

Italy's Defence Expenditure: What Impact on EU Defence Cooperation?

by Andrea Aversano Stabile and Paola Sartori

On 15 October 2018, the Italian Ministry of Defence released its Pluriennial Programmatic document (*Documento Programmatico Pluriennale*, DPP) outlining Italy's defence expenditure forecasts until 2020.¹ The DPP was eagerly awaited this year, especially in light of the defence cuts announced by the current government, which is already embroiled in a difficult negotiation with the EU over Italy's increasing budget deficit.

Coming at a time when the EU is devoting increased effort and resources to boost its defence cooperation and the US Trump administration is admonishing its European allies for not paying their share to defend Europe through NATO,² Italy's envisioned

defence cuts are likely to cause some concern in Brussels and Washington. Ultimately, these may also increase scepticism as to Rome's reliability as a key European partner in the defence realm.

The DPP does envision a downward trend in defence expenditures for the 2018–2020 period. While Italy's 2018 defence budget increased compared to 2017, with expenditures hovering at 1.19 per cent of GDP, in 2019 the ratio will decrease to 1.15 per cent and again to 1.10 per cent in 2020.³

These forecasts may decrease further, however, depending the implementation of certain provisions

¹ Italian Ministry of Defence, *Documento programmatico pluriennale per la Difesa per il triennio 2018-2020*, 15 October 2018, https://www.difesa.it/Content/Documents/DPP_2018_2020_15_ottobre_2018.pdf.

² Tomáš Valášek, "European Defense vs. NATO: Not the Right Fight", in *Politico Europe*, 16

February 2018, <https://www.politico.eu/article/european-defense-vs-nato-not-the-right-fight>.

³ Chamber of Deputies, "Documento programmatico pluriennale per la Difesa per il triennio 2018-2020", in *Schede di Lettura*, Dossier No. 29 (29 October 2018), p. 11-12, <http://documenti.camera.it/leg18/dossier/pdf/DI0086.pdf>.

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included in the 2019 budget law, which is still awaiting approval. In particular, among the numerous declarations made by Government representatives, the possibility of taking resources required to create new employment centres from the military budget has also been discussed.⁴

Such cuts risk compromising Italian contribution to cooperative programmes, with potentially negative impact on Rome's operational capacity as well as its occupational and technological returns from the defence field. The case of the CAMM-ER programme, aimed at updating Italy's short-to-medium range air defence capabilities, may be emblematic. Due to the lack of resources, the programme – the result of a joint initiative between the Italian and the UK components of the European defence company MBDA – is now facing an uncertain future.⁵

Similarly, defence cuts also risk undermining Italian credibility in multinational fora. Within NATO, for example, Italy has committed to reach the 2 per cent of GDP target by 2024, with 20 per cent of total defence expenditure devoted to major equipment.⁶ Regarding the EU, a

gradual but sustained reduction in defence expenditures may raise doubts on the Italian commitment to the recent defence cooperative initiatives, and particularly those launched within the framework of Permanent Structure Cooperation (PESCO) and the European Defence Fund (EDF).

The downward trend outlined in the DPP is in contrast with commitments taken through PESCO. Within this framework, participating states (pMSs) subscribed to a list of ambitious and binding commitments, including 20 individual pledges to align their defence capabilities in multinational frameworks with a view to ensuring their deployability and interoperability.⁷ More specifically, within the key area related to increasing cooperation and raising investment on defence equipment, pMSs committed to regularly boost “defence budgets in real terms, in order to reach agreed objectives” as well as to foster joint and concerted projects on strategic defence capabilities, eventually through the EDF “if required and as appropriate”.⁸

On this latter point, a national defence spending plan that falls short of providing even a tentative allocation

⁴ Italian Government, *Comunicato Stampa del Consiglio dei Ministri n. 23*, 15 October 2018, <http://www.governo.it/node/10148>.

⁵ Tom Kington, “Italy Stalls on Missile Program As Budget Cuts Loom”, in *Defense News*, 4 October 2018, <https://www.defensenews.com/global/europe/2018/10/04/italy-stalls-on-missile-program-as-budget-cuts-loom/>; Gianandrea Gaiani, “A rischio il programma per la difesa aerea CAMM ER?”, in *Analisi Difesa*, 28 September 2018, <https://www.analisedifesa.it/?p=118823>.

⁶ NATO, *Wales Summit Declaration*, 5 September 2014, <https://www.nato.int/cps/en/natohq/>

official_texts_112964.htm.

⁷ EU Member States, *Protocol (No 10) on Permanent Structured Cooperation Established by Article 42 of the Treaty on European Union* (OJ C 115, 9 May 2008), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:12008M/PRO/10>.

⁸ Council of the European Union, *Council Decision (CFSP) 2017/2315 of 11 December 2017 Establishing Permanent Structured Cooperation (PESCO) and Determining the List of Participating Member States* (OJ L 331, 14 December 2017), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017D2315>.

of resources for such initiatives is not heading in the right direction. Even existing projects that have been brought under the PESCO framework do not find adequate coverage within the DPP. A notable case in point is the Eurodrone programme – a multinational cooperative programme for the development of a European remotely piloted aircraft system involving the Czech Republic, France, Germany and Spain as well as Italy – that has been recently included within the second wave of PESCO projects.⁹ In this case, and beyond the allocation of 6.2 million euro for 2018, the DPP does not give any indication regarding future resources.¹⁰

Considering the interconnection established between PESCO and the EDF, the lack of adequate financial support risks undermining Italian industrial participation while losing access to EU co-funding. According to the European Defence Industrial Development Programme (EDIDP) regulation – a sort of test-bed of the post-2020 EDF – PESCO projects that respond to the eligibility criteria could apply for co-funding from the EDF. More specifically, they would benefit from a 10 percentage points bonus in comparison to other initiatives that would receive “only” 20 per cent co-funding from the EDF, thus reaching a total contribution of 30 per cent. This

⁹ Council of the European Union, *Council Decision (CFSP) 2018/1797 of 19 November 2018 Amending and Updating Decision (CFSP) 2018/340 Establishing the List of Projects to Be Developed Under PESCO* (OJ L 294, 21 November 2018), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32018D1797>.

¹⁰ Italian Ministry of Defence, *Documento programmatico pluriennale...*, cit., p. 73.

could certainly constitute an incentive to participate in PESCO projects.

However, in order to receive EU co-funding, pMS in a consortium – involving cooperation between at least three entities based in at least two different member states – will need to demonstrate their intention “to procure the final product or use the technology in a coordinated way, including through joint procurement where applicable”.¹¹

Therefore, reaffirming commitments through declarations will not be enough, as streamlined national contributions are crucial to ensure Italian participation. For instance, within PESCO, Italy has been particularly proactive in proposing new initiatives. It is in fact involved in 21 projects – topping the ranking of active participation together with France – with a leading role in six.¹²

Among these, only a small number actually imply the development of capabilities and would therefore be eligible for EDF funding, e.g. the abovementioned Eurodrone programme and a second one for the development of a new land armoured vehicle. Yet, within the DPP, Italian-led

¹¹ See Article 23(3)(a): Council of the European Union, *Proposal for a Regulation of the European Parliament and of the Council Establishing the European Defence Fund (First Reading) – Partial General Approach* (14094/1/18 REV 1), 15 November 2018, <http://data.consilium.europa.eu/doc/document/ST-14094-2018-REV-1/en/pdf>.

¹² Andrea Aversano Stabile and Alessandro Marrone, “Ue: nuovi progetti Pesco, impegno attivo dell'Italia”, in *Affarinternazionali*, 22 November 2018, <https://www.affarinternazionali.it/?p=71726>.

or participated projects under PESCO are only listed in a footnote with no specific mention of resources and funding.¹³

Besides the defence cuts, the resounding delay in the publication of the DPP could also be problematic. The Defence Ministry is called to submit a draft version of the DPP to Parliament by the end of April in order to ensure its timely approval by the 15 October deadline.¹⁴ This year's late publication may affect Italy's presentation of the National Implementation Plan (NIP) to the PESCO Secretariat, which is due to be submitted for approval by 10 January 2019 and contains Italy's national commitments and responsibilities in the realm of PESCO.¹⁵ This means that Italy now has less than one month to finalize the review of its NIP.

While the radical changes in Italy's political scene over the past year may help to explain these unprecedented delays, such dynamics cannot entirely excuse Italy's leadership. As the EU moves towards enhancing its defence capabilities and cooperation, Italy cannot risk lagging behind its European partners.¹⁶

¹³ Italian Ministry of Defence, *Documento programmatico pluriennale...*, cit., p. 9.

¹⁴ Giovanni Martinelli, "DPP 2018-2020: un documento di transizione in vista di nuovi tagli?", in *Analisi Difesa*, 12 November 2018, <https://www.analisdifesa.it/?p=119867>.

¹⁵ See point 5: Council of the European Union, *Council Recommendation of 6 March 2018 Concerning a Roadmap for the Implementation of PESCO* (OJ C 88, 8 March 2018, [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32018H0308\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32018H0308(01))).

¹⁶ Almut Möller, "Rome Alone? Italy's Weak Coalition Networks", in *ECFR Commentaries*, 30 October 2018, <https://www.ecfr.eu/article/>

commentary_rome_alone_italys_weak_coalition_networks.

Seizing the opportunity and offering to play a key role in the realm of EU defence cooperation and integration would provide indispensable political, economic and military benefits for Italy. Such a demonstration, would not only help Italy secure much needed funding and cooperation for its defence posture and industry, but also and ultimately serve an important political goal: that of providing Italy with an important avenue of engagement with EU member states, one that may help diminish tensions on other dossiers and gradually work to limit Rome's growing isolation within the EU.

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