Greece: High military expenditures despite the financial crisis

By Jan Grebe and Jerry Sommer

Greece's national bankruptcy could only be averted with the aid of considerable loans from the European Union and the International Monetary Fund (IMF). The government's high military spending and extensive arms purchases in recent years have contributed to the country's desolate financial situation. The following article sets out to analyze these expenditures, which are unparalleled in Europe, as well as to look at current plans for future arms expenditure. Although the Greek government has introduced savings measures in the military and arms sector as a contribution to budgetary consolidation, it would appear that Athens has, nevertheless, not fundamentally re-thought its arms procurement practices. German and European policymakers must therefore ask themselves whether EU loans should be used to finance Greece's new weapons purchases and how this can be prevented if necessary.

Greek military expenditures

According to SIPRI, Greek military expenditure in 2000 amounted to 5.921 billion euros. Eight years later this figure had risen to 8.620 billion euros[1]. Whereas military expenditure had accounted for 4.3 percent of Gross Domestic Product (GDP) in 2000, the figure for 2008 according to SIPRI was 3.6 percent of GDP[2]. NATO's figures differ in some areas from those of SIPRI. According to NATO, Greek military expenditure rose from 5.921 billion euros in 2000 to 7.263 billion euros in 2009[3].

Regardless of these different figures, it is indisputable that, measured on the basis of GDP, Greece has been spending far more on its military than the average in other European states for several decades now. According to NATO's calculations, the average expenditure of the European NATO states in 2009 was 1.7 percent of GDP, whereas Greece spent 3.1 percent of its GDP on armaments[4]. If one compares the overall military expenditure of the 'old' EU states from 2000 to 2008 on the basis of SIPRI's figures, the average is 1.6 percent of GDP whereas Greece spent 3.6 percent of its GDP on its military during the same period[5].

After the cuts agreed with the European Union and the IMF, the Greek budget for 2010 sets aside 5.5 billion euros for the military while 1.8 billion euros have been earmarked for arms procurement measures in 2010: 400 million euros less than in 2009. By July 2010, only 224 million euros of this procurement budget have been spent. According to Panajotis Beglitis, the Greek Deputy Minister of National Defense, the share of arms expenditure as a percentage of GDP will drop to 2.8 percent in 2010[6]. In the medium

[1] SIPRI. 2010. *Yearbook 2010, Armaments, Disarmament and International Security*. Oxford: Oxford University Press, p. 223. Figures are in current prices.

[2] Ibid., p. 233.

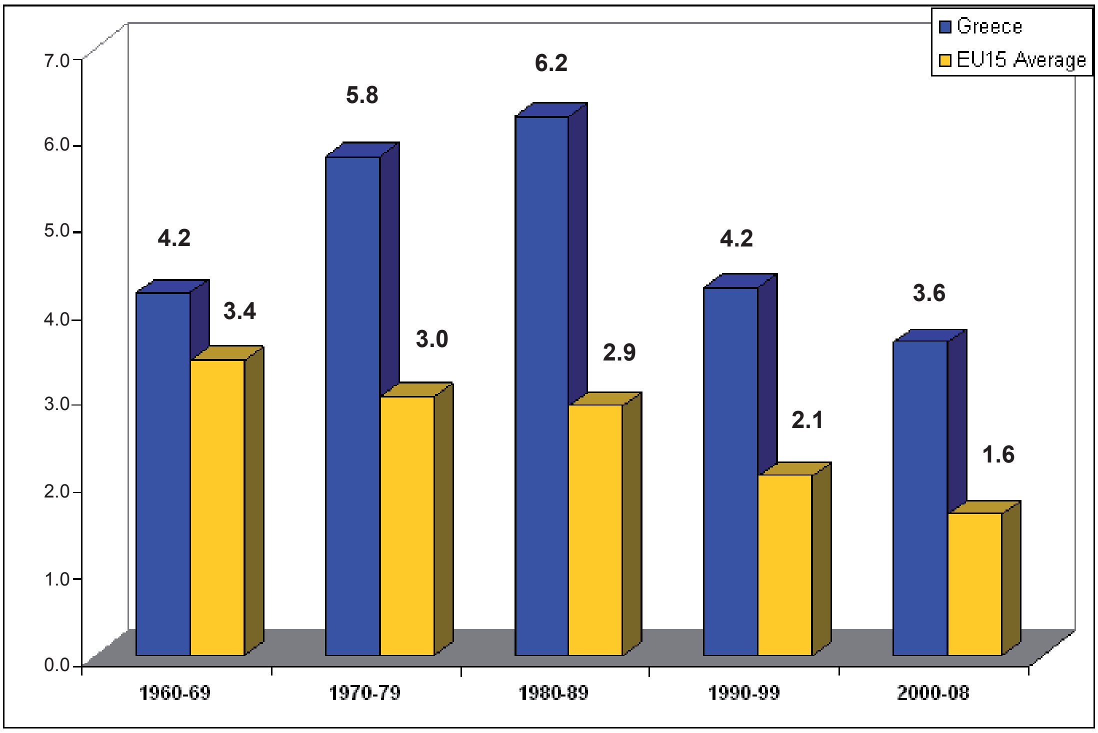
[3] NATO. 2010."Financial and economic data relating to NATO defence." Press Release (2010)078, 10 June, p. 4; available at: <http://www.nato.int/nato_static/assets/pdf/pdf_2010_06/20100610_PR_CP_2010_078.pdf>. Figures are in current prices and therefore not adjusted for inflation. The differences between the figures are due *inter alia* to the fact that, since 2002, NATO does not take into consideration "other forces" such as paramilitary police formations whereas SIPRI does.

[4] Ibid., p. 6.

[5] Cf. Christos Kollias, University of Thessaly, Greece. According to SIPRI figures and his own calculations, unpublished manuscript, 2010.

[6] Cf. AFP. 2010. "Greece Will Cut Defense Budget: Minister." 14 May. In another interview, however, Beglitis is quoted as saying that arms expenditure in 2010 would amount to 2.48 percent of GDP. Cf. AP. 2010. "INTERVIEW: Greece military purchases delayed." 2 June, available at <http://www.businessweek.com/ap/financialnews/D9G34IO83.htm>.

Figure 1: Greek and EU15 military expenditure by comparison



Source: Christos Kollias[7]

term, there are plans for a further reduction to between 2.3 percent and 2.5 percent. One-third of the funds will be for purchases of new weapons systems[8].

Fluctuations can be seen in expenditure on equipment and materiel. There was a marked reduction in these figures in the period between 2000 and 2004 when their share of overall expenditure fell from just under 15 percent (US $1.569 billion) to eight percent (US $451 million).

This figure, however, soared by 129 percent between 2004 and 2005 to US $1.033 billion due to extensive imports of arms.

Based on SIPRI's figures, military expenditure accounted for a similarly high share of GDP in both Greece (4.3%) and Turkey (3.7%) in the years around the turn of the millennium. But a new trend emerged with effect from 2002: Whereas the share of military expenditure in Turkey fell drastically from 3.9 percent of GDP in 2002 to 2.2 percent in 2008, Greece's military expenditure, following a phase of reductions, in contrast started to rise again from 2005 onwards and amounted to 3.6 percent of GDP in 2008. Looking at this spending in absolute terms, however, it is clear that in 2009, Ankara only spent roughly five billion US dollars more on its military than Athens.

Greek arms deals

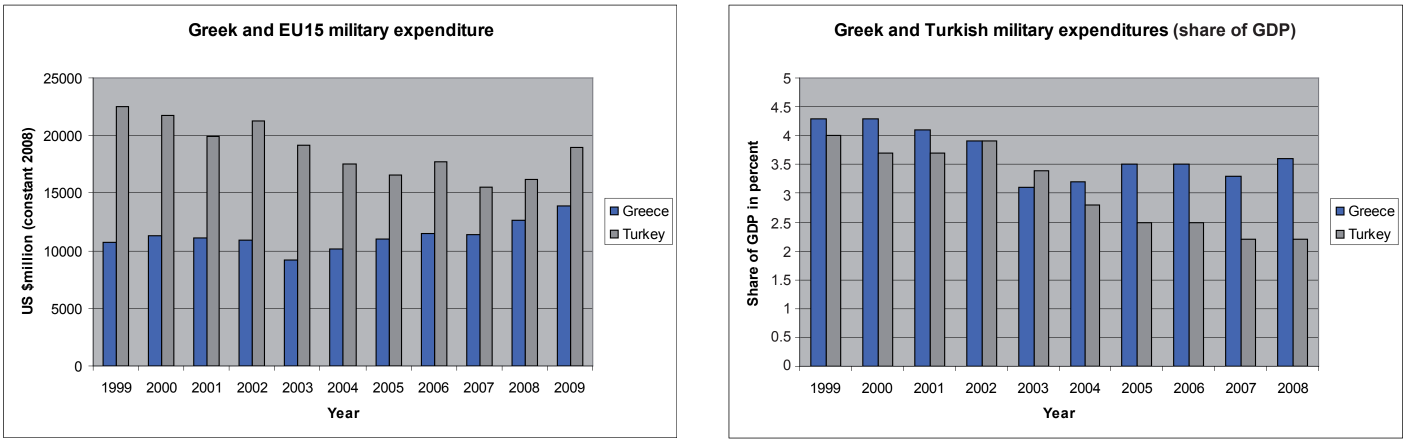
The Greek military's biggest suppliers after the United States are Germany followed at a distance by France. Over the last ten years, Greece has imported military goods worth more than US $11 billion, and between 2005 and 2009 ranked fifth among the world's biggest arms importers[9]. In the last

7 Cf. Christos Kollias, University of Thessaly, Greece according to SIPRI figures and his own calculations, unpublished manuscript, 2010.

8 See footnote 6.

9 SIPRI Arms Transfer database. Available at< http://www.sipri.org/databases/armstransfers/armstransfers>. Figures are in 1990-con-

Figure 2: Greek and Turkish military expenditure by comparison



Source: SIPRI Yearbook 2010, own diagram.

five years, it has imported goods worth US $4.6 billion from the United States and US $2.1 billion from Germany alone. Weapons systems sold to Greece include in particular combat aircraft, ships—particularly submarines—as well as armored vehicles and combat tanks. Despite original plans to purchase the "Eurofighter" European combat aircraft, the Greek Ministry of Defense instead purchased thirty F 16 C/D Block-52+ aircraft from the American firm of Lockheed Martin within the framework of the "Xenia IV" program in 2005. These aircraft costing over two billion US dollars have been delivered in the meantime[10]. The Greek government had previously signed a contract with Boeing for the purchase of twelve AH-64D Apache Longbow combat helicopters. Delivery began in 2007 and has largely been completed. Greece did not, however, take up the option to purchase a further four combat helicopters[11].

Germany has most recently supplied 183 Leopard 2-A4 tanks to Greece as part of an original contract worth 420 million euros. Apart from the modernization of 183 tanks (130 in Germany and 53 in Greece) worth 150 million euros,[12] the contract also included 150 Leopard 1A5 tanks as a gift. The overall cost of the tank deal with Krauss-Maffei Wegmann (KMW) is said to amount to 1.7 billion euros, including all extras and deliveries of the special tanks[13]. Although KMW has already delivered the combat tanks and the special tanks, Greece still owes approximately 180 million euros.

In 2000, Greece placed an order for four new Type 214 submarines and the modernization of three old submarines with the German firm of ThyssenKrupp within the framework of the "Archimedes" project. Greek and German public prosecutors are investigating whether bribes were paid[14]. There were repeated disputes due to financial differences and technical problems with the first submarine, which was built in Kiel. These problems were resolved for the time being in a Memorandum of Understanding in March 2010[15]. In 2000, the Greek air force ordered up to 25 Mirage 2000-5 Mk-2 as part of a contract for 1.6 billion euros, which also involved the modernization of old Mirage-2000EG aircraft in Greece and was completed by 2007[16].

stant US dollars and are calculated according to SIPRI's TVI system and do not therefore correspond to real values.

10 Defense Industry Daily. 2007. "Greek F-16 & Weapons Sale Take Off." 4 July; SIPRI Arms Export Database.

11 Boeing. 2007. "Boeing Begins Delivery of New AH-64DHA Apache Longbows for Greece." Press Release, 16 January; Defense Daily. 2003. "Greece Signs For A Dozen Apache Longbows, Boeing Says." 3 September.

12 Defense Industry Daily. 2005. "Greece Signs Contract for 183 Leopards 2s, 150 Leopards 1s." 5 August; SIPRI Arms Export Database.

13 Der Spiegel. 2010. "Ein paar Millionen draufschlagen." 10 May.

14 Ibid..

15 Cf. Section 3 of this BICC-*Focus* for current position.

16 Sipri Arms Transfer Database, available at <http://www.sipri.org/databases/armstransfers/armstransfers>.

Greece's current arms plans against the background of the financial crisis

In early September, the Greek Minister of Defense announced that the ministry is preparing a comprehensive review of the current military strategy and the force structure of Greece. Therefore, the new medium-term five-year plan for modernizing the equipment of the Greek armed forces (EMPAE) will be delayed[17]. Originally, this EMPAE was to have been presented to parliament in January 2010. According to reports in the media, the defense ministry's original plans included arms purchases totaling 8.2 to 8.5 billion euros for the period 2011 to 2015[18]. Defense Minister Evangelos Venizelos, however, states that there are only plans for military procurements amounting to 685 million euros in the 2011 financial year and for even only 105 million euros in 2012 due to the acute financial crisis[19].

Several larger modernization programs and arms purchases are being discussed—despite the financial crisis. Apart from purchases of spare parts and ammunition, such as 12,000 pieces of ammunition for the Leopard tank from Rheinmetall, these are projects which were already contained in the last five-year modernization plans, but have not yet been implemented. They include the following:

Frigates: An order for six French FREMM frigates totaling 2.5 billion euros. The negotiations are to be continued "without a time limit" and completed at the earliest in 2011.

Combat aircraft: Plans for the modernization of Type Mirage 2000 and F-16 combat aircraft totaling 818 million euros. In addition, the air force would like to buy up to 40 new, ultra-modern combat aircraft and intends to earmark 2.3 billion euros in EMPAE 2011–2015 for this purpose[20]. The choice is between the F-16 Stealth-Bomber, the French "Rafael", the Swedish "Gripen" and the "Eurofighter", which is produced jointly by Germany, France, Italy, Spain and Great Britain. Negotiations have not yet begun, however. According to statements by Deputy Minister of Defense Beglitis, the topic is not even on the Cabinet's agenda[21].

Infantry fighting vehicles (IFV): The army and the navy plan to buy between 400 and 1,000 IFVs. The Russian BMP-3HEL was already selected by the Greek Ministry of Defense in 2007 and an agreement on the purchase of 450 IFVs was signed between the Greek and the Russian governments. Negotiations have been continuing since, but have not been completed. The planned overall costs amount to at least 1.5 billion euros[22].

Submarines: Follow-up negotiations in March and August 2010 between ThyssenKrupp and the Greek government resulted in a new draft agreement. Following the purchase of four new submarines in previous years, this foresees the procurement of a further two new submarines. On the other hand, the originally agreed plans for the modernization of old Greek submarines have been cancelled. In addition to the 2.3 billion euros which Greece has already paid ThyssenKrupp, Athens will have to pay a further 1.3 billion euros when the contract has been finally signed and approved by the Greek parliament.[23] The government intends to resell one of the new submarines that has already been built.

Greek military strategy: The Turkish "threat"

Greece joined NATO in 1952 at the same time as Turkey. Following the 1945–49 civil war, the Greek armed forces were primarily intended to defend against the "internal enemy"—the Communists. At the same time, Greece was also interested in "containing" its neighbor Turkey[24].

Tensions with Turkey were already a mainspring of Greek security and military policy in the 1950s and 60s. But it was only after 1974 that Turkey was declared Greece's chief

17 "Enaio Mesoprothesmo Programma Anaptixis-Eksynxronismou" ("Standardized medium-term program for development and modernization").

18 Defensenet Athens. 2010. "Encouraging signs for the arms industry from the Defence Ministry – the new EMPAE is coming." (in Greek) 10 June, available at <http://www.defencenet.gr/defence/index.php?option=com_content&task=view&id=12608&Itemid=40>.

19 Speech by Defense Minister Evangelos Venizelos in the Greek parliament on 23 December 2009. Available at <http://www.evenizelos.gr/politicalspeeches/speeches2009/1603-proypologismos> (in Greek).

20 Defensenet, Athens News, 18 June 2010.

21 Cf. AP. 2010. "AP INTERVIEW: Greece military purchases delayed." 2 June. Available at <http://www.businessweek.com/ap/financialnews/D9G34IO83.htm>.

22 Ali Kulebi. 2010. "The Effect of Greece's Economic Crisis on Military Purchases." *Eurasia Critic*, March.

23 Cf. "Framework Agreement" of March 2010; available at: <http://www.defencenet.gr/defence/media/pdf_2.pdf>; and transcript of a press conference with Defense Minister Evangelos Venizelos in Athens on 17 March 2010.

24 Cf. Thanos Dokos. 1998. "Greek Security Doctrine in the Post-Cold War Era." *Journal of Foreign Policy Issues.* p. 2, available at <http://www.hri.org/MFA/thesis/summer98/security.html >.

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threat and Greek military strategy adapted accordingly. The reasons were a coup in Cyprus as a result of which the Turkish army invaded the island and occupied the northern part. The "Turkish danger" thus became the linchpin of Greek security policy thinking[25].

Whilst Greece regards itself as a "status quo" power, it alleges that Turkey harbors "revisionist" intentions. Public opinion and the political elite agree on this point with very few exceptions. The 'threat' posed by NATO partner Turkey is greatly exaggerated. The fundamental changes in Turkish foreign policy over the last eight years and the reduction in the influence of the Turkish military on the government in Ankara are underrated.

Admittedly, Greek security experts today no longer assume the probability of a large-scale attack by Turkey to occupy Greek islands or territories or even to conquer the southern half of Cyprus[26]. Nevertheless, there is still concern about "hot incidents", for example over the status of individual inhabited or uninhabited Greek islands. Such an incident involving the hoisting of a Turkish flag on the island of Imia brought Greece and Turkey to the brink of war in 1996. This concern is still used to justify disproportionate military and arms expenditure.

Greece's military objective was and still is to establish a certain 'military balance' with Turkey. Here one should consider, however, that Greece has around eleven million inhabitants and Turkey around 77 million. Furthermore, Turkey has a much larger surface area and lies in the conflict-prone Middle East. Moreover, Ankara is still involved in a military conflict with the Kurdistan Workers' Party (PKK).

During the past decades, Greece has repeatedly assumed "arms gaps" and "strategic imbalances" and "massive inferiority", which it has tried to compensate through arms build-up programs[27]. For example, the former Greek Prime Minister Costas Simitis (1996 to 2004) boasted at the time that he had "set in motion the biggest arms program in the history of modern Greece"[28]. This included weapon purchases amounting to 25 billion euros between 1996 and 2006. His successor, Kostas Karamanlis, had plans for weapon purchases totaling 26.7 billion euros for the period 2006 to 2016.

When the country's debt crisis came to a head in late 2009, there was no alternative for the new government under Prime Minister Papandreou but to also tackle arms expenditure.

What is thwarting the will to save on arms expenditure?

When, prior to his visit to Athens in May 2010, the Turkish Prime Minister Erdogan expressed the hope of a parallel reduction in Greek and Turkish military expenditure, the reaction from the Greek government and public was reserved. The prime concern was that Greece's current economic weakness could be exploited and could lead to a decline in the country's defense capability. It was not possible to consider cooperative arms reductions as long as other differences had not been resolved.

Nevertheless, the Greek government is aware that its imminent state bankruptcy means that it cannot avoid further cuts in the defense budget and procurement plans. It remains to be seen in how far the announced review of Greece's military strategy maintains the traditional—and exaggerated—threat perceptions or will aim to reduce the country's expenditure on arms to the average of the European NATO countries of currently 1.7 percent of GDP. Arms procurement measures amounting to over ten billion euros for the years 2010 to 2015 seemingly promoted by the military are neither necessary nor realistic.

It also remains to be seen whether the review will propose drastic reductions in the size of the Greek armed forces, which are exceptionally large in relation to the country's population. Germany, which has a population seven times bigger than Greece, has 250,000 soldiers—and plans to reduce this number still further—whereas Greece has 156,000 soldiers under arms. In Greece, 2.9 percent of all employees work for the armed forces, whereas the average in the European NATO states is only one percent[29].

25 Cf. Stergios Tsilikas. 2001."Greek Military Strategy: the Doctrine of Deterrence and its Implications on Greek-Turkish Relations." Monterey (USA).Pp. 12ff, available at <http://www.dtic.mil/cgi-bin/GetTRDoc?AD=ADA397555&Location=U2&doc=GetTRDoc.pdf>.

26 Thanos Dokos, Director of the Greek Research Institute Eliamep (Hellenic Foundation for European and Foreign Policy), Interview with Jerry Sommer, Athens, May 2010.

27 Cf. Thanos Dokos. 1998. "Greek Security Doctrine in the Post-Cold War Era." *Journal of Foreign Policy Issues*. p. 19, available at <http://www.hri.org/MFA/thesis/summer98/security.html >.

28 Thanos Dokos and Panayiotis Tsakonas. 2003. "Greek-Turkish Relations in the Post-Cold War Era." In Christos Kollias and Gülay Günluk-Senesen (eds.). *Greece and Turkey in the 21th Century: Conflict or Cooperation*. New York: Nova, p. 30.

29 Cf. NATO. 2010. "Financial and Economic Data Relating to NATO Defence." Press Release, 10 June, p. 9.

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The agreements between Greece, the European Union and the International Monetary Fund do not put a stop to high military spending. Although they demand concrete savings on social welfare, there are absolutely no corresponding stipulations regarding the military[30], For example the use of EU loans to purchase new weapons systems would be neither socially justifiable nor economically sound. The use of EU loans to purchase new weapons systems would be neither socially justifiable nor economically sound.

Recommendations for Greece

A new threat analysis could trigger a decline in the role of the military in favor of diplomatic measures. It should also lead to a clear reduction in the weapons systems and numbers of soldiers considered necessary.

It is recommended that Greece:

- plan the size of its army and arms expenditures in such a way as to correspond to the average of the European NATO states;
- not conclude contracts for any new large-scale modernization and procurement projects as long as the difficult financial situation persists and as long as it relies on loan assistance programs from the European Union;
- force the pace of the newly resumed policy of co-operation and detente in relations with Turkey and agree military confidence-building and de-escalation measures, if appropriate also within the framework of NATO.

[30] Memorandum of Economic and Financial Policies, available at <http://www.mnec.gr/export/sites/mnec/en/press_office/DeltiaTypou/Documents/2010_05_04_GreecexLOI.pdf> and Memorandum of Understanding on Specific Economic Policy Conditionality 3 May 2010, available at <http://www.mnec.gr/export/sites/mnec/en/press_office/DeltiaTypou/Documents/2010_05_04_EUxBundle2.pdf>; Press release on the draft legislation on the policy measures relating to the activation of the support mechanism for the Greek economy by the euro area member states and the International Monetary Fund of 4 May 2010, available at <http://www.mnec.gr/en/press_office/DeltiaTypou/articles/article0232.html>.

Recommendations for Germany and the other EU and NATO states

- Governments and parliaments within the European Union should make it clear that they refuse to support new Greek arms modernization and procurement projects with funding from the European Stabilisation Fund. It should be forbidden to spend loan payments from the European Union and the International Monetary Fund for arms purchases.
- The federal government should not grant export licenses or export guarantees within the framework of the Hermes Program for new arms projects such as submarines, combat aircraft, etc. as long as Greece's financial situation is so desolate and the country depends on EU aid programs.
- In principle, deliberations on export licenses should consider whether the arms purchases are acceptable in view of the financial situation of the receiving countries. Furthermore, when deciding on arms exports.
- The federal government should base its actions more strongly on the European criteria and on its own political guidelines.
- The federal government must use its influence to ensure that the planned purchase by Greece of two new submarines from ThyssenKrupp/ Abu Dhabi Mar for 1.3 billion euros does not go ahead. This should be achieved without additional costs for Greece.
- Within NATO, the federal government should advocate that—with the help of the NATO Secretary-General—Turkey and Greece as Member States are encouraged to conduct joint confidence-building military measures which would contribute to detente in the region and are discouraged from introducing disproportionately expensive arms programs.