

Military expenditure in Spain 2012. A chance to reduce the crisis

Pere Ortega, **Centre Delàs** of Studies for Peace (Justícia I Pau)

Report supported by Agència Catalana de Cooperació al Desenvolupament

The crisis doesn't constrain all the ministries of the state equally. While it is true that the budget of the Ministry of Defence for the 2012 financial year is smaller than the 2011 budget the decrease is not proportionally equal to those of the other ministries. Though the budgets show that the adjustment is 16.9% on average the Ministry of Defence has only suffered a cut of 11%. This is, of course, a great deal different to the ministries that maintain the so-called "welfare state" which have suffered much higher cuts proportionally. The Ministry of Health has diminished by 13.7% and Education and Culture by 21.2%. The budgets of the ministries that should be the driving force behind economic recovery have been cut back in the same way. The Ministry of Industry's budget has fallen by 31.9%, Public Works and Transport's by 18.4% and funds for research and development (R+D) have decreased by 25.6% (Table 1 of the appendix).

Moreover, military expenditure is decided with the recommendations of NATO in mind, a military organism to which Spain belongs which advises combining all military allocations spread among other ministries, entailing costs to which the interest on public debt proportional to defence would have to be added (Table 2 of the appendix). The justification for this is that if the high debt rate of the state is due to military investment, the obvious answer is to incorporate the debt interest which goes to maintaining the armed forces. The end result is that the figures more than double the military expenditure of the Ministry of Defence in 2012, going from 7,411 to 15,384 million euros. The percentage of decrease since last year is 6.95%, considerably less than that which the Spanish government announced.

Despite this, these military expenditure figures are deceptive; the initial budget is one thing, the real expenditure made by the end of the financial year is another thing entirely. During the course of the year many resources are in fact incorporated to allocations that turn out to be insufficient, resources that come mainly from the Contingencies Fund, from which overseas military missions are financed. These missions received an initial budget of €14m in 2011, when in reality they cost €861m. This is also the case with a large part of arms investments, which by the end of the year cost €582m more than they were initially assigned (Table 3 of the appendix). The

budget deviation resulting from the transfer of properties of the Ministry of Defence (barracks, housing and land) must also be added. We only come to know these higher costs produced over the year at the end of the financial year, when we are presented with the final calculation of the budget. In this way, the defence budget for the year 2011 was passed announcing a cut of €594m and we now know that the provisional calculation (it still is not definite) reaches an increase of €1.164bn on the initial total. This represents an increase of 6.75%; almost the same percentage (7%) that was announced to be cut from defence at the beginning of the initial budget for 2011. In short, we can conclude this long explanation by saying that the real military expenditure of the Spanish state, despite the grave crisis that government's accounts are going through, **has only fallen by 6.3%**, and means that the Ministry of Defence is one of the ministries that comes off best under Mariano Rajoy's government. Military expenditure accounts for 1.6% of Spain's GDP, double what the Ministry of Defence claims, and represents a daily expenditure of €46.6m; €366 per capita annually (Table 4 of the appendix). This means that Spanish military expenditure is not nearly as reduced or insufficient as some members of the military-industrial complex claim but rather is within the average of the majority of European countries.

Arms investments

In 2012 a drastic cut in armament investments has been announced, a decrease of 35% compared to 2011. Especially affected are the investments directed to Special Weapons Programs (SWPs). Some long-term large projects started in 1995/96, the manufacture of which will in some cases last until 2025 (Eurofighter planes, A400M, Tiger helicopters, Leopard tanks, ASCOD (Pizarro), S-80 submarines, frigates and various warships). The costs of these projects have reached €32bn (Table 6 of the appendix). This year, according to the Ministry of Defence, there are outstanding payments of €1.862bn that it will not be able to meet because it has only allocated a ridiculous €4.9m to meeting these payments, 95% less than last year. The rest of the investments (€707m) will go to modernising armaments and the provisioning of already existing investments necessary to the operational capacity of the armed forces (explosives, projectiles, missiles, communications, logistics and infrastructures).

Military R+D has also suffered a large cutback, both that of the Ministry of Defence, which has fallen by 14.3%, and that which takes the form of loans given to military

companies by the Ministry of Industry, which has been reduced by a considerable 24.4%. These are the resources that go to the aforementioned Special Weapons Programs, programs that will be significantly affected by the cuts, as much in R+D aid as in payments for their acquisition. However, this should not be interpreted as a decrease in the cost of their acquisition. On the contrary, not making these payments in 2012 will mean delaying the deliveries and refinancing the costs with the companies involved and in the end paying more for these weapons. The SWPs have iron-clad contracts with the companies which obligate the Ministry of Defence to ensure they are fulfilled. We know their initial cost but we don't know what their final cost will be (Table 5 of the appendix). These are projects that in 2012 will again receive money in the form of R+D loans for a total of €582.7. In other words, very few resources are assigned to buying the weapons but 11.8% of the total state R+D is dedicated to investigating these new arms (Table 5 of the appendix).

The loans to military R+D are perceived by companies as grants; sixteen years after their establishment they still have not been repaid. One reason for this is that the Ministry of Defence has delayed the payments for arms due to cash flow problems, leading to the companies not repaying the loans and accumulating an enormous debt (€15.559bn), a problem that the Ministry does not know how to resolve. It cannot pay the military companies without increasing its budgets considerably as this would increase the debt and deficit of the state. Another option that the Ministry is considering is cancelling the R+D debt of the companies against the outstanding arms payments but this would also increase public deficit. The government wants to combat its deficit to conform to the directives of the Merkel/Sarkozy-led EU. Another option would be to postpone the payments for ten to fifteen more years, although this would add financing costs and increase the final price of the arms to implausible levels (€40-50bn).

How to reduce debt and the deficit

Before the grave economic situation that Spain and its economy especially find themselves, if the government wants to reorganise its accounts by reducing its debt and deficit one of the solutions would be to reduce military spending. Doing it is the simple part, what is required is the honesty to explain to the population the dangers and threats that hang over our state in the interest of maintaining this vast expenditure. Once the

origin of the insecurity is determined the government will have to explain why it is necessary to maintain armed forces of 130,000 troops.

A principal question related to threats that we will not analyse here are the current armed forces of our partner states in the EU which comprise approximately two million soldiers. On the subject, we must remember that the EU is heading for political unity, however slowly, and that it has established the Common Foreign and Security Policy (CFSP) which will require a *Euro-army* that, while still in its infancy, is already starting to be assembled. As such, wouldn't we have enough with 200,000, or, at a stretch 500,000 soldiers, for the entire EU? What do we need the remaining one and a half million for?

If Europe has an excess of armed forces and Germany and Italy have already announced that they are going to reduce them, why does the Spanish state not follow this path? A study into reducing armed forces personnel should be started, with the EU as a whole in mind, as well as an adjustment plan for the displaced staff. What does Spain need an army of 130,000 soldiers for? Would we not have enough with half or a third? It's not a question of increasing the number of unemployed people or casting thousands of military professionals into unemployment; a study could be initiated accompanied by an adjustment to pass a lot of military high command to the reserves and relocate soldiers to civil service.

Another aspect would be to cancel the big arms contracts (SWPs). In the words of Constantino Méndez shortly before retiring as Secretary of Defence: "we should not have acquired systems that we are not going to use, for conflict scenarios that do not exist and with money that we didn't have then and don't have now". In short, these arms are useless. Indeed, the Eurofighter planes, Tiger helicopters, Leopard and Pizarro tanks and most of the warships have not been sent to the conflicts that have involved the Spanish armed forces (Afghanistan, Lebanon and Libya). In other words, they have never seen combat and in the best case scenario end their useful service life never being used (besides manoeuvres of course). A combination of political, industrial and economic strategies is needed to undertake this task, as the military companies would brandish their contracts and demand compensation and would also begin a reduction of their workforces or threaten with the closing of their businesses. This adjustment plan

would have to be accompanied by studies into converting military industry to the production of civil goods, conversion plans that should involve as many social agents and politicians as possible: local, autonomous and state government, professional associations and unions. Such a wide consensus could search for options for these companies, and of course, it would be less costly than dealing with the production of arms that have no social use.

Moreover, if the suppression of the SWPs was undertaken, it would allow a cessation of the aid given to military R+D and the saving of further billions of euros that are given each year to military companies to develop weaponry.

A fourth way to reduce military expenditure would be to withdraw our troops from abroad to save the €860m that their stationing costs annually. No matter how often it is repeated, it is a lie that this keeps the Spanish population safe, if they even obey the directives of the foreign policy of our government, or rather, obey the prestige that having armed forces stationed abroad grants to the ministers of defence and foreign affairs and the President himself, allowing them to rub shoulders and sit with chancellors and sit in on international forums.

The last but not least important reason is economic: the inefficiency that surrounds armament production owing to opportunity costs, to dedicating already scarce resources to arms production instead of goods and services of a productive economy. The same occurs from the point of view of public spending as investing in the acquisition of armaments means redirecting funds from budget allocations that support the welfare state (health, education and social services), or from those that drive development (industry, civil R+D, public works...).

All these measures: reduction in armed forces troops, cancelling of SWP contracts, eliminating military R+D and reducing the presence of Spanish armed forces overseas would save Spain between €7bn and €8bn a year, which would certainly help the Treasury to pay off its debt and the public deficit. Reducing military expenditure would be a move towards allowing the Spanish economy to begin overcoming the crisis in which it is currently submerged.

Appendix of tables:

Table 1. Some budgetary reductions 2011/2012

Field	Reduction
Ministry of Education and Culture	-21.20%
Ministry of Health and Social Services	-13.70%
Ministry of Employment and Social Security	-7.40%
Ministry of Public Works	-18.40%
Ministry of Industry, Energy and Tourism	-31.90%
Ministry of Agriculture and the Environment	-19.90%
Ministry of Economy and Competitiveness	-32.00%
Aid to Civil R+D	-25.61%
Aid to Development	-71.20%
<i>Ministry of Defence</i>	<i>-11.04%</i>

Source: Made by author using the government budget

Table 2. Initial military expenditure of the state (2011-2012)

Field	2011*	2012*	Variation
Ministry of Defence	7,156.38	6,316.44	
Autonomous organisms of the Ministry of Defence	1,175.51	1,095.30	
Total Ministry of Defence	8,331.88	7,411.74	-11.04%
Military pensions	3,252.15	3,344.35	
ISFAS (Other ministries)	624.89	577.52	
Guardia Civil (Ministry of the Interior)	2,790.96	2,733.52	
R+D loans and military aid (Ministry of Industry)	794.84	582.77	
International military organisms (Ministry of Foreign Affairs)	9.82	14.95	
Total Defence OTAN criterion	15,804.54	14,664.85	-7.21%

Public debt interest	1,212.00	1,169.78	
TOTAL INITIAL MILITARY EXPENDITURE	17,016.54	15,834.63	-6.95%
Initial difference/Total spent	1,164.24	1,194.61*	
TOTAL FINAL MILITARY EXPENDITURE	18,180.78	17,029.24	-6.33%
Final military expenditure/GDP	1.73%	1.60%	
Initial military expenditure/Total state budget	4.76%	4.70%	

Source: Made by author using the government budget

* Estimation made with the average of the period: 2000-2011

Data in millions of current euros (€)

Table 3. Budget variations of the period 2008-2012*

Year	Overseas Missions			Inversiones		
	Initial	Total spent	Difference	Initial	Total Spent	Difference
2008	17.36	668.74	651.38	2,464.32	2,718.38	254.06
2009	14.36	713.50	699.14	2,005.86	2,126.67	120.81
2010	14.36	787.90	773.54	1,463.26	2,101.28	638.02
2011	14.36	861.39	847.03	1,211.68	1,793.62	581.94
2012	14.36			782.75		

Source: Made by author using the government budget

*Data in millions of euros

Table 4. Principal Indicators of military expenditure in Spain

Indicator	2011	2012
Daily military expenditure*	50.43	46.65
Annual military expenditure per capita	€374	€368
Military expenditure / GDP	1.73%	1.60%
Military expenditure / total budget	4.75%	4.70%
Military expenditure variation	-5.19%	-6.33%

Military investment*	1,982.39	1,365.52
Military investment / total investment	9.60%	10.66%
Military investment variation	-17.88%	-31.12%
Total military R+D*	974.62	756.82
Military R+D / total R+D	11.47%	11.83%
Military R+D variation	-17.60%	-24.38%

Source: Made by author using the government budget

*Data in millions of current euros

Table 5. Military R+D of the Spanish state*

Year	Ministry of Defence R+D	Ministry of Industry R+D	Total Military R+D	Total R+D	% Military/total
2011	203.91	770.71	974.62	8,493.11	11.47%
2012	174,05	582.77	756.82	6,397.62	11.83%

Total military R+D of the Ministry of Industry 1997-2012: 15,559.15

Source: Made by author using the government budget

*Data in millions of current euros

Table 6. Principal current armament contracts of the Spanish government

Denomination	Suppliers	Period	Initial cost*	Current cost*
87 EF-2000 Fighters (Eurofighter)	EADS-CASA, Santa Bárbara, ITP, Indra, Gamesa, Tecnobit	1997/2024	6,363.10	11,718.00
24 Tiger combat helicopters	Eurocopter, Sener, Amper, ECESA, Indra	1997-2014	1,081.82	1,579.60
27 A400M transport planes	EADS-Casa, Flabel, ITP, Sener, Tecnobit, Alcor	2001/2020	3,449.81	5,493.00
1 F-105 frigate	Navantia, Indra, Sainsel	2006/2012	475.00	834.00

239 Leopard 2E tanks	Santa Bárbara, Indra, Navantia, Electroop, Amper	1996/2017	1,941.77	2,399.40
212 Pizarro tanks	Santa Bárbara, Steyr, Puch, Indra	2005/2024	707.47	845.40
4 S-80 submarines	Navantia, Tecnobit, Abengoa, SAES, Indra	2011/2014	1,502.53	2,212.50
4 F-100 frigates	Navantia, Indra, Maxam	2004/2010	360.00	461.70
1 SPV ship	Navantia, Indra, Sainsel	2006/2012	215.00	488.00
4 BAM ships	Navantia, Indra, Sainsel, Navalips	2011/2012	740.00	740.00
5 BAM ships (new version)	Navantia, Indra, Sainsel	2003/2022	213.00	238.50
4 BAC fleet tankers	Navantia, Indra, Sainsel	2006/2012	1,260.00	2,463.00
45 NH-90 multi-purpose helicopters	Eurocopter, Sener, ECESA General Electric, ITP, Indra	1999-2011	134.65	134.65
84 Centauro armoured vehicles	Iveco, Amper, Oto Melara	2004/2011	57.00	60.10
43 Kepd-350 Taurus missiles (F-18 and Eurofighter)	Taurus Systems, EADS, Sener	2013/2016	62.13	100.00
232 Meteor missiles (F-18 and Eurofighter)	Navantia, Indra, Inmize, INTA, Sener y GDSBS	2005/2011	247.32	291.50
770 Iris-T missiles (F-18 and Eurofighter)	Sener, Expal, ICESA	1997/2015	50.86	50.86
120 Sparrow missiles (F-18 and F-100)	Indra	2005-2015	75.29	76.31
80 DM2A4 torpedoes "Merluzo" S-80 submarines	STN Atlas (Rheimental), Amper, Iveco	2006/2023	180.50	199.80
70 155/52 mm. howitzers	Santa Bárbara, Amper, Iveco	1997/2018	148.06	148.06
5 AV-8B planes	EADS-CASA, Indra, ITP, Iberia	2008/2012	59.70	60.70
CIS communication nodules	Indra, EADS-CASA	2007/2012	35.50	35.50
UCAV unmanned combat plane(Dassault nEUROn)	EADS-CASA, Thales, Indra	2006/2012	69.09	69.09

4 Arthur radar systems	Ericsson	2008/2022	260.00	355.50
2,600 Spike MR and ER antitank missiles (260 batteries)	Rafael (Israel), Santa Bárbara, TecnoBit	2007/2011	27.73	27.73
Mistral-2 missiles (Tiger helicopters)	MBDA	2007/2011	40.00	230.00
Military Emergencies Unit teams	Iveco - trucks, all-terrain - Santana	2008/2011	40.50	40.50
13 C-295 planes	EADS-CASA	2009/2011	180.00	180.00
UME fire-fighter planes	Bombardier	2007/2011	143.00	143.00
4 AV-8B Harrier planes (modernisation)	EADS-CASA	2011/2012	26.14	26.14
P34G tactical radiotelephones	Amper	2012/2016	376.52	376.52
270 MRAP model LMV armoured vehicles (1 st phase)	Iveco España	2998/2011	13.70	13.70
76 MLV Lince armoured vehicles	Iveco España	2008/2015	68.30	68.30
Satellite observation system (SAR) Paz e Ingenio	Hidesat, Astrium	2009/2012	25.00	25.00
Pleiades military space observation system	Indra		61.70	61.70
21 Piranha III armoured vehicles	Rheinmetall, Santa Bárbara	2009-2022	17.00	17.00
20 RG 31 armoured vehicles	General Dynamics/Santa Bárbara	2010-2011	31.00	36.58
40 S-80 submarine torpedoes	German government, Amper, Iveco	2010/2018	20.79	20.79
Lanza 3D Radar	Indra	2007/2011	76.00	80.40
Air Force radars, communications and avionics	Indra	2010/2012	35.00	35.00
MIDS satellite information system	EADS	2011	24.10	24.10
Munitions	General Dynamics	2011-2012	14.40	14.40
NAEW airborne early warning systems	NATO	2010/2011	7.57	7.57

14 EC-135 helicopters	Eurocopter	2011/2012	188.00	188.00
F-18 and CN-235 plane motors (modernisation)	General Electric	2011/2015	22.50	22.50
EF-2000 plane maintenance	EADS-CASA	2010/2019	150.00	150.00
135 Vamtac vehicles	UROVESA	2011	24.10	24.10
TOTAL			21,302.65	32,868.20

Source: Centre Delàs of Studies for Peace (30/10/2011)

*Data in millions of current euros