

INERTIA, WASTE AND FRAUD IN THE MILITARY EXPENDITURE

SPANISH DEFENSE
BUDGET ANALYSIS
IN 2015



JUSTÍCIA I PAU

CENTRE DELÀS
D'ESTUDIS
PER LA PAU

REPORT

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Pere Ortega
Jordi Calvo Rufanges

Centre Delàs d'Estudis per la Pau · Justícia i Pau
Barcelona, December 2014



Centre Delàs d'Estudis per la Pau
Justícia i Pau · C/ Roger de Llúria, 126, 3r 1a
08037 Barcelona
T. 93 317 61 77
F. 93 412 53 84
www.centredelas.org
info@centredelas.org

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EXECUTIVE SUMMARY

The new defense budgets for 2015 presented by the government mark a change of tendency with regard to Spanish military expenditure during the last years. For the first time since the crisis began in 2008, there is an increase in the Spanish military budget. Besides, once more, they are tricky budgets because, knowing that the final expenditures in some items will be considerably higher, they persist in hiding their intentions under the more imprecise calculation of two main items of the defense budget. On one hand, the amount destined to special arms program, and, on the other hand, the amount destined to costs of military operations abroad. The important increase of costs destined to military R&D this year is also very important.

As it occurs every year in the proposal of the general State budgets, the amount destined to Defense Ministry is being undervalued regarding to needs and agreements expenditure. This way, claiming that the Defense increases an 1.1% of its budget it is not true and both, the Parliament and the public, are being misled. The minister, Cristobal Montoro, and the minister of Defense, Pedro Morenés, are aware that the final expenditure will be most probably 30% higher than the amount reported, as it appears to be a custom in previous years.

For instance, in regard with the military operations abroad, they allocated 14.36 million every year, but, year after year, the expenditure is about 700 and 800 million, which are provided by the Contingency fund.

With regard to the arms program, the government, as it has done in previous years, has a repeated budget for 6.84 million to pay. During the last three years, the government approved an extraordinary credit, which implied increases up to 250% in this item. In fact, in 2012, the actual expenditure was 1782.77 million, in 2013, it was 878.48 million and in 2014, it was 883.65 million. For the year 2015, according to the schedule for payments of arms program by the Ministry itself, 1000 million should be paid. Then, why is there a budget of 6.8 million? Undoubtedly, it is a question of fraud.

There is a third fact, which is no less alarming, the one concerning to the new arms R&D. The military R&D increases at 43.5% compared with 2014, and rises from 506.8 to 727 million, from which 539.9 will be credits granted to arms companies without any interests. These credits are granted by the Ministry of Industry and, consequently, are not added like expenditures in the defense budget.

So, in 2015, as usual, the Spanish military Budget lacks of clearness and accuracy. All within in a permanent context of crisis, where social needs are essential for the citizenship, military expenditure is increased once more, dissuading policy resources that follow the social good.

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INERTIA, WASTE AND
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Spanish Defense Budget Analysis in 2015

Pere Ortega · President of Centre Delàs d'Estudis per la Pau

Jordi Calvo Rufanges · Researcher of Centre Delàs d'Estudis per la Pau

The yearly supplied information by the government in its presentation of general state budgets is not enough and is voluntarily deficient

1. INTRODUCTION

This report contains the actual Spanish military expenditure and the items that support it, since the yearly supplied information by the government in its presentation of general State budgets is not enough and is voluntarily deficient. In this way, we can note that the actual Spanish military budget is more than doubled from the one claimed by the Ministry of Defense. Omitting NATO's criterion and to the centers of reference in security and defense such as SIPRI. In order to create this report, official documents presented by the Spanish government have been studied for subsequent parliamentary discussion, which has resulted in the rejection of every parliamentary opposition to the lack of clearance in the Spanish defense budget. However, the absolute majority of the party in this government, in all probability, will adopt this budget suggested by the Ministry of Finance and it will be finally approved.

This report has been divided into three chapters, in order to better analyze the lack of clearance in the military spending. The first chapter deals with the actual budget, applying international approved criteria, analyzing budget changes that occur every year during the budgetary year on an extraordinary basis. It is also shown how military budget has been less damaged in regards to budgetary cuts than other ministries with social component. The second chapter deals with three important components that exemplify the choice of the Spanish government to hide military spending: special arms programs, military operations abroad and military R&D expenditure. A number of recommendations to improve the clearance in the Spanish military expenditure and to reduce it to acceptable levels are proposed, by taking into account the needs of the country.

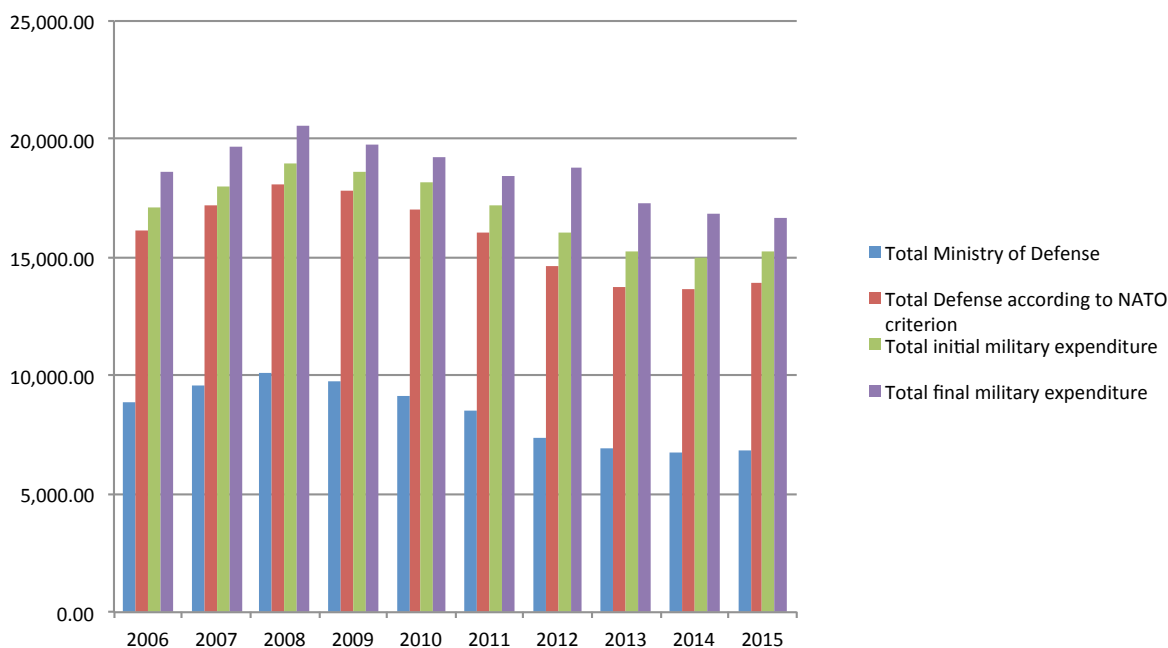
2. SPAIN CONTINUES TO FAVOR MILITARY SPENDING

2.1 Actual military spending in 2015

The Ministry of Defense Budget in 2015 presented in the general State budget is 6853.85 million Euros, 1.14% higher than the previous one in 2014. As usual, the staff expenditure between officers and soldiers take most of the Budget of the Ministry. This year, it has been 65.7%, that is, 4503.12 million Euros. Armed Forces are one of the enforcements highly recognized by population, as denoted by the CIS surveys. In this light, it is difficult to reduce the defense spending without having to reduce the number of military staff. Nevertheless, the Ministry of Defense itself calculates at 27,000 forces needed to meet the obligations, both the defense of the territory and abroad missions. Leaving 12,000 forces are set aside for internal security, maritime surveillance and airspace, and 15,000 are destined to participate in international missions. If this is a reasonable amount for the Spanish Armed Forces, in 2014 there were 122,256 forces: 45,587 officers and 76,669 soldiers on active duty. In 2015, it is expected to decrease the number up to 120,000. It is expected to get this by recovering the vacancies of the offic-

ers who finish their contracts and the ones who retire or join the reserve. Even so, the contingent is still out of proportion between officers: 41,000 officers vs 79,000 soldiers (one officer by 1.9 soldiers.) Armed Forces keep 250 generals, 1,050 colonels and 3,500 lieutenant colonels. Certainly, it is a nonsense in regard with the proportion of soldiers, which is itself oversized for Defense needs. The minister himself, Pedro Morenés, said that it was more operational to have a 20% well equipped and willing for taking action immediately and to maintain an 80% in the reserve, than having 100% forces bad equipped. Besides, the Ministry has 35,017 civils who are serving in the different areas of Defense.

Graphic 1: Development of Spanish military spending 2006-2015 (million Euros)



Source: Developed in-house

The military expenditure which is not related to salaries, services, abroad missions and, specially, destined to the acquisition of arms, do not have a good reputation between the population

In contrast, the military expenditure that is not related to salaries, services, abroad missions and, specially, destined to the acquisition of arms, which is not popular among the population. Surely, that is due to the service, which offers the Army is not perceived as necessary as other social expenditures. This is one of the elements that justify the opacity in the military spending by the State and part of the spending that is destined to the arms acquisition--especially the expensive special arms programs, which reach high amounts every year-- they do not appear in the initial budget that is approved by the Spanish Parliament, nor abroad missions, which are not taken into account in that initial budget and appear from the depths of contingents. We also have to include the arms acquisition, for which companies are granted with huge resources in the form of R&D from the Ministry of Industry.

Other expenses that make up the actual military budget are the ISFAS (Social Institute of the Armed Forces), an institute destined to cover the mutual aid of the Armed Forces which costs 600 million and which come from a *strange ministry* called 'Other ministries.' This is also the case of the Guardia Civil (Spanish military police). Although most of their missions are civil, it is a paramilitary force, since it is regulated by military discipline, within all the determinants that it involves, and even though it depends on the Ministry of the Interior, NATO criterion sees that as military expenditure. All are part of the real defense budget.

The distribution of the rest of the military expenditure from other ministries does not respond to an intension of opacity, if not it obeys other budgetary logistics. The budget related to the pension has an explanation why it should be accounted as a passive class in the social security, or assistance to international

Table 1. Spanish military spending 2014 and 2015 (in millions of current Euros)

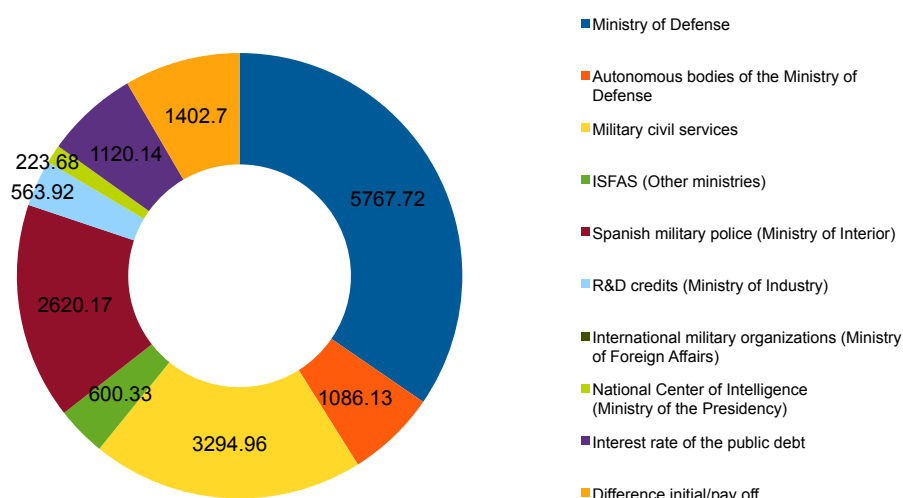
Concepts	Year 2014	Year 2015	2014/2015	
Ministry of Defense	5,745.77	5,767.72	0.38%	increase
Autonomous bodies of the Ministry of Defense	1,030.98	1,086.13		increase
Total initial of the Ministry of Defense	6,776.75	6,853.85	1.14%	increase
Military civil services	3,314.00	3,294.96		decrease
ISFAS (other ministries)	556.37	600.33		increase
Spanish military police (Ministry of Interior)	2,615.67	2,620.17		increase
R&D credits (Ministry of Industry)	343.60	563.92	64.12%	increase
International military organizations (Ministry of Foreign Affairs)	15.20	0.00		Delayed payment until 2016
Total Defense according to NATO criterion	13,621.59	13,933.23	2.29%	increase
National center of intelligence (Ministry of the Presidency)	203.69	223.68		increase
Interest rate of the public debt	1,197.60	1,120.14		increase
TOTAL INITIAL MILITARY EXPENDITURE	15,022.88	15,277.05	1.69%	increase
Difference initial/pay off	1.860.91	1,402.70		Estimate based on the last 10 years
TOTAL FINAL MILITARY EXPENDITURE	16,883.79	16,679.75	-1.21%	Probably exceed 17,000
Final military expenditure/GDP	1.59%	1.54%		>1.6%
Initial military expenditure/Total State budget	3.99%	3.79%		

*Estimate calculated on the average of the period 2014-
Source: Developed in-house from general State Budget
There is a table in the annex of Military Spending within the last 10 years.

organisms they appear in the Ministry of exterior, even though some are directly connected to the military, like NATO, or different disarmament agreements. As for the CNI (National Center of Intelligence) the secret service of the State, currently, it depends on the Presidential Government, but in the past it was part of the Defense. The CNI is a service of information and intelligence that could be criticized of not being a military organism, but instead it is directed by a general and most of its personnel is military, in addition they fulfill missions related to military security.

All of these items, hidden or not, must appear as military expenditure, since their function is related to the Armed Forces and Defense. Moreover, NATO advises every Member State that it should count every expenditure related to Defense as military expenditure and, for that effect, establishes a criteria for the States to take into consideration which is applied in this analysis, as SIPRI (the main institute of international analysis for military and arm issues) does.

Graphic 2: Actual Spanish military spending per items 2015 (million Euros)



Fuente: Elaboración propia

2.2 Changes in the Defense Budget

Initial Budget of the Ministry of Defense is far from the one, which will pay off at the end of the year, due to the changes during the financial year

The initial Ministry of Defense's budget is far from what will actually be paid at the end of the year as it is constantly being revised. These extensions of the defense budget fall mainly under special loans for the payment of new weapons projects abroad, coming from the contingency fund. However, there are further additions that come from transfers from other ministries. The most significant (the one that is generated by its own income) is around €00m. This income comes from the sale of the estate of defense. The ministry has one of the largest estates: barracks, military housing, facilities, firing ranges and maneuver fields. Thus, the government authorizes its sale, and revenues go to the ministry itself, which are then incorporated into the budget. The State can be reduced by selling off some of the Spanish heritage to keep its armed forces and acquire weapons.

Table 2: Adjustments to the Defense budget (in millions of current Euros)

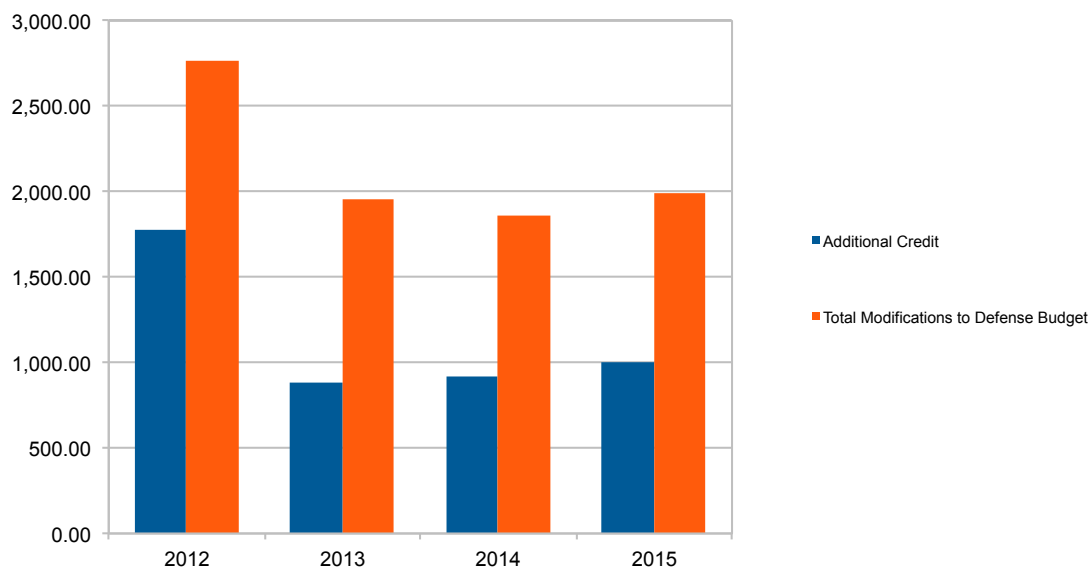
Years	2012	2013	2014 ¹	Previsión 2015
Additional Credit	1,782.77	879.48	920.27	1,000 ²
Expandable Items	753.08	782.47	722.74	752.8 ³
Transfers	2.16	55.17	18.64	25.3 ³
Generated by Own Income	192.31	213.1	193.53	199.6 ³
Autonomous Bodies	13.18	22.65	5.74	13.9 ³
Other	19.23			
Total Modifications to Defense Budget	2,762.73	1,952.87	1,860.92	1,991.59

Source: Developed in-house

1. 2014 modifications are provisional; 2. Announced by the government; 3. Average over the last three years

Graphic 3: Adjustments to the Defense budget

(in millions of current euros)



Source: Developed in-house

It is difficult to estimate the true increase to the budget, but making a prediction of military spending over the last three years shows that there was a dramatic increase of 30%. Indeed, the defense budget modifications over the past year have gone from €2.762 billion in 2012 (37.3%) and from €1.952 billion in 2013 (28.2%). On 30 September 2014, a further alteration of €1.860b (a 27% increase) was made. The budget increase between 2014 and 2015 will be about 2.4%.

Table 3: Ministry of Defense Budget Increase 2012-15

(in millions of current Euros)

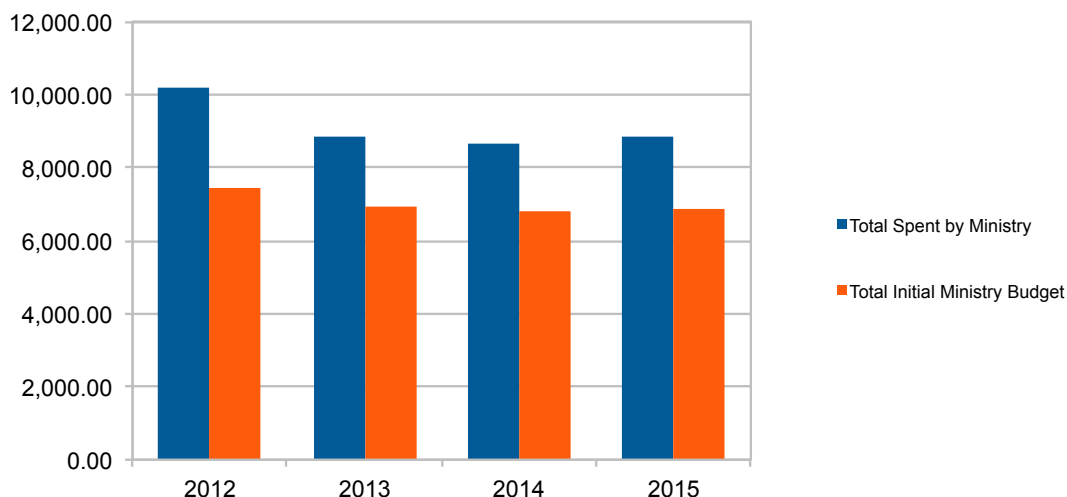
Concepts	2012	2013	2014*	2015**	Variation 2014/2015
Ministry of Defense	9,066.29	7,867.10	7,600.95		
Autonomous Bodies of Ministry of Defense	1,108.18	999.30	1,036.72		
Total Spent by Ministry	10,174.47	8,866.40	8,637.67	8,845.14	+2,4%
Total Initial Ministry Budget	7,411.74	6,913.65	6,776.75	6,853.55	+1,1%
Difference	-2,762.73	-1,952.75	-1,860.92	1,991.59	
Variation %	-37.3%	-28.2%	-27.5%	29.1%	

*As of September 2014 ** Centre Delàs prediction. Source: Developed in-house

In conclusion, the Spanish defense budget has recurrent undervaluation in specific items and various military expenditures. These are undoubtedly being spread by previously described ministries, to which interest from public debt generated by the Ministry of Defense must be added. Some expenditure puts the defense budget well above the €6,853b announced by the government. If we also add all the changes made during the next tax year and over the last ten years there is estimated to be an average of €1,402b, therefore the total military expenditure will be €16,697,700,000 – 243% more than what was originally approved. In this case, Spanish military spending will most likely reach 1.54% of the GDP in 2015 (with the final figures easily reaching 1.6%), closer to the 2% published by NATO, with 0.63% claimed by the Spanish government.

The Spanish defense budget has recurrent undervaluation

Graphic 4: Development of the Ministry of the Defense budget (initial and paid) 2012-2015
(in millions of current euros)



Source: Developed in-house

Table 4: Main Spanish military spending (Initial Budget)
(in current Euros)

Indicators	2014	2015
Daily Military Spending	45.27 millions	45.69 millions
Annual Military Spending Per Capita	353 euros	353,90 euros
Military Spending/ GDP	1.41%	1.54%
Military Spending/ Total Budget	3.99%	3.79%
Variation of military Spending	-3.55%	11.03%
Military Investments	900.64 millions	1,117.82 millions
Military Investments/ Total Investments	7.45%	8.53%
Variation on Military Investments	17.10%	24.11%
R & D Military Total	506.84 millions	726.92 millions
R & D Military/ R+D Total	8.25%	11.36%
Military R & D Variation	39.45%	43.51%

Source: Developed in-house based on the State budget

The Spanish military expenditure will likely reach the 1.6% GDP in 2015 and closer to 2% published by NATO with 0.63% claimed by the Spanish government

2.3 Defense prioritization compared to other ministries

The Inland Revenue keeps an accounting engineering system that allows them to fix the Ministry of Defense's budget and keeps the public aware of the Spanish Royal Military's spending. The defense budget has decreased by 18% since the 2008 crisis, while education has gone down by 22.4%, health 12%, employment 38%, culture 38%, civil research 26% and infrastructure 32%.

It is clear, then, that defense has been prioritized compared with social ministries or those that contribute to employment development. In the budget proposal for next year, the Ministry of Development has gone down by 14.2%, employment and social security by 15.5%. Basic services continue to suffer the effects from the enormous cuts made following the crisis.

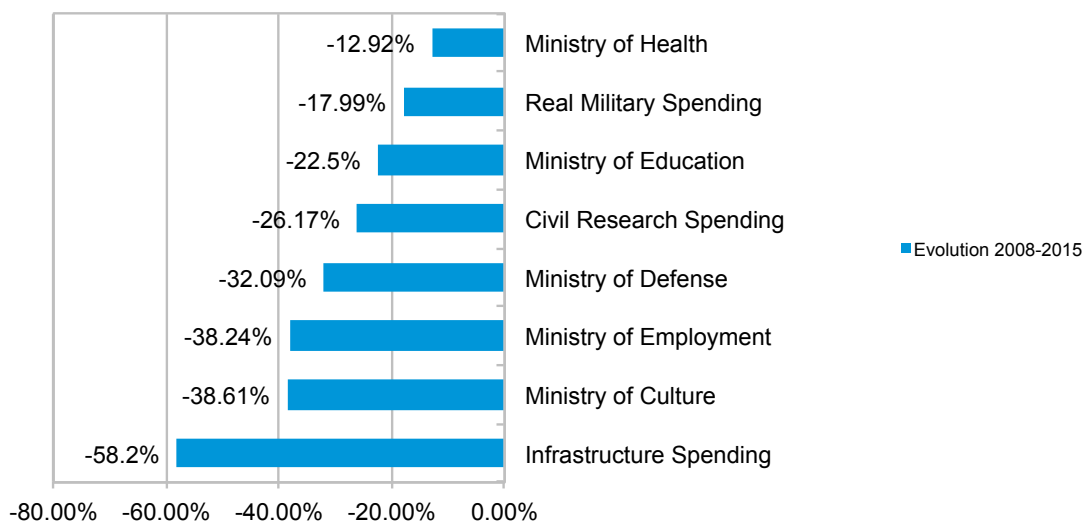
State budgets are increasingly lacking solidarity with disadvantaged sections of Spanish society, as the setting applied to reduce public spending go against general interest as they contribute to the deterioration of basic services.

Table 5: Spanish Government Spending Policies 2008-2015
(in millions of current Euros)

	2008	2009	2010	2011	2012	2013	2014	2015	Evolution 2008-2015
Ministry of Employment	7,684	7,584	7,751	7,329	5,765	3,772	4,073	4,746	-38.24%
Ministry of Health	4,434	4,623	4,635	4,264	3,976	3,856	3,840	3,861	-12.92%
Ministry of Education	2,933	2,988	3,092	2,843	2,220	1,945	2,150	2,273	-22.50%
Ministry of Culture	1,220	1,284	1,199	1,104	942	722	716	749	-38.61%
Infrastructure Spending	14,690	13,177	14,325	8,859	6,901	5,966	5,452	6,141	-58.20%
Civil Research Spending	7,677	8,203	8,088	7,576	5,629	5,562	5,633	5,668	-26.17%
Ministry of Defense	10,091	9,726	9,154	8,560	7,411	6,913	6,776	6,853	-32.09%
Real Military Spending	20,587	19,770	19,233	18,409	18,819	17,135	16,527	16,883	-17.99%

Source: Developed in-house. General state budgets

Graphic 5: Development of Spanish government spending policies 2008-2015



Source: Developed in-house

The purchase of weapons is one of the most expensive aspects of military spending. It has reached €384 million

3. MAIN MILITARY SPENDING HIDDEN BY THE DEFENSE

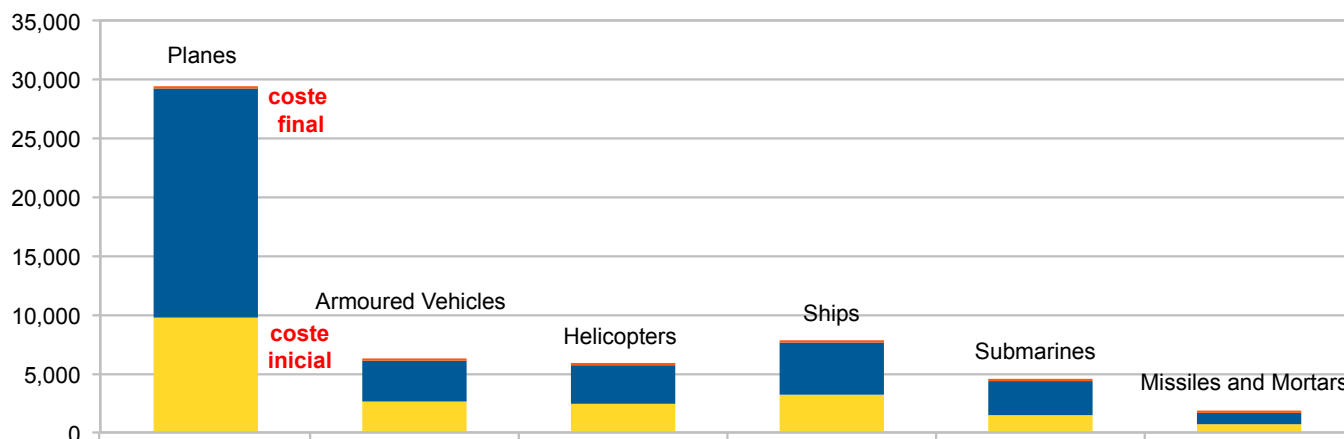
3.1 Military Investments and Purchase of Weapons

The purchase of weapons is one of the most expensive aspects of military spending. On one side, there are the investments into different materials, various infrastructure and operational facilities of the three forces (army, navy and air force) and its central body, to which the acquisition of weapons must be added. The total cost of this will go up by €384m over the next year. The main investments and purchases will be: the adaptation of NATO bases in Spain; guided missiles; combat vehicles for the army; Sea Sparrow missiles for the F-100 frigates; additional plans for F-100 frigates; BAM ships and AV-AB planes for the navy; an AB-212 helicopter for the navy; and the construction of air bases for the air force. However, the main military purchase, which the Ministry of Defense buys every year, is light armament, which costs an extraordinary €1b. This is not part of the ministry's initial budget.

3.1.1 The Invoice for the Weapons Increases Debt and Public Deficit

The government, as it has done in previous years, has again budgeted a figure of €6.84m for the purchase of weapons, when in the last three years it has passed an extraordinary credit, which has meant increases of 250%. In fact, in 2012, the actual cost was €1,782,770,000; in 2013, it was €879.48m and in 2014, it was €883.65m. Next year it will probably reach around €1b. The invoice was stated by the ministry as being for €26.5b. According to our calculations, it is €30.5b. This difference is calculated by taking into account the sales of fifteen Eurofighter airplanes and thirteen transport planes at €4m each, which will reduce the bill, depending on the company. But as these sales are more than improbable, it makes sense to delay the supply of weapons and add the costs to the final bill.

Graphic 6: Difference between Initial and Final Costs (in millions of current Euros)

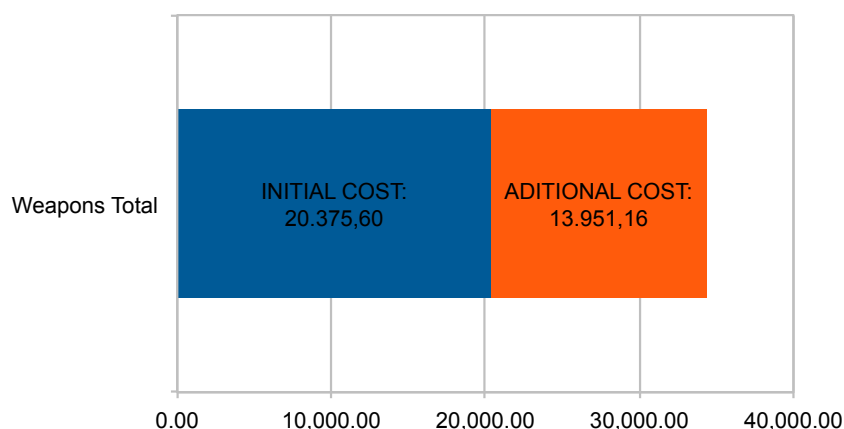


Source: Developed in-house

The special armament programs were passed in 1997 during Jose María Aznar's administration. The first big plans were the F-2000 combat plane, the Eurofighter, the F-100 frigates and the "Leopard" armoured vehicles. However, it should be mentioned that these plans were originally designed by Felipe González' socialist government. As a result, the three armed forces (army, navy and air force) saw reinforcements in their defense systems. They were subsequently adding new programs to reach the figure of twenty-one; some already completed while others remained. In 1997, the problem arose of how to develop and finance the

more expensive programs without increasing the military budget. Evidently, this raised the political cost for the PP (People's Party, center-right) who had just come to power and felt obliged to raise the military budget, which would not be well received by the public. The solution was found in the cooperation of the Ministry of Defense's management, who came up with a "creative accounting" formula. This consisted of making an agreement with the Ministry of Industry, who would grant loans to the military for R&D program development at zero interest to be paid back in twenty years. This would be returned when the defense received payment for arms. As a result, three purposes were achieved. There was no apparent increase in military spending by the Ministry of Defense. secondly: there was an increase of R&D contribution in Spain, which at that point made up 0.6% of the GDP, behind the other OECD countries; thirdly: the military industry had satisfied its demands to help fund research development of new weapon prototypes. As the years have passed, the weapons have been increasing in number and amount. Furthermore, regarding to the high-cost programs, the delay in delivery date has meant additional costs. Finally, as with most large investments, they have suffered from various changes, therefore the final arms cost has reached €34,326,000,000.

Graphic 7. Difference between initial costs and final costs (in millions of Euros)



Source: Developed in-house

The weapons have generated a huge debt, which has only benefitted the military-industrial complex, i.e., the obscure interest that has surrounded the manufacture of weapons: corporate shareholders, various military personnel and politicians who are making weapons together without any sense of reality and who have generated an enormous black hole as a result. This is swallowing up resources that would be much more productive in Civil Service, which accounts for 3.4% of the GDP and shares the debt that they now do not know how to solve. As it goes up, it becomes public deficit. The debt that the next government will inherit and they have no solution other than to review and annul. The remuneration they will have to pay for breaking the contract is lower than what they actually have to pay back. At this point, it would be appropriate to conduct an audit to detect whether there are any breaches in the contracts such as prevarication, preferential treatment, insider trading, bribes and other perversions that are usually rife in the arms trade.

Table 6: Current Special Arms Programs

(in millions of Euros)

Denomination	Companies	Period	Initial Cost	Actual Cost
87 EF-2000 planes	EADS-CASA, Santa Bárbara, ITP, Indra, Aeronova, TecnoBIT	1997/2024	6,363.10	13,596.47
239 'Leopard' armoured vehicles	Santa Bárbara, Indra, Navantia, Electroop, Amper	1996/2017	1,941.77	2,524.56
212 Pizarro armoured vehicles	Santa Bárbara, Steyr, Puch, Indra, Sapa Placencia	2005/2024	707.47	949.95
24 Tiger helicopters	Eurocopter, Sener, Amper, ECESA, Indra	1997/2014	1,081.82	1,548.03
45 NH-90 helicopters	Eurocopter, Sener, ECESA, General Electric, ITP, Indra	2006/2012	1,260.00	1,492.44
27 A-400M planes	EADS-CASA, Flabel, ITP, Sener, TecnoBIT, Alcor	2001/2020	3,449.81	5,819.37
1 F-105 Frigate	Navantia, Indra, Maxam	2006/2012	475.00	836.24
4 S-80 submarines	Navantia, TecnoBIT, SAE, Indra, Técnicas Reunidas	2011/2014	1,502.53	2,800.00
4 F-100 frigates	Navantia, Indra, Maxam	1997/2010	1,602.80	1,997.50
1 BPE ship	Navantia, Indra, Sainsel	2004/2010	360.00	505.47
770 Iris T missile (EF-2000)	Sener, Expal, ICSA	2005/2011	247.32	282.43
4 BAC ships	Navantia, Indra, Sainsel	2003/2022	213.00	260.16
4 BAM ships	Navantia, Indra, Sainsel, Navalips	2006/2012	215.00	530.41
43 Taurus missiles (EF-2000)	Taurus Systems, EADS, Sener	2004/2010	57.00	59.64
2600 'Spike' anti-tank missiles	Rafael (Israel), Santa Bárbara, TecnoBIT	2007/2022	260.00	364.69
70 150mm mortars	EADS-CASA, Indra, ITP, Iberia	2006/2023	180.50	195.99
4 'Cougar' helicopters	Eurocopter	2007/2011	76.00	80.01
UME plane	EADS-CASA			40.55
CLS UME nodes	Indra			60.37
8 EC-135 helicopters	Airbus Helicopters	2013/2015	49.00	49.00
2 BAM ships	Navantia, Indra, Sainsel, Navalips	2014/2019	333.48	333.48
TOTAL			20,375.60	34,326.76

Source: Developed in-house

Table 7: Difference between Initial and Final arms Costs

(in millions of current Euros)

Aviones	9812,91	19415,84	97,86%
Blindados	2649,24	3474,51	31,15%
Helicópteros	2466,82	3169,48	28,48%
Buques	3199,28	4463,26	39,51%
Submarinos	1.502,53	2.800,00	86,35%
Misiles y obuses	744,82	902,75	21,20%
Todos los PEAS	20.375,60	13.951,16	

Source: Developed in-house

3.1.2 Expansion of the Special Weapons Program

Despite maintaining an outstanding bill with the special weapons programs of about €30.5 billion, the government has announced a new project expanding the weapons capabilities of the Spanish armed forces. In presenting the 2015 budget, Secretary of Defense Pedro Argüelles explained that for next year, new special weapons programs are being prepared, which will be enhanced with support in R&D from the Ministry of Industry. A program for a new frigates model, the F-110, which in 2015, will have a budget of €37 million to produce one unit with an approximate final cost of €800 million, to be added to the five units that are planned for construction in Navantia. Also a program allowing for the purchase of 350 to 400 units of a new armoured 8x8, of which €41 million will be contributed in 2015, with a final cost of between 1 and 1.5 billion Euros. Moreover, new program have been announced in the media (*El País* 10/27/2014): three units of a tanker aircraft, possibly the Airbus A330 MRTT, with a cost of €800 million, and four unmanned aircrafts (drone) with a cost between 200 and 300 million. In total, the four new program will add an additional cost of €10 billion over the next ten years. Therefore, the Spanish arms bill payment will be at 40 billion Euros.

This debt is a huge headache for the Ministry of Defense, since honoring these commitments would mean allocating an additional one billion Euros annually and that in the coming years it may reach up to two billion because, as these programs finish up, more weapons are delivered, and contracts must be settled. Besides, technological reviews and modernization of these programs need to be included. The current 30.5 billion, or the future 40 billion, have immerge the accounts of the Ministry of Defense into financial collapse, and are the result of an improvised political action by the government of both the Popular Party (PP) and the Spanish Socialist Workers' Party (PSOE), with the sole objective of favoring the business of a few military industries. Some of these programs the military commanders criticize privately, since many of these weapons have no strategic value for national defense. Most of them have not gone nor will ever enter into service, outside of conducting maneuvers. The armoured Pizarro vehicle and Leopard tank or the 155mm Howitzer can barely be sent to distant places as they are designed for combat on their own territory. Others, such as the Eurofighter, the S-80 class submarine, or the strategic projection ship or frigates, are weapons designed to travel long distances, but hardly ever do so because the major military missions in which Spain has participated fortunately only have been used in supportive tasks or are helpful in rearguard.

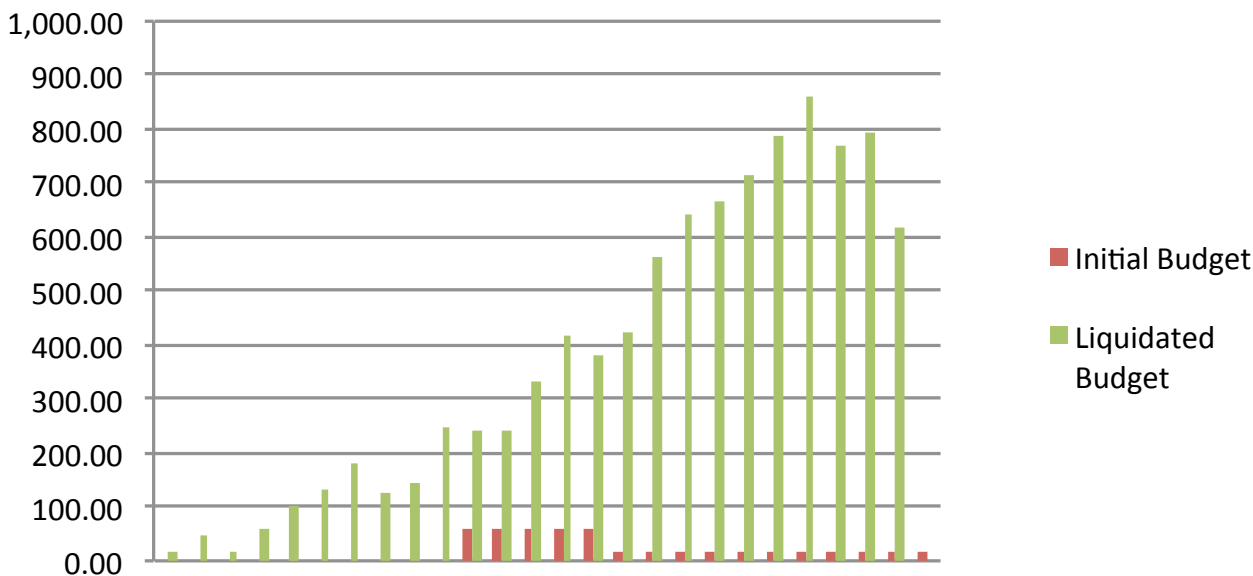
The unpaid Spanish arms bill will rise up to 40 billion Euros

€14,360,000 has been allocated in the 2015 budget when in recent years there has been an actual expenditure of between €700 and 800 million

3.2 Military Spending on Overseas Operations

Regarding the account of military operations overseas in the 2015 budget, 14.36 million has been allocated; although in recent years there has been an actual expenditure of between 700 and 800 million. This inexplicable lack of foresight of public spending on military operations overseas is forcing there to be a petty cash fund (contingency fund) in the budget in order to deal with unexpected expenses, such as in the case of natural disasters.

Graphic 8. Development of Spanish military spending on overseas operations (1990-2014)
(in millions of current Euros)



Source: Developed in-house

The budget set aside for military operations abroad has maintained a steady upward trend since Spain began to actively participate as a global military player in the 90s. The initial calculation of the military budget for these missions has always been anecdotal, although between 2000 and 2004 an amount somewhat closer to reality was expected. The downward trend since 2011 is due to the gradual departure of Spanish troops from Afghanistan, where the Spanish contingent will be minimized as of 2015. However, it is more than likely that military spending for military operations overseas will remain high, since the Spanish government has decided to maintain an active role in the international operation against the Islamic state in Iraq. Not surprisingly, on October 9th, the cabinet gave the green light to send a contingent of 300 troops to form a brigade from the Iraqi army for seven or eight months. Even though the mission would only have an extendable period of six months, plus a go-ahead on a scud missile battery and 130 troops sent to Turkey in a NATO mission designed to intercept potential attacks from Syrian troops.

Major Spanish military operations and others that consume more resources have been deployed in Afghanistan, the coasts of Somalia, and Lebanon, although there is a total of 10 military missions of the Spanish army that are currently active. The main features for 2014 and 2015 are as follows:¹ at present Spain participates in the Horn of Africa region with four military operations that have reached a total cost of €530 million: the shield operation in the Indian Ocean, the Atalanta fishing protection operation, the EUTM Somalia mission, and the operation of the construction of regional maritime capacities in the Horn of Africa. The mission in the war in Afghanistan, ISAF, with an accumulated participation of 20,000 soldiers

1. Ministry of Defense (2014): International missions, at <http://www.defensa.gob.es/areaste-maticas/misiones/>, accessed November 10, 2014.

Table 8. Liquidated Military Spending Abroad

(in millions of current Euros)

Year	Initial Budget	Liquidated Budget
1990	0.00	18.74
1991	0.00	45.85
1992	0.00	17.70
1993	0.00	58.28
1994	0.00	103.11
1995	0.00	133.97
1996	0.00	180.28
1997	0.00	128.12
1998	0.00	146.38
1999	0.00	249.23
2000	60.10	239.63
2001	60.10	241.34
2002	60.10	330.55
2003	60.10	416.04
2004	60.10	380.62
2005	18.36	422.50
2006	18.36	563.90
2007	17.36	642.50
2008	17.36	668.74
2009 ¹	14.36	713.50
2010 ²	14.36	787.90
2011 ¹	14.36	861.39
2012 ³	14.36	769.08
2013 ⁴	14.36	791.20
2014 ⁵	14.36	616.80
2015	14.36	
TOTAL	472.46	9,527.35

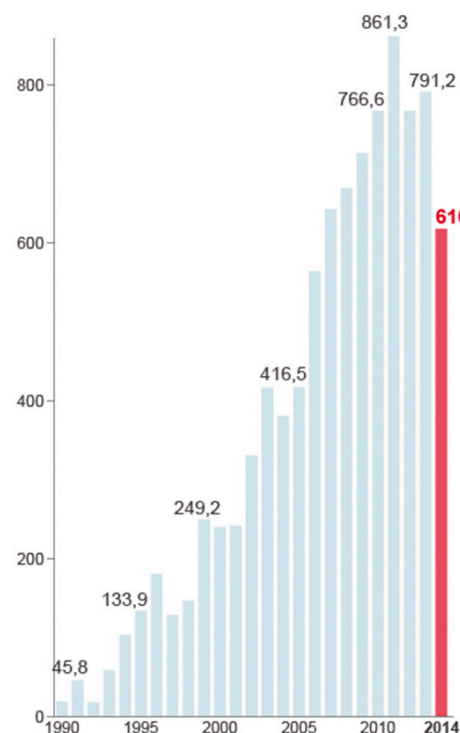
Sources: Developed in-house based on general State budgets; 1. Info 9/7/2012 processing; 2. Defense Committee 16/12/2010; 3. Defense Committee 17.04.12; 4. Defense Committee 12/18/2013; 5. *El País* 12/16/2014. Miguel Gonzalez

and an economic cost of more than €3.5 billion, in addition to at least another 197.8 million Euros for Operation Enduring Freedom between October 2001 and July 2004 – the UNIFIL mission – Free Hidalgo in Lebanon, is costing € 1.3 billion. It is still too early to gauge the costs of other missions in Mali, Central African Republic, Iraq and Turkey, but they will not be less than €250 million.

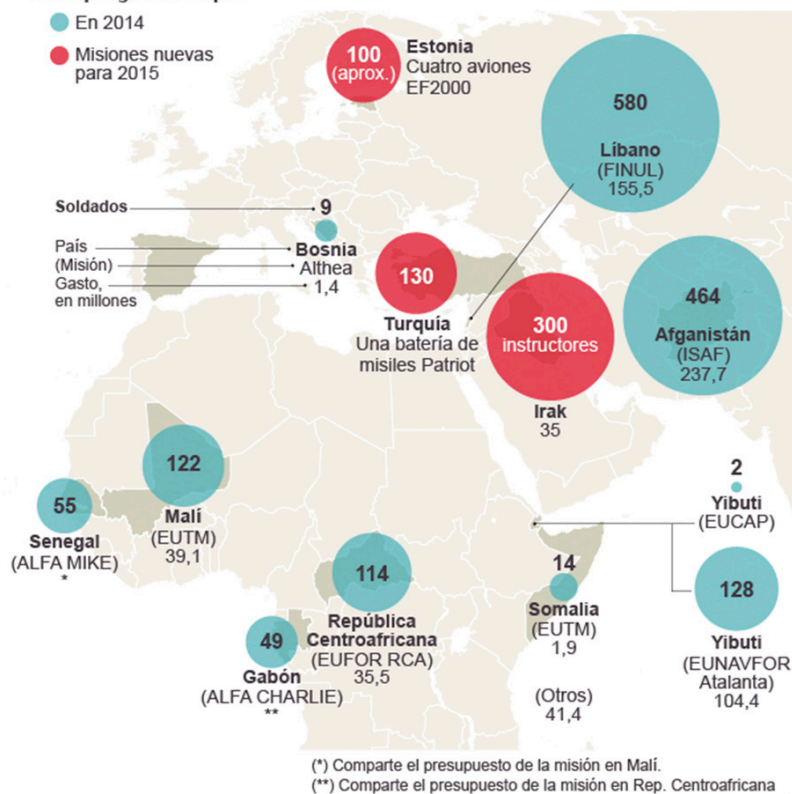
Graphic 9. Spanish military spending on overseas operations 1990-2014

Spanish military missions in 2014 and 2015

► Coste de las misiones
En millones de euros



► Despliegue de tropas



Source: *El País*, 16/12/2014. Miguel González

3.3 Support for Military R & D

Military R&D has maintained a downward trend since 2009, but in the 2015 budget, it has spiked up again significantly. Military R&D rose 43.5% compared to 2014, and went from 5.068 million to 7.27 million, of which 5.639 million will be credited to armament companies at zero interest. These are granted from the Ministry of Industry for weapons contracts within the special weapons program.

For the year 2015, the major programs are to be supported as follows:

- €57.8 million for the A400M military transport aircraft
- €204.8 million for the S-80 class submarine
- €62.1 million for the NH90 helicopter
- €161.5 million for the maritime action ship Bam
- €37 million for a frigate F-110 (project not yet approved)
- €41 million for armoured 8x8 (project not yet approved)

The increase in military R&D contrasts with the scant increase in civilian R&D, which only increased by 4.8%, and certainly an affront for the development of the productivity and social improvement of the country. Moreover, these loans for military R&D are causing a parallel massive confusion in their accounts: these are coming up as loans but have not been paid back to the public purse, and have amounted to an astronomical figure of €16.12 billion. Many of the weapons have already been delivered; but in return, the loans have not been paid back to the Treasury. Who is responsible for these reimbursements? The private companies argue that these loans were payments and when their weapons were delivered, they were forgiven the balance of the contracts. However, other sources claim that regardless of the collection of fees for the delivered weapons, the loans are

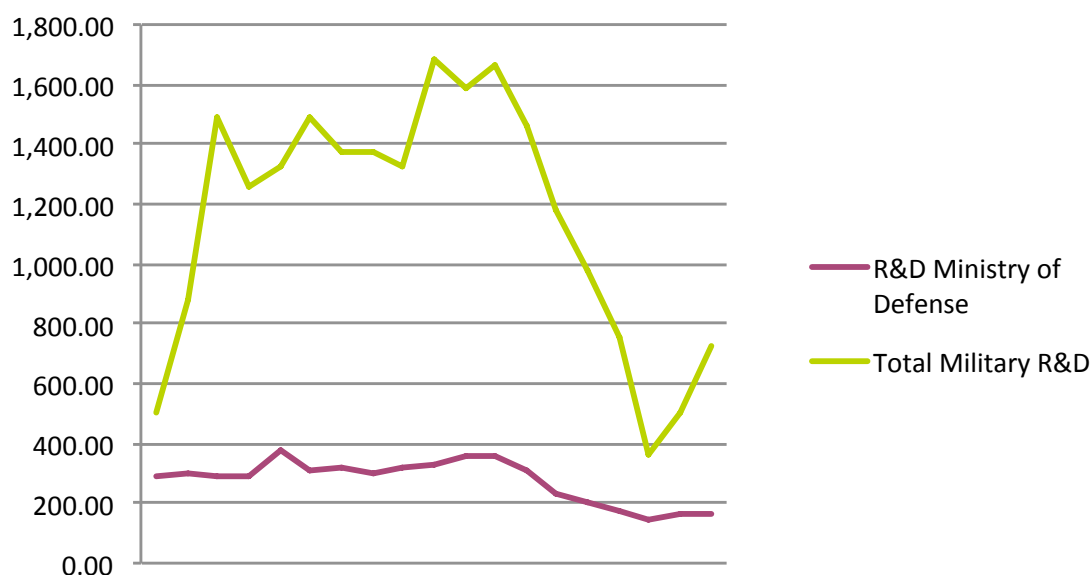
Table 9. Spanish Military R&D vs Total R&D (1997-2015)

(in millions of current Euros)

Year	R&D Ministry of Defense	Military R&D Ministry of Industry	Total Military R&D	Total R&D	% military/total
1997	290.11 €	210.36 €	500.47 €	1,352.68 €	37%
1998	300.14 €	581.00 €	881.14 €	1,867.95 €	47%
1999	294.75 €	1,198.58 €	1,493.33 €	2,767.84 €	54%
2000	293.48 €	964.11 €	1,257.59 €	3,053.86 €	41%
2001	382.11 €	947.80 €	1,329.91 €	3,435.30 €	39%
2002	314.04 €	1,176.85 €	1,490.89 €	3,465.40 €	43%
2003	322.97 €	1,049.90 €	1,372.87 €	4,000.12 €	34%
2004	303.42 €	1,070.00 €	1,373.42 €	4,402.00 €	31%
2005	315.69 €	1,014.60 €	1,330.29 €	4,972.23 €	27%
2006	325.88 €	1,358.01 €	1,683.89 €	6,510.81 €	26%
2007	361.04 €	1,225.06 €	1,586.10 €	8,060.42 €	20%
2008	355.67 €	1,308.57 €	1,664.24 €	9,342.55 €	18%
2009	312.41 €	1,149.92 €	1,462.33 €	9,654.29 €	15%
2010	231.89 €	950.91 €	1,182.80 €	9,128.80 €	13%
2011	203.91 €	770.71 €	974.62 €	8,493.11 €	11%
2012	174.05 €	582.77 €	756.82 €	6,397.62 €	12%
2013	145.29 €	218.15 €	363.44 €	5,926.29 €	6%
2014	163.24 €	343.60 €	506.84 €	6,139.99 €	8%
2015	163.00 €	563.92 €	726.92 €	6,395.40 €	11%
Total	5,253.09 €	16,120.90 €	21,937.91 €		

Source: Developed in-house. General State budget

Graphic 10. Development of Spanish Military R&D (1997-2015) (in millions of current Euros)

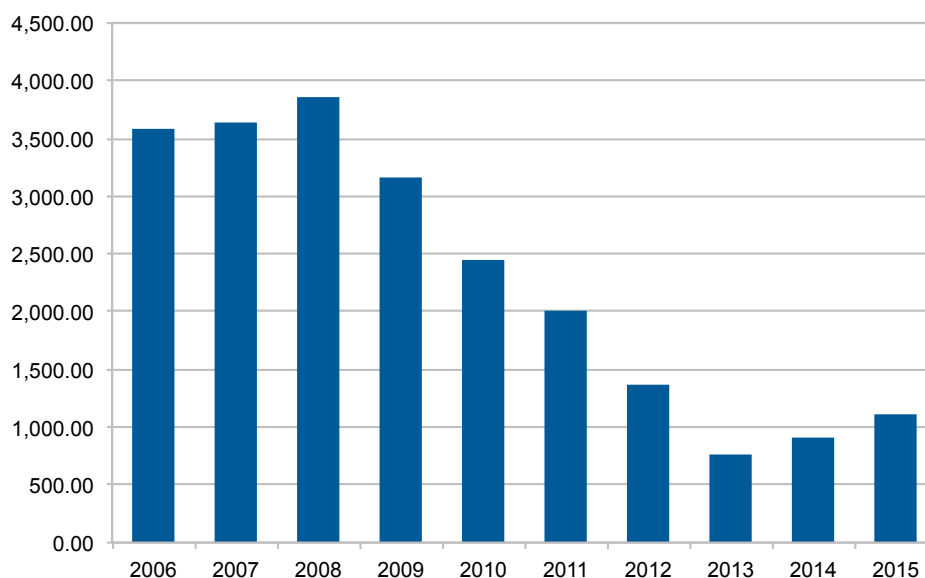


Source: Developed in-house

being returned to the Ministry of Industry. However, in late 2014, only 1% of the total had been repaid. The case with Navantia has been especially taxing on the public funds, as it is a public industry run by SEPI (the Spanish Society of Industrial Participation) which means, due to their financial situation, they end up in the negative and are unable to repay loans.

The Ministry of Defense admits that part of the huge debt it has is due to those loans. Ultimately, these are accounting traps to alter the Defense budget, and now they do not know how to solve the issue, because if they cancel the debt of these loans, it will increase the deficit to 1.6% of the GDP (16 billion), meaning Spain fails to meet the deficit criteria imposed on them by the European Union. Taking this course of action, the military industry would become one of the most benefited sectors due to the policies for a public bailout from failed economic activities. Unfortunately, the possibility that they would never be repaid is not outlandish. There is a possible risk that there will come a time when the military industry will present these catastrophic balances in order to push for a public bailout of the sector. It is most likely that they will be cancelled in order to fall into a public deficit.

Graphic 11. Development of Spanish Military Investments (2002-2015)
(in millions of current Euros)



Source: Developed in-house

There are many arguments against military R +D, as it contributes to the build-up of arms and to the rivalry between states, which results in arms races and can contribute to the explosion of new conflicts. As in the case of Spain, there is also the overspending on the production of weapons, which are doubtfully efficient, as well as inefficient in terms of economy, security, and strategy. Scientific research has its darker side in the tortuous framework that sets up the military-industrial complex that justifies the R&D of the special weapons program.

3.4 Increase in Military Investments

Investments made by the Ministry of Defense itself will be €553.9 million for the year 2015, which, added to the 563.9 million coming from aid for military R&D from the Ministry of Industry, adds up to a considerable figure of €1.188 billion, representing an increase of 24.1% compared to 2014. Of these investments, the principal one will be 138.28 million in R&D from the national Institute for Aerospace Technology Esteban Terradas (INTA). This year the institute has incorporated two autonomous military institutes. La Marañosa, a center dedicated to research on NBC (nuclear, biological, chemical) weapons, which made

itself dangerous and is now the center of an opposing campaign; and el Canal de Experiencias Hidrodinámicas el Pardo y Laboratorio de Ingenieros, whose main projects are focused on aerospace, satellite navigation, and the Galileo system, but also on special weapons program systems, the Eurofighter, an A400M aircraft, and NH90 Tiger helicopters. Moreover, there is the Central Body of the Ministry of Defense, which will receive €36.55 million for developing R&D focused on electronic warfare, information systems and military communication – another program of the special weapons program.

Table 10. Military Investment vs State Investments
(in millions of current Euros)

Year	Defense Investment	Military R&D Ministry of Industry	Total Military Investment	Central Administration Public Investment	% Defense Investment / Central Administration
2006	2,229.84	1,358.01	3,587.85	25,263.44	14.20
2007	2,379.41	1,265.06	3,644.47	28,629.74	12.73
2008	2,464.32	1,388.57	3,852.89	31,767.26	12.13
2009	2,005.86	1,157.52	3,163.38	31,503.65	10.04
2010	1,463.26	979.22	2,442.48	29,276.86	8.34
2011	1,211.68	794.84	2,006.52	20,684.06	9.70
2012	782.75	582.77	1,365.52	15,531.57	8.79
2013	551.03	218.15	769.18	13,033.78	5.90
2014	557.04	343.60	900.64	12,094.93	7.45
2015	553.90	563.92	1,117.82	13,103.37	8.53

Source: Developed in-house. General State budget

4. CONCLUSIONS AND RECOMMENDATIONS

The Spanish defense budget is presided over by inertia—inertia that comes from some governments, both past and present, which are unable to address a fundamental reform of the Spanish armed forces according to the real needs of security. The question to be answered now is this: How can they justify 120,000 troops from the armed forces and very costly weapons when the perceptions of risks, dangers, and threats of the country and its surroundings do not justify them?

Inertia, because there is no intention to carry out this great debate and then opt for continuity, i.e. the inertia that keeps a military structure that increases its spending each year as if it were a social service.

An inertia that only favor the Spanish military-industrial complex, which has a small number of beneficiaries:

- the shareholders of military enterprises, who have found a way to earn huge profits by manufacturing weapons in a monopoly for a nearly single client, the State;
- the members of the military gerontocracy, a few senior officers who make up a caste laden with corporate privileges;
- some politicians seeking cushy jobs through complicity with the military industries and military corporation.

These are the only beneficiaries of the huge military spending of the Spanish state, who exert enormous pressure on the government to keep their privileges and benefits.

The best way to break this dynamic is to start by removing the weapons business. Some artefacts are detrimental to the productive economy of the country, especially those that are part of the indebtedness of billions of Euros of the State, which in the case of the special weapons program, added €34.3 billion. Some weapons programs could be impregnated with irregularities that need to be revealed by an independent auditing firm to determine whether there have been multiple irregularities, which are very common in the business and the arms trade, such as breach of trust, forgery, insider trading, rigged competitions, and unlawful commissions.

A second recommendation would be to address a restructuring of the armed forces. If the same Ministry of Defense recognizes that 27,000 troops could handle the most urgent needs of defense commitments, they could easily reduce the number of troops by 93,000.

Faced with the serious crisis that continues to plague the Spanish society, one of the adjustments to be made is that regarding military spending, which should be adapted to the real needs of the security of its citizens. It is not about increasing the number of layoffs in military enterprises and throwing workers into unemployment, but rather proposals to carry out plans to convert industries entirely made up of greedy agents like; the central, regional and local governments, professionals, and civil associations and trade unions, which seek alternatives to prevent the deindustrialization of the region where these military enterprises are located.

Similarly, if the number of troops is reduced, former soldiers could be sent elsewhere to perform functions as employees in other departments of the State, a proposal in which everyone would benefit.

All this would be able to free up billions of Euros from useless and inefficient spending and set it aside for the development of a productive economy or basic social services that could propel the recovery of employment, undoubtedly the most urgent task.

These measures could enable the Spanish state to take a huge step forward in the open debate at the United Nations from 1994, when the organization launched the proposal for human security. This proposal represented a great challenge for the states, urged to replace the old security paradigm based on military aspects and to replace it with the security of the people, a polyvalent human security that brings together social, environmental, economic and political aspects. This would make the Spanish state a standard within the European Union and the international community to contribute to the wishes of the United Nations when this organization proposes to achieve world peace by moving toward disarmament and demilitarization.

ANNEX

Table 1. Spanish Military Budget within the last 10 years (in millions of current Euros)

Concepts	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Ministry of Defense	7.416,53	8.052,76	8.492,61	8.240,77	7.694,86	7.156,38	6.316,44	5.937,00	5.745,77	5.767,72
Autonomous bodies of the Ministry of Defense	1.232,15	1.282,19	1.334,63	1.230,53	1.218,19	1.175,51	1.095,30	976,65	1.030,98	1.086,13
National Centre of Intelligence ²	208,57	241,57	264,71	255,06	241,37	228,20				
Total Defense	8.857,25	9.576,52	10.091,95	9.726,36	9.154,42	8.560,09	7.411,74	6.913,65	6.776,75	6.853,85
Passive Military Classes	2.993,18	3.102,21	3.184,35	3.298,14	3.328,59	3.252,15	3.344,35	3.352,97	3.314,00	3.294,96
ISFAS (Other Ministries)	587,80	563,62	565,60	602,53	617,53	624,89	577,52	549,18	556,37	600,33
Civil Guard (Ministry of the Interior)	2.364,38	2.657,51	2.893,37	2.941,51	2.973,17	2.790,96	2.733,52	2.659,18	2.615,67	2.620,17
Ministry of Industry (R&D and Military Assistance)	1.358,01	1.265,06	1.388,57	1.157,52	979,21	794,84	582,77	218,15	343,60	563,92
NATO, WEU (Ministry of Foreign Affairs)	8,83	7,79	7,80	56,57	11,07	9,82	14,95	15,20	15,20	0,00
Total Defense, NATO Criteria	16.169,45	17.172,71	18.131,64	17.782,63	17.063,99	16.032,75	14.664,85	13.708,33	13.621,59	13.933,23
Objection of Conscience (Ministry of Justice) ¹										
National Centre of Intelligence ²							221,20	203,69	203,69	223,68
Interest on Public Debts	919,91	844,61	858,68	834,57	1.125,20	1.212,00	1.170,18	1.385,38	1.197,60	1.120,14
TOTAL INITIAL MILITARY SPENDING	17.089,36	18.017,32	18.990,32	18.617,20	18.189,19	17.244,75	16.056,23	15.297,40	15.022,88	15.277,05
Difference between Final and Initial	1.522,79	1.659,96	1.597,12	1.153,22	1.044,15	1.164,24	2.762,73	1.952,74	1.860,911	1.402,70
TOTAL FINAL MILITARY SPENDING (Liquidated)	18.612,15	19.677,28	20.587,44	19.770,42	19.233,34	18.408,99	18.818,96	17.250,14	16.883,79	16.679,75
Final Military Spending/GPD	1,89%	1,87%	1,89%	1,88%	1,83%	1,73%	1,79%	1,64%	1,59%	1,54%
Initial Military Spending/Total State Budget	6,11%	5,53%	5,42%	5,11%	4,70%	4,76%	5,20%	4,52%	3,99%	3,79%

1. Liquidation is Provisional from Sept 2014

2. The National Centre of Intelligence as of 2012 no longer depended on the Ministry of Defense. Data since 2015 is based on the initial government budgets.

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