

# NATO and the Smart Defense Initiative

*An analysis in the context of post-Cold War  
capability initiatives in NATO*

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Master thesis

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by

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# Summary

The thesis analyzes the progress of the North Atlantic Treaty Organization's Smart Defense initiative. The venture is analyzed in a wider context of post-Cold War capability ventures in NATO. Smart Defense represents the last in a line of such initiatives. The most notable among these are the Defense Capabilities Initiatives (DCI) and the Prague Capabilities Commitment (PCC). The initiatives had similar goals of bolstering or reforming NATO's conventional military capabilities. This thesis will assess the causes of shortcomings in past attempts, and this history is an integral part of the comparative approach where the past process may speak to the progress of Smart Defense. The lessons deriving from past experience is at the core of social sciences, where there have been several large-scale attempt of restructuring on order to counter security threats. The history of these initiatives could help provide a better understanding of the progress of the Smart Defense initiative in NATO. This thesis will apply the concept of the free-rider problem and organizational theory with Christensen et al. perspectives on organizations to explain state behavior with regards to alliance capability endeavors.



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Thank you all,

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# List of abbreviations

ACT	Allied Command Transformation
ACLANT	Allied Command Atlantic
ACO	Allied Command Operations
BMD	Ballistic Missile Defense
C <sup>3</sup>	Command, Control and Communications
CFI	Connected Forces Initiative
CJTF	Combined Joint Task Force
DCI	Defense Capabilities Initiative
DoD	Department of Defense
ESDI	European Security Defense Identity
EU	European Union
GDP	Gross Domestic Product
HLSG	High Level Steering Group
HQ	Headquarters
ISAF	International Security Assistance Force
JISR	Joint Intelligence Surveillance and Reconnaissance
MNC	Major NATO Commanders
NAC	North Atlantic Council
NATO	North Atlantic Treaty Organization
NDPP	NATO Defence Planning Process
NRF	NATO Response Force
PCC	Prague Capabilities Commitment
PfP	Partnership for Peace
PGM	Precision Guided Munitions
RMA	Revolution in Military Affairs
SC	Strategic Commanders
U.S.	United States of America
UAV	Unmanned Aerial Vehicle
UK	United Kingdom
UN	United Nations
WEU	Western European Union

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# 1 Introduction

This thesis analyzes the progress of the Smart Defense initiative in the wider context of post-Cold War capability initiatives in NATO. Since the beginning of the financial crisis of 2008, the member states of the North Atlantic Treaty Organization (NATO) are still feeling the effects, and their focus has increasingly been directed towards national economy (as opposed to security). At the Chicago summit in 2012, Smart Defense was adopted as a measure to make the Alliance, both in force and structure, able to deal with current and future challenges. NATO Secretary General Anders Fogh Rasmussen stated in 2012 that the initiative is about lining up the national requirements and NATO's requirement. Smart Defense sets clear priorities, and emphasize specializing in a coordinated and deliberate way by design, not by default (NATO 2012b). The initiative promotes bilateral and multilateral cooperation with the goal of pooling and sharing resources so that member states are able to secure the necessary capabilities to defend the Alliance. Within NATO, the Smart Defense initiative is seen as a new approach that seeks to align collective requirements and national priorities of the Alliance member states (NATO 2012c).

Smart Defense is the last of a line of capability initiatives issued by NATO. Over the past two decades the Alliance has gone through major reforms to adapt to the changing European security environment. When the Cold War ended, NATO had to reassess its collective defense strategy. Since then NATO has continuously transformed itself to cope with changing security threats. Similar to Smart Defense, previous attempts such as the Defense Capabilities Initiative (DCI) and the Prague Capabilities Commitment (PCC) were measures to maintain the Alliance defense capability in times of need. Given the experiences from the conflicts in the Balkans, NATO reviewed its capabilities and decided to adapt to the changing environment, which resulted in the DCI (Ek 2001: 1). With changing security environment and limited progress in the DCI, NATO launched the PCC to address the perceived problems (Ek 2007:3). Ultimately, the PCC also yielded limited results. An interesting study is therefore what is affecting reform processes in NATO. Studying Smart Defense in light of previous initiatives is relevant and interesting because it provides insights on why the reform processes has taken its current form and why there is limited progress. More importantly, it can help explain the progress of Smart Defense. This thesis will show that there are significant challenges to overcome for the initiative to successfully transform NATO.

## 1.1 Literary review

Since its inception, there has been a substantial amount of research on NATO. Much of the research has been theory driven, and has contributed to knowledge on the different aspects of the alliance, either it is on the role of the Alliance in an era of terrorism, the implications on NATO enlargement, its persistence after the Cold War, the enduring issue of burden-sharing problems, or on reforms in NATO (De Nevers 2007: 34; Dunay 2013: 50; McCalla 1996: 445–446; Wolff 2009: 476; Cooper and Zycher 1989: 2). Janne Haaland Matlary and Magnus Petersson argue that studies on security and defense have traditionally been realist in nature with a focus on geopolitics, or liberal with a focus on alliance dependence. After 1990, however, there has been an increasing focus on domestic factors as explanatory factors for NATO in Europe (Matlary and Petersson 2013:4). As for their book, Matlary and Petersson analyze the European willingness and military ability to use force within a NATO context, in terms of coercion and actual deployments (Ibid: 7).

Regarding NATO and theoretical approaches the great theoretical approaches on NATO in international relations is neorealism, neoliberal institutionalism and social constructivism. In a neorealist perspective the assumption was that NATO would wither away after the Cold War. The durability of the alliance, however, led to a revision of the position (Webber, Sperling, and Smith 2012: 35; Waltz 2000a: 18). Here Kenneth Waltz argued that despite that NATO had lost its major function, it is a means for maintaining U.S. interests in Europe, and that institutions serve primarily national rather than communal interests (Waltz 2000b:29).

Neoliberal institutionalism on the other hand expects cooperation and maintains that states have greater incentives to maintain institutions, incentives such as investments and common interests. If the assumption were to be true one would expect successful results on previous initiatives. The perspective explains incentives for cooperation after the Cold War, with emerging conflicts in Europe and that maintaining NATO is less costly than the alternatives. In recent times, however, there has been a perceived lack of a clear and present threat, and recent trends indicate that the incentives is decreasing (Webber, Sperling, and Smith 2012: 38–39; Hellmann and Wolf 1993: 14).

For social constructivists institutions are expression of shared identity where allies share common values. Because of this the security dilemma is reduced and cooperation possible.

Studies on NATO in this perspective often focus on identity and norms. Identity and norms underpin the cohesion of NATO, and the future for the Alliance is determined by the continuous reaffirmation of its identity and underlying norms. The norms and identity, however, is challenged by internal debates and diverging interests in the Alliance (Webber, Sperling, and Smith 2012: 42–43).

There have also been recent studies on the Smart Defense initiative that has highlighted several relevant aspects. Jacopo Leone Macdonald studies the challenges that Smart Defense faces in implementing the initiative. He argues that previous efforts has made limited progress, but that a series of factors appear to give the initiative renewed attractiveness and momentum to the cause (MacDonald 2012: 9–11). He finds that the initiative is essentially a political matter with fundamental sovereignty implications for all NATO members (Ibid: 24–25). Jakob Henius focuses on the specialization pillar of Smart Defense and argues that it poses as the most challenging component and finds that with specialization follows challenges with issues such as strategic flexibility, political freedom, and implications on the defense industry (Henius 2012: 46–47). Claudia Major et al. argue that in order for it to succeed, it need to give member states incentives to cooperate, and to address their concerns regarding collaboration (Major, Mölling, and Valasek 2012: 1). They find that in order to bolster cooperation in the Alliance through the planned pooling and sharing, more of the members need to be convinced that the benefits are worth the political, economic and security risk (Ibid: 6). Finally, Mikaela Blackwood examines how Smart Defense will help deal with the fiscal challenges in NATO (Blackwood 2012: 85). She finds that if the member states are fully committed, then Smart Defense may make a significant contribution to helping NATO remain a credible security actor (Ibid: 93).

The research on NATO has contributed to many important findings, and recent Smart Defense studies has discussed relevant factors that influence reform processes. This thesis analyzes the Smart Defense initiative in light of previous capability initiatives. Lessons learned from past experience may help understand the factors that come into play in the current reform process, and contribute to the assessment of the Smart Defense initiative. Instead of using classic international relations theory, the thesis combines multiple theoretical perspectives. The following section will outline this in length.

## 1.2 Research question

This thesis provides with an explanation of reform processes in NATO with an in-depth analysis of previous initiatives and reforms. It will focus on the causes of shortcomings in past attempts, and how the favorable conditions identified in past process may speak to the progress of Smart Defense. The causes of shortcomings in past attempts will be mapped out by applying process tracing, and tested with Christensen's et al. perspectives on organizations and analyzed in light of the free-rider problem. Compared to previous research, this thesis provides an in-depth approach on certain capability initiatives, as well as the use of organizational theory. This will provide a greater explanatory value because of the process tracing in previous initiatives, and because of applying organizational theory to explain the causal mechanisms affecting reform process in NATO. This approach will help identify patterns and causal mechanisms and strengthen the explanatory value of the findings. The purpose of this thesis is therefore to find out why previous initiatives yielded limited results, and what experience from these can help understand the goal attainment or progress of the Smart Defense initiative. The research question for this thesis is as following:

*What can past experiences say about the likelihood of the NATO Smart Defense initiative achieving its stated objectives?*

To answer this question, an analysis of the previous capability initiatives and reform processes will be conducted. The past experience may have implications for other areas within NATO, but the focus in this thesis concerns itself with a singular case, Smart Defense. Despite the fact that Smart Defense is a relatively new concept within the NATO framework, and that it currently attracts a great deal of attention, it is in reality the last of a line of capability initiatives in NATO. An analysis of these initiatives since the end of the Cold War is essential to understand what Smart Defense means for NATO. National interests and state sovereignty is challenges that follow initiatives such as Smart Defense. States have traditionally been skeptical about capability pooling as illustrated by the relative few examples of multilateral units. Initiatives such as Smart Defense revives old debates in the Alliance, so it is therefore important to contrast the concept of pooling to sovereignty, analyze the implications of the burden-sharing debate, the importance of domestic politics and organizational factors that may influence allied behavior in reform processes. All this

will provide an understanding of the progress of Smart Defense, and under which circumstances it may succeed.

### **1.3 Structure of the study**

This thesis begins by outlining the theoretical framework. Starting with choosing the level of analysis and thereby excluding those who fails to account for the explanation of state behavior, this thesis chooses relevant theory and focuses the analysis of this level. The chapter discusses the theory and concludes by formulating the hypotheses.

For this thesis the collective action and free-rider problem in combination with the three perspectives on organizations by Christensen et al. is chosen. This combination contribute to an understanding of state behavior in a situation where state interests clash with interests of an international institution. It will also help understand the complexities involved in aligning state behavior with international obligations.

Next after the theoretical framework, the methodology is outlined. This thesis uses a case study approach combined with triangulation and process tracing. With triangulation, a use of primary, secondary and tertiary data will contribute to get insight on capability initiatives. Strengths and potential weaknesses in the methodology will be pointed out. From here, in addition to discuss the relevant debates within the Alliance, the previous capability initiatives are outlined.

Finally, the Smart Defense initiative is analyzed in light of the theoretical perspectives and informed by experience from past initiatives. The hypotheses will be discussed before the conclusion.

## **2 Theory and Methodology**

This chapter outlines the analytical framework for this thesis. The chapter is laid out in a straightforward manner with three interconnected sections. For one, the starting point is a discussion on the chosen level of analysis. Selecting the relevant level of analysis will help exclude explanations and selecting appropriate theory. Section two discusses of the relevant theoretical perspectives. Because this thesis seeks to identify the causes of shortcomings in previous capability initiative, and how favorable conditions identified in past process may speak the progress of Smart Defense, it will use the collective action problem and organizational theory. Section three discusses the methodological framework. The chosen approach is a case study that relies on triangulation and process tracing.

### **2.1 Theoretical framework**

The role of theory in this thesis is to help shed light on the decision-making behavior with regards to the capability initiatives and contribute to an understanding of the challenges NATO faces with in reform processes. The theoretical framework consists of the collective action and free-rider problems as a general model, and is supplemented by the instrumental, cultural and myth perspective. The instrumental perspective emphasizes the ability to exert political control and to engage in clear organizational thinking and rational calculation of causal relationships and effects. The cultural perspective challenges instrumental assumptions and emphasize the limits and possibilities lying within established cultures and traditions. The myth perspective highlights adjustments to existing values and belief in the environment to understand how organizational changes occur and its effect and implications (Christensen et al. 2007: 13).

There are several approaches to study NATO, but for this thesis an exploratory research that will generate hypotheses. Using unfamiliar theory in cases such as NATO is at the hart of social science inquest. Adding the three perspectives on organizations to free-riding and collective action problems is fruitful for studying an initiative that is an ongoing process. The following sections will discuss the chosen level of analysis and the theoretical perspectives



chosen to analyze reform processes in NATO. The final section will sum up the theoretical framework and the hypotheses.

### **2.1.1 Climbing the explanatory ladder**

The first choice any scholar dealing with alliance reform faces is to select the appropriate level of analysis. There are numerous possible approaches. The one chosen here is Anders Wivel and Hans Mouritzen's "explanatory ladder", inspired by inter alia Kenneth Waltz and Graham Allison. They define three levels of analysis, the intra-state, inter-state and systemic. By excluding one level, and climb a step, we reduce the distance from the object of explanation, to the source of explanation. This simplifies the explanatory task, and allows us to exclude some explanatory models and focus the attention on one level. This in turn can help excluding theoretical approaches (Mouritzen and Wivel 2012: 25–26).

Starting at the intra-state level of explanation where the competition between political parties, interests groups, opinions or bureaucracies is in focus. These interests compete to reach the decision-makers agenda, and encompasses misperceptions and idiosyncrasies, as well as other elements in decision-making process (Mouritzen and Wivel 2012: 25). Explanations at this level are useful when the decision maker is a key variable. An example is the 1962 Cuban Missile Crisis when Kennedy and Khrushchev faced the possibility of nuclear war. Why they found themselves in these situations, however, cannot be explained at the individual level. As Nye Jr. and Welch argue, there may be something at a higher level, or in the structure of the situation that brought them to that point. As in the case of NATO, the states and state leaders behave more or less similarly in terms of budgets cuts and decision-making behavior. Preliminary analysis indicates that there is a concurrent trend with decreasing budgets, lack of investment in capability development and no unity to live up to alliance ventures. The explanation is therefore more likely found at the systemic or inter-state level (Nye Jr. and Welch 2011: 48–49; Mouritzen and Wivel 2012: 25).

The systemic level is at the top of the ladder. This level is characterized by states relative power and the importance of capabilities. Here, one of the primary incentives is provided by the distribution of power in the system. The states face the same anarchic environment, which is the international system. This system, whether it is unipolar, bipolar, or multipolar, is believed to be the decisive explanatory factor and motivation for decisions. States balance against each other, and systemic power matters (Mouritzen and Wivel 2012: 25). This level

looks at how the overall system constrains state action. At first glance in this case, however, the systemic explanation seems ill suited. After the Cold War, there have been changes in states interests and attitudes towards balancing. In his book, Waltz describes a world where states seek own interests and using military force as a mean of achieving goals. There is a constant possibility of war in a world where there are multiple sovereign states seeking to promote a set of interests, and not having any overreaching agency to rely on protection (Waltz 2001: 227–238). Neorealists argued that without a common threat, the Alliance would not survive. This argument, however, have been proven wrong. Today, the world is different and state behavior in reforms in NATO seems to be explained on another level. The systemic level cannot with confidence be excluded, but for this thesis, the explanation seems to be located at a lower level of analysis. The focus is instead directed towards the inter-state level of analysis, as will be discussed (Nye Jr. and Welch 2011: 53–54).

Between the intra-state level and systemic level is the inter-state level, which it seems most likely that the explanation is. Most important argument here is that NATO is an inter-state alliance with equal membership. The members are national states and the decision-making take shape of inter-state bargaining. On this level states will, if possible, relevant or realistic, balance proximate rather than systemic power. This balancing happens through internally mobilized resources or with a credible ally. If these conditions fail to occur, the states will bandwagon with the power asserter (Mouritzen and Wivel 2012: 123). As Nye Jr. and Welch argue, when explaining on the inter-state level of analysis, one seeks to explain whether what happens in world politics is a function of domestic politics, features of domestic society, or the machinery of the government. They argue that in international politics, domestic considerations are important. Because of the characteristics of the Alliance, as well as the decision-making, the explanation seems to be located at the inter-state level of analysis (Nye Jr. and Welch 2011: 51).

The assessment indicates therefore that the inter-state level is the appropriate level of analysis. The two other levels are not irrelevant, but the systemic or intra-state effects seem to have little influence on the reform processes, as the effects that is found on inter-state level. The thesis will therefore use collective action and the free-rider problem as well as the three perspectives on organizations by Christensen et al. Choosing the level of analysis may seem to exclude some relevant explanations, and in doing this implicitly conclude that the factors

at the inter-state level is affecting the progress of capability initiatives in NATO. An important note here, however, is that it is this field of research and level of analysis that deals with the problems of alliance politics and covers the questions that are relevant for this thesis. In this field of study, there are several important contributions. Among these are Mancur Olson and Richard Zeckhauser's research on burden-sharing, and Oran R. Young's study on cooperation and international regime formation.

Olson and Zeckhauser's article outlined a model that sought out to explain the workings of an international organization. They find that in an alliance the individual members, especially smaller members, have incentives to stop providing collective good. They argued that it is because they have "little or no incentive to provide additional amounts of the collective good once the larger members have provided the amounts they want for themselves, with the result that the burdens are shared in a disproportionate way". Large nations tend to bear disproportionate shares of the burden in international organizations, and the resources devoted to an alliance by the nations is determined by national interest (Olson and Zeckhauser 1966: 278). Young, on the other hand, looked at cooperation and international regime formation. He argued that the probability of suboptimal outcomes in international organizations or institutions generally increases as the number of the participants increases (Young 1989: 2). New institutional arrangements, or institutional change, will result in conflicting interests and bargaining (Ibid: 66-67).

These contributions deal with several of the problems of collective action and the implications of the free-rider problem. They bring up important issues concerning the issues that we see in NATO today, such as explanations for disproportionate burden-sharing and the role of national interests, and the general problem of collective action often referred to as the "Tragedy of the commons".

### **2.1.2 Free-riding and the tragedy of the commons**

With the chosen level of analysis, the theoretical perspective that will be used to shed some light on the factors affecting reforms in NATO and the Smart Defense initiative is collective action and free-riding problems. The free rider argument help explain alliance behavior in committing to different ventures in NATO and it may give some insights on the challenges related to the Smart Defense initiative. As a defense Alliance, NATO faces challenges

regarding collective action, which influence many areas of operation. Even though it is not a theory of domestic politics, collective action problems, or the free-rider problem, derive from national or self-interests, and the problems bring up many of the relevant discussion in NATO today.

The term collective action refers to activities that require coordination of efforts by two or more individuals. Richard Cornes argue that collective action problems are typically characterized by “interdependences among the participants, so that the contributions or efforts of one individual will influence the contributions or efforts of other individuals”. One of the collective action problems that are related to these issues is the free-rider problem (Cornes 1996: 324). Todd Sandler argues that pure public goods that are nonexclusive will lead to a free-rider problem because the provider will be unable to keep those who do not contribute from consuming the benefits of the good. If the public good is already provided, and requests on contributions come afterward, the actors involved will have strong incentives to understate or hide its true derived benefits. By doing this, the contributions are seen as meager, compared to the benefits received. There is no reason to reveal the true gains of the good through contributing, because the money can be spent on excludable goods (Sandler 2004: 47). Individuals will therefore fail to contribute their share, because the benefits are already provided. This enables free-riding behavior where individuals can save considerable resources to spend on other excludable goods. Thus, with a pure public good, comes a collective action problem. As Sandler argues, collective action failure rests on a single premise of that individual rationality is not sufficient for collective rationality (Ibid: 18).

Garrett Hardin describes the collective action and free-rider problem illustrative in “Tragedy of the commons”. In his article he illustrates a pasture, which is commonly open to all herdsmen and their cattle’s. Here the benefits of grazing an additional head of cattle on the common ground, exceeds the private costs. Because the herdsman increases its sales from letting an additional animal use the grounds, it is seen as a rational action. The sensible course is therefore to add another cattle, and then another and so fourth. Every herdsman sharing the common ground reaches this conclusion, which in turn leads to the tragedy of the commons. Behaving rationally in terms of self-interests, ruin the common ground and the collective long-term benefits for all the herdsmen (Hardin 1968: 1244). To sum up the argument, the tragedy of overgrazing, is an result from every persons incentive to free-ride

regardless of the expected action of others. Even if an agreement is struck, in which it specifies that all herdsmen will refrain from further grazing, the strict dominance of the individual strategy, consequently make such contract unstable (Runge 1984: 159).

In general, the free rider problem is where one actor relies on a public good supported by another. And these public goods can be characterized both by its non-rivalness in consumption, and by the fact that the provider cannot exclude those who do not contribute. If this pure public good is provided to a group, a member can reap the benefits while failing to contributing much to its production. By this logic, one would assume that free riding is individually rational, but collectively irrational (Cornes 1996: 30; Pasour Jr. 1981: 455). The argument was in 1966 developed by Olson and Zeckhauser. They argued that defense in an alliance is considered a pure public good. The benefits that are associated with defense spending are non-excludable and non-rival in consumption among allies (Olson and Zeckhauser 1966: 267; Plümper and Neumayer 2012: 6).

In this context, a free-rider is anyone who contributes less than their “true marginal value derived from a non-excludable public good”. A free-rider problem emerges when a good becomes non-excludable, which many will fail to contribute because the good’s benefits is free once it is provided by others, and in so doing, the free-rider saves costs that can be used on other excludable goods (Sandler 1992: 17). Olson used the free rider logic of exploitation of the large by the small on disproportionate burden-sharing in a military alliance (Ibid: 54-55). The presence of purely public deterrence means that some free-riding will occur, even under a club arrangement such as NATO (Ibid: 101). The important argument here is that NATO has one big security producer and many smaller security consumers. In terms of this thesis, this problem of collective action and free-riding may contribute to shed light on the research question, thereby help understand what influences reform processes in NATO, and furthermore the progress of Smart Defense.

In order to use these principles a conceptualization by Glenn Snyder may help guide the arguments. Snyder addresses the problem of collective action and conceptualize the potential strategies available for the allies into four broad categories. These tell us about the level of commitment in alliance ventures, and its consequences. Snyder bases these categories on the assumption of security dilemma, but as argued, this thesis cannot ignore the systemic

explanation, where it may provide some valuable insights. When faced with a choice of committing to an alliance venture, the potential strategic responses for the members of NATO would fall in to four broad categories outlined by Snyder. Allies can defect, de-align, cooperate, or abrogate. Defecting or cooperating is the two absolute strategies. The first refer to a weak or no commitment to alliance goals or commitment. The latter refers to that there are strong commitment and in turn support for alliance goals or commitments. Snyder points out here that these alternatives have prospective good and bad consequences. Snyder argues that, in a security dilemma “the principal “bads” are “abandonment” and “entrapment”, and the principal “goods” are a reduction in the risks of being abandoned or entrapped by the ally” (Snyder 1984: 466).

In line with the systemic level of analysis, in a system characterized by more than one pole, the fear of abandonment is ever present. And alliances in international system are never absolutely firm. In general, abandonment of the alliance ventures is defection, but there are two relative strategies of this, which is to de-align or abrogate. De-align means failing to make good on his explicit commitments. Abrogate, on the other hand, means fail to provide support in contingencies where support is needed or expected. Snyder pointed out that “in both of the latter two variants, the alliance remains intact, but the expectations of support which underlie it are weakened” (Snyder 1984:466). Arguably, the implications of the collective action and the free-rider problem could be structured under these potential strategies of de-aligning or abrogating. These strategies could therefore be used more specifically in assessing the strategies chosen by allies in the reform processes (Ibid).

The other principal bad in the security dilemma, entrapment, means being dragged into a conflict because of an ally’s interests, which one do not share, or only partially shares. As Snyder argues “The interests of allies are generally not identical; to the extent they are shared, they may be valued in different degree” (Snyder 1984: 467). Entrapment occurs therefore when one ally values the preservation of the alliance more than fighting for the interest of another ally. Entrapment is therefore more likely to occur if an ally does not cooperative in disputes with opponents, because of his confidence in ones support. The greater the ally is dependent on the alliance, and the stronger the commitment to the ally, the higher the risk is for entrapment (Ibid).

To sum up, for this thesis, the collective action and free-rider problem will be used to guide analysis of the past initiatives, as well as the Smart Defense initiative. In order to apply these concepts in the analysis, the four categories outlined by Snyder's provide an additional perspective on the collective action and free-rider problem. In order to achieve a more complete image of the mechanisms affecting NATO reforms, however, the thesis will apply the three perspectives outlined by Christensen et al.

### **2.1.3 Understanding organizations – Three perspectives**

The discussion of past research illustrate that there are different approaches to study NATO. There are still some issues concerning the level of detail and complexity, or the lack of explanatory strength. This is why in this thesis a choice is made to step outside the commonly used theories in international relations and instead combine theory of collective action with theory of public policy and administration. Specifically, the problems with collective action and free-riding is combined with Tom Christensen et al. "three perspectives" on organizations. The perspectives can be considered as conceptual lenses through which to view the Smart Defense initiative. The perspectives are not commonly used in NATO research, but what they provide is a focus on not only one, but on groups of explanatory factors. Since the goal for the thesis is to say something about an initiative that is an ongoing process, and to get the most out of empirical data, the three perspectives is chosen.

#### **Instrumental perspective**

The assumption is that because organizations provide a function on behalf of a community, they can be understood as instruments or tools for achieving certain goals that are deemed important. Members of the organization act with instrumental rationality in performing its tasks to achieve the desired results. They therefore assess available alternatives or tools according to their perceived costs and rewards, and in relation to the chosen goals. From this they make willful choices between these alternatives and achieve the desired effect. This instrumentality is in accordance with means-ends assessments, which determines how its members behave in doing its tasks. It can also be expressed in the structural design of the organization in itself. Instrumentality can therefore involve both the effects of the organizational structure as well as the process that structure is determined and formed (Christensen et al. 2007: 20–21).

When studying organizations as instruments, the goals and means-end conceptions of the relevant organizations and members must be clarified, which includes the choice of action and whether and how the result of an action is in accordance with the desired outcome. Actions are therefore built on “logic of consequence”. The formal organizational structure is a structure consisting of positions and rules. The rules determine the responsibilities and define how various tasks should be executed. Organizations are composed by set of positions and subordinated units. Because of the structure of sub-units and division of labor, it makes for a heterogeneous perspective on organizations. Coalitions make room for different goals or interests, as well as diverse resources for the articulation of interests. Individual sub-units and members can act instrumentally. To achieve their objectives in this environment, organizations and their sub-units can enter coalitions. This view of an organization is important for the case of NATO where differing interests come into play in reform processes (Christensen et al. 2007: 21).

In their book, Christensen et al. argue that having a formal organizational structure implies that different norms for practices exist independently of the individual holding a position at any time. The formal norms is usually expressed through rules, regulations, organizational charts and manuals (Christensen et al. 2007: 24). Challenges that are new or unknown, which involves uncertainty, cannot always be dealt with by the use of established rules and procedures. Therefore, they may consequently result in ad hoc routines and organizational solutions. In reforming an organization, different individuals or groups may have different goals and interests. In a negotiation-based perspective, organizations can be understood as coalitions with the actors behaving instrumentally. The motivation is self-interests, and they can enter coalitions with actors outside the organization that has common interests (Ibid: 28-29). Conception of the existing structure may help determine how problems and solutions are defined. From a negotiation-based instrumental perspective, the existing structures and ways of organizing the reform process may be a result from previous bargaining and compromise. In addition, it provides directives for the course and outcome of reform processes. This is because there are interests in these structural features. I regards to NATO, this means that new reform processes may reveal old patterns of interests (Ibid: 123-124).

Based on a negotiation-instrumental perspective the performance of reforms is dependent on existing organizational structure, and the organizing of the reform process. Goals and



perception of the current situation influence reforms and change. If new decision-makers arrive the organizations with new goals, they are likely to be put on the agenda. Reforms can also happen if new knowledge is gained about consequences of new organizational designs, and how they might be implemented. The outcome of reforms determined by conditions that other actors have certain control over. This is why leaders must enter coalitions to promote their goals and interests (Christensen et al. 2007: 133–134). Another view of reforms in this perspective is based on hierarchy. Here the leadership calculates the costs and benefits of existing and other relevant designs, and recommend reform if the alternatives are deemed better for achieving the organizational goals. Bounded rationality is an important factor here. Acquiring information on alternative designs and implementing these alternatives might entail costs. As Christensen et al. argues “if one takes into consideration information and implementation costs, then the present organizational form will have a certain advantage” (Ibid).

### **Cultural perspective**

As opposed to the instrumental perspective, in the cultural perspective the norms and values are emphasized. The organizational culture is here associated with formal and informal norms and values that evolve and become important for the activities of organizations. Here a distinction between informal norms and formal norms in organizations is important. They have different origins and operate in different ways, though they can influence each other. According to the “logic of consequence” the goals are often given a priori, or by political leaders. These goals are achieved through formal structures and norms. This perspective, however, assumes a “logic of appropriateness” where the goals are discovered in the course of a process and informal norms, values and identities gradually develops. Here, the organizations acquire institutional features and become institutionalized. As the complexity of the organization increases, the less flexible or adaptable it becomes to new demands (Christensen et al. 2007: 37–38).

The logic of appropriateness means that when acting in public situations, one will not primarily act rationally according to careful deliberation of pro and contra arguments. Nor will it act out of self-interests or assessments of possible consequences of actions. Instead one engages in “matching”, where rules for action are deployed in order to link situations and

identities. What this means is that matching occurs intuitively and the organizational culture entails a consistent set of rules and identities, so that such links are easy to take. The cultural perspective and appropriate action explains that action has normative and institutional foundation. For instance, it may be appropriate to act in accordance with norms and values built on equality and considerations of general practicability. According to this logic, cultural attitudes and actions of members will become systematic. By gaining experience from institutional culture, it will learn what is appropriate. Organizational culture is thereby established through evolutionary, natural development processes, which adapts through internal and external pressures (Christensen et al. 2007: 40–43).

A central aspect, which is important for this thesis, is path dependency. Norms and values that have significant influence on an organization in its early and formative years will have great significance for the subsequent years. As Christensen et al. argues “a public organization is established at a specific point in history and hence is shaped by specific cultural contexts or norms and values that leave a permanent impression on it” (Christensen et al. 2007: 45). This means is that goals that are established in the origin of an organization will have significant influence for its subsequent development. Because the costs of changing the organization often becomes too great, they are not easy to change, not even when contexts and environments change. This is referred to as “historical inefficiency”. According to this perspective it is possible to live with such historical inefficiency over time (Ibid: 46).

Path dependency has its benefits and drawbacks. On the positive side, it gives stability and depth to informal values and norms in an organization. Determining appropriate behavior and grasping the cultural framework to operate within is easier. In addition, matching between known identities and situations become easier, and institutional rules of action can function effectively. On the negative side, however, historical bias may cause the intuitional features to render the organization inflexible. This becomes a problem when the environment is in rapid change and a gap emerges between external challenges and internal culture. Institutional characteristics and rules for action can function as obstacles for change (Christensen et al. 2007: 46). When organizations do reform in this perspective, it occurs incrementally, even glacially. Instead of revolution, there is evolution. It is a process where traditional values and norms are balanced against new ones, in a process of adaption to external as well as internal pressures. In the cultural perspective, the fate of a reform depends

on the degree to which there is normative correspondence between the new and those existing in the organization. If they are incompatible with established norms and values, they will be rejected. Parts that are compatible, however, will be implemented, and the controversial parts will be interpreted in a way as to become palatable (Christensen et al. 2007: 132).

Reforms occur as a consequence of changed perceptions on the situation the organization faces, on the identity or what it stands for. It is therefore a matter of a relationship between situation and identity. Organizational features that already is embedded, is important because they provide the basis for understanding appropriate behavior. Development of organizational forms or designs will be path dependent. Here are changes characterized by gradual adaption centered on one state of equilibrium, which is punctuated by abrupt and powerful upheavals. Following this is a new phase of incremental changes around a new state of equilibrium. Radical changes like this are dubbed “critical junctures”. There may be variations in structural arrangements between different parts of an organization. Tradition and norms varies from sector to sector, and provide the basis for path dependency. This argument with path dependency will contribute to the explanation of the factors affecting NATO reforms (Christensen et al. 2007: 134–135).

### **Myth perspective**

With this third perspective, a critical conception is that organizations operate in institutional environments. In these environment organizations are confronted with socially created norms for how they should function and how they should be designed. These norms must be incorporated and reflected outwards, even if they fail making the organizations activities more effective. This process makes organizations more similar on the surface, which is in contrast to the multiplicity described in the cultural perspective. Christensen et al. unceremoniously dubs socially created norms in institutional environments “myths” (Christensen et al. 2007: 57).

Myths spread through imitation and can be adopted by organizations without producing instrumental effects. Leaders may promote myths and signal that they are adopted in the organization, when in reality little effort is made to do so. This is to seek legitimacy in institutional environments. The norms are reflected in a wide repertoire of general ideas and

more precise recipes for how modern, and thus legitimate, organizations should look. These recipes become attractive and is something “all” organizations should adopt at a certain time (Christensen et al. 2007: 58). The organizational environment is complex where different parts of an organization strive to gain legitimacy from a range of external actors. They are confronted with many different and inconsistent changing ideas and recipes for legitimate structures and procedures. Myths are these socially legitimated ideas and recipes for how to design parts of an organization. It is an idea that excites, grabs attention and has achieved good status in other organizations (Ibid).

Rationalized myths refer to myths that are convinced to be an effective tool for achieving specific organizational goals. Organizations, despite this, often experience situations where the instrumental effects of adopting a popular recipe, fail to match expectations. A rationalized myth may be defined as a non-scientifically justified conviction that a recipe is grounded in research and rationality. Independently of whether myths result in expected effects, they are still institutionalized in the sense that for a period it is taken for granted that they are timely and efficient (Christensen et al. 2007: 58–59).

In reforming organizations a similarity or isomorphic effect occurs between the organizations. Because organizations adopt widespread myths, or similar features they become isomorphic (Christensen et al. 2007: 124). In reform processes there are special units that interpret popular myths for what organizations should look like and function. In order to gain legitimacy for the environment reform processes are usually generally accepted methods, where the use of imitation is common (Ibid: 126-127). Reform initiatives that corresponds with current doctrine of how a “good organization” should operate, will gain acceptance. Initiatives that diverge from this are therefore not chosen. The greater the correspondence is between problem definitions and suggestion solutions in reform programs, the easier it will be to gain legitimacy (Ibid: 132).

## 2.1.4 Hypotheses

To sum up the theoretical framework, using the concept of collective action and free-rider problem in combination with the instrumental, cultural and myth perspective can contribute to the explanation of why the allies failed to live up to the commitments the capability initiatives. The collective action and free-rider problem provides the general understanding of the behavior in reform processes, and the three perspectives provide with more depth and explanatory factors needed to explain the mechanisms that affect reforms in NATO. This section will state four hypotheses that will be used in the analysis of the Smart Defense initiative.

For one, the collective action and free-rider problem assumes that because defense in NATO has become a non-excludable good, the smaller allies will fail to provide support and free-ride on the contributions to the Alliance. In so doing the free-rider saves costs that could be used on excludable goods, such as goods that fulfill the national priorities. As outlined in Hardin's "Tragedy of the commons", it is individually rational, but collectively irrational. From this assumption the smaller allies will fail to take their share of the defense burden, which leads to a disproportionate burden-sharing in the Alliance. From this the following hypothesis is formulated:

H1: *NATO's Smart Defense initiative will have little chance of success due to free-riding behavior in sharing of the defense burden.*

Two, the instrumental perspective argues that organizational structure affect decision-making. In addition to this the instrumental emphasize that the actors have limited rationality and that reform happens not only in accordance with existing structure, but also through negotiations and assessment of the current organizational structure. Furthermore, within organizations, coalitions are created in order to achieve certain goals, which make room conflicting interests in the organization. Therefore, from the instrumental perspective following hypothesis is formulated:

H2: *NATO's Smart Defense initiative will have little chance of success due to diverging interests between allies.*

Three, as opposed to the instrumental perspective, the cultural perspective emphasizes the importance of institutionalized organizations. Embedded norms and values from the early years of an organization affect future action. It influences subsequent development and are not easy to change, not even in an otherwise reform-favorable environment. This path dependency argument will be important in the analysis of Smart Defense. In addition, the cultural perspective emphasize that reforms occur as a consequence of changed perceptions on the situation the organization faces. This may involve the organizations identity or its fundamental goal. Therefore, with this perspective, following hypothesis is formulated:

H3: *NATO's Smart Defense initiative will have little chance of success due to an organizational structure that is institutionalized and path dependent.*

Finally, the myth perspective emphasizes the importance of myths and how organizations adopt attractive recipes for organizational design, although they may not be optimal. In order for organizations to gain legitimacy, they often use generally accepted methods. These recipes for organizational design may be popular recipes that “all” organizations use at a certain time, and imitation is therefore common. Therefore, with this perspective, following hypothesis is formulated:

H4: *NATO's Smart Defense initiative will have little chance of success due to the structure of the reform.*

These hypotheses will be tested in the empirical analysis, and will contribute to a more complete understanding of reform processes in the Alliance more important the progress of Smart Defense.

## **2.2 Methodological framework**

With the theoretical framework outlined, the following section outlines the research design and methodology for the thesis. To answer the research question a case study approach in combination with process tracing and triangulation will be used. The strengths and limits with the case study approach will be pointed out. Other methods may provide different insight on the subject of study, but they may have some weaknesses in providing a complete picture of the dynamics affecting the progress of implementing capability initiatives in NATO. This section will therefore discuss the methodological framework chosen for this thesis.

### **2.2.1 Case study**

There are various ways to understand the case study as a scholarly method, but most analysts agree on the following arguments. Case study can be defined as an intensive study of a single case that investigates a contemporary phenomenon in depth and within its real-life context. The overall goal is to shed light on a larger population of cases (Gerring 2006:20; Yin 2009:18). Not only does it enable in-depth study of a phenomenon, but it also provides an understanding of the contextual conditions (Yin 2009:18). The phenomenon under study in this thesis is capability initiatives in NATO since 1990. Assessing specific reform plans in-depth over time provides the insight needed in order to discuss the progress of Smart Defense.

Choosing capability initiatives in NATO as case study is based on several arguments. For one, since the early 1990's there has been a transformation process in NATO. Despite of several limited attempts, NATO, at the 2012 Chicago Summit, launched its latest capability initiative, seeking to bolster the alliance capabilities and promoting burden sharing. The fact that capability initiatives are repeatedly launched is an important motivation to study the progress of the reforms. Two, because there are contextual differences in which the initiatives has been launched, studying these in a longer process allow us to identify what affected the performance of these initiatives, as well as how NATO changed with these. Finally, by studying this process over time may give us an indication of NATO's ability to reform. Selecting capability initiatives in NATO and use past initiatives to shed light on the factors that come into play in reform process will provide a more complete understanding of the challenges NATO faces in implementing capability initiatives.

Case studies also allow the researcher to approach given phenomenon in depth, which encompasses contextual conditions because of their importance to the phenomenon in study. It enables the researcher to cope with technically distinctive situations (Yin 2009:18). When studying decisional behavior, case study research may offer insight to the intentions, the reasoning capabilities, and the information-processing procedures of the actors involved in a given setting. Investigating a single case allows one to test the causal implications of a theory, and thus providing corroborating evidence for a causal argument (Gerring 2006:45). It can contribute with a thick description of events, and can identify causal arguments on the basis of few cases (Ibid: 48). In addition to this, case studies are suitable to deal with a variety of evidence, such as documents, interviews and observations (Yin 2009:11).

Other methods, such as surveys, try to deal with phenomenon and context and are limited in the ability in investigating the context (Yin 2009:18). The variables chosen for the study may also not reflect the real situation in the different member countries. Statistical data based on states capabilities may contain either more or less of what the members actually possess in capabilities, which may lead to false conclusions. A qualitative approach provides a more complete understanding of reform processes in NATO. This approach also allows an in-depth study on NATO with public and accessible documents, both official and academic. Because this thesis does not seek to identify a causal effect rather the casual mechanisms that come into play in implementing capability initiatives, a qualitative approach is therefore more fruitful.

### **2.2.2 Triangulation**

To ensure the findings in the case study, triangulation will be applied. Triangulation has increasingly been used in social science research. It does not necessarily entail using both quantitative and qualitative data, but also different methods of data collection (Bergman 2008:23). Norman K. Denzin (1970) defined triangulation to encompass in total four different varieties of triangulation: methodological, theoretical data and investigator triangulation. For this thesis, however, the most common type, methodological triangulation, will be applied (Duffy 1987:131).



In methodological triangulation the researcher uses two or more methods of data collection procedure within a single study. This can take two forms, within-method and between-method triangulation. Relevant for this thesis is within-method triangulation, which is most frequently used when the phenomenon under study is multidimensional. The researcher chooses one method, and applies several strategies to examine the data. This could entail retrieving official and research documents as well as getting statements from relevant subjects (Duffy 1987:131).

For this thesis primary, secondary and tertiary sources from NATO will function as the empirical base. The different sources supplements each other and contribute to a more overall understanding of the initiatives. In order to deal with the insecurity and ambiguities with the different aspects of the initiatives, interviews will be conducted. In addition to bring in theoretical propositions, there will be elements of both qualitative and quantitative sources. To get an image of the development of defense expenditures since the 1990's there will be tables that are created in Microsoft Excel. Official data from NATO and other sources is used. Using triangulation as a tool for combining different methods and data sources, may contribute to a more complete set of findings of the performance of the capability initiatives. This can contribute to a greater understanding of the case study.

The advantage of triangulation is that it allows the researcher to reduce the threats of validity and reaching false conclusions when using different data, and use different sources to collect the data (Bergman 2008:23; Yin 2009: 114–115). There is greater need for multiple sources in case studies than in other research methods. Triangulation in case studies allow a wide variety of evidence that other methods do not, which allow looking at a case from different angles (Yin 2009:115).

### **2.2.3 Process tracing**

When triangulating the data, the method chosen to assess how the previous capability initiatives performed is process tracing. David Collier defines process tracing as “the systematic examination of diagnostic evidence selected and analyzed in light of research questions and hypotheses posed by the investigator” (Collier 2011:823). Process tracing will be an important tool in mapping out the causal mechanisms that affect reform processes of the capability initiatives. By triangulating the data, the thesis outlines this development. This

involves an exploratory analysis, which process tracing is a useful method. An important note here is that instead of using process tracing in detail, the thesis will map out the process of the initiatives, studying how they performed and see what lessons we can learn from them.

In qualitative analysis, process tracing are considered a fundamental tool used by scholars to carry out within-case analysis with qualitative data. The method can contribute to describe political and social phenomena by evaluation causal with a focus on sequences of dependent, independent, as well as intervening variables. Given that the case gets a fine-grained knowledge, this method can shed light on several aspects of the factors affecting reforms in NATO. By systematically identifying unknown, or new phenomena, process tracing can evaluate prior explanatory hypotheses. With this, it can assess these causal claims in the newly discovered hypotheses (Collier 2011: 823–824).

Process tracing also allows the researcher to identify variables that have been left out in previous comparisons of cases, and it allows causal inferences based on a few number of cases (George and Bennett 2005:215). This allows focus on events or situations that unfolds over time. To grasp this unfolding, the researcher must be able to make a description of that event or situation at a certain point in time. To achieve a fine-grained description of the cases, process tracing therefore must sometimes use both qualitative and quantitative data. This thesis will mostly use a qualitative approach, but there will be some quantitative budgetary data on defense expenditure in NATO (Collier 2011: 824). Process tracing applied in case studies is useful because it relates to the methods ability to identify the causal explanations. In comparison, statistical studies are better at measuring observed probability of an independent variable in measuring outcomes across a number of cases, which relates to the component of causal explanation defined as causal effects. Though for this paper, the effect will not be in focus, rather the causal explanation for the limited performance of capability initiatives in NATO (George and Bennett 2005:224).

To sum up process tracing, it traces operations of causal mechanisms in action in a given situation. It allows the researcher to map the process and explore the extent to which it coincides with prior theoretical derived expectations about how the mechanisms work (Checkel 2008:116).

## 2.2.4 Interviews

Checkers argue that the data for process tracing is overwhelmingly qualitative in nature, and that it may include different sources such as, surveys, interviews, press accounts and documents (Checkel 2008: 116). As one of the qualitative data that are needed in this thesis, and in order to capture the interactions or the causal mechanisms, semi-structured interviews were conducted. They were conducted both over telephone and by mail correspondence, and the interviewees were selected through the use of snowball sampling. This is a method that samples through referrals among those who have special knowledge on the subject. The method is appropriate where it requires knowledge from insiders (Biernacki and Waldorf 1981: 141).

The interviewees are key persons with special knowledge on the subject. One of the issues here is the generality of the data provided from this method. There may be bias in the sampling, which compromises the good cross section from the population (Biernacki and Waldorf 1981: 160). The purpose of the interviews, however, is only to inform the primary and secondary data. Information from these interviews help shed light on issues that are not covered in official documents and research articles. When conducting a semi-structured interview, there is a list of questions or the topics that are under study, which is referred to an interview guide<sup>1</sup>. The questions were asked either over telephone or e-mail, and the interviewees had a great deal of leeway in the replies. This makes the interviews flexible and preferable for this thesis. Some of the questions were different from each interview, but were similar in the wording (Bryman 2012: 471).

There are some issues that have to be noted, such as the comments that were acquired over e-mail and those over telephone. These methods are not as optimal as personal interviews, but considering the circumstances it is better than having no interviews at all. They were asked somewhat the same questions, though with different wording depending on the nationality of the interviewee. The interviewees were allowed to approve the comments before publishing. Despite of these issues, however, it is important to note that the purpose of these interviews is to inform the primary and secondary data, to fill the gaps where there is little documentation available. The Norwegian Social Sciences Data Services (NSD) has approved this project.<sup>2</sup>

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<sup>1</sup> Illustrative interview guide can be found in Appendix B

<sup>2</sup> Project number: 37952

### **2.2.5 Validity of the study**

As noted, the thesis uses a case study approach with process tracing and triangulation of data. When conducting such studies there are several concerns on the internal and external validity that has to be considered. These concerns relate to identifying causal relationships, making inferences and the issues with generalization.

First, the internal validity of a case study poses as a concern if the researcher incorrectly concludes that there is a causal relationship between an event X that led to event Y, without taking a possible third factor into consideration. If not dealt with, there will be threats to the internal validity of the study. Though, with case studies as this, it is possible to have an in-depth research on the case. This allows identifying factors that may have influenced the outcome. Compared with a quantitative study of NATO, this would be more difficult. It would have difficulties in identifying the causal mechanisms that influences specific outcome. Applying process tracing in this thesis allow identifying causal mechanisms that affect decision-making behavior in NATO. The second concern with internal validity in a case study is the problem of making inferences. When an event cannot directly be observed, the case study will “infer” that a specific event resulted from some earlier occurrence, based on the evidence collected. If the inference problem is taken into consideration, however, the case study has begun to deal with the problem of internal validity (Yin 2009: 42–43).

External validity has been one of the major problems of conducting case studies. These criticisms generally state that single cases provide a limited basis for generalization. They often come while contrasting it to survey research, where the sample seeks to generalize to a larger universe. Robert K. Yin argues that this analogy is incorrect when dealing with case studies. Survey research does statistical generalization, while case study rely on analytic generalization. In analytic generalization the researcher generalize a particular set of results to a broader theory (Yin 2009:43).

Using case study for this thesis allow achieving high levels of conceptual validity. It can identify and measure the indicators that best represent the theoretical concept chosen. Since many variables may be difficult to measure, the researcher must carry out contextualized comparison that seeks to address the issue of equivalence by searching for analytically equivalent phenomena across different contexts. As opposed to statistical study that has the

risk of conceptual stretching, case study allow conceptual refinements with a higher level of validity with few cases (George and Bennett 2005:19).

The limits of case studies, however is that it can only make tentative conclusions on the degree of a variable will affect the outcome. In identifying the scope of conditions of theories, however, the case study is stronger. It can assess arguments about causal necessity or sufficiency in cases (George and Bennett 2005:25). By involving many observations in the study, the problem of making incorrect inferences is reduced. This thesis outlines the scope of which the theories will be used and at which level of analysis. Also, by involving several initiatives and reform processes, there will be more likely to reduce the threat of making incorrect inferences (Ibid: 32).

To sum up, some of the issues with qualitative research is that is difficult to replicate, there are problems of generalizations and often a lack of transparency. As noted, however, by the use of triangulation one reduces the threats of validity and reaching false conclusions in applying the different data, and using multiple sources in the data collection. These issues are taken into consideration, and the qualitative approach is still the preferred approach at analyzing past capability initiatives and Smart Defense (Bryman 2012: 405–406).

## **2.3 Limitations of the study**

The research field on NATO is certainly vast, and there may be many relevant aspects to study reform processes in NATO. One possible approach would be to base the study on the Strategic Concepts. Another approach would be to focus on the relationship between NATO and EU that could be a factor that influence reform processes in NATO. A different approach could also be to look at the implications of the financial crisis, or the economic effects of NATO enlargement.

Several of these aspects would contribute to explain the challenges for NATO and Smart Defense. For instance, one could have applied a detailed case study approach with a large theoretical framework<sup>3</sup>. This could be a suitable and fruitful approach to go in-depth on NATO reforms, but such an approach is highly detailed and too large for use in this thesis. As

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<sup>3</sup> More on this see Thomas Risse – Kappen’s ”Cooperation among democracies” (Risse-Kappen 1997).

for capabilities, different states do have own capability programs, and thereby own incentives for contributions in the alliance. Conducting a case study on all of these members would have required 28 cases, in which would be difficult considering the limitations of the study. The research question points in a direction where a selection of capability initiatives is analyzed to shed light on the progress of the NATO Smart Defense initiative.

The choice of focusing on certain capability initiatives, and not Strategic Concepts, is because capabilities are an integral part of a defense alliance and it is capabilities that make action possible. It defines the available options, so looking specifically on a batch of current and previous initiatives that deals with increasing the capabilities in NATO, is more fruitful for the analysis. Furthermore, this is not an in-depth study of the implication of the financial crisis. Despite that the financial crisis has effected the alliance, the focus is at the long-time factors that has affected past initiative and on reform processes since the 1990's. If certain EU structures or the recent financial crisis are considered relevant or important to this thesis, it will be pointed out. This thesis will not deal with predictions on the future of the Alliance. The goal is neither to point out a guilty party that made past attempts fail, and may hinder Smart Defense. The purpose of this thesis is to point out the relevant factors that has affected and may affect reform process in NATO.

Another possible approach could also be to look at the individual level where some individuals may have some integral part in the explanation of reforms in NATO. It seems, however, that the factors on the inter-state and systemic level may explain more of the factors affecting reforms. In addition, experience from crisis management operations that contributes to shape reforms, is another study thesis for itself. This thesis focus on the specific issues outlined. Therefore, experiences from operations such as ISAF and Afghanistan will be pointed out and used to shed light on the subject where relevant.

Furthermore there may be areas that could have included more quantitative data on specific reforms and more interviews could have been conducted. Much of data on the implementation of the initiatives, however, are classified. This has made the data collection on some of the aspects of the initiatives difficult, but despite of these limitations the official documents and research articles together provide with insight on the initiative and reform processes. The interviewees here help shed light on aspects where documentation was

unavailable. As for the theoretical framework, the three perspectives on organizations are discrete and not overlapping, and if there is some intersecting, it will be pointed out. And other relevant aspects that areas that would be relevant for explaining reforms in NATO, but is not in focus in this thesis, will be pointed out.

## **3 Post-Cold War capabilities initiatives in NATO**

Over the past two decades, NATO has experienced major reforms that intended to prepare the Alliance to cope with changes in the European security environment. These reforms form an indispensable backdrop to the Smart Defense initiative, both in terms of what these reforms delivered, and in what they failed to achieve. The following chapter outlines attempts at capability reforms and relevant initiatives since 1990. The purpose is to assess the shortcomings in past attempts in order to identify and explain how the favorable conditions may speak to the progress of Smart Defense. The chapter focuses on the priorities, implementation process and the lessons learned from the initiatives to explain reform processes in NATO in a greater context. By focusing on three distinct, yet cumulative, reform agendas, namely the DCI and PCC, we can get an understanding of what affect reforms in NATO. This understanding may help speak of the progress of Smart Defense. Throughout the chapter, an important aspect is the link between reform processes and alliance politics. The reform processes is important to discuss in a perspective of political will, hegemonic pressure, and threat perception.

### **3.1 NATO Command Structure after the Cold War**

At the London Summit of July 1990, NATO declared the end of the Cold War. At the Rome summit in November 1991 the Alliance released a New Strategic Concept to be implemented (Young 1997: 1). NATO intended with its New Strategic Concept to prepare the Alliance for the post-Cold War context.<sup>4</sup> The strategic concept did not provide any detailed guidance for giving an improved form for the NATO command and control structures. Rather it called for establishing flexible command and control arrangements that could make crisis management and conflict prevention possible. This Strategic Concept and the following initiatives have led to substantial reorganization of alliance command and control arrangements (Johnsen 1997: 9).

At the time, there were two strategic commands, namely Allied Command Europe (ACE) and Allied Command Atlantic (ACLANT), created in respectively 1951 and 1952. Together they

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<sup>4</sup> To learn more on the 1991 Strategic Concept see “The Alliance New Strategic Concept” (NATO 1991).



streamlined the command structure after the end of the Cold war by reducing the NATO command structure from 78 headquarters to 20. The two overarching Strategic Commanders (SC) were maintained, one for the Atlantic area and one for Europe (NATO 2013b).

Since then there have been many attempts at reforms, which opens up to the question of why there has been so many reforms? While the power- or burden-sharing challenges facing NATO have been discussed at length, other reorganizations in the military structures have received notably less attention. Among the significant changes, the Alliance eliminated one out of three Major NATO Commanders (MNC) and overhauled the ACE reducing its force structure by 40 percent. Following the decisions by foreign ministers at the Oslo ministerial in June 1992, the NATO military forces have taken upon new missions. The reorganized and smaller forces would have to conduct traditional Article 5 missions, as well as to contribute to what was referred to as non-Article 5 missions (Young 1997: 1–2). This happened against many expectations. Waltz, for example, argued that NATO would dwindle after the cold war and just disappear (Waltz 2000a: 19). In a neorealist view, international institutions, such as NATO, serves the interests of the states. It is created by powerful states and as long as it serves its interests, it will persevere. In order to survive NATO had to reform or suffer the same fate of the Warsaw pact (Ibid: 26).

By 1994, the Alliance was reorganized to become more adaptive to the current security environment, but in the early period of the wars in Yugoslavia NATO found itself underprepared to deal with problems concerning crisis management operations. The rhetoric at the time emphasized peace and security in Europe, as well as NATO's new missions. The U.S., however, was reluctant to become involved in European territory. At the time NATO still had a collective defense mindset and structure, and it had not exercised, planned, or practiced for nothing else than its Cold War mission with collective defense under Article 5. Both military and politically among the members, there was a reluctance to shed the NATO's collective defense capabilities, structures, and missions for the uncharted world of non-Article 5 missions (Wallander 2000: 718–719).

The changed security environment required not only a simple reduction of commands, but also a shift in capacity and makeup. With non-Article 5 and out-of-area missions, NATO's command structure and its forces needed to be more mobile. As a solution to these

challenges, the heads of state and government at the 1994 Brussels Summit created the Partnership for Peace (PfP) program, and approved the creation of the Combined Joint Task Forces concept (CJTF), with a mission-specific mobile command structure (Wallander 2000: 719; Young 1997: 1).

The function of CJTF was to provide the Alliance with flexible and efficient means to generate forces at short notice. It would provide NATO with rapidly deployable, multinational and multiservice task forces with appropriate command and control arrangements (NATO 1999a: 1). The concept would also reflect NATO's readiness to make the alliances assets available for the members. It would be on the basis of case-by-case decisions decided in the North Atlantic Council (NAC), for operations led by the Western European Union (WEU). With this it would support building the European Security Defense Identity (ESDI). The CJTF concept would be linked to the development to the practical political and military cooperation with non-NATO nations (NATO 1999a: 1). Specifically, CJTF is a deployable force generated and tailored primarily for operations not involving the defense of territory. These military operations can include humanitarian relief and peacekeeping. This was one of the first significant reforms that put pressure on the Alliance military capabilities, and furthermore conditioned how the Alliance would operate the following years (NATO 1999a: 1).

### **3.2 Burden-sharing and the purpose of the Alliance**

Since its inception, there have been several internal debates in NATO that has contributed to reform. This concerns mostly the burden-sharing debate and debate on the purpose of the Alliance. Over time it has emerged several gaps that has affected the ability to implement capability initiatives in NATO. For this thesis, there are especially three gaps that are important in explaining reform processes in NATO. One, the U.S. has from the beginning shouldered most of the burden in the Alliance, in which the U.S. itself and the other allies have been used to. Two, and relating to the first gap, the European allies has been used to having a disproportional weight in the Alliance with the U.S. as the hegemonic power. Finally, there are problems with interoperability between the European allies and the U.S., where since the 90's, the U.S. technologically speaking have been one or two generations ahead of the other allies. These gaps can explain why U.S. emphasize the need for change and reform in NATO, and furthermore why there is no unity of willingness, both militarily

and politically, to live up to all of the commitments outlined in capability initiatives. These issues derive from a long-time internal debate within the alliance, which will be outlined in this section.

Starting with the burden-sharing debate, which has always been a part of NATO and contributed to several debates on organizational reform. This “transatlantic bargain” balances U.S. commitment against European contributions, which has proven durable since NATO’s inception. Europeans has expressed doubts on the reliability of the U.S. commitment, and Americans has expressed their dissatisfaction of the European contribution to the Alliance. The burden-sharing arrangement has been imprecise since the Alliance inception, which is not unusual in international diplomacy. Events that arose, however, would bring up this division of the burden between the U.S. and the European NATO members (Cooper and Zycher 1989: 2).

The burden-sharing debate, as well as the issues that led to previous reforms, is still relevant in regards to reform processes in NATO today. The debate intensified with the collapse of the Soviet Union. As the members expected a “peace dividend”, most of the allies during the 1990’s underwent drastic cuts in their armed forces and defense budgets. In the period from 1989 to 2000 the U.S. halved its defense spending from 6 % to 3 % of GDP. The five largest European allies (UK, France, Germany, Italy and Spain) cut their defenses in the same period from 3.1 % to 2%. As a consequence the gap in defense spending in the Alliance narrowed (Hallams and Schreer 2012: 315).

With the strategic environment of the mid-1990s, there was no longer a threat of a full-scale simultaneous attack on all fronts in Europe, and the focus was no longer on defending national territory. Now the focus was on power-projection as well as rapid reaction and mobile forces that were able to operate outside NATO territory. Allies reducing its defense budgets and thinning its forces is relevant if the Alliance were to do interventions in different regions of the world. In these circumstances, burden-sharing debate is likely to re-emerge (Hartley and Sandler 1999: 667–668). This was the case with the U.S. led intervention in Iraq in 1990-1991, where the burden-sharing debate became relevant again. This intervention indicated a widening gap in military capabilities in the Alliance, which became more evident in the engagement in the Balkans. It revealed deficiencies in European nations, as they were

unable to resolve the crisis without U.S. diplomatic and military power. Here the U.S. would stand back as European allies placed considerable troops at risk in the early period of the Bosnia crisis. Eventually, U.S. led the NATO intervention in Bosnia, only after the Alliance was tested to the limits. In Bosnia, NATO was the key institution to help consolidate the peace (Kay 2013:104; Hallams and Schreer 2012: 316).

In addition to the burden-sharing debate, the issue of the Alliance political and military purpose has also created debates. The debate on the purpose of NATO traces back to the 1967 Harmel Report. The Harmel Report on the Future Tasks of the Alliance articulated the balance between NATO's military and its political function. This report was the first effort to develop a common political strategy for NATO. The report was often referred to as the "Magna Carta" of NATO and defined the "ultimate political purpose" of the Alliance. Among many of the distinctions, the Report made clear that NATO would pursue a policy of détente, with the explicit aim of deescalating East-West rivalry (Østerud and Toje 2013: 76).

Worth mentioning from the report are for example Paragraph 5, which carried a vision of détente. What this meant is that a balance of force would contribute to create a stable, secure and confident environment. The dual approach of credible collective defense, combined with cohabitation with the Eastern bloc, was to be continued into the post-Cold War period. For future issues Paragraph 9 stated that the Alliance ultimate political purpose is to achieve a just and lasting peaceful order in Europe accompanied by appropriate security guarantees. This is a goal that remains unchained today. On the global role of NATO, Paragraph 15 stated that: "The North Atlantic Treaty Area cannot be treated in isolation from the rest of the world. Crisis and conflicts arising outside the area may impair its security either directly or by affecting the global balance". This was to maintain new relevance when the threat that it had been created to avert disappeared (Østerud and Toje 2013: 76).

There are two important elements of the Harmel Report. One, it committed NATO to follow a dual approach. The Alliance accepted that military defense and deterrence must be balanced by committing to political détente. This was of great importance for Europeans, because they were aware that if tensions between superpowers failed to be defused, any conflict could potentially lead to the destruction of their countries. Two, the security guarantees alone was not enough, and the Alliance had to come up with a collective foreign policy (Hill and Smith

2002: 68). The two elements continued to have great importance through the Cold War, and the very existence of the Harmel Report helped Europeans realize that there were limitations to the extent to which NATO could genuinely be a multilateral forum. For one this is because of U.S. domination, and for the other it is because a military alliance is an unwieldy and static organization. This is an important reminder because such organizations are rarely capable of flexible or proactive policy-making. The Harmel Report was therefore a stage in what have been a gradual self-realization of European foreign policy cooperation (Ibid).

At the 1967 meeting, the allies adopted the Report, and in this bold stroke fundamentally changed the objective, image and future task of NATO. The combination of defense and détente provided with intellectual and political framework for the alliance, which accommodated the growing split in the alliance between left and right. As Sloan argue, by bridging the two different views of the East – West political-military situation, the Report broadened the potential base of support for NATO. Subsequently, the Alliance could serve as a fulcrum for balancing divergent perspectives on the requirements for the West's security policy in Europe, instead of providing a focus for polarization among western politicians (Sloan 1985: 45).

NATO's purpose has been and is to date still contested. The overall rationale for NATO, however, is an entirely different discussion. How the Alliance has changed its purpose and the burden-sharing issue, on the other hand, is important in the discussion of how reform occurs. With the collapse of the Soviet Union, NATO faced challenges of transforming its *raison d'être*. One of the challenges was the decision of how to relate to former Soviet states. The other was redefining its Strategic Concept and changing its mode of operation. The Cold War legacy made these challenges more difficult. Despite a half a century of debate of the burden-sharing problem, the Alliance has proven incapable of generating equal sharing of the defense burden. This problem was for one compounded by a growing gap in technology and military capabilities that limited the interoperability. Two, much of the same situation was reflected in the power-sharing problem within the Alliance. Here the U.S. had grown accustomed to holding a hegemonic position. Three, with the collapse of the Soviet Union, NATO was left without a common enemy to justify its policies. Without an agreed purpose, the future was unclear for the Alliance (Østerud and Toje 2013: 77).

The 1991 Strategic Concept was revised in 1999 following the conflict in the Balkans. It was revised to reflect the new security situation in Europe. What the 1999 Strategic Concept failed to deliver was a clear purpose of the Alliance. The lack of a clear and present threat undercut the strategic aspects. Cooperation with former Soviet states was important in order to improve the security in Europe, and the Alliance forces could be scaled down at the same time as mobility and adaptability to new situations were to be increased. This was a response to the U.S. position that Senator Richard Lugar in 1993 argued that NATO had to go “out of area or out of business”. With the new Strategic Concept, NATO’s traditional Article 5 collective defense role was still necessary but not sufficient to underpin the Alliance purpose. Therefore, the Alliance was redefined as an instrument with a dual role of crisis management within and beyond the collective defense area (Rhodes 2013: 40; Østerud and Toje 2013: 78–79).

The first decade of the new century, NATO was faced with the challenge of becoming overburdened. This problem was a consequence of the unclear definition of the major tasks. There was also a wide array of challenges, either potential or imminent, that was elevated to the level of threat. When the Strategic Concept was again revised in 2010, the tripartite function of collective defense, crisis management and cooperative security was addressed. To add to this tripartite function, the Alliance included tasks such as fighting terrorism, organized crime and piracy. As a consequence, the threat perception became wider, less focused and more controversial. Now NATO’s tasks were about collective defense and out-of-areas activities. This resulted in a political impasse, which translated into decreased defense spending (Østerud and Toje 2013: 79).

With changing purpose and missions, the burden-sharing debate and the purpose of the Alliance is still relevant today, which leads up to the last series of defense reforms. The Defense Capabilities Initiative and Prague Capabilities Commitment were measures to narrow the gap between U.S. and European members. The lessons learned from past experience and what they can say about the progress of Smart Defense will be discussed later.

## **3.3 The Defense Capabilities Initiative**

### **3.3.1 Priorities**

When the Cold War ended, NATO had to reassess its collective defense strategy. Experience from the conflicts in the former Yugoslavia showed that NATO structures was unsuited to handling contemporary challenges, notably crisis management operations. It was deemed that forces needed to be lighter and more mobile and technological equality between the U.S. and its allies to allow for greater interoperability (Ek 2001: 1). According to the U.S. Department of Defense (DoD) the European allies were particularly weak in areas such as precision strike, mobility and command and control and communications (C<sup>3</sup>), and a lack of sufficient strategic lift and aircraft intelligence, surveillance and reconnaissance. There were also a lack of an efficient doctrinal and technical interoperability that posed as further challenges (Hagman 2002: 15). As a response to these tendencies, at the Washington Summit in April 1999, NATO Heads of State and Government NATO launched the Defense Capabilities Initiative (DCI) (Ek 2001: 1).

The Alliance's New Strategic Concept of 1999 sought to highlight challenges NATO faced at present time and in the future. There was the need to maintain capabilities in order to deal with large-scale aggression against one or more of the members. The probability of this occurring in the foreseeable future was however low. The Strategic Concept emphasized that potential threats to alliance security were more likely to result from regional conflicts, ethnic strife or other crises beyond alliance territory. This included the proliferation of Weapons of Mass Destruction (WMD) and their means of delivery. The DCI was central in meeting these challenges (NATO 1999b).

The goal of DCI was to enable the Alliance to deploy their troops quickly to crisis regions, to supply and protect these forces, and to equip the in order to engage their adversary effectively. With DCI, NATO wanted to improve the Alliance's ability to fulfill its traditional collective defense commitments, and prepare the Alliance to meet emerging security challenges (Ek 2001: 1-2). The goal was to improve the defense capabilities to ensure the effectiveness of future multinational operations across all of the Alliance missions in the present and foreseeable security environment. The focus was therefore on improving interoperability among Alliance forces (NATO 1999b).

NATO itself describe the initiative as having:

*“(...) a special focus on interoperability, DCI is concentrating on the deployability and mobility of forces, on their sustainability and logistics, their survivability and effective engagement capability, and on consultation, command and control” (NATO 1999c).*

As Julian Lindley-French argue, DCI was launched not only to prepare the European allies for the challenges ahead, but it was also an American test of European seriousness. The initiative involved the focus areas as described above, and 58 separate goals (Lindley-French 2007: 85). Of these goals a number were seen as easy to accomplish, delivering additional capabilities relatively quickly at low costs. Coordination, cooperation and training objectives fell within this category. The DCI was also seen as a mechanism for increasing the interoperability in operations concerning peace-support. A majority of the goals were applicable to NATO partners and were channeled to the PfP planning and review process (Hagman 2002: 16).

The Alliance’s military operations, including non - Article 5 crisis response operations, were likely to be in a smaller scale than those of which were basis for Alliance planning during the Cold War. At the time the prediction was that these operations would be longer in duration, they would extend the multinational cooperation to lower levels, and take place concurrently with other Alliance operations. Operations outside Alliance territory had the probability to be undertaken with no, or only limited, access to existing NATO infrastructure. It was predicted that it would not be possible to invoke existing national emergency legislation to provide civilian transport assets for deployment or to mobilize reserves (NATO 1999b). As stated by NATO on the DCI:

*“These developments will make new demands on the capabilities required of Alliance forces, in particular in the field of interoperability. It is important that all nations are able to make a fair contribution to the full spectrum of Alliance missions regardless of differences in national defence structures” (NATO 1999b).*

At the time, there was significant progress in adapting Alliance forces to the requirement of the new security environment. Many of the allies only had relatively limited capabilities for the rapid deployment of significant forces outside national territory, or for extended



sustainment of operations and protection of forces far from home bases. This brought out the need for the command and control and information systems, to be better matched to the requirements of future Alliance military operations. This would entail the exchange of a greater volume of information extending to lower levels than in the past (NATO 1999b).

### **3.3.2 Implementing the DCI**

From experience in the Balkans, the DCI highlighted the importance of interoperable communications that ideally would facilitate command, control, and information systems among NATO allies, making them able to effectively work coherently. The DCI was intended to dramatically improve NATO's response time to international crises with a focus on advancement of new defense capabilities (Ivanov 2011: 122). In order to oversee the implementation of the DCI, the Heads of State and Government agreed at the Washington summit to establish a temporary High Level Steering Group (HLSG), with a 2 – year program of work. The HLSG would work on the implementation, while the NATO staff and committee would focus on moving the DCI forward. In order to be successful, DCI depended on the collective effort by the Alliance and the resources provided by the individual members (NATO 1999c).

The HLSG was also established to influence priorities, and coordinate as well as integrate the efforts of the numerous NATO committees and bodies involved. This included force planning, with NATO standardization, with the aim of achieving lasting effects on improvements in capabilities and interoperability (NATO 1999b). It was important for the Alliance that the DCI succeeded, especially in a time when there have been identified persistent shortfalls among the European allies, and with the interoperability between the European allies internally, and between Europe and the U.S.

The success however depended on several factors, which was discussed by the NATO Parliamentary Assembly in 2000. They stated that the implementation would ultimately “depend on the resources allocated by national governments and parliaments to defence and on the ability to optimize their use” (NATO Parliamentary Assembly 2000). They noted that some of the allies had begun the restructuring of the armed forces so that they more effectively could carry out the roles and missions identified in the 1999 Strategic Concept (Ibid).

This was considered a step in the right direction because:

*“Moving away from heavy, static forces devoted to territorial defence and reliant on conscripts will achieve some savings. As a result, restructuring and redirecting existing defence budgets can help countries develop the capabilities identified by the DCI; however, there might be a need for some countries to increase defence appropriations in this major transition phase” (NATO Parliamentary Assembly 2000).*

For the allies a very large portion of the national activity was directed towards the implementation of DCI where it fell under the area of the NATO defense planning system. The annual Defense Review 1999 showed that there was a strong DCI focus in many of the member countries, and the Force Goals 2000, which were under preparation at that time, and had a goal to further DCI improvements (NATO 1999b).

### **3.3.3 Lessons learned**

Looking at the progress of the DCI, what lessons can be learned from the initiative? First of all, with the new approach, the goal of the DCI was to create a crisis management capability while maintaining Article 5 capability, a tall order at a time when NATO came to be known as the “threatless alliance”.<sup>5</sup> The nations reduced its budgets on their own and already there were indications that the Alliance is unable to do both crisis management and Article 5, or at least not capable. It emerged a gap between ambitions and institutional military realities. The emphasis was moved from a multinational character of the Alliance’s forces, towards the capacity to act as a single unit within a responsive and coherent alliance. The new forces were to maintain and supply activities away from their bases at home, while at the same time survive and effectively engage in long-term operations. DCI emphasized development of new defense capabilities that was intended to improve NATO’s response time to international crises. The shift from CJTF to DCI shows a pattern of an evolution from peacekeeping and peace enforcement to more advanced capabilities designed to respond to, and prevent, international crises (Ivanov 2011: 122–123).

The capabilities outlined in DCI was designed to make NATO troops able to successfully engage in crisis management operations, as well as protect the forces and infrastructure

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<sup>5</sup> More on this see Asle Toje’s “America, the EU and Strategic Culture” (Toje 2009: 89).

against current and future threats. When the initial reports of the implementation progress came in, the mood in the Alliance was encouraging, and the prospects for further capability improvements were good. Later the same year of its implementation, NATO officials were satisfied with the initial results, both within NATO and in national programs. Still, they expressed that it would take more vigorous efforts to implement the DCI fully. In this process, the HLSG's role was to monitor the overall progress and initiate corrective or supportive action where that appeared necessary (NATO 1999b; NATO 1999d).

As time passed however, the prospects were less encouraging. When DCI was launched, EU was preoccupied with building its monetary union. Reports of the progress in early 2000, turned therefore out to be discouraging. The Pentagon's verdict was that "the information so far available does not provide a sufficiently comprehensive picture of national implementation activities". Although there were "hopeful signs of movement towards increased defense spending," whereas France, Germany, and the Netherlands was making efforts in areas such as pooling civilian and military lift, there was "unresponsive defense budgets continue to erode Alliance capabilities" (Borawski and Young 2001: 11).

Borawski and Young argue that the limited progress is a consequence of the inability of non – U.S. members to find the necessary funding and make the required investment to modernize its forces. Because the allies were comfortable and was used to U.S. protection, the allies was not willing to invest in the initiative. This revealed a collective action problem within the Alliance, where defense in Europe has become a public good provided by the U.S., and enables free-riding by smaller allies (Borawski and Young 2001: 10). Therefore, in June 2001, there was an uneven progress where NATO's own internal assessment on the initiative identified "critical and longstanding deficiencies" in many capability areas (UK Parliament 2008: 44). Arguably, the national interpretations of the initiative varied. Most Eastern European NATO members perceived it as a long-term project that would be dealt with after they had adapted their own forces. This was a process that would be expected to take ten years or more. As Hagman argues, the DCI was directed primarily at the larger NATO allies, that being UK, France and Germany. This is because most of the elements in the initiative demands large amount of resources, in sense being expensive, involving advanced technology or take certain degree of interoperability for granted (Hagman 2002: 16–17).

In a press statement on the DCI issued at the meeting of the NAC in Defense Ministers session held in Brussels, they stated that despite the progress in certain areas, further effort were required in order to achieve necessary improvements. The critical and long-standing deficiencies existed in the areas of effective engagement and survivability of alliance forces. This was in the areas of “suppression of enemy air defense and support jamming; combat identification; intelligence, surveillance and target acquisition (including the Alliance Ground Surveillance system); air weapons systems for day/night and all weather operations; air defence in all its aspects, including against theatre ballistic missiles and cruise missiles” and last but not least “capabilities against nuclear, biological, and chemical (NBC) weapons and their means of delivery, and NBC detection and protection” (NATO 2001).

What explains the limited progress in the implementation of the DCI initiative? Some of the lessons learned from the DCI were that it was struck among competing priorities. In order for it to work, the member states would have to allocate the additional resources for defense and spend more wisely. By so doing, the agreed NATO Force Goals were not only to be declaratory, and the potential for actually bolstering the capabilities for the Alliance would had more chance of being realized. This, however, did not happen (Borawski and Young 2001: 13).

The DCI initiative was designed to address the growing technological gap between US and its NATO allies, and the strategic disengagement of Europe and the U.S. and declining European defense budgets and procurement. The proposed solution was increased European defense spending and off-the-shelf procurement of capabilities. However by late 2002, there had been limited progress in US and European perceptions of capabilities (Hagman 2002: 15). In this regard, Hagman argues that the perception of the DCI both in France and Germany was that it was a US “shopping list”. Not least since the only way to acquire quickly new and advanced combat systems was to buy them off-the-shelf, which essentially meant buying American equipment (Ibid: 17). The U.S. thus overestimated the European willingness to spend on defense. Arguably, it was a unilateral decision, with a lack of consultation from the U.S., and with a wide range of costs that the Europeans deemed too expensive.

The U.S. encouragement of European members taking responsibility and develop their military capabilities, received muted response in Europe. The U.S., being the largest contributor in the Alliance, has substantial interests in having the European taking some of the burden. Therefore, there were hegemonic pressures in getting the DCI through. For the European allies there was not an option in increasing defense expenditures or signing on to expensive procurement goals that did not benefit domestic employment or growth. Another problem is that the U.S. has a clear conception of current threats and what they mean in terms of capabilities. For most European allies however, this perception has not changed since the 1990s (Hagman 2002: 29–30).

Compared with Europe, the U.S. maintained its defense spending, U.S. interests and U.S. global commitments and ambitions. The problem was that domestic politics came in the way in whatever initiatives the U.S. came up with to its NATO allies. The national parliaments or governments determine defense spending and national procurement. Consequently, domestic politics shape how nations focus on defense spending (Hagman 2002: 30). Former NATO Secretary General Robertson argued that the allies had to invest more wisely, where the technological gap became more evident. He argued that “whereas in the past, technological innovation was something that helped us work effectively together, today technology is moving so fast that some of NATO’s members are at least in danger of being left behind” (U.S. Department of Defense 2000). The issue here was that Europeans hesitated to buy U.S. made material in areas such as strategic airlift, communications and precision-guided munitions because this offered little benefit for European defense industries. The U.S. off-the-shelf alternatives would have to be used, but there was reluctance, even if they were more advanced and readily available (Hagman 2002: 30).

Therefore the progress and new capabilities that NATO wished for, worked against itself and limited progress was made. After a Defense Ministers session in 2002, the North Atlantic Council issued a press release stating that the progress made in implementing the DCI, and that there is necessary with a more focused effort. Furthermore, they stated that they had “directed the Council in Permanent Session to prepare recommendations for a new capabilities initiative, taking into account military advice and national proposals”. They argued that this should focus on a small number of capabilities that are essential to the full

spectrum of missions and that it will also “strengthen our capabilities for defence against terrorism” (NATO 2002a). On the new capabilities, they stated that:

*“The capabilities should contribute to the Alliance’s ability to: defend against chemical, biological, radiological and nuclear attacks; ensure the command communications and information superiority; improve interoperability of deployed forces and key aspects of combat effectiveness; and ensure rapid deployment and sustainment of combat forces” (NATO 2002a).*

Because of the limited progress, the Alliance had to reduce the level of ambition by rethink and downsizing the list of objectives. By 2002 they were already outlining a new capability initiative that would solve the deficiencies observed in the DCI. They emphasize importance in capability initiatives because it poses an opportunity to potentially save a substantial amount of money on joint procurement. Still, in order for a new initiative to work, it had to overcome challenges such as hegemonic pressures from the U.S. combined with reluctance from European allies, problems of domestic politics, and different threat perception. The critical deficiencies in all of these areas implies that the progress of the DCI was very limited, and that it would take greater effort, both politically and militarily, in pooling the resources to bolster the capabilities.

## **3.4 Prague Capabilities Commitment**

### **3.4.1 Priorities**

Due to limited progress of DCI, the Heads of State and Government approved the Prague Capabilities Commitment (PCC) at the Prague Summit in 2002 (NATO 2002b). In the PCC initiative the member states made specific political commitments to improve their capabilities in several areas. As written in the Prague Summit declaration it would improve capabilities in the areas of:

*“Chemical, biological, radiological, and nuclear defense; intelligence, surveillance, and target acquisition; air-to-ground surveillance; command, control and communications; combat effectiveness, including precision guided munitions and suppression of enemy air defences; strategic air and sea lift; air-to-air refueling; and deployable combat support and combat service support units” (NATO 2002b).*

With the PCC, NATO sought to address the perceived problems of the DCI and improve members operational capabilities, in order cope with evolving defense needs. The PCC initiative was by analysts regarded as an attempt to resuscitate DCI, which had been perceived as too broad and diffuse. The PCC calls for Alliance members to make further commitments to bolster their capabilities in different areas, and it places greater emphasis on multinational commitments as well as pooling of funds. PCC differed from the DCI in several regards. In light of the security threat that emerged on September 11, the PCC intended to improve the DCI. In an effort to combat terrorism, it emphasized air lift, secure communications, Precision Guided Munition's (PGM), and protection against Weapons of Mass Destruction (WMD) (Ek 2007: 3).

More specifically, there were three areas the initiative differed. One, the PCC were more focused than the DCI, and clarified what the requirement was in order to bolster the Alliance defense capabilities. Two, it was a considerable political pressure in making PCC successful. As John Shimkus argues in his report, "it was conceived at a NATO summit and carries the weight of a summit declaration, something that the previous attempts lacked. This indicates a level of "buy-in" at the top political levels and gives the PCC a higher profile" (Shimkus 2005: 2). Despite the differences between the two initiatives, the rhetoric and principles remained broadly similar. They both emphasized the need for pooling the resources, increasing interoperability and deployability. Though, where the DCI was more diffuse in its goals, the PCC sought out to be more specific in order to deal with the perceived problems with the previous initiatives. The third area that the PCC differed is that it benefited from a high level of cooperation between groups of individual allies who organize themselves to share assets and development costs. Doing this makes the necessary assets more affordable than previous attempts at defense capabilities improvement (Ibid: 2-3).

At the Prague summit, the PCC was not the only initiative that was launched. The Prague summit, known as the "transformation summit", adopted three core decisions, which outlined the coming reforms in NATO. First was the creation of the NATO Response Force (NRF), which was formally approved. The NRF constituted a new type of standing expeditionary force of 20 000 troops which could be quickly deployed and sustained for 30 days. Second, as mentioned, the Alliance formally endorsed the PCC, where it entailed specific commitments from the individual members and coalition to invest in new capabilities. Third,

the Alliance also decided to open its door and with this invited seven small countries from Eastern Europe to join NATO (Ivanov 2011: 123). The PCC initiative came parallel to NATO enlargement, in which posed demands on increased funding to take new members in<sup>6</sup>. Because some allies had to pay these expenditures, it contributes to a widening of the gap between the members.

As Ivan Dinev Ivanov argue, the summit marked a milestone in NATO's overall reform effort (Ivanov 2011: 123). The need to support the new missions that NATO has taken upon itself, contributed to the decisions to introduce new multinational forces. What PCC outlined was a mechanism to managing NATO's diverging interests and interoperability. This by ensuring that all of the members, old as new, would have to work closely with each other in order to complement their capabilities. The summit therefore launched new NATO forces that would better serve the requirements for crisis response. This would ensure that troops would be able to move more quickly and further, by applying military force more effectively and sustaining extended combat in NATO operations (Ibid).

The NRF can be considered an initiative with a goal of strengthen Alliance capabilities through establishing a quickly deployable response force. Formally it was announced at the Prague Summit in November 2002. Ministers of Defense approved it in June 2003 in Brussels, and at NATO's Riga Summit in November 2006. From here the NRF was declared to be fully ready to undertake active operations. The NRF would be a highly ready and technologically advanced multinational force made up of land, air, maritime and Special Forces components that the Alliance can deploy quickly wherever needed (NATO 2013c).

NRF contributed to the reformation of an integral part of the PCC. It was intended to solve the problems related to efficiency, interoperability, and coordination created by the CJTF's. This reaction force would provide the Alliance with an robust and credible capacity to quickly and efficiently react to international crises (Ivanov 2011: 124). It would function as a joint multinational force, where the need of each crisis response mission would determine the size of the force, and it was expected to acquire certain military assets. Compared to the CJTF, the NRF combines "high-readiness" forces with CJTFs in order to better integrate NATO's command and force structures. This would enhance the deployability, sustainability,

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<sup>6</sup> More on NATO enlargement see "NATO Enlargement – Close to the end?" (Dunay 2013).



and fighting capability of the troops given the operational environment they may encounter (Ibid).

Regarding the contribution from the allies, NRF was designed to distribute the military burden equitably among different Alliance members. This would avoid increasing the capability gaps between the allies. Early in the implementation of the NRF, it would provide exclusively enhanced peacekeeping capabilities, and after it had developed, the NRF would perform crisis prevention and response tasks. In essence, the response force implemented would be composed of troops from several allies where they contribute with forces (Ivanov 2011: 124).

Since its establishment, the NRF has been adjusted several times in order to be more flexible in force generation, by facilitating force contributions which were being hampered by the high operational tempo from Iraq, Afghanistan and other missions. To further support force generation, allies set themselves voluntary national targets for force contributions (NATO 2013c).

### **3.4.2 Implementing the PCC**

In the Prague Summit declaration it was noted that the implementation process would have to happen quickly. The implementation of the aspects of PCC was highly prioritized and the importance of making the necessary steps to improve the capabilities in the identified areas of continuing capability shortfalls was to be taken. The steps included multinational efforts, role specialization and reprioritization. In these steps it was noted that additional financial resources was required, subject as appropriate to parliamentary approval. With this the Council in Permanent Session is directed to report on implementation to Defense Ministers (NATO 2002b).

Like the DCI, the implementation of the PCC was monitored on a regular basis. Each country had to report on the progress on the implementation of the commitments, along with explanations of any divergence from the items it has pledged to fulfill (Ek 2007: 3). Formally, each year through 2008 the Secretary of Defense would have to submit to the congressional committees a report on the implementation progress on the PCC initiative by the member nations of the NATO. In order to further the shortcomings in the implementation

of the PCC, the report would include, among many points, a description of the action taken by NATO itself and by each nation other than the US. This included any action taken to improve capability shortfalls in the areas identified for improvement. They would also report on a discussion of the relationship between NATO efforts to improve capabilities through the PCC. This included the EU so that European capabilities could be enhanced through the European Capabilities Action Plan, including the extent to which they are mutually reinforcing (U.S. Senate Committee on Foreign Relations 2006: 798–799).

Although most of the reports on the progress of PCC remain classified, which make it difficult to assess the implementation progress of PCC because of incomplete information. Mainly this is a result of transparency on force goals of member states. The 2005 NATO Parliamentary Assembly report, however, made some tentative judgments in several areas that gave some indication of the implementation of the PCC. First, it stated that that the sealift, CBRN and the process of equipping aircraft with PGM's were on track. Although the development of European PGM capabilities had been complicated by U.S. reluctance to share sensitive technology and encryption codes (Ek 2007: 5).

In addition to the initiative, at the 2002 Prague summit, the NATO's military command structure was reorganized with a focus of becoming leaner and more efficient. The Allied Command Europe (ACE) became Allied Command Operations (ACO) (NATO 2013d). In addition to this, in order to successfully implement the commitments in the PCC, Allied Command Transformation was created with the focus on transforming NATO. As a consequence of the reform, there was a significant reduction in HQs and Combined Air Operations Centers. It was reduced from 32 to 9, and this reflected a fundamental shift in alliance thinking (NATO 2013d).

### **3.4.3 Lessons Learned**

By assessing the priorities and the progress made in PCC, what lessons can we derive from the PCC initiative? For one, because NATO operates under a consensus rule, and the fact that the Alliance adopted the PCC implies that all member states agreed to the need to strengthen capabilities of an expeditionary nature. Despite this, some critics are skeptical of the possible motives behind the push for more advanced capabilities. They argue that a massive increase in defense spending is unnecessary and wasteful and that PCC merely serves to boost sales

for high – technology arms and equipment manufacturers. Others argue that the capabilities gap between the U.S. and its NATO allies is an important factor of the limited progress in the implementation (Ek 2007 :6).

Among many of the goals, what the PCC generated was significant and successful in two regards. The first was pooling of jointly owned and operated support jamming pods to use in electronic warfare, air-to-air refueling fleet and Unmanned Aerial Vehicles (UAV). The second was for Europe, the acquisition of aircrafts. Even with some success, however, the goals formulated in the PCC were difficult to materialize in full. The resources required to successfully reach the goals outlined in the PCC were substantial, which the European defense budgets could not sustain (Hagman 2002: 31–32).

In NATO’s publications and statements, Carl Ek argues that by reading between the lines, you could find that there were real improvements in boosting capabilities. An example of this is the June 2005 meeting, where the NATO defense ministers issued a communiqué stating that PCC had “brought some improvements in capabilities, but critical deficiencies persist particularly in support for our deployed forces.” One year later however, the Ministers statement was more optimistic, noting progress in a number of areas and indicating that they had “provided further guidance on the way ahead” (Ek 2007: 5). Not long before the Riga summit, NATO issued a media summit guide that stated that of the 460 PCC commitments, over 70 percent would have been fulfilled, and most of the remaining would be completed by 2009 and beyond (Ibid).

In a report on the progress of the PCC, experience from Afghanistan in International Security Assistance Force (ISAF) has shown both positive and negative results in the implementation process of the PCC. John Shimkus reports that ISAF commanders have told visiting delegations from the NATO Parliamentary Assembly that there is a lack of sufficient capability in critical areas such as air transport, and especially helicopters (Shimkus 2005: 15). Experience revealed that the deficiencies in providing capabilities were not because of a lack of helicopters. It was because of an unwillingness to take the expense of sending them to where they are needed. A critical point with this, which Shimkus points out, is that the progress of fulfilling the commitments in initiatives such as the PCC does not matter if there is no political will of deploying them where they are needed (Ibid). This may indicate a

paradox that has occurred in the Alliance. Meaning that there is a tension between the willingness to living up to the commitments, and the lack of political will to actually use the acquired assets.

In this regard an important question is why the PCC, like the DCI, are having difficulties in making the members living up to the capability commitments? When the DCI was launched, a combination of peace dividend and a cold war environment combined with a lack of threat made living up to the commitments hard to justify. Then comes the conflicts in the Balkans, and when the PCC is launched, the process repeats itself. Now, however, the cold war is over, the peace dividend is not relevant and the security environment is different. What then contributes to limited progress in the PCC? A possible explanation may be threat perception or domestic policy.

Given that the U.S. continuously acquires new high tech assets, there will be challenges in closing the technological and doctrinal gap within NATO. There are a difference in threat perception and perception of the initiative itself. Meaning that the focus on crisis management and peace support for the European allies, lies as a contrast to the U.S. attention to high-tech warfare and homeland defense (Hagman 2002: 103). There were a common sense of responsibility on both sides of keeping the forces interoperable and enabling them to take advantage of the benefits of what Hagman refers to as “jointness”. If not dealt with, the standards of U.S.-led war-fighting coalitions and NATO peace enforcement would necessarily not be the same as those for EU-led operations. Though, NRF was argued to be able to bridge a part of the gap. The interests of the European allies and its access to U.S. transformational technology and doctrine will determine the level of success of capability initiatives (Ibid).

The progress of the PCC is difficult to assess, as Lindley-French argue, most of the material on the initiative is classified. He argues, however, that there is “every reason to believe that such progress roughly concurs with that of the EU’s main military capabilities planning document, the EU Force Catalogue for Headline Goal 2010”. Of the 64 capability shortfalls, seven had formally been solved and four were showing signs of improvement. But as with DCI, the progress in the PCC initiative was patchy (Lindley-French 2007: 96–97). In their article Hans Binnendijk et al. argues that the DCI failed to achieve this worthy goal because

“it was scattered across too many forces and measures, and the Prague Capabilities Commitment evidently is encountering similar troubles” (Binnendijk, Gompert, and Kugler 2005: 8).

The PCC seemed therefore to have suffered the same fate as the DCI. Compared to the PCC, however, which experienced limited progress the initial development in the NRF was more promising. The session in the House of Commons reported that the development of NRF had been rapid and from its origin in 2002, it achieved initial operational capability in October 2004, and full operational capability in November 2006. Up to 2008 the NRF had been deployed twice, first in the aftermath of Hurricane Katrina in September 2005, and second in Pakistan following the earthquake of October 2005 (UK Parliament 2008: 49).

Despite his overall support for the NRF concept, in the session, General Deverell highlighted several problems with the NRF. For one, the burden for filling the force requirements fell on countries not involved in Afghanistan and Iraq. Two, the funding mechanism had some weaknesses that could be an obstacle to the actual use of the NRF. The principle referred to as “costs-lie-where-they-fall”, means that costs of deploying and sustaining NRF operations lies on the nation that provides with the components of the force at the time of its deployment. With any rapid deployment with the NRF follows costs on nations involved in the operation. The NRF funding mechanism has been criticized by some nations, where they states that deployments at short notice imposes unpredictable financial consequences, and acts as a disincentive to making contributions to the NRF (UK Parliament 2008: 51). Was the NRF a force where the level of ambition was difficult to maintain over time? Considering in terms of its funding mechanism, where the costs lie where they fall, the ambition of the NRF in itself is a problem. The members struggle with contributing with the troops, transport planes and helicopters needed to keep such large force at full readiness. Also, members are fully stretched in other NATO missions.

What does this indicate? A 2008 inquiry of the House of Commons gives some indications on the recent developments of the initiatives from the Prague summit. In the inquiry, the MoD stated that before the Riga Summit in 2006, NATO had conducted a review of the PCC initiative and from this concluded that it had been a “valuable initiative” that had “prompted progress in capability development across the Alliance”. From this report however, they also found that there were a number of areas that remained, in which there was slow progress

because of financial or technical difficulties. In its view, 72% of the goals outlined in the PCC would be met by 2008. The remaining 28 % that included the most costly undertaking such as strategic lift, would take some longer time (UK Parliament 2008: 45).

The MoD also stated that some witnesses emphasized that while the specific military capabilities were essential in underpinning NATO's expeditionary operations, the largest shortfall in NATO capabilities was in fact "political preparedness" or "political will" (UK Parliament 2008: 47). Similarly, Colonel Christopher Langton argued that because NATO not principally was a military alliance, rather a political alliance trying to deliver military capacity, real complexities were created. At the time, with 26 countries, with 26 defense budgets and 26 constitutions, it will limit the preparedness to take part in expeditionary activity in addition to create some challenges in cooperation and coordination. Colonel Langton stated that the deployments of European armed forces revealed key differences by European members in political will to commit to expeditionary operations (UK Parliament 2008: 47). On the lessons learned from PCC Andrew Budd stated that:

*"In the PCC for example, a lot of the things that were to be acquired was already in place. Not all of them came into fruition either. A lot of the assumptions on money were not based on real facts or evidence. There was euphoria, but the harsh reality of the defense budgets hit the alliance. The bottom line with the previous initiatives is that if you are not prepared to spend money, nothing will happen. And experience from the initiatives illustrated that nothing really happened" (Budd 2014 [Interview]).*

From this we can argue that despite the fact that there has been actual progress in PCC and other capability initiatives, the progress had been made on the low hanging fruits. The larger undertakings however, which is more costly and has a significant effect on the Alliance defense capabilities still has difficulties in succeeding. From this one can argue that because of the lack of will to spend money on the capabilities needed to bolster the Alliance, the PCC yielded limited results (UK Parliament 2008: 45).

### **3.5 Summary and concluding remarks**

This chapter outlined the priorities, the implementation process and the lessons learned from reform processes of the capabilities initiatives in NATO. By looking at the initiatives over time, patterns emerge of causal mechanisms that affect progress in capability initiatives. The finding suggests that NATO has throughout the years gone through many reforms with varying degrees of success. The lessons learned from the capability initiatives indicate that diverging interests and domestic politics plays important roles as a mechanisms that affect the reform process. Starting with diverging interests between the U.S. and European allies, to national economies and to the lack of political will, the tendency is that there is internal debates within the Alliance that limits real progress in the initiatives.

Arguably, NATO itself has an unclear idea of its purpose in the modern era, where the allies refrain from contributing to the initiatives even if they commit to launching initiatives. Differences in threat perception, decreasing defense budgets and a lack of a general political will contributes to a number of challenges that make the success of the previous proposed initiative difficult. Though in the recent years changes have been made in the command structure itself to facilitate more efficiently reforms in NATO. Successfully reaching the goals of the capability initiatives however, remains difficult taking the lukewarm effort and a lack of will from the members into consideration.

The past capability initiatives yielded limited progress. These initiatives do, however, come at the cost of national prestige or sovereignty. Allies must put aside national priorities and invest in defense assets to reach the intended goals. Without a clear consensus at this, and with hegemonic pressures from U.S. on both of these initiatives, further limited progress would be expected.

## 4 The Smart Defense initiative

This chapter analyzes the progress of NATO's Smart Defense initiative. The patterns identified and lessons learned from past initiatives will be employed in the analysis of the Smart Defense initiative. The chapter falls into four parts. Part one outlines the priorities, rationale and implementation process of Smart Defense. In addition, the pooling and sharing principle will be discussed. This provides the background required to discuss the progress of the initiative. Part two discusses the organizational dimension of NATO and the factors that influence the success of capability initiatives. Part three discusses the political dimension and an analysis of the factors that come into play in reform processes. Finally, some concluding remarks on what past experience and the theoretical perspectives can help assess the progress of the Smart Defense initiative.

The theoretical perspectives focus on the importance of domestic politics and the organizational features that together influence decision-making behavior in reform processes. The purpose is to assess the shortcomings in past attempts in order to identify and explain how the favorable conditions may speak to the progress of Smart Defense. The challenges NATO faces today will be contrasted and discussed in light of the empirical evidence and theoretical framework. This provides an explanation of the causal mechanisms at play that affect the outcome of Smart Defense.

NATO's Smart Defense initiative is considered a means to get "more bang for the buck". Secretary General Anders Fogh Rasmussen first unveiled the initiative in 2011 at the annual Wehrkunde Security conference in Munich. It was presented as a new approach in "ensuring greater security, for less money, by working together with more flexibility" (NATO 2011). It is an initiative that seeks to promote interstate cooperation with the goal of pooling and sharing resources. At the Chicago summit in May 2012, NATO leaders agreed to embrace Smart Defense as a changed outlook to ensure that the Alliance can develop, acquire and maintain the capabilities required to achieve its goals for NATO Forces 2020. The following section outlines the priorities, the goals and the rationale for Smart Defense (NATO 2012a; NATO 2011).



## 4.1 Priorities

The burden-sharing problem is at the core of NATO reform today. With this, how can Smart Defense deal with the challenges of the steady decrease in defense spending and contesting views on the purpose of the Alliance? As NATO officials state, the Smart Defense initiative represents, first of all, the approach for reaching the goals for NATO Forces 2020. The goal is to have “modern, tightly connected forces equipped, trained, exercised and commanded so that they can operate together and with partners in any environment” (NATO 2012d). To reach this goal, the development and delivery of the capabilities that missions require have to be improved. Improvements in interoperability is also fundamental, so that the allies can acquire and maintain key capabilities, make priorities, and consult on changes in the defense plans. This comes as an addition to national efforts and existing forms of multinational cooperation (Ibid).

While the 2010 Strategic concept focuses on NATO’s tasks for the next decade, the Smart Defense initiative is intended to be the enabler that helps NATO define what the Alliance should look like from a capabilities perspective. To facilitate the reforms in the Alliance, the Chicago Defense Package was launched, comprised primarily of Smart Defense and Connected Forces Initiative (CFI) (Desit and Perks 2012: 4). It consists of a mix of new and existing initiatives. More specifically on the initiative, NATO stated that:

*“The new initiatives consist of Smart Defence and the Connected Forces Initiative; the existing initiatives include the Lisbon Summit package focused on the Alliance’s most pressing capability needs; the ongoing reform of Alliance structures and processes; and the NATO Defence Planning Process” (NATO 2013e).*

The arguably most central initiative that comes with Smart Defense, CFI, is central in reforming the Alliance. On the one side, Smart Defense initiative represents the new outlook, and proposes how allies might implement goals in terms of efficient multinational capability development. On the other, CFI proposes how allies continue to use capabilities together effectively, in view of a decreasing operational tempo. It ensures that the Alliance retains the valuable gains in interoperability that is achieved in recent operations. In order to achieve this it will focus on expanded education and training, increased exercises and better use of technology (Desit and Perks 2012: 4). In short, where Smart Defense aims to pool countries

buying power to equip the Alliance with shared capabilities, CFI focuses on supporting measures in the areas of education and training, exercises and technology (Viereck 2013: 6).

Smart Defense is different from past capability initiatives because of the pressing requirement for results. The challenges that the Alliance faces are becoming more complex and diverse than before where threats of terrorism coming from non-state actors, conflicts beyond NATO borders and new threats such as Cyber-attacks (NATO 2010: 10–11). With the 2010 Strategic Concept, the credible deterrence and Article V mission was strengthened, and at the same time more tasks and challenges were included. To increase the complexity, all of these challenges have to be met in a time where many allies are decreasing their defense spending and military structures. Smart Defense is a means to deal with this problem, and it requires change in the national as well as the alliance culture of cooperation (Norwegian Ministry of Defence 2012).

The Smart Defense initiative is also innovative in other regards. Colonel (ret.) Andrew Budd at the Defense policy and capabilities directorate in HQ NATO, argued that Smart Defense is “Secretary General initiative, and when Anders Fogh Rasmussen announced Smart Defense in February 2011 in Munich, he took everybody by surprise, including his own staff.” As Budd points out, however:

*“His argument is sensible and the philosophy is sound. It is all about getting more output than the input. Where the U.S. is operating with one type of battle tank and fighting vehicles, European allies operate with more than 10 different. So by focusing on for example training on one vehicle as opposed to 10 different, saves costs” (Budd 2014 [Interview]).*

Budd points out some of the important and more severe deficiencies that have to be dealt with in the Alliance. This includes the failure to translate spending to effective capabilities and the problem of interoperability between the U.S. and European allies. Specifically, the initiative is based on areas of importance for NATO, in particular those that was agreed upon at the Lisbon summit in 2010. On the list of important capability areas are ballistic missile defense, intelligence, surveillance and reconnaissance, maintenance of readiness, training and force preparation, effective engagement and force protection. With this, the Smart Defense initiative tries to set guidelines for future decision-making. Smart Defense is about providing

the required capabilities for the nations as well as for the Alliance as a whole. Table 4.1 illustrates the constituents of the Smart Defense initiative (NATO 2012a).

**Table 4.1** Overview of the Smart Defense initiative (NATO 2012a).

<b>Smart Defense</b>			
<b>Priorities</b>	<b>Mechanisms</b>	<b>Goals</b>	<b>Factors driving the initiative</b>
<p><u>Prioritization</u> Aligning national capability priorities with those of NATO</p> <p><u>Specialization</u> Specialization “by design” where members concentrate their resources on their national strengths</p> <p><u>Cooperation</u> Pooling resources. Cooperation either through groups of nations or strategic sharing in terms of geography, culture or common equipment.</p>	<p><u>Coordination with partners</u> In order to avoid duplication of resources, pooling and sharing necessitates cooperation.</p>	<p><u>NATO Forces 2020</u> Smart Defense is to ensure that the Alliance can develop, acquire and maintain the capabilities to reach the goals for NATO Forces 2020</p> <p><u>Multinational projects</u><sup>7</sup> The projects which includes better protection of NATO forces, better surveillance and training will deliver improved operational effectiveness, economies of scale and closer connections between the forces.</p>	<p><u>Institutional structures</u> Secretary General Anders Fogh Rasmussen</p> <p>Lack of interoperability</p> <p>Persistent capability shortfalls</p>

What are the components of Smart Defense? The initiative rests on three elements or pillars:

- (1) *Prioritization*: members prioritize the most pressing capability needs.
- (2) *Specialization*: members seek to increase focus on selective capabilities.
- (3) *Cooperation*: members seek to increase multinational cooperation.

As seen in previous capability initiatives, these elements are not new. They have not been not easy to accomplish either, and if it had been easy to do so, it would have been done many years ago (Norwegian Ministry of Defence 2012). Since these pillars are important in the analysis, they have to be elaborated. The first is prioritization. The 2010 Strategic Concept articulated the vision of the Alliance for the next decade. This included a commitment to ensure that NATO had the full range of capabilities necessary to undertake its three essential

<sup>7</sup> For complete list see Table 4.4

core tasks: collective defense and deterrence, crisis management. In addition to this, the 2010 NATO summit in Lisbon identified several key priorities, including crisis management, cyber security, terrorism, and counter piracy. The challenge is to align nations' priorities with NATO's collective priorities and to produce NATO-relevant capabilities (Blackwood 2012: 88–89; Desit and Perks 2012: 4).

The second pillar is specialization. As the Secretary General has proposed, the allies do not need to possess all possible military capabilities. Neither can they afford them. Instead, members are encouraged to specialize in particular capabilities that can help reduce the burden of trying to maintain a full spectrum military force in each member state.<sup>8</sup> This specialization, however, must not be done unilaterally, but in a coordinated and transparent manner, so that the Alliance can remain capable and effective. Specialization touches on the issue on sovereignty, but in order to bolster the Alliance capabilities, and due to budget cuts, specialization is important (Desit and Perks 2012: 4; Blackwood 2012: 89).

The third pillar is cooperation, which is taken to mean the pooling and sharing of resources. This involves engaging in common acquisition projects and promoting common maintenance and logistics efforts. With cooperation nation can achieve significant economies of scale, avoid costs and gain capabilities they could not afford on their own. It can take different forms such as in small groups of nations led by another nation, or strategic sharing by those who are geographically, culturally or technologically, are close (NATO 2012a; Desit and Perks 2012: 4).

## **4.2 Rationale for reform**

As a consequence of the financial crisis of 2008, the world economy has been facing what most economists agree is the worst economic downturn in half a century. As a result of this recession, governments are applying budgetary restrictions, which in turn effect the defense spending. During the financial crisis, the security landscape has been changing and become more diverse and unpredictable. One recent example is the crisis in 2012 in Libya.<sup>9</sup> This crisis underlined the unforeseeable nature of conflicts and the need for modern systems and

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<sup>8</sup> Many European allies have already abandoned this, such as UK, France and Germany (NATO 2013f).

<sup>9</sup> More on the implications of Libya see NATO Secretary General Anders Fogh Rasmussen's article "NATO After Libya" (Rasmussen 2011).

facilities. The crisis in Libya also showed a need for less reliance on the U.S. for costly advanced capabilities. The current trend therefore stresses the necessity of rebalancing defense spending between the European members and the U.S. (NATO 2012a).

When announced in 2011, Smart Defense received a muted response. It was seen as a weak, or naïve, attempt at dealing with the current and long-time problems of the Alliance. In several New York Times articles, the shrinking resources of the transatlantic Alliance is emphasized, and the new Smart Defense initiative is described as an initiative without any real influence. In a New York Times article journalists F. Stephen Larrabee and Peter A. Wilson emphasized pooling and sharing, where the principle is doing more with less. In their view, however, pooling and sharing is no panacea. The principle, however, could, as they argued, “help to rationalize defense efforts and reduce costs, but it cannot make up for sustained drops in defense spending. The danger is that the European allies will not do “more with less,” as NATO officials proclaim, but less with less” (The New York Times 2012).

On paper, the Smart Defense initiative would appear an obvious if ambitious venture. The reality, however, and as journalist Judy Dempsey points out in her article, is more complex and beyond what the Smart Defense initiative can tackle. It also is considered as a resurfacing of a long time debate:

*“Europe’s defense ministries now blame their finance ministries for cutting their budgets to deal with the euro-zone crisis and the economic slowdown. But even when the economies were buoyant, the majority of NATO countries, excluding the United States and a handful of other members, were not prepared to increase their defense spending. If the crisis now makes it harder to spend more, at least there should be more of an effort to share resources” (The New York Times 2011).*

In sum, Smart Defense is considered as a good idea on paper, however it is perceived as a weak attempt to overcome major problems that have been a long-term debate in the Alliance. While it is stated that the initiative is to deal with recent developments in the world economy and security landscape, it is in reality another attempt at dealing with a yearlong development. As argued, the burden-sharing debate has always been a part of NATO, and bridging the gap has always been a challenge. With Smart Defense, as with previous initiatives, the goal is to get more equitable burden-sharing that makes the Alliance more

sustainable, capable and more able to cooperate. This problem, however, seem to be more difficult then ever. As the former U.S Secretary of Defense, Robert Gates warned:

*“If the current trends in the decline of European defence capabilities are not halted and reversed, future US political leaders – those for whom the Cold War was not the formative experience that it was for me – may not consider the return on America’s investment in NATO worth the cost” (The Guardian 2011).*

Looking at development in defense expenditures over time, a pattern of decreasing defense expenditures is clear. Table 2 compares European and U.S. defense expenditures in NATO from 1990-2013, and illustrates the challenges that NATO faces with the initiative.

**Table 4.2** NATO expenditure Europe vs. U.S. 1990-2013 (NATO 2014a).

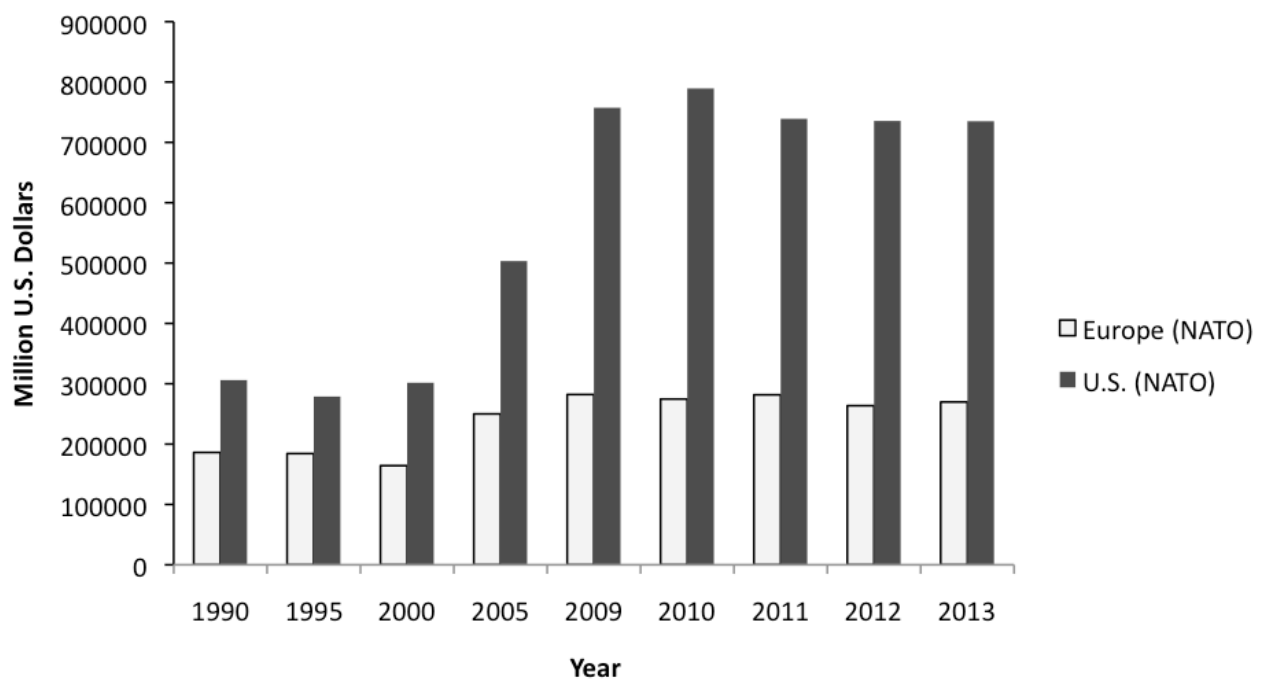
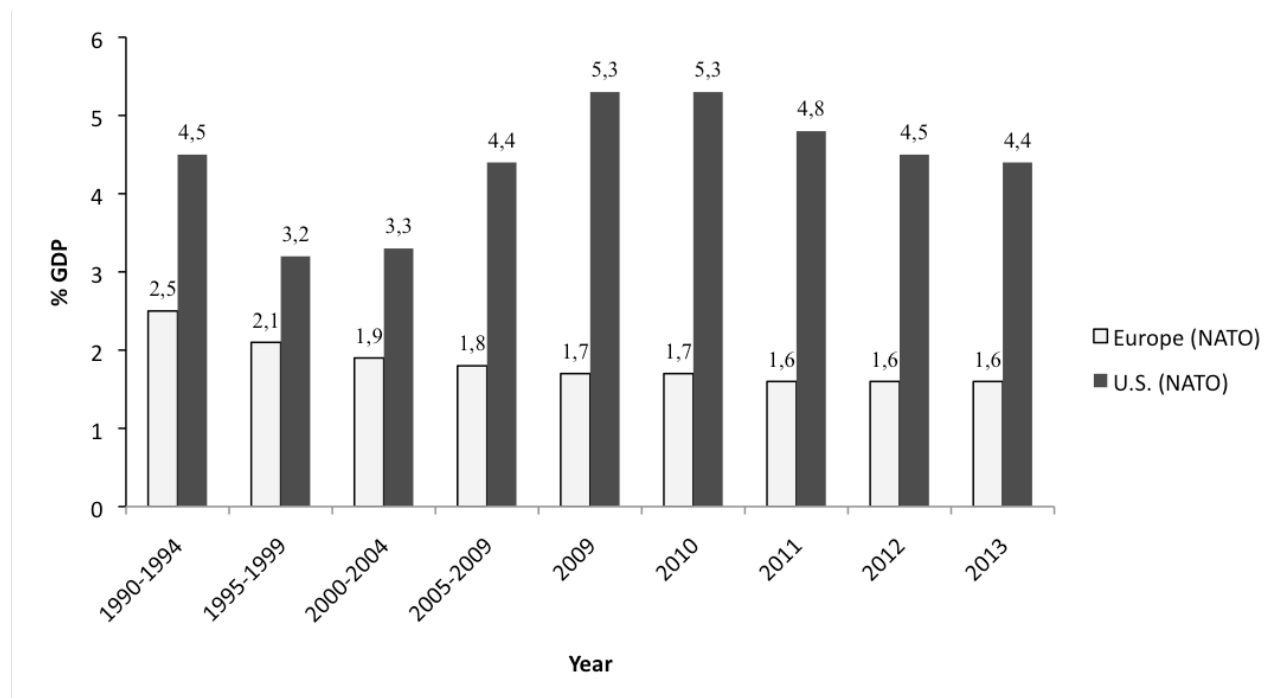


Table 4.2 illustrates the burden-sharing problem within the Alliance. The gap between European and U.S. defense spending has increased since 1995. In addition for both the U.S. and European members, there has been a steady decline in defense spending since 2010. This may be as a consequence of the 2008 financial crisis. While this is an important factor for explaining some of the challenges today, the financial crisis is, however, only one part of the overall problem. Also worth noting is the sudden increase after 2000 which can be explained

by the Alliance’s contribution in Afghanistan, Kosovo and Iraq.<sup>10</sup> The burden-sharing problem, and the challenges that NATO faces is clearer when defense expenditures are illustrated as a percentage of the Gross Domestic Product (GDP). Table 4.3 shows the development that has threatened the Alliance for many decades and that poses as a challenge for the Smart Defense initiative.

The operation in Afghanistan is NATO’s largest operation to date, and the first operation outside Europe (Larsen 2013: 1). Initially, NATO deployed its troops in Afghanistan in 2003, following the attacks of September 11, 2001 where NATO activated Article 5. The Alliance took formal control over International Security Assistance Force (ISAF) in 2003 and expanded its operation to concern the whole of Afghanistan by 2006. This contributed to political disagreement over burden-sharing as well as how to deal with insurgency. While commanding the ISAF, NATO has shown willing to evolve and take upon new missions, which reflected the reform process that began with the Prague summit in 2002. There the U.S. pushed the allies to transform their capabilities in order to take on new types of missions. The scope of the gap between European allies and U.S. was increasingly clear at this point. Table 4.2 and 4.3 reflects this development in the defense spending (Ibid: 3–4).

**Table 4.3** NATO defense expenditure as percentage of GDP 1990-2013 (NATO 2014a).



<sup>10</sup> More on the conflict in Afghanistan see Henrik B. L. Larsen’s “NATO in Afghanistan (Larsen 2013).

Table 4.3 shows a more distinct and different trend that illustrates the core of the burden-sharing problem. Aggregate numbers are like a well designed coat, they can conceal as much as they reveal. In this context, it means that the numbers on defense spending must be read with caution. The numbers do, however, illustrate a trend that has been clear in the Alliance for many years. On an average from 1990 – 1994 the U.S. spent twice as much of their GDP on defense in NATO than the European members. This gap was narrowed for a short period in 1995-1999, but from 2000 the gap has increased. Table 4.3 illustrates also that there has been a steady decline in defense spending in Europe, which poses as a serious challenge for the Alliance. Furthermore, dealing with the many challenges is more relevant than ever where in 2012 President Obama announced a new guidance for defense planning and budgeting. Here the U.S. Department of Defense announced that in keeping with the evolving strategic landscape, the American posture in Europe must also change (Kay 2013: 114–115). With the U.S. pivot towards the East, and the new changes in size and orientation of the U.S. army, U.S. is diverting interests away from Europe, and encourage the allies to take responsibility over their own area (Larrabee et al. 2012: 99).

An interesting note here is that there are different amount of members in the Alliance from 1990-2013. The fact that the defense spending in Europe decreases over time is therefore an interesting argument. Adding members does not contribute to increased capabilities or increased defense spending. The defense expenditures in NATO since 1990 illustrates is the increasing problem within the alliance and the overall rationale for the Smart Defense initiative. The possibility for success of the initiative, on the other hand, will be covered in the following organizational and political dimension.

### **4.3 Pooling and sharing**

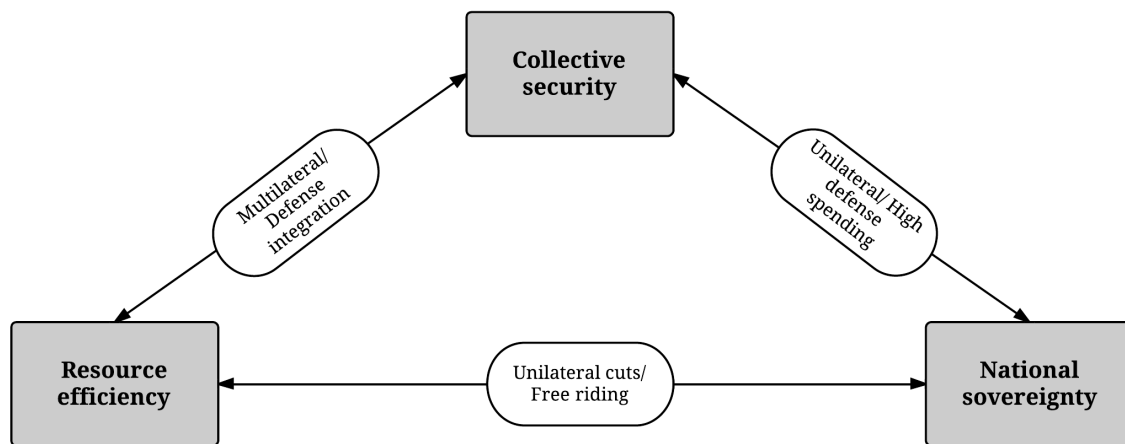
One solution that the Smart Defense offers to many of the challenges that NATO faces is “pooling and sharing”. Pooling and sharing is a concept that has been common in previous attempts, and has emerged yet again in Smart Defense. The rhetoric in the DCI, PCC and Smart Defense all emphasize the need for pooling and sharing, so this is no quick fix. Evidence from past capability initiatives indicate that when there is a lack of a clear and present threat, the political support is low. This is also similar with the defense expenditures, that when the resources are scarce, the political support is low. In budgetary feasts, however, domestic politics always influenced the decision-making and thereby the political support.



These tendencies have determined the success of pooling and sharing. Thomas Overhage supports this argument. The reason pooling and sharing is difficult to implement is because of what Overhage refers to as a “trilemma” in defense expenditure. This trilemma consists of security, national sovereignty and resource efficiency. In the context of this thesis, security is taken to mean collective security. National sovereignty means focus on domestic politics or national priorities. As for resource efficiency, it is taken to mean the efficient approach of using the available resources, whether collectively or individually. They are factors that member state choose to emphasize differently as a result of political and strategic culture, tradition and particular interests. It is an important argument because it identifies a common pattern in the DCI and PCC, as well as Smart Defense. It is also based on the same arguments as that of the free-rider problem as well as the instrumental perspective, that domestic politics or national interests are prioritized (Overhage 2013: 328).

In the U.S. the emphasis has generally been on security and national sovereignty, which has consequently led to high defense spending and the option of unlimited unilateral behavior. For Europeans the emphasis has been on resource efficiency and national sovereignty, which in turn leads to unilateral cuts and free-riding. The European allies consider that the military capabilities of the U.S. is sufficient to shelter the European members against threats. The behavior is individually rational, but collectively irrational. Looking at figure 1, the current situation today would be at the lower part of the trilemma, where the emphasis is on resource efficiency and national sovereignty. This leads to unilateral cuts or free-riding, as patterns over time indicate and as reflected in the current situation. This consequently leads to an alliance which strength is highly dependable on U.S. contributions. The current situation poses as a threat to this balance, which has to be dealt with in the reform process of Smart Defense. Adding to this challenge, the specialization pillar together with pooling and sharing will lead to allies focusing inwards, which is reflected by unilateral cuts and free-riding behavior, as illustrated in Figure 4.1 (Overhage 2013: 328).

**Figure 4.1** Defense trilemma – based on figure by Overhage (Overhage 2013: 328).



Changing the interests of a state, or what a state emphasizes, is highly difficult. As Wallace J. Thies argues, times of austerity are not favorable conditions for enhancing cooperation, such as with pooling and sharing. When the threat level is low and the resources are limited, burden-shifting and free-riding are more likely than real cooperation. He argues that cooperation between states is easier when there are plenty of resources and there is a common external threat. In the current situation in NATO, both of these factors are absent, which is why cooperation is difficult. In order for pooling and sharing to work, the current situation would have to be in the left part of the Figure, with a combination of resource efficiency and collective security. Here defense integration and division of labor is emphasize together with collective security (Overhage 2013: 332–333).

Combining resource efficiency with national sovereignty, however, encourages cuts in defense spending and free-rider behavior. If the level of threat increases, however, and the resources remain scarce, Thies sees a danger of political conflicts, meaning that the states will have difficulties in cooperating. But as long as the threat level stays low, a better economic situation will not enhance the prospects for multinational cooperation because there is no stimulus or incentive for such cooperation. This is in accordance with the theory of the “Tragedy of the Commons” referred to in chapter two, where there are no incentives for the herdsman to cooperate with the other, and he therefore acts in accordance with his own self-interest (Overhage 2013: 332–333).

Because the resources are scarce in the Alliance today, as an effect of a long tendency of defense cuts and because of economic trends, combined with a low threat level, situation 4 in Figure 4.2 illustrates the current situation in the alliance. The implications of this is that there is no political will to contribute to a defense alliance, which in turn indicates that it is difficult to cooperate by the use of pooling and sharing. Had the economic situation in Europe and U.S. been different, however, it would have been easier to cooperate, but there would not be any incentives. The instrumental perspective supports this argument where self-interests affect decision-making behavior. Some may promote more cooperation, but in times of low level of threat and scarce resources, the promise of cooperation - and therefore the idea of pooling and sharing seems difficult to achieve.

**Figure 4.2** Ease of cooperation – based figure by Overhage (Overhage 2013: 334).

		<b>Resources</b>	
		Scarce	Plentiful
<b>Threat</b>	High	(2) Danger of political conflict	(1) Relatively easy to cooperate
	Low	(4) Hard to cooperate	(3) No stimulus for cooperation

With the current situation, as a consequence of a low level of threat and scarce resources, the Smart Defense will face challenges with regards to yielding actual results. In these cases, national interests are emphasized and decision-making behavior will reflect what is politically popular in the nations. This consequently results in a lack of political support for ventures that involve defense spending. As for the national priorities, in addition to lower taxes, balanced budgets and generous welfare programs, military strength is also politically popular. Having military strength means that the nation can deter wars, stoke national pride and provide jobs and technological spin-offs. Paying for this, however, require higher taxes, wider deficits or cuts in welfare programs. With the Smart Defense the excludable goods will

be prioritized, and free-riding behavior on the non-excludable good of defense in NATO will occur (Thies 2003: 14).

The discussion above finds that pooling and sharing is a difficult venture. What pooling and sharing may contribute with, however, is that it may help rationalize defense efforts, and even help reduce the costs. What it cannot do, however, is make up for the sustained decrease in defense spending. There are therefore limitations and obstacles with Smart Defense. Despite of the promising aspects of the initiatives, there are limitations to the level of multinational integration it is possible to achieve. For most of the allies, the members have national tasks and responsibilities that must be handled on a national basis. Requirements to the initiative is therefore not on the agenda. This goes for shared units in the force structure and for specialization in critical capabilities. Many countries, such as Norway, may therefore decide that they will maintain a full spectrum of basic military capabilities to remain capable to deal with vital national requirements. Although an important aspect, this should not stand in the way of multinational cooperation in capability development (Norwegian Ministry of Defence 2012).

Lessons from DCI indicate that there were no changes in the defense budgets when pooling and sharing was encouraged. As for the PCC, a lack of political will to commit to pooling and sharing of the resources, resulted in limited progress. The U.S. continuously acquired new high tech assets, which created a technological gap the European members were unable and unwilling to close. Instead Europe has been used to the fact that U.S. has taken most of the defense burden. With the concept of pooling and sharing, the free rider problem occurs. Also, as outlined in chapter three, Europeans hesitated to buy U.S. made material in areas such as strategic airlift, communications and precision-guided munitions because this offered little benefit for European defense industries

As described, a problem that NATO often faces is the collective action problems. Sean Kay describes this as “the dilemma of who provides for common goals when multiple states are engaged” (Kay 2013: 99). The central problem here is that if there is one large actor with interests in the provision of an outcome, then the smaller countries can, without contributing costs or risk, reap the benefits. The free-riding argument is relevant here, where Kay argues that collective defense, as in NATO, became a public good during the Cold War. This was a

benefit, which once provided, was taken advantage of by all members, regardless of their contributions. And where one large nation has a greater demand for a public good than others, it will prioritize this, and provide a disproportionate level of this collective good. The smaller states, on the other hands, sees this defense costs a burden, and choose not to contribute to the military obligations, knowing that the larger countries with interests in the Alliance will defend it if the situation arose where it was threatened. The free-rider problem occurs when the smaller states invest in line with national priorities, and free-rides on the public good of collective defense (Ibid).

Smart Defense, in Karl-Heinz Kamp's view, faces one crucial political problem. A high level of political trust is required in order to pool and share resources. The allies must therefore be certain that the partners that the capabilities are shared with deliver on their part in case of need. If there are any doubts with regard to the political will of the allies, either on their ability to contribute in time of need or the ability to execute decisions on military actions (for example where there are parliamentary regulations), Kamp argues that pooling and sharing will fail. This has been illustrated by the Libya operation, where some NATO allies not only refused to take part but withdrew their military forces from common operations (Kamp 2011: 7). And where Kamp argues that the cooperation with the pooling and sharing will pose problems, Bastian Giegerich argues that the specialization is by far the most difficult. This is because it directly affects the member states sovereignty (Giegerich 2012 :70).

Andrew Budd supports this argument and argues that in “the three principles, or constituents of the initiative, the specialization principle can limit the progress of Smart Defense”. In line with the discussion on pooling and sharing in relation to the current situation, Budd argued that “it all comes down to sovereignty” and explains:

*“As a small nation, if the alliance asks you to move down a particular path of specialization, it will ultimately result in that you rely on everybody else for the full spectrum of military capabilities. There is no European member that has the full spectrum of military capability. Only the U.S. has this capability. Where Europe has sovereignty in decision-making, the decisions are limited by what we can achieve. This is why specialization may limit the progress of Smart Defense” (Budd 2014 [Interview]).*

What this thesis finds is that pooling and sharing is a venture that may be too difficult to accomplish. The three pillars may cause some difficulties in the reform process. This, however, is not the only challenge that the Alliance facing in implementing Smart Defense. The following sections go deeper into the different challenges by outlining the implementation process and the current progress.

## **4.4 Implementing Smart Defense**

The Smart Defense initiative is seen as a new approach “which seeks to better align the collective requirements and national priorities of Member States” (NATO 2012c). Allies agreed that instead of pursuing national solutions, they pursue more multinational solutions, where this is efficient and cost-effective. There is some collaboration between NATO and the European Union (EU) on this part, but the focus for this thesis is on NATO and its members’ ability to live up to the commitments in the initiatives.<sup>11</sup> The goal of NATO Forces 2020 is to have a modern, tightly connected forces which has the equipment, are trained, exercised and commanded in order to effectively cooperate (NATO 2012c; NATO 2012d).

Smart Defense is at the heart of making this goal a reality. In his article, Secretary General Anders Fogh Rasmussen summarizes the initiative as “building security for less money by working together and being more flexible. He argues that the initiative is also about encouraging multinational cooperation. And in a time where military equipment is expensive, “European states acting alone may struggle to afford high-tech weapons systems such as the ones used in Libya” (Rasmussen 2011).

### **4.4.1 Multinational projects and CFI**

What Rasmussen proposes as a solution is to the Europeans to work in small clusters so that they can combine their resources and build the required capabilities that can in turn benefit the whole Alliance. Rasmussen sees NATO as a “matchmaker” in this process where it is “bringing nations together to identify what they can do jointly at a lower cost, more efficiently, and with less risk” (Rasmussen 2011). To reach these goals, NATO stated in the declaration on capabilities at the Chicago Summit:

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<sup>11</sup> For more on NATO-EU cooperation, see “NATO-EU: working to fill gaps in defence capabilities” (NATO 2012c).

*“The development and deployment of defence capabilities is first and foremost a national responsibility. But as technology grows more expensive, and defence budgets are under pressure, there are key capabilities which many Allies can only obtain if they work together to develop and acquire them. We therefore welcome the decisions of Allies to take forward specific multinational projects, including for better protection of our forces, better surveillance and better training. These projects will deliver improved operational effectiveness, economies of scale, and closer connections between our forces” (NATO 2012d).*

The allies are encouraged to take forward specific multinational projects, for better protection of the Alliance forces, better surveillance and training. The declaration states that the purpose of the projects is to deliver “improved operational effectiveness, economies of scale, and closer connections between our forces”. In addition to this, it will provide experience for the allies to conduct future Smart Defense projects (NATO 2012d).

In the summit declaration, Smart Defense is presented as a changed outlook and as an opportunity to renew the culture of cooperation where multinational collaboration is given a new prominence. It is considered an effective and efficient option for developing critical capabilities. They emphasize the importance of EU cooperation in order to ensure that Smart Defense and EU pooling and sharing initiative is complementary and mutually reinforcing (NATO 2012d). Smart Defense is therefore considered the general approach towards NATO Forces 2020.

The CFI, however, is the primary means to demonstrate continued effectiveness and interoperability. CFI is a key part of an integrated set of programs. These programs include NATO Defense Planning Process (NDPP), Smart Defense and other relevant initiatives from the Lisbon and Chicago summit. Where NDPP focuses in identifying capability shortfalls, and Smart Defense contributes to build new capabilities, CFI is the mean to prepare the forces, and to ensure the readiness and interoperability. As Vlastimil Hujer argues, “the aim of CFI, for which ACT is the lead, is to ensure that the Alliance keeps its forces connected and retains and builds on the valuable gains in interoperability achieved in NATO’s recent operations between allies and partners” (Hujer 2014: 3).

Most obvious in the implementation process of CFI will be a significant increase in the number and scope of major joint and multinational exercises. The first of the many is the Trident Jaguar in May 2014 (Hujer 2014: 3). Furthermore, as Knud Bartels, the Chairman of the NATO Military Committee argued, “Exercise Trident Juncture 2015 will be a practical demonstration of the Alliance’s shift from a deployed to a prepared outlook, a launch pad for our future training and modalities, and a flagship for Connected Forces Initiative and NATO”. In this reform process, the CFI is central (NATO 2014b).

Because CFI is important in this context because it is considered a “whole NATO initiative”, which means that it affects all aspects of the staff and forces of the Alliance, from training to exercises to standardization (Hujer 2014: 3). At the meeting of North Atlantic Council, in Defense ministers session, Secretary General Rasmussen discussed the Smart Defense initiative as the new mind-set and stated that:

*“As we prepare to wind down some of our operational deployments, we must also prepare to face the unpredictable challenges of the future. Our Connected Forces Initiative will be at the forefront of delivering the modern, tightly connected, high readiness forces we need. And for ensuring we are ready to operate together in the most demanding circumstances” (NATO 2013g).*

CFI is therefore central in moving the Alliance towards its intended goals. The focus for this thesis, however, is mainly on the overreaching Smart Defense initiative. This is because it constitutes the “new” approach, where CFI is only the means, or the tool to accomplish the future goals of the Alliance.

Central to meeting these goals are the multinational projects. Soon after Smart Defense was first announced, Rasmussen appointed two special envoys – General Sephane Abrial, Supreme Allied Commander Transformation, and Claudio Bisogniero, then Deputy Secretary General – that would develop a package of multinational projects to be explored at the Chicago Summit in 2012 (Blackwood 2012: 88). And at the summit NATO heads of state and government approved a concrete package of multinational projects, including for better protection of NATO forces, better surveillance and better training (NATO 2012a).



## 4.4.2 Implementation progress

Some progress has been made in the implementation of Smart Defense. Currently, as of 2014, there are 27 Smart Defense multinational projects that seek to deliver improved operational effectiveness, economies of scale and connectivity between the national forces. They are multinational solutions to national capability requirements (Perks 2014: 5; NATO 2013a: 1). In a press release on August 14, 2013 NATO announced that the allies have successfully completed the first of the many multinational projects, namely the “Multinational Logistics Partnership-Helicopter Maintenance”. This U.S. – led project, which was completed in August 2013, was a part of the initial batch launched by NATO leaders at the Chicago summit in 2012. It established helicopter facilities in Afghanistan allowing allies to pool their spare parts, tools and technicians to make most of the deployed resources (NATO 2013a: 3; NATO 2013h). The second completed project is the “Dismantling, Demilitarization and Disposal of Military Equipment”. With this, there are 27 active projects and about 120 proposals under development (Perks 2014: 5).

**Table 4.4** Multinational projects (Perks 2014: 5; NATO 2013a).

1	NATO Universal Armaments Interface.
2	Remotely controlled robots for clearing roadside bombs.
3	Pooling Maritime Patrol Aircraft.
4	Multinational Cooperation on Munitions (Munitions Life-Cycle Management).
5	Multinational Aviation Training Centre.
6	Pooling & Sharing Multinational Medical Treatment Facilities.
7	Multinational Logistics Partnership for Fuel Handling.
8	Multinational Logistics Partnership - Mine Resistant Ambush Vehicle (MRAP) maintenance.
9	Deployable Contract Specialist Group.
10	Immersive Training Environments.
11	Centres of Excellence as Hubs of Education and Training.
12	Computer Information Services (CIS) E-Learning Training Centres Network.
13	Individual Training and Education Programmes.
14	Multinational Joint Headquarters Ulm.
15	Female Leaders in Security and Defence.
16	Joint Logistics Support Group (JLSG HQ).
17	Pooling of Deployable Air Activation Modules (DAAM).
18	Theatre Opening Capability.
19	Multinational Military Flight Crew Training.
20	Counter IED – Biometrics.
21	Establishment of a Multinational Geospatial Support Group (GSG).
22	Multinational Cyber Defence Capability Development (MNCD2).
23	Harbour Protection.
24	Pooling CBRN Capabilities.
25	Development of Personnel Reserve Capabilities.
26	Alliance Defence Analysis and Planning for Transformation (ADAPT).
27	Defensive Aids Suite (DAS).

How important are these projects, and how difficult are they to complete? In an interview, Andrew Budd argued that many of them are not that difficult to complete, but “the projects concerning training, however, are important in the long run. Instead of having to train on several types of capabilities, coordinated training on a main type is more efficient” (Budd 2014 [Interview]). He argued that the multinational projects were not going to produce the vast capabilities the alliance need, but that:

*“They need [...] to start somewhere, and these projects are important as a starting point. It is also important for a number of nations, for example Eastern European states, where the new allies have little or no experience on capability procurement acquisition. Because they have to start from scratch, the multinational projects are important in terms of education and building confidence” (Budd 2014 [Interview]).*

NATO’s role in all of this is to assist the allies in identifying the practical areas for cooperation and facilitate as well as encourage progress. This is done within NATO’s capability planning domains, and committees oversee the process. As of 2014, considerable progress has been made in shared training that will enable the Alliance Ground Surveillance capability as well as address lessons learned from Operation Unified Protector in Libya. The Allied Command Transformation (ACT) plays an integral role in promoting the overall vision of Smart Defense. ACT’s current priorities are the capability areas of Joint Intelligence Surveillance and Reconnaissance (JISR) and Ballistic Missile Defense (BMD) (Perks 2014: 5). Despite some encouraging results, overall one could argue that the progress has been limited. Andrew Budd argues that:

*“Not that much progress has been made with Smart Defense at the moment. There are, however, projects that actually have made some progress, such air policing and AGS. These are projects that are functioning Smart Defense principles. These big-ticket items, however, either it being strategic airlift or air policing, predates Smart Defense. What Smart Defense does is codify this philosophy. The Secretary general wants the members think multinational procurement first, rather than last” (Budd 2014 [Interview]).*

With two completed multinational projects, one could argue that the progress and implementation of Smart Defense has been limited. With the multinational projects, and in regards to pooling and sharing, there are two aspects that separate Smart Defense from

previous capability initiatives. One, it has been launched in an almost unique political environment with the financial crisis which add pressure on the national budgets than ever before, and where the “big spenders” have undergone significant cuts in their defense expenditures (Kamp 2011: 7).

The second way that separates Smart Defense from past initiatives is that the Secretary General placed considerable emphasis on his Smart Defense idea by naming two (one civilian and one military) special envoys for this issue – Deputy Secretary General Bisognero and the Commander Allied Command Transformation, General Abrial. Their task was to raise general awareness in member state capitals and thereby general political pressure for NATO’s member governments (Kamp 2011: 7). On the concept of pooling and sharing, Andrew Budd argues that:

*“There are many great successes, such as the European Air Transport Command. But today, Smart Defense address things that are already in place. Smart Defense does not go beyond that, but what it does is aspire to multinational acquisition in the future.” (Budd 2014 [Interview]).*

This, however, is too early to conclude. Some reports have come in on the progress of the initiative. In a report of the Standing Committee on National Defense, in the Canadian Parliament, Professor Jennifer Welsh expressed caution with respect to the specialization element of Smart Defense, where she pointed to the problem of relying on allies to contribute with the capabilities needed. Canada experienced such problems in Afghanistan, where they had to rely on helicopters from U.S. and UK for air transport (Canadian Parliament 2013: 4–5).

Defense analyst David Perry also addressed these challenges and argued that the Operation Unified Protector in Libya “demonstrated both the potential benefits of NATO Smart Defence and the likely challenges involved in implementing it” (Canadian Parliament 2013: 4–5). He argued that the operation exposed existing burden-sharing problems, which could be worsened with declining defense budgets, noting that only eight countries contributed in the air campaign. In Libya, some allies also had to withdraw as a consequence of funding shortfalls, and combining this with national caveats, the operation as a whole highlighted the dependence on U.S. assets. The specialization as well as the cooperation component, will

therefore require political will in order to work effectively (Ibid). As for the NATO Response Force (NRF), it will continue to be important and is a major component of the CFI. Here the national forces in NRF will train together, and it will remain a key tool to ensure interoperable forces (Ibid: 15). Erik Breidlid, Counselor Defense Policy at Norway's permanent delegation to NATO, argues that despite that Smart Defense has not yet yielded the expected success, it is still incorrect to say that it is entirely unsuccessful. He argues that:

*“A number of projects are under development, and cooperation on these are largely institutionalized in NATO with the Connected Forces Initiative. Consequently, the main benefit of Smart Defense may not necessarily be new products, or capabilities, but rather the expansion or improvement of multilateral cooperation among Allies. The importance of such cooperation is expected to grow further in the years to come” (Breidlid 2014 [Correspondence]).*

With the Smart Defense initiative, governments would have to invest in existing areas of excellence while giving up capability in other areas, and this would need to be coordinated through NATO to ensure a coherent and mutually supportive set of capabilities. The three pillars of Smart Defense would increase mutual dependency in a military (and ultimately also political) sense. Implementation would thus rely on active member-state engagement (Giegerich 2012: 70). As for now, despite of some progress, the argument is that Smart Defense yields limited results. The following discussions, the organizational and political dimension, will assess Smart Defense in light of past experience and the theoretical framework.

## **4.5 The organizational dimension**

The organizational dimension of the analysis focuses on how organizational features affect the member states decision-making in living up to capability commitments. Relevant aspects to address here is path dependency and threat perception. In explaining the organizational dimension, the cultural and myth perspective is used. Over the years, NATO has developed norms and values that have become embedded in the Alliance. In a cultural perspective these norms and value evolve and become important for the activities of the organization. Over time they develop and the organization acquires institutional features. Like in NATO, there has been a development of norms and values, which has developed and made NATO an

institutionalized organization. In the cultural perspective on reform, these characteristics may pose some challenges. Previous attempts at capability initiatives have faced these challenges and Smart Defense will face the same. This section will discuss threat perception and path dependency since they are relevant organizational aspects that will pose as challenges for Smart Defense.

#### **4.5.1 Threat perception and path dependency**

In the cultural perspective outlined by Christensen et al., reforms happen incrementally even glacially. Instead of revolution, there is evolution. Reforms undergo processes where traditional values and norms are balanced against new, where the organization adapts to external and internal pressures. The fate of the reform depends on the degree to which there is normative correspondence between the new and those existing in the organization. This section will argue that changed perceptions of the organizational environment may bring about reform, but that, over time, the organization becomes path dependent, which limits organizational change.

As outlined in chapter two, the cultural perspective emphasize that reforms also occur as a consequence of changed perceptions on the situation the organization faces. This may involve the organizations identity or its fundamental goal. If the situational perception the Alliance faces changes, or if the situation fails to correspond with the identity of an organization, reforms may occur. This argument indicates that reforms may have some potential success, because of a changing security environment. Seen from past experience, however, the DCI and PCC had limited success. In this context, what can situational or threat perception and path dependency say about the progress of Smart Defense?

Compared to the dramatic change that occurred with the end of the Cold War, and with the limited progress of DCI and PCC, the argument is that the limited progress is as a consequence of limited changes in the security environment. The changes that followed immediately after the end of the Cold War were more successful because of a critical change in the threat perception. The argument of critical junctures is important here. The end of the Cold War was a significant event, and the Alliance needed another purpose, another identity. But there has not been any such event after that, only situations that bring about different interests in reforms. NATO has no clear and present threat that may pose as a challenge.

Consequently, the allies focus their attention elsewhere, and thus they focusing their resources towards national priorities. With no clear and present threat, there is no political will to contribute to large investments. As experience from DCI and PCC indicates, without any clear and present threat, legitimizing contributions to a defense Alliance is difficult.

As outlined in the cultural perspective, reforms occur as a consequence of changed perceptions on the situation the organization faces, on the identity or what it stands for. It is therefore a matter of a relationship between situation and identity. In the context of implementing Smart Defense, many if the allies are still feeling the effects of the economic recession, and conflict management operations as well as upholding the capability for collective defense is difficult to legitimize nationally. Members therefore emphasize national priorities before investing in large operations, because they find themselves in a security environment without any clear and present threat. Thinking in these lines affected the progress of previous initiatives, and may also come to impact on the progress of Smart Defense.

Because the Alliance lacks a clear and present threat, situational perception is considered important for explaining why allies fail to live up to alliance commitments. National priorities, or domestic politics, will be emphasized as a result of the allies backing out of Afghanistan and the decreasing defense spending. Reforms that correspond with this trend will therefore be preferred over reforms that may be more optimal. With the DCI and the PCC, allies wanted to bolster the defense capability of the Alliance to be able to deal with the emerging security problems. Perceptions may therefore bring about reform processes, but here the path dependency argument is important. Where changes in threat perception bring about reform, path dependency limits the progress.

Since its inception, NATO has developed norms and values that have become embedded in the organization. Goals, values and norms have developed through different contexts and through different Strategic Concepts. Smart Defense seeks to achieve benefits from a new cooperation culture in the Alliance. This will, however, be difficult to change. An organization established at a specific point in history is shaped by the specific cultural context or norms and values, which leaves a permanent impression on it. Goals, values and

norms established in the early formal years of the Alliance had significant influence of the subsequent development, and are hard to change.

Regarding the DCI, the Cold War legacy influenced the reform process and influenced the progress. European members will therefore be reluctant to implementing the agreed reforms, because of the embedded environment with U.S. protection. This affects the burden-sharing issue as well as U.S. as the hegemonic power. One can argue, however, that this Cold War legacy had disappeared when PCC was launched. Established norms and values on the other hand, are resistant to change. The effect of path dependence is that it may render the organization inflexible. This is a problem for an organization as NATO, which lives in an environment prone to rapid change. As a consequence, a gap emerges between the external challenges of the Alliance and the internal culture. In turn, it may affect the decision-making of the allies.

Why is the path dependency argument important with Smart Defense? It is argued here that this is because of either “increasing returns” or “historical inefficiency”. With historical inefficiency, the costs of changing the organization often become too great. The fate of the reform depends on the normative correspondence between the new and already existing structures in the organization. If they are incompatible with established norms and values they will be rejected. The pooling and sharing component of Smart Defense, that seek to deal with issues such as the burden-sharing problem, may be a difficult venture. This is because the European allies are used to being under U.S. protection, as they have since the beginning. The norms and values that were created in the early years of the Alliance are becoming increasingly more difficult to change. In 2014, the burden-sharing gap is greater than ever, and poses as a real challenge for making some progress with regards to the Smart Defense initiative.

As past experience indicates, European allies see the alternative structures as overly costly, which in turn influence the decision-making behavior resulting in a lack of political support and failing to living up to commitments. Because of the Cold war legacy, the Alliance is less flexible. The Cold War legacy influences the decision-making. Because the members think of the structure as it was, there is little chance that it will change. The embedded norms and values established early in the organization limit future actions and development. From 1990

there has been a steady decrease in defense spending, with some exceptions. This is a trend that in a cultural perspective is very difficult to turn.

Over the years, the organization becomes more complex - that is, less flexible or adaptable to new demands. As outlined in chapter two, goals that are established during the foundation of an organization will significantly influence the subsequent development. These goals are not easy to change, not even when contexts and environments change. The cost of changing the organization often becomes too great. This reflects what is referred to as “historical inefficiency”. The identity of a Cold War Alliance is one difficult to change, and now the Alliance attempts to institutionalize the Smart Defense philosophy. The historical inefficiency of the Cold War legacy is something that NATO has been living with a long time, which can be reflected in the burden-sharing debate and issue of interoperability. In a cultural perspective, such norms and values are hard to change. The implementation of Smart Defense is an attempt to change this line of thinking. In an telephone interview with Colonel (ret.) Andrew Budd, he stated that all of the allies, in a varying degree, enthusiastic about the initiative, and argued that:

*“They all talk about it, and defense ministers are mentioning it. There is a creeping understanding of the importance of Smart Defense, but not on how they will make the initiative a reality. If Smart Defense becomes institutionalized or becomes a philosophy in NATO, however, then there is hope” (Budd 2014[Interview]).*

Changing the organizational culture, or the already institutionalized norms and values is difficult. The goal of Smart Defense is to change the philosophy of NATO, the way of thinking defense. To change already institutionalized norms and values that have been embedded in the alliance over time, however, is a difficult venture. Consequently, as of early 2014 not much has been done with regards to the Smart Defense initiative, but the intention of the initiative brings up an important argument. As mentioned, the initiative is an attempt to codify the philosophy of multinational procurement, in trying to make members think along these lines. Smart Defense can be seen as a philosophy or a mindset, which the alliance tries to institutionalize, but the Cold War legacy, however, and the already institutionalized norms, values and identities are hard to change.



## 4.5.2 Organizational design

With Smart Defense, NATO signals a new direction of economic responsibility. The myth perspective emphasizes the importance of myths and how organizations adopt attractive recipes for organizational design, although they may not be optimal. In order for organizations to gain legitimacy, they often use methods that are generally accepted. These recipes for organizational design may be popular recipes that “all” organizations use at a certain time, and imitation is therefore common.

Reform initiatives that corresponds with current doctrine of what a “good organization” should operate, will gain acceptance. Initiatives that diverge from this are therefore not chosen. Therefore, organizations will use reforms that are widespread. This can either be mimicking past or similar reforms, or using what is considered as a workable recipe for reform. Smart Defense could be considered as an initiative, which corresponds with the perception of what is rational, reasonable and modern. In a time where the resources are scarce, an alliance with no clear threat must legitimize its existence. The reform must therefore correspond with the prevailing ideas in the environment, being saving money and making a lean and effective alliance.

Smart Defense may therefore be considered as legitimate, but not necessarily optimal. The initiative could be launched in order to enhance the legitimacy of the Alliance, by thinking smart and economical. The new design may also be about making the Alliance missions legitimate for its members. This also affects the decision-making. Because the members can now easier legitimize using resources in the Alliance, the political support will increase. NATO will therefore gain legitimacy through acting, meaning reforming the Alliance. The initiatives themselves can give the Alliance some purpose, in working towards making it a credible and capable alliance.

Some argues that the initiative is just a “bumper sticker” to gain legitimacy, that Smart Defense is a signal that increasing defense expenditures is the easiest solution to the problem. From the post-Cold War era, where the slogan was “out of area, or out of business”, the slogan now is “pool it, or loose it” (NATO Parliamentary Assembly 2012). The initiative is also considered more as a philosophy than a list of goals, compared to DCI and PCC. This may seem as a rational way of doing things, thinking multinational and pooling the resources

in order to reach the common goal of an effective and credible alliance. Isomorphic mimicry is an important note. Organizations, such as NATO, adopt generally accepted and rational recipes that correspond with what a good organization should look like. The greater the correspondence is between problem definitions and suggestion solutions in reform programs, the easier it will be to gain legitimacy. And Smart Defense corresponds with a recipe for how to run an organization in a time of austerity. Organizations will therefore mimic each other. Here the argument is that the initiative is considered a rational and popular reform design. Concepts such as pooling and sharing are perceived as the rational ways to deal with current problems. As the discussion on pooling and sharing indicates, however, this is difficult. It may be perceived as rational, and thereby gain legitimacy, but it is not optimal.

The Smart Defense initiative was presented as a new approach and as an opportunity to renew the way allies cooperate where multinational collaboration is given a new prominence. It is considered an effective and efficient option for developing critical capabilities. As Andrew Budd argue:

*“It is a renewed culture of cooperation that encourages Allies to cooperate in developing, acquiring and maintaining military capabilities to undertake the Alliance’s essential core tasks agreed in the new NATO strategic concept (NATO 2012a)”*

As the current progress indicates, and past experience shows, two of the components of Smart Defense, pooling and sharing and specialization, are difficult ventures for the Alliance. The initiative in itself and the proposed organizational form, however, are considered as rational in a time of austerity, which helps the Alliance gain legitimacy. This organizational form, however, is not optimal. As seen, the multinational projects are difficult to complete and a large part of them fail to contribute real capabilities that the Alliance need. Pooling and sharing is also a rational way of operating, on paper. In reality, however, pooling and sharing are difficult ventures. There are several organizational factors that limit progress in the Smart Defense initiative. The next section focuses on the political factors that come into play in reform processes in NATO.

## **4.6 Political dimension**

The political dimension of the analysis focuses on how domestic politics and self-interests affect the member states decision-making in living up to alliance commitments. Relevant aspects to address here are the burden-sharing debate, the concept of pooling and sharing, and the diverging interests that have emerged because of contested views of the purpose of the Alliance. Assessing these aspects in light of past experience and the theoretical framework help explain the progress of Smart Defense. In explaining the political dimension, the instrumental perspective, as well as the collective action and free rider problem, is applied.

### **4.6.1 Burden-sharing and reform**

Over the years, the burden-sharing debate has contributed to several reforms, and the internal debate in the Alliance on how to deal with this problem indicates that aligning national interests with those of NATO is a difficult venture. Table 4.2 and 4.3 illustrates the increasing gap in defense expenditures between the U.S. and European members, a gap that in 2014 is larger than ever. This has an effect on the ability to live up to alliance ventures and the interoperability of the alliance. DCI and PCC tried to cope with these problems, but failed in the attempt. But what is different with Smart Defense? Informed by experience from past capability initiatives, what challenges does NATO face today in implementing the Smart Defense initiative? These questions will be answered in this section by discussing the importance and relevance of the burden-sharing debate and how it affects the ability to live up to alliance commitments.

### **The challenge of collective action**

Experience from the DCI and PCC as well as economic trends indicates that the burden-sharing debate is still relevant in NATO. From an instrumental perspective this ongoing debate will pose as a problem for the Smart Defense initiative. This thesis argues that when the burden-sharing debate resurfaces, as it does reform processes, it revives old conflicts and reveals patterns of strategic interests. Lessons learned from DCI and PCC indicate that limited progress in the reforms came as a consequence of a lack of political support in the initiatives. This was because there were diverging interests between the U.S. and European members on the need to reform.

With Smart Defense, these patterns of interests are revived, and the burden-sharing debate becomes relevant. In past attempts the U.S. had strong interests in changing the existing structure by emphasizing the need for a more equitable burden-sharing. There was significant hegemonic pressure within the Alliance with the U.S. emphasizing the need for reform. Lessons learned from the DCI indicate that the European members were unable to find the necessary funding to invest in modern forces, and because of an intrinsic complacency under U.S. protection from the inception and throughout the Cold War, the allies were not willing to invest in the initiative. With the PCC, however, the conflicts in Europe were resolved and there was no political will to live up to the commitments in the initiative. Instead the factors that were affecting the progress were domestic politics, where national interests were prioritized. In addition, with many years of decreasing defense spending and with no clear and present threat, legitimizing investment in defense was difficult.

The argument of diverging interests between the European allies and the U.S. is relevant with regards to the Smart Defense initiative. There are, however, some differences when comparing Smart Defense with DCI and PCC. As opposed to past reforms, there are more pressing requirements for reforms with the new initiative. Karl A. Lamers argues that despite of the success of the Libyan operation “Unified Protector”, the operation uncovered several deficiencies in NATO’s military capabilities in Europe, as well as the ongoing reliance on U.S. assets. Adding the Arab awakening, the Libya mission and the events in Syria, it has proven that the security environment is still characterized by uncertainty (NATO Parliamentary Assembly 2012). In relation the operation in Libya and the deficiencies it uncovered, Robert Gates argued that:

*“In March, all 28 NATO members had voted for the Libya mission, and less than half have participated, and fewer than a third have been willing to participate in the strike mission... Many of those allies sitting on the sidelines do so not because they do not want to participate, but simply because they can’t. The military capabilities simply aren’t there” (The Guardian 2011).*

Defense in Europe has certainly changed over time. With the DCI and PCC, Andrew Budd argues that “back when they were launched, everybody thought that they were all rich”. On the current situation, however, Budd argues that now everybody knows that they are all poor. He argues “Multinational procurement was a matter of choice, now it is a matter of necessity.

The DCI and PCC represented a list of things that was to be done, which was never fully completed. Now it is not a list, but a philosophy” (Budd 2014 [Interview]).

The burden-sharing debate, and interests in reforming the Alliance, comes to the fore yet again. The empirical data indicate a decrease in defense spending. Considering this in a context where the security environment is complex and diverse, and where the Alliance has become overburdened, dealing with the deficiencies and challenges and finding the resources to do so is difficult. How can the theoretical framework with collective action and the free-rider problem interpret the decision-making in past capability initiatives, and furthermore say something about the progress of Smart Defense? As the hegemonic power in NATO, and with the largest contribution to defense, the U.S. is the state with most interests in a new direction that lead to a more equitable burden-sharing. As the lessons learned from the DCI and PCC indicate, there where diverging interests in living up to the commitments, and these patterns indicate that the political will or national interests may in fact influence the progress of the Smart Defense initiative. For instance, the U.S. pivot towards the Asia Pacific signals that the Europeans must take their share of the burden. For the U.S. to emphasize change in the Alliance and trying to bring about reforms alone, however, is difficult. Many of the European allies, and especially the smaller allies, enjoy the current state of affairs in the Alliance.

Since the non-excludable good of collective defense is provided, the allies can free-ride, and in so doing the contributions to the alliance are meager compared to the benefits received. Because the benefit of collective defense is provided, smaller allies can save resources that they instead can use on excludable goods, relating to national priorities. As with Garrett Hardin’s “Tragedy of the commons” outlined in chapter three, this free-riding behavior is individually rational, but collectively irrational. Furthermore, the increasing gap in defense expenditures, and considering the economic situation in Europe, there are no interests for European allies in reducing this gap. Consequently, the European allies will choose in line with rational, self-interest, and free-ride, contributing little to the alliance. That the allies fail to live up to the commitments indicate a collective action problem within the alliance. In accordance with Glenn Snyder’s four categories, you could argue that the allies de-align and fail to finance and live up to the commitments. This occurred in the DCI and PCC, and it may in fact happen with the Smart Defense initiative.

The free rider issue constitutes a significant challenge for the alliance. As Sandler argued, if NATO were to survive in the long run “then some of these free-riding opportunities must be addressed adequately, or else the large NATO allies will see little benefit from the alliance unless they place a sufficiently high value on world leadership status” (Sandler and Hartley 1999: 200). The U.S. in this case will not abandon the alliance, but if not dealt with, the burden-sharing problem and the free-riding of the European allies may limit progress in the Smart Defense initiative, where resources are needed to make the initiative successful.

### **Implications on cooperation**

Also important in this context is the issue of interoperability. The reemergence of the burden-sharing debate, and the recent developments in the strategic environment pose as a challenge for Smart Defense in the way that it will affect the interoperability of the Alliance. Between the U.S. and Europe, there is a gap in the capabilities. The gap can be defined as technological as well as investment and procurement gap. All of this adds up to U.S. superiority, meaning that the U.S. is the only member in the Alliance that could project power in the form of a large-scale long-range non-nuclear air and missile strikes at distance from its homeland (Yost 2000: 98–99).

The implications of these gaps have contributed to the burden-sharing debate. The magnitude of the gap between the members became public during “Operation Desert Shield and Desert Storm” in 1990-1991. The fact that the U.S. is ahead technologically in the capabilities, affects the interoperability of the Alliance, and in turn, its credibility and effectiveness. The DCI and PCC attempted to deal with this problem, as the Smart Defense will (Yost 2000: 101–102). Lessons learned and patterns from the past initiatives show that there is a lack of political will and ability to acquire the required capabilities. In changing alliance structure, self-interests and rational means-end calculations come into play. The Libyan operation revealed these deficiencies. Here, Robert Gates pointed out some of the deficiencies in the alliance “the mightiest military alliance in history is only 11 weeks into an operation against a poorly armed regime in a sparsely populated country. Yet many allies are beginning to run short of munitions, requiring the US, once more, to make up the difference” (The Guardian 2011).

With the problem of interoperability, especially two points have to be made. For one, in this context it seems like Smart Defense is a continuation of the proliferation of defense technology in NATO. Europeans suspects that this is an idea that originates from the U.S. to “buy American”, which they deem as expensive and unnecessary. There has emerged distrust in Europe as well as a view that it is not necessary to use significant resources on defense. The same distrust existed with the DCI and the PCC. Two, the Smart Defense initiative is trying to promote reforms in national defenses. This, however, may not be in the interests of the nations.

Another danger with the Smart Defense initiative is that it can broaden the burden-sharing gap. Since reforming entails costs, the existing structure will be favored. The actors involved will therefore behave according to self-interest, which will affect the decision-making behavior in the reform process. Individual rationality becomes irrational for collective action, a tragedy of alliance politics. Smart Defense may in fact become a convenient way to avoid providing their share and taking some of the defense burden. The initiative only makes sense if it results in new capabilities in the Alliance, or contributes to maintaining capabilities that otherwise not could have been sustained. This entails costs for the allies, costs that many are unwilling or unable to pay. What the specialization pillar of the initiative could consequently do is that the capability goals left by one nation could be shifted over to others. In a European perspective, the already existing arrangement in the Alliance will arguably be favored to the new. The changes that Smart Defense bring about, may therefore have minimal effect because of diverging interests between the allies (Norwegian Ministry of Defence 2012).

To deal with this problem, however, the collective action problems of free-riding must be solved. The problem of the interoperability in the Alliance adds to the burden-sharing problem. In order to increase the interoperability between the allies, the European members have to acquire new technology, which costs considerable resources, which they are not able or willing to acquire. These gaps can explain why there is an emphasis on the need for change and reform in NATO, and furthermore why there is no unity of willingness, both militarily and politically, to live up to all of the commitments outlined in capability initiatives. Given that the U.S. continuously acquires new high tech assets, there will be challenges in closing the technological and doctrinal gap within NATO. There is a difference

in threat perception and perception of the initiative itself. Meaning that the focus on crisis management and peace support for the European allies, lies as a contrast to the U.S. attention to high-tech warfare and homeland defense (Hagman 2002: 103).

Looking at the burden-sharing problem in terms of organizational theory and in a hierarchical based instrumental perspective, the hegemonic pressure from U.S., which is based on a cost-benefit calculation on existing and alternative organizational designs, have led to reforms. With the DCI and the PCC, the U.S. assessed alternative designs with more equitable burden – sharing as better for their interests, and better for reaching the organizational goals. Because of this hegemonic pressure to reform the alliance, however, the implications were that there was no clear unity of interests in living up the commitments. Because of diverging interests between European allies and the U.S., on more equitable sharing of the defense burden, the progress of the DCI and the PCC fell short of expectations.

For Smart Defense, however, the initiative will have difficulties in succeeding because there are only few members that have interests in changing the existing structure of the Alliance. In hierarchically based instrumental perspective, attempts to bring about reforms derive from “organizational leadership”, and even if some actors perceive the existing organizational structure and the design of reform processes as unsuitable for realizing their interests, it is unlikely that they will be able to change them on their own (Christensen et al. 2007: 133f).

In this context there may be different interests in the structural features of the Alliance, where many of the allies align with a structure where the U.S. takes most of the burden. Because of domestic politics or national interests, there are difficulties in legitimizing increasing defense spending, to deal with the asymmetrical burden-sharing. Andrew Budd argues that the Smart Defense initiative will not be able to solve the burden-sharing problem in the Alliance, not in its own right. He argues that the problem is not only the procurement capability:

*“It is also a fragmentation of the defense industry in Europe, which constitutes a problem. The result of this is different procurement in different countries. This in turn affects the interoperability. Therefore, all of these initiatives, either it being framework nations, CFI, or Smart Defense, together can deal with the heart of the burden sharing problem, not individually” (Budd 2014 [Interview]).*



#### **4.6.2 NATO's contested mission and reform**

The burden-sharing debate, as well as pooling and sharing, is a significant part of the problem for reform processes in NATO. The last part of the problem, which will be discussed here, is the debate on the purpose of the Alliance. This issue has influenced previous reform processes, and is still relevant today. After the Cold War, the main purpose of the Alliance disappeared. With the 1991 Strategic Concept the purpose of the Alliance was widened and became more diffuse, which led to different views on what the purpose of the Alliance should be. These views were strengthened with the 1999 and the 2010 Strategic Concept, where the tasks and missions of NATO grew. According to the instrumental perspective, organizations are seen as instruments, and over time, the instrumentality of NATO has become contested. As this section will show, the perceived instrumentality of the Alliance changed, and because there was no clear and present threat, decision-making became more affected by domestic politics.

After the Cold War NATO reassessed its purpose several times and launched reforms in order to adapt to the changing security environment. The DCI, PCC and following reform processes sought to solve the deficiencies identified from experience from the Balkans, as well as adapting to the changing security environment. Lessons learned from past reforms indicate that national interests triumph over defense expenditures. Although many of the elements in the new initiative are very similar or identical to previous attempts, what is new with Smart Defense is the pressing requirement for results. The challenges today are more complex and diverse than ever before and with the 2010 Strategic Concept the dual role of deterrence and Article 5 mission was strengthened while more tasks and challenges were included. To increase the complexity of the problems the Alliance faces, these challenges have to be dealt with in a time where many allies are in economic recession and where they are still decreasing their defense spending and military structures. How is decision-making behavior affected by different views on the purpose of the Alliance?

As discussed in chapter three, the progress of the DCI and the PCC was limited by domestic politics, which may also be a threat to Smart Defense. Because NATO became overburdened, there were too many missions that were difficult to legitimize, and the members prioritized national interests as a result. For especially the European allies alternative structures were more expensive, and in terms of domestic politics more difficult to legitimize.

This explanation also explains the low political support in the DCI and PCC. Domestic politics and national interests affects the political support for capability initiatives in NATO.

Andrew T. Wolff supports the argument that it is NATO's changing missions and purpose that affects the political support (Wolff 2009: 486). He argues that the many reforms in NATO have not only created structural tensions relating to the contested issue of the purpose of the Alliance, but also political difficulties. He argues that one of the challenges that NATO faces is the waning political support for its ambitious endeavors. The decrease in political support is a serious challenge for NATO because it signals that the organization has a credibility problem. The lack of political support also affects the direction of the Alliance. By agreeing, but not committing, to the different reforms signals that there is little interest in changing the Alliance, making the prospects for the reforms succeeding very bleak. Adding new tasks makes it far more difficult to get member states to agree and to make tangible commitments to the diverse and complex mission set of the transformed NATO. National priorities and lack of political support are resulting in limited progress in the initiatives. These factors has affected the reform process of the DCI and PCC, and will also pose as a serious problem for the progress of Smart Defense (Ibid).

What NATO attempts with the Smart Defense are similar to the Harmel Report. The Harmel Report contributed with a set of responsibilities for the Alliance. Some structural changes occurred and the report marked the increased importance of the political side of NATO's activities. No time was wasted in translating the Harmel mandate into alliance policy. When the North Atlantic Council met in Reykjavik, Iceland in June 1968, the allies issued a "Declaration on Mutual and Balanced Force Reductions" (Sloan 1985: 46). The Harmel Report is important here because Smart Defense can be seen as an attempt at gaining the same legitimacy and support as the Report did. There are several characteristics in Smart Defense that try to change some of the underlying conflicts in the Alliance, which has not been dealt with in many years.

The debate on the purpose of the Alliance today is similar to previous debates. Out of the Harmel report, flexible response was born. When flexible response was adopted in 1967, it enabled NATO to move away from the "trip-wire" strategy of MAD, while leading the degree of commitment to a conventional defense ambiguous. What flexible response did was

to solve the problem of balancing risk in the Alliance, satisfying both the U.S. with reducing the risk of nuclear exchange with the Soviet Union, and the European concern to reduce the risk of a conventional conflict confined to Europe (Stromseth 1988: 194). The disagreement of an Alliance focusing on Article 5 or conflict management operations is still relevant today, and is an underlying issue that previous initiatives has tried to solve. In the current context, the debate on the purpose of the alliance is more relevant than ever. Because of the economic austerity, and with the withdrawal from Afghanistan, there are different views on the continued purpose of NATO. Like with flexible response, with Smart Defense, NATO tries to make a strategic change. The change entails the allies' capabilities become multinational, with specialization and pooling and sharing of the resources as solutions to the many deficiencies in the Alliance.

Like the Harmel Report, Smart Defense seeks to reaffirm the image, responsibilities and functions of the Alliance. The big difference, however, is that there was a massive consensus around the Harmel Report, which is not the case with Smart Defense. Experience from previous initiatives and recent developments indicate that political support around the Smart Defense initiative is low, which may consequently translate into limited progress. The initiative is another burden to an already over-burdened alliance. Members may have different perception of what the purpose of the Alliance should be or do. Having many tasks may be difficult to legitimize for national governments and its voters, which make domestic politics also important in this debate. Because the many reforms and continuously changing purpose strain the members, who require resources that the allies does not have, the political support suffers. Means-end calculations result in actions that emphasize domestic politics over collective action. Domestic factors shape foreign policy decision-making, where it sets the limits and form the rationality. The interests and motives of the allies influence their commitment to alliance ventures, and DCI and PCC proves, national interests is prioritized, which results in limited results in reforms.

The effect of the changing purpose of NATO, and as this thesis has shown, is that the Alliance is in a permanent state of uncertainty. This argument is supported by Webber et al. that argues that adaption to meet "new security challenges" either it has been the end of the Cold War, Bosnia, Kosovo, 9/11, Afghanistan, Libya and beyond – has been a constant theme within NATO. NATO has seemingly come through these changes, but as Webber et al.

argues the picture is of an Alliance in a permanent state of uncertainty and flux (Webber, Sperling, and Smith 2012: 10). There is arguably a growing heterogeneity within NATO. This tendency can be seen in divergent strategic orientations and different perceptions of the purpose of NATO. The U.S. pivot towards Pacific is an example, where their strategic challenges largely emanate out of the Pacific region. Graeme P. Herd and John Kriendler argue that this highlights the declining strategic importance of Europe in U.S. strategic thinking. This argument has been strengthened by the reduction of ground troops. Despite of this development, however, the U.S. still has significant interests in Europe, and recent developments in the Ukraine may have some implications on the further debates on the purpose of the Alliance. The implications of this, however, are too early to tell (Herd and Kriendler 2013: 3).

## 4.7 Concluding remarks

This thesis has outlined and analyzed several factors that may determine likelihood of the NATO Smart Defense initiative achieving its stated objectives. As discussed, NATO is currently dealing with several challenges that may influence the progress and success of the initiative. The thesis has shown that the mechanisms of the Smart Defense initiatives will in fact allow free-riding behavior. Because the organizational culture has become path dependent, and because there is no clear and present threat, the organization is difficult to change.

The argument in this thesis has been that the internal challenges in the Alliance, whether it is the purpose of the alliance, the asymmetrical burden-sharing, the problems of interoperability or problems in changing the organizational culture, are all factors that may limit the progress of the Smart Defense initiative. These causal mechanisms come into play in determining success or failure in reform processes in NATO. In regards to the Smart Defense, has NATO learned the right lessons from past attempts? Erik Breidlid argues that the lessons learned from DCI and PCC was taken into account with the Smart Defense initiative, in the sense that the initiative is in a much greater extent left to the member states. Breidlid argues that:

*“From experience cooperative projects must primarily derive from the countries own needs, and NATO’s role in this process is to function as a catalyst and coordinator for reform. Here the industrial interests, as well as political priorities affect this process, and the Alliance has limited influence in this process. In this contexts, every country will naturally protect its own defense industry, both for economic and national security reasons” (Breidlid 2014 [Correspondence]).*

Lessons learned from past initiatives have indicated that there has been a pattern of growing emphasis on national interests. This problem, however, is also present today. An important note here is that the Smart Defense initiative, which is the focus of this thesis, is an ongoing process. Conclusively confirming or disproving a hypothesis on its success is therefore not possible. The findings can, however, give some indications as for the assumptions formulated in the hypothesis, and thereby on the progress of the Smart Defense initiative.

Hypothesis 1 suggests that Smart Defense will have little chance of success due to collective action problems in sharing of the defense burden. The thesis has shown that by taking

diverging interests, collective action problems and the problem of interoperability into consideration, and informed by past experiences, the initiative may yield limited results. The non-excludable good of defense in the Alliance enables free-riding behavior. Member states focus their resources on excludable goods, such as national priorities. This, in turn, affects the burden-sharing and consequently the political will to live up to the commitments outlined in the Smart Defense initiative. The findings therefore indicate that the initiative will have little chance of success.

Hypothesis 2 suggests that Smart Defense will have little chance of success due to diverging preferences between member states. Because the allies focus on national priorities as opposed to collective defense, and because of the contested views on the purpose of the alliance, the argument is that Smart Defense will have little chance of success. The lack of unity in the interests, the inability of the European allies to take some of the burden, and the lack of political will to deal with the many tasks and missions of NATO, will all contribute to limited progress. Without any incentives for living up to alliance commitments, the progress of capability initiatives will remain limited. This indicates that Smart Defense will yield limited results.

Hypothesis 3 suggests that Smart Defense will have little change of success because the institutionalized organizational structure is path dependent. Lessons from past initiatives, and patterns that have emerged over time indicate that the norms, values and the identity of the Alliance have Cold War characteristics. The Cold War legacy is institutionalized at the level that it is too hard to change. This is reflected in the defense spending, the political will and the internal debates within the Alliance. Lessons learned from the limited success of DCI and PCC indicates that the European allies are reluctant to implement agreed reforms because of the embedded environment with U.S. protection. This makes the Alliance path dependent and difficult to change. Changes in threat perception may bring about reform, but path dependency limits the progress. The findings therefore suggest that Smart Defense will yield limited progress.

Hypothesis 4 suggests that Smart Defense will have little chance of success due to inefficient reform designs. Lessons learned from previous initiatives, and patterns that has emerged over time, indicates that NATO adopts organizational structures that seem rational, efficient and

modern, but these structures are not necessarily optimal or efficient. These reforms do, however, achieve legitimacy in the organizational environment. Smart Defense may be considered as the rational way to structure an organization in a time of austerity, but because of the mechanisms of the initiative with pooling and sharing of resources, the initiative may yield limited success. The Alliance is not ready to make their capabilities multinational and to specialize their forces.

In sum, the hypotheses indicate that the NATO Smart Defense initiative will have little chance of reaching its stated objectives. The findings suggest that European allies will continue to free-ride on the contributions of defense expenditure to NATO. This is because there are no incentives that make an alternative strategy more preferable. The U.S. remains the defense producer and European allies continue to be the defense consumers. Furthermore, Smart Defense will have difficulties reforming the alliance because structures are hard to change, and because of path dependent structure within the Alliance. In addition, heterogeneity has evolved within the alliance, where different interests and goals between the allies affect the political will to live up to alliance commitments. The implications of the internal debates are that there is no agreement on the function of the alliance, and as the lessons from past initiative has shown, this translates into a lack of political support. Without support, reform processes fail to reach its stated objectives. Referring to Glenn Snyder, on the DCI and PCC, it seems like the allies defected on the alliance commitments.

All of these patterns indicate that the solution and the problem seem to be the same, that under U.S. pressure, the initiatives fail. Without the U.S. and without its resources, however, the Smart Defense initiative is deemed to fail. With the annexation of Crimea in 2014, the future for NATO is uncertain. Changes in the international system, with emerging conflicts may in turn change the incentives for the European allies. This may result in increased defense spending. With the development in Europe, collective defense may become more relevant than ever. This is something that is unique for Smart Defense, compared to past initiatives. For now, the problems with collective action and free-riding, as well as the burden-sharing issues, pooling and sharing difficulties, and the debate on the purpose of the alliance, has been, and still is, influential on reform processes in NATO. Adding threat perception, path dependency argument and inefficient reform designs to this, the argument is that the Smart Defense initiative will fail to achieve its stated objectives.

## 5 Conclusion

This thesis went out to find what past experience can tell us about the likelihood of the NATO Smart Defense initiative achieving its stated objectives. The motivation of this thesis was to assess a relatively new capability initiative in light of previous experience to identify the factors that come into play in reform processes in NATO. This thesis has tried to contribute to the already vast research field on NATO. In the thesis, a case study approach with process tracing and triangulation was applied. In order to answer the research question the chosen theoretical perspective was a combination of the collective action problem and free-riding with the three perspectives on organizations.

It is not difficult to conclude that the Smart Defense initiative may suffer the same fate as the DCI and PCC, in light of recent trends and experience from past initiatives. Concluding this on the basis of these factors, however, would be an oversimplified conclusion and a fragmented picture of the reality. This thesis provided with an analysis of the different initiatives in several perspectives. This was to see if there has been any previous success, to identify the factors that affected the reform process and to see what the lessons learned could say about the Smart Defense initiative, which is an ongoing process.

The thesis finds that because of a lack of incentive to contribute to a more equitable burden sharing, European allies will continue to free-ride. Furthermore, a path dependent structure that is hard to change, diverging interests and a lack of political will, are all factors that influence the progress of the initiative. Lessons learned from past initiatives indicate that these factors may limit the progress of Smart Defense. What does the findings in this thesis mean for NATO and the Smart Defense initiative? This thesis finds that lessons learned from past experience indicate that Smart Defense will have difficulties in achieving its stated objectives. With Smart Defense, the Alliance has tried a semi-structured solution where different allies contribute and tries different solutions to solve the deficiencies. In order to be successful, a change of pace in the Alliance has to happen. There are no indications, however, of such a change. Therefore, in theory and practice, it seems that Smart Defense will yield as much progress as its predecessors. The logic or the factors driving the initiative, on the other hand, is not weakened. There is still a need to bolster the capabilities, and there are several



gaps in burden-sharing and interoperability, which in turn weakens the Alliance. The mechanisms of Smart Defense that seek to deal with these deficiencies, however, seems difficult to carry out in a time of austerity. NATO has no capacity by itself to finance major procurement projects, so the capabilities must be underpinned by adequate defense expenditures. This requires commitment to the alliance ventures.

The Smart Defense initiative points to a multinational solution of capabilities. This thesis has shown that it is difficult to achieve. The DCI and PCC tried to work around this. The DCI was driven by hegemonic pressure with U.S. interests. The PCC was an extension of those interests with more coordinated efforts by the allies. The Alliance, however, seems not ready for the capabilities to become multinational. Therefore, rational thinking and self-interests with national priorities is emphasized at the costs of bolstering the alliance. The findings in this thesis provide only a little explanation of a generally complex problem that NATO faces. Events will always contribute to change the incentives, so this is not the last to be written about the Smart Defense initiative. One argument is that U.S. politics as well as incentives in the international system will be decisive for the Smart Defense initiative. Interesting enough, the conflicts in Ukraine can change this and increase defense spending, and thereby increase the actions available for the Alliance. The effect of the developments in Ukraine, however, is too early to say. As for the Smart Defense initiative, it may seem to be the rational way to reform an Alliance in austerity, but it is not obvious that the initiative is the right solution to the problem. Further research on this is therefore necessary.

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## Appendix A – List of interviewees

Name	Position	Interview
Colonel (ret.) Andrew Budd	The Defense policy and capabilities directorate, NATO Headquarters, Brussels	Telephone interview 22.04.2014
Erik Breidlid	Counselor Defense Policy, Defense Policy & Planning at Norway's permanent delegation to NATO	E-mail correspondence 13.05.2014

# Appendix B – Illustrative interview guide – Questions

<b>Questions on NATO transformation and Smart Defense</b>
1. Is Smart Defense an initiative that has derived from collective interest, or individual members? (or possibly the Secretary General?)
2. Regarding the multinational projects. How important are they really, and how difficult are they to complete?
3. What progress has been made with Smart Defense?
4. What can limit progress in the Smart Defense initiative?
5. Smart Defense is very similar to the DCI and PCC, both in rhetoric and in priorities, and the two previous initiative both yielded limited results. What is different with Smart Defense? Why should the capability initiative succeed this time?
6. Does the existence of ACT make a difference in implementing Smart Defense?
7. Many argue that the different constituents of SD are difficult to make a reality. What do you think are the greatest challenges in making the initiative successful?
8. Which countries are enthusiastic about the initiative?
9. For those who embrace the reforms, is there any strategic advantage in the alliance?
10. How was the initiative received in the member states when it was launched? Muted response?
11. Would you agree that members focusing on national priorities might cause the initiative to yield limited progress?
12. Will Smart Defense be able to address and possibly resolve the burden-sharing problem?
13. Any comments on the idea of pooling and sharing?
14. Regarding previous initiatives, what lessons can be learned from the DCI and the PCC?