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"SMART DEFENSE" AND "POOLING AND SHARING": CONCEPTS THAT REACH WAY BEYOND ECONOMY

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Security policy is no exception from the consequences of the financial crunch of our times. On the contrary, it seems that it has put even more pressure on rationalizing defense. This security brief argues that we should stop, take a deep breath, and ask ourselves three fundamental questions before we get further entangled in the glossy rhetoric of "Smart Defense" and "Pooling and Sharing". What are the nuances or contextual factors beyond the economic ones that we should be aware of, and are there any similarities and/or differences between the two. Finally, what are the limitations of the two concepts?

Understanding the two concepts

In order to understand the concepts and their nuances, the context in which they arose must be taken into account in order to recognize the explanations beyond economic ones for why they have become buzzwords in the security policy landscape:

First of all, Smart Defense is a term coined by NATO Secretary General Anders Fogh-Rasmussen at the Munich security conference in 2011. Since then its use has been limited within the NATO context. Getting "more bang for the buck", "doing more with less", and "new ways of thinking of generating defense capabilities" are all slogans used to promote Smart Defense, to such a degree that the concept sometimes seems to be played out as a political rally to get groups or clusters of nations together in multilateral defense initiatives. Looking at the months preceding NATO's Chicago Summit in May 2012, one might even confound the Smart Defense concept with a political fund-raising campaign – a personal test of Anders Fogh-Rasmussen's ability to foster multilateral initiatives amongst allies despite times of austerity and a tight economy. In retrospect, one could and should ask whether the NATO allies have succeeded in identifying and initiating successful Smart Defense projects. And perhaps more importantly, what are the prospects ahead?

Successful or not, a key point for this article is that Smart Defense does not represent "new ways of thinking of generating defense capabilities". Clearly you find the same principles in Smart Defense and in NATO transformation as such, which had its political birth at the Washington Summit in 1999. This is where NATO adopted the Defense Capabilities Initiative (DCI), listing over 50 shortfalls and capability gaps that NATO had to improve in order to adapt its organization to its post-Cold War strategic concept. NATO needed to adapt "how we fight" to "why we fight". 9/11 further revealed that the need for transformation was more pressing than ever, leading to a second round of formulating specific transformational efforts, this time codified in the PCC (Prague Capabilities Commitments) from the Prague Summit in 2002. NATO also needed to learn from operational experiences in Yugoslavia, Afghanistan and Libya, and it also had to reform its command structures to adapt to new threats and to encourage nations to take the lead. In other words, change was needed, and the transformational agenda was the road map to a new NATO.

In a nutshell

Smart Defense: Originally a NATO concept meant to encourage more multinational and cost-effective defense initiatives.

Pooling and sharing: Originally an EU concept focusing on common procurement among states and sharing of capabilities.

Both concepts emphasize the idea that states will benefit economically from pooling/sharing or cooperating on their military capabilities

Nevertheless, both the DCI and the PCC emphasized the following five key principles for transforming the Alliance's structure, mindset, capabilities and culture:

- National commitments
- Role specialization
- Pooling of military capabilities
- Interoperability
- Cost-effectiveness

These principles should ring a bell, because they are the same principles mentioned over and over again in NATO speeches, more than ten years after the first significant transformational step towards "the new NATO". Today's discourse however tends to overemphasize the principles of cost-effectiveness and pooling of military capabilities, thereby serving politicians the temptation to cut defense budgets even more, justifying it with Smart Defense, making Smart Defense a prime example of old wine on new bottles, although with a slightly different focus earlier NATO transformational processes, where the defense budgets were not under the kind of pressure we see today.

Pooling and sharing on the other hand, is an EU security policy concept. The concept refers to initiatives and projects to pool and share more military capabilities among EU Member States, thereby preserving and enhancing national operational capabilities – resulting in improved effect, sustainability, interoperability and cost efficiency. In other words, the principles are similar to NATO's Smart Defense concept.

Although the term "Pooling and Sharing" was politically born as a concept during an informal EU Defense Ministerial meeting in Ghent(Belgium) in 2011, the EU created an agency in 2004 to promote its key principles. The European Defense Agency (EDA) is dealing with advocacy and coordination of the more general Common Defense and Security Policy (CDSP). It was given the responsibility to promote EU research and development (R&D) and to promote armaments cooperation, which emphasizes a competitive European defense equipment market and a strong European technological and industrial base. Although the agency was also meant to identify gaps in capabilities and articulate measures to improve these, Madeleine Albright´s "three Ds" in regard to NATO (no Diminution, no Discrimination, and no Duplication) seem to apply. This has put NATO in a dominant position in terms of defining and improving operational requirements, thereby undermining EDA's position with regards to European defense. One should, as with Smart Defense, ask whether Pooling and Sharing is successful in terms of identifying and initiating projects, and what the prospects are for the future.

Nevertheless, where NATO Smart Defense and transformation was driven by the need to learn from operational experiences, adapting to new threats and a leaner and more flexible military command structure, we see that the key drivers for pooling and sharing to a large degree is a common European market for defense procurement, and cooperation in terms of R&D. These general ideas can be traced back to the very core of the European Union seeking to liberalize the European market, and thus seeking effective cooperation to strengthen and provide competitive products for the European industry.

Same same, but different?

What are the common features of the concepts, and what distinguishes them from each other? First and foremost, the two concepts share the ambition to rationalize defense spending and improve cooperation between countries. The principle of cost effectiveness seems to be hyped up in these times of austerity; it is employed as a sales pitch for European states to organize defense smarter and pool and share defense assets. The other fundamental principle that works as a prerequisite for both concepts is that they demand that participating states sacrifice a degree of exclusive control over their defense capabilities. States are historically cautious to limit their control by ceding exclusive control over defense, the very last stronghold of sovereignty.

The main difference between the two concepts can be found in the culture and "raisons d'être" of NATO and the EU, and the current institutional divide between the two organizations. But regardless of initial intentions and differing areas of focus (e.g. capabilities development, procurement, and so on) they still seek to achieve the same higher objective, namely promoting European defense integration and

the underlying idea that "together one can do more". A second difference is that while Pooling and sharing emphasizes investments and procurement with several states (or institutions) involved – meaning that one specific nation no longer enjoys the prerogative over a given capability, but is rather dependent on other nation's demands and needs in regard to the specific capability. You achieve a certain capability together with other nations, but this also implies that you give away an exclusive right to control the capability. Smart Defense on the contrary, a NATO-spirit emphasizes states' prerogative in articulating needs/demands and rules of engagement for defense capabilities. This means that although NATO encourages tighter integration between nations through Smart Defense, the "NATO is the sum of its member states"-mentality nevertheless seems to prevail.

Looking at the current discourse and debate, it is difficult to make a clear distinction between the concepts, since they are perceived as two sides of the same coin. When talking about pooling and sharing, Smart defense is being mentioned, and vice versa. However, Smart Defense seems to be the best branded by the two. This is mostly because NATO is perceived as the primary provider of security, which sets standards and terms for European security policy. Nevertheless, organizing defense in a manner that is more cost-efficient, that commits nations, encourages pooling and sharing and has some sense of multilateralism, are all challenges that both the EU and NATO need to pursue in the future.

Constraining factors to Smart Defense and Pooling and Sharing

The principles of multilateralism and the quest for cost-effective solutions do not come without challenges. The final part of this brief offers a critical position so that we could start addressing the risks and limitations of these concepts. Let us review four important challenges that we should consider when reviewing Smart Defense and/or Pooling and Sharing initiatives.

1. **The issues of sovereignty:** What will happen to an initiative if *one* of the involved states wishes to use a capability for a specific objective, but where one or other involved nations refuses? Will not a given capability lose its purpose if there is no political framework for deploying and using military capabilities, regardless of what concept it sorts under? Example: What happens if the UK wants to use the aircraft carrier it shares with France in an attack where France refuses?[1]

2. **The issue of long-term stability:** Given that there is a division of labor within an initiative, what will happen if one of the involved states has to withdraw? Example: If, hypothetically, three Scandinavian countries come together and pool and share their maritime task forces for coast guard and search and rescue missions, and one of these nations after some years has to withdraw from that project due to domestic politics and financial deficits, what will the costs be for filling in the gap? What would a new cost-benefit analysis look like for the remaining countries?

3. **Ignoring the startup costs:** Are these concepts hyping the advantage of cost-effectiveness so much that it will be difficult for politicians to explain and justify for their domestic audience that initiatives in most cases will have some short-term costs and investments in order to achieve a longer-term return on investment? And will states be willing to prioritize new potential defense investments in times of austerity? All changes come with a transaction cost, but are we prepared to pay that price?

4. **The dilemma of integration:** How does one strike the right balance between sovereignty and solidarity? That is, how are NATO and EU to strategically manage and lead different initiatives so that they harmonize with overall strategic ambitions? Example: if these initiatives and the involved nations fund (and thus lead) themselves, can NATO and/or EU be able to make sure that all Smart Defense and Pooling and Sharing initiatives are coherent with the overall strategic ambitions?

1 Although the Franco-British carrier project is a bilateral one which is outside both EU and NATO-framework, the example still raises some challenges that need to be looked into.

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Conclusion: Will it work?

One obviously interesting question is whether these concepts will have a positive effect on European defense? When reviewing these questions, one might take into consideration the size of a state and its military capabilities when predicting effect. In this regard, it is obvious that smaller and medium-sized states will benefit more from rationalizing and cooperating. However, the principle of sovereignty is equally important for any state regardless of size, and as long as military matters function as the last bastion of sovereignty, acting in accordance with the concepts' principles will therefore be equally challenging for all states – and thus a structural hinder for achieving effect.

Also, the emphasis on these two particular concepts is relatively new in the security policy landscape, and measuring results of them would be too early (and methodically tricky) to do. However, NATO transformation and the prospect of a common European Defense date back to the early years of European integration. Achieving success therefore requires us to understand the operational experiences that lie behind the concepts, together with the four political risks and limitations that have been discussed in this article. By using these perspectives, together with realistic political risk assessments along the way, NATO, the EU, and its member states would be in a position to ensure more sustainable defense policy planning. Making it work on a larger scale and over time however requires long-term strategic planning (patience), political risk-willingness (guts), and last but not least the acknowledgement that all change comes with a transaction cost. But whether European states are willing to use patience, guts and money in times of austerity, where even the fundamental ingredient *trust amongst nations* seems to erode, is in best case uncertain, and that is when we have to remind ourselves that the way we organize our defense stretches way beyond economy.

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