NATO Transformation Seminar 2017

White Paper

08 May 2017
Executive summary

The NATO Transformation Seminar 2017 (NTS17) held on 21–23 March in Budapest, Hungary, brought together civilian and military decision-makers, thought leaders, and industry representatives from across NATO nations and partner countries to discuss crucial transformation challenges for the Alliance. Guided by the strategic direction from the 2016 Warsaw Summit, NTS17 demonstrated that there is a shared understanding that the future security environment is characterised by increased complexity, including the dispersion of power, capability and risk, and increasing speed of change.

NTS17 underscored the need to operate and adapt simultaneously in order to maintain the Alliance’s military edge. The seminar examined key potential initiatives to enhance implementation of the Warsaw Summit decisions, and create the fabric of connections within the Alliance, with NATO nations and with partners that would sustain and bolster Alliance coherence and improve situational awareness. Central amongst these initiatives was the Persistent Federated Approach (PFA).

Discussions emphasised that at the heart of the PFA is a mindset to connect in a routine, habitual, day-to-day way to exploit the expertise and capabilities of all NATO nations and the NATO command structure, and ultimately also of partners. It underscored that no one nation or organisation has all the tools to deal with every challenge. Participants argued that the decision to connect is critical because NATO is moving from a crisis-management posture to a defence and deterrence posture, requiring persistent, resilient and flexible linkages.

Participants to the event considered that NATO still lacks a comprehensive strategic awareness and understanding, while adversaries are adapting rapidly and exploiting weaknesses in Alliance unity and coherence. Trust between NATO’s political and military structures was identified as essential if the PFA is to work to its full effect.

On the priorities of the Warsaw Summit, NTS17 participants argued that projecting stability remains a work in progress, but also that being federated persistently would be valuable in enhancing this objective through better awareness and exploitation of partnership activities in the broadest sense. This would also add to the effectiveness of the comprehensive approach. In terms of defence and deterrence, the PFA would add value to existing activities such as the enhanced Forward Presence (eFP) by facilitating the coordination of information, logistics and training.

NTS17 considered that short-term, early actions to demonstrate the value of the PFA could focus on information and intelligence-sharing, including leveraging big data and publicly available information, planning logistics, and exercises and training, as well as in counter-terrorism and cyber defence. In the longer term, NATO should consider itself part of a security ecosystem that includes nations, other international organisations, businesses and academia.

Clear top-down political guidance is necessary to support NATO forces and the NATO command structure and to bolster the connections with NATO nations and Alliance partners. Critically, the PFA is a tool that can help NATO’s military command structure and the North Atlantic Council to energise adaptation, improve decision-making and coherence, and galvanise the connections with Alliance capitals and populations.
I. Strategic context
The NATO Transformation Seminar 2017 (NTS17) held on 21–23 March in Budapest, Hungary, brought together more than 300 participants including civilian and military decision-makers, thought leaders, and industry representatives from across NATO nations and partner countries to discuss crucial challenges on the path to an Alliance that keeps the military edge by operating and adapting together. The 2016 Warsaw Summit had given explicit direction, identifying ‘projecting stability’ and ‘deterrence and defence’ as overarching objectives to be pursued across NATO’s core tasks. Within the Alliance, there is widespread recognition that NATO nations are facing a new security environment and the Warsaw Summit provided the decisions to guide NATO’s response. Nevertheless, to enable full implementation, maintain coherence and prepare for the future, NATO member states could work more on the fabric connecting them, to adopt a mindset that stresses the advantages of working together day in and day out, in peacetime as well as in crisis and in war. NTS17 discussed proposals to fulfil this agenda of implementation, including the Persistent Federated Approach (PFA).

The range of security challenges facing Europe and the Alliance include the return of state-based threats, terrorism and other transnational issues, including criminality and climate change. At the same time, the lines between peace, crisis and war are increasingly blurred, hybrid challenges are already a reality, and threats are increasingly interrelated. Taking into account the rapid dissemination of information, the pace of technological change and the potential marginalisation of multilateral cooperation, these factors add up to a more complex global environment that no single nation or organisation can on its own address.

NATO has successfully demonstrated its ability to change and adapt in the past. But the Alliance now has to operate and adapt simultaneously and persistently, in order to address the complexities of the world. NATO still has some way to go to form its own concept for dealing with a more complex environment in a coherent way, through unanimity and an understanding that its member states might – at the political level – have different perceptions of these challenges. Retaining unity in the face of a more complex, rapidly evolving 360-degree threat environment, and accommodating different member-nation perspectives while adversaries are trying to exploit them, is the essence of the new coherence challenge.

The complex security environment, however, is also an opportunity for joint action. The extraordinary changes in technology and the security environment mean that NATO must create today the capabilities that it will need tomorrow. It is in this context that the PFA is presented as a promising means to be more persistently networked, more resilient and more responsive by federating the expertise and capabilities of all...
NATO nations and the NATO command structure. If this is achieved, the Alliance’s core defence and deterrence roles would benefit, including in hybrid scenarios where nations will likely be the first responders to a crisis that they may perceive before others. NATO’s ability to project stability would also improve by including a wider range of actors and partners in the PFA.

Adaptation for future challenges means changing mindsets and the way NATO goes about its military business. A policy decision to regenerate and expand the linkages between the NATO command structure and NATO nations would help in this process.

II. Challenges underscored by NTS17

In terms of shared understanding of the future security environment, important indicators of its increased complexity are the growing number of actors involved, the growing dispersion and distribution of power and capability, simultaneous instability in a number of regions, and the speed of change. As a result, NATO (or any other actor) cannot expect to be able to control all the parameters of the security environment. Of course, complexity has both a negative and a positive side. Until recently, the prosperity created by globalisation was seen as a positive outcome of complex economic and political dynamics. For the time being, the negative consequences of interdependence and connectivity dominate headlines.

In this context, NTS17 participants argued, NATO lacks comprehensive strategic awareness and understanding in relation to many security challenges and the motivation of opponents. Here, arguably, the Alliance faces an asymmetric disadvantage with challengers and spoilers exploiting the political seams all too visible because NATO is an alliance of open societies. NATO will have to learn how to exploit big-data analytics in order to improve timely early warning, generate better situational awareness and map potential options to decision-makers. Furthermore, adversaries are adapting fast and are themselves seeking to innovate in order to exploit NATO’s weaknesses where they can. The NTS17 participants heard that there is no luxury of time when, even in a war situation and with demonstrated urgent operational requirements, it could take years to create new structures.

The NTS17 discussion suggested that lessons could be learned from a broader community, such as international organisations and the private sector, which routinely face the need to conduct their ongoing activity and business while also innovating for future tasks. More effort was needed to identify ways in which those practices could be brought into NATO, given that NATO pursues a different mission compared to private-sector actors. Learning best practices from the private sector should therefore focus on how companies organise for innovation, and then try to understand how these insights can be applied (or not) to NATO’s own business model.

Projecting stability, a priority outlined by the Warsaw Summit, remains a work in progress and further definition is required to avoid a situation where projecting stability turns into an open-ended commitment for NATO. The Alliance needs to be clear where it best adds value before leaping to solutions. Instability outside NATO can have second- and third-order effects that directly touch upon security in NATO nations. These effects include the flow of refugees and migrants as well as a heightened threat from organised crime and terrorism. Shifting the focus from the need to project stability to the need to prevent instability reveals that hybrid challenges and aggressive foreign-policy behaviour in NATO’s vicinity are also of relevance.

The NATO Projecting Stability Policy Board may provide direction in this regard. It can support ongoing work that is seeking to map where and in what form NATO nations and other actors, such as the European Union, are currently conducting activities that project stability in and around Europe’s neighbourhood. On this basis, actions and initiatives pursued by different actors can be deconflicted and possibly even coordinated or sequenced. This in turn would allow NATO to identify what activities it should prioritise and what it can leave to others – perhaps being federated persistently would enhance this. Another option would be to conduct a planning exercise, bringing together representatives of different international organisations and the private sector to think through what projecting stability would mean in the context of a specific case, for example Libya. Once demand and supply is captured by these stakeholders, NATO can then define priority areas.
for NATO contributions against this overall demand. Certainly, NATO’s engagement of and activities with partner nations already do promote stability. NATO can deliver defence capacity building, help reform security-sector institutions, and assist with a broad range of training and education activities. Partnering with others can be an asymmetric advantage. But, with a view to the future, NATO should keep in mind that military capability differentials between the United States, the rest of NATO and NATO’s partners are likely to increase, with implications for interoperability. Furthermore, NATO is simply not optimised to deliver a truly comprehensive approach, a task that cannot be achieved without partners, be they nations, other international organisations, private-sector representatives, or members of the analytical community in think tanks and academia.

The past decades of operational activity have demonstrated to NATO nations that successful partnerships are inherently long term, often requiring multiple years if not decades of sustained effort. They are furthermore intrinsically political, meaning that NATO will need to invest in the ability to understand partners and the drivers of their activities, including such complex entities as the European Union, the African Union and the Arab League.

A prominent illustration of this, used in NTS17, is counter-terrorism (CT). NATO itself has only limited policy or capacity in this area, but it is an area of much existing bilateral and multinational collaboration. For example, many NATO nations have deployed special-operations forces or other counter-terrorism capabilities to Iraq and Syria, and significant expertise and capability reside within member nations. These could be better exploited at an Alliance level without the waste of duplicating capabilities. At the same time, greater Alliance cohesion, understanding and training can benefit individual member nations. Again, CT is an area where no one nation or even organisation can tackle

Input from the NATO Young Professionals Day

Directly preceding NTS17, a group of some 50 young professionals (YPs) drawn from across NATO and partner nations discussed NATO’s transformation agenda. This future generation of defence and security leaders provided food for thought in the following three areas:

**Strategic communications:** While both the YPs and the NTS17 participants agreed that strategic communications are crucial, they differed in their assessment of what strategic communications should entail and whether NATO was good at strategic communications. The YPs saw a gap between NATO’s strategic communications efforts and the communication requirements in the current security environment. They argued that NATO should try to broaden awareness of the challenges facing the Alliance within its own societies and to counter adversarial information operations. Equally important is for NATO to use its strategic communications more effectively to foster relationships with external partners and improve its messaging relating to the Alliance’s identity, its resolve and its security capabilities.

**NATO and counter-terrorism:** The YPs questioned the extent to which NATO can effectively play a role in counter-terrorism efforts. While NATO can support partners in counter terrorism, (e.g. through intelligence sharing), the YPs argued that NATO should recognise the limitations on what it can do effectively because it remains in essence a military organisation. The YPs suggested that NATO might want to encourage others, such as the European Union, to create a counter-terrorism and crisis-management hub, where NATO would not necessarily lead but add important and unique assets to a joint pool.

**Cohesion and decision-making:** The YPs were willing to accept a greater degree of diversity of views and fluidity within the Alliance than NTS17 participants. They also questioned the supremacy of consensus in Alliance decision-making. The YPs concluded that the divergent threat perceptions among NATO members required the Alliance to embrace differing viewpoints in developing overarching policies, instead of focusing on seeking a unified view. They called for NATO to review the current consensus-based decision-making model because it might hinder the rapid decision-making required in a security environment where crises can develop quickly.
the breadth of the problem alone. Beyond deployments, defence capacity building is an important element of this, as is the promotion of and support for good governance. These are also clearly identifiable as activities that are fundamentally interagency.

As for collective deterrence and defence, all agreed it has been the very raison d’etre of the Alliance, with Article 5 as the lock-stone for unity, cohesion and coherence. NATO needs to be persuasive that neither a state nor a non-state actor should feel confident of a successful outcome in throwing the first punch, and that if wisdom does not prevail, the Alliance also has a winning plan for any fight, by embracing the concept of cross-domain deterrence. The PFA provides a tool to bolster conventional deterrence, by offering focused and concrete means of improving the cohesion of the member states through practical and targeted initiatives. For example, the PFA can help the NATO nations to better link the NATO command structure, NATO force structure and nations’ assets to build the command-and-control structure that meeting NATO’s agreed level of ambition requires. It could streamline decision-making, enhancing but not replacing the chain of command, as well as almost literally oiling the wheels of enabling capabilities under the Readiness Action Plan (RAP) to support reassurance and defence through logistics and exercises.

Coherence, or rather the lack thereof as manifested in divergent threat perceptions, will have an impact on defence and deterrence but also on projecting stability. The PFA, through improved situational awareness, agility and flexibility, offers a chance to maintain coherence through day-to-day shared activity and sharing of already existing activities.

III. Solutions and actions

NTS17 confirmed that consensus exists around the proposition that NATO needs to become more agile, resilient and flexible by design. But it revealed different degrees of perceived urgency when it came to developing a mindset to give NATO a higher chance of adapting at the speed necessary to retain relevance.

Agility depends on readiness, which to a degree depends on strategic awareness. Strategic awareness, especially in a complex security environment, stretches beyond the military realm into the political, but also economic and even cultural realms. Making fast and informed decisions, based on shared information and understanding, has become an everyday task, not something to be considered only when embarking on specific operations. The critical change is that NATO is moving from a crisis-management posture (when it would come together for a specific mission) to one of defence and deterrence, when connections must be continual and persistent.

Being federated persistently, with the PFA as a tool, allows better visibility of practices and processes that connect independent networks from NATO’s 28 member states with the NATO command structure and ultimately also with external partners. It is a tool to increase situational awareness and information sharing and

**Persistent Federated Approach (PFA)**

**Persistent:** the habitual daily practice of working together, in peacetime, crisis and conflict.

**Federated:** the conscious decision to connect horizontally, across NATO nations, with the NATO command structure, and then with partners, be they nations, international organisations, in the private sector, or in the international community of experts and analysts.

**Approach:** the mindset to see closer connections on a day-to-day basis as a tool to operate, adapt and innovate.

Federating is not a new idea. The idea has been employed in NATO operations in Afghanistan, by special-operations forces, and in both air- and maritime-distributed operations. The key novelty is that the new security environment calls for this to be a persistent (i.e. embedded) approach. It would allow NATO as an Alliance to connect with and benefit from national and other expertise and capabilities (e.g. regional threat assessments and logistics) and benefits members by enabling a more joined-up and yet flexible ability to assess and act in a rapidly evolving environment. It is a tool, not a panacea, and an opportunity to build on what exists in terms of capabilities. At heart, it is about talking to each other, but in an operationally meaningful and effective way, which means persistently and not ad hoc.
enable the Alliance to operate and politically to control and direct its operations at the speed of relevance. Nevertheless, a key objective must be to clarify what exactly the PFA is and what it is not, and how it adds value both in delivering the Alliance’s current core tasks and its need to adapt in the long term to stay ahead of future challenges.

**NTS17 participants identified trust between NATO’s political and military structures as being essential in enabling the PFA to work to its full effect.** Discussion centred on the need for this trust to translate into a shift in mindset concerning how the political and military sides of NATO work together. Specifically highlighted was the need for the PFA to take root in a more adaptable governance structure, enhancing both the political and military structures. The basic logic is simple: the North Atlantic Council provides the parameters in which the armed forces may operate but empowers military commanders to act as necessary and in a timely fashion. This is critical to increasing NATO’s rate of reaction and decision-making at a time when the Alliance must address challenges posed by highly flexible and agile adversaries.

Discussion at NTS17 brought to light, however, that there is still a significant divergence between the political and military views of how the political and military relationship within NATO should be governed. **One practical suggestion to reduce divergence between the political and military elements of NATO on the questions of urgency and governance is to increase the number of joint exercises and simulations for NATO’s political and military structures.** This will enhance the understanding of how these two pillars of NATO need to interact in a crisis. It will help to find the appropriate balance between military freedom of manoeuvre and political oversight.

Discussion also acknowledged that the PFA goes beyond military interoperability by offering a framework for broader cooperation with non-traditional NATO partners. The PFA engages with this wider ecosystem by building cooperation and connectivity with non-NATO countries, industry, academia and other multinational organisations such as the European Union.

Broadening NATO’s network of partners does raise concerns that this will decrease NATO’s agility. On the other hand, the habituation of such cooperation and the solid understanding of what resources are available outside of the Alliance can in fact make NATO more agile. The PFA could put the processes and practices in place to leverage existing assets and innovations within the wider ecosystem of industry, academia and other organisations to greater effect. This will help to ensure that the Alliance has access to the knowledge and capabilities it requires at a time when its resources are significantly constrained.

**Partnerships potentially represent both an asymmetric advantage and disadvantage for the Alliance.** They are a valuable additional resource that is probably not enjoyed by potential adversaries. But they could also increase the burden of coordination and hence reduce responsiveness and agility. In this regard, the PFA provides the chance to accentuate the positive in terms of partnerships.

This underscores how the PFA can be a valuable tool in enhancing the objective of projecting stability, and making even more effective the concept of the comprehensive approach. The PFA enables the Alliance to map and be better connected with what expertise and information is available among a broad range of actors, helping the Alliance to be more proactive as well as reactive. The PFA will enable NATO to work out more quickly and effectively where the Alliance can best add value. In conjunction with the findings of the NATO Projecting Stability Policy Board, it can produce a better, more persistent understanding of what NATO nations and others are doing to project stability around Europe.

The PFA also offers the potential to enhance the existing strategy to bolster NATO’s defence and deterrence posture. One step in addressing the renewed challenge from Moscow, and its effort to re-establish a sphere of influence in its near abroad, has been NATO’s eFP initiative complementing the RAP. In providing greater support to the eFP concept and the wider aims of the Enhanced NATO Response Force, a number of measures could be implemented by NATO member states comparatively quickly under the banner of the PFA, including in the areas of logistics support and military airlift and sealift.

Within NATO, the ability to move defence materiel at pace, by land, sea and air, remains less efficient, and
therefore less effective, than it could be. Alliance member states could agree to mechanisms that expedite the cross-border movement of military equipment by land, and regularly exercise such capabilities. These exercises could be focussed on moving defence materiel toward the Alliance’s eastern borders. With regard to airlift and sealift, there are also opportunities to utilise better existing Alliance assets by being federated persistently through the PFA, and in NATO contractual mechanisms for securing additional capability if needed.

While logistics initiatives may not always grab the headlines, they are fundamental to sustaining military capabilities. Re-doubled NATO efforts in this area would register in Moscow, as a signal of Alliance resolve, and thus as a building block of conventional deterrence. The Alliance is transitioning from a crisis-management posture to one intended for deterrence and defence. An improved logistics infrastructure with support from all 28 members, directly connecting with each other as well as with the NATO command structure, would be a valuable contribution to the revised posture.

In the longer term, with regard to the innovation challenge, the PFA could provide a framework for embedding the best practices of the commercial world, whose objectives and motivations are certainly different from those of NATO. However, better awareness of the different principles and ways to organise offers significant value in an era in which the private sector is outpacing international organizations and governments in terms of the speed of adaptation. During NTS17 it was acknowledged that the point is not to adopt commercial business models, but to understand how private firms tackle the challenge of operating and adapting simultaneously, to think about what is being done in NATO, and then apply the lessons to the Alliance’s objectives and business model.

IV. An agenda of proposals

NTS17 participants considered an array of proposals for early actions that would demonstrate the value of the PFA in enhancing NATO’s delivery of its declared tasks and priorities:

- **The PFA is particularly suited as a tool to deliver coherence across all domains.** By persistently federating nations’ capabilities and activities, it can bring increased agility and flexibility and is especially applicable in terms of situational awareness, understanding, partnerships, planning and logistics. The paper currently being worked on by Allied Command Transformation (ACT) and Allied Command Operations could illustrate a range of political–military examples in those areas to outline the case studies and the value that could be added by the PFA.

- **Big data is becoming key for future success in operations.** NATO needs to improve its speed of acquisition of capabilities through learning best practice via nations and the private sector, exploiting a PFA approach.

- **Intelligence sharing has made considerable progress since 9/11, but still needs to become more agile.** It is inherently a combined, joint and multi-agency activity, and reluctance to share still needs to be overcome.

- **Countering cyber and weapons of mass destruction (WMD) threats:** overall, NATO nations have insufficient counter-WMD capability and the Alliance needs to do more to prepare itself to deal with this threat. US SOCOM has recently been given the mission to pursue WMD globally. This challenge is currently not adequately addressed by the NATO Defence Planning Process. Cyber, like CT, is an area where considerable expertise and capability resides among member nations, and where the PFA could enhance joint capabilities while limiting duplication.

- **Exercises:** NATO has an extensive exercise programme, and the PFA could be applied to modernise this programme and refocus it to better meet strategic priorities. For example, it could address a deficit in CT exercises relating to non-Article 5 situations, and promote activity focused on projecting stability.

In addition to immediate steps, it is necessary to keep in mind the longer-term, aspirational element of the PFA as a way of both providing and guarding against disruption. Steps in this respect could include:
NATO should consider itself as part of a security ecosystem. The term ecosystem is simply meant to capture the idea that a complex network of actors will be needed to fulfil most security missions. Sometimes NATO will be the hub of this network, sometimes others will play that role and NATO might support them. The ecosystem includes nations, non-profit organisations, businesses and others. Adopting this mindset implies that information and direction can flow in multiple directions, depending on the problem at hand.

NATO could consider moving an element of the ACT to Silicon Valley to be embedded within that particular innovation ecosystem. NATO produces security and is accountable to governments and citizens whereas Silicon Valley companies are profit-making entities accountable to shareholders. The goal is not change the NATO business model but instead to change how the ‘products’ are delivered by allowing innovation to infuse NATO structures from the outside.

NATO nations have committed politically to spending more on defence in the long term and have embarked on measures to spend better, i.e. more effectively through cooperation and a focus on defence investment. Nevertheless, the resources available to NATO will continue to be constrained. The PFA can represent a valuable tool in an environment in which members are being encouraged to increase spending, but also to spend better to deliver more capability. NTS17 heard that role and capability specialisation is happening anyway in the face of resource challenges. The PFA offers a useful tool to assist in ensuring that these developments happen with coherence and with a view to NATO’s overall level of ambition.

To enable all of the above, there needs to be clear top-down political guidance not only to support NATO forces and the NATO command structure, but also to bolster the connections with NATO capitals and Alliance partners. Greater coherence in this way would be another benefit of the joint political–military exercise proposal set out above. The enhanced political guidance would have the following aims and outcomes:

- Guidelines that empower strategic leadership and enable responsiveness to make the Alliance faster and more agile. Give authority to work within the guidelines, including when it comes to working with partners.
- Express a commitment to exercise the political–military decision-making process of the Alliance regularly and frequently in accordance with the realities of a security environment characterised by complexity.
- Provide clarity across all domains to bolster both defence and deterrence and the projection of stability. Doing so strengthens coherence in an environment in which there is a 360-degree threat horizon, and different perceptions among member states over the precise character and urgency of specific challenges are a reality.

V. Conclusion

The Alliance benefits from a broad range of detailed strategic guidance, from the latest Strategic Concept to the outcomes of recent Alliance summits, notably in Wales and Warsaw. However, the strategic backdrop is proving ever more fluid, volatile and complex. As a result, NATO’s posture is gradually shifting from crisis management to defence and deterrence. The fact that this is stressing the Alliance is acknowledged, as is the need for further adaption, as exemplified by the current NATO Command Structure Adaptation.

Essentially, the status quo is not an option and there is broad agreement that NATO must be ‘flexible by design’. Despite NATO’s record of adaptation, this requires a new mindset, and it requires it urgently given the speed at which others – including Alliance’s adversaries – continue to adapt and innovate. The PFA represents a tool to that end of reinvigorating NATO’s own adaptation; it will help build a more effective military command structure, facilitate quicker and better decision-making for the North Atlantic Council, and improve the connection between NATO’s political–military structures and the capitals of the Alliance’s members.