SMART DEFENCE AND DEFENCE RESOURCES MANAGEMENT

Lieutenant General Professor Teodor FRUNZETI, PhD*

Ever since the Chicago Summit in May 2012, the Euro-Atlantic community has been imprinted, from the security and defence perspective, by the launch of a new initiative known as smart defence, a concept referring to the need to improve the way in which defence spending is made at the Alliance's level. Smart defence also has a corollary at EU's level – i.e., pooling and sharing – the two notions referring, overall, to the same procedure and implying a crucial need for the two organizations to coordinate their efforts in this respect.

This article approaches the conceptual meaning of smart defence, with special emphasis on its management dimension regarding the defence resources. As a consequence, it is approached in connection with other similar concepts such as 'pooling and sharing', Planning, Programming, Budgeting, and Evaluation System (PPBES), and the Connected Force Initiative. The conclusions of this scientific demarche reveal the complexity of the smart defence concept and of its implications, its long-term applicability as well as the fact that smart defence is and presupposes an efficient management in close correlation with other innovative solutions launched recently or solutions which need to be brought to the fore, in the attention of the actors belonging to the Euro-Atlantic space.

Key-words: *smart defence; defence resources management; PPBES; prioritization; specialization; cooperation; complexity; Connected Force Initiative.*

Smart defence and *pooling and sharing* are two recent initiatives launched in the area of defence planning at NATO and EU levels. Essentially, the two initiatives presuppose an effort to make defence spending more efficient in the context created by the economic and financial crisis. Beyond them, there may be also identified geopolitical and geostrategic implications insofar as they reflect certain changes in world's power configuration, in the relations between different

* Lieutenant General Professor Teodor FRUNZETI, PhD (tfrunzeti@unap.ro), member of the Academy of Romanian Scientists, Commandant (Rector) of „Carol I" The National Defence University.

actors of the international arena, but, basically, 'smart defence' and 'pooling and sharing' are about the management of the defence resources in times of severe austerity measures and budget cuts. The rationale lying behind them is that state and non-state international actors are compelled by the necessity to manage a complex range of security risks and threats with more limited resources. They also mirror the Europeans' need to become more involved in the process of guaranteeing their own security and the security of their close vicinity given the fact that one of the core ideas implied by the smart defence concept is the necessity to bridge the gap between the US investment in defence within the NATO framework and the European input.

1. Pooling and sharing and Smart defence – a conceptual approach

The concepts of 'pooling and sharing'/'smart defence' which imply, on the one hand, the development or acquisition of military equipment that could not be achieved individually and, on the other, their shared use, emerged at EU level and not at NATO's, as one could have expected. The idea of purchasing and sharing expensive military equipment is inherent to the principles included in the founding documents of the European Defence Agency (EDA).

Therefore, when the military budgets of the Member States began to decline, the idea long developed by the EU got a name, i.e., 'pooling and sharing', and was publicized, accepted as a solution for the continuing efforts to ensure security in the global financial and economic crisis, and was later adopted, developed and implemented by NATO. Moreover, the fact that 'pooling and sharing' is a concept of European origin is acknowledged by the considerable number of predetermined factors and experiences of this kind in the EU, allowing a group of countries to achieve a high degree of integration, assuming that the others will catch up as their necessary capabilities develop[1].

Given the adaptation of this approach to the international context features (in particular the implications of the economic and financial crisis), the presentation of feasible solutions and the focus on finding solutions led to the wide echo that the concept of 'pooling and sharing' has had since then. Basically, after making inventories of the existing military capabilities, the Member States will seek to avoid investments in those capabilities that already exist in other Member States and to

[1] Petre DUTU, Cristina, BOGZEANU, *Reforma instituțională a UE din perspectiva Politicii de Securitate și Apărare Comune*, "Carol I" National Defence University Publishing house, Bucharest, 2011.

focus on those capabilities that are necessary in order to achieve national strategic objectives and maintain the EU as a relevant security actor. Avoiding duplication, both within the EU and regarding NATO-EU capabilities, is therefore one of the key concepts of 'pooling and sharing'.

Consequently, initiatives were discussed such as Helicopter Training Program, Maritime Surveillance Network, European Satellite Communications Procurement Cell, field hospitals, inflight refueling, Future Military Satellite Communications, Reconnaissance – Surveillance – Intelligence, Pilots' Training, and European Centre for Transportation, Smart Ammunition, Logistics and Naval Training[2].

Therefore, the idea of „pooling and sharing" involves cooperative effort and harmonization in terms of security and defence industry. It is, in fact, an economic solution to manage the impact of the economic and financial crisis on military budgets, and, although in itself it is not necessarily new, the scale and importance attached to it are new.

Also, the fact that 'pooling and sharing' is an economic solution for managing current challenges and that the idea itself is not fundamentally new can be found in the emphasis placed on research and development fields whose importance was emphasized in Strategy 2020 where 'smart growth' was defined as "developing an economy based on knowledge and innovation"[3]; research and development can boost resource efficiency and create new jobs. Basically, research and development are key factors for economic growth, and their inclusion in initiatives to streamline defence spending becomes natural. With this component, 'pooling and sharing' is tuned to the efforts of management and financial economic crisis not only in defence but also in all areas affected by the crisis. Furthermore, the effectiveness of 'pooling and sharing' from this perspective becomes even more likely because, at EDA level, research and development capabilities were included since the founding act of the Agency[4], and the initiatives established under Strategy 2020 – Innovation Union – have created an environment for developing and promoting new ideas. Moreover, the EU Council meeting of 22-23 March 2012 stressed the importance of creating

[2] European Defence Agency, *EDA's Pooling and Sharing*, 24 November 2011, www.eda.europa.eu.

[3] European Commission, Communication from the Commission, *Europe 2020. A Strategy for Smart, Sustainable and Inclusive Growth*, Brussels, 3.03.2010 COM (2010) 2020 final, p. 10, http://eur-lex.europa.eu/LexUriServ/Lex UriServ. do?uri=COM:2010:2020:FIN:EN:PDF.

[4] Council Joint Action 2004/551/CFSP of 12 July 2004 on the establishment of the European Defence Agency, in Official Journal of the European Union, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX: 32004E0551: EN:NOT.

synergies between the EDA, the Commission, and European policies, particularly in the field of investments in Research and Technology, believed to be a solution to strengthening the Defence Technological Industrial Base in Europe [5].

'Smart Defence' is equivalent to the concept of 'pooling and sharing', implemented at EU level. The version of 'smart defence' was adopted in the context of major imbalances in the contribution of the NATO alliance budget, imbalances whose importance has increased considerably in the conditions created by the economic and financial crisis.

The decline of the US power, as the main contributor to the NATO budget, and the change of its strategic priorities for the Asia-Pacific[6] also impacted on its organization and functioning. A recently launched concept, 'smart defence' falls among the transformations undergone by the Alliance under the impact of the tectonic movements occurring worldwide According to NATO's official website, the concept of 'smart defence was adopted by the Alliance in the context of a crisis, given that it is necessary to 'rebalance' defence spending between the US and the European countries, a fair 'burden sharing' in defence matters. In general, this aims at the defence capabilities involving considerable expense, e.g. anti-ballistic defence, surveillance and reconnaissance, intelligence, maintenance and training, education and employment training, effective engagement and force protection.

Basically, 'smart defence' is a solution meant to maintain NATO's ability to fulfill its missions assumed by the Washington Treaty and the Strategic Concept, the Alliance's response to the increasing complexity of the international security environment since the security risks and threats remained, while countering them has become increasingly difficult as the military budgets have declined under the impact of the global financial and economic crisis.

The implementation of this concept at the Alliance level involves developing those capabilities NATO needs most in the current international context, as the Alliance operates similarly to the EU and EDA, as a facilitator, as intermediate framework within which its Members can decide what they can get jointly, at lower costs, more efficiently and with less risk. At NATO level, the coordination role is taken by the Allied Command Transformation (ACT). Another important structure in

[5] Council of the European Union, Council conclusions on pooling and sharing of military capabilities, 3157th Foreign Affairs Council meeting, Brussels, 22nd and 23rd March 2012, p. 2, http://www.consilium.europa.eu/uedocs/cms_Data/ docs/pressdata/en/esdp/129162.pdf.

[6] Hillary CLINTON, *Secolul Pacific al Americii*, in Foreign Policy Romania, no. 25, November/December 2011, pp. 26-33.

implementing the 'smart defence' concept is the Conference of National Armaments Directors, the main NATO committee responsible for promoting cooperation in supplying weapons and capabilities to improve the effectiveness of NATO forces.

Moreover, on July 6, 2012, a similar agency to EDA, i.e., the NATO Procurement Organization (NPO) was created within NATO[7] in order to provide a framework which would integrate the multinational procurement programs. NPO is still under organization. In addition, the implementation of 'smart defence' requires certain necessary steps. The first is ***prioritization*** of the necessary national capabilities as to those required in the Alliance, so that the main objectives identified in defence planning coincide with those defined by NATO. The second step is ***specialization***, which implies the need for states to cut the budgets allotted to those existing capabilities of other NATO member states and to which, by virtue of 'smart defence', they should have access. Specialization involves saving some resources to be invested in others, weak or absent, throughout the Alliance. The third step is ***cooperation*** – a crucial and fundamental dimension of the concept underlying the idea that states can, together, have access to capabilities that would not be possible otherwise.

The initiatives developed under the 'smart defence' concept at NATO level focused on extremely costly capabilities. Among these, we can mention the following: a) *Land, sea and air surveillance systems; b) Airborne warning and control system* (AWACS); c) *Countering improvised explosive devices* (IED); d) *Ballistic Missile defence; e) Countering cyber attacks*; f) *Command and Control systems*, etc.

2. The management implications of Smart Defence

The idea of investing in an intelligent way in defence matters is not new as there were numerous initiatives in this respect at both NATO and EU levels[8]. The Planning, Programming, Budgeting and Evaluation System (PPBES), a management method used in defence resources matters, has long been implemented at NATO Member States' level. As the name of PPBES suggests, this management method is designed in accordance with the main stages of the management process and involves the following characteristics: a) identification of long-term objectives; b) calculation of the costs and advantages involved by the various programs which can be financed from the national budget; c) setting a

[7] The NATO Procurement Organization (NPO), http://www.nato.int/cps/en/natolive/topics_89040.htm.

[8] Cristina BOGZEANU, *NATO-EU Relation from the Perspective of the Implications of "Smart Defence" and "Pooling and Sharing" Concept*, in Strategic Impact, no. 3 [44]/2012, pp. 33-40.

classification in accordance with the efficiency indicators; d) decision-making in conformity with the classification of programs.

PPBES was implemented at national levels with the aim of optimizing the defence capacity so as to create interoperable, flexible, mobile, highly sustainable forces able to participate in NATO and EU missions. Additionally, the comprehensive nature of PPBES, its long-term approach, its mainly financial and economic character, together with its positive effects in increasing interoperability between national forces make it possible to establish a series of connections between this type of management and 'smart defence'.

As previously proved, 'smart defence' is also a financial solution to the current economic challenges at defence planning level within NATO, requiring a long term approach and high quality coordination at various levels – between Member States, between governmental structures and industry, between Member States and the Alliance's inter-governmental structures. All components of PPBES may be considered, therefore, as essential parts of the process of 'smart defence' implementation as the quality of the management of this intelligent manner to invest in defence is the very key to smart defence success.

Moreover, smart defence also implies a series of constituents presupposing serious challenges to be faced. In this respect, reference is made to prioritization, specialization and cooperation, which altogether mean that "the Alliance nations must prioritize on those capabilities which NATO needs most, specialize in what they do best, and look for multinational solutions to shared problems"[9]. Therefore, smart defence will trigger consequences on the planning dimension of defence resources management. Harmonizing national priorities to the Alliance's ones may trigger effects on the long-term perspective of security as national defence budgets will have to be designed so as to contribute effectively and in close cooperation with other Member States to meeting the essential capabilities requirements of the Alliance. In this context, planning could require changes and adaptations at national level, as well as at supra-national levels as each Member State's priorities in defence investment are expected to become a piece fitting perfectly within the puzzle of NATO's priorities in defence investment.

Specialization is one of the most challenging constituents of smart defence with the most ample and deep repercussions on defence planning and programming

[9] *Smart Defence*, http://www.nato.int/cps/en/SID-9D9F04B9-02DE4CE8/natolive/topics_84268.htm?.

at national level, a genuine 'Gordian knot' of 'smart defence'[10]. As defined by NATO, specialization requires that nations focus solely on developing specific capabilities and abandon the development of others, the latter to be provided, if necessary, by other allies, under the same concept. It is about making efforts which will have permanent implications, as Member States could become, in some cases, the sole suppliers of certain equipments and, in others, completely dependent on the help of other countries. Of course, in this context, we should not overlook the security guarantee provided by Article 5 of the Washington Treaty.

First, specialization involves substantive changes in the national military structures the Allies only due to the concentration on certain military capabilities, which means there is the risk that states act according to the principle of sovereignty and are reluctant to adopt such measures. Moreover, the cited source identifies six broad categories of challenges in this regard. The first is that specialization impacts on the strategic flexibility oft each State partly because the necessary enterprise capabilities of contingency measures would remain uncovered, representing a vulnerability of the respective state actor.

The second challenge for specialization refers to the negative political freedom of states to act or not in a given situation, for example, when it wants, along with other allies, to act in a particular crisis requiring capabilities developed by other players, and vice versa, when a player who is the only holder of capabilities believes that engaging in a particular crisis or conflict is not consistent with its national interests. In both cases, one can speak of coercion, irrespective if its decision is to act or not to act.

Thirdly, setting the criteria lying at the basis of the composition of specialized forces is another difficulty as they will require a high degree of cohesion necessary in order to assume that all capabilities are available regardless of the nations that compose them and that given the fact that allies will tend to develop the capabilities that are necessary because of the vulnerabilities they are exposed to. In this respect, the Smart Defence initiative is fundamentally complementary to the Connected Force Initiative, which also has a thorough approach on creating a high degree of interoperability between NATO forces so as to make them able to act jointly, as one single organism.

[10] Jakob HENIUS, Jacopo Leone McDONALD, *Smart Defence: A Critical Appraisal*, NATO Defence College, Deltamedia Group Publishinghouse, Rome, March 2012, pp. 26-47.

The fourth difficulty concerns the implications for the defence industry, specialization assuming that states will have to cease the production of certain capabilities in order to be able to concentrate all resources on developing and producing those capabilities which are necessary at NATO level and are not developed by any Member State. Fifth, there is the increased complexity of military education and instruction, and the sixth is that the specialization process must start from the premise that NATO is the only organization with responsibilities in the Euro-Atlantic security. The Member States are part of other organizations too and need to deal with specific risks, such as, for example, the case of Turkey which has to manage the PKK problem. Basically, the states must maintain the capability to act under other security commitments and to avoid duplicating other existing NATO military capabilities.

Therefore, specialization has the most notable impact at national level defence resources management as it impacts seriously not only on planning, on the creation and maintenance of a certain strategic vision, but also on the data used in this type of management. On long term, there will be changes in the structure of the armed forces, in the budgets allocated to the objectives set by the documents revealing the Member States' visions on security, on defence industry and, last but not least, on the relations between states.

Cooperation is the cornerstone of smart defence eventual success, requiring to a large extent the existence of a high mutual trust and transparency between all the actors involved in this process and they are not few – states, NATO, EU, business environment, national authorities. Smart defence presupposes, by this token, a complex process of defence resources management by cooperation, a cooperation which has to take place at various levels. Motivation and the identification of a 'common language' to be spoken in matters of defence resources management by all the entities playing a role within this context constitute prerequisites in order to be able to speak of a genuine smart defence on the long term, as it is barely defined at present.

As a new type of management in defence matters, with all its complex and broad effects, smart defence is not, in our opinion, a concept possible to be put into practice thoroughly on short term, but a concept whose implementation requires a far-seeing vision. Also, we consider that drawing a parallel between smart defence and PPBES is very useful as both of them require a management based on a clearly defined vision on the economic and financial reality, on the area to be managed, on the objectives to be carried out, on budgetary planning and on periodical evaluations

so as to obtain information on the success of the efforts and on the areas in which more efforts need to be made.

At the same time, this type of management is also very challenging, as this manner of making defence investment more efficient also presupposes to increase the inter-connectivity of NATO forces; this is to be accomplished in a context marked by two opposite forces. On the one hand, one could easily note a schism within the Alliance regarding the Member States' vision on the international order, international affairs (the shift of the US strategic interests towards the Asia-Pacific area, for instance) and the future of the Euro and, on the other hand, the fact that the Member States' armed forces have the tendency to downsize their armed forces as well as military investments[11].

As previously stated, smart defence could function properly only if it is supported by an efficient management - as it implies increasing the connection between its forces, a high degree of mutual trust among member states and a high degree of coordination regarding the committed forces, the developed military equipment as well as a certain coordination between national interests, the capabilities on which the Member States choose to specialize in. As a matter of fact, smart defence is supposed to develop within the Alliance forces interoperable and interconnected to such an extent that they could be able to act as one, in "organic jointness"[12]. The Connected Forces Initiative launched by NATO is meant to approach this issue and is tightly related to smart defence, insofar as it presupposes common military equipment, common facilities able to interact, network, communicate, and exchange data and services. Standardization, training, exercises are also part of this initiative, which mainly refers to the human resources' capacity to act and think as one. The Connected Force Initiative implies both as a premise and as a result the tightening of the relation between knowledge, research, defence education and a common education concept throughout the Alliance.

The Connected Force Initiative is not equal in importance to the fact that NATO's forces were not connected or interoperable, but to the need to increase the degree of connection and interoperability between them in the current context. NATO's missions in Afghanistan, Iraq, the Western Balkans and, more recently, in

[11] BĂHNĂREANU, Cristian, *Future defence and security. Military budgets in crisis?*, Strategic Impact, no. 4 [37] / 2010, pp. 90-97.

[12] Julian Lindley-French, *NATO: Connected Forces, Connected Minds?*, 23rd July 2012, http://www.acus.org/new_atlanticist/nato-connected-forces-connected-minds.

Libya proved the existence of these characteristics at the Alliance's forces level, but the current international context requires their fathoming.

Conclusions

Pooling and Sharing, Smart Defence and the Connected Force Initiative are complementary resolutions, part of the same reality and can be put into practice only through an efficient management process. All of them have been preceded by similar initiatives, but the present international security environment makes it necessary for them to receive more attention and energy from the actors involved, as they set themselves as viable solutions to preserving the Alliance's role in international security. Additionally, Smart Defence and the Connected Force Initiative approach two important dimensions of NATO's forces, i.e., military procurement, adapted to the current international reality, on the one hand, and standardization, education and training, on the other.

Smart defence delineates itself not only as a defence planning initiative, but also as a very complex type of management in the defence resources area. Its complexity is given by the large number of actors involved, by the changes to be made in the relations between NATO's Member States, as well as by its comprehensive character starting from the effects on the long-term security vision to serious budgeting, mere calculations on the money available to be spent on military equipment.

In conclusion, making the management of defence resources - be they material or human -represents the key to making smart defence evolve from concept to reality, to making the NATO forces more interoperable and capable of acting as one. Also, it is not only about the financial part of management, as the political, administrative, educational, operational, and military dimensions carry the same amount of importance.

This work was supported by a grant of the Romanian National Authority for Scientific Research, CNCS-UEFISCDI, project number PN-II-ID-PCE-2011-3-0849.

BIBLIOGRAPHY

European Commission, Communication from the Commission, *Europe 2020. A Strategy for Smart, Sustainable and Inclusive Growth*, Brussels, 3.03.2010 COM (2010) 2020 final, p. 10, http://eur-lex.europa.eu/LexUriServ/Lex UriServ. do?uri=COM:2010:200:FIN:EN: PDF.

An *Innovation Union. Paving the Way for Jobs and Growth in the EU, Foreign Policy*, EU Focus, no. 195, September / October 2012.

BĂHNĂREANU, Cristian, *Future defence and security. Military budgets in crisis?*, Strategic Impact, no. 4 [37] / 2010, pp. 90-97.

BOGZEANU, Cristina, *NATO-EU Relation from the Perspective of the Implications of "Smart Defence" and "Pooling and Sharing" Concepts*, in Strategic Impact, no. 3 [44]/2012, pp. 33-40.

DUTU, Petre; BOGZEANU, Cristina, *Reforma instituțională a UE din perspectiva Politcii de Securitate şi Apărare Comune*, "Carol I" National Defence University Publishinghouse, Bucharest, 2011.

HENIUS, Jakob; McDONALD, Jacopo Leone, *Smart Defence: A Critical Appraisal*, NATO Defence College, Deltamedia Group Publishinghouse, Rome, March 2012.

LINDLEY-FRENCH, Julian, *NATO: Connected Forces, Connected Minds?*, 23rd July 2012, http://www.acus.org/new_atlanticist/nato-connected-forces-connected-minds.

Council Joint Action 2004/551/CFSP of 12 July 2004 on the establishment of the European Defence Agency, în Official Journal of the European Union, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32004E0551: EN:NOT.

European Defence Agency, *EDA's Pooling and Sharing*, 24 November 2011, www.eda.europa.eu.

Smart Defence, http://www.nato.int/cps/en/SID-9D9F04B9-02DE4CE8/natolive/ topics_84268 .htm?

The NATO Procurement Organization, http://www.nato.int/cps/en/natolive/topics_8 9040.htm.