

*IAI*

# DATA ON DEFENCE ECONOMICS AND INDUSTRY

Giovanni Gasparini, Lucia Marta, Valerio Briani

March 2009

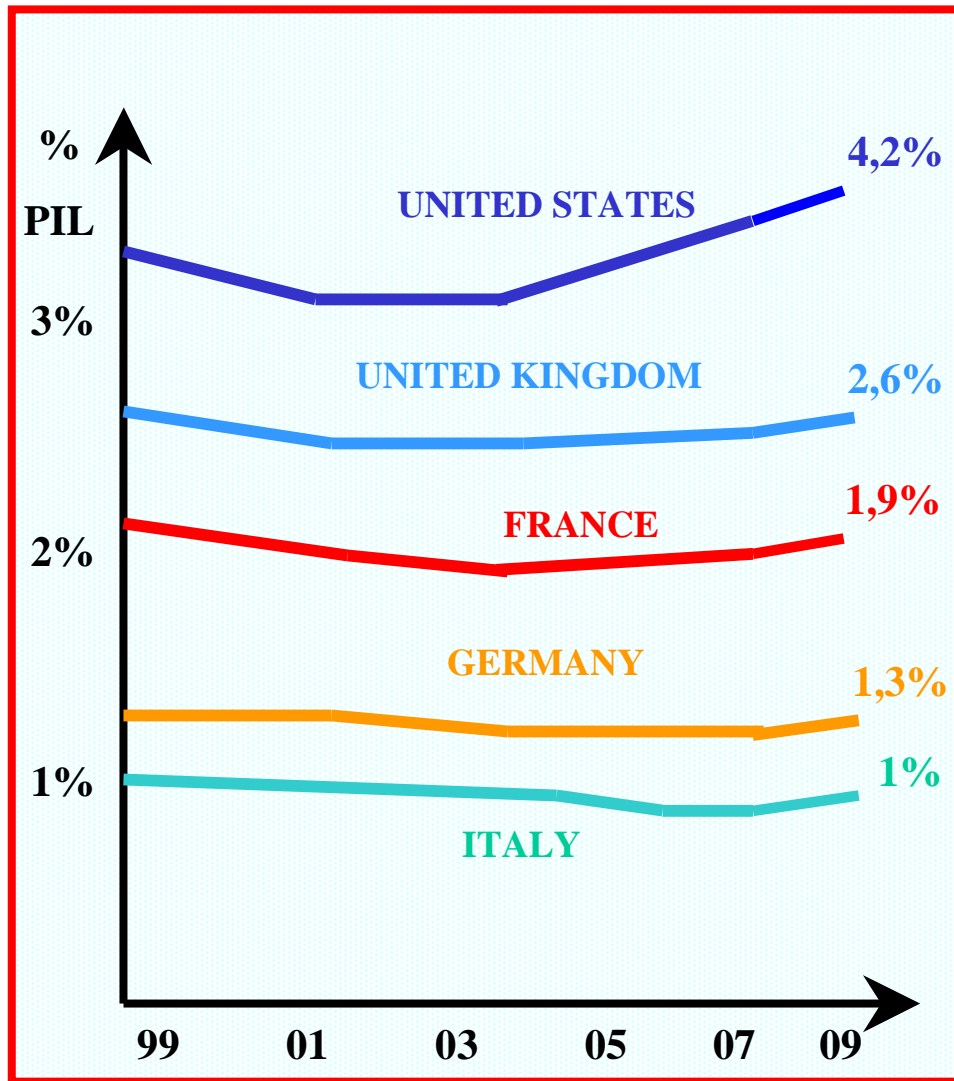
➤ **GENERAL OVERVIEW**

➤ **DEFENCE INDUSTRY**

➤ **ITALIAN OVERVIEW**

# **GENERAL OVERVIEW**

## DEFENCE BUDGET 1999 - 2009



### TREND 2009

#### UNITED STATES

Potential reduction of ordinary budget  
Reduction of supplemental funds, spending rationalization

#### UNITED KINGDOM

Uncertain sustainability  
High operational costs of international missions

#### FRANCE

Commitment to technological development, deficit problems

#### GERMANY

Deficit problems  
Difficulties to respect commitments

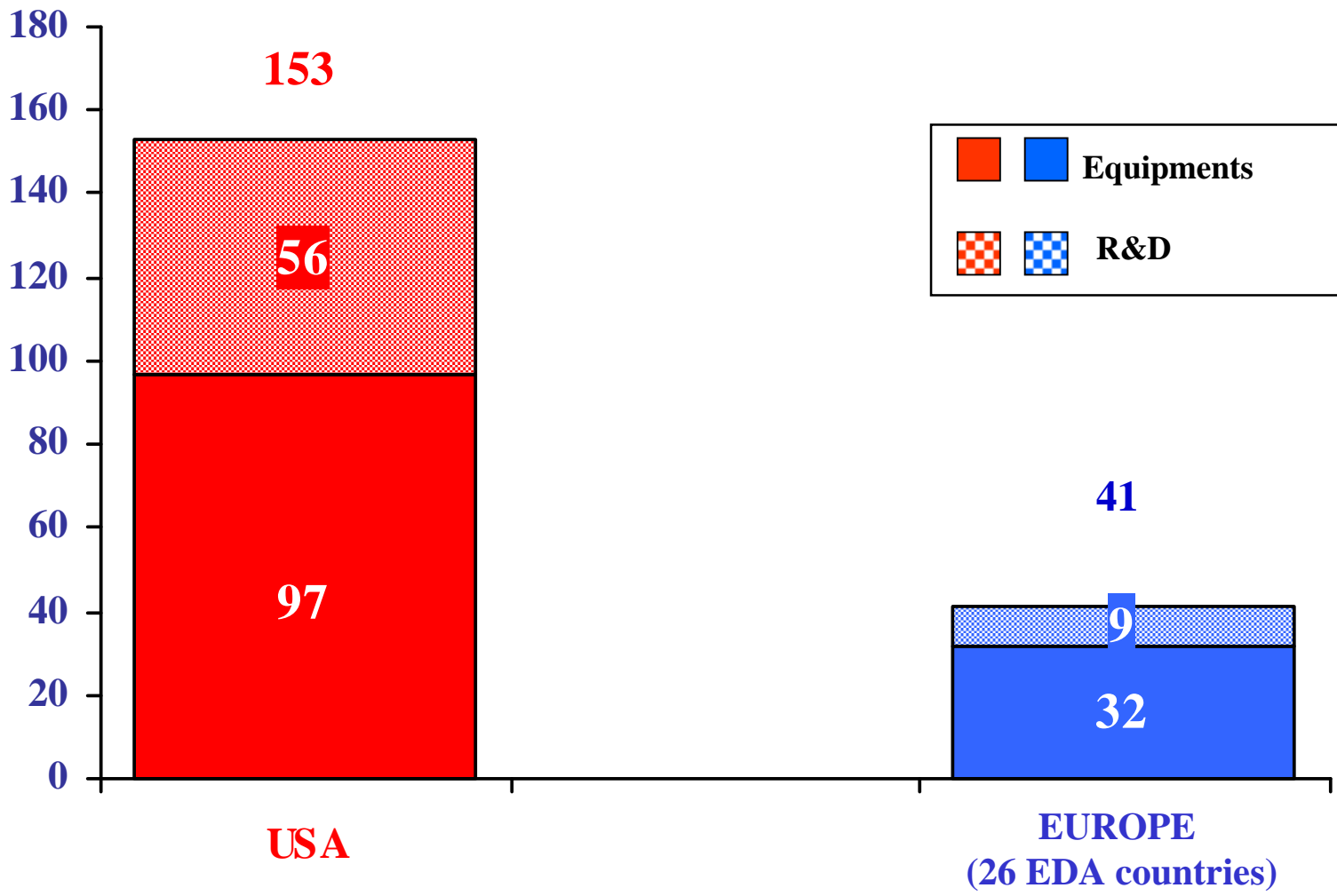
#### ITALY

Low investments, transformation at risk  
Serious difficulties to maintain operational level

Source: Calculations based on Nota Aggiuntiva allo Stato di previsione per la Difesa, national budgets and IISS, The Military Balance.

# COMPARISON EUROPE – UNITED STATES EQUIPMENTS - R&D 2007

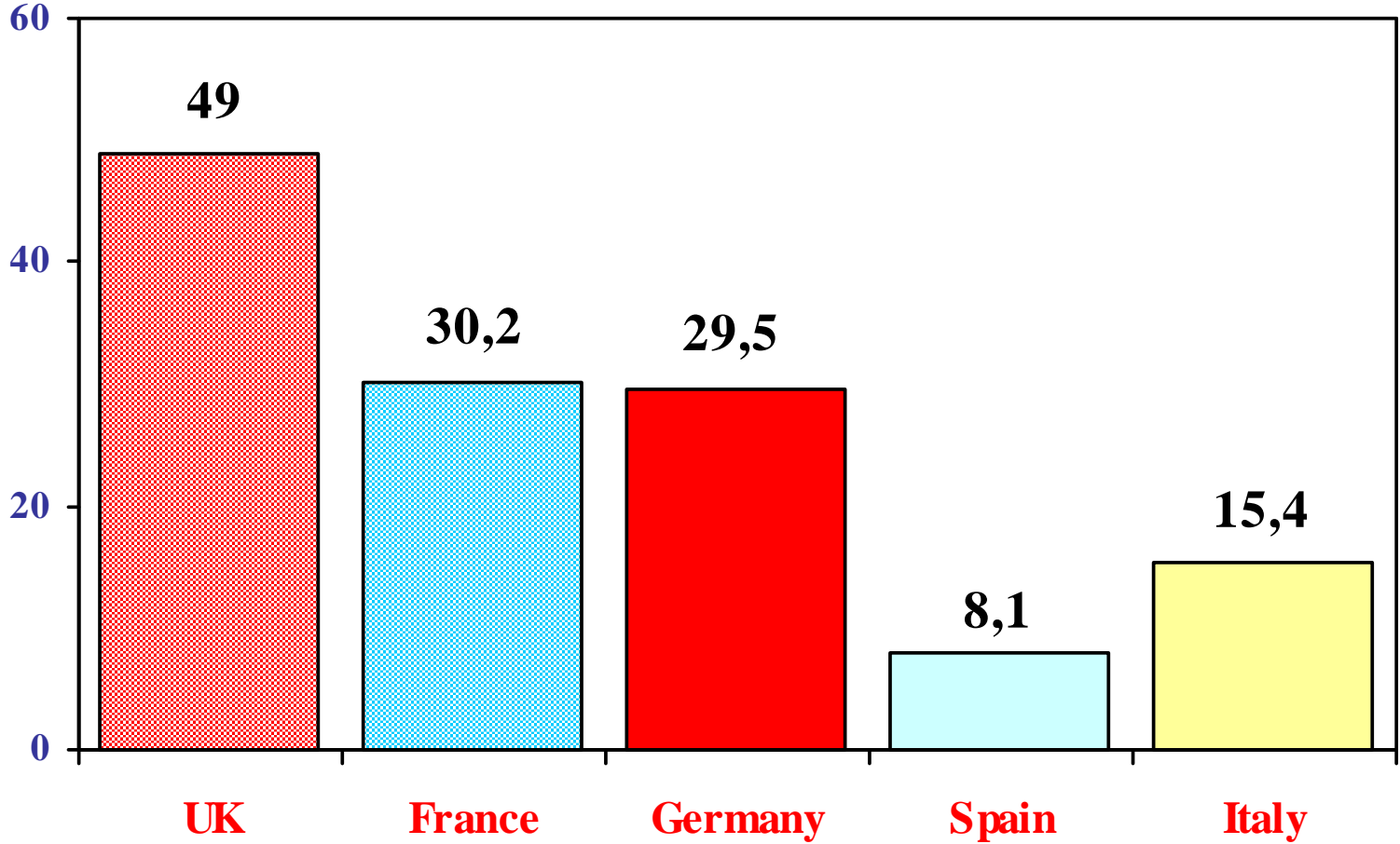
(billions euro)



Source: Authors' calculations based on EDA data, national budgets

# EUROPEAN DEFENCE SPENDING 2008

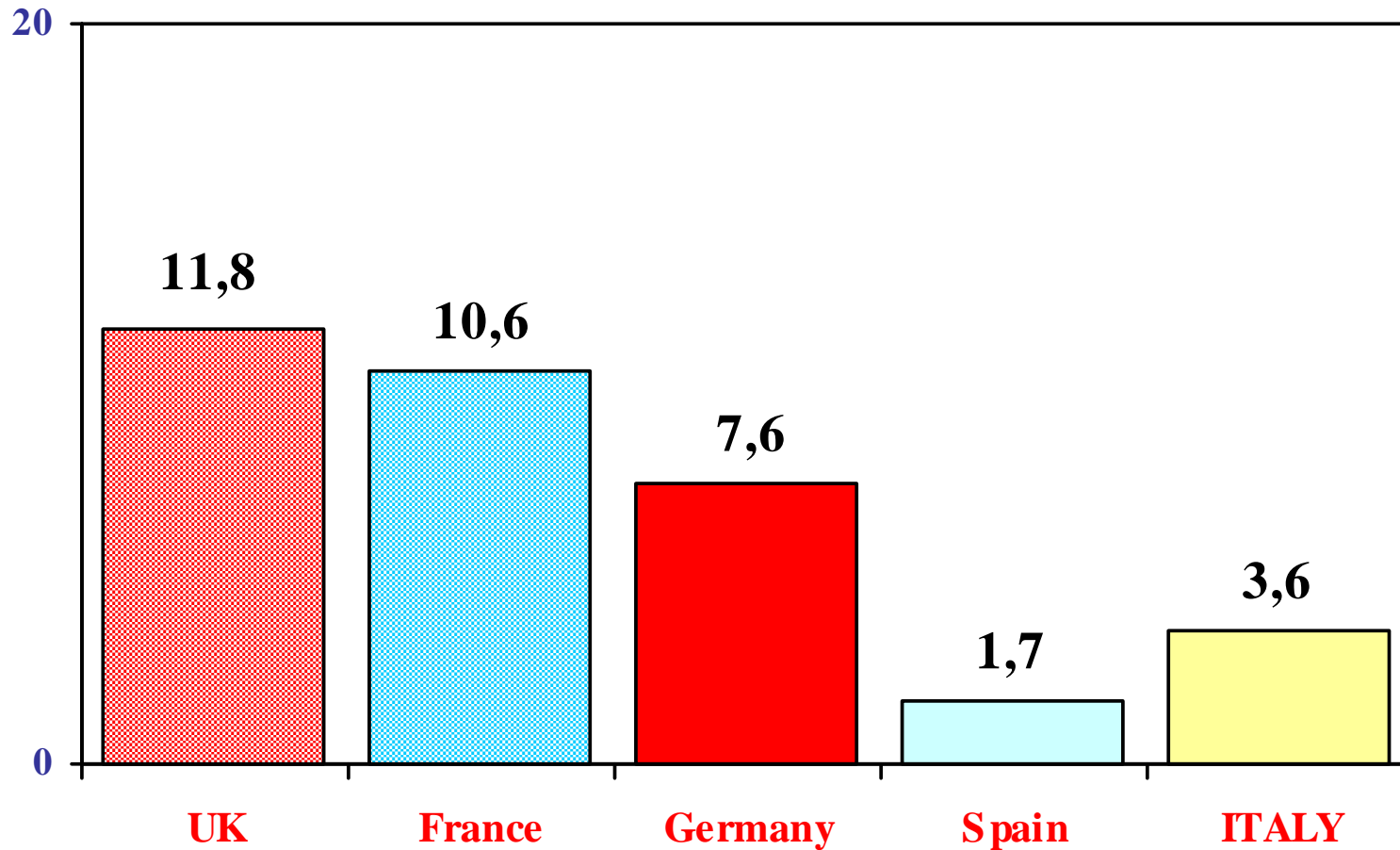
(Defence Function, billions euro)



Source: Based on EDA data, Nota Aggiuntiva and national budgets

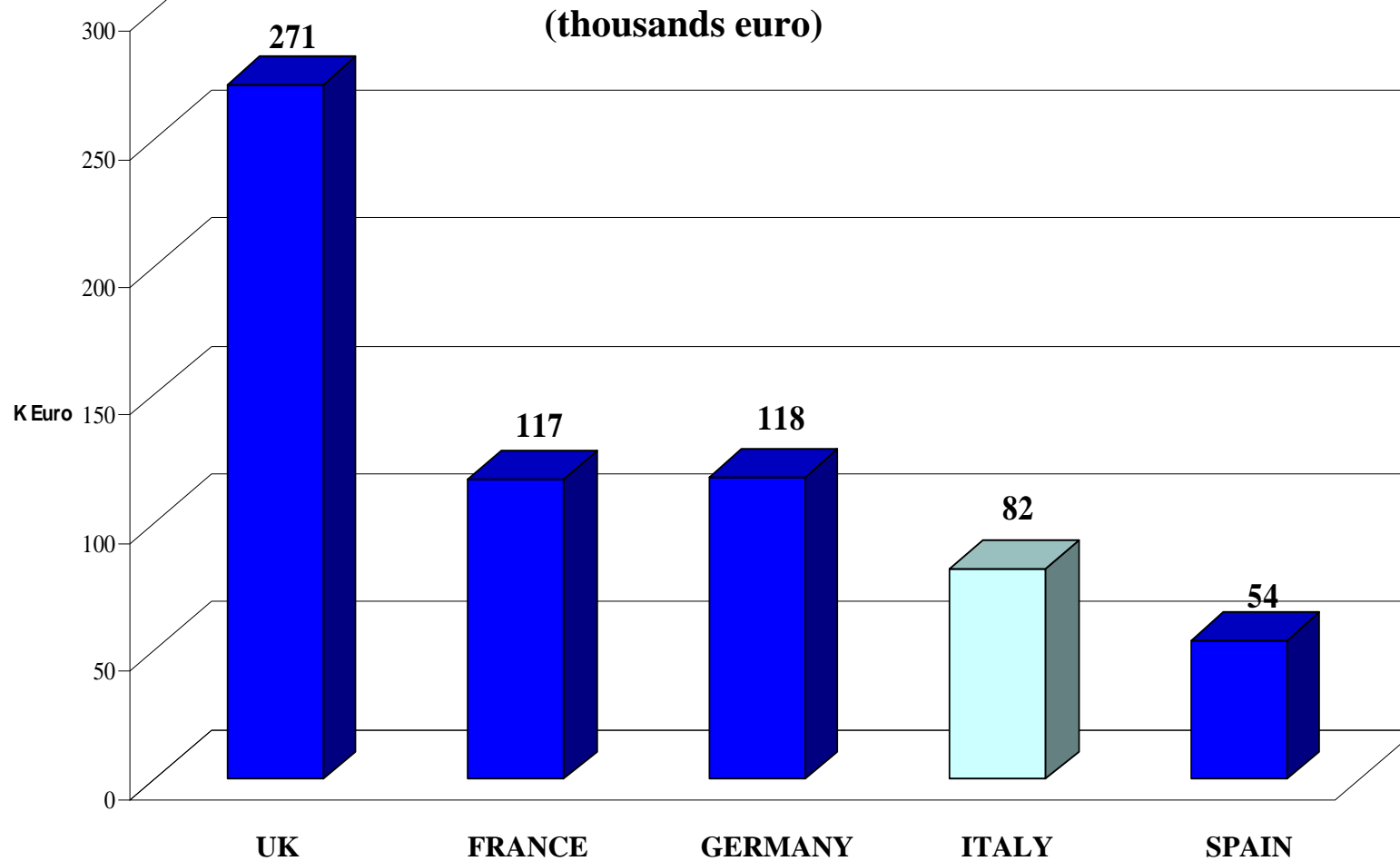
## EUROPEAN DEFENCE SPENDING 2008 INVESTMENTS AND R&D

(billions euro)



Source: Based on EDA data, Nota Aggiuntiva and national budgets

## EUROPEAN SPENDING RATIO DEFENCE FUNCTION / MILITARY PERSONNEL 2008



**Notes:**

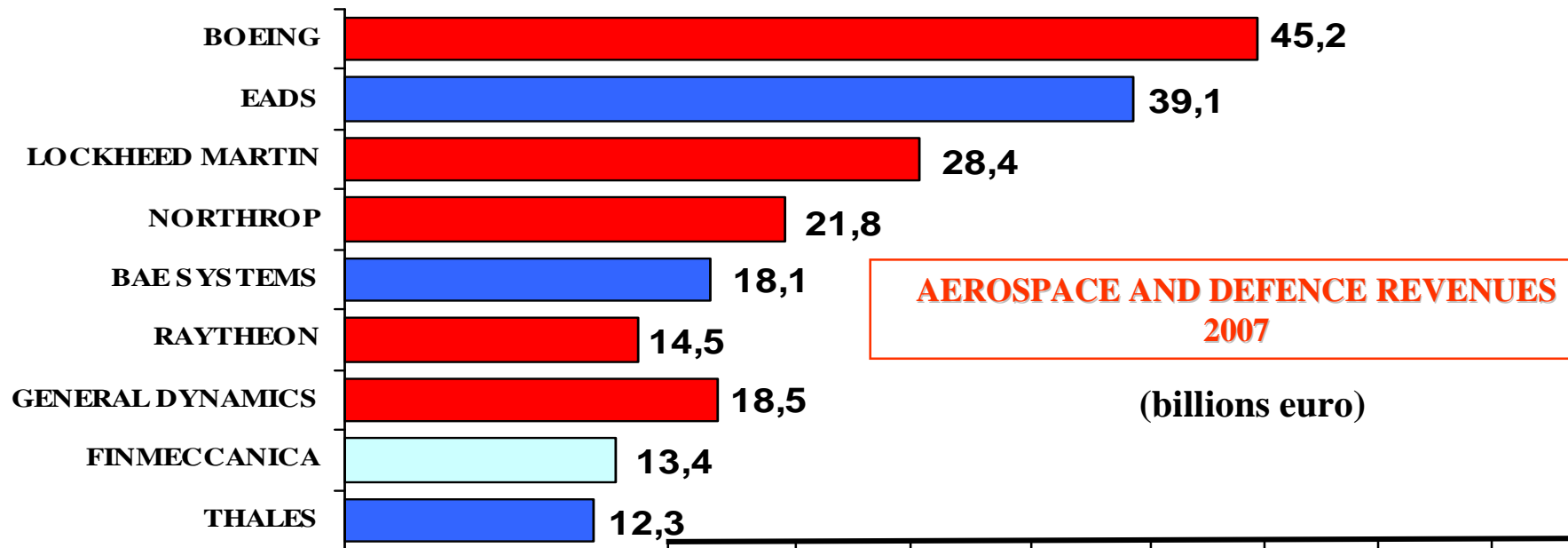
2008 "Defence Function" values (excluding non-military functions)

Germany: includes conscripts

**Source:** Based on national budget, Nota Aggiuntiva and Military Balance

# **DEFENCE INDUSTRY**

# LEADING AEROSPACE AND DEFENCE GROUPS

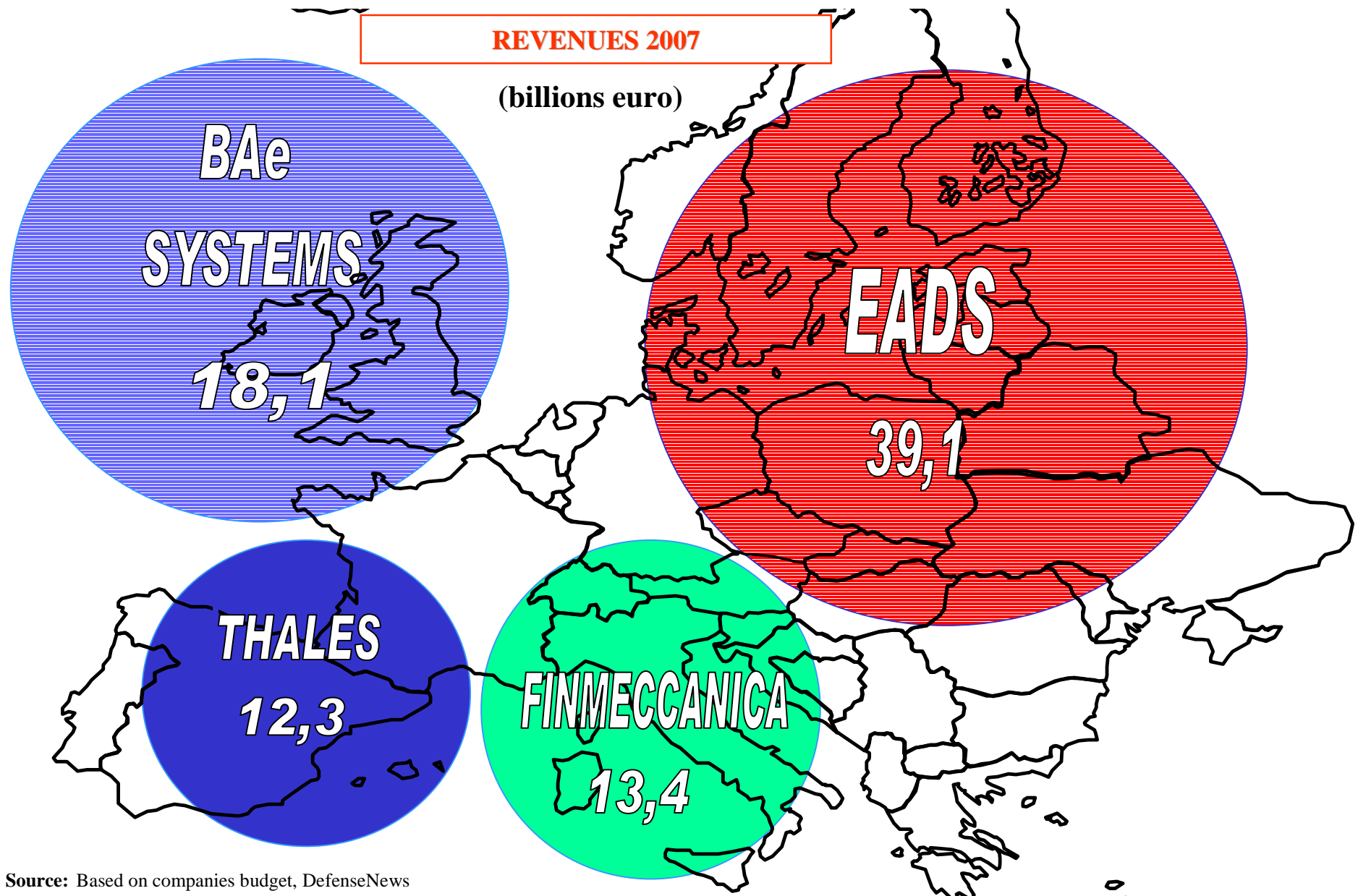


	CIVIL AIRCRAFTS	MILITARY AIRCRAFTS	HELICOPTERS	SPACE	ELECTRONIC SYSTEMS	MISSILES	WEAPON SYSTEMS	NAVAL
BOEING	Red	Red	Red	Red	Red	Red		
EADS	Blue	Blue	Blue	Blue	Blue	Blue	Blue	
LOCKHEED MARTIN		Red		Red	Red	Red	Red	
BAE SYSTEMS		Blue			Blue	Blue	Blue	Blue
NORTHROP		Red		Red	Red			Red
RAYTHEON					Red	Red		
GENERAL DYN.	Red			Red	Red		Red	Red
UNITED TECHNOLOGIES			Red					
THALES				Blue	Blue			Blue
FINMECCANICA	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	

Source:

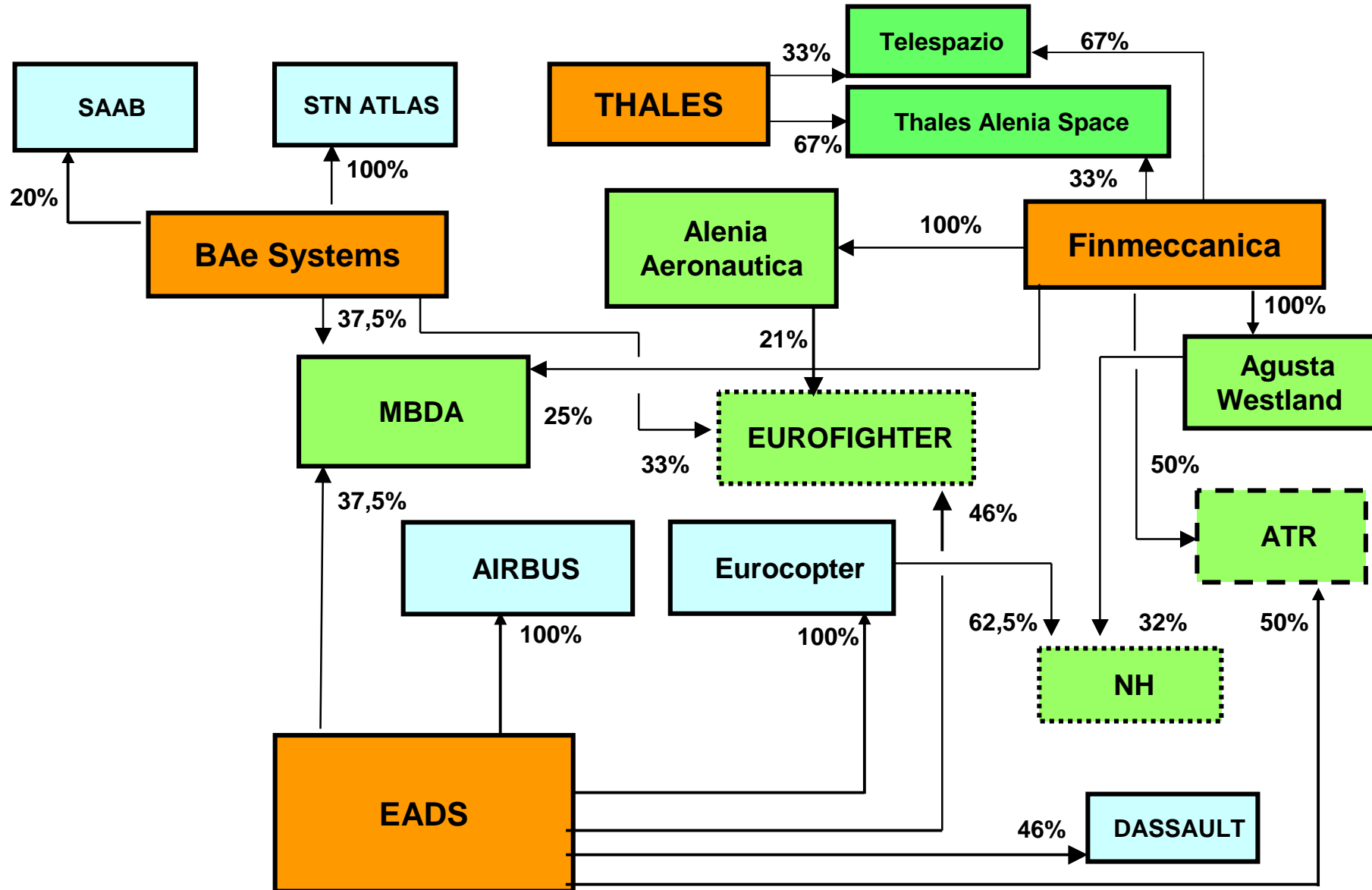
Author's elaboration based on companies budget

# LEADING EUROPEAN AEROSPACE AND DEFENCE COMPANIES

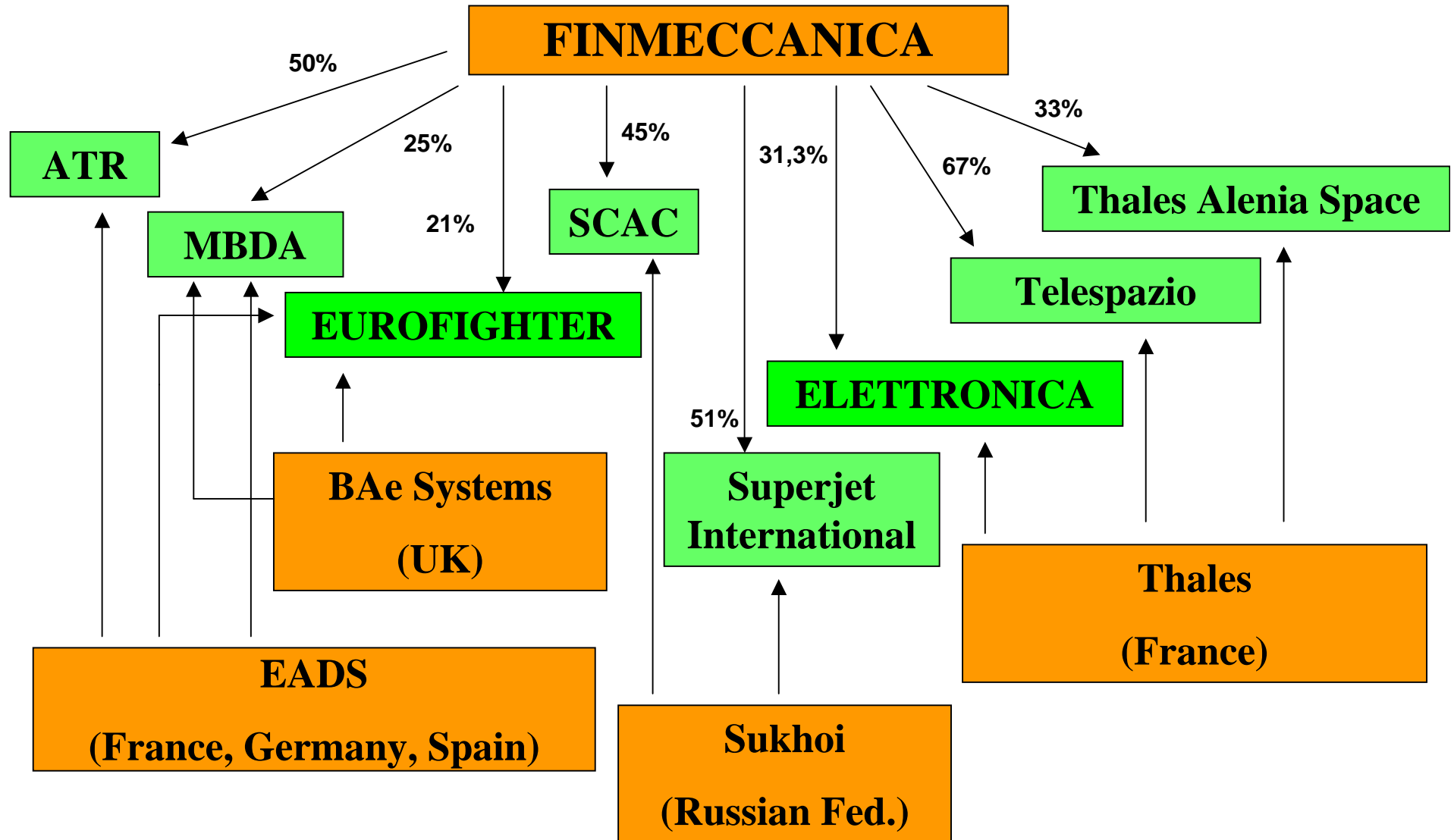


Source: Based on companies budget, DefenseNews

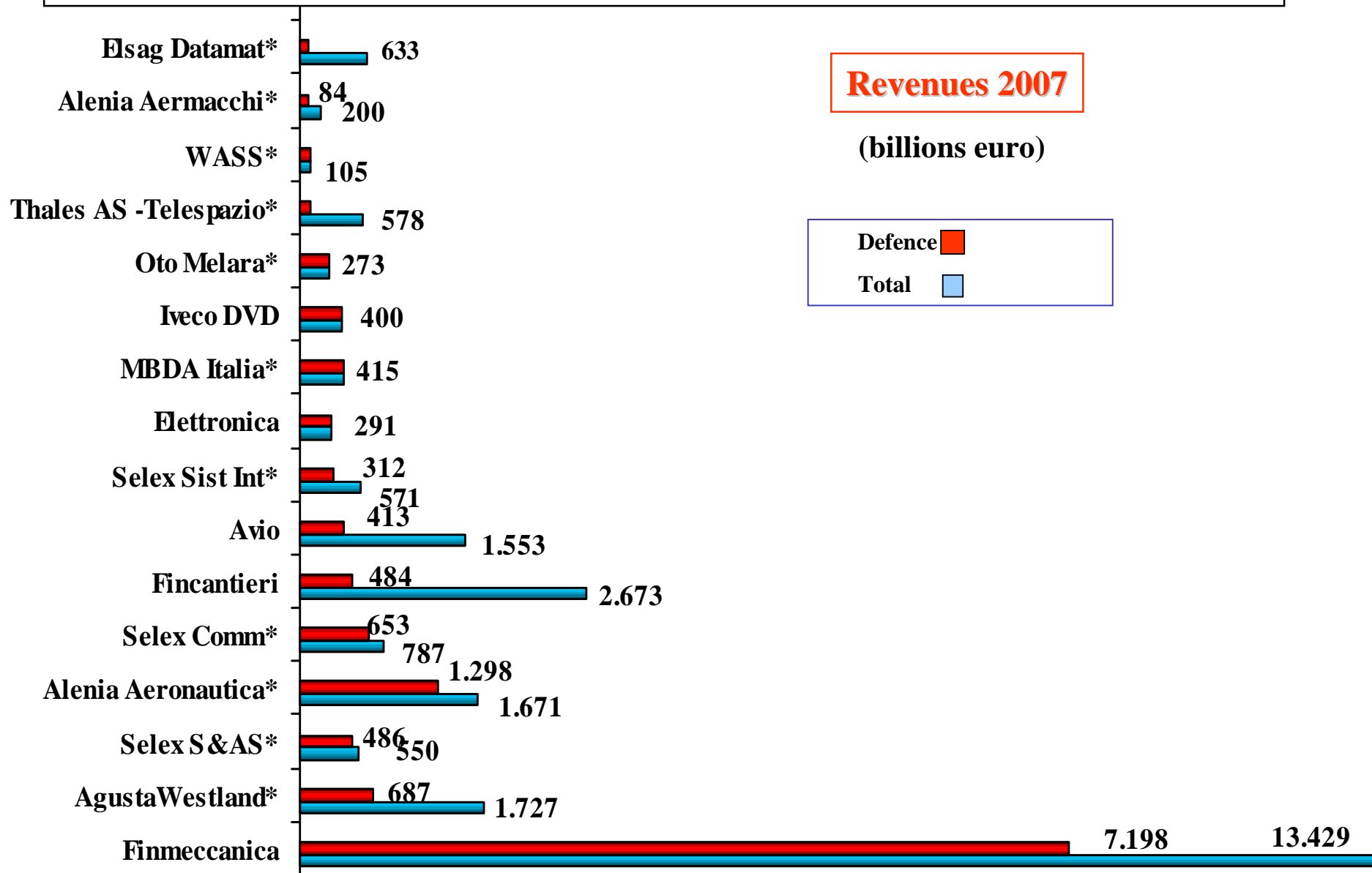
# MAIN LINKS AMONG LEADING EUROPEAN GROUPS



# FINMECCANICA INTERNATIONAL LINKS



## AEROSPACE AND DEFENCE ITALIAN COMPANIES



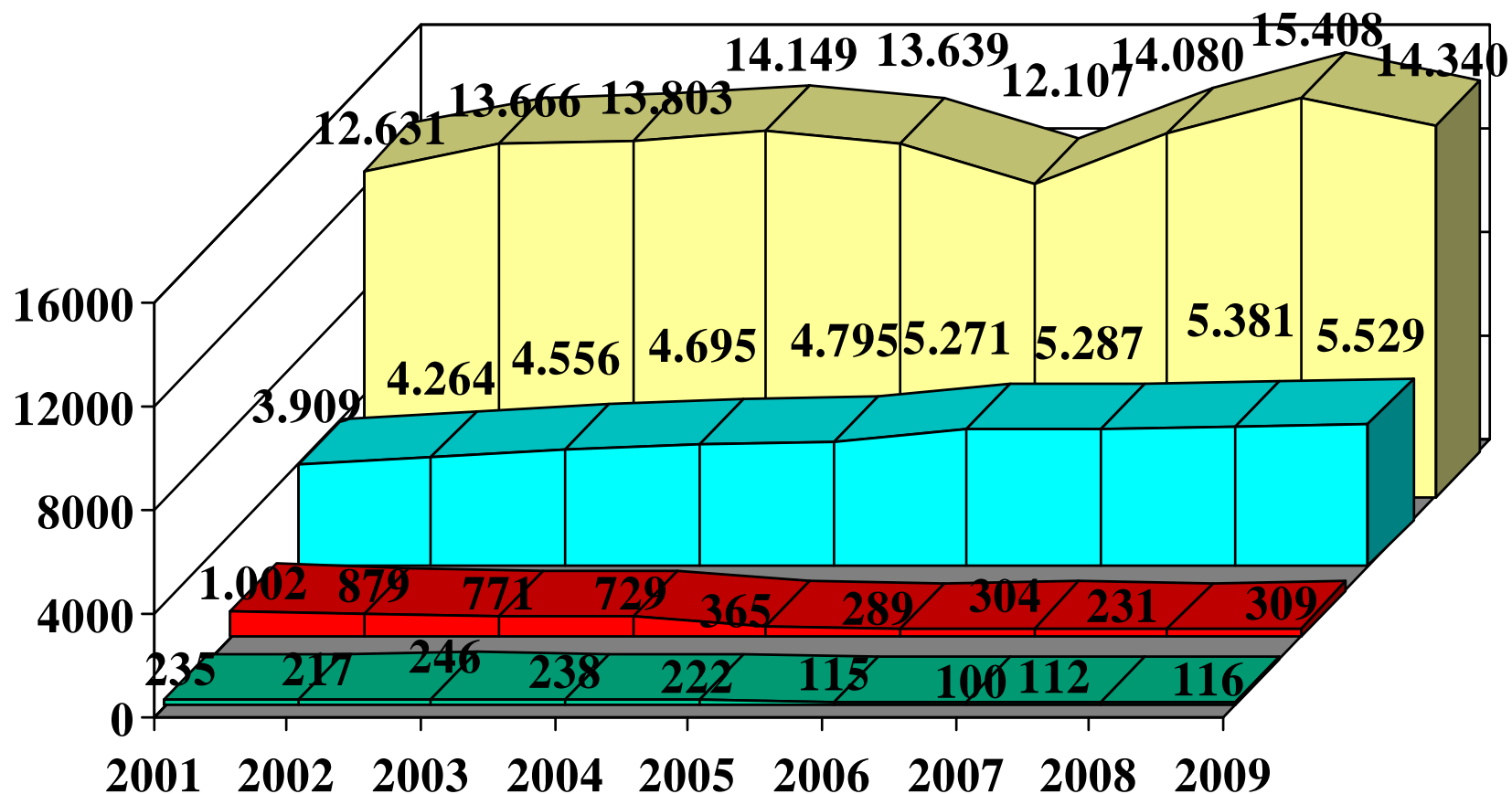
Note: Finmeccanica revenues includes controlled companies (\*).

Source: IAI enquiring

# ITALIAN OVERVIEW

# MINISTRY OF DEFENCE BUDGET 2001-2009

(millions euro)

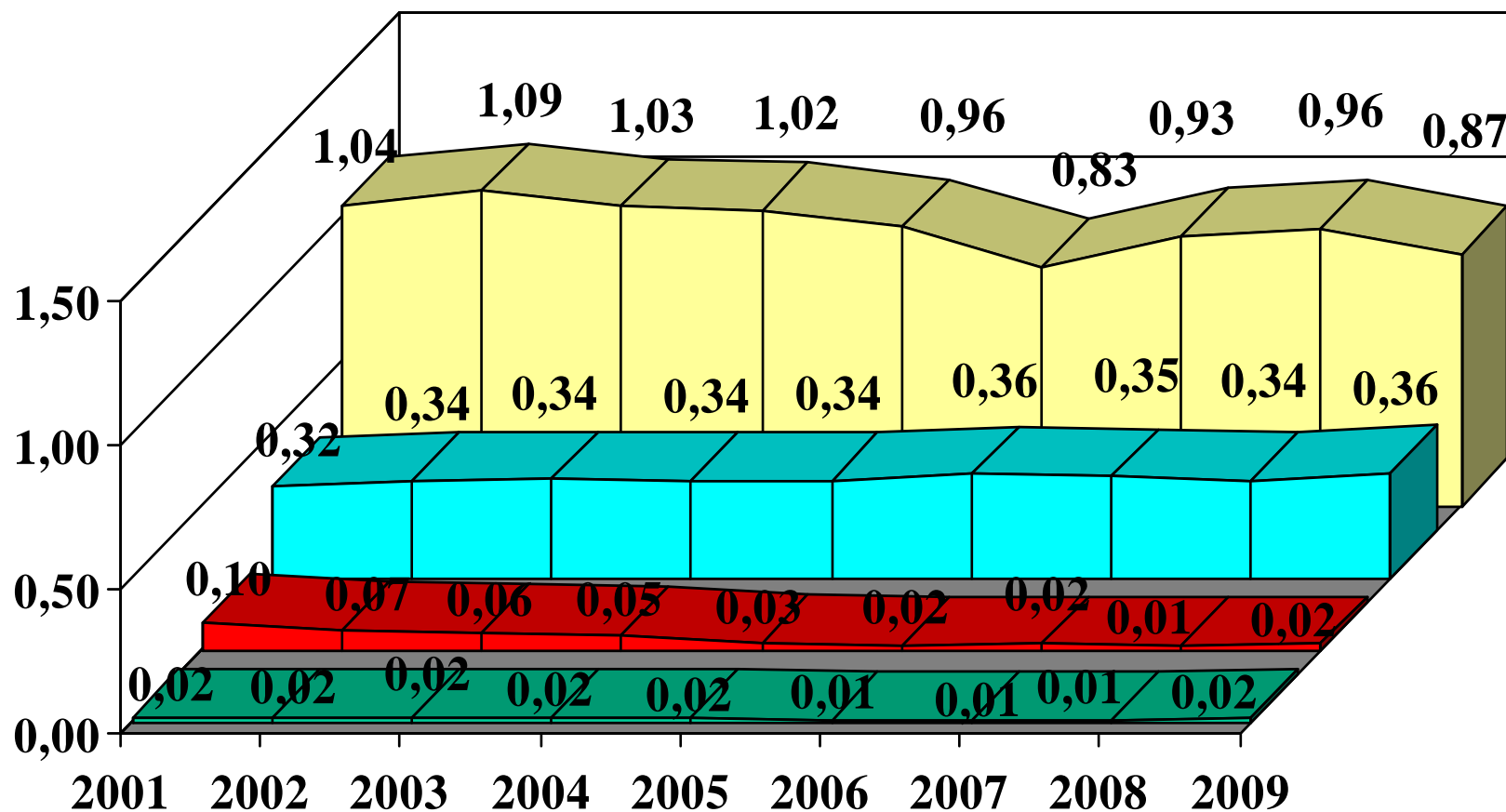


■ External Functions ■ Pensions ■ Carabinieri ■ Defence Function

Source: Based on Ministry of Defence data, Nota aggiuntiva allo stato di previsione per la Difesa, 2001-2009.

# MINISTRY OF DEFENCE BUDGET 2001-2009

(% GDP)

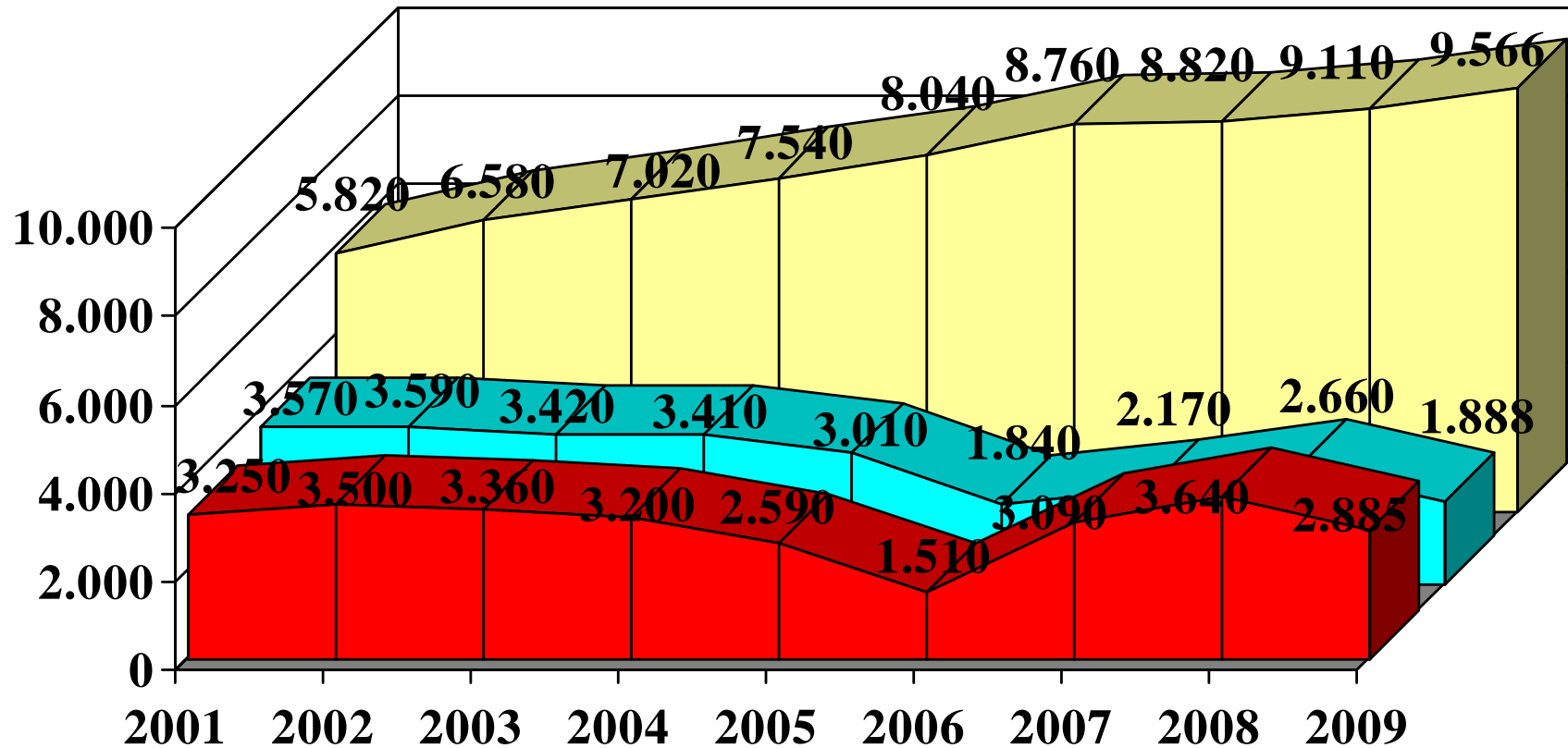


■ External Functions 
 ■ Pensions 
 ■ Carabinieri 
 ■ Defence Function

Source: Based on Ministry of Defence data, Nota aggiuntiva allo stato di previsione per la Difesa, 2001-2009.

## DEFENCE FUNCTION SPENDING 2001-2009

(millions euro)

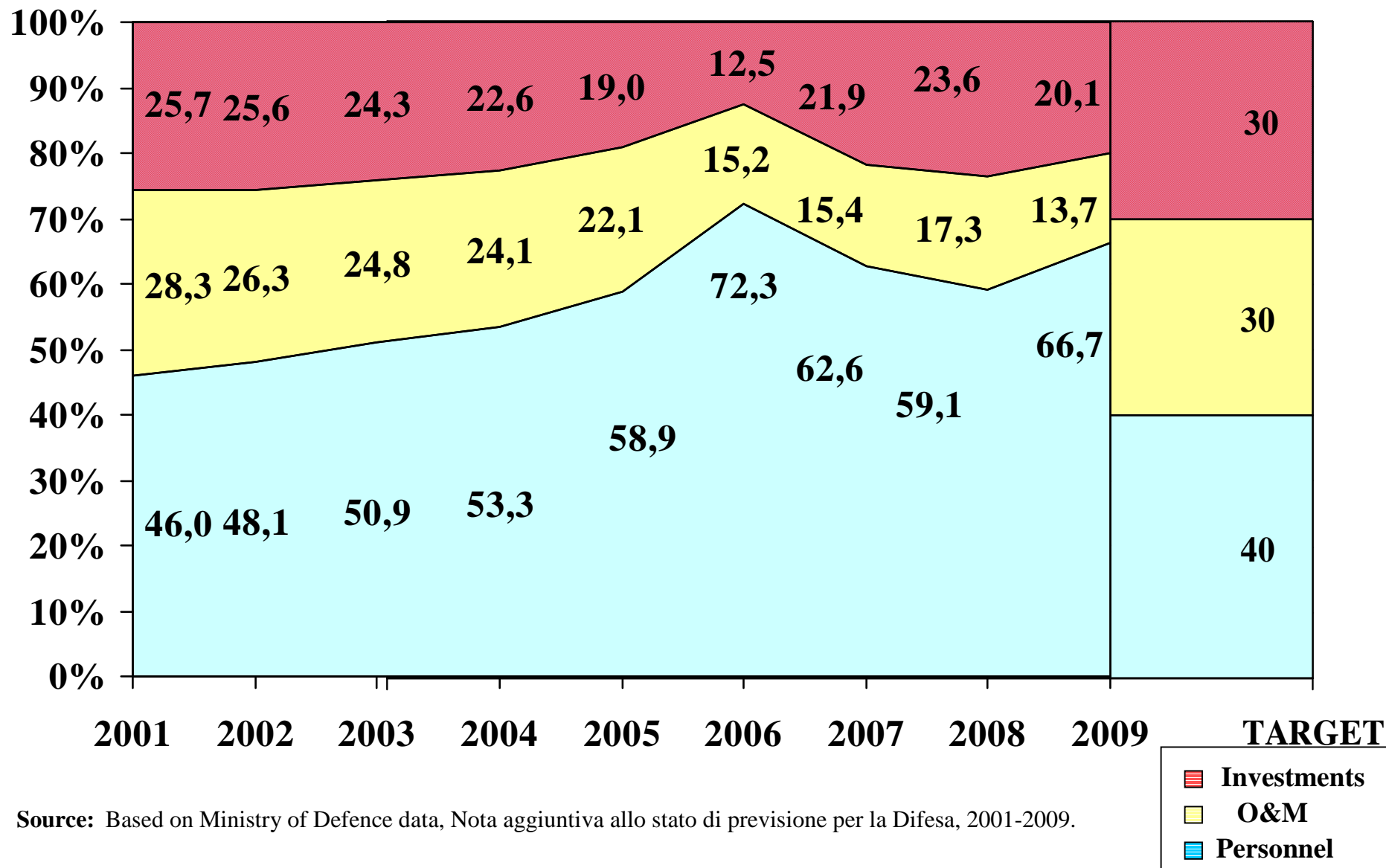


■ Investments ■ O&M ■ Personnel

Source: Based on Ministry of Defence data, Nota aggiuntiva allo stato di previsione per la Difesa, 2001-2009.

# DEFENCE FUNCTION SPENDING 2001 - 2009

(in percentage)



Source: Based on Ministry of Defence data, Nota aggiuntiva allo stato di previsione per la Difesa, 2001-2009.

## TOTAL DEFENCE-RELATED SPENDING 2009

(millions euro)

	DEFENCE FUNCTION	CARABINIERI estimate (1)	INTERNATIONAL MISSIONS estimate (2)	MINISTRY OF ECONOMY estimate	TOTAL
<b>Personnel</b>	9.566 <i>(of which 1.170 civil personnel)</i>	390	868		<b>10.828</b>
<b>O&amp;M</b>	1.888	20	372		<b>2.280</b>
<b>Infrastructure</b>	324				<b>324</b>
<b>Equipments</b>	2.158 (3)			888 (4)	<b>3.046</b>
<b>R&amp;D</b>	224			400	<b>624</b>
<b>TOTAL</b>	<b>14.160</b>	<b>414</b>	<b>1.240</b>	<b>1.288</b>	<b>17.102</b>

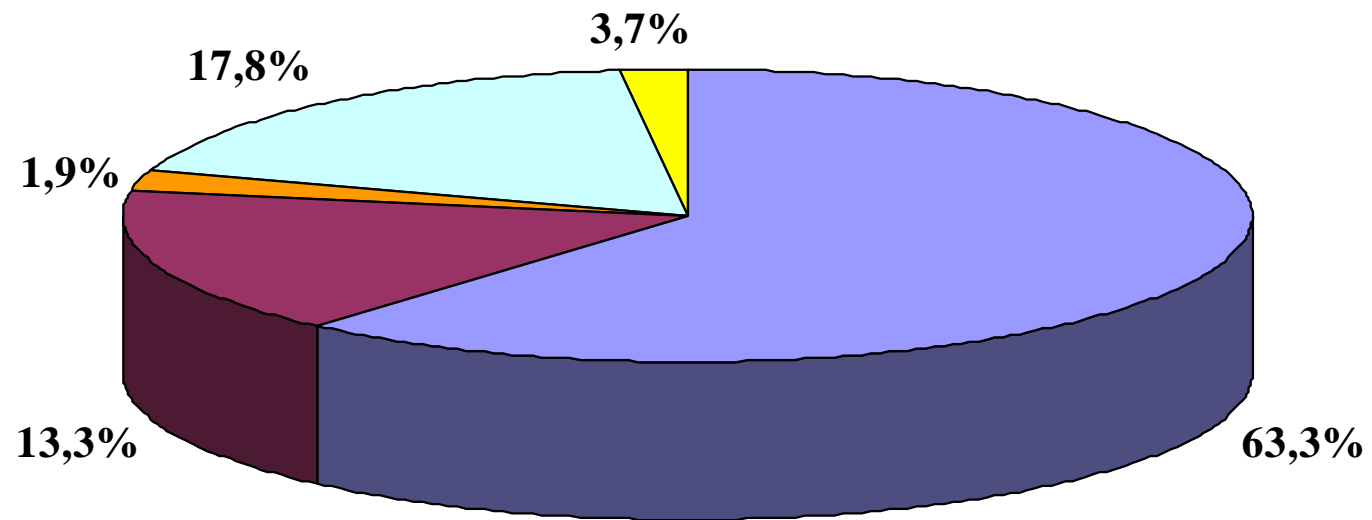
**Notes:**

- (1) Estimate based on the share of Carabinieri personnel available for Defence missions, Military Police: about 8.300 on 110.000 men total, meaning 7,5%
- (2) Estimate based on doubling funds provided just for the first semester; historic series: Personnel costs 70% Other costs: 30%
- (3) Excludes 179 million euro to substitute radars due to the WIMAX frequency transfer
- (4) Eurofighter program.

**Source:** Author's calculation based on Ministry of Economy data and Nota aggiuntiva allo stato di previsione per la Difesa, 2009.

## DEFENCE TOTAL SPENDING 2009

(in percentage)



Source: Based on Ministry of Economy and Nota aggiuntiva allo stato di previsione per la Difesa, 2009.

# ITALIAN INTERNATIONAL MISSIONS - 2009

## Costs (milions euro)

Geographic distribution (1 <sup>st</sup> semester 2009)	
Afghanistan	261
Lebanon	192
Balcans	122
Africa	29
Others	17
Common costs (1 year)	110
Cooperation (6 months)	71

## Personnel

(on December 2008)

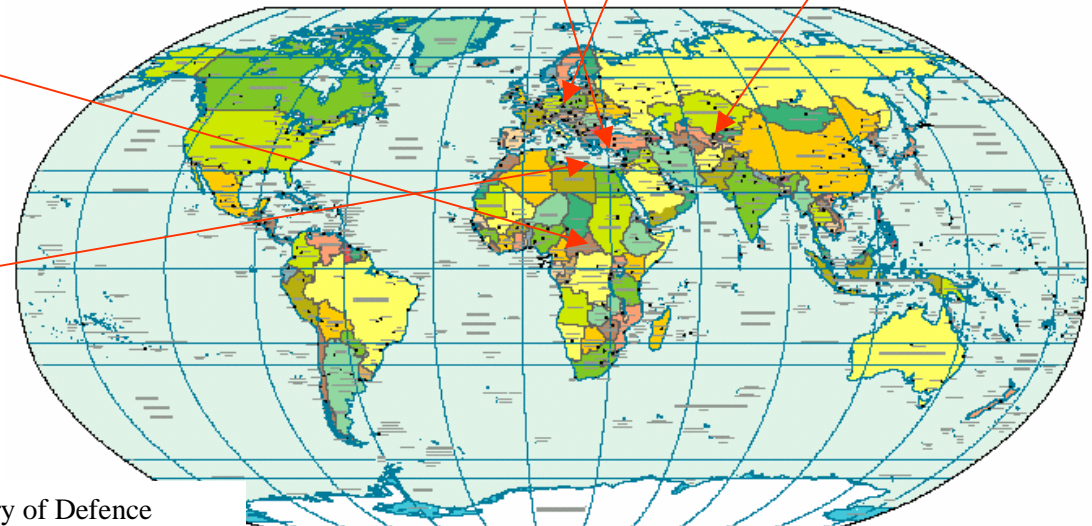
Balcans (Bosnia, Kossovo, Albania, FYROM) : 2.482

Lebanon: 2.443

Afghanistan: 2.216

Africa (Marocco, DR Congo, Sudan): 204

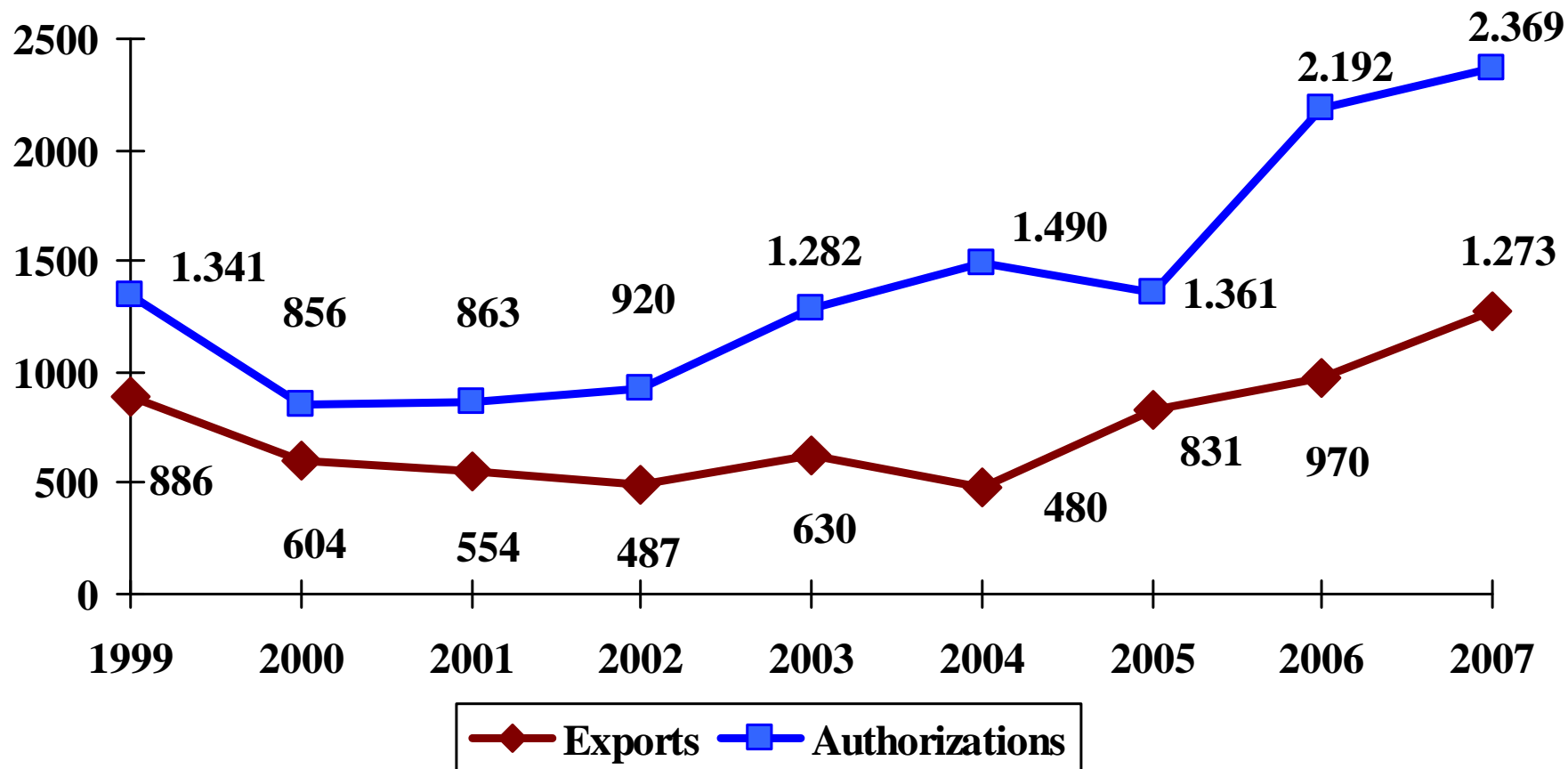
Others (Cyprus, Malta, Mediterranean Sea, Egypt, India/Pakistan, Irak, Israel, Georgia) : 491



Source: Based on data from Law n. 12 (24-02-2009) and Ministry of Defence

## ITALIAN ARMS EXPORT

(millions euro)



**Source:** Authors' calculations based on Parliamentary Acts, Relazione sulle operazioni autorizzate e svolte per il controllo dell'esportazione, importazione e transito di materiali di armamento – several years.