

THE DARK SIDE OF MILITARY EXPENDITURE

THE 2014
MILITARY BUDGET



JUSTÍCIA I PAU

CENTRE DELÀS
D'ESTUDIS
PER LA PAU

REPORT

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The 2014 Military Budget

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EXECUTIVE SUMMARY

Ministry of Defense expenditures vary far from the initial estimates in the budget, so that the final total at the end of the year may be vastly greater than that which was initially approved. In the past decade, budget overspending has amounted to an annual average of €1,500 Million. Which is a deception, because it's known that many of the budget items are underestimated and are then paid for throughout the year with extraordinary contributions. This is particularly grievous in the case of two budget items: commitments undertaken within the Special Weapons Programs (PEA) and military endeavors overseas.

In fact, in both 2012 and in 2013, loans were taken out to cover these overexpenditures which amounted to 1782.7 and 877.3 million euros, respectively. Will the same thing happen in 2014? Undoubtedly, Secretary of Defense Pedro Argüelles has openly stated that the Ministry will appeal again for extraordinary appropriations to cover the costs of the PEAs.

Other expenditures that are regularly underallocated each budget year are the military operations abroad. These so-called "peacekeeping" missions, although that is hardly what is going on in Afghanistan or in the waters of the Indian Ocean, are only estimated in the budget at €14 million. At the close of 2012, the real cost had risen to €925 million and as of March this year (2013) the figure had already reached €514 million, and the final figure at the end of the year will be higher.

The Defense budget proposed for 2014 shows decreases in military expenditure from the figures of 2013, which is broken down based on three different criteria. First, the Ministry of Defense is to be allocated €6,776.75 Million, a drop of 1.98% from the previous year. The official Government figure of 3.22% does not take into account the autonomous bodies, which receive greater funds than in 2013.

Secondly, if NATO military spending guidelines are respected, the supposed budget cuts are even smaller, only 0.63% compared to 2013. This is due to the increase of military spending by other ministries.

Third, where the additional items you add the CNI and the interest on the debt is expected to fall in 2014 as an optimistic estimate of the Minister referred. In this case the reduction of military expenditure will be 1.79%. And if the deviation that in all probability will occur during the year is taken into account, we can expect military spending to increase by 3.5% compared to 2013.

The main indicators of the military expenditure planned for 2014 show that military spending will be €45.27 Million per day, or 1.58% of the GDP, which amounts to €353 per person per year.

Significant increases in military spending include a 17.1% increase in military investment, rising from €769.1 in 2013 to €900.5 Million in 2014, and military R&D, which will increase by 39.5 %, from €363.38 Million in 2013, to €506.84 Million

this year. This shows a clear commitment to military R&D by the Spanish government, at the same time that civilian R&D will only see an increase of 1.3%.

The current economic crisis is hitting Spain hard. This should be an incentive to abort expenses which could be regarded as less than “productive”. Certainly military spending as a whole is one of them, hindering development, as resources dedicated to any part of the productive economy would have more positive results than those spent on the military.

It’s urgent that certain aspects of military spending be reconsidered, and investment made to the productive economy. The €506 Million that is spent on military R&D could be re-directed from military to civil investigation. Reduction and cancelation to some of the investments in weaponry, particularly those of the PEA, could free up as much as €1,000 Million to be spent on civil infrastructures; a progressive reduction of current military personnel and adaptation to the true needs of security would be of great service; and lastly, the cancelation of military operations abroad, would lead to annual savings of hundreds of millions of euros.

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The budgets for 2014 are extremely regressive, given their anti-social nature, given that they continue to give priority to the adjustment policies in all aspects of social coverage, using the pretext of having to meet the public deficit target established by Brussels

INTRODUCTION

The submission of the 2014 State Budgets (PGE) draft has generated much anticipation and tremendous debate, given that the accounts are what are supposed to determine the direction of the State's public policy for the following fiscal year. Though this may be true to a certain extent, it is far from the entire truth. Throughout the period for which the public budget is valid, the budget experiences innumerable modifications that alter it substantially to the point of changing it radically by the time it is settled. We know with certainty that the initial projections will not be met and that significant changes will take place during their execution. The political opposition, as well as the analysts, should pay more attention to these changes and be particularly critical of the final settlement, considering that that is where one is able to see whether the initial objectives have been met, or if they have been amended or distorted.

This issue is of particular importance given that the PGE's approval is a commitment to the citizens indicating where public expenditure is going and whether the Government plans on having a social commitment by investing in education, healthcare, culture, pensioners, welfare, etc.; whether this is to be done in the field of economic development (industry, public works, agriculture, trade, R&D, etc.); or in public services (administration, justice, defense, etc.). But if there are expenditure commitments that are knowingly excluded from the budget and not related to emergencies or unforeseen events of force majeure, then this is a form of deception, with bills being covered up and more public debt being generated.

First of all, let us group expenditure policies and see their evolution over the previous year. It can undoubtedly be said that these budgets are extremely regressive, given their anti-social nature, given that they continue to give priority to the adjustment policies in all aspects of social coverage, using the pretext of having to meet the public deficit target established by Brussels for Spain (5.8% of the GDP for 2014, which represents an adjustment of €7,800M, and €8,000M in 2015). And from where is this cut supposed to come? Well, mainly from social coverage. For instance, while social expenditure collectively increased by 4.4% (healthcare, education, pensions, unemployment, etc.), if we get to the specifics and examine social expenditure carefully, social services indicated a decrease of 35.6% due to cuts in equality, dependency care, disability, and social security payments to dependents' caretakers. On the other hand, pensions have only increased by .25% and have had cumulative losses of 5% since 2011. Public servants are again seeing a pay freeze, which represents a cumulative loss of 29% over a five-year period. Both of these circumstances have been affected by the increase in the CPI. These adjustments fundamentally rely on the purchasing power of the population, who watch their income decrease and prices and taxes increase.

In turn, investment has undergone a significant reduction (11%); for example, infrastructures have diminished by 8.6%, public works have gone down by 6%, and civil research development and innovation (RDI) indicates an increase of

only 1.3%. All of these items are supposed to stimulate economic growth, especially RDI, which is an investment in the knowledge that makes manufacturing more competitive.

Another downside is the aim to reduce the number of public servants. Only one out of every ten lay-offs will be covered in 2014, which also does not help boost consumption or lower the unemployment rate (over 25%), which will continue to linger at an astonishing 6.2 million, creating a huge reserve army that provides the system with one more way of continuing to bring down employee salaries.

2014 MILITARY EXPENDITURE

NATO's criterion recommends that all member countries of the military organization list anything related to armies and defense

Although arithmetic may be an exact science, each person uses it to balance the books according to their own interests. And of course, the calculations contained within this report on military expenditure do not match those of the Government or other analysts. From the outset, we have been using accounting standards that greatly differ from those used by the Ministry of Defense when listing expenditures. We say this because we adhere to three criteria when doing the yearly analysis:

- the Government's criterion, which regards military expenditure as belonging exclusively to the Ministry of Defense;
- NATO's criterion, which recommends that all member countries of the military organization list anything related to armies and defense;
- a third criterion, ours, which adds other items unmistakably related to armed defense and not covered in the two previously listed criteria.

According to our criterion, the Ministry of Defense's items must be added to those of the Autonomous Bodies of the Ministry of Defense, as well as other items accountable to other ministries, as is the case of contributions to international agencies involved with military disarmament affairs, NATO, or United Nations military missions accountable to the Ministry of State; the items of ISFAS (Instituto Social de las Fuerzas Armadas) [Social Institution of the Armed Forces] listed under Other Ministries; military personnel pensions drawn from social security in the Pensioners item; the Civil Guard, as even though it is accountable to the Ministry of the Interior, it is an agency governed by military ordinances and entrusted to carry out paramilitary missions, such as the monitoring of coasts, territorial waters and borders; the contributions or credits from the Ministry of Industry to weapons manufacturing companies, a formula used to reduce and mask the Ministry of Defense's real military expenditure, which would formerly be derived from this Ministry. Furthermore, we added other items; the National Intelligence Center (NIC), a body with a general as its director, a personnel 60% military, and entrusted with not only civil security missions, but also those of a military nature (formerly accountable to the Ministry of Defense but now answering to the Presidency). We also added the interest on the debt to the military expenditure percentage relative to the PGE collectively: if the Government borrows in order to spend more than initially budgeted under the heading of submarines, frigates or fighter planes, it is unacceptable to charge interest on the deficit its own military borrowing generates.

Each year resources from different areas are added to the initial budget, resources that in the last 10 years have yielded an annual average of €1,500M

But there is still more. Each year during the execution of the Defense budget, resources from different areas are added to the initial budget, resources that in the last 10 years have yielded an annual average of €1,500M (see Table 1 of the Appendix). This is undoubtedly a scam, for it indicates that many of the items are underestimated, as we will later see, and are complemented with extraordinary contributions throughout the fiscal year. This leads to the distortion of Spain's real expenditure on defense. Although it is presented as the PGE amount, it is clearly insufficient given that it reaches 154% of the initial budget, as was the

case in 2012. This is why it is crucial to demand explanations when it comes to current military expenditure in Spain.

All this without considering other budget items having some form of military aspect, such as the Royal House, given that the king is the Supreme Commander-in-Chief of the Armed Forces and presides over many maneuvers, parades, meetings, warship launchings and other military affairs (e.g., promoting military companies), though not all his activities are military in nature, such as his participation in regattas, and pleasure or hunting trips in Botswana. We could also monitor military profits, in which the State owns stock through the Sociedad Estatal de Participación Industrial [State Industrial Holding Company] (SEPI), which yield an inconsistent balance for the State coffers. Navantia, in which SEPI owns 100% of the shares, has substantial losses each year (€43M in 2012); on the other hand, the EADS-CASA consortium, now known as Airbus Military, in which SEPI owns 4% of the stock, yields profits just about every year (€94.6M in 2012).

REAL MILITARY EXPENDITURE

The 2014 defense budget proposal (see Table 1) indicates a decrease as compared with 2013. As previously mentioned, this is divided into three sections: the Ministry of Defense, at €6,776.75M, dropping 1.98% from the previous year, instead of the 3.22% indicated by the Government, since Autonomous Bodies have to be taken into account, which increased their allocation as compared with 2013; the second section refers to military expenditure according to NATO's criterion, in which the decline is even less, representing a mere 0.63% as compared with 2013 because of the increase in all the military items distributed in other ministries; the third section, which includes the rest of the additional items (NIC and interest on the debt, which, according to the optimistic projection of the Minister of Finance, will decrease in 2014 (which is wishful thinking), leaving the expenditure decrease at 1.79%.

But there is still more. Each year, during the fiscal period, military expenditure variances are created with respect to what was initially budgeted. This is particularly significant in two items: to deal with the payment of commitments assumed with the Special Weapons Programs (PEA) and to cover the costs of military missions abroad (Afghanistan, Lebanon, etc.) Therefore, even if only €6.84M is appropriated to pay for these programs, as was the case in 2013 (€4.95M in 2012), extraordinary credits for hundreds of millions will be approved during the fiscal year to cover these commitments. Will the same happen in 2014? Secretary of the State for Defense (SEDEF) Pedro Argüelles confirms that he will undoubtedly turn to extraordinary credits to deal with the payment of the PEA, which, he predicts, will be of the amount of €915M.¹

The other item that is insufficiently appropriated on a yearly basis is that of military operations abroad, euphemistically called "the keeping of the peace," not at all similar to what is being carried out in Afghanistan and in the waters of the Indian Ocean, and that each year only have a Defense budget contribution of €14.36M (Table 2 of the Appendix). They closed the 2012 fiscal year with a cost of €925.79M; by March of 2013 they had already authorized credits in the amount of €514.5M, which will increase by the end of the year. This approach has been used since 1990, which is when these operations began, and for each of the past five years this item has been settled for close to €800M.

Both of these items are obvious cases of budget fraud used to hide the true military expenditure from the political opposition and public opinion. These items are insufficiently appropriated in order to later be increased through various accounting mechanisms.

1. *Infodefensa*, 7/10/2013

During the fiscal period extraordinary credits for hundreds of millions will be approved to cover PEA's commitments

The other item that is insufficiently appropriated on a yearly basis is that of military operations abroad

Table 1. Military expenditure of Spain (2013/2014)

(in millions of current euros)

Headings	2013	2014	2013/2014
Ministry of Defense	5,937.00	5,745.77	-3.22%
Autonomous Bodies of the Ministry of Defense	976.65	1,030.98	
Ministry of Defense Total	6,913.65	6,776.75	-1.98%
Military pensioners	3,352.97	3,314.00	
ISFAS (Other ministries)	549.18	556.37	
Civil Guard (Ministry of the Interior)	2,659.18	2,615.67	
R&D credits (Ministry of Industry)	218.15	343.60	
International military bodies (Ministry of Foreign Affairs)	15.20	15.20	
NATO Defense criterion Total	13,708.33	13,621.59	-0.63%
National Intelligence Center (Ministry of the Presidency)	203.69	203.69	
Public Debt Interest	1,385.38	1,197.60	
Initial Military Expenditure Total	15,297.40	15,022.88	-1.79%
Initial/settled difference	1,837.96	1,503.85*	
FINAL MILITARY EXPENDITURE TOTAL	17,135.36	16,526.73	-3.55%
Final Military Expenditure/GDP	1.64%	1.58%	
Initial Military Expenditure/Total State Budget	4.49%	3.90%	

* Estimate calculated as an average for the 2004-2013 period

Source: In-house compilation based on State Budgets

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These modifications are derived from various fields: extraordinary credits to deal with the PEA payments for which we will devote a section to below; elastic items, which are transfers that come out of a catchall account called Contingency Funds; a few external transfers (e.g., a United Nations transfer for missions abroad), self-generated revenue from the disposal of Defense assets through the sale of housing, land, barracks and weapons to other countries (Table 2).

Table 2. Defense Budget Modifications

(in millions of current euros)

	2012	2013*
Extraordinary Credits	1,782.77	879.48
Elastic items	753.08	777.03
Transfers	2.16	13.71
Generated by own revenue	192.31	167.74
Autonomous Bodies	13.18	
Other	19.23	
Total	2,762.73	1,837.96

* 2013 modifications are provisional to 09/2013

Source: In-house compilation based on State Budgets

Since these modifications have been an ongoing occurrence, at the Delàs Centre we analyze the budget settlement at the end of the year and take the difference and compare it to the initial budget in order to obtain the average for the previous 10 years. The result (€1,503M) is then added to the initial budget. Considering all these headings and in keeping with the current projection, the projected military expenditure for 2014 is €16,526M.

DEVELOPMENT OF MILITARY EXPENDITURE

At the current stage of the crisis and with the restrictions imposed by the neoliberal model emanating from the guidelines issued by the European Union, which the Spanish Government adheres to while making adjustments that affect the so-called Welfare State, the Ministry of Defense, though to a lesser degree than other ministries, has also been forced to apply adjustments to its expenditure. Therefore, each Defense expenditure chapter is subject to reduction: maintenance of services (chapter 2), investment (chapter 6) in the acquisition of equipment assets, weapons and facilities, current transfers (chapter 4) to defense or external autonomous bodies.

Personnel (chapter 1) deserves a more in-depth analysis. The salary expenditure for soldiers, seamen, and officers is not as elastic and is more difficult to cut back without reducing the size of the military force. As this has not been made official, it has been decided that in 2014 the positions left by soldiers leaving active military service at the end of their contract will not be covered. This is something that has been occurring since 2012. The anticipated 1,500 positions have not been covered in 2013 nor will they be in the following year, resulting in a military force of 79,000 soldiers and seamen and 44,800 commanding officers at most, similar to the numbers we see today. As of October of 2013, 78,240 military soldiers and 44,739 commanders are under contract. Note that the figure of 122,979 in the military forces is far from the figure established in the National Defense Committee, which deemed it necessary to have 130,000 or 140,000 soldiers available for defense purposes. This reduction only receives a 2% adjustment in personnel costs (Table 3), which is a chapter that utilizes 67.5% of the Ministry's total budget. Note that for the maintenance of the Armed Forces, there is only 18% left, 8.3% for its equipment, and 5.9% for the autonomous bodies and military training. NATO and the defense policies of the surrounding countries recommend that military costs be divided into two parts; 50% for personnel salaries and the other 50% for maintenance and equipment (weapons and facilities). In an attempt to minimize this gap and decrease personnel expenditure, the upper echelons of the Ministry of Defense of Spain have for some time now been working on reducing the size of the armed forces. Minister Pedro Morenés is known to possess a non-published report wherein he contemplates a reduc-

Delàs Centre analyzes the budget settlement at the end of the year and take the difference and compare it to the initial budget. The result: an average of €1,500M has been added each year during the last decade

The anticipated 1,500 positions have not been covered in 2013 nor will they be in the following year, resulting in a military force of 79,000 soldiers and seamen

A non-published report contemplates a reduction of 20,000 military personnel (15,000 between soldiers and commanders), and eliminating 5,000 civil servants

tion of 20,000 military personnel (15,000 between soldiers and commanders), and eliminating 5,000 civil servants working throughout the different bodies of the ministry. Public servants accountable to the Ministry of Defense in the 2014 proposal total a work force of 37,493, despite the Government's instruction to renew only one out of every ten personnel lay-offs.

Table 3. Ministry of Defense Consolidated Initial Budget Distribution
(in millions of current euros)

Headings	2013	2014	Variable	% Total
Personnel (Chap. 1)	4,604.46	4,511.08	-2.03%	67.50%
Goods and services (Cap. 2)	1,255.86	1,214.10	-3.32%	18.16%
Financial expenses (Chap. 3)	0.28	0.11	-61.71%	
Current transfers (Chap. 4)	389.38	396.25	1.76%	5.92%
Investments (Chap. 6)	551.04	557.04	1.09%	8.33%
Capital transfers (Chap. 7)	4.70	0.80	-83.15%	
Financial assets (Chap. 8)	3.58	3.55	-0.87	
Financial liabilities (Chap. 9)	0.06	0.06	0	
Total	6,809.36	6,682.99		100%

Source: In-house compilation based on State Budgets

Military technology (R&D) is supposed to have a positive impact on civil production. However, it is quite the opposite: civil engineering supplies the knowledge for military engineering

Another section requiring an in-depth analysis is that of investments. The fattening of budget adjustments takes place particularly in this chapter. The State's public investment is, applying the orthodoxy of economic theory, one of the aspects having the greatest impact on the development of the real economy. This is due to the fact that it affects the basic infrastructures for industrial, commercial, and service development, creates jobs, and contributes to greater competitiveness, with the goal being to have infrastructures that do not have a negative impact from an environmental perspective or that are unproductive, such as the case is with the high-speed trains, empty airports, and countless other useless facilities that have appeared throughout the peninsula. But if there are any controversial investments, they would be military in nature, because from the standpoint of economic efficiency, they are unproductive. On the one hand, precisely due to their military nature, they would not help the rest of the productive economy, since it is difficult to see how a military base or firing range could drive civil asset growth. On the other hand, because of the so-called *spin-off*, the application of military technology in civil production (R&D) is supposed to have a positive impact. This should be proven with clear and empirical examples, otherwise it is nothing more than useless verbiage. Perhaps in the 1930s or 1940s some military technology spun off functions into the civil field, but today it is quite the opposite: the new technological breakthroughs that are being developed in civil engineering are serving as a source of knowledge for military engineering. And so a study was conducted by SIPRI in the mid-1980s indicating that only 15% of all U.S. military technology would go through the patent registration process, of which only half would go on to the production lines. This means that no more than 7% or 8% of all military R&D is of application to a productive economy.

€506.8M are allocated to military R&D, mainly to assist weapon companies

That being said, the proposal for investment in the military sphere for 2014, as compared with 2013, is €900.6M, which is 17.1% greater than 2013 (see Table 3 of the Appendix). From that amount, €506.8M is allocated to R&D, meaning the lion's share, mainly to assist military companies in weapons development,

since approximately 60% of the cost of those projects is funded by Defense (see R&D section and Table 4 of the Appendix). However, a smaller portion is used for investing in weapons and facilities, because by subtracting R&D, €393.8M is left for investments and infrastructure. Even so, it is anticipated that in 2014 the Navy will be acquiring Piranha armored vehicles (€6.3M), AV-8B vertical take-off aircraft and AB-212 helicopters (€10.5M), torpedoes and missiles (€7.4M) for S-80 submarines; the Air Force will receive Meteor missiles (€2M) and 3D mobile radars (€2M); and for the Army, transport vehicles (€15M). Furthermore, there are demands to be met for the replacement of many of the weapons that are now obsolete or that are supposed to be renewed, as the commanders themselves point out, but it is a demand that has not been able to be met due to a lack of budget.

One of the anticipated programs of the Special Weapons Programs (PEA) does not appear as having been budgeted for in the investments (see chapter dedicated to PEA). It is a program for acquiring 12 EC-135 helicopters for the Army, with an initial cost of €65M, which the current Secretary of Defense announced will be acquired in 2014². This is clearly a conscious concealment of the expenditure under this item.

The arguments of the Ministry of Defense to move forward with the PEA contracts are outlandish, to say the least. The majority of those weapons are justified not for the defense of the territory, but rather for fulfilling commitments acquired in foreign policy, meaning, to go to international conflict settings in support of the demands of the world's leading power, the United States and NATO. But if these weapons are analyzed individually, their limited, not to say non-existent, use in international missions is evident. None of the EF-2000 aircraft, the Leopard or Pizarro armored vehicles, nor the majority of the warships have ever traveled to Afghanistan, Lebanon or Kosovo. There are only two Tiger helicopters in Afghanistan, one frigate that participated in the blockade of Libya and another one is in the waters of the Indian Ocean. Therefore, the PEA, from a national defense point of view, will not have a practical application, since they were designed for non-existent settings more appropriate for the phase of the Cold War. For example, armored vehicles, which are suitable only for repelling a possible foreign land invasion and have limited mobility within a peninsula lined with mountain ranges, or the Eurofighter, which was an air-to-air fighter designed to repel another fighter plane, though they have been modified to fire missiles at ground targets. On the other hand, when the U.S. conducts a military strike, it does not count on its European allies; at best, it may rely on its faithful ally, the United Kingdom, but not on the others, to whom it only assigns support and security missions, but never in the front line of combat. So what is the purpose of acquiring these weapons? Obviously to meet the interests of the so-called military-industrial complex, which ultimately belongs to the military companies.

The payment obligations accumulated by the PEA have paralyzed the Ministry of Defense to the point of affecting the operability of the Armed Forces. Therefore, many of the units are inoperable, with no budget for the maintenance of all that large equipment: the warships have no budget for navigating and most of them are moored at docks; armored Leopard and Pizarro vehicles are enclosed in watertight compartments to avoid corrosion; aircraft flight testing has gone down to the limit. Thus, the Ministry is attempting to sell part of its weapons stocks before they turn into a heap of useless iron.

As proof of this statement, in June of 2013 the Instituto Nacional de Técnica Aeroespacial [National Institute for Aerospace Technology] (INTA), a Defense body, had to sell one of the Ministry's gems, the 16.2% stockholding in the satellite company HISPASAT, for €172M, to Abertis, controlled by CaixaBank, making

2. *Infodefensa*, 10/08/2013

The PEA were designed for non-existent settings, more appropriate for the phase of the Cold War. For example, armored vehicles, which are suitable only for repelling a possible foreign land invasion

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The payment obligations accumulated by the PEA have paralyzed the Ministry of Defense to the point of affecting the operability of the Armed Forces

it its majority shareholder. That is to say that the military satellite communication systems are now under private ownership. Despite these sales and any possible ones in the future, the underlying issue has yet to be resolved since the debt still exists: either it is settled or it is postponed. Postponing it would mean added-interest expenses for arrears and increasing the debt. In order to avoid a financial collapse, the Government has only one solution, to reduce and/or cancel the number of contracted units, even if it means other added costs, since the joint manufacturing agreements with other countries concern golden parachute contracts.

The main indicators for the projected 2014 military expenditure shows examples of the disparity between the treatment given to civil fields as compared with the privileged military field. Thus, the daily military expenditure is slightly higher than for 2013, representing 45.27 million daily, 1.58% of GDP, indicating a contribution per person/year of 353 euros to cover the so-called National Defense. In addition to the 39.5% variations increase in military R&D, military investment will increase by 17.1%, going from €769.1M in 2013 to €900.5M € in 2014 (Table 4).

Table 4. Main military expenditure indicators in Spain
(initial budget in current euros)

Indicators	2013	2014
Daily military expenditure	45.18 million	45.27 million
Annual per capita military expenditure	359 €	353 €
Military expenditure/ GDP	1.64%	1.58%
Military expenditure/ total budget	4.49%	3.90%
Military expenditure variable	-3.15%	-3.55%
Military investment	769.18 million	900.64 million
Military investment / investment total	5.90%	7.45%
Military investment variable	-43.68%	17.10%
Total military R&D	363.44 million	506.84 million
Military R&D / Total R&D	6.13%	8.25%
Military R&D variable	-52.03%	39.45%

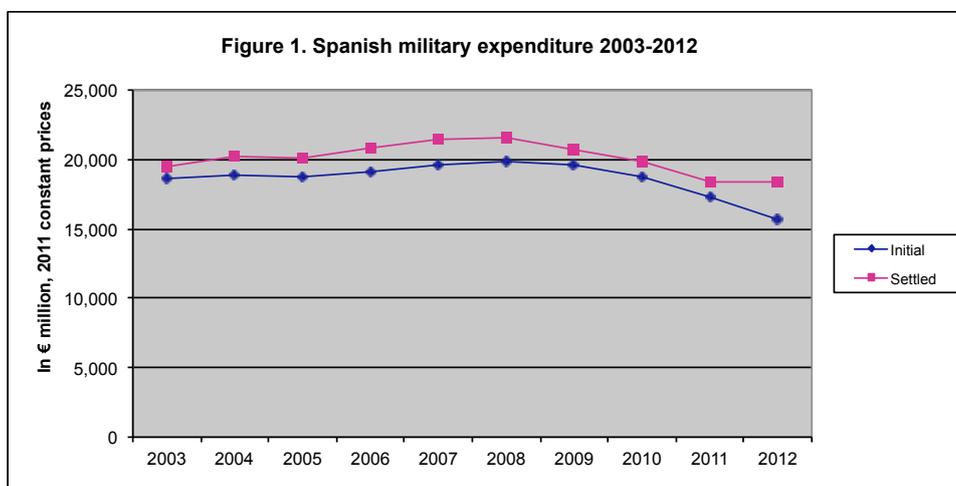
Source: In-house compilation based on State Budgets

RUNNING EXPENSES AND FIXED EXPENSES

As previously indicated, the Ministry of Defense has also been affected by cuts referred to in its initial budget. In 10 years, from 2005 to 2014, Ministry expenditure has decreased by 19.8% at the current rates (Table 5 of the Appendix), but, since 2008, it has been greater at 32%. This is true only when dealing with Ministry budgets. However, if NATO's criterion is followed, the decrease is less, at 9.5%, and if dealing with the settled budget and using the criterion of the Delàs Centre, then it only decreases to an insignificant 4.7%. This data again demonstrates the camouflaging of military expenditure within the budget, given the incorporation of the items distributed among other ministries, plus the incorporation of extraordinary revenue during the year, resulting in a reduction of Defense adjustments and in the Ministry feeling the impact of the crisis.

However, if we use the formula to calculate with constant prices, meaning to take into account the variables caused by inflation (CPI) within the last 10 years, we approach a better-adjusted comparison of the prices³, (Table 6 of the Appendix). This approach, which up to now we had not used (this is the first Report in which we introduce this type of analysis), allows us to show the trend of military expenditure between 2003 and 2012, using 2011 as the base year. This allows us to gain greater insight (see Figure 1), since it shows the comparison in constant prices between the initial and the settled expenditure, and demonstrates how the military expenditure in both slightly increases between 2003 and 2009. However, the separation between the initial and the settled expenditure beginning in 2010 (note the separation of the lines) is more pronounced. This trend, which should be confirmed in the following years, corroborates the incorporation of extraordinary resources occurring during the budget year. This is a trend that has been occurring since 2010, when the settled expenditure rose as compared with the initial expenditure, leading us to make the same diagnosis. Despite the limitations of the defense budget, it is not nearly one of the most greatly affected by the adjustments, and this is because of the underestimated items of the Ministry (we strongly reiterate this point) which deceives the public opinion in terms of real military expenditure.

In the last ten years, Ministry expenditure has decreased by 19.8% at the current rates. If dealing with the settled budget and using the criterion of the Delàs Centre, then it only decreases to an insignificant 4.7%



SPECIAL WEAPONS PROGRAMS (PEA)

The 2014 budgets, as they relate to the PEA, are a repeat of the 2012 and 2013 fiscal year. The same strategy is being used in not listing this expense in the PGE, even if it is already known in advance, since it is assumed that the credit will be obtained extrabudgetarily. This method was used in 2012⁴ and 2013⁵ in obtaining the loans totaling €1.782.7M⁶ and €877.3M, respectively. Last May at the Congressional Defense Committee meeting⁷, the current Secretary of State for Defense justified the PEA (as well as foreign military operations) not being listed in the PGE, because, as he said, payment of these programs will adjust itself in keeping with macroeconomic variables and negotiations with the industrial sector.

The PEA's initial budget are a repeat of the 2012 and 2013 fiscal year. The same strategy is being used in not listing this expense

3. Prices extracted from the National Institute of Statistics

4. Royal Decree-Law 26/2012, of 7 September, (BOE (Boletín Oficial del Estado) [Official State Bulletin] no.217)

5. Royal Decree-Law 10/2013, of 26 July (BOE no. 179).

6. The 1,782.7 million of extraordinary credit, plus the 309.2 million paid out by Industry to the Agencia NETMA, NATO's body managing the Eurofighter program, plus 198.6 in repayable advances from the Ministry of Industry (PGE), plus 4.95 included in the Defense budget, plus the 75.04 for material not yet delivered, total 2,370.49 million, which corresponds to the gap acknowledged by SEDEF exactly one year ago and includes the total of budgetary insufficiencies, non-availability, and non-performance from years before and the updating of current contracts. Between 2010 and 2011, €650.4M were not implemented.

7. Diario de Sesiones del Congreso de los Diputados, Comisión de Defensa [The Journal of the House of Representatives, Committee on Defence] of 05/23/2013. Num. 325. Available at: http://www.congreso.es/public_oficiales/L10/CONG/DS/CO/DS/CD-10-CO-325.PDF

The PEA have funding in the 2014 PGE in the amount of €6.84M, even though an expenditure of €1,000M is projected

In any case, the PEA have funding in the 2014 PGE in the amount of €6.84M⁸, even though an expenditure of €1,000M⁹ is projected. Table 5 below represents the 122B program budget for 2012 through 2014, which shows the budget initially approved and the total amount obtained.

Table 5. Budget appropriations for Special Weapons Programs (2012-2014) (in thousands of current euros)

PURPOSE	2012		2013		2014
	Budgeted	Obtained	Budgeted	Projected Execution	Budgeted
Special Programs	4,953.46	1,787,419.92	6,842.50	884,177.10	6,842.50

INDICATORS	2012		2013		2014
	Budgeted	Obtained	Budgeted	Projected Execution	Budgeted
Attack helicopters	549.52	78,816.66	763.83	89,000.00	736.83
A/400M program	869.33	992.03	1,165.67	47,768.47	1,165.67
EF-2000 and ILS production	3,534.61	1,179,424.11	4,940.00	376,490.00	4,940.00
Leopard	0	242,337.28	0	2,429.00	0
Howitzer 155/52	0	0	0	32,473.29	0
Multi-purpose helicopter	0	16,065.97	0	75,191.05	0
Maritime Action Ships (BAM)	0	0	0	1,000.03	0
Alad missiles (TAURUS)	0	187,799.35	0	15,085.71	0
Anti-tank missiles	0	35,967.94	0	34,580.06	0
Transport helicopters	0	27,824.41	0	0	0
F-105 frigates	0	19,473.65	0	69,859.12	0
MEU Deployable CIS nodes	0	718.53	0	5,965.20	0
EC-135 helicopters	0	0	0	10,000.00	0
F-100 frigates	0	0	0	2,769.95	0
LLX Vessel (Strategic Projection Vessel)	0	0	0	93,290.19	0
BAC (Supply Ship in Combat)	0	0	0	28,275.03	0

Source: In-house compilation based on State Budgets

€4.95M were budgeted in 2012 and €1,787.4M were spent, due to an extraordinary credit as shown in Table 6.

8. Identical, program by program, to what they had in 2013.

9. With the new reprogramming (according to the SEDEF), the payment commitments for the following years will decrease substantially, from the €1,594M, €1,628M and €1,919M originally projected in 2013, 2014 and 2015, respectively, down to a figure that we estimate will stand between €800M and €2,000M annually. According to the PGE 2014 draft, they project to spend €873.54M in 2015, €1,023.14M in 2016, and €1,168.44M in 2017 (MINISDEF multi-year appendix on current investments and programming).

Table 6. 2012 extraordinary credit

(Royal Decree-Law 26/2012, of 7 September)

Subheading	Title	Cost (in euros)
659.01	EF-2000 aircraft	1,171,607,690
659.02	Tiger helicopter	76,267,140
659.03	Howitzer 155/52	16,065,970
659.04	SPYKE missile	27,824,410
659.05	BAM ship	187,800,000
659.06	Leopard tank	242,337,280
659.07	IRIS-T missile	38,968,560
659.08	MEU helicopter	21,181,310
659.09	MEU CIS systems	718,530
Total		1,782,770,890

€6.84M were budgeted in 2013 and the projected expenditure is €884M, due to the approval of other extraordinary credit (see Table 7).

Table 7. 2013 extraordinary credit

(Royal Decree-Law 10/13, of 26 July)

Subheading	Title	Cost (in euros)
659.01	F-100 frigate	2,769,950.49
659.02	EF-2000 aircraft	371,550,000.00
659.03	LEOPARD tank	2,429,001.43
659.04	A-400M aircraft	46,602,795.60
659.05	LLX vessel	93,290,187.31
659.06	Tiger helicopter	88,263,170.00
659.07	BAC ship	28,275,030.96
659.08	Howitzer 155/52	32,473,293.11
659.09	TAURUS missile	15,085,714.00
659.10	F-105 frigate	69,859,117.42
659.11	BAM-1 ship	1,000,025.00
659.12	C/C missile	34,580,062.43
659.13	NH-90 helicopter	75,191,048.20
659.14	MEU CIS nodes	5,965,200.00
659.15	EC-135 helicopter	10,000,000.00
Total		877,334,595.95

What this fiscal engineering guarantees, as several other methods have done, is that Defense continue to see a depletion of their resources, and that these budgets result in "a sustained effort for recovery" and "another sacrifice."¹⁰

10. ABC, 10/07/2013. Available at: <http://www.abc.es/espana/20131007/abci-crisis-lleva-delante-tercio-201310071332.html>

At the previously mentioned Defense Committee meeting, Argüelles announced a reduction in the PEA of €3,850M, to be ratified on August 2, 2013 by an Agreement of the Council of Ministers (ACM), to approve a new PEA payment profile once its annuities are reprogrammed and adjusted up to 2013. The Ministers' Agreement reads as follows:

"The Council of Ministers authorizes the Ministry of Defense, at the recommendation of the Ministry of Finance and Public Administration, to acquire expenditure commitments to be drawn from future fiscal years in order to deal with reprogramming, annuity adjustments, and new projects involving Special Programs for Modernization, which will facilitate the contractual management of the Main Programs.

The reprogramming of the Special Programs for Modernization is equitable, realistic and supportive in that it contributes to the objectives of the Spanish economy. Furthermore, it modulates the impact on the deficit and reduces the need for funding with the least impact possible to the Defense industry.

[...] the current cost of the Special Programs for Modernization is €29,479.06 for the 2002-2030 period according to Ministry data, but according to the assessment done at December 31, 2012 the cost is €33,345.10M.

The previous authorization given to the Ministry of Defense for the acquisition of future expenditure commitments was produced through the agreement of the Council of Ministers on December 23, 2009, with respect to the Special Programs for Modernization for the years 2014 to 2025." (Table 8).

So what can we conclude from this meeting? Basically, that the €3,850M that are supposed to be cut are in question. Because presently what we have is a reprogramming based on hypothetical scenarios unable to determine whether this reduction plan will be carried out.

The PEA's reprogramming, a long way from reduce payment commitments associated with those programs, they are passing the buck and leaving behind a guaranteed problem for future governments

It is not true that the PEA payment commitments will be reduced. The biggest *cut* focuses on the most expensive programs: Eurofighter and A400M. At first they did not sign the so-called Tranche 3B contract (latest fighter aircraft version) leaving 15 aircraft of this phase subject to the commitment as a result of the Ministry of Defense having conducted commercial activities for the purpose of selling them to other countries. As for the A400M, the Air Force will retain 14 of the 27 units previously ordered, and the other 13 aircraft will be placed at the disposal of the company Airbus Military for export. As we can see, this does not guarantee anything: if the Ministry of Defense fails to sell the Eurofighter to other clients within the timeframe in which these aircraft were supposed to have been acquired by the Spanish ministry, the EADS consortium will demand compensation of an amount not yet known. If Airbus does not sell the 13 A400M, the €800M that were projected to be saved for not having to pay to equip or maintain them will have to be charged again as an expense along with the cost of the aircraft. In short: everything being talked about is conditional. The only thing that is certain, as we will see in the following point to be made, is that for the time being they are passing the buck and leaving behind a guaranteed problem for future governments.

In 2009 set the ceiling at €26,692M until 2025, which, after one year, in December of 2010, was updated to €31,631M

It is true that the impact of these programs on the deficit is modulated. The delivery of 12 Eurofighter has been postponed until 2015 and the first A400M unit until 2016. Once again, another masterstroke in an attempt to transfer the responsibility of the public deficit associated with the PEA to future governments for them to resolve. The SEDEF himself conclusively confirms it:

"When we say that the impact on the deficit has been reduced until 2015, what we are saying is that what we have done is reduce the impact on the deficit for 2012, 2013, and 2014; but the reductions in those years will appear in the future [...] this is a way of handling or managing the impact on the deficit. We're not saying that we have a magic wand with which we have now reduced the deficit to be listed concerning the

Table 8. PEA reprogramming (in millions of current euros)

PEDRO MORENÉS LEGISLATURE

Program Title	Council of Ministers date of authorization	Contractual amount (SPO)	2009 ACM authorized expenditure (SP1)	Updated amount December 2010 (SP2)	December 2012 status	May 2013 status	Difference b/t Dec. 2012 and May 2013
F-100 frigates	14/01/1997	1,683	2,007	1,810	1,997.5	1,997.5	0
EF 2000 aircraft (Eurofighter)	20/11/1997	9,255	9,255	11,718	13,596.47	10,629.86	-2,966.61
Leopard tanks	23/12/1998	1,910	2,390	2,399	2,524.56	2,524.56	0
LEGISLATURE VI (1996-2000)		12,847	13,652	15,927	18,118.53	15,151.92	-2,966.61
A-400M aircraft	16/11/2001	3,453	4,453	5,493	5,819.37	5,018.94	-800.43
S-80 submarine	05/09/2003	1,756	2,136	2,212	2,135.54	2,135.54	0
Strategic Projection Vessel	05/09/2003	360	375	462	505.47	462.36	-43.11
Tiger combat helicopter	05/09/2003	1,274	1,517	1,580	1,548.03	1,515.03	-33
Pizarro Vehicle (2nd series)	05/09/2003	708	787	845	949.95	786.95	-163
LEGISLATURE VII (2000-2004)		7,549	9,257	10,592	10,958.36	9,918.82	-1,039.54
IRIS-T missile	23/12/2004	247	285	291	282.43	282.43	0
F-105 frigate	20/05/2005	750	823	834	836.24	827.76	-8.48
Maritime Action Ship (BAM)	20/05/2005	352	390	488	530.41	509.93	-20.48
Supply Ship in Combat (BAC)	20/05/2005	213	229	238	260.16	255.03	-5.13
SPIKE-LR missile	20/05/2005	324	365	356	364.69	364.69	0
NH-90 helicopters	20/05/2005	1,260	1,260	2,463	1,492.44	1,682.44	190
ALAD missile (TAURUS)	24/06/2005	57	60	60	59.64	59.64	0
APU Howitzer 155/52 w/ Integrated Field Artillery Sys.	01/07/2005	181	196	200	195.99	196	0.01
LEGISLATURE VIII (2004-2008)		3,504	3,724	5,051	4,142.56	4,298.48	155.92
Deployable CIS nodes	24/12/2008	60	60	61	60.37	60.37	0
MEU medium helicopter	14/12/2007	76	76	80	80.01	80.01	0
MEU firefighting aircraft	14/12/2007	44	41	41	40.55	40.55	0
LEGISLATURE IX (2008-2011)		60	60	61	60.37	60.37	0
TOTAL		23,960	26,693	31,631	33,279.82	29,429.59	- 3,850.23

Source: In-house compilation based on State Budgets

special programs, but rather what we have done is to manage and take advantage of renegotiations in order to reduce the impact on the deficit over these first few years of crisis, with the hope that by 2015 the country's economy begins to resume its natural course of growth and the deficit ceases to be such a priority issue."¹¹

The reprogramming of December 23, 2009 set the ceiling at €26,692M until 2025, which, after one year, in December of 2010, was updated to €31,631M (let's not forget that the previous Secretary of Defense, Constantino Méndez, warned against the possibility that, due to "a deviation of program costs," the bill may fall between "a range" of €31,600M and €36,800M).¹² According to the language of the previously mentioned Agreement of the Council of Ministers, the reprogramming has extended the deadlines from 2025 until 2030, and between the two there is a €2,737M increase: this is the only reality. "In doing so, we are offering companies some relief and parking the issue of repayment until we find a definitive solution," said Argüelles.¹³

Pedro Morenés, is hopeful that the Government will be able to launch new weapons programs in 2015

It is true that the door is open to the possibility of discussing new programs. There have been some programs left on the back burner for years.¹⁴ The minister of defense, Pedro Morenés, is hopeful that the Government will be able to launch new weapons programs in 2015: "I would like to think that by 2015 we would be able to discuss at least one new program for each Army." And he pointed out that the Land Army *needs* "a wheeled armored vehicle,"¹⁵ the Navy must "be continuously progressing with regard to their frigates, among other things,"¹⁶ and the Air Army "must invariably be thinking about unmanned aircraft because that is where the future is undoubtedly headed," indicated Morenés.

The Government's policy is to continue promoting the weapons programs, both in acquisitions for the armed forces and in assisting companies in the production and exportation of weapons.¹⁷ This is one scenario that would definitely benefit the interests of the Spanish military industries, even though this may act as an offset and increase the public debt.

MILITARY RESEARCH AND DEVELOPMENT

The allocation for military research in the PGE for the 2014 fiscal year is €506.84M; which is representing an increase of 39.5%

The allocation for military research in the PGE for the 2014 fiscal year is €506.84M¹⁸. In 2013, the budget for this section was €363.38M, representing an increase of no less than 39.5%. The section pertaining to civil research is at €5,633.15M, representing an increase of 1.3% as compared with the 2013 budget, which totaled €5,562.45M. The military research investment is at 8.26% of the total of both civil and military research. However, in 2013 it was only at 6.13% of the total. This data reflects which type of research the current Government would like to promote.

11. Diario de Sesiones del Congreso de los Diputados, Comisión de Defensa [The Journal of the House of Representatives, Committee on Defence] of 05/23/2013. Num. 325. Available at: http://www.congreso.es/public_oficiales/L10/CONG/DS/CO/DSCD-10-CO-325.PDF

12. Diario de Sesiones del Congreso de los Diputados, Comisión de Defensa [The Journal of the House of Representatives, Committee on Defence] of 09/21/2011. Num. 838. Available at: http://www.congreso.es/public_oficiales/L9/CONG/DS/CO/CO_838.PDF

13. Diario de Sesiones del Congreso de los Diputados, Comisión de Defensa [The Journal of the House of Representatives, Committee on Defence] of 05/23/2013. Num. 325. Available at: http://www.congreso.es/public_oficiales/L10/CONG/DS/CO/DSCD-10-CO-325.PDF

14. The Secretary of Defense "Emphasized the need to return new weapons programs as soon as possible once the economy recovers, which requires the sector not to be disrupted until that time. So, for example, he mentioned an investment of 60 million into the program involving 12 EC-135 helicopters (Ecocharlie), in order to save the jobs at the Eurocopter factory in Albacete. *El Economista*, available at: <http://ecodiario.eleconomista.es/espana/noticias/5204696/10/13/los-programas-especiales-de-armamento-volveran-a-requerir-financiacion-extrapresupuestaria-en-2014.html>

15. The so-called 8 x 8 vehicles, of which 300 units were supposed to be purchased for €1,300M.

16. Five Maritime Action Vessels for the Navy for approximately €740M.

17. Font, T., Melero, E., Simarro, C. (2013) *Spanish weapons exports 2003-2012. Analysis of the institutional support of weapons exports*. Centre Delàs d'Estudis per la Pau. Available at: http://www.centredelas.org/images/stories/informes/informe18_eng_web.pdf

18. 2014 State Budgets. *Libro Amarillo*, p. 104

Military research

The allocations dedicated to military research in the 2014 PGE are derived fundamentally from two programs; one from the Ministry of Defense (464A program, Armed Forces Research and Studies), and the other from the Ministry of Industry, Energy and Tourism (464B program, Support for technological innovation in the defense industry). The budget for the 464A program is €163.3M, representing an increase of 12.4% as compared with 2013. The 464B program is at €343.6M, with a 57.5% increase as compared with 2013. Both increases may be considered, within the suffocating framework of the civil research industry, a true political scandal.

In the justification section of the 464A program, Armed Forces Research and Studies, it indicates that “the defense R&D activities’ objective is to provide the Spanish Armed Forces with systems and equipment having the technology and features of all kinds best suited for its future missions, and to help preserve and promote the Spanish industrial and technological defense base.” Within this program (464A) there are two centers being funded; the El Pardo Channel of Hydrodynamic Experiences (CEHISPAR) and the Esteban Terradas National Institute of Aerospace Technology (INTA).

The fundamental mission of CEHISPAR is the study, experimentation, and research of the hydrodynamic aspects of military, commercial, fishing, and sports shipbuilding. Its activities focus on experimentation with models for vessel research and design, vessel energy efficiency research, and hydrodynamic research. It also carries out certification activities.

INTA specializes in space technology research and development, including commercial certification activities and product approval. It resumes the main projects previously launched, such as the PNOT program (National Earth Observation Program), whose objectives are to develop the command system, conduct monitoring, and create terrestrial products for the PAZ satellite, develop a microsatellite and picosatellite and an unmanned aerial vehicle, MILANO, which, just as the justification in the 464A program indicates, is of high strategic interest. On the other hand, INTA supports the military industry through different programs, such as the military transport aircraft Airbus 400-M, military helicopter certification programs, the fighter aircraft Eurofighter EF-2000 program, and aircraft approval programs. It also participates in the European program Galileo, which deals with navigation by satellite.

Table 9 details the allocations for each heading in the 464A program for the 2013 and 2014 PGE, as well as the percentage variations for the 2014 expenditure projection as compared with 2013. The 2014 CEHISPAR budget does not experience any variations as compared with 2013, while INTA experiences an increase of 26.9%. It should be emphasized that INTA’s running expenses increased by 206% and experienced a 65% decrease in its financial expenses.

Table 9. Distribution of expenditures corresponding to the 464A program Armed Forces Research and Studies

(amounts are expressed in thousands of euros)

	Budget 2013	Budget 2014	Variable 2013-14 (%)
Personnel expenses	20,419.08	18,798.29	-7.9
Running expenses	3,974.82	4,197.58	+5.6
Real investments	36,546.82	34,719.48	-5.0
EL PARDO CHANNEL OF HYDRODYNAMIC EXPERIENCES			
Personnel expenses	3,628.35	3,628.35	0.0
Running expenses	860.81	860.81	0.0
Current transfers	66	66	0.0
Real investments	695.20	695.20	0.0
Financial assets	60.1	60.1	0.0
CEHIPAR TOTAL	5,310.46	5,310.46	0.0
ESTEBAN TERRADAS NATIONAL INSTITUTE OF AEROSPACE TECHNOLOGY			
Personnel expenses	46,797.31	46,333.44	-1.0
Running expenses	9,925.06	30,404.32	+206.3
Financial expenses	135.31	46.14	-65.9
Current transfers	709.71	632.99	-10.8
Real investments	21,213.34	22,596.98	+6.5
Financial assets	200	200	0.0
Financial liabilities	56	57	+1.8
INTA TOTAL	79,036.73	100,270.87	+26.9
464A program TOTAL	145,287.91	163,296.68	+12.4

Source: In-house compilation based on State Budgets

Repeated complaints have been made accusing the budgetary appropriations of the 464B program of being concealed aid granted to the military industry

Another source of funding for military RDI is the Ministry of Industry, Energy and Tourism's 464B program, Technological Innovation Support for the Defense Sector. The objective of this program is to support the participation of Spanish companies in the development of technological projects concerning defense. The most notable projects for the 2014 fiscal year are: the military transport aircraft Airbus-400M, with an appropriation of €60M; the S-80 submarine, with €208M and the NH90 helicopter, with €75M.¹⁹ Some of these projects (Airbus-400M and Eurofighter) also receive funding through the 464A program.

Repeated complaints have been made²⁰ accusing the budgetary appropriations of the 464B program of being concealed aid granted to the military industry. This aid counts as credits granted to defense companies by the Ministry of Industry at a 20-year rate of return and 0% of interests (extremely favorable conditions

19. Industry contributes 343 million to technological innovation in Defense, *Infodefensa.com*, 10/9/2013.

20. P. Ortega; "L'escàdol dels crèdits R+D militar". *Materials de Treball*, no. 34, July, 2008, p. 3-4.

not being applied to other sectors). But the amount returned by the companies is practically zero, even after more than 15 years of the existence of the program and having received over €15bn (Table 4 of the Appendix), making it a camouflaging of funds on the part of the military companies. In the past five years there has been a reduction in the budgetary appropriations for this program. The considerable increase in the 2014 budget indicates an obvious trend change, which lead one to think that, given the circumstances, the Government could use these resources for military and future PEA funding.

As we have mentioned, the budget dedicated to military research in 2014 is €506.84M. However, this allotted amount should be considered as the lower bound, given that there are other budgetary items that may have a military purpose but not be specified as such. For example, the Ministry of Industry, Energy and Tourism's 467C program, Technological Industrial Research and Development, has €25M of a total of €227M earmarked for the company Hisdesat for the Ingenio satellite. Hisdesat is a government services operator via satellite serving fundamentally in the areas of defense, security, intelligence, and foreign affairs. Hisdesat's webpage²¹ indicates that the Ingenio satellite will have "mainly civilian users," therefore it will also have military applications. On the other hand, the same 467C program has €30.8M earmarked for the funding of strategic development projects in the aeronautic sector and €152M for participation in Space Programs. Given the interest the Ministry of Defense demonstrates in the aerospace sector (this is reflected by the previously mentioned fact that INTA's budget experienced a 26.9% increase), it would be of no surprise if part of these resources were used for military purposes. There may be other budget items that may appear to have a civil objective but are used in part for military applications. All this contributes to the increase of the military research budget.

There may be other budget items that may appear to have a civil objective but are used in part for military applications

COMPARISON BETWEEN CIVIL AND MILITARY RESEARCH

The allotted budget for civil research for the year 2014 is €5,633.15M, representing a 1.3% increase as compared with 2013, which is much lower than the increase for military research (39.5%). In the 2014 PGE submission the Government says that civil RDI has been a priority in recent years²². The data seems to contradict the Government, given that the RDI cut is over 30% since 2009 (and 40% in the grants section)²³. Nor does the scientific community back the assertions of the Government: quite the opposite, they condemn the lack of resources allocated to research²⁴. Nevertheless, we must acknowledge that the 2014 budgets offer a trend change upon increasing the allocation instead of the cuts of recent years. Keep in mind that Spanish research funding is at the bottom of the list for Europe. Spain's investment in RDI is 1.39% of the GDP (0.79% public investment and 0.6% private).²⁵ It ranks 18 in European RDI investment and is far from the average among European countries, which is 2% of the GDP. The Government's policy does not help to remedy this situation or to get us close to the European R&D standard.

Civil research for the year 2014 is €5,633.15M, representing a 1.3% increase as compared with 2013, which is much lower than the increase for military research (39.5%)

21. Hisdesat. http://www.hisdesat.es/esp/satelites_observ-ingenio.html

22. 2014 State Budgets, *Libro Amarillo*, p. 166

23. A. Rivera; "La comunidad científica denuncia que la I+D está al borde del colapso" [The Scientific Community Reveals that R&D is on the Brink of Collapsing], *El País*, 05/20/2013.

24. See the following publication as an example: "Asfixia de la I+D en España" [R&D Suffocation in Spain] from the Conferencia de Rectores de las Universidades españolas [Conference of Rectors of Spanish Universities] (CRUE), or from the group "Carta de la Ciencia" [Science Charter] subscribed to by the Confederación de Sociedades Científicas de España [Confederation of Scientific Societies of Spain] (COSCE), CRUE, the CC OO and UGT unions, the Federación de Jóvenes Investigadores [Federation of Young Researchers] and Plataforma Investigación Digna [Digna Research Platform] and over 40,000 scientists and technologists.

25. M. Rodríguez; "El Gobierno prevé congelar la inversión pública en I+D hasta 2020" [The Government Anticipates Freezing Public R&D Investment until 2020], *Público*, 05/01/2013.

Spanish research funding is at the bottom of the list for Europe with an 1,39% of the GDP. It ranks 18 in Europe, far from the average among European countries, which is 2% of the GDP

Table 10 shows the budget allocations for the research programs of the Ministry of Economy and Competitiveness and the Ministry of Industry, Energy and Tourism. If we closely examine the projected expenditure, it is evident that military research has the advantage over civil research, even more so when we include the percentage increases for each program. All but one of the programs have increases less than those of military R&D programs.

Table 10. R&D budget variation by ministries and programs (2013-2014)

(the amounts are expressed in thousands of euros)

		Budget 2013	Budget 2014	Variable (%)
MINISTRY OF ECONOMY AND COMPETITIVENESS (MEC)				
463A	Scientific research	595.066,38	600.763,40	1,0
463B	Advancement and coordination in scientific and technical research	1.411.161,29	1.464.723,46	3,8
465A	Health research	279.965,92	286.762,84	2,4
467A	Astronomy and Astrophysics	16.587,19		-100,0
467C	Technological Industrial research and development	2.007.991,90	2.007.894,29	0,0
467D	Agricultural research and experimentation	69.391,98	78.887,93	13,7
467E	Oceanographic and Fishing research	56.754,75	59.397,71	4,7
467F	Environmental and geological mining research	25.111,69	24.955,93	-0,6
467H	Energy, environmental and technological research	82.664,07	83.424,92	0,9
TOTAL Research (MEC)		4.544.695,17	4.606.810,48	1,4
MINISTRY OF DEFENSE				
464A	Armed Forces Research and Studies	145.287,91	163.296,68	12,4
MINISTRY OF INDUSTRY, ENERGY AND TOURISM				
464B	Technological Innovation Support for the Defense Sector	218.152,52	343.600,00	57,5
467C	Technological Industrial research and development	235.587,71	227.345,92	-3,5
467G	Information Society Research and Development	89.808,15	89.840,79	0,0
467I	Telecommunications technological innovation	561.293,76	587.182,95	4,6

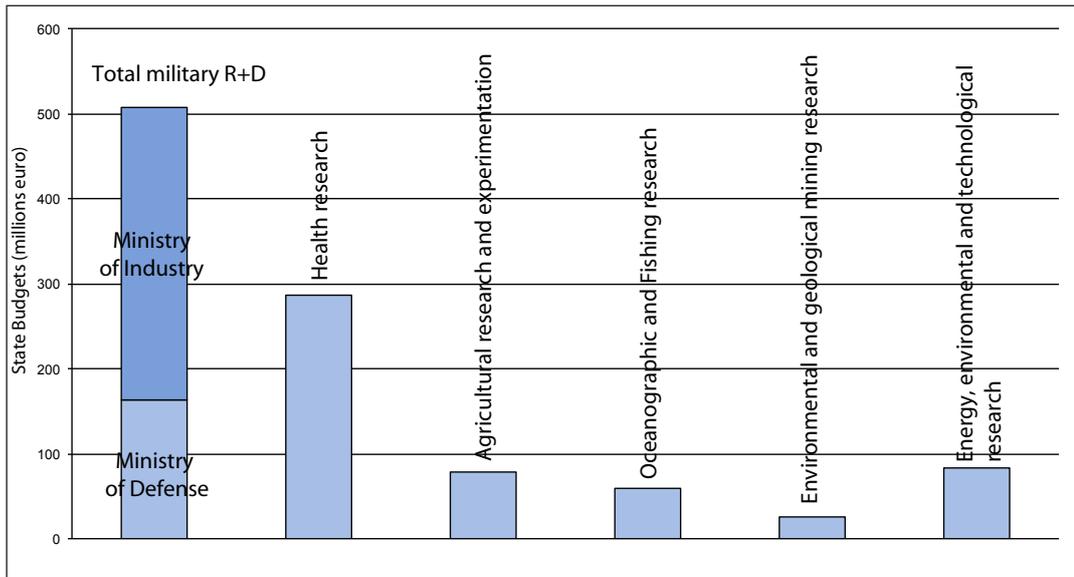
Source: In-house compilation based on State Budgets

Military research continues to have more budgetary significance than other activities of obvious social and technological interest, as can be seen in Table 10. For a better visual comparison, Figure 2 shows the budgets of some civil research programs and the military research program.

Military research continues to have more budgetary significance than other activities of obvious social and technological interest

We should bear in mind that, if the projected military expenditure can be greater than the one presented in the PGE (as we have said, there may be some expenses for military purposes despite having been presented as a civil expense), given that civil research investment will most likely be less than what was budgeted, since the budgeted capital is usually not used in its entirety. Approximately 60% of the civil research budget is in the form of credits, intended for the granting of loans and advances. Therefore, the scientific institutions must repay these resources. Furthermore, in the majority of the cases joint financing is requested for them to be granted. Due to the difficulty in obtaining their own resources to repay these credits, this section of the budget is typically not used in its entirety.

Figure 2. Budgets for the military research program (464A and 464B) and some civil research programs



By contrast, the credits for military research are used in their entirety (more is always spent than originally budgeted). Thus, the settlement for the 2012 budget used 100% of the 464 program (military research) derived from the Ministry of Industry, Energy and Tourism, while the 467 program (the majority of which is for civil research) of the Ministry of Economy and Competitiveness only used 28.5% of the budgeted amount.

CONCLUSIONS

It is true that the crisis in Europe particularly affects less economically-developed countries. But this does not prevent the governments of these countries, including Spain, from tackling the crisis by terminating the expenditures that can be considered “unproductive”²⁶ The problem is that military expenditure as a whole is unproductive and hinders economic development, when a more positive result could be derived from that same expenditure being applied to the development of the real economy’s assets. For example, military R&D could be applied to civil R&D; weapons investment, especially that of the PGE, could be cancelled and those resources and facilities could be allotted for the use of civil teams; military troops could be reduced, not to swell the ranks of the unemployed, of course, but rather for other public services having a greater impact on the welfare of the people.

The huge expenditure incurred in the PEA and the commitments acquired for the future demonstrate that weapons expenditure causes the public deficit to increase and generates debt. Since 1996, these programs have consumed €15,260M (to be 16,120 in 2014) in credits granted to companies by the Ministry of Industry for R&D. Nowadays it is difficult to predict the final costs that these programs may have.

The campaign initiated by several civil society groups makes a lot of sense in that it intends to conduct an audit of the causes behind the generation of a debt close to 100% of the GDP (one billion euros), which has increased by 50% since 2010 and has mainly been used to protect the banks and other foreign financial creditors. It is important to audit this enormous military debt to learn the intri-

The huge expenditure incurred in the PEA and the commitments acquired for the future demonstrate that weapons expenditure causes the public deficit to increase and generates debt

26. These quotation marks indicate that not all of the assets labeled as “productive” are actually so from an environmental sustainability perspective, meaning that they could have a negative impact on development by not considering magnitudes not related economic growth.

It is important to audit this enormous military debt to learn the intricacies of these contracts, cost overruns, possible actions that could include political accountability

cacies of these contracts, cost overruns, possible actions that could include political and even criminal accountability.

As has been the case for 2012 and 2013 in particular, the defense budget analysis submitted for 2014 constitutes a blatant, intentional deception of public opinion, given that the Secretary of State for Defense himself has stated that credits will be issued again next year to cover military company expenses not included in the budget.

ANNEX

Table 1. Settled Ministry of Defense budget 2004 - 2013

Headings	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Ministry of Defense	7,529.72	7,892.32	8,571.34	9,340.08	9,810.79	9,344.21	8,715.19	8,301.09	9,066.29	7,774.96
Ministry of Defense Autonomous Bodies	1,557.14	1,554.37	1,600.13	1,654.83	1,613.57	1,280.31	1,242.01	1,195.04	1,108.18	976.65
National Intelligence Center**	130.05	180.00	208.57	241.57	264.71	255.06	241.37	228.20		
Defense Total	9,216.91	9,626.69	10,380.04	11,236.48	11,689.07	10,879.58	10,198.57	9,724.33	10,174.47	8,751.61

Years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Settled Ministry of Defense total	9,216.91	9,626.69	10,380.04	11,236.48	11,689.07	10,879.58	10,198.57	9,724.33	10,174.47	8,751.61
Initial Ministry of Defense total	8,093.36	8,456.55	8,857.25	9,576.52	10,091.95	9,726.36	9,154.42	8,560.09	7,411.74	6,913.65
Difference	-1,123.55	-1,170.14	-1,522.79	-1,659.96	-1,597.12	-1,153.22	-1,044.15	-1,164.24	-2,762.73	-1,837.96
Variable %	13.8	13.8	17.2	17.3	15.8	11.9	11.4	13.6	37.3	26.6

* Provisional settlement in September 2013

** Initial budget is appropriated and the NIC stops being accountable to Defense as of 2012. The NIC avails itself of the Official Secrets Act and does not facilitate the settlement.

Source: In-house compilation based on State Budgets

Table 2. Settled expenditure of Military Forces abroad (in millions of current euros)

YEAR	Initial budget	Settled budget
1990	0.00	6.01
1991	0.00	42.07
1992	0.00	14.37
1993	0.00	57.19
1994	0.00	103.19
1995	0.00	133.70
1996	0.00	179.94
1997	0.00	122.28
1998	0.00	146.38
1999	0.00	249.23
2000	60.10	239.63
2001	60.10	241.34
2002	60.10	330.55
2003	60.10	414.82
2004	60.10	380.62
2005	18.36	422.50
2006	18.36	563.90
2007	17.36	642.50
2008	17.36	668.74
2009	14.36	713.50
2010	14.36	787.90
2011	14.36	861.39
2012	14.36	925.79
2013	14.36	514.42
2014	14.36	
Total	458.10	8,761.96

Source: In-house compilation based on State Budgets and Council of Ministers

Table 3. Initial budgets for military investment / State (millions of current euros)

Year	Defense Investment	Ministry Industry Military R&D	Total Military Investment	Central Government Public Investment	% Defense Investment / Central Government
2005	2,199.70	1,014.60	3,214.30	11,737.05	27.39
2006	2,229.84	1,358.01	3,587.85	25,263.44	14.20
2007	2,379.41	1,265.06	3,644.47	28,629.74	12.73
2008	2,464.32	1,388.57	3,852.89	31,767.26	12.13
2009	2,005.86	1,157.52	3,163.38	31,503.65	10.04
2010	1,463.26	979.22	2,442.48	29,276.86	8.34
2011	1,211.68	794.84	2,006.52	20,684.06	9.70
2012	782.75	582.77	1,365.52	15,531.57	8.79
2013	551.03	218.15	769.18	13,033.78	5.90
2014	557.04	343.60	900.64	12,094.93	7.45

Source: In-house compilation based on State Budgets

Table 4. Military R&D (in millions of current euros)

Years	Ministry Defense R&D	Ministry Industry Military R&D	Military R&D Total	R&D Total	% Military / Total
1997	290.11	210.36	500.47	1,352.68	37.00
1998	300.14	581.00	881.14	1,867.95	47.20
1999	294.75	1,198.58	1,493.33	2,767.84	54.00
2000	293.48	964.11	1,257.59	3,053.86	41.20
2001	382.11	947.8	1,329.91	3,435.30	38.70
2002	314.04	1,176.85	1,490.89	3,465.40	38.30
2003	322.97	1,049.90	1,372.87	4,000.12	34.30
2004	303.42	1,070.00	1,373.42	4,402.00	31.20
2005	315.69	1,014.60	1,330.29	4,972.23	26.70
2006	325.88	1,358.01	1,683.89	6,510.81	26.00
2007	361.04	1,225.06	1,586.10	8,060.42	19.70
2008	355.67	1,308.57	1,664.24	9,342.55	17.82
2009	312.41	1,149.92	1,462.33	9,654.29	15.15
2010	231.89	950.91	1,182.80	9,128.80	12.96
2011	203.91	770.71	974.62	8,493.11	11.47
2012	174.05	582.77	756.82	6,397.62	11.83
2013	145.29	218.15	363.44	5,926.29	6.13
2014	163.24	343.60	506.84	6,139.99	8.26
Total		16,120.90			

Source: In-house compilation based on State Budgets

Table 5. Military expenditure 2005-2014 (in millions of current euros)

Headings	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014***	2005-2014 Variable
Ministry of Defense	7,024.79	7,416.53	8,052.76	8,492.61	8,240.77	7,694.86	7,156.38	6,316.44	5,937.00	5,745.77	
Ministry of Defense Autonomous Bodies	1,242.02	1,232.15	1,282.19	1,334.63	1,230.53	1,218.19	1,175.51	1,095.30	976.65	1,030.98	
National Intelligence Center**	189.74	208.57	241.57	264.71	255.06	241.37	228.20				
Defense Total	8,456.55	8,857.25	9,576.52	10,091.95	9,726.36	9,154.42	8,560.09	7,411.74	6,913.65	6,776.75	-19.80%
Military pensioners	2,855.16	2,993.18	3,102.21	3,184.35	3,298.14	3,328.59	3,252.15	3,344.35	3,352.97	3,314.00	
ISFAS (Other Ministries)	571.98	587.80	563.62	565.60	602.53	617.53	624.89	577.52	549.18	556.37	
Civil Guard (Ministry of the Interior)	2,143.72	2,364.38	2,657.51	2,893.37	2,941.51	2,973.17	2,790.96	2,733.52	2,659.18	2,615.67	
Ministry of Industry (R&D and military aid)	1,014.60	1,358.01	1,265.06	1,388.57	1,157.52	979.21	794.84	582.77	218.15	343.60	
NATO, WEU (Ministry of State)	18.03	8.83	7.79	7.80	56.57	11.07	9.82	14.95	15.20	15.20	
NATO criterion Defense Total	15,060.04	16,169.45	17,172.71	18,131.64	17,782.63	17,063.99	16,032.75	14,664.85	13,708.33	13,621.59	-9.55%
National Intelligence Center**								221.20	203.69	203.69	
Public Debt interest	1,117.77	919.91	844.61	858.68	834.57	1,125.20	1,212.00	1,170.18	1,385.38	1,197.60	
INITIAL MILITARY EXPENDITURE TOTAL	16,177.81	17,089.36	18,017.32	18,990.32	18,617.20	18,189.19	17,244.75	16,056.23	15,297.40	15,022.88	-7.13%
Difference between final and initial	1,170.14	1,522.79	1,659.96	1,597.12	1,153.22	1,044.15	1,164.24	2,762.73	1,837.96	1,503.85 ****	
FINAL MILITARY EXPENDITURE (settled)	17,347.95	18,612.15	19,677.28	20,587.44	19,770.42	19,233.34	18,408.99	18,818.96	17,135.36	16,526.73	-4.73%
Final military expenditure/GDP	1.91%	1.89%	1.87%	1.89%	1.88%	1.83%	1.73%	1.79%	1.64%	1.58%	
Initial Military Expenditure/State total Budget	6.67%	6.11%	5.53%	5.42%	5.11%	4.70%	4.76%	5.20%	4.49%	3.90%	

* Settlement is provisional in September 2013

** The National Intelligence Center has stopped being accountable to the Ministry of Defense as of 2012

*** Initial Government budget for 2014

**** Average estimate 2004-2013

Source: In-house compilation based on State Budgets

Table 6. Military expenditure 2003 - 2012 (in millions of 2011 constant euros)

Headings	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Ministry of Defense	8,005.60	8,095.57	8,148.65	8,310.86	8,779.15	8,896.14	8,657.18	7,940.79	7,156.38	6,165.63
Ministry of Defense Autonomous Bodies	1,405.16	1,421.47	1,440.72	1,380.73	1,397.85	1,398.05	1,292.71	1,257.12	1,175.51	1,069.15
National Intelligence Center**	170.50	194.33	220.10	233.72	263.36	277.29	267.95	249.08	228.20	
Defense Total	9,581.25	9,711.37	9,809.47	9,925.31	10,440.35	10,571.47	10,217.84	9,446.99	8,560.09	7,234.78
Military pensioners	3,233.65	3,221.95	3,311.94	3,354.12	3,382.04	3,335.66	3,464.80	3,434.97	3,252.15	3,264.50
ISFAS (Other Ministries)	571.99	662.05	663.49	658.68	614.46	592.47	632.98	637.27	624.89	563.73
Civil Guard (Ministry of the Interior)	2,452.90	2,496.50	2,486.68	2,649.49	2,897.23	3,030.85	3,090.15	3,068.19	2,790.96	2,668.25
Ministry of Industry (R&D and military aid)	1,297.15	1,332.87	1,176.92	1,521.77	1,379.17	1,454.55	1,216.01	1,010.51	794.84	568.86
NATO, WEU (Ministry of State)	9.06	13.45	20.91	9.89	8.49	8.17	59.43	11.42	9.82	14.59
NATO criterion Defense Total	17,145.99	17,438.20	17,469.42	18,119.26	18,721.75	18,993.17	18,681.20	17,609.35	16,032.75	14,314.71
National Intelligence Center**										215.92
Public Debt interest	1,484.43	1,445.66	1,296.60	1,030.84	920.80	899.48	876.74	1,161.16	1,212.00	1,142.24
INITIAL MILITARY EXPENDITURE TOTAL	18,630.41	18,883.86	18,766.02	19,150.10	19,642.55	19,892.65	19,557.94	18,770.51	17,244.75	15,672.87
Difference between final and initial	883.85	1,348.17	1,357.35	1,706.42	1,809.69	1,673.01	1,211.49	1,077.52	1,164.24	2,696.77
FINAL MILITARY EXPENDITURE (settled)	19,514.26	20,232.03	20,123.36	20,856.52	21,452.24	21,565.66	20,769.43	19,848.03	18,408.99	18,369.64

Updated at constant prices with the CPI annual average based on 2011 (NSI data)

* Settlement is provisional in September 2013

** The National Intelligence Center has stopped being accountable to the Ministry of Defense as of 2012

Source: In-house compilation based on State Budgets

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