

Center for American Progress



NATO's Financing Gap

Why NATO Should Create Its Own Bank

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Introduction and summary

Since its inception more than 70 years ago, the North Atlantic Treaty Organization has been the foundation of the trans-Atlantic relationship. Formed after World War II, NATO became the most formidable military alliance in history. The formation enshrined America's commitment to European security and created an umbrella of security under which European democracy could flourish. Over the past several decades, NATO has grown to comprise 30 member states, including former Warsaw Pact countries, and faced new challenges. In 2021, the incoming Biden administration will need to both restore America's commitment to NATO and push the alliance to strengthen itself. In order to do so, it must take up new approaches to spur investment to bolster NATO's capabilities. The NATO alliance should set up its own bank to invest in key military capabilities, invest in dual-use infrastructure, and strengthen the financial wherewithal of the alliance.

In 2014, following Russia's invasion of Ukraine and seizure of Crimea, NATO leaders met in Wales for a critical summit. Since the end of the Cold War, and especially following 9/11, the alliance had shifted its focus from its traditional mission of defending Europe to operations abroad. Meanwhile, NATO members significantly reduced defense spending, downsized their forces, and underinvested in modernizing their forces following the Cold War. However, Russian aggression against Ukraine shook the alliance; NATO leaders agreed in Wales that defending Europe would be a top priority and committed to spending at least 2 percent of gross domestic product on defense by 2024.¹ This pledge was seen as a massive step forward for the alliance, as it would serve to address a growing gap in its capabilities.

Since the summit, some progress has been made in strengthening the alliance. NATO members have increased defense spending, deployed forces in Central and Eastern Europe, and begun investing in needed capabilities. In 2019, almost all NATO allies increased their defense spending, with nine countries hitting the 2 percent goal.² Most allies have put plans in place to substantially increase defense spending by 2024.³ The alliance is stronger and better prepared to deter Russia than it was six years ago, despite the divisive approach of President Donald Trump,

but significant gaps remain. Marginal spending increases by various NATO members were inherently fragmented and often yielded few new major capabilities or failed to address some of NATO's serious shortfalls. Meanwhile, many member states still have yet to adequately invest in their forces, leading to very low states of readiness and operational strain. Lack of progress toward the 2 percent benchmark has also caused major diplomatic tension within the alliance between the countries meeting their commitments and those that are not.⁴

Now, with the COVID-19 crisis hammering the balance sheets of all NATO members, the prospect for European defense spending looks bleak.⁵ It seems unlikely that there will be significant new investment to address some of NATO's critical capability gaps. Indeed, the European Union—which had planned to increase funding to upgrade the dual-use infrastructure critical to moving NATO forces—has reduced its planned allocations in its recent budget.⁶ NATO members seeking to keep their economies alive are unlikely to prioritize defense.

This is a serious problem for the alliance, and NATO needs to think more creatively about how to support continued alliance investment in the wake of the massive economic contraction caused by COVID-19. Simply demanding that countries spend more on defense, which was not very effective prepandemic, will certainly not work now.

What has become apparent is that NATO's default focus on individual nation-state spending commitments was doing little to address alliancewide issues. Collectively, European NATO members spend as much on defense as Russia, yet the disaggregated and loosely coordinated spending by individual states means that the alliance's combat strength is well short of what it could be and has left critical gaps in its capabilities.

NATO, since its founding, has lacked the resources to fill gaps and make investments. The alliance has overlooked one of its potentially most powerful assets—the collective economic and financial clout of its members. NATO has not leveraged its collective financial stature and the position of its many wealthy members to shore up the alliance. In the wake of the COVID-19 crisis, this must change through the creation of its own bank.

- **A NATO bank would resemble other multilateral financial institutions but focus on allied defense priorities.** A NATO bank, while new for the alliance, would emulate the structure of other multilateral lending organizations. Yet instead of focusing on providing financing for international development as, for example,

the World Bank does, it would focus on the defense sector to prompt defense modernization and fund multilateral investments. A NATO bank would leverage the creditworthiness of its wealthy members, enabling it to provide attractive low-interest, long-term loans to members lacking the resources to invest in critical alliance capabilities. For example, former Warsaw Pact NATO members face substantial challenges in retiring old Soviet-Russian weapons systems with new Western-made equipment, and many more have failed to build up and modernize their infrastructure and technology capabilities.⁷ This is not because NATO as a whole lacks the resources but because individual NATO members lack the resources. This, however, makes the alliance overall considerably weaker than it could be.

- **The bank could finance efforts to address critical gaps that might fall through the seams of the alliance, such as modernizing dual-use infrastructure.** This could entail upgrading bridges to support heavy military vehicles transit from west to east or investing in secure 5G technology.
- **A NATO bank could provide an alternative to nations and regions turning to banks and lending institutions tied to NATO's competitors, such as China and Russia.** A bank could provide NATO with an important tool to safeguard its access to dual-use infrastructure and strengthen ties with non-NATO member states that are critical to the security of Europe, such as in the Balkans. In a new era of geopolitical competition, a NATO bank could serve as a critical tool.
- **A NATO bank would better equip the alliance to manage the financial challenges of conflict.** By not taking into account how to finance the alliance, NATO has not adequately prepared itself for a military conflict. NATO does military planning for all sorts of contingencies, but it does not plan for how to finance these efforts in the event of a conflict. Yet underlying any significant military effort are questions of economic and financial capacity. Military conflict and competition put great economic strain on a nation or power, stressing national budgets and often causing painful and unpopular economic choices. Yet as the NATO alliance has developed and solidified over the past 70 years, it has not organized itself to grapple with these fundamental questions: Who will finance the alliance? How will that be done?

While the United States has traditionally stepped in, many of NATO's European members also possess immense financial resources and standing. The alliance does not need to rely solely on the dollar; it can now also rely on the euro as well as the pound. The burden of financing the alliance should not be an American responsibility or fall on the shoulders of select member states but rather be considered a shared responsibility.

To establish the bank, wealthier members would need to provide initial startup capital, while member states that are the intended recipients for loans would need to agree to participate. NATO allies would set priorities for what the bank should fund, seeking to balance the need to address urgent critical shortfalls with longer-term priorities such as investing in new dual-use technology. The bank would finance NATO priorities, such as defense modernization within the alliance, with a focus on joint acquisitions and replacing outdated Soviet-Russian equipment; strategic investments in dual-use infrastructure; investments in emerging technologies such as 5G development; and crisis response funds.

After the turmoil of the Trump administration, there will likely be significant energy on the part of NATO members to embrace new ideas to revive and renew the alliance. The Biden administration should seize the moment and push for NATO to announce the creation of a new bank at the first leaders' summit. A NATO bank could also serve as a critical tool in the short term by helping to alleviate budgetary pressure caused by the economic fallout from the COVID-19 pandemic.

Ultimately, a NATO bank would not magically solve all issues or fill all regional capabilities gaps. It will not solve the budgetary crunch caused by COVID-19. Some members may continue to resist making investments, even if offered extremely low borrowing costs from NATO, and may need institutional pressure and evidence to incentivize an initial buy-in. Yet others will take advantage, especially if the United States were to shift its diplomatic energy from demanding arbitrary spending targets to supporting specific investments that allow capability gaps to be filled. A bank would be a flexible tool that could evolve with NATO priorities and leverage the alliance's financial clout to strengthen the security of all members.

Strengthening the NATO alliance—the foundation for European security and the trans-Atlantic partnership—is absolutely essential. As such, NATO needs to get more innovative in how it seeks to address its shortfalls.

Finance and defense: A critical link

Critical to any alliance war effort is the ability to mobilize national resources to finance and fund a prolonged military campaign, not just of an individual nation but also of its allied partners. The history of military alliances is often inextricably linked to the ability of allies to financially support each other.

During World War I, Allied forces were reliant on American financier J.P. Morgan to finance the Entente's war effort. Historian Adam Tooze explains, "By the end of 1916, American investors had wagered two billion dollars on an Entente victory. The vehicle for this transatlantic operation...was a single private bank, the dominant Wall Street house of J.P. Morgan."⁸ J.P. Morgan's efforts were driven in part by business interests and in part by support for the Entente. Tooze concludes, "The result was a quite unprecedented international combination of public-private power." During the Battle of the Somme in the summer of 1916, J.P. Morgan spent more than \$1 billion in the United States on behalf of the United Kingdom, amounting to more than 45 percent of U.K. war spending.⁹

These examples demonstrate the financial underpinnings of any massive allied military endeavor. When states enter into a conflict, they are often willing to spend whatever it takes financially—and states that lack the capacity to finance or support their efforts often flounder. Tooze explains that while the Entente could rely on the United States providing needed supplies for the home front, especially food and coal, Germany could not, which he argues was "an essential factor in deciding the eventual outcome."¹⁰

Furthermore, during WWII, the United States provided military aid through the Lend-Lease Program, significantly bolstering British and Soviet forces.¹¹ The United States provided more than \$500 billion in equipment such as tanks, fighter aircraft, and ships, but the repayment plan for these "leased" items had an extremely long-term time horizon. The United Kingdom did not fully pay back the United States until December 29, 2006.¹²

Despite the issues of war financing being critical to any military effort, NATO as an established military alliance has not accounted for how to finance a broader and more protracted alliancewide military effort. Nowhere in its organization is there a defined financing vehicle to initiate investments in defense or to sustain the alliance and its members. Countries' finance ministers have little, if any, role or engagement with NATO. Should a member state fall under attack and need an urgent injection of financing to keep soldiers paid or acquire defense equipment and other critical supplies, this would need to be done outside of the existing alliance structure, likely on a bilateral or ad hoc basis. While unlikely, the potential lack of a defined finance vehicle or structure underscores the need for NATO to prepare for such contingencies.

The United States as NATO's financial backbone

NATO has operated on the assumption that its most powerful member, the United States, would play the same role it had during the first two world wars.

In the years after WWII, the United States pushed to rebuild Europe, both economically and militarily. While the Marshall Plan provided critical economic assistance, the United States also effectively financed the military reconstruction of Western Europe. Through the 1949 Mutual Defense Assistance Act and the 1951 Mutual Security Act, the United States provided more than \$50 billion in today's dollars in military aid to the newly formed NATO.¹³

When NATO was formed, it was seen as a way of keeping Americans engaged in Europe and preventing the United States from reverting to a post-WWI isolationism. But the United States was also focused on encouraging European rearmament and reducing reliance on the United States, which led to strong early U.S. support for European defense restructuring and integration. U.S. efforts to spur rearmament, particularly in West Germany, were a crucial motivating factor for France to push for European integration through the merging of the coal and steel industries into the European Coal and Steel Community.¹⁴ The United States also strongly backed a French proposal to create a European Defense Community (EDC), which would have formed a pan-European army.¹⁵ In the aftermath of WWII, the United States therefore sought and encouraged ways to spur European defense reforms in an effort to strengthen the European pillar of the newly formed alliance, which would have reduced Western Europe's military and economic reliance on the United States. Ultimately, however, the EDC never took hold and a European Army was never formed. Europe integrated economically, but not militarily.

Defense was left to nation-states, coordinated through NATO, leaving the United States not only as the lead military guarantor of European defense but also as its de facto financial backbone. As Western Europe recovered economically, individual NATO members took on responsibility for financing and sustaining investments in their military capabilities, which led to U.S. concerns during the Cold War about European underinvestment in defense.¹⁶ However, the United States' military presence in Europe and focus on the Soviet Union meant that it made up for whatever European military deficiencies may have existed.

After the Cold War, unlike after WWII, the United States and many NATO members cut defense spending, taking the so-called peace dividend. However, NATO simultaneously expanded eastward, incorporating numerous Warsaw Pact countries. These former Warsaw Pact members had militaries that had been designed and built with the purpose of operating with the Soviet Union against the alliance. Additionally, and similar to NATO's founding members after WWII, these nations lacked the financial wherewithal to rebuild their militaries. Yet unlike after WWII, the United States made no significant investment to rebuild and transform the militaries of these new members states.

When NATO was called on in Afghanistan after 9/11, it was the United States that, through coalition support funds, provided funding and assistance to encourage, support, and sustain member state operations in Afghanistan.¹⁷ Following Russia's invasion of Ukraine in 2014, the alliance recognized the need for urgent investment to deter Russia. Members pledged to spend more, and the United States established the European Reassurance Initiative, now called the European Deterrence Initiative.¹⁸

The European Deterrence Initiative provided tens of billions of dollars to bolster NATO's capacity to deter Russia. It invested in modernizing and expanding military facilities, provided training assistance to forces, and funded the development of military capabilities.¹⁹ This American effort has been significant in bolstering NATO's overall strength. Once again, it was an example of the United States stepping in financially to fill a gap in the alliance.

Yet this investment initiative was also limited. U.S. funding has recently focused on encouraging the modernization of Eastern European militaries, but this U.S.-dependent effort is limited in scope, particularly given current budgetary constraints. For instance, although the U.S. State Department will likely continue to provide some funds to strengthen the security and resilience of Eastern NATO members, this is not enough to finance the large acquisitions needed to modernize their forces.²⁰

What would a bank do?

Addressing NATO's capabilities gaps

After decades of underinvestment, and as a result of its focus on counterterrorism and counterinsurgency operations in Iraq and Afghanistan, NATO and its members have a number of critical gaps in conventional capabilities to deter peer competitors. Although a bank would not solve all of the alliance's problems—which include ongoing reliance on aging equipment, chronic infrastructure shortfalls, and gaps in defense spending—many of these areas could be addressed by the creation of this new funding mechanism.

Reduce reliance on aging Soviet-Russian military equipment

As NATO has pivoted back to a focus on deterring Russia, one great irony is that former Warsaw Pact NATO members continue to use and operate aging Soviet-Russian equipment. Not only is much of this equipment—from fighter jets to tracked vehicles to helicopters—in a decrepit state well below the standards of NATO's Western members, but the continued use of this equipment also creates a dependence on Russia's defense industry, as keeping aging equipment operating requires that these countries procure spare parts and components from Russia itself.²¹ This means that NATO defense funds are flowing to the Russian defense industry to enable NATO's Eastern members to operate equipment to deter Russian aggression. Such spending also violates U.S. sanctions provisions under the Countering America's Adversaries Through Sanctions Act, which became law in 2017.²²

Former Warsaw Pact countries never received an injection of financing to modernize their forces after joining NATO. Unlike after WWII, when the United States helped rebuild allied European militaries to deter the Soviet Union, there was no similar pressing threat that warranted massive military expenditures after the end of Cold War. Modernization and the replacement of aging fleets has happened slowly and sporadically. Additionally, the focus on counterinsurgency missions in Afghanistan and Iraq further reduced investment in higher-end military equipment useful for deterring a peer-to-peer competitor.

It is clearly past time for NATO's Eastern members to modernize their forces with equipment interoperable with NATO forces. However, expecting individual countries to do this themselves is unrealistic. Many of NATO's Eastern members have increased their defense spending following Russia's invasion of Ukraine and have taken action to defend themselves and deter potential aggression. Poland, for instance, has invested in a broad-based modernization effort, procuring the Patriot missile defense system as well as new helicopters.²³ Romania has acquired used F-16s from Portugal.²⁴ Yet these efforts are piecemeal and disconnected from each other. Moreover, these countries are simply not going to be able to modernize their forces without access to considerable financing. Just as a homeowner would seek a loan to renovate their house or a mortgage to enable them to purchase a house, countries need access to advantageous financing to facilitate the significant investments needed to modernize their forces.

Solve infrastructure shortfalls

A major military weak spot for the alliance is its inability to move forces quickly and efficiently across the European continent, namely from west to east. Russia has an immense tactical military advantage by being able to amass forces on its territories, giving it the potential to overwhelm the forces of an individual NATO member state, particularly the Baltic states. NATO defense planners would seek to move forces eastward should tensions escalate. But the alliance would face significant difficulty simply moving forces from west to east, as numerous bridges, roads, and rail lines cannot handle the transit of heavy military equipment such as tanks.

Although NATO has recently made progress in lowering the barriers to cross-border operations, officials reportedly remain concerned that requirements such as passport checks or outdated infrastructure could stall any coordinated response to a threat within Europe.²⁵ Recognizing this barrier, the EU unveiled a "military Schengen zone" in 2018 with the goal of lowering barriers to moving troops and equipment across Europe and fixing existing infrastructure to withstand this sort of movement.²⁶ As a first step, NATO would need host members to make the necessary infrastructure investments. Yet the purpose of these investments is for the sake of the whole alliance, not just the member state making the investment. Hence, progress in addressing this significant military gap—the inability to mobilize and transport forces to the fight—has been shockingly slow. This clear gap is perhaps the most substantial risk to NATO's ability to defend allied territory and highlights the urgent need for an injection of funding.

Additionally, NATO may also want to finance investment in infrastructure that is critical to the military capacity of the alliance. This could mean improving ports, power plants, and other rail and road infrastructure. In particular, as potential rivals like China provide investment and take controlling stakes in critical infrastructure including electrical plants and ports—such as the Port of Piraeus in Greece—NATO has a clear stake in ensuring that infrastructure critical to the operations of the alliance remain under member control.

Furthermore, NATO could help solve the alliance’s 5G problem. 5G networks are largely for civilian purposes but also have a dual-use military dimension in order to support alliance communications. As concerns mount over the security of potentially Chinese-provided 5G communications networks, NATO could help invest in the formation of a secure 5G network that meets alliance security requirements.²⁷

Invest in new and emerging technologies

Rapid technological change is transforming warfare. Yet acquisition cycles for procuring new weapons systems are often so lengthy that, by the time of delivery and deployment, the technology has already changed. NATO should support more dynamic procurement efforts, particularly when it comes to defensive systems that could be used to complicate and deter Russian or nation-state incursion. Additionally, NATO should be investing in new technology development and other research that can help spur innovation to bolster the alliance. This could involve providing funding to startups or providing capital to expand ongoing research and innovation. Once the bank is established, its mandate could even expand to include venture efforts that directly fund cutting-edge technology. This effort could also be closely coordinated with the EU.

Show support for sustaining defense spending levels

Although member states agreed to increase defense spending at the Wales Summit, progress has been slow and sporadic, and a majority of NATO members were unlikely to hit the 2 percent pledge by 2024. This is even more unlikely now with the economic and budgetary fallout from COVID-19. Some NATO members may face severe budgetary shortfalls, making defense spending a potential target for budget cuts. To relieve this pressure, NATO members could use access to inexpensive financing to maintain their current defense spending levels.

Close the gap in NATO's defense planning

NATO not only needs to be militarily prepared for protracted conflict scenarios but also should be financially prepared. The alliance should not assume or place the burden of financially backing a massive regional effort on the shoulders of the United States; other NATO members would need to step up as well. But instead of figuring out such financial arrangements in the midst of a crisis, NATO should plan now. If member states are going to fight together, then determining how to finance that effort is critical. A NATO bank should help prompt collaboration and coordination among the formation's finance ministers and treasury secretaries, which will better prepare the alliance to cope in the event of a conflict.

Gaps in existing methods of defense financing

The existing landscape of defense lending demonstrates a clear gap that a NATO bank could close. Although many major arms-export nations provide defense financing to countries that make acquisitions from their defense industry, NATO members offer incentives to purchase defense equipment, including through export finance or credit institutions as well as sovereign borrowing mechanisms that help lower the political and financial risks for states. They have also used direct state-to-state lending, which creates a vulnerability for the alliance. These existing mechanisms are laid out below. However, these efforts are often very limited and highly targeted, offer rates that are still too high to address the challenges NATO is seeking to address, and are limited in what they can and cannot fund.

United States

With the largest defense budget in the world and as the greatest exporter of arms, the United States has been able to shape much of NATO's military capacity since its formation. In the global defense industry, the United States has traditionally been dominant, accounting for the vast majority of arms exports and acting as the major defense supplier to NATO members' procurement efforts. In the past five years, the United States was responsible for 36 percent of total global arms exports, with sales 76 percent higher than the world's second-largest arms exporter, Russia.²⁸

Yet the United States does not have a developed defense financing program. The State Department's Foreign Military Financing (FMF) program—which primarily used to provide loans to countries seeking to acquire U.S.-made military equipment—shifted to providing grants during the 1990s. The United States therefore operates a robust military aid or security assistance program with the State Department and the Department of Defense, providing more than \$10 billion each year in grants to foreign partners but rarely providing loans.

The closest that the U.S. government has to a lending program is the Defense Security Cooperation Agency’s “dependable undertaking” program.²⁹ This program requires a commitment from the purchaser to pay the cost of the goods or services over a set period of time, without requiring cash up front. The Defense Security Cooperation Agency determines whether countries are eligible for dependable undertaking based on their Interagency Country Risk Assessment System rating and input from relevant federal agencies or stakeholders.³⁰ This program therefore has a high bar for countries to qualify and essentially allows wealthy purchasers to break up the costs of an acquisition and pay as they go in installments, as opposed to having to pay the entire amount up front. The lack of U.S. financing for less-well-off partners has essentially created a gap in U.S. arms transfers, wherein the United States sells to wealthy countries, gives to poorer countries through its grant assistance, but essentially leaves out middle-income countries that, while moderately financially secure, lack the ability to pay upfront for expensive U.S. weapons systems.³¹

Occasionally, the United States has provided loans to countries to make select acquisitions. For instance, in the early 2000s, fearing that the United States would lose out in Poland’s fighter acquisition competition, the Bush administration offered a special loan from the U.S. Treasury Department that helped ensure Poland selected the F-16.³² Without the loan, it is unlikely Poland would have chosen this aircraft. However, despite the success of this loan—Poland not only acquired the F-16 but also met the United States’ loan terms—it did not prompt the U.S. government to revive defense lending.

There are unique and special circumstances in which the State Department’s FMF program will provide a loan. Following ISIS incursions into Iraq, for example, the agency leveraged its annual allocations to Iraq to provide an additional \$250 million loan.³³ These loans, however, were costly, because the State Department had to use funding to cover the added risk of lending to a country without a strong credit rating. In other words, the loan cannibalized assistance funding that would have gone to other countries. This creates a significant deterrent to the State Department providing additional loans, particularly given the agency’s current budget-constrained environment. The Trump administration has expressed an interest in renewing an FMF lending program to boost sales of U.S. weapons abroad, potentially offering greater interest rate flexibility and an expanded grant budget.³⁴ However, this proposal has made little progress.

The United States has also expanded its security assistance to Eastern Europe, with a major focus on transitioning countries away from Soviet-Russian equipment. Yet the level of funding in grant assistance is not sufficient and remains relatively limited in scope. The lack of a financing program makes it difficult for these countries to afford and acquire major weapons systems, even with grant funding. Therefore, a NATO bank would clearly fill a niche that U.S. security cooperation programs do not cover.

France

France's defense industry has experienced significant recent growth. According to data from the Stockholm International Peace Research Institute, French arms exports have soared over the past decade. Today, France is the third-largest arms exporter, accounting for 7.9 percent of total global sales.³⁵ This large jump, according to a report prepared by French Armed Forces Minister Florence Parly, is "the consequence of the European twist we have given to our export policy."³⁶

In recent years, France has focused on exporting more to internal partners as opposed to external parties outside of the EU and NATO. This has likely been in response to both Europe's growing defense industry and widespread criticism over its sales to nondemocratic governments such as Saudi Arabia.³⁷ France's Naval Group has upped its share of international sales, even recently inking an estimated \$1.3 billion deal with Romania to buy additional equipment, upgrade existing frigates, and build a new training center and maintenance facility.³⁸ The Naval Group also signed a massive deal with Australia in February 2019, committing to an estimated \$34 billion submarine contract.³⁹ Other notable European sales include orders from Belgium and Spain for helicopters and heavy armored vehicles.⁴⁰ However, as France continues to expand its sales outside of Europe, some of its programs have run into roadblocks due to U.S. regulations. One of France's most controversial recent sales—Rafale fighter jets to Egypt—met with U.S. opposition due to existing regulations that prevent systems with American components from being sold without clearance from the United States. This prompted French President Emmanuel Macron to ask Trump to intervene and speed up the approval process.⁴¹

The Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE) supports some of these sales, with military equipment averaging an estimated 20 percent of its yearly activity.⁴² However, the exact numbers and COFACE partners have not been made publicly available. More broadly, the data surrounding these sales are broadly opaque, with confidentiality agreements in place to prevent the sharing of terms and conditions of sales.

United Kingdom

The United Kingdom is consistently one of the world's largest arms exporters, with a record £14 billion, or roughly \$18.8 billion USD, in sales in 2018.⁴³ Like other European member states, the United Kingdom sells a significant percentage of its arms to the Middle East, totaling as much as 80 percent of its sales in 2018. In 2019, however, a U.K. court ruled against the country's ongoing sales to Saudi Arabia, citing the export policy against selling weapons that could be used to violate international humanitarian law, potentially forcing the country to refocus its sales on democratic allies and partners.⁴⁴

The United Kingdom's Export Finance agency (UKEF) provides significant support to defense deals involving foreign partners. UKEF complements and supports the government's import-and-export strategy, working with partner banks in the United Kingdom, partnering with more than 40 national export credit agencies, and consulting with industry bodies. Although UKEF finances export purchases in a variety of sectors, the defense sector has represented a significant portion of its books in recent years.⁴⁵ For example, from 2018 to 2019, the agency guaranteed the sale of 24 Typhoon and nine Hawk aircraft and related goods from BAE Systems and MBDA UK to Qatar. According to UKEF, the package was valued at around £5 billion—the largest single transaction in its history.⁴⁶

Prices for financing are set by a formula, following a few stated guidelines to set the “lowest tenable premium rates.”⁴⁷ These guidelines are: “premium rates may not undercut the minimum rates set out in the OECD (where applicable) and must comply with our international obligations, including state aid rules; no individual premium can be below the expected loss of the associated transaction; and aggregate premiums must satisfy the premium-to-risk ratio and pricing adequacy index objectives.”⁴⁸ The rates that are offered are therefore likely in line with rates available in the marketplace, making it challenging for less wealthy and creditworthy buyers to partake.

Germany

Germany is a major defense exporter, reporting a high of \$9.9 billion USD in 2019.⁴⁹ Much like France, the government has worked to reconcile export demands with increased scrutiny on recipients such as the United Arab Emirates and Egypt. Recently, sales within NATO and Europe have increased, with Hungary, the United States, United Kingdom, and Norway all receiving much of the equipment.⁵⁰ Germany and France have worked to harmonize their export standards, as Germany's prevention of arms exports to non-NATO countries had stymied joint efforts.⁵¹

Notably, the German government does not “treat arms exports as an instrument of foreign policy,” an important distinction in comparison with the United States, which folds defense lending into its broader foreign policy apparatus.⁵² The government also maintains restrictive policies on exports outside of NATO, the EU, and NATO-equivalent countries. Therefore, much of the country's sales and lending have been focused on NATO members and partners, incentivizing the creation of new joint programs within the alliance and investment from other members.

Sweden

Despite the relatively small size of its economy, Sweden is regularly one of the world's top arms exporters, and has some of the highest numbers of arms sales per capita.⁵³ The Swedish producer Saab accounts for much of this, with millions in sales of the Gripen fighter jet in recent years.

Much like other European NATO members, the Swedish government recently tightened controls on arms sales, restricting deals with nondemocratic countries or states that violate human rights.⁵⁴ These restrictions are some of the strongest within Europe, after Sweden faced significant criticism for its sales to Saudi Arabia and the UAE in the early 2010s. Notably, Sweden maintains its neutrality but has strong links to NATO. The Swedish defense industry is highly reliant on exports and has strong links to other national producers, including several BAE Systems partners within the country.⁵⁵

EU-PESCO

There have been some notable EU-level efforts to recapitalize forces and modernize defense capabilities—some focus on improving joint capacity while others would directly fund new projects or acquisitions.

The Permanent Structured Cooperation (PESCO) was established in December 2017 to improve cooperation on defense at the EU-member state level. Twenty-five member states have joined so far, signing binding commitments to invest in joint defense capabilities.⁵⁶ Ultimately, the goal of PESCO is to integrate EU-level defense capacities to the point where they can be used for both national and international operations. Structurally, PESCO falls under the EU's broader Common Security and Defense Policy (CSDP), meaning that CSDP missions are not necessarily undertaken using PESCO funds.

PESCO differs from other forms of European defense cooperation initiatives in that the commitments are legally binding, setting up a more permanent framework for joint investment. There are dozens of ongoing projects covering cyber, air systems, training, and more. Thus far, however, PESCO projects have been very limited and small in scale. PESCO currently has more than 45 approved projects but has not yet been fully utilized by the EU.⁵⁷

European Defense Fund

The European Defense Fund (EDF) is a new EU initiative, also established in 2017, that aims to coordinate and increase national investment in defense. Beginning in 2021, the EDF aims to make significant investments in the EU's defense industrial base, with a budget of €13 billion over the 2021–2027 EU budget cycle.⁵⁸ The fund will directly finance joint research products involving three or more member states through grants, with additional designated funds to jointly develop workable prototypes. Combined with PESCO, the EDF signifies a broader effort at the EU level to invest in emerging technologies and develop a greater capacity for joint action.

Cooperative Financing Mechanism

The Cooperative Financing Mechanism (CFM) is an initiative of the European Defense Agency—the EU-linked body tasked with improving integration among member states. It is designed to finance collaborative research products or joint defense capability initiatives. Financing is carried out under two main pillars: direct loans through the European Investment Bank and mutually beneficial financial arrangements among member states.⁵⁹ The European Investment Bank has agreed to offer a three-year credit line worth €6 billion to finance dual-use research or capability projects, with the exception of hard weaponry. The second pillar for member states is much more unique and designed to lower the barriers to multilateral projects by enabling states to lend to each other and put excess defense funds into an individual EU account instead of returning them to the national budget.⁶⁰ The CFM will be optional for EU member states and is currently expected to have 11 original members when it launches this year; however, several other EU member states are potential signatories.

Connecting Europe Facility

The Connecting Europe Facility is an EU-level financing mechanism that invests in transportation, energy, and digital services. Much like other EU-level programs, its major goal is to improve interconnectivity and interoperability among member states.⁶¹ Although it does not directly contribute to defense investments, many of its projects—such as harmonizing transport infrastructure—are directly relevant to member states’ ability to act jointly.

Overall, although there are financing mechanisms available for NATO members, these existing tools are inadequate to address some of NATO’s greatest gaps and most pressing needs. Many of the existing mechanisms are either highly tailored and limited or largely targeted at discrete national sales. None of these countries are focused solely on NATO’s priorities and do not take into account broader strategic goals before finalizing sales or offering credit lines. Additionally, the level of financing offered at a national level, as well as the subsequent rates, are likely far higher than a NATO bank could offer, particularly at scale. Not every European state can access the available credit lines. Furthermore, the loans offered at a national level could complement NATO lending efforts. For instance, a NATO member state seeking to ensure that its defense industry is selected for an acquisition could still offer additional financing or assistance to the purchasing member state to further subsidize and defray lending costs for the purchaser. In this sense, a NATO bank would not be competitive but additive.

Dual-use infrastructure investment in Europe

Over the past two decades, there have been a number of infrastructure-focused banks that have emerged to provide financing to European countries. These banks often serve to advance the economic and geopolitical interests of their primary backers, and NATO's potential rivals—primarily China and Russia—are increasingly using nonmilitary means to gain influence and undermine the alliance, such as by making strategic acquisitions and investments.

NATO allies, absent any alternatives and short on financial capital, are increasingly turning to these options to finance critical infrastructure, some of which could have direct defense and security implications. Dual-use infrastructure such as ports, roads, airports, and rails are critical to deploying forces and are therefore critical to the defense of the alliance. This makes investments in this infrastructure from state-backed banks a challenge for NATO.

The Greek Port of Piraeus is the clearest example of a state-backed infrastructure investment overlapping with Europe's security interests. In 2016, China's shipping firm purchased a majority stake in the port, seeking to turn it into the biggest harbor in Europe and establish a critical link between Asia and Europe.⁶² Since the financial crisis, Greece and China have deepened their ties, with Athens formally announcing in 2018 that it was joining the Belt and Road Initiative.⁶³ China has also made investments in other critical sectors, including energy and real estate, hailing the partnership as an example of the future of the Belt and Road Initiative. In late 2019, China announced that the firm would be pouring an additional €600 million into further development.⁶⁴ Although this partnership is an investment in infrastructure, it also has security and defense implications due to a strategic NATO competitor now controlling a critical entry point into Europe and maintaining financial leverage over a member state.

However, without a sufficient counterweight within the formation, NATO allies and partners may continue to turn to potential strategic competitors to finance and support major projects. This creates potential serious security concerns, as it increases the influence and leverage of potential NATO rivals over NATO mem-

bers and may complicate alliance efforts in a crisis. There are several prominent multilateral lending institutions expanding into Europe that are backed by Russia and China. Although their mandates primarily focus on international development and trade, some of these projects, as outlined above, could also have security implications for the alliance. These include:

- **The International Investment Bank (IIB).** A \$1.4 billion Russian-backed effort investing in energy, biotech, transport, and financial services. Recent investments have included projects in the Czech Republic, Romania, and Slovakia.⁶⁵ Established by the Council for Mutual Economic Assistance under the leadership of the Soviet Union, the bank is now headquartered in Budapest.⁶⁶ Given Chairman Nikolay Kosov's ties to Russian intelligence and its history, there has been rampant speculation that the bank is a cover for Russia's intelligence services.⁶⁷ Hungarian laws have enabled the bank to act with little to no official oversight within the state, providing diplomatic immunity to high-ranking IIB officials and offering numerous other benefits to employees such as full tax exemption.⁶⁸
- **The Black Sea Trade and Development Bank.** A Russian-backed bank that invests in infrastructure energy and other regional issues facing the members of the Black Sea Economic Cooperation. Russia is one of the largest joint shareholders, along with Turkey and Greece.⁶⁹ Russia and Turkey are also the largest recipients of loans; however, Greece and Ukraine both receive more than 10 percent of the bank's currently disbursed funds. Major projects within Europe include energy investments in Bulgaria and oil and gas projects in Greece.⁷⁰
- **The Asian Infrastructure Investment Bank (AIIB).** This bank finances infrastructure and connectivity projects, including energy, financial institutions, water, and transportation.⁷¹ China is by far the largest shareholder, followed by India and Russia.⁷² However, many Western states are also members and minor shareholders. The AIIB has received the highest credit ratings and is broadly seen as a potential rival to the World Bank and International Monetary Fund (IMF).
- **The New Development Bank.** This bank finances infrastructure and economic integration projects that are primarily focused on its founding members. All BRICS members—Brazil, India, Russia, China, and South Africa—are equal partners, with each owning a 20 percent stake. The bank has approved more than \$9 billion in loans to its member countries since its founding less than five years ago but has reportedly disbursed less than 10 percent of the funds and struggled to expand its staff and mandate.⁷³

Although there are differences in mandate and impact among the multilateral instruments (MLIs) backed by Russia and China, all of them seek to strengthen the national economic and political position of their sponsor nation. While much of the investment is targeted for economic development, these banks are also tools for advancing Russian and Chinese national interests. It is also clear that both Russia and China are seeking to gain influence in Europe. So far, China has been particularly successful at leveraging MLIs to influence European states. By engaging with EU members and Western Balkan states through the 16+1 format—a China-initiated platform to expand state-level cooperation—and mostly negotiating at the bilateral level instead of at the multilateral or EU-wide levels, China has been able to directly compete with and edge out Europe.⁷⁴

The Western Balkans—a critical region for NATO and the EU—have been a particular focus for high levels of Chinese investment, reducing the influence and leverage of the EU. China now acts as a de facto alternative to the EU and its demands for tough reforms prior to accession, threatening ongoing reform processes and the region’s turn toward Europe. The Balkans are now at a geopolitical crossroads.

Growing economic ties to China have led to softening political stances toward China for some EU member states, as Europe more broadly struggles to develop a common approach toward the country on issues such as trade, foreign direct investment, and 5G.⁷⁵ Although Russia lacks the financial capital to economically engage on the same level as China, legacy ties with the Soviet Union as well as common Slavic identity provide a variety of avenues for Russia to influence and compete with the EU and NATO.

From a defense perspective, an ongoing dependence on Soviet-era equipment for Central and Eastern European states is a real vulnerability for NATO in the Western Balkans.⁷⁶ A key potential concern is if Russia and China were to provide financing and advantageous offers to countries seeking to recapitalize their defense forces. European states, particularly those that lack capital or might not be approved by existing mechanisms, may be tempted to take advantage of the credit or funds offered, even if they were tied to strategic adversaries. In the past decade, for example, Turkey turned to China and Russia in an effort to modernize its air and missile defense systems with its acquisition of the S-400 air defense system.⁷⁷ In Serbia, Russia has sought to maintain strong defense ties, helping the country modernize its fleet through the acquisition of additional MiG fighter jets.⁷⁸

As the proliferation of infrastructure-focused banks attest, setting up such institutions is not difficult. It also demonstrates that demand exists within Europe for such financing.

Recommendations

There is a clear need for NATO to have greater access to resources to address gaps in capabilities, finance important alliancewide initiatives, ensure that it can rely on critical infrastructure, expand its influence, and compete with outside powers operating investment banks both within NATO and in regions vital to its core missions. To meet these goals, NATO must create its own bank. There are also clear gaps in the alliance's existing defense financing instruments and institutions. A NATO bank would therefore complement, not compete, with these existing efforts and institutions. There is not a single MLI in existence that has the mandate to invest in defense and security. With this clear gap in the market, reducing conflict with other MLI mandates should be relatively straightforward. All of these deficiencies point to the need for NATO to create its own financial mechanism.

Creating a NATO bank

Fortunately, there is plenty of precedent for NATO to follow when considering how to establish a multilateral bank. While creating a bank may be unfamiliar ground for the formation, a NATO bank would emulate the setup and arrangements of myriad existing MLIs. The World Bank, European Bank for Reconstruction and Development (EBRD), and Chinese-led AIIB are all examples of MLIs that raise capital using a range of debt instruments. NATO would not have to chart new ground in the formation or structure of the bank.

Capitalize the bank. To set up the bank, allies would make an initial investment. This could be done by simply mirroring the way in which NATO member states make contributions to organizations such as the World Bank and European Investment Bank. The amount that NATO member states are obliged to contribute could be determined proportionally by GDP, which is often how national contributions are determined in other multilateral organizations.

The amount of capital the bank would need to hold in liquid reserves would be a small percentage of its overall lending portfolio. In other words, for the bank to lend \$10 billion, a NATO bank may only need to hold \$1.5 billion in reserves. That \$1.5 billion in reserves would accumulate over a number of years. In the bank's startup phase, it would build its liquidity base by collecting investments from allies over a multiyear period. Once the bank is capitalized, however, it could become self-sustaining.

NATO members that contribute to capitalizing the bank could also have this counted toward their 2 percent pledge. For some allies, contributing to an alliance-wide fund may be more palatable and popular than increasing domestic spending. Additionally, the contributions to the bank would not be "payments" but rather amount to an investment, as the bank will provide loans to be paid back. Additionally, larger nations such as the United States, Germany, France, and the United Kingdom would not only benefit from the return from interest payments but also the increased investment in defense spurring increased demand for their defense industries. While the United States is the largest arms supplier in the world, European countries have increased production and export efforts, with France, Germany, the United Kingdom, and Spain all falling in the top eight global arms exporters.

The United States would make its contribution to the bank through the same mechanisms that it contributes to other multinational organizations such as the United Nations, IMF, or World Bank. To contribute to the NATO bank, Congress would likely need to increase the overall budget allocations going to multilateral institutions. But the Biden administration may also be able to shift liquidity allocations to provide the bank's startup capital without actually requiring an additional appropriation from Congress.

Once established, the bank would likely be able to reinvest its returns. The objective of the bank would not be to profit but to reduce costs for its lenders. Nevertheless, even low-interest-rate loans will bring back returns. In other words, NATO as an organization could become self-sustaining.

Even this capitalization might not be necessary, however, as a NATO bank would likely have a AAA credit rating, and there is precedent for AAA-rated multilateral banks and institutions borrowing without any liquidity in the bank. Instead, they are deemed creditworthy because these institutions would be able, if necessary, to access the cash needed to pay their debts. For instance, the EU established the

European Stability Mechanism (ESM) following the 2008 financial crisis. Even without capitalizing the ESM, it was able to provide low-cost financing to Ireland⁷⁹ and Portugal⁸⁰ in 2011. The ESM was able to borrow billions due to its AAA status and all of the guarantees from the other Eurozone nations being “callable,” rather than any one nation actually paying in cash.⁸¹

Therefore, key for NATO in attracting a set of institutional investors would be achieving a AAA credit rating, much like the EBRD, Inter-American Development Bank, and likely the European Commission’s upcoming credit lines to help member states recover from the COVID-19 pandemic. This would enable inexpensive, low-interest loans to finance critical alliance efforts. These rates would likely decrease over time as investors gain confidence in the bank’s ability to repay loans. NATO should also be encouraged by the bond market’s reaction to the recent EU decision to issue debt on the capital markets for the first time.⁸² Investors view EU debt as extremely safe, which means they are likely to view NATO similarly.

Headquarter the bank in London. The NATO bank could establish its office in London, a NATO member capital and a global financial hub just a short train ride from NATO headquarters in Brussels. With tensions between the United Kingdom and other EU NATO members growing from Brexit, and concerns that this could impact the security relationship, placing a NATO bank in London could help reaffirm the United Kingdom’s commitment to NATO and European security.

Set up a robust governance structure. Importantly, NATO member states would retain full authority over the governance of the institution. The bank would be set up with similar guardrails and standards that other lending institutions follow. It would need to put in place thorough due diligence practices to ensure that funds are being allocated and used in line with the bank’s principles. The money would have to be used to benefit NATO, whether that means meeting the formation’s capability targets, investing in new defense and security technologies, or supporting infrastructure to directly benefit military mobility. The management of the bank would have to have project screening and verification teams to ensure that loans are spent in line with the mandate of the entity agreed by member states and allies. If MLIs break their covenants, then they risk their AAA rating. Project management is therefore critical to the functioning of the bank.

A governance structure would also be needed and, uniquely for NATO, such a governance body or board of directors should be formed by allied finance ministers. To maintain a AAA rating, markets and credit agencies would likely insist that govern-

ment finance professionals take on the governance role, which is standard practice for other MLIs. This would also have the benefit of engaging finance ministers in NATO efforts, improving cooperation at the European level, and enabling governments to see the impact of their investments in the alliance firsthand.

Importantly, the NATO bank does not need all members to participate in its governance or for all members to join. Additionally, once the bank is established, NATO could consider allowing major non-NATO allies to participate in the bank. A country such as Sweden—a Partnership for Peace member that previously participated in NATO-led missions—that has both excellent borrowing rates and a robust defense industry may seek to participate.

Attract borrowers. A major question with the NATO bank is whether countries will borrow from it. However, there are strong reasons to believe that the NATO bank will be in demand.

The rates the bank would offer would likely be much lower than many allies could achieve through their own sovereign cost of capital. A NATO bank would leverage the creditworthiness of its wealthier members to provide low-cost financing to its less-wealthy members. For instance, countries such as Germany are borrowing at negative rates, while the rate for NATO members such as Romania is significantly higher; long-term interest rates on German debt are less than 0.5 percent, while for Romania they are greater than 3 percent.⁸³ This could mean that roughly half of the member states would get a better borrowing rate than they would on the open market. Banks often help create markets: If you build a bank, as history has shown, borrowers will come.

A major focus of the bank's lending should be targeted at providing financing to retire and replace the Soviet-Russian equipment used by NATO's Eastern members. Many of these countries are quite concerned about the state of their militaries but simply lack the resources or access to financing to engage in a major recapitalization effort. Budgetary constraints from COVID-19 may worsen their financial situation, making these members hard-pressed to make significant new investments. However, these countries need more access to financing, not less. Low-cost financing tied to defense could serve to incentivize these countries not to cut defense spending.

Additionally, the United States and other wealthier NATO members could further incentivize countries to make acquisitions. The United States, for instance, has increased its grant security assistance to Eastern Europe. This funding could be directly tied to helping countries make acquisitions. Additionally, the defense companies benefiting from these acquisitions could offer additional “offsets” to the purchaser, whereby some of the production of the weapons system is done in the recipient country. Therefore, some of the outflow of resources would actually be reinvested into the purchaser’s own country through the creation of jobs and plants.

A NATO bank should also encourage joint procurements and could help coordinate recapitalization efforts. For instance, instead of each state buying separately, NATO could help encourage countries to make joint acquisitions, as buying in bulk lowers cost and, critically, would increase interoperability across nations.

Lastly, the United States and other NATO members would use their diplomatic clout to press nations to take advantage. Instead of aggressively badgering about 2 percent, the United States would press countries to take advantage of these low-interest loans. At the summit announcing the bank, former Warsaw Pact NATO members should also commit to using the bank and engaging in a bold and ambitious effort to retire and replace aging Soviet-Russian equipment.

Empower the bank to make technology investments. The bank would also focus on financing new initiatives and research and development efforts that could prove critical to the alliance. This will require NATO headquarters to work seamlessly with a NATO bank in London. The NATO bank should also seek to work closely alongside the EU’s efforts to spur investment in new defense initiatives. The bank managers with NATO headquarters would have to draw up requests for proposals, carefully vet applicants and their proposals, and then set clear goals and benchmarks. Such investments could not only help develop new technology critical to the alliance but also could help spur technological innovation, especially in Europe. For instance, a NATO bank could invest in 5G across the region. This would clearly have a dual-use function—civilian and military—and help ensure that NATO is not dependent on Chinese communications technology.

Emphasize investments in dual-use infrastructure. A top immediate priority for the bank should be encouraging investments and upgrades in dual-use infrastructure vital to the defense of the alliance. Prior to COVID-19, the new European Commission had made this area a priority for increased spending in its seven-year budget. However, following the onset of the pandemic, many countries have cut

their defense funding. A NATO bank could help bridge this gap by encouraging members to take advantage of the bank to make investments in dual-use infrastructure. NATO also should set priorities for what it wants to fund. Every project would likely be structured differently, with the amount of NATO financing varying depending on the situation.

Make the NATO bank a flexible tool. While there are plenty of projects for a NATO bank to undertake in the present, there are also many ways the bank can be utilized in the future. For instance, if a crisis were to strike, a NATO bank could be called on to help finance front-line member states. If the alliance were to engage in out-of-area operations, the bank could be used to help members finance those deployments. If NATO were to engage in another Libya-style operation, a NATO bank could help finance reconstruction efforts after the conflict.⁸⁴ If the formation discovered that it urgently needed to acquire a new capability, it could call on the bank to help finance such an effort. For example, following the use of improvised explosive devices by insurgents,⁸⁵ the U.S. military quickly sought to develop and procure vehicles with V-shaped hulls that could better deflect blasts and subsequently rushed into the production of MRAP vehicles.

A NATO bank therefore provides the alliance with a vehicle to quickly invest significant resources without unduly relying on the United States. It could help share the financial responsibility for maintaining and upholding the alliance, which has historically fallen on the shoulders of the United States. And while the United States has benefited immensely from having a thriving alliance, it is also important for other financially capable members to do their part to hold up the organization financially. This has historically centered on spending more on defense and reaching the 2 percent benchmark. But making investments in alliancewide priorities through a NATO bank might very well be more important to the alliance overall than small upticks in domestic defense spending. A NATO bank should therefore be part of the effort to move beyond discussions of the arbitrary and now-divisive issue of 2 percent defense spending.

A bank is therefore a tool for the alliance to augment its efforts, fill gaps, and make critical investments. A bank will not solve every problem or fill every gap, result in the recapitalization of former Warsaw Pact member forces, or instantly solve NATO's mobility problems. But it will provide the formation with a useful tool to help solve these problems and provide an initiative to make progress in filling gaps and addressing shortfalls. Ultimately, the bank could also grow and evolve as it gains experience and confidence.

Conclusion

The incoming Biden administration should push for NATO to announce its intention to create a bank at one of the initial leaders' summits. The administration should work closely with NATO Secretary General Jens Stoltenberg and NATO staff on the proposal and should press other member states to get on board. The United States should also work closely with the United Kingdom on this proposal, using it as a vehicle to revive and strengthen their special relationship, which has been strained by the Trump presidency and the fallout from Brexit. The Biden administration should also use its influence to press wealthy member states to contribute to capitalizing the entity and encourage Eastern European members to commit to utilizing the bank and retiring and replacing Soviet-Russian equipment. The United States should also commit to providing additional security assistance to help incentivize these states to engage in this effort.

The administration's support for a NATO bank would send a strong signal to the alliance and to adversaries of American commitment to NATO as a whole. In 2021, NATO will have to contend with a variety of challenges, including the security implications of climate change, the aftermath of the COVID-19 pandemic, a more assertive China and Russia, and the question of how to balance strained national budgets with the need for strategic investments. After four years of the Trump administration, the United States will need to both humbly reengage and encourage the alliance as a whole to find creative solutions to its most pressing challenges. This initiative could be one of those solutions as NATO works to strengthen itself for the future.

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The Center for American Progress is an independent, nonpartisan policy institute that is dedicated to improving the lives of all Americans, through bold, progressive ideas, as well as strong leadership and concerted action. Our aim is not just to change the conversation, but to change the country.

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As progressives, we believe America should be a land of boundless opportunity, where people can climb the ladder of economic mobility. We believe we owe it to future generations to protect the planet and promote peace and shared global prosperity.

And we believe an effective government can earn the trust of the American people, champion the common good over narrow self-interest, and harness the strength of our diversity.

Our Approach

We develop new policy ideas, challenge the media to cover the issues that truly matter, and shape the national debate. With policy teams in major issue areas, American Progress can think creatively at the cross-section of traditional boundaries to develop ideas for policymakers that lead to real change. By employing an extensive communications and outreach effort that we adapt to a rapidly changing media landscape, we move our ideas aggressively in the national policy debate.

