

DATA AUTHORIZATION INPUT FORM

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20 Oct 92

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SECTION I --- MISC CONTROL DATA

DATE RECEIVED: SEP 30 1992 OSD CONTROL #: 67835  
 CONTROLLED ITEM: ORIG / RCY(S) 1 PG(S) 1, CY NO    THRU    OF    CYS, ENCL(S) 1  
 COVER MEMO: ORIG    RCY(S)    PG(S)   , CY NO    THRU    OF    CYS, ENCL(S)     
 REPLY TO:   . INTERIM REPLY TO:   . REF(S):     
 DESTRUCTION DATA:    EFA: (    )

SECTION II --- MICROFICHE & FILE DATA

MICROFICHE: YES    NO    MF: 522391 FICHE NO: A  
 FILE NUMBER: 310.1 IMAGE(S): E8 E11

SECTION III --- ACTION/SUSPENSE STATUS

ACTION: USA FOR: RD SUSP DATE: 10 COORD:     
 COMMENTS: OCT 15 1992

SECTION IV --- DISTRIBUTION

|     |        |     |  |     |  |
|-----|--------|-----|--|-----|--|
| ADC | (b)(6) | COM |  | DIA |  |
| SD  | (b)(6) | FMP |  | DLA |  |
| DSD | (b)(6) | HA  |  | SAA |  |
| ES  | (b)(6) | LA  |  | NSA |  |
| ESR | (b)(6) | PAE |  | SDI |  |
| USA | (b)(6) | PA  |  | IG  |  |
| C31 |        | RA  |  |     |  |
| PRL |        | GC  |  |     |  |
| DRE |        | OTE |  | ADD |  |
| AE  |        | ADM |  | CC  |  |
| USP |        | SA  |  | MAS |  |
| DUP |        | CSA |  | MAD |  |
| ISA |        | SN  |  | SGN |  |
| ISP |        | SAF |  |     |  |
| SOL |        | JCS |  | SDR |  |
| S&R |        | DJS |  | DSR |  |

310.1

19 AUG 92

UNCLASSIFIED  
HAS SEEN

AUG 19 1992

# **INSTITUTIONALIZING BUSINESS PRACTICES IN THE DEFENSE ORGANIZATION**

**PREPARED BY FMD,C&S**

**19 AUGUST 1992**

**DOD COMPTROLLER**

**AS DEPARTMENT SEEKS WAYS TO IMPROVE  
UTILIZATION OF RESOURCES IT IS NECESSARY TO SEEK  
OPPORTUNITIES TO EMPLOY BUSINESS PRACTICES TO  
INSTILL DISCIPLINE AND IMPROVEMENT IN THE  
SUPPORT INFRASTRUCTURE**

## **CHANGE COMES IN TWO SIZES**

- CONTINUAL IMPROVEMENT - INCREMENTAL
- REENGINEERING - QUANTUM LEAPS

**SIGNIFICANT RESOURCE REDUCTIONS  
REQUIRE QUANTUM LEAPS**

# **CURRENT AND FUTURE REQUIREMENTS TO IMPROVE BUSINESS OPERATIONS WITHIN THE DEPARTMENT OF DEFENSE**

- **ORGANIZATIONAL REENGINEERING**
- **SYSTEMS REENGINEERING**
- **FINANCIAL REENGINEERING**
- **REALIGNMENT OF BUSINESS RELATIONSHIPS**

# ORGANIZATIONAL REENGINEERING

- CONSOLIDATIONS
- INTERNAL RESTRUCTURING TO ESTABLISH "PRODUCT LINES"
- INTERNAL RESTRUCTURING TO REALIGN FINANCIAL MANAGERS WITH FUNCTIONAL MANAGERS
- PROCESS IMPROVEMENTS

FMD,C&S

# SYSTEM REENGINEERING

## CORPORATE INFORMATION MANAGEMENT (CIM) EFFORTS:

- STANDARDIZATION
- ELIMINATION OF DUPLICATION
- INTEGRATION

DOD COMPTROLLER

# FINANCIAL REENGINEERING

## GOALS

- PUT SUPPORT ESTABLISHMENT ON BUSINESS-LIKE SYSTEM
- CAPTURE ALL COSTS OF EACH BUSINESS
- CAPITAL BUDGETING
- INCORPORATE PERFORMANCE BUDGETING
- ULTIMATELY REFLECT ALL OPERATING COSTS IN COST OF FORCES

## INITIATIVES TO ACCOMPLISH

- DEFENSE BUSINESS OPERATIONS FUND
- UNIT COST
- ACCRUAL FUNDING OF MILITARY HEALTH CARE
- MILPERS REVOLVING FUND
- MAKE BASE OPERATIONS COSTS REIMBURSABLE



## DEFENSE BUSINESS OPERATIONS FUND

COMBINES PAST INDUSTRIAL AND STOCK FUNDS AND INCLUDES SOME OTHER DEFENSE BUSINESS ENTITIES INTO A SINGLE FINANCIAL STRUCTURE. MILITARY DEPARTMENTS AND DEFENSE AGENCIES RETAIN MANAGEMENT RESPONSIBILITY

- INITIATED USING REVOLVING FUND POLICIES AND PROCEDURES IN PLACE
- NEW POLICIES SINCE INCEPTION COVER:
  - REVENUE RECOGNITION
  - NEW REPORTING REQUIREMENTS
  - NEW SYSTEM REQUIREMENTS
  - CAPITAL ASSET ACCOUNTING

## **DBOF (CONT'D)**

- **IMPROVEMENTS TO MANAGEMENT INCLUDE:**
  - DEVELOPMENT OF BETTER INFORMATION TOOLS REPORTS
  - IMPROVED BUDGET JUSTIFICATION
  - ISSUANCE OF OPERATING AND CAPITAL BUDGETS
  - INCREASED MANAGEMENT FLEXIBILITY AND ACCOUNTABILITY
  - BETTER REFLECTION OF MISSION COSTS
- **PROBLEMS**
  - SYSTEMS ARE NOT FULLY SUPPORTIVE
  - ALL BUSINESS ENTITIES NOT INCLUDED/NOT BENEFITING
  - THE "BLACK HOLE" AND "SLUSH" FUND IMAGE
  - CAPITAL BUDGETS NOT USED TO EXTENT THEY COULD BE

## **DBOF (CONT'D)**

- **ACTIONS TO CORRECT PROBLEMS**
  - CIM EFFORTS IN CONSONANCE WITH DBOF REQUIREMENTS
  - QUALITY REPORTING IS ON-GOING EFFORT
  - OTHER BUSINESS ARE UNDER STUDY TO DETERMINE FEASIBILITY OF INCLUSION AND TO INSURE INFORMATION AVAILABLE AND CONTROLS IN PLACE
  - CONTINUOUS INFORMATION EXCHANGE INTERNALLY AND EXTERNALLY
  - POLICY CHANGES GIVEN TOP PRIORITY TO IMPROVE PRACTICES AND INSTILL CONFIDENCE

## UNIT COST

### ● CONCEPT

- LINKS RESOURCE ALLOCATION TO WORKLOAD PERFORMED
- PROVIDES FINANCIAL INFORMATION ON COST PER OUTPUT BASIS
- UNIT COST INFORMATION GIVES PROVIDERS COST REDUCTION INCENTIVE AND TOOL.

### ● PROBLEMS

- COST INFORMATION NOT PREVIOUSLY USED
- MULTIPLE SYSTEMS MAKE COLLECTION OF DATA DIFFICULT
- RELUCTANCE TO DECENTRALIZE UNIT COST BUDGETS
- RELUCTANCE TO DECENTRALIZE ACCOUNTABILITY AND FLEXIBILITY

### ● ACTIONS

- SYSTEM DEVELOPMENT TO MEET LONG TERM REQUIREMENTS
- SHORT TERM SYSTEM CHANGES ARE IMPROVING DATA
- EXPLORING ADDITIONAL DATA PROCESSING CAPABILITIES
- ON-GOING EDUCATION PROCESS

## REALIGNMENT OF BUSINESS RELATIONSHIPS

- CONTINUATION AND EXPANSION OF BASIC UNIT COST AND DBOF PRINCIPLES WHICH BETTER DEFINE CUSTOMER AND PROVIDER RELATIONSHIPS

AREAS UNDER CONSIDERATION: AMMO, BASE SUPPORT,  
TRAINING, CONTRACT MANAGEMENT, CONTRACT AUDIT, MEDICAL

AREAS BEING EXPANDED: R&D, INFORMATION SERVICES, DFAS

- EXPANSION OF CONSOLIDATION EFFORTS
- COST OF BUSINESS INFRASTRUCTURE ALIGNED TO DOD MISSIONS
  - AS MISSION REQUIREMENTS ARE REDUCED THE INFRASTRUCTURE IS AUTOMATICALLY ADJUSTED

## 1994 BUDGET ISSUES

- AMMUNITION IN THE DBOF

ARMY SINGLE MANAGER; BUYS FOR FUTURE NEEDS; MANAGES INVENTORY

OPERATING FORCES REQUEST APPROPRIATION TO BUY FROM FUND

- BENEFITS

PROVIDES BETTER IDENTIFICATION OF OPERATIONAL FORCES TRAINING COSTS

PROVIDES FLEXIBILITY FOR OPERATIONAL COMMANDER

HOPEFULLY WILL INSTILL BETTER DISCIPLINE

## 1994 BUDGET ISSUES

### MAKING BASE SUPPORT REIMBURSABLE

ELIMINATES SEPARATE APPROPRIATIONS REQUEST FOR BASE SUPPORT IN O&M

REQUIRES TENANTS ON BASES TO REIMBURSE FOR SUPPORT AND INCLUDE IN THEIR COST OF DOING BUSINESS

DIFFICULT TO EVALUATE IN BUDGET BECAUSE OF AGGREGATIONS. CONCEPT, IN EFFECT, SHIFTS RESPONSIBILITIES TO TENANTS

MORE CONSISTENT COSTING FOR COMPETITION

MOTIVATES COST CONSCIOUS DECISIONS

MAY MOVE REIMBURSABLE COSTS TO DBOF, DEPENDING ON CONGRESSIONAL REACTION

## 1994 BUDGET ISSUES

### ACCRUAL FUNDING OF MILITARY RETIREES HEALTH CARE

WOULD FUND LIABILITIES FOR THE FUTURE HEALTH COSTS OF MILITARY RETIREES AND THEIR FAMILIES AS THEY ARE EARNED, RATHER THAN WHEN PAID.

RETIREMENT COMPENSATION IS NOW FUNDED ON THIS BASIS.

ACTUARIALLY DETERMINED AMOUNT REPRESENTING FUTURE HEALTH BENEFITS EARNED BY CURRENT MILITARY MEMBERS WOULD BE INCLUDED IN MILITARY PERSONNEL COSTS.

FUNDS WOULD BE DEPOSITED INTO A TRUST FUND FROM WHICH FUTURE HEALTH CARE COSTS WOULD BE PAID AS COSTS ARE INCURRED.

PROVIDES BETTER IDENTIFICATION OF THE COST OF SPECIFIC DECISIONS INVOLVING MILITARY MANPOWER.

ADDS ABOUT \$3,000 TO THE COST OF EACH MILITARY MEMBER



## 1994 BUDGET ISSUES

### PUTTING MILPERS COSTS IN APPROPRIATE ACCOUNTS

ALL COSTS OF MILITARY SHOULD BE REFLECTED IN THE ACCOUNTS (O&M, R&D, ETC.) OF THE ACTIVITY TO WHICH THE MILITARY PERSONNEL ARE ASSIGNED

MILITARY PERSONNEL ACCOUNTS WILL BE REIMBURSED FROM ACCOUNTS IN WHICH MEMBERS ARE ASSIGNED.

MILITARY PERSONNEL ACCOUNTS BECOME REIMBURSABLE AND, IN EFFECT, BECOME REVOLVING FUNDS

INCREASES THE LEVEL OF O&M AND R&D APPROPRIATIONS.

MILITARY WILL CONTINUE TO BE PAID AND MANAGED IN THE MILITARY PERSONNEL ACCOUNTS

CONCEPT DOES NOT DICTATE, BUT MAY INFLUENCE, MANAGEMENT CHANGE

# 1994 BUDGET ISSUES

## PUTTING MILPERS COSTS IN APPROPRIATE ACCOUNTS (CON'T)

- SERVICES CONCERNS

PERCEIVED LACK OF MANAGEMENT CONTROL OF MILITARY ASSIGNMENTS

GIVES PRIVATE SECTOR UNFAIR ADVANTAGE IN COMPETITION

ASSUME THAT WE ARE DICTATING THAT PLATOON LEADER OR SQUADRON COMMANDER MAKES MANPOWER DECISION

## 1994 BUDGET ISSUES

### REFLECTING "REAL COSTS" OF MILITARY PERSONNEL

CURRENTLY MILPERS COSTS ONLY INCLUDE PAY AND COMPENSATION.

EXAMPLES OF OTHER COSTS ARE RECRUITING, TRAINING, MEDICAL CARE, PCS, AND COMMISSARIES.

THIS INITIATIVE PROBABLY DEPENDS ON MAKING MILITARY PERSONNEL COSTS REIMBURSABLE.

## **TO ACHIEVE THE OPTIMUM RESULTS**

- **MUST ENSURE ALL COSTS ARE INCLUDED FOR PRODUCTS/SERVICES**
- **MUST DRAW CLOSER RELATIONSHIPS BETWEEN COST AND PERFORMANCE**
- **MUST DEVELOP MEANINGFUL MANAGEMENT GOALS FOR EVALUATION AND DECISION MAKING**
- **MUST INCORPORATE "COST CONSCIOUSNESS" ACROSS DEPARTMENT**
- **MUST HAVE INVOLVEMENT OF THE WORK FORCE**

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12 Aug 92

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Military Assistant to the  
Dep Sec Def has seen

# Under Secretary of Defense (Policy) 1992 SUMMER STUDY

Organized by the  
Director, Net Assessment

3 - 12 August 1992

Newport, Rhode Island

## PREFACE

The following report provides a summary of a Summer Study conducted for the Under Secretary of Defense (Policy). The Summer Study, directed by Andrew W. Marshall and James G. Roche, met from 3 to 12 August 1992 at the Naval War College, Newport, Rhode Island. This was the sixth in a series of summer studies undertaken to review fundamental issues and questions of importance to the defense planning process.

Two working groups were established for the 1992 Summer Study. The first concentrated on strategic management issues to include DoD core competencies, innovation, and long-term defense planning. The second focused on the nature of future power relations, addressing the structure of these relations and accompanying geopolitical processes.

Each working group consisted of experts drawn from different areas of expertise. Other functional experts were invited to participate on selected days where their specific expertise could lend support to the day's discussions. This final report consists of the slides and text of the presentations given by the leaders of both groups on the last day of the Summer Study. Following the reports is an appendix which includes a list of participants.

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# Working Group #1



1992 SUMMER STUDY

Working Group I

STRATEGIC MANAGEMENT ISSUES



## TASKS AND OBJECTIVES: STRATEGIC MANAGEMENT ISSUES FOR THE SECRETARY OF DEFENSE

The task of this study group was to identify and examine major strategic management issues facing the Secretary of Defense. This task was divided into two subtasks. First we were to examine the concept of core competence and assess its relevance to the Department of Defense. If the concept proved relevant, we were to identify and assess DoD's current core competencies and then project which core competencies would be necessary in twenty years. Second, we were to identify initiatives to assist the Secretary of Defense in managing in an uncertain future security environment. We did not look at specific management issues; rather, we looked at the "Big Picture", especially in an evolving security environment which we believe will be highly unpredictable.

# TASKS

- OVERALL TASK: IDENTIFY AND EXAMINE
  - STRATEGIC MANAGEMENT ISSUES FOR THE SECRETARY OF DEFENSE
- SUBTASKS
  - EXPLORE THE CONCEPT OF CORE COMPETENCE AND ITS RELEVANCE TO THE DEPARTMENT OF DEFENSE
  - IDENTIFY INITIATIVES TO ASSIST IN PLANNING FOR AN UNCERTAIN SECURITY ENVIRONMENT

## TEAM DIVERSITY

Because of the eclectic nature of the problem, the task force was drawn from many different disciplines and organizations and reflected a broad range of expertise.



# **TEAM DIVERSITY**

## **ACADEMIA**

**POLITICAL SCIENTISTS, BUSINESS  
STRATEGISTS, COGNITIVE PSYCHOLOGISTS,  
HISTORIANS**

## **INDUSTRY**

**AEROSPACE COMPANIES, MANAGEMENT  
CONSULTANTS**

## **FFRDC**

**PLANNERS, MANUFACTURING EXPERTS**

## **MILITARY**

**SERVICE PLANNERS**

## CORE COMPETENCE

What is this notion of "Core Competence" that is so prominent in the current business literature? Everyone has been in a planning meeting at which the concept of core competence was discussed. In practice there is probably little agreement among those who use the term about how core competencies are defined. The study group took the definition of core competencies from the article that introduced it into contemporary business literature. This article by C.K. Prahalad and Gary Hamel was entitled "The Core Competence of the Corporation" and appeared in The Harvard Business Review (May/June 1990).

Prahalad and Hamel defined core competence as "*the collective learning in the organization, especially how to coordinate diverse production skills and to integrate multiple streams of technologies.*" They found core competencies important because they shift the organization's focus from the strategic business unit, which could be like the Buick Division of General Motors or the U.S. military services, to the cross-cutting, underlying strengths of the total organization. **This is a critical point, and we come back to it below.**

In addition, core competence is about harmonizing streams of technology, the organization of work, and the delivery of value across the total organization. In a management sense, "it is about communication across the organization, involvement, and a deep commitment to working across organizational boundaries." (Prahalad and Hamel).

# THE CORE COMPETENCE OF THE CORPORATION

"CORE COMPETENCIES ARE THE COLLECTIVE LEARNING IN THE ORGANIZATION, ESPECIALLY HOW TO COORDINATE DIVERSE PRODUCTION SKILLS AND INTEGRATE MULTIPLE STREAMS OF TECHNOLOGIES."

"CORE COMPETENCIES ARE IMPORTANT BECAUSE THEY SHIFT THE ORGANIZATION'S FOCUS FROM THE STRATEGIC BUSINESS UNIT {e.g. THE SERVICES} TO THE CROSSCUTTING, UNDERLYING STRENGTH OF THE ORGANIZATION"

SOURCE: "THE CORE COMPETENCE OF THE CORPORATION", C. K. PRAHALAD AND GARY HAMEL, HARVARD BUSINESS REVIEW, MAY-JUNE 1990.  
(BRACKETED TEXT ADDED.)

## CORE COMPETENCE (continued)

Peter Drucker states that core competence is what he called strength analysis in his 1964 book Managing for Results. (The Wall Street Journal July 22, 1992) And even before that, Philip Selznik referred to what we now call "core competencies" as "distinctive skills" in his work in the late 1940s on the Tennessee Valley Authority and in another book on the organization of the Bolsheviks. If you look to the Unified Command Plan of 1947, which shifted planning away from a purely service orientation to a functional one across a range of defense planning and operational issues, you will see that these notions were embodied there also. This general idea of "cross-cutting strengths" or "core competencies" has been around for a long time.

Prahalad and Hamel develop an analogy to illustrate the importance of core competencies that compares the diversified corporation to a large tree.

### **The Organization as a Tree**

| <u>Elements of a Tree</u> | <u>Business Analog</u> |
|---------------------------|------------------------|
| Leaves, flowers, fruit    | End products           |
| Smaller branches          | Business units         |
| Trunk, major limbs        | Core products          |
| Roots                     | Core competencies      |

## CORE COMPETENCE (concluded)

To further illustrate this point, Prahalad and Hamel state that much of the problem with Western management is that corporate leadership is focused on the strategic business unit, rather than at a higher level in the corporation. This limits the ability of the individual units to exploit fully the deep reservoir of technological capacity that the corporation possesses. It inhibits the development of a strategic architecture and precludes the development of an overall corporate strategy that can draw upon the diverse skills and capabilities that are diffused throughout the organization. In several businesses that they examined, they noted that senior managers acted as if they were managing a collection of independent strategic business units, and this decentralized orientation at the top made it difficult to focus on the core competencies that were diffused among the business units.

On the contrary, successful businesses that they examined, such as NEC, were able to develop and nurture a number of core competencies across their organizations that ultimately gave them competitive advantages. In the early 1970s NEC articulated a strategic intent to exploit the convergence of computing and communications, and their management concluded that success would hinge on acquiring particular competencies to do that. They identified three interrelated streams of technological and market evolution -- computing, communications, and components. They believed that these businesses would overlap, so that any company that had competencies in all three would have enormous opportunities. Consequently, they decided that semiconductors would be their most important core product, and from that they were able to move into a number of related product markets -- computers, electronics, communications, etc. Capitalizing on economies of scale and avoiding duplicative research, development, prototyping and production costs, they were able to capture large market shares through the ability to offer competitive pricing for their products, and they were positioned to move into emerging markets.



## THE IMPORTANCE OF CORE COMPETENCIES

Among Prahalad and Hamel's conclusions were that companies that fail to invest in core competencies will find it difficult to enter emerging markets. They cite several reasons for this. First, left to their own devices, managers of strategic business units will under-invest in core competencies. Rather, they will continue to invest in things in which they are presently engaged. If core competencies are not recognized as important by top management, then individual strategic business units will pursue only those innovations that are close at hand. Second, top management devotes too much attention to the capital budgeting process and too little time to *allocating across the organization the knowledge based human skills that embody the core competencies*. Third, strategic business units often develop unique competencies, but unit managers often view these as the sole property of that business unit. Thus the core competencies become imprisoned in a single unit. Hybrid opportunities will emerge only when managers take off their strategic business unit blinders. *The authors conclude that a company that has failed to invest in core competence building will find it very difficult to enter an emerging market, or engage in a future strategic competition.*

**From the above discussion it is not difficult to see that the relevance of this concept to strategic management in the Department of Defense is direct and compelling.**

# THE IMPORTANCE OF CORE COMPETENCIES

- **ASSERTION**

--COMPANIES THAT FAIL TO INVEST IN CORE COMPETENCIES  
WILL FIND IT DIFFICULT TO ENTER EMERGING MARKETS

- **RATIONALE**

--LEFT TO THEIR OWN DEVICES, MANAGERS OF STRATEGIC BUSINESS  
UNITS WILL UNDER-INVEST IN CORE COMPETENCIES

--TOP MANAGEMENT DEVOTES TOO MUCH TIME TO THE CAPITAL  
BUDGETING PROCESS AND TOO LITTLE TIME TO ALLOCATING ACROSS  
THE ORGANIZATION THE HUMAN SKILLS THAT EMBODY THE CORE  
COMPETENCIES

--STRATEGIC BUSINESS UNITS OFTEN DEVELOP UNIQUE COMPETENCIES,  
BUT UNIT MANAGERS OFTEN VIEW THOSE AS THE SOLE PROPERTY OF  
THAT UNIT

## WHAT WE DID

During the course of this year's Summer Study, we did the following. We characterized DoD's core competencies as we perceived them. We developed a framework to assess them, evaluated them using that framework, identified new core competencies to deal with what we perceived as potential environments in the twenty-first century, and developed initiatives to assist in managing in this uncertain future security environment.

# **WHAT WE DID**

- 1. CHARACTERIZED DoD's CORE COMPETENCIES**
- 2. DEVELOPED A FRAMEWORK TO ASSESS THOSE CORE COMPETENCIES**
- 3. EVALUATED THE CORE COMPETENCIES USING THIS FRAMEWORK**
- 4. IDENTIFIED CORE COMPETENCIES TO DEAL WITH POTENTIAL ENVIRONMENTS IN THE 21st CENTURY**
- 5. DEVELOPED INITIATIVES TO ASSIST IN MANAGING THE UNCERTAIN FUTURE SECURITY ENVIRONMENT**

## WHY BOTHER WITH CORE COMPETENCIES

The first question with which we grappled is "why bother with the concept of core competencies at all?". Several reasons are compelling. First, from Peter Drucker's perspective, a focus on core competencies forces management to ask the question "What is the company (or Department) good at? What does it do well? What strengths give it a competitive edge? Applied to what?" An example of this is if General Motors is looking at the general economic market structure of the United States and sees a market opportunity emerging in women's fashions, it really should not go after that market -- it is not what General Motors does. The failures of Westinghouse and Xerox in the consumer finance business in the 1980s are other examples of misplaced strategic direction. The message here is exploit the competencies you've got.

Second, it is a way to think about military forces beyond budgets and force structures, which are static measures, and forces the defense planning process to assess the forces in terms of what they can actually do.

Third, they are important because core competencies in organizations tend to change over time. Especially in the uncertain future security environment, long run competitiveness will come from an ability to build, quickly and inexpensively, the core competencies necessary to create unanticipated capabilities to meet unanticipated threats. Consequently, with respect to core competencies, the role of defense senior management is to identify them, to cultivate them, and to build new competencies for the future health and competitiveness of the organization. The message here is to build new competencies that will be needed in the future.

# WHY BOTHER WITH CORE COMPETENCIES?

**BECAUSE,**

- CORE COMPETENCIES DIRECT THE ORGANIZATION'S FOCUS TO WHAT IT CAN ACTUALLY DO WELL
- CORE COMPETENCIES ARE A WAY TO ASSEMBLE OUR THINKING ABOUT A NEW MILITARY FORCE FOR THE NEXT CENTURY
- CORE COMPETENCIES CHANGE OVER TIME
- MANAGEMENT'S ROLE IS TO IDENTIFY, CULTIVATE, AND BUILD NEW CORE COMPETENCIES



## WHY BOTHER WITH CORE COMPETENCIES (concluded)

Although the parallels to the Department of Defense from the foregoing discussion of core competencies and business are striking, it must be recognized that the problems that the Department of Defense faces are probably more difficult than the problems that businesses face. Defense organizations tend to be more diverse, opponents tend to be more unpredictable, the operating environment is much more difficult, and the stakes are higher and often life threatening. This creates a compelling rationale to identify and develop core competencies, and to develop among top management a strategic intent and a strategic architecture to implement it.



## WHAT WE FOUND

As a result of the deliberations of the study group, three broad points emerged. First, core competencies are a useful but complex paradigm for defense planning. Second, as the study group surveyed the international security environment over the next two decades, it became apparent that the Department of Defense will have to deal with a broad, complex spectrum of national security issues. To cope with this evolving spectrum of issues, the study group concluded that existing core competencies will have to be extended and new core competencies will have to be developed. Finally, the study group observed that creative management and innovation are essential in developing and fostering these needed core competencies. The following discussion amplifies on each of these broad observations in greater detail.



# **WHAT WE FOUND**

- **CORE COMPETENCIES ARE A USEFUL BUT COMPLEX PLANNING TOOL**
- **OVER THE NEXT TWO DECADES, THE US WILL FACE A BROAD SPECTRUM OF SECURITY ISSUES**
- **EXISTING COMPETENCIES MUST BE MAINTAINED AND NEW ONES DEVELOPED TO ADDRESS THESE ISSUES**
- **MANAGEMENT AND INNOVATION ARE ESSENTIAL IN DEVELOPING CORE COMPETENCIES**

## WHAT WE DID

The study group approached its task by performing five steps cited on the facing page. As a foundation for its work, the study group initially characterized DoD's core competencies.

# WHAT WE DID

1. **CHARACTERIZED DoD's CORE COMPETENCIES**
2. **DEVELOPED A FRAMEWORK TO ASSESS THOSE CORE COMPETENCIES**
3. **EVALUATED THE CORE COMPETENCIES USING THIS FRAMEWORK**
4. **IDENTIFIED CORE COMPETENCIES TO DEAL WITH POTENTIAL ENVIRONMENTS IN THE 21st CENTURY**
5. **DEVELOPED INITIATIVES TO ASSIST IN MANAGING THE UNCERTAIN FUTURE SECURITY ENVIRONMENT**

## CORE COMPETENCIES OF DOD IN 1992

Our study group identified four core competencies that characterize the Department of Defense in 1992. First, we identified *the ability to manage across the broad organization of the Department of Defense that consists of many diverse and sometimes competing sub-units*. This competence appears in areas of command and control and in logistics. This means that the DoD has developed sub-units that are extremely effective at lateral control. In terms of command and control, it refers to lateral control of operating units so that they can act in a coordinated fashion across organizational boundaries, such as joint operations. In terms of logistics, it is moving things into a theater of operations, integrating parallel streams of logistic trains. Most armies do this; they have to do it. Most of them do not do it very well. For example, the Iraqis had an armed force characterized by modern armored vehicles and state of the art artillery, but they could not be effective without the ability to coordinate these elements with the other elements of their force to yield meaningful capability against the U.S. led coalition forces. Likewise, the Indian army has demonstrated in a number of exercises that it wants to employ air/land battle concepts. They trained for it, but they find that they can not support it logistically because the operating units simply move too fast for the logistics train.

The second core competence that we identified was *the ability to link separate streams of advanced technologies*. This has been a strength of DoD for a very long time. This core competence is manifest in systems engineering and architecture, in communications, in intelligence, in global surveillance, in modeling and simulation, and in high performance technologies. The linkage of these and other technologies has led to the development of products as exceptional as the B-2 Bomber. Of course, this list of advanced technologies could be much longer.

# **CORE COMPETENCIES OF DOD IN 1992**

## **1. ABILITY TO MANAGE ACROSS DIVERSE AND SOMETIMES COMPETING SUBUNITS OF THE DEFENSE ORGANIZATION**

- C2**
- LOGISTICS**

## **2. ABILITY TO LINK SEPARATE STREAMS OF ADVANCED TECHNOLOGIES**

- SYSTEMS ENGINEERING AND ARCHITECTURE**
- COMMUNICATIONS**
- INTELLIGENCE**
- GLOBAL SURVEILLANCE**
- MODELING AND SIMULATION**
- HIGH PERFORMANCE TECHNOLOGIES**

## CORE COMPETENCIES OF DOD IN 1992 (concluded)

The third core competence we identified was *DoD's ability to manage diverse constituencies and needs*. This is reflected in training at both individual and unit training levels, at facilities such as the National Training Center. It is also reflected in other areas such as in the exceptional morale that the forces exhibited in Desert Shield and Desert Storm and in external relations that yield support for the military in terms of public support and public esteem. And finally, in terms of human relations the U.S. military probably does better in race relations than the general society, and the gender relations problem is now receiving the full attention of senior management. What all this means is the ability to take man-power and shape it. Shape it in such a way as to implement advanced concepts of operational art and do it in a coordinated and effective manner.

The fourth core competence of the DoD we identified is *the capability to establish a professional armed force, provide military leadership for it, develop operational art and implement joint and combined operations*. We characterized this dimension of military leadership as a self-awareness within the forces, generally, that promotes an ethos that encourages and rewards integrity, innovation, and professionalism. Self awareness also means that there is honest reporting of information within the system. There is an ability there for the system to look at itself honestly and to correct deficiencies that are found. The lack of this in the Iraqi armed forces, manifested, for example, in the passing up of distorted information to please the leadership, made the Iraqis very vulnerable. Military forces which are organized on these distorted principles tend to deceive, and ultimately defeat, themselves.

# **CORE COMPETENCIES OF DOD IN 1992**

## **(CONCLUDED)**

### **3. ABILITY TO MANAGE DIVERSE CONSTITUENCIES AND NEEDS**

- TRAINING**
- MORALE**
- EXTERNAL RELATIONS**
- HUMAN RELATIONS**

### **4. CAPABILITY TO PROVIDE MILITARY LEADERSHIP OF DIVERSE FORCES**

- OPERATIONAL ART**
- JOINT AND COMBINED OPERATIONS**
- SELF AWARENESS**



## (SOME) CORE PRODUCTS OF THE DOD

The physical embodiment of one or more core competencies is a core product. Core products are the link between identified core competencies and the end products. They are the components that actually contribute to the value of the end products. The distinction between core competencies, core products, and end products is important because global competition is played out by different rules and for different stakes at each level. In this competition, it is the core products that contribute to the competitiveness of a wide range of end products. Control over core products is critical because it allows a company to shape the evolution of applications and end markets. (Prahalad and Hamel).

Prahalad and Hamel observe that "As a company multiplies the number of applications for its core products, it can reduce the cost, time, and risk in new product development -- in other words, achieve economies of scale."

We list some of the core products of the Department of Defense on the facing page. This list is by no means comprehensive, but it conveys the basic message about the nature of its core products.



# **(SOME) CORE PRODUCTS OF THE DoD**

**AVIONICS**

**FIRE CONTROL SYSTEMS**

**POSITIONING SYSTEMS**

**ACOUSTIC AND OTHER SENSING**

**PROPULSION TECHNOLOGIES**

**GUIDANCE SYSTEMS**

**DISPLAY SYSTEMS**

**TACTICAL TRAINING**

## END PRODUCTS OF THE DOD

DoD is perhaps preeminent across a broad spectrum of the military operational environment, all the way from the low end of the conflict spectrum, including humanitarian support and benign environments and special operations, through the mid-to-high end of the conflict spectrum, e.g., air and maritime supremacy, strategic nuclear operations, etc.. These are its end products. These end products are portrayed on the facing page.

# **END PRODUCTS OF THE DoD**

- **LOW END OF CONFLICT SPECTRUM**
  - **SPECIAL OPERATIONS AND SUPPORT**
  - **HUMANITARIAN SUPPORT**
- **CONVENTIONAL WARFARE**
  - **AIR AND MARITIME SUPREMACY**
- **STRATEGIC OPERATIONS**
  - **NUCLEAR**
  - **NON NUCLEAR**
- **SUPPORT TO ALL CONFLICT LEVELS**
  - **POWER PROJECTION**
  - **ALLIANCE RELATIONS**
  - **SPACE OPERATIONS**

## THE ORGANIZATION AS A TREE

In summary, the example on the facing page could be repeated with any number of "end products" of the DoD that emerged in single service or multi-service environments. In addition, there are other streams of core competence that contribute to the end product of air supremacy, such as training and operational art. Playing a critical crosscutting role in much of this are the organizations of the Department that have programs with direct or spin-off utility across a range of service roles and missions.

# THE ORGANIZATION AS A TREE

## Elements of a Tree

Leaves, flowers, fruit

Smaller branches

Trunk, major limbs

Roots

## Business Analog

End products

Business units

Core products

Core competencies

## DoD Analog

Air supremacy

Air Force

Avionics & fire control

Ability to link separate streams of advanced technologies, such as:

systems engineering  
& architecture  
communications  
intelligence  
surveillance  
modelling & simulation  
high performance  
technologies

## CHANGING PERSPECTIVES: KEY SYSTEMS

The next issue that the working group addressed was the assessment of these core competencies. If one examines changing perspectives on warfare in this century some interesting comparisons across time can be made. In this regard, an interesting anecdote comes from Eisenhower's memoirs concerning his perception of the most useful equipment in the war in Europe. These were the duck amphibious vehicles, the two and one half ton truck, the bulldozer, the C-47, and the jeep. They are listed on the facing slide and compared with a notional list from Desert Storm compiled by Eliot Cohen, Director of the Air Force's Gulf War Air-Power Survey. The differences denote the shift in the nature and technology of warfare over the last 45 years, from reliance on mechanical systems to reliance on digital systems. Eisenhower's list highlights the importance of logistics in World War II, a war that Martin Van Creveld characterizes as the war of the logisticians. Cohen's list also highlights a transformation in warfare that defines the importance of information supremacy and its importance in Gulf War. As systems change, so too do operational concepts.

# **CHANGING PERSPECTIVES: KEY SYSTEMS**

- **WORLD WAR II (EISENHOWER)**
  - "DUCK"
  - "DEUCE AND A HALF"
  - BULLDOZER
  - C-47
  - JEEP
- **DESERT SHIELD/DESERT STORM**
  - F-117A
  - SUPPRESSION OF ENEMY AIR DEFENSES (e.g., HARM)
  - GLOBAL POSITIONING SYSTEM
  - PRECISION GUIDED MUNITIONS
  - STU III/SECURE FAX

**SHIFT FROM MECHANICAL SYSTEMS TO DIGITAL SYSTEMS**



## CHANGING PERSPECTIVES: OPERATIONAL CONCEPTS

If one thinks about changes in operational concepts in this century that have had an enormous impact on warfare, three come immediately to mind, although certainly there are others. These three were quite revolutionary. *Blitzkrieg* involved deep thrusts by armor and employed envelopment, as opposed to attrition, as the means to defeat the opponent. It called for by-passing the enemy's strengths and attacking his weaknesses, and it involved the use of aircraft both in ground support roles and as terror weapons in a strategic sense. *Carrier operations* in World War II embodied the melding of technology and innovative strategic concepts that were developed about 15 to 20 years before the war. *Maneuver warfare*, as employed in Desert Storm, involved practices such as very high rates of advance, a non-linear battlefield, integration of deep strikes, and high rates of fire. The successful integration and implementation of these practices represented truly revolutionary developments.

The point that we want to make here is that there are cycles in technology, and there are also cycles in operational art. These cycles do not always match; they do not always occur together. Sometimes the operational art is ahead of the technology, sometimes it is vice versa. They come together and complement each other in ways and at particular times, but it becomes very difficult to predict these events.



## **CHANGING PERSPECTIVES: OPERATIONAL CONCEPTS**

- **BLITZKRIEG**
- **CARRIER OPERATIONS IN WORLD WAR II**
- **MANEUVER WARFARE**

## WHAT POLITICAL-MILITARY ENVIRONMENT ARE WE IN?

In attempting to plan out twenty years into an uncertain future, the questions become, where are we, what are we doing, and what should we be doing? This is a highly speculative exercise. To paraphrase a comment by Peter Drucker, "One cannot take a snapshot of the future and plan forces for it."

The slide on the facing page is a notional slide. Anyone can assemble classes of military powers -- I am sure that every analyst or official has an implicit or explicit construct that resembles what is on the slide. There were some very interesting notions of divisions of powers in Professor Rosen's briefing. In our notional construct, we typed states as category "A", "B", or "C". There is really no precise definition to these categories. One may assume that location, size, ability to use advanced technology, the scale on which they are able to do things, and the complexity of their societies implicitly determine our perception of their status in the international system. "A" powers are the great powers; "B" powers are the Iraqs of the world, developing states with large conventional military forces, and "C" powers are small militarily ineffectual states that may have serious security problems with international consequences.

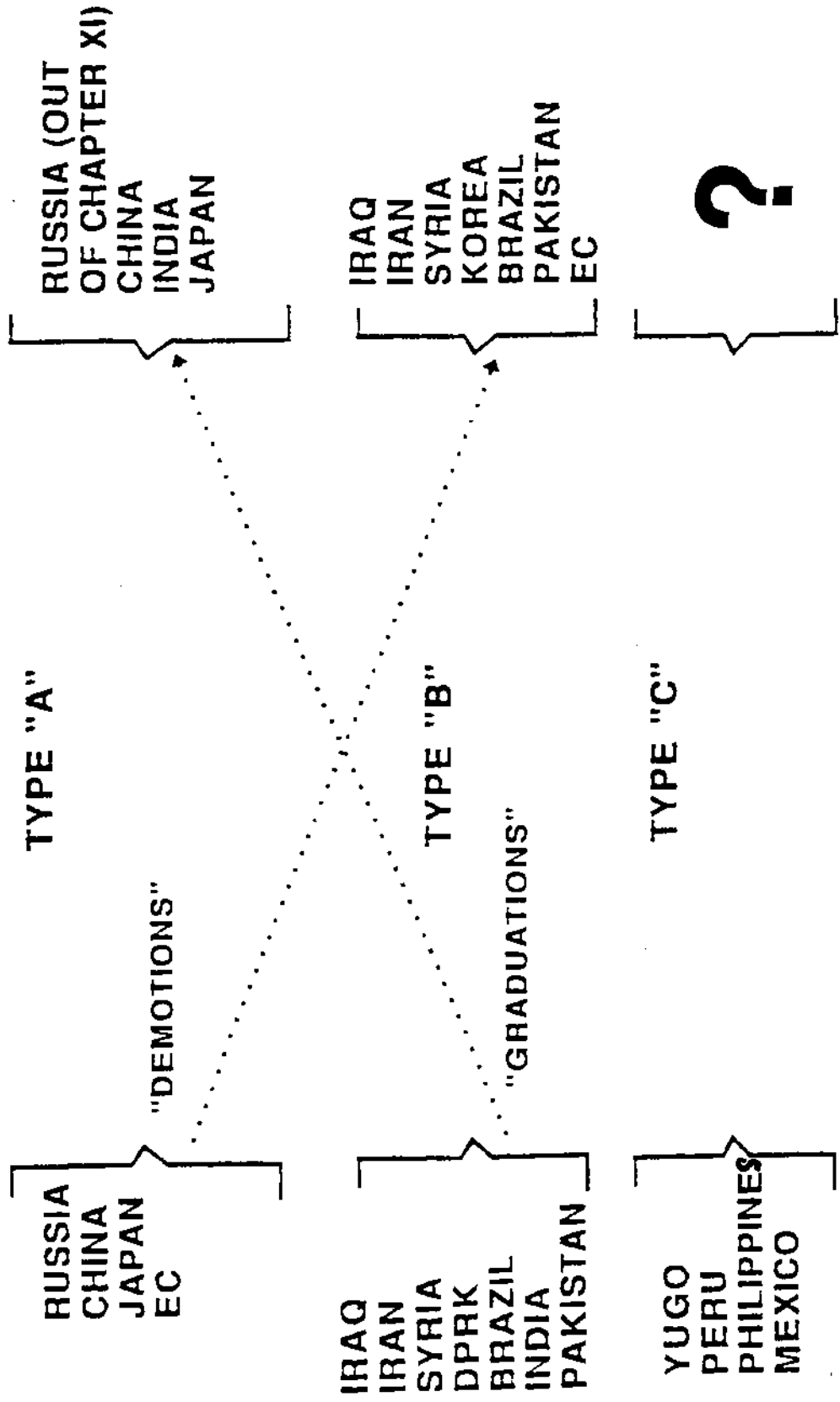
Certainly states can move from one category to another. Japan defeated Russia in 1905 in the Russo-Japanese War, and Russia essentially fell from the ranks of the great powers for a decade after that defeat. The EC, for example, could go to a category B power if it simply abandoned its quest for military security or was not concerned about security issues. Likewise, there are B states that could go into the role of great powers, such as India. Category C essentially refers to small nations (like those warring in Yugoslavia) or troublesome threats (like Sendero Luminoso) that the military does not like to get involved with, for good reason. However, the political leadership cannot always say "no" to involvement in these troublesome situations. And so you have a situation in which the spectrum of nations or threats against which the U.S. might have to operate or exert influence is very broad, and it changes over time.

# WHAT POLITICAL-MILITARY ENVIRONMENT

## ARE WE IN ?

NOW

2012





## WHAT POLITICAL-MILITARY ENVIRONMENT ARE WE IN? (concluded)

In terms of the security environment out twenty years in time, an issue at least as important as warfare is the relations among states and how these relations might be shaped by U.S. military capacity. Indeed, one can make the case that the most important rationale for our military posture is to influence events; only after that has failed do we resort to force of arms. For example, in the Cold War, the United States had the capability to protect Japan against the Soviet Union and China. We were able to do that in very direct ways, and indirectly through the threat of escalation. We did not have to fight. In 2012 will we have military forces that will be relevant to exerting that kind of influence, or will we be left with a basket of inappropriate and unattractive options because of the configuration and orientation of our military posture? One thing is certain: we cannot be a world military power in twenty years in the same way that we have been a world military power during the Cold War. We are going to have to do it in some other kind of way.

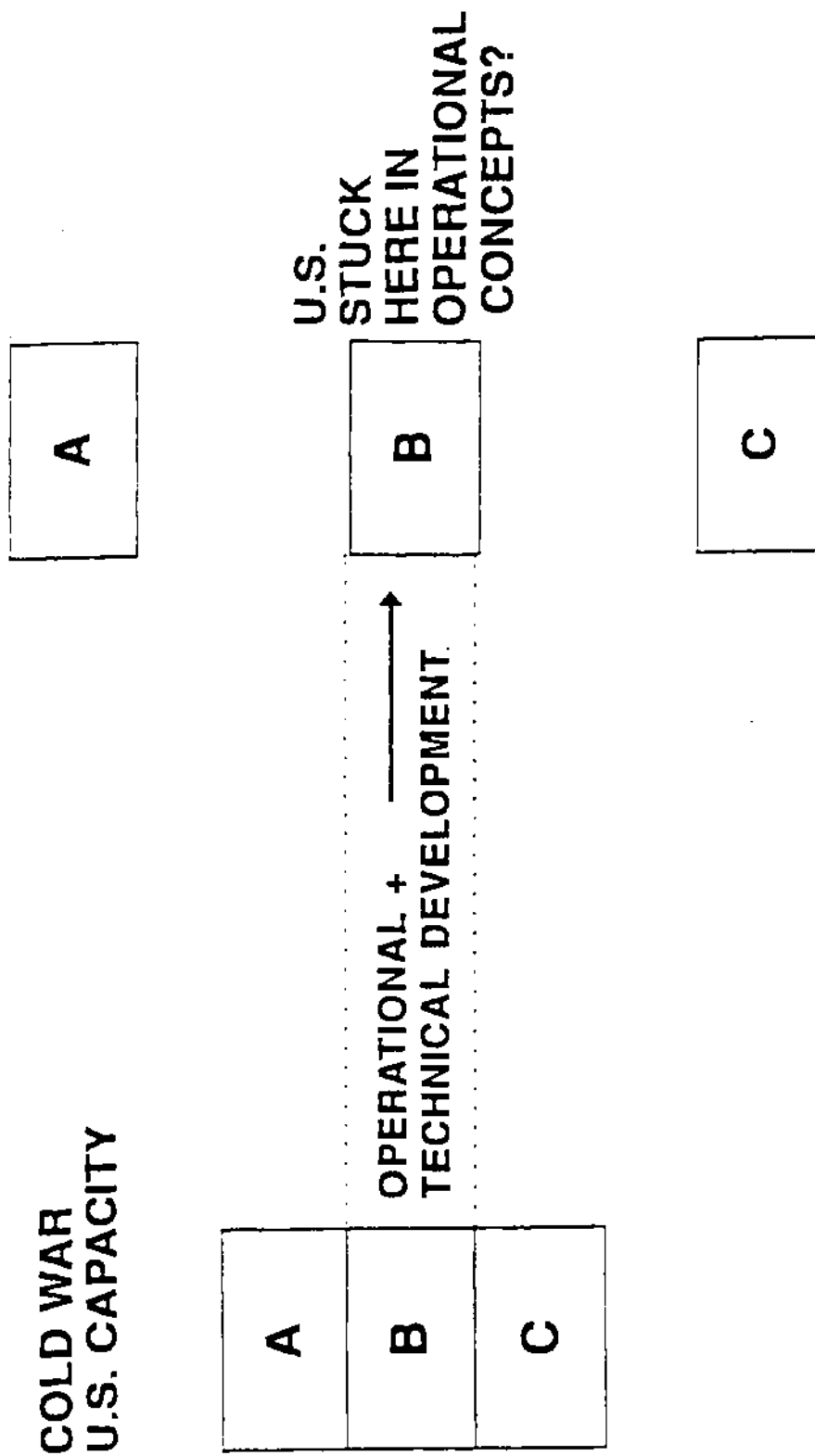
A balanced but smaller force leveraged by technology will not be sufficient alone to meet our needs. We will also need an understanding of the political and military structure of the international security system, an understanding of our potential adversaries and the capabilities and vulnerabilities of their governments and societies, and a concept of operations appropriate to the security challenges we will face. As the technologies that we apply to enhance our military capability evolve and advance, so too must our understanding of the political, social and economic dimensions of the international environment in which we desire our military capabilities to be relevant. Only then can we be confident that we can develop appropriate forces and strategies to meet the challenges we will face.

## STUCK IN THE MIDDLE?

Presently, we face the danger of becoming strategically "stuck in the middle". Nobody talks about "C" type conflicts, and nobody is thinking about "A". We have just fought a successful war against a class "B" power. This raises the question of how the U.S. military could be capable of fighting effectively against class "B" states if in fact it used against Iraq the kind of military forces that were designed and built to confront a class "A" power, the former Soviet Union. The answer is a very simple one. Environmental geographies change. The type of forces that were lined against the Inter German Border in 1989 would have probably been able to counter the Warsaw Pact's armed forces in that area of operation. But in 2012 how can we project force 2,000 kilometers across Poland, and across Ukraine? What kind of operational concept would the armed forces develop for this to deal with a potentially hostile Russia? By the same token the United States certainly could line the Indian military up along the Iraq-Kuwait border, and pound them to smithereens. How do you deal with India's military force if you have to fight a war against it around and on the Indian mainland? But how would this be accomplished against China in 2012?

We developed a particular operational art and particular tactics, and we fought an extremely successful war using them against an enemy that was particularly vulnerable to our concept of operations and our technology. Consequently, now the tendency in defense planning is to keep doing what we were doing successfully at the end of the Cold War and that proved so successful against Iraq. This involves making parametric improvements in the force. The inertia that this represents is further reinforced by the fact that the defense budget is shrinking dramatically, and so the natural tendency is to take a 300 billion dollar force and just squeeze it down into a 200 billion dollar force. If that occurs the Department of Defense will, in fact, be stuck operationally in the middle; i.e., have a capability to re-fight Desert Storm but not necessarily be able to compete for influence against the other great powers.

# STUCK IN THE MIDDLE ?







## STUCK IN THE MIDDLE? (concluded)

During the Cold War the differentiation in required capabilities between category "A", "B", and "C" was very slight. Indeed, the forces that we would use in class "A" wars would probably be good across a broad spectrum of conflict. However, by 2012 or further into the next century, the advancement of technology and defense production knowledge will further separate the great powers from everyone else in the international system. Consequently, if we are only planning for "B" type conflicts, we may find ourselves short of options in dealing with the great powers or dealing with the "C" type threats that we may face.

## "THE FACTORY AFTER NEXT"

Left unperturbed, it is very likely that the organizational inertia in DOD will produce a military which is essentially self-referential; e.g., it will measure itself against an internal standard most likely derived from its success in the last war. It will probably be good for "B" type wars in 2012, and little else. What we need to do is design something else. We have to focus on something called "the military after next," to a paraphrase of a concept borrowed from Professor Joe Bower from the Harvard Business School, who addressed the study group. One of the concepts he introduced was called "the factory after next."

"The factory after next" concept relates to the electric power generating industry and refers to a power plant that is a revolutionary improvement in terms of technology, operating efficiency, and cost effectiveness over the current generation of power plants. The tendency in the electric power industry is to build generating facilities that represent marginal improvements over current technologies and concepts of operation. Thus the "next factory" will provide a marginal increase in technology to produce marginal increases in operating efficiency and cost effectiveness over that which already exists. A better strategy is to bypass that next iteration of plant and to build "the factory after next"; the one that represents a generational step in terms of technologies, operational efficiencies, and operational concepts. Therefore, "the factory after next" will realize increases in efficiencies and productivities that the "next factory" could never match and can never achieve.

# THE FACTORY AFTER NEXT

- "THE NEXT FACTORY"

--STRATEGY: Marginal Increase in Technology

--RESULT: Marginal Increases in Operating Efficiency  
and Cost Effectiveness

- "THE FACTORY AFTER NEXT"

--STRATEGY: Bypass the Next Iteration of Plant

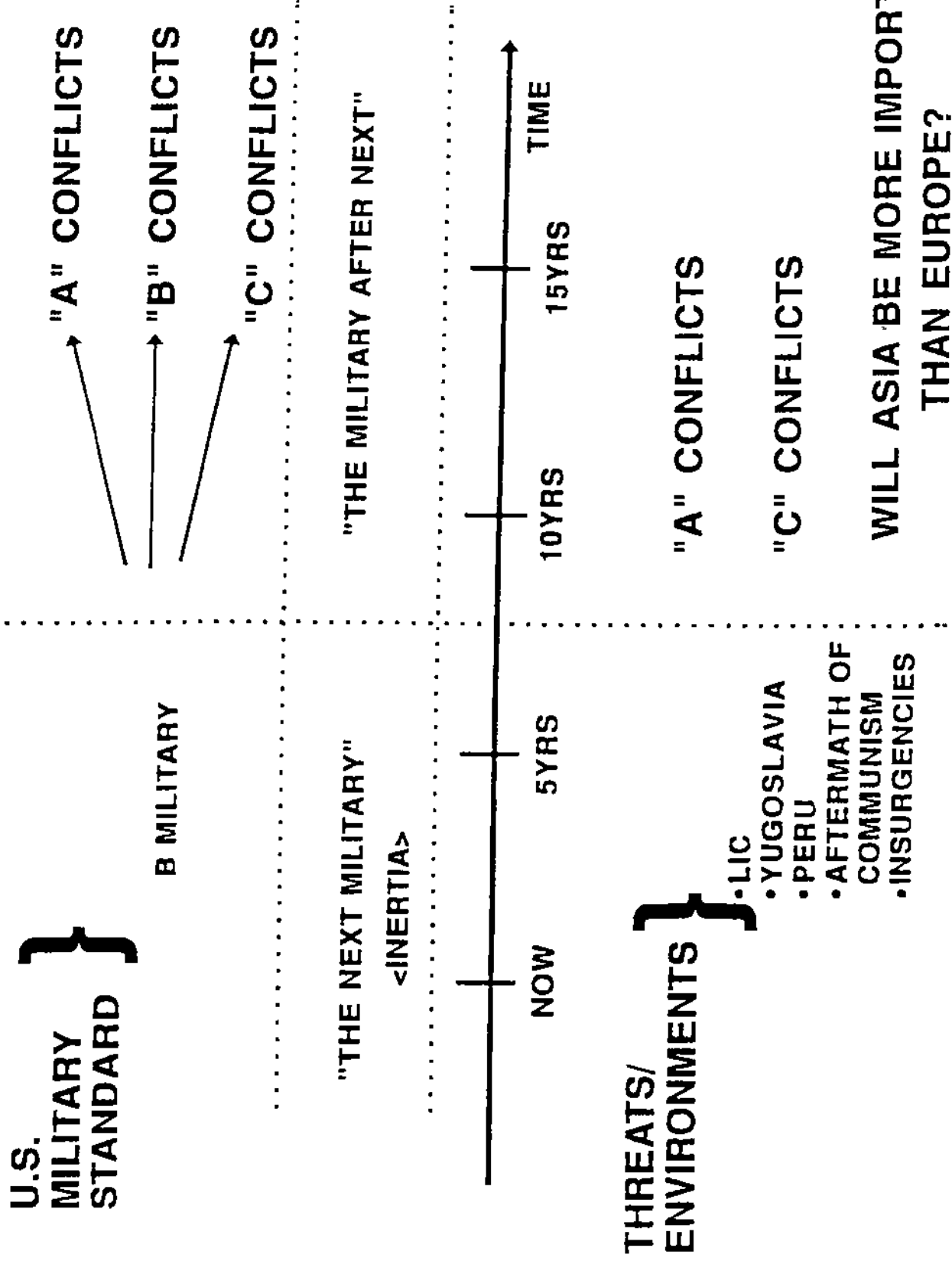
--RESULT: Generational Increase in terms of  
Technologies, Cost Effectiveness,  
and Operating Efficiencies

## "THE MILITARY AFTER NEXT"

It is very hard to think about the future, especially if that requires one to abandon concepts that have strong organizational constituencies and inertia, especially if the concepts of the present have been successful. In defense we must abandon thinking about business as usual, because innovation as we now know it will not lead us to the operational art and strategy that we need for the Twenty-first Century. For example, a 4,000 meter Hellfire might look like a large improvement in a narrow technological sense. In the great strategic game, it simply does not matter. We must be careful not to trap ourselves into making parametric improvements in our forces, e.g. "the next military", and thus miss the opportunity to construct "the military after next." This may mean forgoing immediate improvements in our force so that we may better position the defense program to take advantage of the opportunities to build "the military after next" in terms of equipment and operational art that will be required to have a preeminent military for the period twenty to thirty years in the future.

Another anecdote from the Summer Study contributed by Professor Paul Bracken from Yale is illustrative about planning for the right problem. It concerns the Sanyo coffee maker. In the highly competitive coffee maker industry, producers were focusing on an anticipated consumer demand to make coffee faster. After the expenditure of several millions of dollars in research and product development several competitors produced a coffee maker that made poor tasting coffee almost instantly. In doing so they had produced a coffee maker that merely duplicated a product that had already been invented. That product is "instant coffee"; it already exists; it does not taste very good. Sanyo's management, on the other hand, decided that consumers really wanted coffee that tasted better, not coffee that was made faster. They installed a water filter in their machine to accomplish this. They subsequently captured a dominant portion of the coffee maker market. That is the kind of thinking we have to employ to fundamentally re-conceptualize the defense problem that we face.

# THE MILITARY AFTER NEXT





## "THE MILITARY AFTER NEXT" (concluded)

Consequently, we must know where we are going with the defense program, and this must be explicit. Many of the events and forces that will bring about globally significant changes -- in economics, demographics, geography -- that will be important in twenty years have already occurred. For example the people who will make up the work forces and military establishments of all nations of the world at that time have already been born. The government's knowledge of these kinds of forces that will shape the global future is virtually nonexistent in the policy arena.

A key element of what will be the immediate defense planning problem is trying to get to know better your potential "A" and "C" adversaries or competitors. Conducting business as usual and making marginal improvements to the forces in being will not make the United States military establishment effective in dealing with the challenges posed by the other great powers in 20 years. We should not forget that in 1940 the French had more and better tanks than the Germans.

Consequently we have to decide where we want to be in twenty years with our defense program. Are we going to be able to cope with "A" or "B" or "C" adversaries, or some combination of them? Inertia in the defense planning process will push us out over the ten year horizon, essentially into a "B" world. *What we have to do now is to begin our planning for the "military after next" that will be able to cope with adversaries of any class.* Once we have spent ten years doing business as usual, making marginal improvements in the capabilities of our forces, it is going to be too late to try to reorient our thinking and catch up to the strategic problem that we may face in 2012.



## WHAT WE DID

In this section the study group identified some key capabilities and investments of the Department of Defense and speculated on which may be important in twenty years.

# WHAT WE DID

1. CHARACTERIZED DoD's CORE COMPETENCIES
2. DEVELOPED A FRAMEWORK TO ASSESS THOSE CORE COMPETENCIES
3. EVALUATED THE CORE COMPETENCIES USING THIS FRAMEWORK
4. IDENTIFIED CORE COMPETENCIES TO DEAL WITH POTENTIAL ENVIRONMENTS IN THE 21st CENTURY
5. DEVELOPED INITIATIVES TO ASSIST IN MANAGING THE UNCERTAIN FUTURE SECURITY ENVIRONMENT

## NOTIONAL KEY CAPABILITIES - 2012

On the facing page is a list of some investments that the Department is currently making. We probably would all agree that this list represents important aspects of our future defense program. From the perspective of core competencies, the question is whether these investments will create the critical core products that will lead to the development of end products with real political and military utility to influence the other great powers in twenty years. If we make investments now, the utility of these investments is going to look very different across the range of "A", "B", and "C" contingencies and problem environments that our political leadership and our military forces are going to face in twenty years. For example, theater missile defense may not be relevant against C type powers that do not have missiles. Theater missile defense may look very different against India than it will against Iraq because of differing levels of technological sophistication between these two nations.

# **NOTIONAL KEY CAPABILITIES - 2012**

- HIGH FIDELITY REALISTIC TRAINING
- THEATER MISSILE DEFENSE (ACTIVE, PASSIVE, AND COUNTERFORCE)
- LONG RANGE PRECISION STRIKE
- WORLD WIDE SITUATIONAL AWARENESS
- RAPID DEPLOYMENT AND BUILDUP OF COMBAT CAPABILITY WORLDWIDE
- CONTROL OF THE AIR AND SEA

## OBSERVATIONS ON NOTIONAL KEY CAPABILITIES

Should DoD's current investments be evaluated in terms of where we are today, or should they be evaluated across the entire spectrum of security threats that the United States is likely to face in twenty years? In terms of inertial flow, we must be careful because the tendencies to build a "B" type capability are strong; that is, simply to make parametric improvements in our existing forces. If we do that we may not have the flexibility to deal effectively with type "A" and type "C" threats and powers in the next century. If we pursue a business as usual approach, it will give rise to capability that is probably best suited to fighting "B" type cases, and so we will be condemned by our lack of foresight now to be able to fight effectively only the Iraqs of the world on into the next century.

# **OBSERVATIONS ON NOTIONAL KEY CAPABILITIES**

- **CORE COMPETENCIES VARY ACROSS CASES**
- **HOW YOU DO IT**
- **WHAT THE VALUE OF IT IS IF YOU HAVE IT**
- **IF WE PURSUE "BUSINESS AS USUAL," IT WILL  
GIVE RISE TO A CAPABILITY THAT IS BEST  
MATCHED TO TYPE B CASES**



# WHAT WE DID

1. CHARACTERIZED DoD's CORE COMPETENCIES
2. DEVELOPED A FRAMEWORK TO ASSESS THOSE CORE COMPETENCIES
3. EVALUATED THE CORE COMPETENCIES USING THIS FRAMEWORK
4. IDENTIFIED CORE COMPETENCIES TO DEAL WITH POTENTIAL ENVIRONMENTS IN THE 21<sup>st</sup> CENTURY
5. DEVELOPED INITIATIVES TO ASSIST IN MANAGING THE UNCERTAIN FUTURE SECURITY ENVIRONMENT



## ADDITIONAL CORE COMPETENCIES

The security environment and the demands that American political authorities may make on DoD are highly uncertain over the next two decades and beyond. Consequently, DoD needs to develop additional core competencies if it is to deal adequately with the full range of problems that could emerge. In particular, the current force structure and operational concepts may not be adequate if the United States is to have the capability to deter the emergence of Type "A" or Type "C" threats to its security, or to shape them and to deal with them, should any emerge. Additional core competencies must be developed in order to pose entry barriers to potential Type "A" or "C" competitors, to have options to develop military capabilities for such situations within a time period consistent with their emergence, and to foster military innovation that moves beyond the framework of Type "B" threats.

One such competency is the ability to lead, plan, and manage the process of using a wide range of political, economic, and military instruments for shaping the future security environment. These instruments include coalitions and alliances, economic and security assistance, arms transfers, trade policy, technology controls, basing, combined exercises, and the like. This marshaling of instruments to achieve strategic purposes in peacetime or crises is done well in the small crises and episodically on a larger scale, but it needs to become a mainstream, top-level DoD activity both within U.S. inter-agency processes and in the international activities of operational commands. In the pre-nuclear age this orientation to the utilization of all the instruments of foreign policy and all the capabilities of the nation to achieve national level objectives was called "Grand Strategy". Part of such an approach could be the deterrence of or active intervention in preventing potential competitors from acquiring the technological skills or end military items that might pose a future challenge to the military position of the U.S.

## **ADDITIONAL CORE COMPETENCIES**

### **APPLICABLE TO TYPE A, B, OR C, THREATS**

#### **GRAND STRATEGY**

#### **UNDERSTANDING OF RELEVANT REGIONS AND CULTURES**

#### **ABILITY TO USE GLOBAL INFRASTRUCTURE**

- ACQUISITION**
- OPERATIONS**
- LOGISTICS**



## ADDITIONAL CORE COMPETENCIES (concluded)

A second important competency DoD should have is the in-depth understanding of relevant regions and cultures (potential future allies, friends, adversaries, or others that could affect U.S. interests strongly). Obviously, this is a dimension that should be added to U.S. intelligence activities, but the understanding of relevant regions and cultures must also affect the way DoD forces plan and operate if this competence is to be truly useful. Jim Roche of Northrop observed that we did not adequately understand Iraqi culture. For example, he hypothesized that if we had driven to the gates of Baghdad, we would not have known how to proceed; e.g. who to arrest, what strongholds to seize. Conversely, he observed that the Israelis, who are serious students of the region's culture, would have been better prepared to act effectively.

U.S. intelligence services and operational commands must understand and plan to utilize or exploit the political, economic, and social infrastructure, as well as the military targets, in an area. This combined intelligence and operational expertise on relevant foreign areas is needed to help shape the security environment, to deter attacks, to manage crises, and to operate effectively. It is something that must be fostered through research and education programs in United States society as a whole, because it is from the competence of society at large that the Department of Defense draws its resources.

A third key competency is the ability to *better* utilize the global economic infrastructure in order to fully draw upon the U.S. and international infrastructures for commercial components in military systems, for technology, and for offshore production of military components or systems where appropriate. Military operations should be able to utilize more effectively the enormous capacity of commercial communications for C<sup>3</sup> and the transportation infrastructure to help move U.S. or coalition forces. Military logistics, which already draws on the civilian infrastructure, needs to do so even more extensively in the future. All of this needs to be knit together by information, management skills, and a DoD mind-set that pays far more attention to the benefits of the global economic infrastructure than is now done.

## ADDITIONAL CORE COMPETENCIES NEEDED IF DOD IS TO:

Other new core competencies would more specifically contribute to DoD's ability to deal with Type "A" or Type "C" situations. To deter or influence Type "A" threats, the U.S. military needs a fundamental operational re-conceptualization about its role in such situations in the early Twenty-first century, reflecting the political and operational reality that America probably will not -- and ought not -- commit large numbers of ground forces to an extended war in China, India, Russia, or elsewhere. Thus, the U.S. contribution most likely would be air, maritime, intelligence, and defensive operations in support of "other people's armies". Moreover, the character of U.S. forces for Type "A" situations, their concepts of operations, and their training probably would be different in many ways from those for Type "B" situations. For example, sustained air superiority over enemy territory might not be feasible or needed for Type "A" wars, but the ability to sustain precision air strikes with stealth bombers would surely be needed.

Type "A" wars among peer competitors could involve attacks on critical political and social institutions or on communications, monetary, or economic infrastructure targets with the purpose of destroying social and political cohesion of the adversary state without having to defeat its military forces in the field. These attacks might be aimed at detaching the center -- capital or central state apparatus -- from the rest of the nation. This might have to be accomplished while protecting similar targets in the U.S. or allied states. It could involve nuclear or conventional munitions, multiple means of delivery, and multiple attack origination points. It would certainly require superior knowledge about the political, social, and economic nature of the adversary state, and its vulnerabilities to the discrete and precise application of military force. The capability to destroy the "state" without necessarily destroying the resources over which it presides should serve as a powerful deterrent.

# **ADDITIONAL CORE COMPETENCIES**

## **NEEDED IF DOD IS TO:**

- **DETER OR INFLUENCE TYPE A OR C SITUATIONS**
- **FOSTER INNOVATION BEYOND TYPE B FRAMEWORK**
- **TAKE FULL ADVANTAGE OF OTHER PEOPLES':**
  - **ARMIES, NAVIES, AND AIRFORCES**
  - **TRANSPORTATION INFRASTRUCTURE**
  - **COMMUNICATIONS**
  - **MONEY**



ADDITIONAL CORE COMPETENCIES NEEDED IF DOD IS TO: (concluded)

A different kind of competency is needed to deter or influence Type "C" situations. Here U.S. forces, especially ground forces and special operations forces, need to be equipped and trained for low-level conflict in a wide variety of conditions (including urban fighting), but they also need to be sensitive to the political and social objectives and conditions of low-level conflict. Accordingly, how the forces are organized and their concepts of operations would probably be different from those needed for Type "A" or "B" wars. Like the forces for these wars, however, Type "C" military forces would need a detailed understanding of the political, economic, and social structure of the conflict region.



## CAPABILITIES NEEDED TO INFLUENCE TYPE "A" and "C" SITUATIONS

The additional core competencies that we have identified, as well as the maintenance of those that the Department of Defense presently possesses, should lead to the development of a number of end products that must create an enormous leveraging effect for our military capabilities. If one is searching for core competencies to develop to deal with Type "A" threats, the capabilities on the facing page should be achievable using the identified portfolio of core competencies. The following facing page illustrates the same for Type "C" threats. These slides show what the Department of Defense will have to be capable of doing in a minimal sense to deal with threats or influence affairs across the spectrum of "A", "B" and "C" situations.

# **CAPABILITIES NEEDED**

**TO INFLUENCE TYPE "A" AND "C" SITUATIONS**

## **"A" Situations**

- Deployable Theater Missile Defense
- Production Base for Cruise Missiles, Long Range Bombers, Ships and Submarines to Ramp Up for Power Projection
- High Leverage Ground Forces for Coalition Warfare Employing US Leadership in Operational Concepts

## **"C" Situations**

- Intelligence Support to Others
- Outfitting and Training Foreign Military Forces
- Urban Warfare Capabilities



# **WHAT WE DID**

- 1. CHARACTERIZED DoD's CORE COMPETENCIES**
- 2. DEVELOPED A FRAMEWORK TO ASSESS THOSE CORE COMPETENCIES**
- 3. EVALUATED THE CORE COMPETENCIES USING THIS FRAMEWORK**
- 4. IDENTIFIED CORE COMPETENCIES TO DEAL WITH POTENTIAL ENVIRONMENTS IN THE 21st CENTURY**
- 5. DEVELOPED INITIATIVES TO ASSIST IN MANAGING THE UNCERTAIN FUTURE SECURITY ENVIRONMENT**

## innovation

The fifth issue that the task force addressed was to identify management initiatives that would be useful in fostering the development of relevant core competencies for the future. The title of the viewgraph, "Innovation", is deliberately in small letters to suggest that the task force did not solve this problem. What we found was that the innovation problem is not as bad as is commonly perceived. There are innovations going on in DoD all the time. In the environment, there are natural forces present to stimulate innovation. These include war, budget cuts, and rapidly evolving technology -- the same kind of factors that were evident in the 1920s and 1950s when an enormous amount of innovation in terms of key systems, key technologies, and key operational art took place.

We are in a period in which the conditions are right for innovation, even as difficult as those conditions may seem right now. However, what we need to do is to think operationally about the "A" and "C" cases, which are essentially outside the spectrum of what we have been doing well today. We need to improve our thinking about joint and combined operations against type "B" adversaries in an era of declining resources, resources that may not be sufficient to fight more than one Gulf War at a time.

What can top management do? In fact, management is the key to innovation. This is pretty much classic business literature thinking. What top management has to do is articulate a vision of where the organization must go. The Secretary must do that again and again, in speeches, in congressional testimony, in defense guidance, etc. He has to challenge the organization to achieve that kind of vision. He has to pay and promote individuals and reward organizations that actively pursue his initiatives, and he must do this publicly and dramatically. The Office of the Secretary must be engaged in the feedback loop to ensure that the organization is moving in the right direction. Finally, he has to encourage risk taking, and he has to tolerate failure.

# innovation

## FINDINGS

- THE PROBLEM IS NOT AS BAD AS COMMONLY PERCEIVED
- NATURAL FORCES TO STIMULATE INNOVATION ARE PRESENT
  - WAR
  - BUDGET CUTS
  - TECHNOLOGY
- HOWEVER, WE MUST
  - EXTEND OUR ABILITY TO THINK OPERATIONALLY ABOUT TYPE "A" AND "C" CASES
  - IMPROVE OUR THINKING ABOUT JOINT AND COMBINED OPERATIONS AGAINST FUTURE TYPE "B" ADVERSARIES IN AN ERA OF DECLINING RESOURCES

## innovation (continued)

There are not organizations that innovate and other organizations that do not innovate. The problem is a lot more complex than that. Essentially, there is constant tension within all organizations between managing today's problems and trying to plan strategically for the problems ahead; to plan for the future. There is a nice army saying that captures this dilemma. "It is difficult to remember that your objective was to drain the swamp when you are up to your butt in alligators." This is the kind of problem environment in which innovation has to occur, and it is a difficult environment. In the Cold War we rewarded people who were technologically innovative. We rewarded people who were successful weapons systems managers. In the Gulf War we rewarded people who were innovative in an operational sense.

Our analyses of core competencies (as measured against the spectrum of potential adversaries) reveals that there is a need to broaden our thinking about the nature of conflict to deal more effectively with emerging Type A and C adversaries.

To redress this shortfall, it is recommended that a coordinated set of organizations should be charged with re-conceptualizing our thinking about the nature of conflict for these classes of adversaries in the 2012 time frame. The Senate Armed Services Committee, in their July mark-up, directed the Joint Chiefs of Staff to establish a center for doctrine and concept development that would use simulation techniques to refine joint doctrine and improve joint operations. That organization could work with the Service's Doctrine Commands and the DoD's senior universities.

Our analyses of trends in core competencies suggest that the bulk of our current investment will be directed against future Type B adversaries. Nevertheless, it is perceived that expanded initiatives are needed to stimulate innovations in joint and combined operations against this class of adversaries, as well as new conceptualizations and initiatives directed toward Type "A" and "C" adversaries, as we have been recommending. Two specific, interrelated recommendations are forwarded to stimulate these innovations.

### innovation (continued)

First, conflict has always been a catalyst to innovation and improved mechanisms are needed to capture and extend those innovations. As an illustration, significant advances have recently been made in this area through the efforts of DARPA and the Army to capture the dynamics of the Desert Storm Battle of 73 Easting via the technology developed in Project Odin. Although this is a major breakthrough, in its own right, it should be extended in several important dimensions. A structured set of excursions should be undertaken to explore systematically the impact of changes in systems, doctrine, and concepts of operation for both sides. In addition, efforts should be made to exploit additional sources of data (e.g., JSTARS tapes) using Project Odin technology to conceptualize a broader slice of operations. Ultimately, this approach might be employed as a real-time decision aid to stimulate the commander to adjust his operational concepts to reflect the dynamics of the battle. Finally, the scope of this capability should be broadened to deal with combined air-land-sea operations. Although presently this activity will be based on Type "B" scenarios, nothing prohibits its extension to Type "A" and "C" scenarios.

Second, DoD should exploit the ongoing revolution in simulation more broadly. As one illustration, the Air Force currently exercises and evaluates air operations through Red Flag at Nellis AFB, NE. Just prior to Operation Desert Storm, they transformed this capability into Desert Flag to expose Air Force pilots to Iraqi target arrays and defensive tactics. This capability should be expanded, through the proposed Southwest Integrated Testbed initiative, to make it a Joint Service capability.



## innovation (concluded)

In addition, the concept should be expanded to a systematic set of exercises and evaluations against a broader spectrum of potential Type B adversaries. The group denoted this expanded capability as "Rainbow Flag." In addition, there are currently Army plans to conduct a sequence of Louisiana Maneuvers, employing virtual, constructive, and live simulations, to explore new concepts of operation. It would be desirable if its scope would be expanded to explore joint operations in a more balanced way. As a caveat, we must not lose sight of the fact that simulations must be critically assessed to ensure that they do not give rise to false "lessons learned". One need look no further than the original Louisiana Maneuvers where General McNair incorrectly deduced that (simulated) anti-tank weapons could easily defeat armor. As a consequence of that error, the U.S. suffered much higher casualties in the North African campaign than it needed to.

The group's earlier recommendations focused on mechanisms to stimulate operational innovation in DoD across all types of potential adversaries. Of equal importance are the mechanisms needed to inject the innovations that result from those processes into the institution. One such innovation would be the circulation of military and DoD civilian elites across "stove pipe" organizations to get people to share cognitive maps and distribute those aspects of the core competencies of the Department that are based on human organizational and technical knowledge and skill. This process would serve to broaden the cultural perspectives of the organizations involved and would broaden the impact of the human resource dimension of core competence. It would also foster innovation by bringing knowledge and insights to light that formerly were resident in a closed community.

Finally, it is recommended that the staff at the Naval War College that plans and executes the yearly Global activity be challenged to address the range of Type "A" cases. This organization claims that prior to World War II it conceptualized and played out all aspects of the conflict in the Pacific with the exception of the use of kamikaze pilots.

# **innovation**

**(CONCLUDED)**

- EXPLOIT THE ONGOING REVOLUTION IN SIMULATION MORE BROADLY; E.G.:
  - TRANSFORM RED FLAG TO RAINBOW FLAG
  - BROADEN 73 EASTING CONCEPT
  - EXTEND LOUISIANA MANEUVERS TO ALL SERVICES
- CIRCULATE ELITES ACROSS "STOVE PIPE" ORGANIZATIONS TO PERMIT THEM TO SHARE COGNITIVE MAPS, DISSEMINATE IDEAS
- CHALLENGE GLOBAL ACTIVITY AT NAVAL WAR COLLEGE (OR GLOBAL TYPE ACTIVITY) TO DEAL WITH THE RANGE OF "A" TYPE CASES

## PPBS

The Planning, Programming, and Budgeting System (PPBS) was, in hindsight, a very effective tool for managing the Cold War competition with the Soviet Union. It was an organizational strategy that insulated DoD from the vagaries and vicissitudes of politicians and political whim from the outside. It was unyielding and inertial. It was imperturbable. As such, it was the ideal tool for managing long term, vigilant containment against the Soviet Union. Those days are over, and the DoD does not need now to be insulated from outside political forces. The PPBS is not currently serving DoD's interests very well. It is ill-suited to the new world disorder, and problems still exist in terms of affordability and volatility.

The Summer Study did not have the time or resources to completely redefine the PPBS structure. What we suggest is a re-configuration of PPBS categories. We believe that the concept of core competence should be introduced into the budget process and employed to facilitate planning under uncertainty, to track various POM omissions, and to transform the dialogue with the Congress. It might be appropriate for next year's Summer Study to address these issues in greater detail.

# PPBS

- FINDING

- THE CURRENT PPBS IS NOT SERVING DoD's NEEDS WELL

- TAXONOMY IS ILL-SUITED TO "NEW WORLD DISORDER"

- MAJOR PROBLEMS EXIST IN PROGRAM AFFORDABILITY, VOLATILITY

- RECOMMENDATIONS OF COMPETITION

- RECONFIGURE PPBS CATEGORIES

- INTRODUCE CONCEPT OF CORE COMPETENCIES AND EMPLOY TO

- FACILITATE PLANNING UNDER UNCERTAINTY

- TRACK POM SUBMISSIONS

- TRANSFORM THE DIALOGUE WITH CONGRESS

## PLANNING ALTERNATIVES

The summary chart on the facing page was developed by Stuart Starr of the Mitre Corporation. In the current environment, because of the difficulties of shrinking the force, the attention of the DoD to long term planning is probably reduced. We think that it needs to be emphasized. Currently, we are doing top down and bottom up planning. We suggest a focus incorporating the concept of core competence into the planning process. In terms of the time horizon, the whole process is skewed toward being imperturbable over the next several years. We would suggest a shift in the time horizon to plan out 20 years to allow us to plan the "military after next".

In terms of change, the Department has to accept ambiguity. You cannot simply take a snapshot of the future and then plan forces against that. It will not work. You will be stuck in the wrong game. So there has to be an acceptance of ambiguity, something that organizations do not like to do. In terms of focus, we want to broaden the focus to plan for Type "A" and "C", as well as Type "B" adversaries. We want to accentuate jointness in terms of our institutional orientation. Finally, we want to look not only at systems, but we want to look at systems plus technologies plus operational art. As Prahalad and Hamel caution, cultivating core competencies does not mean outspending rivals on research and development -- many world leaders spend less on R & D than their competitors.

In times of great change and uncertainty, concepts of core competencies probably will provide a useful heuristic in helping to deal with the spectrum of adversary environments which we probably are going to face. However, there is an existing momentum within the U.S. military to develop and enhance core competencies that are suited to type B cases. We would like to expand that focus.

# PLANNING ALTERNATIVES

|                     |                                | CURRENT                   | ALTERNATIVE                                     |
|---------------------|--------------------------------|---------------------------|-------------------------------------------------|
| ATTENTION           |                                | REDUCED                   | EMPHASIZED                                      |
| TYPE                |                                | TOP DOWN<br>BOTTOM UP     | CORE COMPETENCY                                 |
| TIME HORIZON        |                                | SHORT-TERM<br>(FEW-YEARS) | LONG-TERM<br>(~ 20 YEARS)                       |
| TREATMENT OF CHANGE |                                | TRY TO PREDICT            | ACCEPT AMBIGUITY                                |
| FOCUS:              | - SCOPE                        | NARROW                    | BROAD                                           |
|                     | - ADVERSARY                    | TYPE B                    | TYPE A->C                                       |
|                     | - INSTITUTIONAL<br>ORIENTATION | SERVICE                   | JOINT                                           |
|                     | - SUBSTANTIVE<br>ORIENTATION   | SYSTEMS                   | SYSTEMS PLUS TECHNOLOGY<br>PLUS OPERATIONAL ART |

## SUMMARY

We found the concept of core competence extremely relevant to conceptualizing and planning for the defense environment of 2012. The maintenance of relevant core competencies can provide a basis from which to quickly develop operational capabilities for a variety of threats. The Department of Defense must develop new core competencies to deal with all types of adversaries, including understanding of relevant regions and cultures in operationally useful ways for the military. We want to be able to have a fundamental re-conceptualization of the type of military forces and strategies we are going need against Type "A" powers -- the great powers. We need to develop a low level combat capability for Type "C" contingencies. Finally, in terms of management, we need to enhance innovation, to reward innovation within the organization, and to make our management tools and procedures more relevant for the evolving defense environment.

# Summary

- In times of great change and uncertainty, the concepts of
  - Core competencies
  - Spectrum of adversary environmentsare useful in conceptualizing our evolving national security posture
- Application of these concepts reveals that
  - Existing momentum is leading the US to develop and enhance core competencies suited for Type B cases
  - New core competencies are required for
    - All Types (e.g., understanding of relevant regions and cultures in operationally useful ways)
    - Type A cases (e.g., fundamental operational reconceptualization)
    - Type C cases (e.g., low level combat competency)
- Management steps are needed to
  - Enhance Innovation
  - Overhaul the PPBS





Working Group #2

1992 SUMMER STUDY

Working Group II

FUTURE MAJOR POWER RELATIONS

## Objectives

During the Cold War, government officials and academics often tried to understand the nature of the relations among the major powers by understanding the character of the bi-polar relation between the two superpowers. With the end of the Cold War and the disintegration of the Soviet Union, it is clearly no longer appropriate to think about international relations in terms of bipolarity, but it is also not clear if we are better off by thinking in general terms about multipolar relations, or about unipolar relations in a world in which the US is the only country dominant in economic, military, and alliance power.

The task of this working group, therefore, was to go beyond the buzz-word of multipolarity to see if it could generate a plausible set of alternative worlds in which the relations among the great powers could be discussed with enough specificity to be of use to Defense Department policy makers. In particular, the group was concerned with understanding the possible lines of conflicts, including but not confined to war, among the great powers, and the possible lines of alignment and cooperation, including but once again not confined to formal military or diplomatic alliances. No single prediction concerning the future of world politics could hope to capture the existing uncertainties, so several alternative pictures of world politics were developed.

In addition to the patterns of alliances and alignments, we also wanted to think about what might be the dominant international processes. Would international relations be dominated by war? By economic relations? By cooperative or predatory economic relations? Would mass migrations be an important process by means of which nations were linked to each other. Or, more precisely, in which parts of the world would which processes be dominant?



# OBJECTIVES

- **BEYOND "MULTIPOLARITY"**
- **RELATIONS AMONG THE GREAT POWERS**
  - **ALIGNMENTS**
  - **LINES OF CONFLICT**
- **TO ASSIST IN STRUCTURING LONG-TERM DOD PLANNING**

## **"Great Powers"**

Since the focus of the group's work was the relations among the great powers, it became necessary to specify by some means what the group meant by a "great power." This was necessary in order to help the group focus on whether nations that were now, by common agreement, great powers, might remain great powers in 20 years, whether new great powers might emerge, and whether the very approximate rank ordering of the great powers by their national power might change significantly over the next 20 years. No single definition was found to be completely satisfactory, though the definition of a great power in relational terms, a power whose economic, military, social, and geostrategic strengths were such that it could not be dominated by any single other great power, came closest. In the end, the group simply enumerated the powers that everyone would agree was a great power today, and the ones that would or could become great powers in twenty years.

The list for 1992 should surprise no one. The list for 2012 is more speculative. That the US, Japan, China, the major West European countries, and Russia should continue as major powers is not surprising. India and Brazil were included because current projections suggest that each of their GDPs could be the equal of France by 2012. A Korea that had managed the problems of reunification and sustained current rates of economic growth and had inherited the military infrastructure of North Korea would be a plausible candidate for great power status. Turkey, if it sustains its current growth rates and drive to build links to Central Asia could become the key player in the Eastern Mediterranean as the US and Russia withdraw.

Determining the future rank order of the great powers is even more risky. Very crudely, however, if Russia does not radically improve its economic performance very quickly and then sustain historically high rates of economic growth, it is hard to see how it will not sink toward a position where it is economically behind the US, Japan, China, and Germany, but possibly also behind a unified Korea. Russian military power is not a simple product of its national economic strength, but will clearly be affected by it over the long term.

A note on Brazil and sub-Saharan Africa. Brazil did not play a major role in the group's work, not because it was thought to be unimportant, but because the group could not figure out a way in which Brazil would play a major role in shaping the relations among the other great powers. Similarly, sub-Saharan Africa, while a major concern for many reasons, did not appear to play a large role in shaping great power relations, the central focus of the group's work.

## "GREAT POWERS"

| 1992    | 2012    |
|---------|---------|
| US      | US      |
| RUSSIA  | RUSSIA  |
| JAPAN   | JAPAN   |
| PRC     | PRC/ROC |
| GERMANY | GERMANY |
| UK      | UK      |
| FRANCE  | FRANCE  |
|         | KOREA   |
|         | INDIA   |
|         | BRAZIL? |
|         | TURKEY? |

## Methodology

Although in theory it makes sense to think about great power relations on a global basis, as a practical analytical matter, the group did not know how to approach a problem that big without breaking it down into sub-systems, analyzing their internal dynamics, and then recombining them into a global system. The group broke the world down in three ways. First, and most obviously, the group looked at the world in terms of regions, Europe, from the UK to the Urals, and Asia, from the Urals east and along the Pacific rim. Second, the world was divided into the area of the great industrial democracies, the zone of peace (ZOP), and the rest of the world, the zone of turmoil (ZOT). Relations among the great industrial democracies of North America, West Europe, and Japan were not likely to involve war, but would they be devoid of conflict? It was important to know because it is in this zone that the bulk of the world's wealth is generated. In the rest of the world, war continued to be as possible as ever, and the bulk of the world's population would be affected. Wars in the ZOT might spread or involve nations in the ZOP in intervention in the ZOT, and might lead to conflict among countries in the ZOP. Third, the group also thought about whether, in a period in which ideology had receded as a motivating and dividing political force in international relations, broad differences among civilizations defined by culture might lead to and define international alignments and conflict. Crudely put, would the Chinese culture area and the Islamic culture area make common cause against Christendom? On balance, the group believed that while cultural differences might make communication across cultural lines more difficult and cultural affinity might be used to recruit allies, it was not likely by itself to define international conflicts.

In each area of the world, we asked what might be the sources of conflict and cooperation. An organizing principle that we found helpful derived from the historical observation that countries undergoing their first wave of industrialization, accompanied by rapid population growth, often experienced waves of national expansion and aggressive foreign policy, witness the US, Germany, Japan, and Russia at the end of the 19th and beginning of the 20th century. Countries that fit that description in this time period might include China and Korea and Turkey.

Finally, we fully realized that the character of international politics would be determined in some significant measure by what policies the United States adopted. However, our task was not to develop preferred US policies, but to see how world politics might develop so that US policy makers might think about what policies they preferred. So, in essence, we held US policy constant, that is, we assumed it would have roughly the same policy objectives it had today, but that US military spending and military presence overseas would gradually decline. We explored the consequences of a major deviation from this baseline: a major US economic policy failure leading to sharper US withdrawal from world politics.



# METHODOLOGY

- **DIVIDING THE WORLD**
  - REGIONAL
  - ZOP/ZOT
  - CIVILIZATIONS
- **SOURCES OF CONFLICT AND COOPERATION**
  - INDUSTRIALIZATION/DEMOGRAPHICS/NATIONALISM
  - MASS MIGRATIONS
  - DEMOCRACY/FORM OF GOVERNMENT
  - ECONOMIC INTERACTION
  - TECHNOLOGY TRENDS
- **TWO US POLICIES**
  - BASELINE
  - ECONOMIC COLLAPSE >>>>> US ISOLATION

### **Briefing Overview**

In the rest of this presentation, the structure of international relations in the ZOP/ZOT areas, in Europe and Asia, and in the world as a whole are examined, after which the policy implications of the analysis is presented.



# **BRIEFING OVERVIEW**

- **ZOP/ZOT**
- **REGIONAL**
- **GLOBAL ALIGNMENTS**
- **POLICY IMPLICATIONS**

### **Zone of Peace/Zone of Turmoil**

To repeat, the Zone of Peace is inhabited by the great industrial democracies of the US, Canada, Great Britain, France, Germany, and Japan, while the Zone of turmoil includes the rest of the world. Although the world has seen relations among stable industrial democracies for a period of time that is historically quite brief (50 years) it is remarkable that war has not involved them at all. What are the implications of this observation? Before exploring this, it should be noted that while war may have been banished from the ZOP, conflict, economic, diplomatic, and cultural, clearly has not. It is also important to remember that not all great powers are in the ZOP. Most notably, Russia and China are far from being stable industrial democracies, and there is no compelling reason to think that war between ZOP countries and those countries is impossible.

Finally, the Zone of Turmoil is just that, the rest of the world in which violent international and internal conflict, non-democratic forms of government, and traditional power politics in their unlovely traditional forms remain the norm.



## **ZONE OF PEACE/ZONE OF TURMOIL**

- **ZOP: GREAT INDUSTRIAL DEMOCRACIES;  
ZOT: EVERYTHING ELSE**
- **PEACE AMONG THE GREAT DEMOCRACIES**
- **ZOP: NO WAR; BUT INTERNAL CONFLICTS**
- **NOT ALL GREAT POWERS IN ZOP**
- **VIOLENT INTERACTION ZOP/ZOT**

### **Sources of ZOP**

What explains this unusual absence of international wars in the ZOP, and will that peace continue? Several arguments have been advanced to explain this phenomenon. Democratic politicians achieve political power not by annihilating their opponents but by compromising with and satisfying as many diverse groups as possible. They continue the same practices when they become the leaders of states, and their characteristic vice is too great a willingness to seek international compromises with leaders who should in fact be annihilated. Faced with other democratic leaders, negotiated settlement of conflict is to be expected. Democracies are open, and the peoples of industrial democracies do business with each other, they visit, they go to school in each other's countries, and they build sets of direct low-level links with each other that act as a moderating influence on international conflict. When nations go to war, it helps if the enemy can be demonized so that popular hatred can help a people sustain the costs of war. Democracies looking at other bumbling, confused, open democracies are less likely to be able to do this. And finally, modern industrial democracies offer the majority of people in their nations the opportunities to become steadily more prosperous if they stay at peace.

No one in our group fully accepted all of these arguments. On the other hand, not even the most skeptical could develop a scenario that he felt was plausible even to himself in which a stable industrial democracy went to war with another.



# **SOURCES OF ZOP**

- **DEMOCRATIC POLITICIANS COMPROMISE**
- **DEMOCRATIC PEOPLES FORM  
INTERNATIONAL LINKS TO OTHER**
- **DEMOCRACIES DON'T DEMONIZE**
- **NO PLAUSIBLE SCENARIOS TO WARS**

### **Relations within ZOP**

What are the implications of a truly lasting peace among the nations in the ZOP? Most obviously, worst case national security planning need not include war between the US and Germany or Japan as long as those countries remain stable industrial democracies. If there are no circumstances in which war with Japan or Germany is conceivable, fewer restrictions on the transfer of militarily relevant technologies to those countries in order to achieve a more rational military division of labor seem necessary, other things equal.

But war was unthinkable in the 1960s between France and the United States, and this did not stop Charles de Gaulle from pursuing policies that led to sharp conflicts with the United States. In fact, the impossibility of war with the US may have helped de Gaulle in his contrariness, since he knew that he could push the US very hard and the US would never even think of threatening war with France. So "Gaullist" policies within the ZOP are possible and may grow more likely the longer the long peace lasts. Specifically, this could mean that ZOP countries could back different sides in regional wars in the ZOT, in the Arab-Israeli conflict in particular, or in Asia. They may wish for political or economic reasons to sell weapons to their preferred ZOT friends and clients. They will, in fact, wish to be able to sell weapons that are technologically superior to the weapons that their ZOT enemies are buying. To use the Middle East as an illustration, the US will want to sell military aircraft to Israel that are superior to the aircraft the Arabs buy from the Europeans. Military superiority may have some limited diplomatic utility, even when there is no threat of war. Trade negotiations between a United States that has no SDI and a Japan that has deployed the world's best SDI technologies may tend to favor the Japanese in ways that strict economic calculations might not predict.

In short, within the ZOP, the absence of war or even the threat of war with each other does not mean the absence of conflict or of national competition in military technology and economic strength.



## **RELATIONS WITHIN ZOP**

- **NO WAR PLANS AGAINST JAPAN, GERMANY**
- **MILITARY DIVISION OF LABOR RATIONAL**
- **BUT GAULLIST POLICES POSSIBLE, LIKELY**
- **ARMS SALES, MILITARY SUPPORT TO  
OPPOSING SIDES IN REGIONAL WARS**
- **MILITARY TECHNOLOGICAL SUPERIORITY WILL  
STILL MATTER**
- **COMPETITION IN GNP, TRADE**

### **Relations Within ZOT**

This is the world with which several centuries of modern history have made us familiar, and needs no introduction.



## **RELATIONS WITHIN ZOT**

- **BUSINESS AS USUAL**
- **EXPANSIONIST GREAT POWERS**
- **COLLAPSE OF OLD POWERS**
- **ETHNIC, NATIONAL CONFLICT**
- **NUCLEAR PROLIFERATION**

### **Impact of ZOT on ZOP**

What could happen in the ZOT that could lead to military intervention by the powers of the ZOP? In order of increasing plausibility, the group first considered mass murder in the ZOT. Although governments that commit genocide sometimes become major international aggressors (Hitler, Saddam Hussein), sometimes they do not (Pol Pot, Suharto), and in many cases even their international military actions occur in areas of the world of little interest to the countries of the ZOP (1971 Indo-Pak war). So foreign intervention by the ZOP in the ZOT in response to genocide would appear likely only if it was confined to non-combat activities or very low cost (in terms of casualties to the ZOP countries) military activities.

Mass population migrations from densely populated, poor ZOT countries usually is directed towards other densely populated poor countries (Palestinians are kicked out of Jordan and go to Lebanon, ethnic Chinese Vietnamese wind up in SE Asian countries, South Asian migrations, Kurds, Armenians) but sometimes they go to the rich countries of the ZOP. Military action to prevent the movement of peoples from North Africa to Spain or France after an Islamic revolution in Algeria or Morocco is not implausible. Since migration to any one country of the EC is a problem for all EC countries given the growing weakness of internal barriers to travel, this problem is likely to unite the ZOP countries in the EC. They would not be likely to meet with criticism from Japan. It might, however, be a source of friction between the EC and the US, which has historically adopted much more liberal policies towards populations fleeing political oppression.

Conflicts over markets and natural resources in the ZOT appear unlikely with the possible exception of a world in economic depression, and in the case of low polluting fossil fuels in politically contested areas of the world, including the Persian Gulf but also, potentially, in Burma and the South China Sea, where natural gas deposits are being explored.

Most likely to draw the military attention of the ZOP would be the use of nuclear weapons in the ZOT. Despite the broad support for nuclear non-proliferation policies in the ZOP now, the proper response to regional nuclear weapons use is likely to divide the ZOP. Military action against a regional nuclear power will carry with it high risks, there will be debate about whether non-proliferation goals dominate all other political goals, and about what those other political goals might be and who cared most about them. Unilateral action is much more likely than concerted ZOP military activity.

In short, there is no compelling reason to expect the ZOP to act as a coherent military bloc with regard to major security issues arising in the ZOT. Concerted diplomatic and economic action is far more likely.

## **IMPACT OF ZOT ON ZOP**

- **GENOCIDE IN ZOT MAY DRAW UNITED ZOP NON-MILITARY, LOW COST MILITARY RESPONSE**
- **MASS MIGRATIONS FROM ZOT TO ZOP**
- **ECONOMIC COMPETITION TO DIVIDE ZOT**
- **OIL, NATURAL GAS**
- **REGIONAL NUCLEAR WEAPONS USE ZOT: UNITE OR DIVIDE ZOP?**

### **Europe vs. Asia Structural Similarities**

When we turned from the division of the world into zones of peace and turmoil to the major geographic regions of Europe and Asia, the working group was struck by certain structural symmetries between Europe and Asia that help capture certain essential elements of the emerging patterns of international relations. In both Europe and Asia there are major uncertainties about the political trajectories of "old" great powers: Russia in Europe, and China and Russia in Asia. Whether those powers become stable democracies, sustain rapid economic growth, and contain the tendencies towards regional separatism will, in large part, determine the character of the international politics in those two regions. In both Europe and Asia, there are stable, wealthy, but reactive great democracies that can be expected to continue in their present foreign and domestic policies unless events in Russia or China force them to react in ways that change their basic orientation. In both Europe and Asia there is a rising new great power in a pivotal geo-strategic location: Turkey in Europe and Korea in Asia. And in both Europe and Asia there are zones of contention in which long-standing ethnic and territorial disputes remain unresolved and potential sources of conflict: south-central Europe, and northeast Asia.

# EUROPE VS ASIA STRUCTURAL SIMILARITIES

- MAJOR UNCERTAINTY RE: "OLD" POWERS
  - EUROPE: RUSSIA
  - ASIA: RUSSIA, CHINA
- REACTIVE DEMOCRATIC GREAT POWERS
  - EUROPE: GERMANY
  - ASIA: JAPAN
- RISING REGIONAL POWER
  - EUROPE: TURKEY
  - ASIA: KOREA
- ZONES OF CONTENTION
  - EUROPE: SOUTH-CENTRAL
  - ASIA: NORTH-EAST

### **Asia vs. Europe Structural Differences**

While the structural symmetries are real, the differences between Asia and Europe are perhaps more important. In Europe, there is a dense network of international military, economic, and political institutions that provide the infrastructure for coordinated action, that provide mechanisms for resolving disputes before they reach the point where they may cause serious international friction, and which bind the potentially more threatening states in ways that reassure their neighbors. There is very little of this in Asia. Most meaningful networks of relations are not multi-lateral and institutionalized, but bi-lateral, with the United States as partner in several separate relationships. Asia is larger and more diverse than Europe, which impedes the development of moderating international institutions. Democracy is a more recent development in Asia, may be less deeply rooted, and may take forms unlike those familiar to Europe, with political implications we do not yet understand. Economic interdependence within Asia is growing, but patterns of trade still look outside the region to the United States, reducing the relative importance of intra-Asian economic ties that could moderate conflict. The economic vitality of Asia stands in stark contrast to the slow growth of west Europe and the economic chaos of east Europe, and provides the basis for increased national power in China, India, Korea, and perhaps Indonesia. While the nationalist antagonisms that caused and were caused by World War II have largely disappeared from Europe, fear of Japan remains a real factor, as does fear of a resurgent China. Finally, Europe, while divided into sub-regions, is culturally more coherent than Asia which includes the Orthodox Christian (Russia), Hindu, Sinic, Turkish, and Japanese culture areas. For international politics, this means that there is not, even in the abstract as a remote goal, the idea of a united Asia, or an Asian community of states.



# ● ASIA VS EUROPE STRUCTURAL DIFFERENCES

- - INTERNATIONAL INSTITUTIONS
    - - LARGELY LACKING
- - DEMOCRACY
    - - LESS DOMINANT
- - ECONOMIC INTERDEPENDENCE
    - - NEWER AND POTENTIALLY MORE FRAGILE
- - DYNAMIC, "RISING" POWERS
    - - MORE NUMEROUS, GREATER POTENTIAL
- - GREAT POWER ANIMOSITIES AND TERRITORIAL DISPUTES
    - - LARGELY UNRESOLVED
- - CULTURE
    - - NO "ASIAN IDEAL"
    - - NO ASIAN "SOCIETY OF STATES"

### **Asia More Volatile than Europe**

For all these reasons, our group concluded that the pattern of international alliances and alignments was significantly more volatile and unstable than in Europe, that violent international conflict was more likely to emerge in Asia, even under the baseline assumptions of continued economic growth and stable American policies. In fact, there are certain straws in the wind that suggest that new maritime military competitions are already emerging in northeast Asia as the common threat of the Soviet Union is forgotten, the role of the US diminishes, and traditional antagonisms re-emerge.

For that reason, the central finding of our study is that the role of the United States in maintaining stable and benign patterns of international relations, while important in both Europe and Asia, may be more critical in Asia.



## **ASIA MORE VOLATILE THAN EUROPE**

- **EVEN UNDER BASELINE ASSUMPTIONS**
- **MILITARY COMPETITIONS MAY ALREADY BE GETTING UNDERWAY**
  - **EMERGING NORTHEAST ASIAN NAVAL RIVALRY**

## **Korean Unification**

Within Asia, the prospect of the unification of Korea under terms favorable to the Republic of Korea creates the basis for a new power with approximately the population of Germany, and a per capita GNP that will almost certainly approach European levels by the end of this period. The Republic of Korea has a large well trained army, and may inherit the military-industrial complex of North Korea intact. This may mean a power of roughly the same power as the European great powers. In positive terms, this will mean the end of the Korean peninsula as an object which was alternatively conquered by Japan and China. However, there are major uncertainties concerning how Japan and China may react to this new player in northeast Asia. The manner of Korean unification, whether it happens with the cooperation and support and influence of the major powers, or whether it comes as an unexpected shock which is initially resisted by the major power, may affect the trajectory of northeast Asian politics.

# KOREAN UNIFICATION

- A NEW GREAT POWER
  - GNP AND POPULATION VS RUSSIA? JAPAN? GERMANY
- KOREAN PENINSULA BECOMES A "SUBJECT" NOT AN "OBJECT"
  - POSSIBLE BENEFITS FOR STABILITY
- HOW WILL CHINA AND JAPAN REACT?
  - MANNER OF UNIFICATION MAY BE CRUCIAL

## China (1)

As noted earlier, the group concluded that there were major uncertainties about the future of Chinese politics that would affect the region. The major implications of these uncertainties are expressed in three alternative scenarios for Chinese development.

In the benign scenario, the rapid industrialization of the southern coastal provinces of China continues. This would have several effects. First, it would increase the already growing influence of southern Chinese in the national government. As the center of economic gravity of China shifts south and as southerners become more important, the Chinese government will tend to look less toward Russia, as a friend or an enemy, and more towards Japan and the Asean area. Beijing, which, in historical terms, is a northern, peripheral military and administrative center, will decline in importance. There will be more willingness to allow the northern and western areas of China, which are not ethnically Chinese, to have greater autonomy. The reduction in the need for a strong state to impose central rule on peoples that did not want to be ruled by Beijing would ease the overall transition of China to more liberal and more democratic forms of government. In this world, China would pose less of a threat to Taiwan, to Japan, to the Asean area, and would gradually become part of the zone of peace.

In the aggressive Chinese scenario, China follows the model of a reform-minded authoritarian government that combines support for free market economic activity with continued limits on political representation and expression. While this pattern of development may not be sustainable over periods of time measured in decades, it might survive long enough to create distinctive patterns of Chinese foreign policy. Chinese economic strength plus outstanding Chinese territorial claims plus Chinese nationalism unchecked by the processes of an established western democracy could well produce expansionism focused on Taiwan, the areas of the South China Sea, and even the Vladivostok corridor, on which China currently has no official claims. The implications might include a renewed "Cold War" in Asia, in which the US, Japan, Korea and perhaps Russia align against China.

# **CHINA (1)**

- **BENIGN**
  - **RAPID INDUSTRIALIZATION**
    - **CENTER OF GRAVITY SHIFTS SOUTH**
    - **GRIP OF PERIPHERY WEAKENS**
    - **MORE ETHNICALLY CHINESE**
    - **MORE DEMOCRATIC**
- **AGGRESSIVE**
  - **ECONOMIC GROWTH + SOME POLITICAL REFORM**
    - **EXPANSIONISM**
      - \* **TAIWAN?**
      - \* **SOUTH CHINA SEA?**
      - \* **VLADIVOSTOK CORRIDOR?**
    - **RENEWED "COLD WAR" IN ASIA**
      - \* **US+JAPAN+ASEAN+KOREA+RUSSIA(?) VS CHINA**

## China (2)

The third Chinese scenario is one in which the tensions caused by uneven economic and political development are not contained by the central government, and there is an open split between north and south China, between the "old" and new China. This split might proceed so far as to civil war. If this happens, the implications for the other great powers are significant, and could even lead to the re-engagement of Japan on the mainland of Asia at the invitation of one of the Chinese warring states. The choice for the other great powers will be whether to "hold the ring" and cooperate to prevent any great power from intervening in internal Chinese political affairs, or to support different parties to the civil war. The choice may not be easy to make. How would the US react to appeals for help from a democratic south China fighting an old guard Communist invasion? How would Japan react if the US did nothing? If the US did everything? Would Russia support a democratic south China to crush the aggressive north China on its border, or would it support both sides alternately to weaken China as a whole?



## **CHINA (2)**

- **FRAGMENTED**
  - **NORTH-SOUTH, OLD-NEW SPLIT**
    - **CIVIL WAR**
  - **IMPACT ON OTHER GREAT POWERS**
    - **COOPERATION?**
      - \* **TO "HOLD THE RING," CONTAIN CONFLICT**
    - **COMPETITION?**
      - \* **FOR SPHERES OF INFLUENCE IN CHINA**
        - ▶ **US BACK DEMOCRATIC SOUTH?**
        - ▶ **RUSSIA VS JAPAN VS US?**

## **Russia**

It is important not to forget that Russia is an East Asian power, but hard to specify its future actions. Will the Russian far east split from the rest of Russia to become an independent power oriented towards the Pacific? In order to maintain its independence relative to powerful, growing nations on its border, China and Korea, will it turn to Japan and offer political concessions in return for investment and possibly diplomatic support against China and Korea?

# **RUSSIA**

- **AUTONOMOUS RUSSIAN FAR EAST**
  - **TO WHOM WILL IT TURN?**
  - **POTENTIAL TO ENGAGE JAPAN ON ASIAN MAINLAND**

## South Asia

Asia includes India, and the Soviet Union and China have regarded India at various times as a significant Asian ally. At present, however, the relative power of India may be declining because its rates of economic growth in the 1970s and 1980s fell far behind those of Japan, China, Korea, and Singapore. The current market oriented reforms are ambitious, but have yet to show that they can survive the opposition of the old Indian economic system of state-owned industries (which are not being sold off under the new reforms), and the private industries that were in fact state-licensed monopolies protected from internal and foreign competition. India has rates of illiteracy far higher than those in Japan or Korea when their economic take-offs began, which will limit Indian economic potential. India does have enclaves of military high technology (nuclear weapons related capabilities, space launch/ballistic missiles), which may provide the basis for narrow, focused military development.

For international alliances, India may be most important as a link that ties East Asian and Southwest Asian political systems together. Indian hostility to Pakistan has made it in the past the friend of Iraq, because Iraq was the enemy of Iran, which provided military assistance to Pakistan. As Iran reaches out to China, perhaps for assistance in military programs, Indian hostility to Iran and friendliness to Iraq could reemerge. Fear of Iran and China could well lead India to seek security guarantees. The US is unlikely to provide such guarantees. Under these circumstances, India might look back to Russia, dividing Asia into an Indian/Russian coalition opposed to a Chinese/Iranian/Pakistani/Central Asian coalition.

# **SOUTH ASIA**

- **INDIAN ECONOMIC GROWTH LIMITED**
  - **MILITARY TECHNOLOGY IMPROVING**
- **LINKS EAST ASIA TO SOUTHWEST ASIA**
  - **PRC LINKS TO IRAN, PAKISTAN**
  - **INDIAN OPPOSITION**

## **Europe and Russia**

Shifting from Asia to Europe, the group encountered the same uncertainties about Russia that it faced concerning China, and again, dealt with the problem by constructing alternative scenarios. In the group's judgment, the trajectory of Russian political and economic development would be driven by factors internal to Russia, and would be little influenced by the policies of the industrial democracies. Most prominent among the internal factors relevant to Russian development were the structural obstacles to capitalism (no legal institutions to protect or even define private property, no understanding of the role of money in a free economy) and to democracy.

Four alternative trajectories were sketched out: stagnation, hostile resurgence, benign resurgence, and fragmentation.



# **EUROPE AND RUSSIA**

- **RUSSIA WILL DRIVE EUROPEAN ALIGNMENTS**
- **RUSSIAN TRAJECTORY DRIVEN BY INTERNALS**
- **STRUCTURAL OBSTACLES TO DEMOCRACY,  
CAPITALISM**
- **ALTERNATIVE TRAJECTORIES**
  - **STAGNATION**
  - **HOSTILE RESURGENCE**
  - **BENIGN RESURGENCE**
  - **FRAGMENTATION**

### **Russia Limp Along**

The most plausible scenario began with the estimate that Russia, shorn of the Ukraine, the oil producing areas of central Asia, and the Baltic states, had a GNP of approximately \$500 billion today, which without dramatic, successful reforms to overcome all the obstacles to capitalist development, would grow only to \$750 billion in 2012. If this were the case, the Russian GNP would remain about 10% of the US GNP, perhaps less. The ability of the government in Moscow to keep order and effectively govern the country would be small, but it would continue to own almost all of the nuclear weapons of the Soviet Union, and would have much of the strong but waning non-nuclear military capabilities of the Soviet Union. This Russia would fulfill Gorbachev's nightmare of a Russia that sank into the ranks of the third rate powers of the world, economically, but which had enough military power to guarantee its own independence.

In this scenario, the pattern of loosely coordinated West European alignments now visible would continue essentially unchanged.



# **RUSSIA LIMPS ALONG**

- **\$500 b GNP TODAY, \$750 b 2012?**
- **RUSSIAN GNP STAYS ~ 10% US GNP?**
- **WEAK CENTRAL GOVERNMENT; NUCLEAR ARSENAL, WANING MILITARY STRENGTH**
- **ECONOMICALLY BEHIND:**
  - **US, JAP, PRC/ROC, GER, UK, FR**
  - **KOR? INDIA? BRAZIL?**
- **CURRENT EUR ALIGNMENTS CONTINUE**

### **Russian Hostile Recovery**

Russia might manage, however, to achieve high rates of economic growth under authoritarian rule. Over the long term, this creates the same tensions as it would in China, but, again, might be sustainable for significant periods of time. A Russia that was economically vigorous and non-democratic might well be aggressively nationalistic and hope to recover from its time of troubles in the 1990s. The first target of such a Russia would be the strategically significant portions of the Soviet Union over which it may have lost control and which were crucial for the projection of Russian air and naval power and for strategic defenses. If those strategic territories are regained, Russia would again be a Eurasian military power benefiting from its central location, but it would also be likely to lead to a revival of the classic Cold War alliance systems.

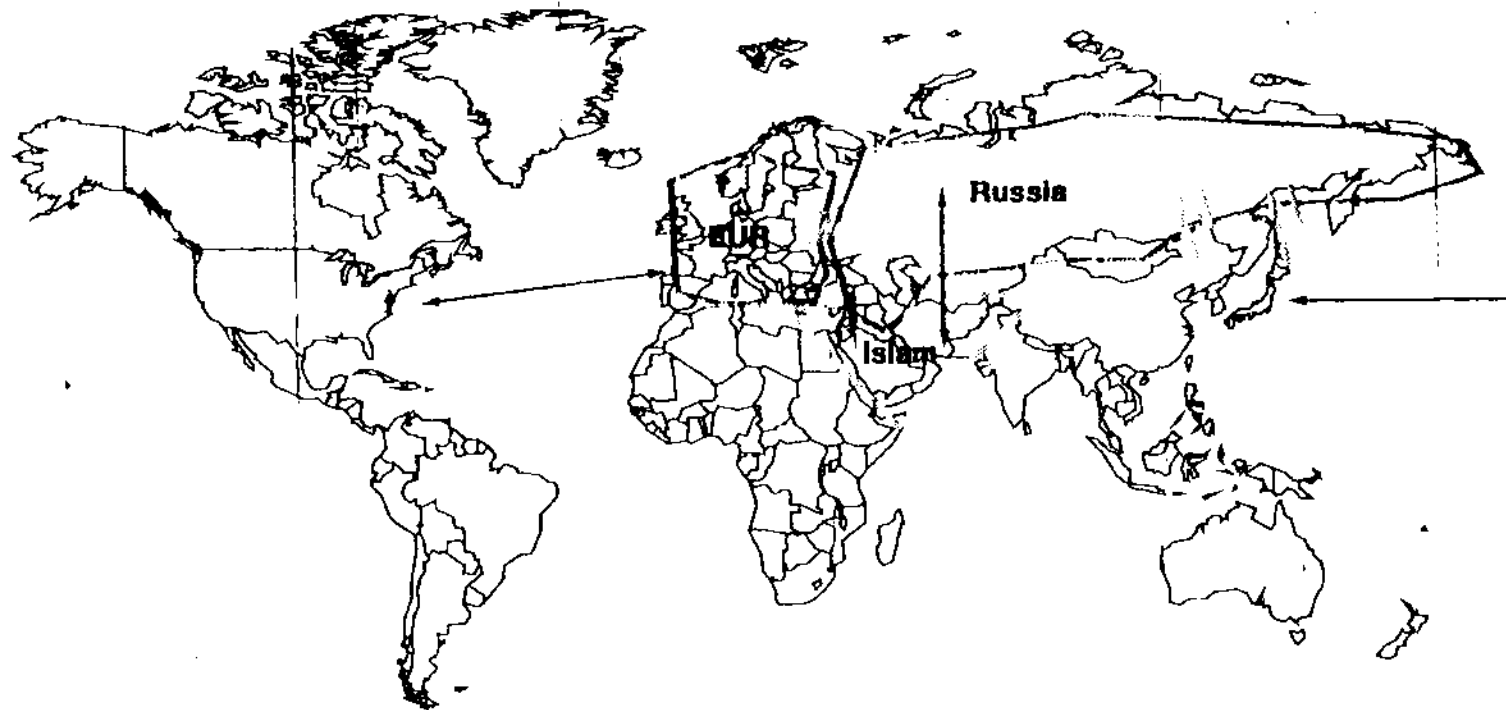
For a graphic representation of this world, see the map, "Cold War, part II."

# **RUS HOSTILE RECOVERY**

- **ECONOMIC GROWTH UNDER  
AUTHORITARIAN GOVERNMENT  
POSSIBLE, BUT PROBLEMATIC**
- **FIRST TARGET OF EXPANSION THE  
STRATEGIC BASES IN FORMER SU**
- **GEOGRAPHY GIVES RUS LEVERAGE  
EUR, CENTRAL ASIA, E. ASIA**



## Expansionist Russia—US Engagement—Unified Europe Cold War II



### **Russian Benign Recovery**

If Russia develops politically to resemble western style pluralistic democracies, high rates of economic growth that rapidly provide the basis for recovered Russian military power would not appear threatening to the United States, west Europe, or Japan. This would be even more the case if Russia openly aligned itself with the other industrial democracies in the zone of peace. Russian incentives to align with the west would be increased if Russian recovery generated a hostile Chinese and Central Asian reaction, and western incentives to accept Russia would increase if the foreign policies of China were expansionist and the central Asian bloc of states were led by Islamic leaders hostile to the West.

For a graphic representation of this world, see the map entitled "Russia Joins the West."

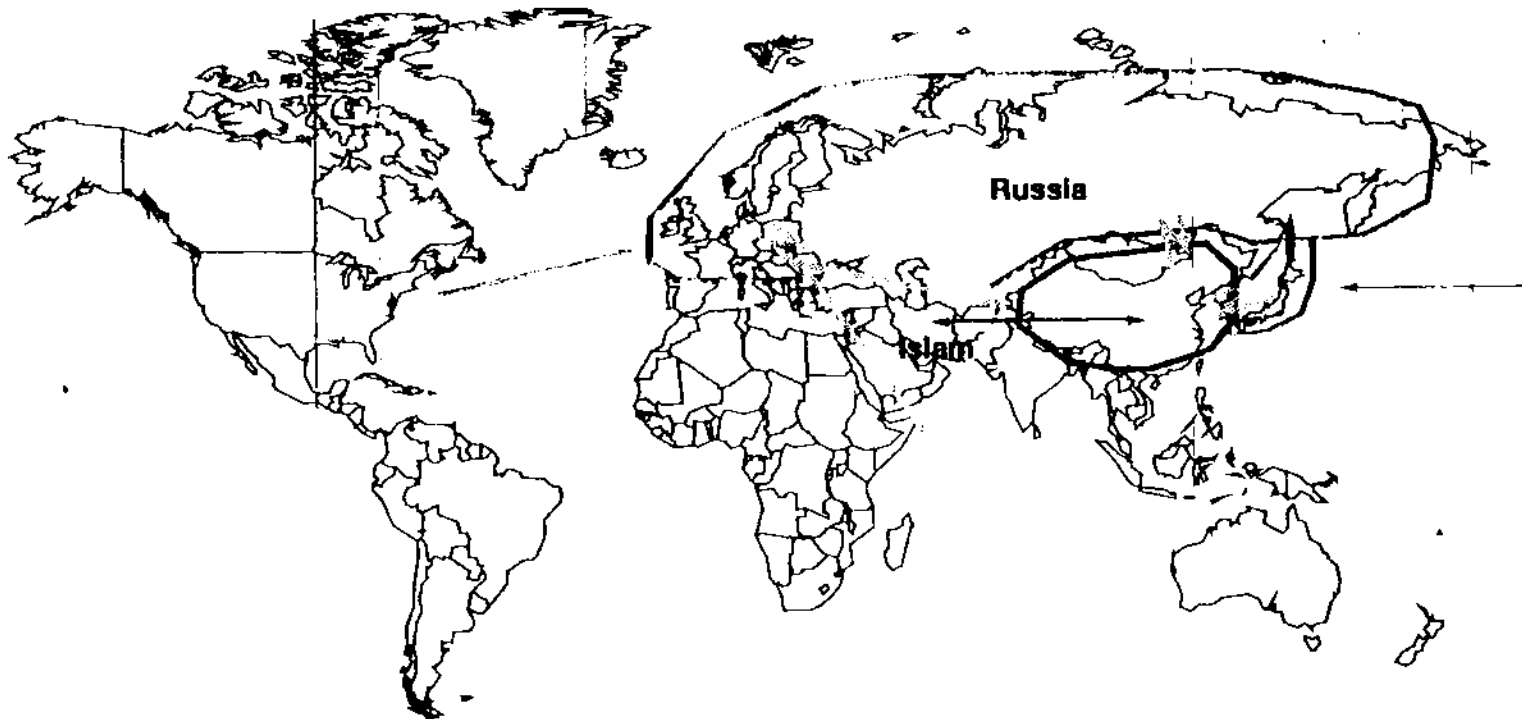
# **RUSSIA: BENIGN RECOVERY**

- **GNP GROWTH RATES HIGH, BUT MILITARY POTENTIAL NOT A THREAT**
  - **DEMOCRATIC POLITICAL TRENDS**
  - **MODEST MILITARY BUDGETS**
- **ALIGNMENTS: RUS JOINS WEST**
  - **AGAINST CENTRAL ASIAN BLOC?**
  - **AGAINST EXPANSIONIST CHINA?**





**Benign Russia**  
**"Northern Entente" vs. Southern Axis**  
**Islamic Coalition**  
**Expansionist China**



### **Russia Collapses**

Russian political processes could degenerate and internal violence could increase. Conditions could range from a lack of order to civil war and the open breakup of Russia. Civil disorder could create some issues that affected the west, such as the flow of refugees. In the case of civil war, one possible set of successor states to a unified Russia, which would resemble the de facto partition of Russia during the civil wars of the 1920s, would see a western oriented, more democratic state with its capital in St. Petersburg, a Slavic core state with its capital in Moscow that looked primarily to its south, and a far eastern state looking toward the Pacific rim. This would create an interesting set of alliance questions for the west. Should one Russian state be supported against another? Should a far eastern state be supported so that it does not become too dependent on China or Japan? If the Moscow based state tries to regain the oil producing areas of central Asia, which parties would the US support? And what would be the fate of all the nuclear weapons now controlled by Moscow?

For a graphic representation, see "Russia Collapses."

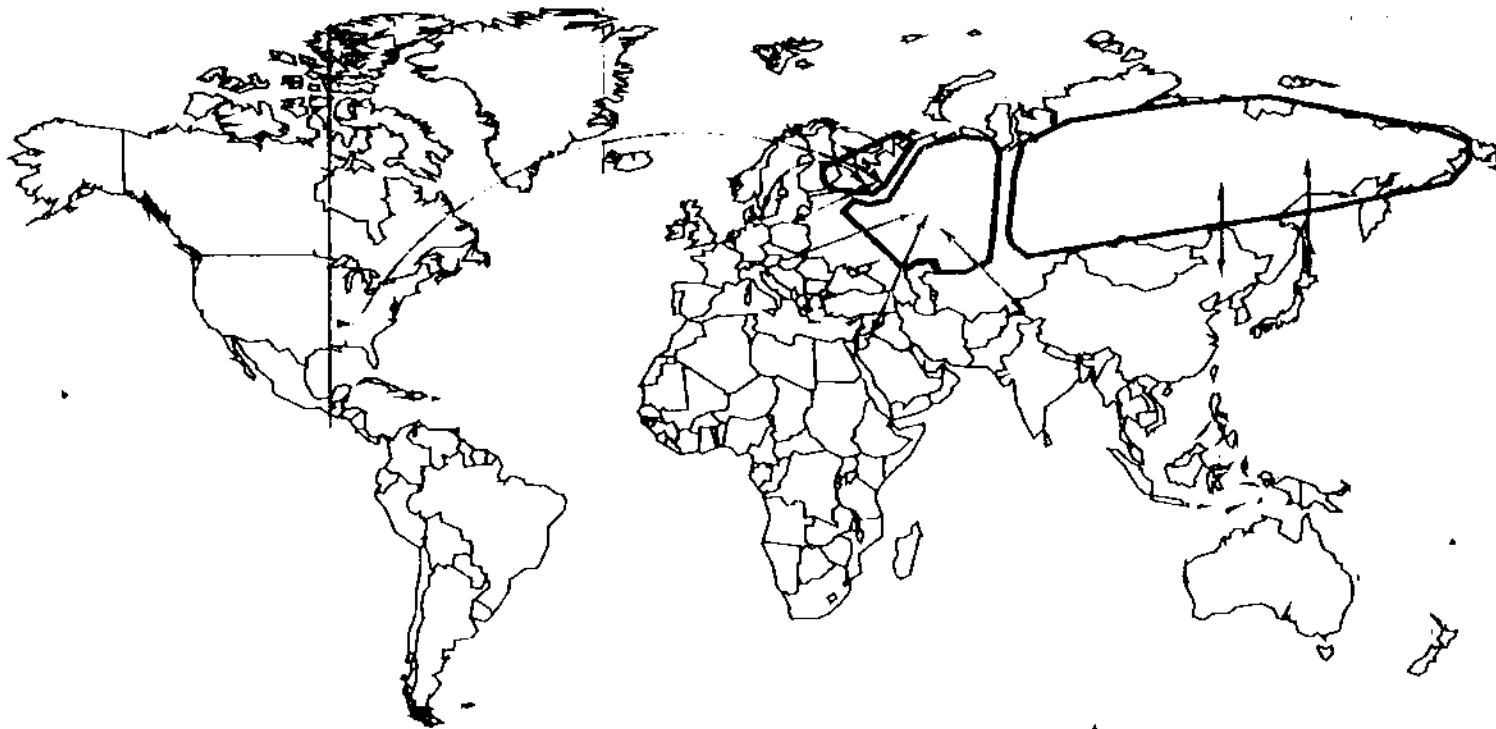


# **RUSSIA COLLAPSES**

- **ANARCHY-CIVIL WAR**
- **IMPLICATIONS**
  - **REFUGEES TO WEST?**
  - **OUTSIDE ASSISTANCE TO WARRING REGIONS**
  - **POSSIBLE USE OF NUKES**
  - **INTERACTION WITH ASIA**



## Russian Collapse Civil War



## **German Resurgence**

Under current conditions, a unified Germany that is democratic and prosperous poses no threat to its neighbors and should not cause any changes in present patterns of alignment. But Germany could react to events outside Germany in ways that could lead to different patterns of alignment. In particular, if the United States does withdraw all of its military forces from Europe, or, worse, if it is expelled, and this is followed by the resurgence of a hostile Russia while East Europe remains weak and disorganized, Germany might feel that it was living in a very dangerous world without any friends ready to fight for it. Under those circumstances Germany could decide to acquire its own nuclear weapons.

As this scenario indicates, it takes a lot of bad management in several national capitals to get to this point. Bad management is not unknown, however, and if it did come about, some old patterns of international alignment might be revived. Without the US engaged in Europe, France and Russia might develop security ties, while Germany would look outside Europe for powerful friends, in Japan or China or in the oil producing states. The working group could not foresee major war even under these circumstances, as long as Germany remained democratic, but the world would look considerably different.

For a graphic representation of this world, see the map entitled, "1941 part 2."

# **GERMAN RESURGENCE?**

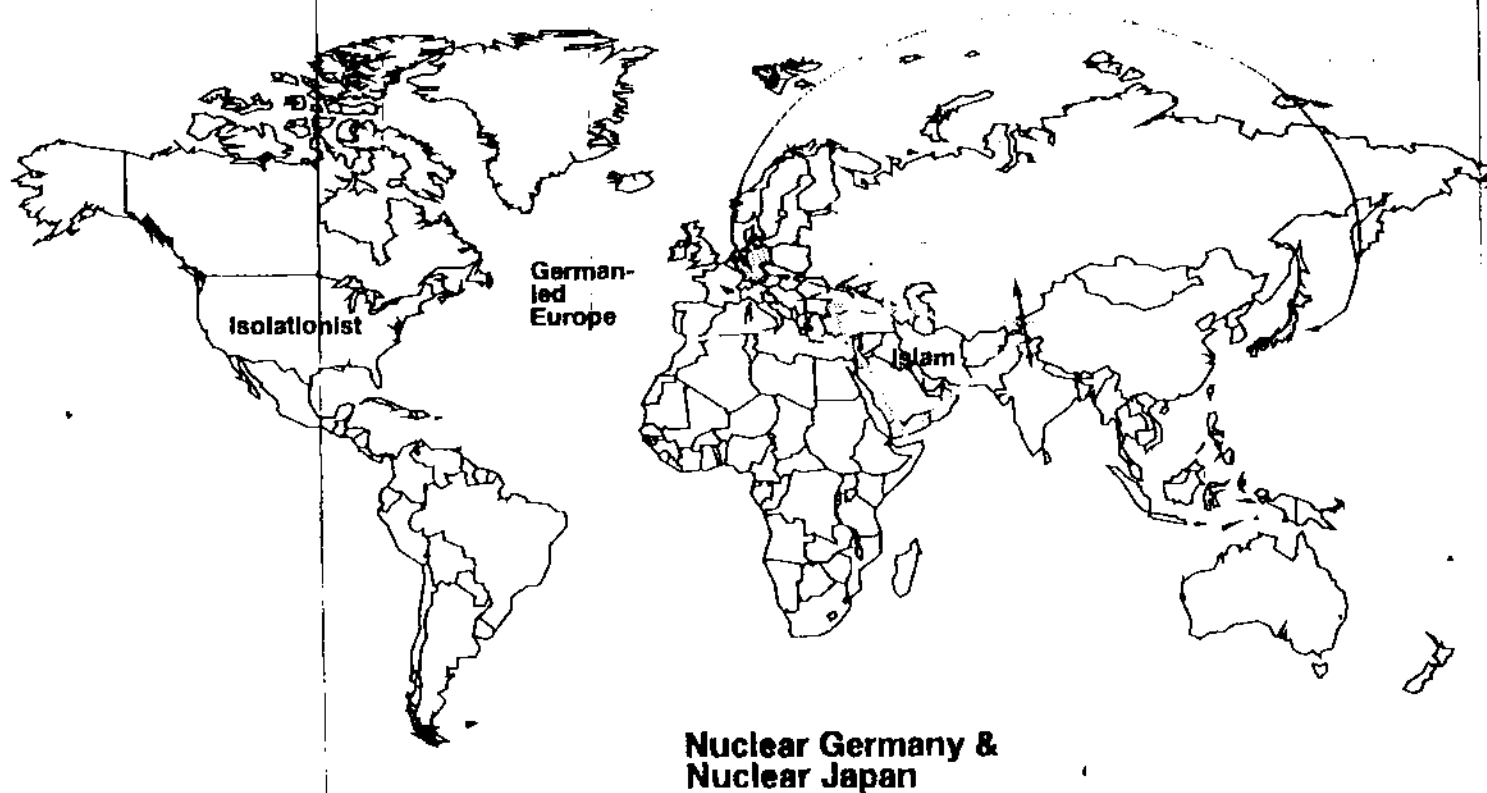
- **GERMAN WEALTH, INFLUENCE: NO PROBLEM.  
BUT NUKES?**
  - **US DISENGAGED/EXPELLED**
  - **CHAOS EAST EUROPE**
  - **RESURGENT HOSTILE RUS**
- **ALIGNMENTS? 1941 PT. 2: RUS/FR,  
RUS/UKR: GER LINKS TO ME, JAP**





# **Expansionist Russia—Collapse of NATO Resurgent Germany**

## **Recreation of World War II (Aimed against Russia)**



### **Middle East/Turkey**

Are there any circumstances in which a group of non-European states could emerge that collectively had the power to influence great power relations? The oil producing states of the Persian Gulf area will continue to be low cost sources of oil, will continue to be politically volatile, and will continue to be viewed differently from Washington and the capitals of Europe. But the Middle East could emerge as a bloc in a new manner. If Turkey succeeds in achieving high rates of economic growth and is either rejected by the EC or feels that it is being rejected by the EC, it may turn eastward to forge links with the states of central Asia. The central Asian states of the former Soviet Union, with the exception of Tadjikistan, are Turkic speaking, Sunni in religion, and are already linked by mass media to Turkey. They may regard Turkey as their natural leader and model. Combined with a Turkey that is economically and demographically dynamic, there is a potential for a new bloc that could be the major actor in the Middle East.



## **ME/TURKEY**

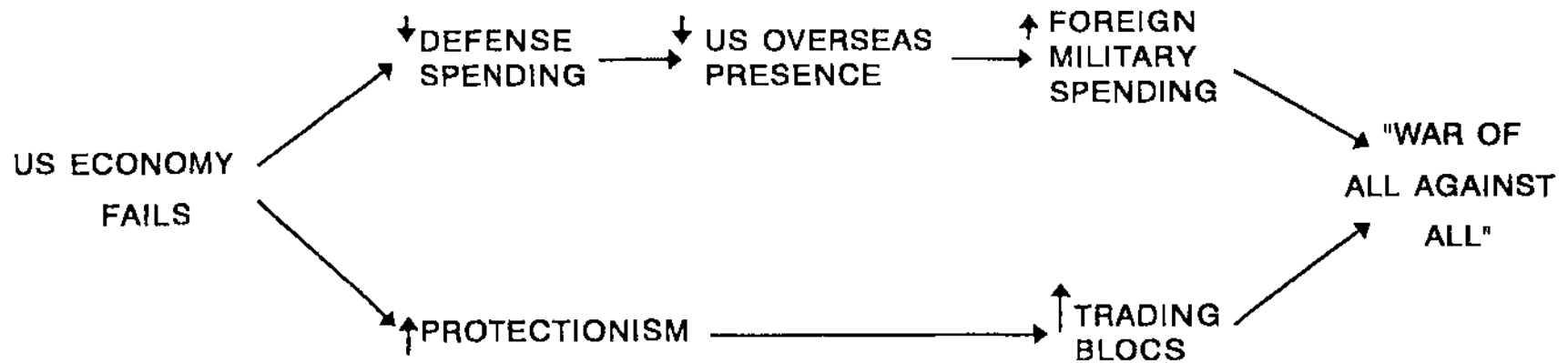
- **PG STILL FULL OF OIL, POLITICAL TURMOIL**
- **ME POLITICS CAN DIVIDE US FROM EUR, JAPAN**
- **NEW FACTOR: TURKEY**
  - **LINKS WITH CENTRAL ASIA**
  - **RAPID POPULATION GROWTH**
  - **POTENTIAL FOR RAPID GNP GROWTH**
  - **EUROPEAN OR ME COUNTRY?**

## **Worldwide Depression**

All of the worlds that have been presented so far, with the exception of a nuclear armed Germany, could come about under baseline assumptions of stable US policies. But what if there is a major discontinuity in US policy? The discontinuity easiest to imagine would be the result of a severe worldwide economic collapse. In the US, this would probably lead to reductions in defense spending, radical reduction in the US military and maritime presence overseas, and greater military self-reliance and military spending in other countries (top branch of the chart). At the same time, economic depression could lead to trade protectionism, and a conversion of existing free trade zones into protectionist blocs (bottom branch). The net result would be a set of zones in North America, West Europe, Russia, and the Far East, each seeking military and economic security for itself while being suspicious of the other blocs and engaging in predatory inter-bloc economic policies. Under such conditions, it was hard for the working group to imagine any stable pattern of alignments. Instead, what might be expected would be fluid alignments of opportunity that dissolved and reformed as blocs sought to achieve better deals for themselves.

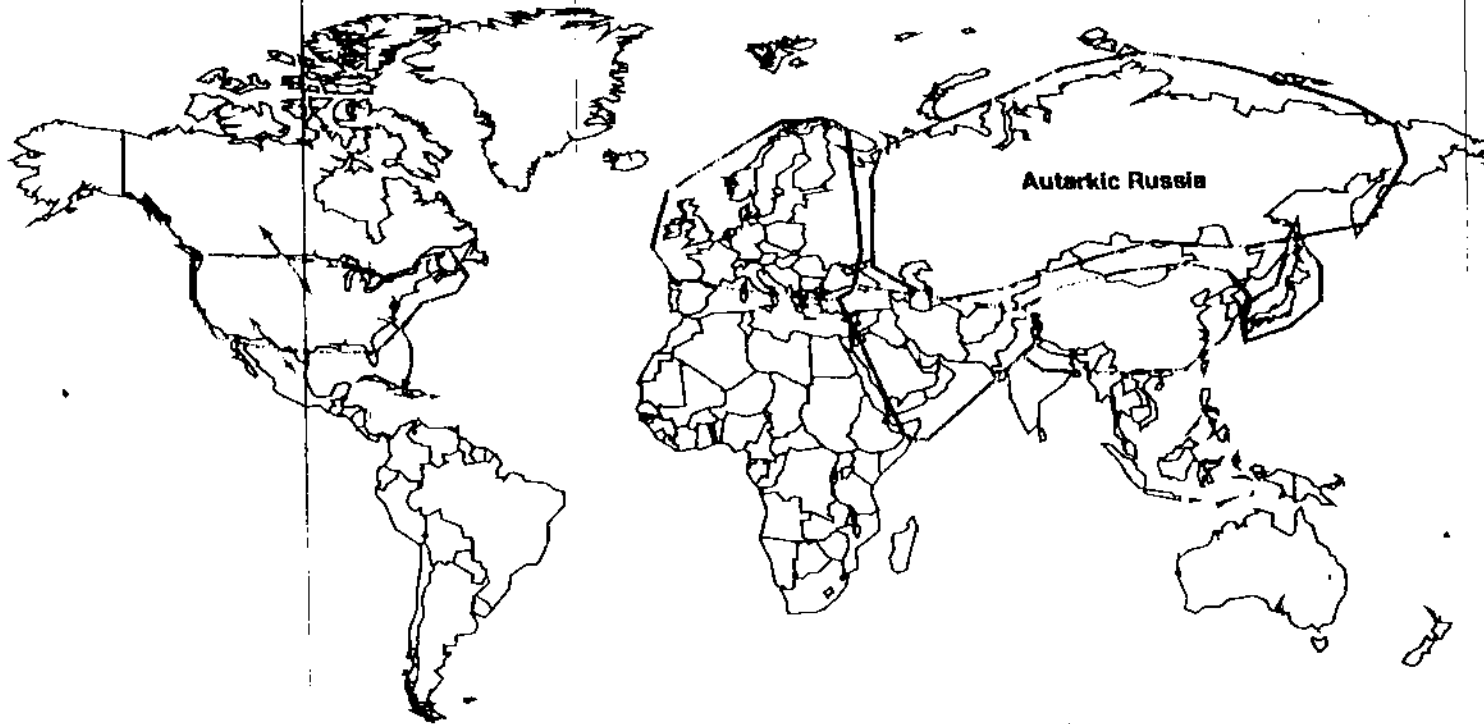
For a graphic representation of this world, see the map entitled "The War of All against All."

# WORLDWIDE DEPRESSION





**New Multipolar World  
Worldwide Depression/US Isolationism/  
Islamic Coalition/Trading Resource Blocs**



### **Key Findings**

International relations among the great industrial democracies will be marked by continued peace but this is consistent with nationalist conflict among these states and with competition in militarily relevant technologies and capabilities. Smaller zones of peace have existed before and so have Gaullist policies practiced by countries in those zones. Furthermore, the zone of peace does not and may well not in this period include all the great powers, so great power war remains possible. Relations among the less powerful non-democratic states will be as common as before, and these wars may be the sources of friction between countries in the zone of peace.

International politics among the great powers in Asia are likely to be more volatile than in Europe, and the conflicts will involve high stakes, including whether new great powers are allowed to emerge and achieve the national goals they set for themselves. Because there will be wealthy, technologically advanced great powers in Asia that have potentially intense disputes with each other, Asia may be the part of the world that has access to the most advanced military technologies and the political motivation to spend large amounts of money to develop and deploy these weapons. If there is a military technical revolution in progress, Asia is likely to be the region of the world where it is actually introduced in militarily relevant numbers into military units.

Finally, that military technical revolution, when introduced into Asia, has the potential to change the strategic horizons of the states affected by it. The military technical revolution enables nations to strike at each other at very long ranges in strategically decisive ways with non-nuclear weapons. As a result, the vast distances and geographic barriers of Asia that have kept South Asia and East Asia from engaging each other militarily, that have limited the maritime reach of China, and which have shaped the relations of the islands on the rim of Asia with the mainland, may become less relevant, creating the potential for new military interactions and hence, for new patterns of conflict and alignment. There is one strategic road linking Sichuan with Tibet. An example: long range non-nuclear cruise missiles that can shut that road down and close the airfields in Tibet could limit Chinese military reaction to a national uprising in Tibet. In twenty years, such cruise missiles might be in the arsenal of India, which has traditionally supported Tibetan independence.



# KEY FINDINGS

- **CHANGES IN PATTERNS OF INTERACTION**
  - ZOP IS REAL, BUT SO IS GAULLISM
  - WARS ALONG ZOP/ZOT FAULT LINE
  - WARS WITHIN ZOT AFFECT ZOP
  - CONFLICT AMONG LESSER STATES
- **ASIAN ALIGNMENTS MORE VOLATILE.  
STAKES ARE HIGH, MAY PACE MTR**
- **CHANGES IN MIL TECH CAN CHANGE  
STRATEGIC HORIZONS**

### **DoD Implications**

The implications for defense planning are reasonably straightforward. Force planning in the United States will be driven by events in the zone of turmoil, particularly by the need to react to regional nuclear weapons use. Because national conflicts among the great industrial democracies are likely to be exacerbated by such conflicts, DoD force planners should not assume the friendly alignment of any of our current industrialized democratic allies in dealing with those contingencies in the zone of turmoil. Asia will present the major international military conflicts, and the scenarios developed by the working group suggest that it is by no means clear that Japan and the United States will adopt the same policies in response to developments in Korea, China, or Russia. The great powers of Asia will have the motive and the opportunity to develop and buy the weapons of the military technical revolution. They will probably have more incentive than the United States to push those new military technical capabilities, and so the technological lead the United States currently enjoys will shrink relative to Asian powers.

If the United States does wish to affect the outcome of military conflicts in Asia, it may have to do so without Asian bases. Systems that can reach out very long distances from bases in the United States will have to be procured if the US does wish to play a military role in Asia.

The United States military has an important role to play in maintaining stable, benign alignments in Europe. However, because of the volatility of Asian great power relations, because of the weakness of other international mechanisms for resolving conflicts, and because of the historically unique role of the United States in Asia, the United States may face greater strategic requirements to remain capable of militarily significant action in Asia than it will face in Europe.

# **DoD IMPLICATIONS**

- **US FORCE PLANNING DRIVEN BY EVENTS IN ZOT/ASIA**
  - **ALLIANCE MECHANISMS AMONG GREAT DEMOCRACIES MAY ATROPHY**
  - **US AND JAPAN ON SAME SIDE?**
  - **US MIL TECH LEAD SHRINKS**
- **IMPLICATIONS FOR PROCUREMENT: RANGE**

## **DoD IMPLICATIONS CONT.**

- **US AND ASIA: US LEVERAGE AND  
NEED FOR MILITARY PRESENCE  
GREATER THAN EUROPE**

# Appendix



OFFICE OF THE SECRETARY OF DEFENSE  
WASHINGTON, D.C. 20301

2 August 1992

DIRECTOR OF NET ASSESSMENT

Dear Participant:

I welcome your participation in the 1992 Net Assessment Summer Study.

We will have two working groups this summer. Group 1, chaired by Professor (b)(6) of the Georgia Institute of Technology, will address strategic management issues for the Secretary and top level decision-makers. Members of this group will focus on DoD core competencies, innovation, and how to move to long term defense planning. Group 2, chaired by Professor (b)(6) of Harvard University, will concentrate on the nature of future relations among the major powers over the next 10-20 years. The product of each group will be briefing charts and accompanying talking points. Each chairman will report out his group's findings on Wednesday morning of the second week.

One procedural innovation will be attempted this year. Toward the end of the first week, (b)(6) with perhaps one or two helpers, will go off and start to prepare briefings which will later be checked by their study groups. In the meantime, two short study groups will be formed to run for just Friday, Saturday morning, and Monday of the second week. This would keep all of us occupied when not reviewing Mike's and Steve's presentations. No briefings of the short studies will be required, although a record of the discussions and findings will be prepared. Membership in the short studies will be a mix of those serving on both study groups and perhaps the addition of a few others.

One of the short studies will address the military posture appropriate to a US policy of disengagement. (b)(6) of the Northrop Analysis Center will chair this short study. The second short study, chaired by (b)(6) of Harvard University, will address what might be our major military tasks in the early 21st century.

We are confident you will find this summer study interesting and rewarding, and I look forward to meeting with you. I have attached an updated list of the participants and a breakdown of the core and short study groups.

Sincerely,

Andrew W. Marshall

Atch: a/s

# *1992 SUMMER STUDY*

CO-DIRECTORS: Andrew W. Marshall  
James G. Roche

## CORE GROUP I

(b)(6)

## CORE GROUP II

(b)(6)

## VISITORS

(b)(6)

(b)(6)

## PRESENTORS

(b)(6)

## GUESTS FOR OUTBRIEFING

Hon I. Lewis Libby

(b)(6)

Amb Henry Cooper

Hon Vic Reis

LTG Dale Vesser

(b)(6)

RADM Ted Baker

MG Dave Meade

RADM Blair

MG Wilkerson

(b)(6)

Asterisk denotes home address

(b)(6)  
Science Advisor to CNO  
4401 Ford Avenue  
Alexandria VA 22302-0268

(b)(6)

(b)(6)

Harvard Business School  
Boston MA 02163  
\*Janes Cove Road

(b)(6)

Edgartown MA 02539

(b)(6)

(b)(6)

Yale University  
\*14 Mulberry Street  
Ridgefield CT 06877

(b)(6)

(b)(6)

OASDUSD/Policy Planning  
Room (b)(6), The Pentagon  
Washington DC 20303

(b)(6)

(b)(6)

Johns Hopkins, SAIS  
1740 Massachusetts Ave, NW  
Washington DSC 20036

(b)(6)

(b)(6)

OASD(SOLIC)P&R  
Room (b)(6), The Pentagon  
Washington DC 20301-2500

(b)(6)

(b)(6)

Branch Head, Strategic  
Concepts Group  
OP-5, The Pentagon, Room (b)(6)  
Washington DC 20350-2000

(b)(6)

(b)(6)

Plans, Policies & Operations  
Emerging Issues Branch  
Navy Annex, Room (b)(6)  
Washington DC 20380

(b)(6)

(b)(6)

Deputy Director, Net Assessment  
Room (b)(6), The Pentagon  
Washington DC 20301-2950

(b)(6)

(b)(6)

(b)(6) Hicks & Associates, Inc.  
1710 Goodridge Drive, Suite 1300  
McLean VA 22102

(b)(6)

(b)(6)

Center of International Studies  
Bendheim Hall  
Princeton University  
Princeton NJ 08544  
\*57 Moran Avenue  
Princeton NJ 08540

(b)(6)

(b)(6)

(b)(6)

Executive Director, Mfg Forum  
National Academy of Engineering  
2101 Constitution Avenue, NW  
Washington DC 20418

(b)(6)

(b)(6)

Harvard University  
Center for International Affairs  
1737 Cambridge Street  
Cambridge MA 02138

(b)(6)



(b)(6)

HQ USA. Off of the Chief of Staff  
Room (b)(6), The Pentagon  
Washington DC 20301-0200

(b)(6)

(b)(6)

(b)(6), Department of Psychology  
Carnegie Mellon  
Pittsburgh PA 15213

(b)(6)

(b)(6)

Military Assistant, OSD/NA  
Room (b)(6), The Pentagon  
Washington DC 20301-2950

(b)(6)

(b)(6)

Director, Net Assessment  
Room (b)(6), The Pentagon  
Washington DC 20301-2950

(b)(6)

(b)(6)

SAIC  
10260 Campus Point Drive  
San Diego CA 92121

(b)(6)

(b)(6)

CNO Executive Panel  
4401 Ford Avenue  
Alexandria VA 22302-0268

(b)(6)

(b)(6)

HQ USAF/XOXP  
Room (b)(6), The Pentagon  
Washington DC 20330-5057

(b)(6)

(b)(6)

Military Assistant, OSD/NA  
Room (b)(6), The Pentagon  
Washington DC 20301-2950

(b)(6)

(b)(6)

HQDA ODCSOPS (DAMO-SSM)  
Room (b)(6), The Pentagon  
Washington DC 20310-0420

(b)(6)

(b)(6)

Northrop Analysis Center  
1000 Wilson Blvd, Suite 2407  
Arlington VA 22209

(b)(6)

(b)(6)

Harvard University  
John M. Olin Inst for Strategic Studies  
1737 Cambridge Street  
Cambridge MA 02138

(b)(6)

(b)(6)

Harvard University  
Center for International Studies  
Building E38, Room (b)(6)  
292 Main Street  
Cambridge MA 02139

(b)(6)

(b)(6)

Northrop Corporation  
1840 Century Park East  
Los Angeles CA 90067-2199

(b)(6)

(b)(6)

School of Public Policy  
D. M. Smith Building  
Georgia Institute of Technology  
Atlanta GA 30332-0345

(b)(6)

(b)(6)

Harvard University  
Center for National Affairs  
John M. Olin Inst for Strat Studies  
1737 Cambridge Street  
Cambridge MA 02138

(b)(6)

(b)(6)

School of Social Sciences  
Georgia Institute of Technology  
Atlanta GA 30332

(b)(6)

(b)(6)

Professor of Public Policy  
and Organization  
MIT (b)(6)  
Cambridge MA 02139

(b)(6)

(b)(6)

OASDUSD/Policy Planning  
Room (b)(6), The Pentagon  
Washington DC 20303

(b)(6)

(b)(6)

The Potomac Organization, Inc.  
\*5400 Greystone Street  
Chevy Chase MD 20815

(b)(6)

(b)(6)

MITRE Corporation, MS C521  
7525 Colshire Drive  
McLean VA 22101

(b)(6)

(b)(6)

Rutgers University  
Department of Anthropology

(b)(6)

(b)(6)

Strategy Department, Naval War College  
Newport RI 02841

(b)(6)

(b)(6)

Associate Director for Science and  
Technology, OSD/NA  
Room (b)(6), The Pentagon  
Washington DC 20301-2950

(b)(6)

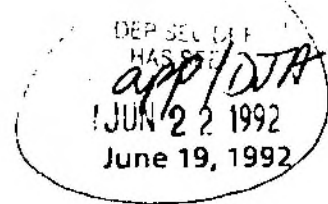
(b)(6)

Military Assistant to the  
Under Secretary of Defense for Policy  
Room (b)(6), The Pentagon  
Washington DC 20301

(b)(6)



OFFICE OF THE SECRETARY OF DEFENSE  
WASHINGTON, D.C. 20301



SCHEDULE PROPOSAL EXECUTIVE SUMMARY

MEMORANDUM FOR THE DEPUTY SECRETARY OF DEFENSE

ATTN:

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THROUGH:

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Concom.

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The Special Assistant to the Secretary and Deputy Secretary of Defense

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FROM:

(b)(6)

Director, DMR Implementation Coordination Office

SUBJECT:

Upcoming DMR Initiatives

PURPOSE:

ACTION - Meet with each of the Under Secretaries of the Military Departments to generate new DMR initiatives.

DISCUSSION:

Based on your comments to me after the release of the 1992 DMR Progress Report, I fully understand your desire to reinvigorate the DMR process. Further, it clear to me that you have energized the OSD staff. ASD(P&L), ASD(C3I) and Comptroller are diligently working on new DMR initiatives. I am also working with DDR&E, as you had requested.

I feel it is important that we solicit support from the Military Departments as well. After the first two "rounds" of DMRDs, the Under Secretaries of the Military Departments asked you for time to focus on implementation. Implementation efforts were fruitful, DoD accrued \$1 billion more in DMR savings in FY1991 than had been originally estimated.

A meeting with each of the Under Secretaries of the Military Departments would give you a chance to thank them for their hard work to date, emphasize the positive results from the existing initiatives, and stress that the job is not finished.

RECOMMENDATION:

Meet with each of the Under Secretaries of the Military Departments to discuss the upcoming budget cycle and emphasize the importance of meeting the limitations of the defense budget through management efficiencies to the greatest extent possible.

DEPSECDEF DECISION

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19 Jun 92

OFFICE OF THE  
SECRETARY OF DEFENSE

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Date

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