

# NATO's Deterrence Posture in the Baltic States: Incentive Loopholes and Counter-Escalation

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**Abstract:** This chapter explores contemporary dynamics in NATO's deterrence posture in the Baltic Sea Region. Russia has been increasingly probing NATO reactions across the entirety of the Eastern Flank, normalising such incursions as part of its wider strategy of confrontation with NATO. Engaging with the foundations of deterrence theory, specifically the operative concepts of credibility and costly signalling, the chapter argues that neither NATO's actual deterrence by punishment nor deterrence by denial postures are sufficient to deter Russian hostile intentions. One of the key reasons for this is a false fear of the so-called escalation trap, as escalation in fact deters a revisionist actor such as Russia that does not harbour genuine insecurity. The recommendation for deterring Russia, therefore, is precisely an embrace of escalation – those actions and strategies in both the Eastern Flank and Ukraine that would credibly signal resolve through readiness to accept high costs by building capability and transparent troop deployments.

## Russia's Probing of NATO

On 10 September 2025, Poland faced what proved to be the largest Russian drone incursion that any NATO country had ever experienced. According to public reports, at least 23 Russian drones crossed into the Polish airspace (Spence and Kosc, 2025). Some of the drones were assessed as a threat, forcing Polish authorities to scramble fighter jets, which reportedly included Dutch F-35 fighters, deployed to Poland as part of NATO's air policing mission at its eastern flank. At least four drones were shot down, according to news reports.

Arguably, this is the first overt combat engagement between a NATO country and Russia,<sup>1</sup> as Moscow's military unmanned aircraft violated the

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<sup>1</sup> I do not see the 2015 Turkish incident as similar in escalation logic to this one. The Russian side did not test NATO in that specific case, and the Turkish response was probably caused by mistaking the Russian Su-24 for a Syrian one, as Syria has also been operating them.

Polish sovereign space, created multiple threats for civilians, and had to be intercepted by NATO fighter jets, with some drones being destroyed.

Similar incidents, although on a smaller scale, have been occurring regularly in the Baltic Sea region, but also in the Black Sea region, in Romania. For instance, on 19 September, three Russian fighter jets reportedly spent as long as 12 minutes in the Estonian airspace before withdrawing (ERR, 2025). More recently, two Russian drones made the deepest incursion into Romanian territory yet, evading the NATO fighter jets that attempted to track them (Sabbagh, 2025). Despite NATO member states' officials' attempts to downplay the importance of such incidents, from a deterrence posture perspective, this is bad news. The NATO response to the incident has significantly eroded the Alliance's deterrence ability against Russia, even though some of the drones were downed. Russia was not afraid of an armed escalation with NATO, since it sent multiple drones into the Polish airspace. An important trait of the deterrence erosion process is that when such incidents occur for the first time, they destroy a psychological threshold, transforming this type of incident from a crisis into a normality. This, along with a reduced cost of violation for the aggressor, leads to a higher probability of incident repetition.

There is little doubt that both instances – the 10 September incident in Poland and the 25 November incident in Romania – represent deliberate actions by Russia. As NATO member-states largely ignored previous “lighter” incidents with Russian drones that “accidentally” entered their airspace, the Russian military has apparently made this kind of “accident” an integral part of its operational planning. Besides a more direct objective of using NATO territory to bypass Ukrainian air defences and inflict more damage on Ukraine, the second objective is to cultivate inside NATO a feeling of normality about this kind of incident. The latter should give Russia an advantage if it chooses to launch a surprise attack against a NATO ally or reduce the probability of a strong response when using near-threshold attacks that affect NATO interests. While these threats need to be considered in NATO's planning, the more urgent issue is how the incidents undermine NATO's deterrence posture.

These episodes, along with the related strategic signals, reveal that NATO leaders have an incomplete understanding of what constitutes effective deterrence when dealing with Russia. It also suggests that their perception of escalation dynamics with Russia has been inaccurate, when NATO member-states' officials and experts had routinely called for restraint, “to avoid

escalation” (Bertrand and Atwood, 2025). NATO’s display of restraint is viewed by Russia as a sign of weakness and is more likely to attract Russian escalation and, consequently, aggression, rather than the opposite. In fact, the calls for restraint to avoid escalation with Russia go fundamentally against the logic of deterrence, which is supposed to signal a strong resolve to absorb and inflict costs against an attacking Russia.

There are several issues with the existing NATO deterrence posture on its Eastern flank, in general, and in the Baltic region, in particular. The numerous and continuous incidents involving Russia’s violation of NATO’s borders exposed some of them. Due to the limited scope of this analysis, only two of these issues will be examined. They will be referred to in the text as incentive loopholes, given their impact on Russian incentives to attack NATO. The first incentive loophole is the inherently flawed character of conventional deterrence, affecting NATO’s insufficient power and resolve to hurt the aggressor. The second incentive loophole in NATO’s deterrence posture relates to the signalling of an irresolute intent. A classic example of this is the publicly declared fear of an “escalation trap”, as stated by Germany’s defence minister Boris Pistorius, since it reveals to Russia NATO’s self-imposed restrictions that are consistent with a defender lacking resolve to defend. Before further elaborating on these two incentive loopholes, the next section will present some ideas and concepts clarifying the logic of deterrence.

### **Some Deterrence Foundations**

As Thomas Schelling – one of the founding fathers of contemporary deterrence theory – has aptly pointed out, deterrence is a subset of armed coercion, grounded in the bargaining power that the military tool’s ability to “hurt” brings (Biddle, 2020). It is that power to hurt, by inflicting pain or punishment, that invests deterrence with the capital to be an effective strategy in discouraging a potential aggressor from launching an attack against NATO.

There are a few necessary conditions for deterrence to be effective. The costs of pain or punishment that the defender is able to inflict upon the aggressor should be recognisably higher than any gains of aggression can compensate for. Typically, this credibility is assessed in terms of having sufficient capabilities for effective defence and convincingly signalling the

resolve to fight (Snyder, 1960). This conceptualisation is widely accepted, effectively addressing the set of incentives involved in the decision to initiate a war. However, both the capabilities and resolve need to be credibly communicated to the aggressor. Even if these are strong and sufficient to inflict unacceptable costs upon the aggressor, they will fail to deter if the aggressor does not recognise that the defender has sufficient capabilities and does not believe in its unwavering resolve to use them.

Credibility is achieved through costly signalling. Only costly signalling can strengthen credibility, which is why it includes actions that tie the defender's hands and sink its war-related costs (Fearon, 1997). Verbal statements, communicating resolve publicly to the aggressor, are generally considered cheap signals – they do not produce much cost to the defender, given the incentives to misrepresent its capabilities and resolve (Fearon, 1995) – and thus, are typically not entirely credible. Examples of credible signals include military build-up and mobilisation (sunk costs – are financially costly *ex ante*), as well as making public threats or commitments (tying hands – are politically costly *ex post*, if not followed through). That is, public *commitments* by leaders on important security issues can produce audience (reputational and political) costs for the speaker and conditionally might have higher credibility.

It is generally accepted that audience costs are a more effective constraint in democracies, as statements by authoritarian leaders are less likely to be penalised by the domestic audience, and thus are much less credible than the statements of democratic leaders. However, Kertzer and Brutger (2016) suggest that even in democracies, the audience costs depend on the political preferences of a leader's constituency. The notorious Barack Obama's "red line" on Syria (see Taddonio, 2015) is a confirmation of how verbal statements can be cheap signals. A NATO-relevant example of a tying-hands strategy is the historical public commitment by US leaders to defend America's allies if they are attacked.

This reveals how difficult it is to credibly signal one's resolve to use military capabilities. Democracies are facing a much larger challenge than autocracies, since autocratic leaders do not need their population's consent to fight, being able to shoulder much higher domestic audience costs and less constraint. Given the borderless global information environment, which particularly strongly affects democracies, authoritarian actors have a fairly accurate understanding of public preferences within NATO, as well as the collective action problem constraints affecting the Alliance.

These conditions mostly explain, to a large extent, why the Kremlin has significant doubts about NATO's resolve to use military force against Russia and inflict prohibitive costs on it. Russia does not necessarily disregard the Alliance's military capabilities, given that in terms of its aggregate military force, NATO is militarily superior to Russia. Besides NATO's perceived weak resolve, the Russian scepticism about NATO's credibility is fuelled by the fact that NATO does not have a unified standing army and requires cooperation, coordination, and interoperability among Allies. In security crises, when time is of the essence, these factors can undo NATO's advantage in military capabilities.

### **The Inherent Weakness of Conventional Deterrence**

Deterrence, as a strategy that discourages an external armed attack by threatening to inflict prohibitive costs in response and despite some loss of territory (deterrence by punishment), has its conceptual roots in the nuclear confrontation of the Cold War. It is the threat of nuclear strikes in response to a conventional military attack, or consequent nuclear escalation, that kept the Soviet Union from considering armed aggression against NATO countries. This is because it was only the threat of catastrophic destruction, produced by nuclear weapons, that created sufficient costs to outweigh potential gains that the USSR leadership expected from a conventional war victory. The difference brought by nuclear weapons in warfare was not just in the amount of destruction it could deliver, but also in its logic (all-out war) and its reversed sequence – it could destroy the cities and population before destroying the enemy forces (Schelling, 1966, pp. 22–23). It is this destruction level, sequence, and all-out war scale that a conventional deterrent posture will struggle to replicate, rendering deterrence by punishment in conventional wars non-credible.

The current NATO defence posture in the Baltic region, given the deployed active troops, is consistent with the logic of deterrence by punishment. This is despite the fact that existing statements by NATO and Baltic officials instead highlight that deterrence by denial guides the current NATO defence posture in the region. The reason is that a defence posture guided by a deterrence by denial logic would deploy sufficiently strong capabilities to convince the aggressor that the defender is able to prevent an armed attack from being successful (affecting the probability of victory)

or capable of inflicting combat losses so high that they would surpass the gains of victory. The quantity of military capabilities that NATO collectively deployed to the Baltic Sea region is insufficient to support a deterrence-by-denial posture.

To illustrate this logic, it is useful to compare the expected balance of forces. In January 2024, Russia announced the establishment of the Leningrad and Moscow military districts. This change included plans to deploy new motorised divisions, airborne troops, and naval infantry, as well as to strengthen its armour and artillery capabilities in the Leningrad military district, which borders Finland, Estonia, Latvia, and Lithuania (through the Kaliningrad region). Based on these declared intentions, Russia is estimated to field over 100,000 troops in the Leningrad military district, and in a more pessimistic scenario, potentially nearly 200,000. Given the effect of surprise and disruption that a Russian invasion would produce through its preparatory long-range strikes and sabotage activities in the Baltic states, an effective deterrence by denial posture would have to fulfil a set of requirements. To seriously compel Russian military planners to consider the risk of attack failure under the above scenario, NATO would need to be prepared to immediately face a Russian attack with a minimum of 50,000 well-equipped troops. This is based on the assumption that under comparable technological endowment of the military forces of the two sides, defence has an advantage. In other words, it is suggested that at least this level of capability should, in the Russian perception, act as a deterrent against a Russian conventional attack on the Baltic States.

Assembling a sufficiently large group of forces in the Baltic States to ensure effective deterrence by denial is crucial for a few reasons. If Russian military planners perceive that a surprise attack would lead to even minor territorial gains in areas inhabited by Russian ethnics (smaller costs to control), this might incentivise an invasion. The supporting condition is that Russia would be interested in limited territorial gains that can generate significant strategic implications. An insufficiently prompt military response by NATO would be severely exploited by Russia in its influence operations across NATO countries, emphasising the risk of Alliance abandonment, and invoking the disutility of membership. Another strategic gain that Russia could exploit, following limited territorial gains in the Baltic States, is offering a transaction with the West: returning the conquered territory in exchange for cutting off all support to Ukraine. Because the benefits of even small gains in the region are potentially so high, and the probability

of a successful attack is relatively elevated, given the current conditions, this may prompt Russia to act even if it would not otherwise consider it. Vulnerabilities invite aggression. The lack of strategic depth of the Baltic States is the largest vulnerability.

To get a sense of it, within less than a month after the February 2022 invasion, Russian forces made their peak gains in Ukraine, advancing across roughly 120,000 square kilometres (CNN, 2022). This area is comparable to the combined territories of Latvia and Lithuania. Defending is easier than attacking, given a comparable technological endowment among the fighting parties. Therefore, the cost of retaking the lost lands after Russia establishes a new status quo in the Baltic States will be much higher for NATO. Building a strong deterrence by denial posture, by amassing a sufficient number of troops, appears to be both the most efficient and credible option for NATO.

A major reason for focusing on numbers and technical quality in the pre-war stage lies in the difficulty of understanding how capabilities translate into battlefield performance, both for one's own troops and those of the enemy (Fearon, 1995). Consider how Western military experts assigned a high likelihood of victory to the Russian troops in February 2022, only to be proven wrong (Eckel, 2023). Before actually seeing how the troops perform in combat, quantity is the only observable proxy indicator of strength, even if imperfect. Another proxy variable for assessing combat effectiveness is how a country's military performed in recent combat engagements. For instance, the Western analysts' bias in favour of Russian troops before the February 2022 invasion was, to a large extent, due to observable Russian military performance in Syria.

Similarly, Russia evaluates the effectiveness of NATO military capabilities based on how they performed in Iraq and Afghanistan. From a Russian perspective, the withdrawal from Afghanistan was a strong signal that NATO – in particular, its militarily strongest member, the United States – lacks the necessary resolve to win extended conflicts and can be “outwaited”. Other lessons the Russians have drawn from these NATO military experiences are that NATO countries are vulnerable to casualties, costs, and are also seriously constrained in effectively exercising the critical function of warfighting – generating and maintaining a high level of intensive violence (Goncharov, 2009). For instance, Burlinova (2010, 78) pointed out that only American and British troops fought, while the other Allies preferred avoiding their troops participation in combat operations. The likely conclusions the Russian planners drew are that European NATO members, with the

exception, perhaps, of the United Kingdom and France, are not eager to fight wars unless directly attacked.

Therefore, a combination of the existing NATO deterrence posture in the Baltic States and a more complex Russian perception model of NATO's collective resolve to absorb war-related costs undermines the Alliance's deterrence desired effects. The US military retrenchment from Europe only exacerbates these perceptions. This results in a few incentive loopholes for attack, which the deterrence posture does not block. The existing deterrence posture does not credibly signal NATO's ability and commitment to inflict catastrophic damage on Russia in the event of an attack, in the deterrence-by-punishment scenario; it also does not display sufficient capabilities to deny the objectives of a Russian attack, in the deterrence-by-denial scenario. This section introduced some conceptual foundations related to deterrence, and primarily addressed the perceived costs associated with a deterrence posture and the effective capabilities required to support it. The next section will examine another incentive loophole, elaborating on the effects of NATO's modest resolve to fight and absorb costs.

### **The Pitfall of NATO's Fears of an "Escalation Trap"**

An effective deterrence posture should embrace the risk of escalation – through a counter-escalation strategy – demonstrating a willingness to bear the high costs of war, rather than publicly displaying fear of it. Putin was guided by a similar logic when he recently stated, 'We are not planning to go to war with Europe, but if Europe wants to and starts, we are ready right now' (AFP, 2025). Many security crises begin not because one side believes it will surely win, but because it assigns a very high probability that the other side will yield to its demands, unwilling to pay the costs of fighting. Russia has been extremely effective in exploiting that logic of threats, even before its conventional invasion of Ukraine in 2022 (Minzarari, 2021b). This also resulted in Western self-imposition of various restrictions on the use of their weapons supplied to Ukraine, under the baseless justification "to avoid escalation" (Minzarari, 2021a).

It is highly likely that this irresolute behaviour, including the exaggerated fear in the West of a mystical "escalation" (Kayali, 2022; Stein, 2023; Karatnycky, 2025), has significantly contributed to the consolidation of Russian planners' belief that the West will not intervene, or provide considerable

assistance to Ukraine in the event of a Russian overt attack. In other words, the West signalled to Russia that its costs of invasion would be reduced and practically invited the 2022 military aggression. Ironically, this Western behaviour has also affected Russia's perception of NATO's resolve generally, including that in relation to the defence of its member-states. As argued earlier, because Russia lacks alternative means of assessing NATO's resolve, it interprets previous instances of NATO (un)readiness to militarily defend its interests as a proxy for its resolve. Particularly, since using military force to advance one's interests abroad represents some of the highest costs a country is willing to incur, it serves as a good screening device for NATO's resolve and its level. In the Russian perception, the West's unwillingness to become significantly more involved in Ukraine simply reveals the West's lack of readiness and desire to fight. Russia then logically projects this perception even on the application of NATO's Article 5, since most of the allies will not be defending their own territories. Some Russian analysts may even cynically interpret the invocation of the "escalation" fear by Western politicians as a fake excuse offered to their domestic audience, in order to avoid spending resources on Ukraine.

But how do we make sure that we distinguish between a genuine risk of escalation and a false one? The risk of escalation is the highest when dealing with an insecure type of aggressor – one that is genuinely affected by the security dilemma. This type of actor is more risk-acceptant and willing to shoulder higher costs, as it is more influenced by the underlying logic of an all-out war. In contrast, Russia is a revisionist actor that deceptively invokes insecurity, being less risk-acceptant and only ready to shoulder costs within the limits of its valuation of the good it contested militarily. This latter type of actor can be dealt with by effectively influencing its cost calculations. Russia has been holding on for so long because it expected the Western support to Ukraine to gradually wane. Therefore, it was "gambling for resurrection".<sup>2</sup> Its greatest fear is the West actually sending troops to assist Ukraine in fighting Russia and being ready to shoulder the related costs in

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<sup>2</sup> I use the "gambling for resurrection" term somewhat differently than the existing literature, as it is not related to Putin's regime survival calculations. The meaning I invest in this term is that Russian leaders perceive they can persist for a bit longer – gamble their last resources – and then they are likely to outwait the West. This psychological state is severely encouraged by what Russia perceives as hesitance, such as intentional delays in arms assistance, intentional supply of weapons in a gradual manner, public debates about the unsustainable costs of supporting Ukraine, etc.

blood and treasure, as this would mark the end of the Russian aggression and force it to withdraw its troops.

## Conclusions and Implications

The current NATO deterrence posture in the Baltic States – its most vulnerable area in the Baltic region – is driven by the logic of punishment (tripwire effect), despite its ambition to work as deterrence by denial. This creates significant problems for NATO, as conventional deterrence by punishment is not effective by design, lacking the credibility to impose catastrophic destruction on the aggressor. While deterrence by denial in conventional conflict is effective, it has very high demands for capabilities and credible signalling of resolve. Since a defender's resolve is difficult for the opposing party to discern, the most influential pre-conflict deterrence proxy is the size of deployed capabilities. The aggressor also tries to gauge the defender's resolve by its willingness to fight and readiness to bear the related costs in recent conflicts or crises. The notorious Western fear of “escalation trap” has shaped Russia's perception of NATO's resolve to a large extent. These two conditions – NATO's lack of credible ability and willingness to inflict catastrophic damage on Russia if attacked and NATO's perceived limited resolve to fight – emerge as two formidable incentive loopholes of NATO's deterrence posture in the Baltic region. To show resolve, NATO has to embrace the risk of a war with Russia, without the fear of “escalation”, as its counter-escalation strategy. In doing this, it should keep in mind that Russia is even more afraid of an escalation into war with NATO, since it is not genuinely affected by the security dilemma.

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