

Greece could have saved 108 bn euros since 1974 if it had followed the European NATO member states' average in defence spending

Defence spending in Greece from 1974 to 2010 exceeds 250 bn euros.

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- According to the SIPRI & IISS databases, Greece has spent over 218 billion dollars in defence-related expenses from 1974 to 2010.
- According to NATO figures on annual defence spending, from 1974 to 2010 defence spending in Greece exceeds 250 billion euros (in constant 2005 prices). Public debt before the country received its first EU aid package in 2010 was estimated at 310 bn euros according to official data by the Ministry of Finance.
- According to NATO data, if Greece could follow the pattern of defence spending based on the European NATO member states' average as a percentage of their GDP for the period 1974-2010, Greece could have saved 108.1 billion euros in constant 2005 prices. Compared to public debt reduction measures, the PSI totalled 106 bn euros without taking into account the costs incurred by the recapitalization of banks.
- With the exception of unavailable official data by the Greek Ministry of Defence, all available databases (IISS, SIPRI and NATO) demonstrate the significant defence burden of defence spending in Greece as a percentage of GDP, compared to European/NATO member states.
- During 2001-2011, and despite the reduction in military spending in 2011 due to fiscal consolidation, Greece was the fifth largest importer of major conventional weapons according to the SIPRI Arms Transfers Database (10.3 billion U.S. dollars) after China (24 billion), India (23 billion), South Korea (12.6 billion) and the United Arab Emirates (10.9 billion)!
- In 2007-2011, Greece was the largest recipient of German and the second largest recipient of French arms, accounting for 13% of the volume of German and 10% of French exports of major conventional weapons, according to the International Institute for Peace Research Stockholm (SIPRI).
- At a global level the primacy of U.S. exports to Greece amounting to 48% of the global major conventional armaments exports total is since 1974 is undeniable.
- Even at the height of the financial crisis in 2010, certain European countries sold military equipment to Greece worth over one billion euros, while Greece held negotiations on the EU aid package. According to the "Thirteenth Annual Report According to article 8(2) of Council common position 2008/944/CFSP defining common rules governing control of exports of military technology and equipment" (2011/C 382/01), France was the largest supplier of military equipment to Greece (876 m euros), followed by Germany (36 m), the Netherlands (53 m euros), Italy (54 m euros) and Spain (33 m euros), with an answer by the European Commission pending to my question on this subject.

Defence Expenses: A political non-issue

Defence procurement is one of the most corrupt sectors of public procurement representing roughly 40% of all corrupt global transactions according to the 2011 SIPRI Yearbook. Due to the sensitive and secretive nature of defence procurement data, even members of national parliaments find it hard to access relevant data.

The level of defence spending has rarely been challenged. It was considered a taboo subject, given that public opinion was convinced that defence expenses were necessary for the country's defence, independence and territorial integrity, and as a result a unified concept of defence policy fully supporting the role of the country's armed forces became prevalent. Proposals to seek other alternatives to provide for security as a public good combined with reductions in military spending, were deemed unrealistic.

In the aftermath of the 1974 invasion of Turkey in Cyprus, Greece redefined its defence and security priorities by withdrawing its forces from NATO's military command (to be readmitted back in 1980) and invested heavily in the setting up of a domestic defence manufacturing base. Nevertheless, and despite these fluctuations, Greece also invested in large-scale defence procurement programmes.

Defence procurement in Greece became politicised, serving different political ends. Greece's commitments as a member of the NATO alliance resulted to skyrocketing defence expenses. Many suspected the clientelism between the government and the administration of national defence firms. Despite suspicions of money laundering for some defence contracts, few reached the stage of having a formal investigation carried out that bore results. The arrest of the former Defence Minister, Akis Tsochatzopoulos is probably the tip of the iceberg.

The serious financial crisis in Greece has put the country's overlooked issue of uncontrolled defence expenditure back into mainstream debate after decades of silence. The time is ripe to have a constructive debate as regards the correlation between defence spending and the skyrocketing debt. Were these defence expenses beyond government oversight?

As a matter of fact, the one who raised this important issue at a European level, accusing European governments of hypocrisy, was Danny Cohn Bendit, the co-president of the Greens in the European Parliament. At times, many attempted to raise their voice on this issue but usually remained on the margins of the political debate

Until recently, there was no up-to-date work on this subject and the figures released were unverified and not based on primary data or research findings. Due to the demand by Greek and European citizen groups to collect data on the actual level of defence spending in Greece, particularly for the period 1974-2010, and in order to allow Green MEPs and MEPs from other political groups, European organizations and journalists who request information on this subject to form an informed opinion on that matter, my team of policy advisors, Katerina Tsoukala, a security and defence policy expert specializing on disarmament and Dimitris Bourikos, an expert on economic affairs have conducted a study using official data from SIPRI, IISS and NATO.

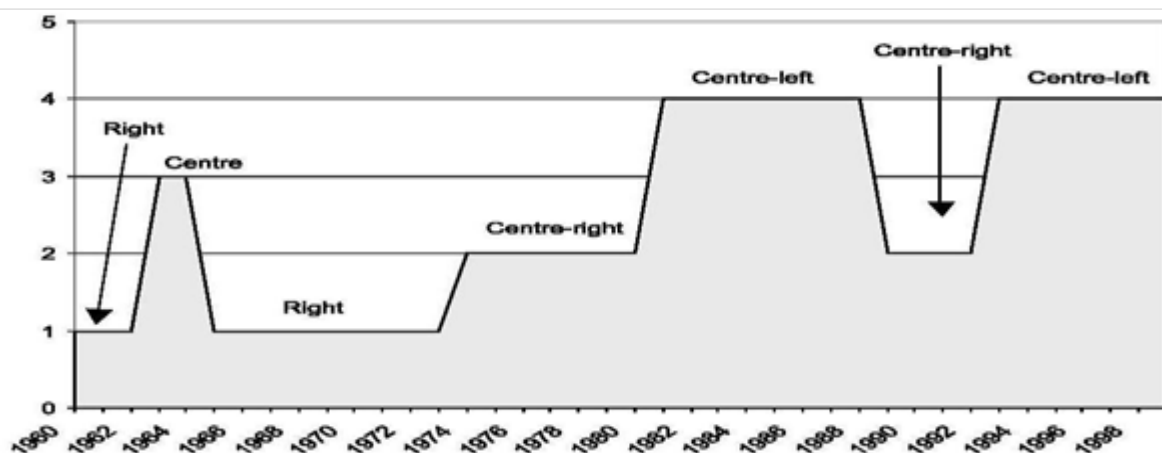
The data we collected and processed demonstrate that defence expenditure in Greece from 1974 to 2010, according to the SIPRI & IISS databases, exceed **218 billion dollars**, whereas according to NATO data on defence expenses as a percentage of GDP, it is estimated that defence expenses in Greece for the same period exceed **250 bn euros**, while Greece's public debt by the time Greece received the EU aid package in 2010 was estimated at **310 bn euros**, according to official data by the Ministry of Finance.

The premise that a small country like Greece could waive its defence expenditure is of course unrealistic. **Nevertheless, Greece could have had provided for the security and defence of its citizens as a public good, with much less expenses, simply by following the European NATO member states defence expenses average as a percentage of their GDP.** The role of the **armaments lobbies** has to be further examined and highlighted especially as regards defence procurement decision-making and Greece's deviation from the EU-NATO average. Were these decisions made without the intervention of interests associated with money laundering? Revelations brought to light in the media have convinced us that rather the opposite has been the case.

In any case, there is no reasoning as to why these costs were so exorbitantly high. If Greece simply followed the average of European NATO countries as a percentage of military spending of their GDP for the period 1974-2010, then at constant 2005 prices, savings of 108.1 billion euros would have incurred.

An interesting finding generated by the correlation of defence spending in 1968-1998 and political governance in Greece (Figure 1) demonstrates that the centre-left governments since the 1960's are largely to blame for the increase in defence expenditures over the period 1968-1998. The first "procurement of the century" in 1985, is attributed to Andreas Papandreou. The Simitis government followed the same pattern in armaments procurement, led by the former Minister of Defence Akis Tsochatzopoulos (4 trillion drachmas in 1996).

Chart 1: Defence Expenditure and Political Spectrum of Greek Governments (1960-1998)
 Kollias, Christos. "Military Expenditure and Government Debt in Greece: Some Preliminary Empirical Findings." Defence and Peace Economics 15.2 (2004): 195



Data Analysis and Findings

According to the SIPRI & IISS databases, Greece has spent from 1974 to 2010 over 218 bn USD according to Table 1. From 1974 to 1987 defence expenditure data are presented in constant 1985 USD price and from 1988 to 2010 in constant 2009 price USD. In 2010 data are presented in current 2010 USD price. The time series of the defence expenses in Greece is presented in Table 1.

Table 1: Defence expenditure in Greece (1974-2010) The Military Balance & SIPRI Military Expenditure Database. Data in constant 1985 USD price from 1974 to 1987 and in constant 2009 price USD from 1988 to 2009. In 2010 data are presented in current 2010 USD price.

Source: (1974-1987) The Military Balance, (1988-2010) SIPRI

Year	€ m.	\$ m.	% GDP
1974		807	4.0
1975		2,288	6.8
1976		1,249	5.0
1977		1,100	5.0
1978		2,715	6.7
1979		2,630	6.3
1980		2,276	5.7
1981		2,693	7.0
1982		2,746	6.9
1983		2,505	6.3
1984		2,413	7.1
1985		2,331	7.0
1986		2,418	5.6
1987		1,987	6.2
1988	1,145	7,062	4.2
1989	1,220	6,544	3.8
1990	1,486	6,616	3.5
1991	1,683	6,275	3.6
1992	2,027	6,521	3.6
1993	2,264	6,365	3.6
1994	2,554	6,475	3.6
1995	2,842	6,613	3.2
1996	3,259	7,009	3.3
1997	3,665	7,469	3.4
1998	4,184	8,139	3.5
1999	4,496	8,521	3.6
2000	4,895	8,992	3.6
2001	4,948	8,794	3.4
2002	5,030	8,626	3.2
2003	4,462	7,390	2.6
2004	5,048	8,125	2.7
2005	5,652	8,786	2.9
2006	6,064	9,135	2.9
2007	6,235	9,128	2.8
2008	7,219	10,148	3
2009	7,612	10,572	3.2
2010	7,062	9,369	
AVG	4,133	5,752	4.4
TOTAL		218,584	

Chart 2: Defence Expenses in Greece 1974-2010 (The Military Balance, SIPRI)



The comparison of defence expenditure in Greece to other countries for the same period is particularly interesting. For this purpose, we used the NATO database, which provides data on the percentage of GDP allocated to defence. The advantage of the NATO database is that it provides comparative data on different aspects of defence expenses (personnel, equipment, infrastructure, other costs, etc.), as well as comparative data for every member of the alliance. As a result, the processing of these data validates our findings on the disadvantageous position of Greece compared to other countries, especially to European countries which are also NATO members. The findings presented in Table 2 and Figure 3, demonstrate clearly the disproportionate rate of defence spending in Greece as a percentage of GDP compared to the average rate of defence expenditure as a percentage of GDP in European countries, members of the NATO alliance.

Table 2: Greece: Defence expenditure (% of GDP) compared to NATO and European member states of NATO (NATO Europe), 1974-2010

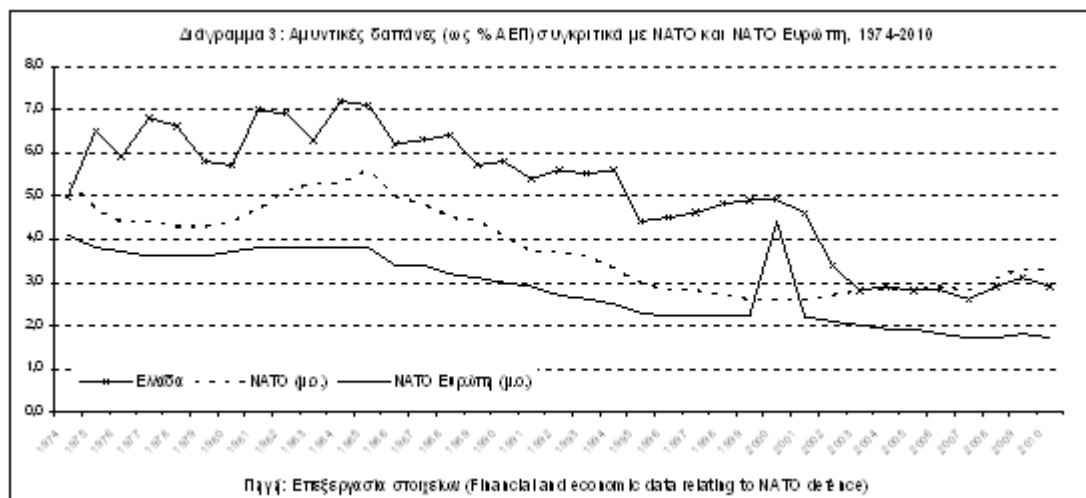
Year	Greece	NATO	NATO Europe*
1974	5,0	5,3	4.1
1975	6,5	4,7	3.8
1976	5,9	4,4	3.7
1977	6,8	4,4	3.6
1978	6,6	4,3	3.6
1979	5,8	4,3	3.6
1980	5,7	4,4	3.7
1981	7,0	4,7	3.8
1982	6,9	5,1	3.8
1983	6,3	5,3	3.8
1984	7,2	5,3	3.8
1985	7,1	5,6	3.8
1986	6,2	5,0	3.4
1987	6,3	4,8	3.4
1988	6,4	4,5	3.2
1989	5,7	4,4	3.1
1990	5,8	4,1	3.0
1991	5,4	3,7	2.9
1992	5,6	3,7	2.7
1993	5,5	3,6	2.6
1994	5,6	3,3	2.5

1995	4,4	3,0	2.3
1996	4,5	2,8	2.2
1997	4,6	2,8	2.2
1998	4,8	2,7	2.2
1999	4,9	2,6	2.2
2000	4,9	2,6	4.4
2001	4,6	2,6	2.2
2002	3,4	2,7	2.1
2003	2,8	2,8	2.0
2004	2,9	2,8	1.9
2005	2,8	2,8	1.9
2006	2,8	2,9	1.8
2007	2,6	2,8	1.7
2008	2,9	3,1	1.7
2009	3,1	3,3	1.8
2010	2,9	3,3	1.7

*NATO Europe: NATO excl. Canada & USA

Source: NATO, Financial and economic data relating to NATO defence (www.nato.int)

CHART 3



Applying these percentages of GDP at ecu / euro 2005 constant prices provided by the database of the European Commission AMECO, we derived in absolute numbers defence spending in Greece in euros. On this basis, it is possible to compare the actual Greek defence expenditure to hypothetical defence expenditure if the same percentage of GDP as the average of the European NATO countries had been applied in Greece and calculate potential savings. The findings of these calculations are displayed in Table 3 and Figure 4.

Table 3: Greece: Defence spending (in constant 2005 prices, million euros) and savings based on the NATO Europe average, 1974-2010

Year	Greece 1 (Actual Spending)	Ελλάδα 2	Savings (difference of Greece 1-
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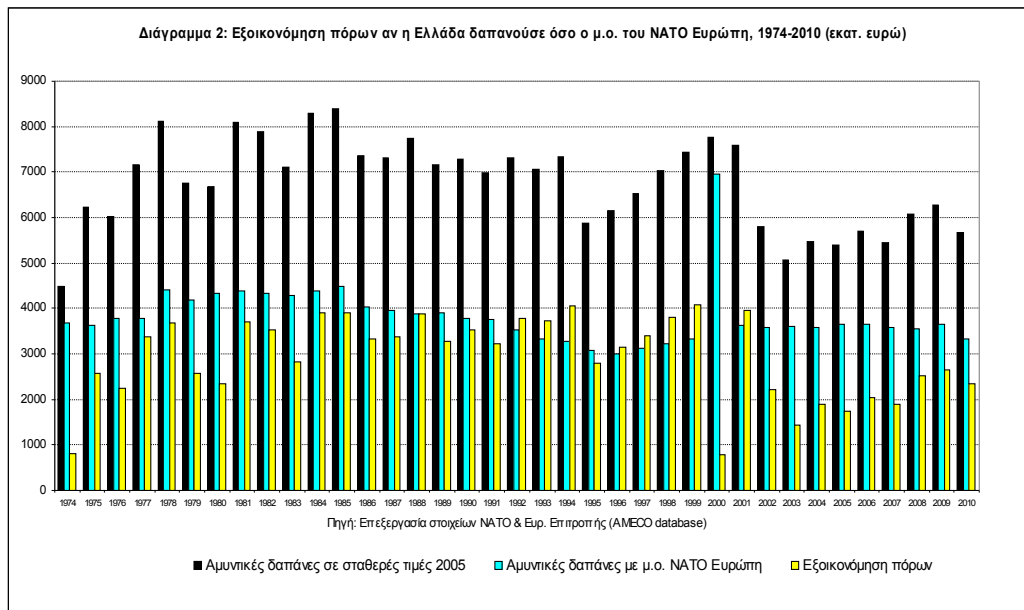
		(hypothetical spending according to the NATO Europe* average)	Greece 2)
1974	4497	3687	809
1975	6218	3635	2583
1976	6031	3782	2249
1977	7155	3788	3367
1978	8108	4423	3685
1979	6760	4196	2564
1980	6689	4342	2347
1981	8086	4390	3697
1982	7881	4340	3541
1983	7118	4293	2825
1984	8298	4379	3918
1985	8388	4489	3899
1986	7363	4038	3325
1987	7313	3946	3366
1988	7747	3874	3874
1989	7162	3895	3267
1990	7288	3769	3518
1991	6995	3757	3239
1992	7305	3522	3783
1993	7060	3337	3722
1994	7332	3273	4059
1995	5882	3075	2807
1996	6157	3010	3147
1997	6523	3120	3403
1998	7036	3225	3811
1999	7428	3335	4093
2000	7761	6969	792
2001	7591	3631	3961
2002	5804	3585	2219
2003	5064	3617	1447
2004	5474	3586	1887
2005	5405	3668	1737
2006	5705	3668	2038
2007	5456	3568	1889
2008	6076	3562	2514
2009	6284	3649	2635
2010	5672	3325	2347
Total 1974- 2010	250110	141746	108364

*NATO Europe: NATO excl. Canada & USAⁱ

Source: NATO, *Financial and economic data relating to NATO defence* (www.nato.int)

European Commission, *AMECO database (GDP)*

CHART 4



According to official data by NATO we note that the cumulative total defense spending for the period 1974-2010, at constant 2005 prices, exceeded **250 billion euros**, an amount directly comparable with the level of public debt at the time Greece received the first EU aid package and an indication of the temporal effects of defence spending in the current fiscal situation of the country.

The total in defence expenses, however, is not sufficient to adequately demonstrate the dire need to reform defense policy given that there is rarely any public debate in Greece challenging the core assumption that defence spending alone can safeguard national sovereignty.

However, comparison of data on Greece and other NATO countries is much more revealing, as it demonstrates that had Greece followed the European NATO member states defence spending average as a percentage of their GDP for the period 1974-2010, then at constant 2005 prices, this pattern in defence spending would have resulted in savings of 108.1 billion.

This amount exceeds the 106 billion in fiscal benefits following the implementation of PSI, an amount that does not include the net financial loss for the recapitalization of banks. According to the IMF (IMF, Country Report 12/57, March 2012, p.88), it is estimated that 50 billion euros are required to recapitalize banks, while it is forecasted that the Greek government will recover 16 billion euros when the banks re-privatize. Therefore, the estimate for losses from the recapitalization of banks is 34 billion and as such the net fiscal benefit by the PSI is approx. 72 billion euros. This number does not reflect the heavy toll and the sacrifices Greek people continue to make or the commitments signed by the Greek government under the new loan agreement.

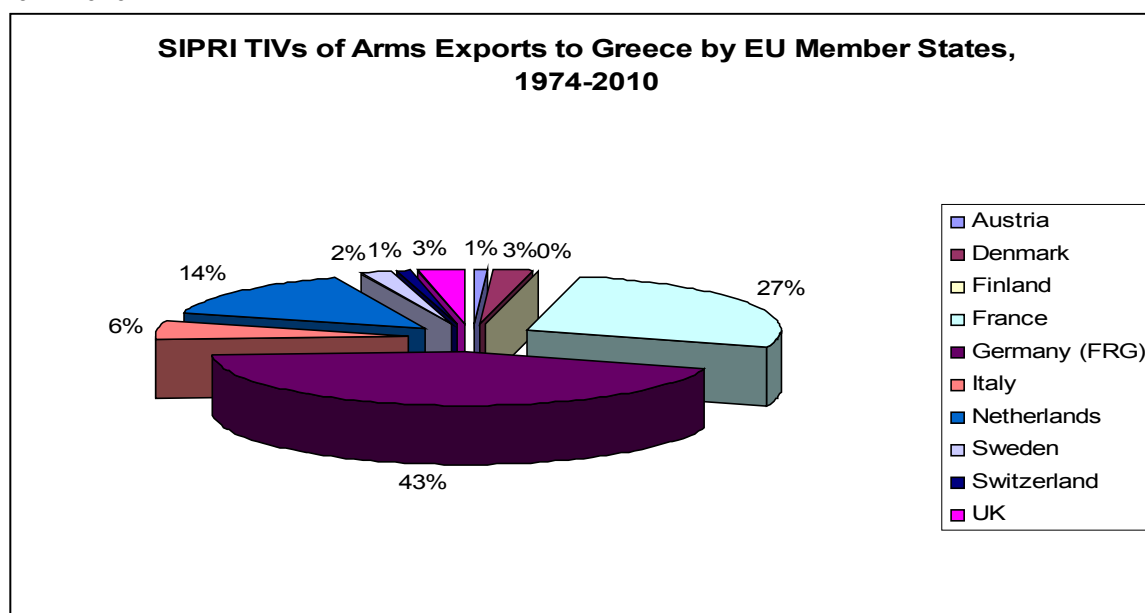
In addition, in these savings of the 108.1 billion we can not include other confidential and secret expenses by the Ministries of Defence, Foreign Affairs and Citizen Protection and no safe conclusion can be drawn in the absence of data on the effects of corruption, as the recent arrest of former Minister Akis Tsohatzopoulos demonstrates.

The demand for transparency and the fight against corruption is a long-standing issue for the Green Ecologists, and as the aforementioned data demonstrate, there is clearly an issue of choice with regards to the framing of defense policy that has to be reformed as a matter of priority. National security and national sovereignty concepts should also include means to ensure decent living and working conditions, self-management of our natural resources, and the fair functioning of the welfare state, ensuring social cohesion, following the principles of Critical Security and Security Sector Reform (SSR).

Nevertheless, who benefited the most from these excessive (compared to other countries) defense expenditures in Greece? Mostly European, Russian and American defence industries as well as Greek government officials and Greek politicians who were in charge of defence procurement decisions. The tip of the iceberg is the recent arrest of the former Minister of Defence in Greece for money laundering.

Chart 5 and Table 4 show the amounts and rates of exports of major conventional weapons systems in Greece by EU countries in the period 1974-2010, clearly demonstrating that Germany and France had the lion's share with Greece importing 43% of the volume of major conventional arms by Germany and 27% by France by its EU counterparts. Chart 6 and Table 5 show relevant data but on a global level, where the primacy of the U.S. with 48% is undeniable, followed by Germany with 20%, while U.S. exports to Greece during the same period are greater than all the European countries together (15 billion U.S. dollars at constant prices 1990).

Chart 5: SIPRI Trend Indicator Percentage Values of Major Arms Exports to Greece by EU States, 1974-2010



EU States	US\$ m	%
Germany (FRG)	6552	43
France	4055	27
Netherlands	2147	14
Italy	879	6
UK	445	3
Denmark	385	3
Sweden	290	2
Switzerland	150	1
Austria	107	1
Finland	12	0
Total	15022	

Table 4: SIPRI Trend Indicator Values of Arms Exports to Greece by EU States, 1974-2010 expressed in US\$ m. at constant (1990) prices

Chart 6: SIPRI Trend Indicator Percentage Values of Global Arms Exports to Greece, 1974-2010

SIPRI TIVs of Arms Exports to Greece 1974-2010

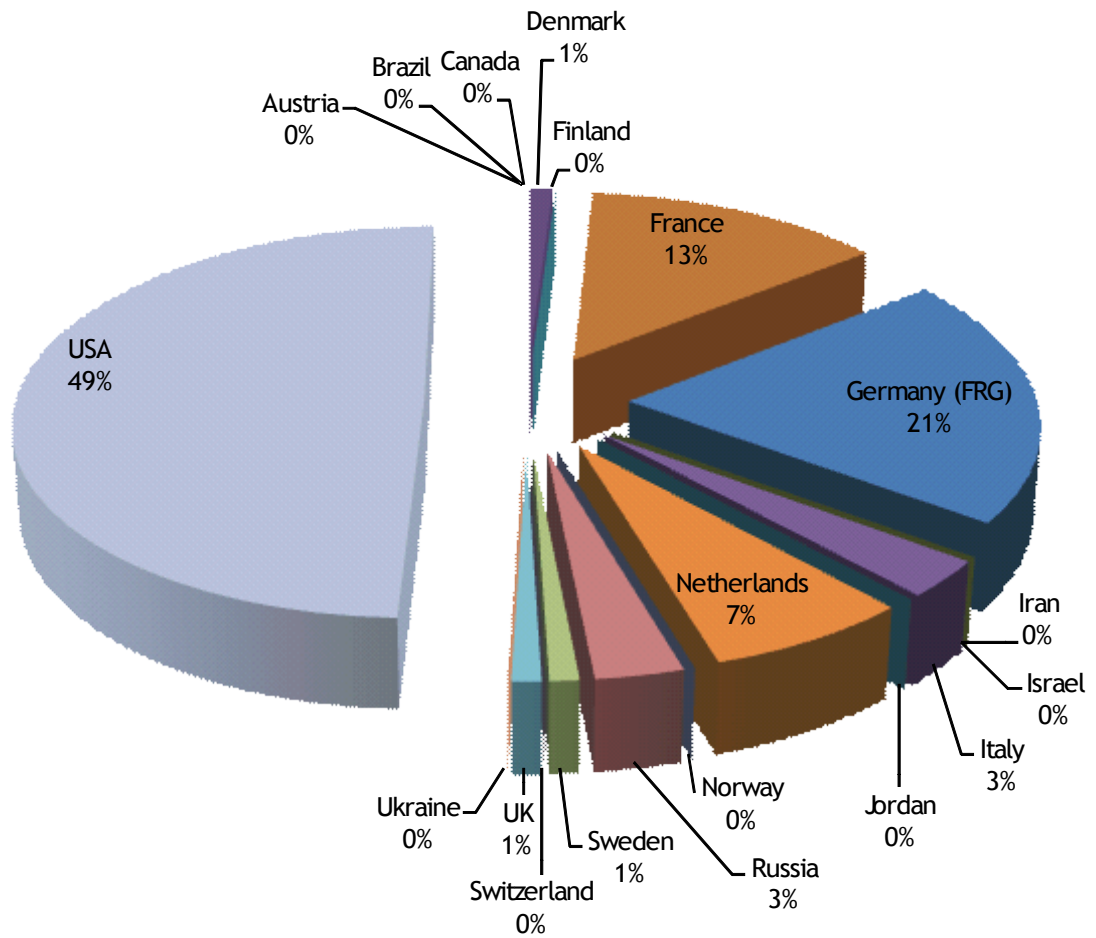


Table 5: SIPRI Trend Indicator Values of Global Arms Exports to Greece, 1974-2010

State	\$ m.	%
USA	15475	49%
Germany (FRG)	6552	21%
France	4055	13%
Netherlands	2147	7%
Russia	1060	3%
Italy	879	3%
UK	445	1%
Sweden	290	1%
Switzerland	150	0%
Israel	120	0%
Norway	119	0%
Austria	107	0%
Canada	77	0%

Jordan	68	0%
Brazil	48	0%
Iran	32	0%
Total	32081	

The European Union has to support Greece in the redesigning of its defence and security policy by safeguarding its European borders and by strengthening initiatives in the framework of cooperation and good neighbourhood in the wider area. Nevertheless, the European Commission has to assist in order to publicise all cases of money laundering regarding defence procurement in Greece, especially when European defence firms have been actively involved.

My recent interventions at the European Parliament:

- <http://www.chrysogelos.gr/index.php?limitstart=11&lang=en>
- http://www.chrysogelos.gr/index.php?option=com_k2&view=item&id=952:the-arrest-tsohatzopoulos-will-become-the-base-for-clearance&Itemid=75&lang=en
- <http://www.chrysogelos.gr/index.php?limitstart=99&lang=en>

¹SIPRI TIV figures do not represent sales prices for arms transfers. They should therefore not be directly compared with gross domestic product (GDP), military expenditure, sales values or the financial value of export licences in an attempt to measure the economic burden of arms imports or the economic benefits of exports. They are best used as the raw data for calculating trends in international arms transfers over periods of time, global percentages for suppliers and recipients, and percentages for the volume of transfers to or from particular states.

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