

# Guns, debt and corruption: Military spending and the EU crisis

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**High levels of military spending played a key role in the unfolding economic crisis in Europe and continues to undermine efforts to resolve it.**

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## Executive Summary

Five years into the financial and economic crisis in Europe, and there is still an elephant in Brussels that few are talking about. The elephant is the role of military spending in causing and perpetuating the economic crisis. As social infrastructure is being slashed, spending on weapon systems is hardly being reduced. While pensions and wages have been cut, the arms industry continues to profit from new orders as well as outstanding debts.

The shocking fact at a time of austerity is that EU military expenditure totalled €194 billion in 2010, equivalent to the annual deficits of Greece, Italy and Spain combined.

Perversely, the voices that are protesting the loudest in Brussels are the siren calls of military lobbyists, warning of “disaster” if any further cuts are made to military spending. This paper shows that the real disaster has emerged from years of high European military spending and corrupt arms deals. This dynamic contributed substantially to the debt crisis in countries such as Greece and Portugal and continues to weigh heavy on future budgets in all of the crisis countries.

The power of the military-industrial lobby also makes any effective cuts less likely. This is perhaps most starkly shown in how the German government, while demanding ever higher sacrifices in social cuts, has been lobbying behind the scenes against military cuts because of concerns this would affect its own arms industry.

The paper reveals how:

- **High levels of military spending in countries now at the epicentre of the euro crisis played a significant role in causing their debt crises.** Greece has been Europe’s biggest spender in relative terms for most of the past four decades, spending almost twice as much of its Gross Domestic Product (GDP) on defence as the EU average.

Spain’s military expenditure increased 29% between 2000 and 2008, due to massive weapon purchases. It now faces huge problems repaying debts for its unnecessary military programmes.

As a former Spanish secretary of state for defence said: “We should not have acquired systems that we are not going to use, for conflict situations that do not exist and, what is worse, with funds that we did not have then and we do not have now.” Even the most recent casualty of the crisis, Cyprus

owes some of its debt troubles to a 50% increase in military spending over the past decade, the majority of which came after 2007.

- **The debts caused by arms sales were often a result of corrupt deals between government officials but are being paid for by ordinary people facing savage cuts in social services.**

Investigations of an arms deal signed by Portugal in 2004 to buy two submarines for one billion euros, agreed by then-prime minister Manuel Barroso (now President of the EU Commission) have identified more than a dozen suspicious brokerage and consulting agreements that cost Portugal at least €34 million.

Up to eight arms deals signed by the Greek government since the late 1990s are being investigated by judicial authorities for possible illegal bribes and kickbacks to state officials and politicians.

- **Military spending has been reduced as a result of the crisis in those countries most affected by the crisis, but most states still have military spending levels comparable to or higher than ten years ago.** European countries rank 4<sup>th</sup> (UK), 5<sup>th</sup> (France), 9<sup>th</sup> (Germany) and 11<sup>th</sup> (Italy) in the list of major global military spenders. Even Italy, facing debts of €1.8 trillion, still spends a higher proportion of its GDP on military expenditure than the post-Cold War low of 1995.

- **The military spending cuts, where they have come, have almost entirely fallen on people - reductions in personnel, lower wages and pensions - rather than on arms purchases.** The budget for arms purchases actually rose from €38.8 billion in 2006 to €42.9 billion in 2010 - up more than 10% - while personnel costs went down from €110.0 billion in 2006 to €98.7 billion in 2010, a 10% decrease that took largely place between 2008 and 2009.

- **While countries like Germany have insisted on the harshest cuts of social budgets by crisis countries to pay back debts, they have been much less supportive of cuts in military spending that would threaten arms sales.** France and Germany have pressured the Greek government not to reduce defence spending. France is currently arranging a lease deal with Greece for two of Europe's most expensive frigates; the surprising move is said to be largely "driven by political considerations, rather than an initiative of the armed forces". In 2010 the Dutch government granted export licences worth €53 million to equip the Greek navy.

As an aide to former Greek prime minister Papandreou noted: "No one is saying 'Buy our warships or we won't bail you out.' But the clear implication is that they will be more supportive if we do".

- **Continued high military spending has led to a boom in arms companies' profits and an even more aggressive push of arms sales abroad ignoring human rights concerns.** The hundred largest companies in the sector sold arms to the value of some €318 billion in 2011, 51% higher in real terms compared to 2002. Anticipating decreased demand at home, industry gets even more active political support in promoting arms sales abroad.

In early 2013 French president François Hollande visited the United Arab Emirates to push them to buy the Rafale fighter aircraft. UK prime minister David Cameron visited the Emirates and Saudi Arabia in November 2012 to promote major arms sales packages. Spain hopes to win a highly controversial contract from Saudi Arabia for 250 Leopard 2 tanks, in which it is competing with Germany - the original builder of the tank.

- **Many research studies show that investment in the military is the least effective way to create jobs, regardless of the other costs of military spending.** According to a University of Massachusetts study, defence spending per US\$ one billion creates the fewest number of jobs, less than half of what it could generate if invested in education and public transport. At a time of

desperate need for investment in job creation, supporting a bloated and wasteful military can not be justified given how many more jobs such money would create in areas such as health and public transport.

Despite the clear evidence of the cost of high military spending, military leaders continue to push a distorted and preposterous notion that European Union's defence cuts threaten the security of Europe's nations. NATO's secretary general, Anders Fogh Rasmussen "has used every occasion to cajole alliance members into investing and collaborating more in defense."

Gen. Patrick de Rousiers, the French chairman of the EU Military Committee, at a hearing in the European Parliament, even suggested Europe's future was at stake if military spending was not increased. "What place can a Europe of 500 million inhabitants have if it doesn't have credible capacity to ensure its security?," he asked rhetorically.

We believe by contrast, that at a time when the European Commission's agenda of permanent austerity faces ever-growing challenges, there is one area where Europe could do much more to impose austerity. And that is the arena of military spending and the arms industry.

Abolishing nuclear weapons owned by France and the UK could save several billions of euros every year and fulfil a major pledge made by these countries under the nuclear non-proliferation treaty to finally eliminate nuclear weapons. Reductions of all EU nations' military spending to Ireland's levels (0.6% of GDP) would save many more billions.

Writing off dirty debts caused by arms deals concluded through bribes, would be a good first step to lay the bill for the crisis with those who helped cause it. Such measures would also prove that at a time of crisis, Europe is prepared to invest in a future desired by its citizens rather than its warmongers.

**Frank Slijper**

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