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DefenseNews

6 Ways Industry Can Survive

Defense Cuts Require New Strategy

By Lord Robertson

Today's strategic environment can hardly be characterized as better, safer, more predictable or more manageable than any time in recent memory. The world has seen big surprises during the past decade: 9/11, tsunamis, the Icelandic volcano eruption, the oil spill in the Gulf of Mexico, the Arab Spring.

While these events were varied in scope, all had one thing in common: They caught us off guard.

Then there are the continuing key international threats: climate change, terrorism, organized crime and nuclear proliferation. Finally, you cannot leave out failed states. Just look at Somali pirates and the Afghanistan/Pakistan border. And now, Act III of a very-long-running play in North Korea.

All this comes about at a time when defense budgets are shrinking across the world. And the world's largest defense spender, the U.S., recently unveiled major budget cuts over the next 10 years amounting to, at minimum, \$487 billion.

Turmoil and threats across the globe, yet there are calls for major cuts to defense. The logic is not exactly foolproof.

So, is there a case for cutting defense? Are nations sure enough and prepared enough to cut the essential national, regional and global insurance policy that is defense? With so many surprise events and risks, cutting the very thing that can protect nations from those situations is foolish.

Countries and their militaries are generally not ready, in advance, to protect what really matters, and there are no national strategies in place to identify and protect what is essential over what is desirable. The consequence is serious danger in the form of incoherence and the wrong capabilities for the next emergency.

With that, there are six points the defense industry needs to keep in mind in this dichotic and unpredictable world:

- Do not oversell. Watch what your markets will tolerate. Trying to sell fast jets to micro-states will be as counterproductive as trying to sell cutting- or bleeding-edge capabilities to ministries of defense (MoDs) that, if they were corporations, would be filing for bankruptcy.

- Think laterally on how to sell where little or no immediate cash exists but where the customer is a sound financial proposition. Arms salesmen may have to become bankers. It would be difficult, of course, but it might work in tough times.

Look at what the motor industry does. By allowing customers to pay a small upfront fee, car companies can then charge interest on installed monthly payments for the vehicle, thus benefiting the customer who does not have a lot of immediate cash and ensuring the car company gets paid in the end.

- Remember that MoDs increasingly will have to make do with what they have, so concentrate on updating, modernizing, refurbishing and adding to existing equipment. That is more likely to succeed than high-quality, high-price new kits.
- MoDs should be thinking about collaboration, sharing and pooling. Companies, however, might have to do it for them. The maxim should be “common capabilities for common threats” — and you should enlist the help of NATO. The time has come to drive a new way of acquiring equipment; you can lead it.
- Think dual-use. If what you sell or market is also good for civil emergency/humanitarian relief or protecting critical civilian infrastructure, then other government departments will be in the business of helping MoDs.

For example, light tactical vehicles or modified SUVs can be used in the defense and civilian markets. Companies that provide vehicle fleet maintenance for defense could also make a case to the civil agencies to push for those services in preparation for potential emergency or humanitarian situations.

- If protection of the population is a nation’s top priority, then support the organizations in society that campaign for strong, relevant defense. Nongovernment organizations and members of government can be strong allies in providing a robust defense budget.

As joint president of the Atlantic Council of the U.K., I know too well the difficult job we have, especially at this time, in selling strong defense when we face competition from schools, hospitals, roads and law enforcement. Yes, these societal things are valuable, but only if people are safe and secure in their homes and countries. Without safety, security and democracy, the rest is academic.

According to the famous quote, “I am interested in the future, because that’s where I’m going to spend the rest of my life.” And if that future is to be safe, the defense of our society and its people is the top priority.

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