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Greek Defence Spending In Times Of Crisis: The urgent need for defence reform



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Summary

The high level of Greek defence expenditures has often been in the headlines in the past two years. Unfortunately, there are several misperceptions and rather limited understanding of the issues involved. The paper argues that the key concept for Greek foreign and security policy in the next few years should be the smart use of its resources. A number of important changes in the sphere of national security policy will be necessary to maintain Greek combat efficiency at lower levels of defence expenditures.

The high level of Greek defence expenditures, as well as the so-called hypocrisy of countries like Germany and France that have been selling expensive weapon systems to a country with Greece's high debt and severe financial problems, have often been in the headlines in the past two years. Unfortunately, there are several misperceptions and rather limited understanding of the issues involved. An article published in the authoritative International Herald Tribune ('Greek forces spared from deep cuts', 8/1/2013) is a perfect example of this problem.

The article claims that Greece's high expenditures 'seem astonishing given that Greece is in a deep economic and financial crisis. Greece's economy has shrunk by 25% over the past two years". [The 25% figure actually covers the last four years.] Then the article goes on to say that since 2008 Greek defence expenditures have been reduced from 3.1% of GDP to the current figure of 2.1% of GDP. But this is actually a 29% reduction in relative terms and an additional reduction in absolute terms because it is connected to a smaller GDP. It is also argued that 73% of Greece's defence budget is for personnel costs alone. However, the current figure according to the International Institute for Strategic Studies (IISS) is closer to 60%.i

Despite its shortcomings, however, the article is very useful because it raises a number of important questions about Greek defence policy. Why Greece spends so much money for its armed forces? What is the perceived threat? How should it be dealt with? In a time of deep financial, social and political crisis, what should be Greece's choice in the 'guns vs butter' dilemma? We will try to provide short answers to those questions, starting with a brief historical overview of Greek security policy.

The evolution of Greek security policy

The restoration of democratic rule in 1974 was a major turning point in Greek security policy. This new period of Greek political history, lasting from 1974 to the present, has been

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characterized by the diversification of Greece's external relationships, including a relative weakening of its ties with the U.S. in favour of closer economic and political integration into Western Europe and improved relations with the Eastern bloc. The re-orientation of Greece's security doctrine (followed from the necessary re-deployment of forces from the north to the Greek-Turkish border in Thrace and the islands of the Aegean), in the aftermath of the 1974 Cyprus crisis (a process that began, however, in the mid/late-1960s), led to an instinctive deemphasis towards developments within the Warsaw Pact. During the late 1970s and the 1980s there was little evidence that Greeks had been concerned about any danger of direct attack by Warsaw Pact forces on Greece's narrow and difficult-to-defend land strip in Thrace and Macedonia.

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The perception of a potential military threat from Turkey has been widely shared by public opinion and reflected in expert debates as well as Greek security planning for -at least-- the last four decades. The 1974 Cyprus crisis can be regarded as the major turning point in post-World War II Greek security considerations: the Turkish invasion and subsequent occupation of the northern part of Cyprus was for Greece a highly traumatic experience, but also a basis for "new thinking" in terms of security.

Of course, even as early as the late-1950s, NATO's southeast flank has been experiencing periodic cycles of tension. The emergence of the Cyprus problem in the 1950s, with the Greek-Turkish crises of the 1960s, the Greek Junta-sponsored coup of 1974 and the Turkish invasion and continued occupation of the island, has been complicated by a series of Greek-Turkish frictions in the Aegean region, caused by Turkey's pressure for the revision of the Aegean statusquo and strong disagreements over the provisions and application of the international law of the sea in the Aegean. This led to a radical re-orientation of the Greek defence doctrine, with the official declaration of the "threat from the East" as the main security concern for Greece.

Turkey's policy vis-à-vis Greece has been perceived by Greek policy makers as influenced by Turkey's ambitions for regional hegemony and by its resentment of the former colonial power over the perceived as "difficult" and often "obstinate" behaviour of this relatively small neighbour and former part of the Ottoman Empire. Greek security planners are concerned with Turkey's revisionist aims towards Greece as expressed in official statements, diplomatic initiatives, and military action (including the deployment of its armed forces).

To balance threats to its security, Greece has relied on a combination of 'internal' (strong Armed Forces) and 'external balancing' (participation in all West European security and political organizations (NATO, WEU, EU) and signing and adherence to practically all multilateral arms control agreements and international export control regimes. As small states have fewer options and less freedom of manoeuvring than the great powers, to promote its security interests more effectively, Greece has sought to aggregate its voice and to integrate its policies with those of its European Union partners and its NATO allies.

As this reliance on the western alliance proved rather ineffective after the Turkish invasion in Cyprus, Greece began to place more emphasis on 'internal balancing' (through the strengthening of its Armed Forces) and less on NATO membership and the bilateral relationship with the United States (mainly as a result of Turkey's membership of the former and "privileged" relationship with the latter).

Nevertheless, even if the efforts of internally balancing the Turkish threat were crowned with total success and Greece managed to attain its short-term goal of achieving a balance of power **ELIAMEP Thesis** Mar. 2013 1/2013 [p.03]

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with Turkey, the medium/long-term goal for Greece was still to "escape" from the existing interminable arms race in a way that would not deviate it from its strategic objective of economic development and full integration into the European Union. Thus, Greece was facing the difficult "guns or butter dilemma." The dilemma came down to Greece's ability to match the need for immediate and considerable defence expenditures with its medium or long-term objective to fulfil the commitments imposed by the terms of the euro-zone's stability and growth pact. There was, in other words, a quest for the achievement of both deterrence and economic development. As that remains a major challenge for Greek policy-makers, this paper will argue that a number of substantial reforms in the country's defence and foreign policy policies are urgently required.

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Greece's current security concerns

Despite being a member of the EU and NATO, Greece is geographically situated in a conflict-prone region where the use of force in inter-state relations may still be considered as an option (admittedly, under very specific circumstances).

In fact, when compared to other EU and NATO members, Greek security concerns in many respects present a unique case that is reflected in the level of resources - both human and material - the country yearly allocates to defence. The Greek defence effort that the various indices reflect, cannot be explained only in terms of the broader western security priorities as they have evolved during the bipolar era as well as in the post-bipolar period. For reasons briefly described in the previous session, Turkey remains the prime security concern for Greece and as long as the core of their differences remains unresolved (namely Cyprus and the Aegean), Greece will continue to invest resources to its defence capability.

... this rapprochement remains fragile...

Greek-Turkish relations remain, of course, at the top of Greek foreign policy agenda. Over the past forty years there have been three major crises in Cyprus, another three in the Aegean, as well as a number of "hot" incidents. Relations between Greece and Turkey, the two NATO allies in the Eastern Mediterranean, remained tense after the end of the Cold War, while the traditional cycle of "conflict-negotiations-conflict" prevailed as the common feature of the new era. The very dark picture of the late 1990's started to change during the Kosovo conflict, when the two governments reached an understanding that an improvement of relations was necessary. A rapprochement between the two countries followed in the summer of 1999, which led to a number of bilateral agreements on issues characterized as "low politics". However, this rapprochement remains fragile and both countries have not moved from their firm positions regarding "high politics" issues.

Greece has been trying to move away from zero-sum game perceptions vis-à-vis Turkey and overall, the two countries are much better off today in terms of bilateral relations (including trade and people-to-people contacts) than they were a few years ago [before 1999 to be more precise]. Having said that, neither country has really moved away from their firm positions regarding 'high politics' issues and Greece and Turkey continue to perceive each other through a Hobbesian prism as scepticism and distrust continue to linger. Among 'success stories' in Greek-Turkish relations, reference should be made to the very dynamic 'citizen's diplomacy', increased bilateral trade and energy cooperation (through the construction of the Interconnector Turkey-Greece (ITG) transporting Azeri natural gas to Greece through Turkey, with Italy being the final destination.

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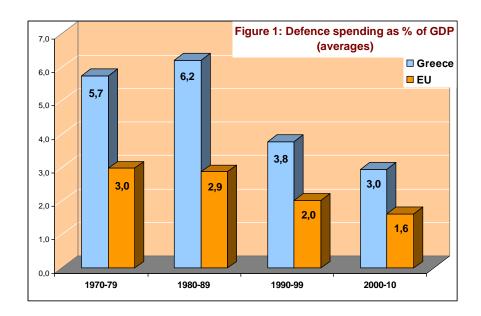
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On the other had, the confessions of former Prime Minister Mesut Yilmaz about Turkish agents being responsible for forest fires in Greek islands in the 1990s, the plans of the Turkish Armed Forces, according to official statements by the Turkish government, to stage an incident with Greece leading even to the occupation of Greek territory in order to overthrow the AKP government (*Balyoz/Sledgehammer Plan*), and Turkish gunboat diplomacy in the Eastern Mediterranean did not have a very positive impact either on bilateral relations (or Turkey's international image for that matter).

The majority of Greek policy-makers continue to believe that it is in the best interests of all sides if Turkey remains anchored to Western institutions, but this may not be an option as far as EU membership is concerned as there is strong opposition in major European countries and growing disillusionment in Turkey itself. Greece remains supportive of EU-membership for Turkey (provided, of course, that it meets the required criteria and that there is resolution of the Cyprus problem and full normalization of Greek-Turkish relations), but its influence both inside the EU and vis-à-vis Cyprus (where apparently there is no willingness on the Turkish side and consequently little Greek-Cypriot enthusiasm- for any meaningful mutual compromise) is quite limited.

Some Facts and Figures on Greek Defence Expenditure

Greece yearly allocates a considerably high share of her national income to defence. The Greek defence burden - i.e. defence spending as a percentage of GDP - is substantially higher than the EU average. As seen in Figure 1, over the past decade the Greek defence burden was on average roughly double than the corresponding EU27 average. This is not a recent phenomenon, but rather a consistent rule over the past four decades due to the rater acute external security problems faced by Greece compared to her EU partners (Figure 1). [All data, unless otherwise stated, are drawn from SIPRI in order to allow for consistent and meaningful international comparisons. Hence, national data is not used since this might have created comparability problems.]

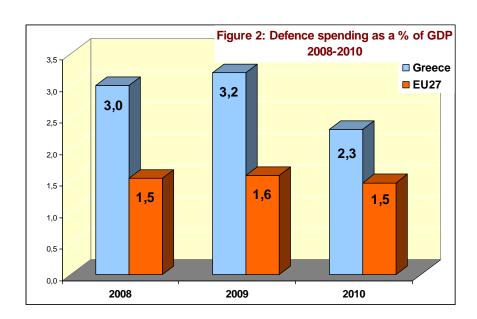


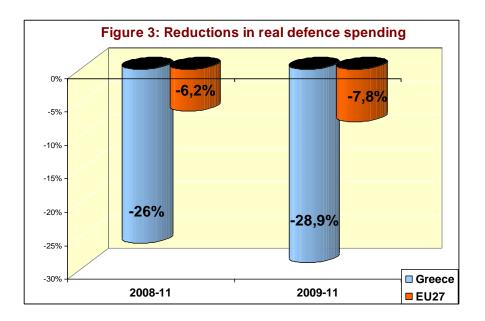
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All public expenditures have been severely affected by the current deep economic and fiscal crisis. The concomitant austerity measures implemented in order to reduce public deficits and control public debt, brought about large and unprecedented across the board budget cuts. This has also been the case for defence spending. As it has been the case for many EU countries, Greek defence spending as a share of GDP has declined in recent years (Figure 2) and it is expected to fall further in the next couple of years.

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The recorded reduction is significant but by no means does it reveal the sheer magnitude of the actual cutbacks in the defence budget given that Greek GDP has also fallen with extremely high annual rates: by -3.1% in 2009, -4,9% in 2010, -7,1% in 2011, -6,5% in 2012 and a forecasted fall of -4.5% in 2013. Thus, if allowances are made for this huge decrease in GDP, the defence budget has undergone unparalleled cutbacks (Figure 3) [Most recent available data used in order to

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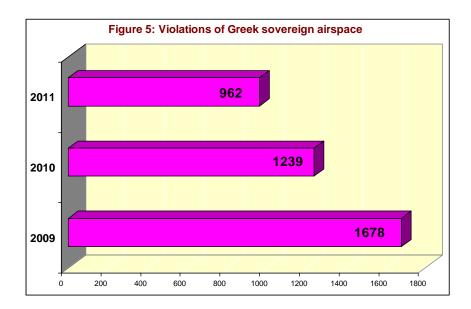
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maintain consistency in the comparisons]. The -28.9% reduction in real Greek defence expenditure between 2009-11 dwarfs the -7,8% fall in total EU27 spending on defence and is much higher when compared to other EU member states such as for instance Spain (-15,1%), Italy (-13,9%), France (-10%), Germany (-5%), Portugal (-7,9%) for the same period (Table 1).

Table 1: Reductions in real defence spending in selected EU countries	
	2009-11
Greece	-28,9%
Spain	-15,1%
Portugal	-7,9%
Italy	-13,9%
Germany	-5%
France	-10%
Ireland	-9,7%
Austria	-1,8%
EU27	-7,8%

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The corresponding cumulative fall in Greek GDP during the same years (i.e. 2009-11) was -15,1%. It follows therefore, that thus far the defence budget has experienced cuts almost double than the actual decline in GDP. By any standards, a budget cutback by almost a third in such a short period of time is a hardly sustainable situation for any organization let alone one that is assigned the role of protecting national interests and producing national security. Furthermore, this severe reduction has to be seen against the backdrop of the national security problems faced by Greece. In a sense, vis-à-vis her EU partners, Greece is in a category of her own when it comes to national security challenges emanating from neighboring countries. Hence, the need to invest scarce and valuable resources to national defence with the concomitant fiscal and economic burden. To highlight this point, during the period in question (i.e. 2009-11) Turkish fighter planes have violated Greek sovereign airspace almost four thousand times (Figure 4) with the ensuing corresponding interceptions by the Greek air force. [Data from the Hellenic National Defence General Staff. http://www.geetha.mil.gr/index.asp?a_id=2776]

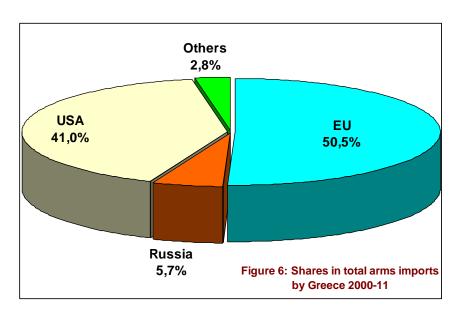


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Greece is by far a net importer of conventional weapons, and ranks high in the list of arms importing countries worldwide: 5th in the period 2000-11. Of the total arms imported by Greece during this period, just over half came from other EU member states (Figure 6). Germany ranks as the biggest EU exporter of weapons to Greece during this period accounting for 45% of total EU arms sales to Greece, followed by France with just over 23% and the Netherlands with 12,5%. Indeed, Greece ranks as the largest importer of German weapons exports during 2010-11; 5th in the case of French arms exports, 2nd in the case of the Netherlands; 4th for Italian arms exports and 1st when it comes to Denmark accounting for almost 68% of total Danish arms exports during 2000-11.

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Current challenges for Greek defence policy

The regional and international environment will remain fluid and unstable. There will be continuing concern with international terrorism, transnational organized crime, illegal migration and failed/failing states. For reasons of geography and economic affluence, Greece will be strongly affected by those trends. Security, demographic, political and socio-economic developments in the Mediterranean and the Middle East will put an increasing strain on Southern European states (which are front-line states whether the Mediterranean is considered a faultline, a bridge or a barrier).

At the same time, as underlined in other parts of this paper, problems and issues of friction with Turkey persist. For example, there are very frequent violations that on a yearly basis number in the hundreds. Although it could be argued that many of these incidents could have been avoided through a technical agreement between the two countries, facilitated by NATO [pending the legal resolution of the problem] it is difficult to understand what Turkey is trying to achieve with low-level overflights of warplanes over inhabited Greek islands or why Turkish warships are violating the spirit if not the letter of the "innocent passage" right, often very close to Greece's mainland coast. And the frequent references by Turkish politicians -fortunately not from the AKP governing party- to a number of inhabited Greek islands in the Aegean as belonging to Turkey (the infamous "grey zones" theory) do not exactly strengthen confidence and trust between the two countries. Also, as already mentioned, top Turkish military officers have been brought to trial for plotting for the overthrow of the Turkish government through a staged military conflict with Greece

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('Balyoz/Sledgehammer' plan). Furthermore, the Turkish *casus belli* in case Greece exercises what it considers its right under UNCLOS to extend its territorial waters to 12 miles is still on the table. Not to mention the Turkish position that Castelorizo and other Greek islands have no right of either continental shelf or Exclusive Economic Zone (EEZ) or that Cyprus has no right of an EEZ while at the same time agreeing on the delineation of maritime zones with the self-proclaimed 'Turkish Republic of Northern Cyprus'.

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In view of the above, it is hardly surprising that Greece continues to maintain sizeable armed forces and high defence expenditures despite its dire economic situation. We will not argue that Greece's position is axiomatically the right one on every single issue (or that defence expenditures have always been wisely spent). And one gas of course every right to debate whether Greece's threat perception is accurate, exaggerated or outdated; this should be done, however, on the basis of factual evidence, not simple opinions. Nevertheless, between countries that are members of NATO and, perhaps in the future fellow members of the EU, such matters should be resolved by diplomacy and international adjudication, not the threat of the use of force.

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...increased
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We would argue that the key concept for Greek foreign and security policy in the next few years should be the smart use of its resources in foreign and defence policy. A number of important changes in the sphere of national security policy will be necessary to maintain Greek combat efficiency at lower levels of defence expenditures. Economies of scale, cooperative schemes, full exploitation of high efficiency organizational and operational models and doctrines, as well as the use of new technologies might be part of the answer in Greece's problems in the defence sector. To this end, Greece should take maximum advantage of the EU's concept of 'Pooling and Sharing', NATO's concept of 'Smart Defence' and of bilateral opportunities for training, defence reform, security sector reform, crisis management and disaster management systems, and strategic planning mechanisms.

POLICY RECOMMENDATIONS

- Increasing evidence of corruption in defence procurement has been uncovered in the last few months, confirming earlier suspicions. Obviously, the need for increased transparency in defence procurement should be a top priority, completing a restructuring process that has been under way for some time;
- Any major decision for defence reform should be linked to a Defence Review (a process that should conducted on a regular basis: probably every year, five years and ten years, albeit at different depth and scale) that would re-examine basic assumptions about the regional strategic environment, the nature of external threats, new technologies, doctrines and organizational models as well as the social and economic conditions in Greece. Such a Defence Review -long overdue- would provide the necessary answers to Greece's security dilemma and would lay the foundations for realistic threat assessment and force planning in order to maintain Greece's deterrent capability (by increasing the cost for any opponent), without undermining the national economy and the country's future;
- The central objective should be the streamlining of the command structure and greater emphasis on joint training, planning, and operations; economies of scale through integration of intelligence, logistics, and air-defense of the three branches; There has been progress in the last decade in this direction. What appears to be missing is a "strategic plan/vision";

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• Closing a substantial number of military bases and consolidating training centers would reduce operational expenses and facilitate economies of scale, allowing therefore the Greek Armed Forces to 'achieve more with less' ('more bang for the buck'). Such reforms should be implemented as soon as possible;

- Gradual, well-planned steps for the creation of a smaller, more efficient mixed force of professionals and conscripts, although economic problems may significantly delay this effort. Additional emphasis on the training and education of officers; And, of course, decisions are necessary regarding the length of military service and the role of conscripts;
- No more exclusive emphasis on platforms, but rather on the procurement of smart weapons and force multipliers. Gradual movement from platform-centric to network-centric armed forces with the final objective of creating a mixed, multi-mission force; full exploitation of the possibilities offered by new technologies (C⁴I, UAVs, simulators, long-range stand-off weapons, electronic warfare, sensors, space capabilities) and doctrines (in the framework of the Revolution in Military Affairs/RMA); more linear organizational and more horizontal command system;
- The modernization and strengthening of all three branches of the Armed Forces is vital and necessary (due to the need for joint operations), and their role will be mutually supportive and reinforcing. With a weak navy Greece would lose control of the Aegean (and the Eastern Mediterranean, if required) and with a weak army it would not be in a position to defend the islands. It could be argued, however, that airpower, although by no means capable of winning a conflict by itself, can both act as a strong deterrent in peacetime and, if deterrence fails, create a protective umbrella under which the other two services can fight and win a war. Therefore, preventing enemy air superiority should be a top priority. At the same time, the Army should be streamlined and perhaps slightly reduced in size in order to use available resources to increase its combat capability. But any such changes should, of course, be the outcome of well-designed Defence Policy Review;
- There is an obvious need for strategic choices in order to ensure the survivability of Greece's remaining defence industry for economic and national security reasons. A viable and developed defence industry might also result in technological spin-offs for the civilian sector. Such knowledge and technology diffusion could be potentially important for a country with very limited funding for R&D, which has, however, highly qualified scientific potential, both incountry, but also abroad. Improved prospects in the R&D sector might attract some of them back to Greece, boosting scientific and technological research.

It can be argued that the only viable option for the survival of the defence industry of a medium country, with a small domestic market, and rather limited technological edge, is to participate in multinational programmes. This option is, in principle, available only to the Hellenic Airspace Industry (EAB), which has the capability and know-how to survive international competition through cooperation with major players in the aerospace industry. Other public sector defence companies should be privatized, in a way that will safeguard both Greek national security and economic interests. There is also need to support the several small-size private defence companies that could be perfectly viable enterprises;

• Finally, in view of the difficulties of coordination between relevant ministries and agencies, the lack of a coordinating mechanism on national security issues (especially if a wider definition of the term 'national security' is adopted) becomes even more pronounced. The creation of a

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'National Security Council', with a mandate for (a) strategic planning and (b) crisis management would be strongly recommended.

The need for strategic choices

Managing the frequently difficult relationship with Turkey remains a top foreign policy priority for any Greek government. Of course statements should be followed by actions and the two countries should work hard for a resolution of bilateral problems on the basis of international law.

Greece would go at great lengths to avoid a new arms race with Turkey and has periodically submitted various ideas for arms reduction and confidence-building measures. However, as the other side is usually not responsive to such initiatives and as there is a Turkish *casus belli* statement still hanging in the air, if it is deemed necessary to maintain a sufficient deterrent capability and peace and stability in the Aegean, then Greece would have no choice but to maintain higher defence expenditures than other EU member states and to invest in technological superiority and the full exploitation of its human resources, as well as the strengthening of strategic alliances. The challenge is to achieve those tasks in times of financial duress.

Of course, the ultimate objective should remain the full normalization of Greek-Turkish relations. The two countries are certainly not condemned to a permanent adversarial relationship. For very different domestic reasons, however, neither side is prepared to enter into a serious negotiation in order to resolve their differences, and that will remain the case until at least 2014 (the constitutional reform and the Turkish presidential elections on the one hand and the beginning of the end of the Greek crisis on the other).

Although it appears increasingly unlikely that in the near future there will be any breakthrough in the exploratory talks for the full normalization of Greek-Turkish relations, it is imperative that the talks be continued. It would, perhaps, be wiser if both sides focused on improving economic relations, and exploring ideas for confidence-building measures and functional interim solutions regarding overflights, air-space violations, dogfights and naval incidents. At the same time, the discovery of hydrocarbon deposits in the Eastern Mediterranean and expectations of even larger deposits in other parts of the region may complicate bilateral relations even further. Both sides should seek ways to avoid conflict on energy resources in the Eastern Mediterranean through respect for the relevant provisions of international law.

Finally, Greece remains a full member of the EU and NATO and both institutions are involved into various conflict-prevention and stabilization efforts in Europe's increasingly unstable wider neighbourhood. As Greece's strategic choice is to become as deeply integrated into the European security architecture as possible, and as Greece's security interests are served by a preventive conflict resolution approach and the early containment of sources of instability, it should contribute to such efforts on the basis of its capabilities. It should therefore structure part of its armed forces in such a way as to increase interoperability and participation to EU and NATO multinational forces. However, current fiscal constraints and national defence priorities have relegated this into a secondary priority objective. Indeed, Greece has significantly reduced its contribution to multinational (NATO & EU) missions over the past few months due to financial constraints. It is a regrettable, yet understandable decision under the circumstances. The long-

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term challenge for Greece will continue to be the reconciliation of its international responsibilities with deeply entrenched national security interests and convictions.

Further Readings

IISS Military Balance 2013

SIPRI Yearbook 2012

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Yannis Valinakis, *Greece's Security in the Post-Cold War Era* (Stiftung Wissenschaft und Politik, S394, Ebenhausen/Isartal, April 1994.

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ⁱ For those estimates, we would also like to thank Nicolas Protonotarios, a defence economist cooperating with ELIAMEP in the SWP-led project on European Defence.