

The Economics of Defence of Greece and Turkey: A Contemporary Theoretical Approach for States Rivalry and Arms Race

Evaghoras L. Evaghorou

Piraeus University and Center for International Politics, Thessaloniki, Greece

Abstract

The correlation between economy and the states security policy stands as a conjunction between the wider discourses of Economy and International Relations. This conjunction influences the international phenomena with regard to the aforementioned academic fields. This paper deals with this mutual relation by examining the economics of defence of Greece and Turkey as a case study. By doing so, the paper explores specific general theoretical assumptions in regard to the mutual relation between economy and the security policy. We examine the following factors: interpretation of the economic power of the two states, presentation of their economic wealth and their level of growth, and finally, the political - economic structure in both societies. Thus, we test a hypothesis using a case study. The examination of the mentioned factors aims at proving two main general hypotheses: First, how the level of the arm race between the states defines the inter-state relations. Second, how the funds allocated for defence prescribe the state's international strategy. The innovation and contribution of this essay is to import methodological instruments (from both the academic fields of economics and strategy of international relations) in order to analyse the Greek-Turkish arms race. This effort concludes in providing a modern theoretical gaze on the inter-state relations and arms race. In parallel with the examination of the hypothesis, we add a new theoretical step in arm - race framework. The theoretical background for the analysis of the above elements will be the scientific fields of Political Economy and the Economics of Defence and theories of International Relations and state strategy. Political Economy and the Economics of Defence constitute scientific fields of sciences of Economics and International Politics.

Key words:

Economics of defense, arms race, Greek-Turkish relations, economic power, defense spending.

1. Introduction: Conjunction of Economy and Defence

The interrelation between different phenomena is characteristic in politics and social sciences in general. The Defence Economics is one of the interdisciplinary fields that incorporate the political thought and therefore the economic theories. The economists Sandler and Hartley (1995: 10) report that the Economics of Defence is a science of policies, and as a science it tries to shape theories that will help to choose the best governmental policy that will yield the most desirable results.

The interaction between defence and economy is based on the fact that the international safety is directly related to the economic motives that the nation-state faces, or in other words the hunting of wealth and prosperity (Kantas 2002: 38 and Gilpin 2002: 25). The search of economic power by international actors is supported by the principle that the economy plays the first role in the intensification of states.

However, beyond the search of economic power, the states also seek military power which is achieved with armaments. Nevertheless, the acquisition of armaments requires economic expenses and this, in turn, influences the state's structures multilaterally. Consequently, the acquisition of arms, which is a state's vital need, is directly interconnected to the economy and influences the criteria of taking strategic decisions.

2. The Production of Defence from the state

One of the most characteristic examples of public social good is the state's offer of national defence¹. The state undertakes to protect its population living inside its borders from any external threat. This benefit corresponds with the offer of defence. Its importance, as public good, is crucial, because the expenses for military armaments are high and dangerous, since they cost in wealth and human potential, but at the same time they can offer a lot of profits (Art 2003: 4). The cost of military armaments for a state is constituted by the economic height of investment for the purchase of arming systems or for their production. They can be measurable straight on, since they can be measured in quantitative units (value in monetary units). However, placing the attribution of expense in political and military criteria, the effectiveness of investment can be measured in units of dissuasion and the size can be only appreciated by certain basic admissions. Firstly, the blight, which can cost to the opponent, secondly, the size of military faculty of arming system, thirdly, the cost inflicted to the opponent by the countermeasures that should receive (Kyriazis 1997: 124). Thus, we realise that the attribution of investment in military armaments and their effect in the society, cannot be judged only in economic and quantitative terms, but also in political and qualitative. Under this prism, we will examine below in the empirical study how

¹ For the characterization of defence as public good see Kennedy (1983).

the states of Greece and Turkey take their decisions on military armaments expenses.

The expenses for military preparation could be used in other sectors of mainly social character². Thus, the state finds itself in a dilemma between military expenses and social expenses, a dilemma also faced by the states of Greece and Turkey. The first choice is imposed by the need for safety, which can be ensured with sufficient military force. The second choice is imposed by the need for economic prosperity from one hand, and the improvement of living standards of its citizens from another. The alternative investment or consumption, which is what we call, sacrificing the first choice to weight the second, is named “defence burden”.

3. Economy as a Factor of Power

It is generally acceptable that the role of economic power has acquired significant importance in the inter-country relations. The capability of states to use their economic power in order to influence the decisions of other states that affect their external policy is evened with the use of their military power³. As the economist Thurrow (1995: 40-41 and 63-64) points out, economy is the main field of competition henceforth in the international system and mainly between the developed countries.

It is a fact that the military power does not constitute the unique parameter determining the sovereignty of a state. In the same level with military power is the economic power. In consequence, the flourishing national economy and the economic robustness, is the economy that provides the economic power, which constitutes essential condition for the military power (Papasotiriou 1999: 193-194). As it is characteristically pointed out, no country can support an intensive and extended military effort if it does not possess a powerful economic base. The height of Gross Domestic Product (GDP), the industrial production, the natural sources of wealth and the human potential determine the capability of a country to shoulder the weight of martial juxtaposition and its capability of allocating in the military sector the necessary human and economic resources (Stavrinou 1997: 57).

Independently from the level of the economic power in the hierarchy of international political arena, it is a fact that states make a continuous effort to acquire it. The acquisition of economic power, aims to help in the concretisation of state's strategic objectives. This effort includes economic difficulties that have to do with the state's ability to produce wealth. These weaknesses mainly influence the configuration of state's strategy in its effort to acquire particular power against the opponent. According to above, Greece and Turkey seek the improvement of their financial position in order to acquire an economic power

² For a brief report in the reverse relation that exists between military safety and economic possibility in all hypothetical cases see the work of Friedberg (1989).

³ As an example see Gilpin (1977), Huntington (1993), Pollins (1994) and Lake (1996).

comparative to the opponent's one, in a way that gives them the chance for the purchase of military equipment.

3.1. The Gross Domestic Product as a factor of Economic Power

Wealth is the pylon of states' economic power, reported in the level of economic growth and prosperity. It is measurable with the GDP and the per capita GDP. The GDP measures the total value of final goods and services an economy produces at the duration of one calendar year. Despite its weaknesses⁴ as indicator of measurement, it has been established in the economic science as the size that presents mainly the level of growth and prosperity and in consequence the economic power of a country. Organski (1968: 104) supports that GDP, as a factor of economic power, is perhaps the best criterion for the determination of state's national ability. At this time, there is a report in the GDP of Greece and Turkey, in order to show the dynamics of the two states in producing wealth and to present a comparative analysis between them.

In Table 1 we can observe the proportion of GDP of Greece and Turkey from 1980 up to nowadays expressed in current prices and in U.S. dollars as a unit of measurement. Despite the weakness of sums to present the complete and clear economic picture due to the inflation and the instability of exchanges, certain conclusions can be exported. The improvement of the economies of the two states since the end of the Second World War is obvious by the progress of their GDP. Thus, in the beginning of the 1980 decade the level of Greek GDP was 71,2 billions of US \$, while in 2004 it was up to five times higher (237,1 US \$). Respectively, Turkey in 1980 had a 103,6 billions of US \$ GDP and presented five and a half times increase in 2004 reaching 551,9 billions of US \$. A great augmentative tendency of the two countries can be clearly seen. This can be translated as improvement of their ability to produce wealth and to be financially strengthened, which, in turn, is translated in having a better ability to purchase military equipments, based on the fact that the growth of wealth leads to the increase of military expenses. Mainly, the higher the indicator of the GDP of a country is, the better is its ability of allocating money on the support of its defensive budgeting.

Despite the obvious supremacy of Turkey in the height of GDP, the parameter of the population of each country and the per capita GDP should be taken into consideration. The per capita GDP, in spite of its weaknesses as an indicator, constitutes the factor that provides the level of growth, prosperity and therefore economic power of a country (Kollias 2001: 35). In Table 2 the supremacy of Greece in this point of reference is observed. We can also see that the total produced quantity of product corresponding to each Greek citizen is triple from the one corresponding to a Turkish citizen. This difference remains inalterable the last decades, since in 1980 the per capita GDP of Greece was 9.770 US \$, while

⁴ For weaknesses of indicator as comparison measure see Dornbusch and Fischer (1993: 56-63).

Turkey's was 1.958 US \$ and respectively in 2000 the difference was almost quadruple, since the per capita GDP of Greece was 12.938 US \$ while Turkey's was 3.068 US \$. For Turkey the increase of the per capita GDP receives greater importance considering the increase of the Turkish population.

4. Technology, Economy and Armaments

Technology and therefore technological developments is a crucial factor for this study. The technological developments change all the aspects of economic, political and social affairs. The technological innovation has become a deterrent factor both for the economic growth in the advanced economies and the international competitiveness between the industrialized economies (Gilpin 2002: 113). At the same time, the measurable factors of knowledge and information, which are mainly interwoven with the factor "technology", are also very crucial. Their importance for a state is enormous according to the capacity of imposition against the other states. This becomes more persuasive considering the fact that the information-knowledge is today the basic economic resource that establishes the classification of states in the world competition (Dokos 2001: 28).

The study of balance of power between two states in the international system should be based on two comparative pylons. The first one concerns the quantitative dimension and the other one the qualitative. In cases where quantitative imbalance exists between two states, as is in effect between Greece and Turkey, the factor "quality" is elected as decisively important in the correlation and in the balance of the power between the states (Kollias 2001: 71). That is so, because the balance of military power depends on the level of the two countries ability to exploit the capabilities the new technology of arms systems offers. This qualitative difference is focused on what is named "technology" and in addition the technological supremacy against the opponent is measured with qualitative criteria, which can be equalized and more powerful from the quantitative ones. Consequently, in the qualitative dimension of comparative study the factor "technology" is also included. The importance of technological factors in the conflict and more specifically in the military sector is a subject that gained growing interest between the analysts of international relations⁵.

The pointing out of "technology" and "know-how" factors in connection with the terms "economy" and "arms" is of vital importance, because the technology in the modern political environment plays decisive role in the inter-country relations. According to Majeski (1986: 175), technology is an integral piece of race of equipment and the technological innovation increases the breadth of choices participating, offering them new possibilities and occasions to manipulate infrequent resources. Its importance also lies to the fact that the technological

⁵ See in a long range of writers Jervis (1978: 196), Zagare and Kilgour (2000: 9) and Quester (2003: 45).

progress constitutes the main issue in purchasing defensive armaments. Moreover, the technical developments lead to the production of new products that create prospects in favour of products and offer bigger technological research. Besides, as it can be realised by the new theory of growth knowledge, technology and know-how constitute a separate factor of production beyond the classics of capital and work (Gilpin 2002: 118).

Finally, in the modern times, where the expensiveness of arms increases the importance of technological factor, the possession of knowledge is a decisive factor for the result of battle and in addition the importance of information on the field and the movements of the opponent acquire bigger importance (Kantas 2002: 29). In conclusion it is pointed out that the technological revolution has concerned rapid changes in the arming systems and in the martial technology developments. More specifically, the most important technological innovations dominate in the sector of information management with particular weight in the developments of satellite technology and the informative war (Dokos 1999: 212-213). Such a situation, where the technology is found in the point of peak and can judge the result of conflict, forces the states not only to seek technology that will improve their military faculty, but to find themselves in the limelight of technological innovations in order to acquire the comparative advantage against the opponent. When it is impossible for the quantitative disadvantages to be compensated with quantitative balance, it is inevitable for the qualitative to see advantage.

5. The Arms Race Between the States

We observe arms race when two or more states or alliances with conflicting objectives are involved in a fight of increase of their armaments and their military human potential. The arms races are often characterized as a process of action-reaction in which a state increases its military arsenals as return of a potential increase of rival arsenals (Sandler and Hartley 1995: 73). Intriligator and Brito (1990: 59) define the arms race as a dynamic process of interaction between states for the acquisition of arms. The situation of arms race between the states in the international system is created in competitive environment (existence of conflict) because of the conviction by all the parts that the military force determines mainly the result of conflict. The international system and the exterior threats created in it, influence the feeling of insecurity that the states have, and as a result they lead to the increase of armaments levels. Karp (1996: 14-15) defines arms race as “... *the situation where two or more parts distinguish that they participate in a rival relation, in which they increase or improve their armaments with fast rates and, change the structure of their military situation respectively, with general focus in the passed, present and forecasted military and political behaviour of rival parts...*”. In this definition is, firstly, distinguished the significance of the conflict as a rival relation and the competitive relation of states as a reason of existence of armaments, secondly, the process of materialisation of arms race and, thirdly, the strategic spirit that possesses it, as an action of lawful behaviour between two opponents.

The states enhance the acquisition of military armaments, because it provides them with the military power they use against the opponent. The opponent, conceiving the threat from the action of some other player (increase of military equipment), advances this in the military aid. In this manner, a circle of juxtaposition is created which is translated in military reinforcement (Wallace 1979: 3). Thus, the need for military armaments is the result of competitive relations of states and not the reason of each other conflict.

The main reason that leads the states to purchase military armaments is the insecurity of the international system and the extension of the threats from the potential opponents. The decisions of states, on arms race with opponents, are influenced by clearly exterior reasons that concern the structure of international system, and also by the aggressive character of states behaviour. The choice of states for expenses in military armaments aims at the amplification of military power, which constitutes one of the main pylons of state safety. A state can feel safe from the increase of the opponent's military power only if it believes that a functional collective safety is offered by the system (Jervis 1978: 176). However, even if this happens, it is boldly dangerous for a state to leave its safety in the system's distribution of power and not in its own forces. With regard to the case study, when we have a state that materialise aggressive strategy (Turkey) and a state that follows defensive deterrent strategy (Greece), their following relation with the armaments competition is pointed out.

6. A Comparative Analysis of Defence Expenses of Greece and Turkey

In the current section we present economic data that concern the armaments of the two states. This presentation is found necessary, not because it was never presented before⁶, but rather because it emphasizes certain elements that have not been shown in other studies. The presentation of the statistics of the defence expenses will show the real picture of the crashing - relation between Greece and Turkey, but also will certify the arms race existing between the two states.

The value of quantity of defence which is provided in the state society, during a time period, is approached by the size of defensive expenses, during the same period, expressed in standard prices. Despite the weaknesses the last definition has, it constitutes a good pledge in order to determine the sizes in absolute numbers and helps in the interpretation of data. In this frame we make an effort to clarify the level of military power, as it can be shown by the pecuniary height of

⁶ As Smith et. al. (2000: 737) report competition between Greece and Turkey has prompted a big number of studies that is supported in economics of defence.

the expenses of defence that Greece and Turkey deal with. At the same time we present the picture of numbers concerning the armaments of the two countries⁷.

The intensity of effort, the two countries make for aid of their military armaments, shows the conflicting character of their relations. Indicative of the arms race and the accumulation of defence systems at both sides of the Aegean, is the fact that the Greek and Turkish military expenses, expressed as percentage of GDP, are the last years almost the double of those at NATO and the European Union (Kollias 2001: 98)⁸. The last five-year period both countries spend for military expenses almost the double amounts of money, relatively with the GDP, in relation to the rest of the members of NATO. In 1999 Greece spent 4,8% of GDP and Turkey 4,2%, the moment where NATO average rate was 2,4%, while in 2003, even though there was a reduction in the difference budgets, Greece (4,2%) and Turkey (3,7%) had by far the bigger percentages in NATO (2,6%).

By the time the possibility of war is one of the main factors in the international policy, the military force is rendered a recognized criterion of political value, which can be measured by the height of the expenses for the defence and safety. The height of military expenses expressed in monetary units constitutes an important metre of one's side determination of military force and therefore the reaction of this state in the armaments activities of its opponents. This renders the interpretation of sums for defence important, as for the degree that this interpretation corresponds in the search of causes of materialisation of armaments programs. Besides, the importance of studying the statistical indicators that concern the defence, lies to the fact that the diachronic development of a country's amount of military expenses constitutes a metre with which the military, political and economic sides of national safety can be interpreted important and also, the military expenses connect the internal developments with subjects of external policy (Stavrinos 1997: 61-62).

A first picture of the amounts the states of Greece and Turkey spend on the defence is given in Table 4. In relative sizes (the amounts are in current prices) Greece (in drachmas) and Turkey (in Turkish liras) increase the expenses for defence. It is clear that the tendency for the sums for defence by both countries is rising⁹. From the beginning of the '70s up to today the two states, independently from the climate of their relations, tend to spend more money for their defence year by year. This shows the conviction of states whose national objectives are directly interconnected with the military force achieved by the purchase of military equipment.

⁷ For the indicators of military faculty of Greece and Turkey in quantified measurable sizes see Kollias (1996: 222-225).

⁸ This point is also confirmed by Table 3.

⁹ It is pointed out that the conclusions are placed under the sect of methodological problem that wants the amounts in running prices and in native monetary unit to be disinflation, fact that creates difficulties mainly in the comparative analysis.

The observation of Table 5 leads also to the above conclusion. In this table, where the absolute sizes of expenses are presented (the sums in constant prices and equivalences 1995 respectively), the augmentative tendency of expenses for defence is absolute (even if not clear from year to year), if we compare the sums of the '70s decade with the current sums. The present ascertainment confirms the two states concern for their defence, but also the circle of armaments competition, where the increase of one player's military expenses leads to the increase of the other player's military expenses.

In Table 6 the occasion for a comparative observation of expenses on defence between Greece and Turkey is given. Over the augmentative course that is observed in the defensive expenses in both states¹⁰, we can see that the augmentative course in the expenses of Turkey is bigger than that of Greece. Particularly from 1984 and afterwards an increasing Turkish supremacy in expenses of armaments is observed (Papasotiriou 1999:181). While in the dues of the '80s decade, Greece and Turkey, use to spend roughly equal sum for their defence. At the beginning of the new millennium Turkey doubled the expenses (11.675 millions of US \$) and Greece increased them at 25% (7.412 millions of US \$). It is a fact that between 1985 and 1988 the Turkish defensive expenses had been increased more than double (from 3,2 billions of US \$ to 8,1 billions of US \$) and occupied the 4,4% to 4,5% in constant base of GDP. The same moment Greece increased in real numbers its military expenses (from 3,3 billions of US \$ in 1985 to 5,7 billions of US \$ in 1988), but decreased them as percentage of the GDP (from 7% in 4,4%) (Triantaphyllou 2001:67). Thus, it is shown that Turkey increased its military expenses, in order to materialise its strategic objectives despite the economic problems it faces, while Greece judges that the military threat of the opponent can be also deterred by other means and not essentially military, which leads to the increase of armaments.

We can observe that in the post-war period and up to the beginning of the decade of 1990 (with the exception of period 1980-1985) there is an increase in the military expenses by the two countries, fact that intensify the arms race. This could be justified from the fact that in those periods new and powerful arming systems are manufactured and it is the beginning of the research and growth of technologies that decreased the balance of terror (Constas 1991:130). The effort of the countries to correspond to these new arming requirements with success, which would ensure them the sought objectives, intensified the arms race.

In general lines, as it also emerges from Table 4, during the 1980s, the two countries were found in a very intense equipment competition. However, from 1988 Turkey presented an increase of military equipment, while Greece appeared to be adapting the withholding of military equipment, at least up to 1991 (Table 6). Turkey between 1992 and 2001 increased its military expenses to 37% passing from 6,5 billions of US \$ to 8,9 billions of US \$ (Liouis 2005:110). This resulted

¹⁰ Majeski and Jones (1981: 279) support that the Greek defensive expenses happen because the Turkish defensive expenses.

in the full implementation of the Turkish armaments programs threatening to change completely the Greek-Turkish balance of power in bilateral level. Greece substantially began to increase its defensive expenses from 1995 in a prospect to face the continuous Turkish extension, as well as the aggressive military strategy of Ankara that is expressed in various foreheads (Liouis 2005:112).

So, during the 1980s up to 1990s, it is revealed that stagnation occurred in the sums of Greece's expenses for defence. This is rather owed to the repeated consolidating programs and budgetary problems but also to the economic hindrances of the Greek state in the particular period and mainly to the effort of achievement the criteria of attendance in the Economic Monetary Union (EMU) with the required discipline in the terms and the restrictive policy (Kollias 2001:138). The last one indeed, constitutes a vital argument in order to justify the effect of international organisms in the strategic behaviour of mainly activators (states).

On the contrary, the next decade (from 1990 to 2000) an increase of the Greek defensive expenses is observed. This increase is shown in Table 9, where in constant prices, the second five-year period of the decade, an increase of roughly 30% is observed (while in 1995 it was 1.171.377 Greek drachmas, 2000 it was 1.569.031). However, it is pointed out that, while the rate of increase of the Greek defensive expenses was bigger than the Turkey's one (41% roughly), in absolute size those expenses was oscillated in lower level than those of its neighbour, from 4,7 billions of US \$ to 6,5 billions of US \$ (Liouis 2005:111)¹¹.

In relevance to the absolute numbers of military expenses and their augmentative tendency, the observation of Table 11 is also critical. With the exception of some years, the last decade (till 2001), both states present increase of their military expenses in the level of almost 4% per year. An intense and escalated competition of military equipments between the two countries is observed (especially afterwards 1974). The arms competition between the two states is expected to be accentuated in the near future, while Greece tries to restore the balance of power (which is in inversion because of the giant program of supplies and modernisation of Turkish armed forces) in a level that would allow the dissuasion (Dokos 2001:148). However, we have to note that Greece attempts to equalize the quantitative military supremacy of Turkey, with a qualitative one. We can support according to the evidences, that in the last few years Greece has managed to equal the Turkish quantitative advantage with a qualitative one. Consequently, the above analysis shows that the directness of threat between the states encourages the conflict, and this threat is shown by military expenses. The ascendant tendency in the increase of expenses for military equipment from both countries shows that Greece and Turkey conceive the danger that emanates from the

¹¹ The present pointing out is also confirmed by Table 6. In this it is observed that while in 1995 the Greek defensive expenses were 4.742 millions of US \$ in 2000 reached in the 6.449 millions of US \$.

opponent. Both of the rivalries states accept that the power is mainly built with military equipment so they tend to increase their expenses.

7. The Greek Economy

It was pointed out that the economy of the state constitutes a critical factor of power and therefore the economic position of a state can also influence its armament policy. Thus, it is important to describe in the present stage the economies of the two states beginning with Greece.

Greece is categorized as a democratic, developed country with a satisfactory economic road/route. The fact that it is a member state of the European Union, as well as a member of the Economic Monetary Union, provides it with the characteristics of economic stability and safety. Greece has chosen as a main economic objective the convergence of its economy with the economies of the other members of the European Union, something that calls for it to pursue an economic policy of restriction of all forms of expenses and consumption, including those for the defence. The problems that concern the economic route of Greece in relation to the European Union (convergence with the partners)¹² influence in a large amount the decisions of the Greek state on the issue of the military build-up.

The economic austerity that is required for Greece in order to achieve economic convergence with the rest of the E.U., prevents it from financing its armaments, fact that would make the country more powerful militarily. Moreover, the economic insufficiency of Greece in relation to its European partners deprives it the political power for negotiations and alliance building in its conflict with Turkey. Greece's search for European allies intends to create a more powerful political dissuasion in order to balance Turkey's military supremacy.

During the period of '90 - '98 the Greek economy aimed to the reduction of the fiscal deficits of current account balance and inflation. Those problems had been created by the previous economic policies, which were characterised by the extension of total demand, mainly during the period of 1974 - 1990 (Antonakis 2002: 25 - 27). This led to the restriction of public consumption, which influenced the demand of military equipments. The strict economic policy that is imposed for the reduction of fore mentioned economic indicators influences in a narrow and direct frame the economic position of a country and its citizens, impeding the economic choices and in a wider and indirect frame the military armaments' policy. The last one, as we have pointed out directly, is related to the economic possibilities of a state and also its social preferences.

¹² For the admission of this argument see Antonakis (1999: 503) and for a report in the problems of convergence of Greece see Tsakonias (1998).

Greece was developing faster compared to Turkey during the post-war period and afterwards. However, from 1973 things changed. This fact proves that Greece was superior in development (until 1973), which also justifies the better economic situation compared to that of Turkey, and, despite its lesser growth rates of the last 30 years, remains economically more powerful than its opponent. The second noted point, is that the unfavourable (always compared to Turkey) Greek growth influences the correlation of military expenses, and as Turkey's armament expenses are increased along with its rising development they outnumber the Greek ones (from 1983 and afterwards).

7.1. Greek Military Equipments in Relation with the Economy

The military expenses constitute a heavy burden for the Greek economy, while Greece tries to complete the application of an economic program of severity and must at the same time adhere the requirements of its European Monetary Union membership (Dokos 2003:50). Greece's military expenses are focused in defensive equipments, aiming at the safeguarding of borders (mainly eastern) and its upgrade of power at Aegean Sea. During the 1980's Greece spends annually 6,5% of its GDP on defensive expenses, which constitutes the highest percentage in Europe and one of the highest in the world. This number confirms the directness of the danger the state accepts from the opponent and the confidence that the opponent will also be balanced by military means. However, despite Turkey's threats and the dangers at its northern borders, Greece's armament expenses tend to be decreased the past few years in relation to its GDP (Table 3). Based on this, we can see in the aforementioned analysis that the economic expenses are necessary, in order to maintain the balance of power relatively to the opponent.

Based on economic criteria, the Greek expenses for arming systems include to a large amount imports from third countries and are being paid with foreign exchange, while the domestic industry covers only a small part of needs (Stathis 1992:114 and Kyriazis and Somakos 1999:29). This economic arrangement, concerning the military equipments, does not encourage the economic growth of the country, because it does not contribute to the increase of the GDP (lack of production) and does not assist other productive investments in other sectors. In conclusion, in order to determine the reasons that the Greek military equipments are increased, we should connect those reasons with the level of Greek reaction to the Turkish armaments. The height and type of Greek expenses are determined mainly by the Turkish challenges, as these become perceptible from Greece, while on the contrary, the Turkish defensive expenses serve multiple strategic objectives and do not depend immediately on the developments of the Greek-Turkish relations. This conclusion is also confirmed by the economic studies of Majeski (1985), Kapopoulos and Lazaretou (1993) and Kollias (1994 and 1996), in which they support (using an empiric proof) that the Greek expenses for armaments are influenced to a large amount by the course of the Turkish military expenses. Also, we should not forget, the connection of the Turkish armaments with the state's

ambitions for concretisation of its political objectives¹³, while the political objectives are influenced immediately by its military force.

8. The Turkish Economy

Turkey's desire to develop its economy remains a main object for the country, while its economic growth does not only constitute a social need, but it is a source of state's power (Aydin 2004:43)¹⁴. Turkey is trying to achieve the European Union criteria in economic development. Although this is the main target of Turkey's economical politics, it is too difficult to be achieved. The Turkish economy suffers from serious and perennial problems. The insufficiency of productive factors (especially capital) of the country leads the state to low its levels of productive ability. The unequal distribution of produced wealth is added to the low levels of production resulting to the economic decline of the bigger part of the country. The Turkish state faces continuous economic crises because the tottering economic situation, and at the same time its developmental policy does not send hopeful messages. Determining, characteristically, the state's economical problems, Aydin (2003: 166) reports that Turkey claims to be having a liberal economic system, but the unfavourable residues of its economic planning prevent its growth.

The adoption of the neoliberal economic policy from the Turkish state, at the beginning of the previous decade, was supported by the strategy of extrovert growth. This strategy includes the promotion of the exports, the release of the pre-existing economic arrangement in the trade and the reduction of government owned interventionism, and aims at the rejection of frequent crises of balance payments (Onis 1992: 9, Athanasopoulou 1995: 298 and 304, Notis 1995: 139 and William 2000: 208). This gave impulse to the developmental course of the country improving its economic situation by the rates of enlargement being particularly impressive and the changes in the increase of GDP reaching to the level of 9,3% in 1990 and 7,4% in 2000.

The serious curtailments of public expenses of Turkey because of the consolidating programs (with characteristic traits the restriction of lending needs of the state, the big increases in the prices of public enterprises and organisms, the increase of taxation and the freeze of nominal public expenses), in the beginning of 1990s, excluded the military sector and particularly the expenses for armaments (Stavrinos 1997: 60). This, from one side, shows the effort of improvement of the Turkish economy, but from the other shows that any effort for the benefit of economy cannot influence the armaments policy.

¹³ This is a conclusion from the study of Richardson (1960).

¹⁴ For a comprehensive report in the economic course of Turkey see the study of Onis and Riedel (1993).

In the 1980s and 1990s the continuous rise of Turkish GDP had direct effects on the rates of enlargement (in 1998 reached the 4,2%), but also on the Turkish exports, that in one decade (1988-1998) were tripled (William 2000: 208-209). Thus, as it is also observed by Table 1, the augmentative process of the Turkish GDP shows the optimisation of the developmental course of the Turkish economy but not the optimisation of its economy position, while the big problems mainly concerning the standards of living, remain. Moreover, the economic marvel taking place from the beginning of the 1980s should not surprise, while it is imposed from the Turkish system against the economic prosperity of society, achieving thus high rates of growth, without the genuine optimisation of the economy's real picture¹⁵.

8.1. Turkish Military Equipment in Relation to Economy

Turkey continues to purchase martial material despite the economic and political problems that trouble its interior. Considering the innate weaknesses of the Turkish economy (as this it is shown by the apposition of economic indicators), it is ambiguous whether Turkey might continue supporting its ambitious and grandiose armament programs (Kollias 2001: 149). However, it is remarkable that the Turkish state, with the economic problems still existing, continues to be militarily equipped, remains a big power in its geographical region (mainly because of its military capability), survives as a state and shows to be imposed on its opponent in Aegean. This ascertainment leads to the conclusion that the state of Turkey shows to be successful in other sectors, which equalize the aforementioned disadvantages. These sectors concern the political practice of Turkey in the international system. Thus, we see that the state's strategy is drawn in such a way that the disadvantages are covered by other factors and the strategy's objectives are materialised despite the difficulties.

Turkey attempts to modernise and develop its economy through the armaments programs. In most of them it achieves a high degree of co-production and domestic added value, with the involving profits of the economy, and also the powerful competitiveness of industry (Notis 1995: 149-150). The modernisation of the Turkish armed forces and the growth of domestic military industry have as an objective the achievement of the defensive self-reliance and the maintenance of military supremacy against its opponents. Besides, an economy wishes to develop its industrial sector, to extend its productive activity in products of capital intensity and owes to give priority to its educational infrastructure. However, the relative expenses continue to be limited in Turkey, while the educative level of the society continues to remain low, contrary to the European one (Liouis 2005: 186).

The defensive strategy of Turkey is mainly based on the enormous imports of arming systems. This fact confirms the state's successful policy, meaning that in

¹⁵ For the support of this argument see Notis (1995: 188-204).

the military level it creates the essential conditions, for the co-production of arms and the access in the modern know-how, while in the diplomatic level it gains the support and aid of more powerful states (Liouis 2005: 188). The coupling of defence and economy ensures resistance in a long time and consolidates a power in an arms race conflict. This consolidates Turkey as a regional state-power and at the same time it gains the advantage against Greece, its main opponent, which is the more basic obstacle in the application of Turkish strategy and in the concretisation of Turkish objectives in western borders.

By the middle of the '80s an increasing Turkish supremacy in expenses for military equipments is observed, fact that makes Turkey a sovereign activator in the bilateral strategic balance. Recognizing that the armaments provide high levels of power, the Turkish government focuses its effort in this sector that will offer supremacy against the opponent. Besides, we have to point out the potential ascertainment of Turkish strategy that the only instrument supporting the states supremacy against the opponent is the military force, and as a result the efforts are focused on armaments increase. Thus, Turkey's political objective for expansive action against neighbouring countries (included Greece) is supported by an ambitious program of military equipments.

Turkey, based on the Turkish national interest in its region, always continues the development of an essential industrial base that will provide self-sufficiency of arms, in order to ensure military power, independently from NATO (Athanasopoulou 1995: 293). Thus, Turkey from the decade of 1990 placed substantially the bases for the growth of dynamic martial industry, which could play an important role in the country's upgrade in the frame of geopolitical realignments after the cold war period. This confirms three main arguments: first, the states seek interdependence from their rivals against any cost. Second, the states wish to be interdependent and support self-help. Third and most important, the states seek the military power which is the main reliable factor in international arena.

In conclusion, although from the beginning of 1980s the Turkish economy has carried out an important progress, the simultaneous effort of increasing military power by purchasing arms does not suit with Turkish economy level. For Turkey, arms race involves economic and social burdens and the exceptionally high levels of military equipment serves concrete short-term objectives with revisory character. However, despite the high economic pressures, the reduction of the military expenses is impossible. From the existing information we conclude that the Turkish military ambitions may be lightly reduced (under the pressure of International Economic Organizations), but in no case drastically reduced.

9. Conclusions

According to all the above, the arms race as presented in the relative bibliography can function also in the special case of Greek-Turkish conflict. In the light of the

economic situation of two states and of their economic action in the market of military equipments, we reveal the following: Firstly, the existence of conflict between the two states in the level of competitive action excludes the collaboration in subjects of vital importance (the competition does not always exclude the collaboration, but this concerns the questions of low policy). Secondly, an arms race between Greece and Turkey exists (as the term has been fixed), fact that is confirmed by the presentation of numbers of the defence expenses of two states. Thirdly, very little importance has the two countries economic situation for the participation in the armaments competition, while the concretisation of safety objective is fundamentally important (as it is proved by the strategic actions of Greece and Turkey). Fourthly, the importance of technology as a factor of power can alter the data of conflict, while its diffusion through the military equipments is an absolute advantage for its holder. Fifthly, the economy as a process of production of wealth is immediately interwoven with the political action, either as a state's economic power either as ability of purchasing military equipments.

Based on what was supported above and what was confirmed by the empiric data of the case study, the thesis of this working paper confirms the hypothesis that the inter-state relations are defined by the level of the arms race between the states, while the funds allocated for defence prescribe the states international strategy.

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Appendix:

Table (1): The Gross Domestic Product of Greece and Turkey, at the period 1970-2004. The amounts are in current prices, in billions U.S.A. dollars (US \$).

Year	Greece	Turkey
1980	71,2	103,6
1981	76,6	118,8
1982	80,4	130,5
1983	82,7	142,4
1984	87,5	157,7
1985	92,4	169,4
1986	95,0	185,4
1987	95,4	208,5
1988	102,9	220,3
1989	110,9	229,2
1990	115,2	260,1
1991	122,9	271,7
1992	126,6	294,6
1993	127,4	325,6
1994	132,7	314,3
1995	138,3	343,8
1996	143,8	375,8
1997	152,2	406,0
1998	158,9	421,0
1999	165,6	403,7
2000	177,8	459,8
2001	189,3	420,9
2002	209,0	453,9
2003	224,8	492,9
2004	237,1	551,9

Source:

- OECD, cs4hq.oecd.org/oecd/eng/TableViewer/wdsview

Table (2): The per capita Gross Domestic Product of Greece and Turkey at the period 1980-2004. The amounts are in constant prices (1995) in U.S.A. dollars (US \$).

Year	Greece	Turkey
1980	9.770	1.958
1985	10.134	2.193
1990	10.950	2.572
1995	11.346	2.747
1997	11.866	3.056
1998	12.202	3.100
1999	12.482	2.908
2000	12.938	3.068
2001	13.238	2.774
2002	13.679	2.947
2003	14.251	3.070
2004e	14.744	3.315

Source:

- NATO, www.nato.int/docu/2004/table4.

Note:

- The denotation e declares that the amount on the particular period is determined by calculation.

Table (3): The defence expenditure as percentage of Gross Domestic Product of Greece and Turkey, at the period 1991-2004, based on constant prices.

Year	Greece	Turkey	NATO
1991	4,4	3,6	
1992	4,6	3,6	
1993	4,4	3,5	
1994	4,4	3,5	
1995	4,4	3,3	
1996	4,5	3,3	
1997	4,6	3,8	
1998	4,8	3,8	
1999	4,9	4,2	2,4
2000	4,9	4,0	2,4
2001	4,6	3,9	2,4
2002	4,3	3,7	2,5
2003	4,2	3,7	2,6
2004e	4,2	3,6	2,6

Sources :

- NATO, Review January 1996, p. 32: (1991-1992).
- NATO, Review Spring 1998, p. D15: (1993-1996).
- NATO, www.nato.int/docu/2001/table3: (1997-2000).
- NATO, www.nato.int/docu/pr/2004/table3: (2001-2004).

Notes:

- The denotation e declares that the amount on the particular period is determined by estimation.
- The third vertical column refers to the average of member states of NATO.

Table (4): The amounts for defence expenditure of Greece and Turkey, at the period 1970-2004. The amounts are in current prices and in millions units. For Greece the amounts are in Greek drachmas (DR) and for Turkey are in thousands Turkish lira (1000TL).

Year	Greece	Turkey
1970	14.208	6,3
1975	45.936	33
1980	96.975	203
1985	321.981	1.235
1990	612.344	13.866
1991	693.846	23.657
1992	835.458	42.320
1993	932.995	77.717
1994	1.052.760	156.724
1995	1.171.377	302.864
1996	1.343.276	611.521
1997	1.510.684	1.183.327
1998	1.724.621	2.289.430
1999	1.853.189	4.167.636
2000	2.017.593	6.248.274
2001	2.039.651	8.843.915
2002	4.845	12.107.716
2003	4.264	13.553.387
2004	4.752	14.625.060

Sources:

- NATO, Review January 1996, p. 31: (1970, 1991-1992).
- NATO, Review Spring 1998, p. D14: (1975-1990, 1993-1996).
- NATO, Review Spring 2001, p. 34: (1997-2000).
- NATO, www.nato.int/docu/pr/2004/table1: (2001-2004).

Note:

- For the years 2002, 2003 and 2004 the currency for Greece is EURO.

Table (5): The amounts of defence expenditure of Greece and Turkey at the period 1980-2004. The amounts are in constant prices and exchange (1995) and in millions units. For Greece are in Greek drachmas (DR) and for Turkey are in thousands Turkish lira (1000TL).

Year	Greece	Turkey
1980	1.008.658	169.109
1985	1.325.997	184.275
1990	1.177.621	273.695
1995	1.171.377	302.864
1997	1.316.905	340.749
1998	1.429.706	353.579
1999	1.490.665	370.788
2000	1.569.031	374.540
2001	1.533.940	336.003
2002	3.503	312.306
2003	2.979	301.121
2004e	3.225	290.253

Sources:

- NATO, www.nato.int/docu/2001/table1: (1980-2000).
- NATO, www.nato.int/docu/pr/2004/table1: (2001-2004).

Notes:

- For the years 2002, 2003 and 2004 the currency for Greece is EURO.
- The denotation **e** declares that the amount on the particular period is determined by calculation.

Table (6): The amounts of defence expenditure of Greece and Turkey at the period 1988-2004, in constant prices and exchange (2003). The amounts are in millions U.S.A. dollars (US \$).

Year	Greece	Turkey
1988	5.752	5.325
1989	5.359	6.161
1990	5.452	7.445
1991	5.171	7.653
1992	5.374	8.050
1993	5.245	8.900
1994	5.336	8.717
1995	5.450	8.939
1996	5.776	10.008
1997	6.155	10.427
1998	6.708	10.926
1999	7.023	12.064
2000	7.412	11.675
2001	7.250	10.703
2002	7.114	11.388
2003	7.172	10.278
2004	...	10.142

Source:

- SIPRI, www.sipri.org/contents/webmasters/databases

Note:

- The symbol (...) declares that data are not available.

Table (7): The percentage change of defence expending, in annual base, of Greece and Turkey, at period 1993-2004, based on constant prices.

Year	Greece	Turkey
1993	(0,9)	6,8
1994	2,5	(5,0)
1995	1,8	1,1
1996	5,4	6,9
1997	5,3	5,3
1998	8,6	3,8
1999	4,4	4,9
2000	5,3	1,0
2001	4,3	(7,5)
2002	3,6	7,9
2003	4,5	5,8
2004e	3,8	9,8

Sources:

- NATO, Review Spring 1998, p. D14: (1993-1996).
- NATO, www.nato.int/docu/2001/table2: (1997-2000).
- NATO, www.nato.int/docu/pr/2004/table2: (2001-2004).

Notes:

- Parenthesis (a) declares negative amount.
- The denotation e declares that the amount on the particular period is determined by estimation.