PISM | POLSKI INSTYTUT SPRAW MIĘDZYNARODOWYCH
THE POLISH INSTITUTE OF INTERNATIONAL AFFAIRS

PISM Strategic File #22

#22
May 2012

Not As Smart As It Could Be: the NATO Smart Defence Initiative—Chicago and Beyond

by Marcin Terlikowski

Prompted by austerity-driven cuts in defence budgets and calls by the U.S. to distribute the burden for common defence more evenly across the Atlantic, for the last 15 months NATO members have been developing the Smart Defence Initiative. Launched by Secretary General Anders Fogh Rasmussen in February 2011, the initiative aims to "pool and share capabilities, to set the right priorities, and to better coordinate our efforts"[1]. In other words, it is about seeking opportunities for more intense and cost-effective defence cooperation amongst the Allies.

The NATO summit in Chicago delivered the first results as a multitude of cooperative projects was endorsed by the Allies in the so-called "Chicago Defence Package". It involves the exchange of experiences and lessons learnt, joint education and training of forces, the bundling of military assets such as airplanes, as well as joint NATO-wide investment programmes to develop state-of-the-art defence systems.

In Chicago, NATO members presented more than 20 mature projects that are being implemented or will be launched soon. They have their lead states and contributors, goals and preliminary budgets. Among them are NATO "flagship" cooperative projects: the construction of Alliance-wide Ballistic Missile Defence (BMD), declared at the summit as "interim capability" (i.e., entering the preliminary phase of its operation), the Allied Ground Surveillance (AGS) system, which was finally launched by signing the procurement contract, and extending into the future the Air Policing over Lithuania, Latvia, and Estonia so it becomes a routine Allied operation.

There also are plenty of smaller projects: Pooling Maritime Patrol Aircraft to make better use of existing planes and increase their availability for all Allies; Multinational Medical Treatment Facilities to create, pool, and jointly use standardized medical support modules, a whole group of joint education and training endeavors, such as a Multinational Aviation Training Centre for joint training of helicopter pilots and ground crews, and some undertakings regarding the sustainability of armed forces, such as creating a Multinational Logistics Partnership for Fuel Handling to provide deployed forces with fuel more swiftly or a Multinational Logistics Partnership—MRAP to jointly maintain mine-resistant vehicles deployed on NATO operations.

There is also more than a hundred of less-developed projects, which hadn't found their way to Chicago since they lacked a lead state or budgets, and in some cases, were merely ideas for cooperation. However, with money and will, some of them could be implemented quickly, such as a proposal to establish a multinational joint headquarters in the German city of Ulm.

Let's (Pretend We) Cooperate

In 2011, European members of NATO spent about $22 billion less on defence than in 2009, the most recent year in which spending increased[2]. This decrease amounts to more than one-third of U.K. or French defence expenditures in 2009 and exceeds the total defence spending of all Central and Eastern European NATO members for that same year. Although defence expenditures fell between 2009 and 2011 by "only" 7.3%, in reality they returned to the 2000/2001 levels. In other words, nine

[1] "Building security in an age of austerity", keynote speech by NATO Secretary General Anders Fogh Rasmussen, Munich Security Conference, 5 February 2011.
[2] Constant prices, 2010. Calculations according to Stockholm International Peace Research Institute (SIPRI) data.

years of increases were lost in just two years. Even the post-Cold War cuts of the early 1990s did not exceed this percentage—the highest recorded decrease, 1993–1995, was 5.6%.

Reductions have not been distributed evenly: while the U.K. cut 2.5%, other Allies such as Belgium and the Netherlands cut around 6%, and there have been nations that notched double digits. In Slovakia, Latvia and Bulgaria it exceeded 20% in each. A few Allies that so far have not cut their defence budgets, such as Poland, Norway, and Turkey, cannot reverse the overall downward trend. It is a wise assumption that in coming years there will be less and less money for defence in Europe.

In such a setting, the Smart Defence Initiative is widely considered a welcome attempt to promote a cooperative way of thinking as the most cost-effective approach towards acquiring and operating defence assets. The initiative certainly won the interest of the Allied military establishment, as noted by the multitude of endorsed projects. Next, unlike previous capability-oriented initiatives (e.g., the Defence Capabilities Initiative from 1999 or the Prague Capabilities Commitments from 2002), Smart Defence managed to also attract the attention of non-military decision makers—thereby building momentum that may help the idea live up to its commitments and see the implementation of a majority of the declared projects. Last but not least, NATO has managed to coordinate some of the projects with the European Union, which has been running a similar initiative for tighter defence cooperation—named pooling and sharing—since December 2010 (among the coordinated projects is a noteworthy initiative to pool mid-air refuelling airplanes to make them more available). It's worth noting that the coordination was possible despite a longstanding NATO–EU deadlock at the political level.

However, a closer examination reveals a more complicated truth: Smart Defence falls short of the high hopes it has aroused and the declaration that it "represents a changed outlook, the opportunity for a renewed culture of cooperation […]"[3].

Smart Defence is too focused on savings, and many Allies openly admit that a financial motive drove the project selection process. The impression arose that what really mattered to governments was either the hope that someone else would pay—at least partly—to sustain the most expensive capabilities (or to gain access to new assets) or a willingness to use participation in Smart Defence to improve leaders' political images, badly struck by deep cuts. Although a number of Allies have acknowledged that Smart Defence cannot be an excuse for more cuts and that savings will not be generated overnight, an impression appeared that member states' approach to Smart Defence is immature. Next, Smart Defence mixes apples and oranges. While there are a few projects for developing "hard" capabilities, such as increasing the availability of maritime patrol aircraft, or constructing the AGS system (which would involve the joint operation of UAV's to survey NATO operations areas), many other projects are soft in nature and involve merely technical standardization (such as a Universal Armaments Interface project to increase the compatibility of air-delivered weapons with various fighter jets) or exchange of knowledge (such as e-learning programmes, which were not particularly covered during the summit).

Although many projects have a strong industrial dimension, too little has been done so far to involve the defence industry in the preparation and planning of the projects' development. Pooling the demand for defence equipment, or for that matter, maintenance of weapons systems is strongly supported by the industry, but it wants to be approached and consulted in advance.

What is more, when looking at projects that share the same set of contributing states, no particular logic can be found: there is no collaborative group-based specialization and almost no drive to actually acquire capabilities jointly.

Finally, smart defence has embraced projects that have already been discussed or developed and suffer from delays, resourcing problems or volatile political support. This is the case with all three "flagship" projects: the BMD and AGS systems as well as the Air Policing. Making the AGS a part of the initiative generated a new drive to complete it (after years of delays). But in the case of the BMD, it is unclear how this particular project will benefit. Meanwhile, the Alliance involuntarily sent a signal that Smart Defence may not be as novel as it seemed to be at the outset (as reinforced by NATO officials who reiterated examples of successful Smart Defence projects from the past, such as joint purchase and operation of AWACS—the airborne radar planes).

In the meantime, NATO members are reducing acquisitions of new weapons. The last tranche of the Eurofighter has turned out to be an unwanted child. The F-35 Joint Strike Fighter will not be

[3] "Summit Declaration on Defence Capabilities: Toward NATO Forces 2020", Chicago, 20 May 2012.

purchased by European customers in the numbers originally requested, and the same for NH-90 multi-role helicopters. Meanwhile, modern naval platforms currently under development will reach full operational capability much later than planned, hence the U.K.'s decision to deploy only one aircraft carrier instead of two by 2020, and it still won't reach full readiness until later than that date. To make matters worse, such reductions have been neither consulted nor communicated in advance to other Allies. At the same time, a number of NATO members have speeded planning to acquire costly capabilities that are abundant across the Alliance. The best examples of this are supersonic jetfighters, which some nations yearn to acquire no matter the cost.

Defence Economics and the Cooperation Imperative

Along with the idea of jointly operating, maintaining and developing capabilities there is an assumption that if a given asset is too expensive to be acquired and sustained by an individual nation, then it should be developed on a collaborative basis and (further) maintained and operated jointly. The economy of scale means such an approach can bring tangible savings.

The best example of this is in procurement of new equipment—the higher the number of units procured, the lower the unit cost to the government (research and production costs are spread over the total number of units manufactured). Thus, bundling the demand for new military equipment is economically sound. Further, the economy of scale applies also to maintenance of defence equipment and training. Common servicing of a multinational fleet of, for instance, jetfighters makes the per-unit cost of maintenance lower than for sustaining national fleets on the basis of separate agreements with the manufacturer. Likewise, training soldiers on a common range (or in a military academy) can be cheaper than sustaining parallel training facilities and using them only for one nation's needs.

This is, however, only a first step in making defence more cost-efficient. The most attractive savings can be achieved if states—or their groupings—specialise in certain kinds of capabilities and abandon the concept of each sustaining a full spectrum of armed forces (with land, air, and naval forces capable of fulfilling all possible tasks). Free from the need to finance the multitude of capabilities, states could use their defence budgets more efficiently and could invest in selected assets, developed together with their partners. Not only would this approach bring more capabilities for the Alliance as a whole but also it would allow member nations to actually save money. It would be a genuine less-for-more scenario: the money used to sustain a full spectrum of armed forces (in which large portions often suffer from underinvestment and are thus badly equipped and trained) could be spent on fewer more-modern and more-accessible capabilities.

This, however, would generate mutual dependencies since nations with few military assets at their exclusive disposal would have to rely on their international partners for shared capabilities, or even for those they do not possess at all. In this context, the biggest shortfall of Smart Defence is that specialisation-oriented thinking—present and developed amongst NATO officials and junior planning staff—has not come to the fore so far. It seems, that the Allies decided to bypass the riffs of defence cooperation by focusing on relatively less sensitive projects.

Bureaucracy and the Deficit of Trust

The most basic issue that has prevented Allies from approaching the Smart Defence idea with the promised novelty, is a lack of trust. States are invariably attached to the concept of retaining as much sovereignty in the defence and security domain as possible. It is interesting to observe that the only truly common NATO projects—the ones, in which nations have cooperatively acquired, maintained and operated a joint capability—are either extremely expensive assets (the AWACS fleet or the C-17 transport aircraft as part of the Strategic Airlift Capability) or "extra" capabilities for expeditionary tasks or that serve a special purpose (the examples can be niche capabilities such as signal battalions or training centers, like the Joint Force Training Centre in Bydgoszcz, Poland). It means that nations are willing to cooperate in two cases: if they could hardly afford a given capability themselves (the most recent example is the Franco–British attempt to share aircraft carriers or develop nuclear weapons together) or if the cooperation gives their militaries expertise and fosters transformation (this has been the motive driving Central and Eastern European Allies' commitment to the NATO Response Forces).

To put it bluntly, Europeans are not in favour of deepening dependencies in the core capabilities. One of the reasons for this are bad experiences with failed attempts to use multinational units in expeditionary operations, on the one hand, and the troubled record of joint investment projects, on the other, such as the airlifter A400M, which led to cost overruns, delays and intergovernmental quarrels.

What reinforces this overarching strategic and political mistrust is the multitude of administrative barriers to cooperation. First, there is a lack of mechanisms that would allow truly open communication between the Allies' military planners. Nations prepare and implement their armed forces' transformation strategies separate from one another. Some are trying to keep commitments made at NATO forum, others less so; generally though, transformation follows strictly national visions.

But even within national systems, transformation is too often organised within a maze of regulations. Procedures in which capability gaps are indentified remain opaque and rarely take into account the broader context of NATO. When it comes to actual procurement, the cooperative option is seldom analysed, and governments prefer freedom in designing the tactical and technical requirements of the procured equipment to multinational negotiations on standardising the equipment. Also, legal provisions very often do not allow states to share sensitive plans with other states, even NATO Allies.

Further, the existing legal framework forces military planners to favour long-term transformation plans, which set up procurement schedules and financial resources to cover them for years ahead of time. Thus, it is not easy to revise plans that are inflexible and predefined in order to find money for cooperation. Another factor is lobbying by national defence industries and companies, which aim to have secured orders for as far into the future as possible.

Finally, cultural and psychological factors come into play, too. Needless to say, the strategic cultures of the majority of European states are nation-focused. Defence is strongly linked with national identity, and the use of force is seen as a struggle for independence, freedom, and other high values. This approach has not changed despite 60 years of building a common military culture within NATO. For both the elites and general public, it would be improbable to accept—or openly admit—that a state's national armed forces are incapable of defending the nation on their own, and thus the nation is reliant on its partners.

Beyond Chicago

Security culture cannot be changed and additional trust among Europeans built overnight. It seems that even the current financial crisis is not enough to overcome political, administrative, and cultural barriers to defence cooperation in Europe. Thus, as Chicago showed, cooperation will have to follow the current path of small steps.

In these circumstances, the Smart Defence Initiative represents significant potential and should become a starting point for a process of aligning European militaries to cooperate genuinely—with role specialisation—by design, as NATO officials sometime reckon, not by default as with past approaches. However, to make this happen, the momentum of Chicago should be used to review the emerging shape of the Smart Defence Initiative and take steps to address its shortcomings.

An audit of commitments to Smart Defence could follow the summit and aim to identify possible clusters of cooperation, in which there could be further specialisation. There are instances of projects that share contributing states and should be, in other words, fully examined and their potential exploited. A good example is the Visegrad Group (V4), with Poland, Czech Republic, Slovakia and Hungary. Prior to the Chicago Summit, these states came up with two subsequent joint declarations (first issued by foreign ministers, the second by defence ministers) about their priorities for the future of the Alliance, including some proposed "regional" contributions to Smart Defence (such as a future, joint Chemical, Biological, Radiological, and Nuclear Defence Battalion). This suggests that specialisation and role-sharing on the basis of groups of states could emerge gradually. In order to let this process start, clusters such as the V4—or Nordic states, which have been developing even more ambitious defence cooperation programme for some time now—should seek synergies in the declared projects and exploit them to, finally, come up with new, bolder initiatives for group specialisation. The NATO Defence Planning Process could help by indicating regional force goals.

For this to happen, though, trust-related issues have to be addressed. With no regular discussions amongst the defence establishments of cooperating states, reaching understanding on individual concerns, be it capability requirements or industrial interests, can hardly be achieved. Thus, the states should establish a mechanism for regular consultations amongst defence establishments for the purpose of overseeing projects undertaken by the group, the early identification of emerging problems, and an awareness of opportunities for further cooperative initiatives. If there is little belief that the partners are serious about their cooperation or that it will only last to the next general elections, the initiated projects may quickly fall. Therefore, the cooperating states should envisage

signing political declarations of intent to sustain their cooperation for the long run. Again, the V4's recent declarations can serve as good examples. In some cases, such political tools could be reinforced, if possible and plausible, with legal instruments (such as framework agreements providing for financial or administrative regulations).

Next, if this cooperation starts with highly ambitious projects it is likely to fail, but if it involves only low-visibility initiatives it will generate hardly any savings or provide the right capabilities. The goal should be to start low and aim high: a number of endorsed Smart Defence projects should be supplemented by a general, long-term vision of cooperation to guide them. This could pave the way for bolder initiatives, involving, where applicable, group specialisation.

Further, the cooperating states cannot pretend there is no elephant in the room: the defence industry. Defence companies need to be taken on board the process, approached and consulted about their capacity to undertake projects. A joint maintenance initiative for a fleet of weapon-delivery systems, such as airplanes, will not succeed if the manufacturers are not correctly addressed. Similarly, joint units may require basic technical devices that ensure interoperability, e.g., communications systems. Thus, cooperating states should envisage creating government–industry roundtables, tasked to review proposed projects in the context of industrial capacities.

Eventually, cooperation cannot be seen as just another means to meet obligations stemming from membership in the Alliance. Nations cannot enter into projects for the sake of improving a popular image or building political capacity within NATO. Thus, the way to go with Smart Defence would be to ensure that new projects will serve both the Alliance, by increasing its overall military capacity, and the cooperating states, by making them used to have common and interdependent military assets.

Conclusions

The ongoing reductions of capabilities and the drive towards more cooperation in Europe, epitomised best by Smart Defence, has to be seen in the proper context. Although widely covered by media, scrapping aging defence systems is not that much of a problem—it makes perfect sense to get rid of old tanks or submarines before they become too costly to operate. But, if Europeans cut back on modern helicopters, a basic "enabler" in peace-and-stabilisation operations, or on jetfighters, which are the only weapons platform possible to enforce a no-fly zone or interdict potential foes (not only in foreign theatres but also at home, fulfilling Article 5 commitments), then a question arises: is European defence drifting in quite the opposite direction than its security environment would suggest?

This question gains even more importance if it is taken in the context of the shift of U.S. security priorities from Europe towards Asia. In the post-Cold War era, it was only owing to America that Europeans eventually managed to stabilise the Western Balkans, and European militaries did not lose the capacity to operate collectively. The NATO-enforced interoperability and integrated command structure has relied upon U.S.-enabled surveillance, command-and-control capabilities, which, in turn, has allowed Europeans to plug in. The Libyan intervention serves as the most recent demonstration of the fundamental role of America in enabling European armed forces to operate: without U.S.-provided reconnaissance, surveillance, air refueling or cruise missiles, the operation would surely be longer and probably less effective.

And it is in precisely this context in which the U.S.'s strategic "pivot", as some say, should be seen. For political, economic and cultural reasons, America and Europe play on the same team. The Chicago Summit confirmed the transatlantic bond as natural and durable. But the U.S. is more focused on Pacific than on Europe and will be reluctant to devote scarce resources to help Europeans manage their "own" security problems—it is a message one can read between the lines of American officials' statements. Europe will not be abandoned by the U.S., but it can no longer assume American military might is at its disposal whenever a crisis emerges. Thus, already facing fiscal austerity, Europe badly needs a sound way to develop a set of capabilities that would allow it more autonomous action—either within NATO or the European Union's political framework—in case of a crisis requiring either expeditionary action or Article 5 operation. The only way forward seems to be genuine defence cooperation, involving more role specialisation, joint procurement, and common military assets. As hard as it can be to make that happen, the Alliance should try to build on the momentum in Chicago to make it gradually more likely.