the war on terrorism and the proposed attack on Iraq constitute divergent objectives. Further, it has been voiced in various quarters that the relative shift in focus by the United States away from al-Qaeda towards Saddam Hussein represents a thinly veiled attempt to recalibrate its policies towards more bite-sized objectives where success is more easily attained and measured. When such a misalignment of interests occurs, the social contract between the benign hegemon and the other states that serves as a basis of cooperation and commonly-agreed social good becomes undermined.

The mismatch between a state-centric solution and a transnational problem, on one hand, and the misalignment between the United States and its key European allies on another, brings the twin notions of 'collective security' and 'public good' into question.

### **The Public Good Market Failure**

The public good approach provides a useful framework for understanding how traditional defence alliances work. Within such alliances, defence and deterrence are regarded as pure public good because, first, the benefits of security cannot be excluded from any particular alliance member, and second, the 'consumption' of security by one member does not detract from another member's consumption opportunity. NATO, in fact, is the prime example of alliance theory successfully put into practice. Given the free-rider problem that results from unequal resource endowments 'market failure' in that sense, is corrected by the hegemon shouldering the defence burden of its weaker allies. Further given that NATO was formed to face state-centric, the collective security as provided by the alliance can be deemed

to be non-excludable and non-rival. Such a model also assumes that the pursuit of defence by one alliance member results in an increase in the collective defence of the wider alliance, via spill-in effects.

However, when dealing with transnational threats, the pure public good model breaks down, with the assumptions of non-rivalry and non-excludability substantially weakened. The elusive nature of the 'enemy' – such as Al-Qaeda and Jemaah Islamiah – and the variability of potential terrorist targets means that the type of resources being expended in the fight against terrorism are a combination of conventional and unconventional forces, as compared to the strategic weapons of the Cold War era. Unlike strategic deterrence, these forces are subjected to 'thinning', which simply means that the defensive cover provided by the hegemon for its allies becomes so stretched as to become inadequate. Moreover, given that counter-terrorism measures need to be articulated and conducted at multiple levels – socio-economic, ideational, cultural – other than that of 'hard' power, it is easy to see why a military alliance can not only be inadequate, but also ineffective and counter-productive.

Last, the costs of being an ally of the United States must now be taken into the defence policy calculus of each individual alliance member. In the face of US greater unilateralism and interventionalism, the costs of being associated with the US increase in the form of greater insecurity and increased threat, thereby lowering the aggregate level of security for the alliance, rendering the rationale of the alliance defunct. The spill-in effects of what the United States does unilaterally come in the form of increased insecurity, rather than security as predicted by conventional alliance thinking. The irony is that the United States itself becomes a source of insecurity, changing the output of NATO from being a public good for its members to a public bad. In a sense, the escalation of threat level is due to the United States' near-obsession with disarming Iraq (and only Iraq in particular), the resultant division between itself and its allies, the scepticism over the usefulness such action, and the distrust of the United States assigning primacy to its national interests.

## **Conclusion**

The derisive language used by the US Secretary of Defence Donald Rumsfeld in referring to Europe's traditional powers can be extended here: NATO, an alliance of 'old allies' originally assembled to stand against an enemy that now no longer exists, is currently faced with a new danger that the United States (and NATO, if it has its way) can only come to terms with if it is recast in the mould of an 'old threat' – an enemy in the form of a nation-state. In this regard, the identification of Iraq as an immediate terrorist threat (among other things) constitutes an attempt to recast the issue of transnational terrorism into terms that can be more easily grappled with by traditional statecraft. Where this attempt is failing is in the inability of the United States to convince its allies of the links between Iraq, weapons of mass destruction and al-Qaeda, and the lack of legitimacy of pre-emptive strikes.

Does NATO's current crisis negate the assumptions of the alliance theory? On the contrary, it reaffirms it simply because NATO is being asked to do something it is not designed to do, i.e. to provide state-centric defence against non-state threats. Aside from symbolic gestures such as invoking Article 5 of the NATO treaty, no concrete action has been taken by NATO as a whole on the anti-terror front.

In dealing with transnational terror, it is clear that NATO, and every other kind of mutual defence alliance, cannot provide the public good of security because of the very

nature of the threat being faced. Where the lines of engagement are not drawn strictly along state lines, but along state/non-state lines, the provision of security becomes not only an exercise in public goods, but also private goods. If it is accepted that the 'new terrorism' makes no distinction between military and civilian targets, then it must be dealt with in terms of both the direct threat and violence, as well as in terms of the 'root causes' and along quasi-private lines (at the sub-state and transnational levels with greater civil society involvement). Shifting the focus onto Iraq does not solve the problem; it merely defers it to yet another ineffectual level.

---

\*Adrian Kuah is an Associate Research Fellow at the Institute of Defence and Strategic Studies, Nanyang Technological University