

European Defense Budget Cuts, Defense Posture, and Reform

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“The demilitarization of Europe – where large swaths of the general public and political class are averse to military force and the risks that go with it – has gone from a blessing in the 20th century to an impediment to achieving real security and lasting peace in the 21st. Not only can real or perceived weakness be a temptation to miscalculation and aggression, but, on a more basic level, the resulting funding and capability shortfalls make it difficult to operate and fight together to confront shared threats.”<sup>1</sup>

- Robert M. Gates, U.S. Secretary of Defense, February 23, 2010

“Most of the European defense budgets are in freefall but I would not say that Europe is 'averse to military force' as the European allies and many European non-NATO members provide thousands of soldiers in Afghanistan.”<sup>2</sup>

- Research Division Director, NATO Defense College, March 3, 2010

## Introduction

In the last few decades, Europeans have been spending less and less on defense. This trend intensified with the onset of the 2008 international financial crisis and the 2010 European sovereign debt crisis. Some European Union (EU) members have implemented 10%-20% defense budget cuts, reduced their military capabilities and their standing and conventional forces, downsized their military arsenals, and struggled with the deployment of their troops in international military operations.<sup>3</sup> The conventional policy narrative—in both Europe and the US—assumes these cuts weaken European military capabilities, resulting in a “Great European Defence Depression”.<sup>4</sup> US ambassador to NATO Ivo Daalder indicated Europeans are ‘hollowing out’ their militaries, jettisoning capabilities, and failing to spend their decreasing budgets wisely.<sup>5</sup> And NATO Secretary General Anders Fogh Rasmussen warned: “if European defense spending cuts continue, Europe’s ability to be a stabilizing force even in its neighborhood will rapidly disappear.”<sup>6</sup>

The decline in European military spending seems to be excessive on two accounts. Firstly, some cuts are deep enough to both undermine European states’ national security strategies and also draw down collective European resources in an era of increasing attempts towards collective European security. As a major military power in continental Europe, France is seemingly reducing its ambitions. The French 2013 Defense White Paper implies a 10%-15% reduction of major capabilities, a scaling down from eight to seven ground forces brigades, a loss of fighter-bombers and an abandonment of the ambition to deploy up to

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1 Gates, Robert M. 2010. NATO Strategic Concept Seminar (Future of NATO). Remarks as delivered by U.S. Secretary of Defense, National Defense University, Washington, D.C., Tuesday, February 23rd. <http://www.defense.gov/speeches/speech.aspx?speechid=1423>

2 Amies, Nick. March 3, 2010. “NATO unity threatened by defense budget and equipment shortfalls.” Deutsche Welle online: <http://www.dw.de/nato-unity-threatened-by-defense-budget-and-equipment-shortfalls/a-5310375>

3 O'Donnell, Clara Marina (edt). 2012. “The Implications of Military Spending Cuts for NATO’s Largest Members.” Brookings Institution (July), p. 29. <http://www.brookings.edu/~media/research/files/papers/2012/7/military%20spending%20nato%20odonnell/military%20spending%20nato%20odonnell%20pdf>

4 Julian Lindley-French, “The lamps are going out all over Europe”, August 2011, <http://lindleyfrench.blogspot.com/2011/08/lamps-are-going-out-all-over-europe.html>

5 Croft, Adrian. 2013. “Defense cuts ‘hollowing out’ European armies: U.S. envoy.” Reuters, US Edition Online, June 17, 2013: <http://www.reuters.com/article/2013/06/17/us-defence-nato-idUSBRE95G11W20130617>

6 Rasmussen, Anders Fogh. 2011. “NATO After Libya: The Atlantic Alliance in Austere Times.” Foreign Affairs (90: 4). <http://www.foreignaffairs.com/articles/67915/anders-fogh-rasmussen/nato-after-libya?page=show>

30,000 ground troops and 70 combat aircraft in a major military operation.<sup>7</sup> Over the past decade nearly all EU states decreased their defense expenditure<sup>8</sup> and collectively spend only about 1.4% of GDP on defense, which is “one of the lowest [...] of any region in the world.”<sup>9</sup> Second, European NATO members are defaulting on their mutual commitment to spend 2% on defense, even before the 2008 economic crisis.<sup>10</sup> In the 2000–2012 period, only the UK and Greece met their commitments.<sup>11</sup> Concerns over Europe’s capability shortfalls are legitimate in absolute terms, as European security interests cannot be met if the shortfalls continue and worsen. Persisting capability shortages in intelligence, surveillance, and reconnaissance as well as in specific areas such as air-to-air refueling tankers for jets have had limited autonomous European action in places such as Libya and Mali. In one example underscoring the possible vulnerabilities between capability shortfalls and collapsing national budgets, Italy had to withdraw (and turn around) the aircraft carrier it committed to the NATO Libya operation because of budget cuts in July 2011.

However, Secretary Gates’ claim about European military spending and power went well beyond the standard concerns that capability reductions weaken both the NATO Alliance and EU collective security. Gates insinuated these cuts are *intentional*, based on conscious strategic and public policy choices. These assumptions stem from the observation that European states no longer present a threat to one another as the European Community has created a post-modern<sup>12</sup> zone of stability and security, a “post-historical paradise of peace and relative prosperity”<sup>13</sup> outside of the security dilemma. Order is maintained not through intimidation by force but through ‘rejection of force’ and the exercise of ‘self-enforced rules of behavior.’<sup>14</sup> Because of the pacifying role of the EU in preventing war within the European continent, there is “no rational argument for maintaining a Belgian army, or a Dutch or Danish air force, except to contribute to joint European forces or to offer small contingents to ‘out-of-area’ operations where vital questions of national security and interest are not at stake.”<sup>15</sup> Beyond Gates’ claims of demilitarization, IR theories also generally converge on the broader idea that European states are choosing a strategy of weakness in a unipolar world. Downward defense expenditures appear to confirm this.

The question is, to what degree does the institutionalization of peace within Europe translate to the existential security of European states in the international system? European states spend less than ever on defense. But does this mean they will have less defense, fewer capabilities, and less military effectiveness? Does it mean Europeans are less martial if they perceive threats as more distant? Just because France and Germany will not go to war with each other, can we assume they will not face war, either from existential security threats or out of area operations where national (or European) security is at stake? Or, has something about modern European statecraft and foreign policy fundamentally changed? Even if national (or European) security is not at stake, does it mean that European states will cease

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7 Watanabe, Lisa. 2013. “France’s New Strategy: The 2013 White Paper.” CSS Analysis in Security Policy, CSS ETH Zurich, No. 139, September 2013, p. 2  
<http://www.css.ethz.ch/publications/pdfs/CSS-Analysis-139-EN.pdf>

8 Calculated as percent of GDP. The only exceptions are the UK, Finland and Estonia. The Military Balance (2001-2013). An IISS (International Institute for Strategic Studies) publication. ISSN 0459-7222 (Print), 147-9022 (Online): <http://www.tandfonline.com.ezproxy.bu.edu/loi/tmib20#.VNLk6dLF-Sk>

9 Rajendran, Giri. 2014. “What now for European defense spending?” April 9, 2014. Military Balance Blog. Posts from the IISS Defence and Military Analysis Programme.  
<http://www.iiss.org/en/militarybalanceblog/blogsections/2014-3bea/april-7347/what-now-for-european-defence-spending-e70e>

10 Centre for European Reform. 2013. “Time to bite the bullet on European defence.” Centre for European Reform blogspot, February 1, 2013:  
<http://centreforeuropeanreform.blogspot.com/2013/02/time-to-bite-bullet-on-european-defence.html>

11 Based on data from The Military Balance (2001-2013)

12 Cooper, Robert. (2000). “The post-modern state and the world order.” Demos, pp.7-42: <http://www.demos.co.uk/files/postmodernstate.pdf>

13 Kagan, Robert (2007). *Of Paradise and Power: America and Europe in the New World Order*. Vintage Books, a division of Random House, Inc., New York, January 2007, p. 3

14 Kagan, Robert (2002). “Power and Weakness,” Policy Review, June-July 2002, p. 12: <https://msuweb.montclair.edu/~lehelp/RKaganPowerAndWeakness2002.pdf>

15 Remarks of a Belgian diplomat, quoted in Wallace, W. (1999), *The Sharing of Sovereignty: the European Paradox*. Political Studies, 47: 503–521., p. 519.

to engage militarily in terms of Clausewitzian extension of state policy by other means? And is the military drawdown ideational: are European policymakers intentionally and strategically drawing down on defense, at the state and the collective security levels?

In this paper, we find that these claims of an emerging qualitative change in the perspective of European states towards their international security role do not materialize in any country cases. We identified time periods when European states reduce their aggregate military expenditures—we conceptualize and measure them as ‘cut periods’. When defense spending ‘cut periods’ coincide with cuts in other ‘input’ measures of military capability/power, there are six possible cases of demilitarization. Because material indicators of cuts in several measures of military power are insufficient determinants of the strategic intent behind these cuts, we qualitatively analyze two most likely cases of ideological demilitarization – Austria and Denmark. In neither case can widespread cuts be attributed to demilitarization. Alternatively, when there are aggregate (top-level) cuts but increases in lower (force structure or line item) levels of spending, we hypothesize that states are undergoing defense reforms. We find that a vast majority of defense cut periods are associated with potential defense reform. In all country cases, with the exception of Hungary and Slovakia, countries accelerated their investments in military manpower, R&D, or equipment while they were cutting overall spending. In order to explore whether defense reform is actually intentional, we look at two opposite cases: France and Bulgaria. We find that while both countries underwent defense reform during the 2008-2012 cut period, the French case represents a different kind of reform than the Bulgarian case.

There is a widespread assumption that European leaders and citizens prefer to rely on soft power and multilateral institutions instead of hard military power to engage in the world. Kagan writes that Europeans: “generally favor peaceful responses to problems, preferring negotiation, diplomacy and persuasion to coercion. They are quicker to appeal to international law, international conventions, and international opinion to adjudicate disputes. They try to use commercial and economic ties to bind nations together.”<sup>16</sup> Such views have been codified at the highest level of the EU’s political system. The EU’s 2003 Security Strategy made effective multilateralism and the conscious and active pursuit of “the development of a stronger international society, well-functioning international institutions and a rule-based international order”<sup>17</sup> the cornerstone of the EU’s security. In 2012, the EU received a Nobel Peace Prize for peacefully transforming the European continent through advancing peace, reconciliation, democracy and human rights within Europe.<sup>18</sup> The idea that the EU is a normative, civilian force for peace beyond its borders has been internalized at the highest-levels of EU leadership, which believes this Nobel-prize winning European peace –institutionalized within the EU - incarnates a virtuous state of mind, a disposition for benevolence, confidence and justice,<sup>19</sup> and prescribes Jean Monnet’s golden rule to ‘better fight around a table than on a battle-field.’<sup>20</sup>

There is some anecdotal evidence in support of the demilitarization argument. Because of their authoritarian histories, military power has lower legitimacy in “Germany,

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16 Kagan, Robert (2007), *Of Paradise and Power*, p. 5

17 “A Secure Europe in a Better World - European Security Strategy,” Brussels, December 12, 2003, p.9: <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>

18 “Nobel Peace Prize 2012 awarded to EU – Press pack,” EU Newsroom, last updated February 3, 2015: [http://europa.eu/newsroom/highlights/special-coverage/eunobel/index\\_en.htm](http://europa.eu/newsroom/highlights/special-coverage/eunobel/index_en.htm)

19 “From War to Peace: A European Tale,” Acceptance Speech of the Nobel Peace Prize Award to the European Union by Herman Van Rompuy, President of the European Council and Jose Manuel Durao Barroso, President of the European Commission, Oslo, December 10, 2012, p. 8 [http://europa.eu/about-eu/basic-information/cu-nobel/pdf/npp2013\\_en.pdf](http://europa.eu/about-eu/basic-information/cu-nobel/pdf/npp2013_en.pdf)

20 Ibid., p.5

Italy, Greece and Spain.”<sup>21</sup> German elites have developed a *zivilmacht* security culture based on “trade, soft diplomacy, and on occasion unilateral disarmament initiatives.”<sup>22</sup> But while German public opinion is often characterized as ‘pacifist’ and its leaders have limited the overseas deployment of combat troops, Germany has not otherwise taken measures compatible with intentional demilitarization. For example, Germany is one of the top arms exporters in the world, and the promotion of German arms exports as foreign policy is often justified not on the basis of industry jobs, but on maintaining a security of arms supply on strategic grounds.

The other reason why claims of demilitarization are so perennially tempting is the reluctance of many European political leaders to deploy troops since the Cold War. Besides the very public resistance of “Old Europe” to the Iraq War, “many governments have refused to send their soldiers to the most dangerous parts of Afghanistan [and] more than half of the European countries in NATO did not participate in the deployment to Libya.”<sup>23</sup> NATO Secretary General Rasmussen alleged that the Libya mission “revealed that NATO allies do not lack military capabilities” and that shortfalls are “primarily due to political, rather than military, constraints.”<sup>24</sup> Others claim that “...the defense cuts are about the fact that Europe resigned on her defense and entirely lost her ambitions,”<sup>25</sup> or that “we are moving toward a Europe that is a combination of the unable and the unwilling, as its dwindling financial and political commitment derailed multiple initiatives intended to make the continent more self-reliant,”<sup>26</sup> where “raison d’etat and the amorality of Machiavelli’s theories of statecraft ...have been replaced by moral consciousness.”<sup>27</sup>

There are two implicit causal assumptions in the policy debates about European military spending and capabilities. First, that reductions in defense spending equal fewer material capabilities for military power and effectiveness. The second assumption is that European policymakers intend to downgrade their national military capabilities. Demilitarization claims mean national security elites act with the agency to consciously dismantle their military apparatuses. Both of these policy assumptions have roots in theoretical debates. The former is a core IR assumption about the relationship between material resources and power,<sup>28</sup> the latter is embedded in the more specific debates over what kind of security actor the EU and Europe is. Our hypotheses call into question both assumptions. We find that 1) defense spending does not accurately measure military capability and power as states can spend less on defense and get more military capability through defense reform, and Europe has more material capabilities now than ten years ago and 2) political leaders have not endorsed strategic demilitarization even in the likeliest of cases.

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21 Kagan, Robert (2002). *Power and Weakness*, p. 12

22 Patrick Keller, October 8, 2013. American Enterprise Institute “German hard power: Is there a there there?” <http://www.aei.org/publication/german-hard-power-is-there-a-there-there/>

23 Pawlak, Patryk and Clara O’Donnell (2012). “Are Europeans a better transatlantic security partner than meets the eye?” EU Institute for Security Studies, Opinion – 09 July 2012: <http://www.iss.europa.eu/publications/detail/article/are-europeans-a-better-transatlantic-security-partner-than-meets-the-eye/>

24 Rasmussen, Anders Fogh. 2011. “NATO After Libya: The Atlantic Alliance in Austere Times,” *Foreign Affairs* (90: 4). <http://www.foreignaffairs.com/articles/67915/anders-fogh-rasmussen/nato-after-libya?page=show>

25 NATO 2020 and the Armed Forces: Way Ahead. Summary and Conclusions of the Conference held on October 2-3, 2012 in Bratislava, Slovakia. Center for European and North Atlantic Affairs. The event was organized and financially supported by NATO Public Diplomacy Division and Ministry of Defense of the Slovak Republic. <http://cnaa.org/wp-content/uploads/2012/10/NATO-2020-conclusions-final.pdf>

26 Erlanger, Steven. April 2013. “Shrinking Europe Military Spending Stirs Concern.” *The New York Times*. April 22, 2013. Link to the article: <http://www.nytimes.com/2013/04/23/world/europe/europes-shrinking-military-spending-under-scrutiny.html?pagewanted=all>

27 Kagan, Robert, *Of Paradise & Power*, p. 57

28 This is such an embedded assumption in both IR theory and national security policy analysis that military spending is often used as a proxy for military power.

## *Resources and Power*

At the most fundamental level, the relationship between military spending, material resources, capabilities, and power is theorized to be positive and linear, where the amount spent on resources accurately reflects military power,<sup>29</sup> and decreases in spending and fewer resources result in proportional decreases in capabilities and military effectiveness.<sup>30</sup> The assumption here – and in much of the policy debate about military spending – is that state power is “nothing more than the specific assets and material resources available to a state.”<sup>31</sup> According to this understanding the most relevant resources of power are hard military assets and the only relevant soft resources involve military training for utilizing military equipment.

The more nuanced theoretical arguments about the relationship between spending, resources, and power involve intervening variables (mostly at the domestic level of politics) such as military culture and organizations,<sup>32</sup> civil-military relations,<sup>33</sup> force employment and doctrines,<sup>34</sup> threat perceptions,<sup>35</sup> and technology.<sup>36</sup> These variables introduce explanations for why resources do not always equal outcomes, for better or for worse. For example, scholars who examine the role of military culture in military effectiveness assert that effectiveness is based less on overall resources and more on the culture that affects how those resources are allocated. In a bureaucracy where military culture is focused on organizational growth, we may see that the military overinflates their budgetary requirements in order to increase their ability to implement overly complicated doctrine or tactics.<sup>37</sup> In this case, decreases in budget may not result in decreases in military effectiveness because the military bureaucracy is over-inflated to begin with. From this perspective, budget cuts are a necessary precondition to organizational reform for matching more efficient doctrines, technologies, and tactics to political objectives reflecting the changing international threat environment or distribution of power.

There are other IR frameworks that introduce uncertainty into the linear relationship between spending and power, particularly as regards the outcomes of military effectiveness. For civil-military scholars, the military may not have a fixed organizational culture that effects how resources translate into power. Instead, it is the relationship between civilian decision-makers and the military that impacts military effectiveness, particularly where civilians have oversight over the military.<sup>38</sup> So, a state can spend more on its defense, but poor civil-military relations can waste resources and dilute military effectiveness. Similarly, a

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29 Mearsheimer, John J., ‘Assessing the Conventional Balance: The 3:1 Rule and Its Critics’, *International Security* 13/4 (Spring 1989), 54–89.

30 Mearsheimer, John J., *The Tragedy of Great Power Politics* (New York: Norton 2001).

31 Mearsheimer (2001, 57).

32 See Posen, Barry R., ‘Measuring the European Conventional Balance: Coping with Complexity’, *International Security* 9/3 (Winter 1984-1985), 47-88. Elizabeth Kier, *Imagining War* (Princeton, N.J.: Princeton University Press, 1997), Austin Long, ‘First War Syndrome: Military Culture, Professionalization, and Counterinsurgency Doctrine’ (Ph.D. Dissertation, MIT, 2010).

33 Risa Brooks, *Shaping Strategy: The Civil-Military Politics of Strategic Assessment* (Princeton, N.J.: Princeton University Press, 2008).

34 John J. Mearsheimer, *Conventional Deterrence* (Ithaca, N.Y.: Cornell University Press, 1983), Stephen Biddle, *Military Power: Explaining Victory and Defeat in Modern Battle* (Princeton, N.J.: Princeton University Press, 2004).

35 Caitlin Talmadge, ‘Explaining Military Effectiveness: Threat Perceptions, Organizational Practices, and Battlefield Performance’ (Unpublished book manuscript, George Washington University, 2012)

36 Biddle.

37 Barry R. Posen, *The Sources of Military Doctrine* (Ithaca, N.Y.: Cornell University Press, 1984), Jack Snyder. ‘Civil-Military Relations and the Cult of the Offensive, 1914 and 1984.’ *International Security* 9, no. 1 (1984): 108-146.

38 Brooks, Risa A., ‘Civil-Military Relations and Military Effectiveness: Egypt in the 1967 and 1973 Wars’, in Risa A. Brooks and Elizabeth A. Stanley, (eds.), *Creating Military Power: The Sources of Military Effectiveness* (Stanford UP 2007), Stephen Biddle and Robert Zirkle, ‘Technology, Civil-Military Relations, and Warfare in the Developing World,’ *Journal of Strategic Studies* 19, no. 2 (June 1996): 171-212, James T. Quinlivan, ‘Coup-proofing: Its Practice and Consequences in the Middle East,’ *International Security* 24, no. 2 (Fall 1999): 131-165.

state may have sufficient resources for war, but if it does not utilize its forces effectively on the battlefield, its material capabilities are a poor reflection of its power.<sup>39</sup> The strategy and doctrine of a state also have to be taken into account as power multipliers or—in the case of a poorly defined strategy or doctrine, drags on power.<sup>40</sup> While all states may have similar degrees of access to the technology that can be purchased with military spending, military effectiveness and power have more to do with the softer organizational side of innovation in adopting and training forces.<sup>41</sup> Regime type also matters: democracies are more effective than autocracies spending the same amount on capabilities, because of competent budgeting processes and the commitment and skill of individual soldiers.<sup>42</sup>

All of these intervening variables complicate the more parsimonious idea that spending and resources equals power. However, when many of these intervening variables are tested against each other (democracy, culture, human capital, and civil-military relations) to predict military effectiveness, both the quality of military resources and quantity of material capabilities matter.<sup>43</sup> This is similar to Nye's (2003) argument that "smart power" maximizing soft and hard power capabilities, leads to the most effective foreign policy and military outcomes.<sup>44</sup> This level of nuance, however, does not directly inform the policy debate over military spending and power. If a state is spending less on military resources—hard or soft, intentionally or unintentionally—how are we to understand and measure changes in the quality of military resources that might result from these changes? And how can we understand whether cuts in spending, and a reduction in existing resources, is part of an attempt to reform and realign a defense strategy and improve military effectiveness and efficiency?

### *Europe/EU and Power*

The strategic role of European states and the EU in a unipolar world is something that confounds much of the international relations literature. Mainstream international relations theorists have attempted to understand whether military force is declining in European affairs. Although structural realists assume international anarchy in which states are interested in maximizing their chances for survival in a self-help system, they also see occasions at which states will choose to stand at the side-lines rather than join the balancing coalition.<sup>45</sup> One of the reasons could be relative military weakness of the state. Alternatively, European states could respond to the unipolar power of the US by opting for buck-passing, effectively an outcome resembling demilitarization.<sup>46</sup> Because Europeans benefit from the US security hegemony and find themselves militarily weaker, they leave it up to the US to deal with "hard" security threats. This relative weakness vis-à-vis the US motivates civilian over military power as a way to "soft" balance the US,<sup>47</sup> or to let the US deal with global security while Europe can "focus on trade and economic issues."<sup>48</sup> Balancing threats (or lack of them), however, might be more important than balancing power. Many claim that—post-

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39 Keir Lieber, "Grasping the Technological Peace: The Offense-Defense Balance and International Security," *International Security* 25, no. 1 (Summer 2000): 71-104.

40 Posen 1985.

41 Biddle, Stephen, *Military Power: Explaining Victory and Defeat in Modern Battle* (Princeton UP 2004).

42 Reiter and Stam 2002.

43 Beckley, Michael, 'Economic Development and Military Effectiveness', *Journal of Strategic Studies* 33/1 (2010), 43-79.

44 "U.S. Power and Strategy After Iraq," *Foreign Affairs* (July/August, 2003). See also

45 Mearsheimer, John J. "Structural Realism", p. 76 <http://mearsheimer.uchicago.edu/pdfs/StructuralRealism.pdf>

46 Hyde-Price, Adrian (2006) 'Normative' power Europe: a realist critique, *Journal of European Public Policy*, 13:2, 217-234, DOI:10.1080/13501760500451634, p. 224

47 See Jones 2007, Posen 2006.

48 Ibid.

Kosovo—it is difficult to identify a threat that requires the EU to have a military dimension.<sup>49</sup> If European states are no longer militarily threatened, they may not be compelled to enhance or preserve their military power, and free-ride on a minimal level of extended security provided by the US.<sup>50</sup>

Liberal institutionalism also predicts a form of demilitarization, one that results from the interdependence and a classic security community created by multilateral institutions. The more interdependent post-Cold War world precipitated a general aversion to the use of force,<sup>51</sup> where “military power is more costly and less transferrable today than in earlier times. ... The military game and the overall structure of the balance of power dominate when the survival of states is clearly at stake, but in much of modern world politics, physical survival is not the most pressing issue.”<sup>52</sup> Through this logic, militarization might actually reduce states’ ability to achieve their ends. EU institutions “involve large elements of mutual advantage that can be achieved only through cooperation” rather than “military intimidation.”<sup>53</sup> But has the institutionalization of Europe translated into a post-martial stance towards rest of the world, or has anarchy only been modified within the continent?

In the literature on military spending, democracies allegedly spend less than autocracies. This aligns with liberal theorists who surmise that European reductions in military assets are possible because European states no longer exist in the state of anarchy and because they are governed by democratic regimes. The assumptions behind these claims – and the institutional design of the EU – can be traced to Kant’s idea of *Perpetual Peace*. Firstly, Kant envisioned the possibility of a political arrangement in which states were able to escape the state of anarchy by forming a federation governed by the Law of Nations.<sup>54</sup> In this scenario, states – much like those bound by laws, rules and shared norms within the EU – would not feel the need to compete militarily for their survival. In fact Kant theorized that they would base their security on the common commitment to reduce their military ambitions. Secondly, Kant hypothesized that citizens of democracies, fearing suppression of civil liberties under strong military establishment, would resist the diversion of resources to the military and away from private consumption or other collective goods such as public health and education.<sup>55</sup> Contemporary studies have affirmed the connection between reductions in real military spending and a “peace dividend,”<sup>56</sup> functionally increasing real private and public consumption and investment opportunities.<sup>57</sup> Because European states must attain a certain standard of democratic development as part of the membership criteria and democracies spend less on defense overall, the fact that the EU is a “community of

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49 Salmon, Trevor C. & Alistair J.K. Shepherd (2003). *Toward a European Army: A Military Power in the Making?* Lynne Rienner Publishers, Inc., Boulder, Colorado, p. 9

50 Posen, Barry R. (2013). "Pull Back – The Case of a Less Activist Foreign Policy," *Foreign Affairs*, Council on Foreign Relations, January/February Issue:

<http://www.foreignaffairs.com/articles/138466/barry-r-posen/pull-back>

51 Nye, Joseph S. Jr (1990). "Soft Power." *Foreign Policy*, No. 80, Twentieth Anniversary (Autumn, 1990), p.156: <http://www.jstor.org.ezproxy.bu.edu/stable/pdfplus/1148580.pdf>

52 *Ibid.*, p. 159

53 *Ibid.*, p. 158

54 Perpetual Peace Project: <http://perpetualpeaceproject.org/resources/>

55 Nordhaus, William, John R. Oneal, Bruce Russett (2010). "Research Note: The Effects of the International Security Environment on National Military Expenditures: A Multi-Country Study." Yale University, p. 11: [http://www.yale.edu/leitner/resources/docs/NOR\\_AER.pdf](http://www.yale.edu/leitner/resources/docs/NOR_AER.pdf)

56 In their work on the economics of military spending Sandler and Hartley (1995), Gonzales and Mehay, 1990), Lee (1990) and Jones (1992) all come to the same conclusion that democratic polities prefer smaller military budgets. Theoretical research on democratic peace conducted by Bueno de Mesquita, Morrow, Siverson, and Smith (1999) and Bueno de Mesquita, Smith, Siverson, and Morrow (2003) further supports this claim with the finding that “state leaders with large winning coalitions should devote a smaller share of national income to military uses in peacetime because the private goods produced by military spending are less useful to these state leaders.” [In Fordham, Benjamin O. and Thomas C. Walker (2005). “Kantian Liberalism, Regime Type, and Military Resource Allocation: Do Democracies Spend Less?” *International Studies Quarterly*, Vol.49, No.1 (Mar., 2005), pp. 141-157, p. 144: <http://www.jstor.org/stable/3693628>]

57 Garfinkel, Michelle R. (1990). "The Economic Consequences of Reducing Military Spending." *Federal Reserve Bank of St. Louis*, Nov./Dec. 1990, pp.47-58, p.49:

[https://research.stlouisfed.org/publications/review/90/11/Spending\\_Nov\\_Dec1990.pdf](https://research.stlouisfed.org/publications/review/90/11/Spending_Nov_Dec1990.pdf)

sovereign ... democratic states and people” predicts that European states will become less martial and spend less over time.<sup>58</sup>

Lastly, normative theories regarding the role of Europe in the international system propose that the collective European community is a unique political construct—a civilian and normative power—governed by post-martial norms. The EU is an entirely *suis generis* actor on the international scene, “an exemplar of a new stage in political civilization,”<sup>59</sup> with a unique opportunity to “demonstrate the influence which can be wielded by a large political cooperative formed to exert essentially civilian forms of power.”<sup>60</sup> This is similar to the claim that Europe is a post-modern,<sup>61</sup> ethical,<sup>62</sup> or even transformative power<sup>63</sup> on the international scene. The latter theory differs from the others in that it externalizes Europe’s civilian aspirations, suggesting that Europe is (and should be) on a mission to civilize relations between other states. Tracing EU’s *mission civilizatrice* to the concept of a Weberian ideal-type civilian power, Europe should strive to ‘civilize’ the “relations between the states along the lines of their own, democratic, domestic politics.”<sup>64</sup> Rejection of military force is a key element in how this civilizing process takes place: “Constraints on violence become necessary to allow societies to deepen and broaden the scope and division of labour and thus to enhance their ability to overcome social problems.”<sup>65</sup>

There is no lack of explanation for how and why European states may be declining in their military power. While mainstream IR arguments about the role of Europe in the international system do not use the term ‘demilitarization’, the outcomes are all similar: European states are voluntarily drawing down their martial power. The question remains, however, whether the contemporary decline in European defense expenditure is associated with a purposeful dismantling of Europe as a military power. How are we to measure whether decline in defense spending is associated with intended large-scale drawdown in European military power? And even if the decline in several measures of military power aligns with reductions in defense spending, how are we to ascertain whether capability reductions imply strategic demilitarization?

### *The Puzzle: What is Really Happening in Europe?*

Is Europe spending less on defense because it is demilitarizing, due to an aversion to the use of military force?<sup>66</sup> This question has two dimensions. The first question is whether

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58 Maull, Hanns W. (2005). “Europe and the New Balance of Global Order.” *International Affairs* (Royal Institute of International Affairs 1944-), Vol. 81, No.4, Britain and Europe: Continuity and Change, pp.775-799, p. 793, <http://www.jstor.org/stable/3569674>

59 Kugel, Laura (2012). “Is the EU a Normative Power?” *E-International Relations Student – the world’s leading website for students and scholars of international politics*, (Duchene, 1973:19): <http://www.e-ir.info/2012/04/15/is-the-european-union-a-normative-power/>

60 Ibid.

61 Cooper, Robert. (2000)

62 “Underpinning this notion of ethical power Europe (EPE) is a conceptual shift in the EU’s role and aspirations from what it ‘is’ to what it ‘does’: from simply representing a ‘power of attraction’ and a positive role model to proactively working to change the world in the direction of its vision of the ‘global common good.’ In the words of the European Security Strategy, the EU should be more ‘capable’ and ‘responsible’ and take on new tasks in the areas of crisis management, peace-keeping, state-building and reconstruction failing states – complementing the important role it has already played in the fields of development aid and humanitarian assistance. According to this discourse, in conceiving and pursuing a wider vision of European interests, the EU is also contributing to a ‘better world’ by strengthening justice (human rights) and order (effective multilateralism).” [In Aggestam, Lisbeth (2008). “Introduction: Ethical Power Europe?” *International Affairs* (Royal Institute of International Affairs 1944-), Vol. 84, No. 1, pp.1-11, pp.1-2, <http://www.jstor.org/stable/25144711>]

63 “The transformative power works in the long term, and is about reshaping the world rather than winning short-term tussles. It cannot be measured in terms of military budgets or smart missile technology, but is captured in treaties, constitutions and law.” [In Leonard, Mark (2005). “Europe’s transformative power.” *Centre for European Reform*, <http://www.cer.org.uk/publications/archive/bulletin-article/2005/europes-transformative-power/>]

64 Maull (2005), p. 779

65 Ibid., p. 780

66 Gates, Robert M. 2010. NATO Strategic Concept Seminar (Future of NATO). Remarks as delivered by U.S. Secretary of Defense, National Defense University, Washington, D.C., Tuesday, February 23rd. Link to the article: <http://www.defense.gov/speeches/speech.aspx?speechid=1423>

Europeans are spending less money on defense on purpose, because of changing ideas about security and war, changing threat perceptions, or conscious decisions about tradeoffs between domestic and defense fiscal budget categories. Is Europe choosing to be post-martial because it feels existentially secure and rejects the usefulness of military force as an instrument for safeguarding peace? Do Europeans place greater value on education and healthcare rather than defense? The second question is about the relationship between defense spending and capabilities. Do spending and capabilities vary with each other? If you spend more, do you get more? If you spend less, do you get less?

The public administration literature on organizational reform is clear on this last question: absolutely not. There is no linear relationship between spending and performance or effectiveness. If you spend more, you do not get more (for many of the reasons—education, technology, flexibility, organizational type—also noted by military effectiveness scholars). If you spend less, you do not necessarily get less. The policy debate that emerged in the 1980s in the US on defense reform also underscores this point.<sup>67</sup> Along these lines, Colin Gray claimed that the US military has generated much “less effective combat power (relative to scale of effort) where it counts—at the sharp end—than have either US enemies or allies,”<sup>68</sup> and that this inefficiency can translate into manpower poverty and a focus on the military organization rather than on optimizing assets.

These varying causal accounts paint a very confusing picture of the place and the role of military power in contemporary Europe. Do aggregate cuts in European military spending reflect demilitarization and the relinquishing of military power? Or is Europe simply reforming its defense, with the goal of improving capabilities and military effectiveness? To answer these questions, we examine the intentionality of the military drawdown. We argue that a mere observation of aggregate spending cuts without knowing more about the intentionality behind these processes is insufficient for understanding military power in Europe. Demilitarization occurs only when such decline in military assets is accompanied by the strategic intention to reduce military power as an instrument of foreign policy. In the absence of strategic demilitarization, we alternatively hypothesize that cuts occur due to defense reform. We use this study to explore – conceptually and empirically - two main hypotheses, in the effort to offer further insight into whether periods of sustained cuts in European defense spending between 2000 and 2012 have actually weakened European military power, or whether they represent periods of reinvestment in military capabilities and a commitment to military effectiveness.<sup>69</sup>

- H1: Cuts in military assets are intended and driven by country’s demilitarization agenda.
- H2: Cuts in defense spending are intended and part of country’s defense reform process.

## **The Demilitarization Concept**

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<sup>67</sup> The earliest works to make this point include Clark et al., *Defense Reform Debate* (Baltimore: Johns Hopkins, 1984); Luttwak, *Pentagon and the Art of War* (Touchstone, 1986); James Coates and Michael Kilian, *Heavy Losses: The Dangerous Decline of American Defense* (New York: Viking, 1985); Robert J. Art, Vincent Davis, and Samuel P. Huntington, *Reorganizing America’s Defense: Leadership in War and Peace* (Washington, DC: Pergamon, 1985); William J. Lynn and Barry R. Posen, “The Case for JCS Reform,” *International Security* 10 (Winter 1985-86): 69-97.

<sup>68</sup> Gray, C.S., 1988. *The Geopolitics of Super Power*, University Press of Kentucky, p. 51.

<sup>69</sup> For the purposes of this analysis, we decided to focus on the hypotheses that entail strategic intentionality as regards defense spending cuts. We briefly address the possible unintentional cuts in defense spending in the concluding section of the paper.

How do we address the varying claims that Europe is demilitarizing? There are two dimensions to assessing this claim: one concerns the concept of demilitarization and the other relates to the measurement of the concept. What do we mean by demilitarization and how do we know it when we see it? Although many have equated demilitarization with decline in military assets, we argue that we need to consider the ideological element of the drawdown. We need to ask whether the cuts are happening because of an ideological objection to military force. Only cuts in military assets combined with the ideational rejection of military force driving this drawdown would constitute demilitarization. In measuring the concept, we need to go beyond the quantitative assessment European military assets to the analysis of strategic intentionality behind the observed drawdown. We address these concerns conceptually first and then explore whether there is any empirical and ideational evidence of demilitarization in case of European states.

### *Overview of the Demilitarization Concept*

Demilitarization has been and continues to be a contested academic concept. There appears to be no single, standard definition used consistently since it became a subject of academic research in the 1900's. Demilitarization has been primarily understood only in material terms and in opposition to militarization. While militarization is "a question of increased military weapons production," the concomitant view of demilitarization implies "the reduction or destruction of weapons and weapons production capabilities."<sup>70</sup> The first investigations into demilitarization were mostly historical, rather than empirical analyses, of forced demilitarization ending inter-state wars in 1900's Europe and specifically of post-World War I and World War II demilitarized zones,<sup>71</sup> or attempts to reduce power of a defeated rival<sup>72</sup> or reduce regional conflict in general.<sup>73</sup> Straightforward definitions of demilitarization implied a reduction of standing armies<sup>74</sup>, downsizing of defense budgets or cutting military expenditures.<sup>75</sup> Other studies associated demilitarization with disarmament of conventional and nuclear weapons,<sup>76</sup> or with military industrial conversion, which involves the shift of material resources from the military to the civilian sector.<sup>77</sup> More involved definitions entailed a dismantling of military assets and "the eventual destruction of military equipment, weapons and explosives and the incineration and destruction of chemical and biological weapons."<sup>78</sup>

This material conceptualization of demilitarization is the standard framework for empirical research. One definition of militarization is an increase in military spending and equipment: "the process of militarization, which involves an increasing role for the military in both national and international affairs of the states, is the growth in military spending and in military hardware."<sup>79</sup> By extension, demilitarization is associated with the decline in military spending and in military hardware: "Demilitarization can refer simply to reducing the size of

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70 Stearns, Peter (edt.) (2013). *Demilitarization in the Contemporary World*, The Board of Trustees of the University of Illinois Press, pp. 1-266, p.24

71 Spears, 1925; Wright, 1936; Marshall-Cornwall, 1939; Schuman, 1940; Rotkirch, 1986; Womack 1987; Eberle, 1998 [In Stearns, 2013]

72 For example, such was the case in the US invasion of Iraq (2003) or what European imperial powers did in their colonies in the nineteenth century. Forced demilitarization of Aland Islands in the Baltic Sea in the aftermath of the Crimean War 1850s, 1917 Finland, Estonia and Latvia's demilitarization of border areas with Russia after they obtained their independence, 1923 demilitarization of Thrace. [In Stearns, 2013, pp.4-5]

73 This was the case in 1953 demilitarization of the two Koreas with transient effect on the two Vietnams, Rhineland demilitarization by Treaty of Versailles. [In Stearns, 2013]

74 Nelson, 1991

75 Benoit, 1986; Allan, 1992; Franko, 1994

76 See, for example: (Falk, 1975; Barnay, 1978; Evangelista, 1983; Forsberg, 1984; Menon, 1987; Bernard, 1995; Beard, 1998; Eberle, 1998, Johansen, 1991; Abad, 2005)

77 Fortla, 1992; Cronber, 1994; Cooper, 1995; Brzoska, 1999

78 Bickford, Andrew "Demilitarization: Unraveling the Structures of Violence" in Stearns, 2013, p.19

79 Stearns, p.24

military budgets, personnel and apparatus.”<sup>80</sup> A Global Militarization Index rating the degree of militarization in the world uses economic measures of military power, defining it as “...the amount of funds being allocated to the military of one state [and] the relation of military expenditure to its gross domestic product or other areas in society such as healthcare.”<sup>81</sup>

However, demilitarization means much more than simply declining expenditures or the material reduction of military equipment. It is also ideational, implying a shift in strategic culture. It is inherently a process of normative change, where “[i]n many ways the weapon is not the problem; it is the process that produces the mind-set and world-view that turns the thing – almost anything – into a weapon and produces citizens and soldiers who see the world as a place requiring weapons.”<sup>82</sup> In conceptualizing demilitarization we should therefore consider the connection between intentions/ideas and national strategic culture, national security interests and national security policies. Because a set of beliefs, historical experiences and preferences about the use of force and defense matters informs and even conditions defense decision-making, a demilitarizing strategic culture<sup>83</sup> produces declining defense expenditures and military equipment: “[t]he decision-making process in matters of defence is not an abstract construct based purely in the present moment but is, rather, steeped in the beliefs, biases, traditions and cultural identity of the individual country - all of which feeds into its strategic culture.”<sup>84</sup> Despite the link between ideas and state behavior, the ideational dimension of demilitarization - while crucial to the concept - has been chronically under-studied. The conflation of decline in defense expenditure and other military assets with demilitarization seems to persist and does not provide sufficient explanatory power.

### *Redefining the Demilitarization Concept*

We argue that there are problems with conflating the decline in the measures of military power with demilitarization. First, diminishing trends in defense spending do not automatically weaken military power. Second, even if intentional, reductions in spending might reflect fiscal corrective measures against inefficiencies or towards reinvestment in other capabilities. Third, it seems that the contemporary demilitarization rhetoric has been used to characterize a decline in military assets in Europe alone, suggesting that the pattern in Europe somehow significantly deviates from military spending trajectories of other major security players. When the US reduced its defense spending in the 1990s by over 40% in nominal terms, there were no similar claims of demilitarization.

We try to correct for these misconception by proposing a clearly delimited concept of demilitarization. Firstly, the aligned diminishing trends in the measures of military power are necessary indicators of *potential* demilitarization; insufficient for defining demilitarization as such. Without the strategic intentionality to abandon military power as an instrument of power such military downsizing could be explained by a number of alternative hypotheses.<sup>85</sup>

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80 Ibid., p.2

81 Ibid., p.24

82 Ibid., p.20

83 A standard definition of strategic culture refers to “the sum of ideas, conditioned emotional responses, and patterns of habitual behaviour that members of a national strategic community share.” [In Snyder 1977:8 in Longhurst: a 2000:302: Longhurst, Kerry, (2000) ‘The Concept of strategic Culture’ in Gerhard Kummel & Andreas D. Prufert (eds), ‘Military Sociology’ Nomos Verlagsgesellschaft, Baden-Baden]

84 Katzenstein, Peter (ed), (1996), ‘The Culture of National security’, Columbia University Press, New York.

85 We discuss these in the concluding section of this paper.

It is both the decline in military power and the intentionality of its eventual abandonment that define demilitarization. Secondly, demilitarization does entail a weakening of military power but also normatively aims to reduce it. This means that weakening of military power is not the end-state of a demilitarization process. We cannot assume that a demilitarizing power will maintain some degree of military power, even for the purposes of national defense. This would imply an international actor with limited military power. A maximalist definition of demilitarization dictates absolute abolishment of military power in the end. And, thirdly, the degree of the decline in measures of military power, even if significant, does not indicate demilitarization if the intention is not there. Even destabilizing cuts in military assets are theoretically reversible if the states do not intend to demilitarize. And, in fact, the trajectory of defense spending in Europe might shadow defense spending of other major international players (such as the US) more closely than the demilitarization rhetoric would imply.

In summary, we conceive of demilitarization as the intention to reduce or abandon military power as an instrument for conducting international politics. The intent to demilitarize is accompanied by a broad weakening of military power that should theoretically progress until military power is abandoned. The decline in military power, affecting all measures of military power simultaneously, is a necessary condition of demilitarization. The degree of weakening of military power is however not a sufficient indicator of demilitarization. Even deep cuts that are occurring in the absence of intention to demilitarize are reversible should the conditions that perspired them change. But gradual and slow weakening of military power should still result in its abandonment if the country is in fact demilitarizing.

### Measuring Demilitarization

Demilitarization is defined by two necessary conditions: 1) observed simultaneous decline in the “input” measures of national military power between at least three consecutive years and 2) evidence of strategic intent to abolish national military instruments during these cut periods. We examined national data on defense expenditure, military manpower and military equipment and conducted two qualitative country case studies to determine whether demilitarization is taking place in Europe. We did this in three steps.

#### *Cut Periods*

First, we identified cut periods. These are periods of at least two years of subsequent decline in the top-level measures of national defense expenditure, military manpower and military equipment. These three indicators have been cited as some of the more important measures of military capacity and by extension of military power. First, defense expenditure or defense budgets are the most basic indicators of military power: “The size of the defense budget is, in principle, the most general single measure of the resources provided to a military by its political masters. [Its] size ... serves to identify the relative importance of the coercive arm in comparison to other organs of state, and it conveys a general sense of the size of the military establishment in absolute terms.”<sup>86</sup> Second, the measure of military manpower yields further insight into the country’s military power. The size of national

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86 Tellis, Ashley J., Janice Bially, Christopher Layne, Melissa McPherson (2000). “Measuring National Power in the Postindustrial Age”, Rand Monograph Reports, Chapter 7: “Measuring Military Capability,” p.136 [http://www.rand.org/content/dam/rand/pubs/monograph\\_reports/MR1110/MR1110.ch7.pdf](http://www.rand.org/content/dam/rand/pubs/monograph_reports/MR1110/MR1110.ch7.pdf)

military force is still important as “a crude index of military strength.”<sup>87</sup> Measures of military manpower, “which focus on examining the size of the total force...and the distribution of numbers across the services, ... yield useful information that depicts, if nothing else, at least the relative mass of raw power that a country could bring to bear in some warfighting situations.”<sup>88</sup> Third, measure of country’s military equipment inventory “remains one of the staple pursuits of the intelligence community, and for good reason: when combined with the manpower component referred to earlier, a country’s military inventory and its combat support assets constitute the usable “front-end” dimensions of force, force that can be used to defend one’s own national interest as well as prevent others from reaching their own goals.”<sup>89</sup>

We used *The Military Balance* data on national defense expenditure, military equipment and military personnel from 2000 to 2012 for the 27 European countries that were EU member states in 2012.<sup>90</sup> By tracking year-to-year changes in the datasets, we constructed cut period ‘truth tables’ for each indicator of military power.<sup>91</sup> In our methodology, identifying cut periods is the first step in determining periods of potential demilitarization. We summarize the identified cut periods per each indicator of military power – defense expenditure, military power and military equipment below (Table 1).

Table 1. – Cut Periods in Defense Expenditure, Manpower, Equipment: EU27, 2000-2012

Country	Defense Expenditure		Military Manpower		Military Equipment	
	Period	% Cut Relative to Y2000	Period	% Cut Relative to Y2000	Period	% Cut Relative to Y2000
Belgium			2008-2012	-13.6%	2000-2007 2008-2012	-62.6% -8.2%
Denmark	2010-2012	-11.7%	2008-2012	-52.0%	2002-2004 2005-2012	-2.2% -543.8%
France	2008-2012	-51.8%	2000-2005	-13.4%	2004-2006 2007-2011	-63.9% -5.4%
Germany	2004-2006	-7.3%	2000-2009	-23.9%	2005-2008 2009-2012	-21.4% -49.4%
Greece	2008-2011	-57.7%	2003-2007	-19.2%	2001-2004 2005-2009 2010-2012	-3.5% -82.5% -1.1%
Italy	2004-2006 2007-2010	-7.4% -38.6%	2000-2008 2010-2012	-25.8% -43.4%	2004-2006	-19.2%
Luxembourg						
Netherlands	2008-2012	-33.0%	2000-2002	-4.5%	2000-2003	-8.4%

87 Ibid., p. 138

88 Ibid.

89 Ibid., p. 141

90 This group entails Austria (AT), Belgium (BE), Bulgaria (BG), Cyprus (CY), Czech Republic (CZ), Denmark (DK), Estonia (EE), Finland (FI), France (FR), Germany (DE), Greece (EL), Hungary (HU), Ireland (IE), Italy (IT), Latvia (LV), Lithuania (LT), Luxembourg (LU), Malta (MT), Netherlands (NL), Poland (PL), Portugal (PT), Romania (RO), Slovakia (SK), Slovenia (SI), Spain (ES), Sweden (SE) and the United Kingdom (UK). Relative to the SIPRI or World Bank data, the data in *The Military Balance* seems to be most comprehensive in terms of capturing measures of military power.

91 We identified cut periods by applying Boolean logic to the datasets of all three indicators of military power. Not all year-to-year cuts were part of a cut period. Only two consecutive YtY cuts or two consecutive YtY cuts interspersed with a zero YtY change constitute a cut period. A YtY change that is part of an identified cut period was coded ‘1’ and those that are not part of the cut period were coded ‘0’.

			2007-2009	-24.2%		
Portugal	2002-2004	-18.1%	2006-2008	-4.5%	2001-2003	-8.1%
	2008-2012	-46.5%			2005-2007	-47.1%
Spain	2008-2012	-93.0%	2002-2005	-18.5%	2001-2004	-11.7%
					2005-2011	-36.0%
UK	2007-2009	-27.3%	2000-2002	-0.9%	2005-2007	-33.6%
			2006-2009	-26.6%	2009-2012	-42.0%
Czech Republic	2008-2012	-78.3%	2000-2002	-14.3%	2000-2003	-10.7%
			2003-2005	-60.3%	2004-2009	-45.7%
					2010-2012	-18.1%
Hungary	2003-2006	-34.8%	2000-2009	-42.4%	2003-2011	-86.2%
	2008-2012	-89.8%				
Poland			2000-2010	-54.0%	2000-2002	-15.8%
Austria	2003-2005	-20.7%	2006-2012	-39.8%	2005-2012	-163.6%
	2007-2010	-54.0%				
Finland			2001-2003	-16.6%	2004-2009	-137.1%
			2009-2012	-22.7%		
Ireland	2008-2011	-84.7%			2005-2007	-58.0%
Sweden	2007-2009	-29.8%	2000-2010	-75.2%	2001-2003	-14.1%
					2005-2007	-73.6%
					2008-2012	-35.3%
Bulgaria	2008-2012	-161.0%	2000-2011	-60.7%	2001-2004	-3.7%
					2005-2007	-7.1%
					2009-2011	-64.1%
Cyprus	2000-2002	-36.4%			2004-2012	-42.4%
	2010-2012	-55.3%				
Estonia	2010-2012	-127.3%	2003-2007	-29.4%	2005-2008	-81.9%
Latvia	2008-2010	-310.2%	2001-2003	-32.1%	2005-2007	-3072.9%
Lithuania	2003-2005	-24.4%				
	2008-2010	-87.3%				
Malta	2003-2007	-193.9%				
	2009-2012	-30.9%				
Romania	2008-2010	-81.0%	2000-2007	-66.4%	2005-2010	-50.1%
Slovakia	2008-2012	-123.5%	2000-2008	-60.6%	2001-2003	-9.1%
			2009-2012	-4.3%	2005-2012	-54.2%
Slovenia	2008-2012	-88.3%			2005-2008	-49.3%

### *Potential Demilitarization*

Second, we determined potential demilitarization periods. We did this by summarizing the individual *cut period* truth table values within a combined *potential demilitarization* truth table. The combined truth table of potential demilitarization periods contains summaries of the YtY values contained in the cut period truth table per each indicator of military power (see Table 2).<sup>92</sup> Because a simultaneous decline in the three indicators of military power is a necessary (but insufficient) condition of demilitarization, we were interested in observing a minimum sequence of two YtY values of 3.

Table 2. – Potential Demilitarization Truth Table: EU27, National Level

<sup>92</sup> For example, if in a country case the same YtY period is coded 1 in the defense spending truth table, 0 in the manpower truth table and 1 in the equipment truth table, the resulting value for the given YtY period in the potential demilitarization period truth table is 2.

Potential Demilitarization Periods = minimum sequence of two YtY periods of 3	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Belgium	1	1	1	1	1	1	1	0	2	2	2	2
Denmark	0	0	1	1	0	1	1	1	2	2	3	3
France	1	1	1	1	2	1	0	1	2	2	2	1
Germany	1	1	1	1	2	3	2	2	1	1	1	1
Greece	0	1	1	2	1	2	2	1	2	1	2	1
Italy	1	1	1	1	3	3	1	2	1	1	1	1
Luxembourg	0	0	0	0	0	0	0	0	0	0	0	0
Netherlands	2	2	1	0	0	0	0	1	2	1	1	1
Portugal	0	1	2	1	0	1	2	1	1	1	1	1
Spain	0	1	2	1	1	1	1	1	2	2	2	1
UK	1	1	0	0	0	1	2	2	2	1	1	1
Czech Republic	2	2	1	1	2	1	1	1	2	1	2	2
Hungary	1	1	1	3	3	3	2	2	3	2	2	1
Poland	2	1	1	1	1	1	1	1	1	1	0	0
Austria	0	0	0	1	1	1	2	3	3	3	2	2
Finland	0	1	1	0	1	1	1	1	1	1	1	1
Ireland	0	0	0	0	0	1	1	0	1	1	1	0
Sweden	1	2	2	1	1	2	2	2	3	2	1	1
Bulgaria	1	2	2	1	1	2	2	1	2	3	3	1
Cyprus	1	1	0	0	1	1	1	1	1	1	2	2
Estonia	0	0	0	1	1	2	2	1	1	1	0	0
Latvia	0	1	1	0	0	1	1	0	1	1	0	0
Lithuania	0	0	0	1	1	0	0	0	1	1	0	0
Malta	0	0	0	1	1	1	1	0	0	1	1	1
Romania	1	1	1	1	1	2	2	1	2	2	0	0
Slovakia	1	2	2	1	1	2	2	1	2	3	3	3
Slovenia	0	0	0	0	0	1	1	1	1	1	1	1

Using this approach, we identified six cases of potential demilitarization periods: Hungary (2003-2006), Italy (2004-2006), Austria (2007-2010), Bulgaria (2009-2011), Slovakia (2009-2012) and Denmark (2010-2012). In these six cases, national defense expenditure, military manpower and military equipment stock declined simultaneously between three or more consecutive years.

#### *Intent to Demilitarize*

Thirdly, we conducted case studies of Austria and Denmark to examine whether the cuts in the measurement of military power was strategic. We chose the cases as most likely cases of demilitarization. Due to its World War II legacy, Austria has been an avid proponent of peace. Its Parliament has committed Austria to a “policy of peace” and to a

security policy “designed to avoid war and to foster peaceful relations among nations based on the Charter of the United Nations.”<sup>93</sup> It was (prior to EU membership) a neutral or non-allied country, consistently opposed NATO membership and with it NATO military obligations. Denmark has famously opted-out of the EU Common Security and Defense Policy. Since the 1999 and 2004 NATO enlargements, Denmark ceased to be a NATO “front line state” relieving some pressure for maintaining strong conventional defenses. Recently, Denmark eliminated major defense systems including the Danish submarine force.<sup>94</sup> Out of the six cases of potential demilitarization, Austria and Denmark should be the easiest cases for finding strategic logic for reducing military power.<sup>95</sup>

### *Austria (2007-2010)*

In the Austrian case, the potential demilitarization period is 2007-2010.<sup>96</sup> During this period, Social Democratic Party of Austria (SPO) was in power. By 2007, SPO’s security and defense platform was based on two main tenets: 1) to anchor Austria within the the EU security architecture, 2) to continue with the restructuring efforts commenced by the work of the 2004 Defense Reform Commission. Both serve as evidence that Austria did not intend to demilitarize in the 2007-2010 period. The SPO party platform is based on Austria’s active participation in European security structures and international missions, particularly within the EU security architecture. Austrian Defense Minister Norbert Darabos’s first policy goal was to Europeanize Austrian security policy. In a November 2007 speech, Darabos said, “the new orientation of Austrian security policy undoubtedly and above all means Europeanisation. As a middle-sized EU member state we have, in view of the changed security landscape, no alternative to putting our entire security structure in a European context.”<sup>97</sup>

In this respect, SPO embraced the core tenet of the 2001 Austrian Defense Doctrine, which was still in effect in the 2007-2010 period but came into force at the time when SPO was in opposition. The doctrine clearly states that Austrian security goal lies in making Austria’s security inseparable from the security framework of the EU: “Austria’s vital security interests and the security interests pursued in common with the EU constitute the basis of our security policy.”<sup>98</sup> This logic goes back to 1995 when Austria joined the EU and adopted the Union’s entire package of legal and political *acquis*, including the Maastricht Treaty’s provisions for the Common Foreign and Security Policy and Article J.4 containing the perspective for potential development of common European defence.<sup>99</sup> A special provision (Article 23f) was added to the Austrian Federal Constitution to ensure that participation in the CFSP would not be restricted by the 1955 Neutrality Act in terms of constitutional law.<sup>100</sup> With this provision in place, Austrian neutrality principle has become

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93 Resolution by the Austrian Parliament: Security and Defence Doctrine – General Considerations [Translation Orig. German], January 23, 2001, p.1. Accessible through ISN ETH Zurich: <http://www.isn.ethz.ch/Digital-Library/Publications/Detail/?lng=en&id=155910>

94 Nordenman, Magnus (September 2, 2014). “Special Summit Series: Denmark and NATO,” Atlantic Council – Working Together to Secure the Future, NATO Source: <http://www.atlanticcouncil.org/blogs/natosource/special-summit-series-denmark-and-nato>

95 The sources we used for this qualitative analysis consisted of political party platform, specifically with regard to foreign and security policy, official political defence documents, and political statements and declarations as applicable per individual country case.

96 In this timeframe, the office of the Federal Minister of Defense and Sports was occupied by Mag. Norbert Darabos (January 11, 2007 to March 11, 2013). He served his term in office under Chancellor Alfred Gusenbauer until December 2, 2008 and under Werner Faymann’s first government between 2009 and 2010.

97 Austria: Military, Global Security. Last modified October 19, 2014: <http://www.globalsecurity.org/military/world/europe/at.htm>

98 Resolution by the Austrian Parliament: Security and Defence Doctrine, p.1

99 Ibid., p.7

100 Ibid., p. 5

effectively limited. After the Amsterdam Treaty was ratified in 1998, the Austrian National Assembly adopted another constitutional amendment enabling Austrian participation in the EU Petersberg Tasks, including combat missions in the context of crisis management.<sup>101</sup>

Secondly, SPO has actively supported the restructuring efforts initiated by the 2004 Defense Reform Commission, established to prepare Austrian armed forces for the demands and tasks of the twenty-first century. Its stated goal was a guided transformation of the Austrian military by 2010. It specifically recommended substantial reductions in the obsolete, heavy and costly structures tailored to territorial defense and the reduction of standing forces from 110,000 to 55,000.<sup>102</sup> In 2010 Mr. Darabos initiated massive reductions (more than 50%) in Austria's fleet of armoured vehicles,<sup>103</sup> decommissioning more than 500 "Kurassier" light tanks, all "Saurer" armoured personnel carriers and parts of the "Leopard" 24A fleet and M-109 self-propelled howitzers.<sup>104</sup>

The defense reforms also dictated modernization through the acquisition of military equipment, to transform the Austrian military into "new, more modern and highly professional" troops for international cooperation and out of area missions, including rapid deployment and operational readiness, while maintaining a reservist component."<sup>105</sup> In March 2010 the Defense Ministry purchased IVECO "Light Multirole Vehicles" and JCB backhoe loaders, as part of a strategic intention to rely on light, protected, highly mobile and air transportable equipment in the future.<sup>106</sup> While the IVECO vehicles increased the mobility of transportation, patrol, scout or command missions, the JCB loaders improved engineering battalions in Villach, Melk and Salzburg.<sup>107</sup> In summary, the SPO's mission of defense transformation towards more capable, well-trained and equipped forces in the service of national and European missions refutes the possibility that Austria was demilitarizing in 2007-2010.

### *Denmark (2010-2012)*

Denmark's potential demilitarization period ranges from 2010-2012.<sup>108</sup> Neither ruling party platforms (the Danish Liberal Party (Venstre) or the Danish Social Democratic Party) indicate political pressure to demilitarize. Venstre leadership has opposed Denmark's EU military cooperation opt-out proposed a national referendum to undermine it.<sup>109</sup> Venstre emphasizes the importance of maintaining a national military defence system to preserve peace and freedom in the world, with continuing full NATO membership and effective participation as two main vehicles for achieving this goal.<sup>110</sup> Venstre's former Chairman and Prime Minister, Mr. Anders Fogh Rasmussen, was appointed NATO Secretary General in

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101 Ibid., p.7

102 Bachora, Rastislav, 2010, Austrian security and defence doctrine- the changing process of Austrian security policy and the impacts of political interests, In: Majer, M. – Ondrejcsák, R. – Tarasovič, V. – Valášek, T. (eds.): Panorama of global security environment 2010. Bratislava: CENAA, pp. 217-235, p.38

103 "Austrian Armed Forces Announce Massive Reductions of Heavy Equipment," December 12, 2010. Austrian Armed Forces (Bundesheer): <http://www.bundesheer.at/english/dynmod/artikel.php?id=3331>

104 Ibid.

105 Austria: Military, Global Security

106 Examples are the new "Dingo", new road and off-road trucks, air-transportable medical containers, the update of the AB-212 helicopter fleet and the new protected multi-purpose vehicles IVECO LMV [In "New Vehicles for the Armed Forces"].

107 "New Vehicles for the Armed Forces," March 11, 2010. Austrian Armed Forces (Bundesheer): <http://www.bundesheer.at/english/dynmod/artikel.php?id=3147>

108 In this timeframe, the Danish Ministry of Defence was headed by a Venstre Liberal Gitte Lillelund Bech (February 23, 2010 – October 3, 2011) and a Social Democrat Nick Hækkerup (October 3, 2011 to August 9, 2013).

109 Sogaard-Richter, Claus (ed.) (2012). "Facts about Venstre – The Liberal Party of Denmark. Venstres Landsorganisation, Holte, DK, pp.1-24, p.16: [www.e-pages.dk/venstre/58/fullpdf/1.pdf](http://www.e-pages.dk/venstre/58/fullpdf/1.pdf)

110 Ibid., p.17

2009. Danish Social Democrats have pursued a proactive foreign and security policy since the turn of the century, supporting both Danish participation in Afghanistan in 2001 and Libya in 2011. However, they have made formal EU or UN endorsement a condition for Danish participation in any military intervention abroad.<sup>111</sup>

The Danish strategic defense document for the 2010-2012 period reflects the intent to reform Danish Armed Forces rather than to demilitarize. Most Danish political parties endorsed the 2010-2014 Danish Defense Agreement in June 2009,<sup>112</sup> which committed them to the process of “extensive transformation from a traditional mobilisation defence to a modern deployable defence force.”<sup>113</sup> Security institutions such as NATO and the UN are the cornerstones of Danish security and defence policy. It also states that “in the event of the discontinuation of the Danish EU defence opt-out, the Danish Armed Forces must be able to participate in EU operations outside Union territory relating to peacemaking, peacekeeping, conflict resolution and humanitarian assistance as well as to strengthening international security in accordance with the principles of the UN Charter.”<sup>114</sup> Modernization, optimization of current capabilities and reinvestment of saved funds are the core drivers of the reform process.

The transformation efforts of the 2010-2014 period entailed modernization and updating of existing equipment as well as equipment for training and instruction purposes. A disposition and disbursement budget of DKK 3 billion was put in place for major equipment acquisitions. Some of the intended acquisitions included upgrades of rocket launchers to GMLRS standard and acquisition of armoured vehicles and engineering equipment for the Army, ship-based helicopters and weapons systems and ammunition for the Navy and supplementary equipment for EH-101 helicopters and radar and control systems for the Air Force.<sup>115</sup> The government furthermore planned to replenish depleted military equipment stock, especially the munitions and spare parts that declined due to Danish participation in missions. The equipment capacity and stock supplies were to be expanded and proportioned to current demands with immediacy.<sup>116</sup>

In order to optimize efficiency, the reform dictated the reduction or decommissioning of some operational capabilities, including reductions in Army overall fire-support capability, Navy standard flex capability by decommissioning permanent surveillance maritime response vessels in internal Danish waters, and Air Force combat aircraft and airspace surveillance capability.<sup>117</sup> Other reductions included decommissioning the obsolete long-range, fire-support system provided by self-propelled M109 Howitzers, as well as Army air-defence capability and long-range, anti-tank missile units. Money saved through reductions and decommissions and general restructuring of the Armed Forces was used to enhance the transformation efforts even further. The proceeds from the streamlining and trimming measures were reinvested back into the Ministry of Defence to support core operational tasks or the Reorganization Funding Pool supporting the continued transformation of the Danish Armed Forces.<sup>118</sup>

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111 De Waele, Jean-Michel, Fabien Escalona and Mathieu Vieira (2013). *The Palgrave Handbook of Social Democracy in the European Union*, “Denmark” by Jacob Christensen, Palgrave Macmillan, New York, NY, pp. 632, p.100

112 This included: The Liberal Party, the Social Democratic Party, the Danish People’s Party, the Socialist People’s Party, the Conservative Party, the Radical Liberal Party and the Liberal Alliance Party [In Danish Defence Agreement 2010-2014, Copenhagen, June 24, 2009, p.1, <http://www.fmn.dk/nyheder/Documents/danish-defence-agreement-2010-2014-english.pdf>]

113 *Ibid.*, p.1

114 *Ibid.*, p.2

115 *Ibid.*, p.19

116 *Ibid.*, p.18

117 *Ibid.*, pp.26-27

118 *Ibid.*, pp.27-28

In summary, there is no indication that Denmark has the political intention to demilitarize. The political parties in the government during the 2010-2012 period supported armed forces transformation with the view of creating a more modern, well-equipped and well-manned force that functions at an optimal level. Cuts in personnel and military equipment were either a consequence of Denmark's participation in international missions or part of re-organization and restructuring process to reduce the size or completely decommission obsolete military equipment stock.

### **The Defense Reform Concept**

Practitioners have written more than academics about the topic of defense reform, as states and international institutions such as NATO and the EU have attempted to initiate and export defense reform efforts in the last decades. Defense reform is “a coordinated series of actions designed to improve the efficiency and effectiveness of a state's armed forces,”<sup>119</sup> to “respond to perceived threats”<sup>120</sup> often by maximizing capabilities and military effectiveness at a minimal cost. NATO, through its Partnership for Peace (PfP) program, specifically names threats such as terrorism, WMD proliferation, intra-state conflicts, and ethnic rivalries as threats against which the alliance must develop and coordinate military capabilities.<sup>121</sup> These coordinated actions include 1) strategic threat assessment, 2) review of the roles of the armed forces and civilian institutions (either through an institutionalized or ad hoc defense review process), 3) a planned reorganization of the defense sector or the relationship between the defense and other sectors, and 4) the implementation of action plans or reforms. Reforms can be material, ideational, and organizational in nature. Material elements can include weapons systems, logistics and defense infrastructure, force size and structure, ‘disruptive’ technological innovations (or a Revolution in Military Affairs) or the organizational efforts to adopt advanced technologies (more often known as defense transformation). They can also be in military doctrine, rules of engagement (ROEs) and operating procedures; management and budgeting practices; personnel policies such as recruitment, training, or professionalization. Relationships between organizations are also possible area of reform, including relationships among the services (jointness) and with other security forces, with allies (interoperability), and contractual relationships with private or commercial actors.

Defense reform can also mean dealing with a burden of large military personnel structures inherited from a previous era. Most observers of military power are aware that large standing forces, as reflected in overall personnel numbers, are a legacy and a burden of the Cold War, rather than an overall power asset. European states have generally been weighed down by their Cold War legacy of conscription armies and conventional weapons systems, but they have been reforming these aspects in the last decade. For example, the Brookings Institutions' analysis paper from July 2012 documents that “Germany is taking advantage of its spending cuts to reform its military into a smaller but more capable all volunteer force.” In fact, a CSIS study found that while European defense spending has decreased, so have the overall personnel burdens of European armies, with Europe reducing its Cold War troop levels by over 35% from 2001 to 2011.

Although there are many reasons for the initiation of a defense reform process, the

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119 DCAF Backgrounder. Defence Reform. 10/2009, p. 1. [http://www.dcaf.ch/content/download/35742/526701/file/22\\_defence%20reform.pdf](http://www.dcaf.ch/content/download/35742/526701/file/22_defence%20reform.pdf).

120 NATO “Tackling Challenges of Defence Reform” [http://www.nato.int/docu/defence\\_reform/defence\\_reform-e.pdf](http://www.nato.int/docu/defence_reform/defence_reform-e.pdf)

121 Ibid.

primary and intended outcome is an increase in defense capability or military effectiveness as an “objective improvement in the defense force’s ability to field and support its armed forces.”<sup>122</sup> NATO defense reform guidance specifies that these initiatives must increase the readiness of the armed forces, incorporated into training materials and military education systems, and produce fiscal savings for further reinvestment in defense capabilities.<sup>123</sup> The impetus behind a defense reform process can come from changes in the international security environment, such as polarity shifts at the end of the Cold War and the globalization pressures on the international security environment.<sup>124</sup> Drivers for reform can also be domestic, stemming from political or social reforms such as regime change or democratization (also known as Security Sector Reform<sup>125</sup>), and technological innovations and developments.

Budget pressures, however, are *the* necessary precondition of defense reforms. Reforms in the absence of budget pressures are Revolutions in Military Affairs (RMAs), not defense reforms. RMAs are a “discontinuous increase in military capability and effectiveness arising from simultaneous and mutually supportive change in technology, systems, operational methods, and military organizations.”<sup>126</sup> Defense reforms, on the other hand, arise from two fiscal pressures: either from exogenous shocks to overall fiscal spending resulting in austerity measures in public spending, or endogenous resource pressures that emerge from within the military due to the costs of adopting new RMA technology and modernization processes. Exogenous resource shocks on fiscal spending often lead to high profile public debates about defense resources and potential cost saving measures (such as in the US under sequestration or the EU post-2008 financial crisis), but prior research on NATO states (Wieluns 2014) has shown that defense reforms were potentially singularly driven by the financial crisis only in Greece, while modernization efforts with some correlation with financial-crisis related budget constraints possibly explained the behavior of five NATO members (24% of cases), while in ten other NATO members (47% of all cases), defense reform was not correlated with external financial shocks but was possibly driven by internal modernization pressures and initiated prior to the onset of the crisis.

The endogenous budget constraints of technological modernization are part of the externalities in the process of attempting defense transformation. The increasing sophistication of equipment has significant fiscal implications for budget planners, necessitating the downsizing of existing resources. In NATO, new technologies in weaponry, communication and logistics (in order to facilitate interoperability with allies) have been an important driver of defense reform and transformation. Reform inherently involves economic and political tradeoffs, usually in favor of investing in advanced technologies at the cost of base closures, military downsizing, and force reductions. The implementation of a reform process also entails state guidance of these adjustments, including training and education efforts, defense industry support, or financial support to communities dependent on armed forces activity. Through the NATO PFP, state management of reform externalities has been supplemented by alliance resources, as well, such as a NATO reconversion project

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122 Young, Thomas-Durell, “Measuring Defense Reform: A Proposed Methodology to Measure Efforts to Achieve the Objectives of PAP-DIB.” *The Quarterly Journal*, Spring-Summer 2006, p. 82.

123 P. 83.

124 Theo Farrell and Terry Terriff, “The Sources of Military Change,” in eds, (2002) *The Sources of Military Change: Culture, Politics, and Technology*. Boulder: Lynne Reinner Publishers, p. 3-17.

125 United States Government, “Field Manual 3-07, Stability Operations,” United States Government Printing Office, Washington, D.C., October 2008. See also “OECD DAC Handbook on Security System Reform: Supporting Security and Justice”, 2007 Edition, <http://www.oecd.org/dataoecd/43/25/38406485.pdf>, p. 13

126 Steven Metz and James Kievit, “Strategy and the Revolution in Military Affairs: from theory to policy,” Strategic Studies Institute, U.S. Army War College, June 27, 1995, p. v.

in Similti, Bulgaria, where the closure of an infantry base resulted in a 70% unemployment rate.<sup>127</sup> In the US in the 1990s, the acceleration of the Revolution in Military Affairs (RMA), transforming US force structure towards more advanced technology, was partially funded by force reductions and base closures, but also by reductions to major procurement programs such as JSTARS, F-22s, V-22s, and JSF.<sup>128</sup>

While both exogenous and endogenous economic pressures produce cuts in aggregate defense budgets, exogenous pressures might produce less strategic reforms and more overall cost savings than pressures resulting from modernization efforts and reinvestment in advanced capabilities.<sup>129</sup> This can be seen in the logic of German defense minister Ursula von der Leyen's response to the fiscal pressures put on European governments after the financial crisis "rather than pledge a greater percentage of GDP on defense...the emphasis should be on the more efficient use of funds already set aside."<sup>130</sup> A German member of the European Parliament for center-right European People's Party also commented that: "We need the entire toolbox from verbal notes to fighter aircraft. And that means that ... in the current circumstances, first of all we need to stop cutting defence spending and then use the available funds better by common planning and common procurement."<sup>131</sup>

One element of defense reform relevant in the European case is the focus on "pooling and sharing" defense capabilities and reducing redundancies at the collective European level, both through EU and NATO. Through NATO, this is done by "building the mutual capacity"<sup>132</sup> of allies to undertake the Alliance's essential core tasks as agreed in the NATO's Strategic Concept. This means harmonizing requirements, pooling and sharing capabilities, and setting priorities in concert in the effort to generate those capabilities that the Alliance needs.<sup>133</sup> Through the EU, this cooperative effort to maintain critical defense capabilities, such as air-to-air refueling, maritime surveillance, or the European satellite communications procurement cell, has been harnessed by the European Defense Agency (EDA). In November 2012, the European defense ministers adopted EDA's initiative to support European defense cooperation by stream-lining European consultation, planning and decision-making processes in the *Code of Conduct on Pooling and Sharing*.<sup>134</sup> The logic of these initiatives is that Europe collectively spends more than enough on defense, but has critical military capability shortfalls in some areas and excess capacity and capability redundancy across others. The idea behind the initiative is to mitigate critical military capability shortfalls and thus also aim to ensure the effectiveness of national armed forces. Such approach has been advocated by Nick Witney, a former chief executive of the EDA, who recommends that we do "not worry about spending more" but about spending "the resources we have more wisely" and avoid "wasting so many defense resources on

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127 NATO "Tackling Challenges of Defence Reform" [http://www.nato.int/docu/defence\\_reform/defence\\_reform-e.pdf](http://www.nato.int/docu/defence_reform/defence_reform-e.pdf)

128 Cordesman, Anthony. "Trends in US Defense Spending, Procurement, and Readiness : The Growing Gap Between Strategy, Force Plans, and Resources" Center for Strategic and International Studies, April 1998, p. 41.

129 Cappella Zielinski and Schilde, ISA paper 2015.

130 "NATO defense ministers agree on 'readiness plan.'" Deutsche Welle online, June 4, 2014. The link to the article: <http://www.dw.de/nato-defense-ministers-agree-on-readiness-plan/a-17680577> (permalink: <http://dw.de/p/1CBWb>)

131 "Spend more, spend better to improve EU defence," European Affairs: the network. September 25, 2014. Michael Gahler is a German politician and Member of the European Parliament. He is a member of the conservative Christian Democratic Union, part of the European People's Party. <http://www.euronews.com/2014/09/25/spend-more-spend-better-to-improve-eu-defence/>

132 "2014 Defense Reform Handbook" Heritage Foundation, Special Report #151 on Security and Defense, p. 1. <http://www.heritage.org/research/reports/2014/02/the-heritage-foundation-2014-defense-reform-handbook>

133 NATO Smart Defence. Last updated: February 4, 2015 [http://www.nato.int/cps/en/natohq/topics\\_84268.htm?](http://www.nato.int/cps/en/natohq/topics_84268.htm?)

134 European Defence Cooperation, European Defence Agency, <http://www.eda.europa.eu/aboutus/whatwedo/pooling-and-sharing>

duplicative and incompatible programs.”<sup>135</sup>

## Measuring Defense Reform

Defense reform and transformation is notoriously difficult to measure, and the states and international organizations attempting to manage reforms have grappled with how to evaluate metrics for progress in the area.<sup>136</sup> Within the US, the policy debate on RMA, transformation, and reform is far from over, but the concept of defense transformation has been divided into ten subcomponents for measuring organizational improvements and capability development.<sup>137</sup> NATO has developed several attempts to measure baseline goals, progress and stagnation in defense transformation, through programs such as the Defense Institution Building (DIB) program<sup>138</sup> and the Defense Education Enhancement Program (DEEP).<sup>139</sup> In practice, defense reforms are operationalized by cutting certain programs and reinvesting in other programs, or cutting certain budget subcomponent or line-items (such as Operations and Maintenance) in favor of other budget line-items (such as Research and Development (RDT&E) or Procurement).<sup>140</sup> For example, US defense reform in the 1990s cut Procurement funds in order to accelerate Research and Development goals associated with RMA.<sup>141</sup> Investing in RDT&E and Procurement while reducing waste and excess capacity in operations, maintenance, and personnel was part of the explicit strategy behind US defense transformation efforts in the late 1990s.<sup>142</sup> Based on these observations, we expect to see variation at the line item level in the budget as part of the defense reform process.

A case of defense reform decline in defense expenditure, even over a period of time, does not mean a weakening of military capability. On the contrary, the military complex can function more efficiently and effectively if reductions in defense spending mean an effort to optimize the size of military manpower, jettison out-of-date equipment or reinvest the savings in military research and development. At the same time, top-level cuts in defense spending can obscure increases in spending at a more granular level of analysis. Increases in military manpower, equipment or R&D during cut periods can be justified on grounds of force restructuring and modernization, which often entail procurement of new military equipment or additional and targeted investment into research activities. Therefore, we surmise that if cuts in top-level national defense expenditure occur because a country is conducting defense reform, two necessary conditions must be met. First, we expect to see some upward movement in the force structure/line-item measure of military capability during the cut period. Secondly, there must be evidence of strategic intention to conduct defense reform during a defense spending cut period. We conducted empirical analyses as well as qualitative case studies to test for the defense reform hypothesis. Identifying periods

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135 Erlanger, Steven. March 2014.

136 Magnum, R. and W. Craven. “Measuring Defense Reform” *Small Wars Journal*. April 26, 2010.

137 Magnum, R. and W. Craven. “Measuring Defense Reform” *Small Wars Journal*. April 26, 2010.

138 “NATO Partnership Action Plan for Defense Institution Building”(PAP-DIB) is based on principles adopted at the Istanbul Summit in 2004, [http://www.nato.int/cps/en/SID-38020F1A-2CF2CA8E/natolive/topics\\_50083.htm](http://www.nato.int/cps/en/SID-38020F1A-2CF2CA8E/natolive/topics_50083.htm)

139 The Partnership for Peace Consortium (PpPC) of Defense Academies and Security Studies Institutes “Defence Education Enhancement Program” (DEEP), <https://consortium.pims.org/>,

140 Eaglen, Mackenzie “Taking a Scalpel to the Defense Budget.” *The Heritage Foundation*. Available at: <http://www.heritage.org/research/reports/2011/02/taking-a-scalpel-to-the-defense-budget> [Accessed February 4, 2015].

141 Cordesman, Anthony. “Trends in US Defense Spending, Procurement, and Readiness : The Growing Gap Between Strategy, Force Plans, and Resources” *Center for Strategic and International Studies*, April 1998, p. 30.

142 Neal, DJ., 2006. Do We Really Understand What Is Meant by Transformational Change for Defence? *Defence Studies*, 6 (1), 73–96, p. 87.

of potential defense reform is the prerequisite for assessing causal connections between defense spending cuts and the intention to reform the armed forces.

### *Potential Defense Reform*

We operationalize periods of potential defense reform as evidence of any ‘force structure’ or ‘line item’ increases in the measurement of national military manpower, R&D and military equipment during the top-level ‘cut periods’ in national defense spending. Because we are testing for an alternative hypothesis behind the same periods of decline in defense expenditure, we consider the same ‘cut periods’ we identified for the demilitarization hypothesis (Table 1. – defense expenditure). Line-item data consists of defense R&D figures and force structure data entails national military manpower and military equipment figures *one level below* the top-level measurement. In case of military manpower<sup>143</sup> and equipment<sup>144</sup> this means figures aggregated per each of the three service branches of the national Armed Forces: the Army, the Navy and the Air Force. Line-item data on R&D involves NATO data on the percent of national defense expenditure spent on R&D.<sup>145</sup>

As a way to analyze the data, we constructed defense reform plausibility probes in the form of truth tables aggregated per each of the three indicators of military power: military manpower, defense R&D and military equipment.<sup>146</sup> In case of military manpower and military equipment, we considered three force structures: Army, Navy and Air Force.<sup>147</sup> In case of R&D, we considered two line-item measures – % defense expenditure devoted to equipment and that categorized as ‘other.’<sup>148</sup> Lastly, we tested for potential defense reform in aggregate by constructing a combined truth table that tracks increases in any one of the eight indicators (at force structure/line item level) during the defense expenditure cut periods.<sup>149</sup>

The findings show that YtY changes in military manpower at the services level generally track aggregate defense spending cuts. In only 10.5% of the 86 YtY that fall within national cut periods do we see an increase at the force structure level during periods of decline in defense expenditure. In cases of increase in manpower at the force structure level during a cut period (Netherlands, Portugal, Spain and Romania), the increase is minimal,

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143 The line-item data on national military manpower and military equipment consists of statistics aggregated by the three Armed Forces service-branches - Army, Navy, Air Force - and comes from The Military Balance publications, covering the 27 EU member states in the period from 2000 to 2012. The manpower data includes all servicemen and women on full-time duty including conscripts and long-term assignments from the reserves. Paramilitary forces whose training, organization, equipment and control suggest they may be used to support or replace regular military forces are not normally included in the totals. [Source: (2001) The military balance 2001–2002 preface, The Military Balance, 101:1, 4-11, p.5

144 The information on military equipment comes from The Military Balance. In case of Army it entails annual total of the following military equipment: main vehicles (main battle tank (MBT), armoured personnel carrier (APC), armoured infantry fighting vehicle (AIFV), assault amphibious vehicle (AAV), exclusive of ‘look alike’ types), RECCCE, total artillery, anti-tank guided weapons (ATGW), rocket launchers (RL), recoilless launchers (RCL, i.e. Carl Gustav), attack/assault helicopters, unmanned aerial vehicle (UAV), and surface-to-air missile launchers (SAM). Naval totals include: subs, principle surface combatants (carriers, cruisers, destroyers, frigates, corvettes), patrol and coastal combatants, mine countermeasures (countermeasures and/or warfare), amphibious (equipment and/or craft), support and miscellaneous. Information on Air Force equipment consists of combat aircraft, attack helicopters and UAVs.

145 The line-item data on R&D covers only NATO EU member states in the period from 2000 to 2012. The figures come from NATO’s information on national defense expenditures by category, where each category represents the percent share of the annual national defense expenditure. Our analysis tracks two categories that contain spending devoted to R&D: equipment and ‘other.’ Equipment category entails % of defense expenditure spent on major equipment and R&D devoted to major equipment. The category of ‘other’ includes spending on operations and maintenance expenditures, other R&D expenditures and other expenditures not included elsewhere. [source: [http://www.nato.int/cps/en/natohq/topics\\_49198.htm](http://www.nato.int/cps/en/natohq/topics_49198.htm)]

146 In a prior step, we utilized Boolean approach to identify year-to-year changes at the line-item/force structure level that do not track top-level defense spending cuts. What this means is that YtY increase at a line-item level during cut period years was coded ‘1’ and no increase at the line-item level was coded ‘0.’

147 This means that potential defense reform is evidenced if the aggregate force structure truth tables on manpower and equipment contain values between 1 and 3. A value of 1 indicates an increase in one service branch, a value of 2 an increase in two service branches and a value of 3 an increase in all three service branches during a defense expenditure cut period.

148 This means that the potential defense reform occurs when values in the aggregate R&D truth table are either 1 or 2, marking an increase either in one or both categories that contain spending on defense R&D.

149 A sequence of at least two YtY changes that shows a value of 1 or higher is considered a period of potential defense reform.

involving only one service branch (value of 1, see Table 3). What this finding suggests is that cuts in the Armed Forces service are correlated with cuts in defense spending in most cases, and to a greater or lesser degree, personnel cuts happen across all the services. When decreases do happen, there is political incentive to spread the burden of cuts across the services. In only 29% of the 86 YtY changes within cut periods do we see an increase in manpower service branches, out of which 64% are isolated cases of increases only between two consecutive years. There is greater evidence for across-the-board cuts in military personnel than targeted restructuring of the Armed Forces. This result does not problematize our understanding of defense reforms. Because of the politically charged nature of expenditure cuts and defense reforms, force structure guidance and ministry of defense planners generally attempt to distribute capability and expenditure losses equally amongst the services. The results confirm this to be an accurate reflection of the 12-year period in our analysis.

Table 3. –Manpower Force Structure Increases during Defense Spending Cut Periods

Manpower	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Belgium												
Denmark											0	0
France									1	0	0	0
Germany					0	0						
Greece									0	0	0	
Italy					0	0		0	0	1		
Luxembourg												
Netherlands									1	1	0	0
Portugal			2	0					1	1	0	1
Spain									0	1	1	1
UK								0	0			
Czech Republic									0	1	0	2
Hungary				1	0	0			0	0	1	0
Poland												
Austria				0	1			0	0	2		
Finland												
Ireland									0	0	0	
Sweden								0	0			
Bulgaria									0	0	1	0
Cyprus	0	0									0	1
Estonia									2	0		
Latvia									1	0		
Lithuania				3	0				2	0		
Malta				0	1	0	0			0	0	0
Romania									1	1		
Slovakia									0	1	0	0
Slovenia									1	0	1	0

The story, however, when it comes to substantive line-items is very different. R&D spending, in particular, does not get cut when there are aggregate defense cuts in more than half of the European NATO member states.<sup>150</sup> In almost quarter of these cases we see growth in both line-items during times of consistent spending cuts (see Table 4). The problem (specific to NATO data collection) is that these increases involve spending devoted to R&D but also to other items, such as expenditure on major military equipment and operations and maintenance. Although the data on R&D is conflated with other spending categories, a rise in the percent of defense expenditure devoted to major equipment supports

<sup>150</sup> Due to the data source, this analysis is limited only European NATO members. However, because it entails a vast majority of the 27 EU member states considered it represents a sufficient pool of cases for testing the hypothesis of defense reform.

the defense reform hypothesis. Increase in expenditure on major equipment at times of top-level defense spending cuts suggests potential modernization. Rise in expenditures associated with operations and maintenance during defense spending cut periods also suggest targeted support of those areas that are aimed at maintaining the functioning of the military. If this does not provide clear evidence in support of potential defense reform, it does not contradict it. Qualitative analysis will determine whether these periods of potential defense reform are indeed intended or not. Discounting these periods would prematurely eliminate potential cases of defense reform.

Table 4. – Military R&D+: Line-item Increases during Defense Spending Cut Periods

R&D+	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Belgium												
Denmark											1	1
France									2	1	1	1
Germany					1	2						
Greece									2	1	1	
Italy					1	0		1	0	0		
Luxembourg												
Netherlands									1	0	0	0
Portugal			2	2					1	2	0	0
Spain									0	1	1	1
UK								1	0			
Czech Republic									1	1	1	1
Hungary				1	1	1			0	0	2	1
Poland												
Bulgaria									0	1	1	1
Estonia									1	1		
Latvia									1	1		
Lithuania				0	1				0	1		
Romania									0	2		
Slovakia									0	0	0	2
Slovenia									1	1	0	1

The purpose of modernization-driven defense reform is to maximize capabilities and effectiveness under resource constraints. One measure of capabilities is military equipment (purchased through procurement or developed through R&D). While most measure of military power calculate spending as a proxy for capabilities, we disaggregate them to track whether they actually covary. We found that in more than half of the 27 EU member states military equipment at the level of Armed Forces services does not track cuts in top-level defense spending. A growing supply of military equipment stock at least in one service branch of the Armed Forces at times of defense spending cuts suggests potential defense reform, with the results of increasing military capabilities. The figures show a number of instances when such increases occurred in more than one service branch. Out of the all the instances of line-item increases during defense spending cut periods, 37.1% involved growth in more than one service branch (see Table 5).

Table 5. –Increases in Military Equipment during Defense Spending Cut Periods

Equipment	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Belgium												
Denmark											0	0
France									1	2	2	3
Germany					2	2						
Greece									1	1	2	
Italy					0	1		1	1	0		
Luxembourg												
Netherlands									0	1	2	1
Portugal			0	0					0	2	2	1
Spain									1	0	0	2
UK								2	2			
Czech Republic									0	1	0	0
Hungary				0	0	1			1	0	0	1
Poland												
Austria				2	1			1	1	0		
Finland												
Ireland									0	0	0	
Sweden								1	1			
Bulgaria									1	0	0	0
Cyprus	1	2									0	0
Estonia									2	1		
Latvia									1	1		
Lithuania				0	1				1	1		
Malta				0	1	0	1			0	0	1
Romania									0	0		
Slovakia									0	1	0	0
Slovenia									1	1	0	2

While changes in force structure manpower track defense expenditure cut periods in most cases, annual changes in R&D and military equipment at the more granular level of analysis do not vary with defense spending cuts in more than half the considered country cases. In order to account for the complexity of the defense reform process, we were ultimately interested in seeing how these annual changes at the services or line-item level stacked – in aggregate - against periods of cuts in defense spending. In theory, any increase at the lower level of analysis against a cut in top-level measurement of defense spending between three consecutive years indicates a potential case of defense reform.<sup>151</sup> This means a sequence of at least two YtY changes that contains values 1 and higher. We find<sup>152</sup> that in 16 cases out of the 18 European NATO members with defense spending cut periods, with the exception of Hungary (2008-2010) and Slovakia (2008-2012), periods of potential defense reform completely align with the cut periods in national defense spending (see Table 6). This suggests that in vast majority of the considered cases, the sustained cuts in defense spending could be correlated with the process of defense reform and efforts to modernize and transform force structures and capabilities.

Table 6. – Periods of Potential Defense Reform

151 Because we were tracking eight indicators at a force structure or line-item level per each of the 21 European NATO members, values between 1 and 8 indicate lower-level increases between two consecutive years during a cut period. Increase in one line item (i.e. in R&D devoted to major equipment) takes on value of 1, increases in two line items or force structure (i.e. in R&D devoted to major equipment and in Naval equipment stock) take on value of 2 and so on.

152 There is no evidence of all force structure and line-items increasing at the same time between any subsequent years and in any country cases (no values of 8; the highest value is 5 in case of Portugal (2009-2010), see Table 6).

Potential Defense Reform	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Belgium												
Denmark											1	1
France									4	3	3	4
Germany					3	4						
Greece									3	2	3	
Italy					1	1		2	1	1		
Luxembourg												
Netherlands									2	2	2	1
Portugal			4	2					2	5	2	2
Spain									1	2	2	4
UK								3	2			
Czech Republic									1	3	1	3
Hungary				2	1	2			1	0	3	2
Poland												
Bulgaria									1	1	2	1
Estonia									5	2		
Latvia									3	2		
Lithuania				3	2				3	2		
Romania									1	3		
Slovakia									0	2	0	2
Slovenia									3	2	1	3

### Defense Reform – Case Studies

In order to ascertain whether periods of potential defense reform were actually driven by the strategic intention to reform, we looked at two opposite country cases: France and Bulgaria. France is an established Western leader in the EU and has received some of the highest scores in our measurement of potential defense reform (see Table 6). Bulgaria, on the other hand, is a relative newcomer to the EU (2007), marred by high levels of corruption and fewer empirical evidence in support of potential defense reform (see Table 6). We were interested to see whether both country cases are cases of defense reform and if so whether the difference in empirical evidence also mirrors actual dissimilarities in the nature of intended defense reform.<sup>153</sup>

#### France (2008-2012)

The consistent decline in France’s national defense expenditure over the four-year period from 2008 to 2012 took place during President Nicolas Sarkozy’s term in office (May 2007-May 2012).<sup>154</sup> Despite the frequent changes in the leadership of the Ministry of Defense, Sarkozy’s presidency, the New Center Party’s support of Union for Popular Movement (UMP)’s defense strategy and the strong bipartisan consensus between UMP and the Socialist Party on defense matters<sup>155</sup> largely unified the national position in support of profound defense reform during this period.

The strategic impulse for French defense reform came in 2007 when President Sarkozy set up a Commission on Defence and National Security. The commission produced

153 We considered national strategic documents, political party platforms, and speeches of political leaders (as applicable) for evidence of intent to reform the respective national defense apparatuses.

154 In this time, the French Ministry of Defense (and Veterans Affairs) was headed by several Defense Ministers affiliated either with centrist New Center Party (Herve Morin, May 2007-November 2010), center-right Union for Popular Movement party (Alain Juppe, November 2010-February 2011 and Gerard Longuet, February 2011-May 2012), or with center-left Socialist Party (Jean-Yves Le Drian, May 2012-present).

155 O’Donnell, Clara M., Andrew Dorman, Bastian Giegerich, Camille Grand, Adam Grisom, and Christian Molling (July 2012). “The Implications of Military Spending Cuts for NATO’s Largest Members.”, p. 21 <http://www.brookings.edu/research/papers/2012/07/military-spending-nato-odonnell>

a 2008 White Paper on Defence and National Security, The White Paper introduced three new aspects of national defense, marking a significant departure from the previous 1994 national security strategy: 1) a wider national security scope that considered internal and civil security policies beyond defense policy, 2) reduced reliance on nuclear deterrence policy and greater support for involvement in military operations, 3) reintegration into NATO's military command. Defense reform was a necessary vehicle to carry out this strategic transformation.

The core of the transformation process was rooted in equipment modernization and restructuring of the military apparatus. Equipment modernization<sup>156</sup> and stock optimization were seen as necessary to enhance France's expeditionary capabilities. The 2008 White Paper sanctioned improvement of France's capacity to act militarily in the international context and committed France to invest "heavily in modernizing the armed forces' equipment, including a new space program."<sup>157</sup> This was, however, to be done at the price of "reducing its personnel strength."<sup>158</sup> In June 2008, President Sarkozy declared: "... we must stop thinking that our armed forces are judged only by their manpower strengths. We must have equipped, trained and modernized armed forces,"<sup>159</sup> emphasizing the need to abandon "patching up" routine equipment, such as 45-year-old tanker aircraft, 28-year-old light armored vehicles and 30-year-old Puma helicopters, while increasing the equipment budget by 20% to support equipment modernization efforts.<sup>160</sup> As a matter of priority, improvements targeted modernization of sea-based ballistic missile submarine force and airborne missiles carried by nuclear-capable combat aircraft, investment in armored vehicles and reinforced protection of French Navy ships through air-to-air and anti-cruise missiles, investment in knowledge-based security, which in itself requires development of surveillance, and armed drones as well as offensive and defensive cyber-war capabilities.<sup>161</sup>

European defense industry also played a key part in France's defense reform, especially with regard to military capabilities. Since 2008, France openly prefers military equipment acquisitions within the European defense industry context: "European framework must be privileged [for acquisition of]: combat aircraft, drones, cruise missiles, satellites, electronic components, etc., although procurement policy must include acquisitions on the world market."<sup>162</sup> France intends to enhance the European platform for defense collaboration to compensate for acknowledged national shortfalls in intervention capabilities. This is why since 2008 France strategically endorses enhancement of the European collaborative pooling and sharing efforts, which create real options for capability sharing, development or acquisition among European countries. These include, for example, strategic and tactical support aircraft (A400M), in-flight refueling capability, mobile-air capability<sup>163</sup>, as well as naval-air capability that involves association of aircraft carriers, airbase and escort carriers.<sup>164</sup>

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156 "In the last 15 years, the French authorities have also been renewing key military platforms for all three services. Leclerc battle tanks, ACV armored combat vehicles, Tiger attack helicopters, Horizon frigates, Rafale combat aircrafts and the Charles-de-Gaulle aircraft carrier have entered service. France has also commissioned the A400M transport aircraft, FREMM frigates, Barracuda-class nuclear submarines and NH90 helicopters. In addition, the government has overseen a major modernization of France's nuclear force, made up of four Triomphant-class nuclear powered ballistic missile submarines, M-51 submarine-launched ballistic missiles, and ASMP-A airborne missiles." [In O'Donnell et al. 2012, p. 20]

157 Major, Claudia (2008). "The French White Paper on Defense and National Security." CSS Analyses in Security Policy, Vol.3, No. 46, December 2008, p.3 <http://www.css.ethz.ch/publications/pdfs/CSS-Analyses-46.pdf>

158 Ibid.

159 Speech by Mr. Nicolas Sarkozy, President of the Republic, on defence and national security (excerpts). Paris, June 17, 2008: <http://www.ambafrance-ca.org/Speech-by-Mr-Nicolas-Sarkozy>

160 Ibid.

161 The French White Paper on Defence and national security, 2008, pp.7-9

162 The French White Paper on Defence and national security, 2008, p.10

163 Such as helicopters within the framework of Franco-British and Franco-German cooperation.

164 Ibid., p. 7

Other important elements in France's defense reform entailed a reduction of its dependency on nuclear deterrence and a development of satellite capability. While nuclear disarmament remained an essential concept of France's national security in the 2008-2012 period,<sup>165</sup> it was also "complemented by an attempt to reduce its dependency on nuclear arms."<sup>166</sup> France indicated that its nuclear disarmament is to be done by "decreasing its airborne nuclear weapons to half the level held during the Cold War, dismantling its nuclear testing site in Mururoa ... and ceasing the manufacture of fissile missile for nuclear weapons."<sup>167</sup> France also declared its intent to develop satellite capabilities, double its space research budget and complete the CERES satellite system.<sup>168</sup> This should entail replacement of the Syracuse military telecommunications satellite system and acquisition of UAVs.<sup>169</sup>

In the 2008-2012 period, France's military personnel reductions continued. Since the professionalization of the military began in 1995, France has reduced its troop numbers several times, amounting to a 50% reduction in 15 years.<sup>170</sup> The reform effort began with 54,000 job cuts in the administrative sector of the armed forces.<sup>171</sup> By 2008, the personnel reform was well under way. At the beginning of his term in office, Sarkozy announced that reductions in manpower must continue until they reach the level necessary for fulfillment of France's operational objectives: "In 6-7 years' time, we will have a total of 225,000 civilian and defense personnel. The army will have 131,000, the air force 50,000 and the navy 44,000. I know... it's a substantial reduction."<sup>172</sup> Under Sarkozy, the transition towards a greater expeditionary capability also envisioned a reduction of the Operational Ground Force by 88,000 troops in order to reorganize the force into a more streamlined and rapidly deployable capability.<sup>173</sup>

In summary, the consistent reductions in France's defense expenditure in the 2008-2012 period have taken place under the strategic and political commitment to conduct substantial defense reform. Despite the cuts in defense spending, France was able to maintain a rather ambitious defense transformation agenda while reducing its personnel numbers, optimizing and modernizing its equipment stock and committing to European solutions for enhancement of its military capabilities.

### *Bulgaria (2008-2012)*

In comparison to the French case, there is weaker evidence in the Bulgarian case that supports the defense reform hypothesis behind the 2008-2012 defense spending cut period. However, the relationship between cuts and reform is plausible on two accounts: Bulgaria has been transforming from the post-Cold War military defense posture into more a modern defense actor under the pro-NATO and pro-EU leadership of Bulgarian President Georgi

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165 "France will still rely on its nuclear deterrent by equipping 'Le Terrible' – one of France's newest Ballistic Missile Submarines – with an 'M-51.1 sea-launched intercontinental ballistic missile' from 2010 and furnishing its carrier-based 'Mirage 2000 NK3' and 'Rafale' aircrafts with nuclear-armed 'ASMP-A' cruise missiles." [In Fiott, Daniel (2008). "French White Paper on Defence and National Security: Peacebuilding, NATO, Nuclear Weapons and Space." Number 40, September 2008, p. 2:

[http://www.researchgate.net/profile/Daniel\\_Fiott/publication/216768850\\_The\\_French\\_White\\_Paper\\_on\\_Defence\\_and\\_National\\_Security\\_NATO\\_Nuclear\\_Weapons\\_and\\_Space/links/00b7d53e922266eccc000000.pdf](http://www.researchgate.net/profile/Daniel_Fiott/publication/216768850_The_French_White_Paper_on_Defence_and_National_Security_NATO_Nuclear_Weapons_and_Space/links/00b7d53e922266eccc000000.pdf)

166 *Ibid.*, p. 6

167 The French White Paper on Defence and national security, 2008, p.7

168 *Ibid.*

169 De Selding, Peter B. (August, 2013) "Ceres Satellites are a High Priority in French Defense Ministry's y-year Plan. <http://spacenews.com/36597ceres-satellites-are-a-high-priority-in-french-defense-ministrys-7-year/>

170 O'Donnell et al. 2012, pp.19-20

171 The French White Paper on Defence and national security, 2008, p. 3

172 Speech by Mr. Nicolas Sarkozy

173 The French White Paper on Defence and national security, 2008, p. 2

Sedefchov Parvanov (2002-2012). Such transformation involved significant reductions in military personnel.<sup>174</sup> Secondly, the NATO<sup>175</sup> and EU membership provided modernization incentives, which were largely precipitated by the need to improve Bulgarian military interoperability with military forces of existing NATO and EU members.<sup>176</sup>

Both leadership parties officially supported – albeit to varying degrees – a defense reform agenda. The NDSV government managed to sign Bulgaria’s accession treaty to NATO and start the final round of negotiations for the accession to the EU.<sup>177</sup> Under the political rule of the GERB party, Bulgaria became a member of the EU and supported not only development of modern defence policy<sup>178</sup> but also – albeit not very successfully<sup>179</sup> - government-wide anti-corruption practices as a matter of priority.<sup>180</sup>

In Bulgaria, defense reform efforts from 2008-2012 focused primarily on force size reductions, revision of command structures and uprooting corruption and to a lesser degree on capability modernization.<sup>181</sup> Bulgaria’s 2010 White Paper on Defense dictated 16% reductions in the armed forces personnel between 2010-2014 as part of post-Cold War restructuring efforts to meet “country’s modern defense and foreign policy initiatives.”<sup>182</sup> As a way to accommodate the personnel reductions, command structures of the armed forces were to be revised. Bulgaria’s command and control system was reviewed and restructured to increase the effectiveness of control and compatibility of the strategic and operational level command and to align them with principles of modern management of the armed forces.<sup>183</sup> For example, Bulgaria created a Joint Forces Command at the operational level, which subordinated the commanders of the three services of the Armed Forces to the commanding officer of the Joint Forces Command.<sup>184</sup>

Modernization of Bulgaria’s equipment proved limited throughout the 2008-2012 period, however. Bulgaria’s White Paper on Defense stated that: “A priority ... is to keep the existing capabilities necessary to the Armed Forces, to develop capability components that

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174 Dicke, Rachel A., Ryan C. Hendrickson & Steven Kutz (2014) NATO's Mafia Ally: The Strategic Consequences of Bulgarian Corruption, *Comparative Strategy*, 33:3, 287-298, p.290. DOI: 10.1080/01495933.2014.926760

175 Its earlier NATO accession in 2004, however, was more controversial because some sectors of the Bulgarian establishment feared joining the military alliance could harm its historical relations with Russia. [In “Bulgaria Must Appease the EU and Russia Simultaneously,” *Stratfor Global Intelligence*, October 1, 2014 <https://www.stratfor.com/analysis/bulgaria-must-appease-european-union-and-russia-simultaneously>]

176 Between 2008 and 2012, the Ministers of Defence were affiliated either with the party of National Movement of Stability and Progress (former National Movement Simeon the Second)-NDSV ( Veselin Bliznakov, August 2005-April 2008 and Nikolai Tsonev, April 2008-July 2009) or with the center-right Citizens for European development of Bulgaria party – GERB (Nikolay Mladenov, July 2009-January 2010 and Anyu Angelov, January 2010-March 2013).

177 Cholova, Blagovesta (2013). “Anti-Establishment Reform Parties in Bulgaria: A Decade of Dominant Populist Rhetoric.” *ECPR General Conference in Bordeaux*, 4-7 September 2013, p. 6 <http://ecpr.eu/filestore/paperproposal/02e8d9e4-206a-4174-96e1-d4e00353b711.pdf>

178 GERB’s government developed and follows a clear management program, in which the implementation of modern defence policy is a priority. [In *White Paper on Defence and the Armed Forces of the Republic of Bulgaria*, p.3: [http://www.mod.bg/en/doc/misc/20101130\\_WP\\_EN.pdf](http://www.mod.bg/en/doc/misc/20101130_WP_EN.pdf)]

179 EU officials set tough entry requirements, reflecting their concerns about corruption and organised crime. After a series of reports found that the Bulgarian government had failed to tackle these issues effectively, the EU announced in July 2008 that it was suspending aid worth hundreds of millions of euros. [In *Bulgaria, Country Profile, German Marshall Fund*, p. 1 <http://ecpr.eu/filestore/paperproposal/02e8d9e4-206a-4174-96e1-d4e00353b711.pdf>]

180 “Some corruption scandals, revealed by the press via tape records of conversations between Borissov and some of his ministers and other public figures, worsened the image of the government. Public discontent provoked several manifestations in 2012 and the beginning of 2013 and the clashes between the police and the protesters led the government to resign in February 2013.” [Bulgaria, *Country Profile, German Marshall Fund*, p.8 <http://ecpr.eu/filestore/paperproposal/02e8d9e4-206a-4174-96e1-d4e00353b711.pdf>]; In 2014 GERB leadership declared that Bulgaria needed three new laws, including a National Security Service Act, a National Intelligence Service Act, and a Defence Information Service Act. [In “Bulgaria’s Ruling Party GERB to Amend over 20 Laws to Propel Reforms” January 10, 2015: <http://www.novinite.com/articles/165886/Bulgaria%E2%80%99s+Ruling+Party+GERB+to+Amend+over+20+Laws+to+Propel+Reforms>]

181 This aligns with the lower values of potential defense reform based on line-item increases in personnel, equipment and R&D investment during the defense spending cut period.

182 Dicke, Rachel A., 2014, p.290

183 *White Paper on Defence and the Armed Forces of the Republic of Bulgaria*, p.38

184 *Ibid.*, p.39

do not require significant financial resources, .... to use a single set of forces and to provide an adequate contribution to Allied operations.”<sup>185</sup> Since becoming a NATO member, Bulgaria acquired new but limited military capabilities. In 2007 the government signed a contract for two second-hand frigates and one mine-hunter ship from Belgium; in 2009 it contracted two more middle-class and two smaller helicopters, but also downgraded its original contract with EUROCOOPER in 2010 to acquire three instead of six Panther helicopters.<sup>186</sup> And in 2012, Bulgarian government also decided to upgrade 18 of its helicopters to NATO standards.<sup>187</sup> In accordance with the 2010 White Paper, Bulgaria managed some modernization of available combat ships and development of coastal reconnaissance and navigation installations.<sup>188</sup>

In the 2008-2012 period, Bulgaria set out to actively uproot corruption in the defense sector, a core tenet of enhancing the effectiveness of Bulgaria’s defense reform policy. Despite this goal, corruption remained a problem in this period. Corrupt defense spending practices reportedly marred Bulgaria’s effort to fulfill NATO-guided Force Goals and seriously harmed actual modernization necessary to put Bulgarian Army on par with NATO standards.<sup>189</sup> Little oversight over defense expenditure gave Bulgarian Defense Ministers “wide independence,” and later resulted in charges of misuse of defense funds as well as extravagant spending practices.<sup>190</sup> Endemic corruption problems required the institutionalization of greater transparency in all areas of defense procurement. Bulgarian government amended the Law on Defence and Armed Forces (LDAFRB / 3OBCPB), increasing management oversight over the integrated ministry and this legislative act fought corruption and aided in prevention of conflict of interest as priorities at all levels of the ministry.<sup>191</sup> The White Paper also supported the ongoing reform work of the Standing Committee on Anti-Corruption in Bulgarian Ministry of Defence. The White Paper determined that a “standing Committee on Anti-corruption will work in close cooperation with the Council of Ministers’ Centre for Prevention and Combating Corruption and Organized Crime.”<sup>192</sup> This means that the GERB defense reform policy prioritized transparency and accountability, transformation of the defence ministry into a modern democratic institution as well as elimination of corruption and inefficient resource management within the wider organizational reform conducted under the increased post-2008 budgetary pressures.<sup>193</sup>

In summary, Bulgarian government did enact a series of defense reforms during the 2008-2012 defense spending cut period. In part, decline in defense spending resulted from the reduction of Bulgaria’s force size, which went hand in hand with wider professionalization and modernization of Bulgarian force structure.<sup>194</sup> Unlike in the French case, Bulgarian government’s investment in R&D was limited, as was modernization and procurement of military equipment. In reality, the bulk of defense reform efforts focused on the restructuring of the Armed Forces command structures and on fighting corruption in the Bulgarian defense sector.

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185 Ibid., p.70

186 Dicke, Rachel A., 2014, p.292

187 Ibid.

188 White Paper on Defence and the Armed Forces of the Republic of Bulgaria, p. 37

189 Dicke, Rachel A., 2014, p.291

190 Ibid.

191 White Paper on Defence and the Armed Forces of the Republic of Bulgaria, p. 59

192 Ibid.

193 White Paper on Defence and the Armed Forces of the Republic of Bulgaria, p.3

194 Dicke, Rachel A., 2014, p.292

## Conclusion

Throughout the past decade, European states have been progressively cutting their national defense expenditures. In the attempt to understand the phenomenon and the intentionality behind the periods of sustained cuts in national defense expenditure among EU states, we explored two competing hypotheses: demilitarization and defense reform. Through our empirical analysis we found that in the period 2000-2012 demilitarization could potentially explain six out of thirty cases of defense spending cut periods in the 27 EU member states, while defense reform could possibly explain sustained defense spending cuts in twenty out of the twenty-two European NATO cases. The subsequent qualitative analysis demonstrated no support for the demilitarization hypothesis even in the most likely cases of Austria and Denmark, while we found evidence of purposeful execution of defense reform agenda in the most likely case of France as well as the less likely case of Bulgaria.

Our findings suggest that despite periods of decline in national defense spending among the European states, there is insufficient evidence to imply either an ideological change towards a demilitarizing Europe or a weakening of European military power. A European zone of peace still exists in a wider Hobbesian world of international anarchy, for which Europe is consciously preparing. Security threats could still be fundamentally relevant for how much, how and why Europe spends on defense. Increased instability in regions bordering the EU, as was the case with Russia's response to the developments in Ukraine in 2014, could provide sufficient political incentives to reverse the current decline in European defense spending. There is some evidence from 2014-2015 that this is already happening. In fact, one of the only countries not investing in defense equipment or modernization at the line-item level from 2000-2012 was Poland. But during this time period, Poland has maintained a security posture that maintains the need for territorial defense, with much of the same equipment left over from the Cold War. Poland's political and defense leadership has struggled with European and NATO initiatives to develop expeditionary forces, since they have claimed it is not in their interest to do so, because the threat of Russian aggression is greater.<sup>195</sup>

Such reversal in current spending cuts could also occur if the US furthers its disengagement from Europe. Ideology and intentionality of processes occurring at times of budgetary decline, then greatly influence the quality of cuts, including their management. While the observed decline in defense spending between 2000 and 2012 was not dictated through a demilitarization ideology, European governments have been purposefully reforming their defenses to achieve more military effectiveness, even at times of overall budget cuts. Reductions in military assets could be further compensated at the collective level of European security through increased collaboration on the development, acquisition and procurement of military capabilities. Such efforts are, for example, evident in case of EU's pooling and sharing initiative and NATO's Smart Defense agenda. IR theories offer rationales for why Europe should be growing less martial over time in the unipolar world; we specify that this decline is not intended to undermine European capabilities, but enhance them.

This demonstrates the importance of considering the quality as well as the quantity of cuts in defense resources when assessing state power. It does not hold that less spending equates less military capability or defense. Many states restructure how they spend the

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195 Poland. The Ministry of National Defense. *Defense Strategy of the Republic of Poland*. Trans. Eng. Warsaw 2009.

resources they have to maintain or improve their power despite budgetary pressures. Overall decline in absolute spending on defense is in many cases driven by a conscious dismantling of the Cold War legacy of large standing armies, which are in the context of contemporary security threats no longer strategically and tactically required. Some of the resulting cost savings are then inserted back into the defense sector, to aid in larger defense reform schemes. Resource reshuffles often juggle and prioritize several venues of defense reform, often driven by budgetary pressures due to expensive upkeep, modernization or development of military capabilities, or investment in R&D.

While we limited the scope of the present study to testing two specific hypotheses for cuts in European national defense spending – demilitarization and defense reform - we are aware that other factors could drive, intervene or otherwise influence the defense cuts. These could be austerity measures, collective level collaboration in defense industry, proximity, severity and probability of security threats, future stability of the current security arrangements between the European states and the US, or citizen preferences. While some of these factors provide unintended external pressures to cut defense spending (such as in case of austerity measures implemented in the defense sector, or unexpected deterioration in international security), others could be more endogenous, such as the idea of correcting for national shortfalls through collective level collaboration. Taking this into consideration, we can see a number of other explanations behind the periods of defense cuts, intentional or not:

- Cuts in military assets are unintended at the national level but are intentionally compensated by capability enhancement (defense reform) at the collective European level.
- Cuts in defense spending are unintended and result from the austerity measures taken in the aftermath of the global economic crisis.
- Cuts in military assets are intended as part of European buck-passing strategy towards the US.
- Cuts in military assets are intended and correlated with the decreasing security threats that Europe is facing.
- Cuts in military assets at the national level are unintended and relate to the relatively higher democracy scores of those EU member states.

In addition, there is ample evidence that while overall defense spending is declining, internal security spending is on the rise. The supply side of the European defense industry has *increased* its sale revenues to European states, while also increasing its global exports in the last 10 years. European defense and security industries increased their revenues from 35B Euros in 2003 to 45B Euros in 2011 for sales to European states.<sup>196</sup> This growth in revenue—which cannot be accounted for in any significant increase in defense equipment expenditures—can be explained by the increasing sales of dual-use homeland and border security technologies to European states for counter-terrorism and surveillance. So, European states are spending less on overall defense, neither increasing nor decreasing their investment in defense equipment, but significantly increasing their investments in defense technologies with domestic security applications. This accounting explanation does not mean that European capabilities translate into effectiveness or readiness, but it does mean that European states are eager buyers of defense and security technology, regardless of declining

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196 European Defense Trends 2012: Budgets, Regulatory Frameworks, and the Industrial Base, 2012. Center for Strategic and International Studies, p. 2.

public revenues. It also dilutes the importance of one of the main NATO arguments against further expenditure reductions, namely that “cuts in European equipment procurement could also weaken Europe’s defence industrial base and the ability of European armed forces to remain at the cutting edge of technology.”<sup>197</sup>

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<sup>197</sup> NATO Secretary General's Annual Report 2012, NATO Public Diplomacy Division, Brussels, Belgium, 2013, p. 11.