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1) - West European defence integration and the era of uncertainty.
2) - West European trends in the economics of defence.
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Institute for Strategic Studies

EUROPEAN-AMERICAN CONFERENCE APRIL 30 - MAY 2, 1971

West European Defence Integration and the Era of Uncertainty

Discussion Paper

The coming years will be a period of increased uncertainty in Europe. This may be because the last two decades were dominated by a struggle to lock the territorial and military balance of the continent which of necessity implied a search for certainty and stability relatively rare in history. Now that this balance is taken much more for granted, the interplay of the competing logics of confrontation and conciliation between East and West and of integration and disintegration within the erstwhile blocs is reintroducing an element of political mobility into the situation. It is, once more, difficult to assess the relative influence of the forces of continuity and change in the evolving process.

However, there do seem to be limits to what can change in the short period of ten years. It is possible of course that the decade to come may be qualitatively very different from those of the recent past. Yet to look back at those decades probably suggests something of the scope and limit for change in the 1970s. No doubt someone speculating on the future in 1950, when the myth of the Communist wave of the future was near its peak, and the fear of war certainly so, would have been hard put to it to predict the economic renaissance by 1960 of a Western Europe shorn of empire and the general self-confidence of the West. Someone experiencing that reviving confidence in 1960 would have been surprised to learn how the decline of the fear of Communism and a world war would lead by 1970 to the revival of something like, though not quite like, nationalism and of social and ideological unrest, predictable though these developments seem in retrospect. Surprises there have certainly been. At the same time, the structure of the European balance has changed very little throughout those years, rather it has been confirmed, and there has been surprising continuity even in the glacially slow progress from the post-Stalin "thaw" of 1953 to the wary "era of negotiations" of 1971. Moods within the setting have changed greatly, the setting itself has remained remarkably constant.

This suggests one possible development of the European scene in the 1970s, one in which essentially the control of the superpowers is confirmed over a continent which becomes the greatest and most prosperous (and even perhaps the only) backwater of world politics. The almost unique character of Europe as a zone of peace (if one of "cold violence" in Eastern Europe) could well be reinforced in the 1970s. It is hard to see the Soviet Union diluting its politico-military primacy in Eastern Europe. Everything in the attitudes of the American leadership suggests that in its eyes Europe is indeed as indispensable as Alaska.

Moreover, it is hard to see any alternative during the decade to the American nuclear guarantee over West Germany. British, French or European federal nuclear ambitions seem insufficient or remote; and the one subject on which the USSR, fearing that the Ostpolitik conceals ambitions for reunification, and West Germany, realising the smallest fragments of fulfilment of such hopes require Russian assent, are almost certain to agree is the non-nuclear status of the Federal Republic. The essential structure of the European security balance is therefore likely to subsist throughout the decade. The rising importance of China and Japan in the preoccupations of both superpowers and of domestic priorities almost everywhere, if they continue, should reinforce this tendency. Closer contacts, from SALT to joint production ventures and concern with the environment, could even gradually create constituencies in both East and West concerned to temper rivalry with elements of genuine cooperation. In such circumstances the insufficiencies feared for NATO in future might come to seem, from sheer familiarity, as irrelevant to the credibility of the US nuclear guarantee over Europe as NATO's longstanding past insufficiencies seem even to the conservative in every one of us today. The process of civilian interchange could gradually gain more weight and the military confrontation less and the cold war be not ended but left behind. If so, Europe could be confirmed as the first continent to grow beyond the preoccupation with war and many of the anxieties which loom so large today come to seem anachronistic.

However political moods have changed greatly in the last ten years and could change further till they reach a point where they might transform the structures themselves. That at least has been one of the supressed thoughts of the post-Vietnam era. The danger in taking prospects of peaceful cooperation for granted is that to do so could stimulate some of the very factors liable to invalidate the process. While the security balance achieved in Europe has favoured political change, political change could cumulatively undermine the security on which its own continuance depends. Given the long history of stifled explosions in East Europe, East-West cooperation, far from diminishing tensions could ultimately increase them. The recent events in Poland have shown the area remains a hotbed of revolts the Soviet leaders are liable to see as a threat to their power at home and abroad. The complications would be still greater if an opposite tendency in the West, to excessive relaxation and amilitarism, led societies to downgrade defence to the point where excessive risks were taken with security. A situation could be reached where America, because of the state of its domestic opinion, apparently left Europe to its own devices, and the Soviet Union, particularly dealing with revolt in Poland or East Germany, would be tempted into miscalculation. More subtly and likely, a West aware of Soviet potential but unable to do much about such anxieties because of internal divisions between its own nations and in public opinion within them, might begin to doubt its capacity to face unforeseen

crises. European and American force reductions, economic rivalries, and "inward-looking" attitudes in both societies, could reduce each country's trust in its allies and particularly that of Europe in an America faced with a potential nuclear crisis. In such circumstances, American opinion might grow increasingly irritated with Europe while an element of appeasement could enter into the policies of West European nations towards the Soviet Union. "Détente" would then connote mainly a shift in the balance of power in Europe in favour of the USSR. The Soviet Union might increasingly interfere in Western policy-making, particularly on security issues, in the name of enlightened East-West relations and be sure to find a party in the West responsive to its arguments. In the long run, it could come to regard itself as the righteous policeman of European security, exercising pressure on the policies of West European powers whose very existence, culture, wealth and example make them, will-nilly, the ghost which haunts the domestic politics of Eastern Europe.

One cannot even wholly exclude, though it is less likely, the possibility that Russian expansion, visible in the Middle East, Africa, the Mediterranean, the Indian Ocean and not least, the Norwegian Sea, might shock the West into laying a renewed stress on defence. To suggest an extreme: heavy Soviet pressure on Yugoslavia; insecurity in Turkey or Spain shaking the Mediterranean political balance; Arab nationalism, in alliance with the USSR and asserting itself through sustained pressure on oil prices; and civil strife in black Africa bringing in outsiders to what Europeans fondly imagined their backyard; could cumulatively enlarge the USSR's potential for oppression looming to nearly Stalinist proportions till the West Europeans had a sense of living under siege and American opinion became alarmed. A catalyst of this could well be something like the entry of the Communists into a governing coalition in Italy. If Western Europe felt self-confident at the time, this could be seen as a step towards the absorption of the Communists into the Western system. If not, it could seem laden with potential dangers for the European and world balance, particularly if Western Europe were torn by internal unrest at the time, and the United States began to take fright. Such a situation could transform Western opinion which is less pacifist than totally unconvinced of danger, and lead it to accept revived defence burdens. The contingency does not seem likely, but there is little evidence for the apparently universal assumption that the USSR, China and even conceivably Japan, are necessarily as sceptical about the efficacy of power politics as are Western pluralist societies reacting against their own imperialist past. Moreover, one already notices a greater anxiety about security and the ambiguities of the European scene among even European governments than might be gathered from the atmospherics of an "era of negotiation".

Such hypotheses are not 'models', only simplifications reached by isolating and extrapolating elements already current in the contemporary European scene. Even if one reduces the uncertainties of that context to two propositions, that there is a kind of slow-motion race, or at any rate a simultaneity which can easily become a competition first between East-West concilation and confrontation and second between (for purposes of this paper) Western/and primarily European integration and disintegration, whole ranges, of possible outcomes open up as between the various extremes of Western integration and East-West conciliation, Western integration and East-West confrontation, Western disintegration and East-West conciliation and Western disintegration and East-West confrontation. The conclusion is that Western, and particularly West European, security policies must be tailored to the uncertainty inherent in a situation where the use of force seems remote and yet to ignore its possibility might undermine security and even the longterm hopes of cooperation. The aim should be to avoid provocation and help the Russians and their satellites to reach a more relaxed relationship, if possible, inside their own system. But that requires firm security guarantees for the West as well in order to continue to inhibit the use of force either as the great simplifier of tangled East-West situations or as the slow and only implicit but cumulative distorter of any balanced political process. In practice, this means finding ways to compensate for the likely tendency of the West in the 1970s to a unilateral disarmament which brings divisive forces in its train. Simply to resist this trend will almost certainly be insufficient. It is necessary in part to elaborate new military strategies to maintain deterrence even with reduced manpower (this is addressed in the accompanying paper on "Military Strategic and Tactical Concepts for the Western Alliance");and in part to investigate new political approaches to the problems of the decade. These will be necessary as much (or more) to provide the political framework for a balanced and growing East-West dialogue as to meet the threat of possible but unlikely military crises in itself.

Western policies have already begun to turn in this direction by emphasing both various forms of East-West arms control in Europe and the emergence of a European identity within the Western alliance. These two approaches square with two psychological postures which have been developing for some time and are likely, barring sharp changes of political direction, to develop further during the coming decade. One is the feeling that if East-West cooperation is to mean anything, it must be possible to lighten the military apparatus in Europe and buy security more cheaply, or to put the East-West balance on a more codified and contractual basis, or both. The other is the sense partly that as the United States becomes less tensely focussed on maintaining the power balance abroad the Europeans, with reviving resources and nationalism, should contribute more to Western deterrence and their own security; and partly that if the NATO West

Europeans with over 2 million men under arms and defence budgets exceeding $20 billions cannot contribute more to this deterrence and security, the reason is largely their lack of cohesion which needs correcting. At the same time, the obstacles to rapid progress in overcoming East-West differences and European divisions are such, that the process is slow and movement at the best gradualist.

There has been some progress along these lines and there may be potential for more. Promoters of the Eurogroup of defence ministers (such as Denis Healey), of the Nuclear Planning Group and of joint European Defence Procurement sometimes claim that, despite the defection of France in 1966, NATO has of recent years been greatly strengthened. An agreement such as that between Britain and West Germany to meet much of the foreign exchange costs of BAOR for a five-year period and so divide by five the damaging annual discussions of the past on offsets is a considerable step forward. The trend towards joint production agreements, haphazard and partial though they are, is likely to grow stronger. Since the Rolls Royce fiasco, the only European aerospace firm which seems really succesful in major independent operations is the last of the great artisan enterprises of the heroic age of the aircraft industry, Dassault, and its genius loci is an ageing man. As the pressures on procurement of defence budgets which fall in real terms make themselves increasingly felt, joint European production (and perhaps even transatlantic cooperation, however unlikely and unequal this now seems) is likely to become more pervasive and binding. As for joint nuclear planning, the deployment in the early 1970s by France of its tactical nuclear artillery, Pluton, which makes sense only if placed sufficiently forward, in Germany, will force consultation between France, Germany, the United States and Britain: some form of Western discussion including France will have to be re-introduced on contingency plans, tactical and strategic concepts, veto powers and mutual commitments, the control of escalation, and the like. One could also argue that if agreements could be reached on Mutual Balanced Force Reductions and a European SALT, the resulting contractual arrangements could provide some kind of warning system of crises even when allowances are made for the limitations of verification and control. In effect, so long as West Germany is prepared to pay a price for collective security on its territory (as it did in the NATO AD 70 exercise), and so long as the United States continues to make it plain in more than words that Europe is indispensable to it, the gradualism of present approaches may suffice.

However, the strains on West Germany, political and financial, are likely to increase in a context where the likely decline in manpower and procurement in Europe raises growing doubts about the sufficiencey of the means put at the disposal of deterrence policies. This particularly applies to the most important of West European relationships, the triangular one between Germany and Britain and France

whose nuclear status underlines the intermediate category they occupy between the USA and the potential of non-nuclear European states. The more the British and French are tempted as the decade wears on, to stress cooperation on the production of nuclear weapons the more they will be stressing what divides them from West Germany. This could be particularly important if other developments point the same way, as they could. If MBFR agreements could be reached, they would tend primarily to apply to West Germany since this is today the Terre d'élection of NATO. Similarly, attempts to meet manpower shortages by greater reliance on militia forces would affect West Germany more in the front-line than France to the rear, still less Britain behind the Channel. Should these fault-lines in NATO Europe also have to bear the doubts bred by /deterrence policies which seemed potentially inadequate, one could see Britain and France emphasising nuclear deterrence (and implicitly neutrality in a crisis) while Germany sought reinsurance in good-neighbourly relations with Russia bordering on appeasement. Such a spectacle, in turn, would not encourage a mood in the United States of vigorous support for the kind of military presence in Europe calculated to maintain European confidence in the security balance. In such ways, the political benefits of collective security in West Europe could be hollowed out from within even if the outer frame of the system which buttresses the US guarantee remained. The risk is not necessarily paramount but it exists and the defences against it would be low. There is little in the record of attempts at cooperation of the Eurogroup type to suggest that they generate a solidarity greater than that already contained in the commitment to NATO or that, though useful, they noticeably counter the political, economic and social forces which have tended to make governments so often react divergently in NATO since the mid-1950s. In such circumstances, the politically /debilitating doubts mutually entertained by allies in a context of reduced insurance in security might encounter all to little resistance as the decade wears on.

The problem is one of confidence, and confidence is at least as political as military, a matter of potential as well as actual performance. The point can best be illustrated by imagining that the United States were the nation at the western end of Europe. Whatever the actual security and defence policies of the US in that situation, whatever the priorities given to negotiations say on MBFRs, and whatever the criticisms addressed to these policies for their insufficiency, there would be a basic assumption that the society could meet any problem it agreed to face. That is not the case with the West Europeans. It is difficult for them to reverse a trend which might lead them suddenly to feel excessive weakness relative to the USSR. Individually, none of them could remobilise on the necessary scale. Collectively, they could do so, but the difficulties of getting them all to move in the same direction simultaneously would make this highly unlikely. The effect is to create a sense of potentially irreversible weakness vis-a-vis the Soviet Union

which makes them both lean more exclusively on the United States and trust it less in ambiguous situations precisely because they mistrust themselves. Britain and France to some extent finesse the problem by their national deterrents, but these do not touch the political heart of Europe's future, in Germany. In short, in a period when the immediate political climate tends to relax defence efforts and bring out the underlying doubts each nation has about reliance on its neighbours, it is not enough to improve the efficiency of the probably shrinking available forces. It is necessary to strengthen the confidence of the allies, and in this case particularly the West Europeans, in their future capacity to manoeuvre in the face of unforeseen eventualities.

Such an access of confidence is hardly possible unless something is done to improve the means at the disposal of the Europeans for taking common / or convergent decisions. That in turn is dependent on British entry into an enlarged common market, if only because British failure to do so would show there is no meeting of minds on political and security priorities in Europe and could / itself reduce the sense of solidarity on which active commitments must rest. Another way of stating the same point is that a middle ground would have to be / found between French and other priorities for Western security, since without this British entry into the Common Market is unlikely. Such a middle ground would have to be a sense of the dangers that Western Europe runs in the long run in the face of a militarily superior Russia prone to use that superiority for political advantage if the American commitment to Europe loses its vigour; and the alternative danger, especially from a gaulist viewpoint, that if it retains its force while the European sense of self-defence continues to decline, Europe will indeed become an increasingly dependent region. The only ways out of such a dilemma are either the assumption that America must stay in Europe, and that there is no problem, which squares poorly with President Pompidou's request, that American troops remain in Europe, even "for the time being"; or greater European self-reliance, including in defence, which does seem implicit in principle in President Pompidou's ideas on a confederation of European states expressed on January 21. The scope for a tighter European defence organisation based on the membership of an enlarged European Economic Community remains unclear; but the need for it to reinforce the credibility of the American guarantee and give political confidence to Western Europe is hardly open to doubt except on the most beatific assumptions about East-West relations.

There are four principal levels on which a tighter European defence organisation can be examined:

- nuclear;
- a joint European command related to NATO, at the level of theatre operations;
- arms procurement, at the industrial level;
- defence planning, the level of defence ministries in nations and of the Commission in the common market.

A European nuclear force is, of course, as remote as a European federation with a president to press the button. Even Anglo-French nuclear cooperation, despite the probability of increasing interest in technical collaboration especially in the later1970s, will be difficult to imagine as a major part of a move towards a more cohesive security system in Europe. This is not so much because of the objections of the Soviet Atomic Energy Committee of Congress to Anglo-French cooperation, great as they may be, or of British resistance to French views of independence which, for good or ill, might change. The central difficulty is that it offers nothing to West Germany and the non-nuclear powers. It will therefore either be subordinate to a broader adjustment affecting general defence policies, above all in the non-nuclear area, or it will be disruptive.

A Joint European Command would make little sense unless the commander were empowered to make up for shrinking forces by drawing on the whole manpower pool of Western Europe and directing troops wherever they might seem most needed, Frenchmen or Italians to Germany and vice versa. This is obviously not for today, partly because the manpower shortage is not yet that critical but more because the nations are just not ready for commitments which seems so much more binding than present ones. In particular, it would raise in idelogically the crudest way, the problem of France's relations with the integrated NATO command, in the American element in it, to which the joint European Command would have to be related. The need may make itself increasingly felt during the 1970s, but the time for it is still a long way away.

Procurement seems easier and a Procurement Agency has for several years been seen as one possible first step to tighter European defence cooperation. Yet experience in Euratom has shown that even where considerable central funds are available for research and development, it is impossible to ignore the juste retour which in turn reflects intense concern with the industrial balance of power between nations. The need for joint production in fields like aerospace and the need for greater efficiency have produced some progress. It is sometimes argued that Panavia, the international consortium set up to produce the controversial multi-role combat aircraft (MRCA), developed by Britain, Germany and Italy, may prove more important than the aircraft itself. Yet consortia are inherently unstable so long as national concepts of weapons remain stubbornly separate. Now that West Europeans are all primarily confined to their region, a determined effort to develop common tactical concepts and operational requirements might actually be more fruitful than joint R & D funds (which would probably fall into the Commen Market Commission's field of responsibility if they transpired at all.) If successful, it would help to stabilise the consortia and so pave the way to genuine European arms firms.)

This suggests that the most promising area might be in policy planning. The heads of state or government would declare their longterm goal of moving toward common defence policies in the enlarged European Community. This could be pursued gradually on two levels. The first would be the definition of common tactical concepts by the European Community states, followed by discussion with the other NPG powers, essentially the United States. There would of course be many difficulties - for instance, the French reluctance to be invovled in forward defence - but in many ways the major European powers are already close in their tactical concepts and the European-American dialogue might not in practice be so very different from the dialogue which must arise in any case around the NPG when French tactical nuclear weapons enter the picture. Assuming that the current obstacles to European industrial cooperation in defence are also gradually weakened as a result of economic pressures. The progressive convergence of tactical concepts should make it easier to define joint operational requirments in Europe and so stabilise, industrial consortia. The second level of activity could be the negotiation of a series of contracts between governments to reach objectives such as common logistics and training, the implementation of the largely predetermined programmes being entrusted to a common defence secretariat, or Commission, (with the governments retaining the last word) rather in the style of the establishment of the Common Market after 1958.

Such a European Defence Support Organisation would, in itself, be limited in scope. But, in giving a direction to the policies of the countries of an enlarged Economic Community, it would serve several ends. At the basic, political level, it would help to convince the Europeans themselves, their American partners and Soviet opposite numbers that they mean to preserve the security balance in the coming decade. This would give psychological and political backing to deterrence in a period when military measures are unlikely to be wholly convincing. It would tend to close the present wide gap between the American nuclear deterrence needed to reassure the Europeans and that needed to deter the Russians. It would leave the door open for further steps to a single European defence force if the need were felt and make it easier to achieve at that time. But if the military elements of security were to be gradually de-emphasised in Europe and the American guarantee were no longer expected to fade like the Cheshire cat, cooperative management of defence support might be felt to be enough to meet longer-term needs. Moreover, a European Defence Support Organisation, though it might not be liked by the USSR, could hardly be treated by it as provocative. On the contrary, by increasing the confidence of the West Europeans in their potential cohesion it could make it easier and not harder for them to enter into negotiations on force reductions and all the other East-West questions.

The central difficulty in restructuring Western defence possibilities is likely to remain the difference of opinion between France and her Western neighbours on the proper ends of allied policy. To attempt to sublimate these differences in a European Community will add a nationalist tone to the enterprise, though the real scope for nationalism will be severely limited by the remoteness of any European federal structure or nuclear force. The realisation of how narrow the limits are likely to be may prove a reason for France not deciding to go beyond the maxima of bilateral cooperation with the NATO countries on general defence and with Britain if possible on nuclear production. If so, NATO itself will be unlikely to restructure itself in depth for lack of an alternative concept to its present guiding principles and balance of interests. Force reduction agreements might partially contractualise this situation in East-West terms. But whether they do or not, there would be no European psychological cement for an American security guarantee itself subject to the psychological uncertainties of a changing American society. This need not matter if the guarantee is/in fact maintained, as it probably will be, and Europe settles down to an era of cooperation. But Europe is not yet demonstrably Arcadian and the sense of a margin of safety against unpleasant surprises will be reduced and perhaps much reduced. Again, this need not be fatal, but the lack of confidence it induces in Western Europe could in itself produce a feeling of insecurity with depressing political consequences. In short, taking steps, even limited ones, to a West European community in defencewill, despite some attendant disadvantages, tend to keep Western options and opportunities open; a failure to do so will enhance the risksof theirbeing reduced by the natural evolution of events.

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West European Trends in the Economics of Defence

Background Paper

1. THE EVOLUTION OF BUDGETS AND DEFENCE SPENDING

1. The State becomes the major distributor of GNP

Central governments in western Europe spend a higher proportion of GNP than those of any countries except the socialist ones. Most West European countries spend one-third to two-fifths of their GNP through government channels as against 27.7% in the US and 21.5% in Japan, which is in addition a common order of magnitude for developing countries with weak central institutions. This already high level of public expenditure in West Europe is still rising rapidly. In all OECD countries government spending is rising faster than total production. Assuming constant growth rates of this trend, at the end of the 1970s several European countries will have more than 50 per cent of the GNP distributed by governments.

2. For Defence: a decreasing share

In the last decade, the share of West European resources devoted to defence has (with the exception of the rearmament period in West Germany, lasting until 1963) steadily decreased. While in some cases the absolute amount of defence spending has not declined, defence expenditure generally grew more slowly than GNP, and much more slowly than the rapidly rising sum of total public expenditure. The GNP percentage of defence expenditure (see chart) has declined, a development which is all the more striking when defence expenditure is compared with overall government expenditure. If this trend continues, this will lead in all West European countries (with the exception of Britain) to a GNP percentage of defence below the 4% mark.

3. Budgetary Pressures

In the past the decline in the share of defence in public expenditure has been matched by the increase of current expenditure in the civilian sector of government spending, while other parts of the budget (transfers to households, fixed capital formation, subsidiaries) have been maintained at a more or less constant level. The relative setback in the growth of military spending is caused by continuing pressure for better public services in the fields of education and health. Presumably these pressures will continue to affect the growth of public expenditure. Any redistribution of priorities in favour of defence spending would therefore require a review of the total budget structure.

II. THE ELEMENTS OR DEFENCE COST

The downward trend of total defence expenditure has contrasted with the upward trend of defence costs. Every West European country has experienced heavy increases in the cost of its weaponry and its manpower in the past. Looking ahead, there seems to be no escape from the spiral of ever increasing defence costs.

To reveal the mechanisms which produce soaring costs, military expenditure will be split into four categories:

(1) overhead and lead cost of procurement
(2) procurement cost (capital cost of equipment)
(3) operating cost of armed units
(4) personnel cost

1. Overhead and Lead Cost

The money spent directly on the purchase of particular weapons is only one element in the cost rises. Another is the cost devoted to the development of weapons which fail to reach production stage. The success rates (number of prototypes which went into production versus number of prototypes which failed) for military aircraft has been in:

Britain	15:14
France	8:14
W. Germany	0:3

The West German experience seems to be more typical here than the British one (cf. the fate of Italian, Swiss, and Spanish jet fighter developments). Construction of several VTOL aircraft cost the German taxpayer more than DM 2 billion, but did not add anything to defence potential.

The same applies in other sectors. The Sixties have seen the development of large numbers of military helicopters which seem to have come to no practical use. Italy alone tried 8 different designs last year, several of them aiming at break-throughs in some of the most complicated problems of modern helicopter technology. But the first appropriation for an indigenous design was granted in 1968, and the Italian forces are nearly totally equipped with helicopters of US design, and this is likely to continue. Similar examples can be found in West Germany and Spain. British missile development has shown a "success rate" of 14:13. The construction of over-sophisticated tanks like the MBT 70 or ambitiously conceived ships like the German "Frigate 70", are other examples of expensive technological developments which were abandoned before production stage. West European governments went into these costly expenditures mainly for two reasons:

(a) they wanted their economies to be involved in development work in areas of the most advanced technology, and were prepared to pay what they considered to be a sort of "entry price".

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West European Trends in the Economics of Defence

Background Paper

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4. Personnel costs

By introducing equipment which requires ever more skilled manpower, the armed forces have added further costs to the soaring wages bill they have to face for their military manpower. The development of personnel cost in the German armed forces reflects a general trend.

Annual Cost in DM (Average)

	1966	1970	increase
officer	22,960	27,440	+19.5%
NCO	14,580	17,900	+22.8%
draftee	6,430	6,773	+ 5.3%

The pattern of growth in average personnel costs is strikingly similar in different countries (see chart). Within a decade, expenditure per man has doubled.

(b) public spending in the defence field has often been used for non-defence purposes such as directing investment and providing jobs in underdeveloped areas, such as the South of France, Southern Italy and Northern Ireland.

2. Procurement cost development

The average unit costs for an advanced weapon are markedly higher with each generation of equipment. The leap of complexity in technology seems to correlate with the jump in costs. This seems to affect not only the well-known case, aircraft, but all major items. Thus, the British and the German defence ministries claim that it costs double the sum to procure a tank "of the 70s" as it did those of the previous generation. The unit cost of a conventional German U-boat in the 350-450 tons class rose by nearly 500 per cent to $13.9m. within a decade. Frigates, the most versatile type of warship in the inventory of West European navies, rose e.g. in the case of the British Leander class from $3.5m. in 1962 to $6.7m. in late 1968.

In addition costs also rise during the development and procurement period. This cost increase is not marginal. Indeed, it tends to exceed original cost estimates in much the same proportion as the new weapon was initially expected to exceed the cost of its predecessor. Thus, the cost of the principal fighter aircraft rose during the procurement period alone from $2m. to $4.73 m. a unit for the Mirage III-S in Switzerland and from $1.12m. to $2.46m. in West Germany for the Starfighter F-104G. Programmes like the Anglo-French Jaguar intended to produce a cheap weapon system are now facing unit costs which have trebled within four years.

These various cost increases are produced by inflation and by the interaction of the military, government, and industry during the procurement period. Changes in military specifications, industrial behaviour, and time-lags in parliamentary decisions etc., all increase costs.

3. Operating cost

In economic terms, one aim of technological progress is to produce savings in the cost of operating advanced equipment, rather than to provide increases in performance. There is no evidence of this in military technology. Similar to the cost increases for procurement, the average cost of operating and maintaining advanced equipment is rising sharply. American data (see chart) show that the required number of maintenance hours per flight hour for combat aircraft has trebled within two decades. Over a five-year period, the operational cost of a German fighter wing has increased by 19.2%. The RAF today spends the same amount on operating modern aircraft as on purchasing them.

All elements of operating cost have increased simultaneously: spares and support costs have grown as fast as expenditure for maintenance personnel. For operating a squadron of combat aircraft the RAF had to employ

type of operational unit	date	type of equipment	maintenance personnel required
fighter squadron (12 aircraft)	1945	Spitfire	65
	1965	Lightning	185
bomber squadron	1945	Lancaster	115
	1965	Vulcan	325

The operation of other military equipment shows similar cost increases. In the German forces these were, over a five-year period, 20.9% for an armoured brigade, and 35.7% for a FPB squadron. The projected growth of future German defence budgets by 3% annually will not even allow for the increase in operating costs, let alone soaring procurement costs.

4. Personnel costs

By introducing equipment which requires ever more skilled manpower, the armed forces have added further costs to the soaring wages bill they have to face for their military manpower. The development of wages in the German armed forces reflects a general trend.

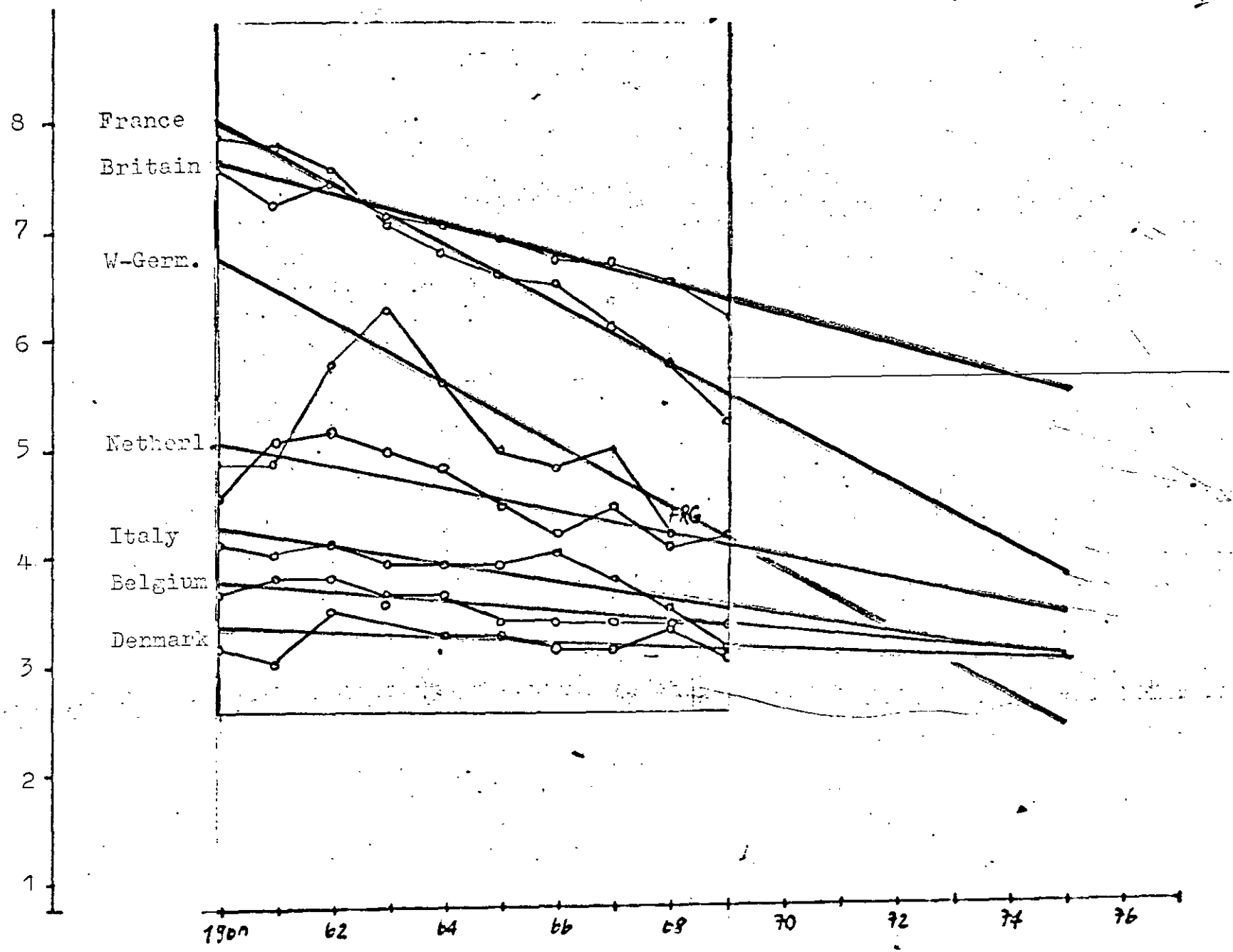
Annual pay in DM (Average)

	1966	1970	increase
officer	22,960	27,440	+19.5%
NCO	14,580	17,900	+22.8%
draftee	6,430	6,773	+ 5.3%

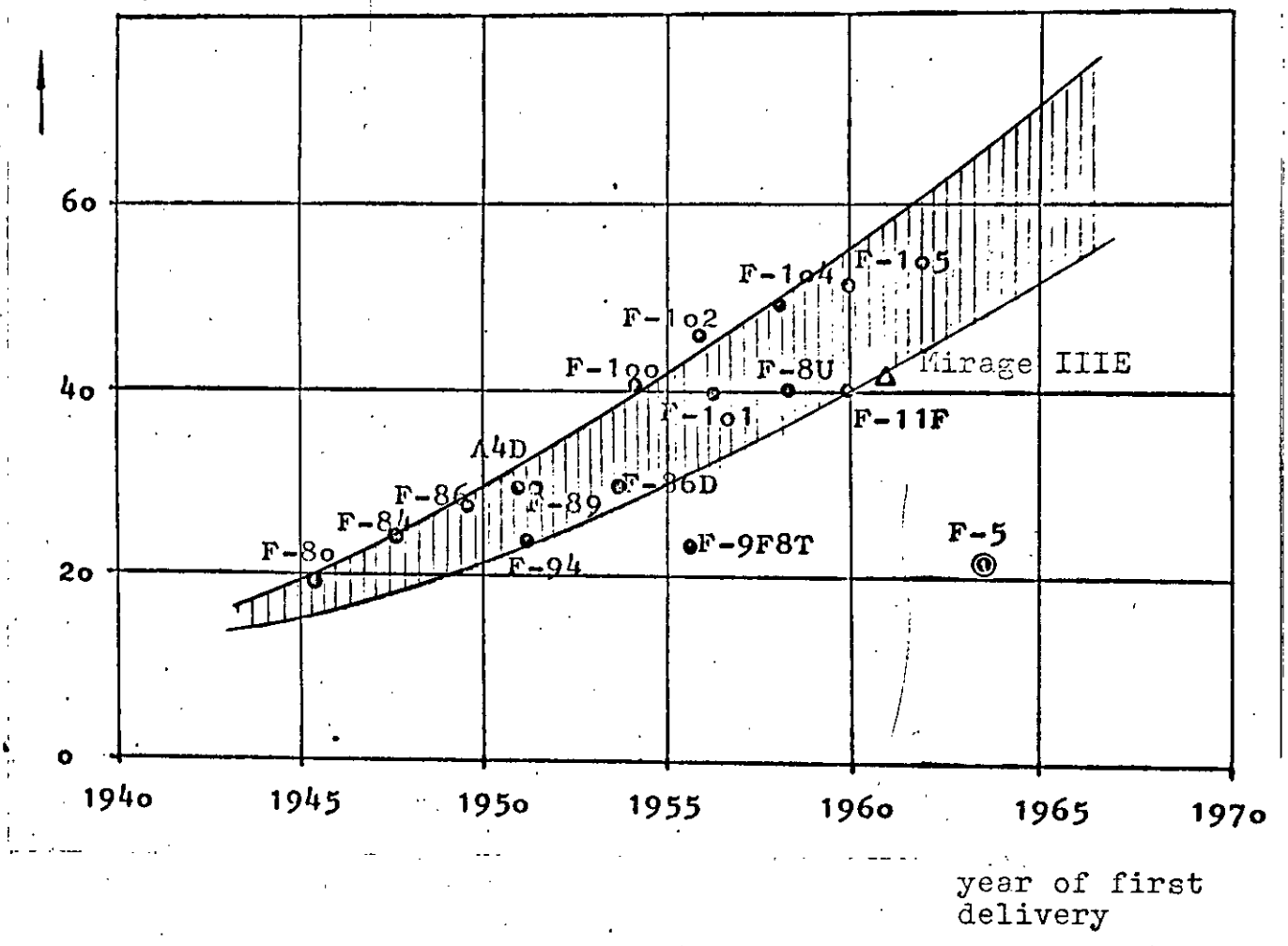
The pattern of growth in soldiers' average pay is strikingly similar in different countries (see chart). Within a decade, expenditure per man has doubled.

The reaction of governments has differed sharply. While the West German government wants to keep a given number of men under arms and so accepts that personnel costs take a greater share in each successive budget, Britain tries to maintain manpower costs at one third of the defence budget, reducing manpower whenever this ceiling is exceeded (see chart). Other West European countries have tended to choose a middle way between these two extremes. If defence expenditure is not considerably increased in the future, they will either maintain armies with constant manpower, but lack the funds for modern equipment, or have less and less manpower.

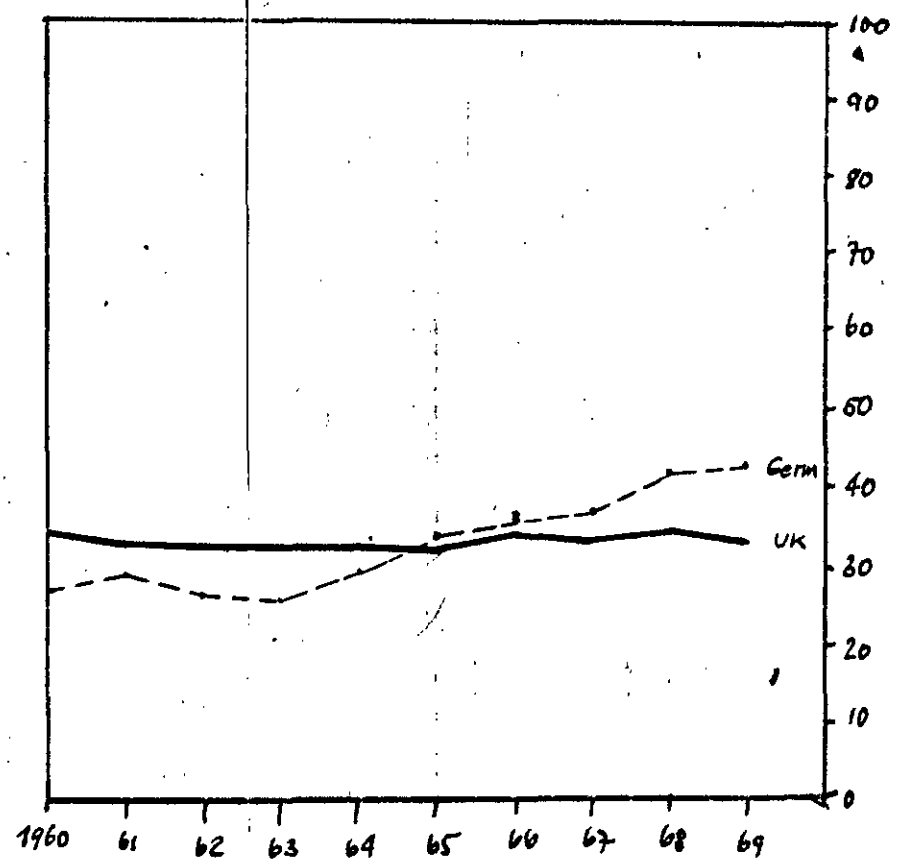
Ulrich Albrecht.



Defence expenditure (NATO criteria) as percentage of GNP at factor cost.

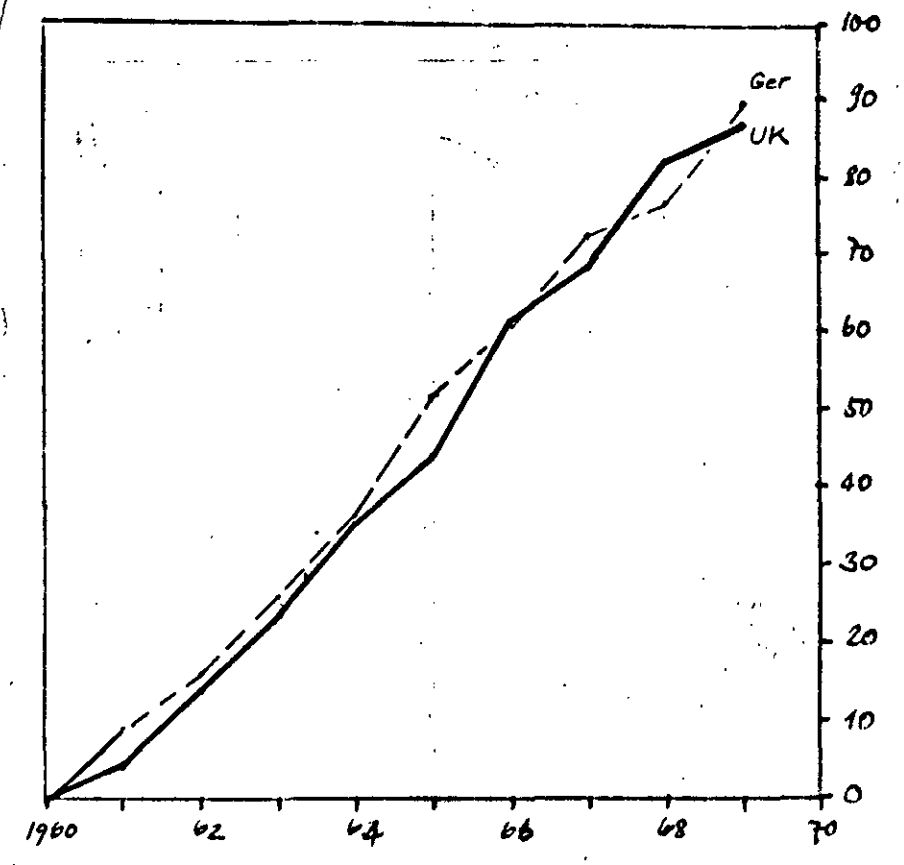


Maintenance requirements of modern fighter aircraft
- an example for increases in operation cost



Cost of personnel as percent of defence Budget

(for the UK, read 1960 as : 1960-61)



Increase in cost per man in defence

(3)

Institute for Strategic Studies

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NATO's Northern Flank - Some New Developments

Background Paper

In recent years Nordic writers on strategic problems have become increasingly preoccupied with the Soviet naval and military build-up in the North. This build-up appears to go on quite unrelated to political developments (exploration of détente) in Central Europe. Western news media have highlighted increased Soviet naval presence in the Mediterranean and the Indian Ocean. The consequences for the Alliance of possible Soviet intentions in the Atlantic and on the Northern Flank may also deserve attention. The following is an attempt to summarize some recently expressed Nordic views.

The Seidenfaden Report on Danish Security Policy, published in October 1970, is unique in that it represents the unanimously agreed views of independent experts of widely varying political backgrounds on a subject of some political delicacy. It draws no conclusions but leaves the reader with the sole choice that NATO membership represents the only present and foreseeable alternative for the solution of Denmark's security problems (by implication the argument in Denmark's case would apply even more forcefully to Norway). Recent opinion polls both in Denmark and Norway show that this view is shared by a strong majority.

It would probably be fair to say that general opinion in the Nordic countries would hold Soviet aggression in this part of Europe unlikely unless connected with events unrelated to the political situation in the area. Strategic interest in the Nordic Area is more likely to reflect possibilities of conflict in Central Europe, the Super Power confrontation, developments in weapons technology, and defensive rather than offensive requirements of the Soviet Union. It should be noted, however, that for the victim it is immaterial whether a threat to its security is motivated by defensive or offensive objectives.

Soviet Interests and Policy

Soviet interest is likely to focus on the two outlets to the North Atlantic, the sea lanes off Northern Norway and the Baltic Straits. The dramatic build-up of the Soviet Northern fleet and the complex of bases in the Murmansk-Kola area can be seen both in the context of the Super Power confrontation and as a Soviet effort to gain control of the North Atlantic with possible further naval expansion.

It has been suggested that the aftermath of the Middle East conflict of 1967 gave rise to a "sudden and vociferous public awareness in the West" of the Soviet naval expansion, that this caused Western overreaction and presented the Soviet Union with cheap political benefits. In other quarters the Soviet Northern build-up has been observed with concern over a longer period of time. In the summer of 1965 NATO commenced a new series of studies to consider strengthening the defences of Northern Norway. One of the results of these and other studies was the creation of the Standing Naval Force-Atlantic.

The extensive Warsaw Pact manoeuvres immediately preceding the invasion of Czechoslovakia caused increased concern in Norway. Ever-extending Soviet naval exercises (including amphibious forces and marines) in the Norwegian Sea were creating a pattern which could have obvious unpleasant implications. Mr. MccGwire in his paper "Soviet Naval Capabilities and Intentions" mentions amphibious landings along the Norwegian coast and adds: "The nature of their exercises and the size and shape of Soviet amphibious forces denotes that they are tailored for this particular task".

The sheer magnitude of the Soviet military, naval and air installations in the Murmansk-Kola area must make adjoining territories of interest to Soviet strategic planners. Northern Norway could be used for launching attacks on this vital part of the Soviet defence system. In addition the Soviet icefree coast serving these bases is short, with few harbour facilities, and represents a concentrated target area; a dispersal westward would appear to represent an advantage. It would bring Soviet naval and air forces closer to the Atlantic sea lanes and provide increased possibilities for control of the North Atlantic.

Some recent contributions to the strategic debate in Norway suggest more far-reaching Soviet capabilities and possible ambitions than this. The existing security system in Northern Europe is seen as a harmonious constellation between the Nordic Ccuntries combined with the American-Soviet maritime balance in the Norwegian Sea. Experts point to the relative strategic stability in Central Europe where political rather than military solutions to security problems are now being sought. This is contrasted with the intensified struggle between the Super Powers for naval supremacy in the Norwegian Sea, which appears to develop without any relation to political settings in the North or in Central Europe. Weapons technology seems more important in these developments than political considerations.

It is estimated that the Soviet Northern Fleet disposes of conventional submarines carrying 70 strategic missiles and nuclear powered submarines carrying 215 SS-N-5 and SS-N-6 (700 and 1,500 miles range respectively). By 1974-75 it is thought that the Fleet will comprise 35-50 nuclear powered submarines with a total of 560-800 missiles. It is pointed out that a new SLB missile with a range of 3,000 miles has already been tested. With the decreasing emphasis on static land-based missile systems, the Soviet deterrent may be pushed forward, away from the Soviet Mainland, and the Nordic Area may in this way find itself behind a major element of the Soviet deterrent. Weapons technology consequently appears to increase the value of the Norwegian Sea for the Soviet deterrent while decreasing its value for the American SLBM deterrent because of increased missile range. At the same time MIRV-development, by rendering the earliest possible interception even more desirable, may increase the importance of the Nordic Area for the forward defence of both Super Powers. This argument is reinforced by the growing effort devoted to anti-submarine warfare. The ocean depths would make for ASW barriers from Svalbard to Tromsoe (exit from the Barents Sea),from the Norwegian coast south of the Lofoton Islands to Jan Mayen and from Shetland via the Faeroes to Iceland.

Starting from the two verifiable facts of increasing Soviet naval build-up and the pattern of Soviet naval exercises over the last ten years, the conclusion may be drawn that the USSR has both the ambition and the resources necessary for pushing her forward line of defence well out into the Atlantic to a line from Iceland to the Faeroes, turning the Norwegian Sea into an area in dispute. A permanent Soviet naval presence up to this line does not appear impossible. Given the land-based air support on which the Soviet Navy depends, air bases along the Norwegian Coast may become a more attractive proposition. As no European Navy can any longer neutralise the Soviet Fleet, the importance of the Super Power confrontation for the security of the Northern Flank increases.

The Seidenfaden Report deals exhaustively with the strategic position of the Baltic Straits. Control of the Straits provides control of Soviet naval movements to and from the Baltic. Soviet attempts to establish the Baltic as a "closed sea" in International Law or to make the Baltic a "sea of peace" through political activity have had no success.

Five foreign experts, asked to give their opinions on Denmark's strategic position, agree that strategic interest in Danish territory would be limited in case of a nuclear exchange or all-out conventional war. It

is in the lower scale, the grey area, that Denmark today is of strategic importance. In the shadow of events in other parts of the world, limited Soviet action, e.g. occupation of some Danish islands, is considered but found unlikely. It is suggested that the strategic value of the Straits may be greater in anticipation of war than after war has broken out. Western closure of the Straits in case of a conflict in the third world may not appear as attractive as might be thought. Neither might a Soviet seizure of the Straits in similar circumstances. Maintenance of the status quo might well prove to be the more acceptable solution. The political price of military action in the Straits would be high and more out of proportion the further away the area of conflict.

The Norwegian expert is particularly concerned with expanding Soviet naval activity. He takes as his starting point the Soviet desire to make its fleet independent of the Straits, a desire he considers analogous to that for exit from the Barents Sea. For the Soviet Union the logical solution would be to push beyond these Straits and secure control of the access to the Norwegian Sea between Iceland and Scotland. This can be done through the gradual build-up of a pattern of presence in the outer access area. He sees this tendency in Soviet behaviour already manifested. The major new elements in Soviet air and naval power are intensely political, in that they could force the adversary to concede that armed confrontation would automatically produce escalation to levels unacceptable in the circumstances.

The possibility of large scale oil discoveries off the Norwegian coast, in particular north of the 62nd Parallel, adds to the intriguing strategic problems of the area. The prospect of extensive drilling by international oil companies in the major area of Super Power maritime confrontation may be viewed with some concern. It should be remembered that oil may be found in an area extending practically to the North Pole and including the Svalbard Archipelago. Any comment at this stage is necessarily highly speculative. It has been suggested, however that strict enforcement by Norway of her sovereignty in the area might diminish the risk of direct super-power engagement and possible conflict. As long as the delimitation of the continental shelf has not been determined internationally, it is difficult to draw further conclusions.

EEC Membership and the Nordic Balance

The strategic aspects of an expanded EEC for the Nordic countries have also been debated in recent months. It is now clear that not only Finland but also Sweden feels unable to negotiate for full membership of the EEC,

as this is considered incompatible with their neutral status. For Denmark and Norway the situation is different. They will not only accept membership of the EEC but also further steps to political cooperation in Western Europe, including/defence. As long as this is conducted within the framework of NATO, they would clearly wish to participate in defence planning, joint production and procurement, etc. Relying heavily on the American nuclear guarantee, they might be less enchanted with an independent European deterrent, and would probably need to retain their present restraints on foreign bases and nuclear weapons in order to avoid any action capable of being interpreted as a provocation by the Soviet Union. This may serve to illustrate the impact on political thought in the area and on political decision makers of the concept known as the "Nordic Balance".

If the preceding summary gives an impression of increased awareness in the Northern countries of the precarious position in which the area may find itself, even in times of détente, this is probably a correct picture. In spite of neutralist traditions in Denmark and Norway, majority opinion appears to favour a continuation of alliance policy until such time as a satisfactory alternative may be found. And in the field of national security, present day opinion seems to be strongly influenced by an element of conservatism which makes for wary examination of any alternatives. Public support, both in Denmark and Norway, for national defence continues at a higher level than at any time during the inter-war years. In a period of détente, economic and manpower problems may be presumed to become the major obstacles to the maintenance of a rational defence policy. It is perhaps symptomatic that last year's defence proposals put forward by the Danish Social Democrats were presented as an attempt to retain a credible defence posture in the face of these difficulties.

Egil Ulstein