



# Defence spending 2014: the EU picture

by Katharina Wolf

Back in 2012, when NATO Secretary-General Anders Fogh Rasmussen said that “there is a price to pay for security, but the cost of insecurity can be much higher,” there were few who fully grasped just how accurate his warning was. For many years, European defence budgets have largely been spiralling downward following decisions which now seem somewhat unwise given the rapid deterioration of Europe’s security environment.

That said, there was arguably little to indicate that heavy investments in the military were necessary, and the financial crisis did its bit, too, to dampen enthusiasm for military spending.

## Dwindling defences

According to the EUISS index, which consolidates data from four major databases (SIPRI, NATO, IISS and EDA), defence spending in the EU has decreased by 13.6% in real terms since 2007. The global financial crisis, of course, played a big role: with Europe implementing fiscal consolidation policies, annual spending fell almost 4% between 2010 and 2012.

There are, however, significant sub-regional variations across Europe: while southern European states saw expenditure plummet to nearly 70% of 2007 levels, the defence budgets of eastern, northern and western countries weathered the storm of the crisis relatively well and did not fall by much more – on average – than 10% of 2007 outlays.

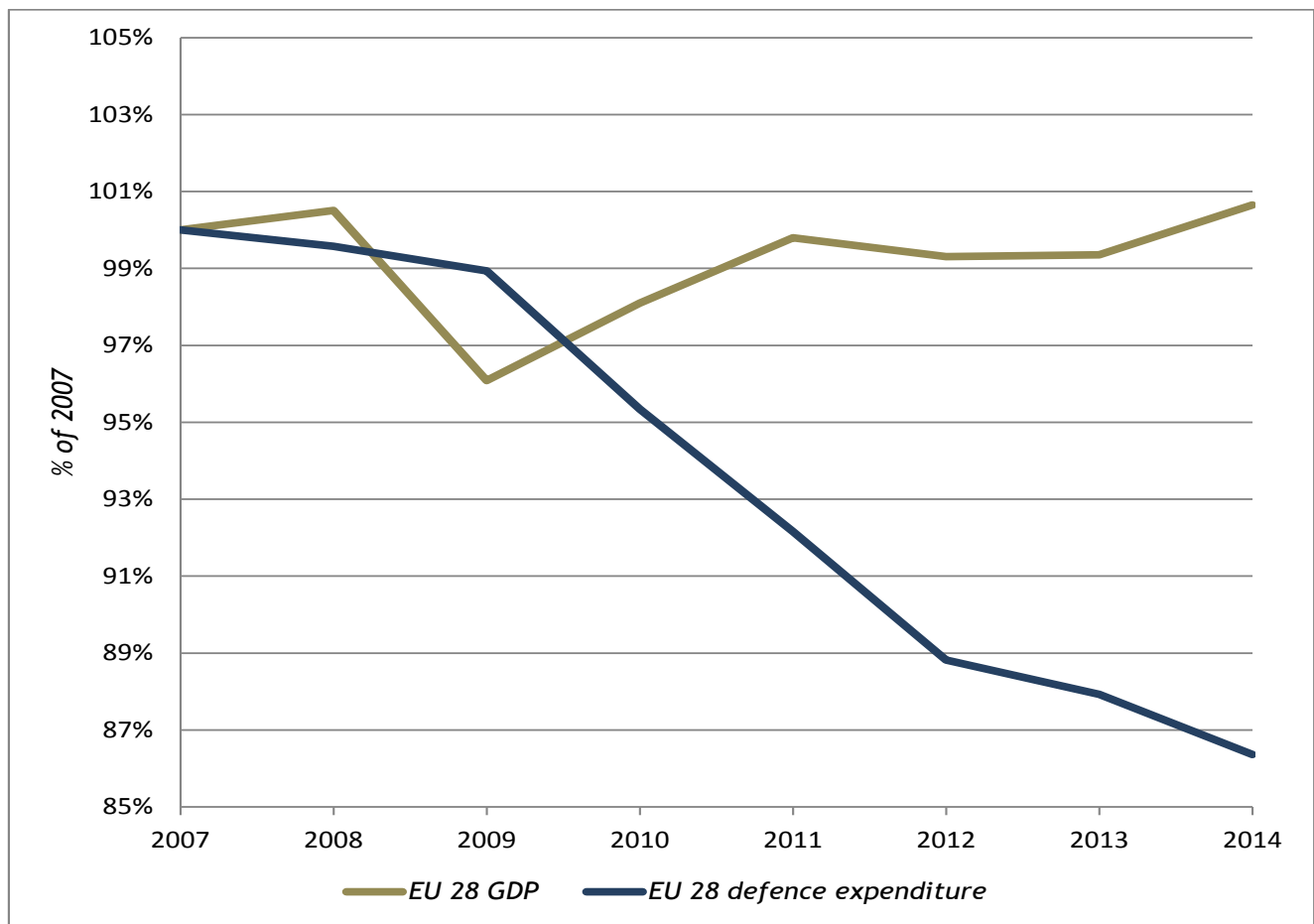
The crucial factor, however, is not so much the decline of defence budgets in the wake of the crisis – overburdening already weak economies with high defence outlays would require compelling reasons – but rather its persistence now that economies are growing again. Last year, although the economic output of many European countries returned to 2007 levels, defence spending of 23 EU members did not recover in the same way. The immediate future does not look much brighter: whereas GDP is expected to grow by 1.7% on average across the EU in 2015, early forecasts predict that defence spending will drop by around 7% compared to 2014 – more than at any point over the last several years.

Thus, economic figures alone are not enough to accurately predict defence spending trends in Europe. Moreover, defence outlays began to start shrinking before the onset of the financial crisis: measured as share of the economy, they have been declining for most of the post-Cold war period. The roots of declining European defence budgets run deeper, and originate from what Robert Gates, then US Secretary of Defense, termed a few years ago the ‘demilitarisation of Europe’.

## Declining relevance?

Whereas, in its original sense, demilitarisation describes the dismantlement of a country’s military apparatus, typically following the signing of a peace treaty, Gates used the term in 2010 to express his concern over Europe’s apparent gradual renunciation of

## Defence spending and GDP in the EU (2007-2014)



Data sources: Eurostat, EDA, IISS, NATO, SIPRI

military force. He not only cited budgetary cuts, but also highlighted a growing aversion of “large swaths of the general public and political class [...] to military force”. Four years later, *Transatlantic Trends*, an annual public opinion survey conducted by the German Marshall Fund, seemed to confirm that this is the case: the notion of foreign military intervention sits uncomfortably with Europeans and they remain sceptical about its potential merits. Moreover, for the majority of Europeans, NATO remains essential as a security provider, but they tend to emphasise the importance of shared transatlantic values rather than the military aspect of the alliance.

While it is undeniable that security risks have become more diverse and complex, and the utility of military force alone to address modern challenges is indeed limited, the ongoing crisis in Ukraine is a stark reminder that military strength is still vital – and that other actors continue to see it as an essential component of power projection.

### Rising concerns

The worsening security outlook in the EU’s neighbourhoods is already having an effect on national

and collective defence calculations, mainly in eastern and northern Europe. While not yet reaching pre-crisis levels, defence spending in many EU member states is once again going up. Yet others – in spite of the pledges made at the September 2014 NATO summit in Wales – have decided to trim budgets further, contributing to a widening geographical gap.

A stronger commitment to defence would not only indicate a shared (European *and* transatlantic) security assessment but could also contribute to prevent what Robert Gates warned of four years ago: the perception of a weak Europe, which risks inviting “miscalculation and aggression”. Ultimately, while war *between* EU states has practically become unthinkable, hostility *towards* European states from outside (hybrid or otherwise) remains a distinct possibility. When seen in this light, maintaining capable military forces is comparable to possessing a comprehensive insurance policy: it may never be needed, but considering the sheer number of uncertainties, it is always better to have one.

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