

## The crisis in Greece and arms purchases

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Recent comments by the Head of the IMF (Christine Lagarde, Guardian Newspaper 26th May) in laying the blame for the crisis in Greece on Greek people (Greek people should help *"themselves collectively by all paying their tax"*, and that it was now *"pay-back time"* for Greece) have proved controversial. Overall Lagarde is quoted as stating that *"she has more sympathy for children deprived of decent schooling in sub-Sahara Africa than for many of those facing poverty in Athens"*.

### **Hostility to Greece**

Taking these views at face value, and ignoring the calculus as to how different levels of deprivation might be compared and the role of the IMF in fostering such deprivation, they are not unique. The head of Deutsche Bank has described Greece as *"a failed state ... a corrupt state"* (Guardian newspaper May 26, 2012). *Der Spiegel* (5/10/2012) quotes newspaper coverage citing growing sentiment in Germany that Greece may leave the Euro and that this might be a good thing as a Greek exit could make the euro stronger and could also have a *"disciplinary effect on other countries"*. At the same Spain and Italy are regarded with sympathy in contrast to Greece. An [article in the New York Times](#) states *'Greece, on the other hand, is roundly criticized for lying about the true state of its finances again and again, before and after joining the euro zone, and its failure to take any of the numerous steps demanded by its creditors to modernize its economy and — a particularly sore point — its tax collections. Its status as a special case is underscored time and again'*.

Recent [comments by the minister for Finance in Ireland](#) to the effect that Greece leaving the Euro would have little effect in Ireland as *"it is very far away"* and the only item purchased from Greece is Feta cheese are part of the same pattern. Such comments are far removed from [EU declarations on solidarity](#).

What has changed? In Ireland Greece is the example to be avoided. The Minister for Foreign Affairs in Ireland is quoted as stating a default would *"place Ireland in the same situation as Greece"* (Irish Times, 27/4/2012).

In the case of Germany, anti-Greek sentiment is partly motivated by economic nationalism. *Der Spiegel* quotes the head of CSU (Horst Seehofer) as seeing a Greek withdrawal from the Euro as the best option and states *"We must preserve Germany's economic strength. That's more important than Greece remaining in the euro zone"*.

A key feature of much of the comment about Greece and the Euro is its relative lack of analysis. One reason for this is that much of the comment originates from a political position which is closely aligned to the position of the current government in Germany.

Take for example comments by Mr Asmussen (described by the Guardian newspaper as Germany's representative on the ECB council) who stated: *"Greece needs to be aware that there are no alternatives to the agreed bailout program, if it wants to stay in the euro zone"* (Reuters May 8 2012). More political still are comments by the President of the Bundesbank who is quoted by Reuters as stating *"If Athens does not stand by its word, then that's a democratic decision. The result is that there is no more basis for further financial aid"* (Reuters, November, 5, 2012).

This lack of analysis is reflected in comments that Greece will be required to leave the Euro. Greece cannot be required to leave the Euro. Greece may itself decide to leave the Euro but again the mechanism for this is unclear, but there is no mechanism by which other countries can require Greece to leave the Euro. Even if Greece were in some sense to leave the Euro, the large black economy is likely to mostly trade in Euros, and elements of Greek banking will move offshore to other Euro area countries.

### **Military Spending by Greece**

A lack of analysis is also reflected in the failure to consider the implications of the size of military expenditures by Greece as indicated by stocks of military equipment (see Table 1).

Table 1. Greek Military Equipment (In Service)

Air Force		Navy		Army <sup>(1)</sup>	
Total Aircraft	296	Combat Ships	39	Leopard Tanks <sup>(2)</sup>	350
of which Mirage Jets	44	Submarines	8	Others	890
		Mine Sweepers	9	Other Armoured Vehicles	>2000
		Landing Craft	14	Self-propelled Guns,etc	>500
		Other Craft	31	Heavy Artillery	>500
		Aircraft and Helicopters	22		
Employees	33 000	Employees	30 000	Employees	90 000*

\* 30 000 conscripts. Source:Wikipedia.

(1) Wikipedia note that military equipment is from German, French, American, British and Russian suppliers

(2) A total of 170 new Leopard (German) tanks were delivered between 2006-2009.

Greece was among the world's top five largest recipients of major conventional weapons for 2005-2009, and was third place for 2000–2004. The transfer of 26 F-16C from the United States and 25 Mirage-2000-9 combat aircraft from France accounted for 38 per cent of the volume of Greek imports for the period 2005-2009 (SIPRI Trends in International Arms Transfer 2009, p. 5). Greece was the largest importer of German conventional weapons in the period 2007-2011 and the second largest importer of French conventional weapons (source: SIPRI Trends in International Arms Transfers 2012). Since Greece joined the Eurozone until 2010 military expenditure has varied between 2.3 and 3.4% of GDP, compared with 1.4 to 1.5% of GDP for Germany and 0.6 to 0.7% for Ireland. Since joining the eurozone cumulative military expenditure for Greece amounts to around €63 billion (Source: [SIPRI](#)). Even in 2011, Greece continued to import arms and has outstanding orders for five German submarines.

Yet it is difficult to find any reference to arms spending as a contributory factor to the fiscal and economic crisis in Greece, by outside commentators or by Greek commentators (see for example [Costas Simitis](#), former Greek Prime Minister, writing in the Guardian 27th April, 2012).

It is also inconceivable that the Minister for Trade in France in 2005-2007 (Christine Lagarde) did not approve of arms exports and it's likely financing by French Banks. Again it is inconceivable that exports of arms from Germany were not approved at a political level and financing provided by German banks. Expenditures on imported military equipment do not lead to economic growth but rather the growth of international debt. By facilitating such expenditures Germany and France bear some culpability for the predicament now faced by Greece. This should be recognised in terms of bilateral aid to Greece to help achieve genuine economic reform, productive investment and basic levels of affordable health care provision. Lecturing Greeks to pay tax while at the same time offering no positive vision will ensure the Greek crisis continues inside or outside the Euro.