

# **Defending Democracy**

## **Proposals for Defence Policy**

**Policy Paper 48**





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# Introduction

This paper makes proposals on UK defence and security policy. These proposals are designed to support a foreign policy based on democracy, human rights and good governance. These principles are laid out and developed in policy paper 35 *Global Responses to Global Problems* (2000).

*Global Response to Global Problems* argued that Britain could achieve more of its foreign policy goals and protect its interests and freedoms by working with others rather than working alone. To this end *Global Responses to Global Problems* recommended:

- Reforming the United Nations to ensure that it continues to command respect throughout the world.
- Ensuring the UK takes a lead in the reform process, by making a Declaration of Intent regarding the use of its veto in the Security Council.
- Establishing criteria under which the UN is justified in challenging the sovereignty of member states for gross violations of the Universal Declaration of Human Rights.
- The formation of a UN Rapid Reaction Disaster Task Force to tackle large scale natural or ecologically threatening industrial disasters.
- Implementing the cancellation of unsustainable debt, conditional on the debtor country's willingness and commitment to poverty eradication and human rights.
- Implementing the many key Multilateral Environmental Agreements agreed in the 1980s and 1990s.
- Transferring environmentally sound technologies to developing countries.
- Promoting worldwide investment for research and development and commercialisation of renewable sources of energy.
- Instituting a co-ordinated comprehensive European Defence Review to highlight where existing resources could be better utilised without infringing on the national interest of member states.
- Strengthening the regulation of arms sales at both national and international levels.
- Taking the lead in pressing for world nuclear disarmament and negotiating a new START-type agreement for further deep cuts in the number of nuclear weapons in all nuclear weapons states.

This paper proposes policy to support these objectives, in the fields of conflict prevention, UK force posture, arms control, European security, armed forces personnel, the defence industry and the defence budget.

# ***Defence Policy in Context***

## **1.0 The UK's Armed Forces in a Changing World**

1.0.1 The majority of states maintain regular armed forces. The purposes of these forces include providing territorial security and preventing other states taking hostile action. The scale and balance of the UK's forces will depend on perceived threats, and the degree to which risk is shared through collective security arrangements.

1.0.2 Britain's defence policy must be flexible enough to respond to changes in the international strategic environment and yet underpinned by doctrines that allow for procurement decisions to be taken for equipment and related services that will be in use for decades to come.

1.0.3 The primary task of the UK armed forces is to provide security for our citizens and to defend our vital interests at home and abroad. Collective security is achieved through our membership of and contribution to NATO. The UK also seeks to provide an adequate military capability for operations to promote international stability.

1.0.4 These operations can include contributions to peacekeeping arrangements under the auspices of the United Nations, European Union or other international bodies, humanitarian missions after natural or other disasters, providing assistance to the civil power at home, and

maintenance of essential national services. These tasks, which are in addition to the direct defence of the nation, have become an important activity for our regular forces during the past decade.

1.0.5 Our armed forces should be configured to give decision-makers the widest possible freedom of action when responding to challenges to national security or international stability. Defence planners must look at developing global trends that will affect international stability and their impact on the scale and structure of national armed forces and alliance structures designed for collective security. Britain's defence posture should therefore be primarily 'foreign policy led'

1.0.6 More difficult to predict, and difficult to plan for, are the 'shock' events that change the international environment and require the remodelling of international security structures to ensure the maintenance of stability. The sudden unravelling of the Soviet Empire and the end of the Cold War transformed Europe, and consequently the context for British security. The terrorist attacks on Washington and New York in September 2001, have required a reassessment of the intention and capability of international terrorist networks and our response to 'asymmetrical threats'.

## 1.1 The Foreign Policy Context

1.1.1 The prosperity and security of the UK depends on the ability of government to forge a progressive international consensus on how to deal with those problems that do not respect national borders. Liberal Democrat policy paper 35 *Global Responses to Global Problems* set out the foreign policy challenges that Liberal Democrats foresee over the coming decade and those values upon which a Liberal Democrat government would seek to operate.

1.1.2 The increasing pace of globalisation means that events in one nation can have a profound impact on life in other countries. Economic, social and environmental interdependence limits state sovereignty and erodes national boundaries. In the 21<sup>st</sup> century even the most powerful of nations cannot guarantee its security in isolation.

1.1.3 Even as nations are drawing closer together through regional co-operation and the international institutions, the post-Cold War world is neither peaceful nor stable. Although the UK faces less of a direct military threat today than at almost any point in its history, there are many potential threats to its partners and allies which have consequences for the security of the UK. The resurgence of nationalism and ethnic divisions creates instabilities both within states and between them.

1.1.4 Instability in the Balkans has a direct impact on European and therefore our own security and we can expect British troops to be deployed to the Balkans for the foreseeable future. Conflicts farther afield, in Africa and

the Middle East for instance, can destabilise whole regions causing refugee flows and great suffering that require a humanitarian response. Humanitarian support may require military intervention.

1.1.5 Russia's current political stance means that it no longer poses a conventional military threat to Europe but it continues to be a significant regional power. Its reaction to instability on its borders and separatist movements in its republics remains cause for concern. Instability in Russia increases the risk of the proliferation of nuclear and other weapons of mass-destruction.

1.1.6 Despite the spread of democracy and the increased importance of human rights, oppressive and aggressive regimes continue to threaten security. Britain has too often given aid and comfort to such regimes. As well as causing regional instability, they can pose a serious threat to global security in the harbouring of terrorist or international criminal networks and in the potential proliferation of weapons of mass destruction. The development of nuclear weapons by India, Israel and Pakistan further endangers regional and global security.

1.1.7 Many internal conflicts originate in unsolved sectarian, religious and ethnic conflicts. Weak states or those racked by civil conflict or fragmenting into new and weaker states undermine progress towards economic development. International crime, whether involving the drugs trade, money laundering, trafficking weapons, or illegal movement of refugees, undermines democracy and development.

1.1.8 The traditional threats to security are being augmented by further threats that national security structures must recognise. Environmental degradation, resource depletion, volatile markets, unequal economic relationships and the uncontrolled brokering and distribution of small arms and light weaponry already foster insecurity at the state and sub-state level and will continue to do so.

## **1.2 The Liberal Democrat Approach**

1.2.1 Liberal Democrats recognise that Britain's primary concern should be with the security of its own citizens and its own region. But as a leading member of the international community and a permanent member of the United Nations Security Council, we believe Britain has a responsibility to make a contribution to global security and conflict prevention within the context of European, trans-Atlantic and international treaty obligations.

1.2.2 We lay great stress on the maintenance of NATO, as the bedrock of our collective defence, but also as the visible embodiment of mutual commitment to trans-Atlantic security. We cannot expect the USA to continue to shoulder a disproportionate share of the burden for mutual defence. Developing the European Security and Defence Policy (ESDP), consistent with our commitment to NATO, must be a priority.

1.2.3 Liberal Democrats believe that the sovereignty of the individual is no less important than the sovereignty of the nation. The development of an international legal regime based around the authority of the United

Nations, including an effective and efficient International Criminal Court, and international peacekeeping and peace enforcement mechanisms are a central requirement for peaceful coexistence between nations. Nations must accept that national sovereignty does not give state governments the right to deprive their citizens of the fundamental human rights set out in the UN Declaration of Human Rights (See 1.3).

1.2.4 Liberal Democrats recognise that Britain's national security requires action not only from the Ministry of Defence, but also from other Ministries and governmental bodies including the Foreign and Commonwealth Office, the Department for International Development, the Treasury and the Department of Trade and Industry. The events of September 11<sup>th</sup> have reinforced the important role the Home Office is required to play in maintaining Britain's security.

1.2.5 If Britain requires its armed forces to be a force for good in the world, it must ensure that the relevant work of all government departments supports this effort.

## **1.3 Humanitarian Intervention**

1.3.1 It is unacceptable that massive human rights violations and genocide go unchallenged. Liberal Democrats believe that Britain has a duty to do our utmost to prevent the abuses of oppressive regimes and groups. It is essential that the centrality of international humanitarian and human rights law be reasserted. When a government has shown that it is palpably unwilling or unable to cope with an overwhelming humanitarian catastrophe or is itself undertaking

gross violations of international law, we believe that the international community has a duty to intervene. We must develop and codify a new formal 'framework for intervention' under which the principle of domestic sovereignty under Article 2, Paragraph 7 of the UN Charter can be challenged under international law.

1.3.2 Liberal Democrats propose the following criteria for undertaking humanitarian intervention:

- All available diplomatic avenues for resolution have been exhausted. Armed force should only be used as a last resort, but the threat of it may be needed at an early stage in a crisis.
- Firm evidence exists of gross violations of international law or the Universal Declaration of Human Rights.
- Applicable UN Security Council resolutions have been flouted or ignored. Regional stability has been compromised by creating large numbers of refugees, or threatening environmental damage on a large scale.
- Any use of force should be proportionate to achieving the humanitarian purposes of the mission and carried out in accordance with international law.
- The use of force must be collective and only in exceptional circumstances should it be undertaken without the express authority of the Security Council of the United Nations.
- Intervening powers are prepared to commit substantial long term peace enforcement and economic resources to the region once stability has been restored.

# Conflict Prevention and Peacekeeping

## 2.0 Conflict Prevention

2.0.1 The 20<sup>th</sup> century proved to be the most violent and destructive in all human history, with armed conflict taking the lives of over 100 million people and political violence responsible for the death of 170 million more. In Rwanda alone, approximately 40% of the population has been killed or displaced since 1994. Figures from the Democratic Republic of Congo indicate that the level of human suffering caused by the war is higher than in any other African conflict in recent years. Angola, Sierra Leone and Sudan are all being ravaged by conflict, fuelled by disputes over natural resources.

2.0.2 Liberal Democrats recognise that countries with unaccountable or poorly disciplined security forces, weak judicial systems and inappropriate levels of military expenditure are particularly susceptible to violent conflict. Therefore, it is vital to ensure that security support provided by the Ministry of Defence (MoD) and development aid provided by the Department for International Development (DfID) is targeted effectively.

2.0.3 Liberal Democrats believe that the UK should play a leading role in conflict prevention. This requires a cross-departmental approach at the national level, and for the UK to advocate conflict prevention policies within international institutions, including the European Union and the United Nations.

2.0.4 The European Union has the potential to address some of these problems. It has the world's largest single market, is the largest single public donor of humanitarian aid, and the second largest multilateral donor of development assistance. The capacity of the EU to prevent violent conflict must be strengthened.

2.0.5 Liberal Democrats advocate:

- **Directing resources to conflict prevention** initiatives and the expansion of the Cross-Departmental Budget on Conflict Prevention.
- **An increase of UK development aid** to the UN target of 0.7% of GDP. Country specific aid programmes should be designed to assist conflict prevention and resolution initiatives.
- **Ensuring development assistance enables security sector reform**, including military and paramilitary forces, intelligence services, police forces (together with border guards and customs services), judicial and penal systems and civil structures responsible for the management and oversight of the above. The MoD's Defence Diplomacy mission to improve accountability and control within countries' security sectors should be extended.
- **The establishment of effective demilitarisation, demobilisation and reintegration programmes**, ensuring they are adequately

funded and that funds are quickly released to enable the speedy demobilisation and reintegration of combatants.

- **International priority given to combat small arms and light weapons proliferation** through the provision of financial and technical assistance for regional initiatives.
- **A worldwide investment in the research, development and commercialisation of renewable sources of energy** to reduce reliance on fossil fuels and to curb conflict over their resources.
- **The curbing of the illegal sale of diamonds from conflict zones** by the introduction of legislation that specifies a diamond's original country of extraction at every point of export and import.

2.0.6 Liberal Democrats recognise the need to develop non-military mechanisms for conflict prevention and response. A balance needs to be ensured between military and civil crisis management. We would support the development of civilian peace services by implementing existing educational programmes for the training of national and international peace workers for service in conflict areas.

## 2.1 Peacekeeping

2.1.1 We believe that the first and best way of dealing collectively with conflict remains the United Nations. The UN must have the capacity to mount and implement successful peacekeeping and peacebuilding operations.

2.1.2 Throughout the past decade there have been concerns about the effectiveness and capability of peacekeeping forces in the field. Shortcomings were brutally evident in many of the conflicts in the former Yugoslavia, Rwanda and elsewhere. More recently they have been revealed again in Sierra Leone. We note the concerns raised in the August 2000 report of the Panel on UN Peacekeeping Operations – the *Brahimi Report* – that insufficient resourcing has hampered the ability of UN staff to plan and support peace operations.

2.1.3 It is essential that forces assigned to the UN, constituted from well-equipped and well-trained national forces, are prepared for deployment on UN peace support duties at short notice. Deployment would require agreement of the Security Council, and UN members would retain the right not to deploy their forces in particular operations.

2.1.4 As a permanent member of the Security Council, Britain has a responsibility to take the lead in ensuring that the operations mandated by the Security Council do not suffer financially, logistically or through the lack of high quality forces and equipment.

2.1.5 To assist the development of effective UN peacekeeping Liberal Democrats would seek:

- **Agreement on the establishment of a UN military staff college** which would be available to train forces for the UN in peacekeeping duties. Given Britain's expertise in such matters, we would press for the college to be established in the UK;
- **A greater development of the Standby Arrangements for peacekeeping forces** including more specific and regular declarations of which forces are readily available for UN missions;
- **A capability for the rapid establishment of operational UN headquarters** in the field;
- **The establishment of a UN Military Inspectorate General** to set and enforce a baseline of military competence for peacekeeping missions;
- **Robust 'rules of engagement' and mandates for peacekeeping forces** to ensure that UN forces do not stand by while serious crimes against humanity are committed.
- **The extension of EU co-operation on defence issues to include contributions to UN peacekeeping missions.** Initial peace enforcement functions undertaken by well protected forces able to respond robustly often need to be replaced as tensions ease by lighter-armed

forces leading eventually to the assumption of security functions by indigenous forces. European forces co-ordinate the relief of forces on peacekeeping missions in order to alleviate the burden on national forces

- **A review and strengthening of UN finances** to ensure the funding of peacekeeping is placed on a firmer basis.
- **The provision of substantial economic resources for long term post-conflict reconstruction** once stability has been restored.

2.1.6 Peacekeeping does not end with the withdrawal of troops. Strong civil and legal standards in countries recovering from conflict are required to ensure stability and security for citizens. The role of UN civilian police (Civpol) is crucial. Too often they have fallen far below accepted international standards and have adopted a passive policing stance. Civpol must have the resources to reform, train and restructure local police forces according to international standards for democratic policing. International judicial experts, penal experts and human rights specialists must supplement their work. Without them even the best work of UN civilian police can be undone. Moves to develop joint police capabilities at an EU level for deployment on peace support missions shows a constructive way forward.

# Regulation and Control of Arms

3.0.1 Liberal Democrats recognise that while military threats to security exist, there will be a continuing need for arms. All states have a legitimate right to look to their self-defence. However, Liberal Democrats believe that an unregulated international arms trade and the proliferation of weapons of mass destruction constitute a grave threat to global peace and security.

## 3.1 The Arms Trade

3.1.1 Irresponsible arms exports have fuelled instability around the world. A global reduction in the arms trade, especially in small arms and the volume of weapons available for use is essential. The development of effective international controls on the arms trade would be an important contribution to global security. The sale of arms to areas of potential or actual tension or to nations who fail to adopt democratic institutions or respect human rights must cease

3.1.2 Britain remains one of the top three largest exporters of arms. Liberal Democrats believe that Britain's arms export regime should conform to the strictest ethical guidelines. We wish to see this approach become the international norm for arms transfers. We must develop systems to tackle the activities of arms brokers operating independently of national and regional regulatory procedures.

3.1.3 Liberal Democrats advocate the following initiatives at the UN level:

- **Establishment of a small arms decommissioning body** to control and co-ordinate the destruction of small arms as part of UN peacekeeping or conflict prevention missions;
- **The development and strengthening of the UN Register of Conventional Arms** including the compulsory registration of all arms exports and imports;
- **The greater use of absolute prohibitions of arms sales**, enforced by embargo if necessary, to regions of tension. Such prohibitions could be investigated to nations where development goals and military expenditure are seriously out of balance with the requirements of self-defence.

3.1.4 At the EU level, Liberal Democrats wish to see the strengthening of the EU Code of Conduct on arms sales to include:

- **The adoption of a comprehensive control list** of military, security, police and dual use equipment and services;
- **A requirement for the registration under the Code of arms brokers** operating in the EU and adherence to its provisions;
- **The extension of the Code to apply to the licensed production** agreements outside the EU by EU-based defence manufacturers;

- **Greater transparency** with regard to member state approval and denial of licences;
- A requirement by member states to ensure **adherence to the Code from offshore dependants of member states** who license the export of arms, such as the Channel Islands.

3.1.5 The weak export controls of countries in central and eastern Europe have encouraged irresponsible arms transfers from the region and allowed the black market in arms to flourish. The EU should encourage efforts by nations seeking accession to the EU to operate under the Code of Conduct and strengthen their license and export regimes as part of the negotiations for EU enlargement.

3.1.6 At the UK Level, the much-delayed revisions of Britain's Export Control legislation is by no means perfect. Liberal Democrats favour:

- **The establishment of a Select Committee of Parliament to monitor arms exports** and to scrutinise individual export licences.
- **Stopping export credit guarantees for arms exports** with a substantial saving to the British taxpayer.
- **Moving the Defence Export Services Organisation** into the private sector.
- **Legally binding end-use undertakings for arms exported from the UK** with provision for verification.
- **The regulation and control of the activities of Private Military Companies (PMCs)** operating from the UK or UK citizens offering mercenary and other security related services, specifically through the registration

and licensing of such companies and their activities. This would ensure that PMCs are accountable for their activities.

## 3.2 Weapons of Mass Destruction

3.2.1 The use of chemical, biological and nuclear weapons has been rare, but the proliferation of weapons of mass destruction (WMD) materials and technologies, especially to terrorist organisations and unstable states, is a cause of great concern.

3.2.2 Liberal Democrats believe that verifiable universal treaties that address the possession, proliferation and use of such weapons are necessary to achieve our long-term goal of the elimination of WMD. In the shorter term, the UK should actively participate in measures to reduce stocks of such weapons and to ensure their verifiable safety and security.

3.2.3 Liberal Democrats would:

- Press for the negotiation of a Nuclear Weapons Convention in order to take forward the “unequivocal undertaking” pledged at the NPT Review Conference 2000 to accomplish the “total elimination of their nuclear arsenals. The UK should convene a meeting of the nuclear weapons states party to the Nuclear Non-Proliferation Treaty to discuss a timetable and framework for the Convention.
- Call for the UN Security Council to set up a nuclear safety task force to verify that all states which possess nuclear weapons including India, Israel and Pakistan have measures in place to ensure that their nuclear materials and weapons are safe,

secure and accounted for. Since there is a clear risk to the maintenance of international peace and security if any nuclear material or weapons were to go astray the Council could act under either Chapter 6 or 7 or the UN Charter. The composition of the force would need to be agreed with the countries concerned.

- Press for the universal ratification of and adherence to the Comprehensive Test Ban Treaty.
- Press for acceptance of a protocol to the Biological Weapons Convention to establish an effective verification regime.
- Robustly support the effective implementation of the Chemical Weapons Convention including reinvigorating the work of the Organisation for the Prevention of Chemical Weapons (OPCW) ensuring they have the resources to carry out their responsibilities.
- Establish an EU Decommissioning Body to co-ordinate EU financed efforts to decommission and make safe nuclear facilities and materials, and Aldermaston and the CEA in the case of military facilities. The Decommissioning Body should also consider how best it could contribute to disposing of any residual biological or chemical weapon stockpiles and facilities in the former Soviet Union.

### 3.3 Missile Technology

3.3.1 The proliferation of ballistic missile systems has increased the potential threat from weapons of mass destruction. However, as the events of September 11<sup>th</sup> have shown, the capacity to inflict large casualties need not rely on acquisition of missile technology. Liberal Democrats do not believe that a National Missile Defence (NMD) system of the type proposed by the United States in 1999 is the correct response to the potential future threat presented by small arsenals of long-range ballistic missiles. We believe that other mechanisms for meeting the potential threat – diplomacy, arms control, counter-proliferation and deterrence – remain valid. We are concerned that the pursuit of other expensive Ballistic Missile Defence (BMD) systems and technologies will distort defence priorities.

3.3.2 We recognise that the ABM Treaty is a bilateral agreement between the USA and Russia who could agree without reference to any other country to the amendment or replacement of the treaty to allow for the development and testing of BMD. However the parties to the ABM treaty should accept that the maintenance of international security is no longer a bilateral prerogative. Liberal Democrats do not believe that the United Kingdom should accept the use of UK facilities for any missile defence system which failed to enhance UK security or was incompatible with wider arms control and non-proliferation objectives.

# ***Transforming European Security***

## **4.1 European Security Needs**

4.1.1 Instability in regions such as North Africa, the Caucasus, South Eastern Europe, the Middle East and beyond can affect the stability and security of Europe. Terrorism and international crime pose an increasing security concern. Responding to these threats will require an effective military capability, conflict prevention investment, defence diplomacy policies, and intelligence gathering.

4.1.2 Liberal Democrats have argued that the development of a European Security and Defence Identity would be best served by the institution of a co-ordinated and comprehensive 'European Defence Review'. Such a review would assess the capacity of EU Forces to fulfil the peace support and other operations required by the Petersberg Tasks incorporated in the Amsterdam Treaty.

4.1.2 In 1999, NATO members agreed to address many of their deficiencies through the Defence Capabilities Initiative (DCI). The following year, the EU at Helsinki agreed a set of military capability goals which could improve its ability to act. Many of the areas of weakness are common to both the NATO DCI and to the EU Helsinki Headline Goal processes. Progress on the DCI has been disappointing, and does not indicate well for the parallel EU activity.

Liberal Democrats want to maintain a strong NATO which can address the future international security challenges. This will require a more effective European contribution to the alliance. At the same time, European nations must be prepared to take on a fairer share of the security burden, particularly in its own region. Both of these requirements argue strongly for support not only for the immediate Helsinki Headline Goal of a deployable force of up to 60,000 operational by 2003, but also for longer term approaches to improving European contributions to NATO and the UN.

4.1.3 Liberal Democrats support the enlargement of NATO to all European democracies which wish to join as soon as they are ready to take on the obligations of membership.

## **4.2 Improving EU Military Effectiveness**

4.2.1 In total, the 15 members of the EU spend some €150bn each year on their military capabilities. While this is around half the US defence budget, it has to meet a much more limited regional range of tasks. Nevertheless, the EU population of 370 million is 40% larger than the USA, and the GDPs of both are virtually the same. Yet duplication of headquarters, training, research, maintenance and logistics means that overall EU military effectiveness is substantially lower than that which should be

expected from such a level of financial investment.

4.2.1 The institutions for developing common foreign and security policy within the EU are still in an early stage of development. But there are a number of areas where sharing or pooling of capabilities could be done without risk, and to considerable advantage in effectiveness.

4.2.2 The EU High Representative for Common Foreign and Security Policy should be tasked with coordinating projects which allow sharing of military capabilities among members. In particular, opportunities for widening contracted out support of armed forces from a national to an EU basis should be implemented. The UK should take a lead in this area. Air transport and air-to-air refuelling are two essential areas where a European approach to shared capabilities could

produce greater capability at lower cost.

4.2.3 There is also a need for European co-ordination where nations decide to change their force mix. While it may be some years before EU members feel confident enough to go down the route of military role specialisation, there is a degree of uncoordinated specialisation by default taking place as nations give up capabilities under resource pressures. EU members should discuss their future defence planning options early enough for a more coherent approach between them.

4.2.4 The transformation of European security arrangements has begun. Liberal Democrats believe that there is still much to be done. The UK should take a lead in developing proposals for the long term.

# ***UK Force Posture***

## **5.0 New factors in security**

5.0.1 The 1998 Strategic Defence Review (SDR) was cast as a foreign policy led review that sought to reconfigure UK forces in order to meet the correct balance of capabilities needed to undertake existing and proposed commitments over the next two decades. The Liberal Democrats have supported the expeditionary strategy set out in the SDR. That expeditionary strategy required an emphasis on flexibility, mobility, rapid deployment and joint operations. The overall concept was to address security concerns at a distance rather than near to home.

5.0.2 Since 1998 new factors have come into play which need to be addressed in shaping future plans. In the EU significant moves have been made towards generating new European capabilities. In NATO a number of key weaknesses were identified in the Defence Capabilities Initiative (DCI). In the operational field, the experience of Kosovo, Macedonia, East Timor, Sierra Leone and now Afghanistan have added both to an understanding of the new demands placed on UK forces, and also to commitments. On top of these changes (only some of which were foreseen in the SDR), terrorist attacks on the World Trade Centre and the Pentagon in 2001 have led to a new major national security challenge.

5.0.3 It is already clear that even the basic SDR force posture is no longer sustainable at the current level of funding. In this section, the

adjustments necessary to the SDR as a result of the new factors are identified. Conscious that most of these will require extra capability, the options for constraining overall costs are also addressed. Budgetary considerations are dealt with in detail in chapter 8.

## **5.1 Nuclear forces**

5.1.1 The UK has reduced its nuclear forces to those deployed in four Trident missile submarines. All tactical nuclear weapon systems have been taken out of service including freefall bombs and depth charges. Compared with other nuclear powers, the UK now has fewer operational warheads than the USA, Russia, France, or China. It may even have fewer than Israel. The major procurement costs of Trident (£13bn) have been spent. The basic annual cost of the nuclear force is some £687M or about 3% of the defence budget. There are additional costs for the defensive forces attached to deterrent patrols. The future costs of decommissioning both nuclear power plants and warheads are not included in these running costs.

5.1.2 We live in an unstable world where threats to our security can spring up relatively quickly. As technology advances around the globe, the chance of such a threat including weapons of mass destruction grows. Against this background, Liberal Democrats would retain Britain's nuclear deterrent until real progress can be made for the multilateral elimination of nuclear weapons and other weapons of mass destruction. However, we accept that for nuclear non-proliferation and

weapons reduction to work, small, yet nuclear armed, countries like Britain, must be willing to include their nuclear arsenals in any disarmament process. Britain should not wait for such a process to be developed by others, but should take the lead as discussed in Chapter 3.

5.1.3 The Trident system has been designed for a 30-year deployment. A decision on any replacement deterrent system will not have to be made until the end of the decade. Such a decision would necessarily be taken in the light of non-proliferation and disarmament objectives, a thorough cost/benefit analysis and the prevailing global security climate. Liberal Democrats remain to be persuaded that any replacement or life-extension to the Trident force will be justified. Any decision to commit any research or other funding for the preparation of any successor to Trident should be first approved by Parliament.

## 5.2 Home Defence

5.2.1 The need for territorial defence has been seen as of decreasing importance since the end of the Cold War. The three services all provide elements for home defence, and it was for many years the primary role of the Reserves. Yet the military today are needed for many essential tasks at home. Disaster relief, replacing essential services, support for emergency services and counter-terrorist tasks have been routine. The rapid response of the armed forces to the Foot and Mouth disease outbreak showed how vital this capability remains. All of these tasks require large numbers of troops to be available.

5.2.2 The international dimension of home security has become an issue of

higher priority since the international terrorist attacks on the USA in 2001. Police and intelligence agencies more appropriately undertake many of these tasks. There is however a military dimension. The protection of particularly dangerous targets, such as nuclear plants, from terrorist attack by land, sea or air may require military capabilities. The consequences of such possible attacks must be taken account of in future planning and policy decisions. The police may need help for more routine security duties in times of high terrorist threat. Finally, coping with major disasters, whether conventional or not, as a result of a terrorist attack would benefit from specialist capabilities available only to the military.

5.2.3 For all these reasons, it is now necessary to review the role and scale of military support to territorial defence in its broadest sense. In particular, there is a need for Ministerial oversight of the integration of the various departmental and local government contributions to the prevention of terrorist attacks and to disaster response. Liberal Democrats giving a Cabinet Minister responsibility for all aspects of defence against international terrorism in the UK.

5.2.4 The intelligence services are of key importance in countering international terrorism. With the exception of the Defence Intelligence Service, the intelligence agencies are the responsibility of departments other than the MoD. Nevertheless, their work is crucial to the effective defence of the UK, and of its citizens abroad. Liberal Democrats believe that the agencies should be properly structured and resourced to meet the new challenges to security. The current level of parliamentary scrutiny of the

intelligence services is unacceptable in a democratic society. A parliamentary select committee with appropriate powers made up of members with Privy Council level security clearance should be formed in order to hold those who direct intelligence operations to account.

## 5.3 NATO Contribution

5.3.1 The need to provide an appropriate contribution to NATO operations remains a key factor in UK force posture planning. NATO can be the organisation of choice for some UN peace support or humanitarian deployments. As in the Gulf War, a coalition of nations can be formed around a core of NATO members using NATO doctrine. Following the attacks on the USA on September 11<sup>th</sup> 2001, NATO invoked Article 5 of the Washington Treaty, which was a declaration that the attack on one Alliance member was considered an attack on all.

5.3.2 The UK future force contribution to NATO was reshaped by the SDR to be more suitable for deployment to regional conflicts and crisis as part of a larger force, which would include the US. The changes in the SDR will take many years to implement fully. NATO identified a large number of deficiencies in its requirements in the Defence Capabilities Initiative of 1999. Over two years later, little has been done to rectify these weaknesses. The UK needs to focus on those areas which will also help in meeting the Helsinki Headline Goal (HHG).

5.3.3 Throughout Europe the legacy forces and projects from the Cold War era are still with us. The balance of European forces remain unnecessarily

structured towards static defence rather than deployability. Despite the changes in the SDR, the UK continues to field main battle tanks. There has also been greater investment in air defence aircraft rather than precision offensive air capability. Some investment in anti-submarine warfare is also more relevant to earlier days.

5.3.4 Interoperability with NATO Allies remains vital for effective use of capabilities. This has implications for procurement policy where national industrial considerations can over-ride operational effectiveness needs. The costs of providing interoperability must be included in all project assessments. The procurement aspects of defence policy are covered in Chapter 7.

5.3.5 The additional NATO military needs as a result of the terror attacks on the US have not yet been fully evaluated. For the UK, the importance of specialist forces has been emphasised. It is neither practical nor sensible to expect to field large numbers of Special Forces. However, given the particular expertise of the UK in this field, Liberal Democrats believe that extra investment in this area to increase numbers by 25% over the next 5 years would be of benefit. The additional costs would not be large to build up the training organisation, and to ensure that the necessary army, navy and air force equipment for Special Operations are given priority in the defence procurement programme. Personnel would be drawn from forces already in being. It would be necessary to modify a range of existing equipment, such as helicopters, to meet the more demanding requirements of this role.

## **5.4 EU Contribution**

5.4.1 Liberal Democrats want to see a more effective military contribution by the EU, both for Petersberg Tasks and for NATO and the UN. The commitment by the UK to the Helsinki Headline Goal (HHG) is significant, but does little to address the problem of lack of enabling capabilities such as intelligence, surveillance, suppression of enemy air defences and deployable headquarters. The plans for strategic airlift and air-to-air refuelling capabilities will be useful contributions, but would be more effective if organised on an EU-wide basis.

5.4.2 In order to maintain the momentum within the EU, Liberal Democrats would wish to see the UK proposing a series of EU programmes for the more expensive enabling capabilities. This will require a portion of the Defence Budget to be reserved as a contribution to EU funding for force capability enhancements.

5.4.3 The current UK commitment to the HHG is appropriate and achievable. However, if the EU forces are to be able to operate effectively, resources will need to be made available for regular and challenging training together.

## **5.5 UN Operations**

5.5.1 Liberal Democrats support the use of UK military forces when appropriate for the range of UN operations. At current personnel levels, it is not possible to contribute to all the tasks in which we might wish to become involved. If moves towards assignments of national capabilities for UN operations are to make progress, the establishment of the UK Army will

need to be matched to the added commitment accordingly. Unless the proposals to improve recruiting and retention at Chapter 6 are implemented first, added commitment to the UN will not be possible.

## **5.6 Other Tasks**

5.6.1 The UK has security obligations for its remaining Overseas Territories. Of these, the commitment in the Falkland Islands is most demanding of forces and equipment. Some two decades after the Falklands Conflict, it should be possible to reduce the in-place forces yet further. Nevertheless, it will be necessary to continue to plan and provide for the important obligations to the people of these territories.

5.6.2 Defence Diplomacy as part of conflict prevention is an important aspect of UK military activity. A relatively small investment in training, support and promoting mutual understanding can save large costs stemming from instability and conflict around the world. The impact of defence diplomacy needs to be regularly audited to ensure that investment is being directed in the most effective areas.

5.6.3 Military personnel are also used to promote defence sales overseas. Liberal Democrats believe that this hidden subsidy to the UK Defence industries is no longer affordable or justifiable.

## **5.7 Changes to UK Force Posture**

5.7.1 Shortage of personnel is the most constraining factor in every aspect of UK defence needs. Priority

must be given to full staffing in the first instance and this is addressed further in chapter 6. In the army, the balance of specialisations continues to move away from armour towards air power and air delivered infantry. Armoured warfare capability might be a productive area for role specialisation by another European nation. However, costs savings would take some time to realise while such arrangements were put in hand.

5.7.2 Deployability is a key enabler for the full range of operations. The current air transport arrangements of leasing C17 and modernising the C130 fleet partially addresses the problem. If the current European plans for A400M come to fruition, the position will be improved but not for another decade. Pooling arrangements for current EU air transport assets would accelerate the availability of these essential capabilities. The funding for air transport will need to be maintained in the coming years.

5.7.3 The major power projection capability enhancement promised within the SDR is the provision of two large aircraft carriers, with their aircraft, in 2012 and 2015. It is however a complex programme which carries high risk of delay and cost rise. Having only two carriers also carries availability risks. There would be advantage in seeking close co-operation with European allies to increase the assured availability. This might include ensuring that each nation's carriers are capable of operating each other's aircraft.

5.7.4 The balance of investment between defensive counter-air capability and the capability to deliver precision offensive weapons needs to be reviewed in concert with EU allies.

5.7.5 Special Forces are likely to be increasingly in demand in the future, and it is an area in which the UK excels. Growth can only be modest and gradual if the ethos and capability is to be maintained. Investment in such modest growth should start urgently.

5.7.6 Improvements to the national and EU intelligence provision will be needed both for counter-terrorism and for Petersberg Task operations. This will include EU development of Electronic Warfare and Information Warfare capabilities.

5.7.7 Liberal Democrats have long advocated that businesses should adopt the practice of incorporating environmental auditing into their annual financial audits. We have also committed ourselves to integrating environmental sustainability into all government departments. We would therefore require the MoD to include such an environmental audit of all its activities in its annual report. We would also require all MoD suppliers to provide audited environmental policies when submitting tenders for contracts.

## **5.8 The Way Ahead**

5.8.1 The UK force posture that flows from the SDR needs only relatively small adjustment in the light of events since 1998. However, that presupposes that the SDR defence programme is deliverable. It is clear that the personnel assumptions have gone significantly adrift already. The internal resource strains have been evident for some time. Chapter 8 deals with the budgetary implications of maintaining capability at the SDR required level.

5.8.2 The need to provide the EU with some key enabling capabilities, the deficiencies in NATO, and the implications of the new concerns over international terrorism has implications for resourcing the defence budgets of

all European contributors. There are some areas where reductions are possible either nationally or by more efficient co-operation in Europe. But extra resources will need to be found.

# Armed Forces Personnel

6.0.1 The UK is rightly proud of the men and women who serve in our armed forces. Their dedication and professionalism is respected throughout the world. They are the most important element of our military capability. The future success of our armed forces relies upon recruiting and retaining the right people. Successive reviews and reductions over the past decade, coupled with increasing commitments, have damaged morale. This damage must be repaired.

## 6.1 Recruitment and Retention

6.1.1 The Liberal Democrats broadly support the personnel levels set out in the SDR as an important component of the expeditionary strategy. All three services are suffering from recruitment and retention problems. In September 2001, the shortfall of trained strength stood at 6,669 for the Army, 1,358 for the Royal Navy, and 1,029 for the RAF. In areas of speciality such as fast jet pilots and trained doctors and nurses the crisis is acute. These shortages are leading to operational overstretch, lower efficiency, increased training costs and unnecessary stress for thousands of service personnel and their families. Filling all the empty established posts must be a priority.

6.1.2 Factors affecting recruitment and retention are very complicated. With unemployment low, the services must compete for recruits as never before. Careers outside the armed forces can also be attractive to serving

personnel. In order to make service in the Armed Forces attractive to potential recruits, quality of life, security of employment, pay, pensions, housing and family issues are important. Other influences include the perceived status of service people within the larger community, recognition of service training and qualifications in civilian life, opportunities for lifelong learning during service and opportunities on leaving the Service. Equipment which is inadequate to the task, leaving personnel vulnerable, or which is late being delivered has a debilitating effect on morale and retention.

6.1.3 The Government is investigating the use of private firms to manage regional recruitment drives. If these are proven to be successful they should be extended across the UK. Private firms could be tasked with recruiting to specialist areas where shortfalls are acute. Safeguards should be in place to ensure that recruitment practices promote a positive view of the services and avoid misrepresentation.

6.1.4 New proposals on Service Pensions have been put forward. At a time of morale and retention difficulty, any changes to current arrangements will need to be handled with great care. Liberal Democrats would not support any measures which were perceived as worsening the pension arrangements for service personnel.

6.1.5 Further Liberal Democrat initiatives would include:

- **Reviewing the pay formula used by the Armed Forces Pay Review Body (AFPRB).** Pay should recognise that service life is more dangerous, less stable and can restrict opportunities for partners to work. The use of ‘bonus’ systems should be investigated.
- **Ensuring access to retraining and recognition of service qualifications in civilian life** building on the Learning Forces Initiative. The proposed Liberal Democrat Individual Learning Account would give service personnel entitlement to retraining on leaving the services and finance further education or higher education.
- **Providing high quality unaccompanied and family quarters.** We would abolish the antiquated March In / March Out arrangements for the handover of married quarters, and replace them with a contracted out arrangement to prepare housing for new occupants. We would also review moving and relocation allowances to ensure that the total costs to service personnel are adequately covered.

## 6.2 Society and the Armed Forces

6.2.1 Liberal Democrats believe that the Armed Forces should, as far as possible, reflect the society they serve. Armed Forces personnel may be called upon to risk their lives in the service of the country. We accept that the services must have standards, for example of discipline, that differ from society at large in order to meet the special demands of the military

profession. But we insist that no one should be subject to unfair discrimination in relation to pay, discipline, accommodation, other benefits and promotion opportunity.

6.2.2 Despite small improvements, ethnic minorities still make up only 1.7% of the armed forces. It is clear that a career in the armed services does not appeal to the youth of the ethnic minorities in Britain. High profile initiatives to root out racism in the forces are to be welcomed. Liberal Democrats suggest that outreach and recruitment programmes run by the MoD in the ethnic minority communities should include a drive for cadet membership for young people.

6.2.3 The MoD continues to review the role of servicewomen in the armed forces. Despite significant progress in the number of women serving and in widening the range of jobs open to women, some front-line positions remain closed. Liberal Democrats believe that no post should be closed to male or female personnel provided that they can meet the physical and mental requirements of the task.

6.2.4 The Armed Forces, like other public services, do not legally recognise a responsibility to long-term unmarried partners of service personnel with regard to financial entitlements and pensions. Liberal Democrats have championed the civil registration of partnerships extending the legal rights which are at present only available to married couples to partners, including same sex partners, who demonstrate long-term commitment. While it would be inappropriate for the MoD to be the lead department in such new legislation, they should be fully involved in developing the policy and pressing for early implementation.

## 6.3 Family Issues

6.3.1 Ensuring high standards of welfare for the families of service personnel is central to securing high levels of retention. The reason for departure most cited in the Continuous Attitude Survey for Service Leavers is the effect of service on family life. It is imperative for the efficient running of our armed forces that social, educational and recreational facilities for service families are actively supported.

6.3.2 Forces welfare organisations such as the Army Families Federation, HIVE, SSAFA, and SAFAB are of incalculable benefit giving confidential help to personnel and their families. But these are mainly staffed by civilian social workers and are advisory to the chain of command. The MoD needs a coherent central welfare strategy for forces family support.

6.3.3 The Service Families Task Force (SFTF) has done some good work addressing issues outside direct MoD control such as schools admission policy, access to the NHS and eligibility for benefits. We see no reason why the SFTF should not also investigate and report on issues that are within direct MoD control such as provision of on-base welfare services and service accommodation. A revamped SFTF would need to meet more regularly, possibly on a monthly basis. The SFTF also needs to be open and accessible to service families requiring the publication of reports and conclusions from meetings available in forces bases and on the Internet.

6.3.4 Other Liberal Democrat proposals include:

- **A Service Families Charter** that would require the delivery of

confidential, consistent, standardised welfare services to a minimum specification that can be applied at all bases with annual reporting mechanisms.

- **A Families Officer on every base** responsible for overseeing community development, with a dedicated budget to give practical and systematic help to spouses, improve facilities for families and co-ordinate information supply on local job opportunities, housing choice, local amenities and local schooling. Families Officers need a standard job description and to be given the authority to demand resources and requisition facilities to fulfil the tasks given to them.
- **A review of the support offered to forces families welfare organisations** by the MoD, including funding, to encourage best practice and avoid duplication.
- **Recognising the impact that military bases and defence spending can have on local communities and economies** and working with those communities to ensure minimum disruption.

## 6.4 Reserves

6.4.1 The SDR set out to make the Reserve forces more relevant to the post Cold War world. Their role was to provide support to Regular forces in their operational roles, rather than as a strategic reserve for the territorial defence of the UK. The TA was reduced from around 55,000 to 40,000.

6.4.2 The TA has had an active defence role in recent years especially through specialist units, such as the SAS TA, RAMC, and REME units, either in the field, or to replace regular Army units, which have been deployed. TA Infantry personnel have had a significant role to play in the

Balkans with approximately 4,000 soldiers mobilised for duty in the region since 1995.

6.4.3 Since the emergence of a new major threat of international terrorism directed at UK territory, it is important to explore how the Reserves might contribute to security at home, particularly in the guarding of key installations. A co-ordinated countrywide strategy, investigating where the addition of armed personnel would augment present security planning is necessary. This would not require great additional expenditure, and might reduce the need for extra expenditure by other departments such as the Home Office.

6.4.4 Such a review may consider training Reserve forces to counter the threat from environmental disasters. This could be in areas such as flooding where Reserves could be used to augment the efforts of the civil

authorities. A specialised role on a regional level could be to counter the terrorist use of biological, chemical or nuclear weapons to meet requirements set out by local authority civil defence plans.

## **6.5 Cadets**

6.5.1 The four military Cadet organisations and the University military units have a positive effect on regular force recruitment and selection. They also provide voluntary youth organisations, which are increasingly able to provide vocational qualifications for their membership. Liberal Democrats support the Cadet movement and would ensure that they received adequate resources for their work. The management of the Cadet organisations should reflect the move towards greater jointery in the Services.

# ***Defence Industry and Procurement***

7.0.1 Liberal Democrats are committed to maintaining a viable, diverse and competitive defence industry in the UK compatible with our objectives on arms control discussed in chapter 3. The defence industry is a strategic part of our defence effort, as well as an important part of our manufacturing base.

7.0.2 There has been considerable uncertainty about the future shape of the UK defence industrial base. The MoD has a ten-year equipment expenditure plan, known as the Equipment Programme, which indicates the amounts of funds available for specific equipment programmes. An amalgamated statement based on this plan which indicates in broad terms the amounts of funding available for air, sea and land systems should be published. This would not be commercially sensitive but would be very helpful for investment planning by defence companies.

## **7.1 European and International Defence Market**

7.1.1 Europe's defence industry has embarked on consolidation. This restructuring has been largely industry led through mergers and acquisitions. This is to be welcomed and encouraged. If Britain is to remain at the leading edge of defence technology, we must enhance defence collaboration and technology transfer

with other European nations, the US and other suppliers.

7.1.2 Liberal Democrats believe that we must develop, with our EU and NATO partners, a clear understanding of which defence technologies we require to preserve in the UK as part of a co-ordinated transatlantic commercial strategy. Such a commercial policy should investigate innovative methods of preserving the strategic defence industrial base such as greater attention to the preservation of intellectual property rights.

7.1.3 Liberal Democrats support moves to ensure that full and open competition be part of future European and transatlantic collaborative development of new defence and security systems. While it is important to ensure that security is not sacrificed in overseas contracts, the key test in any contract must be whether it provides value for money for the services.

7.1.4 The further development of the Organisation for Joint Armament Co-operation (OCCAR) within the context of the European Defence Review (see chapter 4) may help European nations to get better value from defence spending. Proper investment in capabilities will strengthen NATO and equalise the responsibility for European security. The formation of a European Armaments Agency may be many years away but improved defence procurement cooperation must continue to be a goal.

## 7.2 Smart Procurement

7.2.1 It is essential that the British taxpayer is able to get value for money from UK defence procurement and equipment is delivered on time. Major procurement projects continue to suffer from cost growth and delays which have led to capability shortfalls in 14 of the 20 major procurement projects currently underway.

7.2.2 The Liberal Democrats support the Smart Procurement initiative in seeking to expand the partnership between government and industry, encourage more investment during the early stages of a project and to adopt a through-life approach to systems acquisition. But the reporting and performance mechanisms used by the MoD are unable to demonstrate fully the benefits that the Government have claimed for smart procurement. We remain to be convinced that smart procurement has produced ‘faster, better, cheaper’ delivery of equipment and are concerned to ensure that claimed economies are not created by simply reducing potential capabilities.

7.2.3 In order to improve on smart procurement and to reduce cost overruns and in-service delays, Liberal Democrats would:

- Bring more people from industry in to lead Integrated Project Teams (IPT) and give IPT leaders clearer line management responsibility for their staff;
- Provide clear guidance to industry as to the prioritisation of operational and industrial factors in procurement decision-making.
- Merge the Defence Procurement Agency and the Defence Logistics Organisation into one body to create a single supplier;

- Extend smart procurement principles to collaborative projects;
- Ensure that technical risk sharing between contractors and MoD is more equitable, with contingency and compensation for failure;
- Extend the use and development of dual-use (defence-civil) technologies;
- Initiate standardisation reforms to bring about a greater use of Europe wide standards. The costs of providing interoperability with allies must be included in all project assessments.
- Use available industry standard equipment where possible.

## 7.3. Research and Technology

7.3.1. The Government has a number of enablers that provide a route for the development and implementation of its research and technology strategy. This includes Defence, Aerospace and Research Partnerships (DARPs). Although the principles of partnership are good the achievements do not live up to expectations. Therefore there needs to be a far more pro-active means of bringing strategic planners, defence industry and academic researchers together to work on common projects with long-term benefits. There is a need to promote the early adoption and exploitation of useful innovation.

7.3.2. Liberal Democrats propose a multidiscipline national structure for the coordination of research partnerships to connect defence industry and academic researchers with domestic and international funding mechanisms for key projects where the UK is known to have world-class expertise. In the long-term, Liberal

Democrats would encourage the formation of a European defence research establishment.

7.3.3 Liberal Democrats propose that all defence research projects should be

required to consider and report on possible civil applications. We would implement an evaluation programme to derive the highest commercial benefit from that research.

# *The Defence Budget*

8.0.1 Provision of adequate resources for the defence of its citizens is a prime responsibility of any government. However, there is no objective measurement for assessing how much is enough. This document has outlined the Liberal Democrats' approach to a responsible defence policy, but assessing the appropriate level of spending to support the policy is inevitably a matter of judgement of risk. Investment today may only be tested in conflict a decade ahead. Liberal Democrats were supportive of the thinking behind the 1998 SDR and agreed then that 2.4% of the UK GDP was an acceptable price for such a policy. Since 1998, the international security concerns have increased, and this is likely to mean that extra investment in many of the wider aspects of security will be needed.

8.0.2 Liberal Democrats believe that the merit of defence spending is measurable in the stability and security it brings; it has no merit intrinsic to itself. Hence, in addition to the primary task of territorial defence and upholding the obligations of alliance, the UK's defence policy should also allow greater resources to be concentrated on international conflict prevention. The Defence budget should therefore be seen in the context of the budgets of other departments such as the Department for International Development (DfID). In addition to defence resources being used by DFID, other Government departments use defence assets. For example troops support communities affected by floods, were used in the fight against Foot and Mouth, assist during industrial disputes, and contribute to domestic anti drugs and

anti terrorist campaigns. Some of these costs are covered, such as by the Contingency Reserve, but most are borne directly by the MoD.

8.0.3 There is evidence that the programme outlined in the Strategic Defence Review may be unsustainable without an upward adjustment in defence expenditure, or a reduction in commitments. The major problems facing British forces are not new. They are finding it difficult to retain their trained specialist personnel, and the equipment programme is over-ambitious. The demand for high quality forces for international action is increasing. The security challenges which must be met have also increased following the terror attacks on the USA in September 2001. The Government is currently undertaking a review of defence policy, which addresses the changes necessary, and is expected to report in time for the Comprehensive Spending Review due in June 2002.

8.0.4 Given the changes that may result from the Government's review, and the uncertainties over the current shortfalls, it is not possible to put exact figures to the future defence budget. This section lays down the guiding principles which Liberal Democrats will follow in funding future defence capabilities.

## **8.1 Baseline**

8.1.1 The Government plans for the years 2001 to 2004 assume that defence spending will rise, in cash terms, from £23.6 billion to £25.0 billion. This represents a slight rise in

real terms in each of the three years. At the same time, defence spending as a proportion of GDP is expected to continue its decline. It will have dropped from 4.0% of GDP at the end of the Cold War to under 2.3% by 2004.

8.1.2 Every year the effect of rapidly rising defence costs are addressed by a number of measures. Efficiency targets of around 3% per year have been an annual feature of defence planning for over a decade. They become progressively more difficult to achieve without reducing capability. Schemes for more rationalised approaches to defence have also offered economies. Outsourcing of defence activities have produced reduced costs. A series of initiatives have sought to reduce the cost of equipment procurement. All of these and other measures for greater cost effectiveness remain important. Sharing the burden with our allies will also offer opportunities for greater efficiency. However, it is clear from the succession of major and minor defence reviews that have been needed over the past 10 years, capability cannot be maintained on the present basis (short of major changes in procurement such as open international competition, and much greater EU defence co-operation) year on year without extra funds above domestic inflation.

## 8.2 Variations in Costs

8.2.1 The variations (all of which are increases in costs) required in the light of changes since the Strategic Defence Review was published can be categorised into four areas:

- a. The forward equipment programme, which needs either more funding or reductions in scale to make it affordable.

- b. Personnel costs are only covered because of large shortfalls in people.
- c. The EU defence dimension was not funded in the SDR.
- d. The implications of international terrorism were not foreseen.

8.2.2 The proposals in this Liberal Democrat policy paper have further implications for defence costs:

- a. The proposals to achieve the full complement of personnel involve extra costs to provide the retention measures outlined in Chapter 6.
- b. Changes to UK force posture require extra resources for Special Forces and Intelligence, whilst there are areas where reductions in investment should be considered.
- c. Enhancing EU capabilities will require early funding, but should produce reductions in costs in the longer term.
- d. Moves to procure equipment more fully on a basis of open competition and best value for money could deliver further reductions in costs in later years.

## 8.3 Adjusting the Defence Programme

8.3.1 Just under half of the defence budget is related to military equipment. Like all its predecessors, the current equipment programme is running over budget. If the Government decides

against real terms rises in the present defence review and the next CSR it would be necessary to bring future equipment programmes back into an affordable cost profile and free up resources for change to meet the new security challenges. Changes to capabilities and programmes would then have to be considered by the Government in the light of the changes to priorities in chapter 5.

8.3.2 In the long term, Liberal Democrats expect that our proposals will free up resources. For example, enhancing EU capabilities will require early funding, but should produce reductions in costs in the longer term. In addition, moves to procure equipment more fully on a basis of best value for money could deliver further reductions in costs in later years.

## **8.4 Sustaining Defence Capability**

8.4.1 While the principles outlined above could allow the defence policy issues examined in this paper to be addressed at relatively low cost, it will also be necessary to address the long-term approach to capability.

Maintaining the defence spending level in real terms results in capability reductions each year, unless clear savings are made through procurement or defence cooperation. Liberal Democrat defence plans involve both but we recognise that if these do not deliver quickly there will be a need to plan for a real rise in defence spending each year, until greater cost effectiveness can be achieved through EU pooling of forces and lower procurement costs.

8.4.2 In the longer term, greater co-operation with allies is the only way in which the UK will be able to afford to play a major international role in the promotion of international peace and security. The UK should take a lead in developing a benchmark for defence capabilities, conflict prevention and resolution within the EU. We have nothing to fear in seeking more equitable defence burden sharing between the member states of the EU. This approach would allow us to show that we were serious about maintaining the necessary forces to meet the challenges to our security, and would help to constrain the national costs of providing for our security.

*This paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution. Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom. The Party in England, the Scottish Liberal Democrats and the Welsh Liberal Democrats determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas. If approved by Conference, this paper will form the policy of the Federal Party, except in appropriate areas where any national party policy would take precedence.*

*Many of the policy papers published by the Liberal Democrats imply modifications to existing government public expenditure priorities. We recognise that it may not be possible to achieve all these proposals in the lifetime of one Parliament. We intend to publish a costings programme, setting out our priorities across all policy areas, closer to the next general election.*

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