
3. Greece

*Stelios Alifantis and Christos Kollias**

I. Introduction

Greece, a member of both NATO and the European Union (EU), having joined them in 1952 and 1981, respectively, allocates a substantial part of its national income to defence. Indeed, it is the most militarized of the NATO and EU countries in terms of the human and material resources allocated to defence uses and the military burden.¹ In 1996 Greek military expenditure as a share of gross domestic product (GDP) was more than twice the EU and NATO averages.² Similarly, in 1998 and in 1999 the ratio of the Ministry of National Defence (MOD) budget to the total government budget was high.³ Domestic arms production capabilities are comparatively modest, and according to SIPRI data Greece was the sixth largest importer of major conventional weapons in the five-year period 1994–98.⁴

There have been no comprehensive analyses or systematic studies of arms procurement decision making in Greece, despite the high level of resources allocated to defence. The lack of previous research is a major obstacle to examining this process. The Greek defence planning process and in particular the arms procurement decision-making process are also fairly closed in terms of public accountability, transparency, parliamentary scrutiny, monitoring and oversight.

¹ Kollias, C., 'Country survey VII: military expenditure in Greece', *Defence and Peace Economics*, vol. 6, no. 4 (1995).

² In 1996 Greek military expenditure, at 4.5% of gross domestic product (GDP), was more than twice the EU and NATO averages for the same period, which were 2% and 2.2%, respectively. Sköns, E. *et al.*, 'Military expenditure and arms production', *SIPRI Yearbook 1998: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 1998), pp. 228–29, 232–33.

³ It was 8.58% in the government budget for 1998 and estimated at about 8.14% for 1999.

⁴ Hagelin, B., Wezeman, P. D. and Wezeman, S. T., 'Transfers of major conventional weapons', *SIPRI Yearbook 1999: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 1999), p. 428.

* The authors wish to thank Dr Theodoros Stathis, MP, for acting as the country adviser in this study and gratefully acknowledge the contributions of Thanos Dokos, Panayotis Tsakonas, Meletis Meletopoulos, Odysseus Narlis, Haralambos Giannias, Christos Valtadoros and Stratis Trilikis, both in their individual research papers and in their contributions during the course of the SIPRI Project on Arms Procurement Decision Making. Their in-depth research made this chapter possible. The constructive suggestions and insightful remarks made by the editor of this volume and an anonymous referee on earlier drafts of this chapter are also gratefully acknowledged. However, the opinions expressed here are the authors' own and any remaining errors, omissions and weaknesses are their exclusive responsibility.

This chapter is based partly on the six working papers prepared by Greek researchers for a workshop held in Athens on 28 February 1998. They are not published but are deposited in the SIPRI Library. Abstracts appear in annexe B in this volume.

Information available publicly on specific weapon acquisitions consists mainly if not exclusively of press reports and articles on the choice of weapon system, rough estimates of their costs, and analyses by defence experts of their operational characteristics and their usefulness for the defence needs of the country. Public knowledge of the arms procurement process is at best sketchy.

There is almost universal consensus in Greece on the need for a strong defence and arms procurement decisions are not often questioned. Any criticism that there is comes from such quarters as defence experts in the media, the academic world, the opposition, and individual members of parliament (MPs) and politicians, and is likely to refer to delays in arms procurement which adversely affect the balance of military strength between Greece and its adversary, Turkey.

This chapter examines the arms procurement decision-making process currently in operation in Greece, the levels of public accountability relating to it, and the barriers to and opportunities for shaping the process to meet the broader needs of Greek society. The remainder of this section presents a historical overview of threat perceptions, linking current security concerns and priorities with the history of the region and in particular the adversarial nature of Greek–Turkish relations. The major changes that have occurred are described and the factors that determine the changes in security perceptions and defence priorities are identified. In section II, national security priorities and the Greek experience of arms procurement in the initial post-World War II period are discussed. Section III examines the current defence planning and decision-making process in the context of the wider strategic environment and the threat assessment and defence priorities of the country. Section IV examines arms procurement decision making, section V the defence budget process, section VI the role of the defence industry in the procurement process, and section VII the strengths and limitations of democratic oversight of arms procurement decision making. Section VIII summarizes and concludes the chapter.

The security environment

Greece is located at the crossroads of three continents in a volatile area of southern Europe—the Balkan Peninsula. Historically, its two major security concerns have been the Balkan Slavs to the north and Turkey to the east.⁵ Following the collapse of the cold war bipolarity, the Balkan strategic and security environment has undergone important structural changes. As a member of NATO, during the cold war Greece had borders with Bulgaria, a Warsaw Treaty Organization (WTO) member, and non-aligned Yugoslavia and Albania. However, Greece has long regarded Turkey, another NATO ally, as the main threat to its security interests.⁶ Indeed, the consensus across the entire Greek political

⁵ Veremis, T., *Greek Security Considerations* (Papazissis Publishers: Athens, 1982) (in English).

⁶ 'The central axis of Greece's military strategy is the deterrence of the Turkish threat.' Greek Ministry of National Defence, 'White Paper for the armed forces 1996–97', Dec. 1997, URL <http://www.hri.org/mod/fylladia/bible/e_index.htm>, p. 27. See also Alifantis, S., 'National defence in the

spectrum is that Turkey is the principal and most imminent security concern. This view is shared by the public, the media, politicians and security experts. A 'cold war' prevails in Greek–Turkish bilateral relations.⁷ For at least 25 years the domestic security debate has taken the Turkish threat for granted.⁸

The resources allocated to defence reflect the increased security needs of the country. They are also a major obstacle to Greece's achieving economic convergence with the other EU members and joining the Economic and Monetary Union (EMU), which is universally considered to be of paramount importance and of strategic significance.

II. National security priorities and arms procurement experience: a historical overview

External threats to a state's sovereignty and independence can be met by the combined use of two policies which help to deter aggression by a hostile neighbour. The first, known as internal balancing, is the strengthening of the state's military capability through the allocation of resources to defence. The second, external balancing, is participation in international politico-military alliances and coalitions (NATO in the case of Greece) which offer the benefit of reinforcement—political and/or military—in order to balance and deter aggressors. For example, the Greek White Paper for the armed forces for 1996–97 states that among the means used to secure Greece's national interests is the 'maximisation of the advantages from Greece's participation in alliances and collective security organisations . . . for the protection of its national interests'.⁹ Internal balancing is being achieved through the strengthening and modernization of Greece's armed forces. Within this context, the arms and weapon systems procured and held by a state reflect its security concerns and priorities.

Two distinct periods in defence planning and arms procurement can be identified: (a) the years up to 1974 and the Turkish invasion of Cyprus; and (b) since 1975. A turning point was reached in Greek security concerns and priorities which resulted in a major reappraisal of defence and security policies and therefore arms procurement.

aftermath of the Imia crisis: the concept of "flexible retaliation", SIPRI Arms Procurement Decision Making Project, Working Paper no. 71 (1998); Meletopoulos, M., 'The sociology of national decision-making behaviour', SIPRI Arms Procurement Decision Making Project, Working Paper no. 74 (1998); Giannias, H. C., 'Arms procurement and foreign dependence', SIPRI Arms Procurement Decision Making Project, Working Paper no. 73 (1998); Dokos, T. and Tsakonas, P., 'Perspectives of different actors in the Greek procurement process', SIPRI Arms Procurement Decision Making Project, Working Paper no. 72 (1998); and Kollias, C., 'The Greek–Turkish conflict and Greek military expenditure 1962–90', *Journal of Peace Research*, vol. 33, no. 2 (1996).

⁷ Former Greek Prime Minister Andreas Papandreou once described the state of Greek–Turkish relations as a 'no war' situation, implying that, since peaceful relations were not possible and actual war would be catastrophic for both, the 2 countries had to coexist in a limbo between peace and war.

⁸ Dokos and Tsakonas (note 6). The Greek–Turkish dispute is well documented in the literature on international relations. See, e.g., Larrabee, S., 'Instability and change in the Balkans', *Survival*, vol. 34, no. 2 (1992); and Conostas, D. (ed.), *The Greek–Turkish Conflict in the 1990s* (Macmillan: London, 1991).

⁹ 'White Paper for the armed forces 1996–97' (note 6).

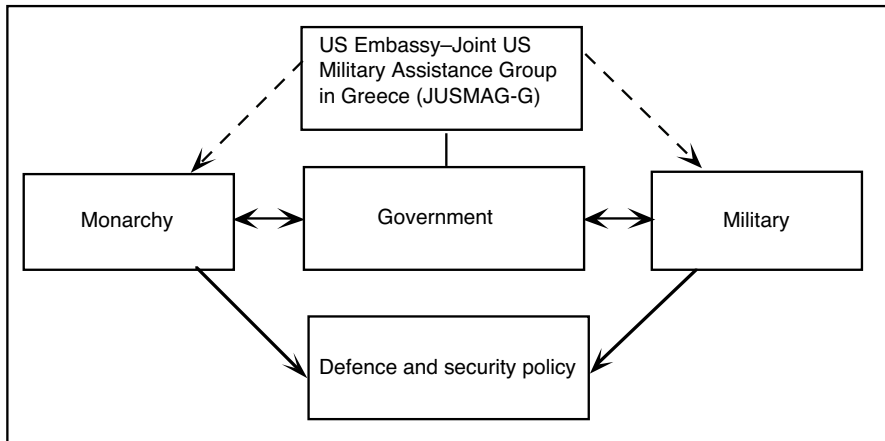


Figure 3.1. US influence on defence and security policy in Greece during the early post-World War II years

Source: Based on Giannias, H., 'Arms procurement and foreign dependence', SIPRI Arms Procurement Decision Making Project, Working paper no. 73 (1998).

After the end of World War II and the subsequent civil war (1945–49), Greece found itself in the Western sphere of influence and a member of NATO. The traumas of the civil war led to profound and extensive political and military dependence on the USA. Up to the early 1960s the main security threats to Greece were thought to emanate from its northern borders and the communists, both externally and internally. The authoritarian state established after the civil war saw NATO and the USA as indispensable for the defence of the country.¹⁰ The structure of the Greek armed forces at this period reflected their mission of maintaining internal security against communist insurgency:¹¹ the forces were designed primarily to delay a southward push of WTO forces, acting as the tripwire that would set in operation the NATO military machine. The emphasis on internal security also resulted in a poorly developed navy and air force, which in practice meant that the country had an extremely limited capability for independent operations against threats to its national interests. External security rested within NATO's defence planning, which regarded the WTO forces as the only source of external threat.

The period 1949–74 can be characterized as one of almost total political and military dependence on the West, in particular on the USA.¹² Following the victory of the nationalist forces in the civil war, the armed forces were equipped with US weapons (mostly second-hand surplus), reorganized according to US

¹⁰ Giannias (note 6).

¹¹ Stavrou, N., *Allied Policy and Military Intervention* (Papazissis Publications: Athens, 1976) (in English); and Platias, A., 'Greece's strategic doctrine: in search of autonomy and deterrence', in Conostas (note 8).

¹² With the Truman Doctrine Greece passed from the British to the US sphere of influence. The USA played an instrumental role in the assistance provided by the West to the nationalist forces in the civil war with the left in 1945–49.

standards and assigned the role described above.¹³ The relative lack of internal legitimacy of the state increased its dependence on the USA. Figure 3.1 shows the channels of US influence on defence and security policy formulation during this period. The US Embassy in Athens, and in the late 1940s the Joint US Military Assistance Group in Greece (JUSMAG-G), directly influenced the decision making of the three dominant institutions in Greece at the time—the government, the monarchy and the military. These formed the three pillars or centres of power of the post-war state.¹⁴ US military advisers were posted at various levels of the command structure of the armed forces such as working groups, committees and councils. They had not only immediate access to the decision-making process but also a direct say and influence in matters of military planning, arms procurement, force structure, operational plans, strategy, military doctrine and so on. The US military mission in Greece was effectively in joint command of the armed forces. Sovereign arms procurement policies and decision making were virtually non-existent since the armed forces depended entirely on the arms and equipment supplied by the USA under its various military assistance programmes.¹⁵ Under military rule (1967–74) Greece began to diversify its weapon acquisition sources because of the arms embargoes imposed by the US Congress and the almost exclusive dependence on US sources was reduced.¹⁶ After 1974, missile boats, AMX-30 tanks, armoured personnel carriers (APCs) and combat aircraft were procured from France; Type-209 submarines, Leopard-1 tanks and fast attack craft from Germany; Kortenaer Class frigates from the Netherlands; and in 1998 and 1999 SA-8 and SA-15 surface-to-air missiles (SAMs) from Russia.¹⁷ Even so, the USA remains the single most important supplier of military equipment and still exercises an appreciable degree of influence over arms procurement decisions through political, diplomatic and military channels.¹⁸

Following the political changes after 1974 and the drastic reduction of overt US influence in domestic political affairs, the influence of the USA on military affairs in Greece, including force structure and arms procurement, diminished.¹⁹ This does not of course imply that external influences such as alliance policies and commitments are not important in Greek military affairs: they are with all

¹³ Giannias (note 6).

¹⁴ Mouzelis, N., *Modern Greece: Facets of Under-Development* (Macmillan: London, 1978); and Mouzelis, N., *Politics in the Semi-Periphery* (Macmillan: London, 1986).

¹⁵ Giannias (note 6).

¹⁶ SIPRI arms transfers database, Apr. 1999. US-made military equipment accounted for almost 81% of all imported equipment in the period 1950–66, about 59% in the period 1967–73, 51% in 1974–89, and 55% in 1990–98. For the entire period 1950–73, US imports accounted for about 75% by value of all imported weapons and for the post-1974 period (1974–98) for about 51%.

¹⁷ SIPRI arms transfers database.

¹⁸ Statements by the US Ambassador in Athens in newspaper and television interviews expressing US interest in the choice of the new long-range anti-aircraft system and the order for new combat aircraft are an example.

¹⁹ In contrast to the period before 1974, US military advisers no longer participate in the committees, working groups or councils of the armed forces. Any points of contact that exist are institutionalized groups and committees provided by bilateral military cooperation agreements, or within the organizational structure of NATO.

NATO members. The difference between Greece and most other NATO members is that Greece feels that its national interests were not, when needed, protected by the alliance. Furthermore, where its current security needs and priorities are concerned, it can hardly rely on NATO for active protection against external aggression if the source of this aggression is Turkey.²⁰ It must therefore rely entirely on its own military capability as a deterrent.

In 1974, when Turkish forces invaded Cyprus, Greece found itself in a weak position, lacking an independent military deterrent and the capacities to react militarily. A major reappraisal of defence priorities took place. Greater emphasis was placed on strengthening the air force and navy, and a substantial increase in defence expenditure was required. Between 1974 and 1975 it increased in real terms by about 69 per cent and by 1978 it almost doubled. As a share of GDP it jumped from 4.1 per cent in 1973 to 7 per cent by 1977.²¹ As a result, it was necessary to allocate substantial resources to building up and modernizing military equipment and infrastructure, especially in the Aegean islands near the Turkish mainland. The major requirements of the Greek military were to install, upgrade and modernize its command, control and communications (C³) systems and to revise its force structure, military plans and geographical distribution of forces. Emphasis was given to qualitative improvements of the military through the procurement of technologically advanced weapon systems and 'smart' weapons.²² The deployment of capital-intensive, better-equipped and better-trained armed forces is intended to counterbalance the Turkish superiority in numbers.

III. Defence planning

The two distinct periods in defence planning and arms procurement policies, reflecting changes in threat perceptions and defence priorities, coincide with important changes in domestic politics and the economy. Except for one brief interlude, the pre-1974 period was a period of authoritarian rule in which the army and the monarchy played a major role in political affairs and the military

²⁰ NATO is obliged by treaty to give military assistance to its members if they are attacked by a 3rd force but not if this aggression emanates from another NATO member.

²¹ 'World military expenditure', *World Armaments and Disarmament: SIPRI Yearbook 1979* (Taylor & Francis: London, 1979), pp. 35, 37.

²² The Minister of National Defence, Akis Tsochatzopoulos, said in a statement to Parliament in Nov. 1996: 'Considering the dimensions of our country, the condition of our economy and the demographic problem, quantitative armaments competition with any hostile power would constitute a particularly costly effort for Greece with an uncertain outcome. Emphasis, therefore, should be put on quality, by adopting a modern strategic and operational doctrine (with emphasis on combined/joint operations), improving personnel training, restructuring combat units (with the aim of successfully carrying out defensive operations, but also to transfer operations on enemy territory), obtaining the necessary modern weapon systems (smart weapons and especially force multipliers) and rapidly integrating them in our Armed Forces. The main element of our defence planning is the achievement of maximum cost-effectiveness.' Dokos and Tsakonas (note 6), p. 7. According to the US Arms Control and Disarmament Agency (ACDA), the size of the Turkish armed forces in 1995 was in the region of 805 000 while the Greek armed forces numbered about 213 000. US Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers 1996* (US Government Printing Office: Washington, DC, 1996), pp. 72, 94.

as an institutional group had a decisive say in matters of internal security.²³ Since the collapse of the military government in 1974 and the establishment of a fully functional liberal democracy, the military has been under firm civilian control and has had no political power.

Similar structural changes can be seen in the performance of the economy. Growth was fast in the pre-1974 period, but then slowed, and the period since 1975 has been characterized by serious and persistent economic problems such as rising inflation, increasing public deficits and debt, and in more recent years rising unemployment.²⁴ Undoubtedly high defence spending presents an additional obstacle to efforts to reduce the budget deficits, inflation and government borrowing. Participation in the EMU is considered to be of paramount economic importance, and a long-term commitment to maintaining a strong defence makes joining much more difficult. In a broader context, Greek military expenditure throughout the post-1974 period has played a role in retarding growth and has used resources which, if allocated to areas such as health care, education and infrastructure, would have contributed to the development and modernization efforts of the country. Although there is broad consensus across the political spectrum that the national defence must be strengthened, it is also recognized that high defence budgets are a heavy burden on the weak economy, especially at a time when successive governments have been implementing strict austerity programmes to meet the EMU convergence criteria.²⁵

The defence planning bodies

According to the Greek Constitution (adopted in 1974 and partially revised in 1985), the President of the Republic is the Supreme Commander of the armed forces, but his powers are largely symbolic. The Prime Minister and the Cabinet determine national defence policy, exercise command over the armed forces and make all defence-related decisions.²⁶

The Government Council on Foreign Affairs and National Defence (Kivernitiko Simboulio Exoterikon kai Aminas, KYSEA), which usually convenes on an ad hoc basis, is the main decision-making body on issues of national defence and security. KYSEA is chaired by the Prime Minister and its members include the ministers of foreign affairs, defence, the national economy, the interior, public order, and public administration and decentralization, and the Chief of the Hellenic National Defence General Staff (HNDGS).²⁷ It formulates defence and foreign policy, appoints the Chief of the HNDGS and the Chiefs of

²³ Mouzelis, N., *Modern Greece: Facets of Under-Development* (note 14); and *Politics in the Semi-Periphery* (note 14).

²⁴ Alogoskoufis, G., 'The two faces of Janus: institutions, policy regimes and macroeconomic performance in Greece', *Economic Policy*, no. 20 (Apr. 1995), pp. 149–92.

²⁵ See, e.g., Tsakiris, G. and Koronaios, P., *Eleftherotipia*, 25 July 1999.

²⁶ All the government ministers and deputy ministers participate in the Cabinet.

²⁷ Other ministers may participate on an ad hoc basis if deemed necessary.

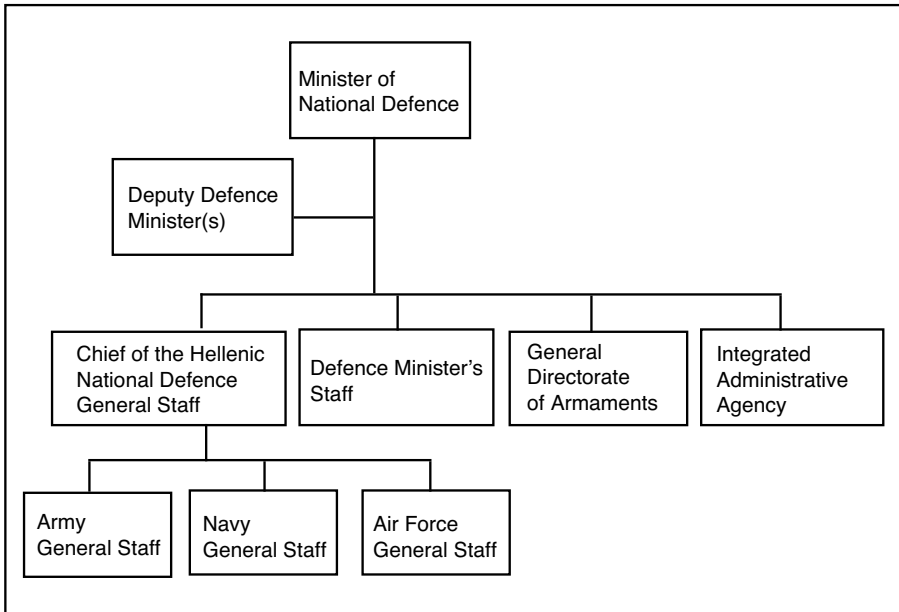


Figure 3.2. The organization of the Greek Ministry of National Defence

Source: Greek Ministry of National Defence, 'White Paper for the armed forces 1996–97', Dec. 1997, URL <http://www.hri.org/mod/fylladia/bible/e_index.htm> (in English).

Staff of the Hellenic Army General Staff (HAGS), the Hellenic Navy General Staff (HNGS) and the Hellenic Air Force General Staff (HAFGS), and decides on the procurement of all major weapon systems.

As described in the White Paper for the armed forces for 1996–97, KYSEA is responsible for: (a) formulating national defence policy within the broader context of national strategy and on the basis of long-term evaluations and assessments of security, foreign affairs and relevant international developments; (b) deciding on and approving long- and medium-term development programmes for Greece's defence capabilities, and for all major arms procurement, on the basis of national threat assessments; (c) deciding on all issues of national defence, particularly those requiring coordination with other ministries; (d) deciding to impose or lift national security alert measures and advising the President on the need for partial or general mobilization or the declaration of war; (e) selecting the Chief of the HNDGS and the Chiefs of Staff of the other services, following recommendations made by the Minister of National Defence; and (f) deciding on the assignment of forces for international operations in line with the international obligations of the country.

The MOD and its subordinate armed forces are responsible for the implementation of national defence policy in line with the general defence and security policy guidelines decided on and formulated by KYSEA. The Minister of National Defence heads and directs the Ministry of Defence Staff, the HNDGS

and the three branches of the armed forces through their respective chiefs and coordinates their functions through the office of the Chief of the HNDGS. Within the general framework of defence policy formulated by KYSEA, the minister approves and authorizes national military strategy, military evaluation and assessment, and the general directions of defence planning. He proposes to KYSEA the major changes required in force structure, authorizes the annual budget of the three branches, and coordinates and approves arms procurement programmes. He decides on the required annual reviews of the medium-term defence planning programme, recommends policies for the development and modernization of the defence industry to KYSEA, and submits to Parliament an annual report on the main activities of the armed forces.²⁸

The structure of the MOD is shown in figure 3.2. The tasks and jurisdiction of the Deputy Minister(s) of National Defence are decided on jointly by the Prime Minister and the Minister of National Defence. The main agencies and bodies that make up the ministry are:

1. *The Defence Council.* This consists of the Minister of National Defence, the Deputy Minister(s) of National Defence, the chiefs of staff, and if deemed necessary officials from other ministries on an ad hoc basis, such as diplomats from the Ministry of Foreign Affairs. The Defence Council is the highest advisory body to the Minister of National Defence for incident and situation assessment, issues of force structure and arms requirements, budget issues and research and development (R&D) programmes. It promotes a broader understanding of national security in order: (a) to develop a wider perspective on issues of defence and foreign policy through the assessment of international developments that could influence national security; (b) to improve coordination and communication between the various agencies of the MOD; and (c) to act as an internal think-tank submitting policy proposals to government bodies such as KYSEA. The Joint Council of the Chiefs of the General Staff is responsible for military decisions while the Defence Council is responsible for political–military analyses.

2. *The Joint Council of the Chiefs of the General Staff.* This is made up of the Chief of the HNDGS and the Chiefs of Staff of the three branches of the armed forces. Its duties and responsibilities include submitting policy proposals to the Minister of National Defence on issues such as the direction of defence planning, force structure, military strategy, military readiness, and military assessment of incidents and situations.

3. *The Defence Minister's Staff.* Formed in 1996, it includes civilian as well as military personnel with specialist training and knowledge, experience of budgeting, personnel management, R&D, military technology, international relations, national and international law, and so on. Its function is to provide the Minister of National Defence with immediate, specialist information on defence planning, defence policy, foreign relations, and technical and financial issues.

²⁸ 'White Paper for the armed forces 1996–97' (note 6).

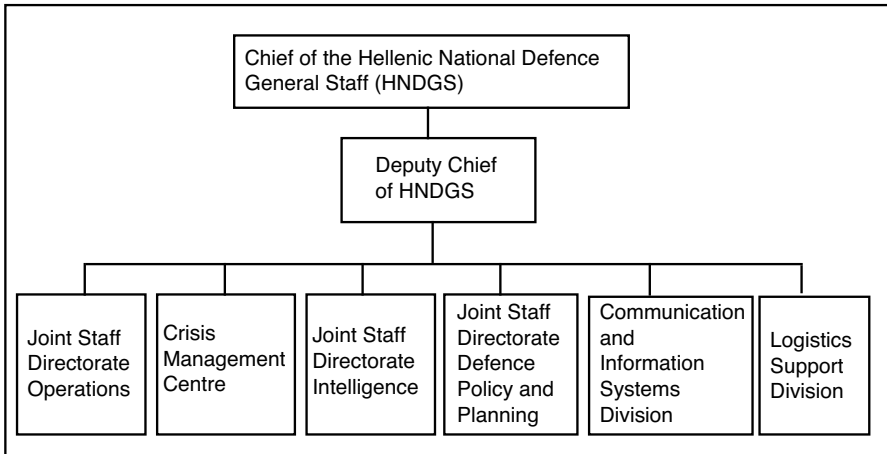


Figure 3.3. The organization of the Hellenic National Defence General Staff

Source: Greek Ministry of National Defence, 'White Paper for the armed forces 1996-97', Dec. 1997, URL <http://www.hri.org/mod/fylladia/bible/e_index.htm> (in English).

4. *The Chief of the HNDGS*, who is the Supreme Military Commander of the armed forces in times of crisis or war. (In peacetime the Chiefs of Staff of the three branches report directly to the Minister of National Defence.) Figure 3.3 shows the staff organization of the HNDGS. The post of the Chief of the HNDGS alternates on an almost regular basis every two years between officers of the three branches. The Chief of the HNDGS is selected by KYSEA among the lieutenants-general, vice-admirals and air force lieutenants-general and is appointed by presidential decree. The two-year period of service can be extended for one more year before the officer is retired. The three Chiefs of Staff, who are also selected by KYSEA, serve for a two-year term, although this can be extended if deemed necessary. The Joint Staff Directorates of Operations and Defence Policy and Planning in the HNDGS are directly involved in the arms procurement process.

5. *The Supreme Council of each of the three branches of the armed forces.* These three councils are responsible for the force and organizational structure of each branch, operational doctrines, identifying and listing arms procurement requirements for each branch, budgeting and so on.

6. *The General Directorate of Armaments (GDA).* As well as being responsible for the implementation of procurement of major arms and equipment, the GDA coordinates the equipment needs of the three branches of the armed forces and executes the procurement programmes decided on by KYSEA. Established in 1995 by Presidential Decree 438/1995 and operational since 1996, it represents the MOD in international arms procurement negotiations and formulates recommendations on military technology issues. It also coordinates and oversees the domestic defence industry. It is discussed further in sections V and VI below.

The threat assessment process

In general, security and threat assessments are based on information gathered by intelligence organizations such as the *Ethniki Ypiresia Pliroforion* (National Intelligence Service, EYP), the intelligence branches of the three armed services, the HNDGS and other sources, and the Ministry of Foreign Affairs through its own sources and channels. Intelligence gathered includes information about the military potential of adversaries, changes in their deployment and force structure, their arms procurement plans and agreements with other countries that could affect the balance of power (local and/or regional), and economic and political information which could help in evaluating the overall strengths and weaknesses of foreign powers.

Despite the almost universal agreement on the main principles of national security and threat assessment, there are differences of view among the various actors involved in security policy making as to the best mix of policies to balance the external threat and other challenges to national interests. For example, policy differences often exist between the ministries of defence and foreign affairs as to the best mix of internal and external balancing.

Coordination with foreign policy making

The two departments within the Ministry of Foreign Affairs responsible for threat assessment and security are the Centre of Analysis and Planning and the Permanent Mixed Crisis Management Group. The former is mainly a research group which studies international relations issues across the whole spectrum and, following comprehensive analyses, submits proposals on the conduct of foreign policy and diplomacy. It is headed by an ambassador and staffed by Ministry of Foreign Affairs personnel but, if deemed necessary, can include specialists from academic, research or other institutions. An ambassador also heads the Permanent Mixed Crisis Management Group, and it includes the head of the Centre of Analysis and Planning, representatives from the MOD and the ministries of the national economy and public order, representatives from the press and the media, and personnel from the EYP. Its main task is the formulation of the procedural framework necessary for crisis management in line with the analyses carried out by the Centre of Analysis and Planning and the periodical conduct of simulated crisis management exercises.

Coordination between the MOD and the Ministry of Foreign Affairs on security issues is achieved through the posting of an army officer (usually a colonel) in the latter and of an ambassador in the Defence Minister's Staff. In practice this coordination is not always very effective and is not fully utilized, as recent cases have shown. Examples are the Imia incident involving Turkey in 1996²⁹ and Cyprus' procurement in 1998 of the S-300PMU-1 SAM system

²⁹ Turkish troops landed on the uninhabited Greek island of Imia. See, e.g., 'Greece and Turkey in stand-off over island', *Daily Telegraph*, 31 Jan. 1996.

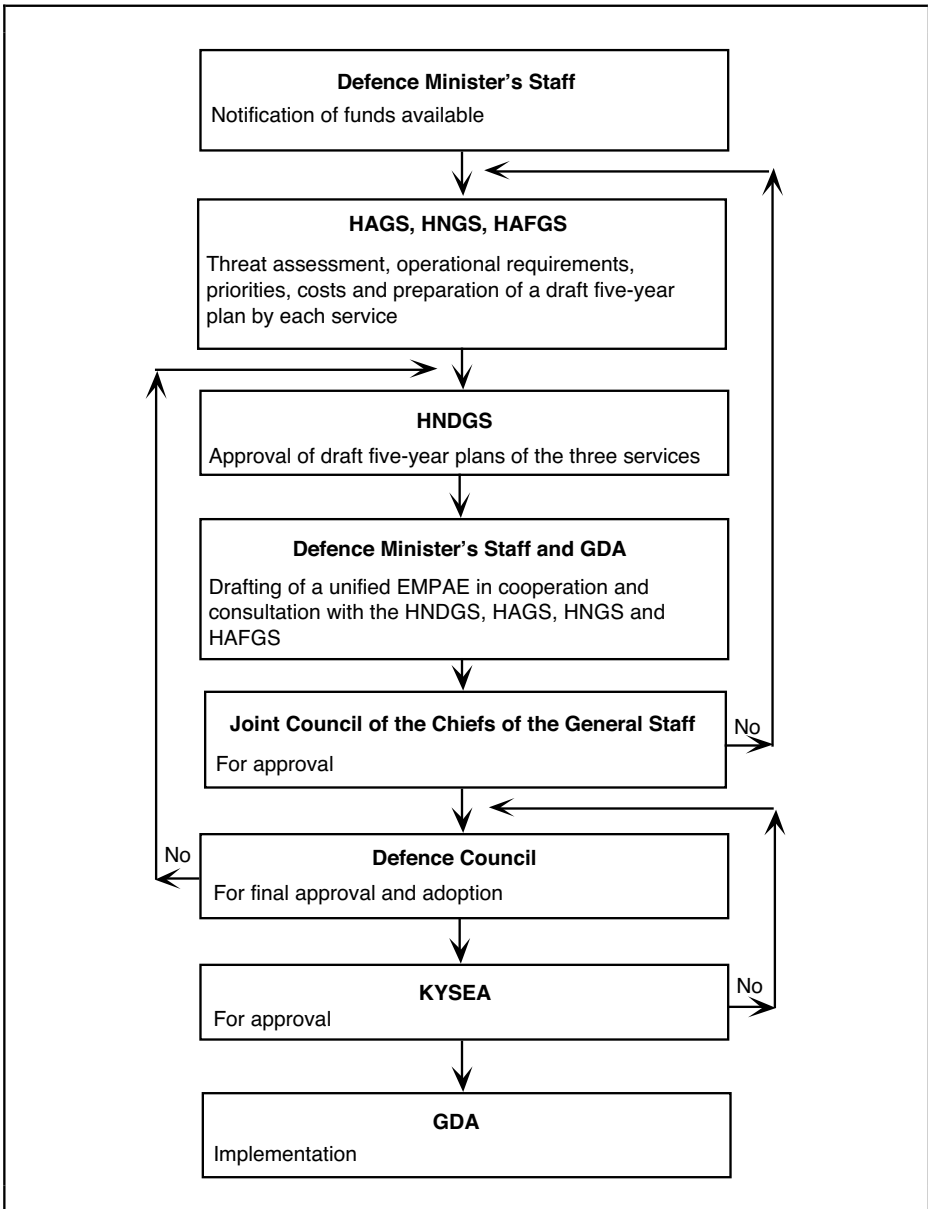


Figure 3.4. The drafting of the Greek medium-term arms procurement programme

Note: HAGS = Hellenic Army General Staff; HNGS = Hellenic Navy General Staff; HAFGS = Hellenic Air Force General Staff; HNDGS = Hellenic National Defence General Staff; EMPAE = Medium-term Programmes of Development and Modernization; KYSEA = Government Council on Foreign Affairs and National Defence; GDA = General Directorate of Armaments.

from Russia in close cooperation with the Greek MOD.³⁰ In the first case the Ministry of Foreign Affairs failed to notify the military in good time of the impending crisis and the resulting military escalation brought the navies of Greece and Turkey to the brink of war. In the S-300 case, in a closed hearing of the Parliamentary Committee on Foreign Affairs and Defence in February 1999 the Foreign Minister stated that the decision to procure the system was wrong, while the Defence Minister stated that the decision was correct but the political and diplomatic handling of the affair by both Greece and Cyprus was at fault.³¹ It has been openly argued that better institutionalization of the coordination and flow of information, which interministerial rivalry has hitherto discouraged, could have prevented the incident. There is substantial room for improvement if effective coordination is to be achieved between the apparatus of the foreign and defence ministries both on the institutional level and on the functional level. As a result, the coherence and effectiveness of national security decision making and policy are impaired.

IV. Arms procurement decision making

The stages in arms procurement planning are shown in figure 3.4. They are: (a) preparation and approval by the staff of each branch of service (army, navy and air force) of a draft five-year plan which includes the weapon systems required, an indication of priorities and the estimated budgets; (b) approval of the draft five-year plan by the supreme council of each branch of service; (c) approval of the draft five-year plans by the HNDGS: these are then incorporated into the Medium-term Programmes of Development and Modernization (EMPAE); (d) submission to the GDA and to the Defence Minister's Staff. At this stage the final drafting takes place, taking into consideration operational priorities and co-production capabilities or industrial offset requirements; (e) submission to KYSEA; and (f) if the plan is approved, execution of the procurement programme by the GDA.

The ultimate decision on the type of weapons and numbers to be procured rests with KYSEA. In practice the Minister of National Defence and his staff (military and civilian personnel as well as political advisers) set the scope and limits of weapon system requirements, according to the available information, through the existing lines of command in the MOD. The original procurement programmes prepared by the staff officers of the three branches may be substantially changed and revised if changes in the geo-strategic environment require it or as a result of financial and budgetary constraints.

Following evaluation of available threat assessments, broad outlines of military strategy and arms procurement policy are proposed. The three branches of the armed forces assess the current and projected capabilities of the forces of foreign powers, their force structure and planned armaments programmes. They identify their military needs and make recommendations for the procurement of

³⁰ Hagelin *et al.* (note 4), pp. 431–36.

³¹ See, e.g., Karaiosifides, F., 'Cyprus', *Ptisi*, Special Edition 1999, 'Balance of power', p. 172.

the necessary weapon systems and equipment to their respective Supreme Councils. The programmes list technical characteristics, operational capabilities and priorities of the weapon systems that are required to meet external military threats. These recommendations are then passed on to the Joint Council of the Chiefs of the General Staff, which finalizes the proposals for procurement, coordinating the needs of the three branches and identifying the weapon systems that satisfy the operational and technical specifications.

Arms procurement decisions are in this sense more often than not reactive, aiming to offset the effects of weapon acquisition by other powers in the region. Since there is national agreement on the primary external threat, threat assessment mostly takes the form of a periodic evaluation of possible changes in its military capability. There is no comprehensive or coherent long-term strategy for meeting current or potential challenges to national interests and threats to national security. This also often results in short-term reactive responses to changes in the security environment which tend to emphasize the military aspect of national security policy.

For obvious reasons the military plays the most significant role in the arms procurement process. Through the three supreme councils and the HNDGS it heavily influences threat assessment, on the basis of which national defence needs and requirements are defined. Defence experts in the academic world and outside government often publish views and opinions on the military strength and long-term strategy of foreign powers or make recommendations and proposals to counterbalance them.³²

More often than not, an important criterion in the final decision of KYSEA—apart from the obvious financial and budgetary constraints which affect the numbers ordered—is the political leverage that can be gained (‘external balancing’) by placing the order with one major supplier or another.³³ Questions of long-term procurement needs, in terms of suitability and compatibility of the system and financial issues such as life-cycle costs, often take second place.

The decision in 1985 to opt for two different third-generation combat aircraft, the US F-16 and the French Mirage 2000E, was indicative. It was clearly a political decision to divide the procurement ‘pie’ between US and French producers. As a result, the numbers ordered (40 of each) were less than the military had recommended (100–120) and the opportunity to enter into a co-production agreement was forfeited since it was not economically viable. It soon became apparent that the newly acquired fighters were not enough to meet operational needs and a further group of 40 F-16s was ordered in 1993. Before all the units of this second group had been delivered the air force was once again preparing to procure a further batch of combat aircraft. The F-16, Mirage-2000-5 and

³² E.g., retired military personnel—mostly senior officers such as former heads of the HNDGS, HAGS, HNGS and HAFGS—may write journal and newspaper articles on issues of procurement requirements, force structure changes, military doctrine and so on.

³³ In an interview for a Greek newspaper, Minister of National Defence Tsochatzopoulos has stated: ‘If the government buying (the weapons) does not at the same time ask for something in return, for support on a governmental level on the basis of its country’s needs, then the buyer is not utilizing (and benefiting from) its defence procurement policy’. *Eleftherotipia*, 13 July 1999.

EF-2000 Typhoon were selected in 1999. It is now widely accepted that the balance of power in the air tilted against Greece as a result of the 1985 decision to procure from different sources.

Political criteria weigh heavily in the current EMPAE. Contracts for the procurement of new combat aircraft, surface vessels, tanks and long-range anti-aircraft systems are expected to be allocated primarily on the basis of political criteria rather than operational suitability, long-term defence planning or financial terms offered.³⁴ It is generally expected that the arms procurement 'pie' will be divided in such a way as to include orders for US, European and Russian military hardware.³⁵ The KYSEA decision of October 1998 to buy the US Patriot long-range air-defence missile system, as well as two medium-range SAM systems from France and Russia, is an instance of large military contracts being used as an instrument of foreign policy.³⁶ In other words, the arms procurement budget is used as a means of external balancing: large defence contracts are expected to earn Greece a more favourable stance on the part of the supplying countries on issues of interest to Greece.

The current EMPAE (1995–2000) is for a total estimated cost of 4 trillion drachmas (c. \$14 billion) over five years.³⁷ It is based on: (a) an assessment of the military threat, strength and capability of Greece's main adversary, Turkey; (b) the latter's current and planned armament and force modernization programmes; (c) projections of how the balance of force between the two countries may be affected; (d) an assessment of other sources of potential threat; and (e) an assessment of the military needs that stem from Greece's alliance obligations or from other international commitments such as participation in peace-keeping operations, which also influence the armaments programme since they create specific operational needs.

³⁴ The decisions are often so overtly political that press reports have questioned the need to spend millions of drachmas on committees evaluating technical characteristics and operational capabilities and on testing of candidate weapons since the KYSEA decision is not likely to be based on their reports but rather on political and diplomatic considerations.

³⁵ 'The execution of the defence procurement programme was based on three main axes . . . the second axis is not to create imbalances between the countries participating as suppliers in procurement programme . . . and the third axis are the political returns that we get for placing the order with the one or the other supplier.' Interview with Minister of National Defence Tsochatzopoulos (note 33).

³⁶ It was widely expected that Greece would opt for the Patriot rather than the Russian S-300. However, following a diplomatic dispute with the USA over the latter's position on the Cyprus problem, KYSEA postponed the decision in order to put pressure on the USA to change its statements on Cyprus.

³⁷ It includes the acquisition of c. 60 combat aircraft—the US F-16C/D, the French Mirage 2000-5 and the EF-2000 Typhoon were selected—the modernization of 39 Phantom F-4E combat aircraft, transport aircraft, helicopters, attack helicopters, air defence systems (the US-made Patriot and the Russian-made S-300 system were the 2 contenders, with the former getting the contract), new tanks, multiple rocket launchers (MRLs), short-range air defence systems (SHORADS), frigates, corvettes, submarines, smart weapons and munitions, and so on. *Ptisi*, Special Edition 1999, 'Balance of power', pp. 119–21.

Factors influencing arms procurement³⁸

Clearly, like any other process in an open society, arms procurement is subject to a number of external influences from sources such as institutional and social groups—political parties and politicians, think-tanks, pressure groups, interest groups or simply the general public and the media—as well as to internal influence from the various actors directly involved, such as the military, the government and its various departments and agencies, and interest groups in the supplying countries. They are of course not independent of one another and there is a considerable degree of reciprocal influence and feedback between them. Furthermore, their relative weights differ substantially and change over time. The influence of the military was much greater in the period before 1974 than it is now. The media exercise more influence in an open society.

For purely economic reasons, the Greek Government can also be subjected to pressure from other governments that wish to see lucrative defence contracts awarded to their national defence industries. Clearly, this tug-of-war has intensified given the shrinking of the international arms market caused by the defence budget cuts in many countries in recent years. Competition among producers has intensified and manufacturers are prone to use all means at their disposal, from large offsets and/or co-production agreements to gentle arm-twisting by their respective governments, which often act as brokers for their national industries.³⁹ Thus, statements and/or visits by ministers of defence, high-ranking diplomats and other officials of the countries interested are fairly common when a KYSEA decision on a major procurement programme is due.

To this may be added the more covert and unethical means of persuasion that arms producers, both domestic and foreign through local representatives, can use in order to tilt the balance in their favour.⁴⁰ This of course raises serious questions about the accountability and transparency of the arms procurement process. As Dokos and Tsakonas observe, such questions are becoming an issue.⁴¹ For example, the decision in 1985 to procure two different types of third-generation combat aircraft instead of one raised many questions and there were a number of accusations of ‘foul play’ and bribery. There is intense competition between firms for defence contracts. This can take several forms, ranging from price competition to attractive offset programmes and co-production agreements, but can also be more covert—the use of connections and acquaintances in the various MOD departments, for instance (retired senior

³⁸ This section is based on the research contribution of Dokos and Tsakonas (note 6).

³⁹ ‘It is the governments that exercise pressures, express their wishes, intervene and appeal to the government that wishes to procure weapons systems.’ Interview with Minister of National Defence Tsochatzopoulos (note 33).

⁴⁰ The Litton case is one example. The Public Prosecutor was called in following reports in the *New York Times* that, in connection with procurement of electronic protection equipment for the Greek F-16s, the US company Litton in 1993 paid bribes of \$12 million to tilt the decision in favour of its systems. *Eleftherotipia*, 22 June and 3 July 1999.

⁴¹ Dokos and Tsakonas (note 6). Fafoutis, K., *Kathimerini*, 25 July 1999, p. 9 gives an account of the ‘war’ between weapon manufacturers over the lucrative Greek contracts for new fighters.

officers are often instrumental) to influence decisions by officials, often using bribes or other forms of pressure.⁴² However, the importance of pressure from the industry should not be overstated, especially in the case of the domestic arms producers, since the large defence industries are state-owned.

Implementation and procurement procedure

Once the decision is taken on procurement of a weapon system, implementation starts with an international tender. The offers of potential suppliers are submitted to the ministry in sealed envelopes. They include technical specifications, operational capabilities and characteristics, costs, financing, subsystems included, delivery times, offsets and co-production deals.

Following this, specialist committees made up of experts, both military and civilian, with diverse backgrounds and expertise from departments within the MOD evaluate the various offers.⁴³ Among the aspects evaluated are: technical specifications and operational capabilities as set out in the original call for tender; costs and terms of financing; offsets; the addition of value through co-production with foreign companies; levels of technology to be transferred or made available to domestic producers; supply of spare parts; and the possibility of upgrading. When possible or desired, testing on the ground under simulated conditions may also take place. This gives staff officers and the evaluating committees the opportunity to view performance in action and test the operational capabilities and characteristics of the candidate weapons, and thus compare their performances before final reports are compiled.⁴⁴ Once this stage is completed the committees through their respective general staffs (army, navy and air force) and the HNDGS submit their recommendations to the minister, who in turn takes the shortlist of candidate systems to KYSEA for final decision. The reports are not published or made available outside the MOD, but the final ranking may on occasion be reported in the press.

The GDA is then responsible for the execution of acquisition programmes for the signing of the relevant contracts.

⁴² Another channel of influence exploited by companies is to offer executive positions to retired senior officers who can influence decisions through their contacts in the MOD.

⁴³ The evaluating committees are made up of serving officers with different backgrounds and technical expertise. They assess the technical and operational characteristics of the candidate weapons. A report is then drafted in which the pros and cons of each weapon system are set out and on this basis the various systems are ranked.

⁴⁴ The ground testing by the army of the contenders for the contract for the new main battle tank recently received particular publicity in the media. This may be viewed not only as a public-relations exercise but also as an attempt by the MOD to emphasize the impartiality of the assessment process and the rigour with which weapons are tested before selection in order to maximize value for taxpayers' money.

V. The defence budget process

The defence budget is part of the annual government budget submitted to Parliament. It is also the only part of the budget that is approved by all parties (with the exception of the left) even if the rest of the budget is rejected.⁴⁵

The budget process is an integral part of defence planning. Until recently, the three general staffs, following a meeting of the Joint Council of the Chiefs of the General Staff, submitted their annual budgets directly to the Finance Ministry to be incorporated in the government budget. Since the Defence Minister's Staff was established in 1996, the MOD budget has been drafted there. The Defence Minister's Staff conveys to the HNDGS and the three General Staffs directives concerning the size and aims of the budget, and they proceed in turn with drafting their preliminary budgets. These are brought together by the Defence Minister's Staff and submitted to the Defence Council for approval. If it is accepted, the MOD budget is then passed to the Ministry of the National Economy and the Ministry of Finance, to be incorporated into the overall budget and submitted for approval to Parliament. If rejected by the Defence Council, it is returned to the Defence Minister's Staff.

The MOD budget can be presented in broad terms or divided into three main categories of expenditure—salaries, operating costs and development expenditure. Funds for procurement come into the third category. In 1998, operating costs (including personnel) accounted for 72.2 per cent of military expenditure, procurement for 24.4 per cent, construction for 3 per cent and R&D for 0.3 per cent. (The figures for 1997 were 75.8 per cent, 21.3 per cent, 2.6 per cent and 0.19 per cent, respectively.)⁴⁶

The HNDGS and General Staffs implement the budget while the Defence Minister's Staff supervises implementation. Public accounting procedures require each of the General Staffs to have accounting offices to supervise and audit expenses. The Defence Minister's Staff is also responsible for the budgeting for and drafting of the five-year procurement plan.

Offset policies and priorities

The Offset Benefits Directorate in the GDA is responsible for the negotiation and implementation of offsets offered in the major defence contracts awarded to foreign companies. A principal aim of offsets is that each major defence contract should achieve the participation of local producers in the execution of each pro-

⁴⁵ The Communist Party's view is that procurement decisions reflect not the actual defence needs of the country but rather NATO's requirements. It also argues for a fundamental diversification of the sources of supply in order to reduce dependence on the West and on the USA in particular. The 2 major parties, the social democratic PASOK and the conservative New Democracy, when in opposition reject the annual budgets submitted but always vote in favour of the defence budget. Any criticisms raised usually concern the officer corps' pay scale and delays in the execution of armaments programmes.

⁴⁶ Instrument for standardized international reporting of military expenditures, for 1997, UN document A/53/218, 4 Aug. 1998, and 1998, UN document A/54/298, 17 May 1999.

gramme. Offset policy is aimed at co-production of defence materials which could be produced by the Greek defence industry without requiring heavy expenditure for expansion or changes in infrastructure.

The beginnings of the Greek offset policy can be traced to the directives issued in 1985 in connection with the procurement of 40 Mirage 2000 combat aircraft from France and 40 F-16Cs from the USA. According to these directives, if the procurement value was more than 250 million drachmas (about \$2 million at 1985 exchange rates), the foreign firm must agree to offsets which were divided into three categories. Category I included work to be undertaken by foreign firms in Greece or for export and use in similar armament systems. Category II included other products of the Greek defence industry which the foreign firms agreed to purchase. Category III included products for exports from Greek agriculture and industry and promotion of foreign tourism.⁴⁷ Categories I and II were weighted with a base factor of 2 or 3, and Category III with a base factor of 18. This means that the amount spent by a foreign firm is divided by the corresponding base factor to count towards the firm's offset obligation.⁴⁸

To implement the offsets policy, offices were set up at the ministries of defence, commerce and industry, energy and technology. The Ministry of the National Economy implements Category III agreements.

Although the indications are that offsets may contribute significantly to the development of the Greek defence industry through co-production programmes and exports, there are significant problems and delays. For instance: (a) smaller private corporations are unable to take advantage of offsets as they have had to compete with large public corporations; (b) there is a lack of coordination between the offices responsible for implementing offsets and the interested manufacturing entities; (c) penalty clauses have not been included in the offset agreements to provide for obligations not being fulfilled; (d) French companies enforced lower prices for the parts of the Mirage 2000 made in Greece and ordered smaller numbers; and (e) the lack of technological infrastructure, specialized personnel, quality control systems and correct programming has impaired the successful absorption of technology under offset agreements by small and medium-sized companies.⁴⁹

⁴⁷ Antonakis, N., 'Offset benefits in Greek defence procurement policy: developments and some empirical evidence', ed. S. Martin, *The Economics of Offsets: Defence Procurement and Countertrade* (Harwood: Amsterdam 1996), p. 168.

⁴⁸ Offset agreements made under these directives include: (a) the agreement for procurement of the Mirages, which required the French suppliers to provide within 15 years offsets worth up to 60% of the purchase price of the aircraft; (b) the agreement for purchase of the Meko 200 frigate from Germany in 1988 which obliged the seller to provide offsets up to 45% of the contract value in Categories I and II, and up to 55% of contract value for Category III; and (c) the contract for upgrading of the Harpoon guided missiles, which included offsets worth 70% more than contract value, mainly in terms of technology transfer. Antonakis (note 48), pp. 169–72.

⁴⁹ Antonakis (note 47), pp. 173, 174.

The audit process

The State Audit Council (Elentiko Sinedrio) oversees and audits government spending and the execution of the budget. It produces an annual report which is submitted to Parliament. Public accounting procedures require that payment orders issued by each of the three armed forces staffs (the HAGS, HNGS and HAFGS) are submitted to a reporter of the State Audit Council, which in theory has the authority to reject them if they present problems.

This procedure is not applicable to a number of types of expenditure that relate directly to the defence capability of the country or to defence procurement. However, procurement agreements signed by the MOD with suppliers are checked by the State Audit Council. There is also a process of internal auditing by the Army Inspector General. This is an entirely internal process and little information about it ever becomes public. The competence and effectiveness of such internal auditing can be questioned; nevertheless it has a deterrent effect and can safeguard against misuse of resources and malpractice.

VI. The defence industrial and technology base

Greece is a net importer of arms but since the mid-1970s has also attempted to partially replace imports with domestically produced arms and equipment. In the past two decades arms imports have on average accounted for about 4.2 per cent of total imports, reaching an all-time high of 12.4 per cent in 1989.⁵⁰ Most indigenous arms production in Greece started as joint ventures with foreign companies such as Lockheed, Westinghouse, Steyr, and Heckler & Koch, and/or licensed production from imported systems and subsystems. All companies that were set up as joint ventures in the 1970s later came under state control through nationalization programmes. With marginal indigenous technological capabilities, the Greek defence industry still relies heavily on imported technology and know-how.

The Greek defence industry consists mainly of five state-owned companies which have played a prime role in the effort for import substitution, plus a number of small and medium-sized private enterprises engaged in the production of components. The state-owned companies are: the Greek Powder and Cartridge Company (PYRKAL, founded in 1874 and state-controlled since 1982); Hellenic Shipyards (founded in 1957); Hellenic Vehicle Industry (ELBO, 1972); Hellenic Aerospace Industry (EAB, 1975); and Hellenic Arms Industry (EBO, 1977). In addition there are private-sector producers and a number of army factories under the various corps of the armed forces, which primarily maintain, repair and modernize army hardware such as tanks, as the recent upgrading of M-48 tanks to M-48A5 level indicates.

⁵⁰ US Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers 1990* (US Government Printing Office: Washington, DC, 1990), p. 106.

SEKPY, the Hellenic Manufacturers of Defence Materials Association, was founded in 1982, initially with 20 member companies employing about 2000 people. There are currently about 110 member companies, together employing 19 500 people, about 7000 of them in EBO, PYRKAL, ELBO and EAB.

The GDA oversees and coordinates the domestic defence industry. It aims to increase the participation of the domestic industry in the procurement of arms and equipment. Since it was established in 1995 it has implemented a programme of structural changes in the state-owned defence industries to reduce losses and accumulated debts and make them profitable and competitive.⁵¹ It has signed a number of defence *matériel* orders with improved offsets in terms of local manufacturing of components and technology transfer,⁵² and international defence production and technology cooperation agreements. It has also initiated a process of improving the procurement system for the acquisition of secondary hardware (spare parts, auxiliary equipment and so on) and other *matériel* in order to nationalize orders for such *matériel* and equipment, aiming to maximize domestic value added in the production of such secondary inputs.

Figure 3.5 shows the structure of the GDA. A Defence Industry Directorate (DID) which was set up in 1977 to oversee and coordinate the state-owned arms industries (EAB, ELBO, EBO, PYRKAL and so on) has come under the GDA since the latter was established in 1995. It is responsible for the development of the domestic defence industry, for participation in co-production consortia and for the continuous monitoring of the local defence industry's manufacturing capabilities. The Armaments Programmes Directorate (APD) is responsible for the execution of the programmes of military equipment acquisition as these are decided by KYSEA. The Technological R&D Directorate is in charge of military R&D policy, the supervision and coordination of the research centres of the ministry and the branches of the armed forces, and local and international R&D contracts. In particular, as Narlis writes, it includes the Department of Research Centres and the Department of Scientific and Technological Cooperation.⁵³ The former is responsible for the coordination and supervision of the three research centres belonging to the MOD—Kentro Technologikon Erevnon Stratou (KETES), Kentro Technologias Aeroporias (KETA) and Kentro Technologikon Erevnon Naftikou (KETEN). The latter is also responsible for Greece's participation in international defence organizations such as NATO/RTO (Research and Technology Organization) and Panel II of the Western European Armaments Group (WEAG) of the WEU.

Figure 3.6 is a flow-chart of the methodology used to examine the different procurement options in order to maximize the participation of domestic defence producers and achieve the maximum possible technology transfer.⁵⁴

⁵¹ 'White Paper for the armed forces 1996–97' (note 6).

⁵² Two examples are the co-development and production of the Hermes communication system between Siemens and EAB and the participation of EAB as a partner in the production of the EF-2000 Typhoon combat aircraft which is to be procured by the air force.

⁵³ Narlis, E., 'Arms development and defence R&D growth in the Hellenic Republic', SIPRI Arms Procurement Decision Making Project, Working Paper no. 75 [1998].

⁵⁴ Narlis (note 53).

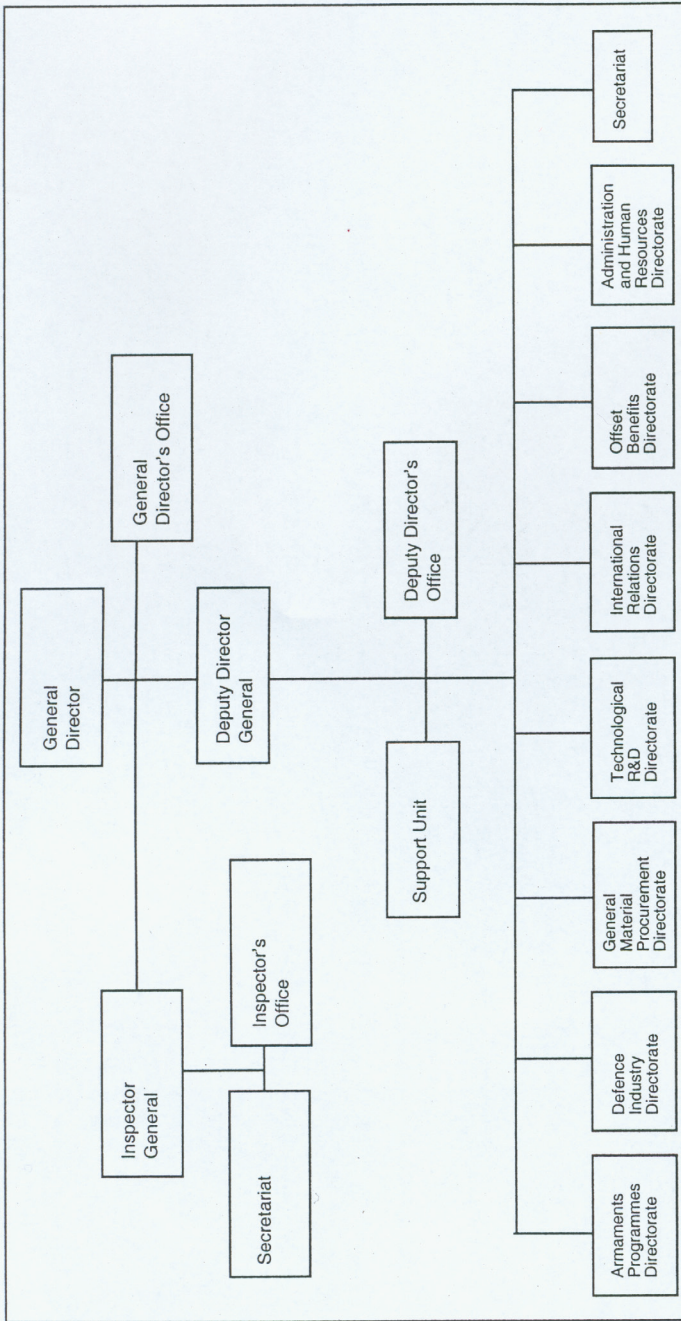


Figure 3.5. The organization of the Greek General Directorate of Armaments

Source: Greek Ministry of National Defence, 'White Paper for the armed forces 1996-97', Dec. 1997, URL <http://www.hri.org/mod/tylladia/bible/e_index.htm> (in English).

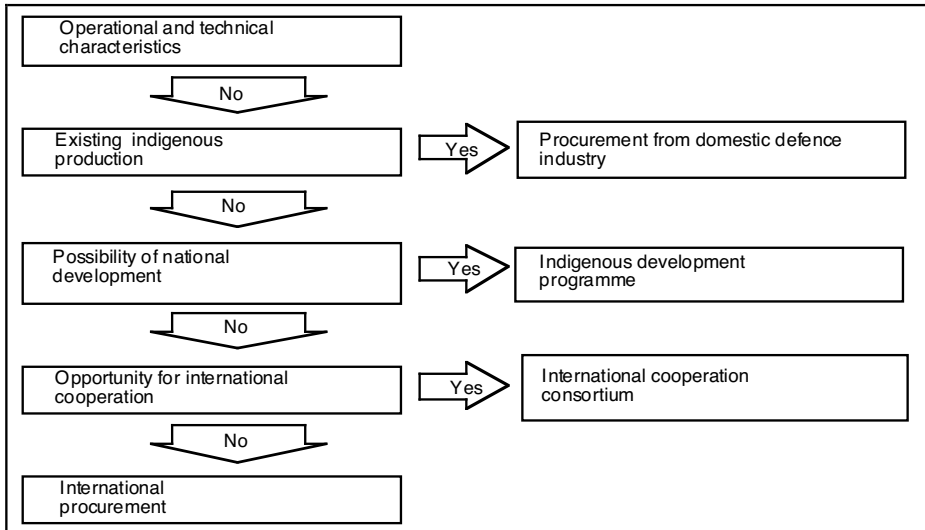


Figure 3.6. Procurement decision making in the Greek Armaments Programmes Directorate

Given the procurement programmes and the required operational and technical characteristics, the options for every procurement proposal are analysed by a team made up of representatives of the APD, the DID, the Technological R&D Directorate and the Offset Benefits Directorate. This team compiles a study in which the advantages and possible disadvantages of the proposed procurement are described. The analysis of the local development capability (i.e., which equipment or which module of a weapon system will be developed locally and which technology will be requested as part of an offset programme) is fully integrated into the decision flow-chart.⁵⁵

Under the EMPAE the target is to achieve about 15 per cent domestic participation in the weapons procured—a very optimistic target considering that currently this figure does not exceed 4–5 per cent.⁵⁶ The long-term target is to meet defence procurement needs by 37 per cent local development, 33 per cent from participation in international development/co-production consortia, 20 per cent by co-production and only 10 per cent by direct imports.⁵⁷ Clearly, given that Greece's technological capabilities are marginal and its industrial base weak, and considering the technological sophistication of modern weapon systems and the huge R&D costs involved, this represents more a wish-list than a feasible outcome. A typical illustration of Greece's technological weakness is the fact that even advanced upgrading of existing systems in operation with the armed forces, such as CH-47 Chinook helicopters and the F-4E Phantom-2 combat aircraft, is contracted to foreign companies. Past attempts at domestic develop-

⁵⁵ Narlis (note 53).

⁵⁶ 'White Paper for the armed forces 1996–97' (note 6).

⁵⁷ Narlis (note 53).

ment and production of advanced weapon systems have been largely unsuccessful or have fallen short of the original aims and specifications.⁵⁸

Domestic arms production covers a wide range of *matériel*, including ammunition and explosives, assault rifles and machine-guns, naval vessels such as frigates, missile and fast patrol boats, landing ships, various types of military vehicle, APCs and armoured infantry fighting vehicles (AIFVs), communications and electronic components, optical and electrical equipment, spare parts and so on. The majority of the companies are engaged in both civilian and military production, with only a handful of exceptions.

A number of companies in the defence sector also export, but this does not seem to be a significant or sustained activity. A sizeable share of defence exports in the past was 'grey' military exports, especially during the 1980–88 Iraq–Iran War, when the two countries needed to bypass export controls and embargoes by the main international suppliers of military equipment. When the flow from the main suppliers resumed, Greek military exports fell.⁵⁹

Domestic demand cannot support a large-scale defence industry. Companies such as ELBO are therefore rapidly pursuing diversification into civilian manufacturing, such as the assembly of buses, coaches and fire-fighting vehicles. Participation in international development and co-production projects as well as in indigenous production of parts and sub-assemblies of imported equipment through the various offset programmes negotiated does appear to be a viable solution for the Greek defence sector.

VII. Democratic oversight

The arms procurement decision-making process is not open to outside scrutiny from other bodies or agencies such as Parliament. If there is any parliamentary involvement it takes the form of retrospectively questioning the correctness of specific decisions.

The details of the budget are rarely debated by Parliament, and when arms programmes do attract attention MPs tend to concentrate on raising issues concerning their implementation rather than the processes, costs and finances involved. In general, in the Greek political system parliamentary committees do not possess any real power. The Parliamentary Committee on Foreign Affairs and Defence holds hearings on various defence and foreign policy issues but lacks any real authority, for example, to veto procurement projects, influence armaments programmes or review and monitor the decision-making processes⁶⁰

⁵⁸ An example is the case of the Artemis-30 air defence system developed by EBO, originally intended to be a technologically advanced short-range air defence system against low-flying targets. It was mainly developed through the domestic integration of subsystems from various foreign systems already in operation. Development has so far cost an estimated 110 billion drachmas and the final product falls far short of specification. The major problems were encountered at the integration stage of the various subsystems, indicating EBO's lack of technology and know-how.

⁵⁹ Based on US Arms Control and Disarmament Agency, *World Military Expenditure and Arms Transfers* (US Government Printing Office: Washington, DC), various issues.

⁶⁰ Dokos and Tsakonias (note 6), p. 3.

and its activities are limited to briefings by the foreign and defence ministers. It is not divided into specialized subcommittees that could examine and scrutinize arms procurement programmes and contracts. What power or influence it has springs only from the weight that the publicly expressed opinions of its members may carry. This reflects the fact that in Greek politics the executive branch to a great extent allows the legislative branch a symbolic role only. From the point of view of public accountability, empowerment of this committee to review the arms acquisition process will only come about as a result of a wider improvement and extension of Parliament's involvement in monitoring the public policy and decision making generally.

Nor does Parliament carry out regular review of procurement decisions after the event in terms of the suitability of weapons acquired or of whether the best possible deal was struck and whether the contract was awarded to the supplier that offered the best financial and/or co-production deal. The true ownership costs of the weapon systems over their entire life cycle are rarely if ever given any attention. In any case, for Parliament to address such issues it would require not only the advice of experts but also access to details and financial data on operational and life-cycle costs of the various weapon systems. Such information is not publicly available.⁶¹ There is a clear lack of legislative oversight of the arms procurement process, either *ex post facto* or *ex ante*.

For the military, accountability and transparency are issues of less significance than the weapons' technical characteristics, operational capabilities and delivery times. In any case, for major procurement projects the final decision rests entirely with the politicians—KYSEA—and from the military's perspective its own role is limited to that of a technocrat offering his expert opinion. Accountability is an issue for the politicians.

There is no institutionalized process whereby procurement decisions can be seriously questioned and where the expert opinion of serving officers can be called upon (for instance, by the Parliamentary Committee on Foreign Affairs and Defence). Accusations and/or media reports of malpractice are dealt with through internal official inquiries⁶² commissioned by the minister, but findings are rarely published.⁶³ Solidarity among fellow officers naturally hinders the process of such inquiries. Nevertheless, individual officers do on occasion leak information to the press and/or politicians on specific cases of malpractice, waste, fraud or abuse of power.

There is in fact some accountability and transparency in the arms procurement process where large defence contracts, which can be the source of political

⁶¹ The media on occasions carry reports of how much a flying hour costs for the different combat aircraft operated by the air force, but such sketchy and perhaps unreliable information is no basis for scientific analysis of operational and life-cycle costs.

⁶² Cynics would point out that an internal inquiry is often the best way to stall, to obstruct justice and eventually to cover up scandals.

⁶³ The Litton affair cited above (note 40) and the case of the air force being overcharged by an estimated 150 million drachmas (*c.* \$500 000 at 1997 exchange rates) for the supply of ground equipment for the F-16s (*Eleftherotipia*, 7 July 1999) are 2 cases in which the judicial system is currently involved. They may signal a change towards more openness and accountability in procurement.

tension and accusations of foul play, are concerned. There is the call for public tenders; technical and financial evaluation committees are made up of military as well as civilian experts; and there are oral briefings and written reports to Parliament and the Parliamentary Committee on Foreign Affairs and Defence.

The absence of an institutionalized process of scrutiny and accountability in arms procurement to a certain extent reflects the dominant view that confidentiality and secrecy are important in matters of national defence and security, but it is also indicative of the workings of the Greek political system, which is centralized in the Office of the Prime Minister with its extensive powers.

Apart from institutional influence in the weapons acquisition process, the influence of public opinion, the media, various think-tanks and the defence manufacturers must be allowed for.

Public opinion broadly supports the strengthening of Greece's military capabilities. Even so, questions on the choice of weapons, priorities and resource allocation within the three branches of the armed forces as well as on issues of professional assessment and integrity in the decision-making process have on occasion been raised.

The media occasionally play a role in promoting transparency and accountability by revealing possible wrongdoings and by criticizing specific procurement decisions.⁶⁴ The influence of the press should not be overemphasized: it is perhaps mainly a deterrent against malpractice, and criticisms in the media are not always based on a sound knowledge of the capabilities and technical characteristics of specific weapon systems. However, such analyses can be found in specialized defence journals as well as the general press. Newspapers and magazines frequently carry articles from academics and specialists from the two main think-tanks and research institutes in Greece—the Institutouto Diethon Scheseon (IDIS, the Institute of International Relations) and the Elleniko Idruma Europaikes kai Exoterikes Politikes (ELIAMEP, the Hellenic Foundation for European and Foreign Policy). Furthermore, the influence of such institutions and specialists is not limited to publicly stated views and opinions, since many of them act as advisers to ministers and government agencies, and studies are also often commissioned by the MOD and the Ministry of Foreign Affairs on issues affecting defence and foreign policy.

Barriers to and opportunities for transparency and accountability

In recent years there have been efforts to improve the accountability and to a lesser extent the transparency of the procurement process. These include the publication of two defence White Papers (in 1995 and 1997) which aim to provide more information to decision makers such as MPs, the media and the public on current defence issues, defence policy, the principles of military strategy, force structure, arms acquisition programmes and other aspects of the

⁶⁴ The procurement of the 3rd-generation fighter aircraft is a case in point. See also, e.g., *Nafteboriki*, 30 Dec. 1997; *Kathimerini*, 10 Nov. 1996 and 25 July 1999; and *Eleftherotipia*, 22 June and 7 July 1999.

activities of the MOD and the armed forces. Similarly, an Annual Defence Report to Parliament (prepared by the MOD since 1996) aims to improve the channels of communication between the MOD and Parliament and to allow the possibility of greater parliamentary scrutiny of the activities of the MOD.

Undoubtedly further steps towards greater accountability and perhaps transparency are possible within the constraints of the Greek political system. The role of the Parliamentary Committee on Foreign Affairs and Defence in the procurement process could be upgraded, giving the committee greater involvement in monitoring and reviewing the arms procurement process.⁶⁵ This could, to start with, take the form of advisory reports and recommendations and even eventually the power to veto specific decisions. This presupposes that expertise is available to the legislative branch that will improve its ability to scrutinize arms procurement decisions.

Given the almost universal agreement on broad issues of threat assessment and defence priorities, a case can be made for the appointment of a Deputy Defence Minister, a fixed-term permanent under-secretary, to be responsible for the long-term armaments requirements planning and execution programmes and appointed by Parliament with reinforced majority (for example, with two-thirds or more of the votes) for a term longer than the maximum four years that a government can stay in office. The time horizon of such requirements and the execution times involved with major weapon acquisition programmes often outlast both defence ministers and governments. The person selected could also be accountable to Parliament through regular reports and closed hearings of the Parliamentary Committee on Foreign Affairs and Defence. The creation of such a post would have a number of advantages and disadvantages. One clear advantage would be continuity in weapon acquisition planning and procurement policies, resulting in cost savings, greater accountability and stronger defence. However, further examination of this possibility is beyond the scope of this chapter.

Clearly, greater transparency in the various stages of the arms procurement process and accountability for the resulting choices and deals struck are in the public interest and can not only safeguard against the possibility of malpractice, waste and fraud but also lead to a better allocation and use of the scarce resources that the country invests in its national defence. However, as has been seen, the elected representatives of the public presently play an extremely limited role in oversight and monitoring of defence decision making and their influence on and ability to scrutinize and review arms procurement are virtually non-existent. Public opinion, stirred up by reports of wrongdoing and foul play in the media, is at present the only potential influence that can be used to promote the accountability of the military for their decisions.

⁶⁵ Dokos and Tsakonas (note 6), p. 3.

VIII. Conclusions

This chapter has identified the two distinct periods which reflect the major changes that have occurred in threat perceptions, security needs and defence priorities in Greece. Greece's allocation of a substantial part of its national income to defence, which is the result of the strategic instability of the region and in particular the continuing tensions with Turkey, conflicts with its socio-economic priorities, in particular its efforts to join the EMU. To meet the main external threat Greece relies on a mix of internal and external balancing.

Since the possibility of military confrontation cannot be ruled out, the country's current arms acquisition emphasizes the accomplishment of a defence that is strong in terms of quality, using lucrative defence contracts to gain political and diplomatic leverage from the supplying countries. Issues of public accountability, legislative monitoring and oversight in this process are of secondary importance since emphasis is given to the technical characteristics and operational capabilities of the weapons procured for building strong deterrence. Indeed, the current system is a fairly closed one, which does not allow a great degree of parliamentary scrutiny.

Since recent years have seen a significant and adverse change in the balance of power between Greece and its main antagonist in the region, the short-term emphasis will continue to be on the speedy acquisition of weapons that will help in the maintenance of a minimum balance of power. Within this context efforts are being made to achieve improved offsets and co-production deals in order to minimize the negative economic effects of defence spending. At the same time Greece tries to maintain a balance in the sources of weapons in order to reduce dependence and to gain diplomatic benefits from more than one major supplier.

The resources allocated to defence are undoubtedly a heavy burden for the weak economy of the country. Clearly, a greater degree of accountability, transparency, scrutiny and parliamentary oversight of the weapons procurement process is in the public interest and can lead to better defence at a lower cost. This point is further strengthened by the fact that programmes to acquire modern weapon systems, from the initial stages of identification of need and planning by the staff officers to actual procurement and acquisition, usually outlast any government and/or defence minister. Greater involvement of other institutions such as Parliament would ensure greater bipartisan agreement and thus long-term planning and consistency in the modernization programme of the armed forces.