

Defence budgets: Europe's Maginot moment?

by Olivier de France

Contrary to popular belief, the Maginot Line was actually a very functional piece of military engineering. Erected in between the two World Wars by France to protect the country from invasion, it ultimately proved to be of no effective military use. With its ground and air support systems hollowed out by financial constraints, and detached from the strategic vision from which it had originated, it turned out to be quite bereft of purpose.

Not unlike France in 1939, Europe in 2014 is confronted with 'a growing gap between security demand and capability supply', as the IISS recently put it. As EU member states try to juggle diminishing expenditure and increasing costs in the face of an ever more unstable neighbourhood, is it possible that Europe is trying to maintain its defences by cutting everything that makes them viable?

State of play

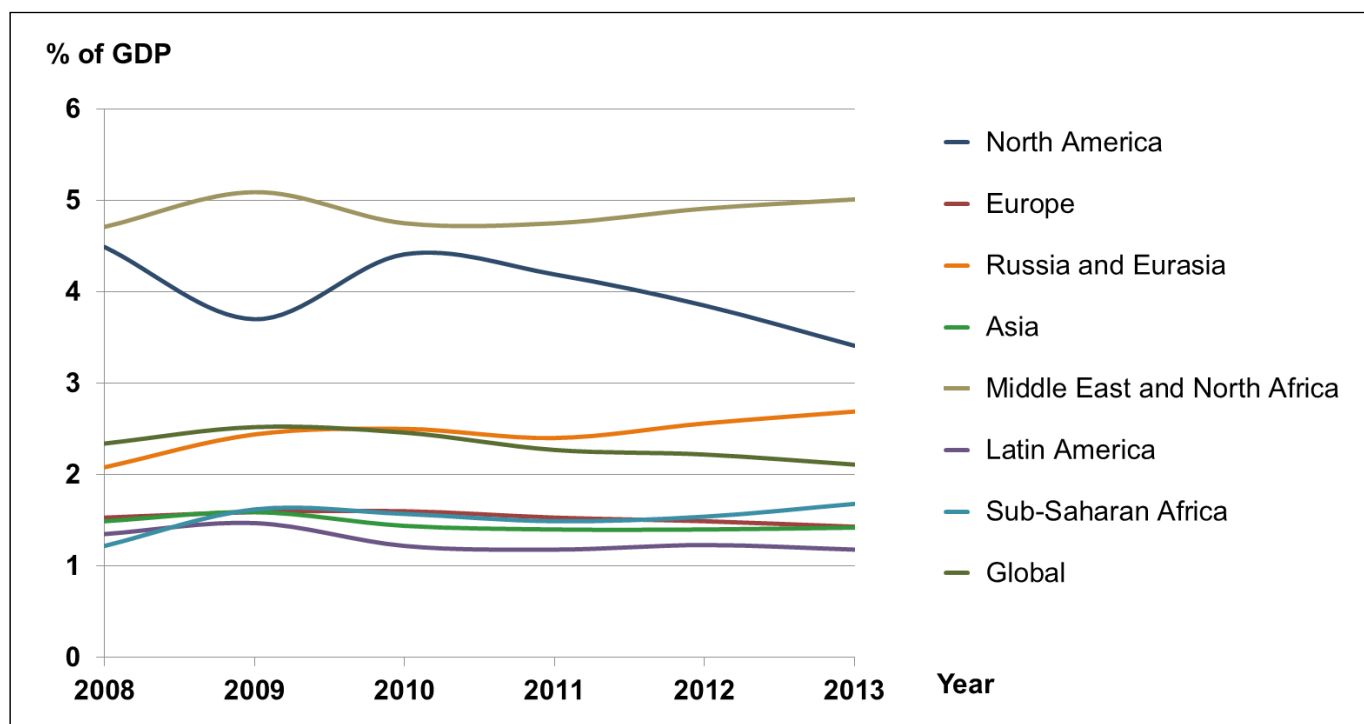
Fresh annual estimates have been released that give a good sense of the current state of European defence spending. Drawn up by various organisations using different sources, it is worth having a close look at the numbers – and, perhaps even more interestingly, the use that is made of them.

Global military spending rose everywhere in 2013 except in Europe and the wider 'West', where it decreased – although not as significantly as in 2012. Within Europe, the countries worst hit by the economic crisis did worst (with the exception of Greece), the three bigger spenders (UK, France, Germany) did reasonably well, and some progress occurred in the south-east and the north of the continent.

Yet estimates for national country expenditure from the main sources – the EDA, NATO, IISS, IHS Jane's, and SIPRI – are prone to variations of up to 112% (what with pensions, inflation, exchange rates and lack of reliable and/or accessible data for some countries). The purported 'rise' in global military spending this year (\$9 billion), for example, is lower than the difference (\$18 billion) between IISS and IHS estimates of Saudi Arabia's defence budget alone.

China's defence spending, according to the same sources, might range anywhere between \$112 billion (IISS), \$139 billion (IHS Jane's), \$166 billion (SIPRI, 2012) and \$240 billion (US DoD). This certainly goes to show that, while the numbers might make for good newspaper fodder, they should not be taken without a pinch of salt and a closer examination of the methodologies involved.

Regional defence spending since the financial crisis



Sources: EDA, IISS, IHS, NATO, SIPRI

The same might be said of European budget figures, although they rate among the most consistent across all the main sources. In 2010, outgoing US Defense Secretary Robert Gates led the charge against the alleged ‘demilitarisation’ of Europe citing, among other things, diminishing NATO-Europe budgets between 2008 and 2010. But according to the IISS’s 2014 *Military Balance*, the proportion of defence budgets in European national GDP rose during that period from 1.45% to 1.58% – peaking in 2010 at levels higher than post-9/11 numbers. EDA figures indicate a slow, steady decrease in military expenditure over the same period, and more broadly from 2006 to 2012. Meanwhile, the latest NATO figures show a stabilisation and indeed a slight increase in European budgets from 2011 to 2013.

Where do such inconsistencies come from? Much of the discussion ordinarily focuses on whether to include military pensions in defence budgets. In truth, the issue about methodology is much broader. The discrepancy in this case derives chiefly from different definitions of what ‘Europe’ is. Where NATO sees ‘transatlantic’ Europe, the IISS sees a ‘geographical’ Europe (including Norway, Denmark, Turkey and Switzerland), and the EDA uses a more ‘institutional’ definition of Europe. But the indicators all have their own idiosyncrasies, so that the data might be drawn from open, closed, primary or secondary sources, and factor in (or not) the effect of inflation and exchange rates.

This creates a degree of confusion which usually does no disservice to political interests – because the data can be bent both ways. And so Europe becomes the object of different claims and much handwringing upon occasion: the numbers are used to call for more military spending, more burden sharing, or even less military spending – depending on the underlying political objective.

Apples and oranges

One would think that drawing comparisons across time for the same country using coherent criteria might solve the problem. It should make it possible to map the fluctuations consistently, irrespective of any inbuilt bias in the methodology. But there are inherent difficulties with the indicators themselves. 2013 and 2014 IISS estimations for European defence expenditure in 2010, for instance, are quite different (1.63% vs. 1.58% of GDP) – doubtless because of the time it takes to recoup the information and consolidate the numbers.

In view of this, it might appear safer to stick to government numbers and official figures – in this case, the data drawn up by the European Defence Agency. Unfortunately, official national counts are also an occasionally flawed and partial indicator. They are plagued by much the same ills as other sources: methodologies differ across countries, but also over time within the same country.

To what extent, for example, should a country include industrial expenditure or policing? Italy includes spending for the Carabinieri, which currently accounts for up to 14% of the defence budget, but concurrently omits to include much of the county's industrial expenditure. The opposite is true in France, where expenditure for the Gendarmerie is no longer included in the defence budget. Social services, benefits, demobilisation or weapon destruction costs and military aid to foreign states are sometimes included, sometimes not. The perimeters of the same budget thus fluctuate between and across countries.

Moreover, what is considered to be 'defence' spending tends to fluctuate over time within a given country. In France's case, the criteria have changed over the years. Depending on what is accounted for, the percentage of GDP that defence expenditure represents might vary by up to 0.4% (more if military pensions are factored in). Such methodological snags make detailed comparisons over time and between countries tricky at best, misleading at worst.

Having said that, there is no reason to be overly sanctimonious either. When pensions are excluded, a consistent pattern emerges from all main statistical sources: by and large they agree on where European countries rank in terms of defence spending, and the numbers for the main European players are usually convergent. All the indicators show that the centre of gravity for defence spending is shifting away from the West and towards the Middle East and Asia. In 2013, for the first time, 'Asia and Australasia' together have taken over from 'Europe' (with 20% vs. 18% of the total) as second biggest spender worldwide behind the US, according to the IISS. They show that defence spending in Europe has taken a plunge since 2010. And they also show that, based on current consolidated trends, by 2015 the combined spending of all NATO countries will be, for the first time, less than that of the rest of the world; China will spend more than the UK, France and Germany combined; and the defence budgets of Russia and China combined will exceed the total defence spending of the European Union.

Broad-brush trends aside, however, methodologies for assessing defence spending remain hard to navigate, do not necessarily stand up to close examination, and make detailed comparisons

awfully difficult. In view of this, the European Commission might usefully consider laying out a set of common guidelines for calculating defence spending – at least in Europe. An in-depth study of differences in the methodologies currently employed might also prove helpful. Until then and lacking that, we will keep comparing apples and oranges.

How and how much

Even if such methodological kinks were ironed out, however, assessing bulk national defence budgets would still only make for a very partial reading of defence planning across Europe. Upon closer examination, in fact, there is no clear-cut correlation between input and output – i.e. between military spending on the one hand and how much military power a country effectively wields on the other.

A study included in the IISS 2014 *Military Balance* provides a remarkable illustration of this – and evidence, perhaps, of the difficulties encountered by countries in adapting armies crafted in the Cold War to modern conflict. IISS data across most European states shows conclusively that 'the higher the defence budget, the lower the proportion of defence spending allocated to personnel costs' – which are still exceedingly high across Europe (60% of total defence expenditure on average). Thus it certainly should not be concluded that the more a country spends, the better it performs.

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In fact raw increase, stagnation or decrease in absolute terms has surprisingly little to do with the capabilities a member state can actually project and deploy at any given time. Increase and decrease can be equally poorly managed. A decrease in spending might increase a country's ability to project military force in the same way as an increase in spending might hamper it.

In this regard, how countries spend on defence is every bit as important as how much they spend – although it is considerably more difficult to assess. A slew of other indicators might as such be better suited than raw defence expenditure data to gauge a member state's performance.

One useful and pragmatic yardstick, for example, would be whether countries are able to effectively use the capabilities they have acquired (this was

the very issue with the Maginot Line on the eve of World War II). It is uncertain whether European militaries (in particular those that are able to deploy and sustain only 10% to 15% of their military personnel) would pass this test unscathed. ‘Demilitarisation’, as Robert Gates noted, comes in several guises, which do not all have a budgetary translation: capabilities, boots on the ground, willingness to use force or capacity to deploy.

A similarly practical indicator would be the capabilities European states can choose to acquire, retain or forgo, with what consequences for their national military. What is, for example, the cost for a country of preserving the full panoply of military tools necessary to guarantee its national sovereignty? It has become increasingly clear that no European state can do so anymore – and the fact is slowly but surely being acknowledged and internalised in the larger European defence establishments. The question thus becomes: what is the cost of preserving the illusion that a state can maintain such capabilities? By clinging to a certain conception of sovereignty, are EU states not effectively chipping away at it?

The Maginot point

This is something that the 2013 French *Livre Blanc* briefly touches upon with the concept of ‘force differentiation’ – in plainer terms, the fact that the French military can no longer cover the full spectrum of tasks. Which high-end military capability, under this scenario, does a country retain without turning it into a Potemkin piece of equipment? It is one thing to possess an expensive capability but another for it to be able to serve its purpose. It requires adequate support, equipment, training and maintenance. It only takes one missing requirement to undermine the whole capability. During the Libya operation, the French deployed high-tech and expensive military equipment such as modern imagery capability, Tiger helicopters and Rafale fighters. But flying the latter also supposes the ability to deploy sufficient support capacity (e.g. air-to-air refueling).

Conversely, which capability can a country do away with, and how? Opting for joint policing of national airspaces, as Belgium and the Netherlands are currently contemplating, requires a certain degree of trust, proximity and a shared strategic outlook. But it avoids creating capability gaps and implicitly relying on others to fill them. On the other hand, forgoing submarine or main battle tank capability without a measure of forward coordination is risky if it does not come with

an updated strategic vision for the armed forces – and if other countries are doing away with the same capabilities on purely a national basis. When the capabilities discarded are those that filled an existing common shortfall in the first place (e.g. amphibious capability) this undermines still further the collective capacity of EU member states to address their security needs.

The question comes down to how long Europe’s military establishment (and industry) can withstand the conjunction of a downward budgetary trend and the sub-optimal way in which these diminishing resources are spent. The indicators above would go a long way in helping to establish how countries spend their defence resources, which might be the most relevant measurement of the current state of European defence.

And yet the question ‘how’ will be of little use if the level of expenditure is simply too low to maintain a functioning military. As such, the question ‘how much’ remains wholly relevant. One might call it the ‘Maginot point’: the moment when a piece of military equipment becomes effectively useless. When the Maginot moment looms, previous strategy is no longer applicable or usefully applied. And once the threshold is crossed, it becomes a question not simply of losing a given capability, but also the capacity to develop that capability in the future.

It is also a juncture at which, however one looks at it, it is impossible to attain a country’s level of military ambition, achieve its foreign policy aims or defend its basic interests. And there is a risk that the perception of this threshold might occur only once it has already been crossed – when irrevocable cuts have been made to capabilities, the industrial infrastructure that serves to generate them, and the capacity of European member states to fend for themselves in an increasingly volatile neighbourhood.

Olivier de France is an Associate Fellow at the EUISS.

