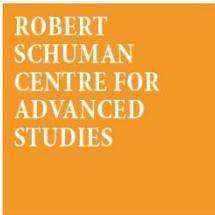




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Robert Schuman Centre for Advanced Studies  
Global Governance Programme

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the case of Southern Europe

Nuno Severiano Teixeira and Ana Santos Pinto



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RSCAS Policy Paper 2014/08

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## **Abstract**

The global economic and financial crisis, which broke out in 2008, had a significant impact on European countries and, consequently, on its fiscal and budgetary decisions in the various policy areas. Security and Defence were no exception. Although the fact that the international security context continues to require a proper response to a set of transnational and sub-national risks and threats, the European countries decided to adapt their budgets to an environment of economic crisis, namely by applying austerity measures to its defence structures. This article analysis the impact of these austerity measures in four southern European countries – Portugal, Spain, Italy and Greece – arguing that, despite national particularities, there are some common trends regarding the Defence and Armed Forces sector: the decline in Defence expenditure; an overall reduction in manpower, both civilian and military; the decrease of investment, procurement and R&D; and a reduction of military peacekeeping deployments. In order to overcome the consequences that the economic crisis had in the European Union Defence dimension, this article argues that the current context should be taken as an opportunity. At the national level, through the promotion of structural reforms of the Defence and Armed Forces that allow to maintain the same level of ambition, but with optimizing resources. At the European Union level, Defence cooperation should be seen as the better way to improve capabilities in any level of spending, either through overall common instruments or through sub-regional security and defence cooperation mechanisms.

## **Keywords**

European Defence; Southern Europe; Austerity; Cooperation



## Introduction\*

The global economic and financial crisis, which broke out in 2008, had a significant impact on European countries and, consequently, on its fiscal and budgetary decisions in the various policy areas. Security and Defence were no exception. Despite the fact that the international security context continues to require a proper response to a set of transnational and sub-national risks and threats – including regional instability, namely in the broader Middle East and North Africa; arms and nuclear proliferation; cyber-attacks; various extremist and terrorist movements; organised crime and human trafficking; and potential natural disasters –, the European countries decided to adapt their budgets to an environment of economic crisis, namely by applying austerity measures to its defence structures.

With decreasing resources but the same (or even growing) needs, all European countries were forced to think on how to obtain better results at any level of spending – personnel, investment and operations/maintenance – and reducing the impact of major expenditure cuts. This trend has been pursued at two levels: at the national level, most European countries started a process of adjustments and reforms within the defence structure aiming at more efficient organizational arrangements; at the European level, through the promotion of a better cooperation between countries, namely regarding common projects (including force generation and investment), both at the NATO and European Union (EU) level. As an example of this international cooperation, the Atlantic Alliance started a comprehensive debate on a new way of thinking about generating modern defence capabilities, the so-called ‘smart defence’ concept, with the aim of encouraging Allies to cooperate in developing, acquiring and maintaining military capabilities. The same as been done within the EU’s Common Security and Defence Policy (CSDP), namely through the promotion of the ‘pooling and sharing’ concept in the European Defence Agency (EDA) framework. Most EU countries, notably those who are also NATO’s members, must now look for the best way of profiting from the cooperation’s mechanisms within the two organizations, in a logic of complementarity and aiming to improve its operational response, particularly in international missions.

Since 2010, real defence spending in Europe has declined at a compound annual growth rate of 1.9%, with reductions of 3.0% in 2011, 2.2% in 2012 and 2.4% in 2013. Overall, real defence-spending levels were 7.4% lower than in 2010<sup>1</sup>. Despite this general trend, at the national level, the evolution of defence budgets is different across Europe, in three major trends. The first corresponds to the countries that increased its military spending. Only ten out of 37 European states increased their defence expenditures, including Poland (14.8%) – which is seeking to increase the number of the country’s deployable troops and to become an even more active participant, particularly in the NATO’s framework – Bulgaria (10.2%) Norway (9.1%) and Turkey (5.4%)<sup>2</sup>.

A second trend concerns to the three major spenders in Western Europe – the UK, France and Germany – that have made small reductions in military spending since 2008, in each case by less than 5% in real terms. However, in 2010, the UK presented its Strategic Defence and Security Review (SDSR)<sup>3</sup> and planned to reduce its defence budget by 7.5% over four years, although in practice the cuts may have been deeper. Germany has planned to cut around 10% in its military expenditure by

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\* This paper follows a previous contribution to the LSE Ideas Special Report on “A Strategy for Southern Europe” (October 2013), with a revised version and updated data after 2013.

<sup>1</sup> *The Military Balance 2013: The Annual Assessment of Global Military Capabilities and Defence Economics*. Oxfordshire: Routledge, 2014, p. 63.

<sup>2</sup> *The Military Balance 2013: The Annual Assessment of Global Military Capabilities and Defence Economics*. Oxfordshire: Routledge, 2014, p. 63.

<sup>3</sup> Cf. “Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review”, October 2010, available at <https://www.gov.uk/government/publications/the-strategic-defence-and-security-review-securing-britain-in-an-age-of-uncertainty>.

2015 (compared to 2011). And France, which presented its White Paper on Defence in 2013<sup>4</sup>, is planning to maintain roughly constant spending in real terms.

Finally, a third trend corresponds to the Southern European countries, which have made the largest cuts and significantly reduced their defence budgets since the beginning of the crisis, with particular large decreases in Greece (-42%), Spain (-19.6%) and Italy (-15.8%)<sup>5</sup>.

Nevertheless the budgetary constraints, the EU-28 member-states are still one of the largest defence spenders in the world. Even if most European countries spent – prior to the economic crisis – less than 2% of their GDP on defence<sup>6</sup>.

### Defence spending in Southern Europe

In the context of the Euro crisis, the Southern European countries are among the most badly affected. They faced, first, serious sovereign debt problems in the wake of the banking crisis and a long period of economic recession. Like Ireland, Portugal and Greece were forced to ask for international financial assistance. Spain and Italy were not formally obliged to apply for it, but all four Southern European countries face very similar problems: high deficits, rising debts and deep economic recessions. To fulfil the terms of the bailouts, or simply to restore the markets' confidence, all these countries adopted fiscal consolidation policies as the first priority and approved harsh austerity measures. These austerity programs have heavily affected not only the Welfare State, but also core functions of sovereignty including, above all, Defence.

Since 2008, military expenditures show a significant decrease in southern European countries, where the cuts reached the highest levels in Europe. This trend had obvious effects on the most important sectors of the Defence Ministries and Armed Forces: personnel, investment<sup>7</sup> and deployment.

#### Defence Spending (millions of Euros)

	2005	2006	2007	2008	2009	2010	2011	2012
Italy	26 964	26 631	20 932	22 631	21 946	21 637	21 741	20 600
Spain	10 500	11 506	12 219	12 756	12 196	11 132	10 059	10 828
Greece	4 956	5 240	5 579	6 192	6 023	4 756	3 604	3 272
Portugal	2 532	2 452	2 403	2 536	2 671	2 782	2 699	2 366

Source: Information gathered by the authors according to the European Defence Agency (EDA) Defence Data Portal, available at <http://www.eda.europa.eu/info-hub/defence-data-portal>.

Still, it should be highlighted that the political and budgetary options, in the different Southern European countries, are not homogenous. One of the major reasons is the weight that defence industries have in Italian and Spanish economies, compared with Portugal and Greece. Italy's military industrial base is ranked fourth in Europe and fifth in the world<sup>8</sup>, with Finmeccanica<sup>9</sup> – the country's

<sup>4</sup> Cf. "White Paper on Defence 2013", available at <http://www.defense.gouv.fr/actualites/articles/livre-blanc-2013>.

<sup>5</sup> *The Military Balance 2013: The Annual Assessment of Global Military Capabilities and Defence Economics*. Oxfordshire: Routledge, 2014, p. 63.

<sup>6</sup> We should recall that all NATO members are committed in spending, at least, 2% of their GDP in military expenditure.

<sup>7</sup> The investment dimension of national defence budgets includes not only new equipment procurement and R&D expenditure, but also the modernization processes of equipment already in use.

<sup>8</sup> Stockholm International Peace Research Institute, *Sipri Yearbook 2012 Armaments, Disarmament and International Security*. Oxford University Press, 2012, p. 248. According to the SIPRI Top 100 arms-producing and military services

major defence company – having, in 2011, a total of 24,074 million dollars of total sales and around 70,470 employees. The Spanish military industrial base is ranked tenth in the world and sixth in Europe<sup>10</sup>, with emphasis on the stake that the country has in EADS one of the aircraft global leading companies<sup>11</sup>. These means that any major cut in military investment projects in Italy and Spain will have direct effects on their national economies and, consequently, will aggravate the domestic economic crisis environment. Although all Southern European countries have made cuts in every area of military spending, this could explain why the Spanish and Italian governments would choose to cut, primarily, on personnel and operations/maintenance rather than on investment programmes, whereas Portugal and Greece<sup>12</sup> could find major cuts, with a transversal scope, across all defence expenditure.

This also means that these countries have different approaches regarding international cooperation in defence industrial initiatives. Italy and Spain can use their industrial basis to participate and lead transnational cooperation projects, either in EU and NATO's framework, while Portugal and Greece are limited to potential expertise niches. These differences, that support some of the political choices made in the framework the budgetary constraints, may also be important in defining each country's international strategies in security and defence issues.

### **Portugal**

Since 2005, and across the crisis, Portugal shows relatively constant military spending of around 2,500 million euros. Between 2008 and 2010 Defence expenditure grows, even slightly, up to nearly 2,700 million euros, which meant a total of 1.6% of the GDP. Since then, however, and under the strong pressure of austerity policies, the military expenditure decreased from 2699 million euros in 2011 to 2366 million euros in 2012, which represents 1.4% of the GDP<sup>13</sup>. These cuts had immediate consequences and, in the framework of the so-called 'reform of the State' process, the Portuguese government launched a new reform of the Defence and Armed Forces.

Regarding personnel, in 2003 (when Portugal changed from a military system based on conscription to a professional army) Portuguese Armed Forces had already been substantially reduced. In 2010 the number stood at 38,000 troops across the three branches of the Armed Forces. However, the personnel expenditure still represents 74% of the total defence expenditures in 2013<sup>14</sup>. In order to optimise the defence budget structure, the on-going reform<sup>15</sup>, taking into account the established level of ambition, points to a reduction of about 8,000 troops and a total number for the Armed Forces of about 30,000 military.

(Contd.) \_\_\_\_\_

companies (available at <http://www.sipri.org/research/armaments/production/Top100>) Italy has 7 companies among the top 100 arms producing corporations in the world: Finmeccanica (8), Agusta Westland (24), Alenia Aeronautica (49), Fincantieri (63), Selex Galileo (75), MBDA Italia (90) and Avio (93).

<sup>9</sup> Finmeccanica is one of the largest industrial and high-tech group in Italy, the 8th major defence company in the world and the third in the European Union (after the British BAE Systems and the European consortium EADS).

<sup>10</sup> Stockholm International Peace Research Institute, *Sipri Yearbook 2012 Armaments, Disarmament and International Security*. Oxford University Press, 2012, p.248.

<sup>11</sup> According to the SIPRI Top 100 arms-producing and military services companies (available at <http://www.sipri.org/research/armaments/production/Top100>) Spain has 3 companies among the top 100 arms producing corporations in the world: EADS (21), Navantia (55) and Indra (94).

<sup>12</sup> Neither Portugal or Greece have any military company in SIPRI Top 100 arms-producing and military services companies.

<sup>13</sup> According to the European Defence Agency (EDA) Defence Data Portal, available at <http://www.eda.europa.eu/info-hub/defence-data-portal>.

<sup>14</sup> NATO Public Diplomacy Division, *Financial and Economic Data Relating to NATO Defence*. Communique PR/CP(2014)028, 24 February 2014.

<sup>15</sup> Cf. Instituto da Defesa Nacional, *A Defesa Nacional no contexto da reforma das funções de soberania do Estado*. IDN, Janeiro de 2013. Available at <http://www.idn.gov.pt/index.php?mod=008&cod=13032013x2>.

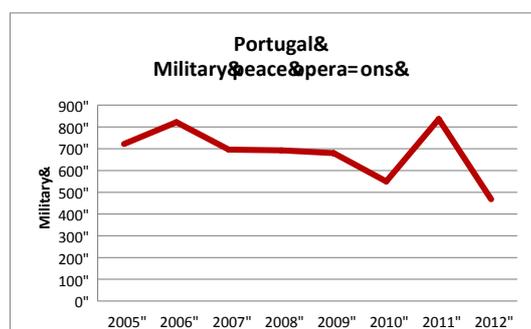
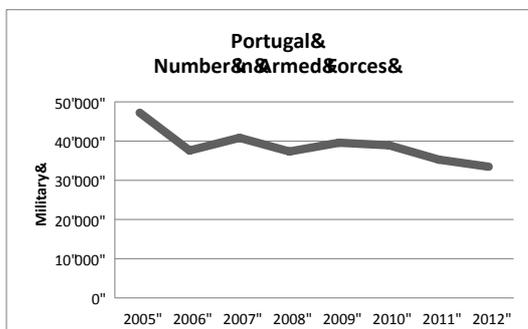
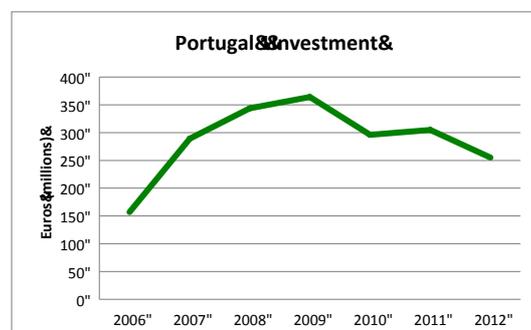
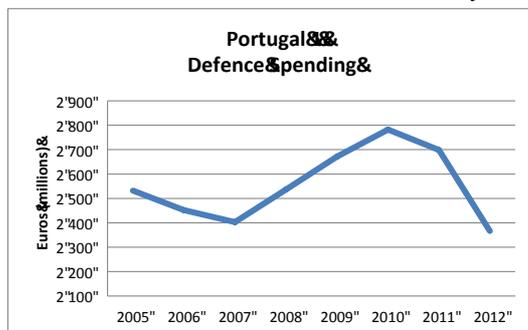
Concerning investment, there is also a clear decreasing path: from 364 million euros in 2009 to 255 Million euros in 2012. This meant a fall from 14% to around 11% of the total military expenditure. But the trend is getting worse. In the following years, in order that the Ministry of Defence would meet, both, the budget targets and the financial commitments with arm suppliers, it was forced to find a solution to the on-going military modernization programs: to postpone payments to arm suppliers; and freeze or suspend some programs, some of which were already underway, like those of NH90 helicopters and the PANDUR II 8/8 armoured vehicles.

Finally, the cuts have also negative effects at the operational level, namely in the participation of the Portuguese Armed Forces in international peacekeeping missions. Although with slight fluctuations, the decreasing tendency of overseas deployment is similar to other Southern European countries. In 2008 Portugal had a total of about 700 troops abroad, which in 2012 have been reduced to about 468. In 2012, the withdrawal from UNIFIL (Lebanon) and the reduction of about 50% in ISAF (Afghanistan) was compensated by the presence of the Portuguese navy in EUNAVFOR Atalanta in Somalia. In 2013 the Portuguese presence in military peace missions was of about 550 military<sup>16</sup>.

### Portugal

	2005	2006	2007	2008	2009	2010	2011	2012
<b>Defence Spending (millions)</b>	2 532	2 452	2 403	2 536	2 671	2 782	2 699	2 366
<b>Investment (millions)</b>		157	289	344	364	296	305	255
<b>Military peace operations</b>	721	822	696	692	680	549	836	468
<b>Number in Armed Forces</b>	47 215	37 577	40 855	37 346	39 568	38 927	35 254	33 446

Source: Information gathered by the authors according to the European Defence Agency (EDA) Defence Data Portal and The Military Balance 2012 and 2013.



<sup>16</sup> Estado-Maior-General das Forças Armadas, Mapa de Missões. Available at <http://www.emgfa.pt/pt/operacoes/mapa>.

## **Spain**

Among all countries of southern Europe, Spain is the one that shows a larger and more abrupt reduction of the military expenditures. And the reason is simple: between 2000 and 2008, under a period of economic growth, Spain developed a policy of international standing and increased, exponentially, its military spending in about 29%, being one of the biggest in Western Europe. The crisis, however, had an immediate impact on Defence expenditure, and between 2008 and 2012 the budget decreased by about 19.6%, which represents 1% of the GDP<sup>17</sup>.

Since 2008 these cuts had strong consequences for the Ministry of Defence and the Armed Forces. These consequences are, first of all, on personnel: the reduction starts with the civilian personnel of the Ministry of Defence and Armed Forces branches and then extends to the military. Personnel expenditures have a growing weight in the Defence budget, which represented, in 2012, 57% of the total military expenditures<sup>18</sup>. In 2008 the total number in Armed Forces reached 137,800 troops and by 2012 had fallen to 124,561. This reduction trend continues in the following years, opening an on-going debate on reducing manpower, in accordance with the necessary adjustments regarding the changes in the force structure<sup>19</sup>.

Secondly, the cuts have consequences on investment. Spain launched, in 2000, an ambitious military modernization program with 19 new equipment programs for the three branches of the Armed Forces. Since the beginning of the crisis, however, the cuts imposed a downward trend in investment, which in 2008 was of 2,850 million euros and, in 2011, was already about 750 million euros, recovering in 2012. The cuts have imposed heavy restrictions on compliance with the modernization programs and its financial commitments, amounting to 26 billion euros<sup>20</sup>. The solution found by the Spanish Ministry of Defence was, on the one hand, to restructure debts to arms suppliers and, on the other, to freeze or delay some programs (Typhoon aircraft; A400M transport aircraft)<sup>21</sup>.

Finally, the spending cuts have consequences for the military operational dimension, with a reduction of the overseas deployment and the commitment of the Spanish Armed Forces in international peacekeeping missions, either in NATO, EU and UN framework. Spain reached a maximum of 3,400 military deployed in 2006; in 2008 had about 3,000 troops abroad and, in 2012, had about 2,700 military in international missions. This trend continued with the withdrawal of the contingent in UNIFIL (Lebanon) and the planned withdrawal from ISAF (Afghanistan).

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<sup>17</sup> *The Military Balance 2013: The Annual Assessment of Global Military Capabilities and Defence Economics*. Oxfordshire: Routledge, 2014, p. 63.

<sup>18</sup> NATO Public Diplomacy Division, *Financial and Economic Data Relating to NATO Defence*. Communiqué PR/CP(2014)028, 24 February 2014.

<sup>19</sup> Cf. *The Military Balance 2013: The Annual Assessment of Global Military Capabilities and Defence Economics*. Oxfordshire: Routledge, 2013., p. 95.

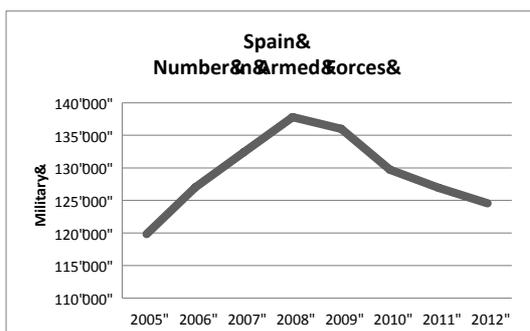
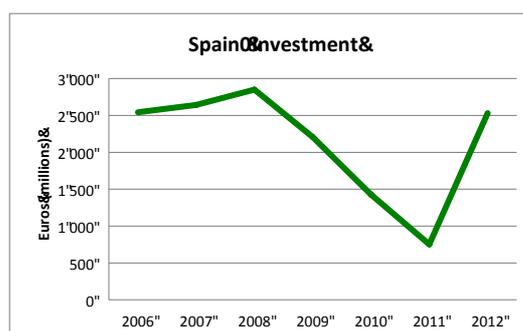
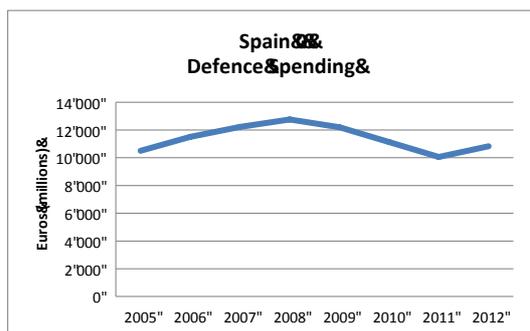
<sup>20</sup> Stockholm International Peace Research Institute, *Sipri Yearbook 2012 Armaments, Disarmament and International Security*. Oxford University Press, 2012, p.178.

<sup>21</sup> *The Military Balance 2013: The Annual Assessment of Global Military Capabilities and Defence Economics*. Oxfordshire: Routledge, 2014, p. 63.

## Spain

	2005	2006	2007	2008	2009	2010	2011	2012
<b>Defence Spending (millions)</b>	10 500	11 506	12 219	12 756	12 196	11 132	10 059	10 828
<b>Number in Armed Forces</b>	119 832	127 000	132 400	137 800	136 000	129 723	126 924	124 561
<b>Investment (millions)</b>		2 544	2 644	2 851	2 208	1 427	753	2 532
<b>Military peace operations</b>	2 442	3 400	2 762	3 026	2 378	2 660	3 088	2765

Source: Information gathered by the authors according to the European Defence Agency (EDA) Defence Data Portal and The Military Balance 2012 and 2013.



## Italy

The economic and financial crisis had a direct impact on the Italian defence expenditures. SIPRI<sup>22</sup> estimates around 16% real-terms drop in Italy military budget between 2008 and 2011, with major spending cuts falling on operation/ maintenance, restriction on recruitment and freezing or postponement of equipment programs. In 2008, Italy had a defence expenditure of 22,600 million euros (corresponding to 1,4% of the GDP), comparing with 20,600 in 2012 (corresponding 1,3% of the GDP). However, the first major budget reduction occurred in 2006-2007, moving from a defence spending of 26,600 million of euros, in 2006, to 20,900 million of euros in the 2007 annual budget.

Regarding personnel, Italian Armed forces decreased from 307,000 troops in 2006 to 184,318 in 2012. It could be consider that one of the most critical issues in Italy's Defence structure are the personnel costs, which represented 77% of the total defence expenditure in 2013<sup>23</sup>. Therefore, in 2012,

<sup>22</sup> Stockholm International Peace Research Institute, *Sipri Yearbook 2012 Armaments, Disarmament and International Security*. Oxford University Press, 2012, p.177.

<sup>23</sup> NATO Public Diplomacy Division, *Financial and Economic Data Relating to NATO Defence*. Communique PR/CP(2014)028, 24 February 2014.

the Italian government undertook a rationalization process of defence expenditures, with the proposal of a major cut of 30,000 military for the next decade.

Concerning investment, this rationalization proposal included the postponement of some procurement programmes. As an example of the decrease in investment projects, Italy as decided to reduce its planned order for F-35 fighter jets, considered one of the world’s costliest defence project, from 131 to 90 aircrafts<sup>24</sup>, although the country is still the second largest EU partner in this transatlantic programme, after the UK. Other major multinational procurement programmes – including Eurofighter, NH90 and FREMM – have not yet been reviewed<sup>25</sup>.

Regarding international missions, Italy has tried to maintain its commitments intact so far. It maintained an average commitment of 6,700 military in peacekeeping operations in 2010-2012, being its main missions ISAF (Afghanistan), UNIFIL (Lebanon) and KFOR (Kosovo)<sup>26</sup>.

### Italy

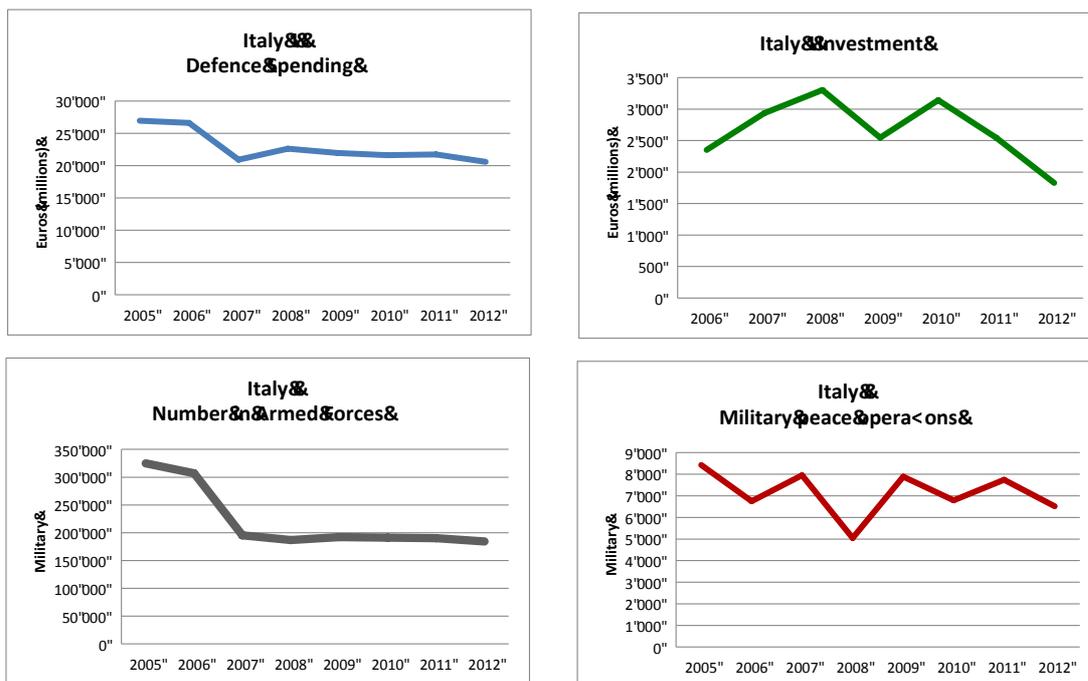
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Defence Spending (millions)</b>	26 964	26 631	20 932	22 631	21 946	21 637	21 741	20 600
<b>Number in Armed Forces</b>	324 984	307 000	195 268	186 956	192 186	191 231	190 113	184 318
<b>Investment (millions)</b>		2 351	2 936	3 302	2 545	3 140	2 546	1 828
<b>Military peace operations</b>	8 425	6 748	7 951	5 047	7 884	6 790	7 744	6512

Source: Information gathered by the authors according to the European Defence Agency (EDA) Defence Data Portal, available at <http://www.eda.europa.eu/info-hub/defence-data-portal>.

<sup>24</sup> Bloomberg, ‘Italy Slashes Lockheed Martin F-35 Order in Defense Shakeup’. Feb 15, 2012, viewed on 19 June 2013. Available at <http://www.bloomberg.com/news/2012-02-15/italy-to-cut-f-35-fighter-jet-orders-as-part-of-defense-revamp.html>.

<sup>25</sup> The Italian example shows the impact of having a large national defence industry. Italy sacrifices the F-35 program, but retains the FREMM Frigate program and the NH-90, where it’s industry (Finnmeccanica and Ficantieri) is heavily involved.

<sup>26</sup> *The Military Balance 2013: The Annual Assessment of Global Military Capabilities and Defence Economics*. Oxfordshire: Routledge, 2013.



### Greece

Greece was the second-biggest defence spender among the 27 NATO countries, after the United States. It had also one of the highest ‘military burden’ in the EU, until 2011 more than 2% of its GDP, with a military budget in 2012 of 3,272 million euros (compared with 6,200 million euros in 2008). Greece’s particular geostrategic context contributed to this fact. With long-running tensions with Turkey<sup>27</sup> (nevertheless the relations between the two countries have improved in recent years), Greece has a strategic position in the Mediterranean – with an extensive Exclusive Economic Zone (EEZ) and the need to control thousands of islands and porous borders regarding illegal immigration and organised crime –, as well as the need to promote stability in the Balkans, Black Sea and Eastern Mediterranean.

The Greek defence budget for 2012 showed a 16% fall in nominal terms, compared with the previous year, with further cuts planned in coming years as part of the austerity package<sup>28</sup>. Since the beginning of the crisis, Greece had decreased its military expenditure in around 40%.<sup>29</sup>

Regarding personnel, the Armed Forces were also being restructured. The definition of cuts on personnel started with the approval, in the end of 2003<sup>30</sup>, of the new force structure for the 2005-2020, predicting a reduction in military from 178,500 to 142,000, mainly in the Army. Although, the definition of the force structure was reviewed every five years and major cuts were made in the number of troops, being from 133,700 in 2008 to 109,070 in 2012. More than 70% of Greek budget is devoted for personnel costs alone. Furthermore, military and civilian personnel account around 2.5%

<sup>27</sup> Namely the Aegean Sea disputes (a complex of maritime, air, territorial and boundary disputes) and the conflict regarding Cyprus.

<sup>28</sup> Stockholm International Peace Research Institute, *Sipri Yearbook 2012 Armaments, Disarmament and International Security*. Oxford University Press, 2012, p.176.

<sup>29</sup> *The Military Balance 2013: The Annual Assessment of Global Military Capabilities and Defence Economics*. Oxfordshire: Routledge, 2014, p. 63.

<sup>30</sup> It should be highlighted that in 2001 Greece ended the state of war and mobilization of the Armed Forces resulting from the 1974 Turkish invasion of Cyprus.

of Greece's total labour force, spending more on its soldiers, as a proportion of its economy, than any other EU member-state<sup>31</sup>.

In what concerns international missions, the number of troops abroad was also reduced from 2,400 in 2008 to 1,320 in 2012. It should be highlighted that the major Greek military contingent is in Cyprus, with a total of 1,150 troops. Greece has reduced the number of troops in other international missions, namely ISAF (Afghanistan, from 137 troops in 2008 to 3 in 2012), EUFOR (Bosnia-Herzegovina, from 45 troops in 2008 to 2 in 2012), KFOR (Kosovo, from 744 troops in 2008 to 120 in 2012) and UNIFIL (Lebanon, from 192 troops in 2008 to 57 in 2012).

Considering investment, between 2003 and 2007 Greece was one of the fourth-largest arms importers<sup>32</sup>, behind China, India and United Arab Emirates. The Greek purchase of new military equipment reaches particularly high values for the average of the EU countries (around 30% of the total defence expenditure), being France and Germany among of the main suppliers<sup>33</sup>. The 2011-2015 Arms Procurement Plan has been reduced by 70%, in comparison with the previous 2006-2020 prospects<sup>34</sup>.

### Greece

	2005	2006	2007	2008	2009	2010	2011	2012
<b>Defence Spending (millions)</b>	4 956	5 240	5 579	6 192	6 023	4 756	3 604	3 272
<b>Number in Armed Forces</b>	139 809	138 994	134 759	133 775	133 385	124 266	116 970	109 070
<b>Investment (millions)</b>		1 500	1 707	2 140	2 133	1 148	300	327
<b>Military peace operations</b>	2 740	3 141	2 313	2 427	1 985	2 065	1 920	1320

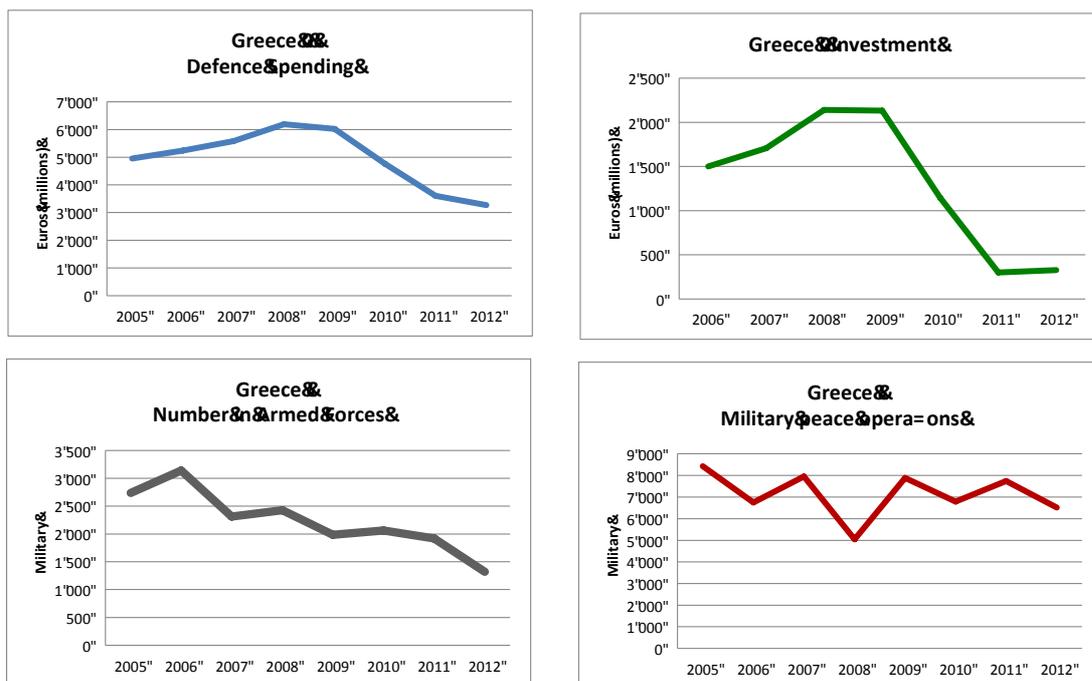
Source: Information gathered by the authors according to the European Defence Agency (EDA) Defence Data Portal, available at <http://www.eda.europa.eu/info-hub/defence-data-portal>.

<sup>31</sup> NATO Public Diplomacy Division, *Financial and Economic Data Relating to NATO Defence*. Communiqué PR/CP(2014)028, 24 February 2014.

<sup>32</sup> Until 2006, part of the Greek procurement expenditure was made under a legal and financial framework that allowed its non-inclusion in the public debt.

<sup>33</sup> According to SIPRI, from 2000 to 2011, Germany accounted for 23% of Greece's total arms imports, next to the United States and ahead of France, which was third, with at 12% of total.

<sup>34</sup> Stockholm International Peace Research Institute, *Sipri Yearbook 2012 Armaments, Disarmament and International Security*. Oxford University Press, 2012, p.176.



According to this brief analysis, since 2008 there is a widespread cut in Southern European countries’ military spending, which mainly results from the economic crisis environment and the implementation of national austerity policies. This decrease implies not only a reduction in manpower, but also a decline in the investment – with consequences on the modernization and acquisition of new military capabilities – and a restraint in the participation in international peacekeeping missions.

Since this trend is not likely to be changed in a short term, and may even be aggravated, it can be expected consequences at two levels. At the national level, a more careful definition of the Security and Defence policy’s priorities regarding strategic objectives and international cooperation, either in terms of force generation and investment projects. At the international level, a more limited disposal from the southern European countries to assume international military commitments within the organizations in which they participate (namely UN, NATO and EU), with obvious consequences to their role as international security providers.

### Way out? Permanent structured cooperation or sub-regional defence cooperation

Despite national particularities, the four southern European countries under austerity policies show similar trends regarding the Defence and Armed Forces sector.

The first trend is the decline in Defence expenditure. With the exception of Portugal, all other southern European countries have reduced their defence expenditure, in real terms, in the last five years. Second, there is an overall reduction in manpower, both civilian and military. Although there is an international trend for a reduction in manpower – resulting, among other reasons, from technological change, adjustment and modernization of the force structure and private sector contracting –, this tendency in the Southern European countries results, mainly, from economic crisis. A third trend is the decrease of investment, procurement and R&D. All Southern European countries froze or suspended some of their military modernization programmes, although with differences between the countries whose defence industries have an important impact on national economies (Italy and Spain) and the others (Portugal and Greece). Finally, there is a reduction of military peacekeeping deployments. All Southern European countries have decreased the number of troops in international

missions, which had consequences on these countries contribution to international operations, both at NATO and EU level, also reducing their role as international security providers.

The economic crisis, the austerity, the reduction of military expenditure and the downgrading of the political priority given to Defence can only be overcome by taking the context of crisis as an opportunity. And if this is true for the European Union as a whole, it is even truer for Southern Europe.

That could be done at two levels. At the national level, through the promotion of structural reforms of the Defence and Armed Forces that allow to maintain the same level of ambition, but with optimizing resources. In other words, doing more with less. This would mean an improvement of the ratio between support and operational military, a rationalization of the resources available and a more balanced budgetary structure, reducing personnel cost and increasing investment, R&D and operations/maintenance expenditure. The major objective should be more deployable Armed Forces, capable to respond to the current security and defence environment.

But the current economic and financial crisis should also constitute an opportunity to deepen the Defence cooperation between EU member-states.

At the European level, with the overall decrease of defence expenditures, European Defence cooperation should be seen as the better way to improve capabilities in any level of spending, particularly regarding investment and force generation. In terms of investment, the path chosen by the EU member-states since 2010, at the Ghent framework, was ‘pooling and sharing’<sup>35</sup>. This process is based on bilateral or multilateral initiatives among member-states, but outside the decision-making processes in CSDP framework, as defined in the Lisbon Treaty, namely the ‘permanent structured cooperation’<sup>36</sup>.

The ‘pooling and sharing’ project is a step in the right direction, but a long-term process, which has yielded so far little or no practical results. In this sense, for the success of ‘pooling and sharing’ enterprise, some pre-conditions are needed: first, all member-states that show political will to participate should be included; second, those who are willing to participate should do it within the CSDP institutional framework. If both conditions were fulfilled, and in order to be a real EU security and defence outcome, there would be no substantial difference between ‘pooling and sharing’ and the ‘permanent structured cooperation’, as a specific cooperation mechanism for CSDP, as defined in the Lisbon Treaty.<sup>37</sup>

However, if the option of a ‘permanent structured cooperation’, with a truly common nature, would not be politically viable in the current context, the European countries could adopt, at least, mechanisms of sub-regional security and defence cooperation. Based on the Nordic Defence Cooperation example, European countries, namely in Southern Europe, should promote the enhancement of political discussions regarding cooperative ownership of defence equipment, investment and R&D partnerships, strengthening of joint training or even conducting joint missions. This would result in the creation of ‘mini-defence unions’<sup>38</sup> that would promote, from a sub-regional basis, the strengthening of an European defence.

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<sup>35</sup> Cf. Biscop, Sven & Coelmont, Jo, Pooling & Sharing: from Slow March to Quick March? Egmont Security Policy Brief No. 23, May 2011; Giegerich, Bastian, Budget Crunch: Implications for European Defence. *Survival*. 52 (4), 2010.

<sup>36</sup> Cf. Article 42 (6) of the Treaty on European Union (TEU).

<sup>37</sup> Cf. Teixeira, Nuno Severiano, *European Defense: Past Legacy, Present Changes, Future Challenges*. EUI Working Papers RSCAS 2012/03, January 2012.

<sup>38</sup> Ojanen, Hanna, *Nordic Defence Cooperation – Inspiration For The EU or a Lesson in Matching Expectations?*. TEPSA Policy Paper, February 2014.