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# Implication of Smart Defence Initiative for Small Members of NATO

Smart defence is becoming an increasingly dominant topic on NATO's agenda. Politicians, the academic community and other security experts quickly latched on to the term "smart defense". It became a catch phrase even in popular literature and the mass media. The aim of this article is to look at the smart defense initiative from small states' perspective. This article should fill a gap that exists between the theoretical model of smart defense and the behavior (response) of small nations to the challenges posted by this initiative. The article is divided into two parts. The first part discusses factors that influence decisions of small states. The second part examines national responses and practical initiatives that nations undertake in response to this challenge.

## Introduction

Smart defence is becoming an increasingly dominant topic on NATO's agenda. Politicians, the academic community and other security experts quickly latched onto the term introduced by NATO Secretary General Anders Fogh Rasmussen just several years ago. "Smart defence" has become a catch phrase even in popular literature and the mass media.

Smart defence in NATO, pooling and sharing in the European Union, started emerged in times of economic crises<sup>1</sup>. Faced with declining defence budgets politicians were forced to come up with new ideas on "how to do more with less". Officially smart defence is described as a new way of thinking about generating the modern defence capabilities the Alliance needs for the coming decade and beyond. That means pooling and sharing capabilities, setting priorities and coordinating efforts better. NATO emphasizes that for the purposes of smart defence, the Alliance nations must give priority to those capabilities

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<sup>1</sup>On the relationship between the two concepts, one of the best articles is: "The EU between Pooling & Sharing and Smart Defence Making a virtue of necessity?", by Giovanni Faleg and Alessandro Giovannini, May 2012, Centre for European Policy Studies.

which NATO needs most, specialize in what they do best, and look for multi-national solutions to shared problems<sup>2</sup>.

Politically all NATO countries subscribe to this idea, which is mentioned in the Chicago Summit declaration and various ministerial communiqués. Unofficially, despite wide ranging support, a certain degree of skepticism remains within the defence community. Skeptics point out that primary examples of smart defence—such as the strategic airlift initiative, Baltic air policing mission, missile defence and others—were born before anyone started using the term smart defence. They point out that smart defence is mostly about the repackaging of old ideas with a new label. Policy makers ask for concrete results from this initiative, for new projects and financial savings. Until such results are delivered, skeptics decline to accept the validity of the concept.

Despite some degree of skepticism, small members of NATO took the notion of smart defence extremely seriously. On one hand they have the most to gain (or lose) from the smart defence initiative. The security of small states is linked with the success of the collective defence system, and for some of them, it is an issue of political survival. Success of smart defence could solidify the Alliance while failure of smart defence could seriously damage their security. On the other hand, in addressing the smart defence concept small states must tackle complicated issues such as sovereignty, multi-nationality, reforms of the armed forces, burden sharing with Allies, and others.

So far, with a few noticeable exceptions, the academic community has rarely discussed the implementation dilemmas faced by small states. Before the term smart defence was introduced, the intellectual background was laid down in a study by M.Flournoy and J.Smith, made for the *Center for Strategic and International Studies*, named “European Defence Integration: Bridging the Gap between Strategy and Capabilities”. M.Flournoy and J.Smith do not specifically discuss the role of small states but they provide ample examples and an approach that could be applied in this article. A.Grimes and J.Rolfe in their study “Optimal Defence for a Small Country” provide the excellent example of New Zealand’s cooperation dilemmas. L.Struwe, M.Rasmussen and K.Larsen in the 2012 study “To Be, or Not to Be (Smart Defence, Sovereignty and Danish Defence Policy)” tackled the issue of sovereignty in the debate on smart defence.

Several important comparative studies should be mentioned: R. De Wijk’s study on “Security Implications of NATO Transformation for Smaller Members” and R.Beewes and M.Bogers’ article “Ranking the Performance of European Armed Forces” on burden sharing issues.

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<sup>2</sup> NATO, Smart defence, [http://www.nato.int/cps/en/SID-F429D52E-AB1A4085/natolive/topics\\_84268.htm?](http://www.nato.int/cps/en/SID-F429D52E-AB1A4085/natolive/topics_84268.htm?)

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The aim of this article is to look at the smart defence initiative from small states' perspective. This article should fill a gap that exists between the theoretical model of smart defence and the behavior (response) of small nations to the challenges posted by this initiative. For this reason this article is divided into two parts. The first part discusses factors that influence the decisions of small states. The second part examines national responses and practical initiatives that nations undertake in response to this challenge.

For the purpose of this article all nations that are below defence spending of 10 bln USD are considered small states. This includes all members of NATO except the US, the UK, France, Germany, Italy, Canada, Turkey, Spain and the Netherlands. This list almost identically coincides with R. de Wijk's evaluation of NATO members' defence capabilities – contrary to bigger states, no small nation is able to possess the full spectrum of defence capabilities. Small states have limited capability to project military power to other parts of the world and their security is tightly dependent upon the behavior of larger countries. Their action of freedom is limited by outside powers and their security is best served within the framework of a collective security arrangement.

## 1. Challenges Posed by Smart Defence in Collective Defence Arrangement

The defence policy of every nation is about developing and sustaining military power. Military power serves the foreign and security objectives of individual nations. The most important task for the armed forces is to defend independence of nation, guarantee its freedom and security. To fulfill these goals defence strategists and planners are searching for the most effective ways to maximize benefits from sustaining military power within available resources. Smart defence is one of the best known proposals for how to preserve and develop military capabilities in the midst of a shrinking defence budget.

Smart defence is not the first attempt to tackle this issue. Nations already for many years have sought greater efficiency using both national and multinational formats. What is new about smart defence is the intellectual attempt to conceptualize these efforts and provide a framework where nations could engage in different cost saving exercises. NATO provided a management structure for implementation of smart defence initiatives and tasked Deputy Secretary General and Commander of the Alliance Command Transformation (ACT) to coordinate member states efforts in this area.

Individual nations engage in smart defence initiatives from different starting positions. Threat perception, strategic culture and available resources determine how individual nations respond to the challenges to their security and independence. Their response may embrace an expeditionary defence mentality or concentrate on territorial defence issues, they may decide to spend 4 percent of GDP on defence or go down to just 1 percent, they might decide to abandon certain type of capabilities (e.g. submarines) or keep a large spectrum of forces. Just compare Greece and Belgium – countries quite similar in size and GDP but their strategic outlook and international commitment lead to different answers on the build-up of their armed forces.

Membership in Alliance is an extremely important factor influencing strategic thinking on the role of the armed forces. Availability of deployable and sustainable forces for collective defence is an essential prerequisite for the successful functioning of an alliance such as NATO. Members of alliances are obliged to develop forces for defence of their allies; concentration upon purely national defence is not an option. Reliance on each other's capabilities for collective defence connects and unites members of alliances and their armed forces. By becoming members of alliances nations do not surrender their sovereignty, but relying on other states in the event of an attack puts serious limitations on their freedom of action. As Struwe, Rasmussen and Larson emphasized "Article 5 means that state sovereignty, and upholding it, is not only a matter for the individual state. With a high level of integration, a state is at risk of being drawn into a war – often referred to as a chain gang or domino effect."<sup>3</sup>

In NATO common defence planning is performed in order to unify individual efforts for common good. All members of NATO are part of the NATO defence planning process with ACT playing a leading role. During this process after extensive consultation with other members of the Alliance and NATO staffs countries receive and must implement so called "Target Goals", i.e. capability packages that nations must implement domestically. Via Target goals NATO has direct influence over national priorities and capability development plans. Such influence is particularly noticeable in small countries for which implementation of Target Goals constitutes a major challenge.

In theory Target Goals could still be implemented on a national basis in the traditional way – i.e. developing national forces and assigning them to NATO according to NATO requirements. Allied forces would need some com-

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<sup>3</sup> L.Struwe, M.Rasmussen and K.Larsen "To Be, or Not to Be (Smart Defence, Sovereignty and Danish Defence Policy), 2012, p.22.

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mon training, standards and coordination defence planning but all capabilities remain a national responsibility.

The notion of smart defence provides a direct challenge to this comfortable arrangement. The three constituent parts of smart defense—prioritization, specialization and cooperation (i.e. multinationality)—puts autonomy of nations for the use of their armed forces under pressure. The concepts of smart defence question the key concept that development, financing and the use of armed forces is solely a national responsibility. Dependency on each other might generate savings but it also leads to the loss of autonomy in certain areas.

Not all nations are equally sensitive to this challenge. For instance, dependency on other allies for strategic airlift capability might be painful for countries that act autonomously in other parts of the world but would be completely acceptable for a small country that concentrates on territorial defence. For others independent nuclear capability might be at the heart of the sovereignty issue while others would remain indifferent to the nuclear dilemma. The upcoming sections will take a deeper look at why national responses to the issue of smart defence differ so greatly.

### **1.1. Sovereignty and Assured Access**

One of consequences of the smart defence approach is that small states become increasingly reliant on other allies for access to critical capabilities. NATO officially calls for specialization ‘by design’ so that members concentrate on their national strengths and agree to coordinate planned defence budget cuts with the Allies, while maintaining national sovereignty for their final decision. It is true that it is a national sovereign decision to make decisions on the areas of specialization, but when decisions are made and implemented, nations are in the hands of “owners” of the specific capability they have chosen not to develop.

The defence community agrees that ensuring access to multinational or other national capabilities in times of need constitutes the biggest challenge for smart defence. Such obstacles could be of a different nature – military (e.g. allies fail to develop capabilities according to agreed standard), political (e.g. one member of coalition refuses to participate in operation), technical (e.g. common capabilities is already employed elsewhere), etc.

The first challenge is the need for the same resources at the same time. Even in a perfect world nobody can provide 100 percent assurance that in case

of need the desired capability would be available or the same nations would not compete for similar resources. E.g., in the beginning of large scale operations it is highly likely that many nations would require strategic airlift assets. In case of specialization, the owner of such capability may first satisfy its own requirements before providing this capability to allies. In case of a multinational initiative, disputes may arise on which country would be the first to get access to this capability.

The second big issue is political differences. Enhancing mutual understanding could soften political differences and strengthen alliances but risks would always remain. European nations were utterly divided over the war in Iraq and not all members of NATO participated in operation Unified Protector in Libya. During the operation in Libya some non-participating Allies were not able to help nations that ran out of ammunition<sup>4</sup>. Such situations are highly unlikely in the case of a collective defence operation but for out of area engagements not all members of the alliance would participate in every operation. Political obstacles could even become a major stumbling block for deployment of commonly owned capabilities, such as the deployment of NATO Airborne Warning and Control System (AWACS)<sup>5</sup>.

Loss of autonomy could become an issue of national sovereignty and become a major political obstacle for implementing concrete initiatives. Small states are more vulnerable to this challenge. They possess a limited spectrum of defence capabilities, thus they would rely in more areas on other nations in comparison to bigger nations. This could create political tensions and a feeling of dependency on larger neighbors. Therefore, countries are balancing between two extremes – specializations versus full spectrum forces.

In such circumstances a nation may choose different options – if affordable, they can try to preserve national capabilities throughout the whole spectrum; they can engage in some kind of risk management exercise, i.e. to preserve only those defence capabilities that constitute the core of national defence; or, then can take a risk and implement cost effective solutions.

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<sup>4</sup> Jacom Henius “Specialization – the Gordian Knot of NATO’s Smart Defence” p. 29 from J.Henius and J.L McDonald Smart Defence: A Critical Appraisal, NDC Forum Paper, Rome, March 2012.

<sup>5</sup> Germany says has no plans to boost Afghan AWACS force, Reuters, Jan 9, 2011

<http://www.reuters.com/article/2011/01/09/us-germany-afghanistan-awacs-idUSTRE70828U20110109> or L.Struwe, M.Rasmussen and K.Larsen “To Be, or Not to Be (Smart Defence, Sovereignty and Danish Defence Policy), 2012, p.23.

## 1.2. Smart Defence and Defence Spending

Smart defence is largely driven by the need to save money or to spend more wisely. According to Secretary General Rasmussen, the new concept was conceived as a response to the global financial crisis and falling budgets: “we call it ‘Smart defence’ because it is about spending defence money in a smarter way.”<sup>6</sup>

This notion of saving money is extremely attractive to all member states – big and small. Small states have even greater motivation to engage into smart defence projects since domestically they cannot achieve the effect of economy of scale, thus keeping national sovereignty is relatively more costly in comparison to bigger countries. The US may allow itself to finance the National Defence University with 363 highly professional faculty members<sup>7</sup>, but for a smaller country with armed forces the size of 30 thousand proportionally means just 7 faculty and/or staff. Small states would always have a proportionally larger administrative and support structure, thus leaving even fewer resources for military capabilities.

The problem is exacerbated by the fact that smaller countries do not outspend bigger ones in terms of defence expenditure in relation to GDP. The two biggest defense spenders in NATO in terms of GDP percent are large countries – the United States and the United Kingdom, while the bottom of the defence spending table is occupied by the smallest members of the Alliance.

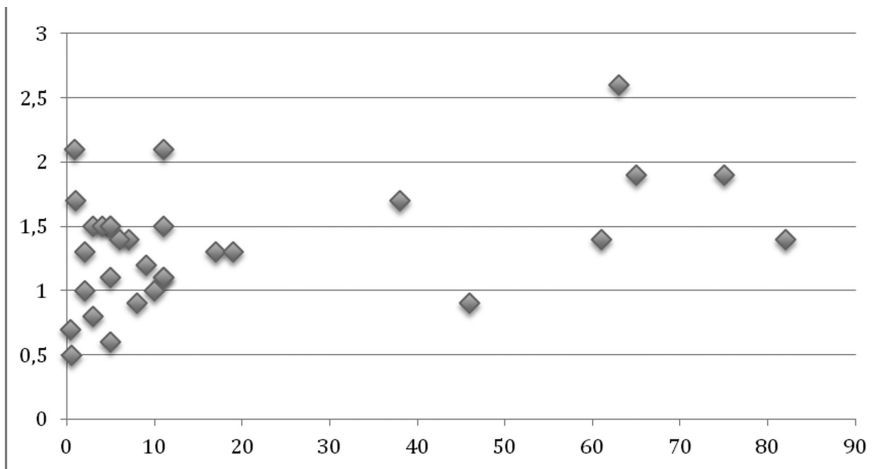


Figure 1. **Defence Expenditure as percent of GDP**

No correlation between size of a country in terms of population and defence spending as per cent of GDP among European NATO and EU members

<sup>6</sup> NATO leaders to consider Smart Defence in Chicago, <http://www.iiss.org/publications/strategic-comments/past-issues/volume-18-2012/may/nato-leaders-to-consider-smart-defence-in-chicago/>

<sup>7</sup> NDU Factsheet, <http://www.ndu.edu/info/NDU%20Factsheet.pdf>

The gap between small defence budgets and relatively large administrative and support structures is a limiting factor for small countries to create large spectrum military forces. It forces them to make drastic decisions in terms of specialization or develop niche capabilities in order to maximize their military contribution for the common defence.

Grimes and Rolfe in their article “Optimal Defence Structure for a Small Country” propose a theoretical model for analysis of small state choices under such circumstances. They find that if countries have shared objectives and they are certain about other reactions in times of crisis, then “a small country will maximize its contribution to a multi-country defence effort by adopting a small number of well-prepared force elements; the larger the country, the more force elements it will adopt”.<sup>8</sup>

Analysis based on this model proved that prioritization, specialization and cooperation are the most cost effective ways for regional defence arrangements. This logic is particular true for NATO, where countries are bound by Art. 5 collective defence guarantees and their national defence choices are influenced by NATO’s defence planning system. As Struwe, Rasmussen and Larsen rightly noted, “defence material is very expensive, and it is tempting to seek to buy more with the same amount of money by utilising the economies of scale [...]. However, a precondition for pooling specialisation is a high degree of compatibility between the collaborating countries”.<sup>9</sup> NATO defence planning is designed to do just that—to achieve compatibility among Allies’ armed forces.

The smart defence initiative just adds a political umbrella to the otherwise natural process of maximizing defence benefits in times of fixed or even declining defence budgets. By doing this smart defence seeks to eliminate cultural caveats, national fears and other political obstacles for nations to engage in this cost-efficiency driven exercise.

### **1.3. Small States in International Operations**

The defence budget is not the only determinant of how a nation responds to smart defence. Nowadays international operations dominate NATO’s agenda. Saying “do not tell me what you have, but tell me how many troops you can deploy” reveals the underlying logic of this thinking. Especially for small countries,

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<sup>8</sup> Grimes and Rolfe “Optimal Defence Structure for a Small country”, p.275.

<sup>9</sup> L.Struwe, M.Rasmussen and K.Larsen “To Be, or Not to Be (Smart Defence, Sovereignty and Danish Defence Policy), 2012, p.25.



NATO's aim to have 50 percent deployable and 10 percent sustainable troops shapes national thinking and approach towards smart defence.

The ability to deploy is not directly linked to the size of the country. Beeres and Bogers' empirical study shows that armed forces that score high on the traditional input dimension (Defence percentage/GDP) may score lower on the 'number of troops deployed'. Also, armed forces that score low on D/GDP may rank high on the measure 'number of troops deployed'.<sup>10</sup>

NATO led The International Security Assistance Force (ISAF) as the best source to illustrate such statements. NATO declared ISAF as the most important operation. Since ISAF suffers from lack of manpower, almost all contributions are accepted and member states are encouraged to provide all available resources to achieve success in Afghanistan.

The thesis that small states spend proportionally more resources for international operations is proven nicely by the ISAF. For small countries to sustain one soldier in operation costs almost twice more in comparison to bigger states. For a total of 47 bln USD they sustain 9 thousand troops while bigger members states with a defence budget of 991 bln USD keep 116 thousand troops.

**Table 1. Small and big countries in ISAF**

	<b>troops in ISAF/defence budget (mln USD)</b>	<b>number of troops in ISAF/population (mln)</b>	<b>casualty/population in mln</b>
SMALL	0.19	61.71	0.92
BIG without US	0.10	58.07	1.91
BIG including US	0.12	152.75	3.68

The table shows that proportionally small European states are a little bit more active in ISAF compared to the bigger countries. This difference is minor and, adding the US to the equation, small countries' minor advantage turns into a major disadvantage (150 mln people from small states are able to sustain 9 thousand troops in Afghanistan comparing to 758 mln people and 116 thousand troops from biggest members). Bigger member states are also more resilient in casualties. Although several small NATO members suffered disproportionately, in general the biggest member states suffered 3,7 casualties per million population compared to 1 for small member states).

For political reasons small countries will remain active participants in

<sup>10</sup> Robert Beeres & Marion Bogers (2012) "Ranking the Performance of European Armed Forces", *Defence and Peace Economics*, 23:1,p.14.

international engagements. Despite limiting military and economic factors they are able to sustain their contributions for an extended period of time (in the case of Afghanistan, for more than ten years). Willingness to deploy in combination with the high financial cost of such activities puts great pressure on small states to look for new and innovative solutions in finding efficient and effective solutions for deployment and sustainment of their troops.

## 2. Responses to Smart Defence Initiatives

All NATO member states responded positively to the call of NATO Secretary General to find new ways to create defence capabilities within the existing tight financial framework. Vast political support was built via different projects and mechanisms developed by NATO, the EU or by nations on multilateral basis.

As the previous sections have hinted, because of their size and smaller defence budget, smaller member states have bigger initiatives for cost effective solutions. Their defence budgets in nominal terms are smaller, they suffer from the lack of mass economy in purchasing and maintaining equipment, they spend more resources on operation, etc. All these indicators point out that small states should be bigger contributors to smart defence projects than bigger ones.

Small states' positive attitude is not without prejudices. By engaging in smart defence initiatives, they do not want to become hostages of bigger states and their political agendas, which are not always identical to the wishes of their smaller allies. Small states are particularly sensitive to the issue of national sovereignty, especially when dealing with countries with which they have had a problematic relationship.

Different national circumstances explain why smart defence could lead to different defence policy decisions depending on their threat perception, the understanding of the nation's role in the world, size of defence budget and many other factors. Nations are free to choose how to adapt their national defence structures to suit the needs of collective defence. Some could engage in "negative specialization", i.e. decide not to develop certain type of capabilities. Some could choose to develop niche capability, as the Czech Republic did with CBRN battalion or helicopter training. Some engage in regional initiatives while others opt for integration of forces. The next sections will provide a deeper perspective on how nations respond to the challenges posed by smart defence.

## 2.1. Function Approach

National armed forces consist of different types of forces. Combat forces are supported by combat service<sup>11</sup> and combat service support<sup>12</sup> capabilities enable combat units to fight. In addition, all countries maintain training and educational institutions that prepare and train troops for their missions. Combat and combat support units are the most visible part of national armed forces but their without support combat forces cannot do their job. E.g. in “Iraq: the functional Teeth-to-Tail (T3R) is 1 to 2.5 (combat to noncombat) – 40% combat, 36% logistics, 24% HQ/Admin. Including contractor support, the combat element goes down to 28%. Throughout the 20th century and on into the 21st century, about a third of all soldiers have been organized into operational units”<sup>13</sup>

All types of armed forces are subject to smart defence initiatives, though some capability areas look more promising than others.

From a political perspective the most challenging but visible task is the creation of *joint operational or combat service units*. In order to achieve this, a nation must possess an enormous degree of trust and integration so that political and other differences do not destroy common effort. Even if such projects are constructed, usually they are implemented in such a way that if required national units can act under national responsibility. The Baltic Battalion (BALTBAT) or Polish-Ukrainian battalion (POLUKRBAT) are perfect examples of such arrangements.

At a higher level – multinational corps in Europe, such as ARRCC, Eurocorp or MNC NE, are formed in similar fashion—units from of these corps could be used by nations according to their own needs. Usually nations assign units to NATO corps at the division or brigade level; consequently, small states establish multinational formations at lower levels in order to have adequate presence at corps.

The most visible efforts in this area are initiatives under bigger NATO or EU frameworks. In the case of multinational initiatives, nations gain access to capabilities they otherwise could not have access to. NATO strategic airlift initiative (SAC) is a perfect example of such cooperation. The NATO AGS pro-

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<sup>11</sup> *Combat support* refers to units that provide fire support and operational assistance to combat elements. Combat support units provide specialized support functions to combat units in the areas of chemical warfare, combat engineering, intelligence, security, and communications.

<sup>12</sup> CSS includes but is not limited to that support rendered by service forces in ensuring the aspects of materiel and supply chain management, maintenance, transportation, health services, and other services required by aviation and ground combat troops to permit those units to accomplish their missions in combat – is Wikipedia

<sup>13</sup> <http://en.allexperts.com/q/Military-Policy-Weapons-346/2009/9/Support-Troop-Combat-Troop.htm>

gramme could be also considered a success despite time delays, some nations dropping off the projects and political discussions over financing mechanism or legal status of this capability.

*Combat Service support units and functions* are less politically sensitive and easier to implement. Again small nations usually create joint CSS units that could be plugged into larger formations. Joint military police companies, air transport wings, and medical capabilities could become niches for small states to play an important role.

Expeditionary logistics is the first target for smart defence initiatives. When nations are responsible for sustainment of their units in operations, functioning is extremely costly for countries that participate in operations only with small units, e.g. an infantry company. As M.Flournoy and J.Smith note: “bring your own” approach to logistics should be replaced by the creation of a NATO multinational logistics command and multinational logistics units in areas where a great deal of commonality exists, such as fuel, water, food and spare parts and maintenance for common platforms”.<sup>14</sup> Another example: during the Libyan campaign Denmark pretty quickly ran out of ammunition for fighter aircraft<sup>15</sup>. If NATO or EU had a common stockpile of such munitions Denmark could have easily used this joint resource. Not surprisingly, just after the Libyan operation both NATO and the EU started thinking about this issue.

*Training and education* provide the most fertile ground for different smart projects and initiatives. They are politically non-sensitive, and in case of political failure consequences could be repaired without substantial damage to the overall performance of armed forces. Joint standards, exercise and operational deployment provide further impetus for such cooperation.

The Baltic Defence College set up by the three Baltic States to provide general staff officer education is a perfect example of such cooperation. Even if in the highly unlikely scenario that the Baltic state would decide to abolish this project, damage could be repaired by strengthening national defence academies without substantial consequences for operational effectiveness of the armed forces.

Multinationality, joint projects and other initiatives in this area are extremely beneficial for small countries. Large nations can still maintain their extensive training and educational structure in spite of huge pressures to save

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<sup>14</sup>Center for Strategic and International Studies (CSIS) Report“ European Defense Integration: Bridging the Gap between Strategy and Capabilities, Lead Investigators, Michèle A. Flournoy, Julianne Smith, October 2005, p.11.

<sup>15</sup> Ivo Daalder, The Success of NATO Operations in Libya and the Vital Contributions of Partners Outside of NATO, <http://fpc.state.gov/176760.htm>

resources. For small nations willing to maintain high standards of troops training, this is a must. Therefore, specialized training, sharing of training ranges and other facilities, joint efforts in distance learning and other areas are the most promising areas for smart defence initiatives.

NATO Centers of Excellence is another example of nations putting additional resources in the area of their expertise. NATO declares “they generally specialize in one functional area and act as subject matter experts in their field of expertise”<sup>16</sup>. Small states play an important role in their development. Centers for Cold Weather Operations (Norway), Cyberdefence (Estonia), Energy Security (Lithuania), Explosive Ordinance Disposal (Slovakia), Human Intelligence (Romania), Chemical, Biological, Radiation and Nuclear Defence (Slovakia), Medical (Hungary), and Naval Mine Warfare (Belgium), allow small nations to play an important role in their area of interest.

*Administrative support* is highly linked with the issue of national sovereignty. As long as nation-states exist, every country will possess ministries of defence and national command headquarters. Sharing of headquarters is possible, so that even in rare examples, such as joint Belgium–Dutch Navy HQ, the joint element could be separated into national HQ, so Belgium or the Netherlands could perform independent naval operations.

## 2.2. Retaining Core National Capabilities

Smart defence implemented via NATO defence planning process could lead to pressure to abolish certain types of capabilities that are not necessary for the Alliance but might be required for national tasks. Faced with such pressures, nations are forced to balance Alliance needs with capability to act alone and perform independent military operations. Two overlapping categories can be distinguished.

First of all, some nations may wish to preserve self-defence capabilities. In this case even countries belonging to alliances, particularly small ones, for political, military or other reasons, may choose to preserve the capability to defend themselves alone.

The most common response would be identification of capabilities that are critically important for self-defence and cannot be abolished or preserved in a multinational framework. In this case, choices for which capabilities

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<sup>16</sup> NATO, Centres of Excellence, [http://www.nato.int/cps/en/natolive/topics\\_68372.htm](http://www.nato.int/cps/en/natolive/topics_68372.htm)

should be preserved would vary from country to country. In most cases short range air defence, air surveillance, coastal defence and territorial army units would be the first to be retained by nations. Israel may choose to develop short and medium range missile defence capabilities, while France finds nuclear deterrence as a cornerstone of its defence and deterrence posture<sup>17</sup>.

Core defence capabilities could take different forms. Renegade aircraft is one of the best-known examples. If capability to bring down a civilian aircraft hijacked by terrorists is considered essential for states, integration of combat forces could be reverted. As Struwe, Rasmussen and Larson point out, when “The Netherlands and Belgium established a joint air control station in the mid-1990s and agreed that the two countries were to take turns in the airspace violation response. This scheme was annulled after 9/11 when the Netherlands withdrew from the collaboration.”<sup>18</sup> In such cases only capabilities that are beyond self-defence requirements are the first targets for smart defence projects.

Beyond critical self-defence requirements, such nations could engage in other smart defence arrangements, such as multinational initiatives, that are less critical albeit still important for their defence. Missile defence, air-to-air refueling, strategic airlift, ISTAR and other capabilities areas usually have large representation from small countries (e.g. in Alliance Ground Surveillance<sup>19</sup> or the Strategic Airlift<sup>20</sup> initiative absolute majority of participants are small countries).

Under such circumstances all components of smart defense—specialization, prioritization and multinationality have limits that sovereign nations would not allow to be crossed. Small nations will preserve the national core capabilities of their armed forces that are required for implementation of national tasks and defence of their interests.

The second category consists of nations that maintain commitments to other regions, territories or alliances. This is particularly true for bigger countries like France and the United Kingdom, which maintain commitment in diffe-

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<sup>17</sup> French White Paper is quite explicit. Even stating that France no longer appears to be at risk of invasion over the next fifteen years, it emphasize that “ in that “nuclear deterrence is strictly defensive. Its sole function is to prevent a state-originated aggression against the vital interests of the country, from whatever direction and in whatever form. These vital interests notably comprise the elements constituting our identity and existence as a nation-State, and in particular our territory, our population, and the free exercise of our sovereignty.” (p.64-65)

<sup>18</sup> L.Struwe, M.Rasmussen and K.Larsen “To Be, or Not to Be (Smart Defence, Sovereignty and Danish Defence Policy), 2012, p.23.

<sup>19</sup> The AGS system is expected to be acquired by 13 Allies (Bulgaria, Czech Republic, Estonia, Germany, Italy, Latvia, Lithuania, Luxembourg, Norway, Romania, Slovakia, Slovenia and the United States)

<sup>20</sup> The participants include ten NATO nations (Bulgaria, Estonia, Hungary, Lithuania, the Netherlands, Norway, Poland, Romania, Slovenia and the United States) and two Partnership for Peace (PfP) nations (Finland and Sweden).

rent parts of the world. It must be stressed that even for them maintaining a force structure ready for autonomous action is becoming increasingly difficult. Even the strongest European military power, the United Kingdom, in the Defence Doctrine declared that “Alliances and partnerships are fundamental to the UK approach to defence and security, recognising that, internationally, the UK rarely can, or even should, act alone.” A similar statement could be found in the French White Paper<sup>21</sup> and they are absolutely relevant for all smaller members of NATO.

But even under such circumstances, for political reasons nations may choose to maintain national capabilities for unilateral action, including industrial capacity. As clearly stated in the French White Paper, “France will retain national proficiency in the technologies and capabilities needed to design, manufacture and maintain *the military equipment essential to areas of sovereign prerogative* where, in view of our political choices, sharing or pooling resources is not an option.”<sup>22</sup> Nothing similar could be found in the strategic documents of small states.

In sum, for both categories of nations, a capability list identifying areas that under no circumstances could be engaged in smart defence or pooling and sharing initiatives could be considered by all nations, including smaller members of the Alliance. Such a list would include the most sensitive areas such as national command nodes, nuclear or cyber offence capabilities, special forces, etc. Even support functions such as the storage of ammunition for anti-tank or anti-aircraft systems could remain solely a national responsibility. Cooperation in these areas would still be possible, e.g. in the area of training and education, but defence planners would know in advance the limitations for using and preparing these capabilities in a multinational context.

### 2.3. Niche Capabilities and Specialization

Specialization occurs when a country chooses to focus its resources and effort on becoming highly proficient in a given capability area while foregoing expenditure in other areas.<sup>23</sup> Specialization may happen among an entire

<sup>21</sup> “In most cases, intervention will take place within a multilateral framework. The only eventualities in which a purely national intervention remains plausible are those requiring the protection of our citizens abroad, the application of bilateral defence agreements with certain States, and, finally, a possible national response to one-off actions against our interests.” The French White Paper on defence and national security, 2008, p.67.

<sup>22</sup> The French White Paper on defence and national security, 2008, p.254.

<sup>23</sup> Center for Strategic and International Studies (CSIS) Report “European Defense Integration: Bridging the Gap between Strategy and Capabilities, Lead Investigators, Michèle A. Flournoy, Julianne Smith, October 2005, p.34.

spectrum of forces or within a limited force structure element. Henius notes that the direct consequence of specialization is phasing out other capabilities with some of them concentrated only among only a few nations<sup>24</sup>.

Grimes and Rolfe describe the logic of decision-making about specialization/niche capabilities in the following way: small countries depend on bigger countries capabilities. Since big states tend to have a full spectrum of forces, a small country usually observes partner behavior and considers the partners' choices before making decisions. In this case, the small country gives a particular importance to the capability areas bigger states feel to be important for them. This arrangement brings efficiency for both sides.

But this scenario is not always likely to happen. Lack trust, and different threat perceptions and other factors force may small countries to maintain as large a spectrum of capabilities as possible. In case many defence capabilities seem to be required for national tasks, and difficult decisions are not made, small nations may end up with, as P.Pugh bluntly noted, "a one-ship navy and a one-aircraft air force".<sup>25</sup> The procurement circle could be totally destroyed and cost effectiveness lost, as Grimes and Roelfe cynically note: "last year, the navy obtained its new aircraft carrier, this year it is turn of the air force to receive its new fighter aircraft; next year the army can have a tank!"<sup>26</sup>.

Small countries usually start with so-called "negative specialization" in areas that are not necessary for their national defence needs. Aircraft carrier groups, expeditionary logistics, fleet of strategic aircraft, air-to-air refueling and other capabilities most likely would not be included in their national priority list. E.g. only five NATO member states retain aircraft carriers (France, Italy, Spain, the United Kingdom and the United States), only several bigger nations possess long range aviation, medium and long range missile defence, nuclear submarines and other expensive capabilities.

NATO nations provide many examples of how difficult national decisions are made in order to save resources for other important capabilities:

- Denmark decided that it was never going to be in a conflict requiring submarine warfare without the Dutch or the Brits being part of that conflict<sup>27</sup>.

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<sup>24</sup> Jacom Henius "Specialization – the Gordian Knot of NATO's Smart Defence" p. 29 from J.Henius and J.L McDonald Smart Defence: A Critical Appraisal, NDC Forum Paper, Rome, March 2012.

<sup>25</sup> Grimes, Roelfe, p.279

<sup>26</sup> Ibidem.

<sup>27</sup> Ivo Daalder, The Success of NATO Operations in Libya and the Vital Contributions of Partners Outside of NATO, <http://fpc.state.gov/176760.htm>



- The Dutch government, for example, has done away with some of its military capabilities, such as manned aerial maritime reconnaissance, following a shift of its focus toward leadership in specific domains, such as communications and naval sensors.<sup>28</sup>
- Norway has scaled back in some areas like basing infrastructure, personnel, and its home guard in order to develop higher quality capabilities in the areas of sealift, mine-clearing, mountain reconnaissance, and special operations forces.<sup>29</sup>

In some case negative specialization happens not only due to financial constraints but by agreeing with other Allies to commit themselves to provide a required capability. For example, Lithuania, Latvia and Estonia decided not to acquire fighter jets and asked NATO to do air policing for them.

For small nations the most common answer to challenges of specialization is to keep core national capabilities that are essential for national tasks and defence but identify and allocate additional resources to specific areas or niches where they have a competitive advantage over other nations. Such arrangements would satisfy the most important national requirements and would add value to the overall performance of the Alliance. This is not necessarily always the most effective, but it is perhaps the most sensible solution.

## 2.4. Regional Approach to Smart Defence

Regional cooperation or even regional solution is the common approach to smart defence. To implement specific projects, Flournoy and Smith recommend working with a “cluster of countries that have a comparative advantage and the incentives to play a lead or supporting role in addressing the shortfall.” Flournoy and Smith consider several factors to be preconditions for developing a “country cluster” for a particular capability area: operational capability or experience; national level of ambition; political leadership; historical and political-military ties; and relevant industrial capacity and expertise.<sup>30</sup> This list includes both political and military factors.

Geographical proximity is another important factor for making smart defence work. Training and exercising is expensive business. Moving a me-

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<sup>28</sup> Center for Strategic and International Studies (CSIS) Report “European Defense Integration: Bridging the Gap between Strategy and Capabilities, Lead Investigators, Michèle A. Flournoy, Julianne Smith, October 2005, p.75

<sup>29</sup> *Ibidem*, p.27.

<sup>30</sup> *Ibidem*, p.14

chanics company for live training from Belgium to the Netherlands would obviously be less costly compared to Greece. The same logic applies to air and navy assets. This could be done if no other options are available (e.g. sending fighter aircraft to Canada for training is typical practice for some nations) but in times of financial constraints such practices become more difficult.

The formation of regional groups is a natural response to political, geographical and historical realities. Baltic, Nordic, Nordic Baltic, Northern Group, the United Kingdom-France, Weimar, Wisegrad 4, Central European, and South Eastern European frameworks were created to foster cooperation and integration in areas that are of interest to participating nations. In some cases this cooperation is extremely extensive and encompasses almost all areas of defence (e.g. Nordic cooperation), while in others it is oriented towards a specific goal (e.g. the United Kingdom-France cooperation on nuclear issues).

For small nations, regional grouping provides a solution to the challenge of smart defence. However, it must be noted that even in a group of like-minded nations, national priorities and procedure may be different, making common effort politically painful and a time consuming exercise.

## **2.5. Internal Dimension of Smart Defence**

Smart defence can be applied domestically as well as internationally. Two areas of smart defense—prioritization and specialization—perfectly fit the interaction model between armed forces and other state security institutions.

For instance, let us consider the “system of systems” approach, frequently applied by the business community. Usually decision-makers are looking at their own system for optimization opportunities<sup>31</sup>. This approach could be easily implemented but one should not forget that optimization opportunities frequently reside outside the national defence system. Policy makers could find ample of opportunities in other governmental and even non-governmental agencies to better share cost and responsibilities.

In many countries both armed forces and police have antiterrorist units that are usually on high alert in case of terrorist attack. Coordinating their work and sharing their capacities could lead to cost savings.

Many small countries have not clearly divided responsibilities for border control, especially at sea. In some cases different ministries or governmental departments build their own “navies” or surveillance systems, which are not connected. Better sharing of platforms or surveillance data could lead to savings.

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<sup>31</sup>“Building a Smart Defense” Thinking about Defence As a System of Systems” Address by Anne Altman, General Manager, IBM Global Public Sector, Delivered at the 10th annual Global Solutions Projects and Defense Exchange Conference, Brussels, Belgium, Sept. 14, 2011.

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## Conclusions

Smart defence initiative is extremely important for small states. Multinational cooperation allows for the creation of capabilities they could not otherwise find, access, or afford. Prioritization helps them scrap unnecessary capabilities, thus saving considerable resources. Specialization helps nations become proficient in some areas where they have special expertise. However helpful, these approaches cannot be automatically applied to all areas; national approaches to smart defence are different and will remain so for the foreseeable future.

This study shows that several important factors limit or strengthen possibilities for smart defence solutions. Strong collective defence guarantees, budgetary pressures, solidarity and trust, and intensive operational tempo energize the search for collective and smart solutions. On the negative side, political distrust, historical enmities, and sensitivity towards national sovereignty issues limit national choices and flexibility.

National responses are directly linked with the above-mentioned factors. In the case of political distrust and antipathies, it is highly unlikely that nations would consider establishing joint combat units. However, only nations that are not bound to such problematic issues may go as deep as the creation of Joint Headquarters.

The study identified that combat service support units, including expeditionary logistics, training and educational institutions are the most promising targets for smart defence initiatives, while combat units and administrative structures are the most difficult. Smart defence projects are easier to implement when they fall outside the realm of a national core capability list. A regional approach is one possible answer, albeit with some limitations. Smart defence could also work domestically by searching for cost effective solutions outside the armed forces.

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