

The Economist, March 24

Charlemagne : Europe needs to spend more on defence, not just pretend to

There's no such thing as a free tank



ILLUSTRATION: PETER SCHRANK

Full text :

As the British government drew up its annual budget in 2015, the sums came out wrong in a troubling way. Cuts across departments meant that spending on defence would come out just shy of 2% of GDP for the first time since the 1930s. That wouldn't do: only a year earlier Britain had hosted NATO leaders as they formally agreed on the 2% figure, in response to Russia's first crack at invading Ukraine. A clever way was soon found to spare politicians' blushes. A few billion pounds of spending that had not in previous years been included in the defence budget was discreetly shuffled into it, in what was politely dubbed a "revised accounting strategy" (also known as "shifting the goalposts"). With the stroke of a pliable accountant's pen, Britain's defence budget now included pension payments to war widows and defence-ministry staff, as well as some intelligence spending and contributions to far-flung UN peacekeeping missions. The tactic helped nudge the all-important figure back above the desired threshold.

Given further Russian aggression and American isolationism, the 2% figure is no longer enough. At a summit of NATO leaders in June its 32 members will have to agree to spend well over 3% of GDP on defence (the latest betting is on 3.7%). No amount of accounting fudges will bridge such a gap. But this has not stopped some politicians from attempting a turbo-charged variant of the British trick. On March 13th Pedro Sánchez, prime minister of Spain, proposed a novel way to boost his country's defence spending, NATO's lowest at a feeble 1.28% of GDP. The wheeze is not *actually* to spend more on the armed forces, but to adopt a "360-degree" vision of security instead. For one thing, the real peril to Spain comes not from Russian tanks trundling over the Pyrenees—why worry about that? The threats posed by a changing climate in the Mediterranean basin mean that efforts to curb carbon emissions should be counted as akin to military expenditure, alongside cyber-security and combating terrorism. Several percentage points of GDP can thus be re-imagined as defence spending, and whatever target NATO sets easily met. ¡Dicho y hecho!

Italy has its own defence-washing plans in mind, arguing that measures relating to economic competitiveness—itsself a nebulous concept—should also be thought of as somehow part of its defence efforts. But why stop there? With a bit more creativity, even larger slices of government outlay could be re-imagined as part of this expanded security budget. Since a citizen in ill-health can hardly be expected to serve in the armed forces, surely public hospitals should be included as defence spending too? Soldiers need to be able to read, and travel to military bases; including the education and transport budgets as a subset of the military makes perfect sense. The list is just about endless.

For the 23 NATO members who are also in the European Union, the incentive for creative defence accounting has recently grown stronger still. As taxes in most EU member countries are already high and social spending seemingly sacrosanct, the easiest way for national governments to quickly pay for more defence is to borrow

the money first. For some, notably in the south, adding to the national debt pile would mean they fall foul of the EU's fiscal rules, which normally limit annual budget deficits to 3% of GDP. Plans are afoot to loosen these strictures by allowing countries to run up additional deficits of 1.5 more percentage points without facing sanctions from Eurocrats, so long as the money is spent on defence. Anything that can be shoehorned into that category probably will be, to Mr Sánchez's delight.

Spain and Italy are not the only ones tempted by creative thinking. There are plenty in Europe, including in Paris and Berlin, who think setting up state-owned banks which defence contractors could borrow from will help ramp up production of drones and shells. This is appealing to politicians: a little seed money to start a bank can be "leveraged" into big amounts that look nice in press releases. But credit facilities merely help private arms-makers sort out the financial mechanics they need to operate. Ultimately governments will still have to find real cash to buy the lethal stuff once it is made. There's no such thing as a free tank.

Does sunscreen count as defence spending?

European diplomats are privately spluttering at the Spanish and Italian approach. They are right. Obfuscation on military funding represents a spectacular failure to rise to the occasion. For one, it is likely to prove self-defeating. "If you lump too much into defence spending that isn't really related to defence, you will just end up with a far higher target to hit," says Fenella McGerty of the International Institute for Strategic Studies in London. In other words, forget 3.7%; the NATO target might come out closer to 6%.

What is worse, Mr Sánchez's idea is premised on a fallacious notion: that NATO countries abutting Russia need to invest in tanks and infantry to be shot at, while those further away do their bit by running IT helpdesks. That is offensive to the very idea of an alliance. "A government can't say 'I'm doing this but I'm not going to do that': NATO cannot work that way," says Edward Hunter Christie, a former NATO official now at the Finnish Institute of International Affairs. Burden-sharing means everyone must have skin in the game, including a fair share of the dangerous bits.

Yes, convincing voters to trim public services or pay more tax is hard. That is what political leadership is for. Germany is showing the way by shelving its sacrosanct "debt brake" to fund its armed forces. The Baltics have raised all sorts of taxes, including on tobacco ("Smoke a Marlboro, stop the Russians!"). Denmark even nixed a public holiday. A lot more will be needed. For their part, southern Europeans should remember how much they have benefited from being part of both NATO and the EU. And that for alliances to work, solidarity must flow both ways. ■