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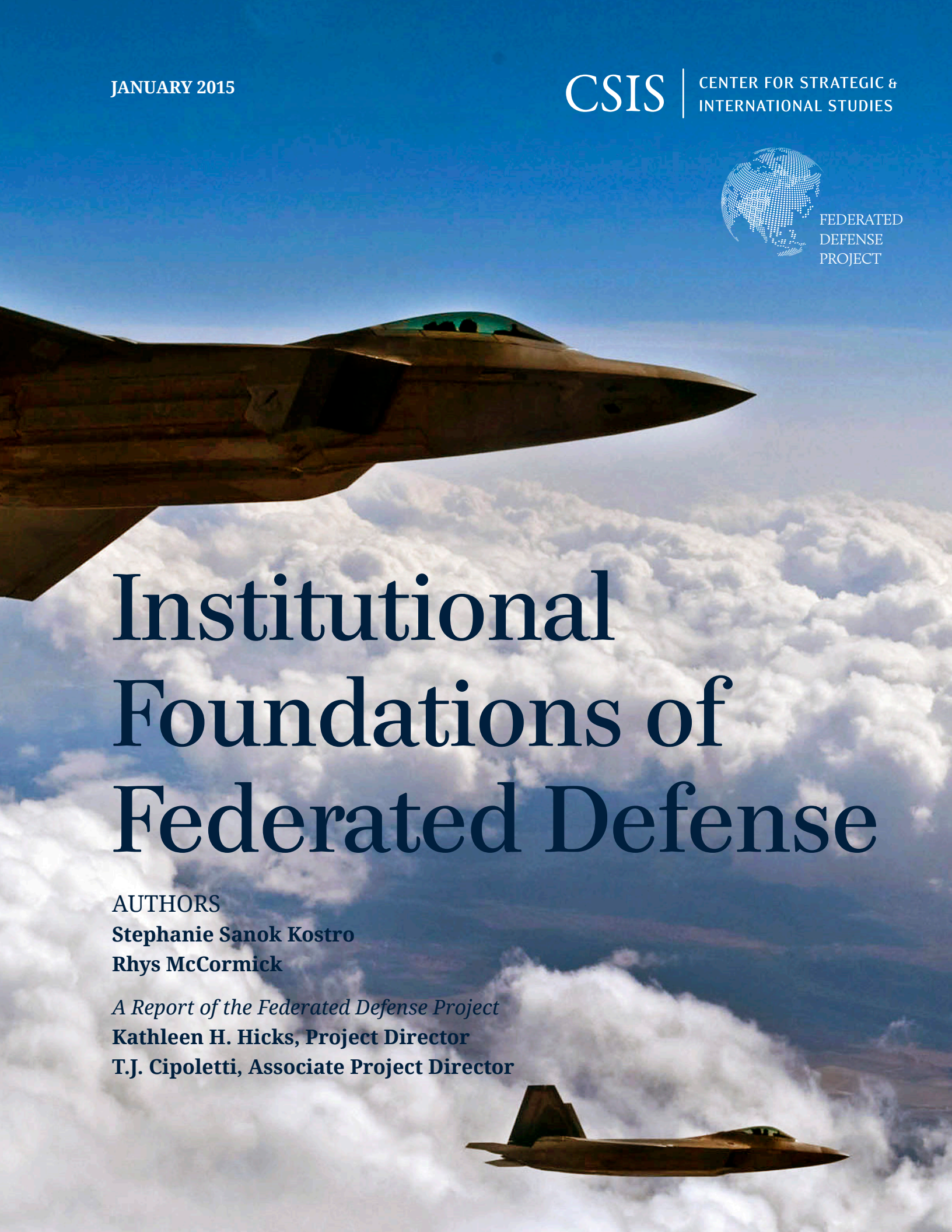

Institutional Foundations of Federated Defense

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A Report of the Federated Defense Project
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A Report of the CSIS International Security Program

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Executive Summary

While the United States has long acknowledged the value of working with partner nations to address shared security concerns, drawdowns in defense spending have underscored the importance of bilateral and multilateral cooperation to leverage capabilities and investments. The Center for Strategic and International Studies' multiyear Federated Defense Project aims to inform policymakers about global and regional security architectures and defense capabilities that support the achievement of common security goals, as well as ways to improve defense cooperation among nations to address those goals together.

This report on institutional foundations of federated defense recognizes that successful cooperation in a budget-constrained environment often rests on the U.S. ability and willingness to provide assistance and/or equipment to partner nations. CSIS project staff drew on a literature review, workshops, and a public event ("The Future of the Security Cooperation Enterprise") to identify key findings in five areas:

- *Priorities/Strategic Guidance*: Proponents of federated defense should better articulate priorities. A proactive, interagency component that includes, at a minimum, officials from the Defense Department, State Department, and White House is necessary to effect a cultural shift and combat potential backsliding into unilateral approaches.
- *Foreign Military Sales:* In a federated approach, officials should identify capabilities that could most effectively support partner nations' contributions to federated defense. Toward that end, officials should also emphasize the establishment and maintenance of high-demand capabilities over time. Other key issues related to potential difficulties in foreign sales include surcharges, overhead costs, and transparency in offsets.
- *Export Controls:* Study participants noted that recent export control reform efforts have not yet resulted in significant change and have inadequately addressed industry concerns. Moreover, there appears to be a lack of appetite for these reforms in Congress.
- *Technology Security and Foreign Disclosure:* Improvements are needed to coordinate and speed technology transfer and foreign disclosure decisions. Transparency across stovepipes within the executive branch is critical to create a common vision and objectives for federated defense, which is especially important when working with industry and foreign government partners.

- *Acquisition and Requirements Processes:* Within the Department of Defense, there is insufficient consideration of the export value and challenges of systems in early stages of the acquisition and requirements processes. Modifications during late stages of development are often far more expensive than building in exportability earlier.

Having examined these key areas, the study team identified and analyzed three overarching institutional challenges to and opportunities for federated defense. First, study participants remarked upon the lack of sufficient advocacy for federated defense among senior U.S. government officials. A second challenge was the cultural resistance to federated defense; experts noted that significant cultural change, such as that brought about by the Goldwater-Nichols Department of Defense Reorganization Act of 1986 (Pub.L. 99-433), may require top-down direction, years to implement, and decades to be accepted. A third challenge was the need for a perceived or actual budget crisis to drive change.

The study team's recommendations resulting from this examination were five-fold. First, U.S. national strategies should address the grand strategy questions that could imperil implementation of a federated approach. Implementation of the U.S. National Security Strategy could impel a new effort to focus on partner capabilities and areas for sharing the common global security burden, as well as to prioritize interests and activities related to U.S. security cooperation, export controls, and technology security/foreign disclosure. Second, proactive U.S. leaders should articulate a vision, objectives, and priorities for a federated approach to defense. Third, the Administration and Congress should work together to ensure completion of legal and regulatory reforms already under way (e.g., on export controls). Fourth, executive and legislative officials—perhaps through an interagency task force that works with committee staffs—should identify additional reforms to streamline or create authorities and to eliminate unhelpful directed spending on capabilities and systems that do not contribute to federated defense. Finally, the Department of Defense should start with incremental steps to create a culture that values federated defense; for example, the Defense Acquisition University and Defense Institute of Security Assistance Management could update coursework to institutionalize knowledge regarding federated approaches. This study made it clear that enduring changes in these five areas—from strategy to culture—are necessary to ensure the success of a federated approach to defense.

1 Introduction

> A further key element of the Department's strategic commitment to innovate and adapt includes working with allies and partners . . . to facilitate greater contributions to their own defense and . . . to facilitate greater security contributions across regions. The Department is developing strategically complementary approaches to deepen cooperation with close allies and partners, including more collaboratively planning our roles and missions and investments in future capabilities. Doing so not only helps our allies and partners develop the capabilities most needed to defend themselves, but also enables them to work more closely and more effectively with the United States.
>
> —2014 Quadrennial Defense Review

The United States has long acknowledged the importance of its allies and partners in safeguarding common security interests around the world. Recent drawdowns in defense spending—by both the United States and partner governments—have constrained budgets significantly and, as a result, highlighted the importance of deepening cooperation among the United States and partner nations[1] in order to leverage each others' capabilities and investments as effectively as possible. As this era of tightened defense budgets promises to continue in the foreseeable future, this study assesses specific U.S. government tools to encourage international cooperation that can help provide for U.S., allied, and partner military capabilities that address 21st-century security challenges.

In late 2013 CSIS launched the Federated Defense Project, a multidimensional, multiyear effort to shift defense policymakers' thinking away from how the United States alone can address current and emerging threats to how the nation can leverage the expertise, insight, capabilities, capacities, and resources of allies and partners who seek to address the same kinds of threats. A key assumption underpinning this project is that partner nations want to develop closer relations with the United States and each other to manage security threats in a budget-constrained, shifting geostrategic environment. With this assumption in mind, the Federated Defense Project addresses potential elements of an integrated approach. Associated studies include regional assessments focused on Asia, the Middle

1. For the purposes of this report, the term "partner nations" means treaty allies and non–treaty friendly foreign nations with which the United States cooperates.

East, and Europe, as well as functional assessments, such as a focused examination of industrial concerns and global value chains. These efforts draw upon the full breadth of CSIS's expertise, ranging from scholars with deep regional knowledge and experience to former government officials involved in the development of U.S. and regional defense concepts, capabilities, posture, and relationships to experts on economics, trade, and global defense industry.

This report focuses on the Federated Defense Project element regarding institutional foundations that enable—or, at times, hinder—federated approaches. Broadly, the report recognizes that successful bilateral and multilateral collaboration in a budget-constrained environment is often predicated upon the U.S. ability and willingness to provide assistance and/or equipment to partner nations. Drawing on insights gathered from a literature review, several in-depth workshops, and a public event ("The Future of the Security Cooperation Enterprise"), this report describes the context for refining U.S. institutional foundations, as well as findings in key institutional areas, such as priorities/strategic guidance, foreign military sales, export controls, technology security and foreign disclosure, and acquisition and requirements processes. The report also examines overarching challenges, such as insufficient advocacy for and significant cultural resistance to a federated approach and the need for a perceived or actual budget crisis to drive change. Finally, the report includes practical, actionable recommendations regarding how the United States and its partners could integrate their defense capabilities in support of shared interests.

2 The Context for Institutional Foundations

The United States has historically made cooperation with partner nations a national priority in order to encourage and enable those partners to achieve common strategic objectives. Over the last half-century, Cold War–era concern regarding a singular, conventional threat from the Soviet Union was a principal driver of this national priority as the U.S. government sought to build an architecture and develop a range of tools to improve partner nations' capabilities and capacities in the face of this threat. Despite this national priority, the U.S. government has also exhibited a desire to "provide for national security by limiting access to the most sensitive U.S. technology and weapons [and] . . . prevent proliferation of weapons and technologies . . . to problem end-users and supporters of international terrorism"[1] The resulting web of laws, regulations, agreements, policies, and programs formed an institutional foundation that attempts to balance openness in leveraging capabilities among the United States, its allies, and it partners *and* caution in sharing technologies and equipment, lest they be used against U.S. national security interests.

In practice, the balance between security cooperation and export controls is ripe for reform. In its recently released 2014 strategic plan, the Defense Security Cooperation Agency (DSCA) acknowledged the difficulty in aligning efforts across the security cooperation enterprise, citing the complexity of the legal and regulatory environment and the diffuse tasks, cultures, authorities, processes, and knowledge bases of relevant U.S. government agencies.[2] The current export control system is equally challenging, described by one observer as "overly complicated, [it] contains too many redundancies, and, in trying to protect too much, diminishes our ability to focus our efforts on the most critical national security priorities."[3] In April 2010, then-Secretary of Defense Robert M. Gates stated:

> I have spoken out at various times about the need to adapt and reform America's national-security apparatus better to deal with the realities of the post–Cold War era. Some of those necessary shifts include: enhancing America's civilian instruments of

1. U.S. Department of State, "Overview of U.S. Export Control System," http://www.state.gov/strategictrade/overview/.
2. Defense Security Cooperation Agency (DSCA), *Vision 2020: Solutions for America's Global Partners* (Washington, DC: DSCA, October 2014), 6, http://www.dsca.mil/sites/default/files/StratPlanImages/2014%20Strategic%20Plan%20-%20Vision%202020.pdf.
3. International Trade Administration, "About Export Control Reform," October 22, 2012, http://export.gov/%5C/ecr/eg_main_047329.asp.

> national power—above all diplomacy and development—and better integrating them with our military; rebalancing the defense establishment to reflect the lessons learned and capabilities gained from recent conflicts, especially counterinsurgency, stability, and reconstruction operations; and, most recently, *reforming the way we build the capacity of allies and partners to better fight alongside us and secure their own territory*. All these institutional shifts are, to one degree or another, aimed at improving the way the United States works with and through other countries to confront shared security challenges.[4]

The global recession in general and lower defense spending in particular could provide the catalyst needed for reform. As several study participants noted, the Department of Defense (DoD) will likely continue to experience downsizing over the next four years; this situation will lead to an increased appetite to find innovative solutions that allow the United States, "with a limited budget . . . to find new ways to simultaneously provide for national security, while maintaining its industrial base. Improved security assistance will be a key pillar of this effort."[5]

The world's largest defense contractors are indeed looking elsewhere to compensate for cuts to U.S. sales. Yet fiscal constraints are tightening around the world as well, necessitating leading defense firms to compete globally in emerging defense markets such as the Middle East, Latin America, and Southeast Asia. Moreover, U.S. defense companies are finding that the United States remains a technological leader, but not by the margins that previously existed.[6]

This increase in global competition has forced companies to rethink how they compete internationally. Announced in 2012, the Boeing Company restructured its Defense, Space and Security business unit to increase its competitiveness in the global marketplace and sought to leverage its Mobility, Surveillance and Engagement division's commercial expertise for new weapons platforms that could be sold internationally.[7] In 2013 Lockheed Martin Corporation announced the creation of a new business unit, Lockheed Martin International,[8] to help the company reach its goal of moving 20 percent of revenue to foreign

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4. Robert M. Gates, "Business Executives for National Security (Export Control Reform)" (remarks as delivered at International Trade Center, Washington, DC, April 20, 2010), http://www.defense.gov/speeches/speech.aspx?speechid=1453. Emphasis added.

5. Matthew L. Merighi and Timothy A. Walton, "One Team, One Fight: The Need for Security Assistance Reform," *Parameters*, Summer 2012, http://strategicstudiesinstitute.army.mil/pubs/parameters/Articles/2012summer/Merighi-Walton.pdf.

6. Another element of the Federated Defense Project, explores the industrial innovation environment, barriers to federated value chains, and mechanisms for international cooperation and commerce. Whereas that study examined the nexus of DoD and industry, this report focuses on architectures and agreements that impact government-to-government cooperation on federated defense. See David J. Berteau, Scott Miller, Ryan Crotty, and Paul Nadeau, *Leveraging Global Value Chains for a Federated Approach to Defense* (Washington, DC: CSIS, December 2014).

7. Amy Butler, "Boeing Looks For Savings With Another Defense Reorg," *Aviation Week*, November 7, 2012, http://aviationweek.com/defense/boeing-looks-savings-another-defense-reorg.

8. Jill R. Aitoro, "A foreign lifeline: Defense contractors look overseas to boost revenue," *Washington Business Journal*, July 3, 2013, http://www.bizjournals.com/washington/print-edition/2013/07/05/a-foreign-lifeline-defense.html?page=all.

sales. The unit set up offices in emerging defense markets to allow closer collaboration with partners and allies.[9] In February 2014 Northrop Grumman acquired Qantas Defence Services Pty Limited, rebranding the firm as Northrop Grumman Integrated Defence Services Pty Limited, with the reported intent of leveraging the company as an "important platform for international growth in our key focus areas of unmanned, cyber, C4ISR (command, control, communications, computers, intelligence, surveillance, and reconnaissance), and logistics and modernization"[10] and growing sales in Australia and the region. As these examples illustrate, lowered barriers to security cooperation would find a receptive audience in U.S. industry.

Simply put, the budget situation has underscored the importance of finding innovative, more efficient ways to field capable military forces with an emphasis on the agility, flexibility, and interoperability that can allow the United States, its allies, and its partners to tackle current and foreseeable international security challenges together. What are these challenges? Today's security environment changes rapidly; new threats emerge constantly. Threats to the global security commons across the world include, but are not limited to, the rise of the Islamic State of Iraq and Syria (ISIS), growing tensions in the South China Seas, terrorist activities on the African continent, and tensions between former Soviet Union states and the Russian Federation. If the United States and partner nations are to combat current and emerging threats effectively, they must find new ways to cooperate. At the same time, we must be careful not to create new challenges by loosening restrictions on our most important and unique military technologies. A careful balance must be struck if federated defense is to work.

9. Trefis Team, "Lockheed makes progress in its international expansion with Israeli unit," *Forbes*, September 18, 2014, http://www.forbes.com/sites/greatspeculations/2014/09/18/lockheed-makes-progress-in-its-international-expansion-with-israeli-unit/.

10. Australian Associated Press, "Qantas sells defence arm," *Australian Business Review*, February 28, 2014, http://www.theaustralian.com.au/business/latest/qantas-sells-defence-arm/story-e6frg90f-1226840843428?nk=38553333445ca09e01ffadffd774508e.

3 The Institutional Foundations of a Federated Defense: Five Pillars

The combination of tightened budgets and emerging, often unconventional threats puts a premium on the United States and partner nations' ability to field agile, flexible, and interoperable military capabilities. The CSIS study team examined five specific areas where changes are under way that will improve the prospects for federated defense. More effort may be needed.

Priorities/Strategic Guidance

Nearly all defense experts attending the closed-door and off-the-record CSIS workshops noted that a more federated approach to defense requires, as a first priority, a clear statement of U.S. government security cooperation priorities. Absent clearly articulated priorities, implementing organizations in the State and Defense Departments, industry stakeholders, and international partners are left to draw their own, perhaps erroneous and sometimes conflicting, conclusions about where to focus their partnering efforts. The experts noted the Defense Department's progress in refining and stating its priorities through its internal planning documents. They also called attention to the efforts of the State Department to improve country planning processes and to work with the Defense Department on building integrated interagency security cooperation guidance. Nevertheless, there was broadly expressed concern among study participants regarding the lack of U.S. government transparency with members of defense industry on prioritized security cooperation countries, missions, and capabilities. Similarly, allies partner nations expressed concern that they were sometimes unaware of which defense capabilities the United States might want them to develop in order to improve federated approaches. As with the military services and combatant commands, defense industry and foreign partners are critical stakeholders that the White House, State Department, Office of the Secretary of Defense, and Joint Staff must directly engage in order to ensure military investments are driven by the highest strategic priorities.

Foreign Military Sales

The United States has at its disposal an enviable array of security cooperation tools to promote security interests abroad through the promotion and development of foreign military

capabilities. These tools range from the training and education of foreign militaries with U.S. forces to provision of advice to sales or transfers of U.S. equipment. Existing tools will form the core of the U.S. ability to help train, advise, equip, and otherwise develop foreign military capabilities. While reforms will be necessary for these tools to work to best effect, existing tools provide a solid basis on which to build a federated approach.

A program that allows partner nations to procure American platforms that enhance their capabilities, including sustainability packages of logistical, maintenance, and transportation support, foreign military sales (FMS) represent the largest program implemented by DSCA with between $30–40 billion in annual sales since fiscal year 2008.[1,2] As of September 2013, DSCA reportedly had 12,881 active FMS cases valued at $394 billion and had supported 443 humanitarian projects, 7,344 international students from 141 countries, and 7,090 participants in five regional security centers.[3] Experts found that a federated approach to defense should reflect an examination of capabilities across the board and should create "internal connectivity" that emphasizes the establishment and maintenance of a complete, high-demand capability over time. In too many cases, a nation may focus on a high-end capability that can prove too expensive to sustain. The reality, as found by this study, is that "lesser" weapons systems are typically more in demand through the FMS program.

As traditional U.S. and European defense markets shrink due to downward-trending budgets, firms are increasingly focused on other partner nations (e.g., the Republic of Korea, Japan, Taiwan, the United Arab Emirates, Saudi Arabia) for sales of military equipment, whether through an FMS case that involves the U.S. government-provided security assistance or through direct commercial sales that do not. In either case, "almost all purchasing countries demand domestic industrial participation or 'offset' commitments from the seller. The basic proposition is that the purchasing country insists on a contract from the U.S. (or other foreign) seller that it will buy from or invest in the domestic resources of the purchasing country."[4] Experts who participated in this study generally agreed that transparency in offset agreements can be a delicate matter, depending upon differences between financial and political considerations of a recipient country and depending on what a defense company may be willing to offer in any given transaction. Thus, the

1. Vice Admiral Joseph W. Rixey, "The Future of the Security Cooperation Enterprise: Reforming the System to Meet Security Challenges" (presentation at CSIS, Washington, DC, September 18, 2014), http://csis.org/event/future-security-cooperation-enterprise. The one exception for this $30–40 billion trend was fiscal year 2012, which saw roughly $69.1 billion in foreign military sales due in large part to the sale of 84 F-15 aircraft to Saudi Arabia.

2. Aside from FMS, DSCA manages several other title 22, U.S. Code, programs to enable partner capabilities, such as direct commercial sales, excess defense articles, and international military education and training programs. In addition, over the last decade, DoD has increased its role in building partner capacity and helps to manage key programs that are outside of title 22, such as the Global Train and Equip (Section 1206) program, Counterterrorism Assistance for East Africa and Yemen, the Pakistan Counterinsurgency Fund/Counterinsurgency Capability Fund, the Global Security Contingency Fund, Joint Combined Exchange Training activities, and others.

3. Cheryl Pellerin, "U.S. Foreign Military Sales Promote Security Cooperation," American Forces Press Service, September 18, 2013, http://www.defense.gov/news/newsarticle.aspx?id=120815.

4. Robert S. Metzger, "Offsets Loom Large As Defense Firms Sell More Abroad," Law360, September 30, 2013, http://www.rjo.com/PDF/OffsetsLoom_093013.pdf. This article also helpfully describes the differences between direct offsets (regarding purchases of military equipment related to the system or item that is the subject of the principal supply contract) and indirect ones that may be unrelated purchases of defense supplies.

experts recognized that while important to address, policies regarding offsets—and their transparency—could prove a minefield that could alter business approaches.

The study found that another problematic issue within the FMS program relates to surcharges and government overhead expenses, which may prove to hinder federated defense. Large surcharges often result from the upfront burden of systems, such as overhead and required personnel. These drive up the costs of systems that partner nations may want to acquire. As part of their internal review of their own business models, DSCA is reportedly exploring options to give the customer more control over the standard level of service—or the current package of product support that includes handling procurement, logistics, training, and infrastructure construction—that comes with the current administrative surcharge fee.[5]

More generally, the FMS program must overcome reputational challenges if it is to be competitive in today's global market. The value proposition inherent in the program is that customers will get the very best military equipment on the market, interoperable with that of the United States and backed with a reliable maintenance and training package. The critique, however, is that the FMS program involves a slow, expensive process that might not necessarily give the recipient nation exactly what it requires. As more foreign competitors enter the marketplace, the U.S. government will need to demonstrate that acquiring capabilities through the FMS program is a timely and advantageous choice. DSCA leadership is reviewing its own business models to keep the program competitive going forward. For example, one policy change occurred in August 2014 when DSCA changed the transportation options for FMS purchases. Previously, customers did not have any input into the transportation choices upfront. Now foreign military customers have the option to work with United States Transportation Command and use the Defense Transport System.[6]

Export Controls

For several years, U.S. companies that develop, produce, and maintain specialty items have faced a situation in which DoD programs alone cannot sustain their industry and in which existing U.S. export controls harm the competitiveness and responsiveness of domestic firms within the international market. The study found that without changes to the International Trade in Arms Regulations that improve U.S. firms' competitiveness, domestic industry may well lose its technological edge and force U.S. companies out of the market, thus shrinking the U.S. portion of global supply for affected items and hurting the U.S. economy.

In his January 2010 State of the Union speech, President Barack Obama announced a renewed campaign to increase U.S. exports, noting in particular the need to "reform export

5. Interview with DSCA official.

6. Vice Admiral Joseph W. Rixey, "Best Value Considerations for Transportation, Defense Security Cooperation Agency (DSCA) Policy 14-15, [SAMM E-Change 255]," memorandum to various defense offices, August 5, 2014, http://www.samm.dsca.mil/policy-memoranda/dsca-14-15.

controls consistent with national security."[7] In launching his export control initiative, the president directed executive branch officials to "concentrate our efforts on enforcing controls on the exports of our most critical technologies, making America safer while enhancing the competitiveness of key American industries."[8] These goals—controlling truly critical military/intelligence items while also promoting American competitiveness—were to drive a process that would review and streamline the U.S. export control system that has historically suffered from a too-broad definition of controlled items and wasted resources due to the sheer volume of license applications.

However, study participants generally agreed that the U.S. export control regime has not yet undergone significant change as a result of this initiative. Experts involved in the study noted that the initiative's four goals—a single control list, a single licensing agency, a single information technology system, and a single primary enforcement agency—are unlikely to be achieved during the current presidential administration. Despite progress by an interagency group on 15 of 21 categories of items on the U.S. Munitions List, the group has yet to finalize rules on the arguably most difficult categories: Category I (firearms), Category II (artillery projectors), Category III (ammunition), Category XII (fire control, rangefinder, optical and guidance and control equipment), Category XIV (toxicological agents and equipment, radiological equipment), and Category XVIII (directed energy weapons).[9]

Moreover, experts cited a lack of appetite for export control reform within Congress, which would need to amend the Arms Export Control Act (found in title 22 of United States Code), to complete the changes required by the initiative. In fact, the 113th Congress did not introduce wide-ranging, meaningful export control-related legislation, though it may consider reforms to the export control system in the coming 114th Congress. In addition, Congress repealed a provision from the National Defense Authorization Act for Fiscal Year 1999 that would have allowed the president to transfer satellites and related components to the Commerce Control List with certain restrictions and requirements.

Finally, the study found that the reform process appears to inadequately address industry concerns regarding exports to partner nations. These concerns are especially pressing for U.S. companies that currently possess a slim edge—usually technological—over foreign competitors. Several of these companies note that Department of Defense contracts cannot, on their own, support certain elements of industry and that budget uncertainties introduce program risks and adversely impact industries. Moreover, time-consuming and repetitive licensing application and approval procedures also introduce uncertainties that prevent efficient response and product provision to foreign buyers, which have begun to favor foreign competitors over U.S. providers. Placed at such a disadvantage, domestic companies may be forced from the global market and lose their technological edge.

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7. Barack Obama, "State of the Union Address," Washington, DC, January 27, 2010, http://www.whitehouse.gov/the-press-office/remarks-president-state-union-address.

8. Barack Obama (remarks by the president at the Export-Import Bank Annual Conference, Washington, DC, March 11, 2010), http://www.whitehouse.gov/the-press-office/remarks-president-export-import-banks-annual-conference.

9. U.S. Department of State, "Export Control Reform," https://www.pmddtc.state.gov/ECR/index.html.

Technology Security and Foreign Disclosure

The study found general agreement among experts that improvements are needed in coordinating and speeding technology transfer and foreign disclosure through the U.S. review process. As noted by experts who conduct foreign disclosure training of U.S. officials,

> International armaments cooperation, in its many forms, enhances interoperability, stretches declining Defense budgets, and preserves Defense industrial capabilities. Equally important is the recognition that coalitions are the preferred way for U.S. forces to confront major regional and global security issues. This requires the United States consider the national security benefits of sharing technology, classified military information, and controlled unclassified information with allies, other friendly countries, and coalition partners.[10]

This balance between sharing information that can prove helpful to partner nations and protecting classified data from unnecessary disclosure is subject to constant tension. That said, the study found general agreement that transparency across stovepipes (e.g., the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Office of the Under Secretary of Defense for Intelligence; the Defense Technology Security Administration; the State Department's Bureau of Political-Military Affairs) is critical for creating a common approach to federated defense. Not surprisingly, industry officials prefer that the U.S. government speak with one voice regarding foreign disclosure. As officials consider a federated approach to combating security challenges, it is important to focus on how the nation can best enable foreign partners to field needed military capabilities.

Acquisition and Requirements Processes

The final institutional area that this CSIS study explored related to acquisition and requirements processes. Experts noted that the preponderance of costs associated with designing for exportability generally emerge at the end of production; often it is only when weapons platforms prove their utility that U.S. government officials begin to think about encouraging partner nations to acquire them. The Department of Defense has acknowledged this problem and is currently funding a pilot program to examine exportability features in the research and development phases of the defense acquisition process. This Defense Exportability Features program is a positive development, and one that should be expanded. Nevertheless, there remain significant barriers to aligning service, the Office of the Secretary of Defense, congressional, and industry incentives in order to actualize a "pay now, save later" approach that would include exportability considerations in the early phases of requirements generation and acquisition.

10. U.S. Department of Defense, "DoD Foreign Disclosure Orientation GS190.06," Defense Security Service course description, http://www.cdse.edu/catalog/elearning/GS190.html.

4 Overarching Challenges

Across the five institutional areas discussed in the previous chapter, three recurring themes emerged regarding the challenges of and opportunities for federated approaches: insufficient advocacy, strong cultural resistance, and an emerging budget rationale.

Insufficient Advocacy

Study participants remarked repeatedly upon the lack of sufficient advocacy for federated defense among senior U.S. government officials. While title 22 of the United States Code provides statutory authority to the Secretary of State for foreign relations (including assistance activities) of the United States, DoD actively supports State Department–led efforts through critical elements of the implementation process. In particular, over the last decade, DoD has taken increased responsibility for security cooperation efforts—primarily through DSCA in Washington, D.C., and security cooperation offices (OSCs) at U.S. embassies overseas—in order to enable partner nations to achieve common security goals. Within DoD doctrine, security cooperation

> encompasses all DoD interactions with foreign defense and security establishments, including all DoD-administered security assistance programs, that build defense and security relationships promoting specific U.S. security interests, including all international armaments cooperation activities and security assistance activities; that develop allied and friendly military capabilities for self-defense and multinational operations; and that provide U.S. forces with peacetime and contingency access to host nations.[1]

The 2014 reorganization of the Office of the Under Secretary of Defense for Policy created a new position to support DoD's security cooperation efforts in addition to DSCA and the OSCs: a Deputy Assistant Secretary of Defense for Security Cooperation now has responsibility for prioritizing DoD bilateral and multilateral security cooperation activities and aligning security cooperation resources to the defense strategy. Officials in both DoD and the State Department have welcomed the creation of this position and expressed hope that this individual and his/her staff can improve communication between the two departments. That said, it remains unclear whether the Deputy Assistant Secretary of Defense for

1. U.S. Department of Defense, "DoD Policy and Responsibilities Relating to Security Cooperation," DoD Directive 5132.03, October 24, 2008, 11, http://www.dtic.mil/whs/directives/corres/pdf/513203p.pdf.

Security Cooperation will simply focus on delivering promised security assistance to partner nations or will take a more active advocacy role in developing strategic federated approaches that evaluate shared security interests and creating an architecture of corresponding capabilities.

Other Pentagon officials—particularly those in the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics—can play constructive roles in a federated approach. For example, the Deputy Assistant Secretary of Defense for Manufacturing and Industrial Base Policy has responsibility for "ensur[ing] robust, secure, resilient, and innovative industrial capabilities upon which the Department of Defense can rely to fulfill Warfighter requirements."[2] The Director of International Cooperation focuses on international activity in defense acquisition and "the requirement for more effective cooperation with U.S. allies and friends in the research, development, production and support of weapons systems and related equipment."[3] Study participants noted, however, that these officials have responsibility for pieces of the defense architecture (specifically, industrial capacities and cooperative agreements, respectively) and therefore do not have a holistic view of identifying shared security interests, developing military requirements, and leveraging existing capabilities in key regions.

Strong Cultural Resistance

A second resounding theme among study participants and within the relevant literature was the existence of strong cultural resistance to, and the lack of proactive initiatives in support of, federated defense. Several experts have highlighted the traditional difficulty in effecting significant cultural changes within DoD, citing the Goldwater-Nichols Department of Defense Reorganization Act of 1986 (Pub.L. 99-433) as a top-down, congressionally mandated tool for change. They also noted that Goldwater-Nichols reforms took years to implement and decades to be accepted as the new cultural norm within the department. As of yet, there is no similar impetus for driving cultural change toward federated defense.

Emerging Budget Rationale

The budget challenges currently facing the U.S. government, and particularly the defense strategy-to-budget mismatch imposed by the marriage of a challenging international environment and sequestration levels of defense spending, may create the impetus needed to propel a federated defense approach. In July 2014 testimony before the Committee on Armed Services of the House of Representatives, Under Secretary of Defense for Acquisition, Technology and Logistics Frank Kendall stated, "Academic business literature suggests that two things are necessary to effect major change in an organization; a period of four or five years of sustained commitment by senior leadership and a crisis. . . . I'm trying to supply

2. U.S. Department of Defense, "Mission," http://www.acq.osd.mil/mibp/mission.html.
3. U.S. Department of Defense, "Message from the Director [for International Cooperation]," http://www.acq.osd.mil/ic/Director's%20Page.html.

the leadership [for a change in acquisition culture specifically]. And the budget situation is supplying the crisis."[4] Also, in its 2014 strategic plan, DSCA recognized that while the United States and partner nations must work together and build partners' capabilities in order to achieve national security objectives, several factors hinder effective cooperation. The plan states that "competition for resources is high and the United States' reliance on its partners increases in environments of fiscal austerity"[5] and acknowledges the rapidly shifting international security environment.

These overarching challenges—insufficient advocacy, cultural resistance, and the need for a real or perceived budget crisis to impel change—can hinder development of a federated approach. That said, they could also be seen as areas of opportunity to emphasize the importance of working with partner nations, leveraging capabilities and investments, and demonstrating the U.S. ability and willingness to provide assistance and/or equipment to partner nations in order to address shared security concerns. The study team's recommendations include an incremental approach toward that end.

4. Claudette Roulo, "Kendall: Initiative Aids DoD Acquisitions Culture Change," Defense Media Activity, July 10, 2014, http://www.defense.gov/news/newsarticle.aspx?id=122643.

5. Defense Security Cooperation Agency (DSCA), *Vision 2020: Solutions for America's Global Partners* (Washington, DC: DSCA, October 2014), 6, http://www.dsca.mil/sites/default/files/StratPlanImages/2014%20Strategic%20Plan%20-%20Vision%202020.pdf.

5 Recommendations

It is important to consider the institutional foundations that can best enable a federated approach to defense. As mentioned, successful bilateral and multilateral collaboration in a budget-constrained environment is often predicated upon the U.S. ability and willingness to provide assistance and/or equipment to allies and partners. Focusing on institutional areas such as strategic guidance, foreign military sales, export controls, technology security and foreign disclosure, and acquisition and requirements processes may prove useful as officials consider how the United States and its partners could integrate their defense capabilities in support of shared interests. This report's recommendations emphasize five areas of change.

First, U.S. national strategies should address the grand strategy questions that could imperil the implementation of a federated defense architecture. The study team suggests that a review of any new U.S. National Security Strategy should focus not only on threats and U.S. capacity but also on the capabilities of partner nations and areas for sharing the common global security burden. Such a review could logically lead to a new effort to prioritize U.S. security cooperation, export control, and technology security and foreign disclosure interests and activities. Without prioritization of efforts, everything becomes a top priority. Even if the United States did not find itself in a fiscally constrained environment, it would be impossible to do everything U.S. official need or would hope to do. Existing and foreseeable budget constraints amplify this pressure to focus on truly vital efforts and to determine the mandatory, supplementary, and redundant capabilities needed to address shared security concerns among the United States and partner nations.

Second, allowing form to follow function, agencies with proactive leaders can establish a vision that values federated defense and translates that vision into objectives and priorities that align within that approach, as well as resources matched to the strategy. For example, it might be advisable for the State Department to incorporate relevant DoD plans (e.g., security cooperation plans, guidance for the employment of the force) into its own planning documents more comprehensively.

Third, the Administration and Congress should work together to ensure completion of legal and regulatory reforms already under way, such as the export control reforms that have been under development since 2010. While the reforms discussed within the interagency to date are not perfect, they represent a realistic way forward between competing principles of cooperation with key partner nations and protection of critical technologies

and equipment. Moreover, when Administration officials outlined their approach to export control reform, they noted the need to engage congressional members and staff. Such engagement is necessary not only because Congress would need to amend the Arms Export Control Act (within title 22 of the United States Code) but also because legislative officials require a better understanding of what the Administration is trying to accomplish—and how reforms will benefit the United States in addition to partner nations. Robust discussions, though sometimes time-consuming or even contentious, are necessary toward that end.

Fourth, foreign military sales and other security cooperation efforts can be subject to somewhat arcane restrictions and earmarks. A concerted interagency effort is necessary to review existing authorities and to work with congressional officials to streamline authorities where possible, create new authorities where necessary, and eliminate unhelpful directed spending on capabilities and systems—specifically for foreign recipients—that do not address shared security concerns or contribute to a federated approach to defense. As a start, such a task force may build upon the work of DoD's now-defunct security cooperation reform task force to research more comprehensively authorities identified by the Defense Policy Board for possible reform.

Finally, concerns raised by industry often hinge on DoD culture. Cultural change, as noted earlier, is difficult. To create a culture that values a federated approach to defense, the Department of Defense should start with incremental steps. For example, a frequently voiced industry concern is that the knowledge required to sell and operate internationally is held tribally: people have their own ideas for what works and they then rely on those closely held ideas. When a new administration and thus new political leadership comes and takes over the issue sets, industry finds it very difficult to transition. This process slows down and adds unnecessary expense to an already slow process. This knowledge should be institutionalized in the acquisition and security cooperation communities as part of their professional education that takes place at places such as Defense Acquisition University and Defense Institute of Security Assistance Management. In updating coursework to institutionalize knowledge, this information should be made available to companies wishing to sell to internationally.

Another example highlights exportability as a core requirement in the acquisition evaluation process. In 2012 the DoD's "Better Buying Power 2.0" made the incorporation of defense exportability features in initial designs a priority for the acquisition workforce.[1] Designed to reduce costs once a platform reached production, the guideline focused on reducing the costs associated with making a system exportable. In a federated architecture, we must go one step forward and make exportability one of the key priorities in the acquisition evaluation process. Interoperability among partner and allies will be a core demand of the nations in the federated environment. If we expect partners and allies to invest in U.S. systems we must carefully balance the need for exquisite systems against each partner's fiscal constraints.

1. Frank Kendall, "Better Buying Power 2.0: Continuing the Pursuit for Greater Efficiency and Productivity in Defense Spending," memo for Defense Acquisition Workforce, November 13, 2012, http://www.defense.gov/news/BBPWorkforceMemo.pdf.

This is not to say that the United States must sacrifice technological superiority to allow for partner nations to access U.S. systems; it instead says that certain platforms must have exportability built into the system from the beginning. Even in a federated approach, the United States will procure weapon platforms that it will exclusively operate.[2]

In the end, it is not enough for the United States to simply acknowledge the value of working with partner nations to address shared security concerns. Tightening defense budgets around the world are compelling nations—including the United States—to look for ways to leverage capabilities and investments made by their partners. This report outlines several practical, actionable recommendations to help the U.S. government to develop a more federated approach toward addressing shared security concerns through strategic guidance, foreign military sales, export controls, technology security and foreign disclosure, and acquisition and requirements processes. Discussion of elements highlighted in this report is likely to continue, as enduring change in these institutional areas are necessary to ensure the success of federated defense.

2. U.S. exclusive systems include the F-22 Raptor and the B-2 bomber. Future programs likely to be U.S. exclusive in the proposed federated approach include the Long-Range Strike Bomber program and the Unmanned Carrier-Launched Airborne Surveillance and Strike program.

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