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“Smart Defence”

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Good afternoon ladies and gentlemen,

Allow me firstly to thank the Institute of International Affairs and Foreign Policy for organizing this interesting seminar on Smart Defence, the NATO initiative launched by the Secretary General at the Munich Security Conference back in February 2011.

For those, like me, involved in these businesses, it is of great importance that the issues associated to the international defense matters are brought forward beyond the traditional boundaries of the Ministries of Defence.

Secondly allow me also to thank you for the invitation addressed to the National Armaments Directorate of the Spanish Ministry of Defence. National Armaments

Directorates of the NATO countries are, together with the Defence Capability Planners and indeed the Defence Industry, the main actors in this important process of analysis, prioritization and hopefully future launching of projects for obtaining military capabilities under the multinational approach scenario.

I am representing the National Armaments Directorate in this forum but of course the views I will be providing you are my sole responsibility based on my international experience in the Defence Cooperation arena.

I am sure that there is a common and clear consensus among all of us that the effects of the financial crisis that started already a couple of years ago will be still felt for some time in our nations. And governments in general are facing tough decisions in bringing their economies back into balance. Defence, logically is not at all outside this difficult scenario.

But at the same time Security and Defence is not something we can put in the “to do basket” as an issue to be addressed at a later stage when the economy will come back to a better environment. Spain and other allied nations need to remain as credible security actors and so it is for the defense international organizations which fundamental purpose is to safeguard freedom and security of its members through political and military means, as it is the case for NATO.

The issue at stake here is therefore to continue building security in an age of austerity, to reconcile scarce defense budgets with an appropriate and sustainable defense posture.

The way to sustain the ability of international organizations like NATO to act effectively in an age of austerity is twofold: On the one hand there is a need to keep NATO in the years to come as a more effective Alliance. This is the reason behind the revision of the NATO strategic concept addressed during the Lisbon summit back in 2010. Moreover, in the present circumstances there is a need of a more **efficient** Alliance, since the challenge now is to do more with less.

And on the other hand it is essential to keep the vital transatlantic engagement in a new scenario where on the one hand the United States is repeatedly asking for more involvement in the NATO burden sharing of the European allies and on the other the European Union is struggling to develop its defense dimension.

This is not easy at all when there is a certainly palpable trend across Europe to take defense and the need for strong armed forces with diminishing seriousness.

The so called Global Financial Crisis that started in 2008, considered by many economists to be the worst financial crisis since the Great Depression of the 1930's, is not something new. The fluctuation of the economy between periods of expansion (growth) and contraction (recession) is part of the game. Factors such as gross domestic product (GDP), interest rates, levels of employment and consumer spending have been always subject to cycles.

Cooperation is neither new in NATO. Taking the words from the Ecclesiastes - which certainly cannot really be considered as recent Best Seller - "What has been will be again, what has been done will be done again, there is nothing new under the sun".

Multinational cooperation in the NATO environment is as old as the NATO organization itself. And even if this cooperation has been always criticized for presenting different problems the balance is definitely positive.

Smart Defence could be considered as an evolution of this traditional multinational cooperation which is now perceived as a need for the future. Taking into account the present scenario of changing threats demanding for new military capabilities and the difficult economic situation, act in a SMART way will not be an option for the future but a need.

What are perhaps new are the circumstances demanding for a SMART DEFENCE.

- America's interest in Europe's security has somewhat diminished as the recent years events have obliged the Pentagon to move more resources away from Europe and focus into Asia.
- Emerging economies are demanding technological transfers in defense programmes which in fact are representing a new challenge to the traditional powers.

- Opening of the defense markets to greater competition with specific regulations as it is the case for the European Union with the launching in 2007 of the so called “Defence Package” is also changing the defense market and for sure will have an impact in the shape of the defense industrial sector in the future,
- or issues like the ending of the conscription in most of the allied countries.

All of these are just some of the factors impacting both the present scenario as well as the way countries should cooperate from now on.

This is perhaps the reason why we are using the term “Smart Defence”. Not just because the way we have been doing defense business until now was not smart enough but because we need to act smartly under the present circumstances. And that includes as a key issue, the coordination and consultation among the Allies to assure availability of the required military capabilities when making defense cuts.

As stated by the NATO Secretary General at the Allied Command Transformation seminar in Washington DC on the 28 Feb this year, this is all about creating a new mindset. About better aligning our collective requirements and national priorities and about focusing our efforts on prioritization, cooperation and specialization.

This is perhaps my first question when analyzing the SMART DEFENCE. Being, as stated by the NATO Secretary General, a new mindset, are we not pushing too much just to have something to present at the Chicago Summit which in fact needs much deeper consideration? The way SMART DEFENCE is being pushed will not cause later on failures in the initiative just because we did not take enough time to consider the concept properly?

SMART DEFENCE is bringing along some principles like specialization which is in fact a deep change of mindsets with important political implications including the very sensitive issue of sovereignty as well as the operational, legal and industrial issues. Without a clear a common understanding of these implications we may launch very nice political statements at the Chicago Summit but for sure we will have later on problems when launching concrete projects.

Since the SMART DEFENCE logo was launched by the Secretary General a little bit more than a year ago, the perception of this SMART DEFENCE concept has evolved drastically. As a very first step, the report of the TASK force on multinational approaches presented in October 2011 was seen as the concrete proposal derived from the SMART DEFENCE concept. Since then the scope of the SMART DEFENCE has increased including not only simple and not very high cost projects as it was the original concept but big programmes including some of them already ongoing in NATO for quite a number of years as it is the case of the Allied Ground Surveillance (AGS)

Nonetheless it is right to recognize the big effort taken by the special envoys of the Secretary General, Gral. ABRIAL and Ambassador BISOGNIERO in bringing the SMART DEFENCE concept face to face with the relevant authorities of the Allied Nations. After all, the SMART DEFENCE initiative is of a big political nature which needs to be well explained and properly presented in front of the nations.

I have mentioned before that SMART DEFENCE is above all a change of mindset. In this context, **SPECIALIZATION** is from my point of view one of the big issues. The perception of threats is still different in the Nations even if they share common threats in the context of multinational alliances like NATO. On a national basis is it SMART, to accept the principle of specialization whilst there is no assurance of the collective defense reaction when facing individual threats?

The way the **PRIORITIZATION** is treated is another important factor in taking forward the SMART DEFENCE initiative. It would not be smart to make the analysis of the SMART DEFENCE initiative without taking into account the NATO Defence Planning Process. Once again to hurry up pressed by the need to present something tangible in the short term, not being mature enough, is not a smart way to proceed. To ensure that the SMART DEFENCE initiatives are in line with the NATO capability planning as a whole is key to develop the SMART DEFENCE in the future.

The way of doing **COOPERATION** is also an important factor to ensure the success of the SMART DEFENCE. It is important to share the political will and the operational requirements but it is not less important to share the way the military capabilities should

be used and implemented and to share the industrial capacities and the benefits derived from the industrial participation. In particular in those countries with a relevant industrial sector.

The **FINANCE MODEL** to be applied is another factor to be taking into account in the way of implementing the SMART DEFENCE. The common funding approach is being presented as the one associated to the SMART DEFENCE initiative but in this case, what is the role of the contributions in kind? Is this type of contribution in kind something to be avoided in the context of the common funding approach? There is still the perception among the nations that the contributions in kind are not in line with the spirit of the SMART DEFENCE and therefore this constitutes another issue to be considered in the process of taking forward the SMART DEFENCE.

The **INDUSTRIAL IMPLICATIONS** is another element to be carefully considered when addressing SMART DEFENCE projects in which industry will be involved. I am not perhaps talking about the “just return” formula but what I call the “right return” return approach. The alternative is “not right return, no play”. Right return concept is no doubt an incentive to the cooperation.

Last but not least the **MECHANISMS** to be used by NATO for taking forward the SMART DEFENCE. The Agencies reform and in particular the one directly associated to the National Armaments Director’s area, the Procurement Agency, should and will play an important role in the implementation of the SMART DEFENCE multinational projects associated with acquisition of defense equipment in the NATO context. Even in the case of initiation and launching of less important projects this Agency should play a role.

In the evolution of the SMART DEFENCE concept since last year, a number of big projects have been associated to it. This has in fact raised the level of ambition of the SMART DEFENCE concept which no doubt put additional risk on the success of the initiative.

Although not initially considered as part of the SMART DEFENCE initiative there are 3 very ambitious ongoing projects that have been selected as references for concrete

cooperation which affect three important capability areas; capability areas that, on the other hand, have been identified as critical for the future of NATO operations. I am referring to the ones mentioned in the title of this panel:

- Joint Intelligence, Surveillance and Reconnaissance,
- the Ballistic Missile Defence and
- The Air policing.

These flagships projects will be a point of reference from now on with regard to the allies political commitment to enhance cooperation with a view to delivering capabilities in the most effective and efficient way.

JISR

The Strategic Concept launched at the Lisbon summit in 2010 identified the need to improve the sharing of **intelligence** in NATO along the whole process of crisis management: from the prediction on when crisis might occur and how best they can be prevented, to its utilization in operations. The importance of readily available intelligence, surveillance and reconnaissance assets - as we all know - has been highlighted during the operations in Libya as the necessary mean to provide best available picture for effective operational engagement. The issue at stake here is to coordinate and share planning, collection, processing, analysis and dissemination of critical information within NATO in times prior to the crisis, during the crisis and after the crisis. The initial capability achieved in ISAF and the hopefully future positive development of the Allied Ground Surveillance program are good starting points for the future NATO JISR core capability. In addition to this core capability, the JISR flagship initiative includes the development of national and multinational assets able to communicate with the core capability. The ways and means at present identified for Nations contributions are quite a few and all of them are subject to future fining tunings.

The following are just a few aspects that would be associated to this project:

- In addition to the AGS programme to develop and produce advanced Unmanned Aerial Platforms with state of the art surveillance technology,
- Expansion, as far as Nations participations is concerned, of present programmes for satellite observation.
- Pool&Share of future surveillance platforms. Here for instance we could include the future development of a concrete project coming out of the first group intended to be approved at the Chicago summit related to Maritime Patrol Aircraft.
- Benefit from already on-going NATO capabilities as well and its future developments like the NATO Airborne Early Warning and Control programme.

This capability as such is no doubt needed in NATO but taking into account the lessons learned from the AGS, which has been in the NATO agenda for over 20 years, consideration should be given to this very long period of development that could represent a lack of incentive for both nations and industry. The issue of contribution versus industrial returns has to be also carefully considered to make the project attractive. Spain is going to spend an important amount of money in this capability during the next 20 years with no industrial returns. This could be a lesson learned for the future engagement in other projects.

The next step in the acquisition of this capability is the development of the hub JISR in Sigonella which among other things will have, as starting point, the latest developments in the MAJIIC multinational programme (Multi-sensor Aerospace ground Joint ISR Interoperability Coalition). Far from taking quick and unsupported decisions there is a need to clearly define the technical and operational challenges of this complex project in which industry should have a say as far as the technological ambition is concerned.

BMD

Also coming from the Lisbon summit, the Heads of State and Government decided there to develop a missile defense capability to protect all NATO European populations, territory and forces.

This initiative is not coming out from scratch as it is based on the US European Phased Adaptive Approach (EPAA) as first element which should be available by the time of the Chicago summit. Several European Nations are already involved in the Theatre

Ballistic Missile Defence Programme for the protection of deployed forces and they are working on the possibility to provide national sensors and interceptors for this flagship.

This is clearly a flagship where multinational cooperation is key. The ways and means this cooperation is foreseen for the time being includes aspects like:

- Adding new sensors to the NATO's ballistic missile defense architecture that are able to detect and track incoming threat missiles
- Improving the Alliance's defense against short-range missile by providing lower layer missile defense systems
- Upgrading of the European maritime platforms to be compatible to BMD capability and in order to complement the US AEGIS Ballistic Missile Defence cruisers
- Pooling and sharing for the acquisition, operation and maintenance of Ballistic Missile Defence interceptors, sensors and related platforms
- Or development of Early Warning Systems that can be connected to the NATO Ballistic Missile Defence architecture

There are a number of critical issues still to be solved in this project not least the legal ones associated to the consequences of interception.

Once again we are talking about an important capability that needs to be carefully analyzed with an ambitious objective in which the industrial participation and funding

arrangements, including the contributions in kind, will play an important role in the future development of this capability.

AIR POLICING

Finally the Air Policing project is neither new. This is an activity that has been carried out already for some years through bilateral agreements between the Baltic countries and the allies participating in the activity. Somehow this ongoing activity has been labeled as an SMART DEFENCE project although from my point of view this is more an example of solidarity than an SMART DEFENCE project. Nonetheless there is a need to revise the model taking into account that the bilateral agreements will expire in 2014.

CONCLUSIONS

Allow me to summarize my intervention:

- NATO's SMART DEFENCE initiative has no doubt the potential to be a key component of the future of the Alliance in order to ensure proper military capability developments in an age of austerity. The critical issue is to reconcile cuts in defense budgets with an appropriate and sustainable defense posture in the transatlantic alliance and in the context of the new NATO strategic concept.
- It requires first of all the harmonization of defense and security policies and a consensus among the alliance's nations on burden-sharing. This is the reason why SMART DEFENCE is overall a political issue and as such NATO needs to generate enough political momentum to make SMART DEFENCE working.
- SMART DEFENCE does not mean that what we have done until now was not smart enough. It is an evolution of the traditional cooperation in NATO which in fact is a new mind-set and approach to developing and maintaining capabilities efficiently based on bilateral or multilateral efforts facilitated by NATO. It is a way to maintain the efforts to make these capabilities work efficiently together

retaining the necessary interoperability as shown in recent operations. (This is the Connected of Forces concept)

- The fact that SMART DEFENCE is based on a new mind-set means that in order to take the initiative forward there is a need to develop it conceptually in a deep way to avoid future failures. It is important to dedicate efforts in explaining clearly and agreeing commonly the associated concept at an early stage.
- There is a kind of obsession to label every activity within the NATO boundaries as SMART DEFENCE. Consideration has to be given to this in order to avoid the risk of misunderstandings and misinterpretations within the allied nations which at the end of the day will not fulfill the expectations.
- It is important to keep the different actors within the Nations structures well informed of the development of the SMART DEFENCE initiative including Defence Planners, Defence Policy Directors and National Armaments Directors.
- It is necessary to consider elements such as the industrial contributions - in particular in the case of acquisition projects - or funding models –including the contributions in kind – as key issues to make the projects attractive business cases for nations.
- Specialization, a principle associated to the SMART DEFENCE, continues to be an issue with an impact on sovereignty and therefore needs to be carefully explained, discussed and practically implemented.
- The harmonization of the nation's planning, procurement and provisioning structures and processes with the NATO Defence Planning Process will be an important aspect of the future success of the SMART DEFENCE.
- Last but not least, industry should play a role in the whole process as being, at the end of the day, the providers of the assets that will give answer to the military capability requirements.

The May 2012 NATO Summit will be no doubt a clear opportunity to establish, at the highest level, the future of the military capabilities of the Alliance and its credibility as a key actor in the World's Security and Defence Scenario. Let's hope that the first results will be seen soon after Chicago.

Thank you