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Andrew Glassberg

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Occasional Paper No. 9505
August, 1995

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Union: A Comparative Analysis

Andrew Glassberg

Political Science
Public Policy Administration
Center for International Studies

University of Missouri-St. Louis

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August 31, 1995

Response to Military Downsizing in the U.S. and the European
Union: A Comparative Analysis¹

The political context for responding to base closing and defense industry downsizing is profoundly different in the US and Europe. In the European context, defense conversion comes out of a context of a wide variety of other regional adjustment programs. These are both desired by potential recipient regions and viewed with some suspicion by those with administrative responsibility for such programs. For affected regions, the perspective seems to be that if other structural changes in the European economy have led to European interventions on behalf of the regionally affected areas, then defense conversion should be entitled to similar consideration.

Almost by definition, most structural changes have affected less well off parts of Europe. Declining industries and declining areas are traditionally correlated. Defense downsizing, however, often affects regions which have been outside eligibility for traditional area-based assistance programs. In part this is true precisely because they have been defense dependent, and defense has been a relatively healthy part of European economies. (This has been reinforced for those areas which have been defense dependent because of the presence of large American facilities -- the drivers for this aspect of regional economies has obviously been American defense policy, not the economics of the countries within which they are located.)

Defense dependent regions have also, in their manufacturing guise, been typically high-tech economies. Regions such as this are also typically the types which are ineligible for regionally based assistance to areas of decline.

Defense conversion, therefore, not only makes these regions newly vulnerable, it also, in many cases for the first time, puts them into a circumstance where they might be eligible for European Union regional fund assistance.

Some of the material for the American portion of this analysis was gathered while the author served as a National Association of Schools of Public Affairs and Administration (NASPAA) Fellow with the Office of Economic Adjustment, Department of Defense. The views expressed are solely those of the author.

Support for the European portion of this research was provided by the University of Missouri-St. Louis Center for International Studies; Department of Political Science; and Public Policy Administration Program. Their assistance is gratefully acknowledged.

This poses two countervailing pressures for European administrators and politicians. On the one hand, it raises issues of defense policy which have typically laid outside the bounds of European Union policy. Whether defense policy should be moved INSIDE the bounds of European Union policy is a highly controversial issue. Defense conversion, seen under this heading, is a problematic topic, and one best avoided.

On the other hand, defense conversion has clear impacts on regional economies, and this is precisely the type of issue area in which the European Union has been traditionally involved. Indeed, the EU's involvement in such matters can be said to predate the Treaty of Rome itself, since the European Coal and Steel Community, its predecessor institution, has long been involved in assistance programs for declining regions of coal and steel production.

For elected European officials, particularly for the European Parliament, defense conversion becomes an opportunity for the extension of Community benefits to areas which have not previously benefited from it, and allows elected officials who represent such areas to make claims on the Community on behalf of their constituencies. For some MEP's this issue will mark the first time they have been able to do so.

Because defense conversion is a new issue, there are no pre-existing local or national resource allocations going to it. Community assistance, therefore, can be seen as providing authentically new and additional resources, and not just substituting for previously provided local resources.

The end of the Cold War has lead to defense downsizing in US and Western Europe. With defense downsizing comes issues of economic adjustment for communities which had been especially impacted by dependence on military expenditures.

These common problems are responded to in many different political contexts: an EU still in process of establishing and defining the scope of its authority; a US where the extent of the appropriate federal role is the subject of contentious political debate, but the fact of nation-state status goes essentially unquestioned.

In the American context, the Federal government is the pre-eminent, almost sole player in defense/national security issues, in Europe the role of European institutions in defense policy is really only just beginning. There is no EU Defense Department, this is a national responsibility.

Defense conversion, in its DEFENSE aspect, therefore, is a problematic issue for the EU (as to whether this is within its appropriate jurisdictional range), but unquestioned in the US.

Defense conversion, in its REGIONAL ASSISTANCE aspect, however, is a by-now traditional activity of the EU, but is more problematic in the US, where there are continuing debates about its legitimacy as a Federal function.

How then, do these twin juxtapositions work themselves out in practice?

I. Cultural and Political Assumptions

Although there has been considerable political debate in the United States regarding the severity of the impact of defense downsizing, the view that the process is a manageable one is widespread. At the time the current American base closing process was put into place, by far the most widely quoted study of earlier base closings found that after a period of time there were more jobs on former military bases than there had been civilian jobs before base closing. (Glassberg, 1995a).

Because civilian jobs had a much greater multiplier effect on the local economy, their replacement was much more important than loss of uniformed military jobs in a community. While this study did not address the impact of significant cuts in defense industries, it nevertheless set the tone for much of subsequent American policymaking. Defense downsizing posed problems, but not insurmountable ones.

In the European context, different assumptions were made. In one particularly evocative passage, a European analyst described communities which had lost military bases as places where "villages which were living places yesterday are today empty of population and bring to mind nothing so much as the ghost towns of the American west after the gold rush." (Sudarskis, 1994) Implicit in such perspectives is the expectation that defense conversion activities at the community level will need to be projects of long duration, and even then ones with no certainty of success.

This interpretation was confirmed by an individual heavily involved in American defense conversion assistance projects who was detailed to work with European projects. This observer reported that in joint meetings American participants were far more likely to see defense conversion community assistance as something that had a clear end-point to it.

A sense of closed military bases, in particular, as having ghost-town potential is reinforced, particularly in Germany (and to some extent in Britain as well) by the fact that most, if not all of the closing facilities are foreign ones. For Germany, this has been most pronounced with regard to former Soviet bases, but must surely color perceptions for former Western bases as well. (In the U.S., closing bases are often located in

communities which have a strong military flavor outside the bases, in the presence of significant numbers of military retirees. Closing foreign bases in European countries have no such context.

The very idea of war is, on balance, differently perceived. Although fifty years have passed since a general European conflagration, memories remain strong. War is something that can happen HERE. This is very unlike many American views (usually only implicit) that war is something that takes place overseas.

In the European context, attitudes about European Union defense conversion programs need to be seen in terms of more general attitudes towards "Europe." This is particularly true at the governmental level. Thus, wariness about Europe in British governments provides a setting for some wariness about defense conversion -- above and beyond what the issue itself might generate.

In the United States, the very wide ranging disputes about the appropriate scope of federal government activities do not reach the core of defense conversion assistance. Grants to communities with base closings, for example, have expanded very considerably and have not been the subject of significant partisan conflict.

The federal nature of the United States and the emerging quasi-federal nature of the European Union both raise difficulties in determining how directly to deal with sub-national entities. For both the European Union and the United States, defining which body appropriately represents "local" interests during a base closing has been problematic. The variegated structure of American local governments makes such determination difficult here (Glassberg, 1995b).

Although the European Union has created an administrative structure for classifying local governments within its territories (the NUTS system), this doesn't necessarily provide much assistance in developing decision-making criteria as to which NUTS level should receive defense conversion assistance, and whether such determinations need to be uniform, either across the community as a whole or even within individual member nations.

The vastly weaker authority of the European Union leaves open questions regarding how forcefully the EU can (or should) decide on and enforce community-wide decisions on how to spend available defense conversion funds. While matters of this kind are not unknown in the U.S., in the defense conversion field it is widely accepted that the federal government, as both the responsible level for defense policy and the provider of the bulk of the funds for defense conversion assistance, is the appropriate authoritative decision-maker regarding funds disbursement.

The centrality of the "regional assistance" mode of thinking about defense conversion programs in Europe raises some questions which are different from those that arise in the U.S., where defense conversion (especially for closing military base communities) is usually seen as a narrower issue. For Europe, for EU parliamentarians, and for EU administrative decision makers, the regional assistance aspect of defense conversion contains paradoxical elements.

In both Europe and in the United States, regions with heavy military presence have tended to be relatively more affluent places. In part this is undoubtedly due to defense investment in the areas. Since the basic purpose of European regional assistance programs is to reduce inter-regional disparities, it seems counter to such purposes to provide any significant amount of financial assistance to relatively more affluent communities, even when such communities have been adversely affected by a significant economic change (such as defense cutbacks.)

This helps to explain some of the reluctance of EU administrators to push forcefully for defense conversion as an aspect of EU regional policy, and why much of the impetus for the development of such activities came from EU parliamentarians (especially from Germany) who realized that their country received very little in EU regional assistance spending and argued, successfully, that the severity and suddenness of defense cuts justified EU support, even though the areas they represented were clearly above-average in affluence.

In the U.S., with much less of an explicit tradition of regional assistance to reduce disparities, such arguments were muted. While some scholars argued that communities that had thrived with heavy military presence were not now entitled to any special assistance as such presence waned (Weidenbaum, 1992), this position has not carried the day.

In the U.S., community planning assistance continues to be provided through a Defense Department agency, in the European Union the delivery body is DGXVI, the Directorate for Regional Affairs. Because of this location, KONVER, the EU defense conversion assistance grant program, gets evaluated in the context of other feelings about EU regional policy.

Although, as indicated above, the basis for such a policy is a commitment to reduce regional disparities, other issues are on the table as well. The Common Agricultural Policy, widely perceived as a pro-rural-France regional policy, is always near to the surface of more general debates about regional assistance. In a somewhat different vein, observers report widespread sense in northern Europe that much assistance to southern European communities is not effectively spent. The euphemistic shorthand for this in EU documents is the need for "reform of the structural funds."

While defense conversion activities do not have anything

directly to do with either the common agricultural policy or concerns about effective spending of other regional funds, the existence of these other disputes forms part of the context in which KONVER activities take place.

II. Institutional structures

European Union defense adjustment programs are administered, at the Union level, by DG XVI, the Directorate with responsibility for regional policy. Since the EU lacks any specific defense responsibility, alternate locations for policy initiatives in this area were really not available. This focus is mirrored at the national level, where defense conversion activities are also located in economic development, rather than in defense ministries. In Britain, as an example, national-level policy is in the hands of the Department of Trade and Industry.

In its first Common Market formulation, support for defense conversion was contained within the PERIFRA initiative, which was originally designed to provide assistance to (geographically) peripheral areas of the Common Market territory. It had no specific linkage to either defense policy or to defense conversion. (Even earlier, a set of defense-dependent communities received a European Union grant under a program designed to promote greater cooperation among localities in different countries. This first grant led to the "Network Demilitarised" among a set of sixteen communities.)

European initiatives in this sphere did not begin until after the fall of the Berlin Wall and the "end of the Cold War." This is in contrast to the United States, where adjustment efforts preceded the end of the Cold War, and were supported by defense hawks who wanted the military to have more opportunity for restructuring its own budgets (and not to be bound to bases it no longer wanted.) [See Glassberg, 1995a] Although there have been some efforts to shift administrative responsibility to the Department of Commerce or the White House, economic adjustment planning support remains within the American Defense Department.

In the European context, defense conversion is playing itself out in other, Europe-wide institutional contexts. The Maastricht Treaty enhanced the role of the European Parliament, and parliamentarians have used defense conversion as an arena for greater assertions of their authority. KONVER, the successor program to PERIFRA, is explicitly focused on defense conversion and is a product of pressure from and decisions taken by the European Parliament. This becomes an occasion, therefore, for the Parliament to demonstrate its new powers as a policy initiator.

At the same time, resistance to growth of EU authority remains strong. This too can be seen in defense conversion

activities. While defense conversion funding was small, experimental, and clearly temporary, as was the case with PERIFRA, it was possible to organize programs to be direct EU to local area grants. As KONVER became larger, more institutionalized, and more politically visible, the nation-state members of the Union reasserted a role and KONVER grants flow from the Union to the national level, and only through national institutions down to the community level.

While DG XVI has an interest in promoting a "Europe of the Regions," national governments are more resistant to the concept. How directly sub-national governments ought to be able to deal with Brussels remains a matter in considerable political contention. In the specialized language of the EU, this is the issue of "subsidiarity," -- what level is appropriate for what types of service delivery responsibilities.

In the United States, by contrast, debates about federalism have not typically involved defense conversion questions. While grants from the Defense Department do go directly to communities affected, the relevant federal decision-makers tend to defer to state organizational decisions, when state governments choose to assert them. (Glassberg, 1995b)

One worldwide problem in grants administration, present in both European and American defense conversion activities, are efforts of the higher levels to ensure that the funds they provide are not simply substituted for locally-generated resources that sub-national entities would be spending in any event. American federal grant legislation routinely provides "maintenance of effort" requirements, but how much impact such provisions actually have on local fiscal allocations remains in much debate.

Perhaps because of its institutional location within "Regional Development," this appears to be a larger issue for European defense conversion than has been true in the United States. Again in EU language, this is the issue of "additionality," -- to what extent EU funds are simply being substituted for local resources. As will be seen below, the EU's ability to monitor its requirements for "additionality" are only weakly developed.

In the U.S., maintenance of effort questions arise much less frequently for defense conversion, although they are a regular part of the debate on many other types of federal activities. Because defense conversion continues to be seen in a separate, specialized context (both administratively and politically), the battles of other issue domains do not spill over as "automatically" as they do in Europe.

Base closings, for example, trigger relatively automatic grants from the federal government to affected communities, as do significant cutbacks in defense industry activity. Eligibility is driven by formula, but effectively all base closings of any

significant size qualify, as do cutbacks in any of the major defense industry centers in the U.S. Questions about how communities might respond without federal aid are sometimes raised by external observers, but are not prominent within standard political debate. Normal federal grant regulations are put in place, but controversy about providing such assistance is surprisingly light.

Perhaps the most fundamental difference in institutional context between American and European defense conversion activities is the longevity and perceived stability of the institutional structures themselves. In Europe, the very structures which must formulate defense conversion policy are themselves new, controversial, and without long experience. In the United States, even the Defense Department entity which administers planning assistance has an over-thirty-year history. The fundamental arrangements of the American structure appear ancient compared to the newly-emerging structures of "Europe."

Even the geographical bounds of the entities they serve are far more fixed in the United States than in Europe. This is not just a theoretical point. One of the first difficulties which arose in European conversion activities was the eligibility of affected areas in the former East Germany, the "neue Laender." While such areas were originally excluded from PERIFRA grants, they are now eligible under KONVER funding, although with ceilings on how much of available funds will be spent in this area.

This point is not limited to European Union-level institutions. As Europe evolves, national and sub-national structures also continue to evolve. In Britain, for example, much of the work and some of the authority for allocational decisions has been handed over to new regional administrative structures, the "Regional Offices," which have cross-ministerial responsibilities.

While local-level defense conversion administrators now routinely speak about their dealings with "Government Office Southwest," or "Government Office Northwest," these entities have been formed in a way essentially invisible to the general public. (An electronic search of British media sources found only the barest mention of these institutions since their creation in April, 1994. One must turn to Government and Opposition press releases which apparently have never made it to the commercial media for accounts of these new structures.) (Moncrieff, 1993), (Department of the Environment, 1995). Defense conversion is only one of many foci for these new offices, but the fragility of their existence raises doubts as to how authoritative they can be in case of allocational controversies.

German defense conversion has not, as of yet, created any new structures within the German federal system, but division of powers being the Federal Government and the Laender remains

uncertain, particularly in the case of the eastern states which still receive heavy federal subsidies.

III. Nature of the defense conversion problem

In the United States, base closings have an elaborate structure for decision-making. European closing procedures are very much simpler, and base closing can, therefore, more suddenly impact on a community. The very different nature of domestic and foreign bases, and the differential impact of foreign bases from different nations, affects the impact of the closing on the relevant community.

Although American forces engage in negotiation about the terms of base closing with the German and British governments, there is nothing like the BRAC process required. Consequently, it has been possible to close a larger fraction of U.S. bases in Europe than in America itself. All former Soviet bases, have now been closed in eastern Germany.

For the UK, closing military bases, both British and American, are nominally British military bases. Therefore, closed American bases revert to the MOD when the US forces leave. They close, therefore, on MOD terms. The MOD is under instructions to maximize the financial return from closed facilities.

This is the subject of controversy. A House of Commons committee complained that the Government and the MOD felt the need for more money from sales to meet current British military expenses

"There is no mistaking the sense of frustration which members and officers of many local authorities feel in their dealings with MoD on estate matters, in particular but not exclusively on disposals. They evidently find the uncertainty as to the ultimate locus of decision-making particularly difficult, so that often fruitful working relationships with the local Defence Lands agent are wasted. The complicated dance between the Defence Lands Service and the "users" - the individual Services - is compounded by an apparent policy vacuum at MoD itself, so that many authorities find it difficult to discover if land is to be released or not, and receive contradictory answers."
(Defence Committee, First Report, 1994, p. xvi)

The Committee, continuing its argument that there was insufficient planning for disposal, suggested that:

"obtaining the highest cash price is the driving force in disposals, neglecting wider conceptions of public interest and environmental benefit."
(Defence Committee, First Report, 1994, p. xviii)

The Government responded that:

"The Government acknowledges the committee's views that a simple search for capital receipts does not in every case secure for the community the best long term return, however expressed. The MoD takes a strategic look at sites and how its requirement to maximize receipts can be reconciled with local aspirations. However, the MoD is not funded to aid economic regeneration." (Defence Committee, Second Report, 1995, p. vi)

This pattern contrasts with the situation in Germany and in the United States. In the U.S., an early expectation that base closings could be used as a significant source of capital for the Defense Department has given way to an emphasis on promoting economic development (especially jobs) in areas where there are military cutbacks.

In Germany, base closing means the closing of bases occupied by foreign military forces, largely American and British in western Germany, and Soviet in eastern Germany. Since these bases were not in any way a part of the German military establishment, when closed they do not revert to the Bundeswehr, as American bases in Britain revert to the Ministry of Defence. Instead, closed bases in Germany come under the control of the Lander, which view them with their own economies in mind. Although the origins are different, this places the emphasis in German base closing somewhat closer to the American than to the British model.

Industrial downsizing takes on different guises in different European countries, depending on the ownership structure of the enterprises involved. British and German industrial responses are best seen in the context of overall national industrial policies (and extent of state ownership.) The Conservative government in Britain has not been particularly interested in government-supported diversification (Almquist, 1993: 8).

German governments, both federal and Land, have been significantly more involved in diversification activities. One distinctive feature of the German defense industry structure is the extent of state government partial ownership of defense industries, particularly under circumstances of downsizing. (Almquist, 1993:30). These state governments have been active in seeking conversion/diversification opportunities for the industries they now partially own.

One rather contentious issue in defense industry adjustment to downsizing has been the differences between defense industry expectations, on the one hand, and European Union expectations, on the other. The Director of EU defense conversion efforts commented that:

"The defense industry thought that KONVER was for them. It was hard for them to understand that we are interested in regional development [The mission of DGXVI]. Companies

wanted to know, 'what are you going to do for us.' I said, 'sorry, I'm interested in economic regeneration -- spin offs, tech transfer, alternative job opportunities, aid to small and medium sized enterprises.'" (Interview with M. Eric Dufeil, DGXVI, May 31, 1995)

The American adjustment policy structure splits these issues apart. Within the explicit context of "economic adjustment," the domain of the Office of Economic Adjustment of the Department of Defense, defense industry programs are clearly focused on assistance to laid-off employees and to subcontractors of the major defense industry producers. If larger firms are involved at all, it is as assistants in providing for smoother transitions, rather than the objects or beneficiaries of the program.

Large firms have, however, other vehicles to pursue. Initiatives such as the Technology Reinvestment Program have as an explicit goal the building of links between different firms and the development of "dual-use" technologies. These are intended, from the Defense Department point of view, to enhance the supply capabilities (to the Defense Department) of American industry, and to bring down military acquisition costs by making more products available through "civilian specifications" rather than narrowly "military specifications."

This program is controversial within the United States, and has no particular European Union-level counterpart. (Some member states may, of course, be pursuing their own such national-level initiatives.) According to the head of the EU KONVER program, the development of such an initiative at the EU level was considered, but rejected, by a majority of the European Commission. Dual-use, as a policy goal, was also rejected for defense conversion efforts.

IV. Evaluation

To date, there has been relatively little evaluation of the impact of European defense conversion efforts. Although the "reform of the structural funds" by the European Union in the early 1990's emphasized the need for evaluation, this is interpreted, in the defense conversion context, as a requirement for after-the-fact activity. PERIFRA projects, now having come to a close, are now seen as appropriate for evaluation. KONVER, a work in progress, should also be evaluated, but only at a more mature stage.

As with other aspects of the as-yet weakly-developed institutions of the European Union, monitoring committees for ongoing grants should exist at the regional level, with their setup left to member states.

"What is the value added of the community [EU] program? This is still disputed. Some say we could do it at the national level."

But the fundamental benefit of defense conversion, Europe-style, is as an institution building mechanism.

"We link, through the community, regions with similar projects. If we are doing well, we should be able to transfer best practices."

Among the most crucial "best practices" to transfer becomes the very act of sub-national regions from different parts of Europe working together. In this context, defense conversion activities become one additional small part of European Union efforts to reinforce its "emotional" existence BELOW the member state level, by getting a whole additional set of actors to identify with the EU and its activities. Such activities are not without controversy, being criticized by some as "Euro-chic" (John, 1995) and praised by others as European "economic citizenship" (Grahl and Teague, 1994).

However interpreted, European defense conversion continues as it began, an activity focused not just on defense conversion but also on network-building among communities with perceived common problems, but located throughout the different member states of the EU.

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Because civilian jobs had a much greater multiplier effect on the local economy, their replacement was much more important than loss of uniformed military jobs in a community. While this study did not address the impact of significant cuts in defense industries, it nevertheless set the tone for much of subsequent American policymaking. Defense downsizing posed problems, but not insurmountable ones.

In the European context, different assumptions were made. In one particularly evocative passage, a European analyst described communities which had lost military bases as places where "villages which were living places yesterday are today empty of population and bring to mind nothing so much as the ghost towns of the American west after the gold rush." (Sudarskis, 1994) Implicit in such perspectives is the expectation that defense conversion activities at the community level will need to be projects of long duration, and even then ones with no certainty of success.

This interpretation was confirmed by an individual heavily involved in American defense conversion assistance projects who was detailed to work with European projects. This observer reported that in joint meetings American participants were far more likely to see defense conversion community assistance as something that had a clear end-point to it.

A sense of closed military bases, in particular, as having ghost-town potential is reinforced, particularly in Germany (and to some extent in Britain as well) by the fact that most, if not all of the closing facilities are foreign ones. For Germany, this has been most pronounced with regard to former Soviet bases, but must surely color perceptions for former Western bases as well. (In the U.S., closing bases are often located in

communities which have a strong military flavor outside the bases, in the presence of significant numbers of military retirees. Closing foreign bases in European countries have no such context.

The very idea of war is, on balance, differently perceived. Although fifty years have passed since a general European conflagration, memories remain strong. War is something that can happen HERE. This is very unlike many American views (usually only implicit) that war is something that takes place overseas.

In the European context, attitudes about European Union defense conversion programs need to be seen in terms of more general attitudes towards "Europe." This is particularly true at the governmental level. Thus, wariness about Europe in British governments provides a setting for some wariness about defense conversion -- above and beyond what the issue itself might generate.

In the United States, the very wide ranging disputes about the appropriate scope of federal government activities do not reach the core of defense conversion assistance. Grants to communities with base closings, for example, have expanded very considerably and have not been the subject of significant partisan conflict.

The federal nature of the United States and the emerging quasi-federal nature of the European Union both raise difficulties in determining how directly to deal with sub-national entities. For both the European Union and the United States, defining which body appropriately represents "local" interests during a base closing has been problematic. The variegated structure of American local governments makes such determination difficult here (Glassberg, 1995b).

Although the European Union has created an administrative structure for classifying local governments within its territories (the NUTS system), this doesn't necessarily provide much assistance in developing decision-making criteria as to which NUTS level should receive defense conversion assistance, and whether such determinations need to be uniform, either across the community as a whole or even within individual member nations.

The vastly weaker authority of the European Union leaves open questions regarding how forcefully the EU can (or should) decide on and enforce community-wide decisions on how to spend available defense conversion funds. While matters of this kind are not unknown in the U.S., in the defense conversion field it is widely accepted that the federal government, as both the responsible level for defense policy and the provider of the bulk of the funds for defense conversion assistance, is the appropriate authoritative decision-maker regarding funds disbursement.

The centrality of the "regional assistance" mode of thinking about defense conversion programs in Europe raises some questions which are different from those that arise in the U.S., where defense conversion (especially for closing military base communities) is usually seen as a narrower issue. For Europe, for EU parliamentarians, and for EU administrative decision makers, the regional assistance aspect of defense conversion contains paradoxical elements.

In both Europe and in the United States, regions with heavy military presence have tended to be relatively more affluent places. In part this is undoubtedly due to defense investment in the areas. Since the basic purpose of European regional assistance programs is to reduce inter-regional disparities, it seems counter to such purposes to provide any significant amount of financial assistance to relatively more affluent communities, even when such communities have been adversely affected by a significant economic change (such as defense cutbacks.)

This helps to explain some of the reluctance of EU administrators to push forcefully for defense conversion as an aspect of EU regional policy, and why much of the impetus for the development of such activities came from EU parliamentarians (especially from Germany) who realized that their country received very little in EU regional assistance spending and argued, successfully, that the severity and suddenness of defense cuts justified EU support, even though the areas they represented were clearly above-average in affluence.

In the U.S., with much less of an explicit tradition of regional assistance to reduce disparities, such arguments were muted. While some scholars argued that communities that had thrived with heavy military presence were not now entitled to any special assistance as such presence waned (Weidenbaum, 1992), this position has not carried the day.

In the U.S., community planning assistance continues to be provided through a Defense Department agency, in the European Union the delivery body is DGXVI, the Directorate for Regional Affairs. Because of this location, KONVER, the EU defense conversion assistance grant program, gets evaluated in the context of other feelings about EU regional policy.

Although, as indicated above, the basis for such a policy is a commitment to reduce regional disparities, other issues are on the table as well. The Common Agricultural Policy, widely perceived as a pro-rural-France regional policy, is always near to the surface of more general debates about regional assistance. In a somewhat different vein, observers report widespread sense in northern Europe that much assistance to southern European communities is not effectively spent. The euphemistic shorthand for this in EU documents is the need for "reform of the structural funds."

While defense conversion activities do not have anything

directly to do with either the common agricultural policy or concerns about effective spending of other regional funds; the existence of these other disputes forms part of the context in which KONVER activities take place.

II. Institutional structures

European Union defense adjustment programs are administered, at the Union level, by DG XVI, the Directorate with responsibility for regional policy. Since the EU lacks any specific defense responsibility, alternate locations for policy initiatives in this area were really not available. This focus is mirrored at the national level, where defense conversion activities are also located in economic development, rather than in defense ministries. In Britain, as an example, national-level policy is in the hands of the Department of Trade and Industry.

In its first Common Market formulation, support for defense conversion was contained within the PERIFRA initiative, which was originally designed to provide assistance to (geographically) peripheral areas of the Common Market territory. It had no specific linkage to either defense policy or to defense conversion. (Even earlier, a set of defense-dependent communities received a European Union grant under a program designed to promote greater cooperation among localities in different countries. This first grant led to the "Network Demilitarised" among a set of sixteen communities.)

European initiatives in this sphere did not begin until after the fall of the Berlin Wall and the "end of the Cold War." This is in contrast to the United States, where adjustment efforts preceded the end of the Cold War, and were supported by defense hawks who wanted the military to have more opportunity for restructuring its own budgets (and not to be bound to bases it no longer wanted.) [See Glassberg, 1995a] Although there have been some efforts to shift administrative responsibility to the Department of Commerce or the White House, economic adjustment planning support remains within the American Defense Department.

In the European context, defense conversion is playing itself out in other, Europe-wide institutional contexts. The Maastricht Treaty enhanced the role of the European Parliament, and parliamentarians have used defense conversion as an arena for greater assertions of their authority. KONVER, the successor program to PERIFRA, is explicitly focused on defense conversion and is a product of pressure from and decisions taken by the European Parliament. This becomes an occasion, therefore, for the Parliament to demonstrate its new powers as a policy initiator.

At the same time, resistance to growth of EU authority remains strong. This too can be seen in defense conversion

activities. While defense conversion funding was small, experimental, and clearly temporary, as was the case with PERIFRA, it was possible to organize programs to be direct EU to local area grants. As KONVER became larger, more institutionalized, and more politically visible, the nation-state members of the Union reasserted a role and KONVER grants flow from the Union to the national level, and only through national institutions down to the community level.

While DG XVI has an interest in promoting a "Europe of the Regions," national governments are more resistant to the concept. How directly sub-national governments ought to be able to deal with Brussels remains a matter in considerable political contention. In the specialized language of the EU, this is the issue of "subsidiarity," -- what level is appropriate for what types of service delivery responsibilities.

In the United States, by contrast, debates about federalism have not typically involved defense conversion questions. While grants from the Defense Department do go directly to communities affected, the relevant federal decision-makers tend to defer to state organizational decisions, when state governments choose to assert them. (Glassberg, 1995b)

One worldwide problem in grants administration, present in both European and American defense conversion activities, are efforts of the higher levels to ensure that the funds they provide are not simply substituted for locally-generated resources that sub-national entities would be spending in any event. American federal grant legislation routinely provides "maintenance of effort" requirements, but how much impact such provisions actually have on local fiscal allocations remains in much debate.

Perhaps because of its institutional location within "Regional Development," this appears to be a larger issue for European defense conversion than has been true in the United States. Again in EU language, this is the issue of "additionality," -- to what extent EU funds are simply being substituted for local resources. As will be seen below, the EU's ability to monitor its requirements for "additionality" are only weakly developed.

In the U.S., maintenance of effort questions arise much less frequently for defense conversion, although they are a regular part of the debate on many other types of federal activities. Because defense conversion continues to be seen in a separate, specialized context (both administratively and politically), the battles of other issue domains do not spill over as "automatically" as they do in Europe.

Base closings, for example, trigger relatively automatic grants from the federal government to affected communities, as do significant cutbacks in defense industry activity. Eligibility is driven by formula, but effectively all base closings of any

significant size qualify, as do cutbacks in any of the major defense industry centers in the U.S. Questions about how communities might respond without federal aid are sometimes raised by external observers, but are not prominent within standard political debate. Normal federal grant regulations are put in place, but controversy about providing such assistance is surprisingly light.

Perhaps the most fundamental difference in institutional context between American and European defense conversion activities is the longevity and perceived stability of the institutional structures themselves. In Europe, the very structures which must formulate defense conversion policy are themselves new, controversial, and without long experience. In the United States, even the Defense Department entity which administers planning assistance has an over-thirty-year history. The fundamental arrangements of the American structure appear ancient compared to the newly-emerging structures of "Europe."

Even the geographical bounds of the entities they serve are far more fixed in the United States than in Europe. This is not just a theoretical point. One of the first difficulties which arose in European conversion activities was the eligibility of affected areas in the former East Germany, the "neue Laender." While such areas were originally excluded from PERIFRA grants, they are now eligible under KONVER funding, although with ceilings on how much of available funds will be spent in this area.

This point is not limited to European Union-level institutions. As Europe evolves, national and sub-national structures also continue to evolve. In Britain, for example, much of the work and some of the authority for allocational decisions has been handed over to new regional administrative structures, the "Regional Offices," which have cross-ministerial responsibilities.

While local-level defense conversion administrators now routinely speak about their dealings with "Government Office Southwest," or "Government Office Northwest," these entities have been formed in a way essentially invisible to the general public. (An electronic search of British media sources found only the barest mention of these institutions since their creation in April, 1994. One must turn to Government and Opposition press releases which apparently have never made it to the commercial media for accounts of these new structures.) (Moncrieff, 1993), (Department of the Environment, 1995). Defense conversion is only one of many foci for these new offices, but the fragility of their existence raises doubts as to how authoritative they can be in case of allocational controversies.

German defense conversion has not, as of yet, created any new structures within the German federal system, but division of powers being the Federal Government and the Laender remains

uncertain, particularly in the case of the eastern states which still receive heavy federal subsidies.

III. Nature of the defense conversion problem

In the United States, base closings have an elaborate structure for decision-making. European closing procedures are very much simpler, and base closing can, therefore, more suddenly impact on a community. The very different nature of domestic and foreign bases, and the differential impact of foreign bases from different nations, affects the impact of the closing on the relevant community.

Although American forces engage in negotiation about the terms of base closing with the German and British governments, there is nothing like the BRAC process required. Consequently, it has been possible to close a larger fraction of U.S. bases in Europe than in America itself. All former Soviet bases, have now been closed in eastern Germany.

For the UK, closing military bases, both British and American, are nominally British military bases. Therefore, closed American bases revert to the MOD when the US forces leave. They close, therefore, on MOD terms. The MOD is under instructions to maximize the financial return from closed facilities.

This is the subject of controversy. A House of Commons committee complained that the Government and the MOD felt the need for more money from sales to meet current British military expenses

"There is no mistaking the sense of frustration which members and officers of many local authorities feel in their dealings with MoD on estate matters, in particular but not exclusively on disposals. They evidently find the uncertainty as to the ultimate locus of decision-making particularly difficult, so that often fruitful working relationships with the local Defence Lands agent are wasted. The complicated dance between the Defence Lands Service and the "users" - the individual Services - is compounded by an apparent policy vacuum at MoD itself, so that many authorities find it difficult to discover if land is to be released or not, and receive contradictory answers."
(Defence Committee, First Report, 1994, p. xvi)

The Committee, continuing its argument that there was insufficient planning for disposal, suggested that:

"obtaining the highest cash price is the driving force in disposals, neglecting wider conceptions of public interest and environmental benefit."
(Defence Committee, First Report, 1994, p. xviii)

The Government responded that:

"The Government acknowledges the committee's views that a simple search for capital receipts does not in every case secure for the community the best long term return, however expressed. The MoD takes a strategic look at sites and how its requirement to maximize receipts can be reconciled with local aspirations. However, the MoD is not funded to aid economic regeneration." (Defence Committee, Second Report, 1995, p. vi)

This pattern contrasts with the situation in Germany and in the United States. In the U.S., an early expectation that base closings could be used as a significant source of capital for the Defense Department has given way to an emphasis on promoting economic development (especially jobs) in areas where there are military cutbacks.

In Germany, base closing means the closing of bases occupied by foreign military forces, largely American and British in western Germany, and Soviet in eastern Germany. Since these bases were not in any way a part of the German military establishment, when closed they do not revert to the Bundeswehr, as American bases in Britain revert to the Ministry of Defence. Instead, closed bases in Germany come under the control of the Lander, which view them with their own economies in mind. Although the origins are different, this places the emphasis in German base closing somewhat closer to the American than to the British model.

Industrial downsizing takes on different guises in different European countries, depending on the ownership structure of the enterprises involved. British and German industrial responses are best seen in the context of overall national industrial policies (and extent of state ownership.) The Conservative government in Britain has not been particularly interested in government-supported diversification (Almquist, 1993: 8).

German governments, both federal and Land, have been significantly more involved in diversification activities. One distinctive feature of the German defense industry structure is the extent of state government partial ownership of defense industries, particularly under circumstances of downsizing. (Almquist, 1993:30). These state governments have been active in seeking conversion/diversification opportunities for the industries they now partially own.

One rather contentious issue in defense industry adjustment to downsizing has been the differences between defense industry expectations, on the one hand, and European Union expectations, on the other. The Director of EU defense conversion efforts commented that:

"The defense industry thought that KONVER was for them. It was hard for them to understand that we are interested in regional development [The mission of DGXVI]. Companies

wanted to know; 'what are you going to do for us.' I said, 'sorry, I'm interested in economic regeneration -- spin offs, tech transfer, alternative job opportunities, aid to small and medium sized enterprises.'" (Interview with M. Eric Dufeil, DGXVI, May 31, 1995)

The American adjustment policy structure splits these issues apart. Within the explicit context of "economic adjustment," the domain of the Office of Economic Adjustment of the Department of Defense, defense industry programs are clearly focused on assistance to laid-off employees and to subcontractors of the major defense industry producers. If larger firms are involved at all, it is as assistants in providing for smoother transitions, rather than the objects or beneficiaries of the program.

Large firms have, however, other vehicles to pursue. Initiatives such as the Technology Reinvestment Program have as an explicit goal the building of links between different firms and the development of "dual-use" technologies. These are intended, from the Defense Department point of view, to enhance the supply capabilities (to the Defense Department) of American industry, and to bring down military acquisition costs by making more products available through "civilian specifications" rather than narrowly "military specifications."

This program is controversial within the United States, and has no particular European Union-level counterpart. (Some member states may, of course, be pursuing their own such national-level initiatives.) According to the head of the EU KONVER program, the development of such an initiative at the EU level was considered, but rejected, by a majority of the European Commission. Dual-use, as a policy goal, was also rejected for defense conversion efforts.

IV. Evaluation

To date, there has been relatively little evaluation of the impact of European defense conversion efforts. Although the "reform of the structural funds" by the European Union in the early 1990's emphasized the need for evaluation, this is interpreted, in the defense conversion context, as a requirement for after-the-fact activity. PERIFRA projects, now having come to a close, are now seen as appropriate for evaluation. KONVER, a work in progress, should also be evaluated, but only at a more mature stage.

As with other aspects of the as-yet weakly-developed institutions of the European Union, monitoring committees for ongoing grants should exist at the regional level, with their setup left to member states.

"What is the value added of the community [EU] program? This is still disputed. Some say we could do it at the national level."

But the fundamental benefit of defense conversion, Europe-style, is as an institution building mechanism.

"We link, through the community, regions with similar projects. If we are doing well, we should be able to transfer best practices."

Among the most crucial "best practices" to transfer becomes the very act of sub-national regions from different parts of Europe working together. In this context, defense conversion activities become one additional small part of European Union efforts to reinforce its "emotional" existence BELOW the member state level, by getting a whole additional set of actors to identify with the EU and its activities. Such activities are not without controversy, being criticized by some as "Euro-chic" (John, 1995) and praised by others as European "economic citizenship" (Grahl and Teague, 1994).

However interpreted, European defense conversion continues as it began, an activity focused not just on defense conversion but also on network-building among communities with perceived common problems, but located throughout the different member states of the EU.

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