POLISH MILITARY MODERNIZATION: THE ROAD AHEAD

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The Issue

Poland’s Armed Forces Technical Modernization Program (TMP) represents a historic enhancement to the military capabilities of America’s most important ally in Central and Eastern Europe (CEE). Launched in 2012, it is the country’s largest-ever attempt to modernize its military through the acquisition of advanced weapons systems and capabilities. The overall size of this endeavor, $35 billion over 10 years, and the focused and generally efficient manner in which it has been conducted have made Poland a bright spot in the European security landscape, far exceeding the scale and complexity of defense arrangements of all neighboring CEE states and even many Western European members of NATO. Once completed, the TMP will cement Poland’s role as a leader in European defense. Three years into the program, however, Poland’s modernization effort faces a reality check amid internal political change and a worsening regional security environment. How the country manages the remainder of the TMP and the lessons that it applies from recent experience could determine whether the program achieves its full potential over the long term.
Decisions on Helicopters and AMD: Strategic Context and Aftermath

In April 2015, the Polish government announced the first of its major acquisition decisions, designating the industrial partners with whom Poland will field an integrated air and missile defense (AMD) system and multi-role, medium-lift helicopters. The Polish Ministry of Defense selected the H225M Caracal helicopter (built by Airbus) in a procurement valued at $2.5-$3.5 billion. For the AMD procurement, valued at about $7 billion, Poland selected the Patriot missile system (built by Raytheon). Going forward, both decisions are subject to detailed negotiations between Poland and the respective companies. The selection of industrial partners in each case was a long-awaited first step on the road toward full implementation of the TMP.
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Not uncommonly for large defense procurement programs, both tenders have been the subject of political debate. Almost immediately after the decisions were announced, the selection of industrial partners attracted criticism. Regarding helicopters, Polish trade unions criticized the choice of Airbus. This decision bypassed competing bids from Sikorsky Aircraft and AgustaWestland, both of which already have manufacturing facilities in Poland. By contrast, Airbus has no production plant in Poland but has pledged to build one. One result of the Ministry of Defense’s decision was that Sikorsky and AgustaWestland were forced to lay off employees from their Polish facilities. Critics of the deal alleged that the TMP had had negative economic repercussions. The layoffs were particularly worrying to Law and Justice representatives, who saw them as impacting jobs in the party’s traditional core constituency of Poland’s “Aviation Valley.”

The helicopter decision also raised public questions related to cost-effectiveness. Instead of purchasing 70 rotary wing aircraft for $2.95 billion, as originally intended, the Ministry of Defense picked the most expensive option from Airbus. Under this agreement, Poland will acquire only 50 helicopters for $3.49 billion, leading critics to complain that the deal will provide Poland with fewer new helicopters at a higher price point than originally envisioned. Additional questions have been raised over the government’s requirements for the helicopter tender. Unlike the requirements for Poland’s new AMD system (which were not classified), the requirements for the helicopter tender were considered a state secret. While the government asserted that helicopter bids would be disqualified if they did not meet its classified requirements, critics complain that the conditions for Airbus passing the benchmark remain unclear. For its part, helicopter manufacturer AgustaWestland, which was not selected, has appealed the government’s decision in court.

Poland’s AMD decision has also become the subject of public debate—but for different reasons. In selecting the U.S.-made Patriot system, the government passed over competing AMD options from MEADS International and the French-made SAMP/T systems. Significantly, the fielding of the Patriot system in Poland will be implemented as a U.S.-Polish intergovernmental deal rather than as a direct commercial sale between the government and a private company. The decision to acquire the Patriot as part of a bilateral arrangement with the U.S. government will help to strengthen the relationship between Washington and Warsaw. By acquiring the same AMD system used to protect U.S. forces from ballistic missile threats, Poland hopes to benefit from closer defense and industrial ties with the United States. While such a move would be welcomed in Poland, its importance has largely escaped notice among the general public. Instead, the post-decision debate has centered on the technical merits of the competing AMD systems.
The security and political context of Poland’s recent procurement decisions provides insight into the underlying drivers of the modernization program. Two factors are most prominent. The first is the recent destabilization of Poland’s security environment as a result of Moscow’s illegal annexation of Crimea, the ongoing fighting in Ukraine and increased Russian military probes (e.g., snap nuclear drills, cyberattacks and airspace incursions) against NATO. Despite the Minsk-2 cease-fire agreement, the Ukraine conflict has injected new urgency into the TMP. An aggressive and revisionist Russia, one that redraws the borders of its neighbors by force, raises the stakes for Poland’s TMP. More than a political showpiece, the modernization program will eventually make for a better equipped and more lethal Polish military. Military planners in Warsaw hope this could ultimately increase their conventional deterrence against future Russian action in NATO’s neighborhood.
The second factor is the Polish political calendar. The victory in May of Andrzej Duda (Law and Justice) over incumbent presidential candidate Bronisław Komorowski (Civic Platform) indicates a potential shift in the mood of Poland’s voters. Duda’s victory has endowed Law and Justice with considerable political momentum as Poland prepares for parliamentary elections this fall. While the race is tight, and it is possible that Civic Platform could win an unprecedented third consecutive victory at the polls, the political winds appear to be blowing in the direction of Law and Justice. Inevitably, defense policy has become part of the political debate leading up to the election.

Whichever party forms the next government, one thing that is likely to remain consistent after the election is Poland’s broad approach to national security. In the event of a Law and Justice victory, officials will continue to emphasize (1) Polish leadership in NATO; (2) Poland’s ability to deter threats from Russia; and (3) the desire for a sustained U.S. military presence in Europe. Something that could change under a Law and Justice government is increased political scrutiny of Civic Platform’s procurement decisions. If such a re-examination occurs, it will likely be in line with the current criticism (detailed above) of the helicopter and AMD decisions.
**PERSISTENT STRUCTURAL CHALLENGES**

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The size and complexity of the TMP have presented significant structural and staffing challenges for the Polish defense establishment. These can be broken down into economic, administrative, commercial and political factors.

It is a testament to the scale of Poland’s modernization program that the country set out with such a bold agenda for acquiring new hardware. As the TMP proceeded, however, the difficulties in spending $35 billion became apparent. By addressing these obstacles, Poland will be in a better position to successfully execute the TMP. Without taking action, the country may eventually have to revise previous assumptions about the value, timelines and net impact of the TMP on Poland’s national military capacity and the potential benefits of the program to the domestic economy.

Areas that deserve the most attention can be identified by examining the lessons learned from the early phase of the TMP. One of the largest of these is the need to address the over-classification of mundane commercial communication related to the TMP. It is understandable that some sensitive aspects of military hardware would need to be kept under wraps. In the case of the helicopter tender, however, Poland applied an unusually high classification level to basic, nonsensitive hardware requirements. This appears to have placed American firms at a strong disadvantage in the tender process, since U.S. law requires extreme measures when handling some levels of classified Polish material. As a result of Poland’s over-classification of the helicopter tender, American firms encountered significant delays in obtaining essential reading material from the Ministry of Defense. They likewise had to treat even mundane forms of commercial communication as if they were state secrets. In contrast, non-American firms were unburdened by similar governmental agreements dictating the treatment of classified material. Critics noted that the Ministry of Defense did not extend the same over-classification to the AMD tender, which allowed American bids to compete on a level playing field in that contest.

Additionally, critics noted that the desire for secrecy extended to the government’s communication with the Polish public. Again, the helicopter program is illustrative. Outside of official circles, even basic assumptions about desired capabilities of rotary-wing aircraft were veiled. Public discussion was exceptionally limited when it came to explanations about the desired size of the new helicopters; the mix of roles (naval, search-and-rescue, transport, etc.) that the aircraft would fill; and why only one kind of aircraft platform was wanted over multiple offerings. Consequently, most public discussion of these questions was isolated to a few obscure Internet forums. A similar communication gap emerged on the question of offsets, which typically are economic or trade concessions that foreign companies provide to national governments to “offset” the outlay of taxpayer funds for defense purchases. In the case of Poland’s offsets under the TMP, there was little substantive discussion between the government and the public as to the exact kinds of technological or industrial capabilities that officials intended to gain from industrial partnerships with foreign firms. Rather, the potential economic benefits of the TMP were either vaguely stated or—at times—exceptionally optimistic.
A final lesson learned from the TMP is that the civilian and military administration in Poland still needs greater capacity to formulate the requirements for new hardware, review market offers, select the best proposals and negotiate the details of final contracts—including offset agreements. Despite a laudable and herculean effort by the Ministry of Defense, Poland would benefit from an increase in expert staff, a more permissive legal framework under which to conduct tenders, and more efficient structures for managing purchasing programs. Without these adjustments, some of the military’s deadlines for the fielding of new equipment might not be met or not all defense funds will be spent as planned. Legal and staffing impediments have led to these outcomes in the past. They could happen again unless changes occur.
More Realism, Prioritization and Continuous Commitment

If the TMP is successfully executed, Poland stands to achieve a sizable plus-up in its defense capabilities. Such an outcome would greatly benefit the overlapping security interests of the United States, NATO and Poland. To this end, applying the lessons learned from the early phase of the TMP could be beneficial. As a first step, Poland would benefit from the publication of a comprehensive defense industrial strategy. At a minimum, this would help to increase the public’s awareness and understanding of how taxpayer funds are being spent, and to what purpose. For their part, Polish defense companies have high ambitions for the TMP, particularly in the areas of increased industrial capacity and technology transfers. However, the state-owned defense holding company PGZ is still resolving a number of structural issues resulting from its formation in 2014. This has, in part, impeded its ability to fully articulate an official strategy to guide future operations and growth. Such a strategy was promised at the launch of PGZ late last year. For now, though, that strategy remains unavailable to the public. An additional sticking point at PGZ is the nebulous relationship between the management of the overall holding company and its constituent firms. The practical function of these relationships can be opaque—at least to potential foreign partners looking to establish a long-term commercial presence in Poland.
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The technological and manufacturing capacity of Polish industry is another area that can be improved as the TMP progresses. With the exception of some niche capabilities, such as radar and other engineering specialties, Polish defense companies are still developing as top-tier partners of choice in the global defense business. When helping to expand those capabilities, potential foreign partners have shown a willingness to invest in Poland because they view the growth opportunities of the Polish market and in some cases see the country as a potential anchor for broader operations in Europe. To forge these partnerships, foreign firms have been willing to provide attractive packages to their Polish counterparts—sometimes beyond what is typical in the defense business (in terms of work-share agreements and technology transfers). By continuing to develop their own top-tier industrial capabilities, Polish firms could be in a better position to harness these opportunities. In some respects, this transformative process is already underway. But given the urgency of the broader security environment, time is not on Poland’s side.

During the next phase of the TMP, Poland’s procurement priorities will shift to new areas of interests. These include the fielding of attack helicopters, short-range air defense, different classes of unmanned aerial vehicles (UAVs)—including armed variants, submarines, anti-mine vessels for the navy, electronic systems for modern battlefield awareness, and other command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) capabilities. Because of the number of domestic stakeholders involved in these procurements, each of these new projects is likely to be as closely scrutinized as the helicopter and AMD programs were. Success is not guaranteed if the current structural and instructional impediments are not addressed. One way that officials can stack the deck in their favor is to make their current financial framework more flexible in order to mitigate the impact of future macro-economic turbulence. While Poland’s expanding gross domestic product (GDP) increases its total level of defense spending, an unforeseen economic downturn could limit that growth. This would mean that less money could be spent on defense than previously anticipated. Meanwhile, anticipated increases in the competitiveness of Polish defense firms will take years—if not a decade—to mature.

One way to address this issue is to better communicate the timeline and limitations of the TMP to the public. This might insulate the TMP against future political criticism, since the public’s expectation of promised benefits will be in line with the program’s steady pace of development. Additionally, leaders can articulate their priorities for the improvement of national defense-industrial capabilities. The infusion of $35 billion over ten years into Poland’s defense budget will help to buoy the domestic industrial base, but this sum alone is still relatively limited. Poland is in the process of emerging into the globally competitive defense sector, but it is just that—a process. Much like the modernization of the country’s fighting force, industrial growth will take time and capital.
The Road Ahead

One area to watch will be the run-up to NATO’s 2016 Summit in Warsaw. Following so closely after Russia’s illegal annexation of Crimea, along with the smoldering conflict in Ukraine, the Warsaw Summit could be a watershed moment for the alliance. A likely area of focus at the summit will be NATO’s response to the changed security paradigm in Europe. A practical outcome of this attention could be the crafting of formal military and political mechanisms to expand NATO’s existing Readiness Action Plan (RAP). This is a collection of scheduled exercises, planning updates, command reforms and other measures aimed at reassuring exposed allies in NATO’s east. At the summit, Polish officials are likely to push for the alliance to assume a posture of “strategic adaptation” to new threats. As one of the few NATO countries to spend 2 percent of its GDP on defense, Poland will be in a position to point to its military modernization program as a model for other allied states. At a minimum, the TMP will give Poland a strong political foothold from which to advocate for new, more robust allied reassurance measures (above and beyond RAP). When it comes to harnessing robust capabilities to deter Russia, such steps would be welcomed and needed for the alliance as a whole.
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