

OUTLINE: THE FUTURE OF EUROPE
DEMOGRAPHY, ECONOMY, MILITARY CAPABILITY AND
ROLE AS AN ALLY OF THE UNITED STATES

Prepared for the Director, Net Assessment,
Office of the Secretary of Defense

August 2010

Contract #: HQ0034-09-D-3003
Delivery Order 5

The views, opinions, and/or findings contained in this document are those of the author(s) and should not be construed as an official U.S. Government position, policy, or decision.

Booz | Allen | Hamilton

OUTLINE
OF
THE FUTURE OF EUROPE

Demography, Economy, Military Capability and Role as an Ally of the US

Table of Contents

I. Demography	p. 3
II. Economy	p. 4
III. Military Capabilities	p. 7
IV. Will Europe think of America as an Ally in 2030?	p. 11

Synopsis and Introduction

This Study assesses four components of the future of Europe in 2030: the (I) demographic and (II) economic future of Europe, (III) Europe's future military capabilities and (IV) Europe's future role as an ally of the US. Within demography, the Study examines the aging of the indigenous population, and the impact of immigration and emigration on the stability and productivity of Europe's cities.

The Illusion of Progress. The Study looks at the lingering impact of both the financial collapse of 2008 originating in the US and the sovereign debt crisis of 2010 in Europe. Beyond the financial and practical consequences of these crises, Europe's ideal of progress has been shown to be an illusion. The Economist cover story on July 10, 2010 asks, "can anything perk up Europe?" and shows a sagging Eiffel tower. The next issue of The Economist summarized Europe's situation trenchantly: "Europe may no longer be a global power, or have much military muscle. Its churches may be empty, its spiritual fibre weak...But it knows how to look after its sick and elderly, take a long lunch break and abandon the office in August."¹

Europe simply does not have enough people or money to pay for its ideal of the good life. The short work week, long vacation and early retirement with full pensions may make for a happier human kind, but it is unaffordable and renders Europe uncompetitive globally and in a free fall in hard balance of power terms. The lessons learned in Copenhagen at the end of 2009 was that for all of Europe's soft power, it failed to achieve its measures on global warming when it was opposed by China's hard power.

¹ See Charlemagne, "Calling Time on Progress: Europeans thought they were progressing towards an ideal civilization. Now time is up, and it hurts." The Economist, July 17, 2010, p. 42.

All is not lost for Europe. It is the largest market in the world, although whether it will remain a single market in the face of protectionism from high-cost countries like France remains to be seen. If it could adopt a pro-growth model and sacrifice its idealized values of European exceptionalism, such as the good life until death for all, then the rapid descent of Europe may be averted.

The Illusion of the End of Conflict. The second half of the Study assesses whether Europe will retain sufficient military capabilities to project power in expeditionary forces beyond its borders twenty years from now. More fundamentally, will public opinion in Europe support its American ally in future wars?

One value that is quite striking in much of Europe is the post-war ideal that conflict is avoidable and that military capability does not provide security. On the contrary, European elites, particularly in Germany and Belgium, believe that military power provokes conflict. Europe has absorbed the lessons of the great wars of the 20th century by imagining itself to be part of a higher post-conflict civilization. Europe's mission is to be one gigantic NGO and bring the rest of the world into this conflict-free civilization. The problem is that not far beyond Europe's boundaries, conflicts are raging on and off, and civilians are dying from Iraq to Lebanon to Iran to Afghanistan and Pakistan to Russia and Georgia to Kyrgystan, to name a few conflict zones.

Only a handful of countries in Europe are willing to engage militarily, that is, to kill. The UK, France, Poland, the Danes and the Baltic states, each for different reasons, are in that minority among 27 EU countries. The view that the End of Conflict has arrived has many ramifications, most obviously on the willingness of the public to support even the minimal military budgets to sustain, let alone modernize Europe's armies and train its soldiers. More insidiously, the End of Conflict ideal makes Europe value-neutral in its foreign policies, refusing to assert the superiority of Western civilization. Not only does its public question the need to fight 'America's war' in Afghanistan, but Europe can no longer tell the difference between Hamas and Israel. Both, in Europe's view, act contrary to its notion of a higher, more advanced post-conflict civilization. In short, Europe lives in a world divorced from the jungles outside its borders. It recoils viscerally at the use of military force by those who, unfortunately, still live in the volatile jungle and need to defend themselves.

These values of the Good Life and the End of Conflict lead to a pacifist psychology that impact both military budgets and Europe's long-term role as an American ally. As long as there are no shocks that jolt Europe, or some Europeans, out of this End of Conflict illusion, many European countries may drift away from the post-war alliance with the US. Certainly, public opinion is already moving in that direction.

The one fear that European publics palpably feel, the threat of terrorism in their cities, mainly from militant Islamists, may lead not to a strengthening of European military capability but a siphoning off of military budgets to pay for stronger domestic counter-terrorism measures. Whereas Americans view what happens 'out there' in the tribal areas on the Pakistan border with Afghanistan as directly related to its security in Times Square, Europeans view their terror problem as a disease within the European body politic that must be treated internally with criminal courts, community policing, education and socio-economic investment in minority communities. For Europeans, the war against "violent extremists" has little to do with projecting military force abroad or allying with America. Many Europeans think that engaging in either of those policies might merely provoke the extremists in Europe's midst.

Part I. Demography

A. Declining Fertility. Europe's fertility has been below replacement for 40 years and its native population is now declining. Is there any end in sight?

How quickly is Europe's population aging? How might this affect productivity? Are there military recruitment problems? What measures can be taken to slow this process down?

B. Will Europe's population decline in absolute terms? If so, by how much? How much immigration is required to maintain current populations? What are the current and expected sources and drivers of immigration?

How swiftly will the ethnic composition of western European countries change? What about its religious composition - and specifically, how large a share are Muslims projected to form in 2030, 2050 and 2100?

C. How does the declining indigenous birth rate impact European economies?

1. How widespread are pro-natalist government policies and what has been their effect? Can pro-natalist policies change trends? Singapore has had mixed success in tax incentives for smart Chinese women to have more children. Is there any reason to believe that the governments of Austria or Germany, for example, can induce women to have more children? Have these policies been cut because of the economic crisis?

D. What about emigration? How large is the outflow from major EU countries to North America and Australasia? (year 2)

1. How does the emigration of skilled indigenous Europeans impact European economies? (year 2)

2. Within countries, what about 'white flight' and 'white avoidance' of immigrant areas and rising levels of ethnic residential segregation (notably of Muslims)? Are Muslims and other groups forming ghettos? Are native whites avoiding entire cities and metropolitan areas? Is there a connection between white flight and far right voting? Where are the tipping points? (year 2)

E. How well have non-European immigrants and their children done - in terms of education, income and labor market participation? Is there a marked difference in economic productivity, skills and education and level of societal integration between Muslim and non-Muslim immigrants and their offspring?

1. Do we find an increasing rate of inter-racial and inter-religious marriage in Europe? Is the second generation marrying into the white majority - a key indicator of assimilation? Which groups seem to be assimilating and which are maintaining their ethnic boundaries?

F. Which ethnic groups tend to secularize and which don't? Are Muslims exceptional in their high rate of religious retention? What is the impact of Muslim religious retention on fertility? Are there differences in religious behavior within the Muslim community -

especially by ethnic origin? Do different Muslim ethnic groups mix with each other or is their life still governed by ties to the homeland and their ethnic networks?

1. Is there a difference in birth rate and religious retention between Muslims and non-Muslims such that Muslims have larger families because they are religious while non-Muslims, who are more secular, have smaller families? What is the impact of higher birth rates and religious retention among Muslims on tipping points in European cities?

G. Cultural repercussions of Demography.

What are some of the controversies surrounding integration policy in Europe? Where are accommodations being made to minority beliefs, and where are these being resisted? What has been the response to multiculturalism policies such as faith schools, prayer rooms, sharia, the burqa, veiling, religious symbols like minarets, and blasphemy laws? Who supports the aim of celebrating and recognizing diversity and who opposes this?

1. What is the level of support for the Far Right? Which sections of the population vote for Far Right parties and what is the prognosis for this movement?

2. Will secularization continue among the native European (Christian?) majority, or are there signs of religious revival?

3. How has nationalism in Europe changed in response to Islamic immigration and terrorism? Is there growing resistance to Islam? (year 2)

4. Are Europeans increasingly skeptical about the 'deepening and extension' of the EU? Specifically, what about Turkish accession? (year 2)

Part II. Economy

A. Lingering effects of the current economic crisis and the future of the European Welfare State. The financial collapse beginning in the US in 2008 followed by the Sovereign Debt Crisis beginning in 2010 have raised questions about the future of the European welfare state as well as the idea of an integrated Europe. There are several lingering impacts of the recent economic crises:

1. The European illusion of progress. There is a growing perception that people have been living in an illusion of a Europe can that compete with the rest of the world with a minimum 35-hour work week and an early retirement age. The sovereign debt crisis caused by the global bond markets has given Europe a wake up call.

2. Declining Tax base. Many European countries will suffer a declining tax base from the loss of revenue producing indigenous banks like Royal Bank of Scotland, which was one of the UK's largest tax payers until 2009. Other global banks are downsizing their plans to expand in the UK in the face of the popular banker-bashing mood in the UK and Europe, and the perception that Asia offers a more profitable future than Europe to such financial institutions.² This may mean less foreign direct investment into Europe. In addition, an aging

²See <http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/7896696/JP-Morgan-UK-future-at-risk.html>, Sunday Telegraph, July 18, 2010.

population, emigration by middle-class professionals, and immigration from Africa and South Asia may put pressures on both declining tax revenues and rising claims and entitlements. Where will the shortfall be filled from declining tax revenues?

3. The Good Life vs. Growth as a value and a priority. Will European countries extend the retirement age, reform pensions and liberalize the work force? How will Europe change its deeply entrenched values of the ideal of the good life “with vin rosé and deckchairs on the beach for all” and instead embrace growth? Public opinion in Europe seems to recognize that something is amiss with “sprightly 60-year olds in trainers” unloading from tour buses “into cobbled squares and historic cathedrals.”³ But opinion is divided on what parts of the welfare state need to be reduced. In the UK, significant cutbacks in the National Health System (NHS), the military and/or the universities will hollow out institutions that in most cases deliver high quality today.

4. Rising governmental expenditures from its increased role in financial and industrial markets. What will be the impact on government deficits from (i) governments extending credit to financial institutions that recover slowly because of the lingering effects of the recession in Europe, (ii) government support for strategic industries including behemoths like autos and steel, and (iii) an increase in employment benefits from rising structural unemployment since 2008?

5. Productivity. Is the public sector crowding out the private sector and discouraging entrepreneurship? As workers who have been forced to work fewer hours slowly become full time workers again, employers may squeeze more productivity out of them. On the other hand, the crowding out of the private sector by the public sector is usually associated with a decline in productivity because people may work less hard in government jobs.

B. Structural changes in European economies.

1. Nostalgia for the Renault auto worker of the 1970s, where the European social model provided job protection through a corporatist pact between the trade union, state and employers. More importantly, there was an absence of competition from the non-Western part of the world.

2. Impact on Europe of the ‘Great Doubling.’⁴ Between 1989 and 1999, the fall of the Berlin Wall, Deng’s opening up of China’s economy, and India’s surge as a result of its pro-growth reorientation, and other aspects of globalization led to a doubling of the number of global workers from 1.5 to 3 billion. With all this new labor, power in Europe shifted from labor toward capital.

3. The rise (and fall) of the idea of Europe as a single market. An optimist would say that European enlargement was a smart move for old Europe because enlargement brought globalization inside Europe. With enlargement, a company like Renault could move its small car factory to Slovakia while keeping its high-paid French car designers in Paris. Given the

³ See Charlemagne, “Calling Time on Progress: Europeans thought they were progressing towards an ideal civilization. Now time is up, and it hurts.” *The Economist*, July 17, p. 42.

⁴ See Richard Freeman, “The Great Doubling: the challenge of the new labor market,” (Berkeley, 2006) at http://emlab.berkeley.edu/users/webfac/eichengreen/e183_sp07/great_doub.pdf

small profit margins in small car production, Slovakia's location kept Renault's shipping and labor costs competitively low. The EU became diverse with low-cost and high-cost labor inside its borders.

4. The split between liberal single-market advocates and an alliance of governments, corporations and trade unions seeking a return to a more 'corporatist model.' While socialism is dead, corporatism is not. The current economic crisis has brought large corporations and national governments subsidizing national factories into confrontation with competition regulators from the EC. Under the liberal EU single market rules which are designed to take advantage of Europe's diversity, a factory owner must consider the lowest cost provider in Europe. Germany or France cannot keep a factory that they subsidize in their respective countries if Spain offers a lower cost package. If corporatism prevails, in which governments and corporations ally to secure 'corporatist' advantages for national industry to compel mergers and other anti-competitive measures at the expense of the liberal single market, then factories will not relocate in low-cost countries in southern or Eastern Europe. Sovereign nationalism will spawn greater protectionism at the expense of the economic benefits of enlargement, namely a single market for Europe with cheaper products for its consumers.

5. The return of regulation under the rubric of "economic governance". President Sarkozy, who campaigned in 2008 for more free market, has become an advocate of regulation in the aftermath of popular backlash following the financial crisis of 2008. Michel Barnier, the European commissioner for the single market, is calling for a "more humane, social Europe," which may translate into imposing costly social rules that will choke Europe with regulation and condemn it to at best a "gentle decline. At worst, it will undermine the capitalist enterprise on which its prosperity and social model depend."⁵

C. The long-term ramifications of the Sovereign Debt Crisis

1. Will economic integration continue? There is a long to-do list before deep economic integration is achieved.⁶ It is questionable whether Europe has the political will to achieve deeper economic integration.

2. Is political integration required to make economic integration work? The Thatcher model promoted free-market integration in Europe for the economy while keeping political decision-making sovereign. Some commentators, like Paul Krugman, argue that in light of the current sovereign debt crisis, without political integration, Europe will face disintegration. Others feel the choice is not so black and white.

⁵ Charlemagne, "Europe's dark secret: They might not like to admit it, but Europeans don't mind a bit of capitalism," The Economist, July 24, 2010, p. 38.

⁶ Currently, the EU is 30% less productive than the US in services, its national barriers limit innovation and prevent service companies from achieving an economy of scale; health care is exempted from EU-wide competition; high-tech industries are protected; the patent system is fragmented and costly; products and workers cannot cross borders easily; energy supply has not been liberalized. *A recent European Council on Foreign Relations report argues that a single gas market could remove the leverage that Russia now holds over individual European countries like Germany*; debts are hard to collect across borders; privileged workers are protected in Italy and Spain, discouraging new permanent jobs to the detriment of the young; and Germany taxes upfront the equity from entrepreneurial start ups, just to name a few obstacles to the proper functioning of an integrated EU market. See "Can Anything Perk up Europe?" The Economist, July 10, 2010, p.11.

3. Will political integration follow? Most agree that political integration is not feasible any time soon. One important barrier to a ‘United States of Europe’, apart from the requirements of national sovereignty in foreign policy, is the unaccountability of economically weak countries to properly follow through on their promised reforms. This so-called ‘democratic deficit’ bothers German taxpayers when asked to subsidize Greece in 2010.

The “Euro” was supposed to drive convergence and impose fiscal discipline on countries like Greece, Portugal, Spain and Italy. Instead, the sovereign debt crisis has exposed serious chasms between rich and poor Eurozone members. Some members may opt out and other non-Euro countries in the EU may opt in over the next two decades.⁷

4. The future of the Euro: muddling through. The Euro currency will survive as long as it continues to benefit its members, who are too small on their own to have their own currency. One exception is Germany, which is large enough to have its own currency but prefers to stay with the Euro. Germany benefits from the Euro in being able to export products at an exchange rate that is cheaper than their Deutsche Mark would be on its own.

The likely scenario is that the “Euro” will muddle through with “ad hoc” transfers from wealthy EU countries to Greece, Portugal, Spain and other crisis-ridden European economies. The quid pro quo will be a concerted effort to address the democratic deficit through German-inspired beefed up rules sanctioned by the European Central Bank that limit the size of budget deficits, or French-inspired coordinated economic governance (*dirigiste*) from Brussels.⁸ In either model, these transfers will come at a price to the poorer countries.⁹

Part III. Military Capabilities

This section is divided between Europe-wide and country-specific issues:

A. Europe-wide issues

⁷ The 16-member Eurozone comprises those countries which use a uniform currency, the Euro, whereas the much larger 27-member EU includes eastern European countries, as well as the UK, that maintain sovereign currencies. The UK was fortunate not to have joined the Eurozone because it could allow the Pound to devalue as necessary during the economic crisis in 2008-09. It is possible over the next 20 years that some countries will opt out of the Euro, like Greece, to allow them to devalue their currencies. Greece is likely to opt out only after they have defaulted on their Euro debt. Otherwise, a currency opt-out would be difficult because of the euro denominated obligations of both Greek borrowers and lenders. Other countries may opt into the Euro to gain an economy of scale and access to Eurobond financing.

⁸ The flaw of a sanctioning mechanism in the EU is that it is unlikely that France or Germany would ever allow themselves to be subject to EU sanctions, especially where the choice is between adhering to EU fiscal reform or winning a French or German election.

⁹ For instance, France might agree to fiscal redistribution from rich to poor directly, and indirectly through Eurobond financings, provided the quid pro quo is harmonization, meaning greater fiscal and social harmony. Poorer Europe would have to raise tax rates and raise the minimum wage. This French notion that everyone become like the French in the Eurozone, and in the EU more generally, strikes against the very diversity between low and high cost labor countries within a single market. Sarkozy’s notion is at odds with the classic French sociologist, Emile Durkheim, who argues that an ‘organic solidarity’ based on specialized parts is more advanced than the ‘mechanic solidarity’ associated with primitive tribal societies where all are equal under a tribal leader. See E. Durkheim, The Division of Labor in Society (New York Free Press, 1893).

- **Europe is spending less than 2% of GDP** on defense with a few exceptions. The 27 EU member countries total military investment is less than half of the US. Some of that so-called European military investment is for non-essential expenditures such as redundant representation at headquarters for various national officers and their staff.
- **European defense initiatives for crisis intervention.** Integrated European defense schemes such as the European Security and Defense Policy (ESPD), now called Common Foreign and Security Policy (CFSP), reflect a European desire for an enhanced capability for crisis intervention in, for example, a civil war in the Congo, or similar crisis that is neither too large nor too far away. The European defense initiatives noticeably do not call for any substantial financial outlay for real military capability, leaving NATO as the only substantive military alliance for Europe.
- **The European Welfare State.** Even if it cuts back on welfare entitlements, Europe will remain under severe budgetary pressure to fund adequate military defense. Any decline in economic productivity and stagnant growth from demographic and lingering economic factors discussed earlier in the Study will exert further downward pressure on European military budgets?
- **Recruitment.** Will there be military recruitment problems from declining indigenous European population in some European countries? [see Part I]
- **Homeland Security vs. Military.** The public in most European countries with the possible exception of France favor domestic counterterrorism efforts to military expeditionary forces abroad. The public can see the results of counterterrorism more tangibly in the absence of terrorism at home. While the financial costs of counterterrorism are not significant, the political salience of counter-terrorism puts traditional defense priorities on the back burner.
- **Choices.** Europe's mid to long-term military capabilities is bleak. Current levels of spending do not allow for the simultaneous support of (i) **modernization** (especially in its most advance and technological form), (ii) **maintenance** (including training), and (iii) **operations**. One of these three dimensions ends up eating the other two, operations being the strongest of the three generally because operations are driven by short-term political demands. So far, the answer in the West (including the US to some extent) has been to trade quantity for quality, and personnel numbers for technological systems. There is a theoretical limit beyond which this tradeoff becomes counterproductive. Before the financial crisis, the UK and France could at least resource two out of the three main categories above. Now, only one out of three can be properly financed. The US military is large and advanced enough that the issue did not arise until the specific requirements of COIN operations made apparent how thin on the ground US troops really were. European militaries, however, do not have such a cushion and risk ending up insufficiently large and advanced enough for both stabilization and so-called high intensity operations.¹⁰

¹⁰ US military planners do not count on the substantive contribution of European countries – except for the UK and perhaps France. The participation of European countries in NATO expeditions in Afghanistan, and in coalition forces in Iraq, is more symbolic for political cover, than substantive. In some ways, coordinating among several different countries, with different military specs and languages, makes it more difficult to manage than if the Afghan force were wholly US.

- **Transformation via specialization.** European members of NATO can carry out a few missions with great competence or a large number of missions marginally. Given an inability in purely budgetary terms to do all three or even two of modernization, maintenance and operations sufficiently well, individual countries will need to specialize. In addition, they will need to coordinate their specialized missions within the NATO alliance. Some of the smaller countries are already developing specialized capabilities. The Czechs in nuclear biological and chemical war defense; the Dutch air force is expert in F-16s; Italians are superb mountaineers; Germany and Sweden has prowess in technology.
- **For the UK and France, joint production makes more sense than role specialization.** When it comes to the UK and France, the danger of role specialization is that it will be an excuse for the UK or France to spend less. These two countries need autonomous capabilities to preserve the political will to fund their military. Instead of role specialization, they critically need more joint UK/French defense cooperation in equipment and engineering. In order to expedite such cooperation, French defense specialists believe that the US will need to waive some of its export controls on the UK. Without a momentum for joint production in the next few years, France and the UK will see some of their qualitative military capabilities erode for lack of funding.

B. The Study focuses specifically on the military capabilities of six countries:

1. **United Kingdom.** The UK is grappling with many of the tradeoff issues mentioned above during its 2010 Strategic Defense Review (SDR). A central issue for the UK military is whether the coming budget cuts will compromise the UK military's qualitative excellence, an intangible that if eroded will, in the opinion of senior commanders, pose an incalculable loss to its ability to fight effectively. Also, the current war in Afghanistan is putting budgetary pressures on the army's ability to deploy adequate manpower for the current war while modernizing for future war. A surprising finding in a poll recently carried out by Chatham House and You Gov, points to a discrepancy between elite British opinion and the British public on UK contributions in the future. The elite thinks defense expenditure will fall and British influence will be primarily through soft power, economic development aid and trade, media (BBC) and culture. But the general population has a 'Falklands mentality' and supports a robust military capability in the future.¹¹ Britain is one of the few countries in Europe where the public is more hawkish than the elite.
2. **France.** The French White Paper of 2008 addressed two relevant issues to this Study: how to integrate internal and external security, and how to get greater military usability in modern operations. The White Paper outlines a path to gain greater military usability from the same financial resources by achieving greater "flexibility, deployability and interoperability" through a shift from spending on personnel to equipment.¹² Even if this shift works, how can the French hope to make this

¹¹ See Chatham House-YouGov Survey, "British Attitudes towards the UK's international priorities," July 2010.

¹² Is French-British interoperability a chimera? Why isn't Franco-British integration in weapons design and procurement being implemented? The French say you can have both autonomously produced equipment and

transformation if they maintain a ceiling on defense budget at 2% of annual GDP? If anything, the global economic crisis will make it difficult for the French Parliament to maintain even the 2% level.¹³

3. **Germany.** Analysts say there are 2-1/2 serious military powers in Europe. The half is Germany.¹⁴ The good news is that Germany is investing in long-term military technology. The bad news is that despite the fact that 70% of German exports go to Europe, Germany is perceived by some of its neighbors as basically selfish. In addition, German commitment to a military role is hampered by lingering constitutional restrictions,¹⁵ historical taboos, a psychology of pacifism that appears to rule out fighting in a battlefield, and a consensus doctrine that does not identify their future security in terms of military power. Will the predicted end of conscription and transformation of Germany into a volunteer army change the trajectory for Germany? While Germany spends a significant amount of money relative to other European countries on the military, on closer scrutiny funding mainly goes to items like the A400M to transport its soldiers from Munich to Frankfurt. Germany can field only 12,500 troops abroad, a pitifully low number.¹⁶ Belgium similarly has a large number of 'soldiers,' over 37,000, but only 1,000 can fight overseas. The remainder hold other primary jobs; Belgium is really spending military funds on a job works program inside its national borders.
4. **Italy.** Italy has a long tradition of expeditionary military forces. Anecdotal evidence from Afghanistan is that they prefer to secretly pay off the Taliban rather than fight them.
5. **Sweden.** This is a country that subscribes to the End of Conflict ideal (see introduction) but has increasing security threats inside its main cities from militant Muslim immigrants and their offspring. While Sweden has technological prowess in industrial and military areas, it has a leftist hangover that often leaves it in a politically neutral stance.

value. While the British prefer to buy British when they can, if they see a Boeing with some British content and an Airbus with some British content, they will go with the cheaper/better one, and not put a premium on the overall idea that one is "European" and thus autonomous.

¹³ The French defense budget will be reduced by € 3.5 billion (the exact figure is still debated by the government) for the period 2010-2012, the 3 remaining years of their 5 year-LPM (Loi de programmation militaire or budgeting law. Email dated July 23, 2010 from Etienne de Durand, French defense specialist, IFRI

¹⁴ The Chinese military have a Germany-centric view of Europe. They ask, does unified Germany belong to Europe or does Europe belong to Germany? Meeting in Beijing, June 18, 2010.

¹⁵ Nowhere is this pacifist political psychology more prevalent than in Germany, which has additional constitutional obstacles to deploying military forces abroad and to fighting terrorism abroad. Two German citizens planning conspiracies, while they were in Pakistan, against an American base in Germany, could not be convicted in German courts because their conspiracy was hatched outside of Germany. Conviction would require a change in the constitution.

¹⁶ The German intervention force (KRK for Krisenreaktionskräfte) is 50,000 strong, which means that theoretically Germany can deploy about a third of that at a given time, or around 16,000. But 12,500 may be the actual limit. Email dated July 23, 2010 from Etienne de Durand, French defense specialist, IFRI.

6. **Poland.** This feisty eastern European country supports the Afghanistan war in large part to build its case for future enforcement of Article 5 under NATO. Its main focus is on gaining American and European security protection against Russia.

C. Shocks that might alter negative trends and galvanize Europe to support substantial increases in military spending and to play a larger role as US ally.

Challenging the Switzerland fortress mentality. What external or internal shocks might cause European publics to increase support for higher military budgets? Would a major terrorist attack(s) on European cities change that view?¹⁷ Would North African, African or South Asian failed states and massive emigration into southern Europe?

The Eastern Border. Would a more bellicose Russia galvanize Europe to take its defense more seriously?¹⁸ How will Europe draw its eastern border? At what point would Russian aggression shock Europe into action: intimidation of Ukraine? Poland? Czech Republic?

Social versus External Security. Europeans think in terms of the welfare state wherein people look at the state as a provider of benefits, rather than in terms of external security wherein people look at the state to provide them military security against external aggression. “State welfare kills warfare,” and this welfare mindset helps explain why military capabilities of Europe are likely to decline. The defense establishment confer/lobby adequately with their governments but insufficiently with their publics in making the case for external security.

Eliminating public sector waste. A positive ‘shock’ that could lead to greater military expenditures is the reform of state expenditures, especially on the local level, to end or drastically reduce money that is wasted on make-work projects or siphoned off by corrupt local officials. A leaner public sector, in which the population reorients itself from social security to external security, might in the long term provide areas for budgetary maneuverability for increased military capabilities. However, the prospects of such far-reaching domestic reforms taking place in the next two decades are low. This would indeed be a positive shock.

Part IV. Will Europe think of America as an Ally in 2030?

If so, what sort of ally? As the indispensable power that can handle humanitarian disasters such as tsunamis and earthquakes from Haiti to Indonesia? As a country that shares democratic values? As a country that provides security for Europe against traditional and new threats (i.e., from space)?

¹⁷ The Prophet Mohamed cartoon controversy in Denmark and the Van Gogh murder in the Netherlands awakened concern for freedom of speech in both countries for a short period. While their publics are now more aware of the nuances of Muslim radicalization, the long term impact remains to be seen. The actual anti-Muslim backlash among right wing elements in Europe has been relatively muted thus far. Would a 9/11 attack in European countries change popular tolerance and unleash a real backlash?

¹⁸ Is Europe likely to craft a common European energy policy to lessen its dependence on Russian energy? What is Europe’s policy on integration and EU membership for Georgia and Ukraine likely to be? Since 1989, this has been an open ended discussion as no one knew where Europe stopped. Now we are getting more clarity as Russia, Georgia and Ukraine issues crop up.

A less sanguine view is that Europe becomes one big NGO and looks at the US as a praetorian guard to be tolerated when Europe faces a threat (e.g., Iranian nuclear weapons with missiles that can reach all of Europe) but otherwise to be resisted for its emphasis on hard security in a soft-world “post-conflict” era.

Whither European national identities?

How has nationalism in Europe changed? Is there growing resistance to Islam?

It is well known from Eurobarometer surveys that West European publics express lower levels of national pride than Americans. Is this changing? The painful memories of war are fading for newer generations. Are younger Europeans more or less nationalistic than their elders? Are European elites in touch with the sentiments of the masses or not? How does national identity differ by age and class?

Some see growing nationalism among the sovereign states within Europe in reaction to an integrated Europe as well as other factors. The supposedly pro-European French and Dutch voters rejected the European constitution in 2005 and Irish voters initially rebuffed the Lisbon Treaty in 2008. Glaring differences between pro-European stalwarts Germany and Greece have come out of the latest Eurozone crisis. How does the rise of nationalism and sovereignty in reaction to Eurocrats in Brussels, European political integration and globalization affect attitudes toward America? (year 2)

Germany. How has the Eurozone crisis and Greek bailout affected German pro-Europeanism? Is the drubbing which German voters handed to Angela Merkel in North Rhine-Westphalia in 2010 a portent of things to come? Russia is no longer viewed as a threat to Germany, though it remains threatening to eastern European and Baltic States. If the Russian threat continues to decline, will Germany become less of an ally of America? Will the Germans continue to divorce their conception of their future security from the need for enhanced military power? If so, they will be less likely to support US projection of military power.¹⁹ (year 2)

Historical National Identities: German elites try to transcend their shame for their Nazi past by expressing their guilt in anti-American, pacifist terms. French elites, stung by the fading glory of their country since the nineteenth century, oppose Anglo-Saxon power. Benelux countries and smaller southern European states support Europe as a route to prominence on the world stage. Most continental countries have strong socialist pasts and their elites seek to elevate their social model as an ideal. Does the mass of the European population care as much about these elite status concerns? Does Islamization reinforce anti-Americanism through a deepening alliance between European Muslims and the Left? Or does the Islamic challenge lead right-wing Europeans to reaffirm their ties to America, a message propounded by French intellectuals of the anti-Marxist 'Nouveaux Philosophes' school who influence conservative politicians like Sarkozy.

The special case of the United Kingdom. Britain traditionally cherishes its pan-Anglo-Saxon ties as a source of pride and a bulwark against Europe, which it views as foreign in a way it does not view Americans. This stems from a history of becoming entangled in

¹⁹ What shocks – i.e., revanchist Russia or Islamic militancy/terrorism – might change German attitudes toward military power and toward America? (see Part III)

European conflicts. Britain has not experienced the humiliation of defeat like 'Old Europe' so lacks its tetchiness about military power and patriotism. Continental Europe views the UK's special relationship with the US as a sign of arrogance - that Britain remains aloof and is not really on the Euro 'team'. Ideologically, Britain rejects Europe's social model as shown in its Euroscepticism and its opt out of the European Social Chapter.

Pressures on the “Special Relationship.” The UK views the UK-US special relationship as a humbling and sometimes humiliating experience, but one that also makes the UK highly skeptical of grand European defense schemes.²⁰ British elites and governing class are searching for a new role for the UK, given its perception that the US cares less about the special relationship and has greater priorities in Asia and elsewhere. One observer summed up the US-UK relationship as evolving from one of shared interests to a close friendship between two countries that no longer have shared interests.²¹ The US tends to want the UK to retain a global vision and support multinational institutions and the current system of global governance (whose improvement, though essential, may be too heavy a burden for the US to shoulder without British support). Meanwhile, some British are wondering if, without giving up on their global responsibilities, they should refocus on developing their own special relationships with mid-level powers like India, Turkey, Malaysia and South Africa.

Competing forces of anti-Islamization and Muslim growth. Which will prevail – the fear of Eurabia or the increasing political influence of Muslims in Europe? Will elites become Islamized? Or will rising resistance from average indigenous Europeans to their loss of cultural sovereignty in the face of growing Islamization force a populist/nativist agenda on elites and elected officials? This contest will determine not only Europe's attitudes towards Muslims, but will also shape European attitudes toward America.

France. On the one hand, France has a growing Muslim population and French elites continue to support an anti-American foreign policy. On the other hand, France is banning the burqa in an expression of domestic cultural nationalism and its current president admires America. Will this bifurcation continue or will the current anti-American orthodoxy among French elites erode as part of a spillover effect from the rise in domestic cultural nationalism that resists Islamization?

The Resilience of Western Values. An important question in assessing the future role of Europe as an ally of the US is whether the concept of the West – of western values of democracy, human rights, and economic freedom – will grow stronger, stay the same or weaken as Asia, led by China plays an increasing role in the world's economy and in global governance.

Is Europe becoming a big Switzerland? A real danger lies in the unwillingness of Europeans to defend their culture because of their political psychology. As we discovered in the reluctance of Europeans to see, let alone confront the consequences of the increasing failure of Muslims to integrate into European society, most Europeans want to live

²⁰ Conversation on July 15, 2010 with (b) (7)(C), who, as Bagehot columnist, made a similar point in “Europe and the Trojan poodle: Britain's special relationship with America makes it modest, not arrogant,” The Economist, July 24, 2010, p. 32.

²¹ Chatham House conference, July 21, 2010. It is not clear to me whether this statement reflecting the end of shared interests is a ‘feeling’ or based on real divergences other than different priorities for the US and UK. Even the alleged decline in Europe's importance to the current US Administration because the US has more important priorities in Asia and elsewhere does not mean that US interests are less ‘shared’ with the UK.

reasonably comfortable lives without paying any price to defend their culture. Countries with aging populations facing pensions crises and fewer young people will be especially loath to sacrifice. Europe may have lost the will to defend its culture - though Far Right support indicates that this accommodating mentality may be a view consigned to educated elites.²²

²² In a 2009 conversation, (b) (7)(C) made three points about Europe: Europeans look at interests not values. Europe has been through two major wars and will do all it can to avoid a third. Military interventions abroad are likely to be coalitions of the willing.