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Building Defense Institutions: The Broader Context Today

Peter Faber [*]

When the Soviet empire imploded, hopes of a post-Westphalian peace first rose, and then fell. The end of history did not come, nor did uncomfortable discontinuities coalesce into new international patterns. In the wake of the 2001 terrorist attacks against the United States, those who hoped for the emergence of new structures of global relations claimed that the interregnum was now over. A clearly definable historical epoch—the Age of Terror—had now emerged. To many observers, however, the years since the 9/11 attacks represent continuity rather than departure. The dissociations and confusions of the interregnum have not disappeared, and one can see terrorism as a feature of this flux rather than its end point. Drifting, in other words, continued to compete with planning; discernible order continued to battle with entropy. If the high priests of pattern identified terrorism as their preferred organizing device in the U.S., advocates of European integration touted their own organizing principle: a trans-European narrative that enjoyed growing acquiescence (if not total uncritical acceptance) throughout the 1990s and early 2000s.

We all know this comforting, identity-providing, and entropy-reversing narrative well. It is, in the soaring words of Jean Monnet, "a step towards the organized world of tomorrow."[1] The European Project, in short, seeks to create "irresistible harmony" and, in due time, "a world domestic politics" (i.e., a *weltinnenpolitik*).[2] It is also a peace project, a post-modern political norm unto itself, and a welcome insurance policy against the dubious "antics" of national-level political elites.[3] Even more specifically, the European Union (EU)—as well as NATO, to a more modest degree—function as educational institutions, sources of standardization, and "huge, corrective monitoring [bodies]" for a number of nation-states.[4]

The above "official narrative" has served Europe remarkably well, but regional influences have begun to spill across their borders. Economic, political, social and cultural patterns of influence have become truly multiple and omni-directional rather than unilateral and Western European; they are forward-looking, perhaps even postmodern,

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[1] Charles King, "A Certain Way of Being European," review of Geert Mak, *In Europe: Travels Through the Twentieth Century,* in the *Times Literary Supplement Online* (25 July 2007); available at http://tls.timesonline.co.uk/article/0,,25340-2647843,00.html.

[2] Herrman E. Ott and Wolfgang Sachs, "A New Foreign Policy Agenda," *Internationale Politik–Global Edition* 8:1 (Spring 2007): 16–22; available at www.ip-global.org/archiv/2007/spring2007/a-new-foreign-policy-agenda.html.

[3] Adam Krzeminski, "From Closed Circuits to Communicating Tubes," *signandsight.com* (18 June 2007); available at www.signandsight.com/features/1400.html.

[4] Ibid.

but also traditional. And they are expansionist, at least economically and politically, while also remaining stubbornly local in spirit.

It is within this heterogeneous mix—an inter-civilizational stew that is nothing if not eclectic—that Partner countries are working hard to meet the many challenges of Defense Institution Building (DIB). The articles that follow this one focus on the various details of this process. But by concentrating on the details, we may forget about the broader socio-political narratives that contextualize them. We may uncritically accept these narratives as unchanging and therefore inviolable; as universally applicable rather than necessarily local; and as frameworks to be complied with, rather than actively and continuously shaped. The purpose of this article is not to denigrate the remarkable post-Cold War achievements of forward-looking institutions like NATO and the EU. Instead, I hope to remind readers that the narratives they have developed and continue to promote—multi-pillar Europeanism on the part of the EU, and out-of-area expeditionary operations on the part of NATO—are not as comprehensive, either as explanations or frameworks, as they once were or need to be. The post-1989 interregnum has come and remained. It has arguably passed through two stages and has now entered a third. But what broad contextual challenges does this third stage, even with its uncertain contours, pose for those working on DIB-like projects? These challenges must be recognized for what they are, as should the uncomfortable truths that complicate the EU's official (and longstanding) roadmap for European self-emancipation and growth. After focusing on the first two topics, this article will close by mulling over which type of discourse is best suited to ensure that Defense Institution Building thrives in today's Europe.

The First Requirement: To Account for Some of the Broad Contextual Challenges in Today's DIB-Development Environment

History and Memory

Since the fall of the Berlin Wall, politicians, pundits, populists, nativists, and garden-variety demagogues have redoubled their efforts to instrumentalize not only Europe's history, but also the memories of whole peoples. What these instrumentalists specifically want, according to Adam Phillips, is manufactured memory—i.e., a form of history that is 1) calculated and forced rather than spontaneous and unrehearsed, 2) mythological rather than true, and 3) redemptive rather than ambiguous.[5] There is, of course, nothing forced about real history and memory. Both are mutable, shifting, and even unruly. Neither permits you to prefer your future by filtering your past. In contrast, however, what a considerable number of Europe's citizens are being urged to remember today is all too often designed to help them define the lives they will live to-

[5] Adam Phillips, "The Forgetting Museum," *Index on Censorship* 2 (2005); available at www.eurozine.com/articles/2005-06-24-phillips-en.html.

morrow. "The preferred life," in other words, now "has its [own] set of preferred memories."[6]

So, managed memory is not merely a sub-regional problem now. Its deliberate instrumentalization by recent populists is not just a problem within Hungary, the Czech Republic, Slovenia, or Poland, to name a few. It is also an on-going problem confronting "Old Europe" and the institutions it founded. For example, the EU's great contribution to creating a multinational zone of peace is undeniable, but too many of its boosters are transparently silent about the crucial role played by the United States in also establishing this zone. What these particular boosters illustrate is that "history," as a public issue, and as forms of indoctrination and selective memory, continues to frame Europe's political landscape today.[7] It remains a tool of "instrumental reason," and therefore as an identity-shaping, potentially manipulable device within a Defense Institution Building context.

Socio-Political Realignments

A dominant popular narrative, if not *the* dominant one in post-Cold War Western Europe, goes as follows: the West, motivated by deep self-interest and genuine altruism, has dedicated jaw-dropping amounts of time and treasure to bring a benighted "lesser" Europe up to Western standards. This binary "superior-inferior partnership," seldom officially acknowledged, but all too often quietly assumed, has served as the intellectual and emotional backdrop to a myriad number of action plans within NATO and the EU. Its conceptual simplicity has permitted both institutions to control the narrative of European realignment in ways that have suited them best, but the accumulated facts on the ground now point to another equally real narrative.

At present there is a Central, Eastern, and Southeastern Europe beyond "Europe" (i.e., the "Europe" generally promoted by NATO and the EU). On the political level, this alternative Europe is, in Elemér Hankiss's words, a "messy mix" of unity and diversity, centralization and fragmentation, giganticism and localism, enlargement and retrenchment, and much more.[8] It is a politico-economic space where diverse actors have evolved and continue to transform themselves at different rates and in different ways. As a result, these complex spaces do not resemble the Janus-faced popular narrative that first paired a mature West to a "Wild East" – i.e., a geography populated by backward "others" that have scrambled hard to "catch up." Outside the official narratives of the European Project, there are now multiple and more complex ways to characterize how European realignment, and Eastern European realignment in particular, has evolved, and therefore shaped the identity of Europe in non-binary and non-unilat-

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6 Ibid.

7 See the *Eurozine* editorial, "European Histories: Towards a Grand Narrative?", *Eurozine* (3 May 2005); available at www.eurozine.com/articles/2005-05-03-eurozine-en.html.

8 Elemér Hankiss, "Transition or Transitions? The Transformation of Eastern Central Europe 1989–2007" (trans. from original in Hungarian, first published in 2000), *Eurozine* (26 July 2007); available at www.eurozine.com/articles/2007-07-26-hankiss-en.html.

eral ways. By way of illustration, Hankiss parses some of these realignment narratives as follows:[9]

- *Regime change*: Where state socialism has yielded to democracy and open markets
- *Incomplete regime change*: Where pre-existing power elites continue to operate unhampered behind public institutions that have only partially changed
- *A concordance or pact*: Where the old elites concluded a power-sharing deal with a new coalition of professionals, economists, entrepreneurs, intellectuals, and managers
- *An interrupted revolution*: Where the old elites merely converted and consolidated their political power into economic power
- *A bourgeois revolution*: Where a new upper middle class of "apparatchiks, nouveaux riches, [and] political parvenus" agreed to share power, and now practice unjust forms of nineteenth-century capitalism
- *A counterrevolution*: Where new power elites dismantled their welfare states and delivered their countries up to the "forces of international economic finance"
- *A rise and fall of democracy* (otherwise known as "reformed dictatorship" or "stewardship"): Where parliamentary democracy has not truly led to social democracy, where pluralism has degenerated to alternating single-party systems, and where centralized authority, corruption, and ersatz populism retard the growth of civil societies
- *Uneven development*: Where rapid and disorienting economic and political change has been blunted by "sluggish social renewal," and has therefore thwarted the needed growth of civil societies, including the checks and balances an engaged citizenry so usefully provides
- *Continuity*: New Europe's recent history may be angular, fractal, and certainly stressful, but it is not by definition unprecedented; it may have fresh features, but only within the continued "intertwining and disentwining" found in long-term historical processes everywhere.

Since the fall of the Berlin Wall, the above realignments have occurred in parts of Europe and the EU, either singly or (more commonly) in different combinations. Old guard political recidivists, aided and abetted by an ever-shifting set of allies, may have re-colonized these spaces to some degree, but the promise and reality of EU membership has also helped prop up still-fragile democratic institutions, perhaps to the point of inviolability.[10] EU structures, in form if not in substance, have flourished as a result of the enlargement process, or have extended their benign shadow through the European Neighborhood Policy (ENP). Because of their presence, these structures serve a func-

[9] Ibid.
[10] Ibid.

tion as a partial firewall against local abuses—i.e., as Hankiss notes, they do accelerate social self-organization and eventually lead to functioning civil societies.

So, has Core Europe's influence been a positive one on its once and current periphery? The answer is so obvious that it does not warrant an answer, but we also need to remember that Europe's post-Cold War political space is more complex today than ever. The Janus-faced popular narrative of developed and underdeveloped, senior and junior "partners," or even teachers and pupils may still have some elements of truth to it, but the region-wide realignments that have occurred in the recent past have irrevocably spilled over the walls of this comfortable, one-size-fits-all framework. They overlap, they include new forms, and most importantly they embody a mosaic of transitions and mutual influences in multiple spheres. This, then, is Europe's truest narrative today. Those who quietly continue to believe that "The East is welcome, but should not act above its station" within the European Project miss the essence of this tectonic change, especially when implementing programs at the DIB level.[11]

Possible Near-Term Re-nationalization

If STRATFOR, a respected private intelligence analysis firm, is correct in its global forecast for 2008, an assertive Russia and a willing Belarus could enter into a formal union together, and thus permit the reintroduction of Russian troops on the Polish border.[12] If we then link this potentially troubling geopolitical event to others—for example, a predicted massive redistribution of global wealth; the passing of the generational torch to more pragmatically minded European leaders; and the previously mentioned challenges of history and memory and socio-political realignment—there is the short-term possibility, even with the parallel approval of the Lisbon Treaty, that Europe will slow its march toward political pan-continentalism and tilt back toward a concert of powers arrangement.[13] Admittedly, for this to happen, other things will have to occur. For example, first of all, France will have to deemphasize its traditional global ambitions, "renovate" its relationship with NATO, and pursue a more Euro-nationalist agenda. Second, Germany will have to continue tilting toward economic and diplomatic nationalism. Third, the U.S. will have to clarify, in substantive terms, its ambivalence toward Europe as a potential "fifth pole" in a multilateral world. Fourth, France and Great Britain will need to reconcile their differing views of ESDP. Finally, workable compromises, however tenuous, will have to appear on the expected roles of the U.S. and Turkey within an EU security framework, and more.[14] A combination of

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[11] Perry Anderson, "Depicting Europe," *London Review of Books* 29:18 (20 September 2007); available at www.lrb.co.uk/v29/n18/ande01_.html.

[12] See STRATFOR's *Annual Forecast for 2008: Beyond the Jihadist War* (Austin, TX: STRATFOR, 8 January 2008): 14-17 in particular. Available at web.stratfor.com/images/writers/STRATFOR_Annual_1_08.pdf.

[13] Ibid.

[14] Tomas Valasek, "The Roadmap to Better EU-NATO Relations," Centre for European Reform, Briefing Note, December 2007; available at www.cer.org.uk/pdf/briefing_tv_eu_nato_20dec07.pdf.

hard-edged geopolitical circumstances and a convergence of forces, as described above, may indeed spur some degree of re-nationalization to occur in parallel with the further institutionalization of the EU. And as is the case with the first two challenges, DIB practitioners need to consider the possible impact of this development on their future efforts.

The Second Requirement: To Look at European Institutions Honestly

Despite the undeniable transformational impact the EU has had on Europe, especially since its true Year Zero (1989), skeptics are not automatically wrong, nor being churlish, when they claim that the pan-European program remains an amorphous, abstract project.[15] At this point in time, there is no "whole ecosystem of European discourse," just as there remains a lack of "synchrony" between Old and New Europe.[16] More specifically, the EU does not have a political or cultural identity "in any meaningful sense of the term," nor does it have a robust mechanism to build civil societies—i.e., "democratic sensibilities"—in other countries.[17] (EU officials are not tone deaf to these realities. They have declared 2008 to be the Year of Intercultural Dialogue, and have set aside EUR 10 million to "foster a sense of European belonging.")

One reason for the above state of affairs, as Adam Krzeminski observes, is that "the grand old men of European thought still think in 'Old Europe' terms"—i.e., they have not developed a European consciousness that holistically includes, among many other things, the discomfiture with messianic institutions common in the East.[18] Unfortunately, without this consciousness there cannot be comprehensive socio-political integration either.[19] Secondly, an incomplete "ecosystem" exists because national interests are still at the heart of Europe's political discourse. (Ironically enough, the re-nationalization process that has recently reemerged on the continent, and the loose political bonds that come with it, first came out of Western Europe.) Finally, because "dialogue" has not always meant dialogue within the official EU narrative—it has actually more often functioned as a semi-encoded demand that others "be like us"—it should come as no surprise that serious weaknesses in the European Project continue to get papered over by its supporters. These weaknesses need to be analyzed bravely, unflinchingly, and honestly, particularly if the problems of history and memory are to be dealt with candidly; if socio-political realignments are to be appreciated for what they are; if re-nationalization, in any guise and to any degree, is to avoid the knee-jerk dis-

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[15] Peter Rak, "Portrait of a Moment in the Life of a Nation" (originally published in Slovenian in 2006), *Eurozine* (17 August 2007); available at www.eurozine.com/articles/2007-08-17-rak-en.html.

[16] Krzeminski, "From Closed Circuits to Communicating Tubes."

[17] Martin Sletzinger, "Central and Eastern Europe: Assessing the Democratic Transition," Testimony before the U.S. House of Representatives Foreign Relations Committee, 25 July 2007; available at www.wilsoncenter.org/index.cfm?topic_id=1422&fuseaction=topics.item&news_id=269231.

[18] Krzeminski, "From Closed Circuits to Communicating Tubes."

[19] Ibid.

approval of those who want even greater union in Europe; and once again, if Defense Institution Building programs are to be based on the complex reality of actual situations rather than on pre-determined dreams. The following sections will outline some of these weaknesses that must be acknowledged if the European Project is to succeed.

Challenges to the European Project

An Arguable Self-Image

Although the EU, as currently structured, is not a fully realized universal-republican model that is suitable for everyone, militant Europeanists believe otherwise. They also see themselves as 1) intrinsically benign actors in international affairs; 2) leading-edge creators of a post-Westphalian political system based on liberal principles and social democratic ideals; 3) frontline purveyors of global justice, primarily through the power of example, generous development aid, and the formalizing of international laws and norms; and 4) the providers of "both a political litmus test and a catalyst for national debates and domestic disputes."[20] (The claim in the last case is that the EU can serve as an "honest broker," primarily because of its distance from the "destructive prejudices" and demagoguery so commonly found in national-level politics.)[21] There is undeniable truth in these self-characterizations, but there is an obvious degree of self-deception as well. In fact, myriad critics have described the EU and its proponents in less flattering terms.

Consider the following, and illustrative, characterization by Perry Anderson.[22] The EU is nothing more than a caricature of democracy. The European Commission, for example, is a "hybrid executive"—i.e., it is an unelected executive body that also has the power to propose laws. It uses shadowy "*coreper*" committees to craft legislation with the European Council behind closed doors. The European Parliament, in turn, is a "Merovingian legislature." It remains no more than a "memento of federal hopes foregone." Its limited capacities confirm that what "the core structures of the EU do is convert the open agenda of parliaments into the closed world of chancelleries." In other words, EU structures actually attenuate the politics in politics, and do so with limited accountability. For these reasons and more, where the militant European sees

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[20] Development, of course, does not automatically promote peace. It may, if it is based on natural resources like oil, gas, or coal, lead to the absence of peace, particularly outside of Europe. See Ott and Sachs, "A New Foreign Policy Agenda"; Anderson, "Depicting Europe"; and Krzeminski, "From Closed Circuits to Communicating Tubes."

[21] Anderson, "Depicting Europe." Ivan Krastev provides a more jaundiced view: "[I]n the current epoch, Euro elites secretly dream of a system that will deprive irresponsible voters of the power to undermine rational politics, and … they are more than ready to use the European Union to realize this dream." The fear appears to be that in the hands of today's masses, voting has stopped being "a choice between policy options" and has become "a revolt against privileged minorities." See Ivan Krastev, "The Populist Moment," *Critique & Humanism* 23 (2007); available at www.eurozine.com/articles/2007-09-18-krastev-en.html.

[22] Anderson, "Depicting Europe." (The citation applies for the arguments and citations that immediately follow.)

cause for EU self-satisfaction, Anderson and his fellow travelers see deadly conformism and political vanity, if not outright "illimitable narcissism."

And so the division of opinion continues, not only because the EU's accomplishments are both impressive and disputable, but also because European integration remains an all-consuming secular theology to many – a "theology" that, like its actual predecessors, brooks no rivals. And therein lies the problem. In their zeal to burnish a positive image for a worthy institution, EU boosters have not only sanitized that image over the years, they have also questioned the good taste of those apostates who doubted the EU's principles or methods. Protecting one's self-image, in other words, has become a matter of etiquette and decorum for believers in the Union, who have been known to dismiss what they see as "tactical" concerns or complaints with calls for more "dialogue."

A Commitment to Economic Neo-liberalism

Despite its own benign self-image ("trust us, we mean well and have your interests at heart"), the EU today constitutes one half of a transatlantic economic empire.[23] At root, it is an institution that is committed to promoting free markets. It may have a substantive interest in democratization, rule of law, social welfare, and other super-structural elements, but it first and foremost continues to promote and codify neo-liberal economic policies. As a result, deep and lasting social policy today, at least at the European level, may well exist "only in the dreams of disgruntled socialists."[24]

It is the financially fluid nation-state, agrees Andrew Moravcsik, which provides the social protections found in Europe today, and therefore permits Brussels not only to pursue policies that stress increased privatization, but also to equate reform with the shrinking of social welfare programs. In this respect, the EU may present a threat to social democratic ideals.[25] If the Union subscribes institutionally to neo-liberal forms of economics, as Sheri Berman notes, and if the nation-state remains responsible for providing social protections, then the EU's dilution of strong, centralized states, whether intentional or not, actually deprives these states of the policy instruments they need to construct (and preserve) social democratic societies.[26]

An Embracing of Postmodern Forms of Empire

On the political front, Jan Zielonka admits that the EU today is a "benign empire in action," or an example of "power politics at its best."[27] Robert Cooper, in turn, celebrates

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[23] Ibid. Reciprocal flows of goods, services, and income receipts from investments totaled USD 1.6 trillion in 2006. See Kristan Archick, "The European Union: Questions and Answers," U.S. Congressional Research Service Report RS21372 (Washington, D.C.: Congressional Research Service, 23 January 2008), 5.

[24] Ibid.

[25] See Sheri Berman, *The Primacy of Politics: Social Democracy and the Making of Europe's Twentieth Century* (Cambridge: Cambridge University Press, 2007).

[26] Berman also points out that the assumed link between free markets and democracy has no historical pedigree; it is a post-World War II invention.

[27] Quoted in Anderson, "Depicting Europe."

the "voluntary imperialism" of today's Europe – a "cooperative empire," based on human rights and bourgeois values, where the strong protect the weak; where the "efficient and well-governed export stability and liberty" to others; and where a "ring of friends" around Europe's perimeter benefit from investment and economic growth.[28] Herfried Münkler may wring his hands about the obvious messianism behind such a self-image, especially when it comes to promoting human rights, but ultimately he too claims that the EU is no worse than a "sub-imperial" system dedicated to what many believe is a noble dream.[29]

But is it indeed noble? Is the EU selflessly dedicated to promoting a postmodern international order where the blood-drenched political problems of the past become the passionless procedural problems of the present, to be solved by earnest, win-win oriented technocrats in conference rooms throughout greater Europe? Is it "the only global force that has no territorial interests," as Egon Bahr claims, or do those participating in the EU's European Neighborhood Policy know only too well that the *quid pro quo* for the material prosperity they seek is legal-judicial colonization, no matter how well intentioned and progressive, and the creation of "deep" free trade zones? Are these not "territorial" interests, and are they intrinsically benign?[30] Do they threaten no one, as Bahr further claims? Or might assorted Afghans, Russians, Serbians, North Africans, those in the Sahel, the Caucasus, or even Central Asia see the EU—this "exemplar of global governance," as Frank-Walter Steinmeir describes it—in less flattering geopolitical terms?[31] Might some actually see it as being made up of a self-protecting, democracy-distrusting oligarchy that is eager to spread its influence—its "universal" values rather than Western tribal norms—via a dictatorship of good intentions based in Brussels? The potential irony here, of course, is that, "The greater the desire to represent all interests, the weaker the EU becomes."[32]

A Lingering Gaullist Interpretation of the Euro-American Relationship

The consensus among a high percentage of policy elites in Western Europe is that they do share some values with the United States, but that they have also become decidedly more progressive than their American partners, particularly in the areas of law and morality. More particularly, the U.S. seems to keep miring itself in history. Americans attempt to force, rather than inspire, political change in others; they keep colliding with the rules of the road embraced by the "international community" (that ever useful ab-

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[28] Ibid.

[29] Ibid.

[30] Egon Bahr, "Europe's Strategic Interests," *Internationale Politik–Global Edition* 8:2 (Summer 2007): 10–18; available at http://www.ip-global.org/archiv/2007/summer2007/europe---s-strategic-interests.html.

[31] Frank-Walter Steinmeier, "Interaction and Integration," *Internationale Politik–Global Edition* 8:1 (Spring 2007): 50–55; available at www.ip-global.org/archiv/2007/spring2007/interaction-and-integration.html.

[32] Manfred Sapper, Volker Weichsel, and Andrea Huterer, "The Europe Beyond Europe" (first published in German in *Osteuropa*), *Eurozine* (21 August 2007); available at www.eurozine.com/articles/2007-08-21-osteuropaed-en.html.

straction); they see Europe as no more than a pillar of U.S. grand strategy; and they use NATO "as an instrument to marginalize Europe and hamstring the UN."[33] Because of these perceived problems, Europeans cannot and should no longer compromise their values in order to comport with U.S. policy interests, or so the argument goes.[34] The ethical thing to do is not to be "colonized" by U.S. goals and objectives, but to become a politically autonomous "fifth pole" (along with the U.S., Russia, China, and India) in a multilateral world. Well, is this indeed ethical? Or does ending Europe's "voluntary servitude" to a very convenient "negative federator" also serve the intra- and extra-security ambitions of continental consolidators, many of whom still believe, even if quietly, that NATO and the EU's European Security and Defense Policy (ESDP) represent a zero sum game, and many of whom may not agree that when Europe was less united, it may have been more independent from U.S. foreign policy than of late?[35]

Incomplete Identity Formation (as an EU Project)

While it was busy expanding to the East, the EU focused on exporting its own rules and procedures, and then ensuring their standardization. Since it did not emphasize "identity formation" with equal vigor, its prospective and eventual members were largely left to their own devices to deal with this profound problem.[36] (For our purposes, Peter Rak's definition of identity as "a specific referential typicality" is helpful here.[37]) The unhappy results have been widespread identity confusion, *weltschmerz*, clichéd spiritual debates, simulated reform (or, even worse, political vendettas disguised as reform), a tendency toward a public herd mentality, and more.[38] The results also raise an obvious question: If Central and Eastern Europe remain bureaucratized spaces without cultural and spiritual roots, are "Years of Intercultural Understanding" and last resort shrug-of-the-shoulders responses such as "it will take two generations to sort itself out" helpful or not? Assuming you believe that "no distinctly national culture is now being produced in any of the European nations," just how will things sort themselves out in terms of identity, particularly in the East?[39]

Confusing National Identity with Nationalism

The widespread hostility of militant Europeanists to anything that smacks of nationalism has few parallels in the world, and not without considerable reason. There is no denying the appalling destructiveness of this force in modern European history. Critics

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[33] Bahr, "Europe's Strategic Interests."

[34] Ibid.

[35] Anderson argues this point in "Depicting Europe." He cites cooperation on Afghanistan and a Hamas-controlled Gaza, terrorist renditions (by some), and repeated instances of *sub rosa* support by France and Germany as proof of his contention.

[36] See Imre Kertesz, "Europe's Oppressive Legacy," *signandsight.com* (19 June 2007); available at www.signandsight.com/features/1382.html.

[37] Rak, "Portrait of a Moment in the Life of a Nation."

[38] Ibid. Rak focuses on Slovenia, but his critique reverberates far beyond its borders.

[39] James Kurth, "Europe's Identity Problem and the New Islamist War," *Orbis* 50:3 (Summer 2006): 541–57; available at www.fpri.org/orbis/5003/kurth.europeidentity.pdf.

such as James Kurth, however, argue that the trans-nationalists have gone too far in their hostility. According to Kurth, they do not blame Europe's bloody history on nationalism *per se*, but on the national identities that feed it. Needless to say, the two terms (and concepts) are not synonyms for one another, and the sins of the first may have little to do with the present-day realities of the second. Confusing the two, however, does diminish the stature of the nation-state, which we previously pointed out can be a very bad thing indeed, and it only aggravates the problems associated with shaping viable local-regional identities in European populations.

Using the European Neighborhood Policy as a Source of Inclusion and Exclusion

The EU's ENP is a practical form of self-interested aid. Its goal is to bring "a ring of friends" up to EU standards (in many arenas) without automatically having to offer them the possibility of becoming member states.[40] The ENP, in other words, is a form of "calculated inclusion" rather than the real thing. In Georg Vobruba's opinion, it permits measured integration without enlargement; it erases "sharp borders"; and it permits the EU to quietly blend internal and foreign policies together at the European community level.[41] The Union, however, sees its periphery as both a problem and solution, particularly in terms of regional security. That is why the ENP is both inclusionary and exclusionary, but in the latter case it tries to transfer its exclusionary functions to its nearest neighbors. As Vobruba further observes, the latter become convenient buffer states that have to maintain sharp borders, thwart transit networks, participate in deportation chains, and bear other related political-economic costs. Thus the ENP might be a clever way to create a *de facto* foreign policy, among other things, but one might also ask if its partially exclusionary nature is compatible with the EU's self-image as a beacon of progressive values, and if its concept of burden sharing is fair. (See the next entry.)

Instrumentalizing EU Values

The EU has few qualms about exporting democratic values (writ large) and good governance in order to establish the preconditions for prosperity and stability on its borders. To use values in this way, however, is to instrumentalize them, and this raises at least three questions:

- Why does the EU see the threats posed by nearby countries differently "if their 'value deficits' are identical or very similar"?
- Why have nations with languishing value deficits nevertheless moved up in the EU membership queue?

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[40] Georg Vobruba, "Expansion without Enlargement: Europe's Dynamism and the EU's Neighbourhood Policy" (originally published in German in *Osteuropa* 2-3 (2007)), *Eurozine* (28 September 2007); available at www.eurozine.com/articles/2007-09-28-vobruba-en.html.

[41] Ibid.

- Why would the EU promote democratic values in a country where forces hostile to those very values might come to power?[42]

The obvious answer to these questions is that geopolitical considerations (first establishing a stable and secure environment, for example) still take precedence over promoting values in and of themselves. In other words, the latter step often times remains a mere means rather than an end. For a values-promoting EU, such *realpolitik* behavior might be less awkward if the commitment to a constellation of values was less overt.

The Third Requirement: A New Form of European Dialogue

Despite possible appearances to the contrary, this article is not an exercise in nay-saying. Nor is it a poke-in-the-eye exercise in bad taste – i.e., a deliberate airing of problems best left unexamined, either to facilitate win-win solutions for complex political problems, or to protect the "art of the possible" in European institution building. What I have argued thus far is that the European interregnum has entered a third phase, and that the multivalent narratives used by NATO and the EU since the early 1990s may not be as "reality inclusive" as they once were, either as political explanations or as frameworks for macroscopic change. The system-wide perturbations highlighted in the first section of this article indicate that a more complex European context is emerging, that Europe is certainly no longer a Western enclave centered on mature states.[43] The other "catch up" states," either within or outside of European structures, are not merely adapting to pre-existing norms and practices, as the dominant "we are integrating" narrative of the EU would have us believe. Instead, they are all combining.[44] Peripheral Europe, either physically or metaphorically, is just not a partner-pupil anymore. It is, in Gerard Delanty's eloquent words, an inter-civilizational site of re-bordering. It is the site of "cosmopolitan forms of negotiation," and it is therefore creating a "multi-constellation of regions."[45] In other words, by combining rather than adapting, Europe is creating, again in Delanty's words, a "self-problematizing identity" that is far more fluid and complex than the binary "be like us" world (and basic narrative) of the past.

This development thus brings us to the final question. If Phase Three of the interregnum is about combining rather than adapting, and if it possibly requires DIB practitioners to view the context and challenges of at least one major institution in a more current light (see Part Two), does it also require them to adjust how they cooperate inside and outside of NATO and, even more importantly, the EU? As intimated earlier, when it comes to confederating Europe across multiple pillars, preserving commonality of purpose has historically meant discouraging bureaucratic conflict. The romantic, fist-in-the-air emphasis has always been on being part of a vanguard force – i.e., on

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[42] Ibid.

[43] Gerard Delanty, "Peripheries and Borders in a Post-Western Europe," *Eurozine* (29 August 2007); available at www.eurozine.com/articles/2007-08-29-delanty-en.html.

[44] Ibid.

[45] Ibid.

working selflessly for a greater good, and on always privileging harmony and solidarity, despite the constant danger of being consumed by a "consensus machine." But again, will this traditional approach help us collectively cope with the "combined" realities discussed earlier? In Markus Miessen's opinion, Europe's preferred form of discourse—friction-preventing consensus—may no longer be up to the task. Instead, current circumstances may demand a "post-consensus" form of dialogue: "productive confrontation."[46] The latter encourages you to collaborate rather than cooperate; it inspires you to pursue critical distance and engagement rather than ideological conformism; and it reconditions you to not automatically associate institutional conflict with being needlessly provocative and "unhelpful." Productive confrontation, in other words, sees conflict within the European project as a *democratic enabler*. You continue to interact with (and confront) your partners as you have before, but you do it as an active agent who "recalibrate[s] vectorial forces," and therefore teases unexpected knowledge from the pre-arranged and predictable.[47] "Better to be a vector than 'doing good'," Miessen argues, and in doing so raises the ultimate consideration for those laboring in the area of Defense Institution Building.[48] Yes, indeed: new challenges, familiar institutional stress points, and a potentially new form of dialogue – how should we accommodate this narrative, if at all, in the present phase of an ongoing interregnum?

[46] See Markus Miessen, "The Violence of Participation: Spatial Practices beyond Models of Consensus," *Springerin* 1 (2007); available at http://www.eurozine.com/articles/2007-08-01-miessen-en.html.

[47] Ibid.

[48] Ibid.

Defense Institution Building in Ukraine

Leonid I. Polyakov *

It took over sixteen years—from late 1991, after the collapse of the Soviet Union, to early 2008 (when this article was written)—for an independent Ukraine to make the transition from the virtual absence of national defense institutions to its current defense establishment, which in many respects is already quite close to modern European and Euroatlantic standards. The purpose of this article is to provide a brief overview and generic analysis of how this happened. That is, it will discuss the defense institution building process in Ukraine, a mid-level European power, which in accordance with national legislation and the declarations of the country's leadership aims to join both the European Union and NATO.

Defense Institution Building in Ukraine: Stages of Development

Stage One: 1991–1996

Chronologically, defense institution building in Ukraine can be divided into three distinctive stages. The first stage, from late 1991 to 1996, can be described as *post-Soviet* in both form and substance. During this period Ukraine created the main components of the national defense establishment: the Ministry of Defense (MOD) and the General Staff of the Armed Forces (General Staff), along with four branches of the armed services (Army, Navy, Air Force, and Air Defense). All these were basically variations on Soviet military culture with a slight adjustment to the specific national context.

During this period, the major divergences from the model of Soviet military culture took place outside of the MOD, in the newly created structure of the National Security and Defense Council of Ukraine (NSDC), which under the leadership of Volodymyr Gorbulin filled in its own staff with a number of good military professionals, and to some extent within the General Military Inspection under the authority of the President of Ukraine. However, the predominance of uniformed personnel in the Inspection prompted one of the first true military experts (and future Minister of Defense) Dr. Anatoliy Grytsenko to describe it as "civilian control by military means."[1] During this early stage, classic and modern Western doctrines and experiences—such as democratic civilian control over the military, defense resource management in a democratic market-oriented country, joint operations, etc.—were known to some advanced experts and leaders, but they were well understood by almost nobody in Ukraine.

Stage Two: 1997–2004

The second stage of defense institution building in Ukraine lasted from roughly 1997 to 2004, and was *evolutionary* and *declarative.* It started when the President of

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* Leonid Polyakov served as First Deputy Minister of Defense of Ukraine from February 2005 to January 2008.

1 See Anatoliy S. Grytsenko, *Civil-Military Relations in Ukraine: System Emerging from Chaos* (Groningen: Centre for European Security Studies, 1997), 76.

Ukraine approved by decree the functions of the MOD and the General Staff, formally introducing the separation of functions between these two bodies. Thus, attempts got under way—mostly declarative in nature—to create something similar to the models that had been adopted in developed democratic countries.

On the positive side, during this period Ukraine proved to be able to develop or amend a number of rather good conceptual and regulatory legislative acts, including the "Concept of National Security of Ukraine," which provided a foundation for Ukraine's national defense policy, and laws "On the National Security and Defense Council of Ukraine," "On Defense of Ukraine," and "On the Armed Forces of Ukraine." Although the drafts of these acts were developed mostly by the personnel of the General Staff, the growing expertise of the NSDC and parliamentary defense staffers allowed them to participate in the creation of meaningful and useful acts as well.

It was also during this stage that the first formal structure responsible for the management of Ukraine's growing Euroatlantic cooperation was created within the General Staff in 1998. It still exists, as a "Directorate of Euroatlantic Integration" within the General Staff, and is located in the same building as the NATO Liaison Office. Over time, the latter office (especially under the leadership of Mr. James Greene) began to play an indispensable role in coordinating all programs of cooperation between Ukraine and NATO, as well as serving in a critical advisory capacity to Ukraine on bilateral discussions with such NATO countries as Bulgaria, Germany, France, Lithuania, Poland, the U.K., and, of course, the United States. Coordination of all foreign advisory activity has become so important over the past decade that in 2007 the decision was made to create an *ad hoc* Joint Coordination Committee under the leadership of high-level MOD officials.

During this second stage of defense institution building, however, more or less substantive changes in structures and procedures can only be said to have started in 2002, when political leadership made a decision to set a course toward NATO accession. Soon after, in 2003–04, a Strategic Defense Review was conducted for the first time in Ukraine, with the support of NATO International Staff experts.

Among the most visible results at the conclusion of this stage were transformations of the primary MOD directorates, which had been dominated by military personnel, into departments overseen by civilian personnel. Leadership of the MOD became primarily civilian, and a key structure of the civilian MOD—the Department of Policy and Planning—was created.

However, transformations at this stage were mostly structural in nature, both in the MOD (from main directorates to departments) and in the Armed Forces (unification of the Air Force and Air Defense into one service; creation of the Main Directorate of Law and Order Service of the Armed Forces as a loose analog of a military police force, etc.). There still was a significant shortage of qualified civilian personnel to manage MOD functions, and a lack of developed procedures and techniques, especially in the areas of policy development and strategic planning, defense diplomacy, and budgeting and resource management.

Stage Three: 2005–2007

In the third stage in the development of defense institutions in Ukraine, which lasted from 2005–07, the victory of democratic pro-NATO candidate Victor Yushchenko and the arrival in the MOD of a new team under the leadership of the Defense Minister Anatoliy Grytsenko, allowed the beginning of *systemic transformations*. In fact, during 2005, the first year of this stage, the creation of the new Ministry of Defense was completed. The practice of appointing civilians to the office of minister of defense as well as to the deputy minister positions was approved. Since then, all important functions of Ukraine's ministry of defense have generally corresponded to NATO standards for civilian control of the armed forces in terms of guidance and oversight in the areas of policy and planning, personnel and resource management, audit, etc.

However, new structures with new functions required new people, especially for civil service positions. Earlier existing opportunities to train civilian specialists at the National Academy of State Administration (under the Secretariat of the President) and at the National Defense Academy of Ukraine (under the MOD) were unable to produce qualified candidates in sufficient quantity, and were not flexible enough to support the growing needs of the MOD and other security structures.

To help Ukraine's needs, NATO, starting in 2006, began providing funds and training opportunities within an arrangement that became known as the Professional Development Program. Under the supervision of the head of the NATO Liaison Office, the NATO-national Program Manager, and the U.K.'s Special Defense Advisor (representing the lead nation), together with representatives of the relevant Ukrainian authorities, a matrix of requirements was developed and assistance in the selection, training, and placement of civil servants was organized.[2] As a result, by the end of 2007 Ukraine had satisfied its most immediate needs in training and placing civilian personnel capable of exercising democratic control over the military.

Democratic Control over the Armed Forces

Transparency. As far as the further development of the overall institution of democratic civilian control over the armed forces is concerned, it has improved its capability to manage not only challenges inside the MOD, but also to communicate with the general public, media, and civil society outside of Ukraine's military establishment. Systems of cooperation with public organizations have been strengthened. A press service within the MOD and the Department of Humanitarian Policy had already been created, which among other responsibilities was tasked with serving as a liaison to local authorities and mass media, managing veterans' affairs, organizing museum exhibitions, and offering family support. In addition to the press office, the Public Council of the MOD was established. It included representatives of all defense, veteran, and patriotic-

[2] The Ukrainian representatives to this process included several staff members from the MOD, including representatives of the Department of Personnel Policy's foreign education section and the Department of Policy and Planning's section of European and Euroatlantic integration.

related non-governmental organizations, which agreed to maintain a regular dialogue with MOD. Since its creation in November 2005, Minister of Defense Anatoliy Grytsenko has personally participated in almost every session of the Public Council, which is made up of about seventy representatives.

Among the other important actions taken by the Ukrainian Ministry of Defense to build transparency and create trust was the introduction of a regularly published "White Book."[3] An annual MOD report to the nation, the "White Book" has become another important element of democratic civilian control in terms of strengthening the military's transparency to Ukrainian society. Since 2005, publication of this report has become an annual tradition, when every year on February 23 (a national holiday, the Day of the Defender of the Motherland), the Minister of Defense, the First Deputy Minister, and the Chief of the General Staff personally conduct a presentation of this publication to the media.

Resource Management. Among the many specific developments in the third stage of defense institution building discussed above, a particularly important place is occupied by the efforts to improve the MOD's resource management system. Until 2005, the funding provided to the Armed Forces was very scarce, if not outright miserly, and drafting the budget proposal was solely the responsibility of the MOD's Department of Finance, together with the General Staff. However, the growth of the Ukrainian economy has allowed defense appropriations to increase, and consequently spurred a demand for better control over resource planning and the spending of taxpayers' money. In addition, growing requirements to satisfy the criteria of NATO accession also necessitated better resource management.

To respond to the changes in these requirements at the "working" level, a special section was established within in the MOD's Department of Policy and Planning that was tasked with oversight over budgeting and overall resource management. At a higher level, but for the same purpose, the Budgetary Commission, headed by the First Deputy Minister of Defense, was created. This board also includes directors of the MOD's Department of Policy and Planning and Department of Finance, as well as key representatives of the General Staff: the First Deputy Chief of the General Staff, the Deputy Chief of the General Staff (in charge of resource oversight), and the Head of J-5 (the Main Directorate of Defense Planning).

In addition to these notable efforts to ensure effective civilian oversight of the MOD's budgetary processes, significant efforts have been made to improve the composition of the defense budget. Experts from MOD's Department of Policy and Planning, the Department of Finance, and department J-5 of the General Staff—utilizing advisory support from Dr. Todor Tagarev, a visiting advisor from Bulgaria—in 2006–

[3] Any scholar or practitioner interested in more specific details of defense institution building in Ukraine in the period of 2005–07 will certainly benefit from reading more specific texts of the relevant White Books (2005, 2006, 2007), which can be found in English at the Ukrainian MOD website at www.mil.gov.ua.

07 worked hard to ensure direct, well calculated, and clearly understood linkages between the anticipated end results of each defense program, its cost and efficiency.[4]

In parallel to the efforts mentioned above, another project was under way aimed at making all administrative processes in the MOD and the Armed Forces more effective by introducing an automated system of control over administrative processes.[5] To facilitate this process, a specific structure was created within the MOD, a Directorate of Information Resources. In addition, in order to more effectively manage the consequences of the Ukrainian military's significant downsizing and transformation, two distinct structures were created within the MOD: the State Department for Adaptation of Retired Personnel and Conversion; and the State Department of Surplus Materiel and Lands.

Command and Control. The final achievement during the third stage of the defense institution building process in Ukraine was a significant improvement in the systems of command and control of the Armed Forces. First of all, the operational chain of command underwent modernization. A Joint Operational Command assumed the operational responsibilities of three former territorial operational commands. Three territorial directorates assumed responsibility for territorial defense and administration of mobilization and reserves in their respective areas of responsibility. Three Army Corps were removed from the control of the territorial operational commands and placed under direct control of the Army Command. A new command structure—the Command of Special Operations Forces—was created at the branch level in response to changes in the threat environment. And the General Staff was restructured in accordance with standards adopted in the headquarters of NATO militaries.

Conclusion

In conclusion, the next stage after the third will start in 2008, should Ukraine become a participant in the Membership Action Plan, for which the nation's leadership applied in January 2008. It is likely that this new stage will be characterized by the attrition of structures dedicated to dealing with excess equipment and ammunition and with other consequences of military downsizing. Further strengthening of the structures, staffing models, and procedures related to "strictly" democratic civilian control will probably take place as well. Some integration of MOD and General Staff structures will also likely take place in cases where joint civilian-military components are considered to be more effective than functions that are separated between the civilian MOD and the military General Staff. More specific details will likely become clear after the completion of the next Strategic Defense Review, which is planned for 2008–09.

Overall, despite a slow start, significant progress in defense institution building in Ukraine is evident. The country's course toward building democracy and integrating

[4] See for details the article Todor Tagarev, "Introduction to Program-Based Defence Resource Management," *Connections: The Quarterly Journal* 5:1 (Spring-Summer 2006): 55-69, published also in Ukrainian in *Nauka i Oborona* 3 (2006): 18-24.

[5] Using SAP software.

more closely with NATO and the EU, along with its close security cooperation with the Western democracies, has provided opportunities for Ukraine to educate its military and civilian personnel and to gain valuable foreign experience and practical support, which has made a noticeable difference in the process of defense institution building. This cooperation has also encouraged the construction of a functioning system of democratic control over the military, as well as the development of institutions and procedures of policy, planning, and resource management in the MOD, and improved effectiveness of command and control systems in the Armed Forces.

Building Integrity and Reducing Corruption Risk in Defense Establishments

Mark Pyman, Dominic Scott, Alan Waldron, and Inese Voika *

Introduction

This article presents some new and constructive approaches to strengthening integrity and reducing corruption risk in defense establishments. Our organization, Transparency International, is active in this field because we believe that it is hugely important to ensure that national defense establishments have integrity and are free from corruption, both for reasons of national security and because of the damage that corruption does to governments and citizens if it is not actively addressed.

In our conversations with defense officials, security experts, defense companies, civil society, and development agencies, we hear the following reasons for the particular magnitude of the threat posed by corruption in the defense sector:

- Corruption is costly and a waste of scarce resources. Whether through corrupted procurement, payment of non-existent soldiers, or non-transparent privatization practices, corruption occurs at the expense of more socially productive investments, such as in health and education.[1]
- Corruption dramatically impacts the operational effectiveness of the military forces.
- Corruption reduces public trust and acceptance of the military. Civilian and military staff pride in their service to the country is seriously degraded when they learn of corruption among their leadership.
- Corruption reduces the credibility of national and international forces deployed on peacekeeping missions.
- Defense acts as a "concentrator" of corruption across government, and involves numerous actors. Because money can be easily extracted from the sector, a network of corrupt middlemen, accountants, and lawyers is kept in business.
- Adequate security is one of the key conditions for promoting development and growth. The symbiotic relationship between security and development is now widely recognized; for instance, Hilary Benn, the U.K.'s former Minister for International Development, asserted that "development without security is impossible; security without development is only temporary."

In this article we will present some of the work that our organization is doing in the

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1 Paulo Mauro, "Corruption and Composition of Government Expenditure," *Journal of Public Economics* 69 (1998): 263–79.

area of defense, some of the ways in which we are collaborating with NATO on the topic, and outline some of the tools that we are testing.

Transparency International

The Organization

Transparency International—or TI, as it is usually called—is a global civil society non-governmental organization (NGO) involved in leading the global fight against corruption. It brings people together in worldwide coalitions to end the impact of corruption on men, women, and children around the world. Transparency International's mission is to facilitate change toward a world that is free of corruption. Transparency International U.K. is the United Kingdom chapter of the global movement.

TI is an independent, not-for-profit organization focused on developing constructive solutions to bribery issues. It was started fifteen years ago by World Bank lending officers for East Africa who were frustrated at the Bank's loans being siphoned away corruptly. The officers quit the Bank in order to try to address the problem directly. TI caught a wave of enthusiasm for improving governance and other measures to tackle corruption worldwide, and the organization now has almost one hundred chapters around the world.

Many readers will be familiar with the Corruption Perception Index, one of TI's headline products, that ranks corruption perception of countries around the world based on the aggregation of a large number of surveys. TI also produces a "Bribe Payers Index" that shows perceived bribe frequency by industry sector. The three worst-performing sectors for bribery are oil, infrastructure, and defense.

TI has five global priorities. Addressing corruption in public contracting has been a global priority since its founding. TI develops this work by engaging with governments and by developing coalitions between private firms, governments and public sector institutions, and civil society in order to achieve a wide base of support.

TI's private-sector work, the "Business Principles for Countering Bribery" (BPCB) is one such example of this kind of cooperation.[2] TI worked with a multi-stakeholder group comprising companies, labor unions, and NGOs. These groups also now form the steering committee. The two basic principles are the prohibition of bribery and the implementation of an anti-bribery program. A version for small businesses ("SME" in U.K. parlance) has recently been launched. There is now a wide range of implementation tools, including a detailed TI guidance document, a six-step implementation process, a self-assessment tool, and a high-level check list. A process for providing external assurance is currently under development with the "Big Four" auditing firms. There is also sector guidance, and a tool that sets out scenarios and guidance on how to respond to corrupt requests. All this material is used by many companies, and is freely available for use. Similarly, TI has developed guidance tools for public contracting in a number of countries.

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[2] Transparency International, "Business Principles for Countering Bribery," 2003; available at www.transparency.org/global_priorities/private_sector/business_principles.

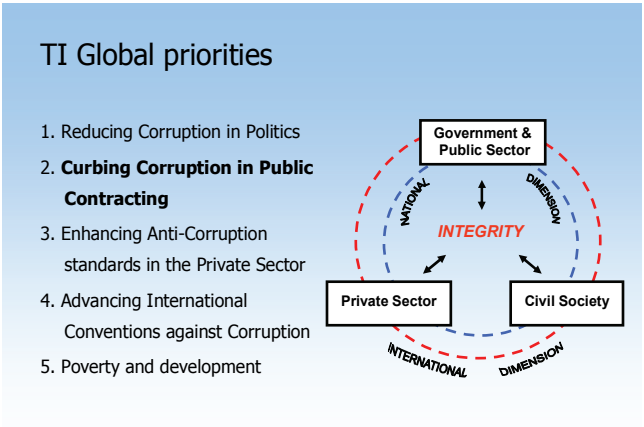

Figure 1: Transparency International's Global Priorities

Transparency International's Defense Work

Global Program. Transparency International U.K. began working to address corruption in the defense arena in 2000, bringing together exporting governments and defense companies to consider constructive measures to reduce corruption in defense. From two conferences, one in Stockholm, Sweden, and one in Cambridge, U.K., came a number of recommendations.[3] This led to the formation of the "Defense Against Corruption" team, with funding from the British government, and additional funding from the Swedish government.

This global program has the objective of reducing the risk of corruption in the defense sector, through building integrity and promoting greater transparency. The Defense Against Corruption (DAC) Program is heavily engaged with defense ministries, defense contractors, exporting governments, and trans-national institutions. Its main activities are as follows:

- Building awareness in defense ministries and among parliamentarians that the subject can be tackled effectively, and implementing oversight tools for use in major defense procurement efforts
- Encouraging defense companies to collaborate internationally so as to build more integrity into international tendering
- Working with arms-exporting governments to enhance anti-corruption measures, including with senior officials in the United States, United Kingdom, Sweden, France, Germany, and Italy

[3] Transparency International U.K., "Corruption in the Official Arms Trade," Policy Research Paper (2002); available at http://www.defenseagainstcorruption.org/index.php?option=com_docman&task=doc_download&gid=11&Itemid=129.

- Working with NATO to develop a common approach to increasing transparency, building integrity, and reducing corruption
- Working with other international bodies, such as the World Bank and the African Development Bank, to leverage defense anti-corruption knowledge and best practices across many countries
- Conducting trials in the use of a new oversight and monitoring tool—the Defense Integrity Pact—in major defense tenders
- Developing other tools for use by all countries and civil society
- Working with the British government's Department for International Development to initiate a "Transparency in Defense Expenditures" initiative in Africa.

TI's global program has exceeded all initial expectations: governments, defense firms, and trans-national institutions are proving ready to engage in reform of this sector.

Other National Chapter Activity. Defense sector reform efforts—often facilitated or instigated by local chapters of Transparency International—around the world include:

- *Korea*: TI Korea has been actively engaged with the defense establishment for some years. New tendering regulations were passed that require the presence of an ombudsman for large procurements (discussed in further detail below).
- *India*: A requirement was recently initiated for integrity pacts to be implemented on large defense procurement contracts.
- *Croatia*: National defense procurement needs and the full defense budget for the next ten years have been published. TI Croatia has been active in engaging the defense establishment on the issue of enhanced transparency in the defense sector.
- *Colombia*: Defense procurement functions were reorganized into a single organization serving all the armed services and run by professionally qualified civilians. This process of centralization is viewed as having reduced corruption risk in the Colombian defense sector.
- *Poland*: The defense ministry has pressed for competitive methods in buying military equipment in order to limit single-source procedures, while declarations on conflicts of interest have been enhanced to include a wider range of family members and to cover a broader range of involvement (including other contracts) with tender participants. Transparency International Poland has engaged the defense establishment to encourage and advise reform efforts.
- *Georgia*: Reforms of the Georgian Defense Ministry include enhanced civilian oversight of the ministry (including appointment of a civilian defense minister) and enhanced parliamentary control. Similar to its Polish counterpart, the Georgian chapter of Transparency International has engaged defense establishments to encourage and advise reform.

NATO Initiatives

Partnership Action Plan on Defense Institution Building (PAP-DIB)

NATO's initiatives to promote defense reform were given added momentum at the Istanbul Summit in 2004 when the forty-four allies and partners in the Euro-Atlantic Partnership Council (EAPC) reaffirmed a shared conviction that efficient and transparent defense institutions under civilian control are fundamental to stability and international cooperation over security. In Istanbul, the EAPC heads of state and government endorsed the Partnership Action Plan on Defense Institution Building, or PAP-DIB, a bilateral cooperation initiative between Partner nations and NATO that provides a framework for planning reform, exchanging experiences, and giving practical advice on achieving ten specific objectives in the defense and security sector.

Of the ten PAP-DIB objectives, four stress the need for transparency, while an additional two refer to other openness measures. These six are listed below:

- Develop effective and transparent arrangements for democratic control of defense activities
- Enhance civilian participation in developing defense and security policy
- Develop effective and transparent legislative and judicial oversight of the defense sector
- Develop arrangements and practices to ensure compliance with international norms and practices in the defense sector, including export controls
- Develop effective and transparent personnel structures and practices in the defense forces
- Develop effective and transparent financial, planning, and resource allocation procedures in the defense area.

Shrivenham July 2007 Workshop

An advanced research workshop was held in July 2007 on "Building Integrity and Reducing Corruption in the Defense Sector." This workshop was organized jointly by NATO, the Defense Academy of the United Kingdom, and Transparency International U.K. It followed almost eighteen months of constructive engagement between NATO international staff and Transparency International, which focused on ways that an integrity and anti-corruption agenda could support Partner and NATO member nations in defense institution building. The purpose of the workshop was fourfold:

- To initiate development of a training module for senior defense officers and officials that could be given in Partnership for Peace training centers, NATO training centers, and national defense colleges
- To examine the merits of a NATO policy on building integrity and reducing corruption risk, what such a policy would contain, and how it would be useful in practice

- To bring together personnel with expertise in defense ministries and related organizations, and through this, to start to build an international community with expertise in methods of improving transparency, building integrity, and reducing corruption in defense establishments
- To consider how best to advance the initiative across NATO member and Partner countries.

The meeting included fifty participants, drawn from sixteen Allied, Partner, and "Mediterranean Dialogue" nations.[4] The workshop was oversubscribed, and several nations had to be turned away. The format of the sessions was highly participatory. Feedback after the workshop showed a high level of satisfaction with the event, and a strong desire to see this initiative move forward. It was co-directed by Mark Pyman of Transparency International U.K., Maitre Hassan Rahmouni of Morocco, and Ignas Stankovicius of Lithuania. The conference resulted in sixteen specific recommendations to NATO.[5]

EAPC Program

The Euro-Atlantic Partnership Council is supporting work in the area of combating corruption in the defense sector, with a program entitled "Approaches for Building Integrity in Defense Establishments." The program builds on work done by international staff in NATO, with contributions from Transparency International U.K. Three areas of work are under way:

1. Development of a training module on building integrity and reducing corruption risk. This is being developed by the Defense Academy in the U.K., and will be given trial deliveries in 2008 at three different locations
2. Development of an integrity self-assessment tool for nations
3. Development of a compendium of best practices in building integrity and reducing corruption risk.

Transnational Experience Exchanges: TI National Chapters and NATO

Besides the exchanges at the Shrivenham workshop described above, NATO and representatives of twelve chapters of Transparency International and the Transparency International Secretariat met with NATO officials in June 2007.[6] The purpose of the meeting was to share experiences and explore commonalities between NATO's de-

[4] Nations that sent participants to the workshop include Albania, Bulgaria, Canada, Croatia, Georgia, Israel, Latvia, Lithuania, Morocco, Poland, Romania, Serbia, Slovakia, Tunisia, Ukraine, the U.K., and the U.S.

[5] The report of the workshop is in the process of publication. In the meantime, the draft report can be found on TI's defense website, at www.defenseagainstcorruption.org.

[6] The twelve chapters were from Albania, Algeria, Armenia, Croatia, France, Georgia, Germany, Latvia, Norway, Poland, the U.K., and the U.S.

fense institution-building work with Transparency International's anti-corruption work in the defense sector.

Sessions touched on NATO's current political agenda, the contribution of NATO's Partnership for Peace program to building integrity in the defense and security sectors, defense reform, lessons learned from national experiences in building integrity in the defense and security sectors, and an overview of Transparency International country perspectives on defense corruption. Representatives of both organizations broadly endorsed the approach of NATO's partnership with Transparency International in building integrity and reducing corruption in defense institutions.

Analysis: Understanding Corruption Risk and Integrity

Definition of Corruption

Transparency International defines corruption as "the abuse of entrusted office for private gain." While there are many other definitions, our experience is that most people know what it is when they see it, even if their precise definitions may differ. The list below indicates some of the diversity in contemporary institutional definitions of corruption:[7]

- "Authority is a trust: and abuse of malicious exploitation thereof is absolutely prohibited, so that fundamental human rights may be guaranteed."[8]
- "Corruption involves behavior on the part of office holders in the public and private sectors, in which they improperly and unlawfully enrich themselves or those close to them, or induce others to do so, by misusing the position in which they are placed."[9]
- "The abuse of entrusted office for private gain."[10]
- "The privatization of public policy."[11]

Types of Corruption in Defense

Figure 2 below lays out our "typology" of corruption in the defense sector, based on an earlier political economy analysis of corruption in post-communist countries.[12]

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[7] It should be noted that the United Nations Convention Against Corruption does not actually contain an explicit definition of corruption. The text of the convention is available at www.unodc.org/pdf/crime/convention_corruption/signing/Convention-e.odf.

[8] Islamic Conference of Ministers, Cairo, 1990 (quoted in John Pope, *TI Sourcebook*, Transparency International, 2000:06).

[9] Government of Pakistan, 2002; available at http://www.transparency.org/news_room/faq/corruption_faq.

[10] Transparency International, www.transparency.org/news_room/faq/corruption_faq.

[11] Daniel Kaufmann, "Myths and Realities of Governance and Corruption" (n.d): 82, available at www.worldbank.org/wbi/governance/pdf/2-1_GCR_Kaufmann.pdf.

[12] R. Karklins, *The System Made Me Do It: Corruption in Post-Communist Societies* (New York: M.E. Sharpe, 2005).

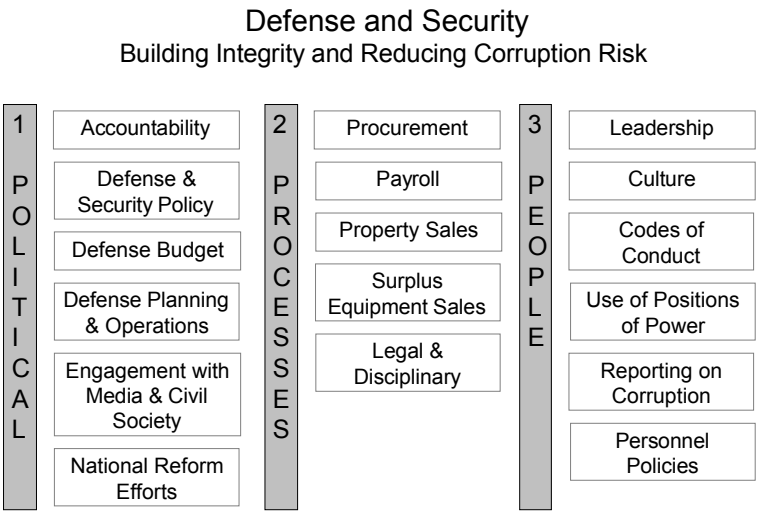

Figure 2: Forms of Defense Sector Corruption

There are three main categories of corruption: political context & control, processes within the defense establishment, and personal-level corruption (interactions between defense officials and society).

In the first category are issues related to areas in which the defense establishment should be under the democratic control of the political authority. Corruption in this context encompasses over-elaborate defense policy, hidden defense budgets, cronyism at the leadership level, links to organized crime, misuse of intelligence for corrupt purposes, and ultimately state capture by officials linked to the defense establishment. To quote John Githongo, former Permanent Secretary of Good Governance in Kenya, **"**Defense is the last refuge of grand corruption." Within defense processes, the area of vulnerability that is most often cited is procurement. Other problem areas include diversion of salaries, fraudulent sales of second-hand or surplus equipment, the operation of private businesses within the defense establishment, and corruption of the recruitment, reward, and promotion systems. In many countries it is easy to extract money corruptly from the defense budget. Some explanations for this are listed in Figure 3 below.

Finally, at a personal level, a common problem is officers and officials who do not observe rules regarding conflicts of interest, hospitality, and other standards of business conduct. Even more common is low-level petty corruption; examples include "difficulties" at security checkpoints and bribery to avoid conscription, etc.

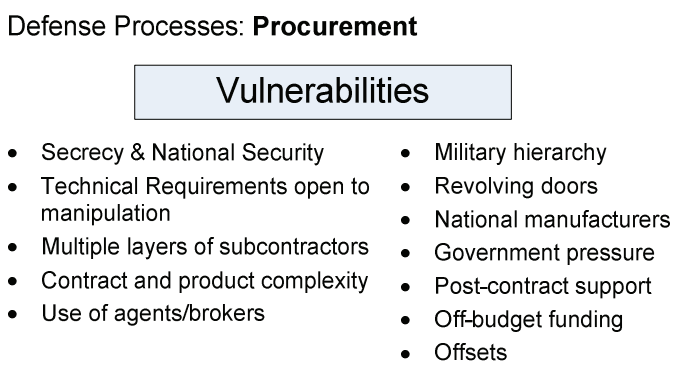

Figure 3: Corruption Risks in the Procurement Process [13]

Integrity in Defense

Integrity is an important word in the defense environment. It has both a technical and a moral meaning. In a technical sense, we say that the hull of a ship has "integrity." This means that the whole system works properly: the outer skin of the ship does not leak, and all the various systems that make up and support the hull are sound and function correctly. In a personal and moral sense, it means that work is conducted honestly and sincerely, and is uncorrupted. In this article, when we use the word *integrity*, we mean the following:

- An *individual* has integrity if they are doing their work competently, honestly, and completely
- A *process* has integrity if it works as it is intended to, and fits seamlessly into the larger system of which it is a part
- An *organization* has integrity if its work is executed with proper accountability, competence, and is done to completion and without diversion of output or resources to corrupt or dishonest ends.

Integrity is the opposite of corruption. We find that this is a powerful lens through which to understand a defense establishment. Figure 4 below shows the counterpart to the corruption typology chart shown in Figure 2.

Figure 4 demonstrates the importance of building public trust as one key ingredient of building integrity, and of personal values and individual codes of conduct, which need to be the foundation of integrity, and thus of any efforts to combat corruption.

[13] The "revolving door" phenomenon refers to the practice of retiring senior military or defense establishment officials moving immediately into positions within the defense industry that may involve a conflict of interests.

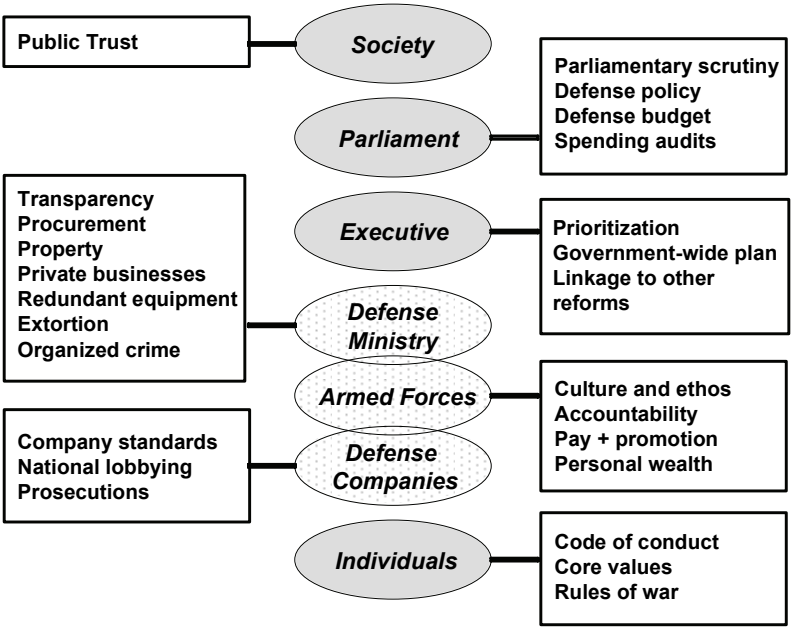

Figure 4: A Framework for Integrity in Defense

Taking Action

Governments

National defense ministries and the military leaders of states have a primary role to play in pursuing defense-sector reforms that respond effectively to corruption. The disciplined nature of the military facilitates the work of reformist leaders seeking to initiate change in the sector. While they can tackle this only through controls and legal measures, there is as much, if not more, leverage to be obtained through the "building integrity" route.

The high regard that the public generally has for the military around the world, as evidenced in the TI/Gallup survey the "Global Corruption Barometer," broadly supports this notion. As the chart from the 2006 survey shows in Figure 5 below, taking a global average, the military is in the top three most respected institutions, and is almost as trusted in terms of corruption as NGOs and religious bodies.[14]

[14] The original report and data set can be found at www.transparency.org/policy_research/surveys_indices/gcb.

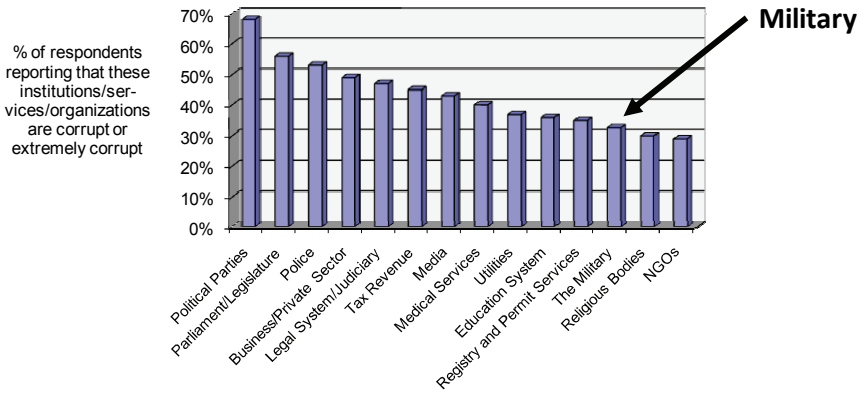

Figure 5: Perceived Corruption by Sector

The military outperforms political parties, parliament/legislature, business and the private sector, as well as the media; all of these sectors are perceived to be more corrupt than the military. The average score awarded to the military by the population of each country is presented in Figure 6 below.[15]

Figure 6 shows that the standing of the military varies across countries and regions in terms of its perceived level of corruption. In Israel, the United States, and countries of Western Europe, for instance, the military is broadly perceived as being free of corruption. However, in the newly independent states of Central and Eastern Europe, and in Africa and Latin America in particular, the military does not fare as well.

The message from the survey is that in many countries the military as a highly regarded institution can act as a beacon of reform and an inspiration for wider institutional reform within a country. For countries where the military is not highly regarded in terms of being free from corruption, it can be concluded that reform of this institution is particularly pressing, and successes in this area may yield significant and positive externalities for other institutions within the country.

Academies, Training Schools, and Think Tanks

Defense academies, universities, and training agencies are a huge resource for creating change. They help to build capacity by bringing the topic of building integrity and reducing corruption into all career development programs for officers and defense ministry officials. Moreover, they put the subject on the map with workshops, conferences, and expert seminars. There is huge potential for such establishments to have a significant impact.

[15] Transparency International U.K., "Corruption Perceptions of the Military around the World" (2007); available at www.defenseagainstcorruption.org/index.php?option=com_docman&task=doc_download&gid=92.

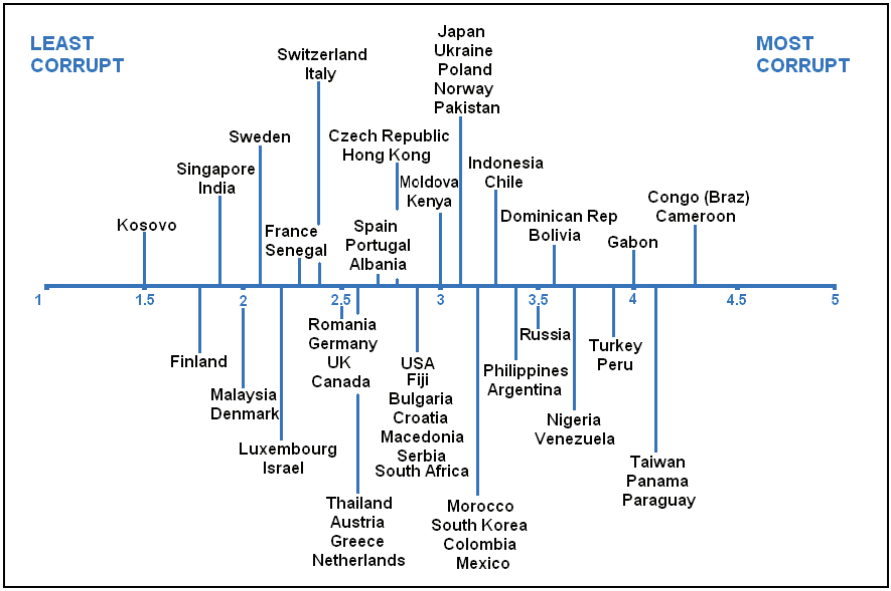

Figure 6: Perceived Corruption of the Military by Country

Defense Companies

Private firms involved in the defense sector can be a partner in helping to champion these reforms. A number of international companies are increasingly ready to play their part in raising anti-corruption standards for military procurement. National defense suppliers can also be brought into reform efforts. The positive shift in private-sector support reflects how international attitudes on corruption have improved since the days of the Cold War. Companies are well aware of the damage that their reputations can suffer in connection to corruption scandals, and are all too conscious of the increasing readiness of many governments to prosecute them for any misdeeds. In addition, many defense firms attribute a high share of their business to non-military sectors. This fact makes it important for them to demonstrate that their defense work adheres to the same corporate standards as their other operations.

TI (U.K.) has been actively engaged with the major defense companies in the United Kingdom since 2004. We facilitated the creation of the recently established, ASD-coordinated European defense industry anti-corruption task force, which is developing common defense industry standards for application across Europe.[16] TI (U.K.) also hosts an ad hoc international defense industry meeting, chaired by Lord Robertson of Port Ellen, the former U.K. Secretary of State for Defense and former

[16] AeroSpace and Defense Industries Association of Europe.

Secretary-General of NATO. TI (U.K.) is pleased to see this collaboration making such progress. Nonetheless, it is not enough to hold meetings; the project must have an actual impact. We continue to press for the internationalization of a set of anti-bribery standards that must be both exacting and rigorously enforced.

TI (U.K.) has held numerous meetings and workshops with defense industry representatives and exporting government officials in the course of developing this work. We also organize seminars, together with host country defense ministries, for defense companies to come together and discuss this issue. Such seminars have been held to date in the U.K. and in Sweden.

Arms-Exporting Governments

Countries that export arms need to be supportive of anti-corruption efforts that are being pursued both by domestic firms and by countries to which these firms sell arms. Some arms-exporting governments, like France and the United States, are showing new resolve in taking large defense companies to court in corruption cases. Reform-minded ministries are also embarking on efforts to increase the integrity of the national defense establishment. Unfortunately, the termination of the British government's investigation in 2006 into arms sales to Saudi Arabia is a notable retrograde step.

Civil Society

Civil society organizations (CSO) have an essential part to play when it comes to fighting defense corruption. Although they often avoid engaging with defense and security organizations on principle or because of threats to personal safety, CSOs can have a major national impact when a reform-minded defense establishment is in place. They can initiate public debate—for example, on an upcoming defense procurement—that raises awareness and builds accountability and trust with the public.

International Financial Institutions

International development banks can promote reform by demanding equally high standards and budget transparency from the defense sector as they do from other sectors of government. Such banks are rightly taking an interest in defense, not only because of the costs but also because it is increasingly recognized that poor security is one of the biggest barriers to economic development.

Conflict and Post-Conflict Environments

Increased partnership with many of these different key actors is particularly needed in order to tackle the challenges of corruption in conflict and post-conflict countries. Development partners may be uncertain about how to prioritize corruption reform efforts given the pressure to maintain peace and consolidate cease-fire agreements. In spite of the need to establish government institutions that can lead the country into lasting peace and development, addressing corruption in defense establishments is often completely absent from assistance programs. Peacekeeping forces can support reform efforts by developing joint strategies for fighting corruption that make use of local knowledge and expertise. This is a topic outside the scope of this article, but it needs to

be a priority for transnational organizations charged with making interventions in conflict environments.

Civil Society Oversight: Defense Integrity Pacts

What Are Defense Integrity Pacts?

Defense Integrity Pacts are a tool used to combat corruption at the tendering and contract stage of procurement. They bind all the bidders and the government together in a contract to reduce the possibility of corruption occurring both during and after the tendering. The pact includes some or all of the following elements:

- Pledge and undertakings by bidders not to offer or accept bribes
- Pledge and undertakings by the government, their consultants, and advisers (the anti-bribery part of the pledge is comparable to that signed by the bidder)
- Restrictions on government officials from obtaining work at bidding firms or their partners for a set period after the bid
- Disclosure of details of agents or intermediaries; this disclosure may only be of the name and services contract of the agent, but may also require disclosure of payments to and from the agent
- The appointment of an independent monitor or monitoring team, who is to be provided access to all meetings, and should be given unrestricted access to all material documents
- Publication of some or all of the documents, evaluation criteria, bidders' proposals, and the detailed results of the evaluations (in some cases, public hearings should be held for discussions of the bid)
- Bidders agree to withdraw if there is evidence of breach of the pledge; further sanctions may involve exclusion from bidding for subsequent contracts.

In addition, the government may encourage the involvement of civil society groups like Transparency International.

Integrity pacts work on several levels to support the procurement process, namely by:

- Supplementing weak laws by making contractual requirements (e.g., for greater disclosure of information)
- Attracting more bidders by providing independent technical scrutiny
- Giving more confidence to bidders through a visible effort at clean procurement (e.g., providing a process for complaints to be addressed)
- Reducing the costs of contracts
- Supplementing weak or slow enforcement by strengthening sanctions (e.g., by making them applicable at the time of the tender, rather than after the award)

- Being customized to provide independent assurance throughout the execution phase of the contract as well as the tender phase
- Strengthening public confidence, and serving to temper the public cynicism that can surround large, secretive contracts; the defense procurement process often has a poor reputation, and is subject to political influence, both internally and externally.

Integrity Pact Experience in Other Industry Sectors

The experience of integrity pacts dates from their development in the 1990s in some dozen countries, including South Korea, Germany, Chile, Argentina, Ecuador, Mexico, Colombia, and Italy. In several Latin American countries they have become an established tool of addressing corruption risk in government procurement. Integrity pacts are being developed for global application within the construction and engineering industry (for instance, in the construction of the Berlin airport).

Defense Integrity Pacts are being developed by Transparency International in countries where the defense establishment is keen to enhance the integrity of their organization. This work started with an extensive engagement with the Defense Ministry in Colombia, as well as ongoing work with Poland (see below for further details). In addition, other Transparency International chapters are working with their national governments. In South Korea, integrity pacts are to become a regular anti-corruption tool in major procurements, with a specific ombudsman office set up for the purpose. Integrity pacts are beginning to be applied on defense procurements in India. This is an important step forward, since India was the second largest global importer of defense products from 2002–06.[17]

Developing Defense Integrity Pacts is an ongoing process. We have been engaged in such efforts to date in Colombia and in Poland, and discussions are in progress with another country. We believe that the evidence so far is positive in the defense procurement arena. Integrity pacts are not, however, a panacea: for example, they do not address structural issues, like reform of the procurement organization, or legal issues. They must be used as part of a broader anti-corruption strategy in the defense sector.

Example: Modern Combat Aircraft Purchase, Colombia

In early 2004, Transparencia por Colombia (TPC), one of the worldwide chapters of Transparency International, requested specialist technical assistance from Transparency International U.K. in relation to a pending contract by the Colombian military to purchase new combat aircraft. Transparency International U.K. agreed to review the contract and aircraft specification documents, provide appropriate comments, and supply in-country advice prior to the formal contract launch.

Introduction. The requirement for modern combat aircraft to replace Colombia's existing aging operational fleet had been under consideration for several years by the Colombian government. In 2004, some USD 237 million was earmarked to purchase about twenty-two airframes. An earlier acquisition attempt stalled, owing to a lack of

[17] *SIPRI Yearbook 2007* (New York: Oxford University Press, 2007), 418.

clarity over aircraft type and associated capability; in particular, the debate was between whether to purchase turboprop aircraft, powered by a jet engine driving a propeller to provide thrust, or turbo fan aircraft, which use a jet engine to provide thrust directly.

TPC's early involvement throughout the tendering process was considerable, and influenced the parties' agreement to the inclusion of an integrity pact in the negotiation process, an agreement to the use of independent monitors, and approval to review tender documentation prior to release to bidders. Possessing considerable local knowledge but without specialist technical expertise, TPC formally requested assistance from the British chapter of Transparency International.

The entire range of bid documents was made available by the Colombian government before they were released to contractors; these documents were passed to TI (U.K.) by TPC. Their review was undertaken immediately, against an exceptionally challenging deadline. It was considered by the team that the major areas had been identified and addressed. Observations were separated into operational, commercial, and management aspects.

Immediate, but very subjective, in-house reflections centered on a range of issues. The first concern was around team composition. The team needed to have military, contract, procurement, and anti-corruption experience. The expanded team fulfilled these requirements, worked well together, and was able to prepare a most comprehensive report against daunting deadlines. The second issue related to the volume and complexity of material. The bid document packet was substantial and very technically detailed; thus, the provision of a definitive report would have required considerable staffing and legal advice, which would have been costly both in terms of manpower and time. Third, the quality of some elements of the specifications gave rise to serious concerns on some of the technical aspects regarding corruption potential.

Early Workshops. The initial—and probably most important—meeting included one of the independent anti-corruption assessors, the FAC Commander, several other generals, the acquisition project leader, specialist technical staffs, Ministry of Defense officials, and specialist contract lawyers. It was clear during the meetings that there was considerable pressure from the Secretary General's office for complete openness and a desire for the technical specification to be as precise as possible, thereby reducing the potential for corruption. There was also considerable support from the military, especially the project team, who realized that TI (U.K.)'s comments could have a considerable positive impact on the operational effectiveness of the aircraft. However, treading the line between providing an impromptu consultancy service and ensuring that the errors or inconsistencies in the project owed to lack of expertise and not to corruption was at times difficult. The relationship between TI (U.K.) and the team appeared very good, and was enhanced due to the high level of technical dialogue and mutual respect during the meetings.

Feedback on the Technical Specifications. The major technical and contract observations, with their associated potential for corruption, were as follows:

- *Core Purpose and Capability:* The bid's Terms of Reference documents were considered not sufficiently clear, especially on key items like core purpose and required aircraft capability
- *Future Capability Insufficiently Defined:* It was considered that the tender had not sufficiently addressed the long-term operational capability required of the aircraft and systems
- *Flight Simulation Not Considered:* Acquisition of a flight simulator to support the aircraft and crews had not been considered
- *Inadequate Operational Evaluation:* The evaluation of the aircraft was based on simple criteria rather than on a phased approach based on operational capability
- *Prototypes:* Inclusion of prototypes within the competition was considered unwise
- *Tender Evaluation Matrix:* It was considered that the tender evaluation matrix was insufficiently balanced, and too heavily weighted towards operational criteria rather than economic considerations
- *Pre- and Post-Contract Award Controls:* It was considered that pre- and post-contract award controls outlined in the bid documentation required further detailed work
- *Offset Program:* The proposed offset program was considered to have corruption potential, and required improvements to enhance transparency.

There was a clear willingness from all government and military officials interviewed to support transparency and anti-corruption measures. Indeed, it was pleasing to note that many of those involved fully supported TI's comments, and that a great number of them were in the process of being implemented at the time of the TI team's visit to Colombia. Following the visit to Colombia, we provided a full report and detailed analysis of our observations. This resulted in considerable technical and bid document revision before they were made available to the potential contractors. However, for a number of reasons the tender did not subsequently proceed. Shortly after the collapse of the tender, TPC was able to interview three of the companies involved in the bidding process. Those interviewed indicated that corruption was not a factor in their withdrawal. Indeed, two of them positively commented that they thought that the process had been clean.

Lessons Learned. In addition to the practical outcomes of the contracting process, Transparency International gained valuable experience that can help better structure their future work. These lessons learned cover a wide range of areas, outlined below.

- *Human factor*: Good working relationships with the local national chapter of Transparency International, the government, and military staffs are of prime importance.
- *Structure of Transparency International support*: The preferred format was for an agreement between the responsible government ministry and the local TI chapter, with resources from another chapter—in the Colombia case, TI (U.K.)—brought in

as technical experts providing assistance to the local TI chapter. For the directly engaged TI organization, a formal "participation agreement" is necessary in order to outline precise boundaries and responsibilities between relevant parties. The current participation agreement template builds on this experience.

- *Action post-contract collapse*: What happens when a bid collapses? The withdrawal of all bidders from the competition bar one was unexpected and unforeseen. Although the Colombian government was keen to retain TI engagement to scrutinize procurement, the process had already been compromised given the withdrawal of the bidders. Given the lack of any degree of competition, TI (U.K.) felt obliged to decline to continue to support and scrutinize a process that had fallen apart.
- *Different perspectives*: During the document and procedure review, it was noticeable that those with considerable expertise in the corruption arena looked at some issues with a different perspective from those with a purely technical background. For example:
  - A technical requirement for the aircraft might be clear and necessary, but it might be something that only one bidder is able to deliver—e.g., self-sealing fuel tanks. Is this a reasonable and appropriate technical prerequisite, or is it a subtle form of bias toward one bidder?
  - The operational test requirements are clear, sensible, and carry significant weight in the evaluation. However, the test flights are to be flown by junior pilots who could be easily subject to influence from more senior officers, unless the evaluation were better structured.
  - Some military requirements are only capable of being fulfilled by some countries. The requirements might be reasonable, but the limited number of companies who can fulfill them may be a deliberate competition restriction.
- *Value for money vs. the corruption risk*: It was at times difficult to differentiate between value for money and a potential corruption risk. A functional expert would comment that a particular specification was not an efficient or effective way to satisfy the requirement. In most cases, it was much more likely simply to be a different professional opinion. Our conclusion was that both perspectives are relevant and mostly complementary. In addition, the value for money aspect can be one way of "selling" the significance of such reviews to defense ministry staff. In the case of Colombia, the value for money comments were extremely well received.
- *Equipment requirement*: Should establishing the requirements for a piece of military hardware be part of the anti-corruption review? One of our early findings was that the operational imperative for the aircraft replacement lacked clarity. Was it therefore part of the monitor's role to query the requirements as well as to comment on the documentation and mechanisms used in the acquisition process? The creation of unnecessary needs is one of the classic ways in which corruption in defense is manifested. Ideally, monitoring should begin in the requirement phase, unless there is an open and agreed requirement, and in the case of Colombia the issue had been extensively debated in the parliament.

Subsequent Development

Since this work in Colombia, TI has developed the core Defense Integrity Pact contract further, and has also developed template agreements for the civil society monitor and his/her relationship to the ministry and to supporting organizations like TI U.K. TI U.K. is also engaging international defense companies in the design of the contract. A recent application in Poland has been presented at a conference and is publicly available.[18] The TI defense team is keen to engage with other reformist defense practitioners to pilot this technique for enhancing transparency and accountability.

Civil Society Engagement: Procurement Integrity Reviews

There is another approach that we have also tested on a trial basis in Colombia, that of carrying out independent reviews of the defense procurement organization and its record of defense acquisitions. The TI defense team and Transparencia por Colombia (TPC), the Colombian chapter of TI, have been pioneering a methodology for the independent review of the defense procurement process in a national defense establishment. The approach was tested in Colombia in 2002–04. It has been written up in a detailed document available on the TI defense website, from which the extract below is taken.[19]

At the beginning of 2002, the Colombian defense minister asked TPC to engage with the ministry of defense in order to find mechanisms to reinforce transparency in defense procurement processes. TPC's work with the ministry included the conduct of six workshops with the contracting work team to identify the most vulnerable processes and the measures that should be taken, and the conduct of five work sessions with the legal office and the contracting work team to address the contract implementation stage.

After producing a map of risks and arriving at appropriate solutions to mitigate them, TPC presented and recommended the use of integrity pacts in addition to an anti-corruption commitment document that had previously been used. The ministry supported the recommendation to implement integrity pacts in all procurement processes, including the "payments declaration" contained within the anti-corruption commitment. As a result, the ministry required every contract bidder to sign two documents: both the integrity pact and the anti-corruption commitment (declaration of payments).

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[18] Mark Pyman and Maciej Wnuk, "Reducing Corruption, Building Integrity in Defense and Security Institutions," presentation delivered at the International Anti-Corruption Conference, Guatemala City, Guatemala (2006); available at www.defenceagainstcorruption.org/dac/index.php?option=com_content&task=view&id=142&itemid=244.

[19] Transparency International UK and Transparencia Por Colombia, "Defense Procurement and Integrity Pacts in Colombia," Report 1 (2006); at http://www.defenceagainstcorruption.org/index.php?option=com_docman&task=doc_download&gid=17; and Report 2, available at www.defenceagainstcorruption.org/index.php?option=com_docman&task=doc_download&gid=16.

In order to analyze the procurement process and the initial impact of integrity pacts, TPC then performed a study of defense contracts from 2003. Out of a total of fifty-seven contracts completed during the period, TPC selected for detailed review twenty-three that were armament related. The study was conducted at the premises of the Ministry of Defense, where appropriate files were made available. The willingness and the openness of the team at the ministry was most important.

Finally, TPC and TI (U.K.) interviewed four defense companies ("bidders"), in order to listen to their concerns. Two of the companies had a track record over a long period of winning contracts (one large international company, one representative office of an overseas weapons manufacturer), and two had a track record of losing (one large U.S. company, one small trading company). Selected findings from the study and from the meetings will be presented in the three sections below.

Procurement Procedures

Colombian laws that deal with procurement by the government permit an exemption to the standard procedures in procurement cases related to the defense sector. However, in every one of the 2003 contracts, the Ministry of Defense followed the formal procedures and *did not* use the exemption.

Procurement Centralization. In 2003, the Ministry of Defense decided to centralize almost all purchasing activities. Forming the army, navy, and air force elements into a single unitary group in the centralized contracting team was not an easy task, although it has brought unique benefits in terms of transparency. Disputes between military officers and civilians within the ministry were discussed with TPC. The former believed that their power was being curtailed, and were not happy about the new arrangements; on the other hand, the civilians were content with enhanced transparency and improved technical procedures. Although it was difficult for the ministry to put into effect, centralization was considered an effective way of minimizing the risks inherent in the procurement processes regarding discretionary decisions in each military service. Bidding companies also welcomed this development for fighting corruption and simplifying the process.

Expansion of the Contractor Base. One of the reasons most procurements are made openly is in an effort to attract new bidders. In spite of this, the ministry has noticed that for most contracts the bidders are exactly the same. One of the driving forces for the work toward integrity and anti-corruption was to give foreign companies confidence to enter defense tenders.

Procurement Balance. The overall balance of contracts awarded in all defense procurement activities in Colombia was 95 percent to public bids, and 5 percent government-to-government/single source contracts. This is unusual in defense, and suggests that the procurement process is more open than in many other countries. Competition is a valuable first step in reducing corruption risk.

Bidder Meetings. All four bidders in the aircraft procurement discussed above felt that the Colombian Ministry of Defense's procurement processes had improved substantially over the last few years, mentioning in particular centralization, the new law on publishing more information at an early stage, and clear political will. Interestingly,

one interviewee did not feel this so strongly: the company had withdrawn from the bid eighteen months previously, after having won only one small contract out of forty bids. There was a very marked difference between "winning" bidders and "losing" bidders. The winning ones were very happy with the process, and felt that, when they had concerns, the ministry was good at taking these into account. The losing ones were emphatic about being excluded, and were quite specific about how it happened.

Technical Specifications. The technical specification and technical evaluation phases are the prime areas for corruption in the overall procurement process: bidders can be rejected easily, depending on how these elements are phrased or interpreted. For instance, too rigid a specification allows almost anyone to be rejected on a small point; specifying a country of origin as a requirement is a blatant restriction of competition; and writing the specification so that only one or two companies can comply is common. Bidders had specific examples of cases where specifications were used to subtly exclude certain competitors.

The bidders regard the technical specifications as the most important part of the process, but sometimes find how the specifications are set to be extremely confusing. All bidders complain about this area, but there is no common thread. One bidder observed that specifications were too specific; another noted that they should be clearer and permanent; and another stated that the technical specification should concentrate more in the area of applications and not on systems. Thus technical specifications are an area of corruption potential.

Independent Monitor and Technical Assessor. The main improvement that bidders wished to see was for an independent review and independent oversight of the technical specification phase to determine if corruption had taken place, or could potentially do so. The individual/s responsible for the oversight would also provide a ready point of access for issues and concerns—for example, such a person could clarify the reasoning behind requirements that favored one particular commercial company.

Other Civil Society Approaches to Defense Integrity

Public Roundtables on Upcoming Defense Procurements

A "roundtable" in this context means a public meeting at which a major forthcoming defense procurement is discussed by interested parties, facilitated by the TI (U.K.) defense team. Roundtables benefit defense sector stakeholders by raising awareness of the issue of corruption risk, especially through media coverage of the event. Roundtables are a demonstration of government appetite for integrity in defense procurement. Transparency International Croatia hosted a roundtable event in Zagreb in 2007, under the patronage of the President of Republic of Croatia. TI (U.K.)'s defense team facilitated the event. Croatia's NATO membership ambitions gave added momentum to the event, in particular in light of significant forthcoming defense procurements.

The template agenda for a roundtable can be as follows:

1. Introduction by office of the president and by civil society institution (joint hosts)
2. Overview by civil society institution of defense procurement corruption risks

3. Overview of defense procurement process in the country
4. Good industry practice outlined by a leading defense firm
5. NATO overview (NATO HQ representative)
6. Specific defense corruption risks—such as agents and offsets—and tools for combating risks relevant to the country and the pending procurement
7. Discussion.

The Zagreb roundtable was focused on a major pending procurement of armored vehicles. A broad range of stakeholders attended:

- Representative of the Office of the President
- Minister of Defense
- Permanent Under Secretary for Defense
- Shadow Minister of Defense (opposition party)
- Head of defense procurement
- Head of Government Commission for Supervision of Public Procurement
- Country Ambassador to NATO
- OSCE Mission to country
- NATO HQ representative
- Defense attachés and ambassadors of interested countries
- Delegation of European Commission in the country
- Defense companies likely to engage in the procurement
- Academics and media representatives
- Civil society.

The event was well covered by the media, and seen to be a success. It also led to further interest within the defense ministry, with a follow-up workshop on best practices.

Procurement Workshops

Procurement workshops are gatherings of procurement experts from the defense ministry and the armed forces of a nation, in a meeting to review corruption risks in upcoming defense procurements. TI facilitates these workshops, which can be a traditional workshop, or based on hypothetical procurement decision-making scenarios. At the Shrivenham advanced research workshop in July 2007, a procurement decision-making exercise provided a group of participants with a hypothetical procurement notification from the Chief of the Air Staff to the Defense Minister. Participants were asked to assess the letter and identify areas of potential corruption and mismanage-

ment. Participants were divided into sub-groups to consider the letter, and were then asked to comment (in particular to identify corruption risks).[20]

Using an Ombudsman

Korea provides an example of the use of an ombudsman to enhance transparency and accountability in defense procurement. In Korea, as in many other countries, defense acquisition projects were perceived as one of the most corruption-prone areas. In 2003, President Noh and his government organized a special committee under the Prime Minister to prepare reforms in the defense procurement system. The final proposal of this committee to promote transparency, fairness, and efficiency was accepted by the President and embodied into DAPA (the Defense Acquisition Program Administration), based on the new Law on Defense Acquisition enacted in December 2005. Transparency International Korea was a participant in this committee.

DAPA was launched in January 2006. All defense acquisition programs are handled by this new agency and are subject to review by the Defense Acquisition Program Review Committee, including civilian members. DAPA has also adopted integrity pacts to promote transparency and accountability in the defense procurement process.

DAPA appointed three civilian ombudsmen: Transparency International Korea, PSPD (People's Solidarity for Participatory Democracy), and an organization of ex-officers from the Board of Audit and Inspection respectively. They receive complaints from companies as well as other related persons, investigate individual cases (if needed), and make recommendations to promote transparency and accountability in defense acquisition programs. Throughout this process they consequently monitor the whole process of defense acquisition, including the performance of integrity pacts.

The ombudsman has full access to secret defense documents. A record of names of all those involved in acquisition projects is kept to ensure traceability, and a three-year conflict of interest regulation is designed to stop the "revolving door," in which people move from jobs in the defense ministry to positions with private firms in the defense industry.

Despite these steps, there are still some additional areas for possible reform. One is that, under the current system, the ombudsman's office does not have any statutory authority to conduct investigations on its own initiative. Further, past assessments of the general (not just defense) ombudsman system have suggested that the ombudsman's limited authority for investigation negatively affects their impact, and that recommendations for corrective measures toward the relevant government agency have no binding legal force.

[20] An exercise letter can be found in the proceedings of the Shrivenham conference (July 2007); available at www.defenceagainstcorruption.org/index.php?option=com_docman&task=doc_download&gid=68.

Final Remarks

The examples discussed above demonstrate to us and to those involved that there are many new ways through which the integrity and transparency of a defense establishment can be strengthened. Transparency International's experience, in these examples and elsewhere, shows that positive change is eminently possible, and that it is realistic for defense establishments to engage constructively with both civil society and with defense companies to strengthen the integrity of their institutions. We encourage defense ministries to build such collaboration and engagement into their reforms, and we are happy to engage with them in helping them do so.

This is very much a work in progress. We are keen to work with the many other professionals who have expertise in this area. Countries that have emerged from difficult times often have some of the best experts in reform. There are many national defense colleges who can provide expertise or run courses of their own. (We are collaborating with NATO and with the U.K. Defense Academy to develop such a course that can be widely used in other nations; this should be ready around the end of 2008.) For readers who would like to be in touch, please visit the TI defense website, at www.defenceagainstcorruption.org.

Institutionalizing Operations Analysis for Security and Defense in Bulgaria

Klaus Niemeyer, Velizar Shalamanov, and Todor Tagarev *

During the period of preparation for membership and accession to NATO, the administration of the security sector in Bulgaria had very limited access to expertise and tools to support decision making on key functions for the effective management of defense, such as long-term force planning, operations planning, and acquisition management. The institutes that had been responsible for such tasks were closed down as part of the downsizing of the defense establishment in the 1990s. A small number of researchers and analysts were transferred to other defense organizations, primarily to the Defense Advanced Research Institute (DARI), which is part of the "G.S. Rakovski" Defense and Staff College (DSC) in Sofia. Institutes of the Bulgarian Academy of Sciences (BAS) employed others. The Operations Research (OR) Department in the Institute of Mathematics and Informatics in the BAS was primarily oriented toward theoretical studies and teaching. Some of the legacy software tools for decision support and Computer Assisted Exercises (CAX) packages were also available in DARI, but the level of connection between this institute and the larger civilian operations research community was limited.

This was all that allowed Bulgaria to preserve a limited capacity to support defense decision making, but there were no opportunities to develop new methodologies and tools to address the new challenges to security and the needs of other security sector organizations. Given the lack of infrastructure and the limited access to security organizations, the small Bulgarian operations analysis (OA) community has not been utilized effectively to address the security challenges of the twenty-first century.

Thus, Bulgaria faced considerable challenges in defining its defense requirements as a member of NATO, and later of the EU, developing affordable and interoperable capabilities, promoting inter-agency cooperation, and assuring effective and transparent financial, planning, and resource allocation procedures.[1] At the same time, operations research, modeling, and simulation are an area of active research worldwide with a wide spectrum of applications, including planning, decision support, and conducting exercises. In addition, with the rapid developments in information technology during the past two decades, the methodology of modeling gained an increasingly prominent role in military, economics, social affairs, industry, education and other domains.

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* The paper reflects Bulgaria's experience in implementing a capacity-building research project, entitled "Operations Research Support to Force and Operations Planning in the New Security Environment," sponsored by the NATO Science for Peace Program. The authors of this paper are project co-directors. Detailed reports are available at www.gcmarshall.bg/sfp981149.

1 All these are included among the PAP-DIB objectives.

The benefits that a decision support institution offers to a nation are many. An institution dedicated to modeling, simulation, and other forms of research related to decision support can provide:

- A single technical focus for decision related matters
- Broad capabilities to address operational problems and shortfalls
- Close and continuing relationships with operational organizations
- Integration of scientific support, planning, and acquisition
- Increased quality of planning and policy development activities
- Reduction of acquisition risk through user-driven prototypes
- Improved integration of prototyping and system implementation
- An improved technical base to support national activities
- Cost-effective utilization of scarce national technical resources.

In NATO as a whole, as well as in several individual NATO nations exists a long tradition of developing and using models and simulations within operations research institutions that are tasked to support the military staffs and administrations with analyses and problem-solving activities. The overall objectives are to save resources or to maximize effectiveness of forces. In the past, developments focused primarily on system-level effectiveness, resource optimization, tactical battle simulations, and logistics.

With the ongoing progress of the process of defense transformation and the appearance of new missions for NATO, new developments are required, in particular the modeling of C4ISR,[2] asymmetric conflicts, terrorist activities, net-enabled capabilities, as well as interoperation with other security sector organizations.

Project Objectives

The main objective of the capacity-building research project addressed by this article was the establishment of a scientific capability in the area of operations analysis in Bulgaria, involving young scientists from civilian institutes and universities. As far as possible, this capability should be organizationally identifiable and should generate a corporate identity, a basis of state of the art knowledge and experience, and a valued reputation for providing decision support to national and international administrations.

The most important of the identified requirements was the need to provide decision support to long-term defense planning, force structuring, and security sector transformation; operations planning (accounting for the potential of network-based operations); and acquisition life cycle management. Other requirements addressed the assessment and adaptation of existing methods in decision support—along with the development of new methods and software tools—to the operation of the security sector, with a focus on the simulation of command and control processes within joint mili-

[2] Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance.

tary/civilian security organizations that are involved in counterterrorist activities and disaster prevention and response. The overall strategy was to adapt existing methods and tools of operations analysis and create novel ones, and then implement them for the purposes of transforming Bulgaria's security sector to deal with the new security challenges of the post-Cold War era in a cost-effective manner.

The expectation was that the results will improve the effectiveness of force planning, equipment and infrastructure planning, as well as operational planning and the training of forces to operate within a well-integrated security sector, providing for a better balance between national capabilities and Bulgaria's contribution to NATO and the European Union. In parallel, the established operations research community was working to improve the basis for transparency, accountability, and democratic control over security decision making, allowing for more effective use of scarce resources.

The application of state of the art methodology within the decision-making process will result in reduced chances of making incorrect decisions, as well as improvements of the effectiveness of the security system and cost savings. In quantitative terms, a careful and very conservative estimate of 5–10 percent savings of the overall security sector budget in Bulgaria (approximately two billion BGN per annum) would result in total cost savings of 100–200 million BGN, or an equivalent increase in security sector effectiveness.

Institution Building

Since skills in the field demand rigorous academic and scientific training in physics, mathematics, and information science, the necessary specific expertise and capability in operations analysis, modeling, and simulation needed to be developed and recognized by the Bulgarian government as well as by NATO agencies and defense institutions of NATO nations. Three logical steps of the project were defined, each building upon the others.

The initial step was the creation and organization of a Center for Operations Analysis (COA) in the Bulgarian Academy of Science (BAS) and a team within the Defense Staff College (DSC). This included the selection of young scientists, the identification of models for transfer from NATO, the first acquisition of equipment, the creation of management structures, and the training of the scientists in operations analysis theory and practical approaches. The second step built on the initial creation of the COA and DSC with the actual transfer of the selected models, their adaptation and potential upgrades for specific conditions and applications in Bulgaria, the creation of databases and scenarios, and the planning of real applications in analyses and exercises. In parallel, new approaches were required in areas where models were not readily available, in particular for C2 processes, network-enabled capabilities, and new NATO missions. The third step built on the state of the art methodology developed and/or adapted in the second step and performed actual analyses of problems in the integrated security sector of Bulgaria, the broader region of Southeastern Europe, and within the NATO context, and also provided support for the relevant exercises. All three steps relate directly to the objectives and pre-established criteria of success. In practice, a continual reitera-

tion of the process was required based on the experience gained. This resulted in a continuous feedback, learning and improving of the methodology and the build-up of high value expertise and continuity.

Due to unforeseen obstacles and ongoing work on other projects, the initial planning and logical construction of the work packages required a continuous adaptation of plans and approaches in order to react to real-life problems. This in itself was a matter of gaining experience in real-world environments, and brought valuable results. As a consequence, the development of the COA and DSC was more of an evolutionary process, instead of being conducted in a top-down manner.

The pre-established criteria of success allowed for the straightforward quantification of results and provided a formula to assess the project's overall performance. The highest value was attached to achievements that helped support decision making in Bulgaria's security sector organizations, thus leading to more efficient use of resources and improved preparedness of Bulgaria's security sector to deal with new security challenges. Some of the criteria were met at 100 percent success (or even more in certain cases, due to the number of project contracts by Bulgarian ministries). Other criteria were not met as fully, because of obstacles and the practical development of the project. In particular, the goal of sending young scientists to NATO agencies was not realistic because of the lack of interest among the young scientists and a lack of relevant vacancies.

Organization

It is common at the beginning of a project such as this to be confronted with the challenge of how to demonstrate the value of the scientific solutions and at the same time to get the support and funding for developing the required capabilities that will allow those solutions to be achieved. Typically, a sponsor who is convinced of the value of such an institution has to provide the necessary initial funding. In the case of the present project, the NATO Science for Peace Program was this initial sponsoring agent.

In this context, we can consider the project to have been successful if and only if national high-level decision makers and decision bodies take advantage of the opportunity to make use of advanced decision support based on rational scientific methodology and are prepared to continue the funding of an institution for operations analysis. This institution requires an organizational structure, integration into the national decision structure, a link to industry and science bodies, a continuous adaptation of the newest technologies, and a clear corporate identity.

The fundamental principles of such an institution's functioning need to be established based on the experiences of other countries, as well as NATO and the EU. Important issues relate to the following principles:

- The *neutrality principle* implies a "not-for-profit" institution, with complete independence from commercial interests. This leads to professional integrity and objectivity, and the ability to provide decision makers with unbiased advice. A clear responsibility that sets the institution apart from a for-profit firm is that it seeks successes far beyond commercial accomplishments.

- The *continuity principle* implies the development and maintenance of a corporate knowledge base, with long-term employees and a systematically created repertoire of models, databases, and experience. The motivation of employees to stay in the institution is based on salaries and working conditions that are better than in competing industries, on the reputation of the institution, and the desire to serve the country by achieving better solutions to security challenges.
- The *flexibility principle* implies an organization that is able to respond quickly to decision requirements without bureaucratic obstacles. This required flexibility will not exist if the institution is only able to start working after time-consuming bidding processes in a competing environment, or after the completion of mandatory low-level administrative and bureaucratic procedures.
- The *scientific state of art principle* implies a close link to the scientific and relevant industrial communities within the nation and internationally. Results of the institution's work—in particular its research methodologies and longer-term experiences—will need scientific review at conferences and workshops. The positive elements of scientific (not commercial!) competition will be utilized as much as possible for the support of expertise, maintenance of the knowledge base, and motivation of scientific staff members.
- The *customer relationship principle* implies that the different cultures of science and decision making (e.g., military, political) require an organizational structure that creates the most effective possible synergies and establishes the requirement of cooperation.
- The *management principle* implies planning and organizing resources to produce cost-effective and timely products that meet decision requirements. It thus deals with people, materials, money, and equipment, but the key element in the process is people—their motivation, objectives, strengths and weaknesses, social behavior, and group dynamics.

As result of performing some projects and making some evolutionary adjustments due to organizational obstacles, funding constraints, existing responsibilities, and cultural conditions, a structure of two principal core teams in operations analysis is presently in place. This is very likely not the final organizational structure, because several decisions related to the future of operations analysis in Bulgaria are currently pending. The fact that these decisions are being considered can be seen as a consequence of the high-value contributions of the teams to the decision-making process in the administration and the visibility of the group's already high level of professionalism.

The separation of the group into two principal core teams has considerable advantages. The COA within the BAS maintains the freedom and neutrality of scientifically developed projects results and, if it were to receive a basic level of funding and support, could become a not-for-profit institutional resource for several ministries in Bulgaria. In addition, it is able to generate and maintain links to the scientific and industrial communities; the results of its work are reviewed on a peer-to-peer basis; and the scientists working within the institution can be employed under standard civilian con-

ditions. The team within the DSC, on the other hand, has very close relationships with the Ministry of Defense. As a result, it has a high level of internal knowledge and confidence, which are necessary prerequisites for the team to make appropriate contributions to the decision process. Another advantage of having a close relationship with the defense establishment is that this team has the ability to take on projects that deal with sensitive issues.

For the future, it is important that both units are formally linked by agreements that require them to work together closely and help to create the desired synergies. A general framework agreement between the COA (BAS) and DSC already exists. In addition, we envision a framework agreement to form a "Bulgarian Network for Operational Analysis" at the end of the project; this network would include more institutes within BAS, two universities, the DSC, and the Academy of the Ministry of the Interior.

Infrastructure and Methodology

In NATO as a whole (as well as within several NATO nations) there exists a long tradition of developing and using models and simulations within OA institutions that are tasked to support the military staffs and administrations with analysis and problem solving. Many of these models are made available directly to member countries, because NATO funded their development; other models are proprietary and owned by industry or by individual nations. In general, and at the beginning of our project in Bulgaria, we planned to use NATO-funded models for the purposes of this project. In addition, we considered nationally-developed models as well. Although the models developed and funded by NATO are freely available, the transfer of these models to the Bulgarian context is not a trivial task, given the organizational, training, and documentation obstacles that must be overcome.

For the utilization and execution of the models, simulations, and mathematical tools, a sufficient computer infrastructure is essential. So-called test-beds or model laboratories were necessary in order to provide the environment for testing new concepts of operation and running the models for research, planning, and decision support. In addition, we can use this setup to create the virtual environment for computer-assisted exercises and to demonstrate the feasibility of certain concepts and approaches. These test-beds are in general client-server networks with several desktop computers and graphical user interfaces, which can be linked and structured in manifold combinations for different projects and applications.

After some initial planning, we developed two test-beds or laboratories: the Joint Training Simulation and Analysis Center (JTSAC) in the COA and the Analytical Support for Transformation Laboratory (ASTRA) in the DSC. The JTSAC provides an environment for analysis and exercises in emergency and crisis management. The JTSAC's mission is to be a test-bed for different agencies in the planning, conduct, and analysis of interagency, international, and civil-military cooperation as well as exercises in the area of civil security. JTSAC maintains capabilities primarily for scenario development and analysis; command, control, communications, and computers systems

architecture development; joint training and exercises; program management; and assessment.

The ASTRA Lab provides analysis, decision support, and training in the areas of capabilities-based force planning, costing, organizational transformation, gaming in support of senior decision makers, decision support to personnel management, acquisition project management, and security and defense research and technology management. It maintains capacity in crosscutting areas such as methods for decision-making and decision-support systems, knowledge management, and computer network and software support.

The training and certification of the scientists participating in the project was a continuous process during the project. Several training courses in operations analysis, computer assisted exercises, modeling and simulation, and defense planning were planned and executed. External experts and advisors were invited for special sessions. In addition, members of the project team participated in several conferences, workshops, and meetings that contributed to the enhancement of their scientific capabilities. In the end, the best training was achieved by working on real projects—there is no substitute for learning by doing.

Customers and Contributions

It was anticipated that the results of the project would be documented and used either for the direct decision-making process or as bases for the long-term evolutionary development of expertise that will provide a continuous feed of advice to the administration as well as for the improvement of methodology and approaches to the generation of innovative solutions. In this sense, it was of high importance that we involved the decision-making authorities in the process from the beginning and tried to integrate them into the project work as much as possible. This was required for the creation of confidence and trust in the seriousness and professional attitude of the scientific analysts on the side of the "customer" (the government), and for the development of knowledge and familiarity with the decision process on the side of the scientists.

In addition, both teams needed to build up an international reputation for a high level of professionalism and to become integrated into the network of international operations analysts. This was accomplished by their direct involvement in the activities of the NATO Research and Technology Organization (RTO), participation in international workshops and conferences, and work within international projects (e.g., with the European Union, in Ukraine, in various formats in Southeastern Europe, etc.).

Two international conferences were selected as key measures to indicate the level of acceptance of the scientists' work in the international community; the reception given to the work done by the COA and DSC teams at these conferences showed considerable interest in their work and respect for their contributions. The proceedings of these conferences have been published, and as a result the COA and the DSC are beginning to be noticed by the international community as capable assets within Bulgaria.

Besides several smaller contributions, two applications of these newly established capabilities in COA and DSC created high-visibility results: the TACOM exercise and

the Bulgarian Defense Requirements Review. The MoSPDA[3] organized the exercise TACOM[4] with support from the European Commission. The aim of the exercise was to improve the response capacity and coordination of civil protection structures, experts, and intervention teams by ensuring compatibility and complementarity in their assistance to a country requesting assistance within the context of the Civil Protection Community Mechanism. The COA was tasked to develop the scenarios, utilize the JTSAC, and to execute the computer-assisted exercise in close alignment with field exercises.

In the second important task, COA and DSC are involved in the ongoing Strategic Defense Review, the new Plan 2015 for the development of the Bulgarian armed forces, and the creation of a new national security concept for Bulgaria. One of the scientific results directly utilized by end-users is the Long-term Capabilities-based Defense Planning Methodology. The Guidance on Actualization of Defense Reform and Modernization Plan directly uses concepts and major portions of the COA results. In particular, this Defense Requirements Review indicates a growing understanding on the part of defense decision makers of the need for and the potential uses of operational analysis, and an increasing awareness of the capacity in this area that exists in Bulgaria.

Summary

In any nation with high social and technical standards, it is essential to develop and maintain a scientific institution that provides support to national decision making based on state of art methodology and knowledge. If this is not available, the nation will face considerable disadvantages in the international economic arena and problems in guaranteeing the security of its people. We see this project as an initial foray toward the required steps in the establishment of such an institution.

The capacity-building effort for the use of operations analysis in Bulgaria generated many opportunities for improved decision making in the national administration as well as in other nations in Southeastern Europe. Although the developed capability needs further support, the positive results in several projects—in particular TACOM and the Defense Requirements Review—show the high value of the contributions to national decision making.

The main lessons learned from this project are as follows:

- It is a challenge to create a network that links institutes within the BAS to academic institutions within the ministries of defense and the interior
- In the current environment, it is difficult to find, motivate, and keep involved young operations analysts, in particular at the Bulgarian Academy of Sciences

[3] Ministry of State Policy for Disasters and Accidents

[4] European Union Terrorist Act Consequences Management in South Eastern Europe 2006 (EU TACOM-SEE 2006).

- The culture of using operations analysis and computer-assisted exercises requires considerable further promotion and improvement among end users in the security sector
- Support from international experts and the integration of Bulgarian practitioners into international projects is essential for the survival of the nation's operations analysis capability
- The methodology of applied operations analysis, modeling, and simulation should be a key element in academic curricula
- The existence of the established capacity can only be sustained if sufficient funding and tasking by the end users is guaranteed
- The capacity of a "think tank" institution is a high-value asset in national security structures, if it is used effectively
- In comparison to other defense assets, or in relation to potential wrong decisions in catastrophic situations that might occur in the absence of such an institution, the potential payoff is very large relative to the investment required to create such an institution.

Many elements of the present organization are not yet optimal, and need to be adjusted for future challenges, in particular when competing under commercial conditions in international environments. The culture of operations analysis, systems analysis, computer/model assisted exercises, modeling, simulation, or operating in virtual environments needs further development and requires promotion within the national end-user domains. Based on the excellent fundamental education that it provides to its young scientists, Bulgaria should further develop and maintain a competitive establishment for these activities. This will be a security asset of high value that can fill many gaps in the region of Southeastern Europe and the wider Black Sea area, and can eventually make a highly valued contribution to similar institutions in NATO and the European Union.

NATO Enlargement and Beyond

Edwin J. Pechous *

The direction of NATO's future security posture currently hangs in the balance. Efforts for a modest increase in new membership and an expansion of interests and cooperation beyond its present day borders continue unabated. Where this policy will lead is yet to be determined. It is certainly worthwhile for those involved in this planning and strategy development in the next years to pursue a deeper understanding of the most recent enlargement processes from the mid-1990s to 2004—when ten new members entered the Alliance—and the overall NATO/U.S. outreach efforts during the same period of expansion. Our analysis of these endeavors is based on the insight gained from the conduct of 105 conferences with various combinations of the 26 PFP members led by a team from the Institute for Defense Analyses under the sponsorship and guidance of the George C. Marshall Center and the U.S. Department of Defense.

Considerable value can be gained by scrutinizing the factors involved in the success of the most recent enlargement process and examining what worked, why it succeeded, how it was approached, who made it happen, where was it focused, and when progress was made. In addition, this paper provides analyses of NATO from a slightly different perspective, focusing on NATO's continuing enlargement program and its extended outreach efforts.

The reshaping of the Eurasian security alliances following the end of the Cold War remains uncompleted, with potential for success if pursued adroitly and based on the past principles that marked the accession of the ten newest members. The key development to date has been the expansion of the North Atlantic Treaty Organization (NATO) to a continent-wide Alliance, with a European membership of twenty-four nations subscribing to a commitment to collective defense. Full national incorporation of southeastern European countries into NATO structures has proceeded at a modest pace. The central and most perplexing issues facing the Alliance are how to ensure security on its eastern and southern perimeters and how to decide on the nature and extent of its military and security outreach beyond these boundaries. In supporting the accession of ten new members from the 1990s to 2004, NATO proceeded on the assumption that these states' incorporation into Europe's collective security apparatus would be underpinned by comprehensive political, economic, and societal reform in each of the aspirant nations. Remarkably, this approach succeeded in all ten of the new member countries. Not surprisingly, such lofty goals for future expansion in areas east and south from the NATO frontier ridgeline appear to be a somewhat dim prospect. A look at how the process of European security realignment evolved and how it progressed will help clarify how those inside NATO and those on the outside affected by NATO conceived of their relationships and reacted to these conceptions.

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Post-Cold War NATO Membership Enlargement

Statesmen and senior government officials, including George C. Marshall, Secretary of Defense William Perry, the late Congressman Gerald Solomon, and others concerned with the viability and future of NATO over the decades have urged that the U.S. support policies of broad inclusion to help create harmony on a European continent that had seen little other than war, conflict, chaos, and bickering for nearly 1600 years since the demise of the Pax Romana. NATO's consolidation and modest expansion in the forty years from 1950 to 1990 established a precedent for further inclusion, which led to the rapid enlargement process of the 1990s and the early twenty-first century. This opened the path to building an even stronger foundation for the creation of an expanded NATO, with the goal of a Pax Europa with strong North American participation and a fundamental stability. While the physical changes to the Alliance occurred on the European continent, the affirmation of North American commitment was defined in Richard Holbrooke's 1995 article in *Foreign Affairs*, "America, a European Power."[1]

In Norfolk, Virginia, on 27 June 1996, Secretary of Defense William Perry outlined the key requirements for those seeking NATO membership. Since the primary driver for enlargement of NATO was the U.S., most of the aspirants carried on a dialogue with the U.S. in parallel to their dialogue with NATO, and promoted in both conversations their advocacy for membership. Perry declared that:

> Military forces of the new members must be capable of operating effectively with NATO forces. This means not only a common doctrine, but interoperable equipment—especially communications equipment. And potential new members must *uphold democracy* and *free enterprise, respect human rights inside their borders*, and *respect sovereignty outside their borders*, and their *military forces* must be *under democratic, civilian control.*[2]

NATO's requirements for admission proved not to be mere guidelines. Instead, they took the form of absolutes that directed the nearly decade-long accession process. Interestingly, certain aspects of Perry's and others' pronouncements appeared to recognize a lack of unanimity of acceptance among active NATO members, particularly with respect to free enterprise. Nonetheless, they proceeded with these tenets as absolutes. Not surprisingly, the military expectations often proved less complex for candidates to meet, except for those nations with long traditions of established general staff leadership. In these nations, the degree of civilian control and direction of the military general staff remained contentious; this discord extended beyond officials' recognition of enlargement needs. These difficulties, centering on the very nature of national mili-

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1 Richard Holbrooke, "America, a European Power," *Foreign Affairs* (March/April 1995): 38–51.

2 U.S. Secretary of Defense William J. Perry, "Six Postulates for a Future NATO," prepared remarks delivered to the Supreme Allied Commander, Atlantic, Seminar, Norfolk, Virginia, 27 June 1996; published in *Defense Issues* 11:56, and available at www.defenselink.mil/speeches/speech.aspx?speechid=995.

tary organization principles, often were coupled with the problems associated with significant troop reductions.

The Enlargement Record and its Import

Why the NATO enlargement process worked so well—succeeding beyond the expectations of most of those involved—should be clearly understood by the planners, policy decision-makers, and strategists plotting the future shape of the NATO security architecture. At the same time, the understanding gained from the expansion experience provides a picture of the dilemmas NATO faces in setting its future course. The main successful achievements of NATO's recent expansion process were underpinned by the following factors:

- NATO members had a baseline understanding of the extent and degree of NATO hegemony
- NATO members agreed informally that enlargement of membership was being driven by desires for stability creation rather than force enhancement
- Aspirant nations had an absolute belief that the protection of Article V provisions of the NATO charter was central to their future national integrity
- There was accord among the members and aspirants that certain military, political, and economic principles guided and controlled the accession process
- The NATO enlargement process was aspirant-driven and -led
- NATO enlargement was a factor enhancing the support and encouragement of European economic and political unity
- All security, including NATO's, was and will be affected heavily by the many facets of the twenty-first-century dynamic, including globalization, information diffusion, the nature of warfare, and the ascendancy of science and technology
- NATO members cautiously avoided the premature accession of new members to prevent forming NATO ties and commitments with a potential "failed state"
- NATO members assisted in finding, defining, and enabling niche roles for the newly accepted member nations
- All of the successful NATO applicants exhibited a strong determination to use Western examples and experience in restructuring their institutions and societies.

Following the end of the Cold War, NATO struggled with articulating the reasons for expanding its membership. As a result, the initial pace of enlargement was slow and halting, and the extent was limited. The U.S., as the engine of the Alliance, was struggling to define its own security future, including the extent and degree of worldwide hegemony it might exercise either alone or through the NATO Alliance. As the events of 2001 to 2006 clearly showed, the far-reaching, rather aggressive path the U.S. selected has prompted mixed responses among its NATO allies. One result, perhaps by design, has been a deliberately vague strategy regarding expansion on the part of both the U.S. and NATO. At the same time, new NATO members have provided the U.S.

with additional leverage within the Alliance, but often at the expense of the support of a number of the more established Western European members. To date, the United States' use of its leadership role in NATO to extend its hegemony has been limited by NATO rules assigning individual veto powers to each member nation on most issues. There has been increasing resentment in some NATO quarters of the repeated U.S. unilateral military and security actions in recent years. Despite sporadic disagreements with NATO's older members, the ten new NATO nations have almost unanimously supported the U.S.'s strong lead role in the organization, which they see as serving and upholding international security. There is less certain support for U.S. actions in other situations, such as Iraq, from most of the other sixteen NATO members. Both the old and the new NATO members have been influenced by the relative magnitude of the military force capabilities of the U.S., the former less than the latter.

Stability over Force Enhancement

A veteran U.S. colonel who had spent most of his adult life fighting the battles of the Cold War to an honorable end scowled in a conversation at a 1995 meeting at NATO headquarters, at which serious questions had been posed about both the enlargement concept and the initial formulating actions taking place at the time. He expressed his views clearly, to the effect that enlargement would weaken rather than strengthen NATO. The military force of the Alliance would be diluted, and in the long run NATO would suffer. Six years later, as he moved toward retirement, he admitted that his view had changed; he had realized that the force enhancement issue was a "sideline" that would take care of itself. The rewards of a stabilized, peaceful, conflict-free Europe bolstered by new member enlargement far outweighed any small diminution of force capabilities. Put bluntly, the aspirants in the mid- and late 1990s primarily were being admitted not to create additional military strength, but to assist in forming a common European security baseline that would ensure intra-European conflict avoidance and give the Alliance the consensus authority, both moral and material, to maintain a completely stable Europe.

Article V: A Central Role

Preservation of national integrity was at the top of the list in all aspiring member states' delineations of national objectives. The ten countries in NATO's fifth and sixth accession lists in 1999 and 2004 had all faced decades of occupation or subordination to outsiders. With the end of the Warsaw Pact and the independence of numerous formerly Soviet republics, each of these nations was determined to ensure that a threat to its national integrity would not arise again. At the same time, they were also convinced that they did not and would not possess the military strength necessary to fully ensure their continued unhindered sovereignty. Article V, binding members of NATO to come to each other's defense when attacked, soon became their holy grail.[3] Led by the Baltic states (and supported by the first wave of new members: the Czech Republic, Hungary, and Poland), who had increasing fears of a loss of national identity in the last days of

[3] NATO Treaty of 1949, Article V.

the Soviet Union, the aspirants were continually at NATO's doorstep urging rapid acceptance of new members and expansion of NATO's security architecture and influence.

The key to this ultimately successful drive was persistence, consistency, and total confidence in the certainty of the shelter of Article V as the key ingredient in meeting their critical security needs. This approach served as a generator for the full membership of some nations (such as Georgia) that are located geographically beyond NATO's then existing perimeter in Europe. By 2006, the muted urgency of this cohesive force had diffused, and the interests of those outsiders who were engaged in dialogue with NATO became more diverse and less focused. Thus, from 2004 to 2007, ambivalence and uncertainty on the part of the NATO leadership about their version of the near abroad have increased.

Energizing Factors in Membership Expansion

With the figurative bronze plaque of membership emblazoned in the minds of proponents in aspirant nations, NATO's rules for admission became the *sine qua non*, requiring full compliance by prospective members if they were to be admitted. By the mid-1990s, it appeared that the transition and transformation measures required for admission might exceed the capabilities of many of the aspirant nations. They were expected to change dramatically, not only militarily, but also politically and economically; in addition, they were being asked to completely revamp their civil society. This transformation was not easy, and the necessary reforms were often painful, requiring sacrifice and astute leadership. It is fair to say that without the impetus of transformation as a key to membership acceptance, many positive developments—such as new national security strategies and fiscal control by democratically elected legislatures—could have fallen by the wayside or never have been considered, and the necessary changes, which also paved the parallel road to European Union (EU) expansion, might never have transpired with the necessary robustness.

Leadership by the Aspirants

The support for the initiatives and the energy leading to NATO enlargement were, for the most part, far stronger among the aspirants than they were among the existing membership. The enlargement process worked, and the NATO architecture strengthened, because of the near single-minded motivation of the ten nations seeking admission. An early case in point was the absolute determination of the three Baltic states—Estonia, Latvia, and Lithuania—to secure membership and push forward in their efforts despite numerous rebuffs and discouragements, at times both from within NATO generally and unilaterally from the U.S., for reasons that appeared sound at the time. However, the Baltics finally wore down the opposition within NATO and gained full U.S. support, despite the opposition of those concerned over the possible negative impact of Baltic admission on the evolving Russian equation in East–West and international security matters.

This strong, single-minded commitment to NATO membership was found in all aspirant nations, and ultimately generated new life and energy for the Alliance as a whole. These developments also reaffirmed that the dynamics created by this bottom-up approach not only strengthened the NATO security architecture, but also gave credence to its policy goals, and proved far more effective in building regional stability than organizations such as the United Nations, which necessarily had to rely for the most part on a top-down approach based on issue-by-issue consensus to execute effective actions.

The interest of the NATO aspirants for parallel EU inclusion was immediate and positive. For the decade or more since 1993, the ten nations pursuing NATO membership also undertook to be included in an expanded EU and a European-centered economic zone. It became clear early on that most new NATO aspirants considered the EU a vital part of their future economic well being; many, however, had less enthusiasm for an enhanced political role for the EU. The NATO aspirants of the 1990s believed that, although EU membership was *desirable*, full NATO membership was *essential*. The value and protection provided by inclusion in NATO appeared to them central to their newly perceived national interests; for these potential NATO members, the role and commitment of the U.S. remained a dominant factor, with inclusion in the EU important, but clearly secondary.

Impact of the Broad Nature of Security in the Twenty-First Century Dynamic

The NATO accession process in the decade from 1994 to 2004 set the stage for the aspirant nations becoming aware and understanding that national security encompasses all aspects of national strength, not only military power. This realization encouraged new members to reform, transition, and transform nearly all aspects of their national governments and their dealings with neighbor states and the Alliance. Understanding and adapting to the overriding effects of globalization, information diffusion, economic changes, and the ascendancy of science and technology became a paramount concern. More slowly and less dramatically, a nuanced interpretation of national security evolved as the accession process proceeded, and a modified, broader view developed among established members of NATO as well.

A less positive aspect of this altered outlook was the tendency of many key established members of NATO to rationalize their growing neglect of commitments to military expenditures. These nations have increasingly used this "new grasp" of the non-military aspects of national security to justify casual disregard of their military responsibilities, gradually eroding NATO's military response capabilities and the national commitments of resources to NATO's military capabilities. This trend has accelerated in recent years, often compounded by a fractured view of the nature of the threats and challenges to the NATO security architecture.

Despite the differing views of defense responsibility among the NATO members, the immediate impact of NATO enlargement, particularly with respect to stability, has affected regions not generally seen as having an immediate future as part of the Alliance. The spirit and influence of the NATO enlargement process flowed over into such efforts as attempts to reduce tension in Bosnia-Herzegovina. An initial Marshall Center

outreach course in 1998 addressing the economic and institutional foundations of prosperity was followed by two seminars in 1999 aimed at ameliorating the difficulties in the former Yugoslav country with discussions and workshops dealing first with defense resource planning, and then followed by a seminar on confidence building in a defense reduction environment. These seminars, co-sponsored by the Marshall Center and the Organization for Security and Cooperation in Europe, achieved limited cooperation among the participants in an open and cooperative exchange of opinions about the respective defense positions adopted by the country's factions. The first seminar, held in Salzburg, Austria, led to agreement on a 30 percent reduction in defense expenditures. At the conclusion of the second seminar, the parties adopted recommendations for a declaration on defense reductions to be supported by the international community's aid in bringing demobilized military personnel into broader societal and economic involvement.

Concerns over the Enlargement Process

In NATO's initial exploration in 1992 and 1993 of the key issues it faced in dealing with enlargement, even among those favoring a rapid pace, there was serious concern over the potentially disastrous consequences of admission of a state whose efforts to transform might ultimately fail. As a result, some backers of enlargement during this period provided only cautious support. Other concerns included not only the possibility that enlargement would lead to a dilution of NATO's military strength and cohesiveness, but also possible reactions by post-Soviet Russia, which might lead to a reversal of the gains made after the end of the Cold War. Another concern was that a NATO troubled by enlargement woes might ultimately lead the U.S. to retreat to "Fortress America," particularly if any of the newly proposed members became serious problems. This concern led NATO to refuse Slovenia admission in 1997, when it appeared well prepared to meet qualifications for the first round. As a result, NATO delayed the country's entry until the second round in 2004, when it (along with the other remaining six candidates for 2004) completed a closely monitored and controlled accession compliance process.

This careful approach by NATO, although difficult, paid dividends. The ten new members have consistently proven their mettle. Beyond 2004, the entry procedures for those next in line—the Balkan states of Croatia, Albania, and Macedonia—have been guided by the same careful NATO compliance process. These three nations over the years not only have made changes and reforms related to their own internal situations, but have also demonstrated that they can meet all NATO standards and pose no danger of becoming recidivists.

Incorporating Niche Roles for New Members

Since providing some kind of force enhancement was one of several main requirements for aspirant nations pursuing NATO accession, many potential members had to overcome significant resource limitations to meet the military contribution requirements. As the membership dialogue progressed, it became clear that a state's ability to make a useful but limited military input to NATO's overall military needs was essential. The

aspirant nations had to outgrow their initial inclination to promise NATO complex and expensive contributions in their effort to prove their worthiness for inclusion. At the outset, NATO understood the need for discrimination in military resource commitments far better than did those seeking admission. Complicating this aspect of an evolving joint NATO–aspirant planning dialogue was the simultaneous major military downsizing process that was going on in many of the former Warsaw Pact applicants. The first-wave members, as well as Slovakia, Bulgaria, and Romania among the second, had substantial military forces and were slashing their numbers at a significant pace. At the other extreme, the Baltic states and Slovenia were not downsizing; instead, they were basically building military forces from scratch. In both instances, however, there was a need to find a proper balance between making military contributions to NATO and keeping their military expenditures affordable so that they did not overburden other key aspects of the reform process.

A Functioning and Adaptive NATO

By 2004, the enlargement process—with many accommodations, and considerable effort by all concerned—had basically achieved NATO's goal of creating a more broad-based and extended European–North Atlantic security architecture. The question then became, What next? The response in 2004 was the dual move of selective pursuit of a handful of new potential members within NATO's traditional European geographic boundaries, primarily in Southeastern Europe, and an exploration of ways to expand security by extending NATO ties to a number of nations beyond the Alliance's perimeter. This latter effort has proven to be a most vexing challenge. The central concern was to define Europe geographically within the NATO Charter to determine a fit under the new circumstances. This issue has yet to be addressed directly. In the original NATO Charter, Europe is defined, by inference at least, as ending at the Bosporus Strait. Other core issues, such as whether the Caucasus and Central Asian countries are a part of Europe, must be determined. At the same time, NATO itself has to determine whether extending new types of relationships or a modified form of membership to those nations on or beyond its perimeter is practical, feasible, or advantageous to the organization and its security interests. For a multitude of reasons related to expansion—including security, cultural, economic, and political as well as military—NATO must take a position and provide a clear understanding to those within its own ranks as well as to potential partners outside Europe. At the moment, clarity is lacking among all concerned.

Diffusion or Concentration?

The primary challenge that NATO's planners and policy-makers are confronting about the future path of the organization is focus. Should NATO concentrate its efforts on the nations on its perimeter, or should it take a more diffused approach, forging *ad hoc* security arrangements with nations beyond Europe's geographic boundaries? Within Europe, perimeter nations that are potential areas of focus include Croatia, Albania, Macedonia, Ukraine, Moldova, Bosnia-Herzegovina, Montenegro, and Serbia. In fo-

cusing on these perimeter nations, NATO would increase its efforts to enhance their opportunities for membership. On the other hand, if NATO takes the diffuse approach, it would extend its attention and assess the various options on its perimeters and beyond. To date, NATO's focus appears to be divided. NATO is currently conducting as yet unproven experiments to expand collaboration through the Individual Partnership Action Plan process and various other forms of interactive dialogue with non-European states. Directions and decisions, which are usually dictated by the individual national interests of the major established members of NATO, have yet to be firmed up, leading to uncertainty and apparent wasted efforts. A fully articulated policy that fosters consistent strategies in the future is needed to replace the current process, in which NATO summit pronouncements are both the arbiter and instigator of future expansion of the organization's security interests.

From the onset of the enlargement process in the early 1990s, NATO, with U.S. leadership, made it absolutely clear that any aspirants for NATO membership must accept and implement all measures necessary to meet the standards and norms inherent in NATO. This uncompromising stance, while at times difficult for the aspirant nations, provided a course for moving the membership dialogue forward, shaping policies, and implementing actions.

The process resulted in the successful admission of the ten new members by 2004. Without the foundation of a jointly agreed upon, broad-based set of norms, extending the dialogue to additional new nations has been complicated by both the actions and policies of NATO and its dialogue partners. NATO's requirement for the new partners' full commitment to NATO principles—such as democratic governance, civilian democratic control of the military, and market economies—now appears to be more flexible in this newly extended dialogue on security cooperation. This revised NATO approach has allowed regional cooperative exchanges to flourish (at least in volume, if not in substance). However, without the previous firm underpinning of clear principles and demands, NATO's enlargement after 2004 has lost specific purpose, and has resulted in only marginal progress. The total commitment and responses demanded of the recently admitted ten aspirants to NATO membership, which succeeded so well, appear to have been ignored to a degree in the new extended partnership discussions. As a result, NATO has been hesitant in its planning and wavering in its strategy on expansion, and finds itself committed to further interaction without specific goals or expected results.

Any future change in the NATO security architecture to accommodate and incorporate new players requires a sound understanding and appreciation of the key factors underlying a yet-to-be-achieved broader stability. A major complication is that in the decade from 1994 to 2004, NATO was dealing with secular states in developing democratically oriented societies. Energized by the events since 9/11, the green wave of fundamentalist Islam, intolerant of secularism and with significant popular support in some areas in Europe, has strongly influenced or controlled the security posture of many NATO perimeter states. Governments of many of these nations, with a secularism and leadership imposed by their Soviet past, are struggling to retain control, and not necessarily by completely democratic means. The external push from the U.S. and

NATO to open these contested governments to broader public participation often leads to a majority determinism of uncertain direction, or to the extension of the "one man, one vote, one time" principle. In the same vein, the leadership in many of these nations still awaits clarification from the NATO Alliance on the nature and degree of cooperation, support, and collaboration expected of them, as well as on the extent of the perceived single-mindedness of NATO (or at least the U.S.) in the pursuit of its war on terrorism. Despite a myriad of interested parties, particularly in the Caucasus and Central Asia, there is still no consensus on the many elements of security policy and cooperative measures necessary to address key challenges of integrating these so-called outreach states into NATO.

NATO Support to Perimeter Nations

Increasing NATO's security through the extension of its perimeters has intrinsic value and a clear appeal. However, the necessary manner, will, resources, and capabilities of successfully accomplishing this objective appear less than certain now and for the foreseeable future. NATO's various outreach programs have not in recent years proven to be as fruitful as the most recent NATO membership enlargement process. Accession, which could include full NATO membership, continues to be mentioned in passing in NATO's dialogue with a few perimeter nations, but appears at best a remote possibility for any of them. Defining the appropriate level of cooperation and collaboration that should exist among NATO and the outreach parties remains difficult. At the same time, the question of direction and concentration remains a difficult challenge for NATO. With an ever diminishing resource base for defense and security among NATO's European members, will the Alliance be able to support a major outreach program while continuing to close the gap in its security architecture caused by the absence of nine key states in Southeastern Europe (Albania, Bosnia-Herzegovina, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Serbia, and the Ukraine)?

A second issue remains on the table regarding the scope of NATO's outreach efforts beyond its perimeter. Should its goals, processes, and activities continue to focus on its core values for ensuring security—for example, democracy, market economies, respect for human rights—or should it concentrate on the more pragmatic elements that help support regional stability, such as enhanced capabilities to maintain public order? Both approaches have been tried, and both continue today, with no single path at the moment being favored.

Clearly there needs to be more precise agreement on priorities and direction in the outreach strategy within NATO, particularly between the U.S. and its European counterparts, on the direction and scope of Alliance efforts to expand its security horizons and interests. Although NATO currently sponsors a wide-ranging outreach program, many individual activities lack depth or follow-up because of the understandable limitations on funding and supporting resources. A more precise definition of future focus for this dialogue would benefit both NATO and its potential partners.

Migration: An Upcoming Quandary

NATO's leaders have yet to address a second rarely discussed, but monumental, challenge facing the European component of the Alliance: migration. The continent's population is becoming increasingly older, and most European countries have a reduced or negative native population growth. Europe is faced on its southeastern and southwestern frontiers with an expanding populace seeking any means of entry into the prosperous European economy, particularly through immigration, legal or otherwise. In the past year, the European reaction to these developments has been one of expediency, doubt, and neglect. Expanded external migration into Europe is increasingly provoking opposition, resentment, and hostility among the citizenry while governments struggle to cope. In the next decade, as this problem continues to grow, fester, and become more serious, many Europeans will no doubt be tempted to draw upon the national security forces of NATO for perimeter control to curtail an increasing flow of illegal immigration, including whatever exclusionary measures might be necessary. When and if such a critical point is reached, an unwillingness on the part of the U.S. to become involved in this contentious issue, based in the argument that it lies outside of the legitimate sphere of NATO's obligations and responsibilities, could very likely cause considerable strain on the Alliance. Nonetheless, the potential erosion of stability by unchecked migration will make constructing new and expanding existing security relationships near or on the European perimeter much more difficult. Efforts to expand NATO interests, if not to enlarge its membership, will face new and increasingly difficult obstacles.

Fissures and the Future

The success of the NATO enlargement process of the last decade has had only minimal carryover to measures being taken to meet the many new challenges NATO faces. Cases such as the operations in Afghanistan, which enjoy broad support among NATO members, are counterpoised by the much more narrowly supported operation in Iraq. These have led to widely differing perceptions among the twenty-six NATO members on the extent and nature of any further expansion of the Alliance's interests. Key contentious issues such as the NATO–Russia relationship, the geopolitical order of the Near East (particularly related to dealing with the Israel question), and relations with conservative monarchies such as Saudi Arabia have yet to find consensus. Agreement on the overall extent of NATO outreach and expansion has barely scratched the surface of common attention in the organization. All in all, the next two decades will determine the likelihood of a long-term, coherent NATO strategy on enlargement and expansion being developed. Several key questions must be considered. Should NATO consolidate its remarkable gains of the past decade of enhancing stability in Europe through orderly and effective membership enlargement and assume more modest goals of concentrating on completing the purely European circle of membership by including the absent eight nations of Croatia, Albania, Macedonia, Ukraine, Moldova, Bosnia-Herzegovina, Montenegro, and Serbia? Or should it drive forward to incorporate a strategy of diverse and broad inclusion in the hopes of forging a meaningful, extended buffer

between the "core" NATO nations and the many threats on the Alliance's perimeter and beyond? Needless to say, the latter course is uncertain and cluttered with a variety of dangerous pitfalls, including the will to support such an extension and the resource commitment necessary to succeed.

NATO's Ridgeline

Certainly, the key development in the broad sweep of NATO enlargement to date has been its expansion to become a truly continent-wide alliance, with a NATO European membership subscribing to collective defense. Full national incorporation of Southeastern Europe into the NATO structure proceeds at a modest but optimistic pace. The central and perplexing issues facing the Alliance center on how to ensure security on its eastern and southern perimeters and to decide on the nature and extent of its military and security outreach beyond these perimeters. NATO, in supporting the accession of ten new members from the decade of the 1990s to 2004, proceeded on the assumption that such new memberships would be underpinned by a required comprehensive political, economic, and societal reform in each of the aspirant nations. Although this approach succeeded, such lofty goals for any future expansion—not to mention membership enlargement—for regions east and south of the NATO frontier ridgeline, might appear to be beyond realization. A close look at the evolving European security realignment of the past fifteen years and how it progressed might help create a better understanding for those inside NATO as well as those on the outside affected by the Alliance.

Viewing the outward world from within its current perimeter, NATO's planners and policy makers today are facing numerous difficult questions. What should be the extent and nature of their outreach efforts? As a result of circumstance and inertia, continuing the successful path of the past decade's experience of NATO enlargement has been appealing and appears to be holding sway. Theater security cooperation between NATO and its potential partners beyond the perimeter continues apace. Although these exchanges between NATO and its potential partners have, for the most part, been relegated to more restrictive forms such as Individual Partnership Action Plans (IPAPs), lurking beneath the surface of the dialogue has been an unspoken belief both of some NATO members and of some designated partner nations that these current interactions could ultimately lead to an expanded membership.

Grappling with the *sub rosa* new membership issue has at times led the NATO military and civilian bureaucracy to pursue courses of action not backed by the concurrent underpinning of norms and standards that were the key to the success of the last ten NATO admissions. NATO's extensive interaction with nations outside its perimeter through a variety of exchanges, training exercises, and other forms of assistance has found a welcome reception but limited success. Essentially, each of the new potential partners on the NATO perimeter has failed to meet one or more of the key criteria that NATO in its past accession process found essential. The likelihood of permanent, across-the-board political, economic, cultural, security, and military reform in most of these nations is uncertain, and, at best, many years in the future. Extending a NATO hand to the process of overall reform risks NATO involvement in a potentially dam-

aging outcome of supporting a failing or failed state. In the past few years, NATO's attention has turned more and more to dealing with non-military aspects of change in its outreach efforts.

Based on the enlargement lessons garnered over the past decade and insights gained from our work with the aspirant nations, it would appear more prudent and effective for NATO at this time to narrow its goals and expectations in countries beyond its perimeter, principally to helping build a solid security environment and functional militaries in the nations capable of sustaining internal balance and stability. Forces with the competence to support and ensure public order and public sustenance would enhance not only their own nation's security, but also their region's and NATO's as well. NATO's assistance might best be directed toward transition and transformation, primarily fostering in the military partners a new sense of national mission, an enlightened leadership, a firm sense of identity, and an across-the-ranks, non-corrupt character. Focusing attention on this limited strategy might serve NATO and its partners far better than the diffused and ambitious stance currently being considered, and, at times, pursued.

At the same time, closing the circle of full membership for those eight countries (or nine if Kosovo is to be included) could profitably be pursued, if an increased effort were made to enable these states to follow the same course with respect to NATO's membership requirements as the one that led to the last ten members' accession. NATO, without a Balkan doughnut hole in its Southeastern European flank, would indeed have a stronger and more solid security architecture, and would be better prepared to foster and effect more dramatic security changes in the coming decades. NATO enlargement in the past fifteen years has been a true success story, and new developments being fostered by NATO should add to it, as long as the leadership asks and answers the key questions facing them: Where are we? Where are we going? How are we going to get there? Sensible answers are essential in today's environment.

The year 2008 finds the NATO Alliance at a critical juncture. Retreating defensively behind the walls of its geographic and Alliance perimeter is generally considered unacceptable. NATO's outreach efforts to date have been hampered by the lack of a clear perception and consensus among the nations as to the nature and extent of such efforts and their overall value in enhancing the NATO security architecture. Bringing together the visions, policies, strategies, and resource commitments for a cohesive approach to the future among NATO as a whole, a NATO driven by a U.S. leadership role and dynamic, and the U.S. as a superpower engaged in a "war" on terrorism is a daunting task, but it must be accomplished to ensure a stable, if imperfect, world in the decades to come.

Beyond the RMA: Survival Strategies for Small Defense Economies

Ron Matthews and Curie Maharani *

Small is beautiful… But in Defense?

Life was straightforward during the Cold War. There were the big guys in the bi-polar strategic stand-off—the United States and the Soviet Union—and there were the little guys: the Eastern European countries, such as Poland, Hungary, and Yugoslavia; Chile in Latin America; Spain in Southern Europe; Sweden in Scandinavia; Israel in the Middle East; and Singapore in the Far East. All these countries, big or small, capitalist or communist, possessed comprehensive and diversified defense industrial bases. However, times have changed, and in some senses they have changed dramatically. More than anything else, economics does not favor small countries. Previously, Cold War doctrine was premised on mass formations of artillery, main battle groups of tanks and combat aircraft located on the Central European front. In the twenty-first century, these formations have disappeared. Militaries have been transformed by the need to respond to new, emerging, asymmetrical threats arising anywhere across the globe, a shift that is captured under the umbrella term of the "Revolution in Military Affairs" (RMA). Contemporary doctrine focuses on high-intensity warfare, characterized by sophisticated defense systems, such as telemetry and cruise missiles, fiber optic technologies, sensors, modern telecommunication systems, "stealth" coatings of modern weapon platforms, light-weight composite materials, and the miniaturization of technologies in, for instance, unmanned aerial vehicles (UAVs).

Under this new RMA-driven doctrine, there is an emphasis on heavy-lift aircraft, such as Europe's A400M and the US's C-17, to rapidly respond to "hot" wars across the world. UAVs have been deployed on reconnaissance, surveillance, and intelligence duties, often acting as "shooters." Just as important, laser-guided precision munitions delivered by computer-programmed cruise missiles have proved highly effective in minimizing collateral damage, removing entirely the danger of losing aircraft crews. This "Revolution in Military Affairs," then, has transformed the architecture of battlefield weapon systems, representing a networked systems-of-systems model, linking simultaneously a networked family of space-based satellites, land-based weapons systems, and global communications systems.[1]

The RMA—or transformational warfare, as it is now often called—is a contentious subject, because it intellectualizes whether these dramatic changes in doctrine and technology represent discontinuous developments in military technology or whether

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1 Ron Matthews and John Treddenick, *Managing the Revolution in Military Affairs* (New York: Palgrave, 2001).

they are simply an extension of a long-run trend of evolutionary improvement in military-related technological change. Either way, such transformation has had a profound impact on the defense economies of all countries, but particularly those of small countries. Small countries do not have the critical mass to justify hugely expensive investments in defense research and development (R&D), nor do they enjoy long-term production runs to leverage the high R&D costs associated with the development of new weapons systems. The challenge for small-country defense industries, then, is simply to survive.[2]

As such, this article seeks to explore the particular challenges facing small countries in creating and sustaining defense industrial capacity, particularly in the highly competitive post-Cold War environment that has emerged. To begin, however, it is essential to come to an understanding of what defines a "small" defense economy. This is not an easy question to answer. Singapore, for instance, is viewed as a small country. This is certainly the case when it is compared to Indonesia; the latter has a huge archipelago and a population of 242 million, compared to the tiny island state of Singapore, with just 4.4 million people. Yet Singapore's defense budget is twice that of Indonesia. Thus, the notion of a defense economy is a relative concept that goes beyond issues of country size. It is a concept that is influenced by a *potpourri* of critical factors, such as research and development, scale, the possession of subcontractor networks, the levels of defense expenditure, and, increasingly, globalization and open defense trade. The concept is sufficiently slippery that, while the United Kingdom is recognized as a global military power, having a major defense industrial base, it is a defense industrial and technological minnow when compared to the United States.

Defining Critical Mass

Defense goods are not like refrigerators or color TVs. For most countries, armaments are an essential rather than a luxury good. Adam Smith regarded defense of the realm as the sovereign's highest priority, and for that reason defense is, arguably, the ultimate public good:

> The first duty of the sovereign, that of protecting the society from the violence and invasion of other independent societies, can be performed only by means of a military force. But the expense both of preparing this military force in time of peace, and of employing it in times of war, is very different in the different states of society, in the different periods of improvement.[3]

Thus arms production is far too important to be subject to the commercial vagaries of the market. There is a practical problem with this argument, however: defense is expensive. Aside from the high cost of procurement, if arms production is left in the

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[2] For further elaboration on the problems facing small defense economies from a European perspective, see Wally Struys, "The Future of the Defense Firm in Small and Medium Countries," *Defense and Peace Economics* 15:6 (December 2004).

[3] In Gavin Kennedy, *Defense Economics* (London: Unwin, 1983), quoting Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Bondon: T. Nelson, 1852), 296.

hands of government, the danger is that the defense economy will suffer from malaise, low productivity, inefficiency, and poor competitiveness. Thus, from a policy perspective, if defense is viewed as a public good, and arms are produced in the public sector, then the inevitable increased costs will be a burden that is borne by the taxpayers.

Efficiency in the provision of the defense is fundamentally important, but it presupposes that there is objectivity regarding the appropriate level of defense. However, this is an issue about which many people disagree. What "should" be the required level of defense expenditure? Should the level of analysis be in absolute or relative values? At any point in time, how much should be spent on the defense of one country as opposed to another? In theory, the answer to these questions depends on the existence and nature of the threat. Yet often there is no obvious, well-defined threat. The U.K., for instance, is not facing any imminent danger of invasion from any country, but in 2007 it spent nearly USD 60 billion on defense.[4] The U.K., as with many other countries, rationalizes its defense expenditure not solely on the basis of homeland defense but on the broader grounds of protecting its national interests; the latter, for the British government, presumably includes the projection of force in Afghanistan and Iraq. Moreover, the cost of developing a defense capability is akin to the expense of maintaining an insurance policy: hopefully it will never need to be used, but it provides the confidence and stability necessary to proceed with everyday life.

Notwithstanding the above questions, it is clear that a country's overall defense expenditure should be linked to the purpose of its armed forces as well as to the rationale behind its military objectives. In broad terms, this is covered by a nation's defense policy. Often, the problem with such policy, however, is that it can be framed in vague and ambiguous terms. As a consequence, defense policy can often be ignored or circumvented. Worse still, some countries may have no formal defense policy. For instance, Malaysia's weapons procurement practices over the last two decades appear to have been based more on *ad hoc* political dictate than on any overarching defense policy. The case is similar in Thailand, where the acquisition of a Spanish aircraft carrier appears to bear absolutely no connection to the conventional military threats the country faces (the practice is likely to continue with the procurement plan of French submarines and Swedish JAS 39 Gripen fighters).[5] Indonesia provides another example, where the 1996 purchase of thirty-nine aging ex-East German naval warships seemed incomprehensible at the time, borne out by the fact that today only fourteen ships from the overall procurement are still operable.[6] In fact, the disconnection between Indonesia's defense policy and its procurement practices is legendary. Note, for example, Jakarta's 2003 purchase of four Russian Su-27SK and Su-30MK fighter jets.

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4 *SIPRI Yearbook 2007: Armaments, Disarmament, and International Security* (New York: Oxford University Press, 2007).

5 "Editorial: Too Many Toys for the Boys," *The Nation* (29 November 2007).

6 "INFID Surati Kanselir Jerman Agar Hapus Hutang Kapal Perang Bekas," *Antara* (2 June 2007).

The purchase was not only out of sync with Indonesia's defense policy, it did not even figure in the Indonesian MoD's annual defense procurement plan.[7]

In reality, then, defense policy may not be a good guide for determining the appropriate level of defense expenditure. Yet the fundamental question remains: how much should a country spend on defense? How much is enough? Is it sensible to determine the defense budget according to a country's population, its geographic size, or to the strength of its economy? In practice, defense economists have exhibited a preference for the latter variable. Perhaps unsurprisingly, the discipline of defense economics focuses on the relationship between defense and the economy, and is based on the presumption that military power is closely calibrated with economic strength.[8]

The nature of the relationship between defense expenditure and economic development takes the discussion to another level of analysis, focusing on the postulated "burden" that defense expenditures impose on a country's economy. The thesis is that, as military expenditure as a percentage of gross domestic product (GDP) rises, so does the opportunity cost or burden of defense. The proposition is straightforward, but proving it is altogether more difficult. Emile Benoit, the Belgian defense economist, first ignited the controversy with his seminal study of the 1962–63 border conflict between China and India. Benoit observed that India's national income rose continuously in the years following the war, leading him to conclude that the increase in India's defense spending had "caused" the subsequent rise in national income.[9]

It seems, then, according to this line of reasoning, that defense spending is cool: all that is required of a nation is to spend more on defense, and economic growth will ensue. However, this was a radical thesis, cutting across the grain of traditional thinking which viewed the costs of defense unequivocally as an economic burden on the state. It is based on the premise that employing scarce resources in relatively unproductive public-sector defense units "crowds out" other, more profitable uses, and contributes little to the welfare of society. Benoit stoked a fierce intellectual controversy that still rages today. Arguably, though, over the intervening years, the debate has come full circle. Now, the prevailing view once again leans toward the traditional paradigm—that is, that a negative trade-off exists between defense expenditure and economic growth. Yet, in the contemporary era, the impact of the RMA may undermine this view. Present defense economic trends, reflecting the extent and intensity of civil-military integration in the development and production of advanced weapons systems, suggest that Benoit's thesis may finally be coming of age. Rising defense spending may indeed be positively correlated with economic growth, though more research is required to prove this conclusively.

However, for most countries, big or small, true participation in the RMA remains financially out of reach. Cost precludes these countries from serious commitment to the

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7 "Sukhoi didanai dari minyak," *Rakyat Merdeka* (3 September 2003).

8 See Paul Kennedy, *The Rise and Fall of Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York: Vintage Books, 1989).

9 Emile Benoit, "Growth and Defense in Developing Countries," *Economic Development and Cultural Change* 26:2 (1978): 271–80.

revolutionary "system of systems" model, and, as a consequence, defense and development remain awkward bedfellows.[10] Defense continues to be viewed as a burden, signified by high ratios of defense spending to GDP. The World Bank, in addressing this issue, argued that the optimal level of defense spending should not exceed two percent of national income.[11] There seems little rationale behind this position, however. As was argued earlier, defense expenditure is influenced by numerous national interests, changing threat perceptions, and the historical and cultural baggage of a country's evolution. Germany and Japan, for example, presently spend around 1 percent of GDP on defense, contrasting sharply with their militaristic lineage. Singapore, on the other hand—a small, recently independent state—spends 4.7 percent of its national income on defense, representing a higher defense burden than that borne by the United States. Therefore, the notion of an optimal ratio of defense spending to GDP is unhelpful, as only a cursory glance at the published percentages would attest.

The real policy issue should instead be focused on the nature of the relationship between military spending and GDP. The primary goal is to maximize growth in national income (the denominator in the ratio). If GDP growth can be maximized, then this will accommodate expansion in military expenditures (the numerator in the ratio). Significantly, any increase in defense spending under these conditions will occur with minimum impact on the overall percentage of the defense burden. Once again, this highlights the importance of the relation between economic growth and military spending. Japan, in particular, has used its understanding of this relationship to great effect over recent decades. Japan has substantially raised its defense expenditure in absolute values, year-on-year, due to dramatic increases in economic growth, but it has still maintained its one-percent ceiling of defense expenditure relative to national income, which is mandated by policy.

Defense Economics and the Paradox of Smallness

Classical economics focuses on the pristine intellectuality of industrial fragmentation, transparency, standardization, and smallness. This is the Smithian world of myriad buyers and sellers, free information flows, zero barriers to market entry/exit, product homogeneity, and minimal government intervention. It is a model of enduring appeal, reflecting the conceptual basis for the post-1980s global commercial revolution that usually is subsumed under the rubric of "globalization." The liberal economic crusade superseded the redundancy of Keynesian economics, sowing the seeds for the later disintegration of communism. It has taken seven decades to loosen the grip of the dead economic hand of Marxism, and with it the institutional suppression of competitiveness and innovation. However, once it happened, small business entities were, as before, at

[10] William A. Owens and Ed Offley, *Lifting the Fog of War* (New York: Farrar, Straus and Giroux, 2001).

[11] Martin Sehlapelo, "The South African Strategic Defense Procurement Package and Economic Growth: Are They Mutually Exclusive?" *African Security Review* 11:4 (2002): 119–24.

the forefront of the emerging liberal policy-making agenda. This is a simplistic view of global economic transition because, while smallness has come back into vogue, bigness and scale often appear to be the winners in "free" market economics. In practice, it appears that capitalism has some inherent contradictions.

The economics of communism, particularly of the Soviet Union and China, provide the contrast to classical thought. Communist economic dogma promoted bigness, specialization, and standardization in the search for economies of scale and cost reduction (the latter being of particular importance in capital-poor economies). However, the benefit of scale in the Soviet and Chinese development models was eroded by the lack of backward linkages with small, mature, specialized, and diversified subcontractors that had not had the time to evolve. The communist model rejected any ideological commitment to Smith's notion of "perfect" competition, and its implied assumption of large numbers of small businesses battling it out for scarce resources. Perfect competition was viewed as a theoretical construct that bore no connection to the economics of the real world.

Contemporary markets, by definition, are imperfect markets, connoting brand differentiation, barriers to entry, patents to protect intellectual property rights, and high levels of government intervention. Capitalism is inappropriate to the development of emerging economies because it encourages resource waste through production duplication. In turn, this leads to capacity underutilization, with demand limited by the extent of the immature market. Moreover, the transmogrification of the Darwinian principle of "survival of the fittest" from the biological to the economic domain means that there could be no long-term equilibrium under the perfect competition model. Rather, through organic growth and/or mergers and acquisitions, efficient small firms would evolve into super-efficient big firms. This is the natural order: the contemporary economic world of imperfect competition. Even the dominance of the World Trade Organization, with its policy emphasis firmly focused on trade liberalization, is regularly criticized as having fostered a globalized economic and financial environment where big multinational companies have benefited disproportionately from the proliferation of free trade opportunities.

With the growing importance of big organizations (and, by logical extension, big economies), the economic demise of relatively small micro- and macro-level operations would be the natural expectation. Paradoxically, however, this has not been the case. Flexibility, adaptability, efficiency, and innovation symbolize the approach of small organizations. Significantly, they are responsive to market movements and, working in concert with customers, have the potential to drive innovation through higher levels of refined specialization. Similarly, small economies are able to exploit the economic advantages of specialization and technological clustering that are engendered through the close proximity of suppliers and customers, and are more likely to create a greater sense of national identity and cultural affinity that derives naturally from small behavioral contexts. It comes as no surprise, therefore, that the prestigious World Economic Forum (WEF), in its Global Competitiveness Index, regularly shows a majority of small nations at the head of its annual rankings. Table 1 illustrates the 2007 rankings, and lists six small countries (Switzerland, Denmark, Sweden, Finland,

Singapore, and the Netherlands) among the top ten most competitive nations in the world. The WEF country rankings are calculated by reference to the aggregation of a multitude of weighted politico-economic metrics, including capital market efficiency, human capital quality, macroeconomic performance, and the positive impact of science and technology policy on the national economy. Many of these factors require interventionist government policy and the promotion of stakeholder partnerships to support the development of a competitive economy. Through the adoption of such policies, small countries are likely to enjoy greater competitiveness. Also, perhaps inevitably, small economies are outward-oriented in order to capture scale effects and compensate for constrained internal demand.

Table 1: WEF Global Competitiveness Index [12]

Country	GCI 2007–08		GCI 2006–07 Rank
	Rank	Score	
United States	1	5.67	1
Switzerland	2	5.62	4
Denmark	3	5.55	3
Sweden	4	5.54	9
Germany	5	5.51	7
Finland	6	5.49	6
Singapore	7	5.45	8
Japan	8	5.43	5
United Kingdom	9	5.41	2
Netherlands	10	5.40	11

Conflicting Challenges of Small Defense Economies

A comparison between defense and commercial markets will highlight several fundamental differences between the two. The defense economy is located at the extreme opposite end of the spectrum from perfect competition, and, indeed, is even far removed from the more pragmatic notion of contestable markets. In defense markets, governments aggressively intervene to control both supply and demand; they are characterized by secrecy, regulation, and often high barriers to entry. This is an environment where national sovereignty repulses the forces of globalization. Oligopolistic

[12] Source: Michael E. Porter, Klaus Schwab, and Xavier Sala-i-Martin, eds., *The Global Competitiveness Report 2007-2008* (New York: Palgrave Macmillan, 2007).

market structures dominate, with preferential access to finance, acting to further distort resource allocation. The prevalence of defense offsets, moreover, acts as a serious impediment to product and price signals, thus undermining the efficacy of classical market processes. Such considerations lead to the judgment that a defense "market" does not in fact exist. How can there be a market if product price is both unreflective of the forces of supply and demand and is often simply irrelevant?

In the twenty-first century defense milieu, big defense economies dominate, but small ones can survive. Table 2 lists groups of selected defense economies: first, there are the big first-tier defense economies, such as the U.S., U.K., France, China, and India; then there are medium-sized, second-tier defense economies, including Australia, Canada, and Brazil; finally, there are the third-tier group of defense economies, such as Switzerland, Bulgaria, Singapore, Sweden, and Israel. Inclusion into one or other of the three tiers is based on the value of national defense spending. While the logic of categorizing the size of a defense economy on this basis is arbitrary, there can be little dispute that it accurately identifies the first-tier defense economies, equating, as they do, to the advanced industrialized nations. India may stand out as an anomaly, but there have been recent dramatic increases in its defense spending, driven by high levels of economic growth. Warships, land systems, and advanced combat aircraft are license-produced, and joint development and production of missile systems are successfully underway, including the Indo-Russian Brahmos missile.[13] The second-tier defense economies fall into the USD 10–20 billion value segment. The third-tier defense economies are grouped below the threshold of USD 10 billion in annual defense spending, based on what appears to be a discernible expenditure gap between the small defense economies and the much higher defense expenditure levels of the second-tier defense economies.

Table 2 demonstrates vividly that the United States has the world's dominant defense economy, with a 2006 defense expenditure of USD 535 billion.[14] This level of defense spending exceeds the rest of the world's combined expenditure on defense. Hence, all countries are small by reference to U.S. military expenditure, including the advanced European defense economies. Table 2 also shows that the U.S. has the world's biggest economy; the biggest population among advanced industrialized countries; the third biggest armed forces, after China and India; and the greatest defense expenditure per capita. Also, as a percentage of its huge economy, the U.S. defense burden is high, but not as high as Israel, which at 9.7 percent reflects a country that is on an almost continuous wartime economic footing. Singapore has the second-highest defense burden, at 4.7 percent. This small country accords a high priority to defense, not least because, as an island state, with a population that is composed of 90 percent ethic Chinese Singaporeans, it sees itself encircled by the Islamic countries of Malaysia and Indonesia.

[13] Manjeet S. Pardesi and Ron Matthews, "India's Tortuous Road to Defense Industrial Self-reliance," *Defense and Security Analysis* 23:4 (December 2007): 419–38.

[14] By 2007, U.S. defense spending had risen to USD 635 billion, including incremental increases in spending, principally due to the conflicts in Afghanistan and Iraq.

Table 2: Ranking of Selected Defense Economies by Military Expenditure (MILEX), 2006 [15]

Country	2006 MILEX (USD bn)	GDP (USD bn)	Population (million)	GDP per capita (USD)	MILEX/ GDP [16] (%)	MILEX / population (USD)	Defense firms in global 100	AF (000)	Reserves (000)
First Tier: >USD 20 billion									
U.S.	535.0	13,200	300.0	44,394	4.1	1783	45	1,500	974
U.K.	55.1	2,430	60.6	40,223	2.7	909	11	191	199
France	45.3	2,270	60.9	37,360	2.5	744	11	255	22
Germany	35.7	2,970	82.4	36,118	1.4	433	8	246	162
China	35.5	2,620	1,313.0	2,000	2.0	27	-	2,255	800
Russia	24.9	1,670	142.0	11,790	4.1	175	9	1,027	20,000
India	22.3	839	1,112.0	755	2.8	20	3	1,216	1,155
Second Tier: >USD 10 billion									
Brazil	16.4	969	188.0	5,150	1.6	87	1	288	1,340
Australia	15.1	746	20.0	36,973	1.8	755	3	52	19
Canada	14.1	1,328	33.0	40,128	1.1	427	1	63	37
Third Tier: <USD 10 billion									
Netherlands	9.8	681	16.5	41,280	1.5	606	-	53	32
Israel	7.7	142	6.3	22,387	9.7	1,222	4	168	408
Singapore	6.4	132	4.5	29,351	4.7	1422	1	73	313
Sweden	5.9	387	9.0	42,885	1.5	656	1	28	262
Norway	4.8	328	4.6	71,232	1.7	1043	1	23	210
Greece	4.7	237	10.7	22,191	4.1	445	-	147	289
Switzerland	3.6	389	7.5	51,759	1.0	480	1	4	210
Malaysia	3.1	143	24.3	5,871	2.4	127	-	109	52
Indonesia	2.6	346	232.0	1,490	1.2	11	-	302	400
Czech Republic	2.5	146	10.2	14,227	1.8	248	-	25	-
Bulgaria	0.7	29.5	7.3	4,000	2.4	101	-	51	303

[15] Sources: *SIPRI Yearbook 2007* (New York: Oxford University Press, 2007); *Military Balance 2007* (London: Routledge, 2007).

[16] GDP figures are from 2005.

Singapore and Israel, respectively, also have the second- and third-highest defense spend per capita, after the U.S. Both countries have relatively small population bases, and, therefore, emphasize technology "multipliers" through the deployment of sophisticated weapons systems. This policy emphasis on a high-technology defense posture compensates for the relatively small size of their active armed forces personnel. A further compensatory feature of the small size of the active Singaporean and Israeli Armed Forces is the importance attached to reservists, with these countries respectively holding 408,000 and 313,000 reservists. Other small countries, such as Switzerland, Sweden, Norway, Bulgaria and Greece, also possess high numbers of military reservists; hence, this is not a phenomenon isolated to Singapore and Israel.

Table 3 details the arms trading performance of the same three tiers of countries across the extended period from 2002–06. The countries are ranked according to defense export value, and those leading the list are the United States, Russia, Germany, the United Kingdom, France, the Netherlands, and China. By contrast, the major arms importing states are China, India, Greece, Australia, and Israel. This leading group of arms importers includes both big and small defense economies alike. The high levels of Chinese and Indian arms imports reflect both countries' efforts to modernize their military inventories. However, the ultimate aim for both states to indigenize defense industry, partially in the case of India and comprehensively for China. If a low value of arms imports is interpreted as a proxy for high indigenous defense industrial capacity, then Russia, with just USD 4 million worth of imports, possesses what appears to be the world's most self-sufficient defense economy. France is ranked second in terms of self-sufficiency, having just USD 309 million worth of arms imports.

Russia has the biggest arms trading surplus, exceeding USD 30 billion. Then come the large defense economies of France, Germany, and the U.K., but ranked sixth, seventh, and eighth are three small nations: the Netherlands, Sweden, and Switzerland. The ranking of these small defense economies in the global top ten of countries having an arms trade surplus signifies that small defense economies can achieve competitiveness in the international arms market.

Small Defense Economies and Defense Industrial Strategy

Significant defense-industrial development does not happen overnight. It is normally the result of decades, if not generations, of accumulated investment, including the creation of layers of specialized skill and capacity within a nation's workforce. It is relatively easy for industrializing states to attract foreign direct investment, but the difficulties associated with the transplantation of sophisticated, "alien" production processes hardly guarantee the evolution of indigenous design, development, and production capabilities. If this were the case, then India would by now possess a self-sufficient defense industry, but it does not. Decades of licensed production of Soviet and then Russian weapons systems has allowed India to locally produce foreign weapons systems, but it is still dependent on overseas supply for the next generation of armaments. However, India is interpreted as possessing a first-tier defense economy, and with rising defense expenditure and local defense R&D capability and expanding in-

Table 3: International Arms Trade, 2002–06 [17]

Country	Global Rank	Arms Export (US$m)	Global Rank	Arms Imports (US$m)	Arms Trade Balances (US$m)
U.S.	1	32,128	11	2,276	29,852
Russia	2	30,764	121	4	30,760
Germany	3	9,164	24	1,087	8,077
France	4	8,888	55	309	8,579
U.K.	5	4,488	13	2,131	2,357
Netherlands	6	3,215	29	932	2,283
China	8	2,134	1	14,609	(12,475)
Sweden	9	1,960	49	371	1,589
Israel	10	1,673	10	3,457	(1,784)
Canada	13	1,186	26	1,039	149
Switzerland	14	759	42	550	209
Norway	17	267	37	606	(339)
Czech Republic	23	202	32	845	(643)
Brazil	26	144	33	826	(682)
Australia	27	126	6	3,461	(3,335)
Indonesia	32	90	36	654	(564)
Bulgaria	33	80	62	192	(112)
Greece	34	76	3	7,243	(7167)
Singapore	36	71	20	1,295	(1,224)
India	41	41	2	10,152	(10,111)

ternational cooperation, enhanced defense-industrial competence and self-reliance is anticipated.

Countries seek local defense capacity for strategic, economic, and political reasons. Strategically, sovereignty of supply is sought because of fears that overseas supplier countries might impose arms embargoes. Economics is also an important motivation, because local jobs and higher skills are generated, with investment multipliers from major defense programs propelling the economy forward to higher levels of growth. Finally, from a political perspective, domestic defense production raises a country's

[17] Source: *SIPRI Yearbook 2007* (New York: Oxford University Press, 2007); USD constant 1990 prices (2002–06).

power profile (and hence its status) in regional and even global fora. Few industrializing states have no defense industrial capacity, and, all countries, big or small, employ the above rationale for justifying local production. The development challenge for latecomers to the industrialization party, though, is how to initiate, foster, and—most crucially—sustain the process of defense industrialization. Countries deciding whether or not to promote industrial defense capability have only four main policy options:

1. *Relinquish defense ambitions*. Although this may appear a radical option, there are countries that have chosen to dispense with the idea of military capability altogether, and hence the need for defense spending. Costa Rica, in Central America, is one such country. Also, New Zealand provides an example of a country that followed this route part way, determining some years back that it made little economic or strategic sense to maintain a combat aircraft wing. This capability was thus abandoned.
2. *Off-the-shelf (OTS) purchase*. OTS purchases possess the advantage of low-cost acquisition. Even though the procurement order may be low in volume, costs will be minimized, as overseas suppliers will already have the tooling in place, with R&D amortized through production for the host country's armed forces, and possibly sales to other countries as well. Delivery will also take place more quickly, and this may be attractive for strategic reasons—e.g., perhaps in a situation where regional tensions have recently intensified. The purchasing country's armed forces are normally content with this option, as they seek the best military materiel available, and that normally means US, Russian, or European equipment.
3. *Build a non-dependent defense industry.* In practice, this is no longer a viable option. The policy goal of developing states is comprehensive self-sufficiency, and this goes well beyond the initial and relatively easy first step of creating facilities to manufacture small arms and ordnance. RMA technologies, for instance, demand high degrees of precision engineering skills across a broad range of commercial high technology areas, as well as the possession of sophisticated R&D, project management, and systems integration expertise in the defense industrial environment. Only a few countries possess the financial and technological resources to seriously commit to this option.
4. *Defense technology access through offsets.* This option provides a more measured approach to domestic defense industrialization. It facilitates the build-up of defense capacity through a staged process of modular equipment assembly through licensed production, involving progressively more intensive local production of components and sub-assemblies over time. Ultimately, via investments in domestic R&D capability, local incipient defense companies will partner in regional and global defense-industrial consortia and strategic alliances, eventually reaching the final and most difficult stage of defense-industrial self-reliance. This option requires that direct offsets are negotiated and agreed at the time that arms procurement contracts are signed. The expectation of the purchasing government is that the resulting technology transfer package will provide the hard and soft technologies needed to effect sustainable defense industrialization.

For small countries seeking to develop defense industrial capacity, the fourth option listed above represents the most realistic choice. Small-country governments recognize that higher costs are necessitated by investments into local tooling and production infrastructure, particularly given the small scales of output required. Accordingly, state policymakers, such as those in Sweden and the Netherlands, will devise proactive defense-industrial strategies to defray the inevitable high costs arising from licensed production. These countries' strategies are aimed at promoting defense exports to ensure that foreign demand raises output volumes in their constrained national defense markets. However, for a defense export strategy to be effective, small countries will need to specialize in niche, high-value-added sectors. If successful, this will then allow them market entry as subcontractors into the global supply networks of the major defense contractors. The development of specialized producers of high technology products can be assisted via deliberate government policies to foster a local industrial environment that is able to benefit from rich technological synergies. These will arise from the formation of industrial clusters focused towards selected specialized fields. The clusters will comprise companies engaged in both horizontal (primes and sub-primes) and vertical competition (value chains). They may also include partnerships with university engineering and information technology centers of excellence, and foreign defense firms seeking to establish and develop a presence in the nascent local market.

Even with appropriate strategies in place, small countries are often over-ambitious in what they believe can be achieved through defense offsets. Much depends on the extent and quality of technology transfer. The technology transferor needs to be committed to the view that mutual benefit will only come about through the development of a long-term contractual relationship. Equally, the transferee must be patient, but supportive, rolling out an integrated development plan that will bind together defense procurement and industrial planning in the country's broader economic and science and technology plans. However, neither defense nor commercial industry will be able to compete and prosper in the absence of R&D capacity. Investment alone will be insufficient. Rather, a research-oriented culture must evolve through prioritizing the development of a strong, dedicated, and highly qualified cadre of specialized engineers, scientists, and technology experts.

Offsets, focused on licensed production, will be effective, but only if the long-term goal is the development of a sustainable competitive advantage. In the short term, this undoubtedly means government sponsorship and subsidy. In the long term, through the commitment of all stakeholders, niche competitiveness can be achieved. The defense export performance of the Netherlands, Sweden, Israel, Switzerland, and even (to a lesser degree) Bulgaria are testament to this fact.

Conclusion

Small defense economies can survive and, indeed, prosper in the radically transformed post-Cold War international defense environment. Tighter defense budgets, global defense-industrial consolidation, increased regional arms collaboration, and international joint development and production ventures have all worked to alter the defense land-

scape, but the attendant processes of globalization have created opportunities for small-country defense manufacturers to participate as specialized subcontractors. Of primary importance in the realm of policy, however, is arriving at a clear definition of "small defense economies." The data are confusing in this respect. Singapore, for instance, is far smaller than Indonesia, but has a defense budget that is twice as large, spends 129 times as much on defense per capita, and possesses a far bigger and more capable defense industry.

What is not known, of course, is the social and private cost of small-country defense industrialization efforts. These costs are likely to be high, but may be defrayed to some extent by civil-military integration of products and processes and foreign sales opportunities. Pursuit of both civil-military integration and defense exports has the potential of raising production scale and reducing unit cost, leading to a virtuous circle of defense-industrial endeavor. Defense offsets may offer a rapid route to the laying of indigenous defense-industrial foundations, enabling small countries to leap-frog over certain technological stages. However, whether such development is realized or not depends on the breadth and depth of the small country's capabilities to absorb new technologies. Ensuring the evolution of such capability will be the responsibility of the government, in concert with local defense-industrial stakeholders and, increasingly, with overseas original equipment manufacturers (OEMs). Small economies represent both a dominant proportion of the top ten states in the WEF's global competitiveness rankings and a significant minority of the top ten arms-trading nations. While further microeconomic research needs to be undertaken to verify and account for the success of small defense economies, there are tentative grounds for believing that small can be beautiful.

The Starlink Program: Training for Security Sector Reform in Armenia, Azerbaijan, Georgia, Moldova, and Ukraine

Sami Faltas and Merijn Hartog *

For the last two years the Center for European Security Studies (CESS) has demonstrated that training can serve as a useful tool to actively stimulate democratic governance in the security sectors of transitional countries in the former Soviet Union. Between 2006 and February 2008, CESS implemented a program called Starlink in five PfP countries in Eastern Europe and the South Caucasus: Armenia, Azerbaijan, Georgia, Moldova, and Ukraine. The Starlink program (which is short for *Security, Transparency, Accountability and Reform: Linking the Security Sectors of Armenia, Azerbaijan, Georgia, Moldova, and Ukraine to the European Mainstream*) was designed to help connect the beneficiary countries to the wider European security community by promoting reforms and democratic governance of the security sector. More specifically, the focus is the development and delivery of training materials and courses for key groups in the countries concerned. While Starlink pays specific and separate attention to various communities within the security sector—such as military, intelligence, and law enforcement agencies—it adopts a comprehensive, or "whole government" approach, emphasizing the need for close cooperation and coordination between these communities. The Starlink program was subsidized by the Netherlands Ministry of Foreign Affairs; in Armenia and Azerbaijan, the local OSCE missions kindly co-financed Starlink.

In this article we will deal with CESS' Starlink program, its focus on training courses and modules, the added value of simulation exercises, and the purpose of the program: the promotion of democratic governance, with a special emphasis on the security sector. We will also draw lessons learned from the original Starlink program. In our conclusion, we will look at the options for Starlink's future. Besides discussing its possible outreach and scope, we will demonstrate the contribution of Starlink to international security sector initiatives, such as the OECD's DAC handbook [1] and NATO's PAP-DIB.

The Principles of Democratic Governance

> *Good governance is epitomized by predictable, open and enlightened policy-making, a bureaucracy imbued with a professional ethos acting in furtherance of the public good, the rule of law, transparent processes, and a strong civil society participating in public affairs. Poor governance (on the other hand) is characterized by arbitrary policy making, unaccountable bu-*

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[1] *The OECD DAC Handbook on Security System Reform. Supporting Security and Justice* (Paris: Organisation for Economic Cooperation and Development, 2007).

> *reaucracies, unenforced or unjust legal systems, the abuse of executive power, a civil society unengaged in public life, and widespread corruption*.[2]

CESS is an independent institute for research, consultancy, education, and training located in Groningen, the Netherlands. Since its establishment in 1993, the Center has been promoting democratic approaches to security policy. Working with NGO and government partners all over Eastern Europe, Southeastern Europe, Turkey, and the southern Caucasus, it organizes seminars, courses, debates, and research projects on democracy and defense. The aim of promoting transparent, accountable, and effective governance of the security sector lies at the heart of all CESS activities. Before we go deeper into the specific features of the Starlink program, we first need to identify the principles of democratic governance.

These principles, on their face, are relatively simple: the state must inform the citizens; politicians and officials must account for their actions; and the law applies equally to all citizens, high and low. The principles of democratic governance are clear enough, and everyone is in favor of them, at least in theory. In practice, they meet a lot of resistance, and it is not easy to apply the principles consistently. Unfortunately, democratic governance is most difficult to achieve where it is most urgently needed, namely in the security sector.

Security forces must obey the law and account for their actions to the elected representatives of the people. They deal with sensitive information, and are naturally inclined to be too secretive about their work. The less transparent they are, the less the legislature, the judiciary, and the media can hold them to account. And the less accountable they are, the greater the risk that they will become corrupt, violate the rights of citizens, become a state within the state, and wield undue political power. Thus a lack of democratic governance can turn the armed agencies of the state into a threat to the population and the constitution. Most politically literate people in the old and new democracies acknowledge this today. But the consensus begins to crumble as soon as you start discussing the practical implications of democratic control: "Surely you don't mean *all* security officials? What about spies? What about antiterrorist operations? Isn't there a limit to the information parliament can demand? Are politicians, magistrates, and journalists interested in scrutinizing the security forces? And would not this prevent soldiers, policemen, and spies from doing their job? Can a country under threat afford such a luxury?"

If democratic governance in the security sector is to be more than an empty phrase, these questions must be faced and answered. General answers are available in the scholarly literature, as well as in the reports of a few think tanks like CESS. But specific answers are also needed, responses geared to the characteristics and circumstances of a particular sector or country, and many of those are not yet available. What works for the police may not work for intelligence agencies, and an approach that is good for Ukraine may be bad for Turkey. There is a need for tailored approaches, based on general principles of good governance. Obviously, the need is greatest in de-

[2] *Governance: The World Bank's Experience* (Washington, D.C.: The World Bank, 2004).

veloping democracies, but transparency and accountability in the security sector are a never-ending challenge in mature democracies as well. In the West, topics of late include the improper detention and the torturing of people suspected of terrorism, as well as the tapping of telephone calls and e-mail traffic.

When countering the lack of democratic governance in the security sector, the obvious remedy is to put in place strong checks and balances. In well-governed countries, various branches of government hold each other in check. Politicians and civil servants face constant scrutiny by parliament, the judiciary, the media, and civil society. If they abuse their power, they risk disgrace, dismissal, and punishment. This system is built on laws, institutions, and a culture of accountability. It does not guarantee honest behavior by all public officials all of the time. But it drives home the message that honesty is the best policy.

Training for Security Sector Reform

I hear and I forget. I see and I remember. I do and I understand.[3]

Now that the principles have been discussed, we will shift our attention to the practice of democratic governance in security policy. Here one of the biggest difficulties is that the politicians, civil servants, journalists, and civil-society groups who are supposed to scrutinize the security sector are often poorly prepared and sometimes less than eager to do so. Many young democracies have the laws and institutions required for democratic governance, but lack a culture of accountability. Training is one way to tackle this problem.

After years of organizing conferences and seminars on defense and security issues in Eastern Europe, CESS decided in 2005 that the time was ripe to develop a training program which was supposed to go significantly beyond earlier projects. We used to organize policy conferences and seminars that dealt with security and defense issues. Audiences were large, and debate was usually stimulated by speeches and plenary panel discussions. For the Starlink program, we developed and compiled training modules and organized training workshops on security sector reform. Audiences were small, but diverse, and debate was stimulated by experienced instructors on the basis of specialized modules. In general, you could say that within the Starlink context a higher level of pro-activity is expected from the participants, and is actively pursued by experienced trainers.

In the first half of 2005 the Starlink program was designed, after which the final proposal was submitted. CESS argued that three days of instruction in the local language would provide Starlink trainees with a good understanding of democratic governance and the specific challenges it poses in the security sector. There are three types of courses: one pays special attention to the defense establishment, another to law enforcement, and a third to intelligence. In each course the trainees are drawn from various parts of government and society. In February 2006 the first training course was or-

[3] Confucius, Chinese philosopher and reformer (551–479 BCE).

ganized, taking place in Kiev, Ukraine, and dealing with democratic governance in the defense sector.

In a nutshell, a Starlink course starts with an interactive introduction to the principles and fundamentals of democratic governance. At the end of the first morning, trainees apply these principles in discussing a recent political event in their country. If the stage has been set successfully, the trainees are now sufficiently confident and comfortable to be able to critically discuss their own government's actions in the presence of foreigners. On the afternoon of the first day, one or two topics of a more operational nature (e.g., integrated border management, fighting terrorism, or human rights of defense personnel) are scheduled. The second day is entirely devoted to a role-play exercise. A real challenge of Starlink was to get our message across and to create a useful learning experience, which is why we decided to build in these one-day simulation games within each Starlink course. Each game is set in the fictitious post-Soviet republic of Croania, somewhere south of Russia. The third day of the course is taken up by a "post-mortem" analysis of the role-play, a continuing discussion on parliamentary oversight, the evaluation of the course, and the awarding of certificates.

Three classroom experiences stand out, and are worth reporting in greater detail. The first is the dramatic impact of the role-play exercise in which trainees enact a parliamentary hearing on a serious misdemeanor by the Croanian government. (There is some variation in this exercise depending on the audience for the course. For the defense course, we developed a role-play on the illegal purchasing of military uniforms by the Minister of Defense; in the law enforcement course the role-play deals with abusive behavior of the Croanian police towards immigrants; and in the intelligence course, the game centers around the decision-making process preceding the deployment of troops to yet another fictitious country.) When we tried the defense role-play out with students in the Netherlands, the hearing was conducted in the orderly and serious manner one would expect from the Second Chamber in the Netherlands.

This was not the case in cities like Kiev, Baku, or Tbilisi. In these deliveries of the course, the mock parliamentary committee proved unable to actually hold the mock government accountable, and many of the things that one would expect to go wrong in a young and shaky democracy indeed went seriously out of hand. Ministers and their officials intimidated the parliamentary committee, the committee engaged in personal attacks against witnesses, one minister actually threatened a journalist with his criminal connections, and private and party interests consistently took precedence over parliamentary sovereignty. From an educational point of view, this was ideal. We were able to praise the trainees, saying that this was exactly how such a hearing would go in Croania. In most courses, the participants at this stage added that things would not go any differently in Croania than they would in their own countries. Then we went on to flag everything that would have gone in a different fashion in a mature democracy. This struck home more powerfully than any lecture or handbook could have done.

A second experience that stood out was the fact that we aimed for a highly interactive style of teaching in Starlink. Participants are expected—indeed, they are pressed—to engage the trainer and each other in discussion and to contribute their knowledge, especially of local conditions. In practice, we find that Eastern European government

officials need to get used to this style of teaching. We have been able to establish a workshop atmosphere within the first few hours. We find that in practice our instructors employ a variety of teaching styles, ranging from continual dialogue with the students to PowerPoint bombardment. The students said they appreciated this pedagogical diversity, but we continued to strive for training rather than lecturing.

Another classroom experience worth relating is the adamant and consistent assertion by trainees that there is a great and urgent need in their country for this kind of hands-on training on democratic governance in practice, both within and beyond the security sector. One of the distinctive features of the Starlink program is that it is more than a training effort. It puts in place generic teaching packs—the modules—that were tested by CESS in the Starlink context, but could also be taught by local institutes in the five Starlink countries without significant additional input from CESS. That is why over the past three years we have tried to assist local universities, military and police academies, and NGOs in setting up security sector reform training courses of their own, based on the Starlink material. Today we are still talking to government departments, universities, and NGOs in the beneficiary countries about ways of gradually transferring the teaching of such courses to local organizations, but to be honest, this part of Starlink is difficult to accomplish and requires more time and effort than we had expected at the launch of the program. Another feature of the Starlink training courses is that, even though to this point they have only been held in Armenia, Azerbaijan, Georgia, Moldova, and Ukraine, they can in principle be taught anywhere else in the world and can serve a wide variety of audiences. Of course, each time they are used, these building blocks must be modified to suit the specific needs of the audience in question.

Unique Elements of Starlink

Due to the intensive style of teaching, each Starlink course can train a maximum of twenty-five young professionals. To get around this limitation in size, and thus to support local training initiatives, the Starlink program has commissioned the delivery of full training packages, which consist of the modules accompanied with everything else an instructor needs to teach a particular Starlink subject. That is why every training module has an extensive teacher's manual and handouts for the trainees. Exercises and PowerPoint presentations are integrated in the modules. All the material is available in English and meets the highest presentation standards. Internationally renowned experts are developing these training packages, which are owned by CESS but will be made available for free to bona fide users around the world. For the last three years the authors taught the modules in the Starlink courses. Subsequently, the modules were often taught by other experts, sometimes from former communist countries. In order to be universally useful, the modules are generic.

If successful, Starlink will help the countries concerned to develop the most important resources required for security sector reform, namely people who are prepared to launch, implement, and sustain the reforms. But it will do more. Starlink is creating a range of training modules on security sector reform that can be delivered to many kinds of audiences all over the world, in various styles and formats. These modules are

currently being developed by international experts on the subject. They can be selectively assembled to form courses, and will have to be adapted to the needs of the audience in each case. So while the Starlink modules are generic, the Starlink courses are specifically designed for particular users.

We feel that the Starlink program is unique because of the combination of eight strengths. The uniqueness lies in the combination, not so much in the characteristics themselves.

- We taught the course in the countries where the students are from; we do not bring them to the Netherlands.
- We used simultaneous interpretation during the entire course, which is especially useful for the role-play. We are convinced that the game will be conducted in a more realistic fashion if the trainees are allowed to discuss in their own language. (All the modules and the three role-plays are translated into the languages of the five countries where we have worked up to this point).
- We aimed at having mixed audiences made up of representatives from government and parliament, but also from civil society, in the classroom, because when the trainees are working together they not only improve their knowledge of the subject, but also their understanding of the responsibilities and difficulties faced by their fellow students. One trainee pointed out that this was the first time that representatives of the government and civil society in her country sat down at the same table to discuss security policy.
- Within the target groups, Starlink focused on young professionals, since they are most interested in (and most capable of) acquiring new knowledge and skills, and because they are the cadres who can be expected to implement structural reforms in government, society, and the media.
- We used the simulation exercise as an important teaching tool. It basically showed the students what we taught them on the first, theoretical, day. In most cases the students were elated about the game and the way the problems of democratic oversight are made tangible. And exactly that is the crux of the simulation games – it makes the students *feel* what democratic governance is really about.
- Within Starlink we developed teaching material for local use, as discussed above.
- Starlink invited experts from Eastern Europe to pass on lessons they had learned to other previously communist countries. It actively engaged these neighboring countries' experiences and assisted in building an international network of NGOs interested in security sector reform.
- Starlink considered the security sector as a whole in the three courses, not exclusively the defense establishment, but also law enforcement and intelligence. And we did not look only at the executive side of governance; the role of parliament and civil society received just as much attention. With this comprehensive approach Starlink emphasized the need for close cooperation and coordination between the different actors in the security community.

Challenges in Implementation

Although these assets are clear, and the combination of these elements is important to bear in mind, Starlink (not surprisingly) also encountered difficulties during its implementation phase. From these difficulties we must draw lessons learned that should be taken into account when developing new training programs. It could also serve as an example for other NGOs that are planning to submit a training project of their own.

The Starlink program has reached about 60 trainees in Armenia, Azerbaijan, Georgia, and Moldova, and around 120 in Ukraine. This is only a small fraction of the government, parliament, media, and civil society representatives with a need for such instruction. It was clear from the outset that this program would focus on the development, testing, fine-tuning, and introduction of useful training programs, and would not be capable of providing instruction to large numbers of people. And exactly that was the reason why we were quite ambitious in formulating our project goals. To counter the danger of only reaching a very small portion of the security community of our target countries, we stated that we needed to stimulate local training institutions to add our modules to their course curriculum. Unfortunately, we did not live up to this goal we had set for ourselves.

We argued that creating local ownership would set in motion a process that would continue to add to the pool of local professionals equipped for security sector reform. And indeed, in the long run, local ownership will decide whether the Starlink approach, which is now acknowledged to be relevant and useful, takes root in the targeted countries. Thanks to the enthusiasm, professionalism, and excellent contacts of our local partners, Starlink training materials are indeed being used by a few local training organizations, but it takes place sporadically and on an ad-hoc basis. That is why we now estimate that, without continued help and encouragement from CESS, few if any local organizations will launch sustainable training programs based predominantly on Starlink material. This obviously requires more time and effort than we had expected at the beginning of this program.

Although we expect the use of our modules to increase, since all of them became available just recently, we are not entirely satisfied with our own achievements in this respect. We had hoped to make a bigger and more lasting impact on training efforts in the countries of operation. When designing this program, we must have underestimated the time and effort required to promote the use of Starlink material. Besides, we believe the constraining factor here is the lack of capable trainers and schools that can organize the courses year after year. Therefore, we believe that when we are extending the Starlink program, we should include an effort to train local trainers and help local colleges to adopt Starlink. This assistance could take the following forms:

- Training and certifying trainers (perhaps in cooperation with universities from the Netherlands)
- Familiarizing schools with the program and its teaching methods, and advising them on how to select trainers and organize courses
- Helping schools to organize pilot courses.

Another difficulty we encountered in all the beneficiary countries has to do with the level of participation. Teaching three days in a row is something which many participants were not familiar with, and it took most of them a lot of effort to convince their bosses that they indeed had to be present for the entire course. Unfortunately this did not work out entirely as we hoped. Some participants only attended for one or two days or just part of a day, which presented a particular challenge for the proper completion of the role-play. Already on the first day of the program the instructor was forced to divide the roles; when participants later had to cancel on the role-play, big problems occurred. Lucky enough we were able to solve these problems in almost all cases, usually by giving the foreign instructors a role or by skipping the less important roles, but the fact that they surfaced on such a regular basis caused a great deal of crisis management, stress, etc. In our opinion there is just one measure to counter this complication: taking the participants to a place outside the capital. Although the costs of the course will increase if the meeting is held offsite, since all participants will have to stay in a hotel, it is definitely worth the added expense.

Options for Starlink's Future: Outreach, Scope, and Foreign Policy Efforts

In this concluding section we will look at the options for Starlink's future. Besides discussing its possible expansion in both geographic reach and topical scope, we will demonstrate the contribution of Starlink to international security sector initiatives, such as the OECD's DAC handbook and NATO's PAP-DIB. In essence, our ideas with regard to the future of Starlink can be divided along the following lines:

- Widening the outreach of the Starlink program to other countries and regions
- Deepening the scope of the project by developing new modules, geared to the specific requirements of new countries
- Connecting Starlink with other foreign policy efforts.

Widening the Outreach of the Starlink Program

In February 2008, CESS and its partners in Armenia, Azerbaijan, Georgia, Moldova, and Ukraine concluded their Starlink program. CESS will continue this successful program in other ways. Most immediately, it will take Starlink to Kazakhstan and the Western Balkans.

Following the roll-out of the Starlink program in Eastern Europe and the South Caucasus, simple logic dictated that we should start exploring the other side of the Caspian Sea: Central Asia, but more particularly, Kazakhstan. With the other four former Soviet Central Asian nations being either much more authoritarian, too unstable, too poor, or a combination of all three, Kazakhstan emerges as the West's logical ally in this strategic energy-rich region. We believe there is a need for the development of human capacity for democratic governance in the security sector of Kazakhstan, as the country is engaged in a process of reforms that will improve oversight of the security agencies, enable the country to fulfill the commitments it undertook in its Individual

Partnership Action Plan of 2006, and enhance Kazakhstan's standing within the OSCE. In 2010, the presidency of the OSCE will for the first time rotate to Kazakhstan. Moreover, in 2007 and 2008, the Netherlands Embassy in Astana is serving as the NATO Contact Point Embassy (CPE) in Kazakhstan. The proposed Starlink program will serve as one of the Netherlands' activities in its role as NATO CPE.

Kazakhstan has put in place several of the laws and institutions required for democratic oversight of the security sector, and others are likely to follow. However, Kazakhstan still has some way to go to foster a culture of accountability. Here Starlink training courses will be helpful. The delegation of the EU in Kazakhstan has confirmed this impression.

After this Starlink program in Kazakhstan, CESS will start working in the Western Balkans to deliver an adapted Starlink program. The problems and needs of the countries of the Western Balkans differ significantly from the countries in which we have been implementing the Starlink program so far. One can say that the countries of the Western Balkans have advanced further in their transition, and therefore are facing other difficulties in the field of democratic governance of the security sector. To suit these needs, we feel it is necessary to design new training courses, compose new modules, and to consider each country on its own merits.

Unlike the initial Starlink program, which focused on three pillars of the security sector, Starlink in the Western Balkans will focus mainly on only one of these pillars, namely the defense sector. The reason we have chosen to limit ourselves to the defense sector in this new Starlink program is because there is a clear need for this focus. This was stressed by our NGO partners in Bosnia and Herzegovina, Montenegro and Serbia, the Netherlands Embassy in Belgrade, the Jefferson Institute's office in Podgorica, which assists the Montenegrin Ministry of Defense, and the Defense Committee of the Parliament of Montenegro. Furthermore, there is not as much assistance available in the defense field as, for instance, in the law enforcement sector. For the defense sector, CESS designed focused three-day training courses that address the issues relevant to the subject countries in the phase of the transition they are currently in.

In this respect we developed four training courses, each addressing a different subject that suits the needs of the target. The first course deals with how to get effective "right-sizing" and reorganization within defense administrations going: e.g., laying off civilian and military personnel and facilitating their reintegration into society; reorganizing the remaining staff; and enhancing the efficiency of defense organizations. The second course is designed to acquaint practitioners with the drafting and discussion of defense policy documents, including defense budgets. Furthermore, specific attention will be paid to the role of parliament vis-à-vis the defense sector. The third course deals with international law and its importance for the defense sector, both on the national and international stage. The fourth training course will discuss the international dimension of the military. Subjects to be discussed comprise the functioning of structures of NATO and the ESDP, the process and prerequisites for joining the Euro-Atlantic structures, and the deployment of troops within the framework of peace support operations.

Deepening the Scope: Development of New Modules

At the end of the initial Starlink program, nine modules were finalized on subjects related to democratic governance in the defense, law enforcement, and intelligence sectors. During the course of the Starlink program we regularly received requests for new modules on subjects like police reform, human resources management for the security sector, fighting corruption in the security sector, designing and managing SSR programs, etc. We assessed such requests according to two criteria: Are they relevant to the countries in which we are working? And are we the right people to develop it?

With regard to the first question, the answer is simple. When we decided to widen the outreach of the Starlink program to the Western Balkans region, the existing list of modules was no longer sufficient. As mentioned in the previous section, we decided to restrict ourselves to the defense sector, so it made sense that new, more in-depth modules had to be developed. And with regard to the second question, no, we are not always the right people to develop new modules. Here at CESS we ourselves can compose modules about theoretical topics like the role of parliament in defense issues, the fundamentals of democratic governance, and democratic oversight of the intelligence community, but within the original Starlink program we had to approach experts from our extensive network to write modules that are more operational by nature: e.g., combating organized crime and terrorism, developing defense policy documents, etc. The same goes for "new" topics like human resource management for the security sector. The knowledge within the network of CESS is indispensable to the quality of programs like Starlink.

Connecting Starlink with other Foreign Policy Efforts

In the autumn of 2005, our government designated our Starlink program as the Netherlands' contribution to NATO's Professional Development Program for Ukraine. This was an afterthought and a coincidence, because the two programs happened to be launched at the same time. The government was thus able to use Starlink to serve an additional purpose that was entirely in line with the nature and aims of our program. We believe there would be a wider scope for usefully connecting Starlink to other foreign policy efforts, for instance to PAP-DIB and OECD DAC.

Although Starlink was not officially announced as a part of NATO's Partnership Action Plan on Defense Institution Building (PAP-DIB), it clearly contributed to its objectives. More specifically, our Starlink training efforts contributed to objective 5.1—"Develop effective and transparent arrangements for the democratic control of defense activities, including appropriate legislation and coordination arrangements setting out the legal and operational role and responsibilities of key state institutions in the Legislative and Executive branches of Government"—and objective 5.2: "Develop effective and transparent procedures to promote civilian participation in developing defense and security policy, including participation of civilians in governmental defense institutions, cooperation with non-governmental organizations and arrangements to ensure appropriate public access to information on defense and security issues."

Especially through its modules on the fundamentals and principles of democratic governance and its three role-play exercises, Starlink helped raise awareness in Armenia, Azerbaijan, Georgia, Moldova, and Ukraine on issues like the role of parliament in overseeing the executive, the importance of civilian direction within the Ministry of Defense, and the two golden rules of democratic governance: the people have the right to know what is being done and spent in their name (transparency), and the government has the responsibility to reveal, explain, and justify what it does and what it spends (accountability).

PAP-DIB has a program called Education for Reform and a support group of training organizations that calls itself the Friends of PAP-DIB. The Starlink material is perfectly suited to this effort, as was acknowledged at several meetings of the Friends. This circumstance presented itself as an opportunity for the Netherlands to play a prominent role in PAP-DIB.

Alongside its contribution to PAP-DIB, CESS is one of several institutes that are teaching and propagating the approach developed in the OECD DAC Handbook on Security System Reform. Starlink training tools are being used in OECD-sponsored training courses, and Starlink courses are making use of the OECD material. One of the distinctive features of the OECD DAC approach to security sector reform is that it focuses mainly on developing countries, while Starlink has so far mostly addressed the needs of transitional countries in the former Soviet Union.

We expect to connect Starlink to other foreign initiatives in the future when the program is up and running in the Western Balkans. Here a linkage could be made with the RACVIAC Center in Croatia, in the form of continued support from CESS for their "Democratic Control of the Armed Forces" course. We also hope to cooperate with them in our efforts to get a serious train-the-trainer program off the ground within the new Starlink program in the Western Balkans. We could, for instance, train potential trainers at the RACVIAC premises. These potential trainers should be educated in order for them to be capable (and certified) to teach the Starlink modules at their own institutes/universities/academies in their home countries. The candidates should not only come from the five Western Balkan countries, but also from the previous Starlink beneficiary countries and similar transition countries.

Applying a New Management Model in the Joint Staff: An Executive Summary

Francois Melese *

Introduction

Agencies throughout the federal government face the same basic set of management challenges: accountability, or tracking government spending on inputs; efficiency, or minimizing the costs of government activities; and effectiveness, or measuring outputs/outcomes and tying budgets to performance. A key objective in shifting government's focus from inputs to activities/outputs is to promote more robust cost-effectiveness analyses to improve agency investments and support Congressional decision making.[1]

The challenge is that, at best, most Department of Defense (DoD) accounting systems track expenditures on inputs. Many were neither designed nor intended to report expenditures by activities or outputs. This challenge is especially acute for activities that cut across military services, like the Chairman of the Joint Chiefs of Staff's Joint Exercise Program (JEP). To assist the Joint Staff to address these challenges, an ongoing project commissioned by the Joint Staff Comptroller leverages a new integrated public management model called the "**S**uper-**U**nified **C**ustomer and **C**ost **E**valuation **S**trategic **S**ystem" (SUCCESS).[2] Guided by SUCCESS, the J7/JEP and Joint Staff Comptroller teams are currently integrating and mapping U.S. Air Force, Navy, and Army data by individual exercise. This ongoing initiative is building a foundation for future analysis and evaluation of the efficiency and effectiveness of joint exercise activities.

Resting on fundamental micro-economic and accounting principles, SUCCESS integrates three widely used business management frameworks that underpin many

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1 Chief Financial Officers Act (1990 CFO Act), and Government Performance and Results Act (1993 GPRA).

2 Francois Melese, James Blandin, and Sean O'Keefe, "A New Management Model for Government: Integrating Activity-Based Costing, the Balanced Scorecard and Total Quality Management," *The International Public Management Review* 5:2 (2004): 103-30; available at www.ipmr.net.

commercial Enterprise Resource Planning (ERP)[3] applications, together with the Planning, Programming, and Budgeting System (PPBS). These include:

- Activity-Based Costing (ABC)[4]
- The Balanced Scorecard (BSC)[5]
- Total Quality Management (TQM: Lean, Six Sigma, etc.), captured here primarily through the Shewhart-Deming "PLAN-DO-CHECK-ACT" cycle of continuous improvement (PDCA).[6]

PPBS was originally designed as a high-level management information system to facilitate constrained optimization to achieve a form of "allocative efficiency" within DoD—that is, to maximize national security subject to fiscal constraints. As originally conceived, PPBS was meant to assist senior defense officials to establish activity/ output (or "capability") priorities within the budget, and to shift financial resources and guide investments among defense programs—and across the military services—from less to more productive uses in response to changes in the national security environ-

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[3] A descendent of the management information systems (MIS) and Material Resource Planning (MRP) movements, Enterprise Resource Planning (ERP) was initially led by SAP, a German software company. Today, multiple suppliers including IBM, Microsoft, PeopleSoft, Baan, Seibel, and others offer ERP applications designed to streamline and integrate operation processes and information flows in a company to increase productivity and cut costs. These customized software solutions apply the latest database, reporting and analysis tools in an attempt to measure, monitor and integrate various functional areas like manufacturing, sales and marketing, distribution, customer service, accounts payable/receivable, purchasing, inventory and material planning, human resources, financial accounting, asset management, project scheduling, etc.

[4] See H. Thomas Johnson and Robert S. Kaplan, *Relevance Lost: The Rise and Fall of Management Accounting* (Boston: Harvard Business School Press, 1987); James A. Brimson and Callie Berliner, eds., *Cost Management for Today's Advanced Manufacturing* (Boston: Harvard Business School Press, 1988); and Steve Player and Carol Cobble, *Cornerstones of Decision Making: Profiles of Enterprise ABM* (Greensboro, NC: Oakhill Press, 1999).

[5] See Robert Kaplan and David Norton, "The Balanced Scorecard: Measures that Drive Performance," *Harvard Business Review* (Jan.–Feb. 1992): 71–80; Kaplan and Norton, "Using the Balanced Scorecard as a Strategic Management System," *Harvard Business Review* (Jan–Feb 1996): 75–85; Kaplan and Norton, *The Balanced Scorecard* (Boston: Harvard Business School Press, 1996); and Kaplan and Norton, *The Strategy Focused Organization* (Boston: Harvard Business School Press, 2001).

[6] See W. Edwards Deming, *Out of Crisis* (Cambridge, MA: M.I.T. Center for Advanced Engineering Study, 1986); and Peter Senge, "Looking Ahead: Implications of the Present," *Harvard Business Review* (Sept.–Oct. 1997): An important consequence of the PDCA cycle through SUCCESS is that it emphasizes continuous monitoring and evaluation of customer-driven measures of performance, along with costs/budgets, to reveal returns on investments. This results in an ongoing evaluation of planned vs. actual budgets and planned vs. actual performance/effectiveness, which completes the closed-loop feedback cycle built into SUCCESS.

ment.[7] As one Department of Defense report put it, "The ultimate objective of PPBS shall be to provide … operational commanders-in-chief the best mix of forces, equipment and support attainable within fiscal constraints."[8]

Today, a new emphasis on "execution" is reflected in a new name: PPBE. A "capabilities-based" PPBE process is currently being implemented to make high-level defense resource allocation decisions for DoD that culminate in the annual defense budget submitted by the President to Congress. SUCCESS offers a lower-level integrated public management model that supports this effort and captures the spirit of PPBE.

SUCCESS was first applied to generate fresh insights into two ongoing U.S. federal management initiatives: the Congressionally-mandated "Government Performance and Results Act" (GPRA), and the "President's Management Agenda."[9] Subsequently, SUCCESS provided a conceptual model that helped guide the development and evaluation of the new PPBE process in DoD's latest Quadrennial Defense Review (QDR).[10]

This executive summary reviews a longer study that reports on an ongoing pilot program initiated by the Joint Staff Comptroller to implement the SUCCESS framework to support J7 (Operational Plans & Interoperability) in managing the Chairman of the Joint Chiefs of Staff's two-hundred-million-dollar "Joint Exercise Program" (JEP).[11] The success of this effort could serve as a template for other organizations in the Joint Staff and throughout the Department of Defense. The next sections introduce SUCCESS and offer a brief background and review of the model through its application to the Joint Staff's Joint Exercise Program.

Leveraging SUCCESS and PPB to Study the Joint Exercise Program (JEP)

The Joint Staff's FY 2008 *Budget Highlights* describes the Joint Exercise Program (JEP) as "the Chairman and Combatant Commanders' principal vehicle for achieving joint and multinational training."[12] In a section of the latest QDR entitled "Build the Right Skills," the focus is on "[m]aintaining the capabilities required to conduct effective multi-dimensional joint operations [including] battlefield integration with interagency partners and combined operations—the integration of the joint force and coalition forces...."[13]

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7 Allen Schick, "The Road to PPB: The Stages of Budget Reform," *Public Administration Review* (December 1966).

8 Department of Defense Document 7045.14 (22 May 1984).

9 See Melese, Blandin, & O'Keefe, "A New Management Model for Government."

10 QDR Integrated Product Team (IPT) #5 Meeting, Pentagon, Washington, D.C., 2005; Donald Rumsfeld, *Quadrennial Defense Review (QDR) Report* (Washington, D.C.: Office of the Secretary of Defense, 6 February 2006).

11 A full version of the report is available upon request from the author, at fmelese@nps.edu.

12 Joint Staff Comptroller, "The Joint Staff, FY 2008 Budget Highlights," (March 2007), 19.

13 Donald Rumsfeld, *Quadrennial Defense Review (QDR) Report*, 77.

The Joint Education and Training Division of J7 (Operational Plans & Joint Force Development) manages JEP. The Joint Staff's exercise budget funds only the transportation of personnel and equipment to worldwide exercises. J7 manages the strategic transportation program, while the Joint Staff Comptroller is responsible for funding strategic lift for the exercises. At the level at which J7 operates, the key players are:

- The Combatant Commanders (COCOMs)
- The U.S. Transportation Command USTRANSCOM, which includes the Air Mobility Command (AMC), the Military Sealift Command (MSC), and the Surface Deployment and Distribution Command (SDDC)
- The branches of the armed services
- J7/JEP
- The Joint Staff Comptroller.

Figure 1 illustrates the relationships of each of these key players within the context of the SUCCESS model. It also reveals key linkages between PPBS and SUCCESS as it applies to JEP.

The different responsibilities and perspectives of each key player (COCOM, USTRANSCOM, and J7) are reviewed and interpreted below in the context of the SUCCESS model illustrated in Figure 1. Applying the PPBS Cycle described in JEP's "Coordination Procedures" offers valuable insights in the context of SUCCESS.[14]

Planning

The first loop through the SUCCESS process is launched with a planning phase, where defense planning and fiscal guidance prompts a review by COCOMs of their missions, goals, and objectives for JEP. That is, this is the phase where COCOMs determine what it is they will do. The Customers in this context are the COCOMs who have a derived demand for strategic lift to support their planned exercises.

Programming

The subsequent "do" phase in SUCCESS corresponds to the programming phase in PPB. In this phase, organizations review existing activities and identify incremental adjustments and investments in their processes and/or products (capabilities), in order to "supply" services that respond to the planning guidance. In short, if the planning phase identifies "what to do," the programming phase outlines "how to do it." For JEP, the production and supply of strategic lift is largely in the hands of USTRANSCOM. They combine available inputs (military aircraft, ships, commercial charters, etc.) to produce strategic lift outputs (transport capabilities) required by the COCOMs.

[14] Chairman of the Joint Chiefs of Staff Manual, J-7, *Joint Training Manual for the Armed Forces of the United States*, CJCSM 3500.03A (1 September 2002), Enclosure L.

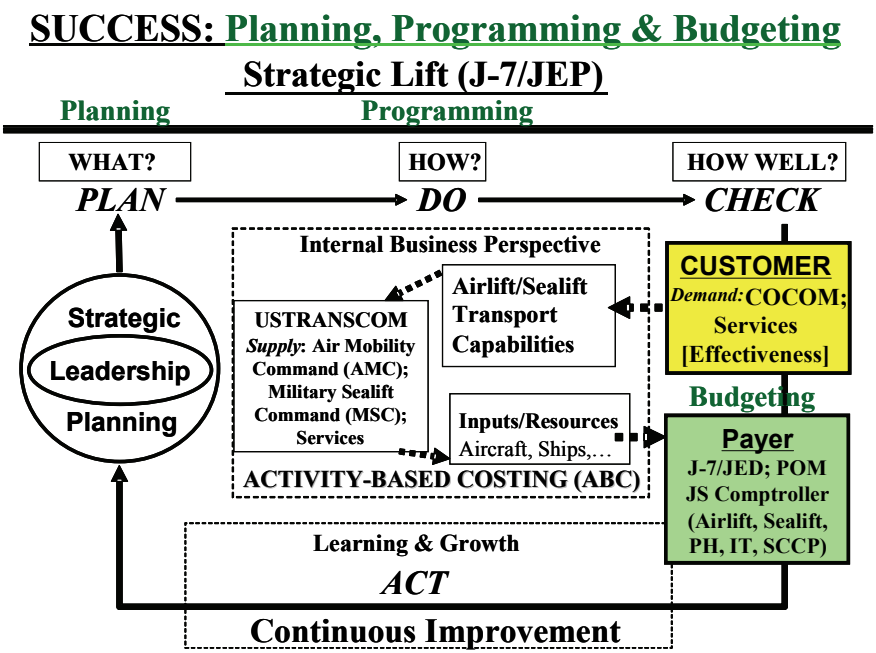

Figure 1: SUCCESS for JEP—A PPB Perspective

Budgeting

The "check" phase in the first loop through SUCCESS requires organizations to develop budget estimates that are eventually rolled up into the Program Objectives Memoranda (POM) of the services, defense agencies, and Joint Staff. After being vetted at different levels, these program proposals ultimately find their way into defense budget estimates included as budget estimate submissions (BES) in the President's defense budget submitted to Congress. The estimated input costs for JEP make up the strategic transportation budget that is the primary responsibility of J7 and the Joint Staff Comptroller.

New Insights from Activity-Based Costing (ABC)

The first step in applying Activity Based Costing/Budgeting (a key pillar in the "do" phase of SUCCESS) to the Joint Exercise Program is to recognize that the "activities" being considered are joint exercises. The next step is to recognize the three distinct perspectives of the three key players. The perspectives of the COCOM (customer), J7 (payer), and USTRANSCOM (producer/supplier) are illustrated in Figure 2 as three matrices (of activities on inputs) in the context of the first (PPB) loop through SUCCESS. Cascading down these matrices reveals the "planned budget" for strategic lift for the Joint Exercise Program.

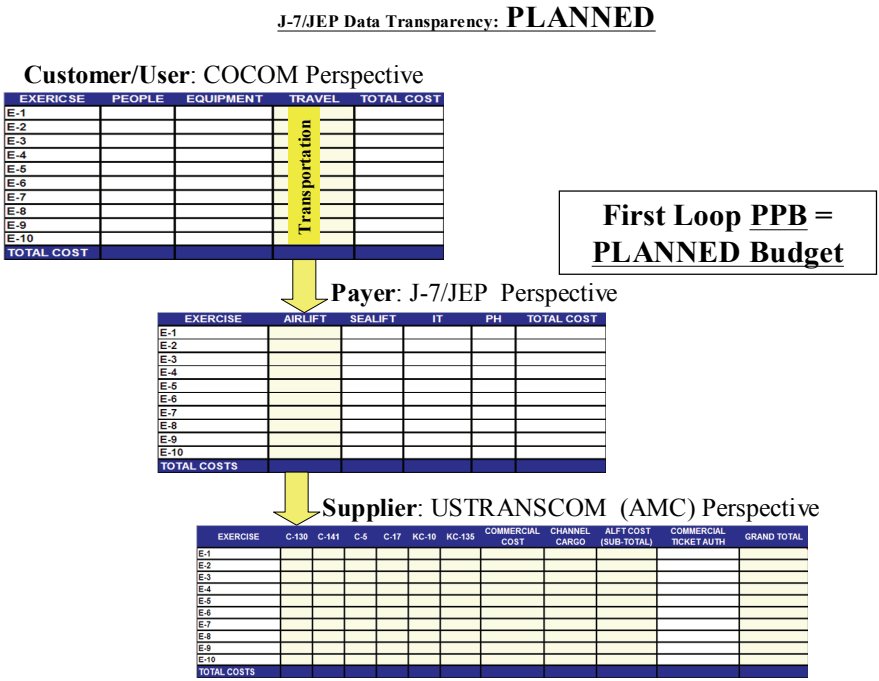

Figure 2: Planned Budget Perspectives for COCOM, J7, and USTRANSCOM

COCOM Perspective

The first and highest level ("Effectiveness") perspective is that of the COCOM customers. Any attempt to increase effectiveness at this level involves an (implicit) constrained optimization: maximizing joint and combined troop capabilities through training exercises, subject to fiscal constraints. The solution requires an evaluation of the marginal benefits and costs of expanding (or funding) one exercise relative to another. This requires estimating the total costs of an exercise and combining this data with some measure of effectiveness for each exercise. Note that in the top matrix of Figure 2, the strategic lift (transportation) column of the total costs of an exercise is a J7 and Joint Staff Comptroller responsibility. The total strategic lift budget for a given year is simply the sum of the entries in that column. The current J7/JEP–SUCCESS initiative involves an effort to combine and integrate data across the services to facilitate the collection of strategic lift cost data by exercise. The top matrix in Figure 2 offers the Joint Staff a way to focus on how J7's efforts might contribute to and facilitate a higher level of optimization. The challenge is to combine timely, accurate, and complete strategic lift cost data with other joint exercise costs (personnel, equipment, etc.) to support cost-effectiveness evaluations of joint exercises to globally optimize force capabilities.

J7/JEP Perspective

The second, lower-level perspective is also the most relevant to J7 and the Joint Staff Comptroller. The middle matrix in Figure 2 breaks strategic lift into its various components. In order to identify the strategic lift costs of each exercise, J7/JEP must capture the complete costs of airlift, sealift, inland transportation, port handling, etc. across all the services involved in a particular exercise. To complete the cells of this matrix and build a budget for strategic lift, J7 must first obtain estimates from the COCOMs of the number of passengers (#pax) and amount of cargo to be transported to support their joint exercises. Cost estimates can be generated by multiplying the expected number of passengers and amount of cargo by a forecast of an average total (unit) cost or price per passenger or cargo mile ($/passenger/mile or $/cargo/mile) obtained from USTRANSCOM.[15]

To improve cost transparency in the management of joint exercises, accounting systems need to report total costs of program inputs (CTP, airlift, sealift, inland transportation, port handling, etc.) by individual exercise.[16] Some initial results of J7's data collection efforts are illustrated in Figure 3.

Where can J7 get its biggest return from efficiencies?

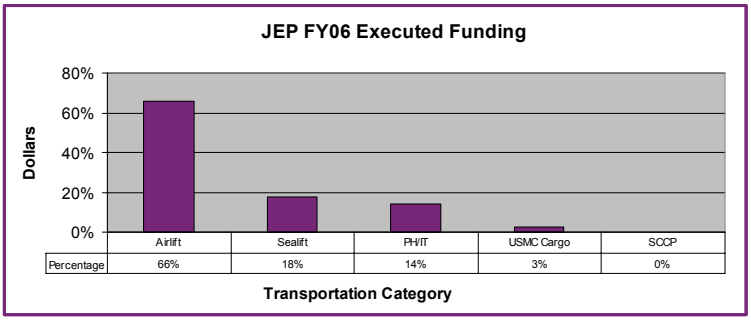

Figure 3: Total Costs by Transportation Category

[15] Recent dramatic increases in revolving fund rates (a 5.2 percent increase for FY2007, followed by a 44.4 percent increase for FY2008) pose a significant challenge for efforts to forecast future JEP costs/budgets. See President's Budget 2/2007 for 2008–09, United States Air Force Working Capital Fund (WCF), Fiscal Year 2008/2009 Budget Estimates Overview (February 2007), 83; available at http://www.saffm.hq.af.mil/shared/media/document/AFD-070209-054.pdf.

[16] Some accounting systems currently report at the "program" input level, but mostly not by exercise. OSD reports at the highest level: CIF, ORF, & Misc. Services (the category that includes JEP). The military services report at a lower level, breaking Misc. Services into: CTP, PH, IT, etc., but most only report totals not broken down by individual joint exercise.

The costs illustrated in Figure 3 roughly correspond to the total cost categories distributed along the bottom row of the middle matrix in Figure 2. Examining the distribution of these costs over the different strategic lift components, it is clear that in FY2006 over 80 percent of the strategic lift budget could be attributed to airlift and sealift. In fact, over 60 percent of the budget is due to airlift alone.

Given the importance of airlift in the overall JEP budget, Figure 4 reveals the various components (inputs) that make up airlift. It is clear from the data collected for FY2006 that commercial charter is by far the largest component of airlift costs. It is also the largest single component of overall spending on strategic lift. Whereas Figure 3 reflects J7/JEP's perspective, Figure 4 is more in line with USTRANSCOM's perspective.

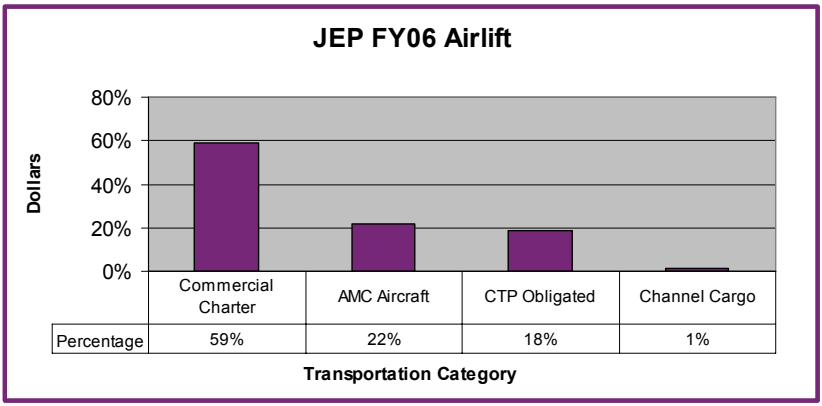

Figure 4: Total Costs of Airlift by Category

USTRANSCOM (AMC) Perspective

Returning to Figure 2, the bottom matrix breaks airlift into its various components (similar to Figure 4). This Activity-Based Costing/Budgeting matrix for one activity—airlift—illustrates the perspective of USTRANSCOM's Air Mobility Command (AMC). This input–activity matrix offers an opportunity to identify more efficient substitution possibilities in the "internal business" (production function) component of SUCCESS (see Figure 1).

Similar matrices could be constructed for sealift from the perspective of USTRANSCOM's Military Sealift Command (MSC) and the Surface Deployment and Distribution Command (SDDC). The constrained optimization problem facing USTRANSCOM is how to choose an optimum mix of airlift assets that minimizes the costs of satisfying transportation demands for each exercise. But this requires AMC to have data that reveal alternative possible mixes (technical efficiency, or the production function), and that supports an evaluation of those alternatives in the optimization (economic efficiency, or cost minimization). This is one of the desired outcomes of the

ongoing J7/JEP-SUCCESS project. Another opportunity uncovered by the project is for more timely submissions by the COCOMs of accurate demand forecasts, which would increase the ability of the AMC to put commercial contracts out to competitive bid, which would in turn lower the overall costs of airlift.

Leveraging SUCCESS+PPBE for JEP

Historically, PPBS emphasized the equivalent of the preliminary (Planning, Programming, and Budget estimation) loop through SUCCESS (depicted in Figure 1). In 2002, two major modifications to PPBS occurred.[17] First, a shift to a two-year cycle was implemented. Second, an "execution" phase was added. The name was changed to PPBE to reflect the new emphasis on budget "execution" and the "evaluation" of results.[18] The recent change to a two-year cycle in the PPBE process roughly corresponds to two loops through the SUCCESS model illustrated in Figure 1.

Execution and Evaluation

The first loop of the PPB cycle illustrated in Figure 1 results in a "planned budget" submitted to Congress. After extensive review, Congress passes defense budget authorization and appropriation bills that become law. These laws grant DoD "obligation authority" stating the maximum dollar amount of contracts, etc. that can be entered into in the budget year. The passage of these bills launches a second loop through SUCCESS. Whereas the first loop through SUCCESS (Figure 1) has a Planning, Programming, and Budget *estimation/forecasting* focus, the second loop involves actual "execution"—converting inputs into outputs, or spending the defense budget on transporting troops, equipment, etc.—and "evaluation"—producing transportation and training capabilities and evaluating outcomes.

Working back up the three matrices in Figure 2 illustrates how actual expenditures could be rolled up to identify the realized strategic lift budget for joint exercises. This

[17] In fact, three major modifications to PPB occurred within the Department of Defense in 2002. First, a shift to a two-year cycle was implemented; second, there was a renewed emphasis on up-front decisions (the "Enhanced Planning Process"; SPG; JPG) to provide stronger guidance to the services; third, an "execution" phase was added. While Congress still appropriates the defense budget on an annual basis, DoD now commits to a two-year budget, partly to reduce redundant and costly program reviews. Arguably, the most significant change is that in every even year (or "On-Year" of a two-year cycle), an attempt is now made to accomplish department-wide global optimization at the front end of the process instead of at the back end. That is, an effort is made to make cross-service trade-offs early to guide the production of joint capabilities (outputs), and the corresponding program decisions on platforms and weapon systems (inputs). The theory is that if programs are "born joint" instead of being cobbled together late in the process, this will improve "allocative efficiency" (increasing military effectiveness) and contribute to "operational efficiency" (cutting defense costs).

[18] U.S. Department of Defense, Management Initiative Decision 913, *Implementation of a 2-Year Planning, Programming, Budgeting and Execution Process* (Washington, D.C.: Government Printing Office, 22 May 2003).

results in an "actual budget" for strategic lift for JEP that can be compared with the "planned budget" to improve future forecasting. The differences that appear between planned and actual budgets for many COCOMs are significant. Revealing these differences could motivate investments to provide near-real-time data streams, and to improve forecasts, so that scarce funds can be released for other pressing activities, such as expanding existing exercises or funding previously unfunded exercises.

Continuously monitoring differences between planned and actual costs (and performance) not only satisfies the spirit of GPRA, but can also help reveal returns on the nation's defense investments. This has the potential to increase accountability, efficiency, and effectiveness within the Department of Defense, and to result in more realistic budget estimates generated by the PPBE process.

Conclusion

A key challenge that faces federal agencies as they struggle to satisfy GPRA mandates is to adapt conventional business management, measurement, and accounting frameworks to the public sector. The SUCCESS model is designed to help bridge the gap between business and government. Combined with appropriate incentives, implementing a framework with these features could facilitate realization of the three chief aims of GPRA: to improve executive and congressional decision making, to promote better internal management of government programs, and to increase accountability to taxpayers.[19]

[19] GPRA 1993: Public Law 103-62.

Assessing the Status of PAP-DIB Implementation

Hari Bucur-Marcu *

Four years have already passed since the heads of state and government convened in the Euro-Atlantic Partnership Council (EAPC) at the NATO Istanbul Summit and endorsed the Partnership Action Plan–Defense Institution Building (PAP-DIB). Since that meeting, the Partner nations have embarked on political and conceptual endeavors to implement the ten objectives laid out in the PAP-DIB document as they felt appropriate, and at their own speed.[1] This article will outline some considerations on how the achievements of any Partner nation in PAP-DIB implementation can be assessed.

The Need for Assessment

At first glance, the need to assess achievements in PAP-DIB implementation is straightforward, as PAP-DIB consists of ten clearly formulated objectives. Like in any other planning process, the implementing bodies would want to know where they stand at a certain moment in time, and how far they still have to go to achieve all their objectives. However, PAP-DIB was proposed by NATO and endorsed by the Partners in a much more nuanced sense than that of a simple plan or program. It was aimed at addressing the ongoing process of defense reform occurring in all Partner nations—and especially in the regions of Caucasus and Central Asia, as well as in Moldova—in a new perspective. The process is founded on the assumption that any successful reform should be based on modern and democratically responsible defense institutions, and the ten objectives actually provide a common definition of these institutions, as well as of the concept of defense reform.

These objectives are also an agreed framework for interaction among Allies and Partners on exchanges of opinion and experience on issues of mutual interest. This framework is also open to other international actors engaged in promoting democratic reforms and enhancing security in the Euro-Atlantic area in a cooperative manner. The PAP-DIB document makes clear reference to documents of the Organization for Security and Cooperation in Europe (OSCE), especially the Code of Conduct on Political-Military Aspects of Security, but there are other organizations (such as the European Union) that may be involved in PAP-DIB activities as well, according to the preferences of individual Partner nations.

Moreover, even if it was promoted as a plan in its own right, PAP-DIB is not necessarily a stand-alone planning instrument. The eventual actions that are undertaken within the framework of PAP-DIB—such as conferences, workshops, or training courses—would be planned and executed through the existing EAPC tools and mechanisms. As stated in the PAP-DIB document, the Individual Partnership Action Plan

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1 NATO Online Library, The Partnership Action Plan on Defence Institution Building (PAP-DIB), Brussels, 7 June 2004, at www.nato.int/docu/basictxt/b040607e.htm.

(IPAP) and the Planning and Review Process (PARP) serve as primary instruments for pursuing PAP-DIB objectives, as well as the Individual Partnership Program for the Partners that have not decided to develop an IPAP with NATO or are not participating in PARP.

The above observations give rise to a legitimate question: Why would a Partner nation feel the urge to assess its implementation of PAP-DIB objectives as an endeavor independent from the already existing assessment tools and mechanisms? A possible answer to this question should also be nuanced, and comprises a philosophical portion and a more practical one.

In philosophical terms, as long as the PAP-DIB effort is a political commitment, the government that made that commitment should also report to their own people on how they fulfill that commitment. And this requirement goes very much along with the substance, or the deeper philosophy, of PAP-DIB itself, as it represents an effort to render the governance of the defense sector democratically accountable. In practical terms, building defense institutions is an extensive project involving numerous and various state bodies, from the parliament to defense agencies. Some of these organizations are involved in addressing all ten of the PAP-DIB objectives, while others play a role in only few of them. In any event, the complete fulfillment of this action plan implies comprehensive inter-agency cooperation and coordination within a nation's government and defense sector, and a periodical assessment of the implementation status of each of these objectives should be part of the toolbox of this inter-agency cooperation process. Every agency involved would need to know how its achievements are perceived and appreciated by other groups, and also to see how the others are performing in this common project.

An assessment of the status of implementation of PAP-DIB is also a matter of international cooperation. If PAP-DIB is a process that relies on the exchange of views, knowledge, and experience among Allies and Partners, and between Partners and international organizations, especially NATO, it makes sense that this exchange should include periodical status and needs reports. Assessment reports will seek to facilitate the efficient allocation of national resources and international assistance efforts through the identification of needs and requirements for functional and efficient defense institutions as these institutions develop and mature. These reports will also help to harmonize operational cooperation between national and international agencies involved in defense institution building.

What Can Be Assessed?

There is no straightforward answer to this question. The ten objectives of PAP-DIB call on Partner nations to develop "effective and transparent" mechanisms to promote:

- Democratic control of defense activities
- Civilian participation in developing defense and security policy, including participation of civilians in defense institutions, cooperation with non-governmental organizations, and public access to information on defense and security issues

- Legislative and judicial oversight of the defense sector
- Assessment of security risks and national defense requirements, and the development of inter-operable defense capabilities corresponding to these requirements and international commitments
- Management of defense ministries and agencies with responsibility for defense matters
- Compliance with internationally accepted norms and practices in the defense sector, including export controls on defense-related materials
- Personnel structures and practices in the defense forces, including training and education, promotion of knowledge of international humanitarian law, and arrangements for promotion and career development
- Financial, planning, and resource allocation procedures in the defense area
- Management of defense spending, and development of methods and policies to cope with the socio-economic consequences of defense restructuring
- International cooperation and good neighborly relations in defense and security matters.[2]

These objectives may become the main object of interest for assessing implementation. This is not an easy task, because of the specifics of their formulation. For each of these objectives there are several relevant aspects to be addressed, most of them surrounding the notions of "arrangements and procedures," which deal with issues in the realm of regulations. In turn, these notions are influenced by some relevant attributes, primarily those that address issues of effectiveness and transparency. These observations raise a new question: Where should the interest of the assessment be focused: on the regulatory process of introducing appropriate arrangements and procedures, or on the actual practice of implementing them?

In these circumstances, we may identify two separate domains: a regulatory one, where the intentions are declared and preferences for various alternatives are revealed; and an actional one, where the functionality of defense institutions can be observed. In well-established democracies, the border between these two domains is erased by the governing principle of the rule of law. Under this principle, a law or regulation is implicitly put into practice, without delay or interpretation, making legal or regulatory arrangements effective by default. In the case of most of the Partner nations targeted by PAP-DIB objectives, this principle does not necessarily apply, at least not in the realm of the defense sector. There are instances when the provisions of a nation's constitution have to be detailed in acts of legislation and then in implementation instructions before coming into governmental practice. Or there are legal provisions of so general a nature that the actual implementation becomes a matter of the free will of the authorities. Moreover, there are procedures that are introduced in the practice of defense governance that are not covered by any legislation.

[2] Ibid.

Thus, the very fact that new or amended pieces of legislation address aspects of defense institutionalization, regardless of how important and necessary it is, does not imply that a certain PAP-DIB objective was met. At the same time, assessments of the status of PAP-DIB implementation should recognize the progress made in the legislative field at a given moment.

Who Are the Assessors?

We identified above multiple parties interested in the status of PAP-DIB implementation. First of all, the people of each Partner nation are not only interested, but are also entitled to know how their governments are performing in this field. Then there are the members of the government and state agencies. In addition, we might include the members of the international community that have a genuine interest in a nation's progress in achieving PAP-DIB goals. The main question is, Are these parties able to conduct the assessment exercise themselves, or should they merely be the beneficiaries of assessment reports made by third parties?

In the case of governmental agencies directly involved in PAP-DIB implementation, self-assessment should be a natural activity. International organizations and cooperation partners would also depend on reports issued by these implementing bodies. This situation requires a high degree of trust and confidence, as well as some guarantees that the self-assessment will not be biased by subjective perspectives.

The most pressing concern related to any self-assessment activity is that of accuracy. PAP-DIB was designed not only as a plan, but also as a clarification process of concepts and best practices. The implementing bodies have to absorb knowledge and introduce this knowledge into their practices in the same time. Are they knowledgeable enough at the early stages of this process to conduct a sufficiently accurate self-assessment?

In 2006, after two years of PAP-DIB experience, the Geneva Centre for the Democratic Control of Armed Forces (DCAF) developed a comprehensive methodology for assessing PAP-DIB implementation status in Partner nations and carried its research in this field into the three Caucasian republics and Moldova, as well as to regions of Central Asia and the Western Balkans. This was an independent and nonpartisan project, and the results were made available to all Allies and Partner nations interested in this issue. Later in this article, we will address several methodological considerations resulting from DCAF's experiences that may guide future endeavors of the assessment or self-assessment of PAP-DIB implementation.

How to Assess?

The DCAF assessment project was based on methodological assumptions, principles, and requirements established precisely for this task. The remainder of this essay will outline these assumptions, principles, and requirements, and will suggest some common themes that emerged from the DCAF research that might be helpful in other efforts to assess the implementation of PAP-DIB programs.

Key Assumptions

The methodological approach to this project was based on the assumption that the subject nations understood and accepted the PAP-DIB objectives as they were laid out in the endorsed documents and explained in staff talks between national representatives and NATO officials, subsequent to their commitment to the PAP-DIB initiative at the Istanbul Summit in 2004. This assumption was necessary as there were no efforts made by the research team to question the commitment of Partner nations to implementing these objectives.

Another important assumption was that the subject nations are transparent to their own public and the international community in all their actions and programs aimed at meeting the requirements of efficiency and effectiveness in their defense sectors. The importance of this assumption was underscored by the fact that all the data necessary for the assessment were collected from open sources; thus, the researchers needed to be confident that these data were sufficiently relevant to accurately depict governmental achievements in the field of PAP-DIB.

Within the subject nations, there is an ongoing process of reforming the armed forces in relation to their national objectives and to other NATO cooperation programs. The methodological assumption was that these nations are actually taking advantage of these programs in their PAP-DIB implementation. This assumption was introduced for the reason that the assessment process was by no means designed to address aspects of IPAP or PARP implementation, and had no remit to look into aspects specific to these programs. At the same time, the research team was aware that they were dealing with the same organizations and people involved in these other cooperation programs, and wanted from the beginning to state the scope of their research.

The subject nations are also concerned with their own processes of *security* sector reform more broadly, which are only conjecturally approached in their partnership programs with NATO, while *defense* sector reform is a primary element of that partnership. In methodological terms, it was important to assume that the two sectors are approached simultaneously, but not necessarily with the same speed or the same level of transparency in these nations. While an attempt was made to keep the research focus on defense institutions, the broader context of security sector reform would also be considered when relevant.

Another assumption was that the culture of democratic oversight of the defense sector, and, within it, the role of democratic decision-making in the formulation and implementation of defense policy are only incipient in those nations. With regard to the not yet fully formed nature of these processes, the common understanding was that the nations had not experienced policy formulation and implementation for more than one or two (at most) planning cycles. In line with this assumption, it was also assumed that the subject nations did not yet possess robust internal expertise in the field of defense planning. This assumption was made because the research was not intended to delve deep into aspects of defense management and defense planning, but, in the spirit of PAP-DIB, to stay only at the levels of conceptualization and main institutionalization principles and their practical relevance.

On a more individual level, it was assumed that all data collected through interviews and questionnaires were provided by the subjects in good faith and to the best of their understanding of the questions. It was not necessary that they be knowledgeable about all aspects of the implementation process addressed by those questions in order to validate their answers.

Methodological Principles

The main principle of the DCAF research effort was to base the PAP-DIB assessment on a clear understanding of the concept of defense institutions. Defense institutions were understood as those arrangements and procedures that govern the processes of defense policy formulation and implementation, ensuring democratic control and oversight, as well as proper defense planning and management. These institutions would be observed and assessed at the level of political and defense organizations, including structures and activities.

Another principle was that, throughout the investigative and analytical effort, the findings would be processed in recognition of the dynamics of governmental actions. There are two main aspects here. First, if the research were to be accurate, it would take into account that the domain it was investigating is not a static one. Progress or setbacks may occur at any moment. Some future developments might be anticipated, but others could not be. For example, when a national security strategy or concept was published, especially when it was published for the first time, the researchers may conclude that the condition of transparency of security risks and national defense requirements was met. But this does not necessarily imply that the other condition stated in the appropriate PAP-DIB objective, that of effectiveness, was satisfied, as we may not be certain that these risks are actually relevant to the defense establishment, or that this relevance was established before other policy and planning documents were produced at ministerial and force levels, and the process of developing defense capabilities was not programmed.

Second, this principle was introduced to draw attention to the incentives or driving forces behind governmental actions. It is important for the researchers to understand what makes the government take action in the field of defense institutionalization. In principle, there are two main driving forces: endogenous drivers and exogenous drivers. Endogenous drivers are forces growing out of national goals and governmental agendas to meet these goals, while exogenous drivers are the product of governmental commitments to meet international requirements and standards. These driving forces may act independently or simultaneously, and may give a fair indication of future developments in the process of PAP-DIB implementation.

The principle of double articulation recognized the separate specificity of the intentional domain and the application domain of the defense institutions. The intentional domain comprises all actions taken by the governmental authorities and their results in order to regulate the defense sector by appropriate arrangements and procedures, while the application domain comprises the usage of the intentional vocabulary to actually fulfill the requirements of functionality, efficiency, and effectiveness of defense institutions. In a double articulation approach, the research should recognize achievements

at each domain level, including those that are not yet reflected in the other domain. It should take stock not only of the functional or effective provisions of laws and regulations, but also of the new or amended legal provisions that are not yet implemented, and of established practices that are not yet translated into legislation. By applying this principle, the assessment would include partial or sequential developments in areas of PAP-DIB objectives not yet fully implemented. This would give the beneficiaries of the assessment reports a more accurate picture of the current achievements, and the implementing bodies a clearer recognition of their work, even if it was not yet done.

Yet another principle was the modular approach to PAP-DIB implementation. This principle suggests that the research should be developed as a set of smaller modules; later the researchers would compile the findings for each module to form one larger image. The smaller modules could be based on each PAP-DIB objective, or on elements of an objective, or on a combination of some of those objectives, depending on their functional relevance. Applying this principle would give the research team flexibility to use its internal expertise in the most demanding areas.

Assessment Mechanism

There are three main stages of the assessment mechanism: data collection, assessment, and reporting. Data collection would be carried on through interviews, questionnaires, and document study, using open sources and unclassified materials. Cross-references would be performed to verify the accuracy of data. For this step, the same issue should be discussed with government officials and non-governmental representatives from target Partner nations, as well as with Allies and other Partners involved in providing international assistance to these nations on PAP-DIB projects. The report should contain a full description of the process of collecting the data, identification of those responsible for obtaining it, the timescale for collecting it, and a statement or indication of the commonality or diversity of opinions for each topic. Any mention of persons or organizations from where the information was collected should be included only with the consent of the actual participant.

The main issue in the assessment stage is determining what model should be used to compare the findings with the expected or desired outcome of PAP-DIB implementation. In the absence of a detailed guide of best practices or generally accepted codes, it is very difficult to assess where a studied nation stands at the moment of data collection. One option is to design a model from scratch. Such a model can be developed based on the requirements stated in the Partnership Action Plan on Defense Institution Building document, the Partnership for Peace Framework Document, the EAPC Basic Document, and the relevant OSCE documents, including the OSCE Code of Conduct on Political-Military Aspects of Security, as well as on the relevant bibliography published by DCAF, such as the Source Book on PAP-DIB. The only methodological condition that applies to this option is that the subject nations must agree on this line of reasoning. This condition is of paramount importance, as these nations are the primary beneficiaries, and they should be confident that the assessment was done in good faith and in line with their own intentions on PAP-DIB implementation.

The report for each subject nation should provide an image of the current status of issues related to defense institution building, including gaps, shortfalls, overlaps, and other relevant aspects. No qualifications, ratings, or comparisons with other nations should result from this assessment. It is highly advisable that the structure of the report follows the contours of PAP-DIB objectives. Before publication of the report, each subject nation is entitled to see the final draft and to have the chance to comment on the findings. These comments should also be considered before publication.

Conclusion

Assessing the status of PAP-DIB implementation is a very demanding task. It should serve the purpose of informing the public of a subject Partner nation, its governmental authorities, and the international community on the achievements and shortfalls in the implementation process. It should be thoroughly organized and planned, and it should be carried out in good faith and with professional responsibility.

Civilians in Defense Ministries

Todor Tagarev *

It is a truism to say that healthy civil-military relations are indispensable for keeping defense establishments accountable to society. In addition, there is a growing understanding that smooth interaction between civilians and the military is key if we wish to keep the armed forces effective in implementing a country's security and defense policy within limited budgets.

It is clear who the military are: men and women at arms ready to protect the nation and its allies from risks and threats of organized violence that may originate close to or very far away from the territory of their own country or the territory of allies. But what is the meaning of *civilian*, or *defense civilian*, in discussing civil-military relations?

This essay examines the issue of civilians in a defense establishment. First, it presents the factors that drive the involvement of civilians in defense and points out some common perceptions, or rather misperceptions, in Central and Eastern European countries. Next, it offers a classification of civilian personnel in defense. Then it examines the profession of "defense civilian" *vis-à-vis* the military profession. Finally, it presents a few ideas that, if properly implemented, will contribute to the establishment of a professional corps of civilian defense experts.

Civilians in Defense

There are two principal drivers for having civilians working within a defense establishment. The first is to ensure democratic control over defense and armed forces; the second aims to increase effectiveness in the use of limited resources, both human and financial. A great deal has been written in regard to the first of these drivers. Often, even the term "democratic control" of the armed forces is equated with the term "civilian control." The role of parliaments, media scrutiny, interactions with NGOs, and relations with society are treated under the motto of "civilian control" or "democratic civil-military relations." As a rule, democratic countries add to this understanding of

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civilian control the element of executive oversight exercised by a civilian minister or secretary of defense and his or her "political cabinet."[1]

In modern states, institutions possessing the means to apply force (including the military) are separate from institutions that decide about the allocation of public resources (political parties, legislatures, presidencies).[2] Military officers readily recognize the supremacy of civilians—elected within the framework of a democratic process—in setting security and defense policies and defining the missions and the tasks of the armed forces. But often, particularly in post-Soviet countries and other former members of the Warsaw Pact, the understanding of how civilian control of the armed forces works is that elected officials set policy objectives and issue guidance, the military experts (through their highest authority, the General Staff) assess what means (forces) are needed in order to implement the policy, and the legislative and executive branches of government provide the necessary resources.

This concept is clear, simple, and *wrong*. It is wrong because defense policy is not defined in a void; part of the process of elaborating defense policy is the formulation of a *strategy*, including a strategy for the contribution to be made by the armed forces to the achievement of national security objectives. Also, every "defense policy" becomes a policy only when it is realistic—that is, when decision makers in parliament and in the executive are fairly confident that the means and resources needed to implement the policy would be available. In other words, there are no clear boundaries between "political decision making" and "military expertise" in defining what armed forces a country needs and how, strategically, to use them.

Furthermore, modern leadership and management theories very clearly define the need to make the most of diverse expertise and advice in making strategic decisions. When the future of an organization is at stake, the leader should actively seek alternative viewpoints, rationales, and proposals. The opportunities to seek alternative opinions in a strictly hierarchical system, such as armed forces subordinated to a General Staff, are very limited. Therefore, if a defense minister wants alternative advice, he or she needs to establish or have two key elements in place: a decision-making process that cuts across organizational levels, and a variety of experts that are able, allowed,

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[1] Of particular importance for establishing democratic control of the armed forces is the role of the head of state, e.g., the president, as supreme commander of the armed forces. This topic, however, is not discussed in this paper. Interested readers may refer to Chapter 3 in Hans Born, Philipp Fluri, and Andreas Johnsson, eds., *Parliamentary Oversight of the Security Sector: Principles, Mechanisms, and Practices* (Geneva: Geneva Centre for the Democratic Control of Armed Forces and the Inter-Parliamentary Union, 2003); and Valeri Ratchev, Chapter 5 in *Civil-Military Relations and Democratic Control of the Security Sector*, ed. Plamen Pantev (Sofia: Rakovski Defense and Staff College, 2005).

[2] Daniel N. Nelson, "Civilians, The Military and Defense Planning in South East Europe: An Analysis of the Stability Pact Self-Assessment Studies," Chapter 9 in *Defense and Security Sector Governance and Reform in South East Europe Self-Assessment Studies: Regional Perspectives*, eds. Eden Cole, Timothy Donais and Philipp H. Fluri (Baden-Baden: Nomos Verlagsgesellschaft, November 2004), 125–35; available at www.dcaf.ch/publications/e-publications/Defense_SSG_SSE/D_18.pdf. Quoted text at 126.

and encouraged to put forward qualitatively different proposals. An expert civilian cadre (under certain conditions that will be described below) may be the source of such alternative proposals and advice.

The second driving factor is the need to make the most effective use of limited resources, including personnel and money. During the era of the Warsaw Pact, almost anyone who played a role in the defense establishment wore a uniform: an engineer in a military factory, a scientist in a research institute, a doctor in the garrison hospital, etc. In an era of preparation for a total war, that might have been logical. Today, however, it is usually clear who among the members of the defense establishment is expected to participate in combat or peacekeeping operations (and thus bears higher levels of personal risk) and who is not.[3]

It also clear that a civilian employed in the defense establishment costs less than a military officer. Only accounting for salaries and additional allowances, the employment of a civilian draws between a half and a third as much money from the defense budget as having an active duty officer or a senior NCO.[4] Thus, just the need to use the defense budget efficiently drives the increase of civilian assignments to all positions in the defense establishment and the armed forces that do not require specific military expertise and do not involve professional military risks.

A later section of the essay presents the specific aspects of military expertise, and the military profession in general, that make it distinct from other occupations. But before that, I will revisit the question of exactly who are the civilians in a defense establishment.

Categories of Civilians in Defense

There are three general categories of civilians in defense:

1. Civilians who represent the political will of the governing party or coalition; these would include ministers, deputy/vice ministers, advisors and other members of the "political cabinet" of a ministry of defense[5]
2. Civilians that bring particular expertise in areas of close interaction with military expertise, such as policy makers, planners, contract managers, project managers, lawyers, etc.[6]

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[3] Barring the highly unlikely (according to current assessments) event of organized state aggression against the territory of the country, in which case often *every citizen* is obliged to serve under arms or to contribute to the defense of the country in other ways.

[4] This takes into account such costs as social insurance, etc., but does not include military training.

[5] Some countries have additional senior executive bodies, going by names like the "National Security Council" or "National Defense Council." Political appointees to such organizations are to be considered in this category of civilians, while the assigned experts may be seen as part of the next category of civilian defense personnel.

[6] Some of these civilians are in leadership or senior management positions. For the purposes of this study, however, they will be considered as senior *experts*.

3. Civilians in supporting functions, such as administrative support, management information systems support, non-combat communications, accounting, library and documentation services, engineering, maintenance and other technical services, catering, etc.

The main distinction between these civilians *vis-à-vis* the military is that none of these categories of personnel is expected to be employed in combat.

The ensuing discussion in this essay is focused on the second category of civilian personnel, which, in my opinion, not only brings the greatest increases in efficiency and effectiveness, but is indispensable in the establishment of sound democratic control over the armed forces. Therefore, the role of such civilians needs to be institutionalized. The highest degree of institutionalization is the formation of a distinct professional group: the profession of defense civilians, or civil servants, comprising categories 2 and 3 in the proposed classification above. But can we expect the formation of a distinct professional group of defense civilians? Should it, in fact, be distinct? Judging by the experience of Western democracies, the answer is "yes." The hypothesis of the existence of the profession of "defense civilian" will be tested against the characteristics of the military profession as distinct from other professions.

The Military Profession

Samuel Huntington, in his seminal work *The Soldier and the State*, which was first published half a century ago, outlined three distinguishing characteristics of the military profession: [7]

- Expertise in the application of violence (for the soldiers) and the management of violence (for the officers)
- Responsibility for guaranteeing the military security of the state
- Corporate nature, formed by complex procedures and requirements for access to the profession, an explicit system for promotion and appointments, the system of military education, a clear hierarchy and staff organization, esprit and competence of the officer corps.

Huntington further showed that the behavior of the officer within the military structure is guided by a complex system of regulations, norms, customs, and traditions. The officer's professional stance towards society is based on the understanding that his or her expertise may be applied only for purposes that are approved by society through its political agent, the state.

[7] Samuel P. Huntington, *The Soldier and the State: The Theory and Politics of Civil-Military Relations* (Cambridge, MA: Harvard University Press, 1985), 8–18.

The Profession of Civilian Defense Experts vis-à-vis the Military Officer Corps

According to Huntington, the duties of the military officer include organizing, equipping, and training the armed forces; planning their activities; and directing their operation in and out of combat.[8] In the exercise of these duties, the military officer frequently interacts with civilian experts (as well as with politicians). For example, civilians have a clear leadership role in formulating policy, while they play practically no role in commanding the troops. However, in the area of "planning the activities" of the armed forces, and in particular in "organizing and equipping the troops,"[9] there is considerable interaction between military and civilian expertise. The contributions of both civilians and military officers are indispensable, and usually complement each other in a sophisticated decision-making framework. The comparison of expert contributions of the two groups is summarized in Table 1.

Table 1: Specific Expertise of Military Officers and Defense Civilians

	Military officers	Civilian defense experts
Setting policy goals	–	+++
Organizing and equipping the force	++	++
Planning military activities	++	+
Direction of force operations in and out of combat	+++	–

Both civilian and military personnel are responsible to society for the status of the armed forces. However, the military officers are responsible primarily for the adequate, timely, and professional employment of force, its training and readiness, while civilians are mostly concerned with effectiveness and efficiency in the use of limited societal resources. The distinct expertise of the two groups is respectively in management of violence and management of defense institutions. Both groups have a distinct system of access to the profession and promotion, hierarchical rank structure, code of conduct, etc. All these distinctions are summarized in Table 2.

All these distinctions indicate that defense civilians may be seen as a distinct professional group, just like their military counterparts. But how can a professional corps of civilian defense experts be created in a country where it does not exist?

[8] Huntington, *The Soldier and the State*, 11.

[9] Or "defense/force planning" in current terms.

Table 2: Features of the Profession of Civilian Defense Experts vis-à-vis the Military Officer Corps

	Military officers	Civilian defense experts
Expertise	Management of violence	Defense management
Responsibility to society	• For the status of the armed forces • For adequate, timely, and professional employment of force	• For the status of the armed forces • For effective use of societal resources
Corporateness	Access, promotion, hierarchy, esprit	Access, promotion, hierarchy, esprit [10]

Towards the Creation of a Civilian Cadre of Defense Experts

As Chris Donnelly acknowledged a decade ago, it is not important how good theoretically the written norms for democratic civilian control are if there are no competent parliamentarians and civilians in governmental positions who are able to speak on equal footing with the military and understand their justifiable needs.[11] Also, there is a need not only for civilian experts, but for institutional guarantees that civilians in government, and in the ministry of defense in particular, will be adequately qualified to perform their duties.

The formation of a professional cadre of civilian defense experts is one such guarantee. A sample of measures that would work toward the creation of such a cadre would include:

- Recognition and legal definition of the role of defense civilians
- Establishment of a system of recruitment and selection of civilians for jobs in the defense sector
- Definition of clear career paths, with a system of ranks, promotion, etc.,[12] allowing for the rotation of defense experts among ministries, other executive agencies, parliamentary staff, audit offices, and other related organizations
- Establishment of requirements and opportunities for education and training of defense civilians [13]

[10] I have not systematically studied the issues of loyalty, esprit, etc., as they apply to the civilian defense cadre.

[11] Chris Donnelly, "Defense Transformation in the New Democracies: A Framework for Tackling the Problem," *NATO Review* 45:1 (1997): 15–19.

[12] The introduction of a "Law on Civil Service/Servants" may contribute to the implementation of this and the previous requirement.

- Creation of a distinct professional ethos, i.e. through introduction of "codes of conduct" and other means.

An important issue, particularly for post-totalitarian societies, relates to the employment of retiring military officers in civilian positions in defense ministries. The utilization of available experience is important, and often countries experiencing the transition to democracy have no alternative. However, a "civilian cadre" composed largely of former military officers can hardly be considered a professional corps of civilian defense experts.

Modes of Civil-Military Interaction in Defense Ministries

Civilian defense experts perform important functions in several areas. First, they provide specific expertise that is usually unavailable within the officer corps—for example, in the elaboration of security and defense policies, project management, costing, cost-benefit analysis, etc. Secondly, civilian experts may independently assess proposals made by the senior military leadership and, when necessary, may provide alternative proposals in areas of their expertise. Third, on behalf of a defense minister, civilians may coordinate the design of ministerial guidance of various kinds, the preparation of decision acts, implementation oversight functions, etc.

These functions may be exercised in two distinct modes: control mode and cooperative mode. In the first mode, civilians clearly support the political leaders in the exercise of their oversight functions. They are seen as part of the control mechanism, which often breeds resentment within the officer corps and produces a variety of obstructions. This mode of using civilians is prevalent in defense ministries of Central and Eastern European countries.

The second, cooperative mode is highly preferable.[14] Ideally, it is based on:

- Goal-oriented interaction between expert civilians and the military, with participation commensurate to the available expertise and specific experience
- An organizational culture that not only tolerates but encourages differences in opinion and approach while promoting cooperative decision making
- Mutual confidence and respect.

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[13] Preferably through a system of education and qualification courses in which civilians study jointly with their military counterparts. For details, refer to Todor Tagarev, *The Role of Military Education in Harmonizing Civil-Military Relations*, Final Report, NATO Democratic Institutions Fellowship Program (1997); available at www.nato.int/acad/fellow/95-97/tagarev.pdf.

[14] For example the reader may refer to Dr. Todor Tagarev and Col. Dobromir Totev, "Civilians and the Military in Defense Planning," in *Defense and Security Sector Governance and Reform in South East Europe: Insights and Perspectives*, Vol. I, eds. Jan A. Trapans and Philipp H. Fluri (Geneva: Geneva Centre for the Democratic Control of Armed Forces, 2003), 217–30.

In this mode, civilian experts are readily distinguished from the political 'masters,' while the latter preserve clear supremacy over all significant decisions on the development and the use of the armed forces.

Conclusion

There is an apparent need to develop a professional corps of defense civilians. Modern leadership and management theories convincingly prove that effective organizations thrive on representative diversity of decision making, and are characterized by a contribution of ideas and opinions from across a wide spectrum. Leaders, both military and civilian, need options – they need to hear debate and criticism, no matter how unwelcome, or how foreign to a hierarchical culture. Therefore, professional civilian experts, working together with their counterparts in uniform, may have a profound impact on the successful transformation of defense establishments in the twenty-first century.

The Institutionalization of Security Risk Assessment

Hari Bucur-Marcu *

When discussing the institutionalization of security risk assessment, the first reference that comes to mind is the NATO initiative that bears most directly on the subject, the Partnership Action Plan for Defense Institution Building (PAP-DIB).[1] In this document, the fourth objective calls for the development of "effective and transparent arrangements and procedures to assess security risks and national defense requirements." A reader of this objective would recognize that the phrase "arrangements and procedures" stands for the broader category of "institutions," and that the requirements for such institutions are effectiveness and transparency, for both the process of security risk assessment and the process of defining defense requirements. This article will discuss the significance of these requirements for the creation of institutions to assess security risks.

Effectiveness of Risk Assessment Institutions

Generally speaking, an institution is effective whenever it produces the outcomes that are expected of it. In order to translate this definition into the context of this discussion, I will identify two stages where the efficiency of defense institutions dealing with security risk assessment can be observed. The first stage is the regulatory process of providing appropriate arrangements, usually through national legislation, that properly define which national agencies are to be entrusted with the missions to identify, analyzes, and accept risks to national security. Such a definition process should also specify what documents these agencies shall publish, and with what frequency. These arrangements are supplemented by procedures established at the inter-agency and intra-agency levels, enabling them to actually perform the required security risk assessments. In fact, the institutional arrangements and procedures are effective if they are sufficiently accurate to guide these agencies through the process of security risk assessment (without being so minutely specific as to constrain the agencies' actions).

The second stage is the implementation process. The threats and risks to national security that are enumerated in the relevant documents are not just statements of legitimate concerns. They are also (or they should be seen as) powerful strategic arguments for the development of defense forces and capabilities that are able to defend national values, objectives, and interests against these threats and risks. In order for a response to be effective, the identified risks to national security should have a clear meaning for all interested parties. In terms of security relevance, the risk assessment should be meaningful for decision-makers within the defense establishment of a given

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1 Partnership Action Plan for Defense Institution Building (PAP-DIB), Brussels, 7 June 2004; available in the NATO Online Library, at www.nato.int/docu/basics.htm.

nation, for defense planners, and also for the international community. Moreover, in a democracy, it should be also meaningful for the nation's citizenry.

The PAP-DIB process was designed to offer particular relevance for the partner nations of the regions of Caucasus and Central Asia, as well as for Moldova. At the time when this initiative was introduced, in 2004, these nations had some legal provisions related to security risk assessment, but they published very few documents containing references to threats and risks to national security. And the relevance of these products to their security policies and defense requirements was somehow blurred.[2]

In the past, all these nations were very reluctant to express their security concerns based on effective institutionalized risk assessments. The existing legislation on security and defense was not very clear with respect to what arrangements were in place for justifying the preference for a certain size or type of military force, what capabilities it should possess, and what missions it should undertake. For a long period of time, these nations were merely considering which procedures they should enforce in their legislation or their governments' practices, with no visible results in the structure or capabilities of their military.

Only in recent years have they begun to contemplate incorporating the exercise of assessing the risks and threats to their security as part of their defense development process. They spent a great deal of time establishing what are the responsibilities of different governmental bodies for security risk assessment, or what are the steps they should follow in order to identify new force requirements. After these steps were completed, they begun deciding on preferred solutions and planning for force and capabilities development.

Even after these questions were answered by the relevant legislation, the actual process of identifying risks to national security was not yet as effective as it should be. One reason for this situation was that key strategic documents, such as security strategies or concepts, were very slow in appearing. And, once they were published, their implications for the development of defense requirements were still unclear.

One explanation for this arises from fact that most of the nations targeted by PAP-DIB did not have in place practices of issuing strategic political guidance on how security risks should be linked to defense missions and to military or non-military means and ends required for addressing those risks. Wherever the strategic security documents were published and were followed by relevant defense policy documents, one could observe some deviations from the provisions of higher-level documents in the lower-level ones. Not all the risks formulated at the level of security strategy were assumed at the levels of the defense or military establishments, or the defense documents

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[2] In 2007, DCAF published reports on the status of building defense institutions in the nations of Caucasus, Central Asia, and Moldova, substantiating this observation. See Philipp Fluri and Hari Bucur-Marcu, *Partnership Action Plan for Defence Institution Building: Country Profiles and Needs Assessment for Armenia, Azerbaijan, Georgia and Moldova* (Geneva: DCAF, 2007); and Eden Cole and Philipp Fluri, *Defence and Security Sector Institution Building in the Post-Soviet Central Asian States* (Geneva: DCAF, 2007), both available online at www.dcaf.ch/publications.

introduced new risks that were not included in the original assessment.[3]

Under these circumstances, there was too much room for arbitrary or biased security risk assessment products, such as policies and strategies, or for rhetorical declarations about security concerns that were not founded on genuine assessments of security risks. The public interaction with the process of security risk assessment was sporadic and unpredictable.

Seen from the perspective of institutionalization, the effectiveness of the process of security risk assessment is less a matter of the actual content of the eventual risks that are identified and analyzed. It is more a matter of applying the principles of democracy to this process, especially the principles that the people are the supreme holders of power in a nation, and that the national security establishment exists exclusively to serve the people.

In this respect, the effectiveness of the institutionalized process of security risk assessment within a given government is revealed by the outcomes of the security risk assessment process. If the eventual risks that emerged from the process address the genuine concerns of the people, and the security threat implied by those risks bore directly on people's interests, aspirations, and well-being, then the process would be considered effective. Also from this perspective, the conclusion on the effectiveness of the process presumes that options open to the public are maximized, while the role played by the government's agenda is minimized.

This democratic exercise is relevant only if it leads to concrete measures that can be observed in the development of defense forces and capabilities. When security risk assessment is not followed by defense planning actions and does not engage national resources, the public will see the process as only political rhetoric and will soon lose interest in this issue, or will reject the government's actions.

Transparency of Security Risk Assessment

The public should be the key agent of validation of the effectiveness of security risk assessment, and transparency is a paramount condition for introducing the public into the equation. An important condition is that the public should be able to observe or even take part in the clarification process of risk identification and risk analysis, and be informed about political decisions regarding risk assessments. The most common transparency formats that serve as effective conduits of public interest into the process of security risk assessment are parliamentarian actions, such as testimonies and hearings; public debates organized and conducted by governmental and nongovernmental organizations; and the possibility for members of the public to express alternative opinions in publications available to a wide audience.

In any democracy, risk assessment is a very delicate task for the government. On one hand, the public forms its own perceptions on security threats and opportunities, which forces the government to factor public opinion into its political decisions. Thus,

[3] Fluri and Bucur-Marcu, *Partnership Action Plan for Defence Institution Building: Country Profiles and Needs Assessment,* 27.

these decisions would reflect not only government opinions but also popular ones. For the nations formerly belonging to the communist system, this would represent a huge leap forward. In communist times, it was assumed that the government (or the leadership of the Communist Party) always knew best what were the interests of the people, and the people were never to question the trustworthiness of Party political decisions on security affairs.

In the new political system, however, the involvement of the public in the process of security risk assessment actually imposes more order in this area of government activity. The process of risk assessment involves interagency actions, where each agency brings its own agenda to the discussion. Moreover, the government has its own political agenda that sometimes biases the process of identifying security risks. Without comprehensive democratic oversight, some risks that are irrelevant to the public interest but that threaten these political agendas might find their way onto the list of risks to national security, and eventually divert resources and energies from genuine national security concerns.

Transparency is also important because risk assessment is part of the process of assessing the security environment, along with the assessment of security opportunities and challenges. It also proceeds hand-in-hand with the development of strategic visions and the identification of national values, goals, and interests that should be defended and/or promoted with military means. All these topics are subjects of public debate and popular acceptance; hence transparency is a must if these decisions are to achieve a broad base of consent.

The Strategic Value of Transparency

There is another incentive for rendering this process and its outcome transparent, an incentive that derives from the strategic value of the risk assessment itself. Risks and threats revealed and explained in national strategic documents, such as security concepts or strategies, are the key ingredients of the permanent dialogue among governments in the international arena, and between each government and its people on strategic security issues. Unless a nation has a predilection for aggressive military actions, the main rationale for any nation to develop any sort of military power is to defend herself from whatever threats and risks exist that pose a challenge to her objectives, values, and interests. This situation highlights the important place risk assessment occupies at the strategic level, both domestically and internationally.

Risk assessment is so important in strategic terms that even the domain of national and collective military power is nowadays referred to as "defense," meaning that it is reactive to threats and risks. In this context, it is not only the risks and threats with strategic value—usually those risks that challenge the very existence of the nation, the freedom of her people, her independence, integrity, and sovereignty, such as military aggression—that have strategic importance, but all risks and threats that justify the development of military forces and capabilities.

It is important to note here that the international community is sensitive to the transparency of risk assessment in any given nation. For example, the nations for which the PAP-DIB process is particularly important are members of the Organization for

Security and Cooperation in Europe (OSCE), and all recognize the OSCE Code of Conduct on Political-Military Affairs and the OSCE Defense Planning document. Both these security enhancement instruments contain clear provisions that are in line with the requirements of democracy and justification of defense forces based on requirements derived from transparent security risk assessment processes. Of course, these OSCE initiatives are only politically binding, and the states are free to implement them at their own pace. But they clearly indicate that these requirements are key ingredients for enhancing peace, stability, and confidence building among the member states of this organization.

Three Levels of Transparency

The main question is what "transparency" exactly means in practical terms. The answer can be found at three levels: institutions, policies, and risks. At the *institutional* level, this means that the arrangements and procedures that are stated in appropriate legislation and regulations and that address the process of security risk assessment should be transparent. They should explicitly determine which governmental bodies are entrusted with the responsibility of identifying and analyzing security risks, and which are empowered to make political decisions based on the work of the former. These arrangements and procedures should also establish the periodicity of the process, as well as the formats of documents in which the assessment is presented to the government and the public. All these aspects are important to building public trust, as they give the interested members of the public relevant information on how the government is organized to act on their behalf in this specific field of security risk assessment.

The *policy level* addresses those policy documents where the security risk assessment is published. The term *policy* has different meanings, according to the context in which it is used. In our case, we are looking for those documents issued at the security sector level (i.e., national security strategy/concept, strategic vision), and at the defense sector level (i.e., national defense strategy/white paper/strategic defense review). For the purposes of translating the assessed security risks into defense requirements, it is also important to consider military strategy, where the relevant risks identified at the security sector level are incorporated and reassessed from a military perspective. All these documents should be part of the public record – that is, the public should have unrestricted access to them. More and more nations are extending the transparency of these policies and strategies to the elaboration process, publishing drafts and inviting the public to express opinions on those draft documents, under the requirements of a transparent public administration decision-making process.

The level of *risk* describes the actual content of comprehensive statements addressing categories or clusters of risks, grouped according to criteria such as the relevance of those risks for national security (i.e., challenges to national values, goals, interests, territory, economy, public safety, etc.); their nature (i.e., military/non-military, natural/industrial disasters), and their urgency (i.e., immediate alarm, or longer-term warning). These statements should also identify those security sector organizations that have main responsibility for each form of threat, and should specify the distribution of supporting roles for each type or category of risk (i.e., defense forces taking the lead,

with civil emergency forces in a supporting role). This process of role identification will lead to the development of strategic missions for the respective security and defense forces responsible for addressing those risks and threats.

Challenges to Security Risk Assessment

The integration of the process of security risk assessment into the processes of defense policy formulation and implementation by no means follows a linear path. There are several challenges a government has to overcome in order to make this process effective and transparent.

One challenge is that security risk assessment never represents a fresh start in the development of defense forces. At any moment in time, when a new risk assessment is published, there is already a defense system in place, based on requirements derived from risk assessments performed years ago. Some of these security threats and risks might still be valid, some might be obsolete, and might no longer be possible to mitigate through existing military means.

Assuming that the process of connecting identified security risks to the development of defense requirements is fully institutionalized, the re-evaluation of already existing threats and risks would result in re-evaluation and eventually re-configuration of the defense structures, forces, and capabilities. This situation would add new levels of complication to the effort to build new defense requirements resulting from the introduction of new threats and risks. It always requires significant determination for the politicians in power to voluntarily revise already identified risks and to assess new ones, when they know from the beginning that this exercise would result in supplementary efforts and costs.

Another challenge results from the inherent political sensitivity of some of the risks, especially when new risks are not fully explained to and understood by the public. The government would prefer to address such risks behind closed doors instead of doing so in a public forum. But, at the same time, the government is obliged by the strategic importance of risk assessment to ensure the full transparency of this process. It is easy to say that, when facing such a secrecy/transparency dilemma, a democratic government should always decide the matter in the favor of transparency. But in real life, governments always have to find the right balance between the two, and that is in itself a challenge.

We may also identify a challenge at the very level of institutionalization. The challenge is for legislators to clearly delimitate responsibilities and tasks to different governmental agencies involved in security risk assessment. Each nation has its own approach in institutionalizing the process of security risk assessment. Generally speaking, the main components or stages of this process are risk identification; risk evaluation; risk prioritization; and risk acceptance. The legal and organizational arrangements and procedures in place assign one or more agencies to each of these stages. They should enhance effectiveness and transparency, but they also should pave the way to a collaborative approach to security risk assessment.

The risks and threats emerging from this process gain in importance in relation to the consequences they imply for the security and defense establishments. Defense pol-

icy documents stating the perceived risks to national security should also establish a visible correspondence between the assessed risks and national defense requirements; otherwise, statements of these requirements will appear to remain purely in the realm of rhetoric. There are risks that allow for a political or practical decision to be made as to whether the risk should be addressed by military or non-military means, just as there are risks that can be addressed exclusively by military means, or risks that should have no military implications.

In an institutionalized process, the agency or agencies entrusted with the task of identifying threats and risks to national security should restrain itself or themselves from pre-judging the implications of the risks that are identified for defense requirements. Ultimately, it is up to the political establishment to decide what risks should be countered by military force, and what should be addressed by non-military means, or not be addressed at all.

Risk identification is usually the responsibility of intelligence agencies. These agencies also perform analyses and forecasts of the internal and external security environment. Due to their specialized nature, they tend to be perceived as an authoritative voice on every aspect related to risk assessment, even those that are well beyond the natural scope of their responsibility.

Risk evaluation is the stage where the identified risks and threats are measured in terms of their relevance, importance, or urgency to national security. It is obvious that this stage can no longer be solely under the control of intelligence agencies. It requires more inter-agency cooperation, with each agency bringing in specialized knowledge and expertise in various fields of national security.

Risk prioritization addresses the question of preference among multiple alternatives. This is already a political decision, and should be performed by political bodies of the security and defense sectors.

Risk acceptance, namely the endorsement of the risks and threats that have been identified in the assessment process, and then evaluated and prioritized by various governmental agencies and compiled in a strategic document, is not only a political matter. It is also a matter of democratic representation. This stage is also the ultimate expression of democratic control and democratic oversight of security and defense, and is usually performed by legislative bodies.

Conclusion

Looking at the way the Partner nations from the regions of South Caucasus, Central Asia, as well as the Republic of Moldova are approaching the PAP-DIB objectives, we may agree that the process of security risk assessment is gaining momentum in most of these nations. Perhaps more importantly, we can look forward to the time in the not-so-distant future when this mechanism will replace the more opaque and arbitrary procedures that are currently used to determine defense requirements in these countries. The experiences of these nations can help serve as a model for other states that are working to implement the PAP-DIB objectives and achieve the required levels of transparency and effectiveness in how they assess security risks.

Office of Security Sector Reform (OSSR): Joint Force Command Naples (JFCN)

> *The ability to bring military support to stabilization operations ... should embrace the ability to support security sector reform...*[1]

The Office of Security Sector Reform was established in the Joint Force Command Naples in March 2006, and is staffed by a mixture of military and civilian staff. This article explains the role of the Office and how it operates. Security Sector Reform (SSR) in the Western Balkans is now a major line of operation for the Joint Force Command Naples, a NATO operational headquarters. The Office of Security Sector Reform is focused geographically on the three Membership Action Plan countries (Albania, Croatia, and the former Yugoslav Republic of Macedonia[2]) in the region and the three new Partnership for Peace countries (Bosnia-Herzegovina, Montenegro, and Serbia).

While formal policies for SSR are still being developed by NATO Headquarters, the SSR Office in Naples pursues practical and deliberate actions to assist NATO's partner and aspiring member nations in the development of their security sectors and armed forces. The successful reform of a state's security sector requires a long-term approach to create effective, modern, and sustainable armed forces, a change that is delivered through national strategies (often including a Strategic Defense Review) and a transformation plan based on the strategy. It is important that ownership of the strategy and plan remain with the nation, not NATO.

The Office of Security Sector Reform in Naples is responsible for ensuring that the management goals for the subordinate headquarters are coherent and complementary across the region while remaining appropriate to each country's individual needs. This is done in conjunction with each country mentioned above, their Ministry of Defense, and other external stakeholders, such as the International Staff at NATO Headquarters.

The Office of SSR in Naples is supported in their role by the NATO Advisors throughout the region.[3] There are NATO Advisory Teams in Sarajevo, Skopje, and Tirana, along with the military liaison office in Belgrade. The International Staff from NATO Headquarters in Brussels takes the lead on advising the respective host nations where they stand on the achievement of the Partnership Goals (PGs), which are established in the PfP Planning and Review Process (PARP) process, and moving them towards interoperability. Each advisory team is established to meet the unique needs of its host nation; thus, the composition of teams varies. In Serbia the military liaison office supports the NATO International Staff-led Defense Reform Group, which provides a mechanism for the guidance and synchronization of the defense reform process. Ef-

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1 Comprehensive Political Guidance Endorsed by NATO Heads of State and Government, Riga, Latvia, 29 November 2006.

2 Turkey recognises the Republic of Macedonia with its constitutional name.

3 The term "NATO Advisors" is used to denote both civilian and military advisors, including the Senior Military Representative (SMR).

fectively, the in-theatre NATO advisory staffs are an extension of the staff based at JFC HQ Naples.

The Office of Security Sector Reform is led by a senior officer, currently Brigadier Dennis Blease of the British Army, though he is due for replacement by a German officer in March 2008. The remainder of the staff is a mixture of civilian and military personnel. The deputy is a NATO civilian, and the staff are employed as country desk officers, with one responsible for each of the countries in the Western Balkans, along with an executive officer and an education and training officer.

Engagement with the countries is based on support for their individual national plans and other initiatives. National plans are coordinated with NATO Headquarters, with whom Individual Partnership Plans (IPP) or Individual Partnership Action Plans (IPAP) are agreed. The IPP based on the Euro-Atlantic Partnership Work Plan (EAPWP) sets out a country's involvement in PfP for the following year. IPAP are agreed plans that focus on a country's transformation process; they are focused and measurable. For those partners involved in the Planning and Review Process (PARP), NATO negotiates agreed planning targets for a two-year period. The Partnership Goals have specific defined objectives and timelines. The Office of Security Sector Reform supports this process as appropriate within the resources available.

The Office of Security Sector Reform's ongoing engagement with the advisory team's senior military representatives, the military liaison office, and the host nation's ministry of defense and senior staff in the armed forces helps to ensure focused and relevant assistance. This can be achieved through the provision of ad hoc groups of experts to assist with specific issues, the deployment of mobile training teams (MTT), and facilitating visits by experts from other agencies. Examples include a communications and information systems MTT in Serbia, an overview of NATO operations in the Peace Support Operations Training Center (PSOTC) in Sarajevo, and the command sergeant major's initiative to organize NCO and junior officer leadership cadres in Montenegro.

The intent of these forms of support is to assist the countries in transforming their security sectors, in order to enhance their contribution to regional stability and security as well as preparing them for possible NATO membership. This involves the development of armed forces that are democratically controlled, affordable, and self-sustaining, and which are capable of contributing to ongoing and future NATO-led operations as well as to EU, UN, and other coalition efforts. The six countries in the region are now net exporters to NATO operations. Excluding KFOR, NATO has 150 personnel in the Western Balkans, while the six countries have 569 troops deployed in Afghanistan and Iraq (as of 20 September 2007).

NATO's partnership and cooperation policy is a key to the future of the Alliance, and the Office of Security Sector Reform plays a crucial role in promoting stability in the region, and provides a model on which the concept can be further developed. The role and tasks of the Office of Security Sector Reform will continue to develop in the future, but only by committing to the role will NATO be able to achieve the reality outlined in the Comprehensive Political Guidance in Riga.