



ATLANTIC MEMO #40

## ***Get "Smart": Paving the Way to a More Efficient Alliance***

### **INTRODUCTION**

NATO Secretary General Anders Fogh Rasmussen's concept of Smart Defense, defined as "ensuring greater security, for less money, by working together with more flexibility," will be a hot topic at the NATO Summit in Chicago. The Secretary General has stressed that to successfully maintain its strength amid shrinking defense budgets and economic austerity, NATO "must prioritize... must specialize... and must seek multinational solutions." The European Union, much of its membership overlapping with NATO, has endeavored to accomplish a similar task through pooling and sharing, but concerns over sovereignty have severely limited progress.

This policy memo provides several recommendations on how NATO can overcome this roadblock to secure state participation in the Smart Defense initiative. As military cooperation remains a sensitive issue, the success of Smart Defense will depend on how well NATO packages and markets these projects. NATO leadership must prove Smart Defense's utility and dynamism while demonstrating the financial and strategic benefits to be gained by swift and comprehensive implementation.

In order to create attractive projects, NATO will have to focus on four policy areas: 1) rework its structure to facilitate a more cooperative environment, 2) provide mechanisms to ensure efficiency, 3) stimulate and secure connections between like-minded states, and 4) find creative ways to include non-NATO actors in Smart Defense projects. It is through these initiatives that Smart Defense's prospects for success can be raised; a success which is vital if NATO is to become the more efficient and interoperable alliance that its members need.

### **POLICY RECOMMENDATIONS**

#### **1. Create a favorable setting for Smart Defense.**

Smart Defense requires a framework for facilitating multinational cooperation and specialization. One key step in this direction is setting up a new framework called NATO Pioneer Groups (NPGs) which compresses NATO's organization by rearranging existing NATO bodies into efficient groups that focus on the strategic development of a particular asset. This new framework would stimulate specialization and efficiency, and also provide a structure for pooling and sharing. Additionally, in order to ensure that projects run smoothly, reporting to and supervision by the Conference of National Arms Directors (CNAD) is essential.

##### **1.1. Establish NATO Pioneer Groups (NPGs).**

###### *1.1.1. Make the organization leaner.*

NATO has to restructure its Project Steering Committees and Centers of Excellence by incorporating them into the new framework of NATO Pioneer Groups. An NPG would be a multinational unit within NATO, established by an intergovernmental agreement and supervised by CNAD, focused on optimizing technology through i) research & development, ii) acquiring capability, and iii) steering capability on a specific project. This will allow for more coordinated and efficient cooperation, with the NPGs benefiting from CNADs experience in procurement and joint development activities and the new framework allowing for flexibility as it can cover any project in any phase of capability development.

###### *1.1.2. Involve all members.*

All NATO members that wanted to cooperate on a specific NPG would be allowed to

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do so. For each NPG there would be specific requirements outlined if countries wanted to join in later. Some requirements might be based on an evaluation of potentials in finance (national budget allocation), planning (a candidate plan that outlines how the state would contribute) and existing capabilities (military, scientific and industrial development levels).

#### *1.1.3. Ensure openness for industry.*

NPG meetings and conferences are open to other member states. Most meetings are also open to representatives of industry. Keeping in line with previous efforts of NATO, the latter is under the provision that medium size companies will be represented as well, for it is their input that will prevent monopolization of the overall process. Furthermore, NPG members collectively promote the simplification of terms and conditions on regulation regarding their specific defense-related product.

### **1.2. Ensure coordination and transparency.**

#### *1.2.1. Include NPG coordination within CNAD's annual Management Plan.*

Create a section of CNAD's current annual Management Plan that specifically coordinates NPG activities in accordance with the overall Smart Defense principles. The Management Plan would outline the working activities of the NPG program and set out concrete bi-annual goals for each NPG project. Every NPG would bi-annually report to CNAD regarding the status of the specific project. Annually, each country would also independently provide a statement on their medium to long-term outlook regarding this project.

#### *1.2.2. Build an NPG portfolio.*

In principle, a nation could choose to focus solely on one NPG and be extremely specialized while other member nations might prefer to have an "NPG portfolio" that is fairly spread out. This stresses the notion that Smart Defense is not a one-size-fits-all answer – in the words of NATO Secretary-General Rasmussen, "it is not a straight jacket."

### **2. Commission a Smart Defense Efficiency Handbook.**

NATO should commission the publication of a new document, *the Smart Defense Efficiency Handbook*, which is produced annually by CNAD. The Handbook would be an informational resource used by Member states, Partner countries, and relevant stakeholders, which summarized current Smart Defense projects, identified NATO capability gaps and proposed Smart Defense projects to fill these gaps, and helped promote efficiency within the Smart Defense initiative. Access to the Handbook would be based on a layered system of confidentiality. The Handbook would consist of two sections: the Master Plan and the Integrated Efficiency Guidelines.

#### **2.1. Develop a Master Plan.**

##### *2.1.1. Keep NATO members abreast of current Smart Defense projects.*

A new overall Master Plan would update Member states on the progress of all Smart Defense projects. This information is useful in preventing the duplication of programs, and would serve to inform states of early-stage projects that they may still join. The document would be particularly useful to smaller countries that might lack the military or diplomatic connections needed to stay abreast of all Smart Defense projects.

##### *2.1.2. Identify gaps in NATO capabilities and suggest projects to fill these gaps.*

The Master Plan would also serve as a resource for strategically identifying vital Smart Defense projects that are beneficial to both Member states and the Alliance as a whole. It would forecast any potential gaps in NATO capabilities and provide policy specialists with a menu of initiatives to fill these gaps. Possible projects would be outlined in detail and information provided on costs, number of participants needed, and estimated completion timelines. The Master Plan would not impose projects; it

would simply highlight the ones that will have the greatest impact should states choose to participate.

## **2.2. Integrate efficiency guidelines.**

### *2.2.1. Promote best efficiency practices through the annual Smart Defense Efficiency Meetings.*

In an effort to promote efficiently run collaborative projects, NATO should convene a yearly meeting that brings together NATO officials, academic experts, business leaders, and military logisticians to share best practices and create guidelines for the efficient management of Smart Defense projects. This new forum would be an opportunity for NATO to stay in touch with the leading strategies of resource efficiency, military logistics, and supply-chain management.

### *2.2.2. Draft the annual Integrated Efficiency Guidelines to disseminate the conclusions of the Smart Defense Efficiency Meetings.*

NATO should create a set of efficiency best practices and guidelines that could be used to implement Smart Defense more efficiently. The document would also set NATO efficiency goals for the upcoming year and discuss techniques for decreasing costs while improving productivity.

## **2.3. Ensure confidentiality.**

The confidentiality of the Handbook would be based on a layered access system. Officials from both Member states and NATO would have full access, while civilian contractors and third-party states would have access to the sections of the Handbook in which they have a direct involvement. Other partners (academics, business officials, experts) would have access to the Integrated Efficiency Guidelines portion of the Handbook but not the Master Plan.

## **3. Set up a promotional task force.**

A small task force called the Encouragement and Coordination Unit (ECU) should be created to expand upon the functions performed by the Special Representatives for Smart Defense, General Stéphane Abrial, Supreme Allied Commander Transformation, and Ambassador Claudio Bisogniero, Deputy Secretary General. This task force would promote overall cooperation and integration by actively stimulating cooperative projects between NATO Member states, as outlined by the overall Smart Defense guidelines and in light of future developments. The task force would act as a coupling agent and guarantee practical coordination.

### **3.1. Act as a coupling agent.**

#### *3.1.1. Seek out and establish partnerships.*

The task force leader would be the main ambassador for Smart Defense, keeping the initiative at the foreground of national policies and stimulating its effective introduction. In contrast to the existing Public Diplomacy Division (PDD), the ECU would specifically encourage national governments, politicians, and industry leaders, highlight potential areas for cooperation based upon on military needs and opportunities identified by NATO's Allied Command Transformation (ACT). Face to face meetings and promotional tours would continuously present countries with NATO's need for cooperation, highlight the benefits of pooling and sharing, identify and introduce potential partners, and offer concrete projects to members.

#### *3.1.2. Offer "enhanced deals".*

The task force would proactively respond to initiatives from members themselves. When countries identify common ground and plan on signing a cooperation agreement, the task force would offer those countries an "enhanced deal": an agreement that envisions the same levels of cooperation, but grants access to NATO expertise in return for opening the cooperation to other interested Member states.

NATO is the world's most experienced entity concerning military cooperation, so a wide range of extra benefits can be presented, including the offering of practical advice or the establishment of business deals with the defense industry.

### **3.2. Guarantee practical coordination.**

#### *3.2.1. Reconcile cooperation and sovereignty.*

The ECU has to define to a greater degree the legal proceedings and rules of Smart Defense projects, in order to ensure that all stakeholders are prepared to engage in such projects. Commonly procured and shared capabilities must be available to all stakeholders. These projects and capabilities, whether newly established or shared, need a clear legal framework, as assuring access is vital. Furthermore, the task force should help and support the legal and practical negotiations. In order to encourage cooperation and remain respectful of national sovereignty issues, the Member states would remain the binding legal partners.

#### *3.2.2. Coordinate legal and practical issues.*

In the actual negotiation process each state must know when and how resources will be made available and how unforeseen crises will affect this availability. Therefore, each stakeholder can choose among a small range of possibilities where Smart Defense projects can actively be used. This range should be set up by the task force and can include research and development, training, natural disasters and more. It would be the duty of the ECU to encourage a broad willingness on the side of all stakeholders to ensure the usefulness of Smart Defense projects. The task force has to communicate to all stakeholders that narrow fields of application should be avoided.

### **4. Include external actors.**

Cooperation with third parties is an important aspect of Smart Defense as increasing the level of mutual trust and transparency in defense policies may increase international stability and provide the environment for the optimal development of national defense industries.

#### **4.1. Create a framework for external actor involvement.**

##### *4.1.1. Develop and approve effective rules.*

Introduce standards that guide the central aspects of cooperation; the validation of a set of universal norms for military-technical cooperation, export control, and weapons specifications is a precondition for the successful inclusion of third parties.

##### *4.1.2. Gather data on non-sensitive areas of the defense industry, especially science and technology capabilities.*

A comprehensive database on national capabilities that Members consider open for cooperation should be established. This would provide a clear vision to relevant stakeholders of the benefits of joint projects.

##### *4.1.3. Coordinate with NPGs.*

This system may provide useful options for third party involvement, e.g. when a Member country in an NPG sees an opportunity for the involvement of a non-NATO actor (such actor may possess technology, resources or expertise), it develops and sends an explanatory note to CNAD for approval.

##### *4.1.4. Assure each NATO member state's security interests.*

NATO Member states must possess veto capability over every proposal of third party involvement, as their security interests may vary widely.

#### **4.2. Cooperate with the European Defense Agency (EDA).**

The EU works hard on using cooperation to both ensure security while also spending less. Within the scope of the NATO-EU Agreed Framework, the mechanism of

Coherent Capability Development was established in order to facilitate interaction between the organizations. Any actions proposed in the Smart Defense domain, especially those affecting European defense, must be evaluated by CNAD in terms of their compatibility with EDA initiatives to avoid doubling.

#### **4.3. Explore collaboration with Russia.**

Areas where NATO and Russia have cooperated in the past map well with the goals of Smart Defense as defined by Secretary General Rasmussen. A significant step towards optimized spending and enhanced development of capabilities may be identifying spheres of cooperation where group effort can occur between NATO and Russia - for example in the development of defense science, technology and industry.

Given Russia's positive experiences of cooperation with some NATO Member states and its recent agreements with the Alliance, as well as impressive defense budget allocations, Russia could play a significant role in Smart Defense. Military-technical cooperation between NATO members and the Russian Federation should not be limited to Russia's one-sided acquisition of military equipment from Europe, nor collaboration on high-level space and missile defense programs. Possible joint projects could focus on compatibility improvements between Russia and "new NATO members" - who often share a joint Soviet military heritage with Russia - in the more "mundane" areas of conventional weapons and operational command, control and communication development.

## **CONCLUSION**

In our view, Smart Defense must be flexible and adaptable in order to be successful. It is not a one-size-fits-all initiative and must offer a variety of projects that promote efficiency and cost-savings. In order to ensure this, this policy memo offered several recommendations. They could be implemented either partially, or together for greater cumulative effect, but all aim to generate a positive dynamic for Smart Defense.

The NPG project stimulates specialization to a greater degree than before and allows for pooling and sharing. Efficiency measures are aimed at making Smart Defense indeed smart and to ensure that military capacity gaps will not arise. The ECU guarantees that Smart Defense cannot be ignored and offers nations a best deal, supported by clear legal agreements. Finally, engaging with third parties widens the scope for Smart Defense, further reducing costs.

With these measures, Smart Defense would take a greater step towards turning NATO into a more efficient alliance.

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