

# The State of the (European) Union

## Making U.S. Defense Spending Look Efficient

BY MARK BURGESS, WSI BRUSSELS DIRECTOR

**FRENCH PRESIDENT** Nicolas Sarkozy's proposal to establish a core defense group comprising the six biggest members of the European Union (EU) is typically ambitious. It also belies the limited progress made by the EU toward defense integration. Key requirements for members of the new group are the establishment of a common defense procurement market and the raising of defense spending to 2 percent of gross domestic product (GDP). The conditions will prove difficult to fulfill. Yet, as the Sarkozy initiative correctly identifies, the question of EU military spending must be adequately addressed if the Union is ever to realize its full potential with regard to a common defense policy.

Differing budget procedures impede the effectiveness of any EU-wide defense budgeting. These differences also create difficulties when comparing European defense budgets with that of America – or indeed within the EU itself. There is no EU defense budget, just individual member state budgets. However, such considerations notwithstanding, to a degree, the fig-

ures involved speak for themselves.

According to the European Defense Agency, EU countries spent €201 billion [\$309 billion] on their defense budgets in 2006 (up from €193 billion [\$296 billion] the previous year) – an average of 1.78 percent of GDP across the 26 participating Member States. This compares to €491 billion [\$755 billion] spent by the United States (up from €406 billion [\$624 billion] in 2005) – or 4.7 percent GDP – during the same period. While this huge and growing expenditure gap raises questions as to the degree of overspend and overkill in U.S. defense spending, EU countries are often criticized for spending too little in this area. The fact that defense spending across the EU varies so much (see charts below) also complicates the building of a common EU policy, creating what is often perceived as unfair burdens on some countries, with others are accused of “freeloading.”

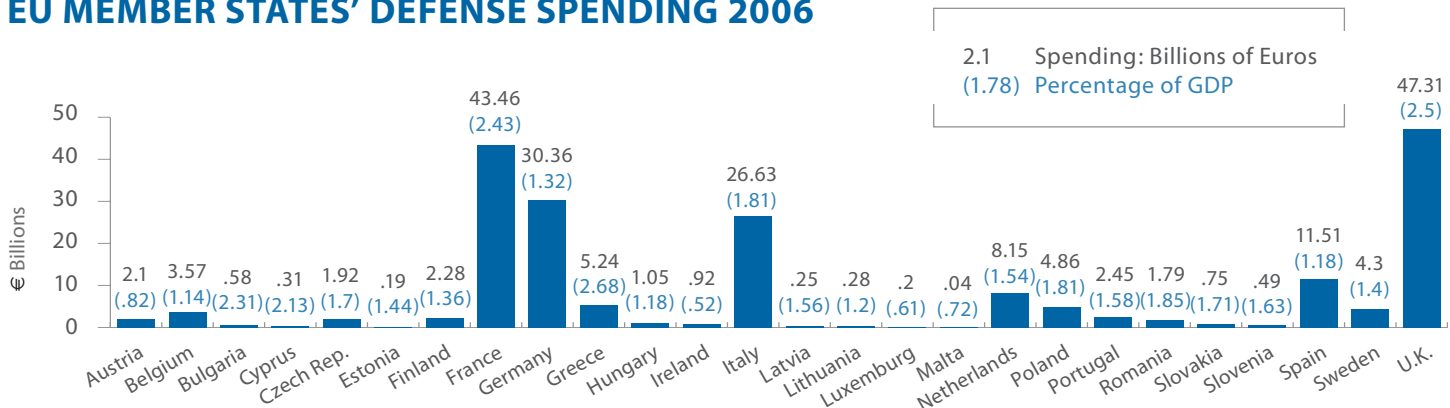
In addition, there are serious questions over how wisely EU defense spending is applied. For instance a 2005 European Commission report

found that the EU had 89 different defense programs running across 12 different land, sea and air systems, compared to 27 American ones.

EU defense spending problems also extend to its military operations. While something under 10 percent of the costs of such operations are generated by the Athena mechanism (which estimates contributions based on the Gross National Income of participating states), the remainder are financed under a “costs lie where they fall” principle as with NATO. This principle effectively double charges countries participating in EU military missions. Such countries not only have to pay for the military capabilities involved but also the extra costs associated with any EU deployment. According to the general commanding the EU military staff, this practice proved detrimental to the force generation for the Union's recently launched operation in Chad.

Even without such issues as uneven (and often too low) spending levels, irrational procurement programs, and a principle for funding operations which discourages participation, EU defense integration would be an uphill struggle. However, unless these underlying budgetary issues are resolved, it may well prove Sisyphean. ■

### EU MEMBER STATES' DEFENSE SPENDING 2006



Source: European Defense Agency, “2006 National Breakdowns of European Defence Expenditure.”