

# S O P D



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## MESSAGE FROM THE EDITORS

This month the Editors of the *Senior Officer Professional Digest* recommend ten articles drawn from professional and academic journals on the subjects of Indian Ocean strategy, state capitalism, preferential trade agreements, military spending, counterinsurgency, terrorism, intelligence standards, brown-water craft and technological evolution.

Trade is critical to modern economies. Goods must be moved from where they are produced to where they are needed to have the greatest value, and 'chokepoints' for the flow of these goods continue to have high strategic relevance. James R Holmes and Toshi Yoshihara examine one such strategic area—the Indian Ocean—and focus on how they see China's interest in this ocean developing. Ian Bremmer writes about other Chinese economic interests: sovereign wealth funds and state-owned enterprises, offering some excellent research into these increasingly important instruments. Michael Wesley explores preferential trade agreements, which many see as one of the West's responses to the booming authoritarian economies.

As the Chinese and Russian economies continue to grow, so too do their military capabilities. In a bid to retain its conventional military supremacy, the United States is currently spending heavily on defence, and John D Christie points out that this expenditure may soon become unsustainable. Many once-great powers have succumbed to this crushing economic burden, and Eric Ouellet examines the case of France, and how its unwillingness to shoulder the financial burden of long counterinsurgencies spelled the end of public support for its colonial empire. In many of the territories that France once administered, insurgencies are again apparent, and Shawn Teresa Flanigan looks at how these organisations garner support for their cause by providing social services. Justine A Rosenthal examines the opposite, analysing those terrorists that make money from their activities, while Mark M Lowenthal offers an excellent study of that most vital instrument in fighting terrorism—intelligence.

Edward Wiser covers the continuing development of brown-water craft, highlighting what is increasingly becoming an asymmetric threat to Western land forces. Lastly, Tim Benbow reminds readers that, while new technological developments will continue to pose threats, vulnerability does not equate to obsolescence and people will remain critical in making the most of military technologies.

Enjoy  
The Editors

**James R Holmes and Toshi Yoshihara, 'China's Naval Ambitions in the Indian Ocean', *Journal of Strategic Studies*, Vol. 31, Iss. 3, June 2008, pp. 367–94.**

Indian Ocean trade levels are growing rapidly, and the wealth generated has become substantial. James R Holmes and Toshi Yoshihara examine the biggest variable in the Indian Ocean trade equation—provocative Chinese ambitions.

Both China and India are large, developing states whose energy needs are increasing at a rate commensurate with the rapid growth of their economies. Both are dependent on the uninterrupted flow of natural resources from the Middle East and Africa. Both, therefore, seek to project naval power into the Indian Ocean in order to secure this vital wellspring of their economies. However, Holmes and Yoshihara argue that conflict is far from certain, and offer some very refined and robust analysis in support of their rather nuanced conclusion.

For senior officers, the value of this article is clear: Australia forms part of the critical resource flow to China that Holmes and Yoshihara discuss, and these resources pass across the Indian Ocean. Accordingly, Australia could conceivably become caught up in a confrontation over such resource flows, and given the strategic, diplomatic, political and economic stakes Australia has in this trade, the

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**'The paramount concern animating Chinese interests in the Indian Ocean is energy security, an imperative that has been widely debated in media and academic studies.'**

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ADF must be ready to respond. Holmes's and Yoshihara's fine article offers senior officers an opportunity to quickly review the state of the public discourse on this issue.

*James R Holmes is a Senior Research Associate at the University of Georgia Center for International Trade and Security. Toshi Yoshihara is a Professor at the Strategy and Policy Department, US Naval War College.*

**Ian Bremmer, 'The Return of State Capitalism', *Survival*, Vol. 50, Iss. 3, June/July 2008, pp. 55–64.**

Sovereign wealth funds, state oil companies and nationalised businesses are all characteristic of the thoroughly discredited communist economic model. Despite this, these institutions are experiencing a resurgence—only this time they have been harnessed to capitalism. Ian Bremmer examines these revived economic instruments and arrives at some very interesting conclusions.

Bremmer argues that these economic instruments may prove more threatening to the common good than any state or group adversary. This is because these entities, often managed with political—not profit—goals in mind, introduce significant risk to global financial markets. This risk drives up costs and reduces investor confidence and could lead to market collapse.

Readers of the *SOPD* will recall that the Editor's recommended an article by Jodi Liss last month entitled 'Making Monetary Mischief', in which she discussed large scale financial speculation as a

way to destabilise a state. Bremmer continues this theme, examining in detail some of the mechanisms that states might employ in such actions. However, he reaches different conclusions to Liss on the threat that state economic manipulation poses to the West. Bremer's article is also important because it provides officers and policymakers with details of the main 'state capitalist' economic instruments, as well as ways to potentially counteract their significant latent threat.

*Ian Bremmer is President of Eurasia Group, and Senior Fellow at the World Policy Institute.*

**Michael Wesley, 'The strategic effects of preferential trade agreements', *Australian Journal of International Affairs*, Vol. 62, Iss. 2, June 2008, pp. 214–28.**

Michael Wesley's article delves deeply into an issue of strategic discourse that is often taken for granted—the strategic motivations of state-to-state trade deals. Wesley's conclusions are surprising, and will be of considerable interest to the policymaker and strategist.

Wesley examines preferential trade agreements, or PTAs, from the perspective of both great and lesser powers. Every power's approach to PTAs has unique elements that Wesley expertly draws out, highlighting the differing rationales guiding these strategic agreements. While it is intuitive to think that larger powers would gain more from their PTAs because of their larger economies and hence larger leverage, Wesley shows that small and medium powers—like Australia—can actually profit the most.

Wesley concludes that, given the ambiguity of the PTA's success/failure record, they can only be said to be reasonably likely to prevent conflict rather than to generate it. Despite the cloud hanging over their effectiveness, trade agreements continue to grow in importance in Asia where aside from their obvious economic repercussions, they can affect anything from access to military technology to provision of raw materials. For Australia, regional cooperation and engagement is a critical part of its overall national security. PTAs have a role to play in national policy, and Michael Wesley's article is an excellent introduction to these increasingly important agreements.

*Professor Michael Wesley is Editor of the Australian Journal of International Affairs. He is Director of the Griffith Asia Pacific Research Institute at Griffith University. Prior to this appointment, he served as Assistant Director-General for Transnational Issues at the Office of National Assessments.*

**John D Christie, 'DoD on a Glide Path to Bankruptcy', *Proceedings*, Vol. 134, Iss. 6, June 2008, pp. 22–25,**

**<[http://www.usni.org/magazines/proceedings/story.asp?STORY\\_ID=1484](http://www.usni.org/magazines/proceedings/story.asp?STORY_ID=1484)>.**

Increasing costs, slipping schedules and unexpected problems are almost 'par for the course' in defence procurement. While the Defence Materiel Organisation has overseen marked improvements in acquisitions, there is always room for improvement. Recent reporting in the media shows that the Treasury is concerned about Defence spending levels, and is advising further restraint. John D Christie's article is therefore of considerable value for the Australian audience.

Many readers of the *SOPD* will no doubt be familiar with Norma R Augustine's 1982 argument that, based on then-current projections of cost growth, a single fighter aircraft would have cost the entire US defence budget by 2050. Of course, such a projection cannot reasonably be made today, but Augustine's point, Christie argues, is still valid—military equipment costs grow faster than budgets or national economies.

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**'Acquisition cost data over the past 60 years show that the U.S. defense community is on a path to bankruptcy ... If these historic trends are not addressed, the U.S. military will cease being a significant influence in world events ...'**

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Christie's examination of this issue, and his solutions, are intriguing and will be of considerable interest to senior personnel within DMO. While Christie writes of the US situation, his analysis and conclusions are largely context-independent and are broadly defined. Moreover, the article is important to all senior ADF and departmental staff given its diagnosis of our most critical ally—the United States'—apparent 'glide path to bankruptcy'.

*Dr John D Christie is a Senior Fellow at LMI Government Consulting. He has previously served as Assistant Secretary of Defense for Systems Analysis and as a Director of Acquisition Policy and Program Integration at the Pentagon.*

**Eric Ouellet, 'Ambushes, IEDs and COIN: The French Experience', *Canadian Army Journal*, Vol. 11, Iss. 1, Spring 2008, pp. 7–24,**  
[http://www.army.forces.gc.ca/caj/documents/vol\\_11/iss\\_1/CAJ\\_vol11.1\\_04\\_e.pdf](http://www.army.forces.gc.ca/caj/documents/vol_11/iss_1/CAJ_vol11.1_04_e.pdf).

Eric Ouellet's article examines several case studies of French counterinsurgency experience, highlighting the continuities between France's campaigns in Algeria in the nineteenth century, Indochina, and Algeria in the twentieth century, and NATO operations in the twenty-first century in Afghanistan.

Ouellet is careful to draw only those lessons that are relevant today. For example, he avoids any lessons that would be no longer applicable because of current pervasive media coverage or lessened public tolerance of casualties. Accordingly, Ouellet's study of historical counterinsurgency campaigns is one of the most pertinent in circulation today.

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**'Any comprehensive decisions on how best to deal with ambushes and IEDs should ... recognize the strategic effects sought by our adversaries and not only attempt to counter these effects tactically but also at the strategic level.'**

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Ouellet concludes that the domestic repercussions of casualties must be managed at the strategic level, and that efforts to minimise the vulnerability of forces at the tactical and operational levels is insufficient. What is missing, he argues, is a concentrated, strategic-level approach to casualties which brings tactical and operational level countermeasures into a strategic campaign that ameliorates the domestic

opposition arising from combat deaths. This, he argues, is critical for NATO forces if they are

to maintain their 'staying power' in a campaign that, based on historical experience, will last probably for decades. The relevance of this article to Australian officers is, therefore, quite clear.

*Eric Ouellet, PhD, works as a Defence Scientist with Defence Research and Development Canada at the Centre for Operational Research and Analysis in Ottawa. He has previously held teaching positions at both the Canadian Forces College and at the Royal Military College of Canada.*

**Shawn Teresa Flanigan, 'Nonprofit Service Provision by Insurgent Organizations: The Case of Hizballah and the Tamil Tigers', *Studies in Conflict & Terrorism*, Vol. 31, Iss. 6, pp. 499–519.**

There now exists a significant body of work that addresses the links between charitable organisations and terrorist and/or insurgent organisations. Many of these studies have focused on how such charities are used to fund or assist terrorist and insurgent activities. A different, and somewhat overlooked, aspect of this nexus is the way that terrorist and insurgent groups employ health and social service providers to gain the support of the greater community. This article uses the social service activities of two insurgent groups—Hizballah and the LTTE, also known as the Tamil Tigers—as a case study to examine this phenomenon.

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**'Given the high reliance on nonprofit service providers in the developing world ... insurgent organizations providing health and social services can have substantial influence on those receiving services.'**

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Shawn Teresa Flanigan's article is important for two reasons. First, military forces will most likely continue to work with NGOs. In doing so it is important to understand the dynamics behind aid organisations that the ADF works alongside. While the ADF will never knowingly choose to associate with aid agencies that have insurgent links, it may be forced through circumstance, especially after a natural disaster, to be in contact

with organisations that are in some way connected to terrorist or insurgent groups. Second, by outlining the importance of social service provision as a tool insurgent groups use to gain legitimacy and social acceptance, Flanigan underlines the importance of providing services to communities that are prey to insurgent actions. The ADF needs to consider how the provision of such services can make an important contribution to counterinsurgency strategy.

*Dr Shawn Teresa Flanigan is an Assistant Professor at San Diego State University, California.*

**Justine A Rosenthal, 'For-Profit Terrorism: The Rise of Armed Entrepreneurs', *Studies in Conflict & Terrorism*, Vol. 31, Iss. 6, pp. 481–98.**

Much has been made in recent times about the importance of understanding culture when conducting a COIN campaign. Military organisations around the world are incorporating anthropology and cultural studies into their preparation of the battlespace so that soldiers are equipped with the knowledge required to both take on the enemy and garner the support of

the indigenous population. This article by Justine Rosenthal highlights the importance of understanding exactly what it is we are dealing with when analysing a situation and developing a strategy—what may at first appear to be a ‘traditional’ terrorist group guided by principles may in fact be something different. Having an understanding of jihadist motivations or nationalist sentiment will not count for much if what you are really dealing with is criminals motivated by financial gain. More complex still are groups that are a mixture of both.

In the complex situations the ADF is involved in today, the enemy is often an evolving concept. What may at first seem a nationalist struggle for power may actually develop into a criminal grab for personal gain, or vice versa. Rosenthal argues that while such groups are currently a tangential threat, they are a growing menace that will require a dedicated and well-thought out strategy if they are to be defeated. This article highlights some of the complex issues that need to be understood when dealing with groups that are potentially as interested in profit as they are in principles.

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**‘Terrorists and criminals operate on the same continuum—with groups driven solely by ideological and political aims on one end and groups who seek only profit on the other.’**

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*Justine Rosenthal is the executive editor of The National Interest.*

**Mark M Lowenthal, ‘Towards a Reasonable Standard for Analysis: How Right, How Often on Which Issues?’, *Intelligence and National Security*, Vol. 23, Iss. 3, June 2008, pp. 303–15.**

Mark M Lowenthal maintains that intelligence analysis is quite a practically focused and straightforward business—provided that its consumer’s expectations are realistic.

Lowenthal argues that intelligence is now seen by many as a panacea for uncertainty, and that a considerable number of senior personnel have come to expect it to reveal all. He cites the recommendations emanating from numerous US reviews of intelligence as evidence of the flawed understanding and expectations of intelligence collection and analysis.

The author demonstrates that current expectations of intelligence are completely unreasonable, and sets out an alternative framework by which he argues intelligence should be judged. The ‘recalibration of expectations’ that Lowenthal suggests is crucial for Australia also. It too has wrestled with the same standards in many public and parliamentary debates. Policy makers and advisors are therefore advised to read this article as a piece to help their thinking on how they shape expectations of intelligence—after all, a consumer’s perception of intelligence is arguably just as important as the intelligence itself.

*Dr Mark M Lowenthal is the President and CEO of the Intelligence and Security Academy, LLC. He has served as the Assistant Director of Central Intelligence for Analysis and Production, as Vice Chairman for Evaluation on the National Intelligence Council, and as Staff Director of the US House Permanent Select Committee on Intelligence.*

**Edward Wisner, 'One Size Does Not Fit All', *Proceedings*, Vol. 134, Iss. 6, June 2008, pp. 26–31.**

Wars among the people have become increasingly more common across the globe. Accordingly, the Australian Army must expect to operate in the type of terrain where most people live—near to water. Somewhere between half and three-quarters of the earth's population reside close to either a coastline or a river. Edward Wisner's article examines the technological and developmental trends in brown-water craft, and shows that they pose a significant threat in densely populated littoral environments.

Brown-water craft are rapidly becoming more lethal, yet simpler to acquire and operate. Moreover, no obvious counter to these craft yet exists within Western military arsenals. Consequently, such vessels pose a new and novel threat to Army personnel. Wisner's article provides a concise yet thorough introduction to developing brown-water craft, and will help interested officers assess the danger they may pose to their soldiers today and into the future.

*Edward Wisner is a former US Army artillery officer. He is currently completing his PhD at Florida State University and is an Adjunct Professor of Strategy at the US Naval War College. He is a former boat systems technician with twenty-five years experience with small water craft.*

**Tim Benbow, 'Naval Power and the Challenge of Technological Change', *Defence Studies*, Vol. 8, Iss. 2, June 2008, pp. 207–26.**

Some of the most decisive campaigns of history were won and lost in the eternal struggle between weapon and countermeasure: the U-Boat campaign and the Battle of Britain to name but a few. Tim Benbow's article examines the interplay of technologies in the naval domain across centuries, revealing an illuminating trend.

Benbow reviews the various critical developments in naval technology. At each stage, 'far-sighted' proponents of these advancements proclaimed the 'hopeless obsolescence' of existing capabilities. Each time they were proven wrong as counter-technologies matured and so too did tactics, techniques and procedures.

While the maritime technologies that Benbow examines will be of interest to joint commanders, the value of the piece for Army officers lays in the author's treatment of general military technological development. Officers and capability planners would do well to read Benbow's article and see that throughout history it has been the humans that used the technology—not the technologies themselves—that have been the crucial factor.

*Tim Benbow is a lecturer at the UK Joint Services Command and Staff College at King's College London. He received both his Masters Degree and Doctorate from Oxford University.*

*'Reflections' has been designed by the Editors of the SOPD to showcase the most influential texts from history regarding operations, strategy and politics. This month the Editors of the SOPD recommend:*

**John F Kennedy, Address to the Nation, 22 October 1962,**  
<<http://www.americanrhetoric.com/speeches/jfkcubanmissilecrisis.html>>.

Compared to the frightening days of the Cold War, the danger posed by contemporary weapons of mass destruction (WMD) is much lower. During the era of US–Soviet confrontation, thousands of ballistic missiles armed with nuclear warheads threatened the West. But the Soviet Union had little to gain and much to lose in using these weapons. Accordingly, the likelihood of a Soviet attack was low. Today, however, these vast stocks of weapons are much reduced. But enough WMD still exist to arm those most likely to use them—rogue states and terrorists. Accordingly, the threat from WMDs today, many would argue, is just as real.

President John F Kennedy faced similar threats and limitations in 1962 during the Cuban Missile Crisis. Over several months, the Soviet Union had covertly deployed dozens of medium range, nuclear-armed ballistic missiles in Cuba. Their proximity to the United States reduced warning time of a launch and thus constituted a viable first-strike option for the USSR. After the presence of these weapons became known, the Kennedy administration conducted a thorough diplomatic, political, public relations and military campaign to reverse what was seen as 'a deliberately provocative and unjustified change in the status quo'.

For today's officers who are engaged in complex operations where perception is just as important as 'punch', Kennedy's speech, and the measures he outlined, serve as an excellent case study of successful information and public relations operations. This speech reassured the population of the United States, its friends and allies, thoroughly discredited the Soviet Union, seized the political initiative and left it clear to all that any offensive action would be triggered by the Soviet Union. This left the USSR with no option but to back down, or escalate and face certain attack. Kennedy's speech and associated policies placed the Soviet Union on the horns of a dilemma, and were together ultimately responsible for this notable Cold War success. It is, therefore, a document representative of a policy that is still worthy of the Army's study today.

*John F Kennedy was born 29 May 1917. He served in the US Navy during the Second World War as a commander of a torpedo boat. His boat, PT-109, was sunk with the loss of two men on 2 August 1943 after colliding with the Japanese destroyer Amagiri. Kennedy was awarded the Navy and Marine Corps Medal for overseeing the safe return of his men from behind enemy lines. In 1947, Kennedy was elected to the House of Representatives from Massachusetts, and in 1953 was elected to the Senate. In 1960 he was elected the 35th President of the United States. He was assassinated by Lee Harvey Oswald on 22 November 1963.*