

# Europe: Billions for defence

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## Military power and global ambitions

There have long been calls for a 'global power of Europe' that is on an equal (military) footing with other superpowers. However, since the British referendum to leave the EU (23.6.2016) and the election of Donald Trump as the new US President (8.11.2016), those calls are becoming ever louder. In the wake of the US election, EU High Representative Federica Mogherini observed:

*'In the months and years ahead, actually I can say, in the hours we are living, there is, there will be, an increasing "demand of (sic) Europe" from our neighbours and from our partners worldwide. There is and there will be a growing request for a principled global security provider. For a super-power that believes in multilateralism and in cooperation.'*

The European Parliament Resolution of 14 December 2016 on the implementation of the Common Foreign and Security Policy (CFSP) takes a very similar line:

*'The European Parliament [...] emphasises that the EU [...] can only use its full potential as a global power if it combines its unrivalled soft power with hard power, as part of the EU's comprehensive approach'.*

A decisive factor in whether the EU can genuinely lay claim to being a global power is its military might. In the words of the former President of the European Parliament, Hans-Gert Pöttering:

*'In international politics, the power to shape policies is, however, intrinsically bound to military power. [...] Therefore, the EU should not only present itself as a player of global importance in its aspirations and rhetoric, but must also have the resources and act accordingly.'*

Since military spending is probably the most important factor determining military power, it makes sense to try and set aside as much funding as possible not only at national, but also at European level.

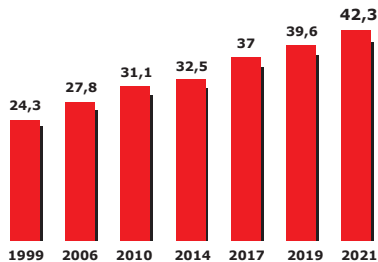
## Defence spending I: Germany and NATO

**881**

The Bundeswehr's plans, and key figures from the Ministry of Finance. German military spending (in billion EUR) Source: Stockholm International Peace Research Institute (SIPRI). In June 2010, a decision was made to cut costs, which set the goal of saving EUR 81 billion across all German government departments by 2014. Under the budget that was drawn up at the time in accordance with that principle, the Bundeswehr's budget was to be reduced to EUR 27.6 billion. However, that plan was quickly abandoned, and the Minister for Finance's key figures reveal plans for further increases up to 2021. Should Germany ever comply with the USA's request to raise its military spending to 2% of GDP by no later than 2024, the budget would increase even more dramatically from EUR 37 billion (2017) to between EUR 60 and 70 billion.

German military expenditures

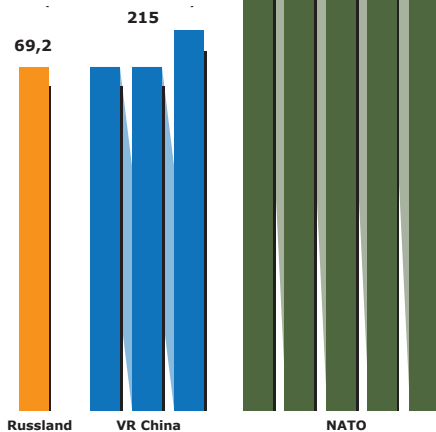
(in billion EUR)



Military spending from 2016 in EUR billion

Russia Peoples Republic of China, NATO

(in US dollars)



Source: Plans of the German Bundeswehr and benchmarks of the Ministry of Finance

## Defence spending II: E

*'Member States need all major equipment to respond to external crises and keep Europe safe. [...] A sustainable, innovative and competitive European defence industry is essential for Europe's strategic autonomy and for a credible CSDP.'* (EU global strategy, June 2016)



EU military expenditure  
(in billion EUR).

Source: EDA/SIPRI

The largest EU armaments groups  
(Volume in million USD)

Source: DefenseNews

<b>1</b>	BAE Systems	GB	25.278,08
<b>2</b>	Airbus	GER/F	12.776,10
<b>3</b>	Leonardo Spa	Italy	9.318,45
<b>4</b>	Thales	France	7.863,24
<b>5</b>	Rolls-Royce	GB	4.790,28
<b>6</b>	Babcock	GB	3.357,41
<b>7</b>	Safran	France	3.334,44
<b>8</b>	DCNS Group	France	3.288,55
<b>9</b>	Rheinmetall	Germany	2.876,01
<b>10</b>	Saab	Sweden	2.643,83

## The EU's defence and export policy

*The EU considers that an armament industry must reach a critical size to be efficient, and that large margins on orders - and, thus, 'good' unit prices - can be achieved only by producing the highest volumes possible. Therefore, the EU is attempting to promote pan-European procurement projects, and to create an EU defence sector with only a few large companies (Euro Champions). That is an important task of the European Defence Agency that was set up in 2004 and has an annual budget of EUR 31 million (2017)*

*A viable defence industry is not possible without large-scale exports. For instance, in February 2016, a group of experts set up by the Commissioner for Industry, Elżbieta Bieńkowska, wrote in its Report on the Preparatory Action for CSDP-related research:*

*'[...] export growth significantly contributes to sustaining the critical mass of European defence companies [...] Without exports, many European companies would now be struggling to survive the deep cuts in their national defence expenditure.'*

EU arms export licenses (in million EUR)

Source: GKKE, Report of the export of armaments of 2016, Bonn 2017, p. 30

	2010	2011	2012	2013	2014
France	11.181,80	9.991,50	13.760,30	9.538,40	73.297,30
Germany	4.754,10	5.414,50	4.703,90	5.845,60	3.973,80
Italy	3.251,40	5.261,70	4.160,10	2.149,30	2.650,90
Netherlands	921,90	415,70	941,00	963,40	2.065,30
Spain	2.238,40	2.871,20	7.694,50	4.321,20	3.666,40
Sweden	1.402,20	1.188,60	1.099,30	1.194,10	511,50
Great Britain	2.836,80	7.002,50	2.664,10	5.232,10	2.585,60

## **Article 41(2) Prohibition of military funding**

The Treaty of Lisbon (TEU) entered into force on 1 December 2009 as the EU's most important legal basis. It repeatedly encourages Member States to boost their national defence spending.

Above all, Article 43(3) states that 'Member States shall undertake progressively to improve their military capabilities.'" In that context, Protocol 10 to the Treaty specifies that Member States should participate in the most important defence projects and military operations, and that failure to do so may result in their exclusion from major parts of EU military policy.

On the other hand, however, the Treaty contains an Article that in actual fact categorically prohibits funds from the Union budget being used in the military sector:

*'Operating expenditure to which the implementation of this Chapter [the Common Security and Defence Policy, CSDP] gives rise shall also be charged to the Union budget, except for such expenditure arising from operations having military or defence implications [...]' (Article 41(2) TEU).*

As recently as April 2015, the Commission too endorsed the prevailing interpretation in its report 'Capacity building in support of security and development':

*'The Treaties exclude the possibility of using the EU budget for expenditure arising from operations having military or defence implications (see Article 41(2) TEU).'*

## Circumvention tactics I: 'Civilian' budgets

For years, considerable creativity has been used to attempt to circumvent the funding restriction in Article 41(2) TEU. Thus, around 10% of the costs of EU military operations are funded through a non-EU budget called ATHENA, to which all Member States contribute, regardless of whether or not they participate in a specific operation. Attempts to increase the ATHENA contribution substantially, or to activate the 'start-up fund' (Article 41(3) TEU) to allow the funding of a greater proportion of the EU's military operations, have failed so far. 'Civilian' operations can already be funded directly from the EU CFSP budget, even if they are often of a quasi-military nature. There is a total of EUR 2.34 billion in the CFSP budget for 2014 to 2020.

The space programmes Galileo (EUR 7 billion) and Copernicus (EUR 4.3 billion), which are of high military relevance, are also funded from the EU budget from 2014 to 2020. Lastly, the seventh research framework programme (2007 - 2013) saw the introduction of a budget line with EUR 1.4 billion for 'security research', which was increased to around EUR 2 billion in the successor programme, Horizon 2020

(2014 -2020). As dual-use research that is relevant to defence can also be funded in that way, the defence industry is among the, by far, greatest beneficiaries of the supposedly 'civilian' research programmes.

The profiteers of the security research programs (in million EUR)

Thales	31,57	INDRA	12,27
Finmeccanica	28,66	EADS	10,93
Airbus	15,04	ISDEFE	10,77
vtt Research	13,52	BMT	10,58
ATOS	13,02	Safran	9,08

*Figures from FP7 and Horizon 2020 according to the EU research database Cordis.*

*Source: Zeit Online, 23rd February 2017 military*

## Circumvention tactics II:

### Use of development aid for capacity building

The focus of the EU's strategy is increasingly on capacity building and developing and equipping the armed forces of 'friendly' countries. Since 2004, EUR 1.9 billion has been spent through the African Peace Facility (APF), in particular to develop African intervention forces and fund the African Union's military operations. The APF is not part of the EU budget, but receives resources from the European Development Fund. In April 2015, the EU High Representative and the European Commission presented the paper 'Capacity building in support of security and development', which proposes three funding options for capacity building:

*'i) A proposal to adapt the African Peace Facility to address its limitations; ii) The establishment of a facility linking peace, security and development in the framework of one or more existing instruments; iii) A dedicated instrument to this effect.'*

In July 2016, the European Commission proposed a Regulation that would allow capacity building to be funded in future also from the Stability Instrument, which is to receive EUR 2.34 billion from the EU budget between 2014 and 2020. The Regulation is to be adopted in 2017.

*'There are discussions in Brussels on whether to reallocate resources from the Development Cooperation Instrument (reserves from the Poverty Reduction Fund) for this purpose. Brot für die Welt (Bread for the World) rejects those plans. It would be irresponsible to reallocate development resources in view of the fact that the resources are urgently needed for development, so as to address structural causes of conflicts and migration.'* (Brot für die Welt press release of 11 October 2016)



## EU global strategy: Global interests - global wars

*On 28 June 2016, only five days after the British referendum to leave the EU, the European Council adopted a new global strategy (EUGS), which currently constitutes the most important framework document on EU foreign and military policy. It refers to an 'open and fair economic system' and 'access to resources' as 'interests'. This encompasses the 'protection' of trade routes extending from 'the Indian Ocean', 'the Mediterranean' and 'the Gulf of Guinea' to 'the South China Sea' and 'the Straits of Malacca'.*

*Above all the surrounding region, but potentially also all regions mentioned in the EUGS, are declared target areas for EU military operations:*

*'The EU will engage in a practical and principled way in peacebuilding, concentrating our efforts in surrounding regions to the east and south, while considering engagement further afield on a case by case basis.'*

*High-end military capabilities are therefore needed to make the EU 'autonomous'; i.e. to be combat-ready independently of NATO and, thus, of the USA:*

*'This means having full-spectrum land, air, space and maritime capabilities, including strategic enablers.'*



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### Shared Vision, Common Action: A Stronger Europe

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A Global Strategy for the  
European Union's Foreign And Security Policy



## Mogherini's implementation plan

*The EUGS indicates the need to increase the military headline goal, which at present mainly concerns the ability to deploy up to 60 000 troops in the field. In mid-November 2016, EU High Representative Mogherini presented an implementation plan for the EU global strategy, which describes the future operational scope:*

*'[...] the EU should thus be capable to undertake the following types of CSDP civilian missions and military operations outside the Union, a number of which may be executed concurrently [...]:*

- Joint crisis management operations in situations of high security risk in the regions surrounding the EU;*
- Joint stabilisation operations, including air and special operations;*
- Civilian and military rapid response, including military rapid response operations [...];*
- Substitution/executive civilian missions;*
- Air security operations including close air support and air surveillance;*
- Maritime security or surveillance operations [...];*
- Civilian capacity building and security sector reform missions [...];*
- Military capacity building through advisory, training, and mentoring missions [...]."*



**European Union  
Global Strategy**

## Juncker's State of the Union speech

A comprehensive catalogue of military measures, which is based on two FrancoGerman papers, was presented by Jean-Claude Juncker in his speech of 14 September 2016 on the State of the Union, which he delivered with due eloquence:

'Soft power is not enough in our increasingly dangerous neighbourhood. [...] Europe needs to toughen up. Nowhere is this truer than in our defence policy. Europe can no longer afford to piggyback on the military might of others or let France alone defend its honour in Mali. We have to take responsibility for protecting our interests and the European way of life.'

Specifically, Juncker calls inter alia for: an EU foreign ministry, the creation of a military 'core Europe', the setting up of an EU headquarters (subsequently approved in March 2017), the acquisition by the EU of its own military capabilities, and - so as to be able to pay for the whole wish list - the establishment of a European Defence Fund.



Juncker during his State of the Union speech. *Source: EU/Etienne*

## Defence action plan: EUR 38.5 billion for defence!

On 30 November 2016, the European Commission published the European Defence Action Plan (EDAP) which echoed Juncker's call, and elaborated on his announcement of a 'defence fund':



'Europe has to take responsibility for protecting its interests, values and the European way of life. [...] The Commission is ready to engage at an unprecedented level in defence to support Member States. It will exploit the EU instruments, including EU funding, and the full potential of the Treaties, towards building a Defence Union.'

In concrete terms, the EDAP proposes including in the next budget cycle for 2021 to 2027 an annual defence research window of EUR 500 million and an annual capability window of EUR 5 billion for the acquisition of defence equipment (14% of the national investment expenditure) - amounting to EUR 38.5 billion in total! That figure was reflected in a Commission Communication of 7 June 2017 which stated that EUR 1.5 billion would be allocated annually from the EU budget. Source of graphic: European Defence Action Plan, Council of the European Union

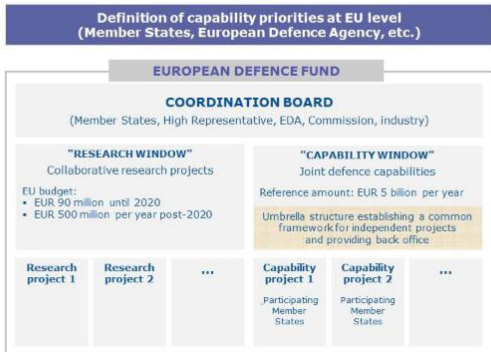
*Graphic source: European Defence Action Plan, Council of the European Union*

## Defence fund: Co-financing

*According to the EDAP, the defence fund is to receive resources from both the Member States and the EU budget. It is suggested for the Member States that such resources would not be subject to the Troika's budgetary constraints. In what is more or less an open break with Article 41(2) TEU, the EU resources are to come, inter alia, from the Structural and Cohesion Funds, which are actually intended for the economic and social convergence of the EU regions.*

*'National capital contributions to the 'capability window' will be treated as 'one-offs' under the Stability and Growth Pact, which means that they will be discounted from the structural fiscal effort expected to be accomplished by Member States.'*

*'The Commission will explore all financing options from the EU budget to the 'capability window', under the Treaties. [...] European Structural and Investment Funds (ESIF) may be used by Member States in the defence sector as long as they contribute to the objectives of the fund in question [...]'*



Graphic source:  
European Defence  
Action Plan

## Lobbying: The example of the defence research budget

*The European defence research budget, which is proposed in the EDAP, represents a case of lobbying that is as predictable as it is scandalous. In the summer of 2015, the Industry Commissioner Elżbieta Bieńkowska hand-picked a 'Group of Personalities' to look into the usefulness of a European defence research budget. The group consisted entirely of representatives of the defence and military research industry, and politicians with a specific interest in military policy - no one who voiced criticism was appointed.*

*It is therefore no wonder that their report reached the conclusion in February 2016 that such a budget was useful and should provide EUR 500 million annually, which is exactly the figure that was subsequently quoted in the EP report on the European Defence Union of 22 November 2016, and in the Commission's Defence Action Plan of 30 November 2016.*



*The Group of Personalities on EU armaments research Source: EU/Georges Boulougouris*

### *The Group of Personalities*

*Fernando Abril-Martorell (CEO of Indra\*); Carl Bildt (former Prime Minister of Sweden); Antoine Bouvier (CEO of MBDA\*); Håkan Buskhe (CEO of Saab\*); Paul de Krom (CEO of TNO); Tom Enders (CEO of Airbus Group\*); Michael Gahler (MEP); Elisabeth Guigou (French politician (Socialist Party)); Ian King (CEO of BAE Systems\*); Bogdan Klich (former Polish Defence Minister); Federica Mogherini (EU High Representative); Mauro Moretti (CEO of Finmeccanica\*); Reimund Neugebauer (President of the Fraunhofer- Gesellschaft); Arndt Schoenemann (Chairman of ASD); Teija Tiilikainen (Director of the Finnish Institute of International Affairs (FIIA)); Nick Witney (former EDA Chief Executive)*

*\* Representatives of the defence industry*

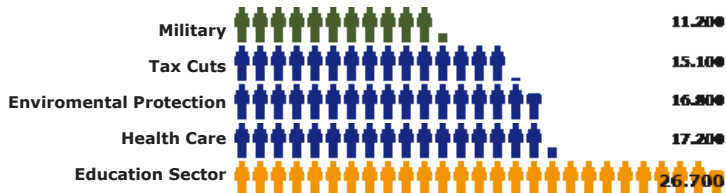
## The defence industry a job machine?

The manner in which the EDAP overestimates the defence industry's positive economic effects is both incorrect and predictable:

*'Investments in the defence sector have a significant economic multiplier effect in terms of creation of spin-offs and technology transfers to other sectors, as well as the creation of jobs.'*

In actual fact, the pathway of innovation, i.e. the spin-offs, leads in the opposite direction, from civilian to military companies. The sector's economic significance and the boost it provides to employment are very modest:

*'From an economic point of view, the defence industry barely tips the scales. [...] Calculated generously, the defence and security sector's share of the gross domestic product (GDP) comes to around 1 per cent. In fact, fewer than 20 000 persons are employed directly in the traditional defence industry (weapons systems, weapons and ammunition).'* (Stiftung Wissenschaft und Politik (German Institute for International and Security Affairs))



**There are no moral, security or financial reasons that can justify this defence madness - it must stop! Therefore, we say: 'No' to the militarisation of the EU! 'Yes' to radical disarmament and to a peaceful and social Europe!**



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