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## The coming Defence: criteria for the restructuring of Defence in Spain

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Félix Arteaga - Elcano Royal Institute - October 2013

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# Elcano Policy Paper

## The coming Defence: criteria for the restructuring of Defence in Spain

### Summary

The traditional Defence model in Western countries has been called into question with the disappearance of the geopolitical and geostrategic contexts for which it was designed. Its basic elements –scenarios for and ways of employing military force, the character and structure of the Armed Forces, the budgetary and industrial foundation and the strategic culture– are all rapidly changing because of the combined effect of structural processes stemming from globalisation and circumstantial ones related to the economic crisis affecting Western countries.

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### Executive summary

The traditional Defence model in Western countries has been called into question with the disappearance of the geopolitical and geostrategic contexts for which it was designed. Its basic elements –scenarios for and ways of employing military force, the character and structure of the Armed Forces, the budgetary and industrial foundation and the strategic culture– are all rapidly changing because of the combined effect of structural processes stemming from globalisation and circumstantial ones related to the economic crisis affecting Western countries.

Both government and society as a whole must decide whether to maintain the traditional Defence model, prolonging its obsolescence, or undertake its renewal to adapt it to the changing structural trends. The Elcano Royal Institute supports the latter option and believes that Spain should reconsider the structural elements of its current Defence model.

In recent decades the global geopolitical context has changed dramatically **(for the first time in 500 years, the geopolitical epicentre has shifted from the euro Atlantic region to Asia)**. Under globalisation, States are still the dominant strategic actors, but they are not the only ones, and they no longer hold a monopoly on the use of force, so they must find new ways of using their military capability **(from polarity to networking)**. And they must diversify their options because, depending on their interests and national capabilities, they will have to act on an individual, bilateral or multilateral basis **(States can no longer confront new risks on their own, but multilateral organisations cannot, either)**.

Because of this, there are new ways of using force while others are being abandoned **(from a global, land-based and massive projection of force we have shifted to more limited and discreet forms of projection)**. While the maritime domain once again provides strategic flexibility, new domains of activity have appeared, such as space and cyberspace, in which the Armed Forces must act jointly and with new security actors, both public and private. Countries need to have a broad range of capabilities if they want to generate an adequate Joint Force tailored to the mission and able to operate jointly **(from separate forces to a Joint Force)**.

The economic crisis has only worsened the budgetary problems associated with traditional Defence. Military budgets have been hit by an exponential increase in costs and a loss of priority with respect to other public policies **(from necessary to affordable spending)**. As a result, the industrial base on which Western countries have built up their dominance of the world Defence market is being challenged by decreasing demand and the increasing offer **(from economies of scale to the escalation of protectionism)**. Finally, the political and social perception of the utility and employment of military power has changed **(from wars of necessity to wars of choice)**.

Spain's Defence cannot avoid the structural trends expressed in 'The Coming Defence'. With an eye to helping this system adapt, the Elcano Royal Institute proposes the following criteria for Defence restructuring in Spain:

- As a scenario for military action, prioritise the area encompassing the Maghreb and the Sahel regions, and from the Gulf of Guinea to the Horn of Africa, so as to defend our vital interests as laid out in the National Security Strategy of 2013 **(from indiscriminate deployment to selective retrenchment)**.
- Diversify who we cooperate with and how, in order to make our capability for unilateral, bilateral and multilateral response more flexible **(moving from alliances to coalitions, from exclusive organisations to inclusive networks and from ostensible allies to willing and able partners)**.
- Change the stance of the Armed Forces so as to create a tool that can be projected, giving Spain a real Joint Force that ensures it a permanent capability of area access and discreet force projection, preserve their combat capability and strengthen their capabilities associated with national security **(moving towards a Joint Force)**.
- Plan meticulously **(the sustainability criterion)**, spend wisely **(the transformation criterion)** and explain military expenditure in a convincing way **(the communications criterion)** so that the Defence budget can be consolidated and balanced **(from budgetary insecurity to sustainable planning)**.
- Define an industrial policy that preserves the most competitive elements of the security and defence sectors and protects technologies deemed critical for national security **(from Defence industry to defending a strategic industry)**.
- Frame the function of Defence within the new function of National Security and take advantage of the use of the Armed Forces in the new scenarios associated with security and defence so as to encourage a change in strategic culture **(from the realm of National Defence to that of National Security)**.

## The coming Defence: criteria for the restructuring of Defence in Spain

Over the past two decades, the rapid evolution of the world's strategic context has caused a vast transformation in the geopolitical, doctrinal, cultural and budgetary pillars that held up traditional Western Defence models. Developed nations have gradually abandoned traditional Defence models aimed at defending States, their borders and their sovereignty from armed aggression and instead resorted to the use of force to intervene in conflicts that threatened international security. The perceived easing of the risk of existential conflict among States (wars of necessity),<sup>1</sup> the deployment of armed forces far from one's national territory without vital interests being at stake (wars of choice) and the use of force against violent non-State actors have changed the way the military is used and the configuration of the posture of traditional forces.

The variety, depth and speed of the changes has overwhelmed the foundations on which current Defence models are based and their ability to adapt both to new challenges stemming from the change in strategic culture and the attrition of major international operations. The limitations of military force alone to resolve complex conflicts in different parts of the world, not to mention the political, social and economic cost of prolonged interventions, make it necessary to seek new ways to deploy military resources, avoid lengthy occupations and act more discreetly in such operations. At the same time, Western governments and societies face domestic problems in the area of National Security that are complex and require a greater contribution from Defence to the protection and welfare of citizens and public services. In Spain this need is recognised in the National Security Strategy of 2013.

The economic crisis has worsened the chronic mismatch between the desirable military capabilities and the budgetary resources that are earmarked for them. Although each country's base level situation is different, almost all of them have seen how the amount of money set aside for the military has gradually decreased. Overseas military interventions, the professionalisation of the armed forces, industrial cooperation programmes and investment, development and innovation require a budgetary effort that is not affordable for most Western countries. The lag between the objectives of current Defence models and the financial resources that are available makes these models hard to sustain and puts into question the viability of the industrial and technological base on which the military capability of Western countries traditionally rested.

Finally, and as a result of these factors, a change in strategic culture is taking place in those countries with regard to the use of military force, and this change coincides with the replacement of the West as the central player in international security.

Spanish Defence has not been able to remain aloof from these processes of swift change. And its model, designed in the less dynamic contexts of yesteryear, needs a thorough review

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<sup>1</sup> Lawrence Freedman (1997), 'The Revolution in Strategic Affairs', Adelphi Paper, nr 318, Institute for International and Strategic Studies, London.



as soon as possible. The goal of this report by the Elcano Royal Institute is to contribute elements of judgment about 'The Coming Defence' and suggest criteria that can guide Defence restructuring in Spain. To this end, we describe the structural changes that are taking place in the world geopolitical context, their effects on Defence in Western countries and their repercussions on Spanish Defence.

## 1 Changes in the world geopolitical context

In recent years a reassessment of the West's strategic vision has been made necessary both by the change in the geographical distribution of the centres of power and the evolution of its nature and the way of exercising it. Regaining importance are factors such as geography, demography and the availability of natural resources, while the emergence of new powers displaces previous ones from their positions of influence. Among other events, this change has been certified by the US decision to shift its focus of strategic interest to the Asia-Pacific region –the so-called 'pivot' announced in its *Defence Strategic Guidance* document of 2012–. Although Washington insists it is not giving up on maintaining global leadership, the new orientation heralds the end of an international security model based on transatlantic relations as the pillar of Western leadership.

On the one hand, the Euro-Atlantic sphere is losing its central role in global strategy and is being overtaken by the emergence of several regional centres with greater geo-economic and geopolitical dynamism, such as Asia, Latin America and Africa (in 2012, the combined military spending of Asian powers equalled that of Europe for the first time in 200 years). At the same time, in a context of growing regional insecurity on its periphery, the countries of the EU must share their influence with emerging strategic players on their fringes, such as Russia and Turkey.

While actors of strategic relevance adapt their Defence models to the qualitative change in the global geopolitical situation, others are still trying to buttress models designed for a scenario that is on its way out. Some EU countries, such as the UK and France, both with a tradition of being major powers, have embraced the importance of the changes for their models and reformulated their Defence and National Security strategies. But most European Defence policies and models have not followed the pro-active example of those two powers and keep waiting for events to react to.

### *(1.1) The impact of globalisation*

Each Defence model must adapt to the times and the society for which it is devised. But, as has occurred throughout history, the emerging dynamics of successive waves of globalisation have been swifter than the ability to adapt to changes. For this reason, Western Defence models still contain many elements, both intellectual and material, that are inherited from the past and are not valid for an operational environment in the information society.

With globalisation, what was traditionally been known as international society has become a global society in which State actors and inter-State relations are still important but no longer unique. The proliferation of actors, be they government or not, public or private, collective or individual, which influence global security on the sidelines of the international 'order' of States, reduces their influence and that of the structures they established to preserve it.

While the probability of inter-State conflicts that justified the traditional model of Defence is seen to have been reduced with globalisation, other risk factors such as overpopulation, social inequality, the radicalisation of extremist groups, the proliferation of weapons of mass destruction and the weakness of States –among many other factors– have increased, without the Defence establishment having redefined the role of military power in relation to them.

Rather than face regular armies, Western armed forces have been confronting non-State violent actors that form militias, guerrillas, terrorist or criminal groups and fight asymmetrically, with no moral or legal restrictions. They do not yet have the ability to defeat conventional armies militarily, but proliferation allows them access to lethal means that are enough to prevent them from being defeated, prolong the duration or cost of operations and win the battle for hearts and minds among Western and local public opinion (the battle of narratives).

Violent non-State actors pose an existential threat to countries with armed or security forces that are not well developed or have governance problems, and also pose a serious threat to the national security of Western nations. And while these actors increase their ability to act beyond borders and seek synergies and economies of scale through globalisation, international cooperation is still saddled by procedures and structures designed for the context of the industrial age.

In the context of globalisation, the military power of States continues to be an essential tool for solving problems affecting international security (the 'global' level) and mitigating the impact of these on national security (the 'glocal' level). But States must adapt the role of their military to suit globalisation and the emergence of new realms of military action, such as space and cyberspace, in the same way they are overhauling other national tools of cooperation and competition.

Globalisation has accentuated the process of diffusion of the power of influence from the traditional poles (major powers) to new centres of power (emerging countries). This process has increased the number of centres of power (from bipolarity to unipolarity and multipolarity) and diminished their ability to preserve their traditional individual spheres of influence (polarity). The use of force tends to be handled through a network, with new actors (nodes) and methods (flows) that can act independently from the traditional poles due to the high degree of connectivity that exists. The way to handle crises internationally, therefore, has gone from being a model that is centralised, formal, rule-based and led from the military realm to one that is de-centralised, informal, agreed on a case-by-case basis and open to multiple actors (the comprehensive approach).

### *(1.2) The evolution of multilateralism*

The end of the Cold War, with the emergence of myriad multinational operations and the birth of risks like global terrorism after the September 11, 2001 attacks in the US, among other events, encouraged the expectation that decisions and strategies on the use of military force would end up being delegated to multilateral organisations overseeing collective security. This expectation was based on the growing role and influence of the United Nations in the last decade of the 20<sup>th</sup> century and its regional agreements (Chapter VII of the UN charter), and the Defence dimension in processes of regional integration such as that of Europe or organisations tasked with collective defence such as NATO in managing post-war crises.

But expectations have not evolved as expected, for reasons of effectiveness and legitimacy. Major international security organisations face serious difficulties to act due to divergences of interests and strategic cultures among their members, and uneven distribution of tasks and responsibilities between them.

Despite the ideal to act jointly and according to the formal, agreed procedures that justify collective action, what is actually observed is a desire to use these multilateral organizations to benefit particular member States (renationalisation). A lack of perceived shared and existential threats makes it difficult to achieve the consensus necessary for multilateral security and defence organisations to act, as a result of which they reach stalemates or decision-making gets dragged out. Besides the difficulty in reaching legitimising collective mandates, there are differences in the interpretation of their scope, as reflected in the wars in Libya, Mali and Syria, to cite the most recent examples. States also reduce or revert the delegation of responsibility in the use of force and choose on a case-by-case basis which international forum best suit their national interests. At the same time they encourage the ad hoc formation of informal groups of member States within or outside organisations (atlanticists and pro-Europeans, new and old Europe within NATO, Franco-British Accord and the Weimar, Weimar Plus, Visegrad, Nordic-Baltic groups and other groups within the EU), from which lobbying is done to influence collective decisions so as to favour the interests of a particular country or group.

Contributions to multilateral organisations are distributed unevenly, with the result that the gap between the political resolutions they adopt and compliance with them by member States grows. The greater the risk or cost of a military operation, the more reluctant allies are to participate, and the greater their restrictions on the use of force. In the same way, and in the absence of binding, collective criteria regarding convergence in the military investment effort, each State unilaterally revises its budget, defence systems and strategic priorities, aggravating tensions among 'providers' and 'consumers' of military power.

Until now it has been easier for multilateral organisations to make ‘cosmetic’ changes than to carry out a thorough overhaul of their organisational fundamentals, which has widened the gap between their objectives (new functions, organisation and strategies) and their capabilities (resources and procedures). Therefore, even some initiatives that were supposed to transform multilateral organisations have had only superficial and ephemeral effects (in Libya, NATO failed to apply the concept of shared security that was approved in its Strategic Concept of 2010; the EU has failed to develop and implement the concepts of solidarity, collective defence and permanent, structured cooperation that were established in the EU’s Treaty of Lisbon).

As a result, the credibility of ‘effective multilateralism’ has gradually weakened as an alternative to States acting on their own in the name of global security. Multilateral organisations such as the United Nations, NATO and the EU will continue to be useful in the area of global security but they will not maintain the influence they enjoyed in the past few decades. Now, member States can either resort to them, act outside them or improvise new collective frameworks. As a cause or effect of this, States look for alternative guarantees and prefer bilateral accords to multilateral ones, agreements that, ideally, are established among willing and able partners. The case of Syria is a practical example of this new model of ‘functional’ multilateralism, or its bilateral form.

## 2 Effects of geopolitical changes on the Defence of Western countries

As we have shown, globalisation is having a profound effect on the use of military force. The emergence of new military powers and non-State actors speeds up the diffusion of military power and changes the way that security problems are handled, both global and national. What we now face is a geopolitical context that poses a serious threat to the economic, industrial, doctrinal and cultural foundations that have been the backbone of the traditional model of Defence for Western countries.

### *(2.1) Configuration of military force and the ways it is employed*

The wars in Iraq and Afghanistan have shown the limits of applying classical military power as rooted in strategic concepts from the latter stages of the Cold War. In the first case, and even though conventional US military power overwhelmed the Iraqi forces, the victory was tainted by the change in the nature of the conflict. It turned into a long and costly fight against a robust insurgency fuelled by bloody clashes between Sunnis and Shiites. In Afghanistan, another sectarian and ethnic-based conflict has turned into a prolonged campaign and proved to be costly for the US and its allies. Its tactical successes in the theatre of operations have not yielded the desired effects at the strategic level because the centre of gravity of ‘victory’ or ‘defeat’ at that level is not decided on the battlefield but rather in the battle among contending narratives.

Multinational interventions, the mainstay of global security in recent decades, have lost much of their credit as effective tools for resolving conflicts. As a result of this, the number, contributors and scope of these interventions have gradually decreased. It was believed that military force could be used with surgical precision and its effects could be controlled without collateral damage, be it to one's own forces or others.<sup>2</sup> But recent interventions have caused much damage and left many victims, desired or not, both among civilians and military personnel. Western military superiority can achieve swift tactical successes, but these do not lead to strategic, sustainable effects. Experience shows that military interventions serve to allow time for other civil actions associated with governance, development and reconstruction but that in and of themselves they do not guarantee the achievement of strategic goals of a non-military nature.<sup>3</sup> Therefore, the lessons learned suggest that Western governments should avoid committing themselves to nation-building interventions entailing long occupations in hostile territory and, instead, to carefully calculate their cost and chances of success, and yield the lead role to local actors and support them in the most discreet way possible.<sup>4</sup>

The nature of conflicts and the impact of new technologies have also demonstrated the inadequacy and limitations of the procedures, equipment and force structures that are legacies of the Cold War, and at the same time are speeding up the obsolescence of those that have been devised in the crises of the 1990s. This renewal is being accelerated by the broad, low-cost spread of cutting-edge technology –available in the past only to major powers– making possible the proliferation of military capabilities and strengthening the violent action of State and non-State actors. Lethal force will continue to be used as a tool in times of conflict, but the use of 'discreet' tools, such as unmanned aircraft, guided munitions, cruise missiles, special operations forces, cyber actions, intelligence, target acquisition and reconnaissance surveillance and reconnaissance means, allowing for a more discreet on-the-ground presence will be incorporated.

To this one must add the challenge posed by the spread of *Anti-Access Area Denial*, systems, or A2/AD, for the projection of power over governed geographical areas or common spaces not subject to sovereignty (known as *global commons*), be they land, maritime, aerial, space or cyberspace. Their growing availability to regular forces (the most sophisticated systems) and irregular ones (the cheapest ones) jeopardises the entry, deployment and possible activity of Western military forces in scenarios to which until now they had had free access. This spread also creates risk for the free transit of merchandise, passengers, raw materials and information flows.

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<sup>2</sup> A belief stemming from the doctrines of the Revolution in Military Affairs of the 1990s and the Effects-based Approach to Operations (RMA and EBAO). To the contrary, military operations cause unintended consequences that have a substantial effect on political decisions. For more on the concepts of RMA and EBAO, see Guillem Colom (2008), *Entre Ares y Atenea, el debate sobre la Revolución en los Asuntos Militares*, IUGM, Madrid.

<sup>3</sup> Western public opinion on this perception abounds. According to the June 2012 Transatlantic Trends poll carried out in 12 European countries and the US, the percentages of people who felt the interventions in Iraq, Afghanistan and Libya were not what should have been done are, respectively, 54%, 50% and 41% of Europeans, 45%, 40% and 39% of Americans and 50%, 49% and 44% of Spaniards, while the percentages of those who feel rather or quite pessimistic about the results of the stabilization of these countries are, respectively, 64%, 70% and 54% of Europeans, 50%, 87% and 47% of Americans and 75%, 78% and 65% of Spaniards. Questions 32 and 33.

<sup>4</sup> Among other documents that endorse the light footprint, see Capstone Concept for Joint Operations: Joint Force 2020, and Enduring Lessons from the Past Decade of Operations, US Joint Chiefs of Staff, 2012.

To ensure freedom of access, one needs capabilities like intelligence, surveillance, reconnaissance, long-range unmanned aerial resources (for reconnaissance and combat), submarines with a wide degree of autonomy, anti-aircraft and anti-missile defence means (land- and sea-based) and cybernetic capabilities.

Since the use of force is now conceived of only in joint or combined fashion, and operations tend to be interconnected,<sup>5</sup> the concept of a Joint Force is gaining momentum. It involves having capabilities to form forces that can bring together specific skills (armies) and enabling elements (inter-armies) to adapt to operational needs. Having a balanced Joint Force, adapted to its strategic needs, allows for confronting a wide range of threats, taking part in integrated operations in all realms (without being bound by the procedures, tactics or equipment of a single army) and joining multinational forces.

Along with these forces of a joint, interoperable nature and with an expeditionary orientation, the posture of the force should also adapt to new scenarios of homeland defence and supporting authorities in charge of safety and security. In the West, all of these commitments are being addressed with a focus that in some cases allows the armed forces to operate with security forces. This approach would also allow integrating private actors with the former to the extent that Defence operations and maintenance features continue to be outsourced.<sup>6</sup> All of these changes in the way military forces are used require a prompt review of their posture.

### *(2.2) Budgetary shortfalls*

The current economic crisis has catalysed the accumulated effects of chronic budgetary divestment, a rise in costs from professionalisation of the armed forces, the exponential inflation in the cost of military equipment and the economic impact of international missions.

Unilateral spending cuts to defence budgets have been a constant in Western countries since the so-called peace dividends that came with the end of the Cold War. For instance, the member States of the EU, which in 1990 spent 2.55% of GDP on defence, saw this drop to 1.41% in 2011 (NATO members went from 3.2% in 1988 to 1.6% in 2011). What does stand out in today's situation is that it also affects great powers that had not been part of this process or had undergone it to a lesser extent. The US plans to cut Defence spending to 2.8% of GDP in 2023, coming down from the 4% where it has held steady for the past decade. In its White Book of 2013, France just cut its share to 1.5% of GDP and the UK plans new cuts in coming years, flirting with the 2% limit that is the NATO standard.<sup>7</sup>

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<sup>5</sup> Under the concept of Air-Sea Battle, developed by the US Air Force and Navy, an interconnected force consists of troops and equipment brought together for a specific goal and timeframe, with interoperable procedures, command and control structures and intelligence to operate in all included realms and reach the deepest and most protected targets.

<sup>6</sup> The European average for spending earmarked for outsourcing of Defence operations and maintenance has remained steady between 7% and 8% of total spending between 2006 and 2010. European Defence Agency, data from 2010.

<sup>7</sup> This general criterion was respected in Spain until 1989, in Germany until 1992, Italy until 1994, the Netherlands until 1995 and Portugal until 2001. The aforementioned cuts in France and the UK are buffered with multi-year plans in which the short-term cuts are offset (France will have a defence budget of €363 million a year from 2014 to 2027, except between 2014 and 2019, when it will go down to €179 million, according to its White Book on defence) or a distribution of the cuts in small percentages over longer periods of time (the UK has been imposing an annual cut of about 2% since 2010 and in its latest spending review has extended this until 2016).

The Defence cuts can be construed as something circumstantial and that, as in the past, investment in this sector will recover once the economy improves.<sup>8</sup> But there are also factors suggesting things will not work out as they have in the past. On the one hand, and according to forecasts by the International Monetary Fund, the recovery of advanced economies might take some time and even when they do recover they will not necessarily return to pre-crisis growth levels.<sup>9</sup> So defence budgets will tend to decline over the medium term, especially in countries with a high level of public deficit. Meanwhile, given that defence cuts have increased during the crisis years,<sup>10</sup> governments will need more years or greater percentages of effort for defence to get back to pre-crisis budgetary levels.

This means that even in a favourable economic scenario of recovery over the medium term, the funds available for Defence will continue to drop and that in order to compensate for earlier cuts governments will have to raise levels of investment more than they do for other areas of spending. This seems hard to do, in that over the mid-term advanced economies will have to reduce levels of public debt as a percentage of GDP and deal with increased public spending stemming from demographic changes. What is more, and this is particularly the case in Europe, the crisis has led to the establishment of the principle of budgetary austerity, which tends to reduce public expenditure until it is in equilibrium with revenues. The application of this principle –which initially affected defence spending to a greater

degree– has later hit other areas of government expenditure. So there will be greater political and social scrutiny of defence budgets when spending cuts or increases are meted out.<sup>11</sup>

The economic crisis and austerity are not the only factors that jeopardise the budgetary sustainability of traditional defence. First of all, the unit cost of equipment is rising exponentially and every time equipment has to be replaced by new generation items, planners have to buy fewer to make up for the increased cost.<sup>12</sup> Secondly, the rise in

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<sup>8</sup> The forecasts of the latest SWP report for the European Defence Agency point to a recovery in defence spending starting in 2017 in official forecasts. But the report says that these forecasts have not yet taken into account the true scope of the situation, the impact of fiscal pressure and inflation. It says this would explain many discrepancies between budgets as implemented compared to the budgets that had been approved and that therefore the forecasts are to some extent less reliable. European Defence Monitoring, March 2013, p. 6 and 8.

<sup>9</sup> According to IMF forecasts, the average rate of GDP growth in advanced economies (US, EU and Japan) to be expected over the medium term will be significantly less than that posted before the crisis. World Economic Outlook, 2013, p. 149.

1995-2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2018
3.3	3.1	3.9	3.9	0.8	-3.7	2.4	1.8	0.9	1.0	1.7	2.2

<sup>10</sup> According to estimates by the CSIS, in the most favourable scenario (maintaining a spending cut of 1.8% similar to that seen between 2001 and 2011) overall defence spending through 2020 will be down 11% compared with 2001; in a less favourable scenario (maintaining the spending cut of 3.2% posted from 2008 to 2011) overall spending will be down by as much as 34% in the same period. 'European Defence Trends 2012', p. 48.

<sup>11</sup> According to the Transatlantic Trends 2012 poll, while 51% of Europeans are in favour of reducing government spending in general, 39% favour cutting defence spending and 46% back maintaining them (leading the list of those who favour cuts are Italians at 56% and Spaniards at 51%). German Marshall Fund, p. 34.

<sup>12</sup> Professor Keith Hartley warns that if the current rate of increase continues, the UK will not be able to replace in 2050 its Eurofighter Typhoon aircraft because its unit cost will be about €1 billion. By then, unmanned drone planes will do the same job but cost the same amount. Conference titled 'Defence Economics: Achievements and Challenges', Isdefe, 30/III/2011. The same author says that the unit cost of a warplane from the time its construction begins has grown at an exponential rate of four times every 10 years (at constant 2011 prices, there has been an increase from US\$336,000 for a Spitfire in 1939 to US\$43,987,000 for a Typhoon in 2010). 'White Elephants', York, 2012, p. 6-8.

international operations and the sophistication of military equipment have increased the costs associated with maintenance and operations.<sup>13</sup> And thirdly, the level of investment per soldier is reduced when the rate of budgetary divestment exceeds that of personnel reduction, which affects staff training and performance.<sup>14</sup>

In order to ease all this accumulated budgetary tension, for years Western countries have been trying to increase the efficiency of their spending and doing without non-essential outlays. The optimal management of scarce resources, however, simply delays, but does not avert, the need to make tough decisions so as to enable the sustainability of military power. Some countries have implemented programmes to share capabilities with allies and partners (*pooling & sharing* in the EU, *smart defence* in NATO). But this is not an easy route to take because before deciding on specialisation or the division of labour, each country must weigh the cost of irreversible decisions that might place the use of capabilities that are critical to defence in the hands of others. If governments do not wish to make tough decisions, the simplest thing to do is to reduce expenditure on maintenance and modernisation, which tends to perpetuate force postures that are less and less operative. The same result is achieved if governments do not assign resources by spending priority, as a result of which the Armed Forces do not update their capabilities.

Regardless of whether the economy improves after the current crisis, it will be necessary to correct the budgetary criteria that have led to the current situation. Rather than initiating planning in terms of strategic necessities, which has led to force objectives that are too ambitious, or doing it in line with the funding that is available, which led to an incremental distribution of spending, it will be necessary to start by reconciling strategic priorities with the available funding. To do this, from the outset budgetary officials must establish multi-year investment frameworks and military officials must set the priorities that provide the best cost-effectiveness ratio. This will enable them to justify, as in the strategic documents cited from the UK and France, what level of military effort the State can afford and what kind of performance is expected from that level of spending. Otherwise, Western budgets will not be able to push ahead with the transformation of current Defence models and political leaders and military commanders will not be able to take responsibility for the planning and distribution of spending.

The change would allow greater budgetary stability, force governments to set spending priorities and facilitate the assignation of responsibilities –three factors which disrupt defence planning–. Except for some countries that establish investment programmes over the medium term, most countries do short-term or even year-to-year planning. As a result of this neither the Armed Forces nor the industry have a clear sense of the investment framework. If spending priorities are not established, budgets cannot have a transforming purpose, and the traditional allotment criteria are perpetuated. What is more, if what should be done and what should not be done are not spelled out explicitly, no one takes

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<sup>13</sup> FOR THE US, COSTS FROM INTERNATIONAL MISSIONS WENT FROM REPRESENTING 7.2% OF TOTAL SPENDING (US\$22.9/US\$316.2 BILLION DOLLARS) IN 2001 TO 14.4% (US\$88.5/US\$615.1 BILLION) IN 2014 ACCORDING TO CSIS, 'US DEFENCE CUTS', 29/IV/2013.

<sup>14</sup> ACCORDING TO CSIS IT WOULD BE POSSIBLE TO IMPROVE SPENDING PER SOLDIER BY AS MUCH AS 25% IN EUROPE IF THE AVERAGE BUDGET CUT IS MAINTAINED AT 1.8% (THE AVERAGE FROM 2001-2011) AND THAT OF TROOPS AT AROUND 3.3% (THE AVERAGE FROM 2008-11) IN EUROPE. BUT A BUDGET CUT OF 3.2% (THE AVERAGE FROM 2008-11) WOULD CAUSE A PER SOLDIER DIVESTMENT OF 34% IN 2020. 'European Defence Trends 2012', p. 51.



responsibility for the commitments undertaken or they are discarded under the guise of budgetary criteria.

### *(2.3) Demobilisation of the industrial and technological base of Defence*

Budget cuts and the trend toward the end of major multinational operations have substantially reduced demand for defence equipment and services in Western nations.<sup>15</sup> The shrinking of traditional markets, and increased competition for residual ones, jeopardises the continuity of the technological and industrial base that has supported Defence in recent decades.<sup>16</sup> The risk is that a swift and disorderly demobilisation will strip States of critical capabilities and deny industries opportunities to survive in a globalised market. Except in countries that have an inclusive industrial policy, which believe that the military industry is strategic and boast adequate budgets that allow them to protect their industrial base by supporting research, innovation and the marketing of defence good and services,<sup>17</sup> the rest run the risk of seeing their industrial base demobilize, transform or be outsourced as a result of the contraction in demand.

In order to offset the demobilisation, countries have adopted more aggressive policies in support of exports by opening up new markets, channelling procurement (government to government) and identifying technologies that are critical to preserve for reasons of strategic national interest. Looking abroad, they are taking advantage of every possible opportunity, either explicit or implicit, that the market allows them to protect their industrial interests. They are also developing new economic intelligence and commercial and defence diplomacy to support their industries. Meanwhile, at home they are reviewing their industrial and technological policies as well as their acquisitions procedures.

Each country decides unilaterally which capabilities it needs or not without considering the collective accords or commitments they undertake binding.<sup>18</sup> This discretionary margin has allowed States to protect their industries against those of other countries, even within the EU, where the Commission now tries to encourage competition, free up supply and do away with so-called *offsets* that have allowed industries in the European Defence market to skirt the rules of the single market.

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<sup>15</sup> According to data from the SIPRI Yearbook 2012, in 2011, and for the first time since 1998, world military spending fell (-0.4%). Contributing significantly to the reduction were North America (-5.5%) together with Western and Central Europe (-1.6%). SIPRI Database.

<sup>16</sup> Arguments in support of this are to be found in Félix Arteaga (2011), 'Proposal for Restructuring the Security and Defence Sector in Spain', WP 21/2011, Elcano Royal Institute.

<sup>17</sup> France plans to set aside 8% of its budget permanently for R+D+i, and its White Book foresees earmarking €364 million for the period 2014-25, of which €279 million will be included in the Military Planning Law 2014-19.

<sup>18</sup> As an example of convergence criteria that were never mandatory and not often complied with, we can mention the NATO goal of 2% of GDP for defence spending. In Europe, according to data from the European Defence Agency from 2010, members agreed to earmark 20% of total defence spending for acquisition of equipment (the average is 22.1%), assign 35% of that amount for jointly European made equipment (the proportion only hit 22%), invest 2% of total defence spending in research and development (the average is 1.07%) and set aside 20% of that amount for European programmes (the proportion only hit 11.8%).

### *(2.4) The change in strategic culture*

By strategic culture we mean the political and social perception which in each society is associated with the use of military force. In a global society, this perception is changing fast. Demographic and generational change in advanced countries reduces the level of identification, both among leaders and in public opinion, with defence structures and policies inherited from the Cold War. The change also increases reluctance to get involved in military interventions which are not perceived as directly affecting the nation's citizens and society. Unlike the wars of necessity of the past, the wars of choice of recent decades and the professionalisation of the military have altered the social perception of the use of military force, reducing emotional involvement with interventions that succeed and increasing animosity against those in which rapid success is not expected.<sup>19</sup>

Besides the reluctance of political leaders to take decisions that go against expected public opinion or to lead in the use of force while going against public opinion trends (for instance, whether to attack Syria or not after chemical weapons were used) we must add the impact of the end of major interventions and the effects of the economic crisis. With ups and downs and to different degrees, the string of international operations has sustained –given legitimacy to– the usefulness of the Armed Forces as an instrument of power. But now that the major missions are winding down, the intuitive connection between the public service aspect of defence and its beneficiaries will go away. If in the economic boom years the defence effort was justified in Western countries by citing the need to contribute to international security by deploying troops far from home, in the current circumstances it will be harder to sustain that justification in an atmosphere of less idealism in international relations and austerity in government spending, with the resulting rigidity in welfare expenditure.

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<sup>19</sup> The Transatlantic Trends polls show how differences in strategic culture between the US and the countries of Europe manifest themselves with regard to the use of force as a tool, whether to fight in Afghanistan and whether to cut or maintain defence spending. As for the EU, a recent comparative study of the 27 strategic cultures shows how the differences affect the deployment of forces abroad and whether to put them in combat or not, creating a dilemma between collective commitments and internal restrictions. Heiko Biehl, Bastian Giegerich & Alexandra Jonas (Eds.) (2013), *Strategic Cultures in Europe*, Springer.

### 3 Consequences of strategic changes for the traditional Defence model in Spain

The strategic and geopolitical changes we have discussed call for a change in the defence model in Spain. First of all, the European scenario's loss of centrality and the pivot, or strategic withdrawal by the US, leave Spain on the front line of risks coming from emerging instability in the countries of North Africa and the Sahel, in connection with the instability seen in the Levant region, the Middle East and the Gulf of Guinea. Whereas other European and NATO countries may feel less sensitive to the geopolitical situation in the southern Mediterranean, Spain cannot do so because its geographical situation exposes it more to the effects of that situation. In the future, it is Spain's Defence system which will have to take charge of the country's exposure to this insecurity.

The US strategic 'pivot' toward the Asia-Pacific region, the weakening of global, Atlantic, European and multilateral structures and the growing instability of the South have profound implications for a defence model which, in recent decades, centred on the belief that strong US involvement in Europe and the proper functioning of multilateral structures guaranteed the stability of Europe and areas around it. That conviction allowed Spain and other countries around it to maintain defence budgets and strategic efforts that were modest.

Therefore, Spain will be forced to assume a greater effort in its defence and take on greater responsibility in the region, while driving and articulating a new defence and security arrangement along with such countries as France, Portugal, Morocco, Algeria, Italy, Mauritania and Mali, with which it shares risks. Along with them it will have to seek out new strategic partners, such as the US and the UK, and exert influence in NATO, the EU and African security organizations that can contribute to the stabilisation of that region.

Secondly, Spain will have to restructure its defence model in order to contribute to National Security. In order to complete new missions it will have to acquire new capabilities in a financial context of austerity and, unlike other countries, without having budgetary leeway or capabilities it can give up in order to speed up its process of modernisation. Out of necessity, it must plan a process of transition from one defence model to another, fashioning for this purpose a sustainable multi-year budget and a list of capabilities that it must preserve, acquire or give up. In this way it will adjust the posture of its Armed Forces to the strategic and operational needs of the 21<sup>st</sup> century. Furthermore, and due to its importance, the industrial sector associated with defence and security will have to be restructured in such a way that it holds on to the most competitive and globalised part of its industrial and technological fabric. Finally, the new defence model will have to take into account the introduction of the new realm of National Security and take advantage of the change in strategic culture that is emerging. By integrating into that new realm, the military will be able to preserve the high degree of social acceptance that the Armed Forces have enjoyed over the years.<sup>20</sup>

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<sup>20</sup> In the Barometer of April 2013 of the Centre for Sociological Research, the average assessment of the Armed Forces was 5.21/10 points, third after the Police (5.65) and the Civil Guard (5.71) (p. 7).

It is possible to generalise and simplify, but the trends and factors we have mentioned affect the defence of each country in a specific way. The effect depends on factors such as the strategic culture, the military entity in each country (large, medium or small), its geographic location (border or non-border country) and its particular strengths and weaknesses. With these in mind, we recommend the following restructuring criteria for the Spanish Defence model.

### *(3.1) The return to geopolitics: selective retrenchment*

The return to a world that is interpreted through the prism of geopolitics forces Spain to redefine the priorities of the areas where it acts. The strategic retrenchment undertaken by some countries, such as the US towards the Asia-Pacific region or France toward the fringes of Europe, reveals the need to orient defence needs toward the geographic areas in which national security interests are at stake. In line with this geopolitical logic, Spain should review in a selective way its scenarios of activity with an eye on the interests it has to protect and the resources it has available (selective retrenchment). A first step toward this review is taken in the National Security Strategy of 2013 when a distinction is made between 'vital' and 'strategic' scenarios and an acknowledgement is made of the Western tendency to limit military interventions.

In redefining its strategic positioning, Spain should take into account the effects of its geographic location, as this leaves it confronting particular security and defence risks in the area stretching from the Sahel to the Mediterranean and from the Gulf of Guinea to the Horn of Africa. It is an area where the National Security Strategy of 2013 situates the 'vital' security interests so as to differentiate them from the rest, which are now classified as strategic. Because of Spain's proximity to this area, Spanish defence is prevented from reducing its level of dissuasion as much as other countries further away from the risk zone can afford to do.

In this area risks are generated that affect Spanish and European security and the stability of the countries in the Maghreb region. These risks fuel complex phenomena related to terrorism, insurgency, piracy and illicit trafficking, which surpass the coping capability of local governments and regional security organisations. Situations like the one in Mali reveal the difficulties that local armed forces and security forces face in trying to guarantee security and the resulting dependence on outside help to do so. For this reason, and in order to articulate as soon as possible a new, shared security and defence arrangement in the area, Spain will have to undertake initiatives and responsibilities, something which it has not done until now, in order to foment political stability among its neighbours and encourage the fight against illicit forms of trafficking that pose a direct threat to all border countries. Therefore, the magnitude of the challenge obliges Spain to concentrate its strategic attention towards the south, where vital national security interests lie, to the detriment of other global, strategic interests or more far-flung ones.<sup>21</sup>

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<sup>21</sup> Each government will have to identify what other geographic areas and realms of activity are considered strategic at any given time to justify the Spanish contribution to security, cultivating until then the adequate presence and partnerships to do it.

### *(3.2) Diversification of intervention options: from multilateral action to acting as part of a network*

Geopolitical changes make it necessary to identify new options for military cooperation, both within and outside the multilateral organisations that in the past were the main venue for articulating regional and international security. The lessons learned show that military interventions are decided mainly in terms of the interest and capability of those willing to take part and only secondarily in terms of the stated goals of the forum where they wish to be articulated.<sup>22</sup> Multilateral institutions became channels for transmitting the interests of the nations that hold the greatest weight in them, and collective decisions can be blocked if they do not coincide with their interests, so partnership options must be diversified. Mechanisms such as the comprehensive approach, partnerships and coalitions we have mentioned previously share that alternative search for options that give flexibility and effectiveness to the use of military power.

Spain's defence should focus its participation in multilateral organisations in an instrumental way, calculating what Spain can contribute to collective security and Defence and what it might receive from those organisations in relation to its vital and strategic security interests. Until now what has taken precedence is adherence to an 'idealistic' approach, aimed at Spain being perceived as an ally or partner willing to do its share when it comes to sharing out burdens. But that approach to multilateralism has been rhetorical in the sense that it has not been accompanied by political support in the form of military resources and budgets necessary to ensure its effectiveness. Therefore, the new approach must be more pragmatic, seeking to preserve our security interests through those organisations, and consistent, providing defence with the capabilities that will enable it to contribute to bearing the common burden.

Spain's military potential should serve to strengthen multilateral effectiveness in interventions aimed at serving international security, but it should also be used as a tool of influence in bilateral and sub-regional cooperation arrangements, making it necessary to define the strategy and muster the resources that will permit Spain to be a willing and able actor. The crisis of multilateral defence institutions trying to address the change in the strategic model means that, to the criteria of integration and delegation followed until now, one must add those of diversification of support through bilateral and partnership frameworks, rather than simply delegating the defence of our interests to the collective will. Spain will continue to participate in collective undertakings but on a case-by-case basis, when industrial or institutional initiatives such as those of NATO and the EU cut costs, add value and encourage interoperability.

As a complement to or on the sidelines of the regional forums it belongs to, Spain should seek strategic partnerships with countries with which it shares defence and security interests. It should join forces with those allies and partners, both European and Western, with greater global ambition (in particular the UK, France, the US, the Netherlands, Norway

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<sup>22</sup> One must also keep in mind the evolution of the social perception toward those institutions. For instance, confidence in the EU has fallen drastically in the recent years of crisis in Spain, going from +42% in 2007 to -52% in 2012, according to the ECFR, which strengthens the need to diversify options. 'The continent-wide rise of Euro-scepticism', 2013. In the Transatlantic Trends 2012 poll mentioned earlier, 58% of those surveyed in 11 European countries believe that NATO is still essential, by 56% of Americans and Spaniards, with an upward variation except in the US over the years prior to the crisis (55%, 60% and 49% in 2007) (Question 11).

and Italy) and also strengthen and deepen its strategic ties in regions such as West Africa (Nigeria, Angola and Equatorial Guinea), Latin America (Mexico, Brazil, Chile, Colombia and Peru), the Eastern Mediterranean (Turkey and Israel), the Indian-Pacific region (Saudi Arabia, Mozambique, India, Australia, the Philippines, Malaysia, Indonesia, South Korea and Japan) and the Arctic region (Norway, Denmark and Canada).

Given the new geopolitical scenario, and just as the major strategic players are doing, Spain should reconsider what military action it can undertake at the individual, bilateral or multilateral level. While in scenarios of strategic interest its participation will be channelled through multilateral organisations such as the United Nations, NATO and the EU, in scenarios involving vital interests it will have to act autonomously and channel the contribution of other partners through more open and flexible intervention networks.

In order to build the Defence and security arrangement needed in the priority scenario between the Sahel and the Mediterranean and running from the Gulf of Guinea to the Horn of Africa therefore, Spain will have to partner up with a network of local actors such as Algeria, Morocco, Mauritania, Niger, Nigeria or Mali, regional ones such as France, Italy, Portugal, Turkey or Israel, and extra-regional ones like the US and the UK. It will also be able to mobilise the collective resources of NATO (Mediterranean Dialogue, the Cooperation Initiative), the EU (the Union for the Mediterranean, the Neighbourhood Policy) or sub-regional ones like the 5+5 Initiative, without ruling out the collaboration of regional security organizations such as the African Union, the Economic Community of West African States and the Economic Community of Central African States, in addition to the United Nations.

Besides these 'nodes', the network has to have other actors, State or otherwise, that are dedicated to cooperation and development, governance, the economy, security and humanitarian assistance in the region. In this way, the protection of vital interests will materialize in line with the tools of influence of globalisation: inclusive networks as opposed to exclusive organisations, flexibility as opposed to formality, capabilities instead of wishful thinking, integration as opposed to coordination and shared scenarios instead of interests beyond borders.

### *(3.3) Change in the nature and structure of the Armed Forces*

The stance the Spanish Armed Forces must adapt in order to respond to the nation's strategic needs, interoperate with allied forces and evolve to suit strategic needs stemming from geopolitical changes. They must adapt to new kinds of force projection and new ways of dissuasion and protection. With large-scale overseas military interventions on the way out, the Armed Forces must have specialised intervention capabilities to act on their own or with forces from other countries in a joint way.<sup>23</sup> They must also prepare themselves to protect the national territory and its citizens from the new risks identified in National Security strategies.

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<sup>23</sup> Until now the conjunction of the Army, Air Force and Navy was necessary to generate synergies among them (joint operations) and with forces of other countries (combined operations) and to be able to act in the three traditional dimensions of the theatre of operations. Now, due to the enlargement of the areas of activity from ground, air and sea to include space and cyberspace, their conjunction and connectivity must advance.

This means a restructuring of the kind and number of units available to attend to daily operations of surveillance and protection, as well as response operations carried out autonomously or in combination with other forces. The Armed Forces, which already carry out tasks of protection, surveillance and control of the national territory, borders and areas of interest, will have to structure themselves to act, when necessary, synergically along with the State security forces.

Homeland defence will be aimed at providing security for Spanish physical space and citizens in the face of intrusion by actors, be they State or non-State, equipped with asymmetrical means to endanger them. In order to do this, Spain needs military capabilities that will protect against the launch of rockets and missiles of any range and origin, and guard against intrusions in its maritime, land, air or spatial territory with means of any kind, as well as cyber attacks, that jeopardise National Security. The Armed Forces will need permanent surveillance and interdiction capabilities in the four fields mentioned earlier, along with elements of command and control that ensure their coordination with the rest of the Security Forces in support of civilian authorities to complement the civil protection and security functions that these authorities provide. To do this, the Armed Forces will have to specialise units dedicated to cyber Defence and security, like those it already has dedicated to civil protection against natural, biological, nuclear, chemical and radioactive risks (Military Emergency Unit).

In order to carry out autonomous reaction operations overseas, the Armed Forces will have to guarantee the permanent availability of a rapid response core with the necessary land, air, maritime and logistical components, and an enlarged reaction force to take part in combined response operations. These are postures that do without units that lack the level of conjunction and connectivity necessary to fight as an autonomous force or in collaboration with other forces, in complex new combat environments.<sup>24</sup> In order to proceed with the qualitative restructuring of the force that takes on the new functions it will also be necessary to add flexibility to personnel policy so as to facilitate the incorporation of new kinds of professionals. It will also be necessary to enable the reserve mechanisms to generate additional force levels when needed and to demobilise them when they are no longer needed –a capability that does not exist at present–.

Therefore, the next Defence model has to seek a balance of capabilities that will allow it to address the maximum number of risks on the spectrum, depending on the available means. To do this it will have to adjust its level of ambition, ruling out acting in operations that exceed its capability, attain the capabilities necessary to confront the future and shed inherited capabilities that do not serve this purpose. In doing so, this will change the posture of the Armed Forces.

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<sup>24</sup> In the reorganisation of the structure of its Army, France will devote 10,000 troops to support domestic security, 5,000 to a Joint Immediate Reaction Force and another 6,000-7,000 to non-permanent interventions abroad. For complex combined operations, France will have another 15,000 troops. Altogether, it plans to have 66,000 projectable troops that include Special Forces and seven Brigades of a varied composition.

### (3.4) Budgetary sustainability

The complex and restrictive Defence budget scenario seen in other countries is aggravated in Spain by several structural factors that challenge the viability of the current model. First of all, unlike in other advanced countries, the percentage of the budget that is earmarked for Defence has been reduced in periods of economic growth as well as in times of contraction, reaching levels that do not correspond to the country's economic capability.<sup>25</sup> Even before the crisis, indicators related to military spending deviated from the parameters of those in other Western countries<sup>26</sup> and after the crisis they were reduced even more.<sup>27</sup> So now Spain lacks the scope for reduction that other countries have to trim capabilities and secondary budgets so that the crisis does not affect essential capabilities and potential for modernization.

Although the cuts came much earlier, budgetary divestment has accentuated with the crisis and as a result of this the current budget is not enough to tend to the payment of delayed commitments, acquire new equipment and cover the basic functioning operational needs. Even within the priorities of National Security, and if we exclude extraordinary loans, the budget set aside for Security has surpassed that of Defence in recent years.<sup>28</sup>

Above all, divestment in Defence stems from a strategic culture in successive Spanish governments that made them believe that they could undertake international relevance at a low cost, generating a gap between spending and revenue, the balance of which has not been able to be planned over the long term. Nor have governments been able to communicate effectively to the citizenry the cost of the public service of Defence<sup>29</sup> or the

<sup>25</sup> According to data from the European Defence Agency from 2010, Spain dedicated 12% of its defence budget to the purchase of equipment (the European average is 22%) and 63% to spending on personnel (the average is 51%). In the same year, Spain dedicated 1.05 percent of its GDP to Defence (€7.055 billion), which amounts to per capita spending of €242 (the European average is €390) which put it in 15<sup>th</sup> place out of 26 European countries (Slovakia, Romania, Poland, Malta, Estonia, Latvia, Lithuania, Hungary, Ireland, the Czech Republic and Bulgaria). Its investment in equipment per soldier is €11,004 (the European average is €26,458) and puts it in 15<sup>th</sup> place out of 26 countries.

<sup>26</sup> According to data from NATO, between 1986 and 2012 the Spanish per capita GDP rose 167.1% while per capita Defence spending went up 13.3%. With the same data, the Spanish Defence effort (the ratio between its percentages of total spending and total GDP of NATO) has always been below parity (1), ranging between 0.44% in 1986 and 0.34% in 2012. Both data show that Spanish Defence spending did not benefit from the growth in the country's wealth and was not up to par with the effort undertaken by its allies.

<sup>27</sup> From 2008 to 2012, Defence spending dropped 4.1% in the US, 20.4% in Europe and 29.1% in Spain. This will allow Turkey, Poland and the Netherlands to surpass Spain, relegating into 20<sup>th</sup> place in the world ranking and to seventh place in Europe.

<sup>28</sup> Budgets that were assigned to the Ministries of the Interior and Defence but not executed, as seen in the following table, confirm the gradual deferment of Defence spending.

€ mn	2003	2008	2013
Ministry of the interior	5.419	8.874	7.903
Ministry of defence	6.212	8.149	5.786

<sup>29</sup> According to the poll by the Centre for Sociological Research, 32.9% of those surveyed did not know if the Defence budget was excessive (25.9%), adequate (28.8%) or insufficient (12.2%), while 52% did not know if that budget was greater (6.2%), equal to (14.1%) or smaller (27%) than those of other European countries. 'Study nº 2912', September-October 2011.



industrial and social function of the budget earmarked for it,<sup>30</sup> leading to an increase of its exposure to reductions and cuts.

The current government and the ones that succeed it will therefore face the need to stabilise the Defence budget so that it is sustainable and do this in an economic context that will be adverse over the short term. The situation is one of recession, with public debt that is approaching 100% of GDP, and amid cuts in social spending and tax hikes it will be difficult to stabilize and preserve the budgetary basis of Defence if each annual budget continues to be improvised.

Achieving Defence budget sustainability requires a review of the budgetary criteria that have led to the current situation. To correct the gap between needs and resources, planning, the government must spell out the economic framework affordable for Defence. On the basis of this, the Joint Chiefs of Staff must lead the transformation of the Armed Forces in line with the priorities established and with an eye to strengthening joint capabilities. In this way, the planning would allow for knowing on the one hand what level of Defence spending Spain can afford and on the other what levels of security and defence can be reached and which cannot with the budget that is available (risk analysis). Only with this kind of joint and sustainable planning will it be possible to demand individual accountability from politicians and military personnel on the use of public funds for Defence.

The Defence model must have a medium term budgetary stabilisation plan (sustainability criterion) that allows the government to pay personnel and equipment outlays that cannot be postponed, ensuring operational capacity, finance new capabilities that are needed and cover costs associated with the rationalisation of budgetary spending.<sup>31</sup> These days the government is resorting to extraordinary loans that are approved year on year<sup>32</sup> and will have to continue to do so in coming years so long as there continues to be a mismatch between the commitments undertaken and the available resources. In the absence of a long-term financing programme, one option would be to integrate that exogenous mechanism within the initial budget. This would facilitate and establish military and industrial planning.

Stability would allow the budget to have a transforming function if funds are assigned in a way that prioritises operational capacity and the sustaining of military force and penalises equipment and units of operational structures that cannot be operated or maintained (transformation criteria). The budget must reflect a will to change the Defence model, assign

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<sup>30</sup> Decisions on major weapons programmes have not been taken in line with Defence needs but rather mainly as a result of political, industrial and social criteria. For example, in order to be able to build Leopard tanks in Seville and Asturias, the Airbus 440M in Seville and Tigre helicopters in Albacete, more equipment was purchased than the Armed Forces needed. In the same way, participation in European programmes like the Eurofighter plane was agreed on to support the European industry despite the greater cost of equipment and the availability of aircraft that met the military's needs, like the F-18. Finally, orders and the timetable of naval construction have been decided more in line with the workload of national shipyards than with the needs of the Navy.

<sup>31</sup> Restructuring spending sometimes requires short term investments. For instance, the Defence Ministry calculates that it needs to invest €40 million in the plan for rationalisation and efficient use of its real estate (Propidef) between 2014 and 2017 to save around €15 million a year in annual spending in running expenses, security and maintenance of 109 facilities.

<sup>32</sup> The government has approved two extraordinary loans of €1.782 billion in 2012 and 877 million in 2013 in order to pay for key programmes, especially those which, if not abided by, would lead to economic penalties, destruction of jobs and a loss in confidence. Loans and the rescheduling of the timetable for repayment restore creditor confidence regarding pending payments, but not over the future of demand.

resources according to criteria of cost and effectiveness, avoiding criteria of proportional distribution and doubling up in the administrative and property structures. In recent years the European average has seen spending distribution criteria of around 50% for personnel, 20%-25% for operations and maintenance, 15%-20% for equipment and 5% for research and development. That average need not be considered a final objective for distribution in Spain but rather a reference point. This is because in order to address its strategic goals it would need an above-average percent for R+D+i and a lower percentage for personnel (most of the countries that make up the average do not have the geostrategic exposure that Spain does and can maintain obsolete military structures). A transformation-oriented budget aimed at improving distribution would allow for increasing the operational capacity and effectiveness of the Joint Force reversing the current evolution toward Armed Forces emptied of capabilities and operational capacity.<sup>33</sup>

Thirdly, the communication strategy must be modified so that the budget does not just transmit a perception of spending but rather explains what is gained through them in terms of public service, international commitments, exports, job creation, technology and innovation (in the other sense, an explanation should also be given of the effects of cuts on jobs, the industrial fabric and the trade balance). And to justify the effort that has to be made over the short term while a sustainable budget is achieved, it is necessary to explain which military capabilities are being strengthened, retained or abandoned, through a strategic communication that the current budget does not provide.

Without leeway to reduce Defence spending due to budget divestment in recent decades, a budget aimed at transformation and similar to the real effective budget but distributed in the way we have explained would facilitate budgetary flexibility, allow for providing the Joint Force with the capabilities it needs, stabilise industrial demand around maintenance and modernization of platforms, boost research and development of critical technologies and, above all, allow interoperability with allied forces.

### *(3.5) Working for a strategic industrial policy*

The profound change in the strategic context and the fall in domestic and overseas demand<sup>34</sup> pose a grave risk for the survival of the industrial and technological base that has sustained the Defence model in recent decades.<sup>35</sup> This puts companies that are less internationalised and competitive at risk of disappearing. But if an industrial policy is not developed that

<sup>33</sup>According to data from the European Defence Agency, spending on operations and maintenance went from €1.803 billion in 2005 to 1.744 billion in 2010, despite the increase in operations in that span of time.

<sup>34</sup> National spending on investment in equipment fell an average of 30% from 1990-1997 to 26% from 1998-2008 and to 13% in 2011. Investment in military research decreased from 3.041 million in 2004 to 758 million in 2012, a drop of 24.9% compared to 2011 (the figures for research are 5.640 million and 1.373 million, respectively). COTEC Report 2012, p. 111.

<sup>35</sup> According to the SIPRI Yearbook 2012 (p. 266) Spain is seventh in the world among defence exporters, but despite its growth in recent years – a rise inflated by international cooperation exchanges that are counted as exports – statistics from the Secretary of State for Foreign Trade (May 2012, p. 9) point to a downward trend following the exceptional spike which was posted in 2011 and justifies the SIPRI ranking. The following Table reflects the total amount of exports (€ mn)

2006	2007	2008	2009	2010	2011	2012
845	932	934	1346	1128	2431	1953

allows for restructuring of the sector, Spain runs the risk of also losing the most international and viable part of its security and defence industrial sector.

The Defence industry remains marginalised from the rest of Spanish industry and too closely linked to Defence policy, with no measures adopted to integrate it with the country's industrial, technological and trade policies. Unlike in other countries, the defence industry has not been considered a strategic *industry* but rather as *defence*, and this is the case despite its important contribution to the national economy: 0.9% of GDP, 53,000 direct jobs and €9 billion in revenue, of which 70% comes from exports and 10% is reinvested in R+D+i, among other data from the sector.<sup>36</sup> This would seem to explain the high profile role of the Ministry of Defence and the distancing of other ministries related to industry, research, innovation, trade or competitiveness.

Without an intergovernmental industrial policy or a single person to lead it, the industrial base of defence faces a scenario of rapid demobilisation. The Ministry of Defence tries to offset the marginalisation of the sector and continues supporting it with new initiatives such as government-to-government accords, Defence diplomacy or the strengthening of tools to boost exports.<sup>37</sup> The efforts of Defence diplomacy to enhance exports will not prevent the disappearance of the least internationalised and competitive part of the sector, but in order for the more globalised part to survive and preserve strategic capabilities that are critical to Defence<sup>38</sup> the government –and not just the Ministry of Defence– must devise a restructuring plan for the security and defence industry sector.<sup>39</sup> The sector has made great efforts to internationalise and become more compact, but the shrinking of the market forces it to consolidate its competitive advantage and compete globally without being able to depend on contracting domestic demand and with the European Commission fighting to reduce protectionism among EU member States.

The devising of a long term procurement plan –or the consolidation of extraordinary loans with the assigned budget– would allow bringing the industry's expectations in line with real demand and strengthen an investment cycle under efficient and sustainable industrial terms. Other countries with a longer tradition and willingness to plan, such as the UK and France, have announced 10-year, £160 billion and 12-year €364 billion procurement programmes, respectively. In the same way, the existence of an industrial plan for the sector will allow integrating it into the overall national economy, taking advantage of synergies with other sectors and preventing Spanish defence from losing the ability to supply critical capabilities

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<sup>36</sup> According to data from the Spanish Association of Defence, Aeronautical and Space Technology Companies (TEDAE) from 2012, those sectors also have high percentages of skilled labor (50%-70%) and internationalization as measured in exports (60%-91%).

<sup>37</sup> The Ministry of Defence participates in the inter-ministerial working group created in 2010 to support internationalization. It also included that support as part of the Defence Diplomacy that it has used to back up Defence Attaches in their trade capacity and the strengthening of the Office of External Support (OFICAEX) as the ministry awaits the enactment of Law 12/2012 of November 26.

<sup>38</sup> Another need is to determine which authority can establish the technological and industrial capabilities that are critical for national security and the procedure for determining this, as EU regulations allow it and Spain's direct competitors already have them (decisions on this and other industrial options should be made before European Council meeting of December 2013, dedicated solely to Defence).

<sup>39</sup> See Félix Arteaga (2011), 'Proposal for restructuring security and Defence industrial sector in Spain', Working Paper nr 28/2011, Elcano Royal Institute.

and high added-value business fabric. Just as France acknowledges in its White Book its goal of preserving its industry so as to ensure its strategic autonomy, the new Spanish defence model should associate industrial planning with strategic planning if it does not want to lose competitive advantage over its competitors or supply security in critical technologies.

### *(3.6) Pushing strategic culture*

In Spain, the main challenge posed by the strategic culture as opposed to other countries lies in encouraging awareness of strategic issues that will allow leadership by its elite classes, as these people do not usually have the necessary experience in issues of security and defence, lack the necessary support among political parties and institutions to acquire knowledge to form criteria and, as a result of this, tend to make decisions or refrain from doing so without having a strategic vision of the use of military force and its usefulness in the service of national interests. These shortcomings explain their reluctance to get involved in Defence issues and self-deprecating attitudes when it comes to explaining international actions.<sup>40</sup> They also help explain the contrast between the desire to intervene in public opinion and aversion to assuming the costs needed for this.<sup>41</sup>

As we have shown, Defence and the potential use of military power have traditionally been justified by the existence of existential threats to the sovereignty, integrity and values of the State. But the risks mentioned in most of the strategic documents in this field, including the Spanish Security Strategy of 2011 and the National Security Strategy of 2013, are related to phenomena such as terrorism, organised crime, economic and financial insecurity, cyber threats, uncontrolled migratory flows, weapons of mass destruction, vulnerability in energy, services and critical infrastructure, emergencies and natural disasters, among others, which are not of a purely military nature. Therefore, military power and Defence must adjust to the new National Security framework, cooperating with the rest of the tools at the State's disposal to protect the well-being, security and functioning of society against those risks.

Although polls show major social support for the Armed Forces and international operations, they also show a different position with respect to other countries when it comes to using force (they admit the need to use it but want other countries to do it, avoiding Spain having to make sacrifices). Probably for this reason, the function of Defence has been justified on the basis of humanitarian issues, or international cooperation, which has warped its essence: the availability of the necessary military capability to foresee conflict, exercise dissuasion and use force if necessary.

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<sup>40</sup> See Félix Arteaga (2013), 'Spain', in Biehl, Giegerich & Jonas (Eds.), *Strategic Cultures in Europe*, Springer, p. 333-343.

<sup>41</sup> According to the Barometer poll of the Elcano Royal Institute for February 2013 (p. 50-60), 57% of those surveyed favoured an international military intervention in Syria (29.5% were against) but 53.9% were against Spain's taking part in such an operation (35.1% were in favour). In the same poll corresponding to June of this year, support for Spanish participation dropped to 30.2%. The same inconsistency is seen in the Transatlantic Trends 2012 poll, in which 71% of Spaniards say they favour exercising the right to protect civilians from violence but 56% do not wish to exercise it in Syria even if there were a mandate from the United Nations (42% are in favour in this case) and 52% of Spaniards favour cutting the Defence budget (49% favour maintaining it at current levels or increasing it).

In times like these, in which many citizens question central elements of advanced societies, such as political representation, democracy, values or public policies, it would be naïve to think that the need for Defence is not going to be challenged as well. Therefore, Defence should get a step ahead by narrowing the gap between it and the daily perception of it that exists among the Spanish citizenry, improving strategic communication to explain what Defence is going to do in terms of ensuring people's well-being and protection against the circumstances and risks described in National Security strategies.