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A *Single* European Defence Fund

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A Single European Defence Fund

Domenico Moro

For the first time since the European Union (EU) budget was set, military expenditures may be directly financed through the European Defence Fund. The Fund has yet to become a specific budget line of the EU budget: this is scheduled for the next Multiannual Financial Framework and only if it is specifically requested by the European Parliament, also to make sure the public will be aware of how much the EU and its Member States spend on European defence.

Given that this paper is meant to provide orders of magnitude and not precise figures, it may be said that overall annual expenditures on European security and defence, consisting of *direct* expenditures (and directly activated with a multiplier effect) and, most importantly, *indirect* (hence, opaque) expenditures, are expected to exceed 40 billion euros over the next two to four years, that is: 20% of national defence budgets, a quarter of the European budget, 0.3% of the EU's GDP and, in terms of size, equal to the European Agricultural Guarantee Fund and higher than the costs for regional convergence. In addition to annual expenditure flow, around 85 billion euros of investment in

military platforms should also be taken into account, which are directly and indirectly included in European defence expenditures (absorption costing method).

Although these figures are rather high, and largely unknown to European public opinion, it is surprising that, because they concern the provision of a public good that is essential for European citizens – in this case European defence – it still is not being openly and transparently debated within the EU. The reason for this lies in a report by the European Parliament, according to which European governments sacrifice EU operational capacity to retain formal sovereignty¹. If a decisive step towards providing a European public good is to be taken, by setting up a “single European Defence Fund” financed through a European tax, the 2019 European elections would be a good opportunity to initiate a wide-ranging European debate. The European Parliament, for its part, with the approval of the Annual report on the implementation of the Common Security and Defence Policy², which provides for the establishment of a “Directorate-General for Defence” within the European Commission, has already opened such debate.

European “strategic autonomy”

Regardless of the recent establishment of the European Defence Fund, it is both a question of putting together the items in the European budget that fall under European defence and estimating how much of national defence budgets is, in all respects, related to European defence expenditures.

If the EU is to be autonomous in its military operations and missions outside Europe, it must be able to manage

both multinational (combined) and inter-force (joint) operations and missions without needing American aid, as was the case in the action taken in Kosovo and Libya. It is a matter of being consistent with the objective of “strategic autonomy” illustrated in the Report submitted at the end of June 2016 by High Representative for European Foreign and Security Policy Federica Mogherini. This means that the EU must have the same instruments as the US at its disposal: not only adequate land, sea and air forces, but also space infrastructure to provide assistance and coverage during military operations.

Currently, some national military expenditures are incurred exclusively for European Defence purposes, such as those for missions involving several European countries. These expenditures are necessary insofar as they are out of the reach of single countries, due to individual country’s economic or military capability or, because the threat is shared by all or most European countries, therefore the expenditure is incurred by the group of countries³. In other cases, some countries have recently set forth “pooling&sharing” policies to reduce the management costs of military platforms or initiate the standardisation process⁴.

The assessments below are based on the strategic autonomy criterion and differentiate between expenditures *directly* incurred on platforms essential to EU strategic autonomy and those *indirectly* incurred, through the budget of national defence ministries, to provide the public good of “European security”.

Military sovereignty is being transferred from the States to the Union

In addition to the recently established European Defence Fund - which directly mobilises 0.5 billion euros of the EU budget for research and 1 billion for “development and acquisition” (leveraging national financing with an expected multiplying effect of 5) -, expenditures on European satellite systems play a strategic role. These systems are dual-use, civil and military⁵. However, based on the assumption of strategic autonomy, they are bound by military use and therefore are considered, in all respects, as a European defence expenditure. Otherwise, in order to ensure strategic autonomy, investments in a new satellite system so far should be doubled, which seems highly unlikely.

When in 2001 French General Daniel Gavoty wrote the article “L'espace militaire, a projet fédérateur pour l'Union européenne”⁶, he probably did not foresee that things would start changing so quickly. Since then, the Galileo satellite programme, as well as its complementary Copernicus satellite programme, have become the property of the EU⁷. This is the first time in the history of European unification that the EU has become the direct owner of strategic military infrastructure. This means that if European states want to conduct military operations such as the ones in Kosovo in 1999 or Libya in 2011, they will have to choose whether to rely upon the US GPS system or the European Galileo-Copernicus system – considered, *inter alia*, more precise than the US system. Whatever the choice, European States have lost their national military autonomy (except for in small-scale operations): to exercise it they must call Washington or Brussels, where it has now been transferred. Otherwise, they will wreak havoc, as in Bosnia, or be unable to complete the missions they have undertaken (Kosovo, Libya)⁸.

As Gavoty argues, “dans l'environnement géostratégique actuel, il est difficile de connaître avec précision et de prévoir le lieu, l'espace géographique, la nature, la durée, le niveau de menace d'une crise qui peut être déclenchée à tout moment, parfois avec un faible préavis. Toute erreur dans la perception d'une situation peut avoir de graves conséquences tant au plan politique que sur l'emploi des forces”, adding that to ensure strategic autonomy for Europe, it must have its own space infrastructure, and this policy can no longer be conducted at the national level due to budgetary constraints. Moreover, at the 10th Conference on European Space “More Space for more Europe”, emphasising the EU's position as the second world power in the space industry, High Representative Federica Mogherini stated that “Galileo and Copernicus contribute to making us a global security provider. And I think we need to factor this awareness into our work and thinking much more especially considering the major steps forward we have made in the sector of European defence over the last year. They contribute to a strong European foreign policy, and they help us take better and swift decisions”, Mogherini also added that “so it is also important that we develop an autonomous capacity to protect our satellites. We need our own Space Surveillance and Tracking systems, because we cannot simply rely only on US data. I believe that Member States could join forces in a common initiative carried out at European level”⁹.

When it comes to space infrastructure, it is impossible for a single satellite system to provide these services. Gavoty recalls the systems that are part or that must be part of the European infrastructure:

- 1) Satellites for telecommunications: the Syracuse satellite system (acronym for *SYstème de RADioCommunication*

Utilisant un Satellite) launched by France in the 1980s, joined also by Belgium and, in part, Italy. It consists of three Syracuse satellites' generations (1, 2 and 3), and a fourth one that is about to be added. Each system is made up of 2-4 satellites. The Syracuse generation 4 will gradually replace generation 3.

- 2) Copernicus European system of continuous observation, tracking and recognition: including the Helios 1 and 2 satellite systems, developed by France, Italy, Spain as well as Belgium and Greece; Cosmo/Skymed developed by Italy; and Sarlupe developed by Germany.
- 3) Tracking and navigation systems: the Galileo satellite system, now consisting of 22 satellites, which will increase to 26 by the end of 2018. It is the competitor of the US GPS, even if they are interoperable systems.
- 4) Electronic listening systems (Electronic Intelligence-Elint and Communication Intelligence-Comint): these systems are currently being tested, especially by France, and partially overlap with the Helios satellite systems.

In addition to these satellite systems, there are the French-Italian satellite programs Sicral (Sistema Italiano per Comunicazioni Riservate ed ALLarmi) 1, 1B and 2 and Athena-Fidus.

The table below summarises the EU's annual defence expenditure, also taking into account, in addition to the European Defence Fund and satellite systems, the expenditure items of the EU budget, such as the European External Action Service (EEAS)¹⁰ and the "Instrument contributing to Stability and Peace"¹¹:

	Estimated annual expenditures once fully operational (€/billion)
European Defence Fund	1.5 (5.5)
European External Action Service (EEAS) and European Defence Agency (EDA)	0.7
Instrument contributing to Stability and Peace	0.3
Frontex	0.3
Maritime Surveillance (MARSUR)	...
Galileo	0.7
Egnos	0.1
European Space Agency	1.3
Copernicus	0.7
TOTAL	5.6 - (9.6)

Main European multinational collaborations and their costs

European multinational collaborations, additional admissions of loss of national military sovereignty, are the main item to be taken into account in *indirect* expenditures relating to European defence. What justifies this calculation is that most of the multinational military agreements and missions are decided within the framework of the Common Foreign and Security Policy (CFSP), of which the Common

Security and Defence Policy (CSDP) is a part. Outside the CFSP decisions was the setting up of the strategic air transport command, mentioned by the December 2013 European Council as a model for similar agreements in other areas, and the Convention establishing the OCCAR.

The main collaborations, in terms of number of military platforms and human resources involved, are listed below:

- a) The European Maritime Force (EUROMARFOR), a non-permanent body, was officially established on 15 May 1995 when – following a decision by the European Council of Ministers meeting in Lisbon – France, Italy, Portugal and Spain decided to create a specific naval force to fulfill the missions provided under the Petersberg Declaration signed a few years earlier, such as: maritime control missions, humanitarian and evacuation missions, peacekeeping missions, crisis management operations (maritime patrols, demining, etc.) and peace-enforcing missions. It was used in the Atalanta anti-piracy operation in the Indian Ocean.
- b) The OCCAR (*Organisation Conjointe de Coopération en matière d'Armement*) was created on 12 November 1996 by the Ministers of Defence of France, Germany, Italy and the United Kingdom and acquired its own legal personality in January 2001, after the four founding countries' parliaments ratified the OCCAR Convention. In 2003 and 2005, Belgium and Spain joined the organisation. The OCCAR aims to “manage European armaments cooperation programmes”. Basically, its task is to promote the standardisation of armaments through coordinated purchasing programmes. This instrument is therefore indispensable to the “Coordinated Annual Review on Defence” (CARD), the procedure by which PESCO aims

to strengthen cooperation among Member States in the field of defence.

- c) The EUFOR (European Union FORce): it's the acronym by which are currently led the military missions and operations within the framework of the common actions pursuant to art. 31.2 TEU. Eufor took over Eurofor, which was abolished in 2012, due to the lack of the necessary political support for its reinforcement.
- d) The European Air Transport Command: this initiative to establish a common strategic air transport command was launched by France and Germany in 2006, at the same time as NATO's decision to proceed with the establishment of an autonomous air transport coordination and in-flight refuelling structure, called Movement Coordination Centre Europe (MCCE), which took place in July 2007. Belgium and the Netherlands soon followed the Franco-German initiative by creating the European Air Transport Command (EATC). A few years later, Luxembourg, Spain and, finally, also Italy joined it. The multinational organisation has over 200 aircraft for transporting vehicles and troops and in-flight refuelling. Aircraft available to the EATC account for 60% of all EU aircraft intended for logistic air transport (2015)¹².
- e) European Air Group (EAG): it is an initiative set up in 1995 outside the framework of the CFSP which deals with procedures, standardisations and air forces interoperability of 7 European countries (France, The UK, Germany, Spain, The Netherlands, Belgium and Italy).
- f) The European Gendarmerie Force (EUROGENDFOR) is the result of an initiative launched in 2003 and consolidated under the Treaty of Velsen in 2010. It brings together

the police forces with military status of France, Italy, the Netherlands, Portugal and Spain, to provide more efficient management of international crises outside the European Union. In 2008, Romania joined it, as did Poland in 2011.

g) EU Battlegroups: Battlegroups¹³ were established in the years following the Helsinki European Council meeting to replace the European rapid reaction force of 60,000 troops. Since this objective was considered unrealistic, smaller multinational, inter-force battlegroups were created of 1,500-2,500 personnel, two of them being available on a rotating basis every six months for a total of 17 battle groups. At the same time, NATO started setting up its own rapid intervention force of 25,000 troops, which was increased to 40,000 after the Crimean crisis. Therefore, the problem of the compatibility of the European structure with that of NATO¹⁴ had to be addressed. As these are high-ranking, and therefore scarce, resources that operate on the basis of the “double-hat” principle at different times of the year, in order to avoid that costs be counted twice, only the minimum number of resources that may be mobilised were taken into consideration, assigning them the same cost level. It should also be noted that EU countries operate abroad under a UN mandate, the cost of which should be added to the final calculation.

Below is an initial summary assessment of indirect expenditures incurred – through national budgets – relating to European defence:

	Estimated annual expenditures once fully operational (€/billion)
European Space Agency	3.6
Syracuse 1, 2, 3, 4	...
Essaim-Comint	...
Sicral, Athena-Fidus	...
EATC	0.1
European Air Group	0.1
OCCAR	3.8
EUROMARFOR	0.4
EUFOR	1.4
EU Battlegroups	3.5
Eurocorps	0.8
NATO (Battlegroups in EU quota)	3.5
NATO (common costs in EU quota)	0.8
UN missions (in EU quota)	...
EUROGENDFOR	0.3
Cost of external missions	9.0
OSCE (in EU quota)	0.1
TOTAL	27.4

The direct and indirect expenditures relating to European defence (as well as the investments discussed below), do not exhaust the financial resources mobilised for this purpose. In order to correctly allocate the costs incurred for the different uses of the defence instruments – albeit not included in the tables above as they do not refer to actual expenditures – it is good practice to also take into account the annual depreciation of the platforms attributable to European defence. Moreover, since military expenditures are assumed to be financed by debt, the (figurative) financial charges required to support them must also be calculated. In the first case, based on the estimated value of the investment assets used, this would be equal to 4.8 billion euros a year; in the case of financial charges, this is about 3 billion. Therefore, total annual expenditures for European defence, considering the impossibility of making some assessments, is equal to over 40 billion euros. In view of the UK’s withdrawal from the EU, the costs it has incurred should be deducted.

Investments committed to European defence policy (absorption costing method)

The items of expenditure mentioned above are services provided annually for the European public good of “security and defence” which, however, use investment assets that have accumulated over time and that must also be estimated. For some values, we used the information provided in briefings prepared by the European Parliament (e.g. Galileo, Egnos, Copernicus, etc.), while for others we used published budgets (e.g. European Space Agency). On the other hand, for the investment assets used in European multilateral agreements (e.g. EATC, EUROMARFOR, etc.), estimates had to be made and the method followed is reported in the note at the end of this paper.

The value of the assets required to provide the above services is estimated at around 85 billion euros, which is an underestimation, as it does not include the land infrastructure used, for example, by EUROMARFOR ships and EATC airports. The same applies to European Battlegroups and NATO’s rapid intervention force.

	Estimated dedicated investments (€ /billion)
Galileo	10.7
EGNOS	2.6
Copernicus	7.1
ESA	6.3
Sicral, Athena-Fidus	1.0
Syracuse 1, 2, 3, 4	6.7
Essaim	0.2
EATC	20.0
EUROMARFOR	8.0
EU battle groups	...
Eurocorps	...
NATO Battlegroups (in EU quota)	...
NATO (common costs in EU quota)	...
EUNAVFOR Atalanta/Med	23.0
TOTAL	85.6

Making sense of “military planning and conduct capability” and permanent structured cooperation

It is important to acknowledge that the success of permanent structured cooperation (PESCO) depends on the *will* of the participating States, rather than on the specific obligations that European institutions must enforce. The launch of PESCO represents a political milestone as national states were forced to admit their powerlessness with regard to European security. The aim of PESCO is military capability and whether or not this objective can be achieved depends on how much European institutions want to exercise the power it reserves to them to meet it.

As we have seen above, there are two areas of European defence expenditure that must be not only rendered visible but also rationalised, especially after what has been decided in recent months concerning the establishment of the Military Planning and Conduct Capability (MPCC) and PESCO. A link must be created between them in light of the concept of EU’s “strategic autonomy”. Its capability objectives, which are at the heart of PESCO, cannot be ends in themselves, but must refer to the objective of strategic autonomy. Given that defence expenditures directly incurred by the EU essentially concern satellite systems¹⁵, national military spending plans must include the objective of integrating as well as standardising military platforms with EU satellite systems.

Secondly, the multinational initiatives launched must be the first to be submitted to a specific Coordinated Annual Review on Defence (CARD), led by the European Defence Staff, which should have a facility capable of interacting with air (EATC), naval (EUROMARFOR) and ground forces (Euro-

corps, Battlegroups, EUROGENDFOR). The PESCO notification weakly calls upon EU countries that still are not part of the multinational agreements to join them. However, the problem is not to extend the existing agreements, but rather make them the operational tool to implement the PESCO capability objectives. In fact, it seems essential not only to extend the scope of the European Union Military Staff’s (EUMS) competence to include *executive* operations planning and conduct capability¹⁶, but also to entrust it with coordinating the existing multinational agreements.

However, unless the military resources and platforms included in these agreements are kept separate from the other features of national defence plans and consolidated in a European plan, it will be impossible to undertake gradual standardisation aimed at ensuring European strategic autonomy; and the EUMS, assisted by the European Defence Agency – soon to merge with the OCCAR according to a report presented to the European Parliament – must have the final say in the consolidated plan for multinational agreements¹⁷. These are the only measures that will allow us to make sense of the armament standardisation policy so that the EATC and EUROMARFOR can plan the standardisation of military platforms for the future¹⁸. Moreover, the EUMS also has the role of contributing “to elaborating, assessing and reviewing capability objectives”, albeit taking into account the needs of the Member States concerned to ensure consistency with the process of NATO defence planning and the peace partnership¹⁹. Since military attachés appointed by Member States are part of this, the latter are an integral part of the decision-making process.

A *single* European defence fund

The document recently drawn up by fourteen French and German economists, including President Macron and Chancellor Merkel's advisers, on reforming the Eurozone, rightly specifies that "whereas a common budget could have desirable stabilisation properties, no budget has ever been created mainly for macroeconomic stabilisation purposes. A proper budget could only grow out of political decisions to finance defined common public goods and to design an institutional framework ensuring adequate accountability to a legislative body"²⁰. Along the same lines as the Franco-German economists' document is the report of the *High Level Group on Own Resources* set up by the Council and the European Parliament and chaired by Mario Monti which argues that the problem is not own resources, but rather European policies that additional resources should finance²¹.

In the speech of the President of the European Commission Jean-Claude Juncker on the state of the Union given last September, although Juncker was not in favour of the idea of a Eurozone budget that was separate from the EU budget, he did not close the door on the possibility that specific resources could be allotted to the euro area countries. In fact, he said that "The European Economy and Finance Minister must be accountable to the European Parliament. We do not need parallel structures. We do not need a budget for the Euro area. What we need is a strong Euro area budget line within the EU budget. I am also not fond of the idea of having a separate euro area Parliament. The Parliament of the euro area is this European Parliament"²². Juncker, in the throes of Brexit, the proposed election of the Eurozone parliament by national parliaments and connected to a Eurozone budget separate from the EU budget, was

certainly concerned with defending the framework of the EU against centrifugal forces.

Today we can move towards the allocation of specific resources to the EU as, for example, the European defence. In his speech at the Sorbonne, Macron offered the possibility of introducing European taxes, such as the financial transaction tax and the carbon tax. In the meantime, while we wait for things to move in this direction, intermediate steps may be taken. A *single* European Defence Fund should be set up with two new budget lines: one covering expenditures borne directly by the EU budget, and the other relating to expenditures still incurred by Member States. In the first case, this would largely simply entail reorganising existing items of expenditure, such as those relating to space infrastructure and responding to a precise logic: that this infrastructure is indispensable to a modern defence system as well as indivisible for technical and cost reasons. The same is true for air and naval logistics transport, as well as the European diplomatic service, which is to gradually replace the national one.

In the second case, this budget line, initially, could only relate to a certain number of countries. Indeed, there is a stable set of participating countries in the main multinational initiatives launched throughout Europe within the framework of a European defence policy: France and Germany, which usually take initiative; subsequently joined by Belgium, Luxembourg and Spain and, in many cases, Italy as well. Then, depending on the type of initiative, one or more Eastern European countries often follow. Initially, the countries may have recourse to Art. 41.3 of the Treaty on European Union stipulating that if a group of countries has launched a military operation, the Council, acting on the proposal of the High Representative, by majority vote may set up an "initial fund" to finance it through States' contributions.

The countries involved could therefore pay into this chapter of expenditure, established within the Single Fund, the amounts for participation in multinational agreements and operations conducted on behalf of the EU and the UN²³. Although this is merely a clearing entry, it would highlight the actual European defence expenditure already incurred²⁴. The link between the Commission, which manages the budget, and the European Council, which has competence in matters of foreign and security policy, would be ensured by the High Representative. If the countries that have launched the first multinational agreements, such as the EATC and EURONA-VFOR, decided to relinquish ownership of military platforms to the EU – which would be preferable –, the latter could provide for a deferred payment to the States, relieving national budgets of a public debt of the same amount.

Note

- ¹ The point was well summarised in a report by the European Parliament, which states that “the conception of sovereignty is key to the current problems: austerity increases intra-European defence dependence. Yet, the conception of sovereignty that Member States still maintain does not allow them to recognise these dependencies and thus hinders the Europeans from managing them. For most Member States, sovereignty is not about being capable to act effectively in order to solve problems of their societies. Rather, for them it means to remain the master of the final decision, even if this prevents or diminishes the development of a (European) capability that could tackle their own problems. Hence, Member States prefer autonomy to capability” (European Parliament, *State of play of the implementation of EDA’s pooling and sharing initiatives and its impact on the European defence industry*, June 2015).
- ² European Parliament, *European Parliament resolution of 13 December 2017 on the Annual report on the implementation of the Common Security and Defence Policy (2017/2123 (INI))* (<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P8-TA-2017-0492+0+DOC+PDF+V0//EN>).
- ³ Even in this case, European security expenditure calculations would be incomplete, since France undertook, on its own, military missions which are in the European interest but did not obtain formal EU consensus. Therefore, the calculation offered in this paper is necessarily an approximation.
- ⁴ As has been stated “These assets [the aircraft provided by Italy to the EATC] are now part of the fleet that EATC’s nations pooled to increase their forces and diversify their services,

- something they could not have done alone or that would have been more expensive". See Emiliano Biasco, *European Air Transport Command: L'Italia nel sistema europeo di pooling & sharing del trasporto militare*, in https://www.difesa.it/InformazioniDellaDifesa/periodico/Periodico_2017/Documents/Numero2/EATC.pdf.
- 5 For an excellent analysis of the problem of the civil-military dual use, see Italiadecide (ed.), *Rapporto 2018 – Civile e militare. Tecnologie duali per l'innovazione e la competitività*, Bologna, il Mulino, 2018.
 - 6 Daniel Gavoty, *L'espace militaire, un projet fédérateur pour l'Union européenne*, in: *Défense nationale*, ottobre 2001.
 - 7 [http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/599407/EPRS_BRI\(2017\)599407_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/599407/EPRS_BRI(2017)599407_EN.pdf)
 - 8 As has been authoritatively stated: "We discovered In Kosovo that we lacked the military capabilities to do certain operations on our own. (In Bosnia as a matter of fact the main damage was done not by American bombing but by Anglo French artillery; but in Kosovo we found that although we had more aircraft than the US few of them were capable of precision bombing and none of them could do so at night)" (Robert Cooper, *Towards A European Army?*, lecture given to the Centre for the Study of Democracy, June 3, 2004).
 - 9 https://eeas.europa.eu/headquarters/headquarters-homepage/38617/opening-speech-high-representativevice-president-federica-mogherini-10th-conference-european_en
 - 10 This expenditure line, in addition to referring to the European Defence Agency's budget, also contains the expenditure on foreign representations, a part of which now includes a military attaché (see <https://www.bruxelles2.eu/2017/06/22/les-europeens-brisent-quelques-tabous-sur-la-defense/>).

- 11 This chapter of expenditure in the EU budget provides funds for regional crises management, conflict prevention, peace-building operations and crisis preparedness, and response to global and transregional crises (see [http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/599331/EPRS_BRI\(2017\)599331_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/599331/EPRS_BRI(2017)599331_EN.pdf)).
- 12 Dumoulin A., Gros- Verheyde N., *La politique européenne de sécurité and de défense commune*, Paris, Editions du Villard, 2017, p. 360.
- 13 Dumoulin A., Gros-Verheyde N., *La politique européenne de sécurité...*, op. cit., pp. 346-52.
- 14 NATO also speaks of a mobilisable force of 60,000 troops (see https://www.nato.int/cps/ua/natohq/topics_50088.htm#) More recently (2014), NATO also set up, within the rapid reaction force, a multinational *Very High Readiness Joint Task Force* of about 5,000 troops.
- 15 José Enrique de Ayala Marín, *Un nuevo paso hacia la defensa común europea*, Opex Working document, No. 79 (2015).
- 16 The EU distinguishes between military (non-executive) missions dealing with peacekeeping and training and military (executive) operations concerning peace-enforcement. Currently, the European Union Military Staff deals with non-executive missions.
- 17 European Parliament, *La Coopération Structurée Permanente Perspectives nationales et état d'avancement*, July 2017 ([http://www.europarl.europa.eu/RegData/etudes/STUD/2017/603842/EXPO_STU\(2017\)603842_FR.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/603842/EXPO_STU(2017)603842_FR.pdf)).
- 18 Clear evidence of the interrelationship between the role of the European Defence Agency, the OCCAR and the EATC is the recent experience with the need to standardise aircraft used

in air-to-air refuelling, where Europeans have 42 tankers of twelve different types, while the US has 550 of four types (https://www.eda.europa.eu/docs/default-source/eda-factsheets/2017-09-28-factsheet_aar).

- 19 In recitals of the Decision establishing the PESCO it is foreseen that “there should be consistency between actions undertaken within the framework of PESCO and other CFSP actions and other Union policies”. European institutions have a core responsibility for ensuring this consistency (see Council Decision (CFSP) 2017/2315 of 11 December 2017 establishing permanent structured cooperation (PESCO) and determining the list of participating Member States; Official Journal of the European Union L 331/57 of 14.12.2017).
- 20 See *Reconciling risk sharing with market discipline: A constructive approach to euro area reform*, CEPR, Policy Insight, No. 91, 1 January 2018 (https://cepr.org/sites/default/files/policy_insights/PolicyInsight91.pdf).
- 21 European Commission, *Future financing of the EU - Final report and recommendations of the High Level Group on Own Resources*, December 2016 (http://ec.europa.eu/budget/mff/hlgor/library/reports-communication/hlgor-report_20170104.pdf).
- 22 See http://europa.eu/rapid/press-release_SPEECH-17-3165_en.htm.
- 23 Although less interesting, there might be a third option: this chapter of expenditure could be treated like the European Development Fund. Indeed, it is important to recall that, following a request by the European Parliament, since 1993 a budget line has been reserved for the Fund in the European Union budget, however, it does not yet come under the approval procedures of the EU general budget. The Fund

is financed by Member States, subject to its own financial rules and managed by a specific committee. (see <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=LEGISSUM:r12102&from=EN>).

- 24 At most, this account could also include the Athena mechanism under review. However, it seems unlikely that it will go beyond simply readjusting the calculation of national contributions, when it would be necessary to resort to a real European autonomous resource.

METHODOLOGICAL NOTE

Military platforms: estimating the value of military platforms made available to EUROMARFOR or EATC is very complex. These are platforms that have gone into production in different years; European websites that list them are not updated, as they indicate vehicles that, in the meantime, have been sold to third countries or have been divested; the prices indicated by manufacturers are not helpful for a variety of reasons: such as the installation required by the final customer, the type of armament the platform has, the ammunition equipment, etc. Just think, for example, that the cost of providing new strike aircraft to a European country, expected to amount to 3.5 billion euros, actually rises to 15 billion, or 4.3 times the initial outlay, if you take into account maintenance, pilot training and continuous updating over its life span (see “Armement: Boeing renonce au marché des chasseurs bombardiers belges”, *Le Monde*, May 5, 2017). This report is also a reference parameter for the depreciation of investment in military platforms. In any case, to estimate the unit value of the platforms considered here, we have used the news related to supply contracts, specialised sources, or, when information was completely missing, we proceeded by analogy, taking as a reference the cost of a platform with the same characteristics as the one considered.

European agencies: we used the spending budgets indicated by European institutions, or multinational agreements (European Defence Agency, European External Action Service, ESA, Frontex, NATO, OCCAR, OSCE, etc.).

Military personnel cost: to evaluate the cost of military personnel in EUROMARFOR and EATC multinational structures, the European Defence Agency data were used (see <https://www.eda.europa.eu/docs/default-source/documents/eda-defencedata-2014-final>) which refer to 2014. The cost per person of military personnel takes into account the absorption of civilian personnel (considered as being at the service of military personnel) and the annual cost of managing and maintaining military platforms and annual investments, taken as a proxy of annual depreciation. The average cost per person of military personnel is therefore equal to 137,000 euros per year. When personnel are used in an operational mission, the cost rises to 176,000 euros (2014, source: EDA). Regarding EUFOR missions, in theory, evaluations should be made with reference to the employment of 60,000 troops, but here we have chosen to refer to the available resources of EUFOR (abolished in 2012) which provided for the use of 10-12,000 troops.

Battlegroups and NATO rapid response force: the average cost of military personnel indicated by the European Defence Agency was used.

Depreciation: valued based on an operating life of 50 years. Its initial value, in order to take into account extraordinary maintenance costs and continuous updating, etc., has been multiplied by the standard parameter of 4, suggested by the specific literature on the subject.

Figurative financial charges: the interest rate used, equal to 2.5%, was obtained as the ratio between the interest

expenditure and the EU countries public debt at the end of 2016. Financial charges were charged as practically all EU countries have a budget deficit that is higher than their total defence expenditure, which is therefore considered to be entirely debt-financed.

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