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Research Memorandum REU-16 from George C. Denney, Jr., to the Secretary, 'Swedish Decision to Cut Military Spending Causes Defense Review, Reduces Likelihood of Nuclear Weapons Acquisition'

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Summary:

The Swedish government rejected Supreme Commander Torsten Rapp's proposals to fund a nuclear weapons program. This INR report from March 1967 on proposed cuts in defense spending suggested that the possibility that Sweden would acquire nuclear weapons had grown even more remote.

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REU-16, March 20, 1967

To : The Acting Secretary
Through: S/S
From : INR - George C. Denney, Jr.

Subject: Swedish Decision to Cut Military Spending Causes Defense Review,
Reduces Likelihood of Nuclear Weapons Acquisition

Since 1950, Sweden's defense effort has been proportionately larger than that of its Scandinavian NATO neighbors and has been an important factor in Scandinavian resistance to Soviet pressures. A recent government decision to decrease defense spending significantly from planned levels has aroused concern both in Sweden and abroad and seems likely to give rise to national debate on defense and foreign policies. This Memorandum examines the decision to cut defense outlays, analyzes the motivations behind it, and assesses the consequences that it may have for Sweden's defense and nuclear weapons policies.

ABSTRACT

In early January, Sweden's minority Social Democratic Government proposed, as part of the stringent budget that it presented to Parliament, that the 1967/68 appropriations for defense not be increased at the rate previously agreed upon by the four non-Communist parties but instead be held to a constant level for the next few years at least. This decision, coupled with the earlier one to freeze part of the previous year's appropriations, means that the share of the GNP given to defense would drop below 4% for the first time in over 10 years. Although the three other non-Communist parties at first tried to insist that the previous defense agreement should be adhered to, the two center parties (Liberal and Center Party) eventually gave in. Since they now largely accept the government's proposals, Parliament's adoption of the pared-down defense budget, substantially unchanged, is virtually assured.

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Defense Chiefs Warn of Consequences. Military commanders have contended that the government's decision means that plans to modernize the weapons of Sweden's armed forces will have to be drastically revised. The Supreme Commander has declared that, if the present spending level is maintained for the next four years, as the Social Democrats propose, the number of air squadrons in Sweden's Air Force, now Western Europe's third largest, may have to be cut in half because a disproportionately large share of current defense appropriations is earmarked for replacing aircraft now in operation with the advance, delta-type Viggen aircraft. Defense Minister Andersson has agreed that it will no longer be possible to use the air force as the chief deterrent to attack and had said that Sweden will have to rely more on a "tenacious defense of territory" led by the army.

Motivations Both Economic and Political. The primary cause for the proposed reduction in defense spending is Sweden's economic situation. Inflationary pressures are among the highest in Western Europe, the balance of payments deficit is serious, and a slowdown in the rate of economic growth is expected.

Another motivation for the proposed defense cuts is the desire of Social Democratic leaders to recoup their party's losses in the 1966 local elections, which, if not checked, would oust them from power in the 1968 parliamentary election. Disgruntlement caused by rising prices is generally thought to be the chief cause for these losses. Reductions in defense spending should not only help to remedy this situation but will also be popular with left-wing Social Democrats and younger Swedes in general, who have tended toward pacifism

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and have increasingly supported the relatively moderate Communist Party.

Finally, the growing belief among Swedes that the danger of Soviet aggression has declined has created an atmosphere favorable to cutbacks in the defense program. The Social Democrats, the Liberals, and the Center Party maintain that the US and the USSR desire further relaxation of tensions, that the current "balance of power" has led to a desire to keep wars limited, and that these developments have increased the potentiality for use of "conventional" weapons.

Inter-Party Cooperation Strained. The manner in which the Social Democrats presented their defense proposal has strained inter-party cooperation on defense. They first announced it in the Royal Defense Commission, on which each of the four non-Communist parties has representation; when the other members (the two center parties and the Conservatives) agreed on a counter-proposal, the Social Democrats refused to consider a compromise. The Conservatives then walked out of the Commission. They returned after the two center parties had largely acceded to the Social Democratic demands, but they did so ungracefully and only after a sharp exchange in Parliament between Prime Minister Erlander and Conservative leader Holmberg. Four-party unity on defense questions will be very difficult to attain in the future.

Acquisition of Nuclear Weapons Now Less Likely. The new defense situation makes it even less likely that Sweden will acquire nuclear weapons. The Supreme Commander requested in early 1966 that nuclear weapons research be expanded so that the lead time necessary to make such weapons would be reduced from seven years to four and so that the option to acquire nuclear weapons would thereby be kept meaningful. The Defense Commission did not act on his request, however, and,

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research expenditures may actually be reduced under the proposed budget for 1967/68. Defense Minister Andersson has recently publicly opposed a declaration by Parliament that Sweden will not make nuclear weapons and has indicated that the option will be kept at least theoretically alive, mainly as a means of putting pressure on the major powers to achieve nuclear disarmament. It seems undeniable, however, that the new economic and political situation makes it extremely unlikely that the authorities will take any positive action on the matter. Indeed, the Swedish Government appears ready to sign a non-proliferation treaty.

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Social Democrats Act Unilaterally to Cut Defense Costs

On January 11, Sweden's minority Social Democratic Government departed from precedent in proposing to Parliament a defense budget that did not have the support of the other three non-Communist parties and that departed significantly from the previous four-party agreement on defense. Since 1958, the Social Democrats, Liberals, Center Party, and Conservatives, usually negotiating within Royal Defense Commissions, have made agreements for a three- or four-year period; the last such agreement, concluded in 1963, expires this year, and a new Defense Commission has been sitting since 1965 trying to negotiate another one. The Social Democrats demanded that further increases in defense spending be halted for the next few years at least.

In late January the two center parties -- the Liberals and the Center Party -- agreed essentially to the government's proposals and pledged their cooperation with the Social Democrats on far-reaching revisions of the present defense system and on new long-range planning at a reduced level of spending. Therefore, acceptance of the government's proposals with little change seems assured. The Communists, according to their present tactics, will probably support the Social Democrats, even though they want still further cuts. Only the Conservatives oppose the government.

Defense Spending to Drop Below 4% of GNP

Pleading economic difficulties and changes in the international scene, the government proposed that defense appropriations for fiscal 1967/68 rise only enough to compensate for estimated price increases, or from 4.8 billion kronor¹ to 5.13 billion kronor. Moreover, the government deleted the 2.5% increase that has been granted annually under the 1963 Agreement for modernization purposes and declared that the 350 million kronor in appropriated funds that were frozen last year as an economy measure would remain frozen. As a result, the proposed budget is about 545 million kronor less than the Supreme Commander, General Rapp, had requested, and the proportion of the GNP given to defense will drop below 4% -- approximately to 3.7% -- for the first time in over 10 years.

Furthermore, the government has insisted that this reduced level of spending must not be raised in the next four years except to compensate for price rises and that the funds for such increases would come only from unfreezing the 350 million kronor already appropriated. The center parties have wanted to allow an increase of only about 100 million kronor a year for the next four years;

¹ 5.19 kronor = US \$1.00

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but, they will probably finally agree with a figure not much above that proposed by the Social Democrats. If appropriations are kept to the level that the government advocates over as long as seven years (the usual length of military modernization programs), defense spending would be about 6.64 billion kronor less than the figure recommended by the Supreme Commander to maintain current defense goals.

Both Economic and Political Reasons Lie Behind Government's Action

The principal reason for the government's decision to halt further rises in defense spending, and for the center parties' willingness to accede to its wishes, is that the Swedish economy, largely as a result of inflationary pressures, has been running into difficulty. Sweden's rate of inflation has been one of the highest in Western Europe, and government economists are pessimistic about the future. Wage contracts that peg wage rises generally to an 8% - 9% increase a year (considered excessive by most economists) still have two years to run. The balance of payments deficit is at a worrisome level. The GNP is expected to increase at a slower rate in the last half of the 1960's and, in fact, there has been a downturn in the first two months of 1967. Taxes are already high, and no party advocates raising them significantly. Therefore, increasing emphasis has been put on limiting increases in government spending and on trimming where at all possible. Defense spending had escaped up to now, but it has presented a tempting target to government economizers.

The political situation has also put pressure on the government to act. The Social Democrats, already in a minority in Parliament, lost heavily in the fall 1966 local elections; their share of the vote dropped from about the 51% that they won in the 1962 election to 43%. Popular disgruntlement with rising prices was generally considered the chief cause for this loss. Therefore, government leaders have concluded that more drastic action is needed to stem inflation before the next parliamentary election, scheduled for 1968, if the government is to stay in power. Thus, the proposed 1967/68 budget is a stringent one; in addition to imposing government economy measures, it raised the sales tax from 10% to 11% and upped other indirect taxes considerably. Prime Minister Erlander has declared that the defense establishment must now bear its share of retrenchment.

Social Democratic leaders probably also believe they can capitalize on reductions in defense spending to appeal to left-wing elements and younger Swedes who have been deserting their party to vote for the national-minded and relatively moderate Communist Party, which has stressed anti-militarist and disarmament themes. A cut in defense outlays would be particularly popular with this group, which has become increasingly critical of the Erlander administration. The Liberal and the Center parties, particularly the former also contain anti-militarist elements, especially among their younger members, and the leaders of these two parties have also shown fear that they might lose support from those quarters.

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Finally, the growing belief among Swedes generally that the danger of Soviet aggression has declined has created an atmosphere favoring economies in the defense program. The Social Democrats, the Liberals, and the Center Party have declared -- in a directive that their representatives on the Defense Commission issued to the Supreme Commander on January 20 -- that Sweden "must adjust to the changed 'aggressive threat' picture." The directive stated that the US and the USSR are "seeking greater relaxation" of tensions and that a balance of power has been achieved "at different levels" and "in different parts of the world." The large power desire to "limit the wars that exist as much as possible." Therefore, "conventional strength for the direct defense of territory is regarded as having greater meaning." In a separate subsection, the Social Democrats went further and declared: "The situation in Europe is now more relaxed. Against this background the organization (of the defense forces) ought to be so formed that it makes possible an adjustment both up and down in rhythm with the demands of developments (on the international scene)."

Defense Chiefs and Opposition Spokesmen Score Cuts

Even under the defense programs of the past few years, which have kept military spending at about 4.5% of the GNP since 1958, Swedish defense chiefs have had great difficulty in maintaining a strong, modern defense force because of rising costs and swift advances in military technology. This has been particularly true in the case of the Air Force, which is currently Western Europe's third largest. The replacement of the aircraft now in operation with the new delta-type Viggen jets has been so costly that there have been doubts whether it could be carried out.

The Air Force Commander-in-Chief, General Thunberg, has publicly branded the government's proposed budget as "catastrophic." General Rapp has bluntly warned the government that the Viggen program will have to be reassessed and that the number of air squadrons may have to be cut in half. Programs to replace naval vessels may also have to be abandoned. Rapp has dramatically proclaimed that the defense force may no longer be able to repel an attack and defend the entire country. Conservative party leader Holmberg and Sweden's most influential newspaper, the Liberal Dagens Nyheter, have gone so far as to question whether the defense forces will remain strong enough to allow Sweden to maintain its traditional policy of non-alliance and armed neutrality.

Government and Supporters Call for Review of Defense Strategy and Organization

Government spokesmen have sought to counter the claims of military leaders and some opposition politicians, particularly among the Conservatives, that the proposed defense cutbacks will seriously weaken Swedish defense. In a long statement to the press on January 14, Defense Minister Andersson admitted that the present emphasis on the air force as the chief means to deter attack could not be maintained but insisted that, under the changed international circumstances, a "tenacious defense of territory" led chiefly by the army could provide just as much of a deterrent as present defense strategies do. He contended that the present objective of forcing an aggressor to pay more than his gains would be

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worth could therefore still be achieved.

Representatives of the Social Democrats and the two center parties on the Defense Commission directed the Supreme Commander last January to investigate the effects of the proposed level of defense appropriations over the next four years on the organization and missions of the armed forces. They asked him also to weigh the role that the air force should play. The Social Democrats requested an investigation of the possibility of replacing the interceptor version of the Viggen by anti-aircraft missiles (probably the Swedish version of the US Hawk). All three parties agreed that the training period for conscripts in the air force and the navy should be shortened. The Supreme Commander's reports, to be made in a preliminary version in June and in final form by September 25, are to form the basis for the next inter-party long-term agreement.

Meanwhile, pacifist and anti-militarist elements have seized on the proposed defense reductions to argue for further cuts, and a full-fledged national debate on defense and foreign policies seems to be in the making. One left-wing spokesman, for instance, has claimed that further defense cuts would contribute to efforts to reduce tensions in Europe and increase "confidence" in Sweden's policy of neutrality.

In rebuttal, the Director of Sweden's Foreign Policy Institute early this month argued the contrary: Far-reaching cuts would not have such an effect. Instead, they would change the power situation in Scandinavia at least psychologically; as a result, the Danish Government might find it necessary to accept greater West German participation in the defense of Denmark, which, in turn, might be displeasing to the Soviet leaders. Finnish security interests might be affected by such cuts. In general, the Scandinavian security situation might be worsened. Therefore, the present Swedish policy of neutrality supported by a strong defense was still best, even though the domestic economic and international political situation might justify some reductions in defense spending.

Social Democratic Initiative Strains Inter-Party Cooperation

The Social Democratic manner of handling the issue of reducing defense spending has so strained the traditional four-party cooperation on defense that it will be very difficult to restore inter-party unity in this field. Social Democratic representatives on the Defense Commission first proposed in October 1966 that the 2.5% annual increase in defense spending for modernization purposes be dropped and that the length of the four-party agreements be reduced from four to two years. The other three parties submitted a counter-proposal in late November agreeing only to limited reduction, but the Social Democrats refused to negotiate. Then, Defense Minister Andersson stated in a radio address on December 12 that the opposition proposal would not be considered in the government's 1967/68 budget.

When the budget was presented to Parliament on January 11, the Conservative representatives asked their party leadership for permission to withdraw from the Commission, but the two center parties, led by Center Party Chairman Hedlund

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(who before 1957 had been in coalition with the Social Democrats), decided to remain when the Prime Minister expressed a willingness to allow the Commission to draft a new four-year defense plan. The two center parties then largely acceded to Social Democratic demands and agreed on the new Commission directive to the Supreme Commander before the Conservatives rejoined the Commission. As a result, the Conservatives chose to put forth, in the form of a parliamentary resolution, a separate proposal for the future level of defense spending; it varies little from that in the 1963 agreement.

The hard feelings that exist not only between the three opposition parties and the Social Democrats but also between the Conservatives and the other two opposition parties were evidenced during the sharp exchanges that took place between Prime Minister Erlander and Conservative Party Chairman Holmberg during the parliamentary debate on January 19. At the end of the debate Hedlund deplored the fact that "unity on the defense question has been destroyed."

Acquisition of Nuclear Weapons Made Less Likely

The new situation created by the proposed cuts in defense spending reduces the likelihood that the Swedish Government will authorize manufacture of nuclear weapons. The Supreme Commander has consistently held that Sweden will be unable to have an effective defense force by the 1970's if it does not acquire nuclear weapons. However, he has recognized political realities and in recent years has fought only to keep open the option to make the weapons within a short period of time. In May 1966, he requested a specific, limited appropriation to increase the present military research program on nuclear weapons so that the lead time would be reduced from about seven years to four. His request was referred to the Defense Commission, which has failed to act on it.

The cuts in defense spending proposed by the Social Democrats call for reducing expenditures on military research, but it is not clear whether this would affect nuclear weapons research. It does seem significant, however, that the January directive to the Supreme Commander to investigate the effects of cutting defense outlays specifically excluded consideration of nuclear weapons.

Defense Minister Andersson stated in mid-January that opinion within the Social Democratic Party differed on whether Parliament would declare that Sweden will not make nuclear weapons. He said that he personally opposed such a declaration. Some papers quoted him as saying "The decisive thing is that we, by not taking any steps, show that we do not plan any nuclear weapons construction." However, according to Arbetet, the paper closest to the government, he said, "We have the technical resources to make atomic weapons." And, he agreed with the editor of a southern Swedish newspaper, Skanska Dagbladet, when the latter asked whether "our freedom of action in the question of atomic weapons cannot be used as a means of pressure on the large powers." The clear implication was that Sweden still maintains freedom of action on the matter, but that the new economic and political situation makes it extremely unlikely that Sweden would take any positive action. In fact, the government seems to be preparing to sign the nonproliferation treaty (NPT), an action which would effectively rule out future acquisition.

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