

THE COSTS OF NON-EUROPE IN THE FIELD OF DEFENCE

This document is based on the report “I costi della non-Europa della difesa”, by Valerio Briani, drafted within the “Defence Studies” program of the Centro Studi sul Federalismo of Turin (www.csfederalismo.it) and in cooperation with the Istituto Affari Internazionali of Rome (www.iai.it). The report will be published in April 2013.

The expression “non-Europe in the field of defence” usually refers to the lack of two concurrent elements: an integrated European military structure and a common European defence market. Armed forces and defence markets, in fact, are currently in place almost only at the national level, with some limited examples of partial integration at the continental, bilateral or multilateral level. Lack of economies of scale, market inefficiencies and the duplications of institutions, structures, and goods are all sub-products of this state of affairs, and all together make up the costs of non-Europe in the defence field. These costs have an economic/industrial as well as a political/strategic dimension, both of which are quite hard to qualify and quantify because of their subtle nature.

The variety, sheer number and the sometimes intangible or incalculable nature of some of the factors composing the economic/industrial dimension do not allow us to provide a proper estimation of the monetary costs of non-Europe. An educated guess suggests these could amount to something in the order of 120 billion Euros per year, which is basically half of what Europe spends on defence. It is possible to provide some approximations with a few different methods: the most notable example is by comparing EU and US capabilities and defence budgets. Studies suggest that EU military capabilities are more or less equal at 10 to 15% of American capabilities: EU defence budget, therefore, should amount to between 10 to 15% of the American budget. However, the EU budget is actually closer to 50% of the US one. The monetary costs of non-Europe in the defence field should therefore amount to the difference between what the Europeans should have spent had they reached the same level of spending efficiency of the Americans, that is 10 to 15% of US budget, and what they actually spent, almost 50% of the US budget. In 2003 this difference was 118 billion Euros, considering an average estimation of EU capabilities at 12,5% of US capabilities.

Even more significant than the economic costs, however, are the political/strategic costs. The lack of continental defence integration is severely hindering Europe’s ability to overcome its serious military capabilities deficit, which imposes heavy limits to our policy choices. As a matter of fact, European dependency from American military support has not changed much between 2012 and 1999, when European military weakness forced the EU to

rely on American airborne assets for the Kosovo campaign. Should the EU consider it necessary to perform an operation similar to the Libya campaign of 2011, it would be simply not able to do it without foreign help - even with its own security at stake.

This level of dependency does not appear to be compatible with any political entity wishing to exercise influence in world politics, be that at the regional or at the global level. From the political/strategic point of view, we could equate the costs of non-Europe in the defence field as the costs of inaction: the costs of missed opportunities on the international stage, of all initiatives we wished to undertake but could not, of all initiatives which were actually launched, but which did not reach quite the desired results because of insufficient means.

The biggest factor contributing to these costs is conceivably the lack of integration between the European national armed forces. The 27 national forces are controlled by 27 national command chains, and are served by 27 administrative, logistical and support services, also strictly national. These forces are trained almost exclusively on a national basis, with national doctrines and methods, in national training grounds, with the exception of a few multilateral training exercises which are necessary to provide a minimum of interoperability. Obviously, each national force is also equipped with armaments and products developed, built, and maintained in its own country as much as it is industrially and financially possible. Pooling and sharing initiatives are characteristically the exception rather than the norm: political and cultural obstacles usually discourage this option, typically chosen when the asset to be pooled or shared is way too expensive to be procured or developed on a strict national basis.

The costs of these duplications, which are actually closer to a multiplication by a factor of almost twenty-seven, are clearly impossible to calculate but are also quite difficult to underestimate. A noticeable example is duplications in platforms development. In 2012 Europeans had in activity, for the same categories of platforms, more than three times the production lines the US had: 36 to 11. This is almost exactly the same relation found by Pierre De Vestel in 1995. This means that if the US is producing one single Main Battle Tank (MBT) model, on average the EU countries are producing three different MBTs, usually not much different from one another - in the MBT segment, the relation is actually 5 to 1. Each EU R&D program is getting one third of the funds it could get, therefore is not nearly as technologically advanced as it could. Each production line is much smaller than it could be, with much less economies of scale and production learning, which means the product is much more expensive than it could be.

Therefore, not only EU countries usually spend around one third of what the US spends on procurement and R&D, but they also disperse funds on a triple number of projects. The result of this is Europeans countries are lacking behind in many fields of technological developments, as R&D funding is not only insufficient but also fragmented, and duplications produced by uncoordinated defence procurement is also producing overcapacities in some areas (MBTs, for examples) and complete lack of other capabilities. These are all mistakes

which could be averted, and funds which could be saved, had European countries put in place a more efficient coordination mechanism.

No less important is the second element, the lack of a common European defence market. While defence is formally included in the common market, in reality multiple political, regulatory and bureaucratic obstacles exist so that it is much more realistic to talk about 27 different European defence markets rather than about a European defence market. The root of this are mainly the will to maintain and protect a national defence industrial base, seen as a strategic asset: the sensibility of defence as a life-or-death issue, at the very heart of the concept of the modern Nation-state: and the European institutions' relative lack of experience in the field of defence regulations, which hindered many attempts to push forward the deepening of integration. The end result is that the demand side is fragmented into 27 national markets, quite closely protected from external suppliers and therefore shielded from competition. The industry, that is the supply side, is squeezed within national boundaries which are too strict to allow growth beyond a certain limit. The creation of European networks of centres of excellence is also obstructed by national barriers. European industries, as a matter of fact, must operate in a market which is way smaller than that enjoyed by Indian, Brazilian, Russian or Chinese companies, even if Europe as a whole would be a much bigger one: our defence and aerospace industrial base is, consequently, losing competitiveness to our extra-European competitors.

Communitarian institutions are tackling the main aspects of the market issue, namely the protectionist practices in defence procurement, the barriers to the circulation of defence-related goods and components, and the widespread use of industrial compensation. The 2009 "defence package" and its two Directives, respectively on defence and security procurement and on intra-communitarian transfer of defence goods, are merely the last initiatives of a long streak. However the ultimate power on these issues, as is the case for all the other matters, rests with European countries and governments. Much has been said, in the last ten years, about the need for more military integration: however, most initiatives subsequently activated have not brought the expected results. The issue is inherently complex, as it involves problems of political, social, industrial, and economic and financial nature: indeed, it touches the very heart of the concept of "statehood". For this very reason, a technocratic/functionalist attitude alone will not be sufficient to solve the conundrum. What is sorely needed is an injection of strong, consistent and shared political will, without which all efforts endured until now will be left in a vacuum.