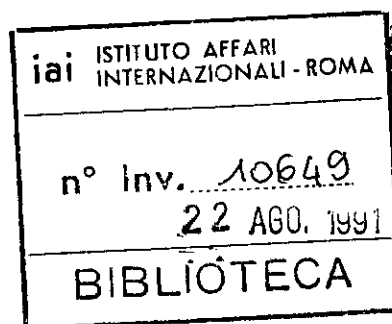


THE SOUTHERN REGION AND THE ATLANTIC ALLIANCE
IN A CHANGING STRATEGIC LANDSCAPE

RAND

Istituto Affari Internazionali
Roma, 24-25/IX/1990

- a. (Programma)
- b. (Lista dei partecipanti)
- 1. "Of time and economics thinking about European security in the 1990s"/ Robert A. Levine
- 2. "The future of the Atlantic Alliance"/ Stefano Silvestri
- 3. "Southern Europe in a changing security landscape"/ Roberto Aliboni
- 4. "Beyond regional approaches to naval arms control"/ James A. Lacy
- 5. "The evolution of the European economy: implications for transatlantic relations"/ Charles Cooper and James Steinberg



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IAI Meeting Room, Via A. Brunetti 9, Rome
September 24/25, 1990



IAI

THE SOUTHERN REGION AND THE ATLANTIC ALLIANCE
IN A CHANGING STRATEGIC LANDSCAPE

Monday, September 24

- 9,30 THE FUTURE OF NATO IN THE NEW EUROPEAN PERSPECTIVE
ISSUES AND SCENARIOS
- Rapporteur: Robert Levine
Respondent: Stefano Silvestri
(11,00 Coffee break)
- 13,00 Lunch ("La Penna d'Oca" Restaurant, Via della Penna 53)
- 14,30 SPECIFIC PROBLEMS OF THE SOUTHERN TIER
- Rapporteur: Roberto Aliboni
Respondent: Ian Lesser
(16,15 Coffee break)
- 18,00 End of the session
- 20,30 Dinner ("Rosati" Restaurant, Piazza del Popolo 5)

Tuesday September 25

- 9,00 CHANGE IN FORCE POSTURE AND NAVAL ARMS CONTROL
PERSPECTIVE IN THE MEDITERRANEAN
- Rapporteur: Jim Lacy
Respondent: Marco Carnovale
(11,00 coffee break)
- 13,15 Lunch ("Il Bolognese" Restaurant, Piazza del Popolo 1)
- 14,30 DEFENSE ECONOMICS AND THE STRATEGIC IMPACT OF ECONOMY
IN THE AREA
- Rapporteur: Jim Steinberg
Respondent: Maurizio Cremasco
(16,15 coffee break)
- 17,00 WRAPUP AND CLOSING REMARKS
- Commentators: Jim Thompson
Cesare Merlini

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September 24/25, 1990

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IAI

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great changes not decision
free-choice

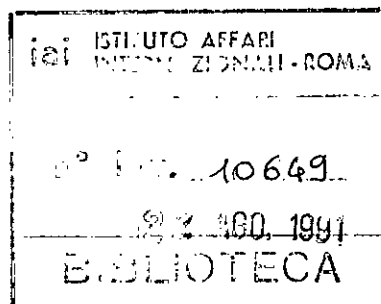
change needs to be accepted → EC helped to resist changes in East

- unilateralism as a threat

- what is happening with Russia
is alarming

- economic aid - Marshall

EC as a precautionary and example



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WORKING DRAFT

OF TIME AND ECONOMICS: THINKING ABOUT EUROPEAN
SECURITY IN THE 1990s

Robert A. Levine

August 1990

WD-5081-RC

Prepared For _____

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PREFACE

This paper serves two functions. It is my attempt, not my first and probably not my last attempt, to put together some thoughts about how to think about public policy in general and European security policy which is central to my current research agenda in particular. And it is intended as a contribution to the RAND/Istituto Affari Internazionali conference on NATO's Southern Region, in September 1990.

It has been supported by RAND Corporation research funds.

SUMMARY

This paper has two purposes:

- To restate the case for adaptive short-run planning for Europe.
- To structure systematically a set of underlying factors that should be considered in all planning for European security, whether short or long-run. By examining such factors rather than immediate events, it is hoped that its utility as policy analysis will last more than a month or two.

The tension between short (What will be the immediate effects?) and long-run (where do we want to get in the future?) criteria for policy planning can be illustrated by two recent examples, stemming from opposite sides of the spectrum of views on European security.

The first is the contention by opponents of the 1987 treaty on Intermediate-Range Nuclear Forces, and 1989 proposals to allow the Short-Range Forces to decline while negotiating with the Soviets over them, that such moves would lead down the "slippery slope" to full denuclearization of West Europe. Advocates of these moves pointed out that in both cases the Soviets would undergo far greater short-run reductions than the West, and contended that the denuclearization outcome was by no means inevitable.

From the other side of the spectrum of security views, the 1990 suggestions, following on the East European revolutions of 1989 and subsequent German reunification, that Europe should move rapidly to a new security "architecture," including radical changes in the structure and function of NATO, were viewed by many others as premature short-run endangering of that which we had in favor of that which was still to be formed over a longer period of time.

The basis of the short-run emphasis is the broad range of uncertainties about the 1990s in Europe's future as seen from the beginning of the decade. This is very different from that of the Cold

War years, when the sureness of East/West hostility provided a firm frame of reference for NATO planning. The sources of uncertainty are widespread, although many of them are based on the economics of a continent reconstructing itself. The sources include:

- Changing international interactions. The roles of the major players in Europe have changed sharply from the Cold War pattern.
- The dominance of economic considerations over security and other political considerations, which means that security policy is subject to major shocks exogenous to the security realm as such.
- Soviet economics. The likelihood of collapse.
- Other East European economics.
- German economics. The implications of the difficult reconstruction of the economy of the east.
- The European Community (EC). Hopeful but nonetheless uncertain.
- Budget constraints.
- Demography, particularly the demography of immigration and other population movement.
- The dialectic of rapid change, which is much more difficult to predict than the slowly moving changes of the Cold War.
- The difficult dynamics of transitions from one relatively steady state to another.
- The reassertion of nationalism.
- The growing impact and unpredictability of "out of area" events.
- The effects on security of open elections, East as well as West.
- U.S. difficulties in playing European politics.

As long as this list is, the overall problems of unpredictability and long-run planning are compounded even further by the fact that each of the uncertainties interacts with the others on a time scale on which changes in one can change the range of possibilities for others, perhaps radically. Economic problems can lead to election results that can lead to changes in security structure, for example.

The implications for military planners of these uncertainties are substantial. They suggest a continuing need for NATO and for U.S. troops and nuclear weapons in Europe, as a political/military hedge against the uncertain future, but such political/military functions are difficult to use as bases for specific force sizes or postures. The old rationale for the Alliance military posture--the threat of a Warsaw Pact conventional attack overwhelming Western Europe--is clearly dead. What is needed now is a new rationale that can serve both as a concrete basis for military planning and a means of retaining voter/taxpayer support for the necessary expenditures, still substantial although much lower than during the earlier years.

One possible rationale would be based on a continued but much attenuated threat of purposeful Soviet (or Russian) attack to the West. It is concrete enough to structure military planning and may still be plausible enough to retain public support for at least a few years. The implied posture would stress reinforcing ability of NATO forces, mobility, and residual theater nuclear deterrence. It could utilize integrated multinational forces. An alternative rationale would be based on the uncertainties themselves, with a purposeful Soviet/Russian attack far down on the list although more random dangers from the East would rank much higher. Although the uncertainty rationale seems to indicate a military posture similar to that based on the attenuated deliberate attack--reinforcing ability, mobility, and residual nuclear deterrence--uncertainty provides planners with little basis for estimating force size or posture requirements. In addition, this rationale could discourage multinationalism; future unfolding events might well be interpreted differently by different nations. Because the uncertainty rationale would be closer to the real reasons for continuation of the

Alliance and the U.S. troop presence, however, it might be believed by American and other publics for a longer period of time.

The more general conclusions are based on three precepts, each of which stems from the central need for prudence in the face of uncertainty. Prudence is not identical to conservatism: the dictionary definition centers is "the ability to govern and discipline oneself by the use of reason." The three are:

- *Hold on to what has worked.* This is conservative; it implies holding to and promoting existing successfully functioning organizations, NATO and EC, while carefully building new ones such as the Conference on European Security and Cooperation (CSCE) and possibly the Western European Union.
- *Hedge against that which is uncertain and dangerous.* The worst dangers stem from the Soviet Union/Russia, although as noted, purposeful aggression is the least of these; and from "out-of-area." The hedges needed here provide another major reason for continuation of a strong NATO. Much lesser dangers may stem from Germany, not revival of the past but an inward-turning delaying the integration of Western Europe, or, even less likely, a revival of the "Rapallo" entente with the Soviets. The hedge here for the United States would be to maintain good relations with our other European partners, while realistically treating Germany as the central economic and political power in Europe.
- *Act to avoid that which without action would be certain and dangerous.* The action called for is far from conservative. The real danger to Europe (and the world) is the collapse of the Soviet Union, or of a Russian successor state, and the consequent security risk of still-major conventional and nuclear power not completely under control. The most serious threats are ethnic/nationalistic, about which the West can do little, and economic collapse, with which *perhaps* we can help. Such help does not necessarily imply personal support for

Gorbachev; it does suggest assistance for his government or a successor regime in building a coherent economy and thus a stable polity.

This remains a perilous world; the Iraqi invasion of Kuwait and subsequent events have demonstrated that. For Europe, the perils are matched with high hopes, but the perils must be overcome to achieve the hopes. Hopeful times are not always easy times, and prudence and common sense dictate looking down at the next steps on the narrow path, even at the cost of taking our eyes off the horizon.

ACKNOWLEDGEMENTS

An earlier version of this paper was critiqued by Charles Cooper and James Hodges of RAND. This one moves part of the way toward their suggestions.

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DRAFT

OF TIME AND ECONOMICS:
THINKING ABOUT EUROPEAN SECURITY IN THE 1990s

Men having often abandoned what was visible for the sake of what was uncertain, have not got what they expected, and have lost what they had. . .

--Demetrius Phalereus, quoted by Athenaeus

It is certain because it is impossible.

-Tertullian

The strength of ancient Germany appears formidable when we consider the effects that might have been produced by its united effort.

--Edward Gibbon, *The Decline and Fall of the Roman Empire*¹

The third century *Anno Domini* bears some similarity to the end of the twentieth.

In a recent RAND Note, David Ochmanek and I presented a "transition strategy" for United States security policy in a rapidly changing Europe.² The central theme was that the extreme uncertainties consequent upon the breakup of the Soviet empire and the reunification of Germany should lead to a focus on getting through the short-run transition to a long-run steadier state, rather than trying to design the long run now.

This paper has two purposes:

- To restate the case for adaptive short-run planning for Europe, in a way less closely tied than was the earlier study to immediate issues and to the concept of a definable transition period.
- To structure systematically a set of underlying factors that should be considered in all planning for European security and stability, whether short or long run. By examining such

¹Edward Gibbon, *The Decline and Fall of the Roman Empire*, Modern Library, New York, Undated, Vol. I, p.203.

²Robert A. Levine and David A. Ochmanek, *Toward a Stable Transition in Europe: A Conservative/Activist Strategy for the United States*, RAND Corporation Note N-3106-AF, May 1990.

factors rather than immediate events, it is hoped that its utility as policy analysis will last more than a month or two. The failure of the world to hold still for analysis has been a chronic problem since at least 1987; in the fall of 1989 it turned acute.

The "long run" and the "short run" are of course not distinct time periods with the one commencing immediately upon the ending of the other; rather, the long run is made up of a series of short runs. Nor can one shift back and forth from long to short-run criteria for setting and evaluating policy. Rather, policy always depends on a mix of considerations, both long-run "goal-oriented" (Where do we want to get at some future point?) and short-run (What will be the immediate effect of a proposed measure?) The operational question is: What should be the relative weight of the two sorts of factors in any given set of decisions at any given time?

The central contention of this analysis is that *at the beginning of the 1990s, the uncertainties of Europe's security future are so much greater than they were for the hostile but basically stable Cold War years from the Berlin blockade/airlift to the onset of Gorbachev that immediate-effects considerations must dominate until we reach a new "steady state."* The overwhelming constant in the earlier steady state was the knowledge that the Soviet Union was the adversary/opponent/enemy. Soviet hostility was sometimes aggressive, sometimes defensive, sometimes opportunistic, but it was always dangerous. Now the constant has become a very uncertain variable. We can hope and even believe that the steady state of the future will be far less hostile than that of the 1950s, 60s, and 70s, but getting from here to there may present many new dangers.

None of the short-run uncertainties suggests, however, that the goal-oriented criteria can be dropped completely from the calculus, or that such considerations have no bearing on immediate effects. It is clear, for example, that a "vision" of the future can play an important role in providing the political impetus for movement in the present.

This turns a long-run consideration into a short-run impetus; but such a vision, while not trivial, is only one factor among many, and cannot outweigh more concrete and immediate policy imperatives. Indeed, while visions *provided* may supply useful positive inspirations for current policy, care must be taken that that visions *precluded*--e.g., the door closed in advance to membership of Eastern European nations in the European Community (EC)--not bring about severe negative consequences.

The short-run/long-run distinction is an abstract one. Given that policy will always be based on a mix of the two, is the distinction meaningful? At least for now, the answer is "yes," because long-run considerations in a time as uncertain as this are too frequently allowed to direct or interfere with important short-run policy steps. Three cases illustrate the point:

The controversies in 1987 over the Intermediate-Range Nuclear Forces (INF) treaty, and in 1989-90 about NATO decisions on Short-Range Nuclear Forces (SNF) provide one example. Both debates were characterized by anti-treaty contentions that the proposed disarmament measures would be first steps down the "slippery slope" to full denuclearization of West Europe. In both INF and SNF weapon categories, however, the Soviets possessed and were offering to destroy many more weapons than NATO. Long-run linear projections running from fewer American nuclear weapons in Europe to zero American nuclear weapons in Europe had no basis in deductive or political logic; an increased emphasis on the importance of residual weapons seemed at least as likely as a headlong rush to zero. Had these "slippery slope" arguments prevailed, a major opportunity for arms reduction, and perhaps even the opportunity for the major East European turnarounds of 1990, would have been lost.

If the INF/SNF case illustrates a paranoid use of long-run considerations to challenge change, the second example suggests an overenthusiastic use of the long run on behalf of premature change. Discussion of future security "architectures" for Europe frequently turn to the Conference on Security and Cooperation in Europe (CSCE), a forum including all West and East European nations except Albania, and also

the United States and Canada. That CSCE should be transformed from a forum to an institution with a current function of helping resolve intra-European issues and a hope for some day becoming *the* European security structure--an effective continental version of the UN--is a matter of general consensus. But to *anticipate* this new architecture by breaking down the current NATO-based security architecture of Western Europe on the basis of such an anticipation, or to change NATO into a vaguely-defined "political" institution by doing away with its quite concrete military structure, as has been suggested by some, would lead to the premature demise of the bird in hand that has been laying golden eggs for forty years.

Finally, the August 1990 Iraqi aggression against Kuwait has led to a new set of short-run/long-run issues. Few Americans--indeed, few people anywhere in the world, as judged by the UN votes against Iraq--questioned the need for immediate response; without it, the immediate future seemed likely to include further aggression in the Persian Gulf and control by the aggressor of the world's oil supply. But, looking beyond such immediacy, Henry Kissinger wrote, two and a half weeks into the crisis:

The President's dramatic decision to deploy a major military force to Saudi Arabia has raised not only the prospects of success but also the stakes of defeat. The United States has passed the point of no return. It is thus crucial to assess how success and failure are to be defined.³

At least since leaving office, Kissinger has always stressed long-run considerations, usually on the doom side. An different emphasis--on achieving our short-run objectives (getting the Iraqis out of Kuwait) without precluding the long (avoiding hostile control of a crucial resource)--would suggest that defining "success and failure" at the height of the crisis might commit us far too soon to goals we might later prefer to redefine as events developed. That could force us to

³Henry A. Kissinger, "U.S. Has Crossed Its Mideast Rubicon--and Cannot Afford to Lose," *Los Angeles Times*, August 19, 1990, p.M1.

devote our power and prestige to achievement of symbols that would have been meaningless had it not been for our premature commitment.

What each of the examples comes to is that the temptation to look to the fearful or happy future can interfere with what is necessary in the concrete present. At a time of rapid and radical change, this can be quite dangerous.

The next section of this paper takes up the sources of the uncertainties that make long-run prediction a particularly difficult exercise in the early 1990s, and goal-oriented planning a particularly questionable guide to policymaking. The greatest uncertainties are based on the uncertain economics of change in Europe, particularly Eastern Europe, but the list of sources is long and varied:

- Changing international interactions. The roles of the major players in Europe have changed sharply from the Cold War pattern.
- The dominance of economic considerations over security and other political considerations, which means that security policy is subject to major shocks exogenous to the security realm as such.
- Soviet economics. The likelihood of collapse.
- Other East European economics.
- German economics. The implications of the difficult reconstruction of the economy of the east.
- The EC. Hopeful but nonetheless uncertain.
- Budget constraints.
- Demography, particularly the demography of immigration and other population movement.
- The dialectic of rapid change, which is much more difficult to predict than the slowly moving changes of the Cold War.
- The difficult dynamics of transitions from one relatively steady state to another.

- The reassertion of nationalism.
- The growing impact and unpredictability of "out of area" events.
- The effects on security of open elections, East as well as West.
- U.S. difficulties in playing European politics.

As long as this list is, the overall problems of unpredictability and long-run planning are compounded even further by the fact that each of the uncertainties interacts with the others on a time scale on which changes in one can change the range of possibilities for others, perhaps radically. Economic problems can lead to election results that can lead to changes in security structure, for example. This is taken up following the discussions of the specific sources of uncertainty.

The last two sections of the paper then examine the policy planning implications of current change and compounded uncertainty. The next to last discusses military planning in Europe--the dilemma of the continuing *political* need for a NATO including U.S. troops, and the fading *military* rationale for American and other forces. Finally, some general guidelines for what-next planning over the next several years are adduced. Their general theme is prudence, which is not the same as conservatism; it includes some forms of conservatism, but the dictionary definition of prudence can also include active policy where that is necessary to fend off disaster.

UNCERTAINTIES

Changing International Interactions

Figure 1 provides a simple representation, prepared for a forthcoming book⁴, of the way issues and decisions flowed through the North Atlantic Alliance until 1989. Few major changes were initiated from within NATO; rather, as befits an alliance intended for the primary

⁴Robert A. Levine, "Introduction" in Robert A. Levine (ed.), *Transition and Turmoil in the Atlantic Alliance*, Crane and Russak, New York, 1991.

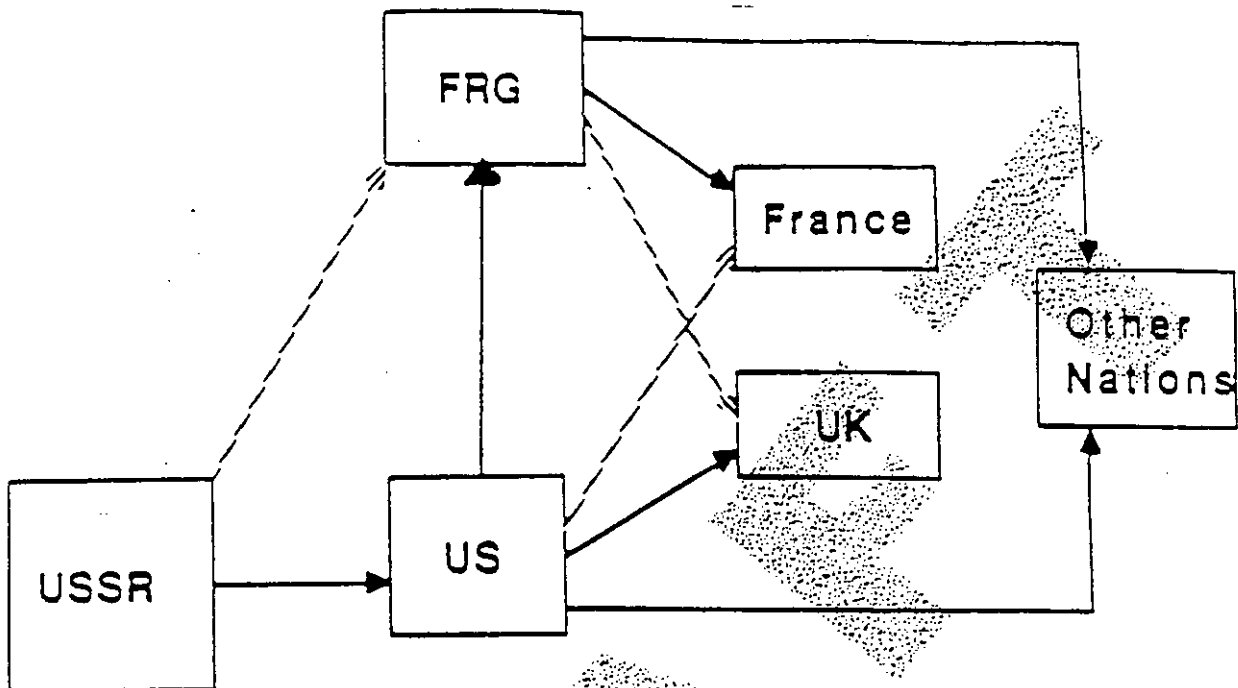


Fig. 1--Flow of Issues through NATO, up until 1989

purpose of deterring or defeating the Soviet military threat, internal changes were made primarily in reaction to perceived changes in the threat. The first response within NATO ordinarily came from the United States as leader of the Alliance; this was transmitted to the three major European members--the Federal Republic of Germany, France, and the United Kingdom--with the FRG's position on the front line making it the central European power in importance as well as geography, particularly as German economic and military strength grew through the 1960s, '70s, and '80s. The other members of NATO followed on.

By early 1989, however, the Federal Republic was becoming more of an in-Alliance initiator, largely because of its own internal imperatives: the fading of memories of the Nazi era, and the desire for full sovereignty and a political and military role based on present strength rather than "singularization,"--special treatment based on past sins and defeats. The new West German assertiveness was manifest particularly in the fierce NATO debate over the siting of Short-Range

Nuclear Forces (SNF), particularly the Follow-on to Lance (FOTL) missile, in the FRG. The U.S. and Britain wanted FOTL; the West Germans did not, and did want SNF negotiations with the Soviets; President Bush crafted a compromise putting the issue off until the end of the negotiations on Conventional Forces in Europe (CFE). In the event, FOTL disappeared in the wake of the revolutions and the moves toward German unification in late-1989 and '90; in fact, the issue had been decided long before that, and the new missile system never would have been deployed.

In any case, revolutions and reunification changed the map of European decisionmaking. Rather than the directional arrows of Figure 1, by 1989, European decisions could be better depicted by Figure 2: as a Soviet/German/American triangle plus one box representing everything else, with arrows in various directions. The crucial 1989 decisions, in the 2 + 4 talks between the two Germanys and the four World War II victors, in the CFE negotiations, and most important, in the constant round of one-on-one meetings among the American, West German, and Soviet Foreign Ministers, had to do with the balance between the security

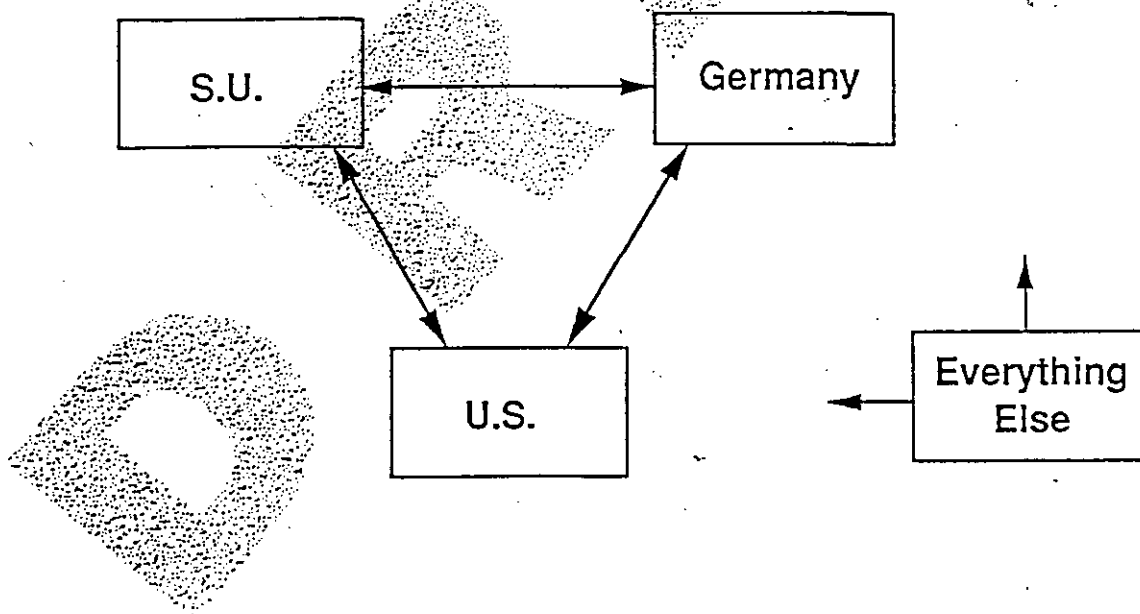


Fig. 2--Flow of Issues through NATO, late 1989 - ?

concerns of a newly-unified Germany and those of the Soviet Union, with the United States playing a major role in the balancing process. The other European nations, even France and Britain, the other members of 2 + 4,

The complexity of these issues, and their changing nature, can be illustrated by contrasting three general points of view that seemed to dominate the debate in the spring of 1990, but which by summer had been made obsolete by events. Such constant change is a new phenomenon in NATO, stemming from the loss of the Alliance's fixed anchor, Soviet hostility. The three viewpoints were

1. A German-centered view, paradoxically stronger among Americans than Germans, that German needs for security and for treatment as a full non-singularized independent sovereignty, implied departure of Soviet troops from eastern Germany, without any *quid pro quo* in the form of corresponding departures of U.S. and other allied troops from western Germany or limitations of German rights to decide on their alliance memberships and force sizes. The proponents of this view contended that invidious "singularization" of Germany by imposing special requirements would lead to dangerous German hostility to both West and East. But in the event the "voluntary" ceiling imposed on Germany forces by the July 1990 Kohl/Gorbachev agreement caused absolutely no such bitterness in Germany or anywhere else.
2. A Soviet-centered view, held officially by the Soviets and unofficially by some Germans and Americans, that European stability depended upon satisfaction of the Soviets' felt needs for security, and that these needs included some continuing limitations on Germany, particularly with regard to alliance membership. But once Gorbachev had gotten through the July 1990 Communist Party Congress, he had little difficulty agreeing with Chancellor Kohl on the Western solution, full German membership in the Atlantic Alliance.

3. A "compromise" between 1 and 2, acceptable to some Germans, which it was feared in the West might be agreed to by many more were the Soviets to step up the pressure: "Neutralization" of Germany by getting the Germans out of NATO and the Americans out of Germany. But by July 1990, the Soviets demanded no such price.

These viewpoints are not set forth here in order to evaluate their prognoses or prescriptions, but rather to illustrate the unsteadiness and volatility of both. The debate was hot, the worries deep, and the warnings of long-run disaster emanating from all sides were dire. And the simple common sense of the Kohl/Gorbachev agreement--removal from Germany of Soviet troops that would inevitably have been withdrawn anyhow for political and economic reasons, willing reduction of German forces to levels that would have been arrived at anyhow for budgetary reasons, and freedom for the Germans to remain in the North Atlantic Alliance that they, their allies, most erstwhile Soviet allies, and many in the Soviet Union itself wanted them to remain in--allowed policy to move along to the next set of short-run issues and the next set of dire long-run warnings.

Even these three viewpoints, however, and the simple resolution of the seemingly-so-complex Soviet/German/American issues, omit another key set of international relationships. The central three-nation triangle of Figure 2 is not Europe, and the "everyone else" box is neither empty nor irrelevant. Two key western nations, France and Britain, form half of the four in the 2 + 4, and are major participants in NATO and also EC. Discussions of European security, other than discussions taking place in Britain and France, frequently assume that these nations and the rest of NATO will come along once the issues are decided among the three nations of the triangle. Perhaps they will--reality lies in the substantially superior economic and political as well as military strength of at least the western two of the three triangular nations--but not necessarily so.

In any case, the detail of national viewpoints, in or out of the triangle, is not important for this analysis, nor is the fact that they are "ideal types" with many views in between. These are all mid-1990 snapshots illustrating the changing relationships among the key sovereignties determining the future of Europe. Predictably, substantial further change will take place in the next months and years. The central point here is that these shifting international relationships, none of which are controllable by a single super-sovereignty dictating solutions as would a national consensus or parliamentary majority, provide the first of the uncertainties that can make long-run policy planning dangerous if it is taken too seriously.

The Dominance of Economics

The most important point to make about economics is its importance. On this, Karl Marx was about right: economics does determine much in human life and activity. Economics tends to dominate politics because people and nations tend to follow their economic interests as they see them. Their perceptions about what economic measures are in their interest may be wrong (many economists ordinarily think they know better, which may or may not be true), but their economic perceptions almost always govern their political and policy views. And perhaps even more important, economics imposes stringent constraints on what can be done, by public policy or private endeavor. It provides many examples of the Roman's terse warning quoted at the start of this paper: "It is certain because it is impossible."

One major example of the importance of economics in determining political and therefore security outcomes can be taken from the short intense history of the revolution in the German Democratic Republic and the subsequent reunification of Germany. Certainly the East German events that led to the revolution of 1989--the exodus through Hungary and Czechoslovakia and the demonstrations in the cities--were motivated by the desire for freedom as well as for western standards of living, and nobody can say what the balance was between the two. And equally certainly, the West German reaction had a large element of ethnic

fraternalism and fulfillment of forty years of dreams. Even so, the initial migration from the East, and much more the mass movement after the Wall had opened, were very heavily economically motivated, and the confused pace of the FRG reaction even more so. Chancellor Kohl's initial three-stage plan for reunification was based on the need for political unification to keep slow pace with economic realities. His and the Federal Republic's conversion to rapid reunification came when it became clear that the three-stage plan would not slow the exodus, and that the West German electorate was extremely concerned by the migration and its real costs. The Christian Democratic (CDU) victory in the March 1990 GDR elections was based at least in part on another economic consideration, Kohl's promise to convert ostmarks into deutschemarks at 1:1. And, most importantly for this discussion of security policy, the economic aspects of unification will weigh far more heavily in the all-German elections of late 1990 than the security aspects. The winning party or coalition chosen on economic and other political considerations, will then determine the issue that counted only slightly in the outcome--German security policy.

Economics is likely to dominate security politics not only in Germany but in the other major nations playing in the European game. For Britain and the Soviet Union in particular, the impact of economics on politics could lead to substantial redirection. In Britain, a Labour government returned because of exhaustion of Mrs. Thatcher's economic policies would be likely to initiate rather different security policies, although far less radical than those that helped Labour lose the 1987 election. In the Soviet Union, continued economic deterioration could lead in almost any direction, as discussed in the next section.

Soviet Economics

Soviet economic prospects provide the single most crucial uncertainty for Europe's security future. The likely course of the Soviet economy is all too predictable; the consequences for politics and security are unpredictable and frightening.

Put in terms that are harsh but not exaggerated: in Gorbachev's first five years, the Soviet economy has gotten steadily worse; it shows no signs whatever of taking any turn for the better; the plans set forth by the Soviet government show no promise of improving the situation; the resistance to such plans, or any radical plans, makes their adoption difficult; were they adopted, the *apparatus* is likely to preclude their successful implementation; and not even the best Soviet officials or economists seem able to design better plans.

This does not suggest a bright future for the Soviet Union, or for the central Slavic constituent parts that might remain together if the Union were to split up: the Russian, Ukrainian, and Byelorussian Republics. The ethnic issues that could lead to full or partial disintegration generate the other great cloud over the Soviet future, but these are political issues that may perhaps be solved by compromise or by Gorbachev's proposed confederation. Whether or not Gorbachev is a master politician, however--the conventional wisdom is that he is, but some experts argue the opposite case quite convincingly⁵--he surely is no master economist, nor is it clear that any master economist could work his way through the above obstacles. This has a number of direct implications for European security.

First, the simple belief, held by Soviets and others, that the Soviet Union must reduce its military establishment in order to free up resources for its civil economy is misleading at best. The Soviets are clearly not ready to absorb and utilize the manpower that would be released by major force reductions; that this must slow down Soviet withdrawal from East Germany has been recognized by the Germans who are even willing to finance infrastructure within the Soviet Union for returning troops. Such financing, however, will not improve the prospects for absorption of the troops into a productive civil economy, and failure here could lead to a class of underemployed and dissatisfied former officers as in the Weimar Republic. Prospects for turning

⁵See, for example, Jeremy R. Azrael, *Restructuring and the Polarization of Soviet Politics*, RAND Corporation Note N-3143-A, June 1990.

military industry to civilian production may be brighter, but the failures of such a turnaround even in presumably more flexible U.S. defense industry do not augur well for the Soviets.

Second, in whatever direction the uncertain Soviet future lies, back to Brezhnev (or Stalin) is the least likely of possibilities. Internally, even if the Soviets were to return to totalitarianism, as is certainly possible, it would be likely to be of a very different sort. One difference of major relevance here is that a new Soviet (or Russian) totalitarianism would probably be very much inwardly directed and externally defensive; the 1944-45 conquests that brought Eastern Europe into the Soviet sphere are not likely to be repeated or repeatable. This is strongly underlined by economics: to the extent the Soviet military machine is dismantled under negotiated agreements or unilaterally, it will be near-impossible to restore under a weakening economy. This does not mean that we need no longer worry about Soviet military power--the Soviet Union will remain a nuclear superpower and it may retain large conventional forces available to fight in Europe--but without the rest of the Warsaw Pact and without the military machine of the 1970s or the real ability to recreate that machine, the military danger from the Soviets will be very different from that we have known.

But third, uncertainty itself will replace the directed threat of past with a random but still very real danger to European security. The final point about Soviet economics is that it seems extremely unlikely for a deteriorating economy to support a stable polity for a time period lasting at least until the indefinite point at which the Soviet economy turns around. Strikes and bread riots can bring down governments, and strikes and bread riots have already begun to take place. The issue is not the personal status of Gorbachev; it is what *kind* of regime will govern what is now the Soviet Union as the economic failure becomes clearer. What parts of the current union will it govern? Will it be liberal, *apparat* bureaucratic, neo-totalitarian, military, or old-Russian fascist? Most frightening: Will it be a regime at all, a civil war as in Russia from 1917-21, or a set of feudal warlords as in China before Chiang Kai-Chek finally conquered the others in the 1930s?⁶

Whichever it is, however, it will possess a lot of at least latent military power, including world-destroying quantities of nuclear megatonnage.

The bottom line on Soviet economics is that failure comes close to being certain because reconstruction is close to impossible, at least as things are going; and the near-certainty of economic failure leads to vast uncertainty about Europe's security future.

Other East European Economics

Much that has been said about the Soviet Union can also be said about the rest of Eastern Europe, but with two meliorating qualifications.

First, the economic situations and prospects in most of the other nations are probably not as bad. The necessary free-market cultures and traditions have been preserved to some extent and the relative smallness of the economies makes adjustment easier. These factors have been reflected in the ability of Hungary, Poland, and Czechoslovakia, and perhaps even the Baltic republics, to reverse direction relatively easily, although it will be a long way to success in each. The Soviet Union may be better off in the long run because it is resource-rich compared to the others, but to get to the long run they will all have to go through the short run, and non-Soviet Eastern Europe has a better chance of moving from here to there smoothly.

Second, even failure and chaos in these smaller nations would present less of a threat to overall European stability than failure and chaos in a power with the size and armament of the Soviet Union. The breakup of Yugoslavia or a war between Hungary and Romania would be terribly destabilizing for the countries involved; it is not clear how

⁶Azrael suggests substantial near-term possibilities for a civil war, largely on the grounds of current political failures. The economic argument here is that whether or not such a war breaks out in the near term, a continuously deteriorating economy will continue to throw up such possibilities into the indefinite future. Indeed, since civil war does not provide the answer to many economic problems, Azrael's civil war if it takes place could be just the first.

or why it would spread to Western Europe or, under current conditions, to the Soviet Union. The obvious exception here is East Germany, which is taken up next.

In any case however, instability in the non-German non-Soviet East, particularly instability based on the near inevitable hard economic times, must count as one more uncertainty adding to the difficulties of long-range planning. Many of the long-range visions for Europe, for example, have a politically confederated Europe growing out of the integrated economy of the European Community and ultimately extending at least to the borders of the Soviet Union. These visions presume the success of democratic capitalism in the Eastern nations, and as indicated, it is a long way from here to there.

German Economics

Germany's economic future is vastly more likely to be successful than that of the Soviet Union, but paradoxically, it is in some ways less certain than the Soviet future. It does seem near-certain that an economic powerhouse like West Germany can reconstruct the economy of an East Germany one quarter its size, and will do so. But at what cost to whom, over what period of time, and with what economic and political side-effects are very open questions, and their openness adds one more important dimension of uncertainty in Europe.

One historical analogy to both Soviet and East German economic reconstruction can be taken from the Marshall Plan. The size of each problem may be measured roughly in terms of elapsed time. The Marshall Plan for western Europe succeeded over a few years in undoing five years of damage of war and Nazi occupation, during which most of the old institutional structures survived and the old ways of doing business were unforgotten; Soviet reconstruction must overcome seventy years; East German as well as other East European, forty-five.

East Germany has major advantages over the rest of Eastern Europe--a common culture and language with West Germany and, based on this, a fraternal partnership apparently willing to do what is necessary, "at whatever cost." But the costs will be real and high, and

they are easy to underestimate. The difficulties consequent upon the July 1990 monetary union, bringing the deutschemark to East Germany at 1:1 and 1:2 exchange rates for the ostmark--both of which were grossly out of line with the real relative values--provide only an initial and probably mild indicator of the problems.

On the real economic level, what must be done for most of the East German economy is, quite simply, to replace it: replace the public infrastructure like the fully obsolete telephone system; replace the capital stock that uses obsolete methods to turn out products nobody wants; reconstruct the agricultural system to modern productive standards; redo the entire ownership and commercial/juridical systems. And do all of this while fulfilling the German Democratic Republic's economic obligations to the Soviet Union and probably adding in additional sweetening for the Soviets, for political reasons. All this can be done and almost surely will be done; but how long it will take, how much it will cost, and who will bear those costs are very open.

The costs, although not certain, are highly likely and likely high. It is sometimes contended that, far from creating problems, the reconstruction of East Germany provides a set of exciting economic opportunities. And so it does in one sense: here is a substantial potential market for German, European, American, and Japanese industry; here is a skilled and industrious work force awaiting the capital to make it productive. This is largely true, but the implications are less than meets the eye. A major West German utility, Ruhrgas, for example, estimates that unification will bring the taxpayers of the Federal Republic 93 billion deutschemarks in net *benefits* from the tax revenues on the increased production of the east--but that is over a period of ten years and the costs will be concentrated at the front end.⁷ And the front end--the short run--is where the trouble lies. The Marshall Plan analogy does suggest ultimate economic success, but the analogy also highlights the central problem: the dilemma of workers' incomes versus investors' costs. The success of the Marshall Plan and the FRG

⁷Ruhrgas, "Kosten der deutschen Einheit und ihre Finanzierung," *Wirtschaft und Politik*, September 1990.

wirtschaftswunder depended on the willingness of German and other European workers to accept low wages and standards of living in the short run *until* productivity rose to near world (at that time, American) levels; a combination of low productivity and high American wages would have priced European industry out of all but small internal markets and the investment and development would not have taken place.

To keep to the analogy, East German workers would have to accept much lower wages than their Western brothers, in order to induce private investors to reconstruct the East. The low-wage period would be temporary, but the evidence and the logic suggest the near-impossibility of even such a temporary regimen. For six months of 1989-90, East Germans proved themselves capable of departing rapidly for better opportunities in the west. The promise of deutschemark/ostmark parity, among other things, stemmed the migration; but it seems entirely likely that the prospect of low-wage jobs, high unemployment in the East, and the end to the generous benefits (e.g., housing subsidies) of the German Democratic Republic, juxtaposed to economic opportunities in West Germany and indeed throughout a borderless West Europe, could may the outflow. And that in turn could destroy the political as well as the economic prerequisites for development of East Germany.

It is, in fact, unlikely to happen that way. But if it does not, it will be because somebody has subsidized the transition, covering the gap between wages high enough to be accepted by the labor force and labor costs low enough to attract the investment. One source of such subsidy might be the West German investors themselves, out of fraternal feelings or a willingness to take a view long enough to outweigh the short-term possibilities of higher return in other areas, like Southern Europe. No evidence exists to suggest that this would be a major source, however; German business is not noted for fuzzy warmth with regard to profits.

That leaves West German taxpayers. They are the most likely source, and it is likely to happen that way--but not smoothly, politically or economically. East Germany will be reconstructed, someone will have to pay; it will be the public that can pay, and that will be the West German public.

It will happen, but it will happen with costs, difficulties, and time that add more uncertainties for the planning of European security futures. What will be the effect on other German expenditures, particularly for defense? What will be the effect on alternative German investments, in Southern Europe, Eastern Europe, the Soviet Union, and elsewhere?

What will be the effect on German politics which, like politics everywhere, is largely determined by economics? Will it mean a German political "inturning," and what would that mean in terms of willingness to promote either deepening or broadening of EC? Could the costs and difficulties revive extreme tendencies, of the left or the right? Even in the short run, might economic difficulties in the months between the economic union of July 1, 1990 and the all-German elections later in the year reverse the easy prognosis that the Christian Democrats and their allies will sweep the elections?

Perhaps it will all be straightforward and easy, and those who see the opportunities much more clearly than the dangers will be right. But it would be an imprudent security planner who counted on that.

The European Community

The EC is the single most promising institution for assuring the long-run economic stability of Europe and probably its political stability too. Whether it will also become the primary security guarantor is more conjectural but certainly well within the realm of hope and possibility.

The details of upcoming EC decisions are not important here. Many crucial issues will have to be determined in the near-term and the longer future. To what extent will the European Monetary Union (EMU) and the Single European Market be implemented, and over what period of time? To what extent will the major political institutions, particularly the directly elected parliament, accrue powers not dependent on member governments? How far will Britain move in joining continental economic and political integration? Will the nations of Eastern Europe, not to mention Austria, Norway, and Turkey, come into

the Community as full members, and with what preconditions and over what period? Of particular and crucial importance to the United States, will a successful EC be an autarchic Fortress Europe standing against Fortress North America and Fortress East Asia, part of a broad and open world trading system, or in some unspecified position in between?

The relevance of these questions to this analysis lies in three factors:

- They demonstrate, in one more sphere, the dominance of economics. The internationalization of the private economies of the developed world, and the desire of the people of that world to join in the prosperity, are driving the internationalization of their public economic systems; and the internationalization of economic systems is pushing the integration of political systems. Indeed, once the EMU establishes a single central bank controlling monetary policy for the entire Community, everything else is likely to fall into line. Monetary policy cannot work except in some sort of close relationship with fiscal (tax and spending) policy nor can fiscal policy work without monetary policy; fiscal policies are therefore also likely to move toward Community rather than national control.
- It is quite possible and perhaps likely that economic and political integration will form the institutional basis for a new European security system, although not in the short run. Without now specifying either the precise route to such a system or the form it will take, if the Community creates strong political institutions, and if the security threat from outside the Community appears substantially weaker than the Soviet threat appeared to the West until recently, then it would seem natural for the political institutions to create the necessary residual security apparatus, rather than retaining the Alliance which has focused on security as its primary objective. The role for the United States in such a structure

is not clear, but that would develop over the period of time in which the Community institutions developed.

Which leads to the key implication,

- This will play out over an unknown but probably long period of time--let us arbitrarily say over the decade of the 1990s--and adds one more element to the set of uncertainties surrounding long-range security planning.

Budgets

This example of economic dominance is perhaps the most obvious one. Budgets and Finance Ministries--and economic possibilities--not only impose severe constraints on security options, but are likely to increasingly direct them. For the United States, the most constraining limit under discussion in the CFE negotiations has been the 225,000 ceiling proposed for American troops in Europe. President Bush has stated that that is a floor not a ceiling, but nobody takes that very seriously. The Congress is not likely to be willing to pay for that large a force for very long, and if the numbers are not reduced in additional negotiations with the Soviet Union, they seem sure to be by the United States, although hopefully on the basis of negotiations with the other members of NATO.

The other members are, of course, under similar pressures. The Kohl/Gorbachev agreement limiting German troops to 370,000 as compared to the nearly half-million in the FRG *Bundeswehr* alone before unification, makes an international virtue out of budget necessity. And for the Netherlands, Belgium, Canada, and perhaps even Britain, the question will be: How far back can troop contingents in Germany be cut before nobody believes even the symbolism of an allied presence?

For the Soviet Union, the economic pressures push both ways, as has been discussed. On the one hand, resources now invested in military forces are needed to help build the civil economy; on the other hand, as suggested above, the civil economy is not in a state that can utilize much of those resources.

Demography

Some aspects of demography are so predictable that they cannot be listed under uncertainties. The number of people in a certain future age cohort, for example, can be closely estimated by adding the proper number of years to the appropriate current cohort and making minor allowances for deaths and migration.

On the uncertainty side, however, is the demography of migration. As in the example of the large-scale movement from East to West Germany, this is extremely unpredictable, but clearly subject to strong economic forces. It is predictable that similar economic forces are going to attract increasing numbers of migrants into Western Europe from south of the Mediterranean and probably from the Eastern nations too unless their economies improve more rapidly than seems likely. It is also predictable that the elimination of border controls within EC is going to allow the immigration to spread throughout the Community; indeed, it is likely to add on to migration from the poorer to the better off regions within EC. What is not predictable, however, is the size and the pattern of that migration, or its effect on national politics; the French right-wing extremist Jean-Marie LePen may just be a precursor. This, and other perhaps even less predictable aspects of demography add one more uncertainty that must be factored into Europe's security future.

The Dialectic

In policy analysis, as in other realms, there is a tendency to predict that existing trends will continue. The "slippery slope" discussion at the start of this paper--the fear that the first steps toward reduction of nuclear weapons in Europe would inevitably lead down to full denuclearization--provides one example. And indeed, the inexact science of economics has long since discovered the rule that the consistently best prediction for tomorrow is the same as today, whether in terms of levels or directions.

Nonetheless, political philosophy has provided a better rule--better in the sense that it reproduces the way in which politics and policy work in real life, although it unfortunately makes prediction even more difficult. The dialectic concept that theses generate antitheses, or movements generate countermovements, is particularly salient in times of rapid change. The counter to the "slippery slope" contention, for example, is that the initial drawing down of nuclear weapons in Europe may make the retention of some nuclear deterrent easier rather than more difficult.

Which cases in the future will carry with them their own dialectic correctives, which ones are likely to continue linear, is near-impossible to predict in advance. What are the "natural" limits to either deterioration or reform in the Soviet Union, for example? Linear is easier to predict, but less faithful to the way things actually work.

Transitions

Where we are going is frequently easier to predict than how we are going to get there. The ultimate future states of many of the issues discussed here can be perceived now. With a strong probability, a unified Germany will become an economic success. With perhaps less certainty, the economic future of Europe lies in integration, probably at least as far east as Poland. Some day the United States will no longer have troops in Europe; the American generals in southern Germany are unlikely to have the multi-century staying power of those of the English kings in western France. The future of what is now the Soviet Union is the most difficult to perceive, but it probably includes some variety of confederation for some of the current territory, and some variety of market economy.

Every one of these formulation begs the crucial questions, however. What will be the transitions to these new states: how will they take place, over what period of time, and how will they relate to one another? In security as in economics, we all live in the short run, and in the early 1990s, European security policy must cope with transitions. Militarily, it must cope with a situation in which forces on both sides

are being drawn down and Soviet forces are being drawn out of Eastern Europe--but are likely to still be there in some number for some years. Economically, it must cope with a West European economy that is moving toward integration but will not be there for many years, a Germany that is heading toward immense prosperity but won't be there for a while, and a set of Eastern economies including that of the Soviet Union which are in various states of improvement and collapse. Politically it must cope with the effects of all these other variations on the politics of new and old democracies.

Nationalism

One ultimate state that can be hoped for, and perhaps foreseen, is that within Europe, EC will manage such grand Community matters as monetary and fiscal policy, economic regulation, and defense, but that local matters will be run at appropriate local levels; the current catchword in EC for this sorting out of appropriate levels is "subsidiarity." Carried to its reasonable end, subsidiarity may over a period of time solve the problems of nationalism that seem to be increasing in parallel with integration. Many of these are cultural, and within an integrated political/economic community it seems reasonable to believe that Basques, Bretons, and Scots, as well as Frenchman, Germans, and Englishmen, could achieve near-complete cultural autonomy.

In the transitional meantime, however, while the smaller nationalisms may continue to be contained more or less comfortably, the larger nationalisms may well bring about major twists in the straightforward path from here to there. In France, for example, while LePen seems unlikely to achieve any real share of power, the possibility that he could retain the loyalties of a significant minority could lead the more reasonable right to bid for his support or try to chip off some of his followers by slowing down the progress of European integration. In Britain, Mrs. Thatcher's views are not as unique to her as some elite Europeanists imply; they are shared by many of her countrymen and could interfere with British participation in European integration, even

under Thatcher's successors, whether Tory or Labour. In Germany there seems little reason to fear a renewal of pathological nationalism, but as suggested, the economics of East German reconstruction could bring about a focus on purely German affairs that could slow down European integration. The nationalisms of East Europe have already begun to rear up. And in the United States, a return to effective isolationism in response to perceived failures in European burdensharing or other economic insults is by no means precluded.

Out of Area

On the first day of August 1990, the abstract debate about the American/European/NATO roles in "out-of-area" contingencies (which may be in-area for some Alliance members, particularly those in the southern region) became very concrete. Iraq's occupation of Kuwait exemplified two more sources of uncertainty in determining the future security and other structures of Europe.

The first of these, the debate over the roles of NATO and other organizations including the UN and the Western European Union (WEU), is the simpler. The near-unanimous consensus among Americans, West Europeans, and all the rest of the world, in opposition to the Iraqi aggression made it possible to act first and sort out later. The contrast of this consensus, not only to the unilateral U.S. air attack on Libya but also to the multinational patrolling of the Persian Gulf during the Iran-Iraq war, are striking. The Libyan attack undermined NATO (albeit in a way that had become standard and absorbable over the years) because of the sharply different interests and perceptions of the U.S. and its European partners; the Gulf patrols, in which perceptions varied in subtler ways, engendered much debate about what organization should be doing what to whom. The unanimity of NATO members about the dangers stemming from the aggression against Kuwait, however, meant that the organizational questions could be taken up later, probably without much difficulty, perhaps leading to a strengthening of the Alliance by moving toward consensus on its out-of-area role.

The other issue raised by the Iraqi attack, however, leads to more fundamental uncertainties about future directions for Europe. Europe, North America, and Japan all depend on an assured flow, certainly of oil, perhaps of other resources. Should any of these flows be interrupted, diverted, or changed in any major way, it would have major effects on all other economic, political and security variables--as indeed the Kuwait crisis of 1990 has had. At best, we could go down the sour route of the 1970s when rapid increases in oil prices led to stagflation throughout the developed world and in turn to the defeat of many governments. The worst is less predictable.

Open Electoral Systems in Europe

Security policy is made by governments. Governments are made up of politicians elected by voters--in the Eastern nations including the Soviet Union now, as well as in the Western nations. Voters, as has been noted, tend to vote on the basis of issues other than security policy.

For at least the last 20 years of the Alliance, since the threat of hard-line Communists winning governmental positions in some NATO nations faded (the Communists who joined Mitterrand's government in France in 1980 were very soft-line and no danger), security planners quite reasonably assumed policy continuity in spite of electoral change. Among the key NATO nations: Helmut Schmidt's Socialists were at least as dedicated to the Alliance as the Christian Democrats; the famous French consensus held; and the sharp security policy changes represented by George McGovern in the United States and Michael Foot in Britain predictably went down to overwhelming electoral defeat. And electoral change in the Soviet Union was an oxymoron. This too has changed, and while security planners have assessed the possible effects of an SPD victory in the December 1990 German elections--which looked unlikely in mid-1990, but was subject to change because of the potential short-run effects of difficulties in the economic reconstruction of the East--they have not really examined the cumulative likelihood of political change affecting security policy.

Table 1

ELECTORAL CHANGE AND SECURITY POLICY THROUGH 1995

	A Probability of change in gov't	B Probability of change in policy if gov't changes	C Probability of unchanged policy $1 - (A \times B)$	
U.S.	.50	.30	.85	Democrats could cut defense sharply
Germany	.20	.75	.85	
France	.60	.20	.88	Right-center could return to Gaullism
UK	.60	.50	.70	Labour no longer unilateralist, but . . .
USSR	.80	.25	.80	

(Overall probability of unchanged policy:
product of numbers in column C) .356

Table 1 uses arbitrary but plausible numbers to illustrate the point for key players in the European game. What the table shows is that using these numbers, which assume no more than a one in five probability of change for any major country except Britain, and only three in ten for Britain, there is almost a two out of three chance of an important change in the political basis for European security policy over the next five years.

Using the same illustrative method for the last half of the Cold War period, after deGaulle had pulled France out of NATO's military structure, and assuming .95 probability of no-change for Germany, Britain and France (the .05 is deducted not because there was any visible sign of change in these countries, but simply because they are democratic), a slightly lower .90 for the United States in case Vietnam

lapped over into Europe which it never showed any sign of doing, and no chance for any change for the Soviet Union, a strikingly different answer emerges: less than a one out of four chance of change in the political basis for European security over that 20 years.

This kind of calculation, which might be done for other factors than electoral change (e.g., economic change, but the calculations would be even more arbitrary) illustrates vividly the ways in which the political uncertainties of the near future are far greater than those of the stable Cold War.

U.S. Difficulties in Playing European Politics

U.S. security authorities and advisors have been quite aware of the potential impact on European security of political change in the important nations. This has been particularly true of observers of the Soviet Union and Germany since early 1989. For the Soviets, this has brought about the Bush administration support for Gorbachev, support that has become increasingly explicit, albeit less material than that extended by Kohl's German government. And among American analysts it has also raised questions about U.S. policy vis-a-vis Germany: Should we take steps that tacitly reinforce Kohl's electoral chances; should we establish more contacts with the SPD opposition against the chance that they might come to power; should we somehow try to do both?

The counterproductive nature of explicit official interference in European politics is clear enough that none of these directions has entered U.S. policy. Nor should they, even implicitly. While some close analysts of the Soviet Union, or Germany, or other nations may well understand local politics as well as indigenous observers:

- Politics is volatile and indigenous observers are frequently wrong, too. U.S. politics can provide any necessary number of examples here.
- The best analysts are not necessarily those in government, and the best ideas are going to be filtered through the minds of government policymakers who may be less acute and certainly are subject to many competing pressures.

- U.S. government implementation of delicate policies involving foreign politics has traditionally been ham-handed at best.
- The losses from being caught out, or betting on the wrong horse, can be substantial.

And beyond the counterproductivity of such micro-meddling, although a vision of the new Europe aborning may be necessary as a political inspiration, an American attempt to paint this vision would run directly counter to its function.

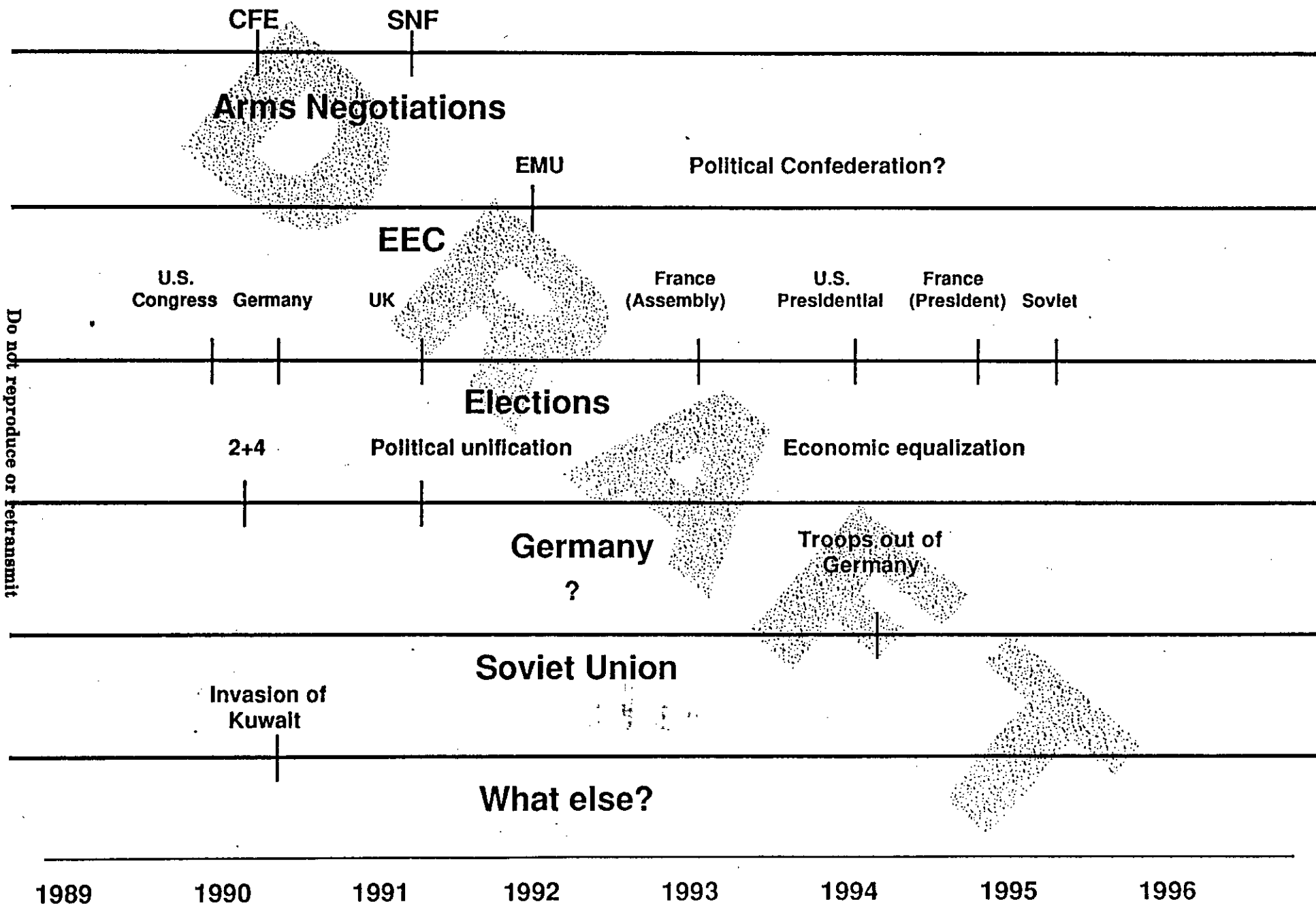
This is one set of uncertainties that can be avoided. Predictably, they will not be. The temptation is too great.

INTEGRATING OVER TIME

Figure 3 simplifies the multifarious uncertainties into six composite time-lines showing the sorts of events, scheduled or unscheduled, that may occur in the first half of the decade of the 1990s. The most certain events are the ones at the near end of the time scale; and the holding of elections, all of which are scheduled although unlike American elections few of those in Europe have the precise day pinned down in advance. Later events, including outcomes of the scheduled elections, are less predictable because of both the normal uncertainties of time amplified now by the acceleration of current change; and the likelihood that the earlier events on any one of the six linear sequences will affect the later events on the others. Analysis is too frequently too compartmentalized to take proper account of such interactions.

Looking across any of the top four lines in Figure 3, the future viewed along any single one may seem reasonably predictable:

- *Arms negotiations* will proceed apace, with CFE signed in 1990, followed by nuclear negotiations that are likely to succeed in an agreement sometime in 1991. Further conventional reductions will be taken, whether on a negotiated or mutual unilateral basis.



- *EC* will achieve its monetary union and single European market by the end of 1992. Further economic integration, and political integration, will move forward, not without obstacles, but with some degree at least of confederation achieved during the 1990s.
- *Elections* will take place on schedule, certainly in the West, probably also in the Soviet Union. Although, as shown in Table 1, the chance for some change in security policy stemming from one of the major elections is substantial, no individual election is likely to bring about a major change in the security policy of any one nation.
- *Germany* will unify politically in 1990. Economic reconstruction of the east, although it is likely to be difficult, will take place and will be substantially completed (to the point where eastern Germany is not much worse off relative to western Germany than some of the western Laender are now) certainly by the end of the decade, probably sooner.

Even leaving aside the two lowest lines, for the Soviet Union and "What Else?" however, the interplay among the first four multiplies the uncertainties of any one of them. Suppose, for example, that the German elections in December 1990 return the SPD to power. This could bring about intra-NATO discord over the pace of negotiations, accelerate withdrawal of U.S. nuclear weapons from Germany but at the cost of raising other suspicions of the Germans, affect the pace of European economic integration; and unleash political forces in the U.S. tending toward withdrawal. It could affect the outcome of the British elections in 1991 or 1992, and the French legislative elections of 1993, both of which in turn could have further affects on EC, and so on. Or a chain could begin with a snag in the development of the European Monetary Union, affecting British and French election outcomes. Or too much "success" in European integration could be seen as an economic threat to the United States and induce changes in the U.S. security position in Europe.

All of these are games played by shuffling the regular deck. The Soviet Union and the "What Else?" lines add new wild cards. For the Soviets it can be said: first, that there is a substantial chance of a change of regime and some significant chance of a change in external policy by the old regime or a new one; and second, that a change in external policy certainly, and a change in regime quite possibly, would change most of the other outcomes on the other lines of the Table.

And events on the What Else sequence have been dramatically illustrated by the Iraqi attack on Kuwait, which is likely to affect every other time-line on the chart, either directly through its political and security effects or indirectly via the price of oil. Yet the Kuwait invasion is just one actualized event out of a broad set of potential happenings: an Arab-Israeli war; achievement of a nuclear-weapons capability by some rogue state in the Middle East or elsewhere; Libyan use of long-range missiles with chemical warheads; some unexpected new direction from Japan or China.

Thus, back to the theme of this analysis: the future is uncertain in detail and in every category, and the uncertainties of the categories compound one another. This is very different from the recent past, when all currently active security planners received their training. Looking at the lines in Figure 3 as they would have been five years ago:

- Conventional arms negotiations had been continuing in Vienna for more than a decade; nuclear negotiations in Geneva had been suspended. Neither made much difference, however; both sides knew that the negotiations were charades. The one important break in 35 years of such game-playing came with the SALT Agreements of the 1970s, but in spite of the fears of some Americans, the superpower strategic standoff and the conventional standoff in Europe were little different in 1985 from early 1950s.
- No elections in the Western nations presented a significant likelihood of changing security policy. The challenges by the post-Schmidt SPD in the FRG and Labour in Britain fell far

short in large measure because they challenged security policy. The idea of meaningful elections in the Eastern nations was silly.

- Germany was divided into two states, each of which was recognized by the other. Reunification was given lip service but little real interest by the West Germans; the East Germans were really interested but not in a position to do anything about it. As put by one German analyst in 1986: "The Germans are rediscovering that throughout most of their history the German nation has lived in separate states, and that this may have advantages, not only for the international order, but for the Germans themselves."⁸
- The Soviets were more constant than anything else. Through Stalin, Malenkov, Khrushchev, Kosygin, Brezhnev, Andropov, and Chernenko they varied only from enemy to opponent to adversary. The tactics changed, but after the building of the Berlin Wall settled the spheres of influence in Europe, the variations ranged only from illusory detente to very prudent opportunism. Above all, the Soviet Union could be counted upon to hold the Atlantic Alliance together.
- Even the "What Elses" of the period--one French and one U.S. war with what we treated as a Soviet proxy, one Soviet war with what they treated as a Western proxy, three Arab-Israeli Wars, one Western attack on the Arabs, one large-scale Arab revolt against a European master, one full-scale war on the subcontinent, one much bigger one just to the west--had virtually no effect on the stability of the European confrontation.

Stability was the rule for three and a half decades. It was not stasis--much changed--but the underlying stability within change that characterized NATO is summed up in an anecdote told by former Secretary

⁸Gert Krell, *Ostpolitik Dimensions of West German Security Policy*, Peace Research Institute, Frankfurt, December 1986 (mimeo) p.33.

of Defense James Schlesinger: "I can recall, from the early days of NATO, an air force colonel who kept on his desk a rubber stamp that said 'In this perilous moment in the history of the alliance. . . .' He used that stamp with great frequency."⁹

In the last five years, the world has changed and the end of that rapid change is not in sight. Some analysts believe that the trend of the previous 35 years has turned in a new direction on the basis of which they can predict stable progress for another 35. Others see every setback, holdup, or even detour as the beginning of an ominous new trend. That is not new; perhaps Schlesinger's colonel's stamp should have had another line: "To agree to _____ would be the first step down the slippery slope to _____."

The contention here, however, is that the only viable prediction, borne out by all the factors examined in this analysis, separately and together, is for much more uncertainty before we find ourselves on a new trend-line in Europe.

IMPLICATIONS FOR MILITARY PLANNING

All these uncertainties suggest that NATO itself, and the U.S. military presence in NATO--as a stable anchor in an unstable world, and as the final guarantor, particularly the nuclear guarantor, of European security--remain vital. NATO's specific military posture also remains very important, *but its importance lies in the political realm, and the design of the posture can no longer be based upon the military reasoning that governed that posture from the early 1950s to the late 1980s.* Yet a military posture requires a military rationale, which presents a major dilemma for those designing that force posture and asking taxpayers to support it.

The logic of the breakup of the Warsaw Pact and of the drawdown of Soviet forces and their withdrawal from Eastern Europe, reinforced by the difficulties that the crumbling Soviet economy will have in supporting any effective military machine, together lead to the now-

⁹James Schlesinger, "An American Perspective," speech reprinted in the *Congressional Record*, June 20, 1984, p.S7749.

thoroughly-accepted conclusion that the massive and rapid military threat against which NATO was designed has disappeared. Indeed, it is arguable that with one possible exception *any* purposeful conventional Soviet military threat to Western Europe (including all of Germany) is disappearing--not necessarily forever, but for any time period that requires current force posture planning.

For military purposes, once the new balance of conventional forces called for by the CFE agreement has been completed or is well on its way to being completed, it is difficult to see either *how* the Soviets could mount a conventional attack on the West except with a mobilization period reminiscent of World War II, or *why* they would. The past forty years has demonstrated that the Soviets had no political cause that would bring them to risk a war that they then had an excellent chance of winning conventionally. Now the potential causes have if anything reversed, with the Soviets being dependent upon Western good will for economic support; and the conventional military balance will have also reversed. CFE provides not equalization, but Western predominance, since the total weapons ceilings for the East include those of nominal members of the Warsaw Pact who can no longer be counted upon by the Soviets, to say the least. Purposeful Soviet attack, even if Gorbachev were replaced by military "conservatives," cannot be taken seriously during any reasonable period for which planning is now going on. The continued U.S. role as nuclear guarantor puts the final seal on that, as indeed it has for the last forty years.

The least improbable exception to the above is during the "transition" period, the three-to-four years when Soviet troops are leaving eastern Germany but have not yet left. Although it would be nearly impossible for the Soviets to use their shrinking forces as a bridgehead for an attack on the West--that would be like a soft-shell crab going on the offensive--they could halt their scheduled withdrawal for political reasons. The Soviet military position would be very difficult (but so was the Western position in Berlin during the crisis of 1959-1961, yet the West held the position and won the issue); but military action during the transition (i.e., hunkering down in place)

would at least be more likely than Soviet return after complete withdrawal to within their own borders.

More likely than any continued or renewed threat of direct Soviet aggression, however, and more dangerous to European stability, would be adventurism, chaos, or some other form of irrationality in the Soviet Union. Although a successor regime to Gorbachev might still recognize the considerations that make the game of reversing Soviet external policies not worth the risk, it might, on the other hand, have domestic political reasons for a show of *machismo*. American McCarthyism never led to aggressive external policies beyond chest-beating, but Soviet Rasputinism might. Or a successor regime might have incomplete central or local control of its military forces. Or it might not be a regime at all, but a set of competing factions in a civil war reminiscent of that waged in China in the 1920s and 1930s.¹⁰ Or it might have true Hitler/Stalin psychosis within the leadership. Irrationality leading to any kind of renewed military threat is not likely, but we cannot discount the possibility of such irrationality down to zero. And once we admit the possibility, we must also remember that the new regime is likely to have a Europe-destroying--perhaps civilization-destroying--megatonnage of nuclear weapons at its disposal. Competing factions may become warlords with warheads; it is not clear what would happen to nuclear control in such a chaos. In any case, however, here is where the real danger from the Soviet Union lies.

The problem, however, is how to connect the new more diffuse danger with NATO force posture, or with the U.S. contribution to that force posture. No degree of irrationality is going to recreate the purposeful Soviet *conventional* threat to Western Europe; the forces will just not be there, except for the long-mobilization case. Nor, since the nuclear threat to Europe would in itself be highly irrational, is the relevance of a theater-based nuclear force, intended primarily as a deterrent, very clear; deterrence is essentially a rational process.

¹⁰One European diplomat has suggested, not entirely facetiously, the possibility of a conflict among Red Army factions in which the forces in Germany, being the strongest part of the Army, would march back east through Poland to join the fray in the Soviet Union.

Nonetheless, a coherent NATO force, and an American contribution to that force, remain essential for reasons that are real, but primarily political rather than military. These forces are needed to cope with the uncertainties--to help maintain a continuing security structure at least until EC, or perhaps CSCE, can take over the burden. Until then, the breakup of the Alliance military structure would force each member to plan its own military posture in the face of the continuing doubts about the Soviet Union and in some cases about each other: France cannot fear a German invasion, but a substantial *Bundeswehr*, even though it was facing east against Soviet uncertainty, would call for a substantial *Armee de la Republique* and perhaps an understanding with Poland. And so forth. The military alliance, and the commitment of the United States to Europe, with potential power beyond that of any individual nation, are needed to prevent such renewed or renascent fears. This is recognized throughout NATO; that is why the strongest pressures are for continuation of the Alliance and continued U.S. presence, not withdrawal. And so long as Europeans want a U.S. troop presence, such a presence remains additionally important to the United States because it provides a visible token of the American stake in Europe, a stake that is politically and economically important to us, and one which will not be firmed up in non-military terms until an integrated EC and the U.S. relationship to it are solidified in the future.

All this raises two related problems, however:

- The political needs for a posture and a presence provide little information to Ministries of Defense and Finance, or to military planners, as a basis for deciding how much of what kind of forces are needed where.
- The political reasoning for the military posture is detailed and subtle; it is difficult to sell a taxpaying electorate on the need to spend billions of dollars abroad, or billions of pounds sterling, or deutschmarks or francs, for military power applied for other than for military purposes--for the abstractions of "stability" or an American place at the European table.

For both of these needs, a *military* rationale is needed, a "social myth." According to Reinhold Niebuhr, "Social myths are constructed by imaginative elaborations of actual history. They are hardly ever made out of whole cloth. They arise because reason is more ambiguous . . . than some rationalists assume."¹¹ For almost forty years, the threat of a Soviet attack on Western Europe--a conventional attack so long as the Soviets maintained their conventional superiority in the center--provided a workable social myth, not "made out of whole cloth," but an "elaboration" of the actual threat. The real threat of such an attack had begun to decline sharply as early as the early 1960s after the resolution of the Berlin crisis, in part because of the West's willingness to defend symbolized by the NATO posture, in part because of the fear by both sides that any direct U.S.-Soviet confrontation could open the Pandora's Box of nuclear war. Nonetheless, the Soviet conventional threat served as a viable frame of reference for the military, and as a supportable cause for the public for 25 more years.

The test of NATO's military posture is whether it achieves its military and political purposes; entering the 1990s, the military purposes are easily achieved against a fading enemy, the political purposes require a structure and a presence but not a specific posture. That makes the test of the rationale for any Alliance posture more difficult, however. The old threat no longer serves as a social myth; neither the military establishments nor the publics in the NATO nations believe any longer in the massive attack across the East/West border. One immediate adjustment has begun, a sharp reduction in NATO's defending forces, agreed to by the military as well as the public. But what can be troublesome is the lack of a new military frame of reference to support the remaining forces, which are still needed, but but for the political reasons discussed above, not for military reasons.

¹¹ Reinhold Niebuhr, "The Social Myths of the Cold War," *Journal of International Affairs*, Vol. XXI, No. 1, 1967, p. 40. Niebuhr was comparing the organizing myths in that era of the Free World and the Communists, but the concept applies as readily to any organizing idea. It can be traced back to the French sociologist, Emile Durkheim.

Two alternative directions seem possible:

- Adaptation of the old rationale, based on the residual possibility of a Soviet (or Russian) attack to the west.
- Adoption of a new rationale, starting from the uncertainties of the short-run future.

Residual Soviet Danger

For the purpose of finding a concrete base for military planning, the residual-Soviet-danger frame of reference may be adapted by creating what might be termed a "virtual threat," one which can be made visible without actually being real.¹² Such a threat would be the mobilization of Soviet forces from east of the Urals, outside the zone of CFE limitations. The threat is "virtual" because all the reasons adduced above having to do with Soviet political interests moving in the other direction and Soviet military capabilities unsupported by a weakening economy suggest that it probably does not exist. Its advantages as a frame of reference for military planning lie in the fact that it does not *certainly* not exist, and it is more plausible than the old threat has become, without being a radical change from the old.

The needed Western response would involve a capability to mobilize and reinforce as fast as the Soviets, and this is nicely compatible with reduced regular forces for the European members of NATO and a substantially reduced U.S. presence designed mainly to maintain a structural capability for rapid reinforcement from the continental United States. Fighting forces in being would stress mobility, particularly because the non-German elements will be precluded from stationing in eastern Germany and would therefore have to move into positions there with the beginning of hostilities. If the defense were to be in or of Poland or Czechoslovakia, all NATO forces would need

¹²The term, suggested by David Ochmanek, is derived from "virtual focus," defined by *Webster's Ninth New Collegiate Dictionary* as "a point from which divergent rays (as of light) seem to emanate by do not actually do so."

this mobility. Because the assumed threat would be from the Soviet Union or Russia against the West as a whole, this posture would be consistent with the politically useful concept of multinational forces integrated by division/wing or even lower formation. Because the threat is definable, it leads to the kinds of analysis that can specify sizes for the forces in being and the reinforcement echelons. And, so long as the Soviet Union remained a nuclear power, the rationale can cover a continued U.S. nuclear presence in Europe, as well as continuation of the French and British deterrent forces.

The other question, however, is whether this revised threat will serve as a social myth for the public. The answer may still be "Yes," at least for the near-term time period. Within this period, the American public, and those of the other Alliance members as well, will benefit from substantial savings from the sharp drawdowns in forces in Europe, drawdowns that are going to be limited in pace more by the logistics of orderly change than by the strategy of national security. These benefits may vitiate any close examination of the social myth supporting the remaining posture and presence, preserving the myth for a few years until it can be seen which way the world is really turning.

Defense Against Uncertainty

The alternative would be to relegate the defense against purposeful Soviet attack to a place on the list of uncertainties, and by no means the top place. Even the random danger of Soviet adventurism seems more probable; still more likely would be a clash of nationalisms or other interests in eastern or western Europe, although the probability of its escalating into a major security concern for NATO would not be high. Most probable of all the uncertainties, because it has already happened, is the sort of "out-of-area" threat exemplified by the Iraqi attack on Kuwait.

In any case, the stress is on the uncertainties rather than any specific set of events. It would be a wrench for NATO's military planners to finally pull away from the canonical threat that has sustained them for forty years, but uncertainty may nonetheless provide

a viable frame of reference for a military posture. Such a posture could resemble in many regards that based on the residual Soviet threat. It too would stress reinforcement and mobility, both of which provide flexibility against uncertainty. It too could provide a rationale for a nuclear presence, not only against Soviet nuclear forces but against possible hostile proliferation. On the other hand, the uncertainty basis would make it difficult to arrive at proper force sizes: "enough to fight somebody" or "enough to be reinforced" are not very satisfactory. That would make military planning somewhat more difficult, but perhaps much more realistic, since lacking any strongly felt threat, force sizes are going to be decided by Finance Ministers rather than Defense Ministers anyhow; the suit will have to be tailored to fit the cloth. And another difference between the uncertainty posture and that based on the residual threat might be that uncertainties, because they could well be judged differently by different members of the Alliance which might then want to use their forces differently, may discourage multinationally integrated forces.

As for the uncertainty rationale as a public social myth, it probably can count on the same central advantage as the residual threat: so long as forces in Europe are being cut sharply anyhow, it may not be examined too closely. If and when it is examined by the Congress and the public, however, it may be difficult to explain--uncertainty is in itself an uncertain concept. The uncertainty rationale has one major advantage over the residual Soviet threat, however: it is based on an "imaginative elaboration of actual history," rather than the "whole cloth" of a continuing purposeful Soviet attack, a whole cloth which is likely to crumble into dust under the first close examination.

CONCLUSIONS

Uncertainty in outlook calls for prudence in policy--an instant cliché. It may become less trite, however, if prudence can be defined operationally. The dictionary definition carries with it no necessary implication of fearful conservatism--"The ability to govern and discipline oneself by the use of reason"¹³--and the operational

¹³Webster, op. cit.

definition suggested here for prudence in U.S. policy for European security does not either. It consists of three general precepts:

- Hold on to what has worked.
- Hedge against that which is uncertain and dangerous.
- Act to avoid that which without action would be certain and dangerous.

Hold on to what has worked

This is the conservative face of prudence.

For future security arrangements in Europe, the case has yet to be made for substitution of the new and untried for the old, even given the radical changes in the European context. Two relatively new, and completely untried, organizations have been proposed for major roles in a future European security structure: CSCE, the Conference on Security and Cooperation in Europe; and the Western European Union (WEU). Both have some hopeful aspects: CSCE as a UN-like collective security arrangement tying together all parts of Europe including the Soviet Union, and also including the United States and Canada; WEU as a "European Pillar" for Atlantic defense, taking some of the burden off the U.S. within NATO. But neither now exists as much more than a forum: CSCE has members and meetings but no officials or employees; WEU has a small secretariat, neither performs actual operating functions.

For neither organization does this imply a U.S. policy of benign neglect. CSCE in particular has enough promise, as a European organization that nonetheless extends to the Pacific coasts of North America and Siberia, that it should be converted from forum to institution. But the current unformed state of each does imply that a long time may have to pass before we discover whether either CSCE or WEU can move beyond existence to performance.

CSCE and WEU contrast to two pieces of machinery built many years ago with the immediate purpose of carrying out active functions for which there was a felt need: NATO and EC. Each of these is an organization in being. Each should be conserved and promoted.

NATO has been filling Western European security needs for forty years, in the course of which the Soviet Union has not attacked Western Europe nor has it intimidated or "Finlandized" any nation of the West except for the obvious special case of Finland. All of the nations of Western Europe have become democratic, the prosperity of all has grown immensely, and now the East and even the Soviet Union have opened up to democracy. One could argue about NATO's contribution to any of these, but history cannot be rerun, and the burden of proof is on those few who might contend that Western freedom could have been as easily preserved and extended without the Alliance.

Conserving NATO does not imply, however, a rigid orthodoxy about its current structure. As put by Senator Sam Nunn, who has the longest record of pro-NATO partisanship on Capitol Hill and perhaps among all persons of power in Washington, "If NATO is not to become an anachronism, it must demonstrate resolve and vision in serving not only as a force of stability but also as an instrument of change."¹⁴ In fact, NATO will inevitably change, and do so faster than in the past, but changes within the Alliance should be evaluated for their effects on maintaining the unity of its members and retaining its defenses against the changing threat.

NATO has been important in itself; it has been as important in creating the security arrangements which, by eradicating the primeval mutual hostilities of the Franks and the Germanii, have provided a necessary condition for the success of the other organization in being, the EC. EC has existed as an operating organization, starting with the Coal and Steel Community, for about as long as NATO, expanding its functions gradually but vastly. It may now be a very natural movement for the Community, rather than either CSCE or WEU, to gradually take over the European security function. As economic integration moves toward political integration and the need for democratic control of an increasingly powerful economic entity becomes clear, the integrated political organization may well want to take command of its own security

¹⁴Senator Sam Nunn, quoted in *Aviation Week and Space Technology*, March 19, 1990, p.79.

arrangements. A historical analogy can be seen in the move of thirteen American colonies united but not very well by their common revolt against England, to become the United States of America governed by the Articles of Confederation, and then after a few years the federal union of the Constitution. Bold as it was, that too was a natural movement, driven not by a theory but step-by-step by perceived needs. If a similar course is taken by EC it too will be because it does become natural, step-by-step, not because of an analogy.

The Western Europe of NATO and EC has moved a truly amazing distance since the end of World War II. To anyone with a sense of history, the ability to drive back and forth between France and Germany, frequently without downshifting, signifies an impressive and moving change in a border characterized for centuries by the fortresses of Vauban and Maginot, and the bloody sweeps of Napoleon, Moltke, Schlieffen, and Rundstedt. The Schengen agreement, essentially abolishing the borders among France, Germany and the Benelux countries is a formalization of what had already come about naturally. And now, after forty-five years, the same conditions are extending to the east.

Forty-five years after the end of World War I, the world had been through another world war even worse than the first. The machinery set up at the end of the second has made the third and worst of all quite unlikely. That machinery is worth conserving.

Hedge against that which is uncertain and dangerous

The greatest dangers to European stability in the uncertainties of the 1990s are radical change and/or chaos in the Soviet Union, and impingement from out of area. Much less likely would be a major change in German direction. (An additional potential danger, which would have a major impact were it to occur, would be a return of the United States to isolationism; but that is both quite unlikely and a potential policy outcome for which this analysis is intended as a contribution rather than an input into the analysis.)

The potential Soviet danger provides another major reason for holding to NATO. (Many would say this is *the* major reason but, as discussed earlier, even if the chance of major negative change in the Soviet Union is high, the likelihood of its presenting a coherent military threat to the West is close to being gone.) So long as even a more random danger from an unpredictable Soviet Union continues to exist, however, some Western security apparatus will be necessary as a hedge, and NATO is what we have now. In addition, NATO as an organization may come into a major role in European/American actions in out-of-area contingencies. Such a new function is still conjectural and controversial however; instead, the same nations might unite under another banner.

Any substantial German danger would be much less likely and less dangerous were it to come to pass. Were Germany to "break away" from the West into some variety of neutrality, the danger would be political, not military; in particular, any possibility of the Germans initiating the development of nuclear weapons is beyond the time horizon here. Rather, the negative implications of such a change would lie in the disruption of security, economic, and political relationships, and the additionally disruptive reactions of the nations around Germany. More dangerous than neutrality, but less likely, would be a new "Rapallo," a German-Soviet detente with a military element. Likely or not, however, these occurrences are not impossible, and they require a hedge. The hedge is a rather clear one: remember that the United States has allies in Europe other than Germany; in the course of working with the Germans as the military and economic power in Europe, keep the political channels open with Britain, France, and Italy as well.

One additional German possibility, however, may cause problems but should not be defined as a "danger." This is the coming to power of an SPD-led government, either as a result of the 1990 elections or later. The SPD's security policy might be termed as pro-NATO but against a lot of what NATO now does, particularly in the nuclear era. The hedge for U.S. policy in regard to such an eventuality should be to be prepared to deal calmly and constructively with the political changes, so long as

the U.S. presence and other interests are preserved, as they can be within a NATO adapted to an SPD-led Germany.

Act to avoid that which is otherwise certain and dangerous

This is the active side of prudence.

Certainty in this uncertain era is relative. The other face of the uncertainty of the Soviet future, against which hedging was suggested, is the near-certainty of that future being a dismal one at least for the next years, for the economic reasons that have been discussed, and ethnic and other political reasons too.

The dismal Soviet future carries dangers for the United States and Europe. The question is whether we can do anything about it, other than hedging. The answer on the ethnic and political problems is almost surely "No"; we have little understanding and little to offer. The answer on economics may be the same, but at least we do understand (more or less) how the needed free market system works, and the West including the United States has the capability of contributing major resources should we so choose.

In mid-1990, before and after the Houston summit of the Group of Seven, a major debate raged over whether the West should assist the Soviets immediately in order to encourage them to reform economically, or hold out the possibility of later reward in order to provide incentives to reform. The Germans and French wanted the immediate assistance, largely to support Gorbachev politically (and in the German case, partially to buy the Soviets out of eastern Germany); the Americans and British wanted no major assistance until there was clear evidence of reform--the incentive and reward route.

Both the debate and the answers were wrong. Support for current efforts is futile when current efforts are going nowhere. Using assistance for direct political support of Gorbachev would buy only a bit of time so long as current efforts are going nowhere, and might indeed place our bets on a single horse when spreading them is called for in what seems surprisingly to have become a politically pluralistic society. On the other hand, assistance-as-incentive is likely to be

equally futile when neither the rewarder nor the rewardee knows exactly what behavior to encourage.

The answer, if there is an answer, may be to use assistance in detail, to teach as well as providing incentives, to assist the Soviets in working themselves toward a free economy. How to do this, or whether it can be done, remains open. It may involve small private or public projects, larger scale demonstrations, or joint planning by the Soviets and the West, for which the Marshall Plan provides a partial but incomplete analogy. The strong argument against such step-by-step assistance/pedagogy/incentivization is that it is impossible to plan the way out of a planned economy; that the only way to go is to follow the Polish example, freeing prices and everything else up at once and see what happens. The strong argument in favor is that even in Poland the explosion may cause so much personal hardship that it will not work politically in a country that has become democratic; and that the Soviet Union is far more complex, needing conscious barrier-reducing and institution-building which will not stem simply from freeing up of prices.

What are near certain is Soviet collapse on the current course, and the dangers of such collapse to European stability and to the West, a short-run possibility that would radically transform all long-run prospects. What is called for is Western planning of how we might try to prevent the collapse--including planning of whether or not to plan.

This remains a perilous world: the Iraqi invasion of Kuwait and subsequent events have adequately demonstrated that. For Europe, the perils are matched with hopes--for integration and high prosperity in the West, democracy and economic turnaround in the East, and perhaps even the needed transformation in the Soviet Union. But the perils of despair, decline, and disintegration--in a continent adequately equipped with nuclear weapons--must be overcome to achieve the promised hopes. This must be done even as the other three-quarters of the world presses

in upon Europe and North America, as again illustrated in the Middle East. Hopeful times are not always easy times, and prudence and common sense dictate looking down at the next steps on a narrow path, even at the cost of taking our eyes off the horizon.

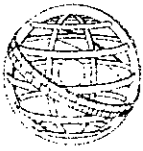
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THE FUTURE OF THE ATLANTIC ALLIANCE

by

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THE FUTURE OF THE ATLANTIC ALLIANCE

The sudden advent of a new period of detente has given rise to the formulation of a variety of diverse strategies for European security. For some, the situation, no matter how much it has changed, still requires the maintenance of an Allied defence effort and American presence in Europe with the ultimate guarantee of a nuclear deterrent. Others are thinking of an East-West "collective security system" and believe that a new "common European house" can replace the former military alliances. Furthermore, European governments have adopted a syncretic line and maintain that the new system of collective security should rest on the Atlantic pillar.

I. CURRENT CHANGES

The fact is that the Atlantic Alliance is already undergoing change. The following proposals have been made in light of the current conditions:

A. A reduction of the American forces in Europe, particularly those stationed in Germany. Bush has proposed the reduction of US troops (i.e. army and air force; the proposal does not apply to the navy or to the marines) in Germany to 195,000, and those in the rest of Europe to 30,000. Further reductions in the American presence in Germany may include the following options:

1. reducing the forces to the level of a single army corps with its necessary air force support (120,000-150,000 men);
2. limiting the military presence to a "skeleton" for possible reinforcements, surveillance and maintenance of depots, etc., in addition to a modest air presence (50,000-60,000 men);
3. ensuring only a Headquarters, Planning and Intelligence presence with Air Forces present on a rotational basis (5,000 -10,000 men).

Such reductions could not help but influence the decisions of the other Western countries with a military presence in Germany. The options proposed in A.2 and A.3 would lead to the de facto elimination of the collective NATO presence in Germany; the A.1. option, on the other hand, is compatible with the maintenance of a "defensive" NATO presence.

B. A reduction of nuclear theatre forces in Germany and in Europe. Several options have also been proposed for these reductions:

1. the elimination (negotiated or unilateral) of American Lance missiles deployed in Europe and of American and British nuclear artillery;

2. the maintenance of a small quantity of nuclear theatre weapons -- airborne, free-falling or medium-long range air launched missiles (250-500 warheads with respect to the approximately 4,000 currently deployed); and the modernization of French and British air forces by the adoption of a new air launched medium-long range missile;

3. the elimination of all NATO nuclear warheads from Germany. This might make it possible to maintain a few airborne nuclear forces in Britain and would raise the question of whether such forces should also be present on the ground in the Southern Flank (Italy?, Turkey?) in addition to the VI Fleet.

C. The USSR has used German unification for leverage to obtain an agreement on a ceiling for German armed forces, but the agreement has also called for the absence of NATO troops from East German territory. This accord has many consequences for the future of the Alliance, though it seems to refer to a limited period (the 3-4 years necessary for a complete withdrawal of Soviet forces from East German territory). First, it is a prelude to the establishment of operational Bundeswehr units that are not "assigned to NATO". Second, it poses the problem of a future redeployment of NATO troops in that territory: a politically "sensitive" decision, which Germany will certainly not make lightly. Finally, it necessitates a revision of NATO operational strategy for Central Europe. The USSR would probably attempt to extend such an agreement to the levels of allied forces in Germany (in any case, it has succeeded in excluding theatre nuclear forces from East Germany).

D. Proposals have also been made for "political" revisions in the Alliance, that is for increasing its role in matters that are not strictly military or related to arms control and reduction. Several additional proposals for structural and political reorganization of the Alliance have been made:

1. an increase of the weight of the aero-naval components, giving greater importance the US-Britain-France axis; there are also thoughts of a US-Italy (or US-France-Italy) axis for the Mediterranean;

2. German withdrawal from the Nuclear Planning Group with the return to the old "directorate" model of "nuclear powers" discussed in the late fifties and early sixties: this would be a prelude to the return of France to NATO;

3. the formation of a few "sub-regional" groups allied with the US: one in the Mediterranean (France-Spain-

Italy-Turkey) and one in the North Sea (Britain-Belgium-Netherlands-Norway).

All of the above proposals, however, are flawed in that they isolate the new Germany or at least keep it in an anomalous and idiosyncratic position.

Germany is no longer a state with limited sovereignty, nor the residual "n-state" around which Western security requirements revolve and which must be made to pay for European security, in terms of human, territorial, geostrategic and economic costs.

German unification, though it will formally occur within the framework of NATO, involves fundamental changes in its military strategy, which has already been accepted at the London Summit of the Alliance: renunciation of forward defence and a profound revision of its nuclear strategy, that is, one with less flexibility and a greater resemblance to a "last resort". This is all very difficult to translate into operational plans that satisfy the security requirements of individual European states in times of crisis. Thus, it looks like a "peacetime strategy", that could fall apart if it were to be put to the test.

If Germany were to remain in a "semi-detached" position, there would be a general rush --lead by the US and the USSR--to become its ally. A pessimistic view would see the agreement reached in Moscow between Helmut Kohl and Mikhail Gorbachev as a new kind of Rapallo. This situation could change profoundly and for the better with the consolidation of the new Germany; there is the danger, however, that the Soviet domination in East Germany has left a legacy of its policies and of several old commitments and old German guarantees to the Soviet Union which would be incompatible with the current structure of NATO. The body may have disappeared, but the grin lives on -- as in the case of the Cheshire cat of Alice in Wonderland.

II. INCOMPLETE RESPONSES

There do not yet seem to be any satisfactory responses to these significant changes, apart from perhaps two -- but even these two offer more for the future than for the immediate predicament. The first of these concentrates on the so-called pan-European security framework (CSCE); the second begins with the strengthening of West European integration. Both take full consideration of Germany, though in different ways and with different results.

All these changes could be dealt with in a new pan-European security system. The problem, however, is that of reaching a common understanding of the terms "system" and "security".

"System", for example, can refer both to the creation of a complex, binding, and highly institutionalized mechanism of inter-European military relationships; and to the consolidation

of a body of more or less optional rules, which are not enforced by sanctions or part of a strong institutional system, and which respect the sovereignty of individual nations.

"Security" may be taken in the military sense to mean the establishment of effective guarantees designed to defend the members of the "system" from possible violations of the pact of which they are a part; or it may be taken in the political/diplomatic sense, as the creation of a spirit of detente and cooperation.

NATO adopts the former interpretation; CSCE, the second.

The real problem that we are faced with does not seem to be one of creating something radically new, but rather one of finding a evolutionary alternative that would allow us to keep the positive aspects of NATO and to include the new unified Germany within it.

Several of the conditions that have been crucial for the process of detente and disarmament in Europe have changed or become meaningless within the space of a few months. There is no longer a symmetrical relationship between the two alliances; the stability of the Eastern bloc has been compromised; the withdrawal of Soviet troops from Eastern Europe will be more rapid and complete than could have been predicted only a few months ago; the division between the two Germanys and the "iron curtain" no longer exist and the Soviet Union is experiencing a difficult time of internal adjustment.

In such a situation, it is difficult to imagine East-West multilateral agreements or negotiations that would amount to more than useful safety belts, necessary to reduce risks during the process of change, but unable to exert a significant influence on its direction.

Any system of multilateral guarantees is only as credible as the stability of its member countries and the power relationships among them. In Europe, however, the system would have to manage the relationship between two nuclear superpowers, one of which is on the opposite side of the ocean, and the other of which is in the midst of a domestic crisis; two other nuclear powers that are experiencing a relative decline; an economic superpower enjoying a period of renewed vigor but faced with the problem of redefining its international status; and a myriad of other powers with diverse domestic and international problems and perceptions. To think that such a system would not disintegrate into a series of sub-alliances and fragile systems of counter-assurances is rather optimistic.

The most stable solution lies in the acceleration and "approfondissement" of West European integration, as has often been stated by various governments and European summits, as well as by the Atlantic Alliance itself at the London Summit: the problem is that of agreeing on the timeframe and methods necessary to achieve this goal. Three different processes must

be coordinated:

1. the process of transformation within NATO such that the positive effects of the US presence in Europe are maintained;
2. the process of West European integration;
3. the process of constructing a multilateral system of European security involving East and West.

III. THE SOVIET THREAT

The first problem is that of understanding whether the traditional "enemy" of NATO still exists, or whether it is true, as some maintain, that there is no longer a "threat".

The USSR is experiencing a period of profound economic and political crisis, but it does not seem that this crisis has affected its military forces -- although they do have serious problems of restructuring; they must withdraw from Eastern Europe; and they are clearly influenced by the general crisis in Soviet society (beyond their role in controlling domestic uprisings, ethnic nationalism, etc.).

In the nuclear arena, the Soviet Union is continuing to modernize and maintain its balance with the United States. Even after the agreed reductions within the framework of the START negotiations, it is unlikely that the level of Soviet strategic forces will fall below that of the early 1970s and they will be significantly more modern. As for tactical nuclear weapons, the USSR maintains a level of forces at least equal to NATO forces (with a greater emphasis on missiles). The redeployment of these forces outside of Eastern Europe could lead the USSR to dismantle them; however, the new "defensive" strategy of the Soviet armed forces could place new value on the deterrent role of tactical nuclear forces. In any case, a certain number of Soviet strategic forces may continue to play European Theatre roles.

The most significant reductions are in conventional weapons and forces, particularly the army (the navy is undergoing other reductions). They are also rapidly withdrawing many forces from Eastern Europe, though they appear to be following a long-range plan.

Heavy mechanized elements are being reduced within the divisions. The Operational Maneuver Group has been eliminated, but will be substituted with the creation of new Army corps composed of smaller and more agile units than the former divisions, i.e. flexible, multi-operational brigades and battalions. Gorbachev is reducing the number of Soviet forces to a level comparable to that which existed approximately 22 years ago, on the eve of the invasion of Czechoslovakia -- but the current forces are more modern and better structured.

Though their structure may be defined as "defensive", they are perfectly capable of conducting offensive operations. In fact, it could be claimed that these reductions could actually increase the military efficiency of Soviet armed forces by reducing the burden of mobilization (almost all the new "corps" could always be manned at the optimal level, unlike the current divisions), and by improving the operational flexibility and the capacity for conducting combined operations.

The Warsaw Pact is certainly losing its quantitative advantage with respect to NATO, and its forward deployment is shrinking, partly as a result of the unilateral reductions in East European countries and their political transformations. What had formerly been as much as a 3:1 advantage with respect to NATO (in Central Europe) has now fallen to 1:1. Nevertheless,

A. the maintenance of this more favorable relationship for NATO will depend on the future reductions that NATO countries may decide to make;

B. if they were to mobilize their troops, the Warsaw Pact would maintain its advantage;

C. the effectiveness of a surprise attack does not depend solely on the ratio of forces in the field, but also on a series of political and strategic factors: the attack by the III Reich on France came at a time when the ratio of forces was approximately 1:1.

IV. THE NEW THREATS

This evaluation of the possible threats that NATO should be ready to confront must also consider the emerging "threat from the South".

The threat from the "South" is certainly less evident than that from the "East"; in any case it is much more difficult to define as a NATO concern since it falls into what has been designated the "out-of-area". The following is a brief outline of the situation in the Mediterranean:

A. The main countries in the Middle East have been accumulating an impressive quantity of weapons comparable to levels in major European countries. The following are the figures for combat planes: Egypt (441), Iraq (500), Israel (577), Libya (509), Syria (448); France (580), FRG (459), Great Britain (553), Italy (390). The comparison of the number of tanks is even more impressive: Egypt (2,425), Iraq (4,500), Israel (3,850), Libya (1,800), Syria (4,050); France (1,340), FRG (4,973), Great Britain (1,170), and Italy (1,720).

B. Countries in the Middle East and North Africa also

have very sophisticated planes, such as fighter bombers (American F-15s, F-16s, F-18s), (Soviet MiG-27, MiG-29 and Su-24), (European Tornado, Mirage 2000 and Mirage F-1). Tanks include those purchased directly from the West and from the USSR, as well as those produced in the Third World, such as the Israeli Merkava and the Brazilian Osorio (purchased from Saudi Arabia).

C. The arsenal on the "Southern front" has become particularly threatening with the inclusion of missiles as these long-range systems can extend the scope of local or regional conflicts beyond their traditional borders (as in the case of the Libyan attempt to strike the island of Lampedusa with two ballistic missiles). Many countries in the region have medium-short range missiles such as the Soviet Frog-7 or Scud-B (with a range of 70-300 km). Others either already possess medium-long range missiles, or are actively seeking to acquire them. For example, it is believed that Iraq has several "improved" SCUDS (range: 700 km), and that it is developing a new medium-range missile (range 800-950 km). Furthermore, Iraq is believed to have launched a missile into outerspace. Saudi Arabia has acquired CSS-2 missiles (range: 2,500 km) from China, and Israel has produced a missile with a range of 1,450 km, the Jerico II (it also has a missile which was used for space launches that could be the forerunner of a missile with an even greater range and used for military purposes -- the Shavit). Other Third World countries, such as Brazil, India and Taiwan have also developed medium-long range missiles.

D. Missile technology now constitutes a greater threat with the proliferation of chemical and nuclear weapons. It is believed that only one country in the region (Israel) has some nuclear warheads in its arsenal, but others (e.g. Iraq and Pakistan) are attempting to develop similar capacities. Iraq, Iran, Egypt and probably Libya already have the capacity for chemical warfare.

E. The population of the non-EC Mediterranean countries is growing at an extremely rapid rate -- much greater than that of EC countries. In 1985, the EC countries accounted for 61.5% of the total population of the Community and the littoral Mediterranean countries, with the latter accounting for the remaining 38.5% (the Mediterranean EC countries accounted for 22.2% of the total). By the year 2000, the population of the EC will account for only 53.8% and by 2015 it will have fallen to 47.3% (with the EC Mediterranean countries dropping first to 20% and then to 18.1%). Thus by 2015, there will be 372 million people in the Mediterranean littoral countries as opposed to 333 million in the EC (including 127 million in the Mediterranean EC

countries). Four countries --Turkey, Egypt, Algeria and Morocco-- will account for almost 270 million people.

F. There is a downward trend in the rate of industrial and agricultural production in the Mediterranean countries. In countries with the lowest income, the rate dropped from almost 6% in the period 1965-80, to little more than 2% in the period 1980-87. Figures for countries of medium income are 6.5% and 3.5% for the same periods. Industrial growth was particularly affected, registering a decrease from 6% to 1.9% in low income countries and from 5.9% to 3.8% in medium income countries.

G. Mediterranean countries have registered an increase in their collective foreign debt, which in 1987 had reached 200 billion dollars (with respect to 120 billion in 1984). Their ratio of foreign debt to exports of goods and services, which in 1984 had been approximately 160, in 1987 had increased to over 218.

H. The Gulf crisis has dramatically illustrated these problems, forcing the US to undertake a massive military mobilization -- on the scale of a conflict of "European" proportions despite political cooperation from Moscow -- to respond to a relatively limited threat. The consequences of this crisis could have a lasting effect on the political future of the region, whatever the solution (diplomatic or military) that may be reached. For the first time, several Arab countries have openly joined forces against a fellow Arab country, aligning themselves with the US. This can not help but reinforce old divisions, reviving the Nasser (and Baathist) dream of Arab nationalism (which will give rise to instability and perhaps international terrorism as well) and force the US as well as West European countries to reconsider their alliances and policies in this region.

I. The Balkans also seem to be becoming a focal point of possible crisis because of serious outbreaks of ethnic nationalism, a weak and uncertain process of democratization, and significant economic underdevelopment in many regions. The area is characterized by great regional disparity: it includes an area of Eastern Europe, no more than 200 km wide, which borders on the West and has a concentration of industrial wealth. This area, which could be most easily integrated into the strong economies of the EC, is clearly distinct from the more eastern and southern countries of the region, which are poorer and underdeveloped. This creates a new duality, similar to that of the North-South oppositions within Italy, which could be a source of new conflicts and crises that may be accelerated by the process of

"rapprochement" to the West.

J. The European Community is the main economic and trading partner of the Mediterranean countries. It accounts for almost 49% of the trade of Mediterranean countries and 30% of that of the Gulf countries (the US accounts for only 10.2% and 10.3% of the trade of these regions respectively, while the figures for Japan are 2,8% and 18.7%). And the EC is, of course, also the major investor in the Mediterranean (in the period 1984-87, the flow of capital and government investments in the region reached 14 million dollars -- a contribution much greater than that of any other industrial power).

The above considerations are not comforting. There is increasing cause for concern about stability in the Mediterranean and in the Danube-Balkan region. It is therefore necessary to pay closer attention to the strategic-military developments underway in the Mediterranean (Middle East and North Africa), and to bear in mind the increasing demographic trends in these populations as well as any possible military threats.

On the whole, the strategic framework no longer rests on a high-risk, low probability threat, but rather on many low-risk, high probability threats.

A second result is that Europe will have an increasing role in crisis management (even in the out-of-area) as opposed to its former more traditional defence commitments within NATO.

The third (and perhaps most important) consequence is that there is an emerging need for an integrated security policy, which regulates the use of both military deterrents and economic and social instruments in crisis management.

Above all, it is necessary to prevent the domestic crises caused by problems of overpopulation and economic underdevelopment in Mediterranean countries from destabilizing these countries to the point that any attempt at a peaceful solution to latent conflicts becomes impossible. As far as Italy is concerned, this would be much easier if the EC could establish a responsible and far-reaching policy toward the Mediterranean, and if positive and, preferably, multilateral/NATO ties could be maintained between Italy and the United States.

V. THE EUROPEAN DIMENSION

European "grand strategy" options may be of three types:

1. a weak internal cohesion ("Open Europe"), involving relatively passive participation in the developments of the international system, relying on the maintenance of a security framework ensured by an alliance with the

United States;

2. a closed and protectionist position ("Fortress Europe"), which would combine the protection of the European internal market with an increasingly independent defence policy for European security;

3. an active role ("European protagonism"), in which elements of increased integration are combined with the formulation of an active policy (elements of a "grand strategy" for Europe) designed to enable a greater management of the global situation.

As for the future of the security framework in Europe, the second model ("Fortress Europe") is the most difficult to achieve and the least likely; the first, ("Open Europe") could be compatible with the trend toward a "common European house", but it would significantly reduce any possibility for a collective West European role, and is incompatible (at least in the long term) with the preservation of NATO -- though it could coexist with a "political" and militarily diluted Atlantic Alliance.

The third model is the most interesting, and is compatible with the possibility of an evolution of the current security framework. This model cannot be achieved, however, without taking military factors into account.

VI. PROSPECTS FOR EUROPE AS A MILITARY ACTOR

Throughout the process of European integration, from the immediate postwar period to the present, it has been necessary to face security issues including the containment of Germany (Treaty of Brussels and its follow-on, the North Atlantic Treaty, the complex history of colonial wars, and European involvement in local conflicts). This has conditioned European participation in the international arena, in both economic and military decisions, though they are more hesitant in the latter and slower to reach consensus.

The nuclear strategy has afforded NATO forty years of peace at low cost. The majority of defence expenditures have been made to finance several non-European wars (in Indochina, Korea, Vietnam, the Falklands), or have been wasted on the renewal of the many separate and non-standardized Western forces.

Recently, however, it has been realized that there has been an overconfidence in the deterrent effect of nuclear weapons, underestimating other more likely scenarios of conflict.

Thus, a series of political and strategic considerations have lead to a major re-evaluation of conventional weapons.

In economic terms, this means the end of an era of low-cost defence, frustrating expectations of cashing in on the peace dividend (i.e. significantly reducing expenses) in the short term. New technology is generally more efficient, but also

considerably more expensive. The cost of labour and the social costs of maintaining armed forces are also increasing. Furthermore, projections of government spending in this sector tend to be calculated on the basis of an inflation rate that is lower than the actual rate. Clearly, the issue of cost is not easy to resolve.

At a time characterized by relatively limited resources, there is a considerable comparative advantage in being able to redistribute resources through the significant savings that can be gained from a more selective allocation of expenses. This requires initiatives in the field of industry; a greater liberalization of the movement of arms within the internal market; and the harmonization, coordination and unification of the diverse military doctrines, procedures and, in general, the instruments that are fundamental to the regulation of the use of military forces -- all of which currently meet criteria that are strictly national in scope, thus limiting the possibility of creating a single, integrated market for defence products in Europe. Production can not be standardized (much less unified) in the absence of uniform doctrines, procedures and institutions. Thus, the problem becomes one of arms legislation and regulation, which is not within the present scope of European economic integration.

Such far-reaching considerations, involving significant economic, political and institutional decisions may also entail interesting economic/political/strategic trade-offs between European countries, such as France and Germany. Such trade-offs may include both European nuclear powers and could affect major projects in the defence industry, e.g. the creation of a new system of air and anti-missile defence for the continent, new command, control, communication and discovery systems, new families of weapons systems, emerging technologies, etc.

In this light, the following are among the problems that must be dealt with in the field of conventional defence:

1. The creation of larger European strategic reserves, both in terms of men (reserves that may be mobilized quickly, and annexed to armed forces with higher percentages of professional soldiers, though the actual numbers may be smaller than those today), and in terms of equipment to stockpile for major contingencies.
2. A greater integration of the European forces engaged in defending various segments of the front (e.g. by providing for the use of Italian alpine forces in Bavaria; Spanish forces in the Central and Southern regions; European forces in south-east Turkey and in the north-eastern Norwegian and Baltic region; a unified effort of allied air and naval forces in the various theatres, etc.)
3. An increasing capacity of strategic mobility of the permanent operational component of the armed forces -

- both within Europe and in other theatres of primary strategic interest (Middle East, Africa)

4. Standardization and integration of the strategic and tactical operational concepts

5. weapons standardization

6. the creation of integrated anti-aircraft, antimissile, and C3I networks, and above all, more advanced systems for information gathering in theatres of major strategic interest

7. a single plan for the progressive introduction of emerging technologies and the associated operational changes in weapons systems.

VII. A EUROPEAN ACTOR: INSTITUTIONS

The scope and the complexity of the problems call for effective government and strong political legitimacy of the entire system. A "European actor" would be called on to deal with problems such as management of out-of-area crises, monetary policy, resources management, etc. The government may be "unbalanced" (i.e., with much authority in one sector and little in another), but it requires an overall ability for strategic guidance.

European integration has established a number of institutions with authority in various sectors, but has not provided for this central function of strategic guidance. Some experts feel that it may develop gradually with the slow extension of the authority of European institutions (in particular, of the European Community, which has proven to be the most "omnivorous" European institution). Others believe the solution lies in the institutional change and hope for the transformation of the European Parliament into a Constitutional Assembly and the immediate inclusion of defence and monetary issues among Community competences.

It is likely that even with a united defence, Europe will nevertheless be characterized by a flexible structure at different "speeds":

This results from the marked differences in the institutions with competences in the field of security and defence. Although the Atlantic Alliance includes fourteen European nations (Turkey, Greece, Italy, Spain, Portugal, France, Great Britain, Iceland, the Netherlands, Belgium, Luxembourg, the German Federal Republic, Denmark and Norway), the situation is somewhat different in the military organization of NATO: France does not belong to it; Spain has made a "conditional" commitment; Iceland has no army; and Greece has assumed a position of "reserve" in the past.

The Summits of the Seven Most Industrialized Countries (in which representatives of France, the German Federal Republic, Great

Britain and Italy meet with those of the United States, Japan and Canada) have occasionally discussed the overall security picture. In fact, preliminary decisions concerning the installation of the Euromissiles were taken at a summit of four nations (France, the German Federal Republic, Great Britain and the United States) in 1979.

France has once again become an active member of the IEPG, along with other European countries of the Atlantic Alliance. Eleven European members of the Alliance (excluding Turkey, Norway and Iceland), as well as Ireland, a neutral country, participate in European Political Cooperation.

While nine EEC countries (France, Great Britain, Italy, the German Federal Republic, Spain, Portugal, Belgium, the Netherlands and Luxembourg) belong to the WEU, those that do not belong (Denmark, Greece and Ireland) have recently been invited to participate. Contacts have also been established with Turkey. Thus, the WEU may evolve in such a way as to reduce the current institutional differences in Europe.

The increasingly urgent need for unification is exemplified by the difficulties that these diverse structures (plus their various "special" bilateral relations) have in making decisions during crisis: times when an urgent decision is generally more effective than the best decision and is, in any case, the only decision that can affect the crisis.

NATO is still the most efficient organization from a military point of view. It is unlikely that it will be completely superceded, given its continuing and important role as a link between European defence and the commitment of the United States.

Nonetheless, it is not a supranational structure. To date, it has not been able to establish the "European pillar", or achieve out-of-area capacity, or control and crisis management in new international crises. On the contrary, all attempts to extend the out-of-area competences or cooperation of the Atlantic allies through use of NATO structures meet with strong political objections and tend to slow down and block cooperation which is successfully progressing in other fora (bilateral, EC, WEU, etc.) This does not mean that NATO should not discuss and analyze out-of-area problems (as has been recommended in the Harmel Report and repeatedly in the Atlantic Council since then). But such analyses fail to have collective operational consequences, except for the need to compensate for the transfer of forces from the NATO area.

The capacities for political guidance of the IEPG are insufficient. Moreover, it is unable to integrate operational concepts. The Eurogroup does not include France and shares the structural and political limitations of NATO.

The WEU also has serious shortcomings. It is a multilateral organization, but lacks supranational characteristics and effective decision-making and operational structures, which have

been delegated to the member states and NATO. Its ability to play a useful role of political and institutional coordination was manifested during the two Gulf crises. But it also became evident that it was unable to go beyond forming committees for political and military coordination (as useful and necessary as they are). The idea of a unified command clashed with the diverging national points of view. But then again, this role did not evolve from the institution itself; it was the consequence of agreements in principle taken in European Political Cooperation by the twelve Community countries, which felt it more opportune (for contingent tactical reasons) to delegate the actual military decisions to the WEU.

This organization also hosts debates and working groups on East-West problems, arms control and reductions, and the possibility of increasing West European operational cooperation (see the proposal to establish large multinationals). But it is not at the center nor is it the promoter of any of them. It seems to see itself more as a useful "bridge" or the least controversial institutional container to host them. Therefore, the WEU can be defined as a European institution of residual vitality and reflected usefulness - residual vitality in that it is resorted to only when a political decision cannot be brought into the framework of other (more vital and more important) institutions, such as the EC or NATO; reflected usefulness in that its function is subordinate rather than autonomous, offering the opportunity to consolidate other strategies of European integration rather than pursue one of its own.

VII. A DECISION-MAKING SUMMIT

Thus, the problem is one of unifying the numerous institutions directly or indirectly involved in European defence.

Past attempts to deal with this problem have mainly raised the level of decision-making. This occurred when the EC institutionalized the European Council of the heads of state and government (and the same thing happened to the Summit of the seven most industrialized countries). But summits cannot totally replace a more complex and multifaceted decision-making mechanism.

That kind of mechanism exists in the EC, although it does not always work as it should and tends to delegate too many top level decisions to the European Council. It also exists to some extent in the Atlantic Alliance, especially at the military level, thanks to integrated commands and the decisive weight of the United States. But it does not seem to work properly in either the Secretariat or the many committees at the Atlantic and European levels. It either does not exist, or is not effective in other organizations.

Furthermore, with the exception of the EC Commission (which is a multilateral structure with supranational characteristics), the mechanism relies on some of the ministerial decision-making structures of the member states. In particular, it depends upon

the directors of political affairs of the Foreign Ministries and upon the Defence General Staffs. This brings national divisions to the international level.

The advantage of the summit mechanism is in the greater domestic authority of the heads of government over all government activity. The nomination of "personal representatives" of the heads of government, who use the communications network of the Foreign Ministries, has accentuated this hierarchical structure and, therefore, the tendency to ignore "details" and concentrate on major political issues.

Thus, the success or failure of the process of European integration may well depend upon the ability to develop a European decision-making mechanism at the middle level.

The drawbacks of strictly intergovernmental cooperation must be emphasized. It is a foregone conclusion that there are different national perceptions and interests; they can, however, lead to paralysis and take advantage of alternative channels for consultation to block all decision-making. This is the trend underway among international institutions today.

The solution to this problem is twofold. On one hand, institutions must be unified, on the other, the supranational competences of a European decision-making body representing common interests must be extended and strengthened. This is the structure of the EC. It has proved to be quite successful, but it is nevertheless the structure that meets the most opposition.

IX. CONCLUSIONS

European cooperation in the field of security may be achieved in many ways and within different frameworks. The choice among the various options will depend on political considerations and the pressure of events.

A model of integrated European security may be constructed on the basis of one of the following hypotheses.

A. There will be a continued presence of the US commitment in Europe (and, therefore, an essentially American leadership in the field of security)

B. There will no longer be an American presence in Europe, or the US will no longer be willing to assume a leadership role.

The first of these would lead to the least drastic choices because it would essentially call for the continuation of the existing model, while incorporating some possible changes (the most interesting of these is the so-called European pillar of the Atlantic Alliance).

The second hypothesis, on the other hand, requires more complex considerations and could lead either to a "pan-European" security

considerations and could lead either to a "pan-European" security model, or to a model of European integration in the field of defence, which would not include the US. These two models remain rather undefined (and could only become more concrete in the case of a significant acceleration of the political and economic processes of European integration). This would then lead to a formalized transfer of responsibility for defence from the US to Europe.

These two alternatives have become more complex and the choice has become more urgent with the collapse of the political and security system of the Warsaw Pact -- though this collapse has contributed to increasing the security of Western Europe in the immediate term.

At this stage, the problem is one of the relative timeframes of the transformations underway. That is, reform in the Soviet Union has one timeframe, while changes in Eastern Europe and in certain "peripheral republics" of the USSR seem to be concentrated within a different timeframe. As long as these differences are limited to internal political transformations, the discrepancies between the two timeframes can be managed relatively easily. The problem becomes much more complex and delicate, however, when internal transformations influence the broader East-West security framework. And this brings us back to the German question.

In any scenario, the attempt is that of strengthening the ties of the Federal Republic of Germany with Europe. In addition, certain scenarios aim to make the European Community a more substantial international actor, capable of taking an active role in channelling and guiding the process of transformation underway in the East, while guaranteeing the USSR the containment of unilateral and destabilizing tendencies.

Significant results are bound to be obtained, given the positive outcome of a several negotiations (particularly, CFE and START) and the commitment to the resumption of the CSCE process (provided for by the CSCE Summit in Paris, in November 1990). Nevertheless, this can only be secondary to the cardinal goal of stability, which can only be assured by a greater West European initiative. No agreement on disarmament -- not even one which reiterates and reinforces the general principles set out in the Helsinki Charter of 1975 -- is capable of withstanding such profound and radical changes in its political basis as those underway in Eastern Europe (and maybe even in the USSR) in the absence of other essential elements of stability.

In this context, the main responsibility and role of a greater European identity within the framework of the Alliance could be that of facilitating the achievement of a kind of specialization of roles for the various members. This is certainly not a new idea (e.g. it is also suggested as a long-term objective in the Report on Burden Sharing approved by the DPC in December, 1988), and in its most basic form recommends countries to concentrate on particular areas of strategic interest to them and on selected military roles in which they have a comparative advantage. This,

of course, would require a long-term commitment to the collective defence, since such choices could upset individual national models of defence and are only meaningful within an integrated model.

To date, NATO has not been able to overcome national mistrust of greater role differentiation-- perhaps because of the significant difference in the weights of the US and the other allies. It could, however, be achieved among the European allies and be extended later to the Europe-US relationship, if it were guaranteed by the development and strengthening of the process of European integration.

In any case, the process of the specialization of roles could prove to be inevitable (or considered the "lesser evil" by even the most ardent supporters of perfectly balanced national defence models) for the following reasons:

1. The US will tend to reduce its forces and commitment in Europe below the level required to continue to compensate for the weaknesses of every individual ally and every single strategic front. Europeans will thus be required to make a greater joint-effort.
2. The reduction in the available resources and expenses allocated for defence, together with the increase in investment expenditures necessary for maintaining an appropriate level of technology, will require individual European countries (and the United States) to make several difficult choices that risk upsetting current individual national defence models.

There is thus a natural synergy between the Atlantic model and the model of European cooperation and integration for the realization of such a scenario.

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SOUTHERN EUROPE IN A CHANGING SECURITY LANDSCAPE

by Roberto Aliboni *

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Towards a new security architecture in Europe

Western countries are pursuing two most urgent objectives in reaction to sweeping changes in Eastern Europe and the USSR. First, Eastern Europe and the USSR must be helped to accomplish their transition to political pluralism and market economy. If this transformation is not successfully carried out, serious forms of destabilization will affect Eastern Europe and the USSR and will spread to the Western countries. Thus, the first objective is the international integration of countries that had been successfully contained for more than forty years. The second objective is the prevention of a nationalistic evolution of the Greater Germany and the other West and East European countries following the political and security changes now occurring in Europe.

In order to attain these two objectives three policies are being contemplated by the Atlantic allies and the other West European countries. First, the EC must be deepened and reinforced to prevent nationalist drives in Western Europe, to help direct the Eastern European democratic transition and to aid economic reconstruction in both Eastern Europe and the USSR. Second, a significant American presence must be maintained in Europe and the Euro-American relationship must be carefully preserved to prevent nationalist developments in Europe, to reassure the USSR with respect to European powers and viceversa. Third, the countries formerly belonging to the

two blocs --together with the neutral and non-aligned European countries-- must establish a collective security framework. This framework is identified as a "new CSCE". It would be more or less institutionalized, but would remain strictly intergovernmental rather than becoming multilaterally integrated like NATO or the EC.

Though these three policies are largely shared by Western (and even Eastern) countries in Europe, there are important differences in emphases and visions with respect to their final outcomes. It can be said that, by giving different preferences and priorities to the three policies in question, governments are envisaging two principal comprehensive arrangements.

First, within the pan-European security framework provided by the "new CSCE", NATO and the EC would need to be adapted and reinforced if they are to remain the pole of stability and orientation of the whole process underway. The EC is expected to be deepened at both political and security levels. This reinforced EC would represent the Europeans within NATO. In NATO and/or elsewhere, the USA and the EC will set in motion a closer relation for sharing political and economic decisions. In other words, the new security order would rest on the renewal of the Euro-American relationship and the strengthening of the EC. They would add a more pronounced and cooperative political dimension to NATO's military dimension (this would be the meaning of NATO's becoming a "more political" body).

Second, the new pan-European CSCE framework would suffice

in itself to perform the task of giving security to the countries concerned, "from Vladivostok to S. Francisco". A major role of the present Western institutions would probably be helpful in directing and guaranteeing the transition to this collective pan-European security arrangement. However, once this "new CSCE" were in place, the absence of a dominating pole would be a condition for its success. In this "scenario" the more or less gradual enlargement of the EC to the whole of Europe is more important than its deepening.

The key-factor in determining which arrangement will emerge is the deepening of EC integration. There is no doubt that the Western governments are about to renew the pan-European CSCE process with the aim of arriving at the first kind of arrangement. However, if in the meantime they do not manage to deepen the political and security levels of the EC, NATO will become a "more diluted" body (that is how "more political" is interpreted by the "new CSCE" supporters) and the "new CSCE" arrangement will prevail beyond and despite the will and expectations of Western Governments.

The "new CSCE" vision expresses the widespread feeling that with the collapse of the Soviet threat the military dimension of the Western network is no longer necessary. Consequently, NATO should either disappear or transform itself into a "political" entity (in the sense of "diluted"), whose main task would be that of providing the rationale for a continued association of the North American countries to the CSCE theater. By the same token, the necessity for a deepening of the EC institutions from the security point of view is

opposed as it is considered senseless (or the desire of militarist circles).

Despite the good intentions of leftist parties, Green parties, pacifist movements, and various groups of "concerned scientists", etc., the fundamentally insecure character of the "new CSCE" framework is inherent in its inability to provide the political prerequisites to security. The success of the CSCE has been made possible by the political cohesion and the multilateral organisation of its member countries. It was this underlying political structure that enabled the CSCE to succeed and not the other way round. If the "new CSCE" is not sustained by an effective and integrated political entity within it (e.g. the continued stability of the Euro-American pole) the result will be the familiar system of nation states, wherein sooner or later the most powerful ones would try to dominate the others and security would be provided by the old, unstable policies of the "balance of power" and bilateral "alliances". In other words, there is no doubts that the "new CSCE" arrangement (with which many are currently enamoured) does not have the political prerequisites for being effective in providing the expected security.

Southern European security and Western institutions

The implication of what has been just said is that the Western countries --and all the other countries concerned-- share an interest in the stability of the Western institutional network as it will affect the stability of the entire system. This Western interest, however, is particularly

intense for the South European countries (SECs).

Belonging to the Western institutional network is of special significance for the stability and identity of the SECs. External security is not the only motivation for their participation in the network. Because of the historical weakness of their democratic institutions and economic development, after the Second World War first Italy, and later, Greece, Portugal and Spain looked at their memberships in NATO and the EC as guarantees for overcoming their delayed development and strengthening their polities and economies. Even after the collapse of their old regimes, forces opposing democracy --from Fascists and other right-wing nationalists to Communists and other brands of leftists-- have prevented these countries from having a regular democratic political life. Nonetheless, inclusion in a firm international network of industrial democracies has given the SECs the opportunity of evolving their own democracies without resorting to oppressive measures to counter internal threats to their stability. In the end, their international posture has even contributed to the democratization of the very forces opposed to it in principle, as in the case of the Italian Communists.


The Northern EC countries are aware of this link between SECs internal and external security of the SECs. This was demonstrated by the resolute way the EC countries acted to integrate Greece, Portugal and Spain as soon as these countries got rid of their authoritarian regimes. For the same reasons a similar attitude is now emerging in relation to the difficult transition from communism to democracy of the East

European countries.

With this in mind, it is understandable that the SECs have a paramount interest in the maintenance of the solidarity and strength of the Western institutions. The possible weakening of these institutions would affect the international security of the SECs along with that of other Western countries. In the case of SECs, however, may also affect their democratic regimes. There would not merely be a return to Fascism, but one can foresee the re-emergence of some form of more or less aggressive nationalism.

Another way to put the same argument is that the inclusion of the SECs in the Western community prevents them from feeling marginalized or isolated. As peripheral and marginal as they may be within the Western system (often nothing but a psychological legacy of the past), they are not at all marginal internationally thanks to the status they enjoy as members of the Western institutions, particularly as members of the EC. Consequently, the weakening of the Western system would make the SECs more marginal than they may be today. Again, this marginalization would lead to frustration and nationalist policies.

Western European policies in the current transition



Given this picture and assuming these interests, the ultimate direction of Western countries is not very clear, though officially they aim to achieve the first arrangement, i.e. a comprehensive East-West security framework stabilized by effective Western institutions.

To evaluate Western directions, it may be helpful to look at Western substantive policies at the current stage, a stage that will conclude with the German elections and unification and that can be considered decisive for next stage, when the European architecture will actually begin to take its shape.

Today, it is the "Two plus Four" group that is leading the process toward the new architecture. When the announcement was made in Ottawa in February 1990 there were protests, especially on behalf of Italy because only a few months before, the two European Councils organised under the French presidency in Paris and Strasbourg had stipulated that the EC countries have a common role in the German unification process. The West European countries therefore felt excluded.

As a matter of fact, the unification of the two Germanys cannot be implemented without the involvement of the USSR. The main issue is the task and the future of the "Two plus Four" formula. It may act as the liquidator in the aftermath of the Second World War and then disappear. In contrast, it may evolve as a sort of regional "Security Council" which would include the Greater Germany, the UK, France and the two superpowers. Such a development (1) would be consistent with the "new CSCE" arrangement and would inevitably downgrade the existing Western institutional setting to one based on nation-states similar to that prevailing before the Second World War.

A second feature of the current phase is seen in the national foreign policies of West European countries as crucial as the UK and France. Confronted with the drive towards German unification, both agreed in principle on the

policy of welcoming it, provided that it takes place within the framework of Western institutions. At the same time, however, they have shown deep mistrust toward this policy and acted accordingly. Strenuously opposed to any deepening of the EC, the British government considers the linking of this process with that of German unification futile and foolish. It has overtly manifested its aversion to the unification of the two Germanys, though in the end it felt that it was unavoidable to "be nice to the Germans" (2). The French attitude is more contorted, oblique and also more alarming, given that the special solidarity between France and the FRG is supposed to be the centerpiece of the EC political understanding. The French government, though officially supporting the unification, has repeatedly acted as though it had to contain the new Greater Germany by allying itself with the European countries and the USSR (3). In this way it was not only unfair to Bonn but also to the EC, to which France had proposed and promised to "contain" Germany by the enforcement of a stronger European integration.

A third feature is the weakness of the drive toward the strengthening of the European integration, although this policy is recognized as crucial by all the countries concerned. It may appear that this is not the case because of the two intergovernmental conferences on monetary and political integration that are meant to start at the end of 1990. As successful as these conferences may be, what is clearly missing among the EC members is the belief that the EC and its deepening are central to the future architecture "from

Vladivostok to S. Francisco". This can be easily supported by the substantive policies of France and the UK. In addition, it is supported by the existing opposition or reservations with respect to the necessity of developing a common European security and defense policy.

At the London Atlantic Council in July 1990, Americans appeared more innovative than Europeans on this point.

Americans envision a NATO transformed by the growing security role the EC is expected to play within the enlarged security system that will link East and West (4). Consequently, they expect the EC to be reinforced by the addition of a common defense and security policy to its institutional dimensions. But such a development, when not straightly opposed, is envisioned by the Europeans only in a very distant future (this point, however, is taken up later in sections dealing with threats coming from the South). An EC reinforced only at the economic level will neither lead to innovations in the Euro-American relationship within NATO, nor contribute to a security system that is more multilateral and stable than the one which is promised by the "new CSCE". The EC countries risk moving toward a "new CSCE" system not because they wish it but because they are unwilling to reinforce their common institutions.

Southern European policies

Prospects are therefore uncertain and not very promising for a new security architecture based on the strengthening of the Western institutions. According to the assumptions

outlined in this paper, these prospects should be particularly worrying for the SECs. Their present policies, particularly those of Spain and Italy will now be considered.

What distinguishes the SECs (and, generally speaking, the other EC members) in relation to France and the UK is their more straightforward and sincere interest in deepening the EC. This objective, however, is not receiving the urgency and priority it would deserve in relation to the other objectives at stake. The working out of a "new NATO" and a "new CSCE" are being dealt with by their diplomacies as if the political relevance these "new" bodies are destined to acquire were separated from the future of the EC. The EC future is de-emphasized and detached from the other institutions that are meant to assure European security.

There are various reasons for this policy. As in the other members of the EC, public opinion in the SECs places major importance on the opportunity of institutionalizing the peace that is finally at hand and cashing in the "dividends of peace". To this end, establishing a "new CSCE" and downgrading the military nature of NATO to an unspecified "more political" alliance are more attractive than the deepening of the EC (not to mention the addition of security and defense competences).

Governments tend to be prudent on the issue of downgrading NATO and more skeptical about the "new CSCE". However, their attitudes are more conservative (how to prevent integrated military forces from simply being dismantled, how to adapt nuclear military doctrines, how to convince public opinion that the USSR is still a threatening factor, etc.) than

innovative (how to give the EC a new role within NATO and which pan-European security system might be implemented).

~~Whatever the governments' attitudes, internal consensus requires that priority be given to the search for a form of security like that promised by the "new CSCE".~~

This is particularly evident in Italy, where prospects for a "new CSCE" give stability to the government coalition, and to its relations with the opposition. A government policy overtly supporting a pan-European security system based on the dominance of Western institutions would split the majority and create solidarities with the opposition through the government coalition itself and the Christian Democratic party.

~~A more straightforward policy of the SECs, towards the strengthening of the Western institutions is also prevented by the Spanish attitude toward NATO.~~ The Spanish membership in NATO was not motivated by a shared perception of the threat from the East, but by the necessity of integrating Spain into the Western circle and giving the country its due international status. Promises about retaining full national sovereignty have conditioned electoral consensus on Spain's membership in NATO. This resulted in Spain's limited membership in the military organisation. ~~An evolution towards a "more political" (in the sense of a "more diluted") alliance would therefore be consistent with the fundamental Spanish feelings about NATO.~~ A similar attitude could also develop in the Greek Government. Again, this is not to say that Spain and Greece will put forward a policy of downgrading NATO. Their particular feelings about NATO, however, could contribute to

giving priority to more comfortable schemes (like that of the "new CSCE") than to the reinforcement and renewal of the Western institutions.

The foregoing does not constitute a common SEC position on the changing European security architecture. Apart from the cases of France and the UK --dominated by the problem of asserting their national dimension-- the policies of EC members in Southern Europe and elsewhere, do not differ significantly. With some reservations, everyone is ready to initiate a "new CSCE", even though progress on NATO and the EC is still uncertain and unclear. What must be pointed out here is that there is, however, a difference with respect to the prospects. A relative weakening of the EC in a European setting shaped by national evolutions, "alliance policies" and more or less formalized directorates (such as the one that may arise from the "Two plus Four" group) would put the SECs, particularly Italy and Spain, in a very marginal situation. The "voice" the SECs have within the EC today would not be comparable in a similar position within a landscape marked by national actors. The same would be true if NATO were weakened.

If one considers this special SEC interest in maintaining the strength and cohesion of Western institutions, their propensity to follow the general drive towards the "new CSCE" kind of arrangement is not the only cause for concern. What is perhaps more worrying is their inability or unwillingness to promote more integrative policies within the EC. One must recognize that the SECs and Italy in particular have carried out a clever diplomacy within the existing initiatives for

upgrading integration. For example, Italy played a remarkable role in advancing the plans for implementing a European monetary and economic union and there is no doubt that the Italian presidency during the second semester of 1990 will do its best to ensure the success of the two intergovernmental conferences on the EC agenda. As clever and effective as they may be within the circle of Community politics, major SECs such as Italy and Spain are weak or absent from the circle of intergovernmental relations among the EC core countries. They tend to feel excluded from them; nevertheless, they make no attempt to join in. French-German initiatives should not only be supported (or rejected); they should be shared and "Europeanized". Given the generally recognized importance of linking Germany to the EC in the present political stage, this would be helpful for at least two reasons: strengthening the linkage policy towards Germany and making French policy less oblique.

By the same token, the French policy of using bilateral relations to differentiate the roles of its EC partners while sharing these roles should be rejected. France cooperates with the UK on nuclear arms, with the FRG on East-West relations and with Italy and Spain on the Mediterranean area. The SECs have no interest in being compartmentalized. On the contrary, their interest is in having all issues reported at the EC level. In this framework the initiatives carried out by France, Spain and Italy with respect to the Western Mediterranean and by Italy with respect to Austria, Czechoslovakia, Hungary and Yugoslavia, though good in

themselves, should be to some extent "Europeanized"]. If they are not, they will prove less effective and even counterproductive in terms of Western European solidarity.

A more active intergovernmental European policy from the SECs could be a positive balancing act with respect to the inevitability" and the ambiguities of the current generalized course towards a pan-European security scheme.

Threats from the South

Things are also changing South of the European continent. The occupation of Kuwait by Iraq in August 1990 was not a surprising development. It is quite in step with changes and evolutions which began to emerge in the war between Iraq and Iran.

It is now well known and documented (5) that the Gulf war started an important rearmament cycle in the regions South of Europe, particularly in the Middle East. Though nuclear proliferation is only strongly suspected, proliferation of important types of unconventional weapon is certain. Under the impetus of the Gulf war, conventional and unconventional arms --especially chemical weapons-- and related technologies have been exported to an astonishing extent. Exports, cooperation from Western industries, "new" Third World arms producers and intelligence have lead to the spread of missile techonologies from Iraq to Egypt and Saudi Arabia. Many regional countries are beginning to emerge as military industrial powers that can no longer be neglected by the West. The only existing international agreement limiting transfers

of missile technologies --the 1987 "Missile Technology Regime Control"-- was not implemented effectively and was not timely enough to prevent proliferation. Moreover, its membership (Canada, FGR, France, Italy, Japan, UK and USA) has proved too narrow for the agreement to work efficiently. As a result, many countries South of Europe set up huge armaments arsenals, enhanced their force projection capabilities and acquired a valuable capacity for reproducing and expanding their arsenal through their new military industries.

In order to evaluate this threat it must be considered against its political background. The absolute level and the composition of armaments is definitely an important determinant of instability. However, the real determinants are the political goals armaments are expected to serve.

The significant increase in armaments that characterizes the Middle East accompanies the new nationalism that is directing many of the most important regional States. The "old" nationalist Middle Eastern regimes failed to fulfill their promises of welfare and dignity. All their international strategies for asserting their role and eliminating Israel failed as well. Islamic political extremism within the wider resurgence of Islam is, among other things, a reaction to the state of absolute frustration that has dominated the Middle East since the peace between Israel and Egypt. It must be recalled that the current Islamic movement sees secular and nationalist Middle Eastern regimes as being no less "satanic" than Western and Communist regimes.

The "new" nationalist Arab regimes are now emerging from

a victory against this mortal Islamic enemy. Iraq fought alone in what in fact amounted to a war of all the Arabs against the Iranians and of all the secular and "modernizing" nationalist forces against the Islamic nationalist forces inspired by Khomeinism. Victory over Khomeinism, however, is not a victory over Islamic extremism and its causes. Nationalist regimes, though victorious against the Islamic threat, must take up two unresolved challenges: on one hand, the modernization that the "old" nationalist regimes were unable to deliver; on the other hand, the international assertion that is invoked by both Islamic and secular nationalist movements. The survival of the "new" nationalist regimes is linked to their ability to deliver modernization, welfare and the greater international status that is claimed by the cultural self-perception of Muslims (in relation to that enjoyed by Christians and Jews). For these reasons the new nationalist states of the Middle East are more efficient, more assertive and more aggressive. Much more than the "old" nationalist Middle Eastern regimes, they look like the warring nation-states that constituted Europe before the Second World War.

It is evident that the rise of armaments in the hands of these states is not only dangerous in itself, but it is also dangerous because of the inherent factors of frustration that are shaping their political aims and feeding their aggressive nature. It is dangerous because it will increase their potential for aggression against the Western countries. It is dangerous because it will increase conflicts within the region and these conflicts will involve Western interests (like oil,

strategic access, etc.) and lead to instability well beyond the region in itself. Finally, it is dangerous because it may bring about obstacles and delays to East-West détente.

What is the impact of the current East-West détente on this environment? The situation appears more ambiguous than generally expected.

Changes in Eastern Europe and the USSR are bringing about for a number of Middle Eastern Governments and groups the end of easy military deliveries, facilities and covert support (as in the case of terroristic groups). All of them realize the end of the possibility of exploiting the East-West conflict for their own purposes. The linkage between regional crises and the East-West dimension is definitely weakening. This means that risks of "globalization" inherent in Middle Eastern crises are diminishing. This diminishing risk of conflict globalization, however, is more beneficial to the security of Western and Eastern countries than to regional stability (though the impact of a decreasing military support within the East-West framework should not be overlooked). Unless a stringent regional security framework is put in place by the countries concerned, the end of the stability assured by the East-West framework will transform into an increased regional instability.

Changes in Eastern Europe and the USSR may give rise to other kinds of difficulties as well. Developments such as the rapprochement between Israel and USSR, the re-establishment of full relations between the Eastern European countries and Israel and the new Soviet policy in relation to the Jewish

migration in Israel have been resented in the Middle East, particularly by the Arabs, as a strategic turnabout. These changes are seen by the Middle East eyes as a process of deep-seated cultural convergence between West and East which would isolate the Middle East and make its goals --beginning with Palestine-- more difficult and unheeded. This kind of paranoid reaction could turn any likely East-West cooperation in defusing regional crises into a negative factor because it would be seen as a coalition against local interests (rather than as the usual mechanism for reciprocal assurances of the contenders). Most of all, it would reinforce frustration and feelings of being "dropped" and would stir countervailing nationalist reactions. As a result, it could be exploited by emerging "new" nationalist forces, as is already clear today in the rhetoric and behaviour of Mr. Saddam Hussein. Similarly, it could encourage and facilitate the coalescing of Islamic and nationalist forces.

Instabilities resulting from these developments will not remain limited to the region. Because of existing inter-regional ties, they will spill into Europe as well. In addition to Islam, "new" nationalism could increase the assertive mood of the Islamic communities in Western European countries such as the UK, France and Germany. There could be more cases like the "Rushdie affair". In any event, the management of inter-community relations within European countries could become more difficult and painful.

To conclude the assessment of the threat coming from the South, economic and social factors must be considered. As it

is well known, there is a growing demographic imbalance in the Mediterranean basin, even including countries (like Turkey, Algeria, Morocco and Tunisia) with special relations with the EC. Coupled with persistent differentials in relation to income growth, this demographic differential is expected to create growing pressure for migrations to Europe from the countries lying at its Southern approaches. Migraants are expected to increase the number of Islamic communities and consequently to exacerbate the social and political problems related to inter-community relations within the EC itself.

Even in the absence of migration, there is no doubt that underdevelopment is an important factor in both the rise of Islam and nationalistic assertiveness. Economic, social, political and military factors are therefore coalescing in creating a threat, whose management looks very delicate and difficult and requires the deployment of important instruments of economic, social and cultural cooperation in an environment that is growingly hostile and intricate. Economic cooperation policies presently conducted by Western countries are not sufficiently effective. They are becoming part of a vicious circle, whereby their failure downgrades political conditions in the countries concerned. In turn, this downgrading makes the goals of policies and their implementation increasingly difficult (6).

The West and threats coming from the South

The impact of East-West détente on Western security out of the NATO area needs to be considered from another angle as

well. What is the impact of a weakening (if not waning) East-West constraint on the role of the West in regional crises? Is the Western role diminishing or increasing? And what could be the impact of this new role on the current reshaping of the Western institutions?

As previously indicated, the risk of "globalization" inherent in Middle Eastern crises is weakening with the weakening of the linkage between regional crises and the East-West dimension. However, the decrease in the East-West dimension of the regional crises is being compensated by the increased impact of the local dimension ("new" nationalism, Islam, and the developments examined in the previous section). This increased regional instability will bring about an accentuated "internazionalization" of regional crises (a process distinct from "globalization"). The consequence will be that the Western countries and the USA will be increasingly called in to provide stability, with the USSR assuming a low profile. For the West the evolution of such a new regional framework implies major political exposure and a strong increase in the incidence of threats coming from the South.

This has been the case with the Iraq-Kuwait crisis. This crisis has demonstrated that because of instability South of Europe there are some limits southward to Western policies of withdrawing and disarmament now being negotiated and implemented on an East-West axis. The USA cannot simply neglect regional crises in the Middle East and will continue to feel obliged to intervene, especially in the Middle East.

In this perspective, threats from the South may have an

important role in the reshaping of Western security institutions that is taking place along East-West lines. A stronger West European solidarity --expressed by the inclusion of security in the deepening of the EC-- would allow for two favourable, not mutually exclusive, developments. First, the Europeans would be able to handle regional crises themselves, without the necessity for an American leadership to coordinate multi-national interventions. Second, a European integrated military pole would make it easier for NATO to be adapted to intervene in what is presently out of its area. This kind of evolution would therefore facilitate efforts directed at reinforcing Western institutions within the reshaping that is taking place as a result of East-West changes.

The possibility of adapting NATO to the new security environment by including "out-of-area" operations in its scope was hinted at during the July 1990 Atlantic Council in London. This would be achieved by setting up special multinational forces on-call, characterized by high mobility. A similar idea aired by the Secretary-General of the WEU, though in reference to European deployments, could be redirected and expanded to create a European solidarity for the same purpose.

In the absence of integrative European developments in security, it will be difficult for the USA to decrease its role in the Middle East significantly. It may be that their presence in the Mediterranean will be decreased by holding ships on call in the Atlantic, so that they could move to the Mediterranean and the Middle East as soon as needed (7). However, any major crisis in the Middle East would require

facilities and agreements with the SECs to move troops and materiel. Basing in the SECs is already a thorny issue today (8). It will not be easier in the framework of weakening Western institutional solidarity that is implicit in the developments in question. In any case, the European inability to make an effective contribution in defusing crises in the Middle East would contribute to the estrangement of the USA from the European theater as well. All these developments would be consistent with a "new CSCE" scenario within the East-West framework.

When taking account of these considerations, threats from the South appear well linked to the rearrangement of Western security institutions. It is not just a way to substitute the waning threat from the Communist world in order to restore NATO's raison d'être. Threat from the South is a real issue within the framework of Euro-American relations destined to enter the next Western security equation.

Threats from the South and Southern Europe

In the eighties the balance between threats from the East and from the South in the South European area has progressively changed, with that from the South having more weight. In the numerous conflicts that arose in the regions South of Western Europe, the reduction of East-West factors with respect to local and regional factors has become increasingly evident. Western perceptions changed accordingly and the addition to NATO and the EC of a country like Spain, historically emphasizing threats from its Southern approaches,

has contributed to this trend.

In relation to this growing threat from out of the NATO area, ~~West European countries have rejected USA requests aimed at enlarging the tasks of NATO beyond its present jurisdiction, so as to include threats from the South in addition to Warsaw Pact threats to the NATO Southern Flank~~

(9). ~~At the same time, despite agreements in principle reflected in the 1987 "Platform on European Security" approved in 1987 by the WEU Council of Ministers, there were no substantive developments within the West European institutions (including the WEU, EC and EPC) in relation to the advancement of a common responsibility in the field of security and~~

~~defense.~~ It must be noted that France and Italy -- two major countries on the Southern rim of Western Europe -- at the time of the multi-national intervention in the Gulf in 1987-88 opposed a more integrative evolution of the West European forces at sea.

~~The consequence of this evolution in relation to the management of the threat from the South has been that on a number of occasions the USA acted in the Southern theater by using bases and forces more or less integrated into NATO, according to their own interests and decisions, i.e. by changing "hats". Because of the increase in the USA missions nationally-operated against threats from the South and the absence of any collective development on European side the SECS have been involved on a bilateral basis by the American activism in the Mediterranean and the neighbouring regions. This involvement has created conflicts between the USA and the~~

~~SECs, which have been isolated (i.e. "singularized") from other allies in these conflicts.~~

What could be the impact of current changes in East-West and Euro-American relations on this situation?

~~If a "new CSCE" scenario were to prevail, the general weakening of the Western institutional cohesion in a Southern environment marked by growing threats would lead to the accentuation of current tendencies toward "bilateralism" between the SECs and the USA. The new environment would be characterized by national tendencies in the SECs -- as everywhere in Europe-- and, as we have already argued, by a likely necessity for the USA and other Western powers to intervene in the Middle East. Intervention would be on a mostly individual or multi-national basis (i.e. outside an integrated military organisation)-- This would reinforce "bilateralism" between USA --and possibly other Western powers-- and the SECs. Without a multilateral arrangement, the combination of growing threats in the Southern regions with more assertive, nationalist SECs will increase the likelihood of conflicts among the SECs and with the USA and would make nationalism in the SECs stronger.~~

An evolution towards the strengthening of Western institutions would have a different result, especially if such a strengthening were substantiated by new institutional solidarities for operating jointly in the "out-of-area" (see previous section).

This would be of extreme importance from the point of view of the SECs. To what we have already said when talking

about the impact of threats from the South on Western institutions, one has to add that both NATO and the EC are definitely giving more weight to Eastern Europe and the USSR than to Southern areas. Despite the EC countries agreement on the implementation of concentric circles around the EC core involving EFTA, Mediterranean and Eastern European countries, the risk of imbalances in the external relations of the EC as a result of the German unification cannot be ruled out. A concentration on the East would not be a good policy for the EC and for the West in general. It would definitely be damaging to the SECs. Damages would not be caused by their greater exposure to threats coming from the South in comparison to their partners --the Northern and Central European countries are as exposed as the SECs, whether the threat comes from instability in the Southern regions or from Islamic communities abroad. And, as in the past, SECs will intervene to withstand threats coming from the South. Rather, the exclusion of the South from the Western multilateral notion of security would put the SECs back to the situation of "singularization" previously mentioned i.e. they would be less integrated in the Western network, potentially marginal to it and vulnerable to nationalist tendencies.

When talking about changes in the East-West dimension, the conclusion was that SECs have a particular interest in the maintenance of stability in the Western institutional network. This conclusion is confirmed by the discussion on threats coming from the South. In relation to the latter, however, what is also of interest to the SECs is that the Southern

dimension be firmly included in the new notion of security
that is meant to sustain the reshaping of the Western
institutional network.

Notes

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(1) The idea of an Asiatic security system similar to the CSCE was hinted at by Mr. Baker and Mr. Shevardnadze in their Irkutsk meeting, in which the Cambodian crisis was considered. See also Gareth Evans, "What Asia Needs Is a Europe-Style CSCA", International Herald Tribune, July 27, 1990.

(2) "What the PM learnt about the Germans", The Independent, July 15, 1990, p. 19, reports a British Government's internal memorandum about changes in Germany.

(3) See Pierre Lellouche, "Lendemain de fête ou comment ne pas manquer notre sortie de Yalta", Politique Internationale,

47, Printemps 1990, pp. 1-28.

(4) After Secretary Baker's proposal at the Berlin Press Club in December 1989 to create an organic form of political cooperation between the USA and the EC, other proposals did come from American personalities, like Henry Kissinger ("Una sedia per gli Usa alla tavola dei Dodici", La Stampa, May 30, 1990) and Stanley Hoffman ("From Old Nato to a New North Atlantic Security Structure", International Herald Tribune, May 29, 1990). Europeans appear less propositive.

(5) IISS, Strategic Survey 1988-1989, London, Brassey's, 1989, pp. 14-24; Institute for Defense & Disarmament Studies, The Arms Control Reporter, sections 701, 704, 706; SIPRI, Yearbook 1989, World Armaments and Disarmament, Oxford University Press, 1989, ch. 7; Institute of World Economy and International Relations, 1988-1989 Yearbook, Disarmament and Security, Moscow, Novosti Press Agency Publishing House, 1989, ch. 30; IFRI, Ramses, Paris, Dunod, 1989, part 2; see also the papers presented to the Institute for East-West Security Studies "Committee on Regional Arms Transfers and Arms Control in the Middle East", Wiston House (UK), February 1990, and Laura Guazzone, Unconventional Weapons Proliferation in the Middle East: the Regional and International Impact, paper presented at the joint IAI-IMEMO meeting on "East-West Relations and Security in East-Southern Europe", Moscow, April 2-3, 1990 (with bibliography).

(6) For an analysis of the interrelation between economy and security in the regions South of Europe, see Roberto Aliboni, "The Mediterranean Scenario: Economy and Security in the Regions South of the EC", The International Spectator, XXV, 2, April-June, 1990, pp. 138-154.

(7) See Bradford Dismukes, Mare mosso, Center for Naval Analysis.

(8) Gene R. Larocque, "Estados Unidos y el Mediterraneo", Revista Española de Defensa, May 1990, p.81.

(9) Geoffrey Edwards, "Multilateral Coordination of Out-of-Area Activities"s, in Joseph I. Coffey, Gianni Bonvicini (eds.), The Atlantic Alliance and the Middle East, MacMillan Press, 1989, pp. 227-267.

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JAMES L. LACY

BEYOND REGIONAL APPROACHES TO NAVAL ARMS CONTROL

James L. Lacy

Interest in naval limitations in the Mediterranean has a rich, fractious and, for the most part, unrequited history. Typically, the aim of proponents has been to impose some form of regional arrangement for the control of naval operations. Such regional approaches have sometimes been expressed in terms of Mediterranean security *per se*; sometimes, in terms of East-West issues only; other times as a subset of pan-European confidence-building and arms reduction.

The record is spotty. Greece and Turkey, and Turkey and the Soviet Union, signed naval protocols in 1930 and 1931, respectively, but these were limited bilateral arrangements for exchanges of information on prospective changes in naval inventories. The Montreux Convention of 1936, long since technically expired, is still generally adhered to, but it is a distinctive arrangement with a distinctive history covering a very distinctive combination of straits, inland waters and adjacent land area.¹

The other regional arrangement of the interwar period, the "International Agreement for Collective Measures against Piractical Attacks in the Mediterranean," was essentially stillborn. Signed at Nyon, France on September 14, 1937 by Britain, Bulgaria, Egypt, France, Greece, Rumania, the Soviet Union, Turkey, and Yugoslavia, the agreement sought to restrict the deployment of submarines in the Mediterranean by barring them except in specified areas for naval exercises, or when their

¹The Montreux Agreement was the last in a series of international arrangements beginning with the Paris Peace Treaty of 1856 to regulate non-littoral naval presence in the Turkish Straits and the Black Sea. The history is discussed in a forthcoming RAND Note by the author: *Naval Arms Control: The Backdrop of History*, N-3120-USDP, August 1990.

transit was announced in advance and they were accompanied by a surface ship, and authorized Britain and France to enforce the ban, including the right to attack submarines found submerged in prohibited zones. Neither country saw fit to exercise its attack authority, however (despite frequent contacts with violating submarines) and the agreement lapsed, virtually unnoticed, at the outbreak of World War II.

Much has been proposed, but little has been agreed to in the postwar period.² The most prominent, certainly the most persistent and contentious, of the postwar proposals have been of two general types:

- reduction and/or elimination of the presence and deployments of (especially, if not exclusively non-littoral) naval forces in the Mediterranean, and
- "denuclearization" of the Mediterranean region and adjacent areas.

For much of the postwar period, these propositions were framed chiefly in East-West, Cold War terms. Apart from the Soviet *eskadra*, all of the significant navies in the Mediterranean belong to NATO. Unable to compete with Western domination in the Mediterranean in political and military terms (in its best days, the Soviet *eskadra*'s chief function was to inflict maximum damage on Western forces before being annihilated), the Soviet Union was the chief critic of Western naval presence and the principal proponent of measures to rid the area of Western naval power.³

²A noteworthy exception is the "Incidents at Sea" agreement signed by Greece and Turkey in 1986.

³The Soviet Union first proposed a Soviet-U.S. negotiation for naval disengagement in the Mediterranean in 1957. In 1959, the Soviet Union and Albania joined in a proposal for a nuclear-free Adriatic and Balkans. In 1963, the Soviet Union formally proposed to the United States a negotiation for a "nuclear-free zone" to encompass all of the Mediterranean. Similar types of proposals and appeals have formed a regular part of Soviet public diplomacy in years following. The history is recounted in a

More recently, within the context of the Conference on Security and Cooperation in Europe (CSCE), attention has been focused on more limited naval "confidence-building" measures such as advance notification of exercises and deployments, size, duration and location limitations on naval maneuvers, and international observation of activities at sea. The propositions (which would cover all or part of the Mediterranean) have become a major point of contention between Moscow and NATO. The Soviet Union, not without sympathetic support from neutral and non-aligned CSCE participants and also some NATO members, has argued that it is strategically one-sided and fundamentally unfair to reduce and regulate ground and air forces in Europe while leaving, as the West insists, naval forces and operations almost entirely outside the framework of negotiations.

Still, there has always been more to the interest than East-West issues. For centuries, the nation that has controlled the Mediterranean's sea routes has dominated the region. In the nineteenth century, naval supremacy passed for the first time to a non-littoral country, Britain. It has never passed back. In naval terms, the Mediterranean is a strikingly busy place. Counting only the assets of the United States, the Soviet Union and their respective allies, in an average month four aircraft carriers, more than 80 tactical submarines, fifteen cruisers and battleships, about 160 destroyers and frigates, and about fifteen amphibious ships ply its waters. Not surprisingly, ridding the area of non-littoral naval forces has long, though never unanimously, struck a sympathetic chord among a number of the littoral states of the region. The "Declaration on Security and Co-Operation in the Mediterranean," adopted by the Mediterranean Members of the Non-Aligned Movement at Valetta in 1984, is one in a long line of appeals, proposals and complaints with much the same theme:

forthcoming RAND Note by the author: *The Baroque Debate: Public Diplomacy and Naval Arms Control, 1986-1989*, N-3121-USDP, August 1990.

[F]reedom of the high seas in a closed sea like the Mediterranean should be exercised scrupulously and exclusively for the purposes of peace[;]. . . naval deployment, particularly by States outside the region, that directly or indirectly threaten the interests of non-aligned Mediterranean members should be excluded.

BETWEEN WORLDS

One difficulty in applying regional arms control approaches to the Mediterranean is that the region itself straddles worlds. Stretching some 2500 miles from Gibraltar to Beirut, averaging 500 miles in width north-to-south, the Mediterranean is both European and non-European. It is European because it forms the southern strategical flank of NATO--through which NATO's southern region would be supplied and reinforced in a major war, from which the West might attack the Soviet Union's flanks, and through which, more generally, much of Europe's oil is transported. Yet, the Mediterranean is also the meeting point of three continents--Europe, Africa and Asia--and serves (along with the Red Sea) as an intercontinental inlet providing a major line of communication between the Atlantic and Indian Oceans. The region itself has a population in excess of 300 million. Geographically, Rome is closer to Tripoli than it is to Paris, and Marseilles closer to Algiers than to Brussels.

From a European, CSCE, perspective, Mediterranean security is an appropriate subset of European security, the Helsinki process should be fully applied to the region, and naval activities in the Mediterranean should be regulated in the same fashion as activities in the Baltic or the Norwegian Sea. Such views are firmly ingrained in the CSCE's history and thinking--as true of the West as of the East and the neutral and non-aligned (NNA) participants. The West opposes extension of CSCE confidence-building beyond water's edge, but it does so across the board, not with any particular exception for the Mediterranean in mind.

A different, recent, and tentatively formed view, sees little logic in attempting to transfer an essentially central and northern European approach to the south, and argues for a parallel, distinctively Mediterranean, conception: a CSCE for the Mediterranean (a "CSCM"), with its own variant of the Helsinki Act and its own security arrangements which, presumably, would be north-south as well as east-west in content and configuration.

There is no question about the troublesomely distinctive cast of Mediterranean security problems. To a familiar list--Turkey's long-standing disputes with Syria and Iraq, the endless Lebanese crises, the seemingly implacable Palestinian and Arab-Israeli problems, renegadism on the part of Libya, military and demographic problems emanating from the Magreb, north-south issues of immigration, wealth and trade policy--recent liberation of the Balkan countries is likely to add a complicating, potentially destabilizing factor. Greece, for example, which has always felt threatened by Turkey, will now have to cope with an emerging nationalist Bulgaria and growing instability in Yugoslavia. Whatever comes of the present crisis in the Persian Gulf, it almost certainly will have a destabilizing effect on a number of Arab governments.

Yet, if the distinctive cast of the region's security concerns argues for a CSCM-type approach, the same constellation of regional enmities virtually guarantees that any such initiative would almost invariably founder. Either membership would be so limited as to be practically meaningless, or so contentious as to be paralyzing. (On this count, it is useful to recall that it took thirty years to get from World War II to the Helsinki Final Act and another fifteen to get to the present rounds of conventional force negotiations in Vienna.)

REGIONAL CONSTRAINTS, GLOBAL FORCES

Regional approaches to naval arms control have other limitations. For one thing, it is strategically myopic to consider naval constraints without regard to overall regional

military balances. The time when naval power could be equated with the number of ships amassed in a given sea area, without reference to military assets on land, has long since passed. "Non-naval" states have developed or acquired potent capabilities to project power onto the seas and defend against power projected from the sea. Regional arrangements that do not take full account of all military forces acting within a given maritime theater--itself a mind-numbing prospect--risk being more unbalancing than balancing.

Even if this could be overcome, regional military balances are not the same as regional political balances. Naval forces, in the phrase of Johan Jorgen Holst, Norway's recent defense minister, "cast political shadows before them particularly onto the shores of the littoral states." Since the dependence of nations on supplies by sea varies considerably, "symmetric limitations on access to particular oceans could have asymmetrical political effects." Confidence-building through naval constraints invariably begs a key question: confidence on whose part? For a Libya or Iraq, the offshore presence of U.S. naval forces would not be a warmly greeted turn of events; for a Saudi Arabia or Israel, such a naval presence would be itself confidence- and security-building.

Regional arrangements involving naval forces may be more unbalancing than balancing in another sense as well. Precisely because the larger blue-water navies constitute mobile military capabilities, they never disappear for good from any region. At times of acute crisis (when presumably observing the niceties of preexisting arrangements will not be the priority interest), naval forces can be reinserted in areas from which they have once been removed normally quicker and in quicker mass than ground forces and land-based air forces.

There is also a hazy, fragile line between regional arms control arrangements to constrain naval movements and operations and the general law of the sea. Where one leaves off and the other begins is indeterminate. Yet, in the face of creeping

jurisdictionalism--the tendency on the part of a number of coastal states to identify their security and territorial interests beyond the 12-mile limit--the risk of setting unhappy precedents is a concern not comfortably dismissed.

GLOBAL ALTERNATIVES

A different approach--one that fell out of favor after the 1930s--would focus on naval inventories rather than on missions and operations, and would be global rather than regional in scope. If regional naval confidence-building measures speak primarily to the why, what, where, and when of naval operations, structural approaches would be aimed directly at ultimate naval capabilities. The multi-mission character of most naval forces makes complicated any global approach. In the East-West context, however, there are two aspects of naval power that largely exist almost entirely in East-West terms. These are the large attack submarine inventories of East and West, and the presence of non-strategic nuclear weapons on naval vessels.

THE ATTACK SUBMARINE

A cursory look at the world's attack submarine inventories suggests the potential. There are slightly over 700 general purpose attack submarines in active service around the globe. This does not include submarines in reserve (approximately 120 more), midget submarines (perhaps two to three dozen in military use), or research, rescue and limited purpose training boats. It also does not include the fleet ballistic missile submarines (SSBNs) of the five acknowledged nuclear powers. Notably, two-thirds of the global total in active service (and 92 percent of the attack submarines in reserve status) are in the inventories of six countries--the Soviet Union, the United States, China, Britain, France, and India--and fully one-half of the active total is in the inventories of two: the Soviet Union and the United States (Fig. 1)

Nuclear/Diesel-Electric Propulsion					
	Total	SSGN	SSN	SSG	SS
Soviet Union(b)	267(57)	50	81	16	120(57)
United States	96	—	96	—	—
China (PRC)	61(50)	—	4	1	56(50)
Britain	28	—	17	—	11
India	15 (4)	—	1	—	14 (4)
France	13	—	4	—	9
TOTAL	480				

Diesel-Electric Only							
Albania	2(1)	Denmark	7	N. Korea	22	Romania	1
Algeria	2	Ecuador	2	S. Korea	6	S. Africa	3
Argentina	4	Egypt	6(6)	Libya	6	Spain	8
Australia	6	W. Germany	24	Netherlands	5(1)	Sweden	12
Brazil	5(1)	Greece	10	Norway	11	Syria	3
Canada	3	Indonesia	2(1)	Pakistan	6	Taiwan	4
Chile	4	Israel	3	Peru	11	Turkey	15
Columbia	2	Italy	10	Poland	3	Venezuela	3
Cuba	3	Japan	14 (1)	Portugal	3	Yugoslavia	5
						TOTAL	236

Source: Compiled from *Jane's Fighting Ships 1990-91* (1990).

(a) Numbers in parenthesis refer to submarines in reserve or training status with some potential for combat/patrol use.
 (b) The Soviet Union also has 13 SSBNs in active inventory with missiles being removed.

Fig. 1--The World's Attack Submarines (Active): 1990

In numbers, cost and strategic significance, the attack submarine forms a substantial part of the superpowers' naval arsenals. The Soviet general purpose submarine force accounts for more than half of the total tonnage of the Soviet fleet. The U.S. force, only one-third the size of the Soviet force, is nevertheless one-and-one-half times the size of the next largest (China's), and three-and-a-half times the size of the force after that (Britain's).

When one includes the full range of systems, platforms and weapons devoted by each side to antisubmarine warfare (ASW)--under the sea, on it, above it, and on land--the cost of dealing with these submarine numbers, while difficult to calculate, is anything but modest.⁴ It would not exaggerate to estimate that up to 75

⁴In addition to its own hunter-killer submarines, NATO's ASW includes passive detection systems (e.g., SOSUS), air assets (Maritime Patrol Aircraft, ASW helicopters), dedicated ASW vessels (Destroyers, corvettes) and ASW capabilities in multifunctional vessels.

percent of NATO's aggregate naval defense expenditures involve ASW in one form or another.

Important in this regard, we are long past the time when attack submarines performed the comparatively modest strategic missions of sea denial and sea control. Soviet and Western attack submarines pose multiple kinds of threats (Figure 2). Both submarine forces have land-attack as well as anti-shipping and ASW capabilities, and both have considerable non-strategic nuclear means. The Soviet attack submarine force is one of the two principal threats that Soviet naval forces pose to U.S. SSBNs and to NATO (land-based naval aviation, or SNA, is the other). By the same token, the possibility of U.S. SSNs attacking and neutralizing the Soviet SSBN strategic retaliatory force in the early stages of a major conflict ranks, along with direct nuclear strikes against Soviet territory, as a primary Soviet strategic concern. Indeed, because both attack submarine forces are nuclear-equipped and pose threats to the other's SSBNs, sharp lines cannot be drawn between these forces and strategic nuclear forces.

- Historical
 - Sea denial (anti-shipping)
 - Sea control (hunter-killer)
- Current
 - Soviet Union
 - SSBN bastion protection
 - anti-SLOC
 - anti-battle group
 - land attack (nuclear)
 - anti-U.S. SSBN
 - U.S.
 - CVBG protection
 - barrier defense
 - hunter-killer
 - reassurance on Soviet SSBNs
 - land attack (nuclear-conventional)
 - Non-Soviet Warsaw Pact
 - coastal defense
 - "brown water" offensive operations
 - Non-U.S.-NATO
 - coastal defense
 - "brown water" hunter-killer
 - open ocean ASW
- Limited Utility in non East-West contingencies

Fig. 2--Attack Submarines: Functions, Missions

The submarine largely excludes itself from confidence-building arrangements built on presence limitations and operational constraints because verification in most circumstances is impossible. Yet, it is one of the few constituent elements of the major-power navies that logically might fit within East-West arms control as we look ahead. Most other assets of the major fleets (be they carriers, frigates, minesweepers or maritime air) are multi-mission, multi-functional, and serve national political and military goals considerably beyond East-West security concerns. Not so the attack submarine! In their numbers and technical sophistication, Soviet, U.S. and NATO attack submarines are rationalized almost entirely in East-West terms. The submarine is not wholly irrelevant in crisis management involving naval presence and power projection, but it has limited utility in non-East-West contingencies.

A global approach might accordingly involve, in the first instance, a steep bilateral, Soviet/U.S. reduction to a more-or-less common ceiling in attack submarine numbers. Submarines (other than SSBNs) in current inventories that exceed this ceiling would be effectively eliminate--through sinking, dismantling, or otherwise rendering permanently and verifiably inoperable. No qualitative constraints would need to be imposed; no other ASW assets would be directly affected.

In reducing attack submarine inventories, the aim would be to arrive at a reduced level at which both forces have a more defensive orientation. That is:

- The Soviets would still be left with sufficient numbers for protection of SSBNs bastions, but reduced ability to break through chokepoints for sea line (SLOC) interdiction.
- U.S. residual forces would still be able to protect carrier battle groups and other surface assets, and (with allies) maintain chokepoints, but with the West's threat to bastioned Soviet SSBNs reduced.

Both forces would still have considerable numbers and capabilities to meet third-party challenges and threats in the future.

The precise number at which this equilibrium lies is appropriately debatable, but it surely less by a considerable margin than the size of the current U.S. force. Within or accompanying such a bilateral ceiling, there would no doubt be need to compensate the Soviets for some attack submarines in Western and friendly hands. This would not be unprecedented (In SALT the two sides agreed to an uneven ceiling to compensate the Soviets for British and French strategic systems), nor would it need to be extensive. Much of NATO's, indeed much of the world's, submarine holdings are really not relevant, and would be properly excluded from the calculation. These are essentially "brown-water" and coastal in capability--bothersome only to the extent that one is intruding in or near their national waters..

Whatever the agreed ceiling, each country could retain, modernize and replace its best submarines. The vast array of other ASW assets would be left to gravitate to their own new levels. To hedge against possible future growth (or reductions) in attack submarines of non-parties, two kinds of "adjustment" provisions might be incorporated. To the extent that the agreed ceiling compensated the Soviets for submarine holdings of third parties, and these countries subsequently reduced their holdings, the Soviet Union would be required to make a compensating downward adjustment as well. By the same token, both countries would retain, through escape clauses, flexibility to build beyond the ceiling, with advance notice to the other, in the event of significant increases in relevant third-party inventories.

Whereas confidence-building measures are almost invariably regional in definition and impact, the proposition would be global in terms and effect. Unlike regional limitations on presence and movements, which always risk setting unhappy precedents for long-term freedom of navigation, such potential entanglements with the

law of the sea would be avoided. Confined to numerical limits on platforms, the proposition is relatively simple and verifiable. One can monitor the destruction and fairly easily detect attempts at the covert construction of submarine platforms. Different from most arms control, the proposition holds promise of near-term and longer-term cost-avoidances and saving in military expenditures. If a major obstacle in much naval arms control is that "like does not fight like," this would be a case of negotiating "like for like."

NON-STRATEGIC NUCLEAR ORDNANCE

Any such reduction, even with compensation for other submarine holdings, would require a substantially larger cut by the Soviets than the United States. Coupling an attack submarine reduction with a bilateral agreement to remove all non-strategic nuclear ordnance from the surface fleets of the two countries would serve to balance the proposition. It would reduce the principal threat posed by U.S. carriers--carrier aircraft with nuclear capability--and go a long way toward reducing the size of the threat posed by U.S. nuclear-armed land-attack cruise missiles (TLAM-N). Focused on ordnance instead of delivery systems, it would leave the conventional TLAM unaffected (a point of considerable importance to the United States); geared to the removal of all nuclear weaponry on the two sides' surface fleets, it would be easier to verify than regimes that would seek to remove some but not all types of nuclear ordnance. It would not affect the anti-fleet nuclear capabilities of SNA (the *Backfire*)--chiefly because of difficulties in verification in this area--but it would strive for sea-based nuclear deterrent against SNA strikes on the U.S. surface fleet by retaining TLAM-N in the U.S. SSN force. (Important in this regard, the numbers of SSN platforms would be reduced at the same time).

A LIMITED SET OF OPTIONS

If one thinks hard about naval arms control, the realistic and genuinely useful options are fairly limited. Presence limitations and operational constraints essentially draw lines in the oceans--congenial perhaps in times when relations are good, but risky to ever be relied upon in times of tension. Lines drawn in peacetime are lines easily crossed in crises. Striving for regional balances is enormously difficult in any part of the world--least of all a so richly complicated area like the Mediterranean. The regional impact of the kinds of bilateral global approaches sketched above is difficult to assess. The Soviet submarine, anti-shipping and nuclear land-attack threats are no less real in the Mediterranean than in the Atlantic or northern waters. Reducing those threats and the costs associated with meeting them would appear to be a step in a mutually acceptable direction. If something along these lines were agreed upon and implemented, between them, the United States and the Soviet Union might eliminate anywhere from 200 to 300 attack submarines. The options may be limited, but they are not inconsequential.

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THE EVOLUTION OF THE EUROPEAN ECONOMY:
IMPLICATIONS FOR TRANSATLANTIC RELATIONS

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The RAND Corporation

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THE EVOLUTION OF THE EUROPEAN ECONOMY: IMPLICATIONS
FOR TRANSATLANTIC RELATIONS

Introduction

Ever since the formation of the Atlantic Alliance and the launching of the Marshall Plan in the years following World War II, the United States has been the dominant voice in the transatlantic community. US military might, including its nuclear arsenal, was the cornerstone of West European security throughout the Cold War. U.S. economic strength made possible the post-war reconstruction of Europe and the United States helped build the international economic institutions that provided the framework for Western prosperity. At the risk of some oversimplification, the US-European relationship can be seen as a tacit bargain: in return for the United States commitment to maintaining West European security and economic growth, Europe would recognize United States leadership in transatlantic affairs.

In recent years these two bases of US leadership have begun to erode. With the end of the Cold War, the US security guarantee to Europe, while still relevant, has diminished. US economic strength has been sapped by persistent balance of payments and budget deficits. At the same time, a economically stronger and self-confident Europe has begun to forge a more collective identity, and is in the process of becoming a more equal interlocutor for the United States.

In our paper for the first IAI-RAND conference, we discussed the implications of the changing security environment for US-European relations. In this paper, we examine the economic dimension of the transatlantic relationship and the consequences of growing economic parity for the Atlantic Alliance.

The Economic Record

Until 1960, European recovery and reconstruction resulted in higher rates of economic growth in most European economies than in the United States. From 1950/2 to 1958/60, the 4.5% average annual growth rate of West European industrial economies was notably higher than the 2.8% registered by the US. West German economic growth was particularly impressive, British economic performance notably lackluster. As Table 1 shows, however, during the 1960's and 1970's, US and European growth rates were comparable, with France and Italy somewhat higher than those in the United States, German, roughly the same, and the UK again lagging. From 1980 through 1987 the picture changes and US growth considerably outpaces that of EC and EFTA members: this is the era which gave rise to apprehensions of longterm Eurosclerosis.

On a *per capita* basis, European growth, which took place during a period of little population growth, remained well ahead of the US pace through the 1970's, as Table 2 indicates. By 1980 there had been a notable narrowing of the difference between US and European living standards, as well as a marked leveling out of living standards within Western Europe. Underlying Europe's relatively favorable *per capita* economic performance was a continued significant increase in labor productivity. Output per employed worker and per man hour increased more rapidly than in the US in part as a result of a shift from agricultural to industrial employment and in part because of sustained high levels of capital investment in public infrastructure and manufacturing.

In one sense, however, European economic performance was notably deficient compared to that of the US. As Table 4 shows, the percentage of the working age population of Europe that was employed never really recovered from the oil shock of the early 1970's. Unemployment rates remained very high during the 1980's, and new additions to the labor force increased only slowly. In the United States on the other hand the 1980's saw a substantial expansion of both employment and the labor force. New job creation in the US was dramatic even if increases in labor productivity were not. Fueled by both immigration and a rapid

increase in female new entrants into the labor force, the US economy was a very effective job machine in the 1980's. The contrast is dramatic: from 1963 to 1986 total US employment increased from 70 million to 111 million, while the working age population increased from 113 million to 160 million; for the EC over the same period employment increased only from 122 million to 125 million, while the working age population increased from 186 million to 217 million. The proportion of the working age population employed increased in the US from 62% to 69%, while in the EC it decreased from 67% to 58%. For the period as a whole, the US generated jobs for 88% of the increase in the working age population, the EC for only 10%! Thus the European economy achieved significant productivity gains for the jobs that existed, but generated few new jobs and few new entrants into the labor force.

Another significant aspect of European growth in the last forty years has been the role played by foreign trade. Table 5 contrasts the growth of European trade from 1960 to 1987 with that of the world as a whole, Japan and the United States. The share of world exports from Europe over that period rose from 39% to 44%. While the US share fell from 16% to 10%. Relative to GNP and population growth, European foreign trade has been particularly impressive.

European intra-trade also increased rapidly as Table 6 shows. West European intra-trade as a proportion of total West European foreign trade has increased from something over 50% in the early fifties to near 70% in the late 1980's. Although its changing membership complicates the comparison for earlier years, EC intra-trade has increased steadily in the 1980's. The growth in European intra-trade reflects the increased importance of intra-industry trade in the region relative to "old style" commerce based on gross differences in resources and productive factors. The economies of scale and specialization underlying such trade are more comparable to those that underlie much of US domestic commerce, than they are to the differing resource patterns central to trade between industrial countries and raw material producers.

Before turning to the political factors underlying this regionalization of European economies, a word needs to be said about the financial bases of European trade contrasted to those of US trade. Table 8 contrasts trade balances in Europe and the US from 1970 through 1987. What is particularly outstanding is the extraordinary increase in the US trade imbalance in the 1980's. US economic performance over the last decade has been associated with a very substantial reduction in the US net asset position in the world. Whether or not this is viewed as a sign of weakness (the US over consuming and saddling future generations with the bill); or a sign of strength (foreign investors flocking to the higher real returns available in a dynamic US market), there is widespread consensus that sustained growth on such a basis is unlikely.

European Integration

Economic performance is only one aspect of the economic transformation of Western Europe. Although overshadowed by the revolutionary events of 1989 in East Europe and the Soviet Union the commitment by the Council of Ministers of the European Community in June 1985 to create a completely free internal market by the end of 1992 marked the beginning of a transformation of Western Europe that is also revolutionary in its implications. The adoption of the Single European Act in 1982 implementing the Council's commitment energized the European economy with the promise of a market of some 320 million people (5340 million now with the addition of the GDR) with few barriers to the free flow of goods, capital or people.

The "Eurosclerosis" of the early and mid-eighties had been widely commented on. But, just as some years earlier a supposedly permanent dollar shortage had turned to a dollar glut almost before the ink was dry on articles proclaiming the former, so after 1987 did seemingly intractable Eurosclerosis give way to a restoration of European growth and momentum. Today it is "Europhoria" that permeates markets - or did until the sobering events in the Persian Gulf. The prospect of EC-92 and the further expectations of monetary integration have dramatically revised expectations and improved European economic performance. The

most significant departure from the mediocre economic performance of the early 1980's has occurred in Germany, whose surge of economic expansion at rates of near 4% over the last three years while maintaining a sizeable trade surplus, low rates of inflation and a strong Deutschemark providing the foundation for similar improvements in other EC countries. Inflation, in particular, has been reduced and differentials narrowed throughout the EC (in Italy from 16% in the early 80's to under 6% this year, for example). The odd country out is the UK, where the economic performance is poor in all three basic dimensions: output, inflation and the balance of payments. On the whole, however, the last three years has seen the EC economies converge on a pattern of 3%-plus economic growth and moderate inflation. Foreign investors have taken notice, and have acted accordingly. Japanese investors, for example, sold off some \$9 billion of US securities in the first half of this year, and redirected investments towards Europe. The Persian Gulf crisis has led to some market rethinking about the short-term however. Oil price increases are occurring at time when earnings results of European firms are below expectations, interest rates are tightening, and basic industries (autos, chemicals and steel) are showing signs of weakness. The possibility of a US recession also is spilling over into expectations in Europe. Still, the substantial real investments of recent years, and expectations of a stream of efficiency benefits still to come as EC-92 reforms take hold suggest that European performance will remain relatively strong, even if the long worldwide expansion should begin to stutter.

As recently as 1985 it would have been appropriate to compare the US economy with that of leading individually European economies taken individually. Today, it is more appropriate to make such comparisons with the EC as a whole. Economic output of the EC is roughly as large as that of the US, *per capita* income differences have significantly narrowed, the importance of the EC as a trading partner to the rest of the world has grown, European integration (as evidenced by the growth of intra-European trade) has steadily increased, and is becoming increasingly institutionalized in a supranational authority with widening responsibilities.

What Lies Ahead in the 1990's

The Europhoria prevailing in the markets and in journalism gives the impression that the European economy is likely in the 90's to speed away from a lumbering US economy mired in political and financial stalemate. This is by no means a sure bet. While US economic performance has been mediocre in recent years, there is no reason to assume that the political, financial and market conditions that brought this about will continue unchanged. Recent progress in reducing the US external payments deficit may very well continue in view of the persistent weakness of the dollar and the continued expansion of the European and Japanese economies. Although the Gulf crisis has undoubtedly deferred and scaled back somewhat the full benefits of the "peace dividend," the decade as a whole will be characterized by declining real US defense spending and a falling in the defense share of national output. This could provide a political foundation for resolving or at least ameliorating the Federal budget problem. Although US financial institutions show worrying signs of vulnerability US labor market trends remain more favorable than those in Europe. The recent General Motors agreement with the United Auto Workers is particularly reassuring. But while an overly pessimistic reading of the outlook for the US economy is unwarranted, there are no persuasive signs that the US has begun to reverse its dismal performance in productivity nor that it is on a path to restore its technological leadership in critical sectors of the economy. On balance, US economic performance over the next decade seems likely to improve somewhat but there are as yet no indications of a renewed surge of economic vigor and expansion.

If the analytical problem for the US economy is how to assess the consequences of these persistent short-comings, for Europe the issue is the effect of powerful new forces-such as EC-92, a possible European monetary union, German unification, and economic reform in central Europe-on economic performance and their interaction with the standard economic, political, and demographic variables that influence economic growth.

1. **German unification.** A unified Germany will have a population of some 80 million people, making it the largest European nation. However, the full economic consequences of German integration are not yet clear, though it is already apparent that the costs and difficulties of integrating the German economy were initially underestimated. While the additional labor force available in the former East Germany can help address a chronic West German labor shortage, other questions remain, including the degree to which Western capital will move eastward to employ East German workers *in situ*, or whether substantial further labor immigration from east to west will take place. The value of the existing East German capital stock is questionable, the environmental situation in East Germany is catastrophic, and the problems of sorting out ownership rights formidable. Germany unification will be a stimulus to German economic growth, but the pace, timing and distribution of additional growth is uncertain. Moreover, German economic leadership in Europe has been based in part on the strength of its balance of payments, price stability and a strong DM, and continuing success in containing inflation. The strains of unification may well complicate Germany's ability to sustain its performance in each of these areas.

On balance the economic outlook for Germany is a continued moderate to high rate of growth throughout the decade, as a result of a substantial substitution of domestic investment for overseas investment, but with *per capita* incomes in the east remaining well below those in western Germany. It remains conceivable although highly unlikely, that integrating the two Germanys will, after an initial adjustment period of several years, result in unleashing a full-fledged economic boom and a quick evening-out of economic conditions throughout Germany. The other extreme--protracted failure to improve economic performance in eastern Germany--seems even less likely.

2. **Economic Transition in East Europe.** The prospects for economic growth in East Germany are in many ways more favorable than those for Poland, Hungary and Czechoslovakia: the reform process in the GDR is even more "radical" than that in Poland, the resources from both public and private sources available to support reform are far greater, and the institutional and legal framework provided by West Germany obviates the need to start from scratch in building commercial, financial, legal, and accounting systems. The only real advantage the central European nations have to offer is the prospect of lower wages for an extended period. The reform process in central Europe is therefore likely to be more difficult, politically troublesome, and prolonged than that in eastern Germany. The West may well provide adequate, financial support, technology, and expertise to ensure a successful outcome but the process involve could take many years. The potential political and social strains in the near-term are great, with a risk that popular opposition could thwart full implementation of needed reforms and thus seriously damage growth prospects. Developing markets for central European exports in Western Europe may prove as great a stumbling block as financial support, as global competition continues to compel rigorous adjustment and efficiency measures in the West European private sectors. As in the case of Germany, the question of whether central European workers can effectively employed at home or will be driven to seek employment in the growing economies of Western Europe remains critical, with the possibility of serious political and social strains from large scale population movements.
3. **The economic consequences of EC-92 and European monetary integration.** The Cecchini report published in 1988 concluded that implementation of the Single European Act would give a very substantial boost to European growth rates and output. Economists have been busy ever since trying to sort out and

quantify the implied scale effects and gains from specialization. While there are widely varying estimates of their effect on European growth, there is widespread agreement that the gains will be substantial. The upsurge in European investment activity, including large-scale foreign investments to position overseas firms for the new opportunities, and competition, after 1992, lends considerable credence to such expectations. The burst of technological improvement accompanying the investment boom also augurs well for the future. The potential impact of EC-92 has recently been intensified by the anticipation of early implementation of some form of monetary integration within the EC, as well as liberalized trading arrangements between the EC and the nations of EFTA and central Europe.

4. **Demographic, Labor Force, and Social Policy Issues.** A key question surrounding future European economic developments is how a graying social democratic Europe adjusts to the prospect of little or no domestic labor force growth in a world of intense international competition. Germany is a partial exception, with the influx of workers from East Germany and central Europe in 1989 and 1990. But even there, the traditional domestic interplay of real wages, productivity and working conditions, and social policies will be the root of much domestic political debate and contention. A recent article in the Financial Times sums up the issue as follows: "The EC is starting from a weak base and facing difficult labor challenges with no real agreement about what to do. The creation of a single market has concentrated debate on two questions. One is how to prevent the new mobility of capital levelling-down European wages by the "social dumping" of plants in low-wage countries. The other is how to achieve the free movement of labour." Labor mobility will be an increasingly important and controversial issue. Moreover, potential labor force entrants from central Europe and the Mediterranean

littoral are likely to pose significant social and political challenges. As discussed earlier, the European record especially that of the EC, in creating new jobs and expanding the labor force is poor. While this record can be improved, job creation will remain Achilles heel of European economic performance.

On balance, annual rates of growth during the '90s in western Europe, particularly for EC members, seem likely to be higher than in the early 1980s, even perhaps staying in the 3+ % range, with per capita growth rates well above those likely to be achieved in the US. If the UK were to be able to turn around its economic performance in the '90s, this would make a particularly useful contribution to European economic prospects. Even a systemic failure of economic reform in central Europe might not set back the European economy decisively, although the attendant crises of democratic governance and the likely eruption of national and ethnic violence and conflict, would be painful and disappointing to a Europe which anticipates a peace dividend in the form of a steady erosion of the disparities that are the legacies of its long time Cold War division.

The prospect of better economic performance in European countries in the 90's than in the United States, is not by itself likely to change US-European relations significantly. Rather, it is the process of integration, which itself is helping to produce better economic performance, that is likely to prove most important since further integration will accelerate the trend toward closer and more institutionalized political relations.

The prospect that the EC will move further down the road toward economic and monetary union is an important component of this process. The completion of the first phase of EMU (adoption of the Exchange Rate Mechanism by all members except the UK and freeing of capital controls) has already had the effect of constraining the independence of Community members in their macro-economic policy. With the creation of a common central bank, the Community will have established a collective

institution that will take over one of the key attributes of national sovereignty and further cement the political links between the 12. This in turn should increase the incentive to build political institutions, including a more powerful and effective European Parliament and a more accountable executive, that confer democratic legitimacy on the Community decision-making mechanisms.

The pace of institutionalization of political/economic Europe is still uncertain, but concerns expressed earlier this year that German unification would diminish German interest in such a deeper EC now appear misplaced. The German government has made it clear that the Bundesbank's unease over monetary union's effect on German financial stability will not stand in the way of progress towards some form of EMU. Germany's political leaders have reiterated their commitment to political union, most recently in the Kohl-Mitterand initiative before the Dublin EC summit. The two intergovernmental conferences this December (on economic union and on political union) will provide an important indication of the likely speed of political integration withing the EC.

Similarly, expansion of EC relations with non-EC members will not only further integrate the European economy but will inevitably spill over into the political realm. "Broadening" the EC through the creation of a "European Economic Space" including EC and EFTA members and ultimately the nations of central Europe will inevitably lead to more institutionalized political relationships. The prospect of full EC membership is a high priority for the countries of central Europe, who view EC membership as the key to political stability and economic growth. While full membership will not come about quickly, bringing these nations (together with EFTA) into the economic dimensions of the European community would mark an important stage in the creation of a wider European political union and sustain the sense of European identity during the difficult process of political and economic reform. The EC's central role in coordinating economic assistance to the countries of central Europe, together with the negotiations for economic association agreements governing trade and investment has deeply

involved the Community and the Commission's in a broad range of political as well as economic issues, creating strong and enduring ties between the EC and Central Europe.

What then can be said about Europe 2000 and its relationship to the US?. Without cracking our crystal ball, the year 2000 is likely to see:

- a relatively more prosperous Europe, with several countries at or near US levels of per capita income;
- reduced regional economic disparities resulting from reduced impediments to the free flow of capital, trade and manpower;
- substantially increased political and economic integration within the EC;
- closer relations, both economic and political, between the EC and non-EC members, creating the prospect of a more unified European voice on a broad range of issues.

The effect of developments in the 1990's on US-European relations will not depend very much on the details of how the numbers game works out: a little faster growth one place or the other, marginal disparities in balance of trade and payments, or differences in inflation are peripheral to the more important changes that are taking shape in European governance. What will count far more is the continued development of a European regional identity; including the nations formerly on the other side of the Iron Curtain, and the creation of institutional mechanisms for creating and expressing common interests. As long as European economic performance is adequate to sustain movement toward a more unified region, the sense of greater economic parity between the US and Europe will also be sustained. The conjuncture of two key political developments--the end of the division of Europe and the launching of a revolutionary movement to create a single European market--has created a new future for Europe. By the turn of the century the European political economy can be effectively equal to that of the US if current plans for further economic, political and social integration are in fact realized.

SOME IMPLICATIONS OF EFFECTIVE ECONOMIC PARITY BETWEEN EUROPE AND THE UNITED STATES

One consequence of effective economic parity is that the United States is as dependent on European economic performance as Europe is on the US economy. Neither is in a position to call the tune, but neither can afford to be indifferent to the other's political preferences. Economic co-dependence means more hard bargaining, and a greater need to find mechanisms for taking decisions and restoring discipline.

Unilateral US leadership in international economic and financial matters, already much weaker than it was through the seventies, will continue to decline. The liberal framework of the postwar economic order owes much to the enlightened leadership of a powerful United States. But the burden of this leadership, expressed in the US reluctance to adopt unilateral, and protective measures to defend its own economic interests, has already proved too heavy for the United States. Once the United States unilaterally terminated the gold exchange standard in 1973, the handwriting was on the wall. Since then a series of US actions, from the soybean embargo in 1974 to the provisions of last year's Trade Bill, have confirmed that the US is longer willing to remain above the fray. It has, for good or will, become an active player in the area of state involvement in regulating international commercial competition and *mutatis mutandis*, relaxed others' inhibitions to do the same. While successfully concluding the current Uruguay GATT round would help avoid relapsing into the beggar-thy-neighbor policies of the thirties, it would not leave the disinterested US in a position to reassert unilateral leadership. With the end of US leadership in support of a liberal open international trade system and the risk of increasing paralysis of multilateral organizations, there is a possibility that the international economic system will cluster more and more into three principle blocks--Europe, North America, and the Pacific--with relations among the blocks increasingly marked by negotiated access agreements rather than the free ebb and flow of private commerce. Such a outcome is clearly second-best for all countries, since sustained economic growth depends on

further opening of the global economy. To avoid lapsing into block to block confrontation, new collective leadership will be needed to replace the US guiding hand, leadership which has failed to emerge in the 1980's.

Even if a successful outcome to the present Uruguay round of GATT is achieved, which is by no means certain, there will remain substantial further work to be done, to maintain effective multilateral discipline over international trade and investment matters and forestall the continued proliferation of unilaterally determined exceptions, waivers, limitations and preferences that have become such a notable feature of the world economic scene in the last few decades. In this regard, the long overdue establishment of an International Trade Organization would be a welcome next challenge for the international community. Moreover, there is as yet no consensus regarding what sort of ^{MAC}system international exchange rate regime, if any, is needed. The present system has neither been accepted as optimal, or at least second best, nor has it been clearly rejected. Rather it has been tolerated in the absence of something better. G-7 meetings and agreements can play a useful role in working out tactical responses to the problems of the day, but a more comprehensive effort to bring international governance into line with global realities is needed. Unfortunately, there is little basis for confidence that the present system will prove effective in a crisis, such as could well occur in the event of either global recession or a renewed outburst of global inflation.

The present system fails many of those who need its support most: the poorer countries of Africa, Latin America, and South Asia. The pressures from actual and potential flows of immigrants if economic conditions in these countries continue to stagnate will be felt in all modern industrial nations. The lingering international debt crisis with devastating effects on many developing countries is as much a symptom of ineffective international leadership as of imprudent and unsound policies on the part of debt nations. Perhaps, the establishing of an effective EMU will permit European attention to be refocused on the broader scene, while an early breakthrough in the protracted US budget

crisis would permit the same change in focus for the United States, but there are as yet no signs that an effective collective system will soon replace the outworn tappings of US international economic hegemony.

Economic parity will have both a direct and indirect effect on the European security relationship with the United States. Growing European prosperity, coupled with enhanced political integration and a diminished Soviet threat, means that a credible European based defense is increasingly possible. And the United States own economic difficulties will make it harder to sustain a costly overseas military presence in Europe. While the US nuclear guarantee is likely to remain an important component of Europe's geostrategic response to the residual Soviet military capability, burdensharing considerations will inevitably lead to a readjustment of roles and responsibilities within the Alliance. More indirectly, the likelihood that the heretofore European Economic Community will take on a security dimension means that the EC will become the US interlocutor on important foreign policy and security issues, instead of NATO, a forum that has historically been the avenue of US leadership of the transatlantic community. This trend toward Europeanizing of security can already be seen in the active role played by the WEU in coordinating European response to the Iraqi invasion of Kuwait, and the growing influence of European Political Cooperation in coordinating West European foreign policies.

But these are trends, not yet realities. Although European integration is moving forward, there are many hurdles to overcome. While Europe on paper is the equal in many ways of the United States, there is a vast difference between the effectiveness of a single government acting on behalf of its people, and the mixture of collective and individual national policy that is the Europe of today. The UK has still not joined the ERM, much less signed up to a single currency or political union. Several of the Southern region nations are concerned that economic and monetary union could hinder their ability to maintain competitiveness through adjusting fiscal and monetary policy. The long-run costs of German unification remain unclear. Competition and suspicion still infects the French-German relationship.

Most important, the European Community has still to demonstrate that it can play a leadership role in international political and economic affairs, rather than simply balancing and coordinating the individual national interests of its members. While Europeans complain that they are asked to shoulder the costs of the US response to the Iraqi invasion without a say in the US policy, the Europeans as a whole have seemed content to let the United States take the initiative. Nor is it clear whether Europe can or will develop the political cohesion and military clout to act decisively against out-of area threats, even, if judged on the ability to "afford" such capability, Europe is as well placed as the United States. And the US is likely to remain the only country who can offer an adequate and politically acceptable nuclear guarantee to the non-nuclear states of Europe.

This suggests that economic parity by itself will not end the special leadership role of the United States in the Alliance. But economics in turn may undermine the United States own ability to sustain its leadership role in security affairs. It is an open question whether the United States can indefinitely devote a significantly larger share of its GNP to defense than Europe and Japan and still maintain long-term economic competitiveness with them. Being the world's only superpower has its costs as well as benefits, costs which the American taxpayer may become increasingly less enthusiastic about having to pay. The recent vituperative debate in the United States over the perceived inadequacy of the allies contribution to the Iraqi crisis could be a sign of things to come: captured in the NY times pointed headline "A Superpower Goes Begging for Bucks"

For the forty years of the Cold War, Europe and the United States have been knit together in an alliance centered around a common threat that required close collaboration and a commitment to try to subordinate national differences, especially in the economic realm, in the interest of maintaining transatlantic cohesion. With the end of the Cold War, the economic relations will naturally come to the fore. In principle, the United States and Europe also share a common interest in a thriving, open international economic system, although parochial disputes have

often obscured the broader areas of agreement. A stronger, more united Europe will prove both a more useful interlocutor and at the same time, a more formidable competitor for the United States. Skillful and farsighted leadership on both sides of the Atlantic will be necessary to adjust to this new relationship.

TABLE 1

GDP Growth

annual rate (%)

Year

1950/1952-

1958/1960

1960-1970

1970-1980

1980-1987

1988

1989

United States	2.80	4.40	2.80	3.20	4.00	3.00
EC	4.5*	4.70	2.90	1.90	3.70	3.60
EFTA		4.30	2.30	2.20		
FRG	7.50	4.30	2.60	1.60	3.70	3.60
UK	2.40	2.90	2.00	2.50	2.60	2.40
Italy	5.30	5.50	3.00	2.10	3.90	3.40
France	4.30	5.50	3.50	1.60	3.40	3.30

*developed market economies, Europe

Sources:

Economic Report to the President, 1990, p 419; International Financial Statistics Yearbook, 1989, p. 164-165; UNCTAD Handbook of International Trade and Statistics, 1988, p 428; Economic Survey of Europe in 1989-1990, U.N., p 374

TABLE 2

GDP Per Capita Growth

annual rate (%)

	Year		
	1960-70	1970-80	1980-87
United States	3.10	1.70	2.30
EC	3.80	2.40	1.70
EFTA	3.50	2.10	2.10

Source: UNCTAD Handbook of International Trade and Statistics, 1988; CIA

TABLE 3

Employment Growth in the United States and Europe

millions of people

Region	Group	Year				Δ 63-86
		1963	1970	1980	1986	
US	Age 15-64	113	127	150.8	160.4	47.4
	Total Employment	69.8	86.8	100.9	111.3	41.5
	Unemployment	4.1	4.1	7.6	8.2	
EC	Age 15-64	185.9	191.9	205.8	216.9	31.0
	Total Employment	121.8	123.5	126.5	124.9	3.1
	Unemployment	2.5	3.1	8.4	15.6	
OECD-Europe	Age 15-64	220.9	230.6	251.5	268.5	47.6
	Total Employment	147.9	150.4	156.5	156.4	8.5
	Unemployment	4.0	5.1	11.2	19.0	

Percentage of Working Age Population Employed

US	62.00%	64.00%	67.00%	69.00%
EC	66.00%	64.00%	61.00%	58.00%
OECD-Europe	67.00%	67.00%	62.00%	58.00%

Additional Employment as Percent of Increase in Working Age Population 1963-1986

US	87.60%
EC	10.00%
OECD-Europe	17.90%

Source: OECD Labor Force Statistics 1966-1986, Part 1

TABLE 4

Exports

(f.o.b.) millions of dollars

Region	Year				
	1950	1960	1970	1980	1987
US	10.10	20.40	43.20	220.80	254.50
EC(8)	16.80	42.90	115.80	680.80	945.70
EFTA	3.10	7.50	19.70	111.70	160.60
Japan	0.80	4.00	19.30	129.80	229.20
World	60.70	129.10	315.10	2002.00	2494.00

Exports as Percentage of World Exports

Region	Year				
	1950	1960	1970	1980	1987
US	16.60	15.80	13.70	11.00	10.20
EC(8)	27.70	33.20	36.80	34.00	37.90
EFTA	5.10	5.80	6.30	5.60	6.40
Japan	1.30	3.10	6.10	6.50	9.20
Total of above	50.70	57.90	62.90	56.10	63.70

Source: UNCTAD, Handbook of International Trade and Development Statistics,
1988

TABLE 5

European Intra-Trade**Intra-Trade Exports as Percent of Total Exports**

Area	Year							
	1951	1960	1970	1980	1985	1986	1987	1988
Western Europe	51%	57%	67%	68%		68%		
EC				54%	52%	57%	57%	60%

Sources: UN Yearbook of International Trade Statistics;
IMF, Direction of Trade Statistics Yearbook

TABLE 6

Trade Balance

billions of dollars

Year

	1970	1975	1980	1985	1986	1987
Europe*	-1.60	-9.10	-63.60	10.10	35.00	24.80
US	2.60	8.90	-25.00	-33.80	-36.00	-40.90

*developed market economies, Europe

Source: UNCTAD, Handbook of International Trade and
Development Statistics, 1988