



CLUB OF THREE: DEFENCE AND SECURITY

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THALES



REPORT

Alex Dorrian (CEO - Thales UK) welcomed guests to the meeting. He recalled that the original Club of Three defence session in February 2000 had been held in Lancaster House. The extension of the theme of the conference to cover security as well as defence was illustrative of the changing nature of security in the modern world.

In introduction, Lord Weidenfeld reflected on the history of the Club of Three and the aims of the Institute of Strategic Dialogue, before handing over to the first session chair.

Session 1: The relationship between defence & national security

- Which security threats matter most? Are we spending enough on the right priorities?
- Are we getting the balance right between defence and domestic security?
- What contribution should the military make to domestic 'homeland' security?
- What contribution can science & technology make in responding to the threats?

The discussion about security threats began by looking at how we assess risk. It was argued that we should examine the relative likelihood and impact of each risk, whilst also considering society's vulnerability to the threat and the extent to which mitigation action could be taken. Judging the investment to make in addressing severe impact, but low likelihood, events presented a particular difficulty. One illustration of this was the impact of climate change on serious weather events. If we did not know the extent to which climate change will increase the likelihood or severity of particular climate events, how could we know how much to invest in addressing this threat?

The French White Paper noted that a range of factors impacted on our security: including the increasing interdependence of our states, and changes in society. It argued that we need a global concept of security, whilst acknowledging that interstate conflict remained a clear possibility. The White Paper concluded that French defence strategy depended on three pillars: knowledge and anticipation, retaining a full spectrum of military power, and the need for continued nuclear forces. The requirement for greater knowledge & anticipation would result in greater investment in intelligence, including from space. But, the strategy argued, knowledge alone is not useful without the capability to act. The necessary capabilities must be retained to allow France a) to protect its citizens and interests, b) to deploy military capability abroad to contribute to international stability and c) to cope with a sudden deterioration in the global security environment. This would require France to retain both the ability to participate in a large-scale military conflict and an independent nuclear deterrent.

In contrast, the UK's national security strategy defined health pandemics as the most serious threat to the UK. Several conference participants argued that, although pandemics could cause great damage, terrorism currently presented a greater threat, both because of its potential impact – take for example the use of a radiological 'dirty bomb' – and because terrorism could have an impact that went beyond material damage, having the potential to change the nature of our society and our values. Terrorism could do more than destroy infrastructure, it could destroy the trust that underpins the modern world and may reduce our freedoms. The terrorist threat was not to territory, but to the fabric of society. These wider effects made the calculation about our threat priorities more complex. They also forced us to think about our response in terms that are not traditionally within the domain of "security" – such as the way that we integrate groups into society.

Other actors, including the EU, had slightly different priorities. The control of weapons of mass destruction – especially nuclear proliferation – remained a high priority, as it was recognized that possession of nuclear weapons would remain an objective for rogue states and for non-state actors. Terrorism – the traditional recourse of the weak against the strong – and dysfunctional states like Pakistan were viewed by Germany as major threats.

Looking at other threats, contributors debated whether or not Russia remained a potential antagonist. Some thought that the Russian threat had increased in recent years as arms control achievements had been allowed to slip, although the Obama administration and the Russian government had recently put more emphasis on arms control regimes. Others suggested that common threats would require a 'silent understanding with Russia'. Russian support would be important, for example, in Iraq, Afghanistan, Pakistan – with Russia herself a potentially important supply route for operations in Afghanistan. Certainly we needed to think carefully about Russia in forming our approach to Ukraine and Georgia. In light of this, it was argued that the West should aim for a modicum of strategic cooperation with Russia, whether or not we approved of the current Russian administration or their values. We had, after all, successfully done deals with difficult Russian regimes in the past.

It was also noted that Russia had shown that it was prepared to engage in cyber-warfare and to use gas supplies as a weapon of sorts. We needed, therefore, to be careful not to be too sanguine about the threat that Russia posed. Nevertheless, it was pointed out that Russia needed a market for their gas and they needed international technology to extract it. Our best response should be to diversify our energy supply to help to reduce the threat of Russian economic blackmail – especially as in the process such a policy might also help us to address the different threat posed by climate change.

Other contributors suggested that the most important long-term threat to society might not be definable in normal defence/military terms – rather it was the potential risk of chaos from a serious economic slump. Our current predicament might be in the scale of the Great Depression – certainly the level of public sector debt was rising to astronomical levels. This impact of the economic threat in part depended on our response. We faced grave risks of, for example, "rampant protectionism", a reduction in foreign direct investment and food riots. In these circumstances, we could not rule out country collapses.

Many contributors argued that the current economic crisis presented a systemic risk to society. There would be less security, more unemployment, more stress on healthcare and so on. In these circumstances, the Government must pull off the difficult trick of appearing in control to inspire confidence, without pretending that it had all of the answers, which would not be credible. To do this, the Government must enlist others in society to help to take the public with them. If it was unable to do so, the potential remained for the economic crisis to escalate into a domestic security crisis.

A separate argument was advanced that the 'slow moving challenge' of demography would remain a serious threat. Two examples were offered by way of illustration. First, Gaza had the highest population growth in the world – and this demographic fact was the root cause of much insecurity in that region. Second, China's growing population abutted Siberia's huge natural resources, which presented an obvious long-term source of future instability.

Some contributors thought that we should add cyber-crime and cyber-war to our list of serious threats – as it posed a threat to our whole way of life. Future conflict might look somewhat different as aggressors concluded that there was little reason to throw a bomb when they could paralyze society with a mouse click. One contributor asked whether our substantial investment made in capabilities to protect maritime trade routes had been matched by the priority given to the protection of electronic trade.

Countering other emerging threats like synthetic biology might also become high priorities in future. It was argued that imposing our will by using force might become an outdated paradigm. We might be able to paralyze an opponent without using force, or construct pandemic diseases. These new technological threats were yet another reason why the defence against external aggression and internal security could not easily be separated.

In this context, one contributor stressed the need to keep in mind the more traditional threats. It was argued that the history of the Thirty Years War, Napoleonic wars and two World Wars indicated that major inter-state conflict emerged from a change in the world system. Perhaps we faced the same risk

of hegemonic war today, as our unipolar world transformed into a multi-polar world (e.g. through the rise of China which had raised its military budget by 15% this year). Others believed that US hegemony would not end so soon.

Either way, there was general agreement that we were always surprised by events. Recent events in Georgia and the global economic crisis were simply recent examples of our failure to anticipate new threats. This reinforced the need to maintain a full breadth of capabilities, to allow us to respond to the unforeseen. The old maxim of “being prepared for the unexpected” must remain our guide. Unfortunately, it was noted, our inability to predict future threats also made it even more difficult to justify the budget for security to our finance ministries.

As to the link between military and domestic security, several commentators suggested that our domestic security would remain dependent on activities outside our borders (e.g. in Afghanistan). In the event of a major disaster, military forces could make a contribution to domestic security – in France the stated aim of the White Paper was to be able to supply up to 10,000 men within a few days. But soldiers must not supplant the civil authorities and must always be ready to reconstitute to face external threats.

Of course, without unlimited resources to focus on security, we could not avoid having to set priorities. As Frederick the Great said: “he who tries to defend everything, defends nothing”. There was much discussion about how science and technology would remain critical to providing the intelligence necessary to focus resources and to save lives. Far from being a point of vulnerability (e.g. to cyber-crime), technology could contribute to the greater resilience of society. The priority investments that we made in our infrastructure to improve our resilience would not always be visible to the public. It might be necessary to place an obligation on regulators to have regard to the need for resilience in critical national infrastructure, and not focus only on efficiency and cheapness of supply.

It was noted that different European countries, including the UK, France and Germany, still had very different perceptions of threats. This undermined the impact of our collective instruments, such as NATO. Without a common view of the ‘priority hierarchy’ of threats, we cannot deter them. In absence of an agreed threat list, we might be well advised to concentrate on increasing our general resilience rather than attempting to counter specific threats. By strengthening aging and vulnerable infrastructure and the changing of the policies of our regulators (e.g. from cheap energy to the more resilient supply), we could help to counter a range of different threats. But the cost of this approach could be prohibitive.

In conclusion, there remained a strong expectation of security in our societies. Yet it remained a challenge even to define priority threats. The world remained unpredictable and ‘strategic surprise’ remained a real possibility. Our best response would be to maintain a robust and broad capability that was flexible in our ability to address the future unknown.

Dinner

The UK’s Secretary of State for Defence, the Rt Hon John Hutton MP gave those present an off-the-record briefing on his perspective of Afghanistan, NATO and EU Defence Cooperation. In response, the Parlamentarischer Staatssekretar of the German Federal Defence Ministry, Christian Schmidt outlined his thoughts on the links between homeland security and defence, the German experience in Afghanistan and the future for NATO and ESDP.

Session 2: The organisation of national security

- How do our national security strategies compare?
- How should we best bring together Government security capabilities?
- How should we safeguard privacy & human rights from our security apparatus?

The second session began with a comparison of the national security strategies of the UK, France and Germany. It was suggested that the British national security strategy was half a strategy and half a report on progress – an approach influenced by the UK's electoral cycle. In contrast, the French strategy was more comprehensive in its tracking of the strategy through to real programme changes, but had the weakness of resting on bold – and therefore potentially undeliverable – financial assumptions. The German strategy was described as an elegant statement of strategic purpose, but one that sat on top of existing defence and interior strategy, with its implications not pulled through into practical policies and programmes.

It was argued that all of the strategies took a very broad view of security. The French strategy, for example, aimed to examine all of the risks and threats faced by the French population and the functioning of public institutions so that 'normality' could be retained in times of crisis. It aimed to defend French territory & French people and to contribute to EU defence and security. But it also set out to defend the values of France – including democracy and collective freedoms, solidarity & justice. Further, in the section on resilience, it required the population to be informed that systemic risks to their daily lives exist in order to prepare them properly.

One contributor went further, arguing that our countries had, in their strategies, done little more than to write an intelligent essay on the state that we find ourselves in. The UK strategy, in particular, was so broad as to have had very little impact on the public – it did little more than to list the tasks that the public assumed the Government was getting on with. This was probably because Governments tended to be better at analysis and describing process than taking action. But it was evident that clear political goals and political leadership were also lacking. There needed to be a few well-resourced goals, supported by a focused campaign to persuade the public. Because of a lack of political leadership, the greatest threat to our societies remained the eroding will to defend ourselves.

In their own way, all three security strategies raised similar themes, including the rise in non-state actors, the risk posed by climate change and the increasing international interdependence of our modern world e.g. in energy dependence. Each strategy also noted the eroding boundary between the domestic and international. All three also had continuities with past policies – as in the continued attachment of the French strategy to independent nuclear deterrence.

It was also argued that the national security strategies also share three genuinely 'game changing' ideas:

- Firstly, all take a '*human-centred*' approach that defines the role of Government as protecting society from *all* threats – including natural disasters. It was argued that this equates to a new definition of security, where Governments attempt to create a state of confidence in the public that major risks are being effectively managed.
- Secondly, they share the concept of *anticipation*. Each country agrees that we cannot wait for the dangers to come to us. This has many implications – e.g. for the role of the modern German Armed Forces. Anticipation depends on very good situational awareness – and our confidence in it has been undermined by the experience of Iraq.
- Thirdly, each incorporated the idea of *resilience* – that modern societies can be made to be tougher, to allow them to withstand shocks and surprises.

The question was asked of whether this approach to security might incorporate the seeds of its own destruction? According to this thesis, by talking up the threat, which arguably remained low by historical norms, and by pretending that Government could reduce the risk, the main achievement of the strategies to date had been to frighten the public. In the process, the strategies had legitimized the restriction of civil liberties, as the state took upon itself the power to know everything. In fact, we needed more honesty in our political discourse and a greater focus on the hierarchy of risks. Without

this, we would spend 80% of our GDP attempting to defend ourselves from everything – and in the process actually reduce the resilience of our societies.

The financial crisis offered an illustration of the lack of resilience in our societies. Great efforts had been expended in improving the security of Wall Street against cyber-attack, whilst the seeds of financial destruction lay within. Very few people truly understood the dynamics of the financial system, and pursued more risky approaches that were allowed by a doctrine of 'light regulation'. Individuals were inappropriately incentivised to take unreasonable risk. It was noted that the technology and efficiency drive embedded within our economic system tended to make our systems less resilient – witness the vulnerability of 'just in time' logistics and the increasing connectivity of different critical systems. It was noted that the UK's national security strategy had highlighted financial vulnerability as a key strategic risk, but the UK had evidently not developed an adequate programme of risk mitigation in this area. This very real gap between the strategy and our ability to will resources remained a key constraint on our ability to provide security.

One contributor suggested that we might be witnessing the move from a nation state, in its traditional form, to a 'market state', that provided services – including security – to citizens. Individuals could move from risky countries to those that could offer them greater security. If true, this approach would reverse the argument for conscription in Germany – as it would be less acceptable in a modern market state for states to require services from their populations. Others noted that this approach had potentially difficult consequences. An individual living in 'market state' would have no obvious reason to recognize his or her duties. It was therefore beholden on all of us to ground our collective security in individual actions and responsibility.

Turning to the use of technology, several contributors argued that, in order to anticipate terrorism, pre-emptive intelligence must be used. This future intelligence would come from the application of technology. It was noted that the US were spending a vast amount of money in developing technology to support intelligence and communications. The US had repeatedly increased their homeland security budget – now estimated at about \$75bn per annum. Unless Europe was able to focus investment in technology & R+D in this area, we risked being left behind in our capability to address the global threat – and in turn this would affect our ability to cooperate with the US. The public recognized that homeland security was essential, but the benefits of intelligence sharing were poorly communicated, so there was little public understanding and support for the action required to develop and use new technology in the fight against terrorism.

It was noted that the provision of security required limitations to be placed on our personal freedoms. These limitations have to be clearly explained – and accepted by the public. There existed a real fear in the public that the state would deliberately use security as an excuse to restrict freedoms unnecessarily. Protection of freedom should therefore be uppermost in our minds when considering security policies. The difficulty, noted others, was that political action tends to have a 'one-way ratchet'. When the capabilities of a surveillance state are put in place, however effective the privacy controls put on their use now, we open the opportunity for their misuse in the future. Governments will need to allow their security authorities the information necessary to keep us safe, whilst carefully confining this capability to security surveillance avoiding the temptation to use this technology to intrude on other areas in our lives.

Other contributors more optimistically noted that the public would demand their privacy, and that the free media would continue championing their rights. The degree of privacy that individuals retained would depend on the consent of the citizen. The best defence against a surveillance state was transparency – the state should also be open to detailed surveillance from the public and the media.

In conclusion, the panel agreed that the unexpected would continue to surprise us. Our best response was to retain balanced capabilities that allowed us to respond to a range of potential threats. The premium in our investments should remain flexibility and balance. Although politicians would continue to face a major temptation to oversell the threat and to risk instilling fear rather than confidence, our

joint purpose should be to increase the overall resilience of our society. Part of this would require us to instil confidence in the public.

For strategies to be helpful, they needed decisions and resources to develop programmes of action. Against this measure, the French strategies at least are being turned into real programmes and budgets. It was argued that, against this measure of turning strategy into action, the British and Germans were further behind.

Session 3: How can security be improved through international engagement?

- What contribution can foreign & development policies make to domestic security?
- What international co-operation is essential to underpin security?
- How can multi-national institutions add value in addressing security threats?

The chairman reminded the meeting of the global characteristics of defence and security. He noted that early signs from the Obama administration indicated that US security priorities would continue to cover a range of areas – the economic crisis, the Middle East, Russia, Asia and so on. None of these priorities directly pressed on Europe.

It was argued that global problems needed global responses. If we were to take a logical approach, we should charge international institutions to lead in generating responses. But the reality is that these institutions are nowhere near ready to deal with the problems. Paralysis and failure of international institutions is more the norm: see Georgia, Rwanda and Sudan for details.

The international community will continue to support international institutions with resources and effort, but nations will continue to look at other approaches (e.g. more intensive bilateralism) in order to take the necessary actions. Indeed, despite the obvious difficulties, some good examples of international cooperation presented themselves. For example, the coordinated action to address shipping insecurity off the Horn of Africa had been achieved without additional international bureaucracy or infrastructure.

Against this background, we must define what we wanted from reform of our international intuitions. Clarity of responsibility? Improvements in efficiency? It was not clear that there was the strength of leadership to bring about the necessary change in these organizations. It was not even clear that this leadership existed within our own national systems. We should, for example, ask ourselves whether or not defence ministers had sufficient clout in their political systems to drive through what needed to be done.

Several contributors made the point that there existed an opportunity for a new trans-Atlantic agenda. The French return to NATO command, the new Obama administration and the economic crisis together presented a 'climate of goodwill' to act together. The economic crisis, in particular, reinforced the need for international cooperation to deal with modern threats. The G20 summit would be but one illustration of our ability to act together to deal with the crisis.

Turning to the international institutions themselves, there was broad agreement that Afghanistan would remain NATO's main challenge for the foreseeable future. But, it was argued, reform of NATO must continue in parallel to keep it relevant. The revised NATO strategic concept would be key to this process of reform. We still needed to make forces more deployable and sustainable and a command structure that derived from the capabilities that we had got. The fear, in the UK at least, was that the discussion about the (fewer) number of high level posts and headquarters would loom disproportionately large.

The optimists hoped that France's new approach to NATO would help to end a decade long debate about EU or NATO. It was noted that each country only had a single set of forces available for

deployment and therefore the future development of EU defence should be complementary to and coherent with NATO, which needed a global role to match its members' spheres of interest. This would also require us to rethink NATO expansion.

It was argued that we needed a grown up, frank, non-partisan discussion about what we spent on defence in Europe and whether our resources could fund our ambitions. This would create dilemmas, particularly in the current economic environment. The US had vast resources that we could not match; yet even they found it difficult to do everything. We must, therefore ask: Will international procurement become a default option? How can we lead the rationalization of the European defence base, or will industry manage Government in this regard? Although the international approach created interdependency it might also help with efficiency and interoperability. We would benefit from a more vigorous European cooperation in defence to prevent wasting resources e.g. too many fighter aircraft.

It was noted that the debate about defence resources would happen in the context of rising budget deficits. Defence was 'almost bound' to be a casualty of budget cuts to pay for these deficits in the future. This presented an opportunity to cancel programmes that we did not need, to force clarity of future demands on industry, and to require the necessary radical action to squeeze out the inefficiencies in our system. The inevitable rows about how to manage this were a necessary step – they would drive us to a more efficient future system of providing defence & security.

Reflecting on the question of how we could improve the effectiveness of our defence spending in Europe, it was argued that we must move down the road to specialization, such as in space, where Germany, Italy and France shared satellite capabilities. Europe continued to have substantial redundancy and duplication of R&D and test facilities. We must also do more to pool military capabilities (e.g. naval or air transport) to meet a range of objectives. Finally, Europe should share major procurement programmes. Unfortunately, our history of delivery for such programmes had not been good – with late and expensive the norm. For the future, UAVs and software-defined radios offered clear opportunities for sharing knowledge and capabilities.

One industrialist suggested that barriers in the European market to industrial consolidation had been one factor that had encouraged UK industry to expand into the US, rather than into Europe. In terms of driving our cross-domain efficiencies, he noted that the interface with a wide range of Government agencies in the security domain would benefit from using the professional defence procurement system.

It was suggested that cross-border cooperation could only be successful when our national 'drivers align'. The UK's capability-based approach was contrasted with the approach of other countries in prioritising industrial sustainment. We must guard against this approach – particularly if it led to national protectionism. The challenge for the business community was to ensure that multi-national businesses do not fall into these national traps. Operationally we ask our forces to be more adaptable, responsive and flexible. We must ask the same of our industry.

One contributor saw a greater role for the UN and EU in addressing the source of terrorism – poverty, education and low employment opportunities. Substantial economic aids for education programmes were also seen as a key to reducing radicalism by reducing the reservoir of recruits for terrorist groups.

Another participant highlighted the involvement of civil domestic and international law in military and security operations (e.g. UNHCR, corners enquiries) as a growing constraint to international cooperation. Legal implications need to be weighed in ROE design, tactical decisions to avoid friendly fire, counter-piracy operations and so on. All of this put Europeans in a very different place from our opponents and the US. Rules designed for the civil estate, interpreted by judicial machinery with little understanding of conflict situations are increasingly applied to military and security operations. This trend risked undermining our common international approach in a number of areas – including on the ground in Afghanistan.

In conclusion, it was suggested that our efforts to address terrorism must include serious investment in communications capabilities, at a time when our success in major international conflicts and domestic tensions were dependent on our ability to win hearts and minds. At home, the public remained remote from much of the essential debate about defence & security. On operations, the Taleban remained far better and quicker in getting their message out than the West. Our security depended not just on our ability to get the strategy, the resources and the international cooperation right. It also depended on our ability to win the battle for ideas, and to carry our own communities with us.

Conclusion

Lord Guthrie concluded the session with a vote of thanks to all contributors.