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Defence Budgets and Cooperation in Europe: Trends and Investments

Edited by **Alessandro Marrone, Olivier de France, Daniele Fattibene**



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Introduction

This is the second study on Defence Budgets and Cooperation in Europe (DBC) partially based on the compilation and analysis of open sources information conducted as part of the project “Permanent Monitoring and Analysis of military capabilities and defence sector trends”, managed by a Consortium of European think tanks and funded by the European Defence Agency (EDA). The content of the study and the opinions expressed by the authors do not represent the EDA's official position.

The aim of this second DBC study is two-fold. Firstly, it looks more closely at European defence spending, with a view to ascertaining how much is devoted to investment and procurement across 31 European countries (hereinafter DBC31)¹ in 2016. To do so, it seeks to identify national specificities. Secondly, it analyses relevant developments in defence cooperation across Europe at bilateral, regional and mini-lateral levels, occurred between October 2015 and March 2016. In doing so, it refers to the analytical framework developed by the first DBC study published in January 2016.²

In conclusion, this study draws on data collected by the Consortium to outline current trends in European defence spending and cooperation, with a view to underlining opportunities for defence collaboration in Europe.

¹ The DBC31 countries include: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, and United Kingdom.

² Alessandro Marrone, Olivier De France and Daniele Fattibene (eds.), *Defence Budgets and Cooperation in Europe: Developments, Trends and Drivers*, January 2016, <http://www.iai.it/en/node/5850>.

Executive Summary

Defence Budgets

The 1st DBC study showed that net defence budget variations between 2015 and 2016 are positive across European regions, and projected that defence budgets would grow by an average of 8.3 per cent in 2016, compared to 2015. National investments in defence equipment are one of the key metrics to analyse whether the fresh commitment by Europeans to spend more on defence has an effect on their capabilities. The first chapter of this Report provides an analysis of how and how much each DBC31 country spends on equipment.

A majority of DBC31 countries releases a detailed breakdown of their national spending plans, and a wealth of data on equipment investment is therefore available in Europe. However, there are some serious methodological hurdles involved in trying to build a meaningful picture of equipment investment across Europe. The chapter tackles these in order to support the understanding and utilization of the data provided by the national analysis, as well as to lay the ground for a more effective analysis of equipment spending to be developed in the second year of the DBC study.

Defence Cooperation

The analysis of 39 defence cooperation developments across DBC31 countries shows that the major trends outlined in the 1st DBC study have been confirmed in recent months.

Firstly, bilateral cooperation continues to be the main form of cooperation in the defence field, with 22 cases out of 39. For example, Poland and Sweden signed a Framework Agreement on bilateral defence cooperation, while Saab and Polish Military Aviation Works (PZL) agreed on a deal on Polish MiG-29 modernization. France and the United Kingdom (UK) decided to undertake a cooperative effort to develop a new generation of airborne anti-ship missile. Mini-lateral cooperation among DBC31 countries was also significant (9 cases). Mini-lateralism developed for example in the context of an existing bilateral cooperation pattern, with the involvement of Italy in the Aster missile cooperation born in the framework of the Lancaster House Treaty between France and the UK.

In comparison with the period covered by the 1st DBC study, a more significant number (8 cases) of multilateral defence cooperation developments were registered. They often occurred in the context of the European Union (EU) or the North Atlantic Treaty Organization (NATO). In the Union's case, positive developments were related to the Enhanced RPAS Automation (ERA), Solar Wind Magnetosphere Ionosphere Link Explorer (SMILE) and Tandem-X projects. The Alliance has been very active at the operational level in terms of both collective defence and crisis management operations. Also, Belgium decided to join the NATO Cooperative Cyber Defence Centre of Excellence (CCDCOE).

The second confirmed trend is that DBC31 countries tend to privilege cooperation with neighbouring countries (16 cases). For example, Dutch-German cooperation has further developed, including the deal on German upgrade of the Netherlands' 16 Leopard 2A6 tanks. However, 14 examples of cooperation with non-neighbouring countries were also identified. For instance, Italian and Finnish Ministries of Defence, together with the respective Associations of industries for Defence and Aerospace, signed a Memorandum

of Understanding (MoU) which could strengthen defence cooperation among the two countries. Warsaw announced the launch of a tender in 2016 to purchase three submarines, for an amount of EUR 2 billion, which could be acquired in a common bid with other NATO members, like Norway or the Netherlands, to cut costs.

A third confirmed trend is that Germany maintains a significant role in terms of defence cooperation, though the number of relevant developments (11 cases) has decreased since the 1st DBC study. For example, cooperative initiatives involving Berlin were registered with Poland on Polish Leopard modernization, as well as with Austria and Switzerland. The United States (US) has also maintained a significant role in defence cooperation in Europe, with 6 cases analysed. These include the UK-US agreement on patrol aircraft, as well as the Poland-US implementation deal for the Status of Force Agreement (SOFA) which will enhance also the Polish procurement of American equipment.

Countries in Central and Eastern Europe (CEE) and in South Eastern Europe (SEE) have followed their effort to reduce dependence on Soviet equipment (2 cases), by confirming the fourth trend outlined in the 1st DBC Study. In this context, cooperation emerged at bilateral level between Sofia and Warsaw on logistical support for MiG-29. Moreover, Slovakia signed an agreement with Sikorsky to replace M-17 helicopters with UH-60M ones and to set up an UH-60M international training centre on Slovak territory.

Fifth, the majority of mini-lateral cooperation developments were related to established cooperative patterns among DBC31 countries. At the same time, bilateral cooperation took place mainly outside of existing cooperative frameworks.

Acronyms List

C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance
CBRN	Chemical, Biological, Radiological and Nuclear
CCDCOE	Cooperative Cyber Defence Centre of Intelligence
CEE	Central and Eastern Europe
CIS	Communications and Information Systems
CODABA	EDA Collaborative Database
DBC	Defence Budgets and Cooperation in Europe
DESIRE	Demonstration of Satellites enabling the Insertion of RPAS in Europe
DTIB	Defence Technological Industrial Base
EDA	European Defence Agency
EPAA	European Phased Adaptive Approach
ERA	Enhanced RPAS Automation
ERI	European Reassurance Initiative
EUNAVFOR MED	European Union Naval Force Mediterranean
EUROMALE	European Medium Altitude Long Endurance
FAC	Forward Air Controller
ISTAR	Intelligence, Surveillance, Target Acquisition and Reconnaissance
IT	Information Technology
MENA	Middle East and North Africa
MIDCAS	Mid Air Collision Avoidance System
MoD	Ministry of Defence
MoF	Ministry of Finance
MFA	Ministry of Foreign Affairs
MoU	Memorandum of Understanding
MS	Member States
NATO	North Atlantic Treaty Organization
NFIU	NATO Force Integration Unit
NRF	NATO Response Force
NSIP	NATO Security Investment Programme
OCCAR	Organisation Conjointe de Coopération en matière d'ARmement
OSCE	Organization for Security and Co-operation in Europe
pMS	participating Member State
RAP	Readiness Action Plan
RPAS	Remotely Piloted Aircraft System
SDSR	Strategic Defence and Security Review
SEE	South Eastern Europe
SOFA	Status of Forces Agreement
SMILE	Solar Wind Magnetosphere Ionosphere Link Explorer
TEU	Treaty on the European Union
UNODA	United Nations Office for Disarmament Affairs

Chapter 1 - Defence Budgets

Edited by Olivier de France

1.1 How to measure investments in defence equipment

The 1st DBC study estimated that defence budgets will grow by an average of 8.3 per cent in 2016, compared to 2015. Net defence budget variations between 2015 and 2016 are positive across European regions. They amount to +19.9 per cent in CEE,³ +9.2 per cent across SEE,⁴ +2.7 per cent across Western Europe,⁵ and +1.6 per cent across the Nordic region.⁶ The study concluded that “the decline that has affected European defence budgets for over twenty years, and more acutely after 2008, has halted”.

Within the comprehensive picture built by the DBC project, it is worth exploring whether the fresh commitment by Europeans to spend more on defence will have an effect both on short-term security concerns and on their long-term strategic needs. Examining national investments in defence equipment is one key to understanding whether Europeans will be able to endow themselves with the capabilities they need to defend their interests in the short, medium- and long-term.

The data compiled and processed in this 2nd DBC study uses open-source material, based on European State budgets presented to national Parliaments for 2016 and attendant State budgetary documentation.⁷ A wealth of information in the public domain is thereby available on equipment spending across Europe, and a majority of European countries release a detailed breakdown of their national spending plans,⁸ with some exceptions like Latvia and the Czech Republic. A number of reasons can explain why States do not release the exact portion of their national defence budget devoted to equipment. Firstly, the data may be classified. Secondly, it may be available, but not in the public domain. Thirdly, this defined budget line may simply not exist as such, in classified or unclassified form. Countries like Cyprus for instance make available a generic budget line for equipment spending without entering into specifics. In these cases, the detailed breakdown itself may be classified, or scheduled to be released at a later date and on an ad hoc basis.

The fact that most European countries release detailed national data does not entail that it is possible to easily build a meaningful picture of equipment investment across Europe. There are indeed some serious methodological hurdles involved. Firstly, investment data is reported in different levels of detail. Belgium and Luxembourg, for example, make

³ In this study, the region includes: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and Slovakia.

⁴ In this study, the region includes: Bulgaria, Croatia, Cyprus, Greece, Romania, Serbia and Slovenia.

⁵ In this study, the region includes: Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom.

⁶ In this study, the region includes: Denmark, Finland, Norway and Sweden.

⁷ The availability of electronic sources has improved matters in this field. Many European countries now publish budget data through Ministry of Finance websites, and in some cases their full national budgets. Some specific data may however only be obtained through direct contacts with representatives from countries concerned, particularly with regard to data already circulated to other OSCE participating States. All Internet sources used in this study were accessed in February and March 2016.

⁸ Overall, national budgets are usually available through Ministry of Finance websites.

Supplementary annexes with background data however are not always published in print or electronic format. Data on procurement related to a particular programme may be available although such data is not given for all programmes. Naturally, such programme-related procurement numbers should not be mistaken for defence procurement at large.

available their State budgets down to their smallest items,⁹ where Baltic countries are less specific. In the Netherlands¹⁰ the defence budget uses bigger aggregates than in Belgium or in Luxembourg, with a methodology that utilizes meaningful categories to explain the different budget allocations.

Overall, data on investment spending is available at a high level of detail in Western Europe, albeit of a complex nature, with a degree of inbuilt uncertainty that increases when projected over several years. Data available in the Nordic Region is broad, meaningful and of good quality. The information published in budgetary documentation in CEE and SEE tends to be sparser and less specific in nature.

Whether the level of detail in financial reporting is high or low, it remains that national defence budgets are broken down in different ways across Europe. For investment in defence equipment, countries use different concepts and classifications. “Procurement of materiel”, “materiel expenditure”, “equipment acquisition”, “material investment”, “military investment”, “military acquisitions”, “new equipment expenditure” and “modernization” are some of the lines used in European defence budgets to earmark equipment spending. These concepts do not simply differ by name: they are different accounting categories, with disparate perimeters.

In Hungary, the budget line for equipment modernization is included in the same category as drug prevention programmes and Research and Development (R&D). Romania does not distinguish new acquisitions and modernization of existent military hardware. On the other hand, Serbia allocates different budget lines to investment in weapons and other military equipment, and for modernization of existing equipment. Greece and Cyprus use a single budget line for equipment. Finland, Denmark and Norway use a category named “materiel investment”, where Sweden distinguishes “acquisition of equipment and facilities” and “continuance, decommissioning, etc. of equipment and facilities”. Slovakia uses a budget line for modernization where Croatia uses “equipment and modernization”. Lithuania distinguishes “weapons and military equipment” from another expenditure item named “investment and other acquisitions”. These categories show that modernization of equipment is sometimes included in the procurement budget, sometimes not. The equipment budget may or may not comprise maintenance, infrastructure or information technology (IT). Different levels of Research and Technology (R&T) and R&D will be included in the investment budget, which will sometimes include maintenance and modernization, sometimes not.

European countries use different criteria for distinguishing such categories. Fuel and spare parts, for example, are not usually seen as procurement, and are thus earmarked as operational expenditure, but it is difficult to distinguish between the two for certain types of upgrade and modernization. As such, procurement of equipment is not always separated from maintenance and logistics. Different systems of procurement also exist. One national Air Force may pay a large sum of money for an aircraft, which includes a substantial amount of maintenance, whereas another national Air Force will pay less for an aircraft upfront and then do maintenance itself – it is then accounted for as an operational outlay. Procurement may include expenditure related to civil emergencies as well as to defence. Military related procurement may be funded by other Ministries than the Ministry of Defence (MoD), for example when a country has police forces belonging to the Ministry of the Interior. “Dual-use” programmes (being both of military and civilian pertinence) like space procurement and R&D may be financed by other ministries than the MoD. In addition, defence procurement issues are liable to tie in with more general defence industrial policy in countries endowed with, or wishing to endow themselves

⁹ See *infra*.

¹⁰ See *infra*.

with an advanced defence industry. Finally, spending plans can stem from policy decisions that use categories that are relevant for policymaking (like service branches or activities) rather than budget posts *per se* (such as personnel costs or procurement). Data that is made available in the media often pertains to armament programmes, but to not the equipment budget at large. As a result, it is not always immediately possible to assess the impact of a policy decision on the cost categories of a country's budget.¹¹

Lastly, tracking equipment spending unveils a number of accounting conundrums similar to comparing defence spending across Europe. The two datasets are linked – for instance in Greece, the budget dedicated to investments in equipment for 2016 is 14.4 per cent of the total defence budget counting pensions, or 18.9 per cent the defence budget excluding pensions. Thus, the way in which countries put together their national spending plans has a mechanical impact on the detailed budget lines they include. How do statistics include inflation rates? Do they use constant or current prices? Do they include VAT and other national/local taxes?¹² In Finland for example, the Defence Forces pay VAT on the purchases upfront but later get refunded for such outlays. Do States use planned expenditure, authorised expenditure (“engagement credits”), or paid expenditure (“payment credits”) in their spending plans and financial reporting? How do they include expenditure that has been postponed or spread over time? Defence procurement is often made in the form of multi-year programmes. There may therefore be a difference in time between deliveries and financial flows, as to when the military receives its purchased goods and when it pays for them. Accounting practices vary in this regard from one country to another.

To help compare defence investment the EDA,¹³ NATO,¹⁴ the United Nations (UN)¹⁵ and

¹¹ What is more, the fact that a budget allocation for equipment is made on paper does not necessarily entail that it will be systematically used for the intended procurement. It may be used for other purposes such as salaries and other social benefits of military personnel.

¹² Comparing data for countries with different systems for VAT can lead to misleading conclusions. In principle, three different methods are used: as part of the Government, defence (i) pays no VAT; (ii) pays VAT and duties, but get refunded afterwards for such outlays; and (iii) pays VAT and duties, without being refunded. It is worth noting that a new initiative was taken by the EDA Council in 2015 when it was decided that cooperative defence projects and programmes should be exempt from VAT as long as the EDA adds value to the initiative. See EDA, *VAT Exemption: New Incentive for Defence Cooperation*, 4 November 2015, <http://www.eda.europa.eu/info-hub/press-centre/latest-news/2015/11/04/vat-exemption-new-incentive-for-defence-cooperation>.

¹³ The EDA has created a “Defence Data Portal” for all participating Member States (pMS) on the EDA website, with defence statistics since 2005. EDA regularly publishes an overview of defence statistics for its 27 pMS, also covering equipment spending. The latest EDA publication, national defence data 2014 of the 27 EDA Member States, was published in June 2016.

¹⁴ NATO created the “NATO Definition of Defence Expenditure” in 1953, and NATO more or less regularly publishes defence spending data for their Member States. At the NATO Summit in Wales in September 2014, NATO adopted guidelines stating that Member States should allocate 2 per cent of their GDP to defence and also that 20 per cent of the defence budget should be spent on procurement and Research and Development. Few NATO countries meet the “2 per cent of GDP”-target, and there are, similarly, only a handful of countries having an “equipment share” above 20 per cent. Bengt-Göran Bergstrand, “NATO Military Expenditures Trends 2010-15, with projections for 2016-20”, in *FOI Reports*, No. 4223-SE (December 2015), <http://foi.se/en/Search/Abstract/?rNo=FOI-R--4223--SE>. See also Table 3 and 6a in NATO, *Defence Expenditures of NATO Countries (2008-2015)*, January 2016, http://www.nato.int/cps/en/natohq/news_127537.htm.

¹⁵ The United Nations has sent out a questionnaire since 1981 to all Member States, asking them to provide data on their defence expenditures. The questionnaire has the form of a matrix, with cost categories – including procurement – on the y-axis and services on the x-axis. The data submitted by countries are then compiled to an annual report, sent by the Secretary-General to the General Assembly. United Nations Office for Disarmament Affairs (UNODA), *United Nations Report on Military Expenditures*, <http://www.un.org/disarmament/convarms/Milex>.

the Organization for Security and Co-operation in Europe (OSCE)¹⁶ provide useful analytical data. However, the four sources do not use entirely similar categories, and the indicators yield results which sometimes differ greatly (i) between themselves (ii) from country data. Firstly, both NATO and EDA use the term “equipment” where the UN and the OSCE use the term “procurement”. The sources also differ regarding the years for which data is provided. As of April 2016, NATO provides data up to 2015, the EDA up to 2013¹⁷ and the UN up to 2013-14. Information on procurement data during coming years may have been circulated within the OSCE, but such data is not available for this study. The datasets above receive their core information from the countries themselves, either by questionnaires or by other forms of contact. As a result, most of the methodological caveats highlighted previously also apply to these datasets when it comes to comparing information across countries. A review of the information from the four sources will show that they sometimes report more or less the same data for a certain country, while in other cases there are significant differences. In other words, data is compiled together, but the accuracy of comparison is not always ensured. For example, in the case of NATO the Organization’s Headquarters process the information to fit NATO definitions, on the basis of a questionnaire sent to the Member States. The Alliance does not specify any monetary amounts or the detail of the methodology used, although the absolute numbers could presumably be calculated by relating the percentages to the amounts on total defence spending reported by NATO.

Naturally, such disparate categories and overlapping perimeters make it difficult to compare data across European countries. When the information is available and budgetary documents contain exploitable data, the analysis yields 31 slightly dissimilar answers. Comparing like to like, on the other hand, would require identifying comparable accounting blocks across European defence budgets. With regard to investments in defence equipment, it could be helpful to distinguish, at minimum and where possible, budget lines which are allocated (i) to development of new equipment, (ii) to acquisition of new equipment, (iii) to maintenance of current equipment, and (iv) to modernization of old or current equipment. Were these items identifiable across Europe, it would make for a comprehensive landscape of defence investment. It would then require using similar accounting methodologies to compare investment levels *per se* across DBC31 countries.

1.2 Central and Eastern Europe

Data on defence procurement is not always available through budget documentation in CEE. When it is, it can be unspecific in nature and sensitive to a number of political

¹⁶ Reporting data at the UN is voluntary and the number of countries regularly providing data is not as great a success as one could hope for. The OSCE has therefore, since the early 1990s and later in the Vienna Documents, made it politically obligatory for its 57 participating States to report data, using the UN matrix as a reporting instrument, on their defence expenditures. There are, however, some interesting differences between the UN and the OSCE schemes, albeit that the two organizations use the same reporting matrix. UN data is provided for the past year and is publicly available (in Secretary-General reports at the UNODA website) while the OSCE data also includes amounts for coming years, but is primarily only circulated between the OSCE countries, being marked “for Government use only”, without being directly available in the public domain. A country may, however, release its own information that it has circulated within the OSCE, but it may not give away information for other countries. Neither the UN nor the OSCE – unlike NATO – have, however, any mandate or capacity to process the information they receive, and therefore only reproduce the replies which countries have submitted.

¹⁷ EDA published the “Defence Data 2014” in June 2016. For this reason, this data could not be included in this study. Please cf. EDA, *Defence Data 2014*, 7 June 2016, <http://www.eda.europa.eu/info-hub/publications/publication-details/pub/defence-data-2014>.

variables.

The information available in the **Czech Republic** on procurement is unspecific. Neither the Ministry of Finance (MoF) nor the MoD include this category in their official publications on the defence budget for 2016.¹⁸ Planned Czech defence spending is projected to reach CZK 47.8 billion (EUR 1.76 billion) in 2016 (1.03 per cent GDP).¹⁹ This amount is close to CZK 50 billion, which is the minimum level required to initiate military capability development established in the *Long Term Perspective for Defence 2030*.²⁰ The document indicates that the emphasis will be on investment in real time operational coverage and shortening of Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) reaction time. According to the agreement signed by coalition parties in 2014, the defence budget will be progressively increased in the present and the next election period to reach 1.4 per cent GDP in 2020 (CZK 55-60 billion), which will be necessary to ensure the implementation of the key modernization projects.²¹

In **Estonia**, the *State Budget Strategy* documents hold no specific data on procurement,²² but they include several references to the Estonian defence modernization programmes.²³ The national annual budgetary policy is prepared in line with the *State Budget Strategy*, which covers the years 2016-19.²⁴ However, the Estonian MoD states that EUR 118.6 million or 28.8 per cent of the budget (for 2015) goes to specialized military equipment procurements.²⁵ These funds purchase new armaments and equipment for the military.²⁶ In 2016, **Hungarian** defence spending will be just below HUF 300 billion (EUR 970 million).²⁷ HUF 27.5 billion (EUR 87.7 million) of the budget will be devoted to the leasing

¹⁸ Czech Republic, *State Budget Act*, December 2015, <http://www.mfcr.cz/cs/legislativa/legislativni-dokumenty/2016/zakon-c-400-2015-sb-23454>.

¹⁹ Czech MoD, *Basic Data on the State budget (1993-2016)*, <http://www.army.cz/scripts/detail.php?id=5760>.

²⁰ Czech MoD, *Long Term Perspective for Defence 2030*, 2015, <http://www.army.cz/scripts/detail.php?id=8503>.

²¹ Czech MoD, *Czech Governmental coalition sign agreement on the progressive increase of the defence budget*, 3 September 2014, <http://www.army.cz/en/ministry-of-defence/newsroom/news/-101455>. There is a similar lack of detail in the Coalition Agreement signed in 2014 and in the Long Term Perspective for Defence.

²² From Estonian budget documents it is not possible to deduce procurement numbers without contacting Estonian authorities. All Estonian State budgets since 1992 are available in Estonian on the Estonian Ministry of Finance website, <http://www.fin.ee/riigieelarve-ja-majandusulevaated>. See, in particular, *2016. aasta riigieelarve* (State budget for 2016), <http://www.fin.ee/riigieelarve-2016>. In *2016. aasta riigieelarve eelnõu seletuskiri* (State budget explanatory memorandum), the defence budget is presented in Chapter 3.9 at p. 92-101. The document *2016. aasta riigieelarve seadus* (State budget law) provides a table summary of Estonian expenditures in 2016, where Ministry of Defence data are noted on p. 11-12, under the heading "Jagu 4. Kaitseministeeriumi valitsemisala" (Section 4. MoD).

²³ Estonian MoD, *National Defence Plan 2013-22*, August 2013, <http://www.kaitseministeerium.ee/en/node/3985> (with projected Estonian defence expenditures up to 2022).

²⁴ Estonian Ministry of Finance, *Riigi eelarve strateegia 2016-2019* (State budget strategy 2016-2019), <http://www.fin.ee/riigi-eelarvestrateegia>. Older volumes of this strategy are available in English at <http://www.fin.ee/budgeting>.

²⁵ This share is comparable to the shares noted by the UN and EDA, which are identical for the year 2013. They report that Estonia then spent EUR 361 million on defence, of which 28.4 per cent, EUR 103 million, was for procurement. NATO reports the same total figure of EUR 361 million as the UN and EDA, but with an equipment share just half as high, 14.5 per cent, meaning equipment spending according to NATO would be just EUR 52 million and not EUR 103 million as UN and EDA data would show.

²⁶ Estonian MoD, *Estonian defence budget 2015*, <http://www.kmin.ee/en/node/10675>.

²⁷ Hungarian Government, *2016. évi központi költségvetéséről* (2016 central budget law), May 2015, <http://www.parlament.hu/irom40/04730/04730.htm>. Ministry of Defence data are noted under the heading "Fejlesztési indoklások: XIII. Honvédelmi Minisztérium" (Chapters: XIII. MoD).

of Gripen aircraft and to cover some additional costs, following the crash of two planes in 2015. Hungary also plans to invest in tactical UHV radios and modernization of Mistral anti-aircraft short-range system. However, the precise portion of the increased defence expenditure which will be invested in new equipment is unclear. Indeed, the budget line for modernization is in the same category as drug prevention programmes and R&D. Going forward, the Government is expected to increase this level of defence spending²⁸ to 1.39 per cent of GDP by 2022.²⁹ However, a significant part of the increased spending is likely to be devoted to personnel costs, given the plan, launched in 2015, to raise military salaries by 50 per cent by 2019.³⁰

Latvian budgets do not include a line for procurement.³¹ They are published in full on the MoF website. The three main international sources report almost identical data for 2013. The NATO figure for 2013 is LVL 149 million or about EUR 212 million, as also reported by the EDA.³² During coming years, Latvian defence budget will be rapidly increased, so that Latvia will spend 2 per cent of its GDP on defence in 2018.

Lithuanian budget information is published only in part by the MoF.³³ The Lithuanian MoD reports defence procurement in 2015 at 20.1 per cent of the total defence budget, which is EUR 425 million. Expenditure for “weapons and military equipment” amounts to EUR 45.7 million.³⁴ Another expenditure item is “investment and other acquisitions” which amounts to EUR 71.2 million, or 16.7 per cent of Lithuanian defence. Adding these outlays yields a higher procurement share than the numbers which are reported by NATO.³⁵

In 2015, the **Polish** Parliament approved an amendment to national law which increased defence expenditure from 1.95 per cent GDP to 2 per cent GDP from the beginning of 2016.

²⁸ “Government submits 2016 budget bill”, in *Daily News Hungary*, 13 May 2015, <http://wp.me/p7dB5d-4uu>; Hungarian MoD, Hungary is performing well in NATO, 26 June 2015, <http://www.kormany.hu/en/ministry-of-defence/news/hungary-is-performing-well-in-nato>

²⁹ “Hungary to double defence spending by 2022”, in *Daily News Hungary*, 30 December 2015, <http://wp.me/p7dB5d-7P2>. See also Hungarian Government, 2017. évi központi költségvetéséről (2017 central budget law), April 2016, <http://www.parlament.hu/irom40/10377/10377.htm>. Ministry of Defence data are noted under the heading “Fejezeti indokolások: XIII. Honvédelmi Minisztérium” (Chapters: XIII. MoD).

³⁰ “Defence Minister: Hungarian soldiers stand ground in crises”, in *Daily News Hungary*, 2 January 2016, <http://wp.me/p7dB5d-7S3>.

³¹ From Latvian budget documents it is not possible to define and calculate Latvian procurement outlays without contacting Latvian authorities, to deduce. Latvian budgets are available in Excel on the Latvian part of the Ministry of Finance website. For the 2015 defence figures, see row 599 and below for “Aizsardzības ministrija” in “4.pielikums, Valsts pamatbudžet aieņēnumu un izdevumu atšifrējums pa programmām un apakšprogrammām” (Annex 4, State budget revenue and expenditure breakdown by programmes and sub-programmes), http://www.fm.gov.lv/lv/sadalas/valsts_budzets/valsts_budzeta_likums_arhivs/2015_gads_. For similar 2016 figures, see row 461 in Annex 4, http://www.fm.gov.lv/lv/sadalas/valsts_budzets/2016_gada_budzets.

³² For Latvian UN data for 2013, see UN General Assembly, *Objective information on military matters, including transparency of military expenditures* (A/69/135), 14 July 2014, <http://undocs.org/A/69/135>.

³³ It is not possible from the Lithuanian national budget to define and calculate Lithuanian procurement outlays, without contacting Lithuanian authorities. Data on the Lithuanian budget for 2016 is available through the Lithuanian Ministry of Finance website: see *Patvirtinti biudžetai* (Approved budgets), <http://finmin.lrv.lt/lt/veiklos-sritys/biudzetas/patvirtinti-biudzetai>.

³⁴ NATO and EDA report almost identical data for 2013; there is no UN data for Lithuania for 2013, though for 2014, NATO and UN report the same figure for total defence, though NATO reports a lower procurement share (14.1 per cent) than the UN, which reports procurement as 20.4 per cent.

³⁵ Lithuanian MoD, *Budget statement. Appropriations for national defence 2015*, 28 April 2015, http://www.kam.lt/en/budget_1065.html.

20 per cent of the defence budget will be devoted to new equipment.³⁶ The overall budget will grow by PLN 2.900 million (EUR 650 million) or 9.4 per cent compared to 2015 expenditure. Since the Parliamentary elections in 2015 gave an overall majority to Law and Justice (PiS) party, which did not need to form a coalition, defence expenditure is likely to remain stable in the coming four years.

In **Slovakia**, according to the Law on the State Budget approved by Parliament in December 2015, there will be EUR 880.6 million spent on defence in 2016.³⁷ 18.05 per cent of the budget (EUR 159 million) will be devoted to modernization, based on the latest adjustment from February 2016. Based on a three years prediction it is expected that defence budget in 2017 and 2018 will be 1.11 per cent of GDP.³⁸ Governmental officials say at the same time that the ambition to have 1.6 per cent by 2020 (as declared at the 2014 NATO Summit in Wales) is still valid.

1.3 Nordic Region

Data on defence procurement in the Nordic region is broadly available, meaningful and specific. However, the precise parameters accounted for differ in Finland, Denmark, Sweden and Norway.

The **Finnish** defence budget was presented in September 2015.³⁹ Finland plans to spend EUR 545 million on procurement of materiel in 2016 (18.9 per cent of the total defence budget), up from EUR 417 million in 2015 (15.7 per cent).⁴⁰ The increase of procurement spending is in line with the rise in the Finnish defence budget by a nominal 8.5 per cent since 2015, which is a first since 2009.⁴¹ It is worth noting that the procurement figures exclude VAT. In Finland, the Defence Forces first pay VAT on its purchases but later get refunded for such outlays.⁴² In addition, part of the international peacekeeping operations that Finland takes part in are financed by the Ministry of Foreign Affairs (MFA) and not by the MoD.⁴³

³⁶ Polish Parliamentary National Defence Committee, transcript of 5th meeting, 5 January 2016, <http://orka.sejm.gov.pl/zapisy8.nsf/0/9004C07E581E2606C1257F3A004DBC2/%24File/0015708.pdf>.

³⁷ Slovak Government, *Rozpočet verejnej správy* (General Government budget), <http://www.finance.gov.sk/Default.aspx?CatID=6958>.

³⁸ Please refer to the general Government budget for the years 2016-2018 approved by the Slovak National Council, <http://www.finance.gov.sk/Default.aspx?CatID=10397>.

³⁹ Finnish budget documents (in Finnish and Swedish) are available on the Finnish Ministry of Finance website: *Valtion talousarvioesitykset* (State budget proposals), <http://budjetti.vm.fi/indox/index.jsp>. For the 2016 draft defence budget, see: *Talousarvioesitys 2016: 27. Puolustusministeriön Hallinnonala* (Budget draft 2016: 27. MoD), <http://budjetti.vm.fi/indox/sisalto.jsp?year=2016&lang=fi&maindoc=/2016/tae/hallituksenEsitys/hallituksenEsitys.xml&opennode=0:1:133:383:635>.

⁴⁰ Finnish MoD, *Division of Defence Spending*, http://www.defmin.fi/en/tasks_and_activities/resources_of_the_defence_administration/finances/division_of_defence_spending.

⁴¹ There has been a nominal increase from EUR 2,659 billion in 2015 to EUR 2,886 billion in 2016. However, it appears this increase is primarily a result of a number of postponed payments, so it is not certain that this increase should be seen as trend break.

⁴² UN data for Finland differs for 2013 somewhat from those reported by the EDA. For 2013, UN data reports total Finnish defence expenditures as EUR 2,459 million of which EUR 615 million, 25 per cent, was for procurement, compared to the EUR 2,862 million EDA reports as total Finnish defence expenditures, with EUR 588 million for procurement. Notably, if a comparison between the UN figures for 2014 and 2013 is made, Finnish total defence expenditures increased from the noted EUR 2,459 million in 2013 to EUR 2,758 million in 2014, while procurement decreased from EUR 615 million in 2013 to EUR 443 million in 2014.

⁴³ In addition, the data covers only Ministry of Defence spending and do not include the activities of

The **Danish** budget, presented in September 2015,⁴⁴ defines “procurement” (*materieludgift*) in a new and different manner from 2014.⁴⁵ The amount Denmark allocated to “materiel expenditure” in 2016 comes to EUR 208 million (7.5 per cent of total defence budget, with a new perimeter for procurement), down from EUR 236 million in 2015. It should amount to EUR 308 million in 2017 (10.9 per cent), EUR 282 million in 2018 (10.3 per cent), and EUR 275 million in 2019 (10.2 per cent).⁴⁶ Historically, these numbers differ from the ones reported by NATO.⁴⁷

Norway spent about 20.6 per cent (NOK 9 billion) of its total defence budget⁴⁸ in 2015 on “material investments” (*Materiell investeringer*).⁴⁹ In 2016, it will spend about 25.2 per cent (NOK 12.4 billion) on material investments.⁵⁰ The MoD (*Forsvars departementet*) report entitled *Future acquisitions for the Norwegian Armed Forces 2015-2023* is of particular importance in the realm of procurement for the services. It highlights the importance of the Norwegian acquisition of 52 F-35 fighter aircrafts.⁵¹ Norwegian long-term defence plans set the levels of defence budgets for the coming four years period, with some guidelines on the subsequent years. The current Long-term Defence Plan (*Langtidsplan for Forsvaret*) for 2013-2016 was presented in March 2012, and a new defence plan for 2017-2020 should be presented in 2016.⁵²

the para-military Finnish Border Guards, belonging to the Ministry of the Interior.

⁴⁴ Danish Ministry of Finance, *Forslag til finanslov for finansåret 2016* (Budget proposal for finance year 2016), September 2015, <http://www.fm.dk/publikationer/2015/forslag-til-finanslov-2016-sep>. Ministry of Defence data are noted under the heading “§12. Forsvarsministeriet” (§12. MoD).

⁴⁵ For data on total Danish Ministry of Defence spending, <http://oes.cs.dk/olapdatabase/finanslov/index.cgi>. For figures on “equipment acquisition,” see the Danish defence budget, p. 41. For the new definition of procurement, see p. 36.

⁴⁶ For an overview table on Danish defence spending for the years 2016-19, see: Danish MoD, *Defence expenditure*, updated 28 January 2016, <http://www.fmn.dk/eng/allabout/Pages/Defenceexpenditure.aspx>. As illustrated in this table, the main procurement account is called “Equipment and IT” and also includes the large investments in IT as well as the outlays for equipment management and logistics, but with a special row for “equipment acquisition.”

⁴⁷ NATO data shows that procurement in Denmark has averaged 11.8 per cent during the last three years 2013-15 (Denmark is not a member of the EDA and the latest UN figure for Denmark is for 2012). In 2015, both Danish defence spending and the procurement share increased slightly, meaning that procurement spending rose from around EUR 336 million in 2014 to EUR 406 million in 2015.

⁴⁸ The total defence budget for 2016 is NOK 49.1 billion, raised from NOK 43.8 billion in 2015. This increase in real terms also includes re-allocation of 2015 funds.

⁴⁹ NATO and UN data for Norway for the year 2013 are similar. They report that Norway spent NOK 43.5 billion on defence, of which 18.9 per cent (equivalent to EUR 1.1 billion), was for procurement.

⁵⁰ See the Norwegian State budget portal “Statsbudsjettet”, <http://www.statsbudsjettet.no/Statsbudsjettet-2016>. From this portal, it is possible to find the defence budget for 2016: *Tilråding fra Forsvarsdepartementet* (Recommendation from the MoD), 18 September 2015, [http://www.statsbudsjettet.no/Statsbudsjettet-2016/Dokumenter1/Fagdepartementenes-proposisjoner/Forsvarsdepartementet-FD/Prop-1-S-](http://www.statsbudsjettet.no/Statsbudsjettet-2016/Dokumenter1/Fagdepartementenes-proposisjoner/Forsvarsdepartementet-FD/Prop-1-S-.). Summary data on Norwegian defence expenditures are available in “Vedlegg 4 - Nøkkeltall for perioden 2013-2016” (Annex 4 - Key Numbers for the years 2013-16) on p. 169. See also Norwegian MoD, *Norwegian Government Proposes Significant Defence Budget Boost. National Budget 2016*, 8 October 2015, <https://www.regjeringen.no/en/aktuelt/betydelig-og-reell-styrking-av-forsvarsbudsjettet/id2456637>.

⁵¹ Norwegian MoD, *Future acquisitions for the Norwegian Armed Forces 2015-2023*, 5 March 2015, <https://www.regjeringen.no/en/dokumenter/framtidige-anskaffelser-til-forsvaret-faf-20152023/id2398671>.

⁵² For an English summary of the 2012-16 Defence Plan see: Norwegian MoD, *The New Norwegian Long-term Defence Plan - Summary*, 17 April 2012, <https://www.regjeringen.no/en/aktuelt/the-new-norwegian-long-term-defence-plan/id678767>. For information about the upcoming Defence Plan, see the speech by the Norwegian Minister of Defence Ine Eriksen Søreide, *New long-term plan for the Armed Forces – a monumental political challenge*, 12 January 2016, <https://www.regjeringen.no/en/aktuelt/new-long-term-plan-for-the-armed-forces--a-monumental-political-challenge/id2471559>.

The **Swedish** defence budget has two accounts related to materiel and procurement.⁵³ No distinction is made in the Swedish budget between equipment and facilities/infrastructure,⁵⁴ which may help explain why the UN and EDA report very different allocations.⁵⁵ In 2015, Sweden spent SEK 9.8 billion (22.3 per cent of total defence budget) on “acquisition of equipment and facilities”, and SEK 6.5 billion (14.9 per cent) on “continuance, decommissioning, etc. of equipment and facilities”. The respective numbers for 2016 are SEK 8.4 billion (18.8 per cent) and SEK 6.9 billion (15.4 per cent), shifting to SEK 10.7 billion (21.7 per cent) and SEK 7.1 billion (14.5 per cent) in 2019. The Swedish defence budget includes spending both for “(Military) Defence” (*Försvar*) and civil emergencies; according to the 2016 budget,⁵⁶ expenditures for defence will increase from SEK 43.8 billion in 2015 to SEK 44.8 billion in 2016.

1.4 South-Eastern Europe

Information on defence procurement is not always available through budget documentation in SEE. When it is, the data is at times unspecific or programme - specific, and sensitive to a number of political variables.

In 2016, **Bulgaria** will dedicate BGN 959 million (EUR 491 million) to defence.⁵⁷ According to the Programme for the Development of the Defence Capabilities of the Bulgarian Armed Forces 2020, which was adopted by Bulgarian Government in September 2015, defence expenditures will remain at almost the same level in 2017 and 2018 (around BGN 1 billion or EUR 511 million) and after 2018 will start to grow reaching the 2 per cent GDP level in 2024, depending on “favourable economic conditions”.⁵⁸ In previous years, only six per cent of the budget was allocated to new equipment.⁵⁹ This ratio will grow in 2016 as Bulgaria secured BGN 160 million (EUR 80 million) in the 2016 budget for the

⁵³ See the row for “Försvar” in Table 2.2 on p. 14, Table 3.9 on p. 62, and Table 3.14 on p. 65, in the 2016 Swedish defence budget. See Swedish Government, *Budget propositionen för 2016* (Budget law 2016), <http://www.regeringen.se/rattsdokument/proposition/2015/09/prop.-2015161>. Ministry of Defence data are noted under the heading “Utgiftsområde 6. Försvar och samhällets krisberedskap” (heading 6. Defence and emergency preparedness).

⁵⁴ Short definitions of the allocation criteria are as follows: Account 1.3 is defined as “this appropriation may be used to finance the acquisition of equipment and facilities” and Account 1.4 is noted as “this appropriation may be used to finance continuance and decommissioning of equipment and facilities. This appropriation may also be used for the cost of the EDA and the security cooperation with other countries and to measures to promote export activities of in Sweden active defence industries”.

⁵⁵ UN and EDA data for Sweden give about the same figure for 2013 for total defence expenditures of SEK 40,156 million / EUR 4,641 million (UN) compared to EUR 4,673 million (EDA). There is, however, a big difference regarding procurement; based on UN data, Sweden had a procurement share of 37.6 per cent and spent about EUR 1.7 billion on procurement while the EDA share is much lower, 21.6 per cent, meaning that Sweden spent about EUR 1 billion on procurement.

⁵⁶ Medium- and long-term Swedish defence policy guidelines are put forward by a special committee, the Defence Commission. In April 2015, an agreement was reached in a similar way between the Swedish Government and three opposition parties on defence allocations for the years 2016-20. When the budget proposal was later presented in September 2015, the defence budget law was based on this agreement.

⁵⁷ Bulgaria Government, *Закон за държавния бюджет на Република България за 2016 г.* (State budget law 2016), 7 December 2015, <http://www.minfin.bg/document/17315:2>.

⁵⁸ Programme for the Development of the Defence Capabilities of the Bulgarian Armed Forces 2020, 30 September 2015, http://www.md.government.bg/en/doc/drugi/20150930_DefCapab_Program_EN.pdf.

⁵⁹ The original version of the Bulgarian governmental documents, <http://www.parliament.bg/bg/parliamentarycommittees/members/2334/reports/ID/5829>.

modernization of its Navy and MiG-29 aircraft.⁶⁰ Looking to 2020, priorities in capability development are as follows: interoperability, Communications and Information Systems (CIS) of the deployable forces and systems, mobility of land forces units; naval countermine capability and the capability of the Navy to counter a naval and air adversary, development of aircraft self-defence systems, Intelligence, Surveillance, Target Acquisition and Reconnaissance (ISTAR) and Chemical, biological, radiological and nuclear (CBRN) capabilities. The main projects include: acquisition of a new generation combat aircraft; acquisition of 3D radars; acquisition of automated command and control systems, partial modernization of Class E71 frigates and acquisition of multifunctional modular offshore vessels.

As of March 2016, **Croatia** had not yet adopted the annual State budget. According to the budget proposal presented on 10th March, the defence budget is projected to be HRK 4.023 billion, which is a cut of HRK 372 million (8.46 per cent decrease on the 2015 defence budget). This overall amount represents 1.17 per cent of the Croatian GDP. The sum allocated for the purpose of equipment and modernization is HRK 805 million, which represents roughly 20 per cent of the total defence budget. The 2016 levels represent a HRK 178.2 million cut in the equipment budget compared to 2015.⁶¹ National defence spending in the proposed budget has been reduced by approximately HRK 372 million, while the Ministry of Interior is allocated an additional HRK 307.6 million. This shift is significant, taking into account the fact that in light of the refugee crisis the Army is foreseen to possibly take a more proactive role in providing border security. In the coming years however, the portion of the defence budget allocated for equipment and modernization should grow in 2017 and 2018 at HRK 906 million and HRK 976 million respectively. Equipping the long-range artillery system has been allocated HRK 46.48 million (down by 45.7 per cent).⁶² The MoD's 2015-2024 Long Term Development Plan looks to preserve Croatian defence expenditure at 2014 levels of 1.3 per cent of GDP for the subsequent three years.

The detail of the **Cypriot** defence budget is never made public. However, the authorities publish some general numbers in the House of Representatives. The total budget of the MoD for 2016 amounts to EUR 319 million. The funds for equipment are EUR 69 million in 2015, and EUR 72 million for 2016. The advent of Troika requires a long-term calculation of budgets by the Treasury. The assessment of the defensive shield for the MoD does not send optimistic messages. The 2017 allocation might be decreased to EUR 65 million, and to EUR 56 million by 2018. However, the total budget of the MoD for the coming years is estimated to remain at exactly the same level. The reductions of sums destined for the defence shield may be used for other needs of the Ministry.⁶³

⁶⁰ The contract with Poland for the modernization of MiG engines represents EUR 6 million. However it is unclear how much of the remaining sum will go towards modernization. See "1,34% от БВП ще е бюджетът за отбрана за 2016 г." (1.34% of GDP will be allocated for defence in 2016), in *TV Europe*, 3 November 2015, <http://tvevropa.com/bg/news/bulgaria/view/111879>.

⁶¹ One third of this is caused by a decrease in the cost of equipping, one third results from slowing down the completion of the Armour Personnel Carrier project [Borbenooklopnovozilo, BOV], while the remaining third comes from a slow-down in purchasing coastal patrol boats and Panzerhaubitze 2000.

⁶² Since the budget is not yet approved at the time of writing, there is no official statement yet regarding the defence budget. Data on the investment in equipment is based on open source information. See "Proračun 2016. - manje novca za plaće u obrani", in *Obris.org*, 11 March 2016, <http://obris.org/hrvatska/proracun-2016-manje-novca-za-place-u-obrani>. Two modernization projects to be reviewed in 2016 are NATO's integrated air defence system (currently awarded HRK 3.75 million) and the modernization of the radar system Enhanced Peregrine (currently planned at HRK 2 million).

⁶³ As regards the other parts of the Ministry of Defence, the EUR 6.8 million intended mainly for staff salaries and other needs of the Ministry Administration, EUR 131.5 million for the Cyprus Army (professionals) and EUR 108.7 million for the National Guard (reservists).

The **Greek** defence budget for 2016 is EUR 4,166.688 million. This figure includes pensions (EUR 1,004 million, paid directly by the Greek MoF). The budget dedicated to investments in equipment for 2016 is EUR 598 million. That is 14.35 per cent of the total defence budget counting pensions, or 18.90 per cent the defence budget excluding pensions. The budget that will be dedicated to investments in equipment over the course of 2016, is as follows: EUR 497.601 million in 2017; EUR 540.601 million in 2018; EUR 590.601 million in 2019; and EUR 590.601 million in 2020.⁶⁴ The data provided for these years (2016–2020) is in current prices, not in constant prices. In addition, it should be noted that according to the third Greek bailout programme (ESM programme of July 2015), the Greek defence budget for 2016 should be cut by EUR 400 million. However, it is highly doubtful whether this goal will be implemented during 2016, as the Greek MoD argues that due to the unforeseen needs that have to be addressed, as a result of the severe migration crisis in Greece, its budget cannot afford any cuts; so this is still an open issue that remains to be addressed by the current Greek administration.

Romania's defence spending for 2016 in absolute terms will total RON 11.2 billion (around EUR 2.5 billion).⁶⁵ Roughly 29 per cent (EUR 720 million) of the defence budget will be allocated to new acquisitions or modernization of existing military hardware.⁶⁶ In June 2015, Romania approved a modernization programme for the development and re-equipping of the Armed Forces until 2027. The document is not public. Given Parliamentary elections in late 2016, it cannot be stated with certainty how much the new Government will allocate to military acquisitions in 2017. However, there is a political pact among major political parties to achieve 2 per cent of GDP military budget starting with 2017 and to keep this level of spending until 2027.

The **Serbian** military budget for 2016 totals RSD 55.8 billion, or around EUR 451.8 million. For the purposes of investment in weapons and other military equipment, the budget envisages RSD 1.9 billion, or about EUR 15.3 million – this is about 3.4 per cent of the adopted budget. This amount is the biggest in the last seven years. At the same time about one per cent of the budget has been allocated to the modernization of the existing equipment.⁶⁷ There is no information available at the moment as to subsequent years. The amount in budget allocated to equipment does not mean that it will be systematically used for the intended procurement. Planned purchases are couched down in official documents, but the experience of previous years shows that the political elite often use this part of the budget for other purposes; primarily salaries and other social benefits of military personnel.

Slovenia's Medium-Term Defence Programme 2016-2020, agreed in February 2016, forecasts that the amount available for equipment procurement will be EUR 19 million over the period 2016 to 2018, and EUR 103 million over the period 2019-2020. This equates to a total of EUR 122 million over the period 2016 to 2020. Major equipment

⁶⁴ For the estimations until 2018, data has been acquired by the Greek Ministry of Finance, *Μεσοπρόθεσμο Πλαίσιο Δημοσιονομικής Στρατηγικής 2015-2018* (Medium Term Fiscal Strategy 2015-2018), April 2014, http://www.taxheaven.gr/pagesdata/AITILOGIKH%20EKTHESH_MPDS%202015-2018.pdf. The data presented for the years 2019-2020 are based on estimations of the Greek Ministry of Defence for which there is no open governmental source available.

⁶⁵ “Buget cu 51,65% mai mare în 2016 pentru Ministerul Apărării”, in *AgerPres*, 5 December 2015, <http://www.agerpres.ro/social/2015/12/05/buget-cu-51-65-mai-mare-in-2016-pentru-ministerul-apararii-17-23-34>.

⁶⁶ “Prioritati in bugetul Ministerului Apararii pentru 2016: Modernizarea fregatelor, achizitia unor blindate, reparatii capitale la unele aeronave, dar si ridicarea nivelului de instruire al militarilor”, in *HotNews.ro*, 11 December 2015, <http://www.hotnews.ro/stiri-esential-20660596-prioritati-bugetul-ministerului-apararii-pentru-2016-modernizarea-fregatelor-achizitia-unor-blindate-reparatii-capitale-unele-aeronave-dar-ridicarea-nivelului-instruire-militarilor.htm>.

⁶⁷ Serbian MoD, *Defence*, No. 247 (1 January 2016).

spending, which should rise to 2.5 per cent of defence expenditure by 2018, had dwindled from 10.8 per cent in 2007 to 1.3 per cent in 2013. Slovenian equipment procurement expenditure amounted to EUR 4.9 million in 2013.⁶⁸ The scheduled increase should be channelled towards maintaining existing capabilities (motorised and medium infantry, police and CBRN), implementing NATO Capability Targets, and personnel, as opposed to new procurement and R&D. The Medium-Term Defence Programme also projects a stabilization and gradual increase of defence spending in real terms to 1.03 per cent of GDP by 2020. While a 0.5 per cent real decrease affected 2015, 2016 should see a real increase by 0.9 per cent, 2017 a real decrease by 1 per cent and an increase by 7.1 per cent in 2018. Defence spending was reduced by 34.6 per cent from 2007 to 2015, down to 0.95 per cent of GDP, while GDP itself decreased by 1.1 per cent.

1.5 Western Europe

Equipment and procurement information in Western Europe is ordinarily available and precise, albeit of complex nature, with a degree of inbuilt uncertainty which increased when projected over several years.

Austria earmarked EUR 141.827 million for military investment in 2016.⁶⁹ This totals a share of 8.25 per cent of the total military budget (EUR 1,718.493 million) and a share of 6.85 per cent of the total defence budget (EUR 2,071.927 million). The latter figure also includes non-military budget items which support State activities related to sport. Austria does not specify a detailed plan of how to spend its future defence budgets. Since the overall defence budget is planned to be raised by EUR 92.84 million until 2019,⁷⁰ it is likely that the investment budget will also grow by about 4 per cent until 2019. Austria went through a phase of restructuring after the referendum on the national service in 2013.⁷¹ In addition and in light of the migrant crisis, there may be a chance for the Bundesheer and the MoD to gain more political influence and thus secure further funds.

In the **Belgian** planned State budget for 2016, which was voted on 13th November 2015, the equipment expenditure is recorded in programme 16.50.2 of the organic division for defence. It is divided into authorised payments (“credits d’engagement”) and executed payments (“credits de paiement”). In 2015, it amounted to EUR 174 million, up from EUR 137 million in 2014, and from EUR 111 million⁷² in 2013 according to the EDA. The authorised credits for 2016 amount to EUR 70 million in the 2016 State budget,⁷³ in the context of restrictions decided by the Michel Government. A number of important new

⁶⁸ EDA, *Defence Data of Slovenia in 2013*, <http://www.eda.europa.eu/info-hub/defence-data-portal/Slovenia/year/2013#2>.

⁶⁹ October 2015 figures: Austrian Ministry of Finance, *Bundesvoranschlag 2016. UG 14-Militärliche Angelegenheiten und Sport - Teilheft*, 16 February 2016, p. 12, https://service.bmf.gv.at/BUDGET/Budgets/2016/bfg/teilhefte/_start_teilhefte.htm.

⁷⁰ November 2015 figures: Austrian Parliament, *Bundesvoranschlagsentwurf 2016 Untergliederungsanalyse UG 14-Militärliche Angelegenheiten und Sport*, 16 February 2016, p. 7, https://www.parlament.gv.at/ZUSD/BUDGET/BD_-_UG_14-Militaerische_Angelegenheiten_und_Sport.pdf

⁷¹ Since the vote turned out in favour of maintaining conscription, military planners had to revise their plans, which translates into current planning (notably the structural reform “ÖBH 2018”).

⁷² EDA, *Defence Data of Belgium in 2013*, <http://www.eda.europa.eu/info-hub/defence-data-portal/Belgium/year/2013#2>.

⁷³ Belgian Chamber of Representatives, *Budgets des recettes et des dépenses pour l'année budgétaire 2016*, 13 November 2015, p. 372, <http://www.begroting.be/NL/budgetOnline/AT%20ini2016.pdf>; *Projet du budget général des Dépenses pour l'année budgétaire 2016*, partie I, 13 November 2015, <http://www.begroting.be/NL/budgetOnline/AUB%20ini2016-deel%20I.pdf>. For a general overview, see <http://www.begroting.be/FR/pages/budgetOnline.aspx>.

acquisitions were announced before 2030, in the context of the publication of the strategic plan (Plan Stratégique 2030)⁷⁴ and a possible “tripling” of the Belgian defence budget.⁷⁵ These acquisitions include 35 new fighter jets, possibly F-35 planes, 2 frigates, 6 minesweepers and 6 unarmed drones,⁷⁶ but it is as yet unclear which budgetary line they will fall under.

In **France**, the State Finance Law for 2016 states that the budget line for equipment amounts to an average of EUR 17.6 billion (current) annually,⁷⁷ and EUR 88 billion over the 2015-2019 period for the modernization of the French Army. More precisely, it amounted to EUR 16.6 billion in 2015 and should total EUR 17 billion in 2016, EUR 17.3 billion in 2017, EUR 17.7 billion in 2018, and EUR 19.1 billion in 2019. Within the national defence budget it is spread over programme P146 (“Equipement des forces”) and P178 (“Préparation et emploi des forces”) of the budget for the defence function (“mission défense”). Investment in equipment (programme P146) specifically amounts to EUR 9.95 billion annually⁷⁸ (current). This compares to the EUR 9.85 billion annually as originally planned in the 2014-2019 programming law. Following the terrorist attacks on 13 November 2015, the State’s defence budget (“Loi de programmation militaire”) was updated for 2016. It added an extra EUR 3.8 billion to national defence spending up to 2019. EUR 1.5 billion of this sum (EUR 1 billion of which is due to extra purchasing power) will be allocated to new equipment spending (Tigre and NH90 helicopters, Air-to-Air refuelling and strategic transport planes), and EUR 500 million to equipment maintenance for external operations. In 2013, the EDA estimated French defence equipment procurement expenditure at EUR 8.8 billion,⁷⁹ and EUR 12.1 billion including R&D, but the exact perimeter of these budget lines is unclear.

Germany is planning to invest EUR 4.576 billion in military acquisitions in 2016,⁸⁰ which makes it the third largest budget item in the defence budget. Its share in the total defence budget of EUR 34.287 billion for 2016 is 13.32 per cent. Assuming that the current allocation is to be continued in the future, investment in military acquisitions will be between EUR 4.7 billion and EUR 5 billion annually in the coming years. Recent media attention has focused on a plan by the Defence Minister to invest a total of EUR 130 billion between now and 2030.⁸¹ Under this plan, the MoD would be able to invest on average about EUR 9 billion for acquisitions every year. It remains speculative however whether the Defence Minister will be able to secure these extra funds. In recent years, the MoD has not always spent its total budget for acquisition (e.g. due to delays in programmes) and has hence been forced to return the funds to the MoF.⁸² In 2015 however, the MoD was

⁷⁴ Belgian MoD, *Accord sur le plan stratégique pour la défense en 2030*, 22 December 2015, <http://www.mil.be/fr/node/15541>.

⁷⁵ Antoine Clevers, “Pourquoi Steven Vandeput veut tripler le budget de l’armée”, in *DH.be*, 11 June 2015.

⁷⁶ André Dumoulin, “Belgique: vers un rééquipement des forces armées”, in *Tribune*, No. 731 (7 January 2016), <http://stratobs.eu/docs/data/articles/files/120.pdf>.

⁷⁷ French Government, *Loi n° 2015-917 du 28 juillet 2015 actualisant la programmation militaire pour les années 2015 à 2019 et portant diverses dispositions concernant la défense*, 29 July 2015, <https://www.legifrance.gouv.fr/eli/loi/2015/7/28/DEFX1510920L/jo/texte>.

⁷⁸ French MoD, *Projet de loi de finances 2016*, 30 September 2015, p. 7, <http://www.defense.gouv.fr/actualites/articles/projet-de-loi-de-finances-plf-2016>

⁷⁹ EDA, *Defence Data of France in 2013*, <http://www.eda.europa.eu/info-hub/defence-data-portal/France/year/2013#1>.

⁸⁰ German Ministry of Finance, *Bundeshaushalt 2016*, 21 December 2015, p. 52, <https://www.bundeshaushalt-info.de/download.html>.

⁸¹ “Bundeswehr: Von der Leyen will 130 Milliarden Euro investieren”, in *Spiegel Online*, 26 January 2016, <http://spon.de/aeFzN>.

⁸² Since 2011 about EUR 2.6 billion were not spent because armament projects were not realized.

able to shift such money from larger acquisition programmes, which often are plagued by delay, to smaller ones and thus spent all of the allocated money.⁸³ If this turns out to be a constant pattern over the next years, it is likely that all allocated money will be spent. Overall, since Germany's economic situation is stable, it is likely that the current budget will be spent as planned in forthcoming years. Furthermore, the crises around Europe have resulted in a broad political consensus regarding a strengthened German role and responsibility in the European security and defence landscape. The larger political parties are also coming to terms with the fact that cuts in the defence budget have an impact on Armed Forces capabilities.

The **Italian** MoD plans to allocate EUR 1.762 billion to investments in equipment in 2016.⁸⁴ This amount does not include the funds allocated to technological investments by the Ministry of Economic Development. In 2015, beside EUR 2.171 billion from the MoD, the Ministry of Economic Development dispatched EUR 2.476 billion for investment in defence equipment.⁸⁵ In 2015, total defence investments were therefore worth roughly EUR 4.600 billion. The *Plurennial Programmatic Document for Defence* does not mention future budget allocations for technological investments by the Ministry of Economic Development in the current year. The projection for 2017 defence investments is EUR 1.763 billion,⁸⁶ which would confirm the decreasing trend in military expenditure. However, until the Government approves the new Budget Law in late 2016, it is not possible to make any further forecasts. More generally, the figures for 2016 and 2017 are not a final and perfectly defined assumption of the defence budget in real terms, because they do not include the supplement budget from the Ministry of Economic Development. In **Ireland**, EUR 903 million has been allocated to the Department of Defence in the 2016 Budget. The Irish Defence White Paper confirmed that the force mix and resource allocation for the Irish forces will remain as previously reported.⁸⁷ Expenditure on defence expressed as a percentage of GNP, was 0.5 per cent, down from 0.6 per cent in the previous three years (2012-14) and from 0.7 per cent in 2011.⁸⁸ Interoperability with and reliance upon other nations remains at the heart of Irish defence strategy. For example, the Irish Government wishes to receive intelligence updates from newly acquired British P-8 maritime patrol platforms.⁸⁹ According to Ireland's White Paper,⁹⁰ published in

Parts of the money was sent back to the MFA. "Bundeswehr nutzt 2,6 Milliarden Euro Haushaltsgeld nicht", in *Spiegel Online*, 2 November 2014, <http://spon.de/aemrp>.

⁸³ Budget items which were earmarked for large armament projects like the transport aircraft A400M, the IFV Puma or the Eurofighter, and in the end were not totally used, were then used in a flexible way for other projects (i.e. missile warning system for the CH-53 transport helicopter).

⁸⁴ The value includes the overall programmes of the Ministry of Defence, and does not take into account the funds for Research and Infrastructure. Italian MoD, *Documento programmatico pluriennale per la Difesa per il triennio 2015-2017*, June 2014, <http://www.difesa.it/Amministrazionetrasparente/bilandi/Pagine/Bilanciopreventivoconsuntivo.aspx>.

⁸⁵ The final budget allocated for investment by the Ministry of Economic Development in 2015 was further cut to EUR 2.094 billion.

⁸⁶ The value includes the overall programmes of the Ministry of Defence, and does not take into account the funds for Research and Infrastructures.

⁸⁷ Irish Department of Defence, *White Paper on Defence*, August 2015, <http://www.defence.ie/WebSite.nsf/WP2015E>.

⁸⁸ Army pensions take up a significant amount of the budget. In addition to the 12,100 military pensioners, over 10,500 public service employees (military personnel, civil servants and civilian workers) are covered by the Defence vote, so that the increase in the Defence vote from 2015 to 2016 is only EUR 3 million. See Jim Lee, "Does the Budget increase in Defence for 2016 live up to the expectations of the Defence White Paper?", in *Flying in Ireland*, 25 October 2015, <http://flyinginireland.com/?p=3392>.

⁸⁹ News was retrieved from *The Irish Times*, 19 February 2016.

⁹⁰ Irish Department of Defence, *White Paper on Defence*, cit.

August 2015 and part of the Government's plan to reform policy on defence over the next ten years, the country plans to boost its defence spending over time.⁹¹ These plans will mean new equipment and vehicles for the Army, Navy and Air Force.⁹² Commitment to participation in humanitarian operations in Mediterranean and on-going peacekeeping missions will be kept on stable levels.⁹³ Within the Capital Investment Framework scheduled from 2016 to 2021, EUR 66 million is allocated to defence in 2016, and EUR 437 million over the period,⁹⁴ which represents a "significant commitment to Defence" according to Government Minister Conveney.⁹⁵

The **Luxembourg** State budget is available publically in all its increments.⁹⁶ There is no available measure of military investment. Judging by calculations made within the State budget lines, investment in equipment should equate to around EUR 40 million in 2016,⁹⁷ compared to EUR 44 million in 2013 according to the EDA.⁹⁸

Malta's budget for 2016 allocates a total of EUR 45.946 million to the Armed Forces. The budget allocation for new equipment is EUR 31.4 million, which includes EUR 13.9 million for three new helicopters, EUR 15 million for a new airplane and EUR 2.5 million for general military equipment.⁹⁹ Many elements suggest a further increase in the defence budget allocation. The Ministry has approved a series of projects for the period 2014-2020. Among those, the acquisition of an offshore patrol vessel which is worth EUR 38 million and the purchase of a robot and van for the EOD estimated to cost EUR 1.5 million. The project is included in a EUR 75 million investment operation that will start in 2016 and end in 2021. The Maltese 2016 budget differentiates investments for equipment from the ones for personnel. However, Malta's Government does not have a formal MoD. The

⁹¹ "Ireland plans to bulk up the Defence Forces", in *TheJournal.ie*, 26 August 2015, <http://jrnl.ie/2292736>.

⁹² There is a requirement to replace the existing five Cessna 172s as a matter of urgency. The White Paper proposed that they be replaced "with three larger aircraft suitably equipped for ISTAR tasks" (p. 66). However, under sub-head A.9, 'Air Corps – Aircraft, Equipment and Support', only EUR 2 million is being provided for capital purposes and while this is better than the EUR 100,000 provided in 2015, it would barely cover a deposit on the replacement Cessna aircraft. Overall, the allocations announced do not seem to cover immediate needs nor needed replacements in the near future. The capital allocation for the years until 2021 does not indicate any major improvement as there will be only a EUR 1 million increase in each of the years 2017-18, with a further EUR 11 million in 2019-20, when the CASA 235s are due for replacement. It is difficult to see the source of funding for their replacement, even more unlikely how any replacement could have more capabilities, that would enhance maritime surveillance and provide "a greater degree of utility for transport and cargo carrying tasks", as outlined in the White Paper (p. 66).

⁹³ Irish Department of Public Expenditure and Reform, *Building on Recovery: Infrastructure and Capital Investment 2016-2021*, 29 September 2015, <http://www.per.gov.ie/en/?p=14994>. See also, Brendan Howlin, *Address to Dáil Éireann on Expenditure Estimates 2016*, 13 October 2015, <http://www.budget.gov.ie/Budgets/2016/EstimateStatement.aspx#section8.9>.

⁹⁴ Irish Department of Defence, *Minister Conveney Welcomes Budget Increase in Defence for 2016*, 13 October 2015, <http://www.defence.ie/WebSite.nsf/Document+ID/9FB8408595AFE8E680257EDD004CD410>.

⁹⁵ The general Irish election took place on 26 February 2016. Defence spending may thus still be subject to change. Fine Gael remained the largest party with a drop in seats and the main opposition party (Fianna Fail) increased its seats. This indicates maintenance of the status quo, therefore significant changes are unlikely.

⁹⁶ Luxembourg Government, *Budget 2016: Défense nationale*, updated 14 October 2015, <http://www.budget.public.lu/lu/budget2016/am-detail/index.php?~/depenses/1,16-defense-nationale>.

⁹⁷ Ibid.

⁹⁸ EDA, *Defence Data of Luxembourg in 2013*, <http://www.eda.europa.eu/info-hub/defence-data-portal/Luxembourg/year/2013#1>

⁹⁹ Malta Ministry for Finance, *Budget Document 2016*, 12 October 2015, <https://mfingov.mt/en/The-Budget/Pages/The-Budget-2016.aspx>.

Defence Department is currently under in the Ministry for Home Affairs and National Security. The 2016 budget provides a precise description of the budget for the Armed Forces, which is described as part of “National security”, but remains vague as to whether there are other categories, in addition to the Armed Forces, that are to be considered as part of defence expenses.¹⁰⁰

Investment in the **Dutch** defence budget for 2016 amounts to EUR 1.446 billion, within an overall defence budget which totals EUR 8.233 billion.¹⁰¹ The adopted State budget includes a line for “investment in the Armed Forces”.¹⁰² It projects that the investment budget will amount to EUR 1.737 billion in 2017, EUR 1.775 billion in 2018, EUR 1.866 billion in 2019, and EUR 1.733 billion in 2020. The portion of investment in the defence budget in 2014 was 14 per cent. It is therefore projected to be 16 per cent in 2016, rising to 21 per cent in 2020. However, past auditing shows that paid expenditure is consistently lower than projected expenditure.¹⁰³ Military investment is broken down into the following cost categories: new equipment, infrastructure, IT, research, and contribution to NATO.¹⁰⁴ The budget line for new equipment (EUR 916 million in 2016)¹⁰⁵ is itself broken down into new material for sea, land, air, cross-cutting projects, and projects of less than EUR 25 million.¹⁰⁶ Maintenance and acquisition numbers are also distinguished according to Army, Navy and Air Force allocations.¹⁰⁷ Investment data available in the Netherlands is therefore very transparent and clearly set out. The budget breakdown described above follows a political announcement by the Dutch Government that from 2016 it will make extra funds available for the Armed Forces on a structural basis, rising from EUR 220 million in 2016 to EUR 345 million in subsequent years,¹⁰⁸ to be used to improve the Armed Forces’ operational deployability.

In a context of political flux, **Portugal** submitted a draft annual budget in February 2016, which was approved by Parliament on 23rd February 2016. Portuguese budget documents feature multi-annual spending limits with one budget line for defence and one for internal security, within the security chapter of the general budget.¹⁰⁹ Specific credit lines for military investment are not available as yet, but should be situated around 17 per cent of the defence budget. The investment budget in the military procurement law amounted to an average of 17.2 per cent of the defence budget during the period from 2006 through 2010,¹¹⁰ then decreased slightly under 17 per cent to EUR 296 million in 2010,¹¹¹ EUR

¹⁰⁰ For the purpose of this analysis, the investments in new equipment for Civil Protection and Police Force are not included in the previously analysed data.

¹⁰¹ Established departmental budget statement of the Ministry of Defence (X) for the year 2016. See the adopted State budget 2016 for defence: Netherlands MoD, *x Defensie Rijksbegroting 2016*, 15 September 2015, p. 3, <https://www.rijksoverheid.nl/documenten/begrotingen/2015/09/15/x-defensie-rijksbegroting-2016>.

¹⁰² *Investeringskrijgsmacht*, article 6 of Established departmental budget statement of the Ministry of Defence (X) for the year 2016, broken down by Duties, Expenditure and Receipts. Ibid.

¹⁰³ Ibid., p. 57.

¹⁰⁴ Ibid., p. 59.

¹⁰⁵ Ibid., p. 60.

¹⁰⁶ Ibid., p. 60.

¹⁰⁷ Ibid., p. 62.

¹⁰⁸ The Minister of Finance Jeroen Dijsselbloem presented the *Budget Memorandum* on September 15th 2015. See Jeroen Dijsselbloem, *Speech presenting the Budget Memorandum*, 15 September 2015, <https://www.government.nl/documents/speeches/2015/09/15/speech-presenting-the-budget-memorandum>.

¹⁰⁹ Portuguese Public Finance Council, *Analysis of 2015 Draft State Budget*, November 2014, http://www.cfp.pt/?post_type=publications&publicationcategories=state-budget&lang=en.

¹¹⁰ GlobalSecurity.org, *Portugal Defence Expenditure*, <http://www.globalsecurity.org/military/world/europe/pt-budget.htm>.

¹¹¹ Nuno Severiano Teixeira and Ana Santos Pinto, “Southern Europe Defence in Times of Austerity”,

278.2 million in 2011, EUR 230 million in 2012.¹¹² It amounted to EUR 260 million in 2013, according to the EDA.

In **Spain**, the draft budget allocated to the MoD for 2016 is EUR 5.962 billion.¹¹³ The amount of resources allocated to Special Equipment Programmes (*Programas Especiales de Armamento*) will be around EUR 1 billion in 2016.¹¹⁴ EUR 632 million will be allocated to R&D in Defence and shared among different Ministries, whereas EUR 468 million will be added from the Ministry of Industry, Energy and Tourism.¹¹⁵ Additional funds may be added in the following months through law decrees issued by the Government.¹¹⁶ The draft budget also foresees a 100.2 per cent increase in the budget of the Defence Staff (*Estado Mayor de Defensa*), which will reach EUR 123 million. At the same time, the Secretary of State for Defence (*Secretaría de Estado de Defensa*) will see a 9.06 per cent increase in budget allocation, reaching EUR 505 million. The Army budget will decrease by 14.26 per cent, amounting to EUR 341 million instead of EUR 398 million of 2015. The Navy will register an 11 per cent decrease (EUR 151.6 million in 2016, compared to EUR 170 million in 2015). The Air Force budget will also be reduced by 15.6 per cent in 2016, relying on EUR 160 million instead of EUR 189 million in 2015.¹¹⁷ Against this backdrop, it is not possible to make any forecast for the defence budget and new investments in equipment after 2016.

Switzerland is planning to invest CHF 1.013 billion for military acquisitions in 2016.¹¹⁸ This means its share of the total defence budget of CHF 4.733 billion for 2016 is 21.40 per cent. Switzerland does not specify the budget for military acquisitions for each year of its financial planning. However, from the current level of CHF 1.013 billion, it is projected to increase to CHF 1.218 billion in 2019.¹¹⁹ Since the largest uncertainty in Swiss armament programmes – the vote on the Gripen acquisition – is off the table, the rest of the investments and programmes, such as a new ground based air defence system, will likely be safe. However, the need to replace the ageing Swiss fleet of fighter aircrafts, especially

in *A Strategy for Southern Europe*, London, LSE IDEAS, October 2013, p. 36-45,
<http://www.lse.ac.uk/IDEAS/publications/reports/pdf/SR017/Teixeira&Pinto.pdf>.

¹¹² UK Trade & Investment, *UKTI DSO Market Brief*, May 2013,
<https://www.gov.uk/government/publications/defence-and-security-export-market-briefing-portugal>.

¹¹³ The defence budget for 2016 should be formally presented in the *Presupuesto Ministerio Defensa año 2016* in spring/summer 2016. See Spanish MoD, *Presupuestos Defensa 2016: Comparecencia Congreso de los Diputados*, 20 August 2015,
http://www.defensa.gob.es/Galerias/gabinete/ficheros_docs/2015/SEDEF-presupuestos-2016.pdf.

¹¹⁴ “Defensa destinará más de 1.000 millones para Programas Especiales de Armamento en 2016”, in *Infodefensa.com*, 20 August 2015, <http://www.infodefensa.com/es/2015/08/20/noticia-defensa-presupuesta-millones-programas-especiales-armamento.html>.

¹¹⁵ Spanish Ministry of Industry, Energy and Tourism, *El Ministerio de Industria, Energía y Turismo presenta los presupuestos para 2016 con más inversiones en industria*, 20 August 2015,
<http://www.minetur.gob.es/es-ES/GabinetePrensa/NotasPrensa/2015/Paginas/20150820-presupuestos-2016.aspx>.

¹¹⁶ In 2015 the Government issued a Law Decree to allow an extra credit to pay the aforementioned Special Equipment Programmes. For a more detailed analysis of defence budget in Spain, see Antonio Fonfría, “Presupuestos de defensa en España: mitos y recién llegados”, in *Análisis del Real Instituto Elcano (ARI)*, No. 65/2015 (13 November 2015),
http://www.realinstitutoelcano.org/wps/portal/web/riecano_es/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_es/zonas_es/defensa+y+seguridad/ari65-2015.

¹¹⁷ The data was obtained by comparing the 2015 defence expenses with the percentages of 2016 Draft budget. See Spanish MoD, *Presupuesto Ministerio Defensa año 2015*, March 2015, p. 41,
<http://www.defensa.gob.es/defensa/presupuestos>; and *Presupuestos Defensa 2016*, cit., p. 10-11.

¹¹⁸ Swiss Ministry of Finance, *Bericht zum Voranschlag V2016*, 19 August 2015, p. 72,
<https://www.efv.admin.ch/efv/de/home/themen/finanzberichterstattung/budget.html#-1180522631>.

¹¹⁹ Swiss Ministry of Finance, *Legislaturfinanzplan 2017-2019*, 15 February 2016, p. 95,
<https://www.efv.admin.ch/efv/de/home/themen/finanzberichterstattung/finanzplaene.html>.

the F-5, remains relevant and will become urgent again in the early 2020s at the latest. The **UK's** Strategic Defence and Security Review (SDSR) 2015 was prepared over a six-month period with broad stakeholder consultation and involvement across Britain and with allies. It unveiled a GBP 178 billion forward equipment programme over ten years representing a real term above inflation uplift of one percent in the provision of equipment.¹²⁰ The UK announced the purchase of 138 F-35 aircrafts over the life of this capability, the commitment to operating both Queen Elizabeth-type aircraft carriers, a mix of a new-frigate and corvette surface fleet and the buying “off-the-shelf” of Boeing-P8 maritime patrol aircraft. The Equipment Plan (including equipment support) represents 48.8 percent of the overall defence budget of GBP 34 billion per annum.¹²¹ The UK defence policy stance is driven by its reliance upon alliances and international partners. There is a sense the vote to leave the EU, to be legally implemented via the Article 50 of the Treaty on the European Union (TEU), will likely cause defence commitments to be revisited especially given the international nature of defence supply chains.

¹²⁰ UK Government, *National Security Strategy and Strategic Defence and Security Review 2015*, 23 November 2015, <https://www.gov.uk/government/publications/national-security-strategy-and-strategic-defence-and-security-review-2015>.

¹²¹ UK MoD, *SDSR 2015 Defence Fact Sheets*, 15 January 2016, <https://www.gov.uk/government/publications/sdsr-2015-factsheets>.

Chapter 2 - Defence Cooperation

Edited by Alessandro Marrone and Daniele Fattibene

2.1 Defence cooperation at bilateral level

Bilateral cooperation confirmed to be the main form of defence cooperation in Europe with 22 cases registered in the last months. These developments have been almost equally distributed among neighbouring countries and non-neighbouring ones, with a prevalence of the former. These developments emerged both in CEE countries and in Western Europe. Except for one case involving France and the UK, these developments mostly occurred outside of existing cooperation frameworks.

After the activation of article 42.7 of the TEU, bilateral discussions have initiated and are still taking place between the French MFA, Ambassadors and national authorities of other countries (MFAs, MoDs, Prime Ministers and/or their offices) in the respective capitals regarding the type of assistance which could be provided to Paris against Islamic international terrorism.¹²² Fourteen countries have responded to France's request and this has been an important political gesture. Belgium, Germany, and the UK reacted swiftly;¹²³ Bulgaria, Czech Republic, Denmark, Estonia, Latvia, Lithuania, Luxembourg, Romania, Slovakia, Slovenia and Sweden have also made commitments.¹²⁴ For the time being, Austria, Greece, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal and Spain have not made any official commitments. Spain however is evaluating the French proposal of incrementing Spanish military contingents in Mali and Central African Republic.¹²⁵ The number of bilateral agreements reached between France and single partners are not part of the counting of cooperation cases in this chapter, since so far they did not have a direct effect in terms of capability development. Yet, they are reported as significant *ad hoc* examples of bilateral cooperation within DBC31 countries, mainly on operational and political aspects, caused by non-conventional threats such as Islamic international terrorism. Moreover, it should be noticed that the use of art. 42.7 to trigger a net of bilateral cooperation *de facto* had the effect to downplay the efforts on EU multilateral cooperation under the aegis of the Common Security and Defence Policy (CSDP) regarding this non-conventional threat.

2.1.1 Working with neighbours

Defence cooperation between neighbouring countries still represents a crucial trend for cooperative initiatives among DBC31 countries. 16 cases have been highlighted involving countries in CEE, the Nordic Region, SEE and Western Europe.

¹²² Suzana Elena Anghel and Carmen-Cristina Cirlig, "Activation of Article 42.7 TEU France's request for assistance and Member States' responses", in *EPRS Briefings*, December 2015, [http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI\(2015\)573883](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2015)573883).

¹²³ Nicolas Gros-Verheyde, "Quels pays ont répondu à l'appel de la France? François confirme les infos B2!", in *Bruxelles2*, 18 December 2015, <http://www.bruxelles2.eu/?p=59911>.

¹²⁴ Nicolas Gros-Verheyde, "La clause d'assistance mutuelle déclenchée par la France: bilan un mois après (enquête)", in *Bruxelles2*, 17 December 2015, <http://www.bruxelles2.eu/?p=59888>.

¹²⁵ Guillermo Altares, "Francia espera la propuesta de España en la lucha contra el ISIS", in *El País*, 22 November 2015, http://internacional.elpais.com/internacional/2015/11/22/actualidad/1448204707_313150.html.

Czech Republic and Slovakia signed an agreement regarding the cooperation of Military Police. According to it both services will be training together and will be also trained by US instructors.¹²⁶ Moreover, the General Staffs in Prague and Bratislava are working on closer cooperation of land forces, mostly support units (medical support, maintenance etc.) which would particularly cover units located close to Czech-Slovak border. The cooperation will assure a quicker reaction in case of e.g. natural disasters in Czech Republic and Slovakia and will also help to establish a procedure for common protection of borders.¹²⁷ Finally, the two countries discussed the development of Air Force training by preparing Gripen's pilots in the military universities in Slovakia as well as a common training for joining crisis-management operations and exercises (Forward Air Controller – FAC).¹²⁸ Although this cooperation was mainly driven by technical and military considerations, it confirms the pattern of increasing military integration between the two countries. In the future, this could result in the long-discussed common airspace policing, with Czech and Slovak aircraft mutually responsible for intercepting renegade airplanes. Polish and Swedish MoDs signed a Framework Agreement on bilateral defence cooperation. Both countries decided to strengthen cooperation in response to the deterioration of the security environment in the Baltic Sea region. The agreement is to facilitate military exercises but also other, unspecified forms of cooperation. Polish Military Aviation Works (WZL) and SAAB signed an agreement stating that both companies will promote the modernization offer for Polish MiG-29 multipurpose combat aircraft. The aim of the modernization is to equip the fleet of Polish aircraft with SAAB's electronic warfare self-protection systems. Military cooperation between the two countries was so far limited to exercises and the purchase of Swedish RBS 15 MK3 anti-ship missiles by Poland. With the change of geopolitical situation due to Russian aggressive posture, Stockholm perceives Warsaw as an important partner, whose policy will be crucial for regional security.¹²⁹

A bilateral agreement between Sweden and Denmark was signed on 14th January 2016 regarding the use of each other's airspace and territorial waters.¹³⁰ Military aircraft and ships will be allowed to cross the other nation's territory without this being regarded as a territorial incursion.¹³¹ Increased cooperation in exercises, safe and secure communications are also part of the agreement. Bases and ports can also be used, and a

¹²⁶ Czech MoD, *Čeští a slovenští vojenští policisté budou více cvičit společně* (Czech and Slovak Military Polices will be training together more and more), 20 November 2015, <http://www.mocr.army.cz/informacni-servis/zpravodajstvi/cesti-a-slovensti-vojensti-policiste-budou-vice-cvicit-spolecne-117050>.

¹²⁷ "Spolupráce české a slovenské armády se zaměří i na ochranu hranic" (Czech and Slovak Armed Forces cooperation will also focus on border protection), in *ParlamentníListy.cz*, 7 December 2015, <http://www.parlamentnilisty.cz/zpravy/tiskovezpravy/Spoluprace-ceske-a-slovenske-armady-se-zameri-i-na-ochranu-hranic-411785>.

¹²⁸ Jana Skřivánková, "Spolupráce při výcviku českých a slovenských letců" (Czech and Slovak pilots training cooperation), in *Letectvo.Sk*, 14 December 2015, <http://www.letectvo.sk/ozbrojene-sily/spoluprace-pri-vycviku-ceskych-a-slovenskych-letcu>.

¹²⁹ Polish MoD, "Minister obrony Szwecji w Polsce" (Bulgarian Minister of Defence in Poland), 14 September 2015, <http://mon.gov.pl/aktualnosci/artukul/najnowsze/2015-09-13-minister-obrony-szwecji-w-polsce--->.

¹³⁰ Memorandum of Understanding between the Government of the Kingdom of Sweden and the Ministry of Defence of the Kingdom of Denmark on enhanced Cooperation within the Air and Maritime Domain, 14 January 2016, <http://www.fmn.dk/nyheder/Documents/signed-mou-danish-swedish-enhanced-defence-cooperation-2016-01-11.pdf>.

¹³¹ Swedish MoD, *Sverige fördjupar sitt fredstida försvarssamarbete med Danmark* (Sweden deepens its peace-time cooperation with Denmark), 14 January 2015, <http://www.regeringen.se/artiklar/2016/01/sverige-fordjupar-sitt-fredstida-forsvarssamarbete-med-danmark>.

common recognized air and sea picture is to be shared. The Armed Forces of the respective countries are tasked with the implementation of the agreement. The context is the flight of Russian military aircraft flying with transponders off in congested airspace (also for signal intelligence purposes), and the cooperation is meant to address the deteriorating security situation in and around the Baltic Sea region. The agreement is limited to peace-time and crisis. The territories of Greenland and the Faeroe Islands are expressly excluded from the MoU. The MoU builds on earlier cooperation among the Nordics, but it is the first time such an agreement between Denmark (a NATO member) and Sweden (a non-NATO member) has been signed. The deal is similar to the one achieved between Sweden and Finland though less ambitious (Cf. 1st DBC study, particularly the fact Swedish-Finnish agreement applies in peacetime, crisis “...and beyond”).

Bilateral cooperation involving Bulgaria and Romania was epitomized by a joint exercise entitled “Blue Bridge 2015”, which was held on 29th September-1st October 2015 in both countries’ territories and which was aimed to prepare the Air Police mission by applying common procedures and specific tactics.¹³²

In November 2015, the French Minister of Defence Jean-Yves Le Drian and his British counterpart Michael Fallon signed an agreement on missile technologies. France and the UK agreed to share their technologies to promote the development of a new generation of airborne anti-ship missile, called Sea Venom or “Anti-navire léger” by the Franco-British-Italian group MBDA. Other agreements were signed between the two countries. In April 2016, France and the UK will hold an important common drill, entitled “Griffin Strike”, involving a large number of French and British personnel. In the matter of nuclear cooperation, the completion of British facilities in the French nuclear centre of Valduc, in Burgundy, will be concluded in 2016. France and the UK will jointly work in Valduc to ensure safety and reliability of their nuclear weapons. According to Le Drian, both countries will also increase collaboration in areas of special forces, counter-terrorism and cyber security.¹³³

Dutch–German cooperation outlined in the 1st DBC study was confirmed. The two countries announced plans to integrate their brigades, notably the Dutch 43th Mechanized Brigade into the German 1st Armoured Division. At the same time, a German tank battalion (the 414th) will be integrated into the 43th Mechanized Brigade. Within the 414th tank battalion, one company will be Dutch. Furthermore, with the goal to ensure interoperability and commonality, Germany will upgrade the Netherlands’ 16 remaining Leopard 2A6 tanks to A7 standard and pool them with its own Leopard 2 tanks. The Netherlands will then lease the tanks necessary to form a company of 18 Leopard 2s.¹³⁴ Since the German 414th tank battalion is a newly formed unit (decision for its establishment was taken in the wake of the Ukraine crisis), one could argue that the integration of Dutch forces into it is also driven by Russia’s aggressive posture and NATO

¹³² “Aviation News from Romania: 5 to 11 October 2015”, in *Aeroglob*, <http://www.aeroglob.org/ua/archive/aviation-news-from-romania--5-to-11-october,-2015-360.html>.

¹³³ UK Government, *Joint complex weapons agreement with France as UK and French relations deepen*, 3 November 2015, <https://www.gov.uk/government/news/joint-complex-weapons-agreement-with-france-as-uk-and-french-relations-deepen>.

¹³⁴ Nicholas Fiorenza, “Dutch mechanized brigade to be integrated into German panzer division”, in *IHS Jane’s 360*, 18 September 2015, <http://www.janes.com/article/54636>; Thomas Wiegold, “Deutsch-Niederländische Zusammenarbeit - Panzer für die Landmacht, Standort für Deutschland”, in *Augen Geradeaus!*, 15 September 2015, <http://augengeradeaus.net/?p=21245>; Jakub Palowski, “Dutch-German Armoured Unit Stationed at the Barracks Used by the Desert Rats”, in *Defence24*, 12 January 2016, <http://www.defence24.com/290844,dutch-german-armoured-unit-stationed-at-the-barracks-used-by-the-desert-rats>.

focus on collective defence.

Developments at the bilateral level were registered between France and Italy. In November 2015, the Horizon Steering Committee, co-chaired by the Italian Admiral Donato Marzano and the Ingénieur Général de l'Armement François Pintart, reached two results. Firstly, it established a bilateral technical agreement on the exchange of logistic information, which allows the sharing of technical expertise on the Classe Orizzonte, a missile launcher. Secondly, it sets up the collaboration between French Army and Finmeccanica for the revision of the 76/62SR installations on the Chevalier Paul and Forbin.¹³⁵

France and Belgium decided to improve their intelligence cooperation to fight against terrorism. The French Prime Minister, Manuel Valls and the Belgian Prime Minister, Charles Michel, stated after a meeting in Paris that they intended to “launch an initiative” to “prolong and expand, while better formalising, the multilateral exchange of information” between nations inside the Schengen zone.¹³⁶ Moreover, the Belgian frigate Leopold 1er cooperated with the French Navy as part of operation Chammal against the Islamic State. The Leopold 1er escorted the French aircraft carrier Charles de Gaulle in eastern Mediterranean Sea and in Persian Gulf.¹³⁷

A joint training of French and Belgian Air Forces took place at the Mont-de-Marsan airbase, in the southwest on France. Five Belgian F-16 participated in several drills in matter of close air support.¹³⁸

Military cooperation is to be strengthened between Austria and Switzerland, as announced by the Austrian Minister of Defence Gerald Klug and his Swiss colleague, Ueli Maurer. Joint military training already took place and will be extended in 2016. Another cooperation option that is being explored is the sharing of the Austrian Hercules transport aircraft fleet until Switzerland has taken a decision on the replacement of their own. Yet, this decision is not likely to be taken before 2018.¹³⁹

2.1.2 Bilateral cooperation with non-neighbouring countries

In September the Italian and Finnish MoDs, together with the respective Associations of Industries for Defence and Aerospace, signed a MoU on defence cooperation. It is considered an important business-to-government and business-to-business agreement, which could enhance defence cooperation among the two countries, through the organization of annual meetings as well as ad hoc working groups.¹⁴⁰

¹³⁵ Italian Navy, *Importanti traguardi nella cooperazione fra le Marine italiana e francese all'Horizon Steering Committee*, 16 November 2015, http://www.marina.difesa.it/Notiziario-online/Pagine/20151116_horizon.aspx; “Marina militare, accordo Italia-Francia. In Arsenale la revisione di sei cannoni”, in *La Nazione*, 13 November 2015, <http://www.lanazione.it/la-spezia/marina-militare-1.1483734>.

¹³⁶ “France, Belgium push intelligence sharing after Paris attacks”, in *EurActiv*, 1 December 2015, <http://eurac.tv/hr2>.

¹³⁷ FNAME National, *Chammal: La frégate belge Léopold 1er quitte l'escorte du groupe aéronaval*, 7 January 2016, http://fname.info/index.php?option=com_content&view=article&id=1029.

¹³⁸ French Air Force, *Des F16 belges sur la base de Mont-de-Marsan*, 6 January 2016, <http://www.defense.gouv.fr/air/actus-air/des-f16-belges-sur-la-base-de-mont-de-marsan>.

¹³⁹ Austrian MoD, *Engere Zusammenarbeitvereinbart: Klug zu Besuch in der Schweiz*, 17 April 2015, <http://www.bundesheer.at/cms/artikel.php?ID=7681>; “Swiss and Austrian armies consider collaboration”, in *Swissinfo.ch*, 16 April 2015, http://www.swissinfo.ch/eng/teamwork_swiss-and-austrian-armies-consider-collaboration/41384418; “Erneute Bruchlandung”, in *Neue Zürcher Zeitung*, 22 September 2015, <http://www.nzz.ch/schweiz/erneute-bruchlandung-1.18617504>.

¹⁴⁰ AIAD, *La Federazione AIAD e l'associazione finlandese AFDA hanno siglato un accordo di*

Italy is fostering cooperation on a bilateral level with Poland. The two Governments will cooperate in aerospace sector, with the Italian Teledife (Direction of Information and Telematic Advanced Technology of the General Secretariat of Italian MoD) ensuring the furniture of the piece of earth and ground-segment to the Polish MoD (Polish Defence User Ground Segment – P-DUGS) for the reception and elaboration of data and products from Italian satellites within the framework of the COSMO-Sky Med programme.¹⁴¹ Broadly speaking, Italy is interested in cooperating with Poland, considering the relevance of both Polish defence budget and industrial capabilities, as well as the links already established with Italian DTIB (i.e. Finmeccanica and Avio).

Poland's will to cooperate with countries in Nordic Region and Western Europe is also epitomized by the announcement that the Polish Government will launch a tender in 2016 to purchase three submarines, for an amount of EUR 2 billion, scheduled to be delivered in 2020-2025. In this context, Czeslaw Mroczek, former Polish Deputy Minister of Defence, stated that Poland could buy submarines in a common bid with other NATO members, like Norway or the Netherlands, to cut costs.¹⁴²

Another development regards Spanish and German aerospace and defence industries. In the context of the SMILE project, which already involves more than 13 European agencies, the Spanish PDL Space signed a contract with the German Space Agency (DLR). PDL Space established a new type of rocket motor with liquid combustible and will share its expertise with the DLR.¹⁴³

The Netherlands and Norway MoDs signed two agreements in October at The Hague and held discussions about bilateral and multilateral cooperation.¹⁴⁴

2.2 Mini-lateral cooperation slightly increases

Some developments occurred at the mini-lateral level, with 9 cases analysed and the majority of them were related to existing cooperation initiatives.

Important developments took place with regard to the EUROMALE programme. As outlined in the 1st DBC study, on 18th May 2015 France, Germany and Italy agreed on the launch of a joint definition study. In December 2015, Spain decided to join the programme.¹⁴⁵ German MoD will take over 31 per cent of the cost of the definition study, i.e. EUR 18.6 million, while other partners will contribute 23 per cent, namely EUR 13.8 million, each.¹⁴⁶ On 25th November 2015, the OCCAR Board of Supervisors authorized the assignment of the programme to the Organization for management purposes.¹⁴⁷ Under

collaborazione, 24 September 2015, <http://www.aiad.it/en/news.wp?contentId=NEW10903>.

¹⁴¹ "Cosmo SkyMed: la collaborazione tra Italia e Polonia", in *Analisi Difesa*, 3 September 2015, <http://www.analisdifesa.it/2015/09/cosmo-skymed-si-consolida-la-collaborazione-tra-italia-a-polonia>.

¹⁴² "Poland may buy submarines with other NATO members: Minister", in *Reuters*, 6 September 2015, <http://reut.rs/1VGllt8>.

¹⁴³ PLD Space, *PLD Space probará motores de propulsión líquida para el Centro Alemán para Aviación y Vuelos Espaciales (DLR)*, 7 January 2016, <http://www.pld-space.com/blog/es/2016/01/07/pld-space-probara-motores-propulsion-liquida-centro-aleman-aviacion-vuelos-espaciales-dlr>.

¹⁴⁴ Norwegian Embassy in The Hague, *The Defence Ministers of Norway and the Netherlands meet in The Hague*, 6 November 2015, http://www.noorwegen.nl/News_and_events/Anders/The-Defence-Ministers-of-Norway-and-the-Netherlands-meet-in-the-Hague.

¹⁴⁵ Thomas Wiegold, "DroneWatch: Esgeht (formal) voranmit der Euro-Drohne, Spanienviertes Land", in *Augen Geradeaus!*, 11 December 2015, <http://augengeradeaus.net/?p=22355>.

¹⁴⁶ "España, Italia y Francia desarrollarán el dron europeo MALE bajo el liderazgo de Alemania", in *Infodron.es*, 18 December 2015, <http://www.infodron.es/id/2015/12/18/noticia-alemania-liderara-desarrollo-europeo.html>.

¹⁴⁷ OCCAR, *MALE RPAS Programme Management Authorisation approved*, December 2015,

the management of OCCAR, a two-years contract for a definition study is expected to be assigned by the first half of 2016 to a consortium of European industries including Airbus, Dassault and Finmeccanica,¹⁴⁸ even if the industrial agreement is not completely defined. In parallel, in December 2015, EDA signed a contract for the ERA project, aimed at contributing to the integration of RPAS into common airspace in Europe by addressing technical and procedural issues, in liaison with other EDA projects such as Mid Air Collision Avoidance System (MIDCAS) and Demonstration of Satellites enabling the Insertion of RPAS in Europe (DESIRE) as well as with the European Organization for Civil Aviation Equipment (EUROCAE).¹⁴⁹ The 42-months-long project is supported by France, Germany (lead nation), Italy, Poland and Sweden with an overall budget of EUR 31 million, and it has been awarded to an industrial consortium led by Airbus Defence and Space and including Elektroniksystem-und Logistik-GmbH, Finmeccanica, ONERA, Saab, Thales and nine partners from Poland.¹⁵⁰

In January 2016, the French Defence Procurement Agency (Direction General Armaments - DGA), announced that France signed a contract with Eurosam, a European consortium involving French, British and Italian industries in the framework of the Aster programme. The goal is to develop a new version of the ground-to-air missile: Aster 30 Block 1 New Technology (B1NT). The amount of the contract, which includes production of the new weapon for French forces, could be of EUR 400 million.¹⁵¹ Although the development is part of the Lancaster Treaty, Italy also signed a MoU with France and the UK to improve its Aster's capabilities, whereas it is likely that Italy could sign a similar contract with Eurosam to upgrade the Italian Aster units.

A potential stimulus for mini-lateral cooperation among DBC31 countries could emerge from the MoU signed last September between Italy and Kuwait on the purchase by the latter of 28 Eurofighter Typhoon aircraft. The aircraft will in fact be provided by the European consortium made of Germany, Italy, Spain and the UK.¹⁵² As in the case of previous Eurofighter export to Saudi Arabia, this is the result of a cooperative effort undertaken around three decades ago by these four European countries.

Greece and Cyprus conducted military exercises with Israel¹⁵³ and, separately, with Egypt,¹⁵⁴ and continued to strengthen multi-level cooperation with those countries through the format of trilateral cooperation. In SEE the need to tackle the migration crisis is a potential stimulus for cooperation with countries either in or outside the EU.

Finally, it is worth mentioning that in November 2015 the V4 Battle Group has passed a

<http://www.occar.int/379>.

¹⁴⁸ Lars Hoffmann, "Germany to Lead Development of European UAV", in *Defense News*, 11 December 2015, <http://defnews.ly/1Y7EIf4>.

¹⁴⁹ EDA, *New project to facilitate integration of RPAS into European airspace*, 11 February 2015, <https://www.eda.europa.eu/info-hub/press-centre/latest-news/2016/02/11/new-project-to-facilitate-integration-of-rpas-into-european-airspace>.

¹⁵⁰ Air Force Institute of Technology (leadership Polish consortium), Institute of Aviation, Hertz Systems Ltd., EUROTECH, PIAP (Przemysłowy Instytut Automatyki Pomiarów), Eskadra Grzegorz Trzeciak, Politechnika Rzeszowska (Rzeszow University of Technology - RUT), WB Electronics S.A., Asseco Poland S.A.

¹⁵¹ Nicholas de Larrinaga, "France launches upgrade of Aster 30 missile's BMD capabilities", in *IHS Jane's 360*, 17 January 2016, <http://www.janes.com/article/57248>.

¹⁵² Celestina Dominelli, "Finmeccanica, Kuwait alla firma su Eurofighter", in *Il Sole 24 Ore*, 13 February 2016, <http://www.ilsole24ore.com/art/finanza-e-mercato/2016-02-13/finmeccanica-kuwait-firma-eurofighter-081612.shtml>.

¹⁵³ Anastassios Adamopoulos, "Israeli and Greek Militaries Reportedly Conducted Secret Training Exercises in Greece", in *Greek Reporter*, 4 December 2015, <http://greece.greekreporter.com/?p=244431>.

¹⁵⁴ Anastassios Adamopoulos, "Greece and Egypt Conduct Joint Aeronautical Exercise", in *Greek Reporter*, 9 December 2015, <http://greece.greekreporter.com/?p=249671>.

certification, which confirmed its level of preparation, by achieving full readiness to operate.¹⁵⁵

2.3 Multilateral cooperation: growing but still lagging behind

In comparison to the period covered by the previous DBC study (April-September 2015) a significant amount (8 cases) of multilateral defence cooperation developments were registered.

At the EU level, as part of the “Tandem-X” project in November 2015 Germany decided to share sophisticated satellite data with 35 partner nations. The data, which is a 3-D image of the Earth’s surface in unprecedented detail, was gathered by two satellites.¹⁵⁶

At NATO level, the Alliance’s Communication and Information Agency (NCIA) signed an agreement with Bulgaria, in relation with the implementation of the project for the integration of NATO forces (NATO Force Integration Unit - NFIU) and NATO Security Investment Programme (NSIP).¹⁵⁷ This is linked to the opening of the Headquarters of the Multinational Division “South East” (HQ MND-SE) in Bucharest. All these decisions are part of the measures to increase the NATO readiness set out in the Readiness Action Plan (RAP) adopted at 2014 Wales Summit.¹⁵⁸

The decision taken by NATO’s Defence Ministers to launch a new mission in the Aegean Sea managed by the Alliance’s Standing Maritime Group 2 – under German command – with the aim to fight human trafficking is another example of multinational cooperation. The mission, in cooperation with EU’s border management Agency (FRONTEX), is tasked to gather intelligence to eradicate criminal organizations involved in these activities, as well as to conduct reconnaissance, monitoring and surveillance of illegal crossings in the Aegean.¹⁵⁹

Among NATO exercises in recent months the most relevant has been the Trident Juncture drill, which involved 36,000 troops coming from 37 countries¹⁶⁰ with the aim to certify the readiness of the NATO Response Force (NRF). It is also worth mentioning the first experimental study “Balkan Bridges - 2015”, held in Bulgaria and aimed at developing a network for training and exercises of SEE.¹⁶¹

Finally, Belgium decided to join the NATO CCDCOE. A Belgian delegation visited the CCDCOE in Tallinn to start negotiations about the accession of Belgium to the status of sponsoring nation.¹⁶² For the sake of completeness, Sweden opened discussion to join as

¹⁵⁵ “Poland will become the NATO ‘Spearhead’ leading Nation in 2020. V4 Battle Group Ready to operate”, in *Defence24*, 20 December 2015, <http://www.defence24.com/284508,poland-will-become-the-nato-spearhead-leading-nation-in-2020-v4-battle-group-ready-to-operate>.

¹⁵⁶ Lars Hoffmann, “Germany To Supply Geo Data to 35 Military Partners”, in *Defense News*, 6 November 2015, <http://defnews.ly/1NxUmix>; Matthias Gebauer and Gerald Traufetter, “Satelliten-Projekt ‘Tandem X’: USA drängen auf Daten-Deal mit der Bundeswehr”, in *Spiegel Online*, 3 November 2015, <http://spon.de/aeB9E>.

¹⁵⁷ Bulgarian MoD, *Военнослужещи от Българската армия бяха удостоени с висши офицерски звания* (Bulgarian Army soldiers were honoured with senior officer ranks), 30 March 2016, http://www.md.government.bg/bg/news_archive.php?fn_month=3&fn_year=2016.

¹⁵⁸ Ibid.

¹⁵⁹ NATO, *NATO Defence Ministers Agree on NATO support to assist with the Refugee and Migrant Crisis*, 11 March 2016, http://www.nato.int/cps/en/natohq/news_127981.htm.

¹⁶⁰ NATO, *Exercise Trident Juncture 2015 - Factsheet*, October 2015, http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2015_10/20151021_151021-tj15-infograph.pdf.

¹⁶¹ Bulgarian MoD, *Военнослужещи от Българската армия бяха удостоени с висши офицерски звания* (Bulgarian Army soldiers were honoured with senior officer ranks), cit.

¹⁶² CCDCOE, *Belgium set to join the NATO Cooperative Cyber Defence Centre of Excellence*, 20

Partnership for Peace (PfP) country the NATO Strategic Communication centre in Riga, but no decision has been announced so far.

Outside of NATO and EU frameworks, a relevant development was registered within the 5+5 Defence Initiative including 5 European countries (France, Italy, Malta, Portugal and Spain) and 5 countries from the MENA region (Algeria, Libya, Mauritania, Morocco and Tunisia). The 7th meeting of Chiefs of Staff of the Member States' navies took place in October 2015, and focused on the current threats and risks faced by the countries relating to terrorism, illegal immigration and cross-border crime. It aimed to upgrade military and operational capabilities to counter the new regional challenges, projecting an action plan to tackle today complex problems with a unified strategy.¹⁶³ In this context, also "Seaborder 15" exercise was held.¹⁶⁴

A potential stimulus for defence cooperation could derive from the need to manage the increased migration flows deeply affecting EU societies and politics, as well as to tackle instability in the Middle East and North Africa (MENA) region where these flows originate and/or transit. Alongside with the aforementioned cooperation in SEE and within NATO framework, it should be noticed the continuation of EUNAVFORMED mission, which may soon progress to "Phase 3", which would allow to operate within Libya's territorial waters but also to training Libyan coastguards as well as to assist the Government in the Security Sector Reform. However, the success of this phase strongly depends on the effective and durable setting up of the new Libyan Government.¹⁶⁵

2.4 Germany: decreased but still significant role in terms of defence cooperation

The trend highlighted in the 1st DBC study concerning a significant role of Germany in the European defence cooperation landscape was confirmed, but with a relative decrease in the number (11 cases) of relevant examples. These developments were on the one hand the prosecution of agreements signed in the past months notably with Poland and Lithuania and on the other hand, new initiatives with neighbours such as Austria and Switzerland.

In December 2015, Polish Armament Inspectorate and Polish Armament Group (PGZ) signed a contract on modernization of 123 Leopard 2A4 tanks worth PLN 2.4 billion (USD 550 million). The modernization will be carried by a Polish consortium in cooperation with Rheinmetall, one of the co-producers of the tank. The participation of Polish companies in the project is estimated to reach 50 per cent of the value of the contract. Such a model of cooperation fits into Polish priorities to develop national defence industrial base, assure the transfer of technologies through cooperation and achieve maximum maintenance autonomy.¹⁶⁶

November 2015, <https://ccdcoe.org/node/789.html>.

¹⁶³ "5+5 Defence Initiative', Meeting Begins in Tunisia", in *Qatar News*, 7 October 2015, <http://www.qna.org.qa/en-us/News/15100720470070/55>.

¹⁶⁴ Spanish MoD, *The patrol vessel 'Vigía' concludes her participation in Exercise 'SEABORDER 15' in Portuguese waters*, 2 October 2015, http://www.armada.mde.es/ArmadaPortal/page/Portal/ArmadaEspañola/conocenos_noticias/prefLang_en/00_noticias--2015--10--NT-189-VIGIA-SEABORDER-INGLES_en?_selectedNodeID=2304097&_pageAction=selectItem.

¹⁶⁵ Gianandrea Gaiani, "Mogherini: EUNAVFOR MED verso la fase 3?", in *Analisi Difesa*, 3 February 2016, <http://www.analisdifesa.it/?p=33103>.

¹⁶⁶ "Modernizacja Leopardów za 2 mld zł. Umowa PGZ i MON" (PNL 2 billion for Leopard 2 modernisation. The PGZ-MoD contract), in *Defence24*, 28 December 2015, <http://www.defence24.pl/287506,modernizacja-leopardow-za-2-mld-zl-umowa-pgz-i-mon>.

As anticipated in the 1st DBC study, the MoDs of Germany and Lithuania signed the procurement agreement for 21 self-propelled PzH2000 howitzers including the training of Lithuanian soldiers at the German Army training centre in Idar-Oberstein. The agreement also includes the delivery of 26 M577 V2 armoured command vehicles and 6 BPZ2 recovery tanks.¹⁶⁷

In October 2015, Austria, Germany and Switzerland conducted a joint workshop on Military Disaster Relief Cooperation. The trilateral cooperation framework ensures support and assistance in case of natural or humanitarian disasters. The workshop included a joint exercise in Bregenz.¹⁶⁸ Agreements between Austria and Switzerland may be put in relation with budget cuts and the high cost for the acquisition on a new transport aircraft in Switzerland.

The significant role of Germany is demonstrated also by Berlin's substantial participation in defence cooperation previously analysed in this chapter. Indeed, Germany is taking the lead of the EUROMALE and ERA project, as well as of the NATO mission in the Aegean Sea, and of the sharing satellite data within the Tandem X project. The aforementioned analysis of German decision about Heavy Transport Helicopters procurement underlines another element of Berlin's important role.

2.5 United States: still significant role in terms of defence cooperation

The US kept a significant role in defence cooperation in Europe, with 6 cases registered among DBC31 countries. Washington's role has remained important not only in terms of procurement, but also at the operational level with several drills organized, notably in CEE.

As for procurement, Poland signed an implementation deal for the Polish-US SOFA, which will enable the prepositioning of US equipment in five different locations in its territory. Prepositioning will be financed from the US European Reassurance Initiative (ERI) but Polish authorities will also contribute with investments for the necessary infrastructure. Although the agreement was signed within the framework of Polish-US bilateral cooperation it is also a part of NATO RAP. This will augment US presence in Poland and further enhance bilateral cooperation based on the arms sales (F16, JAASM), rotational presence of US fighter and transport aircraft in Poland (Aviation Detachment and Heavy Detachment) and planned US investment in ballistic missile defence base, which is a part of the European Phased Adaptive Approach (EPAA) project.¹⁶⁹

The UK signed a G2G deal with Washington for the purchase of two new maritime patrol aircraft. This seems to be in contradiction with the coalition Government's White Paper of 2012, which stated clearly that Government policy towards capability generation would

¹⁶⁷ Nicholas de Larrinaga, "Lithuania orders German PzH 2000s", in *IHS Jane's 360*, 29 September 2016, <http://www.janes.com/article/54876>; Lithuanian MoD, *Ministry of National Defence will sign a contract on procuring PzH2000 self-propelled howitzers from the German Armed Forces*, 28 September 2015,

http://www.kam.lt/en/news_1098/current_issues/ministry_of_national_defence_will_sign_a_contract_on_procuring_pzh2000_self-propelled_howitzers_from_the_german_armed_forces.html; Nicholas Fiorenza, "PzH 2000 Armored Howitzers For Iron Wolves", in *Aviation Week*, 30 September 2015, <http://aviationweek.com/blog/pzh-2000-armored-howitzers-iron-wolves>.

¹⁶⁸ German Joint Support Service Command (KdoSKB), *Ulm Command 'NATO Beacon Project'*, 25 November 2013; Austrian Air Force, *Experten-Workshop zum Thema "Assistenzeinsätze und Unterstützungsleistungen"*, 21 October 2015, <http://www.bundesheer.at/cms/artikel.php?ID=8012>.

¹⁶⁹ Polish MoD, *Powstanał bazy sprzętu amerykańskiego w Polsce* (US equipment depots will be created in Poland), 8 October 2015, <http://mon.gov.pl/aktualnosci/artykul/najnowsze/2015-10-08-powstana-bazy-sprzetu-amerykanskiego-w-polsce>.

be conducted, where possible, through “off-the-shelf” procurement of mature assets and platforms following global open competition to meet a stated requirement.

Bulgaria¹⁷⁰ hosted the first joint Bulgarian-American exercises "Platinum Lion 2016" in January 2016,¹⁷¹ and was also involved in a multilateral exercise with Romania, Turkey and the US in the western part of the Black Sea.

2.6 Reducing dependency on Russian equipment

Two defence cooperation developments confirmed the trend to reduce dependency on Russian equipment, both in SEE and CEE.

Polish and Bulgarian Defence Ministers signed an intergovernmental agreement on the provision of logistical support for the MiG-29. According to the agreement – which has been approved by the Bulgarian Council of Ministers - Polish side will repair six engines of MiG-29 belonging to the Bulgarian Air Force. The total value of the contract amounts to EUR 6.138 million. The former Defence Minister stressed that both sides also work on further agreements "concerning the comprehensive modernization of MiG-29" and reminded that, in 2016, 50 projects in cooperation with the Bulgarian side are planned. Bulgarian Minister of Defence assured that it is the beginning of a long-term cooperation, also within NATO.¹⁷² Bulgarian Air Force has 16 MiG-29 multipurpose aircrafts but only four are operational. The cooperation with Poland will help Bulgaria to limit its political and military dependence on Russia, and is perceived by Warsaw as a crucial element of political and military integration of the new NATO and EU members.¹⁷³

In December 2015, Slovak MoD signed a framework agreement with Sikorsky. According to the agreement, an international training centre for UH-60M helicopters will be constructed in Slovakia with the use of Sikorsky-provided simulators. Slovakia hopes that the training centre will help to increase cooperation with other European users of UH-60M. As outlined in the 1st DBC study, the contract is for nine helicopters and its value is EUR 236.7 million, with the aim to replace Soviet-designed M-17 helicopters.¹⁷⁴ **Table 1** provides an overview of all defence cooperation developments analysed in this Report.

¹⁷⁰ On 25 November 2015 the Bulgarian National Assembly adopted the *Programme for the Development of the Defence Capabilities of the Bulgarian Armed Forces 2020*, http://www.md.government.bg/en/doc/drugi/20150930_DefCapab_Program_EN.pdf.

¹⁷¹ Bulgarian MoD, *Министърът на отбраната Николай Ненчев: Сложихме край на съмненията, че българската военна авиация ще бъде приземена* (Defence Minister Nikolay Nenchev: We put an end to doubts about Bulgarian military aircrafts), 30 March 2016, http://www.md.government.bg/bg/news_archive.php?fn_month=3&fn_year=2016.

¹⁷² See among others: Bulgarian MoD, *Договорът с Полша спестява на страната ни 24 млн. лв.* (Contract with Poland: Bulgaria will save up to 24 million leva), 29 December 2015, <http://armymedia.bg/archives/43823>; Jakub Palowski, "Agreement Related to Overhauls of the Bulgarian MiG-29 Jets in Poland. Modernization comes next?", in *Defence24*, 23 October 2015, <http://www.defence24.com/269239,agreement-related-to-overhauls-of-the-bulgarian-mig-29-jets-in-poland-modernization-comes-next>; "Polsko-bułgarska umowa ws. Wsparcia logistycznego MiGów-29" (Polish-Bulgarian agreement on MiG-29 logistic support), in *Lotnicza Polska*, 22 October 2015, <http://lotniczapolska.pl/Polsko-bulgarska-umowa-ws--wsparcia-logistycznego-MiGow-29-,38560>; Bulgarian MoD, *Министърът на отбраната Николай Ненчев: Сложихме край на съмненията, че българската военна авиация ще бъде приземена* (Defence Minister Nikolay Nenchev: We put an end...), cit.

¹⁷³ Polish MoD, *Minister obrony Bułgarii w Polsce* (Defence Minister of Bulgaria in Poland), 22 October 2015, <http://mon.gov.pl/aktualnosci/artukul/2015-10-22-minister-obrony-bulgarii-w-polsce>.

¹⁷⁴ "Purchase of US Black Hawk helicopters by Slovak Army approved", in *The Slovak Spectator*, 29 April 2015, <http://spectator.sme.sk/c/20057098/purchase-of-us-black-hawk-helicopters-by-slovak-army-approved.html>.

Table 1 Overview of defence cooperation developments occurred in Europe

Cooperation Developments	Countries Involved	Multilateral	Mini-lateral	Bilateral	Neighbouring	Non neighbouring	G2G	With Germany	With US
5+5 Defence Initiative Meeting	Algeria; France; Italy; Libya; Malta; Mauritania; Morocco; Portugal; Spain; Tunisia;	✓							
Air Borne Anti-ship missile; Joint Drill	France; United Kingdom			✓	✓				
Air Forces Joint Training	Belgium; France			✓	✓				
Aster 30 Block 1 New Technology (B1NT) Ground to Air Missile	France; Italy; the United Kingdom		✓		✓				
Balkan Bridges 2015	Multilateral (no. Countries N.A)	✓							
Belgium joins NATO Cooperative Cyber Defence Centre of Excellence (CCDCOE).	Belgium with Czech Republic, Estonia, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, the Netherlands, Poland, Slovakia, Spain, Turkey, the United Kingdom, the United States	✓							
Black Sea exercise	Bulgaria; Romania, Turkey; United States		✓						✓
Blue Bridge Exercise	Bulgaria; Romania			✓	✓				
Brigades Integration	Germany; the Netherlands			✓	✓			✓	
Cooperation Aerospace sector	Italy; Poland			✓		✓			
Cooperation of Frigates Classe	France; Italy			✓	✓				

Cooperation Developments	Countries Involved	Multilateral	Mini-lateral	Bilateral	Neighbouring	Non neighbouring	G2G	With Germany	With US
Orizzonte									
Cooperation of Military Police	Czech Republic; Slovakia			✓	✓				
Enhanced RPAS Automation	France; Germany; Italy; Poland; Sweden;		✓		✓			✓	
Eurofighter Purchase by Kuwait	Germany; Italy; Spain; the United Kingdom		✓					✓	
EUROMALE	France; Germany; Italy; Spain		✓		✓			✓	
EUNAVFOR MED	Belgium; Finland; France; Germany; Greece; Hungary; Italy; Lithuania; Luxembourg; the Netherlands; Slovenia; Spain; Sweden; United Kingdom	✓				✓		✓	
Framework Agreement on bilateral defence cooperation	Poland; Sweden			✓	✓				
Intelligence cooperation	France; Belgium			✓	✓				
Joint military training	Austria; Switzerland			✓	✓				
Maritime Patrol Aircraft Purchase	United Kingdom; United States			✓		✓	✓		✓
Memorandum of Understanding Defence and Aerospace cooperation	Finland; Italy			✓		✓			
MiG-29 Logistical support	Bulgaria; Poland			✓		✓			
Military Cooperation Agreement	The Netherlands; Norway			✓		✓			

Cooperation Developments	Countries Involved	Multilateral	Mini-lateral	Bilateral	Neighbouring	Non neighbouring	G2G	With Germany	With US
Military Disaster Relief Cooperation	Austria; Germany; Switzerland		✓		✓			✓	
Military Exercise	Cyprus; Greece; Israel		✓			✓			
Military Exercise	Cyprus; Egypt; Greece		✓			✓			
Modernization of 123 Leopard 2A4 tanks	Poland; Germany			✓	✓			✓	
NATO Force Integration Unit	Bulgaria; NATO	✓							
NATO Mission in the Aegean Sea	Canada; France; Germany; Italy; Spain; Turkey; USA	✓						✓	✓
Platinum Lion 2016	Bulgaria; United States			✓		✓			✓
PzH2000 howitzers	Germany; Lithuania			✓		✓		✓	
SMILE Project	Germany; Spain			✓		✓		✓	
Status of Forces Agreement	Poland; United States			✓		✓			✓
Submarines purchase	Poland; Norway or the Netherlands			✓		✓			
Tandem X Project	Multilateral (35 countries)	✓						✓	
Trident Juncture	NATO (37 countries)	✓							
UH-60 Training centre creation	Slovakia; United States			✓		✓			✓
Use of Air and Sea Space	Denmark; Sweden			✓	✓				
V4 Battle-Group Certification	Czech Republic; Hungary; Poland; Slovakia		✓		✓				
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