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RESEARCH MEMORANDUM

PERSPECTIVES ON DEFENSE FUTURES: NATIONAL DEVELOPMENTS IN EUROPE

James L. Lacy
Robbin F. Laird

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Since June 1984, under CNO Study Directive 5223 and subsequent guidance from the Deputy Chief of Naval Operations (Plans, Policy and Operations, OP-06), the Center for Naval Analyses has been examining current issues and future prospects in the Western Alliance. The aim is to better inform U.S. Navy policy initiatives and long-range planning for the European theater, by helping to define the planning environments, opportunities, and limitations the Navy may have to face in the decade ahead. While affairs of the Alliance are of prominent interest, the examination has not been confined to NATO per se. On the theory that politics among nations begin with politics and related developments within nations, the study has also considered influences on, and frames of reference for, the evolution of national defense policies in individual Alliance member countries. (Continued)					
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19. This research memorandum, part of a series of CNA papers on future directions of the Western Alliance, is concerned with these national policies. This particular report looks at six European allies in terms of their own defense aspirations, domestic constraints, and policy choices in the late 1980s and early 1990s. The focus is on those key factors most likely to influence the security priorities and postures of each of the six. The six are France, Britain, Germany, Italy, Greece, and Spain.

Other reports in the CNA Western Alliance study series are listed in appendix A.

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1. Enclosure (1) is forwarded as a matter of possible interest.
2. This Research Memorandum, part of a CNA project on issues and developments in the Western Alliance, is a broad-gauged examination of significant military, political, and economic security trends in Europe in the next 5 to 10 years, particularly with respect to six European allies: Britain, France, the Federal Republic of Germany, Italy, Greece, and Spain. The Memorandum first looks at security trends in Europe in general, with special reference to economic and political factors, force planning and force modernization, conventional defense improvements, and likely responses to "out-of-area" challenges. It then considers the principal factors that are likely to shape the national security policies and programs of the six allies individually. While the Alliance is in little danger of coming apart at the seams in the next 10 years, fiscal constraints on improving defenses will be a dominant environmental factor and a source of further intra-Alliance frictions. European maritime forces, in particular, will feel the effects of a fiscally corseted planning environment. The Memorandum concludes with a look ahead for long-term Navy planning regarding NATO and the European theater.



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Naval Warfare Operations

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ABSTRACT

Since June 1984, under CNO Study Directive 5223 and subsequent guidance from the Deputy Chief of Naval Operations (Plans, Policy and Operations, OP-06), the Center for Naval Analyses has been examining current issues and future prospects in the Western Alliance. The aim is to better inform U.S. Navy policy initiatives and long-range planning for the European theater, by helping to define the planning environments, opportunities, and limitations the Navy may have to face in the decade ahead.

While affairs of the Alliance are of prominent interest, the examination has not been confined to NATO *per se*. On the theory that politics *among* nations begin with politics and related developments *within* nations, the study has also considered influences on, and frames of reference for, the evolution of *national* defense policies in individual Alliance member countries.

This research memorandum, part of a series of CNA papers on future directions of the Western Alliance, is concerned with these national policies. This particular report looks at six European allies in terms of their own defense aspirations, domestic constraints, and policy choices in the late 1980s and early 1990s. The focus is on those key factors most likely to influence the security priorities and postures of each of the six. The six are France, Britain, Germany, Italy, Greece, and Spain.

Other reports in the CNA Western Alliance study series are listed in appendix A.

EXECUTIVE SUMMARY

EUROPE IN THE LATE 1980s sets the context with a brief survey of the political, fiscal, and force modernization challenges facing the European members of the Alliance at mid-decade. The political turbulence of the early 1980s appears to have been weathered successfully. While the U.S. Strategic Defense Initiative (SDI) causes confusion and concern among some of the allies, thus far it has little of the divisiveness that deployments in Europe of U.S. cruise and Pershing II missiles had in the first part of the decade. The earlier deployment debate seems to be at an end; the missile deployments have gone ahead largely as scheduled. With the possible exception of the Netherlands, the European Peace Movement, having failed to prevent or stall the deployments, appears to have run out of steam. While concerns remain about the U.S. negotiating position in Geneva, the fact that the Soviet Union returned to nuclear arms control negotiations in March 1985, coupled with the November 1985 U.S.-Soviet Geneva summit, have taken wind from the sails of the European left. With a couple of exceptions, Europe enters the second half of the decade with strongly pro-NATO governments at the helm.

Fiscal and force modernization concerns are a different matter. Limited, no or negative real growth in defense expenditure is likely to dominate security choices for the rest of the decade on most of the continent. Multinational arms production projects are an important means to derive greater outputs from constrained investments, but the track record and the prognosis are not encouraging. The best that can be expected is moderate and incremental improvement in conventional forces, rather than new, dramatic programs. Force modernization concerns cut across the roles and missions of the European forces, but are likely to be most acute in the maritime arena.

While the European members of the Alliance have formally acknowledged that events outside the NATO area may affect their common interests, there is no prospect for significant change in NATO's approach to out-of-area challenges. That approach will continue to give preference to political rather than military solutions in out-of-area situations, and will continue to function on a cautious case-by-case basis.

France, Britain, and Germany, the subjects of subsequent sections of this report, lead the rest of Western Europe in annual defense expenditures by a fair margin, but each faces fiscal stringencies in the next 10 years that not only will affect its own defense expenditures, but also could affect, in ripple fashion, the defense efforts of the less wealthy Alliance members as well. Security policy has become and seems likely to remain a partisan political issue in each of the three, all of which face national elections in 1987 or 1988. NATO's Southern Region, at the same time, is where the Alliance faces and will continue

to face some of its most serious challenges in years ahead. Italy is engaged in a strategic discussion that holds the potential of altering significantly the structure and orientations of her armed forces in the 1990s. Greece's commitment to membership in NATO continues to be ambiguous, as does the question of renewing the U.S. bases agreement when it expires in 1988. In Spain, NATO membership is no longer an issue, but struggles over internal military reform will be influential in shaping the orientations and capabilities of the armed forces.

FRANCE discusses the three principal factors that will shape French security policy in the next 10 years. First, nuclear forces will remain the priority of French defense policy, and France is committed to a significant modernization of these forces. Second, the French defense budget is under serious growth constraints for the foreseeable future. These constraints are exacerbated by the priority given to nuclear weapons. Third, there is serious, unresolved conflict within the French political system about whether to expand the French security concept to encompass a broader role for European defense. The outcome of this debate will contribute to either increased European cooperation (especially Franco-German) or further structural disintegration within the Alliance.

The chapter then examines prospects for the French Navy in the 1990s. Growth in general purpose naval forces beyond that which is already programmed is ruled out. Still, with two new aircraft carriers in the pipeline, France by the end of the century will have the most powerful surface warships in Europe, and will retain a capability for out-of-area interventions in her national interests.

UNITED KINGDOM looks at the domestic situation in Britain. British defense policy in the decade ahead will be shaped by factors broadly similar to those France will experience. First, the British government has decided to modernize Britain's national strategic nuclear deterrent by purchasing the Trident II D-5 missile system. As in the case of France, a significant increase in the striking power of the British force will result. Unlike the case of France, however, British nuclear modernization will come at a cost of increasing domestic political conflict. Second, the British defense budget is undergoing serious strain that will increase in the years ahead, as conventional programs and nuclear force modernization enter stiff competition for fewer fiscal resources. The Trident modernization will have an especially significant budgetary impact. Third, conflict over defense policy among the political parties is sharp, with no end in sight.

The next election is not likely to produce major changes in defense policy, however, regardless of the outcome. Britain in all but name has abandoned expectations about being an important military element in future out-of-area conflicts. Britain's Royal Navy will be reduced to an ASW role by the mid-1990s, and even in that role there may be further shrinkage.

GERMANY examines the two principal influences on German security policy in the decade ahead. The first is a political debate about basic security premises as the Federal Republic nears national elections in 1987. The second relates to demographics: the numbers of German national males available for military service will decline sharply beginning in the late 1980s such that, by 1994, the German armed forces could be short by as many as 100,000 men. While the German Navy's equipment program is reasonably secure from cutbacks in the out-years, her overarching challenge will be manning the fleet in a corsetted and highly competitive manpower environment.

ITALY discusses three related developments in Italian security policy. The first is a discernible shift in Italian strategic thinking and emphasis: from traditional land/air defenses in the north to increased concern about sea/air activities in the Mediterranean. The second is Italy's more dynamic foreign policy aspirations in the Mediterranean and North Africa in recent years. The third, reflecting the first two, is Italy's newly adopted defense plan, and proposed changes in the organization, roles and missions of the armed forces--the results of which will have important implications for the Italian Navy's future.

GREECE looks at the unsettled foreign and security policy of Greece along three lines. The first concerns the government's commitment to NATO. Although Prime Minister Papandreou stated shortly after his reelection in June 1985 that Greece would remain in NATO, meaningful Greek participation in NATO is frozen, and will remain frozen, until Greece's difficulties with Turkey in the Aegean are settled to Greek satisfaction--an unlikely prospect. Public opinion in Greece is lukewarm at best about continued NATO membership. The second is Greece's "New Defense Concept," adopted in January 1985, which calls for the "realignment" of Greek forces in light of a perceived threat from Turkey--a policy of very uncertain, but potentially troublesome, implications for Southern Region security. The third is Greek-U.S. relations, and the fate of U.S. bases in Greece when the current 5-year base agreement expires in 1988. While the second-term Papandreou government has relaxed some of its earlier rhetoric regarding withdrawal of U.S. forces from Greece, it has not altered its basic policy of pressing for such withdrawal after 1988.

SPAIN discusses Spanish security policy in the aftermath of Spain's recent referendum on continued membership in NATO. Basic policy directions are reasonably well established for the decade ahead. Spain will seek to expand political and economic ties with the West, but will resist formal military ties with NATO. Unlike the situation in Greece, U.S. access to bases in Spain is secure into the mid-1990s. The key variables will be the performance of the Spanish economy and progress in structural military reform--notably, in redressing a historical imbalance that has emphasized internal security over external threats, and an oversized army at the expense of investments in the other services.

THE NEXT 10 YEARS summarizes the thrust of preceding chapters, and discusses some of their broader meanings for U.S. naval interests in Europe in the course of the next decade.

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EUROPE IN THE LATE 1980s

Political turmoil in Europe over Alliance security issues has diminished noticeably in the past 24 months. The principal aggravants in the first half of the 1980s--controversies associated with chemical weapons and the neutron "bomb"; NATO's dual-track decision of 1979 and the U.S. cruise and Pershing II missile deployments that followed from it beginning in 1983; concerns about East-West relations and arms control negotiations; a clamoring for nonnuclear or less nuclear alternatives to NATO's strategy of flexible response--have not disappeared from Europe's agenda, but they register much less intensely at mid-decade. For one thing, organized opposition to Alliance policies has softened. Europe's various Peace Movements have been in notable decline since early 1984: demonstrations are fewer and smaller, and public support is much less evident. Key opposition parties of the Left, notably in Britain and Germany, have muted much of their earlier stridency on defense matters in favor of more moderate appeals to their electorates. For another thing, with modest economic growth and high unemployment in Europe, public attention has turned away from security issues. In most countries, economic, not defense, concerns have dominated national elections in the last couple of years.

The U.S. missile deployments are essentially on schedule, and arms control talks have resumed. Despite its vociferous opposition to the deployments, Moscow returned to the Geneva negotiating table in March 1985. By most accounts, the November 1985 summit at Geneva played extremely well to European publics and left a wake of greater optimism on the continent. The U.S. Strategic Defense Initiative (SDI) remains a matter of confusion and some concern in Europe, but thus far it has generated none of the public excitement that accompanied the initial Euromissile deployments.

This is not to suggest that political debate about security issues has atrophied in Western Europe, however, or that there are no serious security concerns on the horizon. The postwar defense consensus in Britain and West Germany has eroded in important respects, and there is also some slippage in the political moorings of French security policy. Each of the three countries faces national elections in 1987 or 1988, and a change of government in any of the three could produce some important (albeit, not cataclysmic) changes in defense programs and priorities. The Netherlands, which faces general elections in May 1986, still walks on thin ice domestically regarding missile deployments and nuclear issues generally. In Greece and Spain, the character and level of commitment to the Alliance are ambiguous at best.

Low economic growth, high unemployment, and budgetary stringencies pose serious challenges to military force maintenance and force modernization throughout Western Europe, particularly in the Southern Region. Furthermore, while the major national peace movements are in disarray, they are far from disintegration, and remain a factor. Britain's Campaign for Nuclear Disarmament still boasts a budget of over one million pounds a year and fields a full-time staff of 40. West

Germany's Greens, while considerably less potent politically than they were a few years ago, are nevertheless an established parliamentary reality. The Dutch Peace Movement, and its special *Komitte* *Kruisraketten Nee* (Anti-Missile Committee), are able to muster considerable mass support at mid-decade.

Still, the temperature of the defense debate in Europe is lower now than it was a few years ago and is likely to remain so in the second half of the 1980s. Economic concerns and political struggles over defense spending, rather than ideological arguments, will shape much of the content of debate. To be sure, serious strategic issues and basic policy choices confront a number of West European governments, but fiscal constraints will have considerable influence on specific outcomes.

GENERAL ECONOMIC CONDITIONS

On the broad economic front, dramatic change does not appear to be in the offing. Steady but modest economic growth is the most likely prospect for Europe in the rest of the decade. At the same time, little headway in reducing high levels of unemployment is probable. While there is a positive disposition toward a new GATT¹ round aimed at trade liberalization, differences between the U.S. and Europe about content and procedure are fairly serious and make the prospect of a new round rather uncertain.

The European recovery, while steady, has lagged behind that of the United States and Japan. Whereas the U.S. had inflation-adjusted GNP growth of nearly 7 percent in 1984, the average growth rate of European Alliance members was about 2 percent. The disparity changed somewhat in 1985, but this was due primarily to a "growth recession" in the United States, not to the performance of European economies. By the end of 1985, the average growth rate for both the U.S. and Western Europe was about 3 percent (table 1). A steady, average 3 percent European growth in subsequent years is optimistic.

There are several reasons for expecting only moderate growth in Europe between now and 1990. Europe's limited recovery thus far can be attributed in part to conscious government choices--to avoid expansionary economic policies and to use tight monetary policies to restrain inflation--but it also stems from structural problems that are not likely to be corrected anytime soon. Among the latter are high taxation, high and uncompetitive labor costs, inflexible wage scales and work rules, seemingly counterproductive indirect labor costs, politically untouchable government subsidies for inefficient sectors of European economies, and limited incentives for private investment. Also, capital stocks have been neglected--European investment as a percentage of GDP declined significantly in the first half of the 1980s--such that European economies are not strongly positioned to respond to future increases in demand.

1. General Agreement on Tariffs and Trade.

TABLE 1
GROWTH OF REAL GDP/GNP IN ALLIANCE COUNTRIES^a

	Average growth	<u>Change from previous year</u>		
	<u>1972-1982</u>	<u>1983</u>	<u>1984</u>	<u>1985^b</u>
Belgium	2.2	0.4	1.8	1.8
Canada	2.8	3.3	4.3	2.8
Denmark	1.8	2.0	3.8	2.8
France	2.7	0.7	1.8	2.0
Germany	2.0	1.3	2.5	2.8
Greece	3.1	0.3	2.3	2.3
Italy	2.6	-1.2	3.0	2.5
Luxembourg	1.7	-1.3	0.8	1.8
Netherlands	1.9	0.4	1.3	1.8
Norway	4.0	3.2	3.3	1.3
Portugal	3.8	-0.1	-2.3	1.0
Spain	2.6	2.3	2.3	2.5
Turkey	5.1	3.2	5.5	5.0
United Kingdom	1.5	3.2	2.0	3.0
United States	2.2	3.7	6.8	3.0

SOURCES: *OECD Observer*, January 1985, North Atlantic Assembly, *General Report on the Economics of Atlantic Security*, October 1985.

a. 1982 GNP/GDP values in 1982 U.S. dollars.

b. Estimates by Economic Committee, North Atlantic Assembly, October 1985.

At the same time, recent European efforts to bring inflation and budget/trade deficits under control have been reasonably successful, and should continue to be so for the next couple of years. While the Southern Region countries still faced double-digit inflation through mid-1985, all of the other European members managed to keep annual rates to 8 percent or less, and below average levels experienced in the 1970s (table 2). Most European countries also managed to almost equalize their current account balances and to register trade surpluses. OECD anticipates strong current account surpluses in Europe through 1986 at least.

TABLE 2
INFLATION IN EUROPEAN COUNTRIES^a

	Average growth 1972-1982	Change from previous year		
		1983	1984	1985 (first 6 months)
Belgium	7.6	6.9	6.5	5.1
Denmark	10.6	6.7	6.3	4.9
France	10.7	9.4	7.3	6.4
Germany	5.2	2.9	2.5	2.3
Greece	17.1	20.2	18.5	17.2
Italy	17.2	14.9	11.0	9.5
Luxembourg	7.4	8.4	6.5	4.6
Netherlands	7.2	2.9	3.3	2.5
Norway	9.4	8.6	6.3	5.9
Portugal	20.3	25.5	31.0	23.7
Spain	16.5	12.3	11.0	9.9
Turkey	39.9	29.9	50.0	28.0 (forecast)
United Kingdom	13.7	5.1	5.0	7.0

SOURCES: *OECD, Observer*, January 1985; North Atlantic Assembly, *General Report on the Economics of Atlantic Security*, October 1985.

a. Seasonally adjusted at annual rates; 1982 values in 1982 U.S. dollars.

The most stubborn problem affecting Europe is high unemployment, especially youth unemployment, and no dramatic relief is on the horizon. Whereas unemployment in the United States decreased by about 2 percent in 1984, Europe's unemployment rates have been either stagnant or inching upward (table 3). Put another way, while the United States had a net gain of 4.6 million jobs between November 1982 and May 1984, the European Community registered a net loss (the annual rate of change in job creation in Western Europe between 1980 and 1984 was -0.6).

TABLE 3
UNEMPLOYMENT IN EUROPEAN COUNTRIES^a

	<u>1983</u>	<u>1984</u>	<u>1985</u> <u>(1st quarter)</u>
Belgium	13.2	13.3	14.1
Denmark	10.5	10.3	- b
France	8.2	9.3	10.1
Germany	8.2	8.3	8.5
Greece	7.2	7.8	- b
Italy	9.7	10.0	- b
Luxembourg	3.2	1.5	- b
Netherlands	15.0	15.8	13.3
Norway	3.3	3.3	- b
Portugal	10.8	11.5	- b
Spain	17.8	20.0	- b
Turkey	15.8	16.3	- b
United Kingdom	11.5	11.8	13.5

SOURCES: *OECD Observer*, January 1985, *OECD Economic Outlook*, No. 37, June 1985.

a. National definitions in percentages.

b. Data not available.

Youth unemployment is a particular concern. At present, youths under age 25 account for one-third of Europe's 19 million unemployed. Almost one-fourth of this age group is unemployed. (In 1984, the youth unemployment rate was 26 percent in France, 22 percent in Britain, and 34 percent in Italy.) While several countries have launched job training, retraining, and other work incentive programs, none has yet made a noticeable dent.

IMF and others generally agree that wage scales in many parts of the European economies are too high to counter foreign competition, but there are strong disincentives to alter the situation in significant fashion. Any major correction invariably would add to already swollen unemployment rolls, and even strong-willed governments like Thatcher's in Britain recognize stern political liabilities in allowing further increases. Europe's slow growth outputs, and the relatively high numbers of youths entering European labor markets, are compounding factors. Given the circumstances, OECD expects unemployment to continue to edge upward in the rest of the 1980s, with above average increases in France, Belgium, and Portugal, but with possible modest declines in Germany, the UK, Denmark, and the Netherlands.

In terms of foreign trade, Europe's success in registering overall surpluses has already been noted, but there is an additional dimension that could complicate the situation as the decade matures: that is, increased friction with the United States, which experienced a record trade deficit of \$123 billion in 1984 and a probable deficit of \$140 billion in 1985. While Japan and Brazil have been singled out for complaint in the U.S. Congress, Europe has come in for its share of criticism as well. Already, nearly 300 protectionist trade bills have been introduced in the Congress and more are a certainty as long as the current trade imbalance exists. European subsidies of steel and other industrial products have aggravated the relationship, but not nearly as much as Europe's Common Agricultural Policy (CAP), with its subsidized exports and protectionist restrictions on imports. A new GATT round aimed at multilateral trade liberalization has been in discussion for over 2 years, but thus far there has been little significant movement in resolving differences about timing, content, and procedure. In any case, a radical restructuring of CAP and a dismantling of Europe's agricultural subsidies appear to be out of the question: major changes are beyond the interest and political capabilities of most European governments. At a minimum, more U.S.-European trade skirmishes--along the lines of 1985's notorious "transatlantic spaghetti war"--can be expected in the next few years. More troublesome still, protectionist fervor on both sides of the Atlantic could get beyond current bounds.

In summary, Europe's broad economic future in the rest of the 1980s is likely to closely resemble the present: modest growth but also manageable inflation; high levels of structural unemployment; and modest prospects for reduction of existing trade barriers. The volatile ingredient is unemployment. Excessive unemployment, especially youth

unemployment, was a serious threat to European republics in the 1920s--a fact not lost on the current generation of European leaders. If any one issue is likely to dominate national elections later in the decade, unemployment (and government efforts to reduce it) almost certainly will be it.

DEFENSE SPENDING

Even during the "growth economy" days of the 1960s, Europe's levels of expenditure on defense--particularly on conventional defense--were a cause of criticism and concern for U.S. defense planners. Given current circumstances, real growth in European defense budgets probably will not exceed an average 1.5 percent annually, and stands a good chance to be less, for the rest of the decade.

Defense spending comparisons of the European allies are provided in table 4 and in figures 1, 2, and 3. In nominal terms, all defense budgets experienced growth in the first part of the 1980s (table 4), but not necessarily real growth or real growth sufficient to keep pace with force modernization goals. In total defense expenditure, Britain, Germany, and France led the European side of the Alliance by a fair margin (figure 1), although the rankings change somewhat when defense spending is expressed as a percentage of GDP (figure 2) or in per capita terms (figure 3). While changes in governments in the second half of the 1980s could bring adjustments in levels of effort (downward adjustments for the most part), substantial real growth in defense spending is out of the question in most conceivable scenarios. This is certainly the judgment of European parliamentarians who specialize in NATO affairs. In the words of the Rapporteur of the North Atlantic Assembly's Sub-Committee on Conventional Defense in Europe in October 1985 (Mr. Karsten Voight of Germany):

There is general consensus in most West European countries that it is desirable to lessen NATO's reliance on nuclear weapons, yet there is no prospect for additional real growth in most European defence budgets over the next five years, even among defence-minded conservative governments such as the United Kingdom and Federal Republic of Germany.

A familiar pattern has taken hold of NATO's force planning for the second half of the decade. The original force proposals for 1985-90 of the three major NATO commanders (SACEUR, SACLANT, CINCHAN) called for an average 7-percent real growth in defense expenditure in order to "give us a reasonable prospect of frustrating a conventional attack." Defense Ministers cut this by more than half (to 3.2 percent) in May 1984, taking note that "in current economic circumstances achieving the required improvements to NATO's defence posture constitutes a considerable challenge." Further slippage is a foregone conclusion.

TABLE 4

TOTAL DEFENSE EXPENDITURES OF EUROPEAN ALLIES: 1980-1984
(Current Prices, Millions)^a

	Currency	1980	1981	1982	1983	1984
Belgium	Belgian francs	115,754	125,689	132,127	136,853	147,496
Denmark	Danish krona	9,117	10,301	11,669	12,574	- ^d
France	French francs	111,672	129,708	148,021	165,029	175,770
Germany ^b	Deutsche mark	48,518	52,193	54,234	56,496	58,141
Greece	Drachmae	96,975	142,865	176,270	193,340	248,418
Italy	Lira ^c	8,203	9,868	12,294	14,400	17,100
Luxembourg	Luxembourg francs	1,534	1,715	1,893	2,104	2,296
Netherlands	Guilders	10,476	11,296	11,921	12,149	12,757
Norway	Norwegian krona	8,242	9,468	10,956	12,395	13,209
Portugal	Escudos	43,440	51,917	63,817	76,765	92,211
Turkey	Liras	185,656	313,067	447,790	556,738	803,044
United Kingdom	Pound sterling	11,510	12,144	13,849	15,952	17,506

SOURCE: *NATO Press Release*, Dec 4, 1984.

a. NATO definition of defense expenditure.

b. Does not include expenditures for Berlin (14.7 million DM in 1984).

c. Figures for Italy are in billions.

d. Data not available.

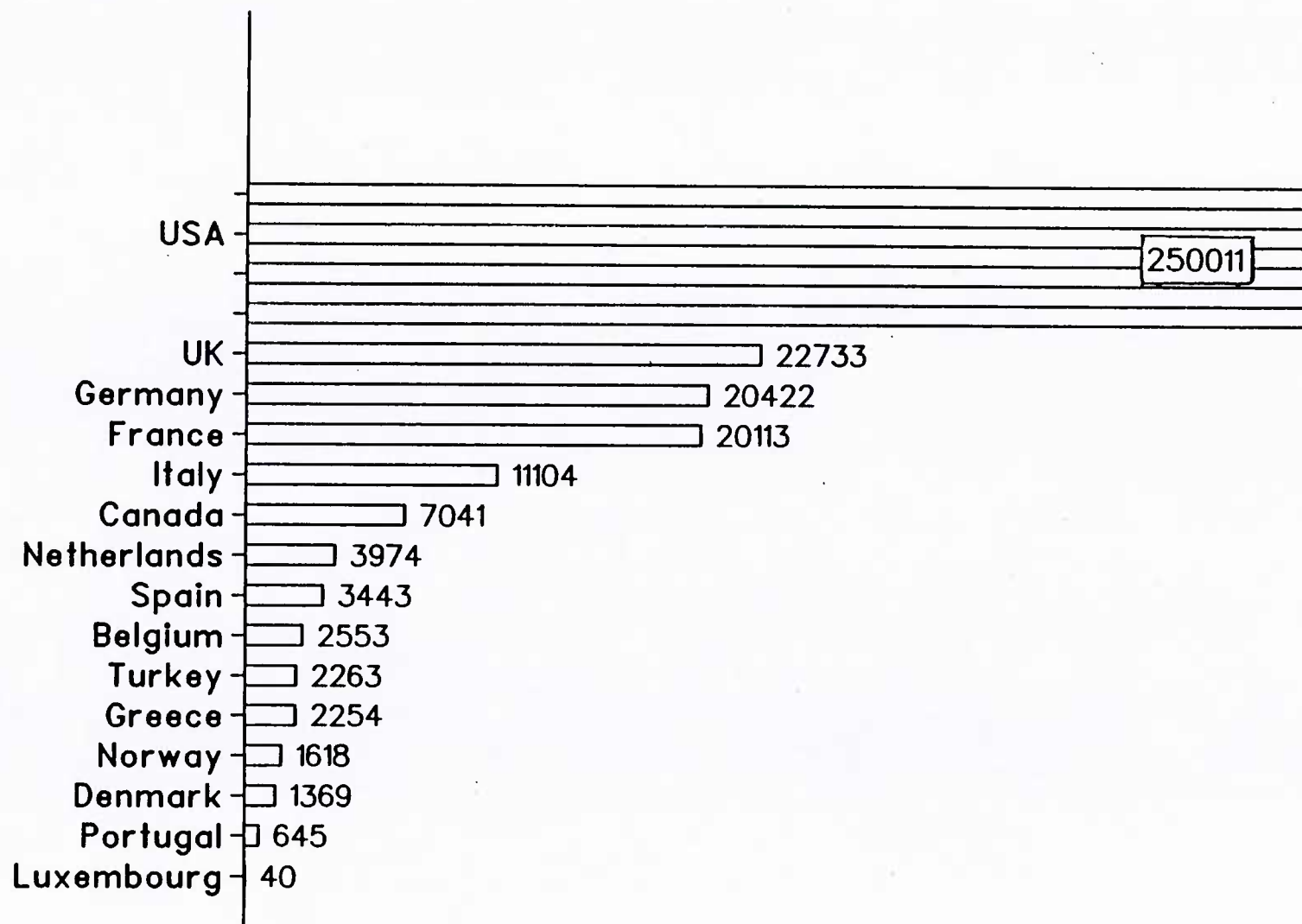


FIG. 1: NATO COUNTRIES: 1984 TOTAL DEFENSE EXPENDITURES
(United States million dollars)

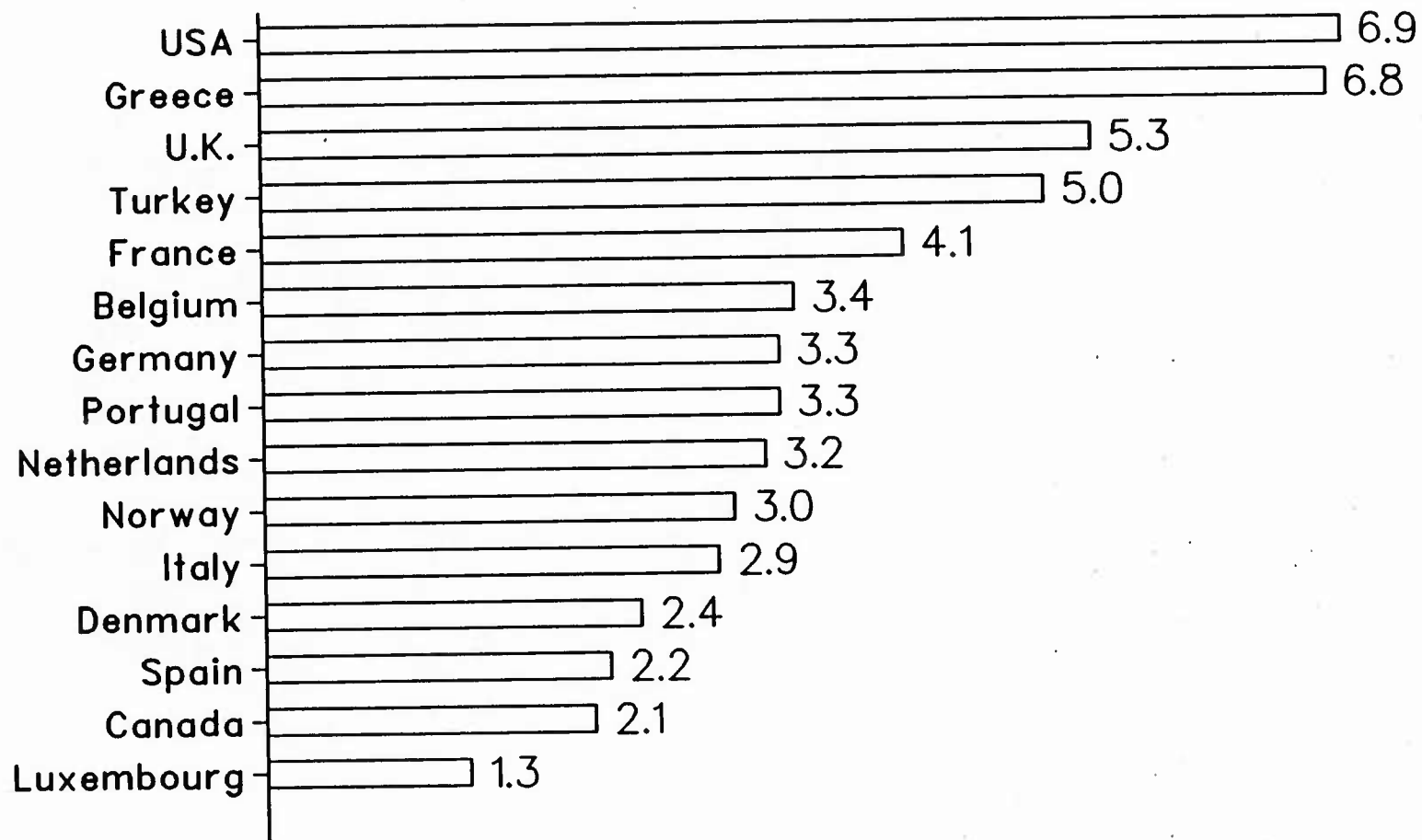


FIG. 2: NATO COUNTRIES: 1984 DEFENSE EXPENDITURE AS A PERCENTAGE OF GDP
(at market prices)

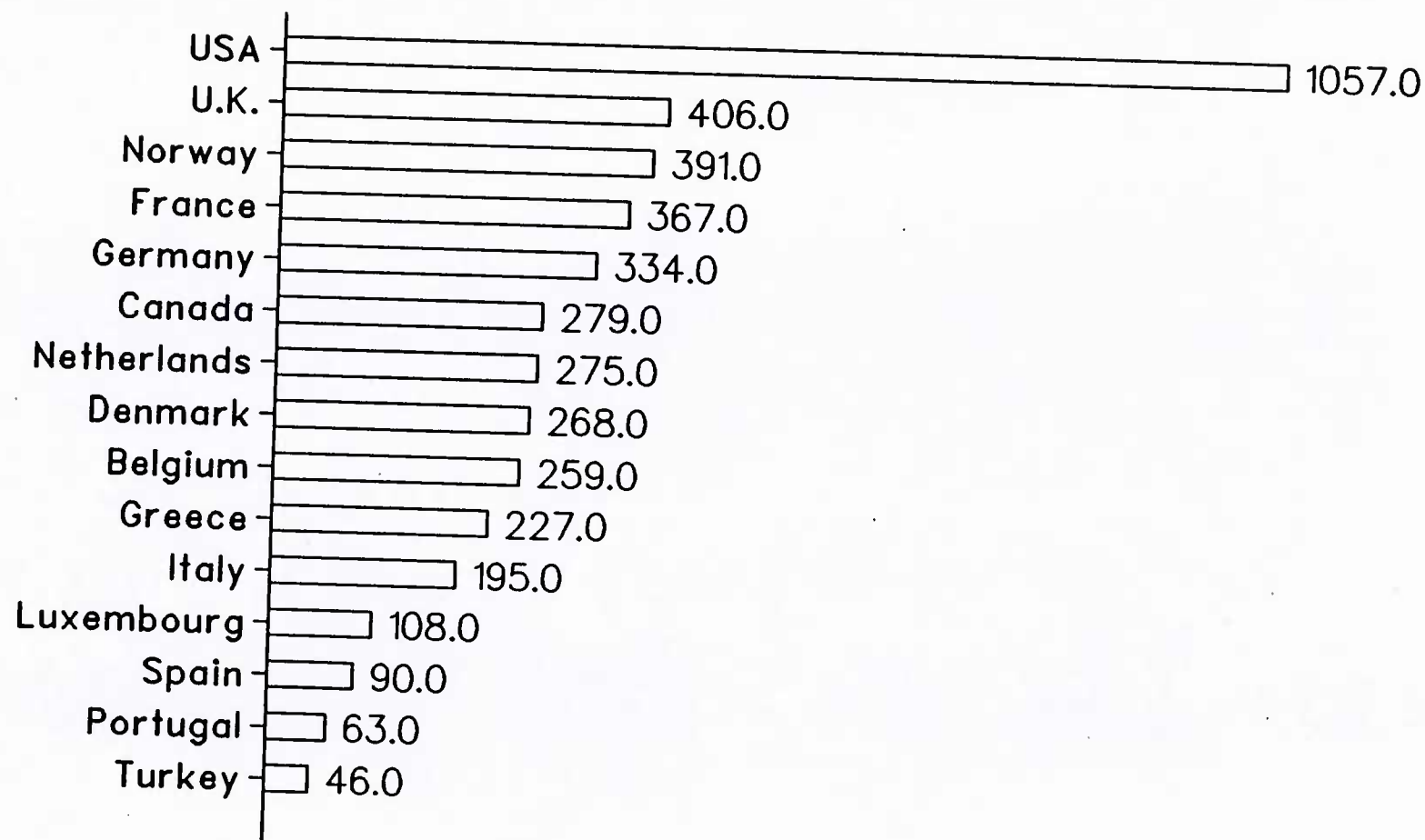


FIG. 3: NATO COUNTRIES: 1984 PER CAPITA DEFENSE EXPENDITURES
(United States dollars)

Historically, agreed force goals and costs are seldom achieved in practice (only 70 percent of NATO force goals are actually incorporated in national programs), and even when the Alliance was committed to 3-percent real growth per year, few allies met the commitment.

Indeed, the case of Europe's "big three"--Britain, Germany, and France--is a likely signal, not only of what they intend, but also of what less wealthy members of the Alliance will do later in the decade. Each of the "big three" faces serious budgetary constraints in the rest of the 1980s and into the 1990s. Britain's government has already announced that it will not meet the 3-percent real growth target after March 1986; if there is to be real growth in defense expenditure in the rest of the 1980s, it will not go much beyond 1 percent a year. Germany's Medium Term Financial Plan for 1985 through 1989 also calls for no more than 1 percent real growth in the defense budget. In France, funds and force structure for conventional defense already are being cut in order to fund the French nuclear modernization program. The same probably will occur in Britain, as her nuclear modernization program (acquisition of the Trident II D-5) consumes an increasing share of the defense budget beginning in 1987. All three countries plan reductions in active duty manpower levels between 1985 and 1990.

In the rest of the Alliance, none of the Europeans (with the possible exceptions of Greece and Turkey) plans increases in the size of its standing forces, and none relishes the prospect of additional major outlays for equipment. For the Europeans, the key to progress in defense in the next 5 years is not greater budgetary effort, but rather, greater effectiveness at current levels of effort. With respect to equipment, the Chairman of the Independent European Programme Group (IEPG), Dutch Secretary of State for Defense J. Van Houwelingen, put it thusly:

...it is unrealistic to expect governments to spend much more on defense equipment at a time of low economic growth and mass unemployment....[We must] get better defence from the resources we already have.

With real growth in the U.S. defense budget a now uncertain prospect for the rest of the decade (and a dubious one at that, in light of the passage by the U.S. Congress of the Gramm/Rudman/Hollings deficit reduction bill in early December 1985), there is little reason to expect European governments to budge much beyond the status quo. Achieving greater output from current levels of input is more an aspiration than an agreed program at present, but it is probably the only course that will prove to be politically acceptable in Europe in the next several years.

CONVENTIONAL DEFENSE INITIATIVES

France and Britain have already set their priorities in defense programs into the mid-1990s. For both, upgrading their strategic nuclear forces has first claim on defense budgetary resources. The French have begun to cut conventional funding and force structure in order to proceed with nuclear modernization. Britain will not be far behind.

The Alliance as a whole has made some progress in reaching agreement on conventional defense improvements on one count (the December 1984 Ministerial agreement on NATO infrastructure) and thus far is agreeable to further considering improvements on another (the general endorsement in May 1985 of the NATO Secretary General's Conventional Defense Initiative). Apart from these, two proposals have been prominent in the past 18 months. The prospects down-the-line for both are somewhat in doubt, however.

Emerging Technologies (ET), a U.S. initiative, has encountered mixed reactions from the European members. The idea--to employ new and emerging technological advances for deep attack of mobile targets with conventional munitions--has some attractiveness for budget-strapped Alliance members, holding forth as it does the promise to achieve conventional improvements through high technology rather than in costly, more traditional measures. A recent North Atlantic Assembly committee report described the appeal:

...new technologies offer the potential to perform old missions more effectively (such as interdiction of fixed targets) as well as to perform new missions previously not contemplated except with the use of nuclear weapons (such as deep attack of mobile forces).

There is, nonetheless, considerable skepticism in Europe about ET. Some doubts relate to the potential cost of ET; others concern ET's opportunity costs (i.e., it will displace funding of basic improvements), and the arms control implications of some ET components (e.g., use of conventionally armed ballistic missiles against Soviet and Pact targets deep behind the FEBA.) There is also some skepticism about the actual effectiveness of high technology in a battlefield environment, and some concern about ET's effect on crisis stability. A former British Secretary of State for Defence Procurement expressed a common European ambivalence:

...[ET] is not a panacea. It is not a strategy, real or surrogate. At best, the ET will enable us selectively to convert what is technologically feasible into what is operationally cost-efficient and relevant. At worst, the ET can become costly potential capabilities looking for work to do....

Thus far, the European response to ET has been conservative. The Conceptual Military Framework (CMF), initially proposed by the Germans and adopted by NATO Ministers in May 1985, is, among other things, a European initiative to put conceptual and budgetary handcuffs on ET before the Alliance gets committed to a high technology program. The NATO Conference of National Armaments Directors (CNAD) has endorsed nearly a dozen ET programs, but notably, the 11 selected programs involve technologies that can be deployed in the near-term only (i.e., by 1990) and that do not commit NATO to any "deep strike" doctrine. The most realistic prognosis is for more of the same. That is, rather than emerging technologies, the Europeans will press alternatively for already "emerged" technologies capable of deployment, at reasonable cost, by decade's end.

The second proposal--increased Alliance cooperation in defense procurement and production in order to reduce costs--is as old as the Alliance itself, but it has been given impetus on three fronts recently. On the European side, the Independent European Programme Group (IEPG) has been revitalized, with the dual aims of increasing European cooperation in research and development and enhancing the effectiveness of the European defense industry.¹ In June 1985, the IEPG identified some 30 common R&D projects for cooperative European undertaking, and decided on several initial Cooperative Technology Projects (CTPs) to be financed by IEPG members on a case-by-case basis.² In the U.S., a new "Nunn-Roth Amendment" was introduced and passed by the Senate in May 1985, which would set up a \$200 million U.S. fund to cofinance collaborative R&D projects with one or more NATO allies. The purpose, according to Senator Nunn, is to

...ensure that the [U.S. military] services remain responsive to the broad cooperative efforts underway both within NATO and through such entities as the Conference of National Armament Directors [CNAD] and the Independent European Programme Group. We do require the [U.S.] Secretary [of Defense] to determine that Europeans are prepared to cooperate with us to a significant extent using their own funds.

Finally, SDI has spawned a potential competitor in Eureka (European Research Coordination Agency), a French-led, European cooperative high-technology initiative with a civilian rather than a military orientation, but an initiative poised nonetheless to directly compete with SDI for European intellectual and capital investment.

1. IEPG members are Belgium, Denmark, France, the FRG, Greece, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Turkey, and the UK.

2. The following areas were identified for CTPs: micro-electronics, high strength lightweight materials, compound materials, image processing, and conventional warhead design.

Still, the track record for cooperative efforts--among Europeans, and between Europe and the U.S.--is mixed at best, as the on-again/off-again/on-again five-nation project to produce a European Fighter Aircraft (EFA) and the now increasingly doubtful common-NATO-frigate program (NFR-90) have underscored recently. Industrial protection, and the differently perceived military requirements of individual Alliance members, are considerable impediments to major joint enterprises. Furthermore, Eureka, while warmly applauded in several European capitals, has a dubious future. As a leading member of the German *Bundestag* told the authors, "Eureka sounds good to Europeans, but we cannot afford to participate in it and SDI both, on any large scale, and we will have to choose soon."

Even though there have been notable cooperative venture successes--the Seasparrow and the Tornado aircraft are examples--the structural impediments remain considerable. That there is eagerness for greater European defense cooperation is not in doubt, but--at least until EFA and NFR-90 produce something tangible--it would be unwise to expect a great deal from the promise.

In the less industrialized Southern Region, the situation is more challenging still. For poorer Alliance members, "emerging technologies" are modern tanks and frigates, rather than the more esoteric possibilities debated by the industrialized north.

Illustrations are abundant and telling. Turkey's military stock, for instance, is notoriously outdated: 75 percent of the Turkish submarine force is more than 35 years old, and 90 percent of Turkey's short-range air defense weapons date to 1940 or earlier. Destroyers in the Greek Navy date to the 1940s, and Portugal needs desperately to acquire modern frigates if it is to have a pertinent maritime role in NATO defense (and to protect its own national interests). Italy's long-due force modernization program begun in the 1970s runs the risk of a serious stall later in the 1980s. Yet, without substantial increases in assistance from the wealthier allies (historically, the United States and the Federal Republic of Germany), major force modernizations in the three countries remain an imposing task. Whether enough external assistance can be brought to bear is highly uncertain, given expected budgetary strains in both the U.S. and Germany. Even when such support is forthcoming, the results are often problematic: minimal national investments are often hard to meet. Portugal's plight is emblematic. A joint U.S., Dutch, British, and German deal to help fund three Dutch *Kortsenar* class frigates fell through in late 1984 when it became evident that Portugal could not produce its \$200 million contribution to the program.

In summary, probably it is unrealistic to expect from Europe more than modest, incremental growth in defense expenditures and programs. No dramatic increases, and few dramatic breakthroughs in multinational cooperative ventures, are likely for the rest of the decade. Indeed, in

the "big three," cutbacks rather than even modest increases in conventional military growth are the likely prospect.

POLITICAL COHESION

Questions about defense growth aside, commitment to the Alliance is not and is not likely to be an issue in the next 5 years. Apart from Greece and Spain (subjects of separate chapters later in this report), nothing looms on the horizon to suggest any change in Alliance membership between now and 1990--even given possible changes in governments in the late 1980s. Despite its strong inclinations toward unilateral nuclear disarmament, Britain's Labour Party has felt compelled to reaffirm commitment to NATO membership, even as it has occasionally disavowed endorsement of much of NATO policy and proclaimed occasionally a desire to withdraw from Europe's Common Market. This is also the posture taken by Britain's Peace Movement, the Campaign for Nuclear Disarmament. There is an anti-NATO, anti-U.S. strain in the rhetoric of West Germany's Green Party and in the left-wing faction of the Social Democratic Party (SPD), but the Greens appear to have lost their political momentum and sense of direction, and moderates in the SPD appear now to have reclaimed that party's voice on most security issues. Although there is popular sentiment within the Scandinavian and Benelux members for adjustments in NATO's nuclear policies (with some attraction toward the establishment of nuclear weapons-free zones in Europe and for a NATO declaration of "no first use" of nuclear weapons), there is no discernible support for withdrawal from either the Alliance or its integrated military structure.

Since its founding in 1949, the Alliance has never lost a member, and only two--France and Greece--have withdrawn from the NATO integrated military command (Greece, in principle, has since returned). There are no prospects for a French return to the integrated structure anytime in this decade. At the same time, however, France has done a considerable amount to integrate, in fact, its plans, forces, and operations with NATO in the past 10 years, and more of the same is probable.

Greece and Spain are the key uncertainties. Both are governed currently by socialist parties that castigated NATO membership in their election platforms. Both governments have now reversed position (and Spain has recently held a referendum which reaffirmed Alliance membership), but each confronts a public that is lukewarm-to-hostile about the terms of continued Alliance association.

OUT-OF-AREA CHALLENGES

Commitment to the security of the Alliance area is one thing; willingness to deal militarily with out-of-area challenges affecting the Alliance is another.

As early as 1952 the Alliance formally recognized that developments outside the North Atlantic Treaty area may pose a threat to Alliance security, but its policies have always been cautious about responses to them, especially military responses.¹ NATO's famed "Committee of Three" spoke broadly in 1956 that "NATO should not forget that the influence and interest of its members are not confined to the area covered by the Treaty, and that common interests of the Atlantic Community can be seriously affected by developments outside the Treaty area." It urged the allies to "be concerned with harmonising their policies in relation to other areas...." The noncommittal character of this harmonization was set forth in the Harmel Report of 1967.

The North Atlantic Treaty cannot be treated in isolation from the rest of the world. Crises and conflicts arising outside the area may impair its security either directly or by affecting the global balance. Allied countries contribute *individually* within the United Nations and other international organisations to the maintenance of international peace and security and to the solution of important international problems. In accordance with established usage the Allies, or such of them as wish to do so, will also continue to consult on such problems *without commitment* and as the case may demand. (emphasis added)

Little has changed since, and little is likely to change in the next several years. In 1981, NATO's Defense Planning Committee (DPC) emphasized again the individual nature of out-of-area actions and the consultative character of Alliance response.

Although the policies which nations adopt outside the NATO area are a matter for national decision, the Allies have recognized that situations outside NATO's boundaries may, whenever peace, international equilibrium and the independence of sovereign nations are affected, threaten the vital interests of the West and therefore have implications for the security of members of the Alliance.... It is especially important that...consultations should be undertaken when nations in a position to do so are considering out-of-area deployment of forces, in order to deter aggression and to respond to requests from other nations for help in resisting threats to their

1. The treaty area covers member territories and "the islands under the jurisdiction of any Party in the North Atlantic area north of the Tropic of Cancer."

security or independence. The effect of such deployment on Alliance security and defense capabilities should be examined collectively in the appropriate NATO bodies. Ministers also recognized that common objectives identified in such consultations may require members of the Alliance to facilitate out-of-area deployments in support of the vital interests of all.

This was reinforced in the North Atlantic Council's communique of 1983.

The Allies urge respect for the sovereignty of states everywhere and for genuine nonalignment.... Allies who are in a position to do so will endeavour to support those sovereign nations who request assistance in countering threats to their security and independence. Those Allies in a position to facilitate the deployments of forces outside the Treaty area may do so, on the basis of national decision.¹

Several considerations are important in this setting. First, it is clear from the postwar pattern (at least since Suez in 1957) that the European members prefer political rather than military responses to out-of-area challenges. Second, the Europeans will continue to approach out-of-area crises on a case-by-case basis, and will not be nudged into a broad advance commitment to formulate coordinated responses. Third, with the sole exception of Southwest Asia (discussed momentarily), the Allies have not defined specific out-of-area threats to the Alliance as a whole, nor do the Europeans seem disposed to doing so. Fourth, the out-of-area national interests of the Europeans differ considerably. Some have very specific national interests to preserve outside Europe (France in Chad, Britain in the Falkland Islands), but most do not. Fifth, only a few Allies (the U.S., France, the UK, and possibly Italy) have the numbers and kinds of forces to make a useful out-of-area military commitment to begin with.

In the case of Southwest Asia, NATO's International Military Staff prepared in 1983 a "Southwest Asia Impact Study"--thus far the only instance of NATO out-of-area contingency planning--but this deals principally with the possibility of a "two-front" war in Southwest Asia and NATO Europe, and with the implications for NATO of deploying to the Gulf region U.S. forces designated for reinforcement of Europe. (In the report's scenarios, U.S. forces already stationed in Europe would not be redeployed.) The report's major effect has been Allied agreement that force compensation within NATO would be required, and ministerial

1. Virtually the same language was adopted in the Council's communique in June 1985.

endorsement of a series of associated feasibility studies on supplementary force goals to the 1985-90 NATO force planning guidelines. A preliminary set of such supplementary force goals was agreed upon in December 1985; another set is to be agreed to by the DPC Ministers in May 1986 for incorporation in the 1987-1992 force-planning guidelines.

As noted earlier, however, NATO force goals are easier to articulate than to incorporate into national programs. While pressing for greater allied compensation within the NATO theater, the U.S. has also, more modestly, been seeking from the European members greater "en route" support to U.S. forces that may deploy to Southwest Asia (such things as in route refueling and overflight authorizations). Given the historical record, the second stands the better chance of the two in coming years.

ALLIANCE, NATIONAL, AND BILATERAL INTERESTS

At bottom, the European side of NATO will continue to function on three interrelated but distinct tracks, much as it always has. The first track is as an alliance, with a sophisticated integrated military command structure, common Alliance security policies, and policies adopted by consensus. The future of the Alliance is the future of a consortium, clearly led by the United States, but not easily dictated to by the United States or any other member.

The second track is as sovereign states, whose interests and participation in the Alliance are far from uniform. France and Britain are nuclear powers, with independent strategic nuclear forces at the heart of their security policies, and which also maintain limited colonial possessions and dependencies outside the NATO area. France withdrew from the integrated command structure in 1966; Spain has not joined the integrated command. Iceland has no armed forces; Luxembourg has a total force of fewer than 1,000; Turkey, poorest of the European Alliance members, fields by far the largest standing force. Denmark and Norway do not permit permanent stationing of foreign troops on their soil; the Federal Republic of Germany, on the other hand, hosts the standing forces of a half dozen allies. None of the nations of the Southern Region stations forces for Alliance defense outside its national boundaries, and each has different national interests to pursue in the Mediterranean basin. Meshing national interests and disparate national capabilities with common alliance interests and concerns remains the single-most challenge.

The third track, a course midway between the two, concerns bilateral associations between the allies, both independent of and in support of common Alliance pursuits. Franco-German, German-Turkish, Franco-Spanish bilateral undertakings, among others, both reinforce and conceivably weaken the cohesiveness of the Alliance overall.

Given these multiple tracks of interaction, it is useful to consider the European side of the Alliance from its bottom-up. Six

allies in particular warrant a closer look regarding the next 5 to 10 years.

The pivotal place of France, Britain, and Germany in influencing other European members of the Alliance has been alluded to previously. Each of the three is the subject of a separate section in the pages that follow. Each faces serious budgetary constraints that are likely to limit growth in conventional capabilities in the latter part of the decade. In Britain, real growth in procurement after 1986 (apart from Trident) has been all but ruled out. In France, which is skeptical of "conventionalization" of NATO strategy to begin with, increased conventional efforts similarly have been ruled out. In Germany, where manpower costs already consume over 40 percent of the defense budget, the sharp shortfall of conscripts beginning later in the decade is bound to require additional budgetary resources for manpower simply to maintain current force levels.

The Southern Region is where the Alliance will face some of its most serious challenges in the remainder of the decade, and for this reason three Southern Region members--Italy, Greece, and Spain--are also treated separately later in this report. Both Italy and Greece have embraced new defense concepts that promise to alter the orientations and capabilities of their armed forces. Spain is embarked on a radical, and potentially risky, reorganization of its defense structure.

FRANCE

French security policy in the next 10 years will be shaped primarily by three factors. First, nuclear forces will remain the priority of French defense policy, and France is committed to a significant modernization of these forces. Second, the French defense budget is under serious growth constraints for the foreseeable future. These constraints are exacerbated by the prioritization of nuclear weapons. Third, there is serious and unresolved conflict within the French political system about whether to expand the French security concept to encompass a broader role for European defense. The outcome of this debate might well contribute to either increased European cooperation or further structural disintegration within the Alliance.

Parliamentary elections in 1986 resulted in defeat of the socialist government in parliament, and a slight strengthening of the conservative opposition. The Presidential election in 1988 is still in doubt, but the possibility of President Mitterand's defeat and the election of a conservative President to complement a conservative parliamentary majority is strong. A new conservative government probably would seek to increase defense spending. Given the priority of nuclear weapons in French security policy, however, such increases will not be sufficient to augment dramatically France's conventional capabilities.

Along with the other armed services, the French Navy will lose manpower in the next few years. Recruitment for the French armed forces will be reduced by one-fifth a year for the next three years; by 1988, the Navy will have been reduced by some 3,500 military personnel.

While budgetary stringencies may force further adjustments along the way, the current defense equipment program calls for a navy at the end of the century with a total tonnage of about 300,000, with two aircraft carriers (one of which will be a 40,000-ton nuclear-powered carrier to replace *Clemenceau*), 12 attack submarines (8 of which will be nuclear powered) and about 30 surface vessels. However, while France is committed to its two carriers (potentially the most powerful surface warships in Europe), it will face serious challenges in finding and affording a replacement for the Dassault Super Etendard for carrier strike missions.

NUCLEAR MODERNIZATION

The modernization of French nuclear forces is a response to technological opportunities and the political need to reassure the French public that the independence of France will continue to be protected in the years ahead. The French are concerned that the changing international environment is increasingly threatening to the military and political viability of the French deterrent. Nonetheless, there remains a strong consensus within France to continue to pursue the nuclear

course. French nuclear forces will undergo a significant transformation in the 1980s and 1990s. The present force is small and is capable of only limited target coverage against Soviet territory and against Warsaw Pact forces that might invade Western territory. By the mid-1990s, the new force structure theoretically will be capable of inflicting massive destruction on the Soviet Union and on specific military targets in Eastern Europe.

The French are upgrading both the strategic and the tactical elements of their nuclear arsenal. The major change in strategic weapons will be the addition of multiple independently targetable reentry vehicles onto their submarine-launched missiles (SLBMs), which will increase the number of warheads carried by their SSBN force from 80 to 592. The major change in tactical nuclear weapons is the creation of a French force that has the capability to operate against military targets in Eastern Europe rather than against Warsaw Pact forces that have invaded Western territory.

Although expansion of the striking power of the SLBM force is the most significant element of the strategic modernization effort, there are plans to deploy a mobile land-based intermediate-range ballistic missile (IRBM) as well. The SX is currently under development and is expected to be deployed in 1996. The SX will be road mobile and will be dispersed in times of crisis to enhance its survivability. The SX will have a 2,000- to 4,000-kilometer range, which would allow it to reach targets in Eastern Europe and in the Soviet Union.¹

In addition to a significant increase in their strategic nuclear striking power, the French also plan to create--essentially for the first time--a tactical nuclear force capable of attacking military targets in Eastern Europe. There will be two prongs to the French tactical nuclear force in the future--the Hades ground-launched missile and the ASMP air-launched missile. The two prongs will be combined under the direction of a single tactical nuclear command placed directly under the French Chief of Staff.

The Hades will replace the Pluton. It has a longer range and a larger warhead than the Pluton. The French plan to deploy four or five squadrons of Hades with the first squadron to be operational in 1992. Although the Hades will be capable of carrying an enhanced radiation warhead, the political decision on whether to do so has not yet been announced.

1. Recently, French officials have suggested that increasing concern with the possibilities of the Soviets upgrading their strategic defenses would require changes in France's strategic nuclear modernization plans. The French might abandon the SX in favor of accelerating the M5 SLBM, which could carry as many as 12 warheads or penetration aids.

The increased range of the Hades allows it to be deployed on French national territory, from which it will be able to strike military targets in East Germany or Czechoslovakia. It appears that the French envisage striking fixed military targets such as airfields, command, control, and communications facilities or geographical choke points with this weapon. Unlike the Pluton, the Hades is able to strike military targets in Eastern Europe rather than Western Europe.

The second prong of the French tactical nuclear modernization program is the ASMP (*Air-Sol Moyenne Portee*), the French version of the U.S. SRAM. The ASMP can attain a speed of Mach 3 and has a range of 100 kilometers at low altitude (300 kilometers at high altitude). It has a preprogrammed inertial guidance system. Most sources indicate that the ASMP will carry a 100- to 150-kiloton warhead, although former Defense Minister Charles Hernu has indicated that it can carry a 300-kiloton warhead. The French have plans for a follow-on to the ASMP. They plan to develop an attack missile (the ASLP) with longer range and improved guidance capability.

The ASMP will be carried by three airborne platforms. Eighteen Mirage IVs will be fitted with ASMPs in the mid-1980s and will remain in service until the SX is deployed. In addition, the ASMP will become the main nuclear armament of the Mirage 2000N force, which is being deployed now. The French plan to replace the current force of Mirage IIIs and Jaguars with 85 Mirage 2000Ns by the early 1990s. The Mirage 2000N has a longer range than the Mirage III (one-third more) and improved avionics (a look-down, shoot-down capability). The ASMP will also be carried by the Super Etendard aircraft aboard the two aircraft carriers. Forty-three Super Etendards will be armed with the ASMP by 1988 with ten additional planes to be so armed after 1988.

In short, French nuclear forces will be significantly enhanced quantitatively by the modernization program. The most dramatic increase will be in submarine warheads, whereby the current force of 80 M-20s will be replaced in the mid-1990s by a mixed force of 480 M-4s, at least 96 M-5s, and possibly 16 M-20s. Table 5 shows a five-fold increase in strategic warheads, with a more modest increase in the tactical forces of fewer than 100 additional warheads. These figures are only rough approximations, however, because of incomplete data about the new systems' characteristics and uncertainty about final deployment figures.

The quality of the French nuclear force structure will be enhanced as well. Table 6 provides some sense of the qualitative improvements in the force structure expressed in terms of the range and payload of these forces.

The SLBM force will have greater range, which in turn enhances the survivability of French SSBNs. They can operate either in a bastion near France or much farther from the European continent. The IRBM force will become more survivable with the deployment of the SX and will be given greater range, payload, and survivability.

TABLE 5

WARHEADS CARRIED BY FRENCH NUCLEAR FORCES

	<u>1983</u>	<u>Mid-1990s</u>
Sea-based strategic	80	592
Land-based strategic	52	100
Total strategic warheads	132	692
Land-based tactical	117	185
Sea-based tactical	36	53
Total tactical warheads	<u>153</u>	<u>238</u>
Total warheads	285	930

TABLE 6

RANGE AND PAYLOAD OF FRENCH NUCLEAR SYSTEMS

<u>Weapons system</u>	<u>Range</u>	<u>Payload</u>
SLBMs:		
M-20	3,000 km	1 MT
M-4	4,000-6,000 km	150 KT
M-5	unknown	unknown
IRBMs:		
S-2	2,750 km	150 KT
S-3	3,500 km	1 MT
SX	2,000-4,000 km	unknown
Strategic bombers:		
Mirage IVA	1,500 km ^a	1 x AN-22 (70-KT bomb)
Tactical ground systems:		
Pluton	120 km	12-25 KT
Hades	3,500 km	20-60 KT
Tactical air systems:		
Jaguars	720 km ^a	2 x AN-52 (15 KT-bombs)
Mirage IIIEs	800 km ^a	2 x AN-52 (15 KT-bombs)
Super Etendards	720 km ^a	2 x AN-52 (15 KT-bombs)
+ ASMP	+ 100 km	100-300 KT
Mirage 2000Ns	1,200 km ^a	
+ ASMP	+ 100 km	100-300 KT

a. Combat radius with normal payload and fight profile (Hi-Lo-Hi) without refueling but with external fuel tanks.

The Hades has three times the range of the Pluton, more than double its payload, and does not have to operate in West German territory. The ASMP program completed with the Mirage 2000N deployment increases the payload (by 3 to 10 times) and the survivability (by not having to fly directly over the target) of the French tactical Air Force dedicated to the nuclear mission.

FISCAL CONSTRAINTS

A fiscal "crisis" and its implications for defense policy is a second, and complicating, factor in France's security future. The economic decline of France, coupled with the rising costs of modernizing nuclear and conventional weapons, are leading to reduced overall military capabilities, which may eventually constrain French independence. Such a development, of course, might require greater cooperation with other members of the Western Alliance.

The conservative opposition has leveled its major criticisms of the Mitterrand Administration on the grounds of fiscal insufficiency: not enough money is being spent on defense. In December 1984, for example, the *Rassemblement pour la Republique* published a defense program calling for significant increases in spending. Yet, due to internal disputes within the Conservative Party, the program was withdrawn. In part, the controversy revolved around the question of how realistic the proposed increases in defense spending would be in light of the economic growth prospects for France. The fiscal crisis has become a key defense issue.

The problem fiscal constraints pose for the continued development of French defense policy along classical Gaullist lines is well reflected in an unpublished but authoritative French assessment. The study attempted to project a "coherent defense program for France for the year 2000." The main conclusion of the study was that "the French military system can only be maintained, in its current form, if the average rate of growth of the French economy over the next two decades is at least 3-percent." The report went on to argue that even with a 3-percent growth rate, "the national budget situation will require review of defense priorities."

It appears that the 3-percent threshold will not be met. During the last decade, the French economy has steadily declined to near-zero growth. Projections by Wharton Econometric Forecasting Associates indicate that the 3-percent threshold will not be obtained in the decade ahead. If 2-percent annual growth could be achieved, the French government has determined that 4.4 percent of the P.I.B.M would have to

be spent on defense.¹ This level of spending is probably unrealistic, particularly in the expected low-growth environment. French defense spending as a percentage of P.I.B.M. has been dropping since 1982 to a current estimate of 3.73 percent for 1985.

Not only will France fall short of the general economic growth requirements, but also it is unlikely that the annual rate of growth of relative defense expenditure will be greater than 3.5 to 4 percent. According to a reliable French source, the French budget throughout the 1970s and 1980s has never grown by more than 3.76 percent per annum.

In terms of real growth the picture is worse. Since 1981, French defense spending has slipped to negative growth when measured in constant 1980 francs (table 7).

TABLE 7

FRENCH DEFENSE EXPENDITURES: 1981-1985

<u>Year</u>	<u>Military expenditures (millions of francs)</u>	<u>Percentage of real defense growth</u>	<u>Indexed by 100 in francs 1980</u>
1981	104,945	+4.50	104.5
1982	106,789	+1.76	106.3
1983	108,912	+1.99	108.5
1984	107,876	-0.95	107.4
1985	107,126	-0.69	106.8

1. The P.I.B.M. (*product interieur brut marchand*) is the basis for French defense calculations. It is basically a GNP calculation that excludes services. For example, in 1974 (the last year the French used GNP figures) the defense budget was 2.96 percent of GNP, but 3.36 percent of P.I.B.M.

What this suggests is that the national budget situation will require a review of defense priorities in the 1990s. A critical dimension of such a defense review will be the question of the cost of nuclear modernization. The French nuclear forces cost about 28 billion francs in 1984 in equipment and operating costs which represented 20 percent of the defense budget. Compared with the early 1970s, current nuclear expenditures represent an increase by 50 percent in relative cost. Furthermore, the nuclear forces are already consuming 32.7 percent of the new equipment budget, and this even before the new strategic submarine has been designed. As the nuclear modernization program unfolds in the 1990s, its share of the defense budget, and especially its share of the equipment budget, should go up. Indeed, the proportion of the equipment budget dedicated to nuclear programs has been already increasing since 1981.

Given the limits on overall spending previously noted, the nuclear priority inevitably means an erosion of conventional capabilities. The increasing costs of conventional weapons will also squeeze the budget, with the declining international arms market aggravating the situation by increasing the unit cost of new equipment.

POLITICAL DEVELOPMENTS

In light of the foregoing, there are three plausible scenarios for the evolution of French security policy in the decade ahead. The first is for a continuation of current policy. In such a case, French military capabilities would decline due to decreasing fiscal inputs. Political conflict over the thrust of French security policy might make it impossible to shift policy in light of changing fiscal or external realities. If such a scenario occurred, France would be in consonance with the general alliance trend toward reduced capability to implement traditional strategies and policies.

The second scenario would be for France to pursue a "Europeanization" of the alliance. In this case, the French could respond to declining conventional capabilities by altering security commitments. In particular, they could become committed to the forward defense of West Germany. The West Germans and French might even be capable of reaching some agreement on French tactical nuclear weapons employment policy. In return, the French under this scenario would be able to tie their military industrial capability more closely to the Germans and other European allies. They would hope to see an upsurge in general European defense industrial capabilities and political independence to provide a counterweight to superpower capabilities.

The third scenario would be for France to fail in its attempts at Europeanization and to lapse into nationalistic isolation. French security policy would emphasize a narrow interpretation of "vital interests" and would focus on deploying nuclear weapons to provide territorial defense. A conservative French president elected in 1988

might place greater emphasis on tactical nuclear weapons at the expense of conventional forces. A beefed-up tactical or "pre-strategic" force, when coupled with continued strategic modernization, might well be conceived as the primary focus of French defense spending in order to provide for territorial defense. Such French efforts might well contribute to further structural disintegration within the Alliance.

Key to the evolution of French security will be how France resolves the tension between "independence" and closer cooperation within the Alliance. The French defense debate of the 1980s has provided three major alternative responses to this difficult problem. First, France could "resolve" this tension by ignoring it and by continuing to emphasize the centrality of its nuclear forces to the defense of France proper. To the extent France made a contribution to European security, it would be by indirectly supplementing the U.S. nuclear "guarantee" by serving as an alternative decision-making center for nuclear reprisals against any Soviet attack directed at France, especially a nuclear one. To the extent that the Soviets could not conceive of fighting a war in the European theater without invading France, the "sanctuarization" of France by nuclear weapons would contribute to deterrence in Europe as a whole. To a degree, the mere existence of French nuclear forces capable of striking Soviet territory adds uncertainty in Soviet planning.

There are maximalist and minimalist versions of this position. The maximalist version, espoused by some Gaullists, advocates a significant increase in the French strategic arsenal. The *Rassemblement pour la Republique* proposed an alternative Military Program Law for 1984-1988, in which nine SSBNs would be operational by 1994. It is difficult to see how such a build-up could be funded, however, without significant cuts in French conventional forces.

The minimalist position is the one espoused by the *Parti Communiste Francais* (PCF). As a member of the governing coalition until July 1984, the PCF nominally agreed with Mitterrand's *Parti Socialiste Francais* (PSF) on the "essentials" of French security policy. But the agreement on "essentials" did not carry over to the "details" of concrete policy, for the PCF has only supported a limited nuclear modernization at the core of French defense policy. By starving conventional forces, some believe the nuclear program has reduced the power of the uniformed military, most notably the ground forces. Past struggles between the Left and the army have not been forgotten by many members of the PCF.

A variant of the minimalist version of "independence" has been espoused by some members of the left wing of the PSF. For this group, the advantage of an independent nuclear deterrent for France is to allow France to avoid an "entangling" alliance with the unreliable and erratic Americans. Also, by having an independent deterrent, France does not have to "overcommit" resources to the military sector.

Both the maximalist and the minimalist versions of independence would make no change in French doctrine. The political purpose of French nuclear forces would be identified as solely the protection of French territory. The strength of this position is the preservation of the historical consensus that has emerged in France regarding nuclear weapons. Its weakness is the absence of any response to the erosion of the "public good" of Western defense. Although rational from the standpoint of French domestic considerations, such a position of independence would appear irresponsible to other members of the Western Alliance in the challenging European security environment of the 1980s and 1990s.

A second means for France to "resolve" the tension between independent and European objectives would be not by changing doctrine, but by augmenting France's ability to participate in the forward defense of Germany by conventional means. Nuclear weapons would be used to protect French territory primarily, and French "vital interests" secondarily. Ambiguity would surround exactly what is covered by the concept of vital interests.

The positions of the Mitterrand administration have embodied this alternative. French doctrine has clearly not changed under Mitterrand. The administration ritualistically asserts that French doctrine has not been modified, in part to allow changes in French military capability to unfold without a debilitating doctrinal debate: that is, a debate about the political implications of changing French military policy. The administration used the concept of vital interests to cloak in ambiguity the potential political uses of French nuclear forces, especially tactical nuclear weapons.

The major alteration that the Mitterrand administration introduced in French forces is the rapid action force (FAR). It is clear that the creation of this force was motivated by political objectives, the most significant being to enhance Franco-German security cooperation. Former Defense Minister Hernu and the newly appointed commander of the FAR went so far as to identify the primary purpose of this force as having the capability to participate in the forward defense of Germany. This role would require close cooperation with NATO in peacetime as well as in wartime. The Mitterrand administration may already have set the objective of accelerating a process of security cooperation with West Germany, which will then have political logic of its own in 10 to 15 years.

In other words, rather than debating the difficult problem of whether French nuclear weapons will be able to provide extended deterrence for West Germany, why not focus on the practical dimensions of expanding Franco-German cooperation? The weakness of this position is that without doctrinal change, at some point it will not be clear to either the French public or France's allies that France is serious about a European role for its military forces. If France continues to value

its nuclear forces far more than its conventional forces, the absence of some form of commitment of those nuclear forces to West Germany casts doubt on the sincerity of France's intention to play a European role.

A variant of the second alternative would go further and make explicit the doctrinal changes necessary to identify French conventional forces with the forward defense of Germany and with other Alliance military missions. The political coalition of former President Giscard d'Estaing, the *Union pour la Democratie Francaise* (UDF), has clearly asserted the need for France to express its solidarity with the Alliance. The UDF has criticized the Mitterrand administration for overinvesting in nuclear forces.

Under the third means of alleviating tensions between independent and European roles, France could assign her independent nuclear force a more ambitious role than simply deterring Soviet attacks against French territory. Several augmentations of the role of French nuclear weapons have been suggested in recent years--the deployment of a large nuclear force armed with neutron warheads for battlefield use, the extension of some form of nuclear guarantee to West Germany, and the indirect or direct creation of some form of European nuclear force stimulated by French example and/or effort.

Some analysts have suggested that France ought to equip its ground forces with significantly upgraded nuclear firepower. The most frequently discussed candidate for this role has been the neutron warhead. If French forces were armed with neutron weapons, they would become a much more formidable barrier to any Soviet armored assault into Europe. By being prepared to take the nuclear battle to Soviet forces in the European theater, France would significantly enhance deterrence of Soviet "limited" war options. According to this viewpoint, the mere existence of an anti-cities French nuclear capability is not enough to deter the Soviets from attempting to realize "limited" war aims.

Diverse voices in France have suggested the possibility of extending some form of nuclear guarantee to West Germany. At the heart of such a guarantee is the question of the use of French tactical nuclear weapons. Almost always the guarantee in question would be designed to supplement, not supplant, the U.S. nuclear guarantee. For example, Michel Tatu of *Le Monde* has argued that when the new Hades missile is ready for deployment, it could be placed on German soil under a dual-key arrangement. Also, in a speech delivered in Bonn, Jacques Chirac, mayor of Paris and leader of the Gaullist party, argued that French nuclear forces should be involved in some form of a European guarantee to West German security.

Several variations of the idea of a European nuclear force have been aired recently by French analysts. One emphasizes the importance of the simultaneous modernization of the French and British forces. The very fact that both forces will be augmented in the 1980s and 1990s

enhances the nuclear protection of Europe. A second variation would go further and encourage direct British-French nuclear cooperation, in joint development of their strategic forces or of a tactical nuclear force for Germany. One French analyst suggested to the authors that a joint French-British cruise missile force could be developed to provide a "nuclear cover" for French and British forces in West Germany. A third variation is much more ambitious and would seek to proliferate nuclear warheads among the major West European states, including West Germany. This variation rests on the assumption that deterrence would be enhanced if the Soviets faced a multitude of nuclear decision-making centers. This variation would require, among other things, abrogating the Nuclear Nonproliferation Treaty and confronting the politically explosive issue of the possession of nuclear weapons by the West Germans.

In light of the various options to "resolve" the problem of defining the role of French nuclear weapons for West European defense, what are the probable scenarios for the evolution of French defense policy and doctrine in the 1980s and 1990s (table 8)? Most likely is that the highest priority continues to be accorded to nuclear weapons, but that no doctrinal changes occur. It would be difficult for the French to modify doctrine and to forge a new defense consensus around a greater French contribution to European security.

The most likely future for French security policy is the election of a conservative majority in 1988 which will increase French defense spending. The continued priority of nuclear weapons, however, will mean that increases in defense spending will not be sufficient to augment dramatically French conventional capabilities. There will be continued security cooperation with West Germany, but not at the expense of France's doctrine of independence. Public commitment to national independence will be a powerful constraint on French policymakers' initiatives to "Europeanize" the alliance.

THE FRENCH NAVY

Regardless of other developments, however, it seems clear that France is committed to maintaining and modernizing its carrier-based conventional naval aviation component, and would sacrifice in other areas of the defense program (save for nuclear modernization) in order to maintain the commitment.

France today is one of only seven nations in the world operating conventional aircraft carriers. Yet its two carriers, *Clemenceau* and *Foch*; were put into service in the early 1960s and will reach the end of their operational lives in the early 1990s. In 1980, the previous government decided to replace both carriers with (at least one, and possibly two nuclear-powered) aircraft/helicopter carriers of about the same displacement, a decision subsequently ratified by the Mitterrand government. Current plans call for the first carrier to be laid down in 1986 or 1987 and to enter active service in 1996. This would replace

TABLE 8
FRENCH DEFENSE OPTIONS

Basic option	Variants	Military or security locus
Maintain primacy of independent nuclear deterrent	Maximalist	SSBN force augmented
	Minimalist	Modest nuclear force modernization
Independent nuclear deterrent plus forward defense of FRG by conventional forces	Franco-German cooperation	Nuclear modernization plus deployment of FAR
	Enhanced direct and public involvement by French conventional forces in NATO missions	Greater emphasis on enhancing NATO's conventional deterrent
Independent nuclear deterrent plus	Enhanced tactical nuclear "battlefield" capability	Neutron weapon
	Supplemental nuclear guarantee for FRG	Double-key system or enlarged sanctuary
	"European" nuclear force	Indirect supplement or Active Franco-British cooperation or Nuclear proliferation within Western Europe

the *Clemenceau*. A replacement for the *Foch* would follow a few years later. Until replaced, the older carriers will be kept in service.

The commitment to proceed with nuclear-powered conventional carriers (the ship is known in France as *porte-avions nucleaire*, or PAN) fits comfortably with, and underscores, a continuing French interest in preserving a capability for military operations outside the NATO area--in defense of France's overseas dependencies (in the Caribbean, the Pacific, the Indian Ocean and the North and South Atlantic) and in support of France's African allies. The PAN is particularly suited to these operations, providing naval support for a land-based rapid-deployment force (which the French are building in the *force d'action rapide*, the interarmy unit intended for both NATO reinforcement and overseas intervention) along with a major part of the airpower. Other possible roles for the PAN include protection of merchant shipping, protection and support of the French Navy's surface fleet (planned to be at 30 surface vessels by century's end), as well as escort and protection of French SSBNs. Since the carriers' aircraft will be capable of carrying tactical nuclear weapons (eventually the medium-range air-to-surface ASMP missile), the carriers also form an additional part of France's nuclear deterrent.

The near obsolescence of three major aircraft used by the carrier squadrons is the major impediment in the carrier modernization program, however. Concurrent replacement of several aircraft types is likely to pose a major funding problem in the years ahead, and the current state of the French economy suggests that, at best, introduction of new aircraft types will have to be spread out over a fairly long period of time. While funding problems could also delay or conceivably cut in half the carrier replacement program, this is much less likely. The carriers are seen to be integral to the support of French overseas interests. Without them, France, in the view of the French, would have to surrender its role as a world power--a proposition for which there is no political support.

UNITED KINGDOM

Much the same kinds of factors at work in France will be operative in Britain as well, albeit with distinctive twists. First, the British government has decided to modernize the UK's strategic nuclear deterrent by purchasing the Trident II D-5 missile system. A significant increase in the striking power of the British force will result, but at the cost of increasing domestic political conflict. Second, the British defense budget is undergoing serious strain, which will increase in the years ahead as conventional programs and nuclear force modernization enter stiff competition for fewer resources. The Trident modernization will have an especially significant budgetary impact. Third, conflict over defense policy among the political parties has intensified in recent years, with no end in sight. Britain's defense consensus is undergoing considerable strain as the British face a general election in 1987 or 1988.

The results of the next election are not likely to produce radical veers in defense direction, however, no matter what the outcome. The Trident buy might be cancelled, but that is an increasingly remote possibility, and it would probably not have much positive effect on Britain's increasingly pressured conventional programs anyway. The decline in the general-purpose Navy--interrupted only temporarily because of the Falkland War--will continue apace into the 1990s. Out-of-area operations of more than a symbolic character are highly unlikely, regardless of who sits in Whitehall. By the early 1990s, the Royal Navy will be reduced to its ASW role in support of NATO. Maintaining even the ASW mission may be a serious challenge itself by the mid-1990s.

NUCLEAR MODERNIZATION

The British government decided in 1980 to replace its aging Polaris force with the U.S. Trident submarine. In 1982 it decided to fit that submarine with the D-5 missile. In the 1983 general election the conservative government won handily, in part, on the issue of the continued legitimacy of nuclear deterrence. As a result, the government's decision to modernize the independent deterrent appeared to be supported by electoral mandate (although the question of specific support for Trident remained open).

In fact, support within the government and among members of the British strategic community has become less than enthusiastic due primarily to the rising costs of the Trident program. Also, the other political parties and the Campaign for Nuclear Disarmament have declared their opposition to Trident.

The future of the British strategic deterrent is thus being shaped in a very ambivalent environment. On the one hand, the basic programmatic decisions have been made and apparently ratified by the electoral process. On the other hand, significant doubts remain about the Trident decision.

The domestic consensus on the national deterrent lasted until the late 1970s largely because it cost so relatively little to maintain. The concern for the impact of cost on support for the nuclear program had already been reflected in the Chevaline experience. The British Prime Ministers of the 1970s kept the Chevaline upgrading of the British Polaris force a secret from most of the cabinet largely because of escalating cost problems. That consensus is now fragmenting, in large part, because of the cost of the Trident program.

The most recent official estimate (early 1985) by the British government has been that the Trident program will cost more than 9 billion pounds. This figure was calculated at an exchange rate of \$1.38 per pound. Actual costs are probably more than 11 billion pounds sterling or a doubling of the initial cost estimates in only 5 years of the program.

Trident's program costs are being phased in over a number of years. From 1980 to 1985, 4 percent of the program will be spent; from 1985 to 1990, an additional 36 percent; from 1990 to 1995, an additional 40 percent, with the remaining 20 percent phased in between 1995 and 2000. The main concern, however, is the major effect the Trident purchase will have in the peak years on the defense budget, in general, and on the equipment budget, in particular. By 1990, the Trident program will represent more than 5 percent of the defense budget and more than 11 percent of the equipment budget (table 9).

Such cost increases have generated major concern within both the government and the majority party. A number of officials in the British Ministry of Defense are concerned with the increasing opportunity costs generated by the Trident program. It is also feared within the majority party that the Trident purchase will definitely reduce equipment expenditures available for conventional forces, notably the British Army of the Rhine (BAOR) or naval forces. It appears that Conservative Party backbench unhappiness with the Trident program's effect on the defense budget is growing. Many Conservative Party members remain deeply committed to a European role for British defense forces. There is increasing concern that the Trident program will come at the expense of British forces committed to European defense.

The government's Trident program has limited public support in large part due to the perceived opportunity costs, especially in terms of reductions in conventional forces. Also, support is growing within the British security elite for strengthening NATO's nonnuclear options, and concern is growing that Trident will weaken, not strengthen, those options.

TABLE 9
 LIKELY PHASING OF TRIDENT EXPENDITURE
 1985-1990

	Defense budget (1984-85 prices) (£ millions)	Trident cost (£ millions)	As percent of defense budget	As percent of equipment budget
1985-86	17,208	300	1.7	3.8
1986-87	17,011	510	3.0	6.4
1987-88	16,740	720	4.3	9.4
1988-89	16,740	900	5.4	11.7
1989-90	16,740	877	5.2	11.4
Total	84,439	3,307	3.9	8.5

The significant Trident decision for the British is inextricably intertwined with the decision to remain a strategic nuclear power. The British could choose against Trident and remain a nuclear power, but only at the tactical level. Historically, British governments have chosen to have nuclear weapons primarily to have the capability to attack Soviet territory. It is difficult to foresee a government choosing to remain a nuclear power but eschewing strategic weapons.

Ultimately, the question is not to choose for or against Trident but to determine whether Britain should remain a nuclear power. This is a difficult decision for the British to make in isolation from the general state of the European security environment. If Britain decides to reject the Trident, it would have a significant effect on Britain's allies and adversaries, alike.

FISCAL STRINGENCY

Defense spending will be constrained by continued slow economic growth. Wharton Econometrics estimates that British economic growth for the decade ahead will hover around 2 percent per annum.

At the same time, defense spending as a percentage of total governmental expenditure has remained relatively stable throughout the 1970s and 1980s, which would suggest difficulties in increasing defense's share of the pie. Also, the government has indicated it will abandon the 3-percent real growth per annum commitment in favor of no more than bare-minimum real growth (at best) by 1986.

The inevitable result of the defense budget squeeze will be a reduction in ability to contribute to all the nuclear and conventional military roles Britain now plays in the Alliance. Even with sustained

real defense growth in the first Thatcher government, hard decisions about priorities became inevitable.

The rising real cost of equipment is a significant contributor to the budgetary crisis. In 1983, the MOD estimated "an average annual figure, over and above inflation, of 6 percent to 10 percent on capital production costs of major equipments." Apart from Trident, the current program includes: RAF acquisition of Tornado and Nimrod and plans for a new tactical aircraft later; Army plans to acquire a new main battle tank, more antitank weapons, a new mechanized combat vehicle, the 155-mm self-propelled howitzer, and the multiple-launch rocket system; and Royal Navy plans to acquire more frigates and TRAFALGAR-class nuclear submarines. Tornado, originally estimated in the 1970s to cost about £2.7 million per plane, now costs £17 million each. Nimrod's radar system, estimated to cost £130 million when ordered in 1977, currently costs about £1.3 billion. As late as August 1985 yet another lengthy delay, with inevitable cost escalation, was announced before this much needed plane could come into service. The type 23 frigate's cost has risen from £65 million each to at least £110 million. A major additional contributor to the budgetary crisis is the Trident program. The Trident program may well be stretched out to accommodate the Tornado buy (which will cost 70 percent more than the Trident) which, in turn, will lead to additional inflationary cost escalations.

An authoritative sense of the opportunity cost of Trident for conventional systems has been provided by Admiral Lewin, a former Chief of Staff of the British armed forces. Lewin, a supporter of Trident, indicated in a November 1984 article in the *London Times* that the expenditure for Trident could "only" buy the following conventional forces: 200 main battle tanks, 12 naval frigates, and 50 Tornados with operating bases.

The opportunity cost problem has been central to the arguments of critics of the Trident program. For example, David Greenwood, an authoritative nongovernmental budgetary analyst, has argued that the actual cost of Trident will be more than 11 billion pounds. He argues that at its peak, between 1988 and 1993, the Trident buy will account for approximately 7.5 percent of the defense budget and 15 to 20 percent of the equipment budget. He argues that the "opportunity cost argument has always been the most telling of the budgetary critiques of the planned Trident acquisition. It remains a powerful one." He adds that "the prior commitment of so large a proportion of the capital budget in this fashion will at best inhibit a major British contribution to enhancing NATO's nonnuclear provision and, at worst, could impel a reduction in the country's current contribution to the Alliance's conventional capabilities."

In a comprehensive review of the Trident program early in 1985, the *Sunday Times* estimated that at peak expenditure Trident will absorb more than 20 percent of the funds available for new equipment. "The years of

peak spending on Trident will coincide with demands for funds for other major equipment purchases already planned, such as new frigates, a light attack helicopter for the army, and new radars and sonar systems." Usually a project as large as Trident can be staggered to spread the burden, and allow other major projects their turn at peak spending. But Trident is firmly fixed in the procurement plans: it is the other projects that will have to be moved to accommodate it.

The continued priority given to Trident will inevitably come at the expense of conventional force structure modernization. Initially, the Royal Navy will be cut back to its ASW role. Then Air Force and Army procurement will be stretched out.

POLITICAL CONFLICT

On the political front, several factors have led to increased conflict over defense issues in Britain. First, British leaders are having to make a number of critical decisions. The shelf-life of a number of decisions taken in the mid-1960s had run its course by the early 1980s. Second, by 1981, the ideological edge in both of the main political parties had hardened in ways bound to influence party perspectives on defense. Third, government and establishment confidence in the basic rationale underpinning British defense orthodoxy has been weakening. Last, the opposition in the 1980s to established defense policy has become broader and more credible politically than in earlier periods.

A critical dimension of the need to revisit basic decisions has been the requirement to replace Britain's strategic nuclear force. The four Polaris submarines, put to sea in the late 1960s, could not be stretched out indefinitely. Polaris would need to be refitted, or a different alternative adopted, if the UK is to maintain a viable nuclear deterrent into the next century. Still, to tinker with, let alone substitute for, the existing deterrent was to bring fresh to the public scene a broad set of questions concerning Britain's role as a nuclear power. The other consideration concerned conventional forces. Despite nearly 3 percent annual real growth in defense spending since 1979, Britain could not keep pace with her conventional force ambitions and commitments. Reductions either in the large land and air forces stationed on the continent, or in naval strength, were called for in light of fiscal stringencies. In both cases, decisions made in the early 1980s would affect British defense for years to come. In both cases, the decisions that were made proved to be politically contentious.

The ideological hardening of the two main political parties had been underway for some time before the early 1980s, but it was clearly a fact by 1981. The first movement was a hardening of hawkish attitudes in the Conservative Party. Mrs. Thatcher won her title of "the iron maiden" as soon as she became party leader in 1975. The Labour Party came under the spell of unilateral disarmament in the wake of its electoral defeat in 1979. Labour remains divided. For example, the ex-Labour leader and Prime Minister, James Callaghan, and the then Deputy Leader, Dennis Healey, came out against their own party's unilateralist

stance on nuclear disarmament in the middle of the 1983 election campaign.

The third element is a discernible erosion of confidence in defense orthodoxy, even among its strongest advocates. This is particularly so in the case of nuclear weapons policy. As Ken Booth noted:

...[A]n interesting shift has...taken place in establishment circles. Compared with the self-assurance of the 1960s and 1970s, for example, the pro-nuclear advocates in the defense community have become rather apologetic. Insiders speak of problems of 'flexible response,' a doctrine which hitherto was thought so sensible; Generals and Air Chief Marshals criticize NATO strategy in public; old nuclear deterrers reject Trident; supporters of NATO question cruise; and the Government feels the need to apologize for deterrence. Not only has the consensus gone, but the establishment has also lost some of its confidence in the face of the antinuclear movement's argument that the objective situation is not as comfortable as one would like and that stockpiling nuclear weapons is not the best way to enhance security.

Finally, the opposition to British defense orthodoxy had become more broadly constituted between 1981 and 1983 than in the past. Critics now include respected defense analysts, prominent retired military members, and some members of that pillar of British society, the Church of England. While some of the opposition has been animated chiefly by ideology and emotion, strategic and economic arguments have added a new element of hard rationalism that had been lacking in defense debates earlier.

By 1983, British defense was not only debatable, it was actively debated, and by a different cast of characters with a different set of interests and perspectives than in the days when "ban the bomb" protestors were content to march with broad philosophies and slogans. At the level of popular protest, opposition to nuclear arms now gets much of its strength from being just one aspect of a generalized environmentalist or "Green Socialist" ideology.

It remains the case nevertheless that the Conservative Party triumphed unmistakably in the 1983 general election. It is also evident that defense issues did not help the opposition parties in the 1983 contest. While the Conservative reelection, with an unusually large majority of 143 seats in the 635-seat House of Commons, was based on a minority (43 percent) of the popular vote, opinion polls at the time made clear that the public favored the government on both nuclear weapons issues and defense in general (table 10).

TABLE 10

PUBLIC PREFERENCES FOR POLITICAL PARTY DEFENSE POSITIONS:
UNITED KINGDOM, 1983

Question: Which party has the best policies...

	April 21-25 (percent)	June 1-2 (percent)
On nuclear arms		
Conservative	43	48
Labour	24	21
Liberal/Social Democrat	9	15
No opinion	25	16
On defense generally		
Conservative	49	53
Labour	22	19
Liberal/Social Democrat	8	14
No opinion	22	14

SOURCE: Market and Opinion Research International (MORI).

There is little doubt also that Labour's positions on defense contributed to the damage to the Labour vote. Labour's stridency, and its agenda for unilateral nuclear disarmament and wholesale socialization, were clearly unacceptable to even Labour's traditional constituency. Labour was not prepared for an election when it was called and, instead of producing the usual special election manifesto, which might well have deemphasized the nuclear issue, the party simply issued the much longer party program that had been adopted at the previous party conference. One Labour dissenter described the party's 1983 Manifesto, *The New Hope for Britain*, as the "longest suicide note in history." The Labour vote fell from 11.5 million in 1979 to 8.4 million in 1983. While Labour held its own in the north of England, where unemployment had struck hardest, the party was virtually destroyed in the south (winning 31 out of 260 seats south of the line from Severn to the Wash). Notably, more skilled workers and more than half of all trade unionists voted Conservative in 1983. Simultaneously, while the election alliance of the Liberal Party and the Social Democratic Party (SDP) fared better than expected in the 1983 popular vote (winning 25.9 percent to Labour's 28.2 percent and the Conservatives' 43.5 percent), the alliance managed to gain a mere 12 additional seats in the Commons.

In addition to generalized endorsement of Conservative defense policy, the public's views on particular defense issues, as these were reflected in opinion polls near the time of the election, largely favored the Conservative positions. Asked by Gallup in April 1983 about

the kinds of armed forces Britain should have, a slight majority (51 percent) favored "both nuclear weapons and a strong conventional nonnuclear force"; 10 percent favored heavier reliance on nuclear weapons; with 24 percent wishing to "be strong in conventional, non-nuclear weapons, but no nuclear weapons." Importantly, 66 percent thought unilateral nuclear disarmament a "bad idea." Rejection of unilateral disarmament and broad support for the status quo, including Britain's continuation in NATO, cut across party affiliations. The two exceptions were Trident, where only Conservative voters strongly favored the acquisition, and the U.S. cruise missile deployments, where again only Conservative voters strongly agreed with the decision.

It remains unclear nevertheless how much the 1983 election actually settled. The opposition parties have pointed to the Conservatives' 43-percent showing in a popular vote involving 73 percent of the eligible electorate, arguing that the election result had more to do with division in the anti-Conservative vote than with any tide of enthusiasm for the Tory program, and that the government's program received a "mandate" from less than one-third of the adult population. In actual numbers of votes, the Conservative total in fact was three-quarters of a million less than in the 1979 election. The euphoria generated by the Falkland War was an idiosyncratic element: Before the Falklands the Thatcher government's public approval rating was a mere 25 percent--lowest for any British government since such polling began. British analysts do not agree among themselves about the importance of the Falklands conflict during the election campaign, but it certainly was not the decisive element. The Conservative campaign was vague on specific issues in 1983; Mrs. Thatcher ran chiefly on her image as a resolute "Iron Lady," but used the Falkland issue only marginally. More important was her stress on "traditional moral values" with a populist appeal. Furthermore, while defense was an important issue in 1983, it trailed economic concerns in a nation with some 3 million unemployed, where the opposition seemed incapable of producing a credible alternative program. Indeed, a major reason for Labour's defeat was that the party spent as much or more time fighting the rival SDP-Liberal Party Alliance as it did attacking the Conservative government. Also, the Thatcher government had in its first term reduced the national deficit and brought inflation to a 15-year low of 4 percent.

Noteworthy in the near term is Labour's rebound from its 1983 defeat. The party has been running neck-and-neck with, and here and there a few points ahead of, the Conservatives in a number of opinion polls since late 1984. By March 1985, according to a MORI poll, Labour had established a 4-point lead in public voting preferences. At the same time, the Thatcher government's public approval rating had returned to its pre-Falklands low. Many analysts, however, interpret this as a typical midterm trend with little implication for the next election.

There has to be a general election in Britain by June 1988. It is unlikely that Mrs. Thatcher will see reason to call one much earlier. An upturn in the economy in 1987 is the only reason she might do so. The timing is important because the result of the election depends more

on the relative popularity of the SDP/Liberal Alliance and Labour parties vis-a-vis each other than the popularity of the Conservative Party itself.

It is a crucial feature of the British electoral system that it penalizes "third parties" severely--they get nothing like a proportionate share of seats in the House of Commons compared with their proportion of the vote cast. This is why the SDP/Liberal Alliance, though its vote was almost the same as that of the Labour Party, gained only about 20 seats whereas Labour gained more than 200 in 1983. The electoral fortunes of the current Conservative government depend on two factors. The first is the sheer size of the majority the Conservatives gained in 1983. The second is the identity of the voters who end up in the Alliance camp in 1987/88.

First, the majority in seats owned by the current government is about 140. This is high by historical standards, but it was gained on a vote actually smaller than the percentage of the electorate voting Conservative in 1979, when the parliamentary majority was much smaller. The difference is entirely due to the creation of the SDP/Liberal Alliance, which put up candidates, often ex-Labour members themselves, in every constituency. The effect was to split the "anti-Conservative" vote, giving the Conservatives victories in constituencies where there was a clear majority of voters who did not wish to be represented by a Conservative.

One can normally predict a British general election by using a concept known as "swing," which measures the percentage of voters a party would have to lose (either to the opposition or to abstention) in order to lose a given number of parliamentary seats. The reason one can make a fairly safe prediction of the next election is that the "swing" needed to unseat the Conservative government would be in the region of 8 or 9 percent. Such a swing would be almost unique in British political history. It was said by many commentators, after the 1983 election, that the result of that election had to determine the identity of the British government for two parliamentary terms. However unpopular the Government is in 1987-1988, losing a parliamentary majority as big as it has would be a major achievement.

There is no doubt that the government is currently very unpopular, but so are all British governments in the middle of their parliamentary lives. All governments do badly in local elections at midterm, for example, and the Conservative Party did indeed do badly in the local elections in spring 1985. They lose by-elections, and the Conservatives have recently, rather dramatically, come in third in a by-election in a seat that they had won in 1983. They do badly in the monthly public opinion polls, and the Conservatives have only recently gotten back to second place, behind the Labour Party. None of these facts, much commented on by journalists and opposition politicians in Britain at the moment, has any real implication for 1987-1988, however. They are

entirely predictable, and have not in the past resulted in the government in question necessarily doing badly in the next general election. Furthermore, there is an added historical pattern. Conservative governments have traditionally lost out to the center party, in the past the Liberals, in midterm. Nowadays they lose to the Alliance.

Exactly this pattern emerged in 1982 and early 1983; in by-elections and opinion polls the SDP and the Liberals gained heavily from a party that was deeply unpopular, but which went on to win one of the biggest election victories in British political history. The basic arithmetic is compelling. To lose the next election, the Conservatives have to do badly, and there is no evidence whatsoever that they are, at this moment, doing worse than average.

In fact, the only way the Conservatives can actually lose the next general election is for the SDP/Liberal Alliance to appeal to very large numbers of Conservative voters. They do that already as a "protest vote," but only when it does not matter. To do so in a general election, when it does matter, is an entirely different thing. Economic considerations could lose the Conservatives voter support, as long as these voters were assured that the incoming government would not be truly Socialist.

It is, in fact, very unlikely that the SDP/Liberal Alliance can take away enough voters to cost the Conservatives the next election. But if they did it would probably not matter very much to the U.S., because the policy area least likely to change is precisely the subject of this report--defense and foreign relations. There is no other way that the Conservatives can lose the election, though they are likely to end up with a very small majority, which in itself could have consequences for U.S.-U.K. defense relations.

The increasing instability of British politics over the last 15 years means that one can no longer think in terms of one-party governments made up of either the Labour or Conservative parties. As indicated above, the most likely single result is a small Conservative majority. If that majority is very small, on the order of four or five seats, or if the Conservatives are the largest party but narrowly miss getting an overall majority of parliamentary seats, the influence of the SDP/Liberal Alliance obviously will be very great. This does not necessarily imply a formal coalition. There has not been a peacetime coalition government in British politics since before World War I, and there are strong forces working against such an arrangement. But some sort of "understanding" between a large but not commanding Conservative Party and the SDP/Liberal Alliance, along the lines of the "Lib-Lab" pact that kept Mr. Callaghan's Labour government in power from 1977 to 1979, is likely.

Obviously the SDP/Liberal Alliance would exact a price for such support. It is not likely that the price would directly be put in terms

of defense policy--the electoral concerns of the Alliance are vastly important to it, and what it would demand would be electoral reform, to change the voting system to proportional representation. So important is this that it would be both a necessary and a sufficient condition for the parliamentary support the Conservatives would need. After electoral reform a change in economic and social policy would be the next priority of the Liberals and Social Democrats. It is only in this way, through a general reduction in defense budgeting, that a Conservative government needing to depend on SDP/Liberal support could affect defense politics. Almost certainly the Conservatives would be left to judge how to spend what was left over from the increased social expenditure. They might decide to drop Trident, but this is unlikely as they, more than any other party, would accept the argument that to do so would be to waste much investment, quite apart from the fact that most of the parliamentary Conservative Party agree that it is needed, and Trident is not known to have any particular enemy in the Cabinet. Consequently, the most likely results of the election would leave defense policy much as it is now, though with increased strain on procurement.

The other possible electoral outcome that needs brief consideration is one in which a coalition or arrangement between the SDP/Liberal Alliance and the Labour Party would also produce a working majority. It is possible that such a result could eventuate, if the SDP/Liberal Alliance takes votes at least equally from both other parties. (The Alliance is poised in second place in many constituencies, and a vote split that was even or tilted against the Conservatives might break through the established barrier to third parties in the U.K.) This would imply that Labour was popular in its own right as well, of course.

However, two factors make a parliamentary arrangement between the Alliance and Labour improbable. First, the Labour Party would have to give up a great deal of what it holds dear in order to enter any such coalition. Nationalization and import controls, the two main economic remedies in the Labour program, are anathema to the Liberals, who remain more committed to theoretical "laissez-faire" economics than almost any other European party. While Labour might be prepared to drop its anti-EEC policy to soothe Liberals, it is inconceivable that it could drop nationalization. It is important to note that there is a deep strand in Labour Party thinking that rejects making compromises to get office. The last Labour government caused much of the internal dissension and left-wing reaction after its defeat precisely because it was blamed for losing ideological purity by entering into the "Lib-Lab" pact. It really is the case that important elements in the Labour Party would prefer to be in opposition than in power with its hands tied. In this respect Britain's Labour is more like, say, the French Communist Party than like other moderate socialist parties in Europe. This means that even if a Labour-Alliance government did form, it would be weak and unstable, because the Labour leadership would have tremendous difficulty controlling its left-wing backbenchers and forcing them to support the kind of legislation the Liberal part of the Alliance could support.

The second factor that makes a Labour-Alliance agreement virtually impossible is the bitter hatred that exists between the Labour Party and many elements of the SDP. To Labour, the former Labour members who make up the leadership of the SDP are traitors, men who have sold out and seriously damaged their old party. People like Dr. Owen and Roy Jenkins are also seen as responsible for the failure of the previous Labour governments to live up to "true socialism." The hatred is entirely mutual. Those who left the Labour Party, many activists with decades of service to the party, believe they were effectively forced out by left-wing extremists who should never have been allowed to enter it in the first place. They, too, see party treason, believing that the extremists have betrayed the loyal working class whose interests the party has always existed to serve. Though some movement toward detente may have taken place under Labour Party leader Kinnock, it is unbelievable that these two parties could cooperate within the active political lifetime of those around when the split occurred.

For all these reasons there seems to be only a narrow range of possible results of the 1987/88 election. These can be summarized thusly:

- A Conservative victory with a much-reduced majority
- A minority Conservative government with some degree of more or less tacit support from the SDP/Liberal Alliance
- A formal Conservative-Alliance coalition
- A short-lived minority Labour government, operating with support of the Liberals or Social Democrats or both, with only the most limited ability to get (non-controversial) bills through.

Only the fourth of these would present any prospect of serious change in British defense policy. It is unlikely in the extreme, however, that the SDP/Liberal Alliance would support anything disruptive of NATO under this fourth condition. Trident might be cancelled, but in a "nonprovocative way." The budget for defense would certainly be reduced. But the defense budget will be effectively reduced under any conceivable election result. Even the first outcome, a majority Conservative government, will lead to reduced defense expenditure. With a slim majority, and having won three elections in a row (a feat only once before achieved this century), any Conservative government is going to have to place much more emphasis on social expenditure at the cost of defense. The defense result of the next election seems to be essentially "business as usual--broke."

BRITAIN OUTSIDE NATO

One thing electoral outcomes will not change is Britain's current course regarding out-of-area military involvements. With France (and the possible emerging exception of Italy) Britain possesses the only serious European capability to project military power beyond Europe's borders. Still, Britain's out-of-area presence is a far cry from the days before withdrawal east of Suez. The Royal Navy keeps an intermittent presence in the Indian Ocean and a naval detachment at Diego Garcia. Overseas garrisons are maintained at Cyprus, Gibraltar, the dependent territories of the Falkland Islands and Hong Kong, Belize and Brunei.

Having gone to war over the Falklands, no Conservative government would countenance negotiating the islands away, for a generation or more at least. The government does hope to reduce substantially its 4,000-man garrison on the islands, however, once a new airfield, designed to take wide-body jets, is operational in 1986. Elsewhere, the Conservative government has shown keen interest in further reducing Britain's overseas burdens. Agreement with the People's Republic of China concerning the disposition of Hong Kong in the late 1990s was reached in 1984. Discussions with Spain about eventual disposition of Gibraltar were commenced the same year. In interviews in December 1984, a number of officials made clear to the authors that the government would entertain a lessened (or no) presence in Belize and Brunei if a politically acceptable formula could be found in either case in the years ahead.

Future prospects for Britain getting seriously involved in conflicts outside the NATO area in pursuit of her own interests are not high. Within the major parties, the Falklands is viewed as one of a kind, neither likely nor desirable as a precedent. Large-scale unilateral military involvements elsewhere are discounted as unwise as well as unlikely. Members of the British security elite point to the French interventions in Chad and New Caledonia as examples of situations to be avoided rather than emulated.

Multinational out-of-area activities are perceived somewhat differently. Britain's trade interests, as well as NATO's overall, are tied to many of the same out-of-NATO-area places that concern the United States. There is as well a *real politique* dimension in British thinking. The U.K. sees three values in providing some capability (even if token) for Third World presence and power projection in conjunction with the United States: (1) demonstrating that Britain is a "good ally"; (2) maintaining leverage on the situation at hand; and (3) importantly, maintaining leverage on U.S. actions, lest they get out of hand from a British perspective.

No one, however, foresees a strenuous British military contribution in out-of-area conflicts. The current Conservative government has

relegated out-of-area roles to a residual status, and no new governing coalition would reverse the priority. According to the government in 1984: "Recognizing that we can no longer afford to make military activity on a global scale a main priority of our defence effort, we try as far as possible to employ for these tasks resources already devoted to a primary role within NATO." Interestingly, such limited additional intervention capabilities that are planned are allocated to the Army and the Royal Air Force, not to the Royal Navy. The 5 Infantry Brigade has been renamed the 5 Airborne Brigade. The brigade, with eventual strength planned to reach 4,500, is being bolstered with an air defense group equipped with Blowpipe and with additional parachute and organic logistical support capabilities. Its lift will be provided by the RAF. The Royal Navy's major undertaking, by contrast, will be to "complement the versatility inherent in naval forces by drawing more heavily on civil assets"--that is, commercial vessels to conduct subsidiary fleet tasks.

THE ROYAL NAVY

In terms of the Navy itself, several factors will converge over the course of the next 10 years to ensure that its transformation into a dedicated ASW force, with heavy reliance on maritime air and submarine efforts, will continue apace, along with recent moves toward fewer and cheaper surface platforms. For the Conservative government: (1) the Soviet threat is far and away the dominant concern; (2) Britain's air/land contributions to NATO have a higher priority than her contributions at sea; and (3) Britain will retain at high cost (and high opportunity cost) her strategic deterrent. Beyond these, the government remains elusive about the fate of its earlier commitment to maintain a 50-ship Navy into the 1990s and about replacing the Navy's aging amphibious fleet. Budgetary pressures in the late 1980s and early 1990s are likely to be felt sharply with respect to both. Lastly, the size of the merchant fleet--upon which the government places its hopes for "subsidiary fleet tasks"--is in steep decline, with no end in sight. Between 1975 and 1984, the total number of ships in the U.K. merchant fleet fell from 1,614 to 711. By 1987, the merchant fleet is not expected to number more than 400 or 500 ships.

Trident's effect on Britain's conventional maritime forces cannot be understated. The Royal Navy is the smallest of the three services; Navy general purpose forces are budgeted at less than those of the other services. In 1986 the Navy's personnel strength will be down to 54,900, compared with 57,700 in 1985, and it is planned to fall by thousands more up to 1990. (Increases in the Royal Navy Reserve, from 5,200 to 7,800 over the next few years, will offset only part of the active duty manpower loss.) Although the Conservative government pledges that the Trident cost burden will not fall exclusively on the Navy, there is little doubt that the Navy will have to absorb more of Trident's opportunity costs than the sister services. Trident's impact is likely to be

felt especially in surface ship construction. In the view of a leading representative of the British Shipbuilders Association:

If there is not an increase in the funds available to the Royal Navy for shipbuilding, then, because the [Trident] submarines are more expensive ton for ton or some such thing, building these submarines would eat into the monies available for building surface ships for the Royal Navy. There is no question about this and the effect would be very serious over the end of the 1980s.

The current government is committed to maintain a force of "about" 50 destroyers and frigates through the end of the century, but its actual plans to fulfill the commitment have been challenged in the Parliament by all the major parties. To maintain a 50-ship fleet, the Government has acknowledged, will require a building program "broadly described as three frigates a year," but it is already behind in placing orders and is notoriously elusive about specific orders in the future. In a similar vein, while the government acknowledges that replacement amphibious shipping is vital to Britain's support role on NATO's northern flank, it has postponed to mid-1986 at earliest a decision whether to replace. Furthermore, the contraction of British dockyards removes much of the capacity for ship modernization, a fact that has led to the government's professed intention to abolish midlife modernizations. This in turn means, however, running ships virtually unchanged throughout their lives and scrapping them early as they become obsolete--an additional pressure on the arithmetic of maintaining a 50-ship fleet by century's end.

A change in government in 1987 or 1988 would make little difference in these matters. Even if Trident were scrapped, there would be no constituency for plowing savings into the surface fleet--certainly not in the case of a Labour-led coalition (which would seek overall cuts in defense spending) and not in the case of a partnership involving the SDP/Liberal Alliance (which would emphasize conventional improvements in land and air capabilities).

The prognosis, accordingly, is relatively grim. Sticking with the government's expressed intentions, the surface fleet will at best keep pace with its present size in the next 15 years. Anything less, a plausible outcome, will mean further shrinkage.

GERMANY

In the Federal Republic of Germany (FRG), politics and demographics, more than anything else, will be the principal determinants of defense policy and force structure in the 1990s. The postwar political consensus on defense has shown signs of erosion since the late 1970s. While the major parties are still jockeying on security issues, national elections in 1987 (and again in 1991) could have important (albeit somewhat uncertain) consequences for the FRG's defense programs and priorities. Less uncertain is the demographic outlook: the Federal Republic will soon begin to run out of sufficient numbers of males of military age to meet its current force size and force structure requirements.

Germany's domestic politics are complicated by the fact that, one brief exception aside, no single party has managed to govern on its own since the FRG's founding in 1949. The two dominant parties, the Social Democrats (SPD) and the Christian Democrats (CDU), have been required to rule in coalitions with the two smaller parties: the Christian Socialists (CSU) and the important swing party, the Free Democrats (FDP). A fifth party, the Greens, managed to overcome Germany's electoral 5-percent hurdle in 1983 (representation in the *Bundestag* is limited by law to parties that have either polled 5 percent of all votes or elected three members directly), but are no longer viewed as a party on the rise.

Further complicating the political situation is fractional discord within the SPD. The SPD lost power in 1983 in part because the FDP abandoned it to form a coalition with the CDU/CSU. Since then, the SPD has split into three major factions on defense issues, each seeking to capture the party's soul before the 1987 election.

The demographic picture is bleak on all counts. Whereas the government is prepared to extend the term of service of Germany's military draft from 15 to 18 months, this, with companion measures, will offset shortfalls in the military manpower supply only until 1991 or 1992.

The discussion below begins with a sorting out of a rather complicated political debate about German security policy, and an assessment of probable meanings of different election outcomes in 1987 and 1991. It then turns to an examination of the FRG's demographic constraints and options.

THE SPD SECURITY DEBATE

Since its defeat in 1983, the Socialist Democratic Party (SPD) has been plagued by internal disputes about security issues. Debate has centered primarily on how to reduce tensions between East and West, the

role of nuclear weapons in FRG security policy, and the degree to which the Federal Republic should continue to rely on the U.S. as the guardian of its security. For several years, this debate appeared to fragment the SPD, with three distinct "voices" emerging within the party: the left, the center, and the center-left.

The party's left bases its foreign policy position on a changed perception of threat. This faction generally holds the view that the U.S. advocates policies inimical to German, as well as European, interests. Consequently, the left differs from the center-left and the official party platform. The left, led by Oskar Lafontaine, advocates a withdrawal of the FRG from the military wing of NATO and a disavowal of security links with the West. Lafontaine, the newly elected premier of the Saarland, and Erhard Eppler, an SPD *Bundestag* member and left faction spokesman, argue that the U.S. has shifted from a defender of European security to an aggressor that defines its interests in global terms. The U.S., they argue, has consequently become a threat to European security.

Lafontaine and Eppler also argue for the complete denuclearization of West Germany. They specifically advocate a more "defensive" German security policy as opposed to the current one, which they label "offensive." In addition to a nuclear-free corridor in East and West Germany, Lafontaine argues for a territorial and societal defense supported by small mobile antitank and commando units, coupled with civilian passive resistance. He argues that such a "conventionalization" of defense would provide more opportunity for survival and would generate more public support than a policy that depends on the early use of nuclear weapons. Moreover, Lafontaine and others maintain that such a defensive strategy would lead to a reduction of tensions in Europe, thus enabling the FRG's larger goal of a "Europeanization of Europe" to be obtained.

In short, the SPD's left faction not only advocates a withdrawal of the FRG from the military wing of NATO, but also argues for the immediate denuclearization of West Germany and radical changes in the FRG's military force structure and strategy. In contrast, the center faction supports FRG membership in NATO as well as NATO's Flexible Response strategy.

Spokesmen for the center faction, including Hans Apel, Helmut Schmidt, Karl Kaiser, and Georg Leber oppose what they perceive to be the left's and center-left's one-sided criticisms of U.S. military strategy. Specifically, the center accuses the two other factions of singling out the stationing of intermediate-range missiles in Western Europe, while largely ignoring the destabilizing effects of Soviet deployments of SS-20s. The center supports the CDU administration's continued deployments of NATO's intermediate-range forces, which, of course, is merely implementing the decisions taken by the predecessor, SPD-led Schmidt government.

The center faction supports NATO's nuclear first-use policy. Kaiser and Leber argue that a no first-use policy would destroy the confidence of Europeans and Germans in the notion of a linkage between the FRG's forces and those of the United States, and would thus endanger the strategic unity of the alliance and security of Western Europe. The center faction, however, does support a reduction of dependence on the early first use of nuclear weapons, by means of negotiations with the Soviet Union on the stabilization and verifiable reductions of conventional forces.

A rather major difference between the center faction and the left and center-left factions concerns the degree of support for nuclear deterrence. While the left advocates a denuclearized Germany, and the center-left and official party positions advocate a decrease in nuclear dependence and a corresponding increased reliance on conventional forces, the center is firmly committed to the role of nuclear weapons in a deterrent strategy. The center believes that a reduction in nuclear risks would only increase the risk of a conventional conflict.

The center-left position has been staked out by Egon Bahr. Bahr, chairman of the "new strategies working group" and author of the security partnership concept, is a disarmament expert. His views, along with those of Horst Ehmke, Herman Scheer, and Karsten Voigt, are not only influencing the SPD's specific policy prescriptions but are also shaping broad foreign policy themes that many of the "thinkers" from the other two SPD factions are able to support. In short, the center-left faction is attempting to articulate a policy that can serve as the basis for an SPD consensus.

Similar to the left, the center-left bases its policy prescriptions on a changed perception of threat. The center-left views the great power arms race and the nuclear build-up as a greater threat to Europe than the threat from the East alone. Both Ehmke and Voigt have expressed the center-left's fear of an arms race that would result in a confrontation on European soil. Voigt has argued that Europeans are more fearful of a war that originates as a spillover from conflict outside of Europe than of a conflict arising on European soil. He has noted that European membership and commitment to NATO would be jeopardized if the U.S. made its military assurances dependent on Europe's acquiescence to U.S. military activities outside the NATO region.

Contrasted to the left, however, the center-left does not advocate withdrawal from NATO, but instead supports continued commitment to the strategy of flexible response until a better strategy can be developed and implemented. The key elements of such a new strategy, according to Ehmke, would include:

- A strengthening of Western Europe's conventional defense, coupled with agreements on arms control to stabilize the conventional balance

- A step-by-step reduction of battlefield nuclear weapons in Europe and the establishment of a nuclear weapons-free corridor
- A shift of the "Euro-strategic" nuclear weapons to resume a political role, rather than their new war-fighting role
- A "conventionalization" and strengthening of the central front, despite future manpower shortages
- The establishment of a chemical-weapons-free zone in Europe and withdrawal of U.S. chemical agents from FRG soil
- A restructuring of strategic nuclear forces to a minimum deterrence level and the elimination of first-strike capabilities.

The differences between the center and center-left factions rest mainly on the degree of support for a continued deterrent policy based on nuclear weapons. Whereas the center supports the INF deployment and argues that the Soviet stationing of SS-20 missiles introduced a major destabilizing element in East-West relations, the center-left criticizes the U.S. for deploying intermediate-range missiles and discounts the effect of the SS-20 deployments. Both factions support reduced reliance on nuclear weapons and a move to "conventionalize" West German defense, although to varying degrees. Both argue for retaining the flexible response strategy until a better one can be developed.

Spokesmen for both the center and center-left factions also have proposed several steps to restructure the deterrent strategy of West Germany to depend more on conventional weapons; and both factions seek change on an incremental basis. Similar to the center-left, for example, Hans Apel of the center proposed a nuclear weapons-free corridor on both sides of the border between the Warsaw Pact and NATO. Apel stated that if conventional fighting were to break out, a nuclear-free corridor would help reduce the danger of the conflict escalating to the nuclear level.

All three SPD factions support the party's recent call for a chemical weapon-free zone in Europe. This agreement was reflected in the recent joint statement by the SPD and the East German Socialist Unity Party calling for the establishment of such a zone.

Finally, all three factions support Bahr's concept of a security partnership with the East. The party is united in believing that such a partnership would be crucial to attain true security. None of the three factions believes that deterrence based on the threat of mutual destruction is a stable means of assuring security over the long term. Nor do any of the three factions believe that a stable peace can be achieved

through the deployment of ballistic missile defenses. They are united in opposition to the U.S. Strategic Defense Initiative.

POLICIES OF THE GOVERNING COALITION

Needless to say, the members of the CDU/CSU/FDP governing coalition share several important security positions that differ substantially from the positions of the SPD.

Whereas both the governing coalition and the SPD support increased reliance on conventional weapons, the government does not advocate a restructuring of conventional forces to a "defensive" posture, as suggested by the SPD, or a policy of reducing nuclear weapons, especially shorter-range weapons. Although the governing coalition believes that NATO should strive for reduced dependence on nuclear weapons by improving conventional defense capability, the coalition thinks that there is no alternative to the present reliance on nuclear weapons as a key element in the FRG's deterrent strategy. The Bonn government does argue, however, for exploring the possibility of using emerging technologies to boost conventional combat power.

In conjunction with the coalition's continued reliance on nuclear deterrence, both the FDP and the CDU/CSU support a first-use policy. Similar to the center faction of the SPD, these parties argue that the renunciation of first use would lead to a greater risk of conventional war. The governing coalition believes that the first-use policy is an integral element in NATO's nuclear deterrent strategy. Defense Minister Woerner, for example, has argued that renouncing the first use of nuclear weapons could only be compensated for by greatly increasing the conventional forces available to NATO. Woerner stresses that such a substantial increase in conventional forces is financially unattainable.

Similar to the SPD center's Kaiser and Leber, the coalition emphasizes the need to move away from dependence on early use of nuclear weapons without loosening the link between conventional forces and battlefield weapons. Hence, while all parties agree on the need for stronger conventional capabilities, the goal for the CDU/CSU/FDP coalition is to raise the nuclear threshold, whereas the SPD advocates replacing nuclear deterrence with a conventional deterrent force. The parties differ specifically on the desirability of establishing a nuclear-free corridor in central Europe. Hans Dietrich Genscher, Federal Minister of Foreign Affairs and leader of the FDP, for example, presented the coalition's position that such a corridor would create zones of different security in Europe and would thus undermine the strategic unity of the alliance.

Nor does the CDU/CSU/FDP coalition support a central theme of the opposition's platform--the security partnership concept. The SPD sees such a partnership as the only means of overcoming the threat of mutual destruction, which is inherent in the current deterrent strategy. The

current government, on the other hand, views the security partnership concept as promoting equidistance between the U.S. and the USSR, and thus reduced security. Although the SPD contends that its concept does not imply equidistance, the coalition maintains that its implementation would be a step toward a neutralist policy for the FRG. The SPD's left faction has contributed greatly to the credibility of the coalition's position by stating explicitly its belief that the FRG should maintain greater distance from the West.

The Bonn coalition also differs sharply with the SPD over West German participation in SDI, but the parties in the coalition also differ among themselves on this issue. Although none of the three governing parties has rejected participation in SDI, the FDP is far less enthusiastic than is Chancellor Kohl and the CDU. While Kohl has seemed to commit the FRG to participate, Foreign Minister Genscher, of the FDP, has criticized the U.S. initiative as a destabilizing strategy which may threaten NATO security by decoupling Europe from the United States, and has expressed skepticism of the role the Federal Republic could play. Moreover, the Foreign Minister has ruled out FRG participation unless other European nations also take part. Genscher believes that a coordinated European response is vital to the development of Franco-German relations and the overall cohesion of Europe. Genscher argues, moreover, that it would be a serious impediment to improved relations with Paris if Bonn attempted to forge a common stance with some European states (e.g., Britain) and in doing so by-passed France.

The Foreign Minister has gained support for his position within his own party. The FDP's executive committee made public in early June 1985 their support for joint FRG-French action on the issue. The committee not only backed Genscher's position for a united European stance, but also supported West German participation in the French-initiated Eureka, which would emphasize civilian, rather than military, uses of space. This position reflects the FDP's long-standing emphasis on the desirability of European cooperation, especially between France and Germany.

The CDU/CSU views the U.S. research program as justified in view of corresponding Soviet efforts. The CSU Chairman, Franz Josef Strauss, long-known as an anti-Soviet hardliner, is even more positively disposed toward the project than is Chancellor Kohl. In May 1985, Strauss indicated that he may support for "moral" reasons the eventual deployment of nonnuclear space weapons.

Kohl has tried to bridge the differences between the CSU and FDP. Although he has indicated "interest" in France's Eureka project, and has not ruled out West German participation, he recently stated that Eureka is not an alternative to SDI, but is instead a further step toward intensified European cooperation. In short, Kohl supports increased European cooperation in the technological field, but not to the exclusion of cooperation with the U.S.

COMMON THEMES

Although there are many differences among the various policies prescribed by the major West German parties for enhancing the security of the FRG, there is also a consensus on several important themes. Most importantly, except for the minority left of the SPD, all the major parties support continued membership in NATO and stress that West Germany is "firmly rooted" in the western alliance. Both the CDU/CSU/FDP coalition and the vast majority of the SPD stress the common value system that binds West Germany to the U.S. and to Western Europe. Moreover, and again excepting the left faction of the SPD, there is a consensus that the Soviet Union poses a threat to West German security, and thus that a policy of "equidistance" would not advance German interests.

There is also broad agreement on several more specific policy elements. First, although the governing coalition differs with the SPD on how to alter or strengthen the flexible response strategy, all parties agree on the necessity of retaining the doctrine until a new strategy can be agreed upon and implemented.

Second, all parties agree on the desirability of strengthening conventional forces, though they disagree on how to achieve this.

Third, none of the parties supports an increase in military spending, although for different reasons. The Bonn coalition stresses that, in view of the current economic environment in West Germany, a significant increase in defense resources is impossible. The SPD goes further in arguing that an increase in military spending is not only unnecessary, but also probably counterproductive. What is needed, they argue, is a restructuring of conventional forces. These positions play well to German public opinion, which is strongly opposed to any increase in military spending.

Fourth, all the parties support a worldwide ban on chemical weapons. In response to NATO Commander-in-Chief General Bernard Roger's call for the introduction of new toxic weapons in Europe, the Bonn Government stated its opposition to re-equipping NATO with chemical weapons. The SPD and CDU/CSU/FDP coalition do diverge on the issue of a chemical weapon-free zone in Central Europe. Whereas the SPD has supported proposals to create such a zone, the governing coalition has been more reticent, emphasizing that an international ban on chemical weapons would make the zone unnecessary. The Bonn coalition states that, similar to a nuclear-free zone, a chemical-free zone would create varying zones of security in Western Europe and would threaten the strategic unity of the alliance.

Finally, all the parties agree that Europe must increasingly speak with one voice in foreign policy and security matters. However, the CDU/CSU stresses that a united European voice must not be directed

against the U.S. but must be a force that works with the U.S. in strengthening the alliance. Although the SPD also states its desire that a European voice work within the alliance, the Social Democrats emphasize much more than the CDU/CSU the need for Germany and Europe to formulate their own security initiatives. The parties also emphasize that the preferred path to European cooperation lies in a strong Franco-German relationship. The Federal Government's *1985 White Paper*, for example, calls for intensifying cooperation between the Federal Republic and France. This stress on a positive Franco-German relationship and cooperation on security and foreign policy is clearly echoed by the center and center-left factions of the SPD.

THE 1987 ELECTION

The election in February 1987 will obviously have a major effect on the 1990s environment for defense decision-making in the FRG. Most observers continue to believe that the current administration is likely to hold onto its majority in the *Bundestag*, if narrowly. Increasingly, however, the SPD has demonstrated an attractiveness, dynamism, and responsiveness to popular demands that contrast markedly with the rigidity--even ponderosity--of the current regime. One has the feeling that unless Chancellor Kohl manages by early fall in 1986 to reverse the image of incompetence that increasingly clings to this administration (particularly in light of the 1985 spy scandals), the SPD may have a real shot at the sort of comeback victory seen shortly after the 1983 defeat as impossible.

An important factor making such a victory possible, however, has been the retreat of the SPD from its flirtation with radical security policies in the late 1970s and early 1980s. The party is clearly moving in a centrist direction--and will no doubt move even further toward the center over the course of the next year if its candidate, Johannes Rau, has his say on these matters.

This is not to say that an SPD government, which, if the party won in 1987, would likely continue to govern through the 1990s, would not propose policy initiatives that differ substantially from current FRG policies. There would be far greater emphasis on building cooperative relations with the east; more sustained attempts to persuade other NATO nations to undertake arms control initiatives of various types; and greater friction within NATO councils when it came to discussions of force modernization issues and alliance strategy. An SPD government would almost certainly become an active opponent of the Strategic Defense Initiative and particularly of European participation in the project. It would seek to reduce the alliance's dependence on nuclear weapons, particularly those of shorter ranges, both through negotiated measures of arms control and through unilateral initiatives. And it would oppose innovations in NATO's conventional force posture and strategy which it deemed either "offensive," and thus provocative, or likely to result in increased demands for greater defense spending.

An SPD government also would place greater emphasis on building closer security ties with other European states and asserting the European voice within NATO councils, even if this came at the expense--to a degree--of relations with the United States. Particular emphasis would be placed on ties with France and efforts to build more intimate consultations on security issues--even if they came outside the NATO framework. Opposition to SDI would provide common ground in this regard.

Depending on the U.S. response to these sorts of initiatives, and also on political developments within France, there would be considerable potential for real difficulties within NATO. Not that the overall structure of the alliance would be threatened, at least not in the 1990s, but the emergence of tensions between the U.S. and continental European nations on a range of security issues--perhaps complemented by continuing tensions on trade and economic issues--could set the drift already noticeable in U.S.-European relations on an accelerated course. By the end of the century, the possibility of serious disintegration in the Atlantic Alliance as we know it today could not be discounted.

Reelection of a CDU/CSU/FDP government, on the other hand, would give Chancellor Kohl and other Conservative political leaders a second chance to consolidate the base of support necessary to assure continued electoral victories. This opportunity would exist however narrow the electoral triumph and, given some luck in Germany's economic situation in the late 1980s, success might be had. This would allow the fundamental realignment of German politics, which some believed had taken place in the early 1980s.

Economic issues would dominate the CDU/CSU's efforts to build a more stable electoral base, however, and the party's leaders would be unlikely to stray far from popular positions on security issues; they would be concerned not to create complications in their efforts. They could be expected to be cautious generally, particularly if the margin of victory had been narrow, as the risk of an SPD triumph in the next (1991) election would remain very real.

Thus, the difference between an SPD and a CDU/CSU/FDP government is likely to be more one of degree than of kind. Under a Conservative government, support for SDI could be expected to remain strong, and there would not likely be initiatives on nuclear arms control and other issues (e.g., chemical weapon free zones) that raised controversies within the alliance. Still, certain realities would continue to constrain the new government. It would continue to oppose significant increases in defense spending. It would oppose initiatives involving nuclear force postures that might rekindle serious popular concern. It would continue to seek improved relations--economic, political, and cultural--with East Germany.

Most importantly, it would also perceive a need to act more independently of the United States. Indeed, a second Kohl Administration might be particularly concerned with this issue, as it is apparently an important vulnerability in the current campaign. Particularly if the FDP continues to participate in the government, there also will be efforts to build closer ties with France and to coordinate positions with other European governments. These ties would not be pressed so far that they might endanger U.S.-German relations, however.

This last factor, in fact, might best summarize the difference between the two prospective governments. Under the CDU/CSU, stress would be placed on affirming West Germany's special interests within an alliance that is still clearly led by the United States. Under the SPD's leadership, efforts would seek a model of the alliance envisioning two equal pillars--one American and one European. As the two pillars would have different perceptions of problems and different requirements to satisfy in their security policies, the potential for conflict would be quite substantial.

DEMOGRAPHICS AND DEFENSE

Partisan politics have not as yet laid claim to the other large factor in West Germany's defense future: population trends and their effects on force-manning in the 1990s. Studies of the situation were undertaken by the SPD government in the early 1980s; they have continued under the Kohl administration.

The problem is fairly clear. German births fell off sharply beginning in the early 1960s. The effect will be a steep decline in the numbers of males of military age beginning in the late 1980s and lasting into the early years of the next century. Without (and even with) substantial changes in force structure and manpower policies, it is unlikely that the *Bundeswehr* can be maintained at anywhere near its current peacetime level of 495,000 men. Yet, to allow the German armed forces to drop much below their present peacetime strength would invite considerable difficulties in a future mobilization. Any sizable contraction would almost surely arouse serious "burden sharing" complaints in the U.S. Congress as well, and could give rise to calls for retaliatory reductions in U.S., British, and other allied forces stationed in Germany.

The magnitude of the problem is not in dispute. As the *Bundeswehr* is currently structured, the FRG requires annual accessions of about 250,000 males for first term service in its armed forces, police, federal border police and catastrophe services. Beginning in 1987, the manpower supply, as the German draft is now constituted, will fall short of producing 250,000. The most difficult year will be 1994, when the shortfall will be close to 100,000 (figure 4).

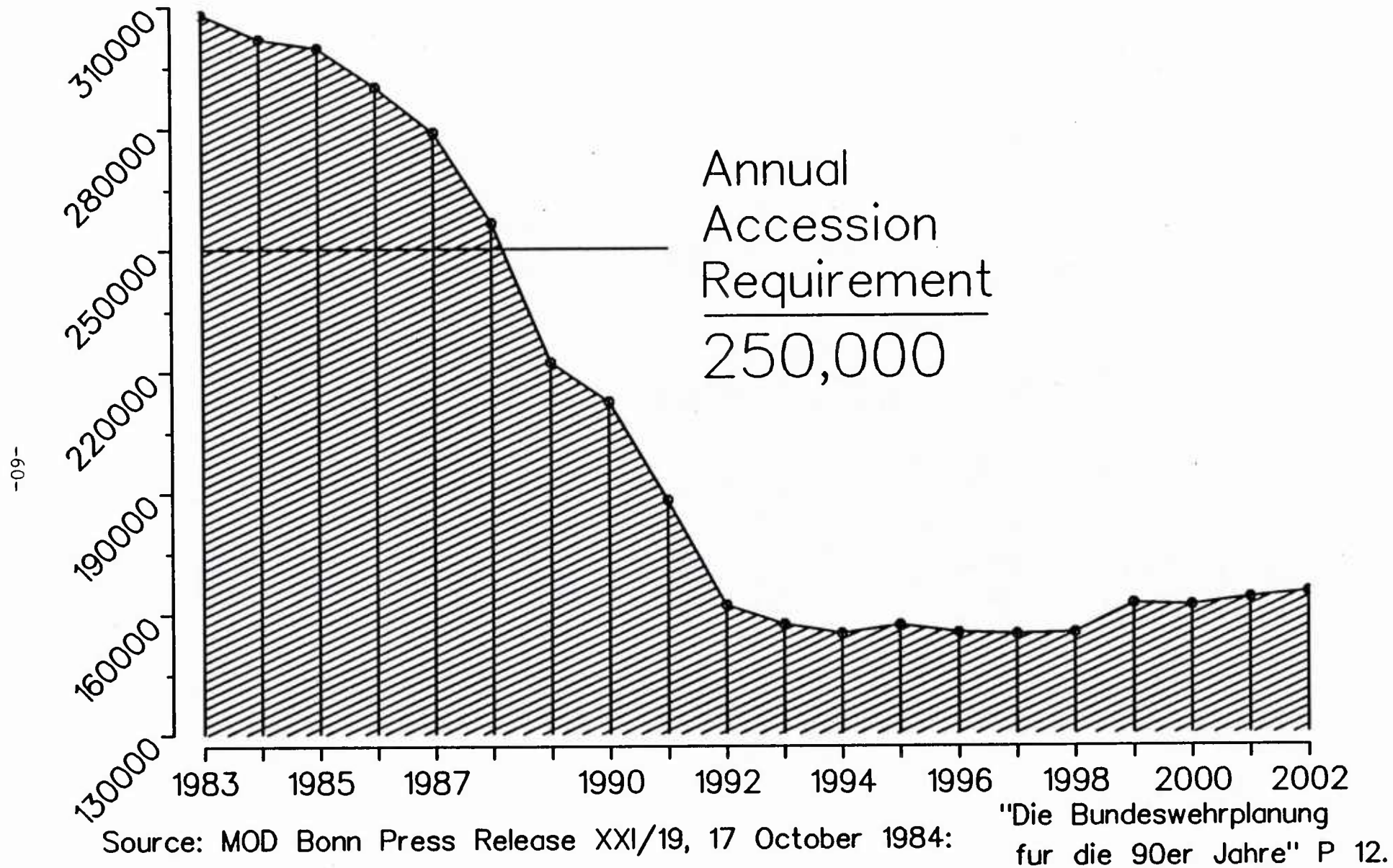


FIG. 4: MANPOWER SUPPLY AND ACCESSION REQUIREMENTS, 1983-2002
(Bundeswehr, Police, Border Police, and Catastrophe Services)

Estimates of the resulting impact on the peacetime strength of the armed forces have varied, but are uniformly bleak. A Long-Term Commission (*Langzeit-Kommission*) set up to study the problem by the predecessor government in 1982 calculated that the personnel strength of the active forces is likely to decrease to 290,000 by the mid-1990s. The *International Defense Review* provided an optimistic estimate of peacetime strength at 420,000 by the early 1990s, and a pessimistic estimate of 300,000.

Whereas the Greens and some members of the left faction of the SPD favor such sharp drops in *Bundeswehr* strength to accommodate declining numbers of conscripts (and in pursuit of a more "defensive" German security policy), unilateralist force-cutting measures have little support thus far. For one thing, both the CDU/CSU/FDP and the majority of the SPD favor progress in the long-stalled Mutual Balanced Force Reductions (MBFR) negotiations with the Warsaw Pact, and view unilateral West German force reductions as counterproductive in this context. And there is concern about the reactions of NATO allies. The European Defense Community Treaty of May 1952 established the peacetime strength of West Germany's armed forces at approximately 500,000. Although peacetime strength has in fact been lower (the current force of 495,000 is actually an active duty force of 489,000 supplemented by 6,000 reservists on active duty training), any substantial diminution is bound to have adverse effects on allies, who will also experience serious demographic problems. Britain, which faces a demographic downturn of its own, must renew its commitment to maintain the British Army of the Rhine at 55,000 men in 1994. A budget-strapped UK could well find in German force reductions justification to scale back British forces in Germany, as might also the Dutch and the Belgians. France is already reducing its conventional forces, and neither it nor the U.S. is likely to compensate for German or other force reductions. Indeed, given periodic complaints within the U.S. Congress about NATO burden-sharing, and periodic calls to reduce U.S. forces in Europe unless the Europeans do more, domestic pressures within the U.S. to bring American forces home would be considerable.

Also, there is a broad consensus that any sizable reduction in *Bundeswehr* strength would complicate and diminish the deterrent credibility of West Germany's mobilization capabilities. The FRG is committed through Wartime Host Nation Support agreements to a wartime strength of 1.34 million men. At the present ratio of peacetime to wartime strength, it will be necessary on short order to triple the size of the Army, double the Air Force, and increase the strength of the German Navy by a factor of 1.75 through mobilization of reservists. To carry out and absorb such an expansion on short warning, perform initial defense missions, and cover the deployment and reinforcement of allied forces, a standing force much below 450,000 to 475,000 men is not considered to be credible.

Officially, the Kohl government is sanguine about force-manning prospects, at least until 1993. It remains committed to maintaining the *Bundeswehr* at 495,000, although it does plan to substitute more reservists for active duty personnel within that total. Its plans call for two complementary sets of measures: one to reduce annual accession requirements; the other, to get a greater military "yield" from a declining manpower supply.

To reduce annual requirements for male conscripts, the government has agreed upon three steps. The first entails substituting reservists for active duty personnel in meeting peacetime levels. The number of reservists on active duty for training at any one time will be doubled--from 6,100 to 15,000--and these will be counted, as now, as part of the 495,000. The government plans also to improve the standby readiness of other reservists such that it will include 24,000 of these men in future tallies of standing force strength. The effects are shown in table 11: whereas now some 6,000 reservists are counted within peacetime strength, in the 1990s nearly 40,000 reservists will be counted.

The second step, not yet enacted but expected to be so shortly, is to extend the term of military service for draftees from the present 15 months to 18 months beginning in mid-1989. The additional 3 months served by each conscript, according to MOD estimates, will reduce annual requirements for new draftees by about 42,000 a year, although unofficial estimates put the yield lower (about 36,000 fewer draftees).

A third step, still very much in the planning stage, is to make better use of volunteers. In its manpower plan for the 1990s (*Die Bundeswehrplanung für die 90er Jahre*), the MOD hopes to increase volunteers from one out of ten in the first term ranks to one out of eight; to increase average retention from the present 7.4 years to 8.8 years; and to increase the career force by 27,000 officers. The added costs of such measures, in a defense budget in which manpower costs already account for 41 percent, have not yet been stated by the Ministry of Defense.

Several additional steps--aimed at increasing the "yield" from the draft--were also agreed upon by the Kohl cabinet in October 1985. Fitness criteria for military service will be relaxed gradually; according to Defense Minister Woerner, "slight restrictions on fitness for military service will in the future be of no importance." Married men, not drafted since 1975, will be subject to conscription later in the decade. Exemptions from military service for civil defense and disaster protection will be reduced from 17,000 a year to 10,000, and the term of alternative service for conscientious objectors will be raised from 20 months to 24 months in 1989. German males living abroad will be liable for induction up to their 32nd birthdate, and Germans living abroad who spend more than 3 months in Germany will be drafted. The combination of these changes, the government estimates, would add approximately 27,000 men to the draftable draft pool.

TABLE 11

CURRENTLY ENVISAGED PEACETIME MILITARY MANPOWER STRUCTURE
IN THE DECADE AHEAD:
FEDERAL REPUBLIC OF GERMANY

Extended-service personnel	250,000
• officers, regular NCOs	90,000
• temporary career servicemen	160,000
Conscripts in basic military service	206,000
Reserve duty trainees	15,000
Men in standby readiness to be included in peacetime strength	<u>24,000</u>
Total	495,000

SOURCE: Federal Republic of Germany, *White Paper 1985: The Situation and Development of the Federal Armed Forces*.

Taken together, these measures should hold the line until 1991 or 1992, although government estimates in most of these cases are on the optimistic side. By 1993, however, the situation will become much more problematic (see figure 4), and the additional options will be few and difficult. Conscription of women and of foreign national residents has been ruled out entirely "for both legal and political reasons." Increasing the numbers of women volunteers in military uniform (who currently total 100 and are confined to the medical service) has been considered but is viewed unlikely, given the fierce political resistance such a step would provoke and the limited additional yield expected in any case. Some relief is possible by reducing the size of the other claimants on the draft pool (border police, civil defense, catastrophe services), but it is generally viewed to be marginal. While a further extension of the draft term (i.e., beyond the 18 months now planned) has not been definitively ruled out, it is not under active consideration either, and there is little public or political sentiment in its favor. While the government hopes to reduce the numbers of military-age men who declare conscientious objection and opt for alternative non-military service, its prospects for substantial reductions (44,000 conscientious objector applications were filed in 1984 alone) are limited by law and politics. Conscientious objection is a constitutional right in the FRG, and no German government is prepared to limit it. According to Chancellor Kohl recently:

Under the Hitlerite dictatorship, young people were executed for conscientious refusal to serve. We respect decisions of conscience; we respect the personal attitude of young men who are disinclined to perform military service for reasons of conscience.

With the options thus tightly limited, a further contraction in the active duty component of the *Bundeswehr* is a near certainty. Government hopes to offset dwindling numbers of conscripts by better use of male volunteers are complicated by the fact that first-term volunteers must be drawn from the same diminishing manpower supply and by the fact that recruitment and retention incentives will add manpower costs in a defense budget not likely to experience much real growth in the decade ahead. Additional substitutions of reservists for active duty members to "meet" a peacetime strength of 495,000 are a likely, but a risky, course given the anticipated reactions of allies. Also, *Bundeswehr* planners acknowledge that adjustments in the active-reserve "mix" can be taken only so far before peacetime missions and readiness begin to erode.

The most likely outcome by the mid-1990s is a peacetime force both smaller than 495,000 and more heavily composed of reservists. One key question is how these changes will be allocated among the German military services. As the most manpower-intensive of the services, the Army relies on conscripts the most (52 percent of Army strength is draftees); the Navy is the least dependent on conscripts (25 percent). Yet it is extremely unlikely that the German Army would be levied to take a disproportionate cut in strength or a disproportionate tax in reservist-for-active-duty substitutions. The more probable prospect, at least early in the 1990s, is for cuts and substitutions to be allocated across-the-board in proportion to each service's current share of active duty personnel. If this is done, the German Navy, smallest of the services in personnel strength, would feel the effects fairly acutely. Traditionally, the German Navy has the least political clout of the services. While there is little foreseeable political or budgetary threat to the Navy's shipbuilding/replacement program into the 1990s, heightened competition for manpower resources are very likely to pose serious challenges in terms of manning the fleet.

In private conversations, leading members of both the SPD and the governing parties acknowledge that current thinking and plans get no further than the situation up to about 1992 or 1993. The hope is that similar (albeit, less acute) demographic trends in Eastern bloc countries will lead, if not to a formal MBFR agreement, then at least to some *de facto* mutual accommodation in Central Europe. Given, however, the relatively greater "efficiency" of Warsaw Pact procedures to put civilian manpower into military uniform, the hope would seem to be just that--hope.

THE PROSPECTS

In summary, general continuity is the likely watchword for German security policy in the decade ahead, although some shifts in emphasis are probable after the 1987 election, regardless of election returns. Real growth in defense expenditure will be modest (one percent or lower) into the early 1990s, and the Germans will be strongly opposed to U.S. initiatives that require increases in defense spending, entail politically volatile issues concerning nuclear and chemical armaments, or imply significantly greater "conventionalization" of NATO defense in Central Europe. In numbers of platforms, the German Navy will not grow beyond present levels, but it should be able to stay close to those levels into the mid-1990s. Cuts in personnel strength seem to be a foregone conclusion once past 1991 or 1992. The key uncertainties are how cuts in active strength will fall on the three military services, and how the allocation will in turn affect the performance of peacetime missions. Smallest of the services in personnel strength, the German Navy stands a good chance of being the most hard-pressed in future manpower cutbacks.

ITALY

While Italy, too, will experience a decline in numbers of males of military age nearly as great as the FRG's, Italy's demographically driven force-manning problems come later in the 1990s, and are not likely to affect defense choices much before the middle of the decade. Three other factors will have more immediate influence on the evolution of Italian security policy in the next 10 years.

The first is an emerging shift in strategic emphasis--from Italy's traditional preoccupation with a threat from the north to increased concern with developments and threats in the Mediterranean. Italy will not abandon its historical focus on countering an air-land Warsaw Pact attack in the northeast, but it will in years ahead give more attention in defense planning and resource allocations to sea-air threats from the south.

The second factor, complementing the first, will be a continuation of the more assertive Italian foreign policy of recent years. Italy seeks to increase its influence within both the Alliance and the Mediterranean basin. While Italy's foreign policy assertiveness is chiefly political, it also has a military dimension. The Italians have already dispatched forces for multinational peacekeeping operations. The planned establishment of a tri-service Rapid Intervention Force (FPI) will give postwar Italy an unprecedented capability for further leverage in regional disturbances.

The third factor, also related, is the recent adoption of a "New Defense Model," and concomitant plans for a radical restructuring of the Italian armed forces to promote mobility and "interforce operational" readiness and responsiveness. The new model, which stands a better chance of being implemented than did earlier reorganization proposals, is potentially a boost to the Italian Navy in gaining a greater role in Italian strategy, tactics, and equipment priorities. An important question is whether the Navy will succeed in acquiring an organic air component, a capability historically denied to it by Italian law. The odds at present are favorable.

Whether Italy can modernize its forces to comport with these developments is a key uncertainty. The Craxi government registered some success in reducing inflation and public-sector borrowing in 1984 and early 1985, but unemployment rates, the budget deficit, and the balance-of-payment deficit are still very large. The Italian Ministry of Defense has proposed a long-term defense equipment program with annual increases of about 3 percent, but it is doubtful that a 3-percent target will be acceptable in light of the overall budget deficit.

THE SHIFT IN STRATEGIC EMPHASIS

One important influence in the evolution of Italian security policy is the growing interest in security threats from the south. The interest has been evident in policy statements for some time. It was articulated most recently in Italy's 1985 Defense White Paper (*La Difesa, Libro Bianco 1985*).

For decades, the primary focus of Italian strategic thinking has been on a Warsaw Pact thrust into northeast Italy through Yugoslavia or an attack south through the Austrian Alpine passes. Accordingly, the great bulk of Italy's ground and air forces has been massed in the north, with limited presence or capabilities in the south. Until very recently, air defense efforts in the south took a distant second place to forward defense in the north. While most of the Italian Navy is concentrated in southern Italy, concern about a Soviet naval/air threat from the south was limited historically, given the preponderance of NATO maritime forces in the Mediterranean for most of the postwar era.

In recent years, however, Italian security analysts have come to view the south as a more likely area of conflict and a place where Italy is particularly vulnerable. For one thing, the northern threat is perceived with less concern than in the past. A short-warning attack in the north or northeast is now thought to be highly improbable, and nearly impossible to execute. To reach Italy, Warsaw Pact forces would have to cross over and through Yugoslavia or Austria, each of which the Italians expect to offer considerable resistance, thereby providing adequate time for deployment and reinforcement of NATO forces. (In fact, the Italians, through bilateral undertakings with Yugoslavia, are prepared to fight forward in Yugoslavia to stall such an attack.) Also, the rough balance of NATO and Warsaw Pact forces on the continent has impressed the Italians that a land war in Europe is among the less likely possibilities in the foreseeable future. Italy has forged close ties with several Warsaw Pact members--notably Romania and Hungary--and views the next 10 to 15 years as a period of relative stability in Central Europe.

The security situation in the south is perceived differently. There the principal threat is air and naval, where warning time is sharply reduced. In addition to more than a dozen major combatants and submarines the Soviet Navy maintains in the Mediterranean, the Italians, in a crisis, would also face the Black Sea Fleet and air strike aircraft capable of staging from the Crimea and the Ukraine. The principal threat is to the lines of communication linking the Southern Region members of the Alliance, but also threatened, according to the 1985 White Paper, would be Italian and Mediterranean air space and Italy's vulnerable logistics infrastructure. The Southern Region, according to the Italian Defense Minister, Mr. Spadolini, "continues to be exposed to an aero-naval threat with a high risk of both blockage of the maritime

lines of logistical and energy supplies and of the neutralization of military forces and bases."

Increased awareness of vulnerabilities in the south does not signal a radical relaxation of security efforts in the northeast, but there is definitely a growing feeling in Italian security circles that greater balance must be struck in the allocation of efforts and resources. This is reflected in the "New Defense Model" announced in early 1985, which differentiates the security requirements and missions of each of Italy's three military zones--northeast, central, and southern--and which emphasizes highly mobile forces in addition to the traditional accent on forward defense in the north. The southward orientation is also reflected in the statements of senior security analysts, such as former Defense Minister Lagorio, who speak of a sea change in the strategic situation to which Italy must be prepared to respond in the decade ahead. According to Lagorio, whose views are shared by the current Defense Minister, Mr. Spadolini, Italy can no longer think of itself as merely a flank on NATO's south.

We are able to defend the Yugoslav frontier, but nothing more.... Italy is no longer the Southern Flank of NATO. It would be wrong even to say that the Mediterranean constitutes the Southern Flank because the geostrategic situation has changed. The Mediterranean has become a part of the central front of the Alliance, while the potential southern front stretches today from the Horn of Africa to the Gulf.

FOREIGN POLICY

Complementing this expanding strategic vision is a much more activist foreign policy by the last couple of Italian governments--especially toward North Africa and the Mediterranean--which is likely to continue in the foreseeable future. The new dynamic is evident, in the first instance, in a willingness to dispatch Italian forces for overseas missions for the first time significantly since the end of World War II. An Italian contingent has been serving with UN forces in southern Lebanon since 1979. Italy joined Britain, France, and the United States in the multinational force (MNF) in Beirut in 1982; in 1984 Italy dispatched a four-vessel contingent to assist in mine-sweeping the Red Sea. These deployments have been generally well received in Italian political circles--Italy's prestige is seen to have been enhanced--and future operations along similar lines are probable. NATO will continue to be the first priority, but Defense Minister Spadolini adds: "This does not mean I exclude special roles and missions in cases where Italy, for geographical and historical reasons, can have a comparative advantage--Lebanon is one example, the Mediterranean another."

A more activist and independent foreign policy is evident in other Italian dealings in the region. Close ties with Albania have been cultivated since Craxi took office, as has a generally accommodating posture toward the PLO. In 1980 Italy moved to secure its strategic interests in Malta with a treaty guaranteeing Malta's independence. Relations with Libya, while strained on occasion politically, are a special case. The political adventures of Libyan leader Muammar Qaddafi's revolutionary government are a source of continuing concern in Rome, but this has not deterred Italy from maintaining close economic and political ties, including arms sales, nor is it likely to disrupt relations in the years ahead. Libya is Italy's fifth largest market, and Italy is Libya's largest trading partner and the second largest buyer of Libyan oil (84 million barrels in 1984). In 1984, the last year for which detailed figures are available, Italy bought \$1.8 billion in Libyan exports and sold Libya exports valued at \$2.5 billion. Approximately 15,000 Italian nationals work in Libya, and the Qaddafi regime invests liberally in Italy. (Libya owns, for example, 15 percent of the giant Fiat automobile company.) Qaddafi is known to have close contacts in all of the Italian political parties, and even Mr. Spadolini, Defense Minister and head of the Republican Party, and a critic of Craxi policies toward the PLO, takes a muted public stance toward Qaddafi's troublemaking.

The planned development of a rapid intervention force (FPI) is potentially an important addition to Italian foreign policy, although thus far the government eschews any interest in autonomous operations "out of area." The original concept was to develop a single rapid action force for earthquake relief and other civilian emergencies. The MNF experience in Lebanon, however, coupled with Spadolini's fascination with the rapid deployment forces of others, have impressed the Italians with military applications of mobile, quick-reaction forces. The 1985 White Paper concluded that a single force could not adequately perform both civilian and security missions, and proposed that two separate forces be formed: one for earthquake relief; the other, for operational land defense (excluding the northeast sector) and for "peace, security, and civil defense." As regards actions by the second force outside Italy, the government officially sees future operations only within an agreed international framework for peacekeeping purposes (as was the case with the MNF). Still, when the FPI is fully constituted, it will in fact provide a national capability for bilateral and unilateral military operations in the region. Even though the policy is that Italian armed forces will not take part in autonomous military operations outside NATO, the probable and important fact is that Italy will have such a potential by the early 1990s.

Greater Italian assertiveness in foreign affairs is manifest outside the region as well. Italy has long been in the forefront in support of greater defense cooperation among the NATO allies, and has stepped up its visibility in recent years. The Craxi government strongly endorsed moves to relaunch the Western European Union (WEU) in

1984 with an eye toward encouraging interest in a European defense system. In its recent presidency of the European Community's Council of Ministers, the government played a very public role in the successful negotiations for the entry into the EC of Spain and Portugal. At the same time, the relatively trouble-free Italian acceptance of U.S. cruise missiles at Comiso in Sicily underscored Italian support for NATO and U.S. policy. Italy has taken the lead in normalizing Western relations with Poland, and in two visits to Moscow in early 1985, the Craxi administration brought its own perspectives to East-West relations. The Craxi government has also sought further contracts from the Soviet Union to offset a growing trade imbalance occasioned by increased Italian purchases of Soviet gas.

The Italian Communist Party (CPI) is strongly opposed to any move to increase Italy's military roles outside Italy, but the overall direction in Italian foreign policy appears to be well received by majorities of the electorate. Barring a major fiscal or diplomatic crisis, the current momentum will continue.

THE "NEW DEFENSE MODEL"

The 1985 Defense White Paper was only the second issued by an Italian government since the end of World War II, and is itself reflective of growing Italian self-confidence. Embodied in it, and in a supplementary note to the 1985 defense budget to the parliament, is the "New Defense Model," the purpose of which is to "determine the proper role of the armed forces" and to better allocate resources among the military services. Reflecting the shift in strategic emphasis noted above, the new model differentiates the three broad threats to Italy's security: a land-air threat in the northeast, an air-sea threat in the Mediterranean, and an air-missile threat to the rest of Italy. To meet these threats, and to better integrate the armed forces, the White Paper proposes to radically restructure the armed forces by establishing five single-command "interforce operational missions": northeastern defense, southern defense and maritime communications, airspace defense, territorial defense (apart from the northeast frontier), and peacekeeping, security, and civil defense. Each command will contain elements of all three services under a single commander, and a new position of national interforce commander (the Chief of Defense Staff) will have overall responsibility for operations, with the Service Chiefs of Staff subordinate to him. The Secretary General of Defense will assume overall responsibility for administration. If the plan is enacted, the effect will be to subordinate the services to a central authority along the lines of a general staff.

Service independence is deeply rooted in Italy, and the new model undoubtedly will be fiercely opposed as details surface. The White Paper acknowledges that similar attempts to reorganize the armed forces failed in the 1970s, but expresses confidence that the new plan will withstand opposition in the parliament.

In fact, the current plan has better chances of succeeding for several reasons. First, details of the reorganization are to be established by a commission of experts headed by Spadolini; not left as in the past to the individual services. Second, lessons learned from the MNF experience, especially regarding the need for greater tri-service coordination, remain fresh. Overall, the MNF experience was favorable, but command, control, and interoperability problems have been widely acknowledged. Third, there is growing awareness that the currently decentralized procurement system is inefficient and wasteful and will continue to hinder force modernization efforts. Constrained defense budgets expected in the years ahead add a sense of urgency to better rationalizing procurement programs. Last, the unusual staying power of the current administration (unusual, that is, by postwar norms), and its likely prospects for surviving at least to 1988, can provide the sustained momentum for organizational reform that was lacking in earlier efforts.

ROLES AND MISSIONS OF THE NAVY

One test of whether and to what extent the armed forces will in fact be restructured is the long-standing but currently enlivened controversy over organic naval aircraft. At one level, the controversy is basically a clash of parochial service interests. At another, it is a surrogate debate over priorities and balance in security policy.

At issue is whether the Navy will be allowed to acquire more than helicopters for its new class of carrier. Laws of 1923 and 1937 expressly limit fixed-wing aircraft to the Italian Air Force, which strongly opposes, thus far successfully, any change in the status quo. (Air Force exclusivity is near-total: even aircraft which the Italian Navy uses for maritime patrol, and over which it has day-to-day operational command, remain the assets of the Air Force.) The introduction to the fleet in late July 1985 of the Navy's new aircraft carrier, the *Giuseppi Giral di*, has reopened the debate with extraordinary intensity. With its new flagship, the Navy has its first dedicated aircraft carrier in 62 years, but no fixed-wing capability. At present, the *Garibaldi* is limited to SH-3D helicopters.

The Navy has pressed repeatedly in recent years to acquire short take-off, vertical landing craft (STOVL) such as the Harrier for shipboard use on the *Garibaldi* and a second carrier expected in the 1990s. The *Garibaldi* has been fitted for complex air-naval operations and to counter advanced subsurface, surface, air, and missile threats, and has a ramp that could be used for STOVL.

The Navy Chief of Staff has argued that only an organic air component would ensure continuous air defense for deployed naval forces, and has cited the theoretical vulnerability of Italian ships off the coast of Lebanon in the MNF, which were too far removed from land-based Air Force cover. The Air Force has countered that its plans for future

midair refueling capability and possibly some large tankers will provide air cover over the entire Mediterranean from Italian territory, and thus will obviate the need for a sea-based air arm.

While the Air Force continues to oppose the Navy's proposal, the Italian government, following years of vacillation, sided generally with the Navy in August 1985. Parliamentary approval is still required, however, and it remains uncertain.

The government's approval of the Navy's STOVL proposal in August was sympathetic but hedged. Mr. Spadolini agreed that in time of crisis the navy would need "an immediate capability for antiaircraft defense, with the aid of embarked aircraft," and that "the embarked aircraft will have a full navy crew." However, the Defense Minister made clear that the Air Force would have to maintain responsibility "for the whole coordination of national air defense," and also allowed that in certain circumstances Air Force personnel could be assigned to operate the naval aircraft.

Apart from the interservice jockeying involved, and what it may spell for broader efforts to integrate the services, the *Garibaldi*/STOVL controversy feeds into the broader discussion about a greater role for the Italian armed forces in regional contingencies. In a general conflict with the Warsaw Pact, the *Garibaldi* would be highly vulnerable. It would tie down considerable escort protection, and, with a deckload of 12 to 16 STOVL, would be less capable of performing its primary NATO mission of ASW. In a regional conflict, on the other hand, a STOVL/helicopter capability would provide an imposing presence and important power projection in support of FPI deployments.

The government's proposal has not yet been formally submitted to the parliament, and no date for doing so has been set. Even if subsequently approved, there is bound to be prolonged debate over the choice of aircraft. The current front runners are the British Harrier and the McDonnell Douglas AV-8B, but the purchase of either would add to the balance of payments deficit. Also, the government has made clear that no additional funding for naval air acquisition will be provided--the Navy's needs will have to be met within the "normal balance funds of the Italian Armed Forces." Still, with the Defense Ministry now in support, the prospects are good that the Navy will prevail within a year or two, and in doing so, will expand considerably its mission potential in the 1990s.

POLITICAL CONSIDERATIONS

The roots of the foregoing developments should be deep enough to survive changes of government in the next several years. Unlike Greece and Spain, and to a lesser extent Britain and Germany, Italy has never been seriously divided about membership in the Alliance or participation in the NATO integrated command structure (even the Italian Communist

Party accepts NATO membership). Modernization of the Italian armed forces began in the 1970s, and has been supported more or less by a succession of Italian governments. The accent on a broader strategic vision and a more activist foreign policy predate the present government and (apart from the Communists) has little discernible opposition within Italy. The diplomatic success of Italian participation in the MNF has added prestige to the armed forces and credibility to foreign policy initiatives.

Moreover, Italy of late has enjoyed a remarkable stretch of political stability. The current government, the longest serving since World War II and the first led by a Socialist in the postwar period, was formed in 1983 as a five-party coalition. While the Socialists did not have the largest vote in 1983--the Christian Democrats registered 32 percent of the vote to the Socialists' 11 percent--the Socialists held the balance of power between the Christian Democrats and the Communists (CPI). This won for Bettino Craxi the post of prime minister in a coalition with the Christian Democrats and three smaller parties: Liberals, Social Democrats, and Mr. Spadolini's Republicans.

In the first part of 1985, the Craxi coalition won important regional and municipal elections (in May) and survived (in June) a referendum forced by the CPI to challenge new government policies to restrict the indexation of wages to inflation. Still, the fragility of the coalition was underscored in the Aquille Lauro affair in October, when Spadolini's Republicans bolted over government handling of the hijackers and forced the government to briefly dissolve.

Tensions between Spadolini's Republicans and Craxi remain--chiefly over government policies toward the PLO--but in all probability the five-party coalition will hold together and last until the present parliament expires in 1988. Then, if not before, economic issues, not security and foreign policy concerns, will dominate the agenda.

The wild card in any political forecast, of course, is the CPI. The Communists lost heavily in a number of the municipal elections in May--in Rome, Venice, Genoa, Palermo, and Turin--and were forced to hand over to the five-party coalition the management of Rome, Milan, and Turin. Within a month the CPI was defeated again on the wage indexation (*scala mobile*) referendum. CPI leader Natta acknowledged a "serious blow" to party fortunes in these election returns.

The Communists are hardly out of the picture, however. By most estimates, the CPI still commands support from nearly a third of the Italian electorate. While a Communist election majority is highly unlikely, the CPI still has the potential to challenge the government in public debate and special referenda, and thus inhibit the governing coalition from hard choices in the economic and budgetary spheres. On security policy, the CPI accepts membership in NATO, but it is staunchly opposed to modernization of the armed forces and to any expansion of

Italy's military role outside Italy. While the CPI is not likely to win a referendum on security and foreign policy issues *per se*, it is poised to exploit unfavorable developments in the economic arena. Without further reductions in unemployment and inflation, defense spending (almost 2 percent of GDP in the past decade) could well become an increasingly vulnerable political target.

ECONOMIC FACTORS

In the latter vein, Italy's economy showed some bright spots in 1984--the growth rate for the year was 3 percent, and inflation was reduced to 10-1/2 percent--but the medium-term prognosis is not optimistic. No further gain in reducing inflation was evident by late 1985; annual growth entering 1986 was expected to be not more than 2.5 percent; and unemployment looked to remain at, or inch slightly above, the 1984 rate of 10 percent. At the same time, the budget deficit hovered between 14 and 16 percent near the end of 1985, and accumulated debt was close to 95 percent of the GDP. With these circumstances in mind, the OECD has predicted a further slowdown in the rate of growth in the next several years, unless radical efforts to constrain inflation and government spending are put into effect soon.

While the Craxi government showed resolve and political success in shaving four points from the *scala mobile* in 1984 as part of its anti-inflation program, further cuts (in wage-indexing, pensions, welfare services, and the like) will be much more difficult politically, and it is questionable how much the government will try--even given the fact that it has more than 2 years before the next general election. Still, spending reductions and revenue-generating measures are at the heart of its recovery program. One thing is fairly certain: 3 percent annual growth in defense expenditure, projected in the MOD's long-term program, is highly unlikely as long as the budget deficit remains at such high levels.

FORCE MODERNIZATION AND FORCE-MANNING

To judge by the White Paper, Italy's defense establishment is well aware of its deficiencies in modern equipment. The force modernization program embarked upon in the mid-1970s produced some noteworthy improvements--in long-neglected air defense capabilities in particular--but serious shortcomings remain, and are not likely to be remedied for a number of years. While the Army plans major improvements in its air defense systems, its first priorities will be modernizing the obsolescent tank force with the new *Tricolore* main battle tank and establishing the FPI, in which it will have the lead and the dominant presence. Deliveries to the Air Force of Tornado aircraft should be completed by early-to-mid-1987 and present attention is focused on the European fighter aircraft and a new tactical fighter, the AM-X, co-produced with Brazil. Given its running argument with the Navy over the latter's proposal to acquire its own organic air cover, the Air Force can also be

expected to place a high priority on acquiring an in-flight refueling capability to extend its coverage in the Mediterranean. The Navy looks to a second (and, greatly optimistically, to a third) *Garibaldi* class carrier at the heart of multimission battle groups to be deployed in the eastern and western Mediterranean by the early-to-mid-1990s. Unless the health of the economy picks up considerably in the next several years, slippages in all of the services' acquisition schedules are very likely, however.

In manpower, Italy will experience a demographic downturn similar to West Germany's, and with potentially the same troublesome implications for force-sizing. (In fact, Italy relies on conscripts much more heavily than the FRG does. Roughly 65 percent of the 375,000-man Italian armed forces are draftees; conscripts account for 73 percent of Army manpower and 55 percent of the Navy's personnel strength.) As in Germany, declining birth rates in the 1960s and 1970s will mean fewer men for first-term military service in the 1990s.

Thus far, there is little sense of urgency about the demographic trend. A shortfall in meeting accession requirements will not occur until 1991, and will not become serious until the mid-1990s. The annual shortfall could be as high as 100,000 at the turn of the century, however (table 12).

The government's response to date has been to tighten student deferment policies beginning in 1986, and to revive discussion of an earlier proposal to recruit women volunteers for noncombat assignments in order to reduce requirements for male conscripts. Extending the term of military service is not under serious consideration.

THE OUTLOOK

Italy traditionally has been one of the strongest supporters of NATO, is firmly Atlanticist, and has one of the better records in meeting NATO force and spending goals. While the CPI opposes government plans to modernize the armed forces and also any expansion of Italy's military role outside Italy, the present course in security and foreign policy appears to be firmly rooted domestically. A more activist and independent foreign policy--especially in the Mediterranean area--will be continued as Italy seeks a new role regionally and internationally.

A significant shift in Italian security thinking is underway, as Italy acknowledges new sources of threats and searches for new means to deal with them. Although its defense reorganization and force modernization programs are bound to suffer slippage in a tightening budgetary environment, there is little doubt that the Italian armed forces will be improved over the next decade. Significantly, the Italian Navy should emerge with a mandate and a capability for multiple missions in the Mediterranean. With the proper mix of forces, Italy could take greater responsibility for protection of the sea lanes in years ahead.

TABLE 12
MILITARY MANPOWER ACCESSION TRENDS IN ITALY:
1985-2000

<u>Year</u>	<u>Males of military age</u>	<u>Disqualified from service</u>	<u>Available for service</u>	<u>Accession requirement</u>	<u>Surplus/ shortfall</u>
1985	502,000	176,000	326,000	300,000	+ 26,000
1986	486,000	170,000	316,000	300,000	+ 16,000
1987	477,000	167,000	310,000	300,000	+ 10,000
1983	479,000	168,000	311,000	300,000	+ 11,000
1989	463,000	162,000	301,000	300,000	+ 1,000
1990	465,000	163,000	302,000	300,000	+ 2,000
1991	458,000	160,000	298,000	300,000	- 2,000
1992	449,000	157,000	292,000	300,000	- 8,000
1993	448,000	157,000	291,000	300,000	- 9,000
1994	426,000	149,000	277,000	300,000	- 23,000
1995	403,000	141,000	251,000	300,000	- 39,000
1996	382,000	133,000	249,000	300,000	- 51,000
1997	366,000	128,000	238,000	300,000	- 62,000
1998	351,000	123,000	228,000	300,000	- 72,000
1999	331,000	115,000	215,000	300,000	- 85,000
2000	319,000	112,000	207,000	300,000	- 93,000

SOURCE: *La Difesa: Libro Bianco 1985, Appendice Documentaria.*

GREECE

Greek security policy in the decade ahead turns, in the first instance, on how (and how skillfully) Greece manages its unresolved ambivalence about security dealings with the West. Anti-Western feeling and a desire to pursue a "nationalist," nonaligned foreign policy are powerful currents in the Greek political system. The Western allies are widely blamed for abetting the Greek military junta's rule from 1967 to 1974, and for passively acquiescing in the Turkish invasion of Cyprus in 1974. NATO is considered to be pro-Turkish in bias. While Greece rejoined at a limited level of participation the NATO integrated military command structure in 1980, broad sectors of public opinion would just as soon withdraw from the Alliance entirely. A nonaligned Greece remains the strategic goal of the Pan-Hellenic Socialist Movement (PASOK) government of Prime Minister Papandreou, who views NATO as consumed with a threat (the Warsaw Pact) that Greece deems irrelevant, and unsympathetic to the one threat to Greek security (Turkey) that Greece considers uppermost. At the same time, however, pragmatists in the major parties, PASOK included, recognize that Greece can pursue an independent line only so far. Greece needs Western credits and investment if it is to make headway with its troubled economy, and military assistance if it is to maintain a regional balance of power with Turkey. A serious break with the West would jeopardize both, and would only tilt the political and military balance in Turkey's favor.

Thus far, the government's efforts to reconcile a popular desire for self-distancing from the West with the economic and strategic realities of Greece's situation have resulted in an erratic and confusing, but not greatly consequential, foreign policy. In the short run, this will remain the case. Greece will pursue an "independent" foreign policy that annoys the U.S. and the NATO allies, but which steers clear of a serious break with the Alliance. Greek foreign policy will be "Third Worldist" in tone, but Greece will not unilaterally alter its basic commitments. Membership in the EEC is no longer an issue, and Papandreou announced after his reelection in June 1985 that Greece has no plans to withdraw from NATO. Greece's political commitment to the Alliance will remain ambiguous, however, and its military participation will be sharply limited.

The Greek economy will be the major preoccupation of Papandreou's second term, and this should be a moderating influence on foreign policy. The 1985 election was won on economic issues, and Papandreou has acknowledged that PASOK's political success will turn on its success in the economic arena. Inflation hovers at 19 percent, foreign debt is currently at 37 percent of GDP, and unemployment has begun to inch upward. Foreign investment and Western credits are important to PASOK's program. The government can ill afford to offend Western sensitivities too greatly.

Beyond the next couple of years, the situation becomes more tentative. One issue will be the status of U.S. bases in Greece when the current basing agreement becomes "terminable" in 1988. While Papandreu has spoken recently of giving the U.S. additional time to withdraw, he has reiterated the government's position that the bases must be closed. Even if the government were to alter its position, domestic political pressures may make impossible a renewal of the agreement on terms that would be acceptable to the United States. Removal of the bases would almost certainly propel Greece into further isolation within the Alliance, and possibly to formal disengagement.

A complicating factor is the "New Defense Concept" adopted by the government in January 1985. While the rationale is unambiguous--Greece considers Turkey, not the Warsaw Pact, the primary threat to Greek security--the new doctrine's meanings are far from clear. The government has said recently that the New Defense Concept does not call for a redeployment of Greece's armed forces; rather, for a "realignment" and "reorientation." What this actually means probably will not be evident for a couple of years.

Beyond this, there is a lingering question about whether and how long Papandreu can hold in check the ideological yearnings of more radical elements within PASOK. Thus far, the Prime Minister has been able to posture as an orthodox PASOK ideologue on peripheral issues (such as European nuclear disarmament), but strike a relatively moderate stance on central matters (such as membership in NATO and the EEC). There is little doubt that Papandreu rules the party. Still, he cannot risk the party's disintegration in an open clash with party purists, and there are signs of growing impatience within activist circles in the party at the slow pace of implementing PASOK's strategic political program. Papandreu could well be forced by his own rhetoric and by forces within PASOK to act more radically--especially if he stumbles on the U.S. basing issue.

While economic concerns dominated the June campaign, PASOK's election platform called explicitly for removal of the U.S. bases and for long-term military and political disengagement from the West. The election manifesto was characteristically adamant with respect to the bases--the one issue Papandreu will find difficult to finesse. According to PASOK's campaign pledge:

The U.S. military bases which undermine our national defense and expose us to the danger of annihilation in the event of a nuclear war would definitely be removed from Greece in accordance with the timetable of the 1983 U.S.-Greek defense and economic cooperation agreement [i.e., in 1988].

Important in this regard, the party's positions on security matters play well to the Greek public. According to public opinion polls in

1984, 73 percent said that the American bases should be closed; 57 percent thought that Greece should leave NATO; 91 percent believed Turkey to be the primary threat; and a remarkable 55 percent viewed the U.S. as a threat.

U.S. BASES

Unlike PASOK's other security and foreign policy goals (such as eventual disengagement from NATO), to which the party has carefully avoided attaching specific timetables, there is a definite clock running in the case of the U.S. bases. The 1983 U.S.-Greek agreement, which the first Papandreou administration negotiated to replace the original agreement of 1953, is "terminable" (in the U.S. interpretation of the 1983 agreement) or "terminated" (in the Greek position) in September 1988. In either interpretation, Papandreou and PASOK have given themselves little room for maneuver. In announcing the 5-year agreement in July 1983, Papandreou insisted that it was "an agreement for the removal of the U.S. bases." The PASOK party weekly declared that "in 5 years' time the bases will be removed from Greece." While Papandreou indicated in the June 1985 election campaign that he would seek better relations with the U.S. in his second term, he has budged very little with respect to the bases. In the June policy statement, he repeated that Greece will insist on the 1988 timetable, but that it was now prepared to give the U.S. an additional 18 months to withdraw its forces.

Papandreou has back-pedaled on the issue before, however. At PASOK's founding in 1974, he told the opening party conference that Greece should "refuse to recognize military agreements, particularly those reached with American imperialism," and this, along with withdrawal from NATO, was to be "the first and immediate aim of our movement." When the Greek government signed a new Defense Cooperation Agreement with the U.S. in 1977, however, Papandreou did not publicly object, and seemed content to regard removal of the bases as something to be realized in the course of a gradual process. Along these lines, he distinguished PASOK's strategic goals from considerations of tactical expediency, and began to speak of "interim periods" in discussing the timing for realizing the party's "strategic" objectives. The 1983 U.S. bases agreement was in a similar vein. PASOK's election manifesto in 1981 opposed the bases but mentioned the possibility of an "interim period" for their dismantling. Upon assuming office in 1981, the PASOK government moved for a disposition of the bases which, as eventually embodied in the 1983 agreement, permitted it to allow the bases to operate for 5 more years but also to declare that a fixed, 5-year timetable for their removal had been firmly established.

The U.S. and Greek governments diverge on the meaning of article 12 of the 1983 agreement. In the Greek text, the agreement is "terminated" 5 years from the date of signature; the English text uses the word "terminable" and thereby implies no automatic expiration in 1988. While the U.S. interpretation is reinforced by other provisions

of the 1983 accord, this is not likely to matter much in the next round, however. Having stated repeatedly in public that the 1983 agreement calls for the removal and not the maintenance of the U.S. bases, Papandreou will be hard pressed to avoid closing them down. While the Prime Minister easily weathered a revolt in PASOK party circles over the 1983 agreement, chiefly by promising that 1988 was the end-date for the basing arrangement, any new interparty clash on the issue could lead to disintegration of the party itself.

At issue is no minor U.S. military presence. The large natural harbor at Souda in northwest Crete is a major point of supply for the U.S. Sixth Fleet. Connected to it is a missile range and a modern airport. At Heraklion (also known as Candia) in Crete, the U.S. maintains a communications center and a support facility for U.S. Air Force supply and refueling. Hellenikon and Nea Makri, both on the outskirts of Athens, provide, respectively, a U.S. Air Force headquarters and support installation and a U.S. Navy communications center. There are also five NATO early-warning communication centers in northern Greece. In addition to supporting the Sixth Fleet, Greek bases accommodate over 2,500 permanently stationed U.S. Air Force personnel and about 500 U.S. Army military personnel.

The bases are not indispensable to the U.S., but to relocate elsewhere (chiefly to Italy and Turkey) would be costly for the U.S., both in the short run and over the long haul, and would severely complicate U.S. missions and operations in the Mediterranean. Without the existing bases, there would be a hole in the Southern Region network that would be difficult to fill.

Closure of the bases would also be costly to Greece, a fact which is not lost on Papandreou. U.S. military assistance (an average of \$500 million yearly) would almost certainly be cut, as would the U.S. pipeline of spare parts to the Greek armed forces. Relocation of the bases to Turkey would definitely upset the military balance between Turkey and Greece. The U.S. might no longer feel obligated or inclined to maintain the balance of power in its provision of foreign aid; Turkey's strategic importance to NATO would increase and Greece's would plummet. It is not likely that other Alliance members would compensate for the loss of U.S. military assistance.

Closure of the bases would also almost certainly further isolate Greece within the Alliance, and push it further along the path to neutralism and disengagement--considerations not lost on PASOK activists who support such a course, nor on the Communist Party (KKE), which looks to an eventual place in an actively anti-Western government. With the military balance of power in the Aegean tipped in Turkey's favor over time, an open Greek-Turkish conflict down the line would be a serious possibility.

Papandreou's government could fall before 1988, of course, but this does not seem likely given its current margin of seats in the parliament and its 46 percent of the vote in the June 1985 election. If in office in 1988, Papandreou's options would be limited. First, the government could press for closure of the U.S. facilities, but seek to limit the damage to Greek-U.S. and Greek-NATO relations through ameliorative gestures and extended timetables. Papandreou has already softened his rhetoric. Following the June election he stated that "whatever positions we take have to do with this country and in no sense are supposed to be offensive or inimical to the United States." A timetable for U.S. withdrawal stretching 3 to 5 years or longer (and not, as now, merely 18 months) might be sellable to the activist elements of PASOK--if Papandreou could convince them that the delay was not a new agreement but simply a realistic execution of PASOK policy. The possibility that some U.S. facilities might be allowed to stay indefinitely--if, for instance, the large and very visible complex at Souda were closed--might be part of a Greek proposal. Second, of course, Papandreou might reasonably conclude that any disposition that amounts to a closure will be unacceptable to the U.S., and inevitably will damage Greek-U.S. relations. He might then make the best of it by striking a rigid, uncompromising stance as a gesture to radical elements in PASOK.

A third and not implausible option would be to delay. Greece could in fact (although not *de jure*) accept the U.S. interpretation of the current agreement as "terminable" in 1988, and take no action at the 5-year mark. The rationale would be that 1988 is a presidential election year in the United States and that a new U.S. administration taking office in 1989 would be a more logical negotiating counterpart than an outgoing administration with which the PASOK government has often sparred. Papandreou could still play to his domestic audience as one firmly committed to closure of the bases, but also as a statesman prepared to deal sensibly in international politics. The base agreement issue might thus be put off indefinitely. Like the first option, however, Papandreou would need to manage skillfully PASOK's more radical factions.

GREECE AND TURKEY

Complicating Greece's course with respect to the bases and overall relations with NATO is the Greek preoccupation with an "expansionist" Turkey, and the absence of any indication of improvement in Greek-Turkish relations in the foreseeable future. Greek fears of the "Turkish threat" are deeply rooted, and cut across partisan and ideological lines. Turkey's overtures to resume high-level talks have been consistently rebuffed. Papandreou insists that talks would serve no purpose until Turkish forces are withdrawn from Cyprus and Turkey formally acknowledges the status quo in the Aegean. For its part, Turkey steadfastly rejects the proposition that the Greek islands in the Aegean have their own continental shelf, and continues to propose that the Aegean's waters be divided between Greece and Turkey by a median

line down the middle--a proposal that would put most of the Greek islands within Turkish territorial waters. Turkey's declaration of a "Turkish-Cypriot" state in late 1983 merely aggravated Greek concerns about Turkish expansionist aims in the area.

The domestic consensus about the "Turkish threat" is broad. For most of the Greek public, Turkey is far and away the greatest threat to Greek security. One of the 1984 public opinion polls noted previously is revealing: only 22 percent thought the Soviet Union posed a threat to Greece compared to 91 percent who saw Turkey as the primary threat. The "New Defense Concept" (discussed below) singles-out Turkey as the principal threat--a position every Greek government has taken since the Cyprus invasion.

GREECE AND NATO

For the time being, Greece has come to uneasy terms with NATO. Shortly after his June reelection, Papandreou stated that Greece will remain in the Alliance. Greece will continue to split with the Alliance on general policy issues, however, and will continue what Greek economist John C. Loulis calls its "selectively inactive approach" to participation.

According to the Greek government, two immediate issues must be resolved before Greece can participate more actively in NATO military affairs. First, Greece insists that command and control arrangements regarding Aegean airspace be agreed upon before establishment of the new Allied Tactical Air Force Center at Larissa--specifically, the division of Aegean airspace between this headquarters at that of Izmer in Turkey. The 1980 "Rogers Agreement", which brought about Greece's return to NATO's integrated military structure, contemplated that the Larissa headquarters be established first. Second, Greece insists that defense of the island of Lemnos be included in NATO exercises in the Aegean. NATO has refused to do so, in part because of Turkish insistence. Greece in turn has boycotted Aegean exercises. No progress has been made on either issue.

Papandreou has dropped earlier demands that NATO acknowledge the "Turkish threat" to Greece with a NATO "guarantee" to defend Greece from attacks from any source and any direction. While dissatisfied with what the Greeks consider to be pro-Turkish favoritism in NATO councils, intimations of Greek withdrawal, although popular with the public, have been dropped by the government.

THE "NEW DEFENSE CONCEPT"

The government's adoption of a "New Defense Concept" on January 8, 1985 may be an important event in terms of how Greece will participate in NATO in later years. Thus far, however, the new doctrine's meanings are not very clear. At first, it appeared to be a call for the rede-

ployment of Greek forces to counter Turkey's "Aegean army" deployed on the Aegean coastline. Government officials have since insisted that only a "reorientation" and "restructuring" of the armed forces is envisaged, and have said that implementation of the new concept will not detract from Greece's military responsibilities within NATO.

A redeployment of the armed forces would be costly and highly visible, and there are no indications to date that any significant relocation is on the horizon. The underlying rationale of the new concept--that Turkey, not the Warsaw Pact, is the greatest threat--is hardly new. The doctrine's embrace by the government's Interministerial Council for Foreign Affairs and Defense may thus be little more than a reassertion of existing policy, with the aim to reinforce government positions in the thinking of the Greek military.

Still, if the logic of the new concept is taken seriously, eventual redeployments of at least some Greek forces would seem to be inevitable. Greece's forces are geographically positioned to respond best to a threat the government considers negligible or non-existent, and derivatively to the threat considered uppermost.

Only time will tell what the new doctrine actually means. With one of the lower per capita income levels of the Alliance and West Europe's highest level of defense expenditure as a percentage of GDP, Greece is hardly in a position to absorb additional defense costs for national adjustments which will find no favor with the allies. At the same time, the Greek obsession with Turkey is an intellectual and political force that often operates on its own power and logic.

ECONOMIC AND POLITICAL FACTORS

PASOK lost 13 seats in the June 1985 election, but kept a solid lead, surprising most observers, who had expected a much closer contest. As in the 1981 election, but even moreso, domestic issues, not foreign policy and defense, were deciding factors. This fact is not lost on Papandreou. The political success of his second term will turn on success in dealing with economic problems. Following his June re-election, Papandreou said that the economy would be the foremost area of concentration in the second term.

Greece's economic challenges are considerable. While GDP increased by 2.8 percent in 1984, annual growth rates in years before were low (less than one percent), and per capita income had barely returned to its 1979 level in early 1985. The Papandreou government has had little success in reducing inflation, which appears stuck at between 18 and 20 percent. Long-term foreign debt exceeds \$10 billion, and debt service payments are at 37 percent of GDP. Unemployment has been relatively restrained at about 10 percent, but it began edging upward in 1985, and keeping it under control has meant costly government bail-outs

of a number of failing industries. The public sector remains bloated, and productivity has declined due in part to a new shorter work week.

PASOK has long since abandoned its earlier calls for a radical and immediate "socialization" of the economy--Papandreou reassured the Greek electorate in the successful 1981 election campaign that additional nationalization of the economy was not in store--and Papandreou is publicly committed to a mixed economy with a premium on increased productivity. No major changes in economic policy or programs have been announced since the June 1985 election.

Continued Greek membership in the EEC has been assured. While Papandreou campaigned in 1981 on a call for a national referendum on the subject, he made clear in the 1985 campaign that Greece will continue to participate. Greece has registered net profits from its membership in the European Community throughout the first half of the 1980s, and, despite recurring Greek complaints, looks to be a net beneficiary for the foreseeable future. With its foreign debt and interest payments still dangerously high, Greece can ill afford to withdraw from the relationship.

Greece has also stepped up trade with the Soviet Union (Greek exports to the Soviet Union increased by 70 percent between 1981 and 1985) and has evidently reached agreement with Moscow to considerably higher levels of agricultural and industrial exports in the next several years. Exports to the Soviet Union of textiles, clothes, and shoes will almost double in 1986 compared to 1985.

Politically, the Papandreou PASOK government appears to be in a strong position for the foreseeable future. The resounding victory that brought PASOK to power in 1981--48 percent of the vote to 36 percent for the rival New Democracy Party (NDP)--showed slight erosion in June 1985, but considerably less than most commentators had predicted. PASOK won 161 seats on 46 percent of the vote in June, compared to 126 seats on 41 percent of the vote by the NDP. The Communist Party (KKE) was a distant third with 10 percent of the votes and 12 parliamentary seats.

Papandreou is politically constrained on both the right and the left, however, and faces a delicate balancing act. PASOK's current 35-seat majority over the center-right NDP derives in part from its ability to woo moderate voters to its line in 1981 and 1985. It cannot afford to lose this constituency through economic incompetence or alienate it by too radical a foreign policy. The NDP remains a significant rallying point to oppose PASOK initiatives. On the left, Papandreou is boxed from two directions: the activist wing of PASOK and the KKE.

PASOK's evolution from a "Marxist liberation movement" (an early self-characterization) to a relatively moderate Social Democratic Party is a tribute to Papandreou's flexibility in adjusting to electoral

realities and to his influence within the party to carry it along. By steadily embracing more moderate stances, PASOK was able to increase its share of the vote from 13.5 percent in 1974 to 25 percent in 1977 to 48 percent in 1981. Uncooperative party radicals were expelled from party ranks along the way.

It would be a mistake, however, to conclude that Papandreou has neutralized anti-Western, Third Worldist and nonalignment forces within the party. On the contrary, the government's rhetoric has reinforced the party's radicalism, and presents a potentially serious trap for Papandreou in the future. Although it is not in the party's interest to clash openly on foreign policy or domestic issues (such could doom both the government and the party), there remain strong elements within PASOK that would prefer loss of power to loss of ideological purity, and that can be expected to challenge Papandreou if the government's future actions stray from its present rhetoric.

The KKE, more ideologically anti-Western than PASOK, presents a further complication. In vote-getting and parliamentary strength, the Communist Party is not a factor. Yet, the KKE remains an important ally of PASOK's radicals, and looks to increase its acceptability to Greeks (and alter the ideological climate of opinion in Greece) by playing on the anti-Western emotions of PASOK. As John Loulis argues:

The more anti-Western feeling PASOK promotes, the more the party will appear to be endorsing views akin to those of the KKE.... Furthermore, the stronger the PASOK activists grow inside the party, the more they will limit Papandreou's options. In this way, if the anti-Western climate of opinion is maintained by the Socialists and a PASOK-KKE coalition comes about, there will be a real danger that the Communists and PASOK's own Left-wing activists will succeed in forcing Papandreou to implement his party's strategic aims in foreign policy: withdrawal from NATO, closure of the U.S. bases, neutrality, and nonalignment.

THE PROSPECTS

There is little on the horizon to suggest that the unsettled condition of Greek foreign and security policy will abate any time soon. Greece will remain in the Alliance in the next several years, but will also remain isolated within it. Greek-U.S. relations may improve marginally, but the key event will be the disposition of the U.S. bases agreement in 1988--an issue on which the PASOK government has allowed itself precious little room for maneuver, and in the handling of which Greece could well accelerate its eventual departure from NATO.

SPAIN

While the structural terms of Spanish defense will undergo important change in the next ten years, basic policy directions are set. Spain will seek to expand political and economic ties with the West, but will be conservative about formal military ties with NATO. Following the French model, the Spanish will cooperate in joint defense endeavors, but will remain outside NATO's integrated military command structure. Like the Norwegians and the Danes, the Spanish will also insist on their nonnuclear status. No nuclear weapons will be allowed on Spanish territory. In terms of the United States, Spain will continue to avoid too close an identification with U.S. policies outside Spain. At the same time, the Spanish will do nothing to jeopardize the essentials of their bilateral security arrangement with the U.S. Spain may, however, seek additional bilateral arrangements along the lines of the 1985 "Friendship and Cooperation" agreement with France.

The nettlesome issue of membership in the Alliance was settled by national referendum on March 12, 1986. Given the margin of the popular vote (52.5 percent in favor of remaining in NATO against 39.8 percent for withdrawal), and the absence of serious opposition to continued membership among the major political parties, the issue is not likely to reemerge for a generation or more. The companion issue of Spain's military participation in the Alliance may persist for a time, but inconsequentially. Spain has neither a compelling security reason nor a base of public support to integrate its forces into NATO. The Alliance, for its own reasons, is not likely to press the issue. Some reduction in the U.S. military presence in Spain is inevitable, but it will be neither hurried nor large. U.S. access to bases in Spain is reasonably secure into the late 1990s.

Sitting astride the Straits of Gibraltar, Spain's national security interests naturally look south, and are concerned chiefly with international naval developments and political developments in the countries of the North African littoral. Membership in NATO, and closer ties with Western Europe, will not alter the priorities. Spain's "security triangle" follows a line traced by its remaining extra-territorial holdings: the Canary Islands in the Atlantic (700 miles distant), the Balearic Islands in the Western Mediterranean (60 to 120 miles from the Spanish coast), and the island of Alboran (east of Gibraltar). Within its security zone are the Spanish cities of Ceuta and Melilla on the North African coast, surrounded by and also claimed by Morocco. While no one in Spain worries seriously about an "en route" military threat to Spain from North Africa (bordered by France and Portugal, Spain faces no other immediate cross-border threat), the Spanish are concerned about Islamic fundamentalism in the North African littoral, and about political developments in North Africa generally, which might threaten Ceuta and Melilla particularly, and Spanish commercial interests broadly.

The structural dimensions of Spanish security policy in the next 10 years are less settled. Much of Spain's defense inventory is a decade or more behind that of the principal European NATO members. In neither equipment nor force structure is Spain well positioned at present to play an important role in Alliance or regional security. Modernization of the armed forces will depend chiefly on domestic factors, although the Spanish will emphasize cooperative joint-production projects with other NATO members. The key variables will be the performance of the Spanish economy and progress in structural military reform. Recent admission to the EEC should work to Spain's net benefit over time. However, full integration into the EEC will take at least 10 years, and will be accompanied by domestically unpopular (and potentially derailing) adjustments. The immediate effects (Spain became an EEC member in January 1986) will be an increase in inflation and unemployment, and greater pressures, in turn, on the defense budget. Force modernization is a political as well as a fiscal challenge for Spain. It will depend on continued progress in military reform: notably, in redressing a historical imbalance that has emphasized internal security over external threats, and an over-sized Army at the expense of investments in the other military services.

The Socialist Workers Party (PSOE) government of Prime Minister Felipe Gonzalez almost surely will win a second term in elections in 1986. The only question is whether the PSOE will retain the absolute majority in the *Cortes* (parliament), which it won in 1982. A different election outcome would have little effect on Spanish defense policy, however. Apart from the small Communist Party (which managed only four seats in the *Cortes* on less than 4 percent of the vote in 1982), there is broad consensus within the Spanish political system about basic foreign and security policy directions, and about military reform. The one potentially disruptive question concerns the specific external threats toward which force modernization and structural reorganization should be aimed. Spain's "southern threat" is still only dimly perceived.

PARTICIPATION IN NATO

The March 1986 referendum on NATO was a campaign pledge of the PSOE in the 1982 election. Intended originally by the Socialists as a device to take Spain out of the Alliance, the long-delayed vote became the government's means to keep Spain in--once the PSOE changed stance after assuming office and supported Spain's remaining.

Technically, only the question of continued membership in NATO was at issue in the referendum. The referendum's phrasing, however, drew in a second issue. Voters were not asked to merely reaffirm Spain's membership; rather, they were asked to ratify continued membership "on the terms set out by the government." First among the government's "terms" for remaining in NATO was that Spain will not join the

Alliance's integrated military command structure. For the Socialist government, the referendum answered both questions.

Actually, the military aspects of NATO have always been of secondary interest to the Spanish--even among the opposition parties that favor closer military ties. The Gonzalez government is no doubt correct in its view that the military arguments work against NATO in the public's mind. Joining the Alliance in June 1982 was rationalized primarily on political grounds. It signalled to foreign and domestic audiences Spain's resolve to draw closer to the Western democracies after centuries of self-imposed isolation. More concretely, NATO membership was inexorably linked, substantively and politically, to the more important prize of entry into the EEC. For Madrid, joining NATO was a necessary and useful tactical move in countering the resistance of several Common Market members to Spain's admission. This linkage also figured prominently in the government's campaign that Spain remain a NATO member as the March referendum drew near. Political, not military, arguments were showcased. Spain should not leave NATO, according to the Deputy Prime Minister...

...because today in the majority of the political, economic, social, cultural relations; exports and imports; trade; and security and defense, Spain is linked to the European countries. Therefore, we already are within the European community from the legal and international point of view; we belong to Europe. And, if the majority of our relations are with Europe [,] then to withdraw from one of the European organizations might cause great damage.

In fact, military arguments were seldom mentioned in the decision to join the Alliance, in the subsequent debate, or in the March referendum--other than in the negative. The PSOE election campaign in 1982 did not attack NATO on ideological grounds. Gonzalez argued solely that, from a defense and security point of view, there was no reason to join the Alliance.

Spain entered NATO under an already weakened centrist government--the Union of the Democratic Center--in June 1982. In the October election, the CDU was swept from power (the party was so badly defeated, it subsequently dissolved itself). Negotiations on military integration were frozen when Gonzalez and the PSOE took office in December 1982.

The Gonzalez government's subsequent reversal on membership in the Alliance, which it tacitly concedes was closely linked to EEC considerations, has had no effect in its opposition to formal military ties. According to Defense Minister Narciso Serra shortly before the referendum:

I do not know what other governments will decide, but this is our stance, and we are going to be governing for quite a few years. Therefore, there will be no military integration by Spain in the Alliance for quite a few years.

There is both political and military logic to the position. It is questionable whether Spain or the Alliance would be better or different with Spain's military integration than without it. For the Spanish, as one member of the *Cortes* put it to one of the authors, "what worries NATO is very distant from Spain, and what worries Spain is of no interest in Brussels." No one seriously expects NATO to extend its defense perimeter to protect Spanish sovereignty over Ceuta and Melilla from a Moroccan threat, and the Soviet Union is a long way away in Madrid's thinking. Spain's strategic position astride the Straits of Gibraltar renders it vulnerable in any East-West conflict, and Soviet SS-20 missiles are targetted on U.S. bases in Spain, but integrating Spanish forces in NATO would make little difference in either case. Economic gains from military integration would be marginal as well. As a participant in NATO's integrated command, Spain would be a net beneficiary of NATO's common infrastructure program (for NATO bases in Spain), and Spanish arms exports might be helped, but in both cases the gains would be small. Military integration would bring pressures to accelerate military reform (the Alliance has little use for Spain's over-sized and poorly-equipped Army, and would press for greater investments in the Spanish Navy and Air Force), but Spain is already embarked on this course. Indeed, in a country that experienced attempted military coups in 1980 and 1981, external pressures could hurt rather than help the case for structural reform. In the assessment of London's *Economist*:

The Army is a political power in Spain and would not take kindly to a NATO recommendation that it should be cut down in favour of a bigger navy and air force.

While Spain's selective participation in the Alliance is an irritant to other allies, it has none of the *angst* that Papandreou's Greece arouses. The thrust of Spanish foreign policy since Franco's death in 1975 is toward closer ties with the West, not toward some new and belligerent form of isolationism. So long as Spain is politically committed to NATO and U.S. bases in Spain are secure (both comfortable propositions), NATO has both the strategic depth and the access to air bases that the Alliance most needs in the area. Indeed, from NATO's perspective, integrating Spanish forces any time in the foreseeable future would be unduly complicated in both military and political terms. While the Spanish Navy and Air Force could play an immediate (albeit limited) role in a conventional NATO conflict, there is virtually no role for the Spanish army without extensive slimming down and costly modernization--and, even then, the net gains are not likely to be profound. Assuming more capable Spanish naval and air forces over

time, Spain's integration into the NATO military structure might enhance protection in the western Mediterranean and control over the Atlantic sea lines of communication--but, if the assumption is correct, this would occur anyway. At the same time, the probable terms of Spain's military integration would pose political problems for the Alliance. Something would have to change in the Iberian command organization, and this would have to be acceptable to both Portugal and Spain--the latter a very tentative proposition. The existing Iberian Atlantic Area (IBERLANT) command, under a Portuguese admiral, already covers the ocean area between the Canary Islands and Spain. A single Iberian peninsula command comprising both Spain and Portugal is not likely to be agreeable to either. Carving out a militarily sensible separate command for Spain that is also acceptable to the Portuguese admits very few possibilities.

Given this galaxy of interests--the strong opposition of the PSOE, the ambiguous results of the March referendum, and the unconvincing character of the case for military integration--the Spanish in 1986 are not unlike the French in 1966. In fact, Spain is much more logically positioned for participation in NATO *a la francaise* than the French were at the time.

THE U.S. MILITARY PRESENCE

What makes this work in the case of Spain, of course, is the long-standing bilateral security relationship with the United States. Even though there are no NATO bases in Spain (there is a NATO base in Gibraltar), the U.S. has several major bases regulated by bilateral agreements. U.S. facilities include air bases at Moron, Zaragoza and Torrejon, the naval base at Rota, the Rota-Zaragoza pipeline, a half-dozen military communications installations, and three other small stations. Rota is a key staging area for ASW aircraft. Torrejon is home base for a tactical fighter wing that rotates through Italy and Turkey. Approximately 10,000 (of an authorized 12,500) U.S. military personnel are stationed in Spain.

As in Greece, Spain's Socialists came to office challenging the U.S. military presence in the country, and promised a "thorough review" of the agreement regulating the U.S. bases. Once in office, however, Gonzalez defused the issue quickly. A minor protocol was added to the July 1982 Executive Agreement covering uses of the bases; the Socialist-controlled *Cortes* passed the revised agreement easily; the new 5-year agreement took effect in May 1983. In exchange, the U.S. pledged to make a "best effort" to provide approximately \$400 million a year in military assistance, principally in the form of credits.

Three Spanish conditions pertain: (1) continuation of the ban on nuclear weapons on Spanish soil; (2) advance permission from the Spanish government for uses of the bases beyond NATO purposes; and (3) a "gradual reduction" in the size of the U.S. military presence in the country. The first is a long-standing fact. Spain has been nonnuclear

since January 1966, when a B-52 crashed near Palomares and lost four hydrogen bombs for nearly 10 days. Spain immediately suspended U.S. nuclear flights from and over Spain; the U.S. subsequently pledged to withdraw and not reintroduce nuclear weapons; U.S. nuclear missile submarines were eventually withdrawn from Rota as well. The second condition was introduced by the previous government in the Executive Agreement of July 1982. Each complicates U.S. planning--the ban on nuclear weapons poses potentially serious problems if Spain is to be used as a forward operating area, and the U.S. cannot count on the bases for contingency operations in the area where they are most likely to be required, the Gulf and the Middle East--but with respect to both the Spanish are unyielding.

The third condition is less of a problem. "Gradual reduction" of the U.S. military presence in Spain was a PSOE campaign pledge in 1982, and was one of the government's explicit terms for remaining in the Alliance in the March 1986 referendum. The Gonzalez government has been careful to avoid timetables and specifics, however. It anticipates negotiations with the U.S. to begin in 1986, has emphasized that any reduction will be gradual in order that Spanish forces can absorb tasks currently undertaken by the U.S., and hints that no reductions may actually occur before 1988. Actual U.S. military strength is already below the authorized level in any case.

While there is no guarantee that the U.S. will retain the bases indefinitely, there is little doubt that the current agreement will continue essentially unchanged beyond 1988. For the mainstream PSOE, the bases are no longer an issue. Apart from the Communist Party, there is no parliamentary opposition to the agreement.

POLITICAL AND ECONOMIC FACTORS

National elections must be held before the current parliament expires in October 1986. There is little doubt that the Gonzalez government enters the contest from a commanding position.

The PSOE's election victory in 1982 was impressive by any standard, particularly since it brought to power the first Socialist government since the outbreak of the Spanish Civil War. With a record turnout of nearly 80 percent, the PSOE gained 46 percent of the vote, and, with 202 seats in the *Cortes*, an absolute majority. The former governing party, the UDC, was shattered (20 seats on 7 percent of the vote) and subsequently dissolved itself. The election was also a disaster for the Communist Party (PCE), which won only four seats on less than 4 percent of the vote, down from 11 percent in 1977. The only real opposition came from the Popular Coalition, an alliance of three right-of-center parties, which took 106 seats on 26 percent of the vote.

Strengthening Gonzales' hand in the 1986 election is the NATO referendum's returns in March, which many in Spain, including the

opposition parties, took to be a test vote of confidence in Gonzalez and his government's program. Also propitious is the fact that Gonzalez continues to preempt the political center, without significant loss on the left. Still, the government's economic austerity program has caused growing discontent, and could lose it seats (but not likely a commanding lead) in 1986. Demonstrations by labor unions, and a 1-day strike in June 1985 over government plans to change the national pension policy, were evidence of some erosion in support. Government plans to revise social security have been another disputed issue.

Whatever its effects on the next election, the economic situation continues to be grim. Spain's standard of living is barely half that of the average of the rest of the EEC. Spanish per capita income is approximately \$3,800; for the EEC 10 (i.e., the community minus Spain and Portugal, whose per capita income is only \$1,900), the average is \$7,100. In gross domestic product per capita, Spain exceeds only Ireland, Greece, and Portugal among EEC members. The growth rate for 1984 was 2.2 percent; it fell below 2 percent in 1985.

Unemployment and inflation are the most pressing and stubborn challenges. Roughly 2,900,000 (22 percent of the workforce) were unemployed in 1985; roughly 60 percent of the unemployed are less than 25 years old. Inflation has hovered at 8 to 9 percent in recent years, but will probably increase by an additional 2 percent for 1986 when a value-added tax (VAT) is imposed in line with Spain's entry into the EEC. EEC membership will also mean the phasing out of a number of government subsidies, and in the short term at least, a further increase in unemployment.

Per capita defense expenditures increased considerably in the early 1980s, but have leveled in recent years, and probably will remain flat for the foreseeable future. In light of its economic constraints, Spain is emphasizing national defense industries and joint productions as its principal means for equipment modernization of the armed forces. Equipment imports have declined from 50 percent to 35 percent in recent years, and the Spanish hope to reduce the figure to 10 percent by 1990. Spain is an active member of the IEPG, and a participant in the EFA and NFR-90 joint production programs. At its most ambitious, however, the Spanish program of the next 10 years will emphasize chiefly low-cost equipment renewal and force structure improvements rather than major investments in new systems.

MILITARY REORGANIZATION

Since the restoration of democratic institutions in 1977, successive Spanish governments have sought both to loosen the Army's grip on defense resources and to slim the Army down in favor of greater investment in the other services. The army is unnecessarily large to defend the country. At 225,000 men, the army accounts for three-quarters of Spain's military manpower. Historically, it has taken 50

percent of the annual defense budget (compared to 24 percent to the Air Force and approximately 20 percent to the Navy).

Military reform was prominent in the PSOE's campaign pledges in 1982, and the most dramatic change has come under the Socialists. One vehicle, drawn up before Gonzalez took office but implemented by the PSOE is the *Plan General de Modernizacion del Ejercito* (META), aimed at creating a smaller, flexible and more professional army. Among other aspects, the META plan looks to reduce the top-heavy officer corps by 25 percent and army total strength by approximately one-third by 1990. Military regions are being reduced from nine to six and brigades from 20 to 14, and major units are to be moved away from cities to more strategic zones. A second vehicle is the law of June 7, 1984, intended to bolster civilian control and reduce the formerly very powerful role of the service chiefs. The 1984 Defense Law created a new position of Chief of the Defense Staff, and made him directly responsible to the Minister of Defense "for the planning and execution of the operational aspects of military policy." Henceforth, the service chiefs exercise their commands "under the authority" of the Defense Minister and the Chief of the Defense Staff. Third, allocations of the defense budget have been altered recently. Current plans are to increase equipment budgets by 4.4 percent in real terms annually (an unlikely prospect), and to emphasize air and naval forces. The 1985 equipment budget (excluding operations and maintenance) notably favors the Spanish Navy (37 percent) over the Army (35 percent) and the Air Force (27 percent).

Spain's Navy has benefited from the military reform movement in several respects. From a historical budget share of less than 20 percent, its share had increased to 35 percent at the time the PSOE came to power. Its modernization program, frustrated by the Army's budgetary dominance in the 1970s, will give it several *Perry*-class frigates, a new, fast logistic ship, and several corvettes later in the decade. A new U.S.-designed light carrier, *Principe de Asturias*, operating AV-8Bs, will enter service in late 1986 or early 1987. Current plans include intentions to build four *Agosta*-class submarines, two destroyers, one amphibious transport dock, and four amphibious landing ships by 1995.

Still, as Gregory Trevorton has written, "the battle for the soul of Spain's Armed Forces is far from over," and fiscal constraints, already constricting new construction programs, could seriously stall the 1986-1995 plan. Military reform--while evidently on track--is likely to proceed more slowly than the current government intends. External threats to Spain are vaguely defined (the Soviet Union and the Warsaw Pact countries are seldom identified). The army remains a political power, with notable misgivings about losing its traditional "pride of place" among the services.

THE NEXT 10 YEARS

In early 1984, the Western Alliance was in enough apparent turmoil that some wondered loudly whether it could, or should, hold together into the 1990s. The U.S. Euromissile deployments were the most immediate sources and symbols of controversy, but for a number of observers, NATO's problems ran deeper than any single issue or cluster of issues.

Thirty years after the early Atlanticists drew bold plans for a united Europe, Europe seemed more than ever to be less certain about its future, ambivalent about the wisdom of postwar policies and arrangements, absorbed with internal concerns, and less prepared to look at the whole world. A generation of Europeans that had no direct personal experience with World War II and the early Cold War was coming of age--with apparently different perceptions about how to deal with the Soviet Union, the meanings of deterrence and detente, and the control and use of nuclear weapons, than their elders. The defense consensus appeared to be eroding seriously in Britain, troublesomely in Germany, and naggingly in France. The European Peace Movement, augmented by the vaguely defined "Green socialism" movement, had experienced its largest resurgence since the "Ban the bomb" protests of the late 1950s. Two of the principal European members of the Alliance, France and Britain, were evidently prepared to sacrifice conventional contributions to NATO in order to pursue fantastic modernizations of their national nuclear forces. Greece was threatening to close U.S. bases, and for all practical purposes, Greece was no longer a member of the Alliance's military structure. Spain looked as if it might withdraw from the Alliance entirely.

In the United States, a certain weariness with Europe was evident to some. To judge by U.S. trade patterns, the U.S. was becoming "less Eurocentric." West coast economic and commercial growth had catapulted the Pacific into an increasingly prominent place in the U.S. economy. In 1980, U.S. trade with Pacific Rim countries passed that with Western Europe, a phenomenon repeated every year since. Shifts in U.S. demographic patterns--a westward move in the demographic center (and arguably in the center of political gravity) seemed to accelerate the decline of East Coast elite groups, with their historical links to Europe. Helmut Schmidt, the former German Chancellor, remarked in the spring of 1984 that "today the centers where opinion is formed in the United States are Atlanta, Houston, Los Angeles--places where not very much is known about Europe." Burden-sharing complaints, budgetary pressures, and claims on U.S. attention and military forces elsewhere looked to rekindle a new round of "Mansfieldism" in the U.S. Congress, with calls to withdraw some or all U.S. forces from Europe.

Two years later, the atmosphere on both sides of the Atlantic is considerably different. The European Peace Movement is in disarray;

opposition parties of the Left have muted much of their earlier stridency on defense issues; economic concerns and political struggles over defense spending, rather than ideological arguments, dominate the debate. For the U.S., the priority of European defense in U.S. security policy has been forcefully and regularly reaffirmed. The U.S. Congress now funds cofinanced collaborative R&D projects with NATO allies in place of calling for the homeward redeployment of U.S. forces.

The situation in the next 10 years will more closely resemble 1986 than 1984. The Alliance is in no danger of coming apart at the seams, nor will the United States alter its own role in any significant fashion. These observations may not surprise, but they are an important first step in characterizing the planning environment that the U.S. Navy will face between now and the mid-1990s. NATO will continue to be a key planning element. So, too, however, will be the national security developments discussed in the preceding chapters.

With the INF issue largely behind it, Europe has settled down. Security issues have resumed their customary low position on the public's scale of priorities. In most countries, economic, not defense, concerns have dominated national elections in recent years. With modest economic growth and high levels of unemployment the most likely outlook for Europe into the 1990s, the present ordering of priorities will continue.

Apart from Greece and Spain, withdrawal from the Alliance has negligible public support. So radical a step requires that a now or future European government not only overcome a powerful historical inertia, but also find a more palatable alternative. This, as Yannis Tzounis, former Greek ambassador to the United States, has pointed out, is not easy. In the case of Greece, according to Tzounis:

If I were one of the Government's advisers, and the Prime Minister told me that he wanted to leave NATO and join the Warsaw Pact, I would tell him that his option was erroneous. Nonetheless, it is an option, a policy. If, however, he told me that, in the name of a mythical independence or a vague pride, he wanted to alienate himself from existing alliances without replacing them with others which are equally important, I would reply that this is not an option, that it represents a lack of policy, and will lead to the nation's annihilation.

Rather, members of the Alliance can be expected to play much the same selective roles in the Alliance as they do today. France, Spain, and (in reality) Greece will continue to stand apart from the NATO integrated military command structure. None of the Southern Region members will deploy forces for NATO defense in peacetime beyond its national boundaries. The Danes, Norwegians, and the Spanish will

continue to ban nuclear weapons from their national territory. Current disparities between the larger and the smaller members in levels of defense expenditure are not likely to change in the next 10 years. NATO force goals will be met in national budgets and programs with no more success than has been the historical pattern.

In the case of the United States, westward shifts in demographic patterns and increasing trade with the Pacific Rim will not result in European defense being (or being seen as) any less important to U.S. security. Nor, for that matter, will the growing globalization of Soviet capabilities influence U.S. security priorities at the core. U.S.-Soviet competition may no longer center so critically on the European land mass, but Europe is where the greatest opposing forces in history face each other, and it remains, accordingly, the most dangerous place in the world. While the U.S. Congress can be expected to be aroused periodically over the issue of burden-sharing with the European allies, it is not likely to alter the level of the U.S. commitment. For one thing, homeward redeployment of U.S. forces in Europe produces no U.S. budgetary savings (and in most cases, would add costs), unless the withdrawn forces were to be dismantled altogether. For another thing, the Congress appears satisfied for the foreseeable future to use carrots rather than sticks. In this regard, the "Nunn-Roth" amendment of 1984, which threatened to reduce U.S. forces in Europe unless the Europeans did more on conventional defense, was followed in 1985 by the new "Nunn-Roth" establishing a \$200 million U.S. fund to co-finance defense projects with NATO allies.

This being said, NATO is in for a period of further strain nevertheless, primarily economic in nature. Noted in the first section, only moderate economic growth is likely in the foreseeable future. This, coupled with the volatile issue of high unemployment, will put considerable constraints on defense expenditures. Real growth in European defense budgets probably will not exceed an average of 1.5 percent annually into the 1990s, and stands a very good chance to be less. The spending plans of the larger European members are noteworthy. Britain may not experience any real growth in defense expenditure, and West Germany does not expect to exceed 1 percent. While increases in French defense spending may reach as high as 4 percent for several years, virtually all of the increase will be consumed by nuclear modernization, and inflation may reduce any such increase to zero or negative real growth in any case.

Fiscal limitations on defense growth will be felt in both operating and equipment accounts. Military manpower cutbacks already are programmed in Britain, Germany, and France between now and the early 1990s; Italy may well have to follow suit; no European country (save perhaps Greece and Turkey) plans manpower increases. Britain's surface fleet will almost certainly continue to decline in numbers; the Alliance is plagued by a shortage of mine warfare ships with little expected improvement before the year 2000; merchant ship shortages, most acute in

Britain, are becoming an Alliance-wide problem. Together, the EEC accounts for only 19 percent of the world's current shipbuilding.

A key variable in the maritime arena will be the success or failure of the NATO Frigate Replacement Program for the 1990s (NFR-90), a common development program by eight NATO members, including the U.S. If all went according to plan, the first of a total of 25 to 50 NATO frigates would enter sea trials in 1994. Estimates are that the common frigate could cost each participant as much as 25 percent less than a national program and that, in some cases, like Britain's, the NATO frigate may be the only hope for a new frigate in the 1990s. Whether the U.S. will remain in the program, however, and whether the U.S. Navy will make a large enough buy (of a low-mix ship) to achieve economies of scale, are among the key uncertainties of the European partners.

For support outside the NATO area, particularly maritime support, the United States in the 1990s will have to rely on less. The British have in all but name abandoned a significant out-of-area capability. Only the French, and to a lesser extent the Italians, will be interested in or capable of out-of-area naval roles. NATO itself will not change its conservative policy approach to out-of-area challenges. U.S. access to European bases is at risk in only one place in the next 10 years, but in the case of Greece the risk is not negligible.

Among the allies discussed in these pages, the French are the most confident of their course in the next 10 years. France is committed to a significant modernization of its nuclear forces between now and the mid-1990s. Nuclear forces are the first priority of French security policy; in budgetary competition with conventional defense improvements, the nuclear priority will be retained. Still, with two new carriers the French will have the most powerful surface warships in Europe in the late 1990s. Among the Europeans, the French will be the most consistent in preserving a capability for military operations outside NATO--in defense of France's overseas dependencies and in support of France's African allies.

Paradoxically, the British--the U.S. ally of greatest durability historically--may well be the least confident about the next ten years. As time goes by, it is increasingly unlikely that any British government elected in 1987 or 1988 would cancel the Trident buy outright. Trident's opportunity costs in terms of the rest of the British defense budget are bound to be severe in the late 1980s and early 1990s, however. Given the priority attached to home defense and to the air-land contribution to NATO defense, almost invariably the Royal Navy will experience disproportionate constraints on conventional growth. By the mid-1990s, Britain's Navy will be reduced to its ASW role in support of NATO. Maintaining even the ASW mission may be a serious challenge itself by mid-decade.

At the same time, it is doubtful that Germany will compensate for serious shrinkage in the British Navy's roles and missions. Put simply, the Germans will not offset what the British will reduce, and there is no possibility of a German out-of-area military role. Still, having crossed in recent years an important psychological line with operations north of the 61st parallel, with six hunter-killer submarines to be redeployed to the North Sea, and with the German Navy's area of operations now officially characterized as the Baltic, the North Sea, and "adjacent waters," the German Navy sees itself as having more flexibility in areas of operation than it has had in the past. In overall numbers of combatants, however, there is no prospect of growth between 1985 and 1995, although current modernization plans should be met. In this last regard, Germany may withdraw from NFR-90 in favor of a "national option." The German Navy is very preoccupied with AAW (to an extent that NFR-90 may be unable to accommodate), is concerned that its need for five modern frigates will come earlier in the 1990s than the common program could produce them, and is worried as well about NFR-90 costs.

The key to Italian security policy in the next 10 years is progress in force modernization and in an ambitious restructuring of the armed forces. Italy's traditional preoccupation with a land-air threat from the north has been giving way to increased concerns about sea-air threats from the south. Italy has also embarked on a much more assertive foreign policy in recent years, with increased Italian interest in playing a larger regional role. One test of whether and to what extent the armed forces will be restructured is the outcome of the currently enlivened controversy over organic naval aircraft--whether the Italian Navy will be allowed to acquire more than helicopters for its new class of carrier.

Greece will continue to play the role of Peck's Bad Boy in Alliance politics so long as the current government is in power. Its partly in, mostly out relationship to Alliance military affairs is also unlikely to change. Still, unless they stumble badly, the Greeks will not risk too great an isolation from either NATO or the U.S. The key uncertainty concerns U.S. access to bases in Greece. The Papandreou government has left itself very limited room for maneuver, and could well find itself forced to confront the U.S. in ways it would prefer to avoid.

Spain has also established a partly in, mostly out relationship with NATO, although in the Spanish case, the logic of the reluctance to establish closer military ties is fairly strong. So long as the United States retains access to its current bases in Spain (a near certainty in the foreseeable future), both Spain's and NATO's security interests appear to be effectively satisfied. An important factor in Spanish force modernization will be success in shrinking the excessively large and still politically powerful army in favor of greater investment in the Spanish Navy and Air Force.

Changes in government are not likely to have significant effects on the basic security policies of any of the six. (Three are currently governed by Socialists, and France, by a Socialist President.) Perhaps the only wild card is Britain's Labour Party--whose defense rhetoric, while notably less strident in the past couple of years, is still fairly radical on several aspects of British and Alliance defense policy.

Given the relatively limited resources likely to be made available for conventional defense improvements in the next 10 years, joint cooperative production ventures will take on heightened importance. In this vein, however, neither the track record nor the prognosis are reassuring.

Most of these developments will take place largely unaffected by the preferences and possible policy initiatives of the United States. This is evident in the generally cool and conservative European reception to many of the U.S. NATO initiatives of the early 1980s. The success of the INF deployments (in origin, a German, not a U.S. initiative) was exceptional. Moreover, the U.S. will have its own difficulties. The explosive growth in U.S. defense budgets in the first half of the 1980s is over. Real growth is not likely to exceed 3 percent into the 1990s, and could be considerably less. "Zero" real growth (or close to it) is a definite possibility.

With a fiscal corset on its own resources, the U.S. Navy entering the 1990s will have to rely much more on contributions from the European allies than it has in the past, but this will require adjustments in the Navy's traditional arms-length approach to NATO. It will also come at a time when NATO's navies are becoming smaller (albeit, somewhat better equipped in many cases). NATO Frigate Replacement-90, especially if it meant as many as 50 frigates, would be an important addition, but this will depend on a significant U.S. Navy buy at a time when U.S. defense resources will be constrained. U.S. foreign military sales (FMS) are potentially an important spur to allied supportive capabilities, but to be effective, the Navy's FMS will require much closer coordination with NATO maritime force goals and force planning than has been the case historically. The U.S. Navy already recognizes a growing need for logistics and wartime host-nation support from the Europeans, but has been reluctant historically to enlist SACEUR and the Alliance machinery in securing such contributions. OPNAV is alone among the service staffs in having neither a NATO policy cell nor a full-fledged host-nation support organization.

So far as the next 10 years are concerned, the future of the Western Alliance will closely resemble the present in most major aspects. The challenge for U.S. Navy planners will be in bringing the Navy's strengths to bear in close support of U.S. interests in the Alliance.

APPENDIX A

WESTERN ALLIANCE STUDY SERIES

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CNA, Research Memorandum 86-118, "Perspectives on Defense Futures: National Developments in Europe," James L. Lacy and Robbin F. Laird, Unclassified, Apr 1986

CNA, Research Memorandum 86-77, "France and European Security," Robbin F. Laird, Unclassified, May 1986

CNA, Research Memorandum 86-120, "French Nuclear Employment Policy in the 1980s and 1990s," Robbin F. Laird, Unclassified, May 1986

CNA, Research Memorandum 86-80, "Soviet Perspectives on French Security Policy: A Reader," Translations by Susan L. Clark, Selections and Preface by Robbin F. Laird, Unclassified, Apr 1986

CNA, Research Memorandum 86-121, "The Future of the British Strategic Nuclear Forces," Robbin F. Laird, Unclassified, May 1986

CNA, Research Memorandum 86-85, "The Evolution of the U.S.-UK Special Nuclear Relationship," Susan L. Clark, Unclassified, Mar 1986

CNA, Memorandum 85-0631, "British Defense: A Reader," Susan L. Clark and Adam B. Siegel, eds., For Official Use Only, Apr 1985¹

CNA, Research Memorandum 86-159, "Soviet Perspectives on British Security Policy: A Reader," Selections and Translations by Susan L. Clark, Foreword by James L. Lacy, Unclassified, forthcoming, Aug 1986

CNA, Memorandum 85-1321, "Selected Issues Concerning the West German Navy: Some Views From Within (U)," James L. Lacy, Secret/NOFORN, Jul 1985

CNA, Memorandum 85-1322, "West German Defense: A Reader," Adam B. Siegel and Susan L. Clark, eds., For Official Use Only, Jul 1985¹

CNA, Research Memorandum 86-57, "The Trans-Atlantic Relationship in American Public Opinion: Are the Ties Weakening?", Adam B. Siegel, Unclassified, Mar 1986

1. Desk Reference Books.

CNA, Memorandum 84-1840, "Alliance Futures, Alliance Choices: Withdrawal of U.S. Forces from Europe," James L. Lacy, For Official Use Only, Nov 1984

CNA, Research Memorandum 86-160, "U.S. Forces in Europe: The Debate Revisited," James L. Lacy, Unclassified, forthcoming, Jul 1986

CNA, Research Memorandum 86-158, "Alliances and a Changing America: Domestic Politics and Security Policy--Past and Future," James L. Lacy, Unclassified, forthcoming, Aug 1986

NATO "Greenbook" Series¹

CNA, Memorandum 85-0022, "NATO High-Level Group (HLG) and TLAM (U)," Cdr. Walter P. Donnelly and James L. Lacy, Secret, Jan 1985

CNA, Memorandum 85-0031, "The Cohen Amendment and Mine Warfare (U)," Cdr. Walter P. Donnelly and James L. Lacy, Secret, Jan 1985

CNA, Memorandum 85-0126, "The NATO Frigate Replacement Program (U)," Cdr. Walter P. Donnelly and James L. Lacy, Secret, Jan 1985

CNA, Memorandum 85-0823, "Behind NATO's 'Conceptual Military Framework'," Cdr. Walter P. Donnelly and James L. Lacy, For Official Use Only, Apr 1985

Bilateral Series

CNA, Memorandum 85-1904, "A Bilateral Master Plan: The Idea Assessed," James L. Lacy and Cdr. Walter P. Donnelly, For Official Use Only, Oct 1985

CNA, Memorandum 85-2053, "Bilateral Master Plan Development: Final Report," James L. Lacy and Cdr. Walter P. Donnelly, For Official Use Only, Nov 1985

CNA, Research Memorandum 86-83, "Case Studies in Bilateral Affairs: The United States and Brazil (U)," Adam B. Siegel and James L. Lacy, Confidential, Apr 1986

1. Near-term NATO issue papers.

APPENDIX B
RESPONSIBILITIES IN NATO

RESPONSIBILITIES IN NATO

<u>Ultimate authority</u>	<u>Overall direction</u>		<u>Administration</u>	<u>Military advice, planning and guidance</u>	<u>Integrated defense and military operations</u>
<u>Member governments</u>	<u>North Atlantic Council</u>	<u>Defense Planning Committee</u>	<u>Secretary General</u>	<u>Military Committee</u>	<u>NATO Commands</u>
Belgium	Foreign ministers meeting twice a year to consider matters of politi- cal and general concern; and Ambassadors as permanent representa- tives on Council and Defense Planning committee ¹	Defense ministers of countries taking part in integrated military structure, meeting twice a year; and	Chairman of North Atlantic Council and Defense Planning Committee, and head of Interna- tional Staff	Chiefs-of-staff mtgs. at least twice a year; and Permanent military representatives in per- manent session International Military Staff	Allied Command Europe (ACE)
Canada					
Denmark					
France					Allied Command Atlantic (ACLANT)
Germany (FRG)					
Greece					
Iceland					Allied Command Channel (ACCHAN)
Italy					
Luxembourg					
Netherlands					Canada-U.S. Regional Planning Group
Norway					
Portugal					
Spain					
Turkey					
United Kingdom					
United States					

¹. France and Spain do not participate in NATO's integrated military structure. France does not attend meetings of the Defense Planning Committee but has military missions to the Military Committee and Allied Command Europe. Spain does sit on the Defense Planning Committee and the Military Committee.

APPENDIX C

INTEGRATED NAVAL COMMANDS

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<u>Area</u>	<u>Command and base</u>	<u>Participants</u>
North Atlantic	Supreme Allied Commander Atlantic (SACLANT), Norfolk, VA	Canada, Norway, Portugal, U.K., U.S.
English Channel	Commander-in-Chief Channel (CINCHAN), Northwood, UK	Belgium, Denmark, FRG, Netherlands, and UK; occasionally, Norway, U.S.
European Coastal and Mediterranean	Supreme Allied Commander Europe (SACEUR), Supreme Headquarters, Allied Powers Europe (SHAPE), Mons, Belgium	Denmark, FRG, Turkey, UK, U.S.