

THE MILITARY BALANCE 2008

Press Statement

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REMARKS BY

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INTRODUCTION

Welcome to the launch of the 2008 *The Military Balance*.

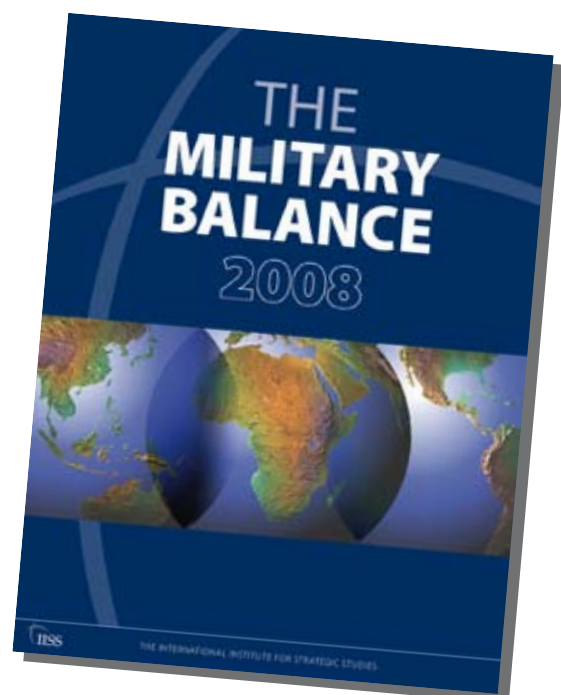
Joining me to answer your questions today are: James Hackett, Editor of *The Military Balance*; Alex Nicoll, Director of Editorial; Nigel Inkster, Director for Transnational Threats and Political Risk; Christopher Langton, Senior Fellow for Armed Conflict and Defence Diplomacy; H.R. McMaster, Senior Research Associate; Dr Dana Allin, Senior Fellow for Transatlantic Affairs and Editor of *Survival*; Dr Mamoun Fandy, Senior Fellow for Gulf Security; Mark Fitzpatrick, Senior Fellow for Non-Proliferation; Rahul Roy-Chaudhury, Senior Fellow for South Asia; and Dr Bastian Giegerich, Research Associate for European Security.

We are delighted to be presenting this Military Balance at the start of our 50th anniversary year. The first edition of *The Military Balance* was barely 11 pages long; this is just under 500 pages and the growth in its size of course reflects not only the development of our research capabilities but the rising complexity of the global security situation. The IISS is conducting a number of events world-wide this year not only to mark our 50th anniversary but also to deepen our links with the defence and foreign policy establishments in different regions. While today we are launching *The Military Balance*, this month we are also re-launching our journal *Survival*, which returns to a bimonthly format, and with increased frequency will come also timelier, but still extensive analysis of breaking strategic issues. Throughout the year, regular users of IISS services will notice, we hope, an increasing pace to our research and conference activities guided by a coherent set of research and analytical priorities. As much as we can, the IISS wants to build on our international character to continue to provide an international and independent perspective on global security trends.

In addition to the regular chart of Armed Conflict and detailed descriptions of the armed forces around the world, this year's edition of *The Military Balance* carries an ever-more detailed analysis on non-state armed groups and their affiliates. Military developments in all parts of the world are covered in summary regional chapters and among our specialist essays this year is an assessment of the development and future utility of unmanned aerial vehicles (UAVs). We have also this year added considerable detailed arms transfers and defence budget comparisons.

The Military Balance 2008 includes for the first time a review of last year's developments in defence industries, in which some of the leading European companies went through important structural changes, while American companies continued to experience booming business. We note that several US procurement decisions, for example on helicopters, aircraft and electronic goods, seemed to indicate that the climate for European companies seeking transatlantic business could be improving after the political difficulties of recent years. Meanwhile, the United Kingdom and Australia separately agreed Defence Trade Cooperation Treaties with Washington that may ease the chronic bureaucratic restrictions on doing business with the US.

We publish *The Military Balance* against the background of major military campaigns taking place in Iraq and Afghanistan, concern about nuclear proliferation issues, worry about the stability of key geo-political 'swing states' such as Pakistan, and nervousness about the appearance of arms-racing tendencies, particularly in Asia. All this is taking place as elements of the formal international arms control regime is being eroded as various countries question the current relevance of Cold War provisions or the arms control



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elements of relevant peace agreements. Let me touch on some of these major issues before we take some questions.

IRAQ

Nearly a year after President Bush's new military surge policy for Iraq began, it has clearly delivered results in Baghdad and the surrounding provinces. As US troop numbers in Iraq begin to drop, there has been a substantive reduction in the activities of sectarian death squads and al-Qaeda mass casualty bombings. Although all types of violence clearly remain high, the surge has substantially reduced murders and terrorist attacks from their peak at the end of 2006.

However, progress on the political front has been insubstantial. At cabinet level, the Maliki government remains fractured and largely ineffectual. Individual ministries resemble party or personal fiefdoms with cross-governmental coordination remaining sporadic at best. The US policy of embedding Provisional Reconstruction teams with US military units across Iraq is beginning to deliver dividends but their overall impact remains limited as they are so thinly dispersed.

The successful holding of provincial elections could refresh Iraq's governing elite and bring in new politicians with grass-roots appeal. Newly elected provincial leaders could be more effectively connected to their counterparts in the ministries in Baghdad and place pressure on them to deliver. But local elections will pose a big logistical and military challenge for the UN as overseers of the process and the US military as their guarantor. Current debates in Baghdad, New York and Washington suggest elections may be held later this year on a rolling, province by province basis, the better to provide necessary security and support.

With a widespread acknowledgement that the Iraqi government has not made anything like sufficient progress on the political front, the premiership of Nuri al Maliki has repeatedly been placed under close scrutiny throughout 2007. However, two large problems have so far blocked his removal. Firstly, a majority in the Iraqi parliament would have to be constructed across the sectarian divide to secure a vote of no confidence. Secondly, any likely successor could bring the same problems of vacillation, sectarian motivation and inefficiency. The danger, as with the replacement of Ibrahim al Jaafari by Maliki, is that change could lead to deterioration in political leadership.

In light of the strain on the US military stemming from the reinforced effort in Iraq and the commitment of over 3,000 additional Marines to Afghanistan, pressure is certain to mount for a reduction of US troops in Iraq below the pre-surge level of 15 brigades. It is likely, however, that General Petraeus will recommend slowing the reduction of US troops to hedge against reversals in the security situation. Several contingencies militate against too rapid a reduction in forces including the need to:

- protect against increased Shia militia activity, especially the Jaish al Mahdi (JAM) and Iranian-supported 'special groups';

- provide security for provincial elections (if they occur);
- prevent Kurd-Turkmen-Arab violence from increasing in connection with the future of Kirkuk and Arab and Turkmen fears of Kurdish expansionism; and
- provide more time for political and economic progress as well as reform and expansion of the security sector.

As the Iraqi security sector expands, it remains to be seen whether or not professionalism and demographic balance can be improved so that Army and police forces are able to earn the trust of Iraq's communities. Whether the Government of Iraq integrates Sunni Arabs who joined the fight against al-Qaeda, the so-called 'Concerned Local Citizens,' is likely to have a significant impact on the durability of recent improvements in security.

The next year will also see the US and other governments negotiate bilateral security arrangements with the Government of Iraq which will define the nature and scope of their efforts to stabilize the country, develop security forces, and provide assistance with internal and external security.

AFGHANISTAN

With the counter-insurgency campaign in its seventh year the International Security Assistance Force (ISAF), now comprising contingents from 39 countries under NATO command, remains committed, if shakily, to combat operations in the southern provinces whilst maintaining 28 Provincial Reconstruction Teams (PRTs) across the country. Insurgents have sought to spread the scope of their own operations by resorting increasingly to suicide attack as the weapon of choice. There were more than 140 attacks last year. Some, such as the attack on the Serena Hotel in Kabul, showed unusual sophistication in planning and execution. We can expect more. The insurgency is given impetus by the instability in Pakistan which allows fighters to operate from the relative safety of the Federally-administered Tribal Areas (FATA).

Building capacity in the Afghan National Security Forces (ANSF) has not accelerated in the way that was hoped. The Afghan National Army (ANA) remains well below the desired total strength of 70,000 and the increase in the number of international troops to train and advise the ANA has not fully materialised. The extra deployment of 3,500 US Marines is an attempt to boost this effort. The critical weakness is in the Afghan National Police force which remains corrupt, poorly-trained and a ready target of insurgents. 925 Afghan policemen were killed last year.

President Karzai lacks the authority to govern in all areas. Corruption is rife at various levels of government and there is a lack of institutional capacity. He has sought an accommodation with moderate Taliban as recognition of the fact that they have some political constituency. But he has been frustrated by other 'deals' brokered by international allies. The appointment of former Talib commander Abdullah Salaam as mayor of Musa Qala, on the recommendation of the British, was approved by Kabul initially, but later renounced by Karzai.

This lack of coherence bedevils many aspects of the campaign and further undermines President Karzai's

authority. In the nation-building effort and counter-narcotics campaign it is particularly acute, underlining the need for some kind of non-partisan envoy to assist in the coordination of the various elements of the campaign. The formal will-power of the international community to stay the course in Afghanistan is regularly expressed. However, there is both a worrying fragility to that consensus and an increasingly public debate between the Afghan government and members of the military coalition as to the best strategies to pursue on political reconciliation and national development.

IRAN

The latest US National Intelligence Estimate changed the dynamics of efforts to curb Iran's dual-use nuclear programme. By highlighting a judgement that Iran in 2003 stopped covert weaponisation work, the NIE had the effect of taking off the table the near-term prospect of US military action. The decision by Russia to deliver 82 tonnes of low enriched uranium fuel to run the Bushehr reactor, now projected to come on line by the end of the year, removed another form of leverage over Iran – although it also underscored questions about the purpose of the Natanz enrichment plant. There is thus continued pressure on Iran to stop its enrichment programme. The five permanent members of the Security Council agreed 22 January on the elements of a third sanctions resolution that is now under consideration by the rest of the Council. At Russian and Chinese insistence, it would add few new punitive measures beyond adding additional names to the travel ban and asset freeze. In calling for 'vigilance', however, a third UN resolution would provide the basis for further independent EU action in restricting trade credits and interactions with Iranian national banks. The impact of such measures will be diluted if other countries pick up Iranian business shed by European companies, but the deepening cutback in Western investment imposes a long-term price, adding to Iran's economic troubles.

Iran sought to delay further sanctions by agreeing to a new timeline for addressing IAEA questions about its past nuclear activity, questions that were to have been answered by the end of 2007. Meanwhile, Iran shows no sign of abiding by Security Council demands to stop its current enrichment activity. Indeed, Tehran is moving ahead with a new generation of more efficient centrifuges. IAEA Director General ElBaradei's next report, due later this month, should shed more light on this. Confirmation of Iranian progress with the new centrifuges would add to the sense of urgency about how soon Iran could produce enough highly enriched uranium for a nuclear weapon.

SOUTH AND SOUTH-EAST ASIA

The political turmoil in Pakistan presents difficult options for those democratic countries which have an interest in that country's stability and in combating terrorism in Afghanistan. Under Musharraf's presidency, despite his having at last relinquished direct command of the army, the military's privileged status and its grip on the body politic and on civil

affairs have significantly strengthened while democracy has been further eroded. For all Musharraf's protestations that the actions against the judiciary were to combat wrong-doing, they had every appearance of being motivated by political expediency, with the result that the judiciary as a whole is now publicly at odds with the country's executive. Despite Musharraf's pledges that the general elections on 18 February will be transparent, free and fair, and peaceful, his track record suggests that there may nonetheless be significant manipulation of vote banks to ensure a relatively compliant legislature. On the other hand, the appointment of the successor of the assassinated Benazir Bhutto has highlighted the feudal and personality-driven nature of her party, while none of the other parties offers grounds for optimism that they will collectively be capable of either providing strong leadership or of furthering the cause of democracy. The internal stability of Pakistan is a major international security issue. The quality of its governance and the political steps needed to improve it is therefore a subject on which outsiders are bound to intervene diplomatically.

In South-East Asia, there has been much evidence of continuing efforts to modernise armed forces, with particular emphasis on improving conventional warfare capabilities. During the course of 2007, examples of major military procurement in South-East Asia included Singapore's orders for new airborne early warning aircraft, F-15 fighters, and multiple launch rocket systems. Singapore also commissioned its first *Formidable*-class frigate, unveiled new unmanned air vehicles for reconnaissance, and in August displayed its new main battle tank, the German-supplied *Leopard 2*, for the first time. Intriguingly, the Malaysian army showed its own first MBTs for the first time the very next day. Malaysia also brought Sukhoi-30 combat aircraft into service.

During September, President Putin and Indonesian President Susilo Bambang Yudhoyono signed a loan agreement under which Moscow agreed to provide credit worth \$1bn for the purchase of Russian defence equipment, including *Kilo*-class submarines. Indonesia is also negotiating a major arms deal with India, expected to include the supply of combat aircraft, and is indicating serious interest in acquiring modern naval cruise missiles or developing and manufacturing such missiles indigenously, possibly with Chinese assistance. In Thailand, the armed forces – which usurped Thaksin Shinawatra's elected government in September 2006 – oversaw 34% and 28% increases in the defence budgets for 2007 and 2008 respectively. New army equipment ordered during 2007 will be relevant to counter-insurgency operations in Thailand's troubled southern provinces. But before the reversion to civilian rule, the interim military-backed government also approved funding to buy multi-role fighters and airborne early warning aircraft from Sweden.

South-East Asian states' military modernisation is driven in part by the availability of increased resources for defence as a result of economic growth that has revived in the last decade. But it also reflects continued tensions in the Asia-Pacific region, including bilateral tensions amongst members

of the Association of Southeast Asian Nations (ASEAN), despite their intention to establish an ASEAN Political-Security Community. This does not yet amount to an arms race, but South-East Asia's military establishments are evidently watching their neighbours' defence programmes closely, and in some cases reacting to them.

ARMS CONTROL INSTABILITIES

It is worth noting that while these tendencies exist in the relatively arms control-free zone of Asia, elsewhere, arms control agreements are under challenge by politics or realities on the ground.

In Western Europe there has been much concern about the assertive foreign and security policy of Russia, evidently seeking to undo some of the perceived humiliations of the immediate post-Soviet era.

The key military development this year concerned Russia's decision to suspend its participation in the Conventional Forces in Europe Treaty (CFE). Putin announced Russia's suspension in April 2007 and in December it came into force following a unanimous ratification by the State Duma. The West has refused to recognise the suspension, which is not provided by the treaty provisions, and has declared Russia in violation of the treaty. In December Russia for the first time refused to submit data requested by the treaty and has rejected to comply with the inspection regime.

It is understood that after July 2008 Moscow will formally withdraw from the Treaty and there is little sign at present of a compromise that could avert this. The end of CFE Treaty, the cornerstone of post-Cold war European security, could have negative consequences for Europe. It will abolish an important confidence-building mechanism – including the exchange of data and an inspection regime – and introduce new tensions between Russia and its neighbours, particularly if Russia decides to redeploy its troops closer to NATO member states. The next target of Moscow's assertive revisionism could be the intermediate nuclear forces (INF) treaty. Taken together with the earlier American withdrawal from the Anti-Ballistic Missile Treaty (ABM), the unravelling of the infrastructure of European arms control can be seen as well in train. For this not to matter, the burden will be all the higher on diplomats and politicians to avoid an escalation of tensions that would make military dispositions in Europe again a cause of strategic concern.

In the Near East, much of the recent focus has been on the tragedy surrounding the conditions in Gaza that inspired so many Gazans, earlier this month, to seek to break out of the area and flood into Egypt. On 22 January 2008, Hamas supporters blasted down the border fence that separates Gaza from Egypt. Some 750,000 Palestinians (equal to the population of Qatar or Bahrain) poured into Egypt from Gaza.

Egypt deployed some 20,000 of its police force in the north of the Sinai Peninsula. Their main job was to pick up Palestinians and return them to the border. This situation is complicated by the conditions that the Camp David treaty

imposed on Egypt in terms of the number of troops it is allowed to deploy in this region. According to the military protocol of the Camp David treaty the only forces that can operate in the so-called Zone C that is adjacent to Rafah is the Egyptian police (capped at 750) and the Multinational Force in the Sinai. The current number of Egyptian forces deployed to restore order is thus way beyond the numbers permitted in the Camp David accord.

What happened on 22 January 2008 has implications for the military and strategic balance in the Sinai. It could have serious implications for the military protocol of the Camp David treaty and the sense of trust between Egypt and Israel. The larger issues of how to achieve Palestinian national reconciliation, economic development and a two-state solution remain, rightly, core strategic priorities for the international community. But given the importance in this equation of confidence-building and security, it is inauspicious that elements of the most iconic Middle East peace treaty – Camp David – are under such threat because of the facts on the ground.

CONCLUSION

The current military campaigns in Afghanistan and Iraq are bound to re-animate the debate in the US about the implications for future US defence strategy and force development. It remains unclear whether the reality of complex state building and counterinsurgency operations has diminished US enthusiasm for 'revolutionary' technologies and the associated belief that these technologies will change fundamentally the nature of armed conflict. But even if the US reverts to a greater emphasis in its training and practices to counter-insurgency techniques and the co-ordination of civilian and military approaches to complex contingencies, it will find the recruitment of allies willing to make so-called generational sacrifices in the service of these extended campaigns extremely difficult. If in the past it was the technological and doctrinal gap between the US and its NATO allies that was the centre of anxious transatlantic debate, now it is the willpower and capacity gap that is striking. Next April's NATO summit is thus likely to be pre-occupied not only with the now perennial issue of what the Alliance is for, but with the question of whether the Alliance can muster the military forces and political commitments to match its expansive strategic vision.

More generally, the rest of 2008 will offer regular illustrations of how today's 'non-polar' world remains so diversely unstable. We will continue to witness tribal conflicts in Africa, sectarian struggles in the Middle East, arms competition in Asia and possibly too in Latin America, the proliferation of violent transnational movements, and the jockeying for power and influence between rising, falling, confident and paranoid states. The IISS, in its 50th anniversary, will be seeking to build its capacities to clarify the challenges, analyse the options and encourage sound public policy on these issues.

With that, we are happy to take your questions.