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TO ROUTINE FCO

TELEGRAM NUMBER 1089 OF 21 DECEMBER

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MY TEL NO 1086: FRG DEFENCE BUDGET 1983 AND ITS IMPLICATIONS

SUMMARY

1. THE 1983 DEFENCE BUDGET WILL BE 6.1 PER CENT HIGHER IN NOMINAL TERMS THAN THE 1982 BUDGET. THIS IMPLIES A REAL INCREASE OF JUST OVER 2 PER CENT, FAR BETTER THAN ANTICIPATED. THE BUDGET REFLECTS THE SHORT-TERM PRIORITIES OF DEFENCE MINISTER WOERNER, WHO CONTINUES TO MAKE A GOOD IMPRESSION BUT HAS YET TO TACKLE LONG-TERM PROBLEMS.

DETAIL

2. THE FEDERAL BUDGET FINALLY ADOPTED ON 17 DECEMBER CONTAINS A TOTAL OF DM 46,734 MILLION UNDER THE HEADING OF DEFENCE, SOME DM 550 MILLION MORE THAN IN THE NEW COALITION'S ORIGINAL DRAFT (MY TEL NO 925). THE INCREASE REPRESENTS THE SUM TRANSFERRED TO DEFENCE TO MEET ANTICIPATED PAY INCREASES FOR THE BUNDESWEHR AND CIVILIAN PERSONNEL DURING 1983. THIS IS NORMAL BUDGETARY PRACTICE.

3. THE TOTAL DEFENCE BUDGET REPRESENTS A NOMINAL INCREASE, ON NATIONAL DEFINITIONS, OF 6.1 PER CENT OVER THE 1982 BUDGET (NOT REPEAT NOT THE 1982 OUTTURN). USING THE OFFICIAL 1983 BUDGET DEFLATOR OF 3.5 TO 4 PER CENT, THIS WOULD IMPLY A REAL INCREASE OF JUST OVER 2 PER CENT, A FAR BETTER RESULT FOR THE FRG THAN WAS EARLIER ANTICIPATED. THE DETAILS REQUIRED TO WORK OUT EXPENDITURE TOTALS AND RATES OF INCREASE ON NATO DEFINITIONS ARE NOT YET AVAILABLE.

4. WOERNER'S PRIORITIES AS DEFENCE MINISTER - AS REITERATED IN HIS END-OF-TERM REPORT TO THE PRESS YESTERDAY - HAVE BEEN TO STRENGTHEN THE BUNDESWEHR'S PERSONNEL STRUCTURE AND PROMOTION PROSPECTS: IMPROVE TRAINING, CONDITIONS OF SERVICE AND THUS MORALE: AND PAY DUE ATTENTION TO RESEARCH AND DEVELOPMENT AND THE PROVISION OF PERIPHERAL AND SUPPORTING EQUIPMENT. THE INDIVIDUAL PROVISIONS OF THE 1983 BUDGET REFLECT THIS:-

- A) RESEARCH AND DEVELOPMENT RECEIVE DM 1,825 MILLION, A 10 PER CENT INCREASE OVER 1982:
- B) OPERATIONAL AND RUNNING COSTS ARE SET AT DM 7,019 MILLION, A 7.9 PER CENT INCREASE WHICH REFLECTS WOERNER'S DETERMINATION TO SUSTAIN THE LEVEL OF ACTIVITY AND NOT LEAVE RECRUITS TWIDDLING THEIR THUMBS:

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C) PROCUREMENT RECEIVES DM 11,808,000, A 6.3 PER CENT RATE OF INCREASE WHICH IS RELATIVELY LOW IN VIEW OF ABOVE-AVERAGE EQUIPMENT COST INFLATION.

5. WOERNER HAS ALSO AUTHORISED 3,000 EXTRA PLACES FOR SHORT-TERM REGULAR PERSONNEL, THUS REVERSING THE PREVIOUS GOVERNMENT'S SAVINGS MEASURES AND MAKING A FIRST STEP TOWARDS OFFSETTING THE COMING DEMOGRAPHIC DROP IN NUMBERS OF RECRUITS. HE HAS PROVIDED 350 NEW POSTS AT OFFICER AND NCO LEVEL TO HELP UNDO PROMOTION BLOCKAGES, AND 450 NEW NCO POSTS IN THE ARMY TO FURTHER STRUCTURAL REFORM. THESE MEASURES WILL HAVE TO BE FINANCED WITHIN THE ORIGINAL BUDGET TOTAL I.E BY SAVINGS IN OTHER FIELDS, MAINLY EQUIPMENT.

6. WOERNER'S REVIEW OF SPENDING PRIORITIES WITHIN THE DEFENCE BUDGET, AND HIS PUBLIC AND PRIVATE SUPPORT FOR THE BUNDESWEHR AS A QUOTE SERVICE OF HONOUR UNQUOTE, HAVE HAD A BENEFICIAL EFFECT ON BUNDESWEHR MORALE AND A STEADYING INFLUENCE ON PUBLIC OPINION. HE CAN CLAIM CONSIDERABLE SUCCESS IN HIS SHORT-TERM HANDLING OF BOTH INTERNAL AND EXTERNAL DEFENCE ISSUES, TO WHICH A RESPECTABLE REAL GROWTH TARGET IN THE BUDGET ITSELF CAN NOW BE ADDED. HE HAS NOT, HOWEVER, GOT TO GRIPS YET WITH THE LONGER-TERM PROBLEMS CONFRONTING THE BUNDESWEHR, AND IS UNLIKELY TO ATTEMPT TO DO SO BEFORE THE MARCH FEDERAL ELECTIONS. HIS SHORT-TERM POLICY OF FAVOURING PERSONNEL NEEDS OVER CURRENT PROCUREMENT, WITHIN A LIMITED BUDGET, CANNOT BE EXPECTED TO PROVIDE A LASTING SOLUTION BECAUSE:

- I) THE PERSONNEL SHORTFALL WILL BY THE LATE 1980S BE ON SUCH A SCALE THAT EITHER MASSIVE EXTRA EXPENDITURE OR A REVIEW OF THE WHOLE BUNDESWEHR STRUCTURE WILL BE NEEDED:
- II) WHILE THE BUNDESWEHR WILL CONTINUE TO BENEFIT FOR SOME YEARS YET FROM THE MAJOR EQUIPMENT PROJECTS INITIATED IN THE 1970S, DEFERMENT OF NEW DEVELOPMENTS WILL MAKE ITS EFFECTS FELT BY THE LATE 80S AND AGGRAVATE THE GENERAL PROBLEM OF EQUIPMENT COST INCREASES:
- III) LONG-TERM EQUIPMENT PLANNING, INCLUDING R AND D, IS FURTHER COMPLICATED BY THE NEED TO ASSESS NEW TECHNOLOGIES WHICH IN TURN COULD POSSIBLY EASE FINANCIAL AND MAN-POWER PROBLEMS.

FCO PLEASE PASS SAVING TO ABOVE ADDRESSES EXCEPT CICC(G).

(REPEATED AS REQUESTED)

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