

DEFENCE DATA 2017-2018

KEY FINDINGS
AND ANALYSIS



Introduction

The European Defence Agency (EDA) collects defence data on an annual basis, and has done so since 2006, in line with the Agency's Ministerial Steering Board Decision of November 2005. The Ministries of Defence of the Agency's 27 Member States (MS) provide the data. EDA acts as the custodian of the data and publishes the aggregated figures in its booklets.

The 2005 data has been collected during the pilot exercise, which included only a limited number of indicators. A complete dataset is available since 2006, based on the revised list of indicators, including the four collective benchmarks for investment, approved by the Agency's Ministerial Steering Board in November 2007.

All data is collated ("Total incorporates 27 EDA Member States"), and it has been rounded. Defence expenditure figures are provided in constant 2018 prices in order to take inflation into account and allow for a comparison across years¹.

Total Defence Expenditure

In 2018, Total Defence Expenditure by the 27 EDA MS amounted to €223.4 billion. This accounts for 1.4% of GDP and 3.1% of Total Government Expenditure. Whereas defence budgets suffered heavily from spending cuts following the 2007/2008 financial crisis, outlays for defence are finally on the rise again since 2014. While expenditures decreased by 11%² between 2007 and 2013, MS increased their spending for defence for the fifth consecutive year in 2018 and by 3% compared to 2017 spending levels (Figure 1).

Yet, defence budgets are only slowly returning to pre-financial crisis levels. In contrast to gross domestic product (GDP)³, defence expenditure by the 27 EDA MS decreased much more dramatically and returned to growth again much slower. Since 2014, defence expenditure is growing again in line with economic growth and in 2018, defence expenditure reached almost a similar level as in 2007 (Figure 1 and 2).

**€223
BILLION**
Total Defence
Expenditure 2018

+3%
Increase in Defence
Expenditure in 2018
compared to 2017

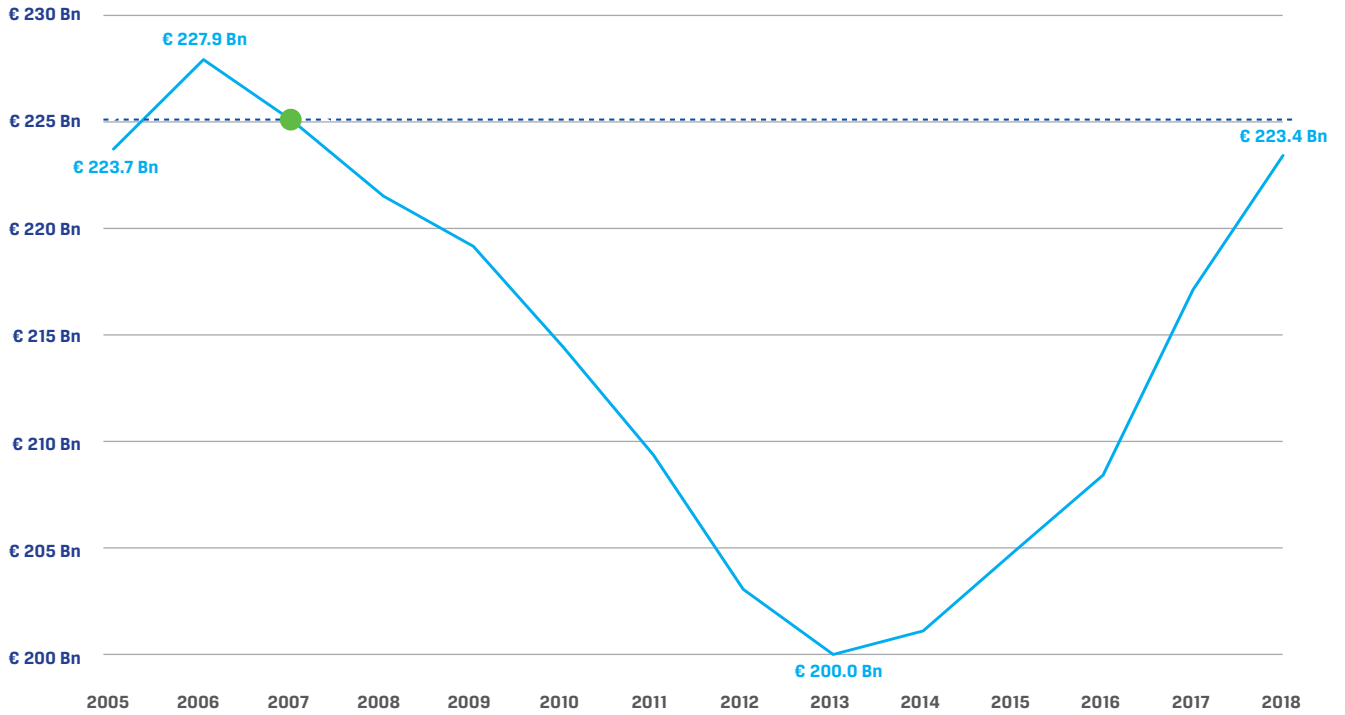
1.4%
Total Defence
Expenditure as
% of GDP 2018

1. Source of Deflator: European Commission, DG ECFIN, Macroeconomic database AMECO.

2. Percentage changes are provided in real terms to take inflation into account.

3. Source of GDP figures: European Commission, DG ECFIN, Macroeconomic database AMECO.

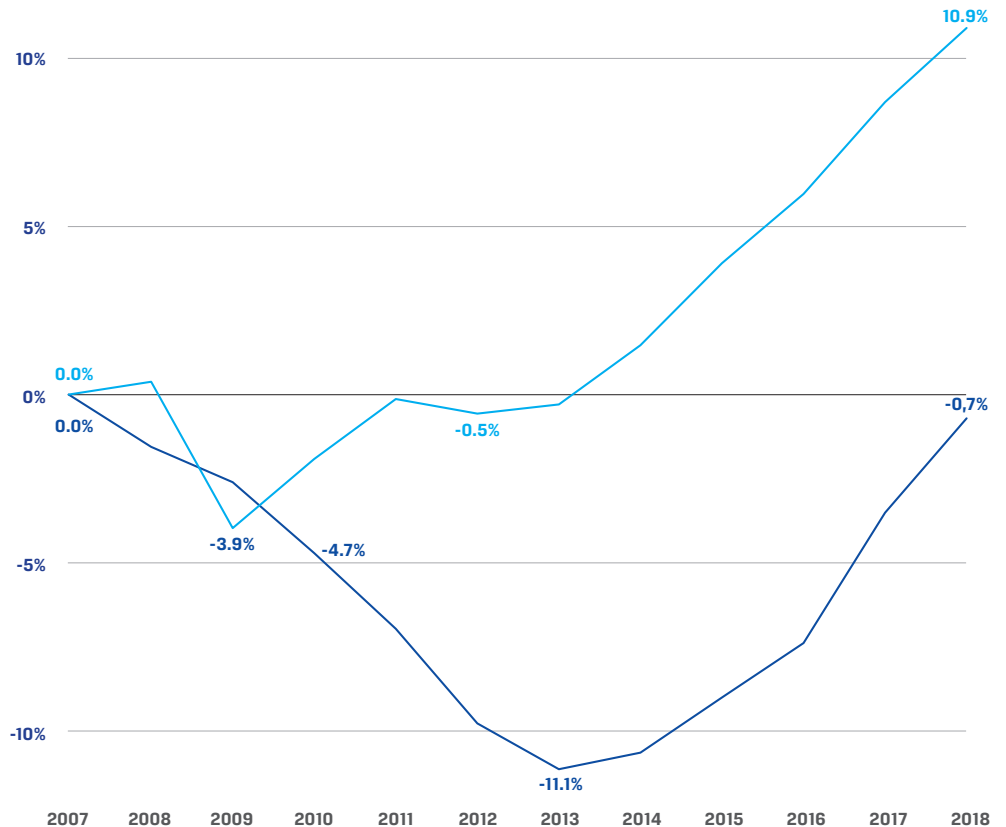
FIGURE 1. Total Defence Expenditure (constant 2018 prices), 2005 - 2018



● 2007 spending for reference

FIGURE 2.

Total Defence Expenditure and GDP, 2007 - 2018 (2007=100, constant 2018 prices)



— Total Defence Expenditure 2007=100
— GDP 2007=100

Defence Investment

Following many years of cuts, the need to increase defence expenditure has been a major concern at European, trans-Atlantic and national level over the last decade. Events in and around Europe, such as the Ukraine crisis and/or the destabilization of the MENA (Middle East and North Africa) region gave renewed impetus to the recognition that defence budgets not only had to rise but also had to be spent more effectively. Indeed, already back in 2007, MS acknowledged that military equipment in Europe was ageing and funds allocated to defence Research and Development (R&D) were insufficient. To counter this trend, they committed to spend 20% of their defence budget on defence investments, including the procurement of new equipment as well as R&D. This commitment has been given fresh impetus, reflected in the 20 more binding commitments under the PESCO (Permanent Structured Cooperation) framework⁴.

Just like total defence expenditure, investments in defence equipment procurement and R&D suffered greatly from the impact of the 2007/2008 financial crisis. Between 2007 and 2014, defence investments decreased by 22%, reaching a record-low of €35.8 billion in 2014 (constant 2018 prices). As a share of total defence expenditure, defence investment dropped to 17.8% in 2014, the lowest value measured for the collective benchmark since 2007. Since then, expenditure for defence investment has been on the rise again, amounting to €44.5 billion in 2018. Although the relative share almost achieves the 20% collective benchmark (19.9%), defence investment expenditure still lags behind 2010 spending levels (Figure 3). In comparison to other major international players the share allocated to defence investments remains modest. In 2018, China allocated around 41% of its budget to defence investments (approximately €60 billion), whereas the US dedicated 30% of its defence budget (€160.5 billion)⁵.

Between 2014 and 2018, and in parallel to the recovery of defence budgets in Europe, a growing number of MS increased their effort to raise the share allocated to defence investment. While only 7 MS spent 20% or more of their defence budget on investments in 2014, this number increased to 14 MS in 2018. The number of MS that dedicate 10% or more of their defence budgets to defence investments increased from 16 MS in 2014 to 21 MS in 2018 (Figure 4).

**€44.5
BILLION**

Defence
Investment 2018

**Still below
2010
Defence
Investment
levels**



4. Council of the European Union (2017) COUNCIL DECISION establishing Permanent Structured Cooperation (PESCO) and determining the list of Participating Member States, available at: <https://www.consilium.europa.eu/media/32000/st14866en17.pdf>

5. International Institute for Strategic Studies (2019) Data retrieved from the Military Balance +, available at: <https://milbalplus.iiss.org/>

FIGURE 3. Defence Investment (constant 2018 prices) and as share of Total Defence Expenditure, 2005-2018

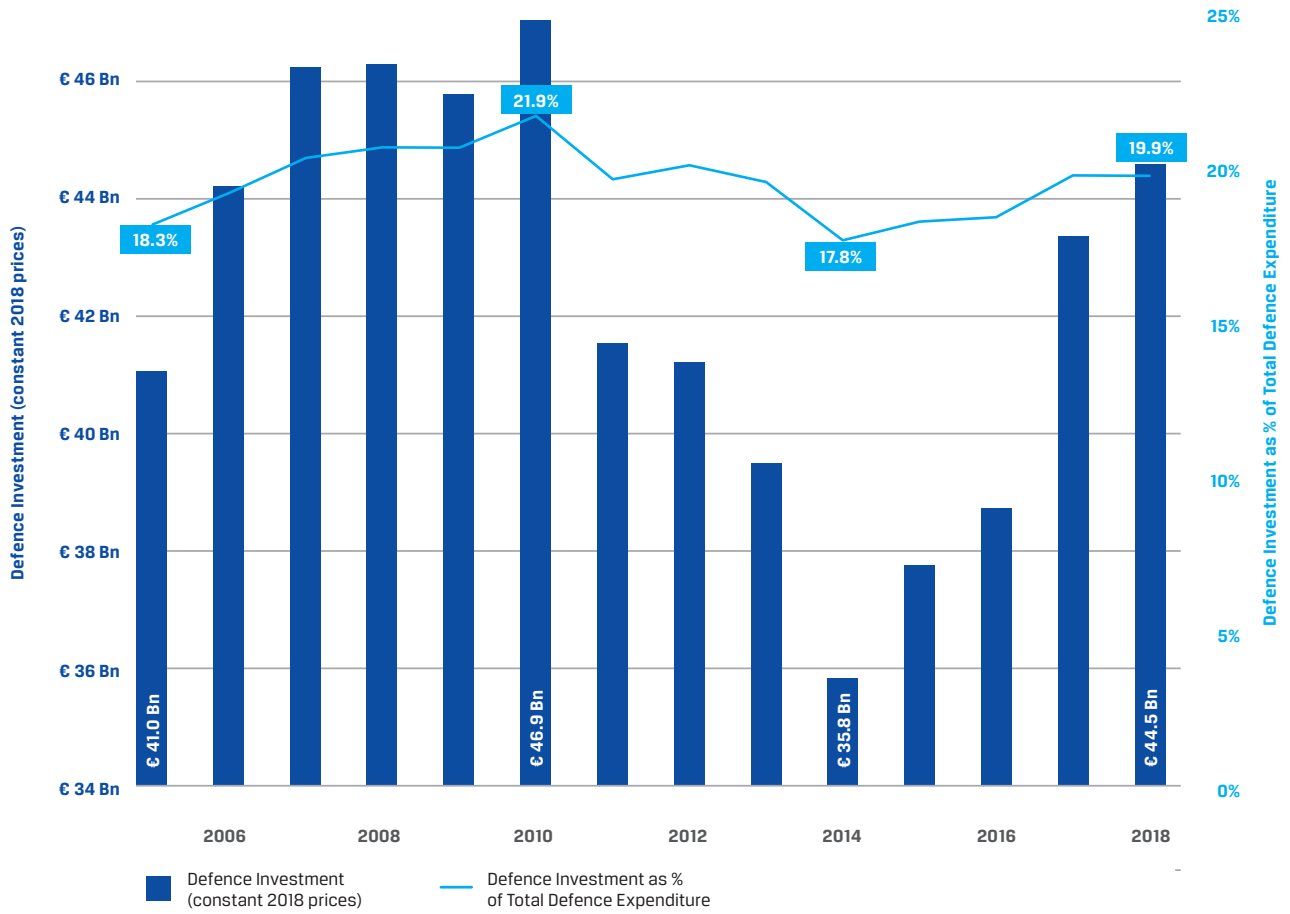
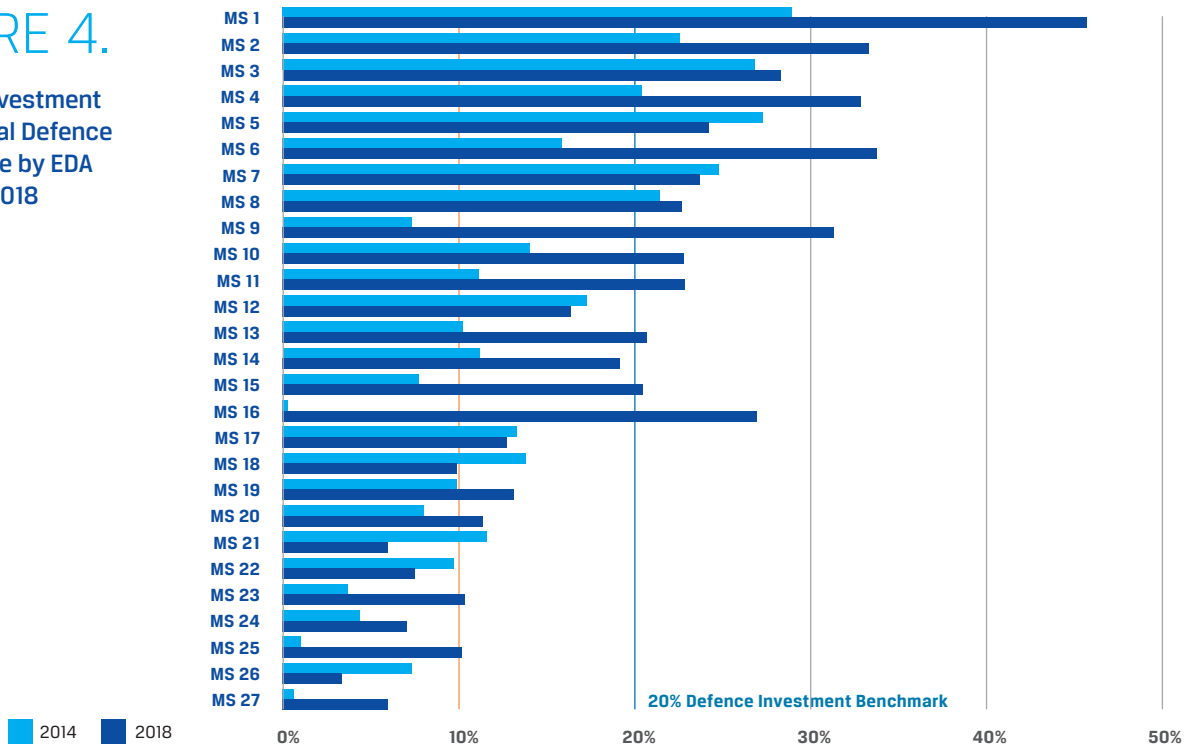


FIGURE 4.

Defence Investment as % of Total Defence Expenditure by EDA MS, 2014/2018



Defence Research and Technology

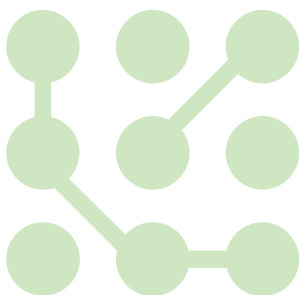
Even though Defence investments have been increasing across EDA MS, spending on Defence Research and Technology (R&T) is only recovering slowly from spending cuts carried out over the last decade. Between 2006 and 2016, Defence R&T expenditure decreased from €3 billion (constant 2018 prices) to a historic low of €1.6 billion (constant 2018 prices) and thus, was almost cut in half. In 2018, Defence R&T expenditure increased again for the second consecutive year, amounting to €2.1 billion (Figure 5).

**€2.1
BILLION**
Defence
R&T 2018

Yet, the share allocated to Defence R&T as a percentage of the overall defence budget remains low. Even though MS committed to spend 2 % of their defence budget on Defence R&T in 2007 (EDA collective benchmark and part of commitment 4 under the PESCO framework), they never allocated more than 1.3% (2006) of the defence budget to defence R&T. While the share of total defence expenditure dedicated to Defence R&T has increased from 0.8% in 2016 to 0.9% in 2018, MS still fall short of reaching the 2% collective benchmark. Allocating a higher share of the defence budget to Defence R&T is essential to keep MS' forces adaptive to emerging security challenges and to gain strategic technological advantages. Indeed, even if MS would spend 2% of the defence budget on Defence R&T, the US would still spend almost 3 times more on Defence R&T (US spending on Defence R&T in 2017: approximately €11.9 billion)⁶.

**Still below
2008 levels**

Individually, only 4 EDA MS spent more than 1% of the total defence budget on defence R&T in 2018 (Figure 6). Moreover, 4 MS account for 85% of R&T spending, while 8 MS combined account for 96%.



6. John F. Sargent Jr. (2018): Defense Science and Technology Funding, available at: <https://fas.org/sgp/crs/natsec/R45110.pdf>

FIGURE 5. Defence R&T (constant 2018 prices) and as share of Total Defence Expenditure, 2005-2018

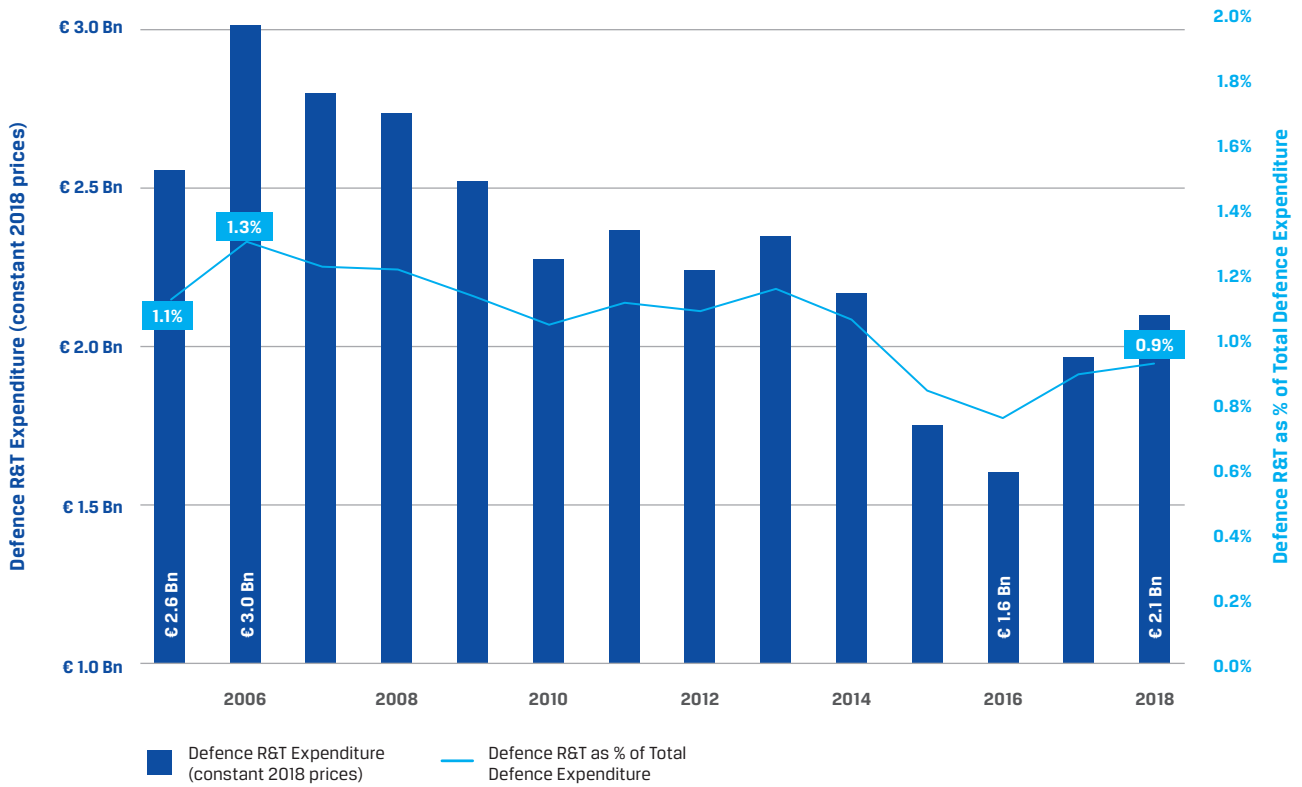
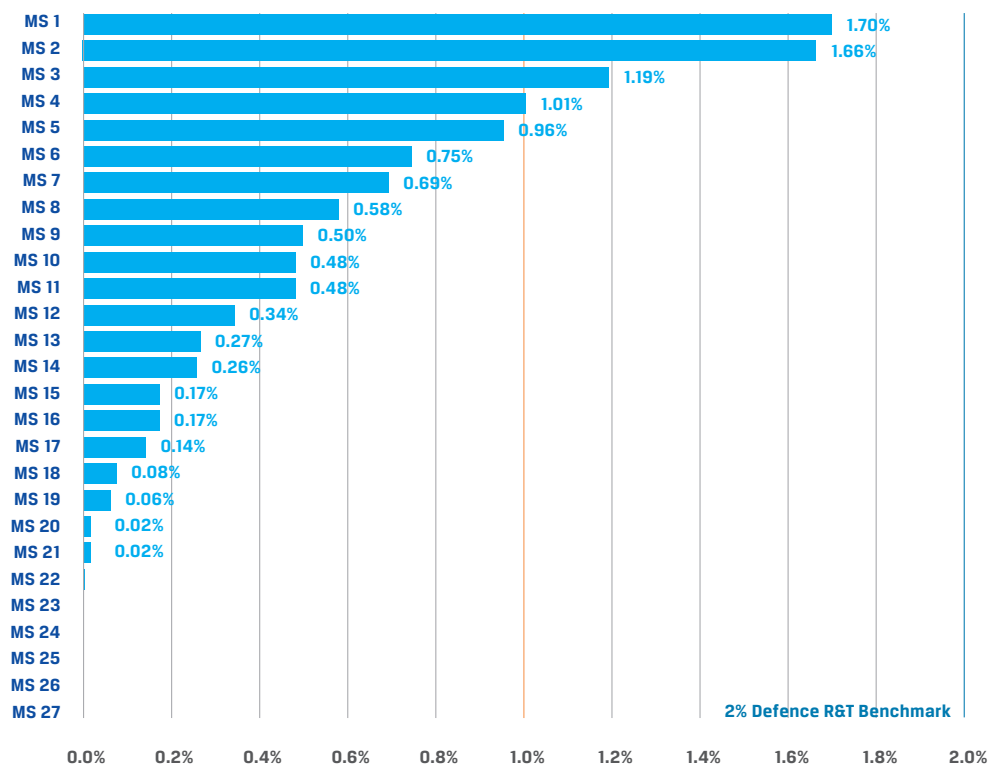


FIGURE 6.

Defence R&T as share of Total Defence Expenditure by EDA MS, 2018



European Collaborative Defence Equipment Procurement⁷

While defence budgets and investments were plummeting in Europe between 2007 and 2013 in the wake of the financial crisis, European cooperation on defence equipment procurement increased, amounting to around €8 billion (constant 2018 prices) in 2009, 2010 and 2011. However, European collaborative defence equipment procurement plummeted in the following two years, reaching a record low of €4.7 billion in 2013 (constant 2018 prices). Following a recovery of European collaborative equipment procurement between 2013 and 2016, expenditures dropped again in 2018, amounting to €6.4 billion (Figure 7).

Even though MS committed themselves to spend 35% of their total equipment procurement spending in cooperation with other EU states (EDA collective benchmark and part of commitment 3 under the PESCO framework), they procured the large majority of equipment on a national basis. In 2018, only 17.8% of EDA MS' equipment procurements were conducted in a European framework. This share reached a peak in 2011 when 24% of all equipment procurements were conducted in a European framework but dropped to a record-low of 15% in 2013. Since then, the relative share allocated to European collaborative defence equipment procurements has only been recovering slowly.

**€6.4
BILLION**

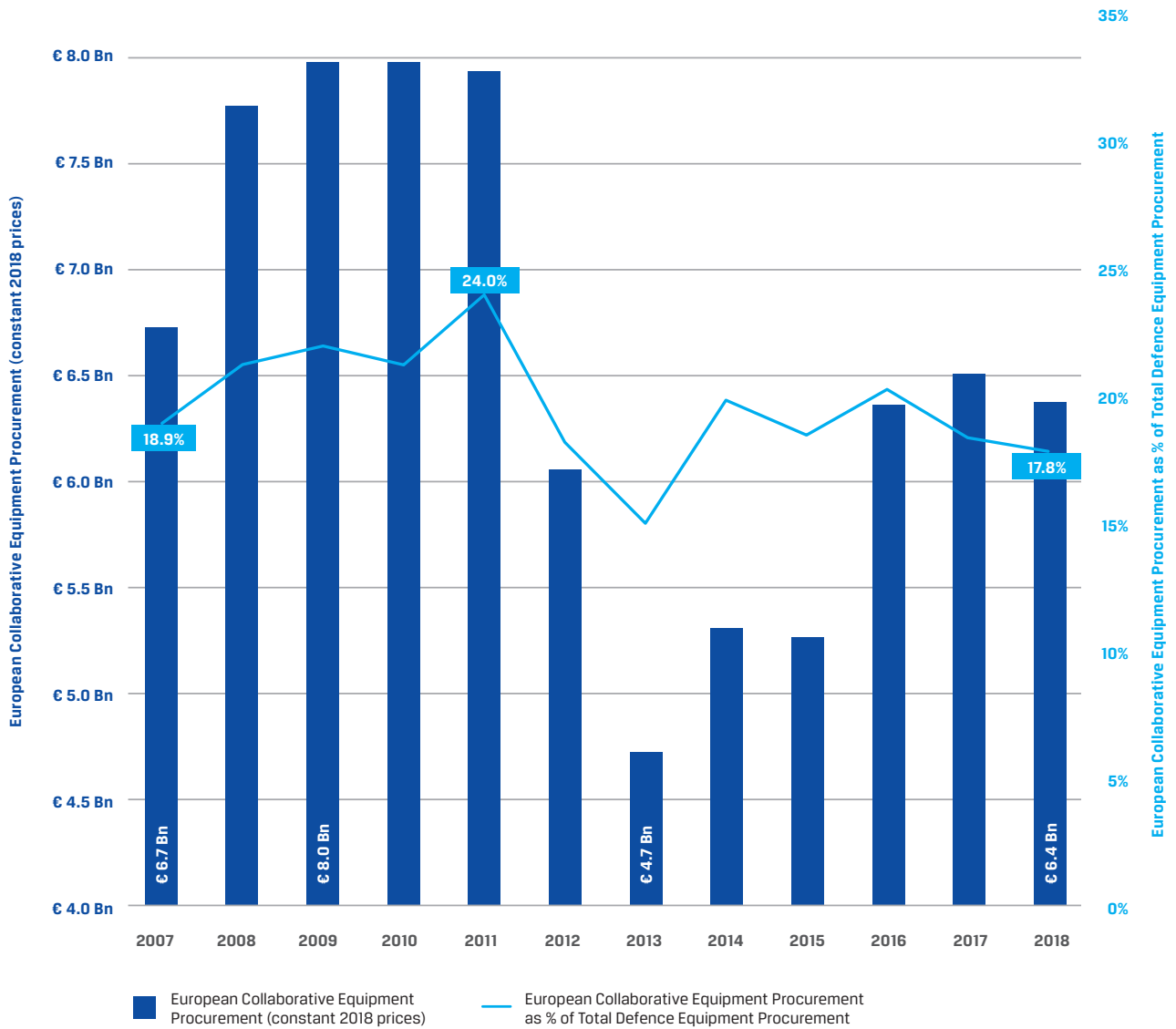
European
collaborative
defence equipment
procurement

**Still below
2008 levels**



7. Since 2012, a deeper assessment of European collaborative defence equipment procurement is not possible because only a limited number of MS provided this data.

FIGURE 7. European Collaborative Defence Equipment Procurement (constant 2018 prices) and as share of Total Defence Equipment Procurement, 2007-2018



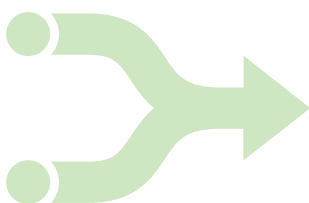
European Collaborative Defence R&T

A similar trend is visible for European collaborative Defence R&T. Following a historic high in 2008 when EDA MS spent €453 million (constant 2018 prices) on Defence R&T in a European framework, European collaborative Defence R&T expenditure decreased by 66%, reaching €153 million in 2018. The share allocated to European collaborative Defence R&T as a percentage of Total Defence R&T dropped in parallel. In 2018, not withstanding that the value of ad-hoc R&T projects under EDA is increasing, EDA MS only dedicated 7.3% of Total Defence R&T expenditure to European collaborative Defence R&T projects, falling behind the collective benchmark of spending 20% of Defence R&T on European collaborative Defence R&T (Figure 8). Even if the funds under the Preparatory Action on Defence Research (PADR) would be added, which allocated €40 million for European collaborative defence research programs in 2018, the share would only reach 9.2%)⁸.

**€153
MILLION**

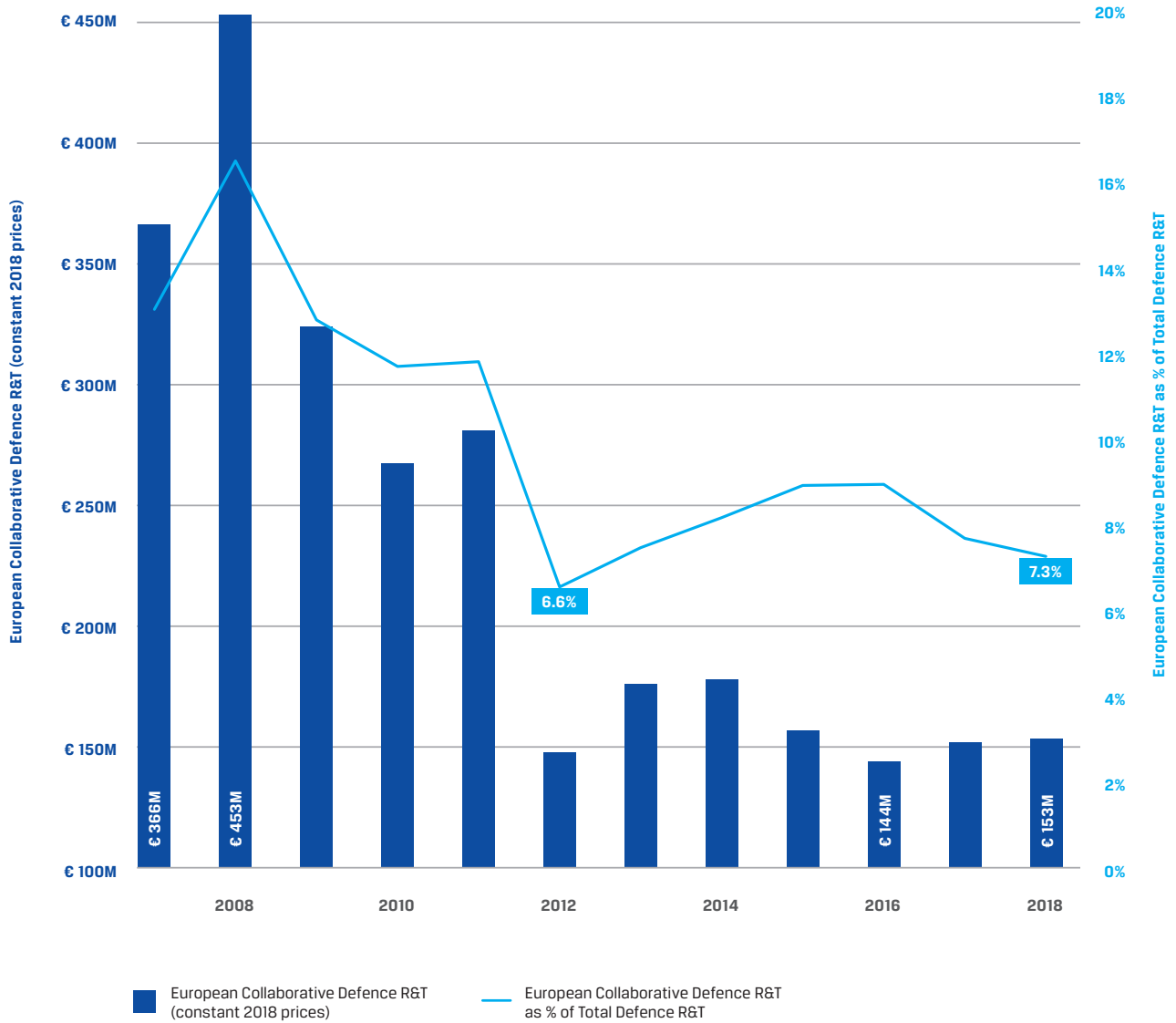
European
collaborative
Defence R&T
2018

**Still below
2008 levels**



8. As with European collaborative equipment procurement expenditure, a deep assessment of European collaborative Defence R&T is limited due to the limited number of MS providing this specific data.

FIGURE 8. European Collaborative Defence R&T Expenditure (constant 2018 prices) and as share of Total Defence R&T, 2007-2018





European Defence Agency

Rue des Drapiers 17-23
B-1050 Brussels - Belgium

www.eda.europa.eu

Tel +32 2 504 28 00
info@eda.europa.eu

More information on the European Defence Agency is available at www.eda.europa.eu

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