

noEUmoney4arms

online information tool

All you want to know about the EU Defence Fund, and why this is not good for peace nor for jobs & growth

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INTRODUCTION

What is this information tool about? What are we talking about?

This online tool aims to provide information and critical analysis about recent developments to divert EU funding to Research & Development (R&D*) projects in 'defence', meaning by that the military sector. As ENAAT, we are of course scrutinizing this proposal for a European Defence Fund under a peace perspective, but we base our analysis on facts and figures that can easily be checked.

This Q&A on EU-funded military R&D is intended for different audiences: citizens, EU decision-makers like MEPs, or journalists and other civil society organisations interested in understanding this issue. In order to provide the information needed for a diverse public, the Q&A can be used in several ways:

- You can directly go to the questions that are of most interest to you, in particular if you are already aware of the main points. If you are new to the issue, the order of the questions will enable you to progressively discover what this is all about and the different issues at stake
- Two-level answers are provided: first a short overall answer with the main points, and then a 'read more' option to access a more detailed one developing our arguments, with facts & figures to support our reasoning as well as references and links to elaborate on the subject.
- Words marked with an * are explained in the Lexicon ; 'Q2' refers you to Question 2 for more info, and so on.

PART I: WHAT ARE WE TALKING ABOUT?

1. How are laws elaborated and voted at EU level?

The short answer

This question would deserve a separate online tool on its own! Here we will just outline the main principles of the EU decision-making, taking the opportunity to break a major myth about the EU.

The European Commission never decides but is the only body able to propose and draft EU laws. Most of these laws are then discussed and voted jointly by the European Parliament and the national governments (in the EU Councils). In most cases the national governments decide with a qualified majority vote, while the EP always votes with simple majority.

However, on issues related to the Common Foreign and Security Policy* and related Common Defence and Security Policy* (including military issues), Member States decide alone, and usually under unanimity. The European Parliament can only issue non-binding opinions.

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Principle 1: the European Commission never decides: all decisions are taken either by the governments of the 28 Member States (e.g. our governments) only, or by our governments and the European Parliament together (a form of 'co-decision', often referred as the 'ordinary legislative procedure')

Principle 2: the role of the European Commission is to draft the proposals of EU laws (directive, regulation, ...) that will be then discussed and voted on by the Council (= the Member States) and the European Parliament (EP). After adoption, the Commission will check that those laws are properly implemented.

Principle 3: there is a joint decision by the Member States (Council) and by the Parliament on all issues where the EU 'has competence', in other words, where Member States transferred (part of) their power to the European Union: for example economic governance, internal market, immigration, energy, transport, the environment and consumer protection. The vast majority of European laws are now adopted jointly by the European Parliament and the Council

(usually a majority vote). This does not mean that there are EU laws on all and every aspects of these areas: the Commission proposes an EU law when it considers that there is an added-value for it, meaning that the EU could “do better” than the Member States isolated.

Principle 4: one main area remains 100% under control of the Member States, on which they decide alone and most of the time under unanimity: the Common Foreign and Security Policy (CFSP*), and the related Common Defence and Security Policy (CSDP*), which include military matters and arms export control for example. The only exceptions are the development aid funded with the EU budget, and international trade agreements. Those two areas fall under EU competence and thus the ordinary legislative procedure applies (co-decision).

➔ Read more about the EU decision-making process [here](#)

2. What is the European Defence Fund? Exactly how much money will be spent?

The short answer

On 7 June 2017, the European Commission officially launched the European Defence Fund. This Fund will be made of different public funding tools in order to finance Research and Development (R&D*) projects in technologies and goods for military purposes. The main recipients will be companies and applied research groups active in this domain. The main priorities will relate to “cutting-edge” technologies like autonomous systems (including drones), intelligence-surveillance, cybersecurity and maritime security.

The official objective of such fund is twofold: on the one side to strengthen the military capabilities of the EU member states and thus the EU strategic autonomy, and on the other to contribute to growth and jobs in Europe by supporting the competitiveness and innovation of this industrial sector.

For the years 2017 to 2020, a total of €590 million will be channelled to the military industry through this fund, and from 2021 to 2027, the minimum amount planned is €10.5 billion (€1.5 billion/year). These amounts are to be taken from the EU budget, while Member States are supposed to complement this Fund with at least €2 billion in 2017-2020, and at least €28 billion in 2021-2027.

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Launched by the EC on 7 June, 2017, the European Defence Fund is a set of tools to “boost Europe's defence capabilities”. The Fund is made of 2 main parts, that the EC calls “windows”, and a financial toolbox:

1) *the first financial package is meant to fund the Research and Technology phase of military R&D**

This part is already under way through a Preparatory Action (Q3), and offers grants to companies and applied research groups active in the military sector. Under this Preparatory Action the EC will give €90 million to the military industry (including applied research groups) from 2017 to 2019.

Then, for the period 2021-2027, the EC will propose a fully-fledged European Research Defence Programme (Q4) that will provide at least €500 million every year to the military industry for this Research & Technology phase, thus making a total of €3.5 billion for 7 years.

2) *the second financial package is meant to fund the development phase of military R&D* through a European Defence Industrial Development Programme (EDIDP, Q7)*

This programme, if adopted by the Member States and the Parliament, should start in 2019 and will channel €500 million from the EU budget to the military industry in 2019-2020. Its follow-up programme for 2021-2027 would see its budget increased to €1 billion/ year as a minimum, thus making a total of €7 billion over 7 years.

this industrial programme is to be complemented by voluntary contributions from the Member States, that the EC estimates to 2 billions for 2019-2020, and to 28 billion for 2021-2027 (€4 billion/year)

3) *the European Defence Fund also foresees to develop a 'financial toolbox' to support Member States in the joint production and acquisition of military equipments resulting from this R&D process. It will primarily be*

administrative/logistic tools. However, the EC does not exclude the possibility to even contribute financially to this production/acquisition process, in a similar path to what is happening under the Internal Security Fund.

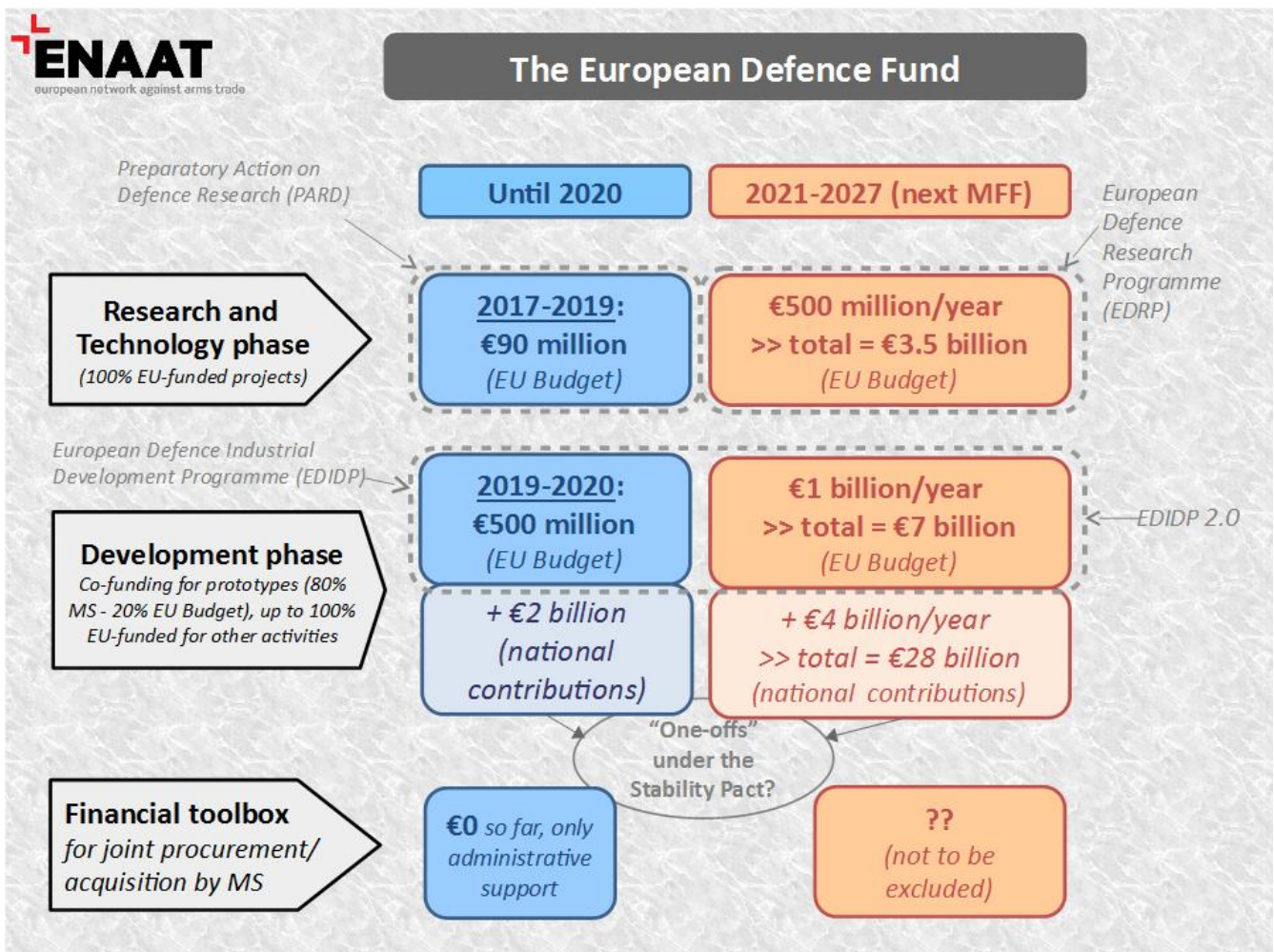
The definition of priorities will remain in the hands of Member States, who already listed drones (RPAS, remotely piloted aircraft systems), air-to-air refuelling capacity, satellite communication, cyber, intelligence-surveillance-reconnaissance, autonomous access to space, permanent Earth observation, and maritime security.

In summary, what will be the exact amounts to be taken from the EU budget (+ Member States contributions):

From 2017 to 2020, €590 million will be taken from the current EU budget for the military R&D*: €90 million for R&T and €500 million for the development phase. Member States voluntary contributions should add €2 billion, thus making a total of 2.59 billion for 2017-2020.

From 2021 to 2027 (the next budgetary cycle), it will be a minimum of €1.5 billion/year, thus making a total of €10.5 billion coming from the EU budget: €3.5 billion for R&T and €7 billion for the development phase.

If one adds to this the expected voluntary contributions from Member States, the European Defence Fund as a whole will amount to €5.5 billion every year, and thus a total of €38.5 billion for 2021-2027.



related information

[A European Defence Fund: €5.5 billion per year to boost Europe's defence capabilities, EC press release, 07 June 2017](#)

[Official factsheet on the European Defence Fund](#)

[EC Communication "launching the European Defence Fund"](#)

3. Where will the EU money come from?

- Will Member States be obliged to contribute to the European Defence Fund?

The short answer

For the period 2017-2020, the €590 million that might be dedicated to military R&D* will be diverted from other -civilian- sources of the EU budget, including from a budget line dedicated to the environment.

For the period 2021-2027, if the proposals go through 10.5 €billion will have to be found in the EU budget. As it is very unlikely that Member States will accept to increase their contributions to it, it means that 1.5 billion every year will be diverted from the civilian objectives of the EU. In addition, the ending of the UK contribution after Brexit is estimated to a net loss of 10 billion/year for the EU budget.

As for national contributions to the European Defence Fund, they will be voluntary under the form of co-funding for (a) specific project (s) each country is interested in

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The Preparatory Action for Defence Research (Q5) under way is being funded with a special budget line dedicated to Preparatory Actions. However traditionally Preparatory Actions (PAs) have limited budgets: in 2016 the maximum annual budgets of PAs was €3 million, about €10 billion over 3 years while this PA on Defence Research will amount to €90 million. This means that other possible- and civilian- PAs are not being funded because the defence research has taken most of the available envelop for new PAs (in 2016 the total available budget for PAs was €28 million).

Regarding the European Defence Industrial Programme (EDIDP) for 2019-2020 (Q7), the legislative proposal presented by the EC is diverting €500 million from the following sources:

- €145 million should come from the Connecting Europe Facility, including a budget line “contributing to sustainable development and environment protection”, and others related to the internal energy market and security of supply
- €135 million should come from the European Satellite navigation programmes, mainly the Galileo* programme for a European GPS system to be on par with ‘competitors’ like China, Russia or the US programme.
- €125 million from unallocated margin, when many valuable projects in many areas are being rejected for “lack of funds”. As a comparison, the annual budget of the 20-years old EU human rights programme is €133 million in 2017
- €80 million for the ITER* facilities (new generation of nuclear plants).

For the follow-up programmes (EDRP and EDIDP 2) that would start in 2021 (Q2), no indication has been given as to where the money would come from.

More precise information will come only in the course of 2018, as part of the wider proposals and negotiations for a new EU budgetary cycle, called multi-financial framework, and that will run from 2021 to 2027 (MFF 2021-2027*). Those discussions will address the global EU budget for 7 years and can lead to quit substantial modifications (including completely redefining major programmes), thus rendering more difficult to identify transfers from one programme to another.

But in any case drastic cuts in the usual civilian programmes of the EU will necessarily happen if the proposal of a European Defence Fund goes through: at least €1.5 billion every year will have to be diverted from other programmes to the military R&D, as Member States will most probably refuse to increase their national contributions to the EU budget; and once Brexit will become a reality during this new budgetary cycle, another €10 billion/year will be missing according to estimates.

In such scenario the risk is high for a substantial over-representation of military-related spending in the EU budget compared with actual competences (Q11); such move would contradicting not only the founding values of a peace-led EU project but also the EU treaties which exclude defence and military-related matters from the EU competences.

As for the contributions of Member States, they will happen on a voluntary basis only through co-funding: a country interested in a specific project will co-fund it with at least 1 other Member State. The EC expects a multiplier effect of 4, but each country will be free to decide to contribute and to which level.

Related information

The Budget explained, EU website

[A European Defence Fund: €5.5 billion per year to boost Europe's defence capabilities](#), EC press release, 07.06.2017

Official factsheet on the European Defence Fund

4. Are other EU funds being used for the military sector?

The short answer

Yes, in addition to the European Defence Fund, many other EU budget lines are being increasingly or newly used for the military sector under the call of the EC president Juncker to make 'defence' a top priority: these funds range from regional funds or SMEs support to Erasmus + and the external aid. As this is a recent trend integrated into wider budget lines, it is difficult to assess the exact amounts that will benefit to the military industry, but a paradigm shift is clearly under way (Q25).

What is more, many defence industry stakeholders are also active in security, and as such are already accessing EU funds like the European Security Research Programme (€3.1 billion from 2007 to 2020) and the Internal Security Fund (€3.8 billion for 2014-2020).

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There is a clear trend towards considering the arms industry as a 'normal' business and 'defence' as a top priority: this paradigm shift was obvious in the 2016 'Statement to the Union' of the President of the European Commission Jean-Claude Juncker (Q25), and all Commissioners have been asked to look for ways to contribute to the strengthening of the armament industry in their own field of action.

As a first step, the EC decided to facilitate the access of arms companies to a range of EU funding opportunities, what the EC calls "fostering investments in defence supply chains", as a way to support the competitiveness of this sector.

In its European Defence Action Plan presented on 30 November 2016, the EC proposed an increased use of the EU Structural Funds (ESIF) and of the Regional funds (ERDF), encouraging the creation of "regional clusters of excellence" in the field of defence, as well as access to COSME funds (Programme for the Competitiveness of Enterprises and SMEs). The arms sector also became a priority under the new Skills Agenda for Europe, by supporting an "industry-led European Defence Skills Alliance" and making use of EU funds such as COSME and ... Erasmus+, the EU programme for education, training, youth and sport!

The Plan also included a call to the Member States to adapt the lending criteria of the European Investment Bank (EIB), which are so far excluding investments in projects related to weapons production and sale. This move would in particular open access to the €21 billion guarantee fund of the European Fund for Strategic Investment (EFSI, also called the Juncker Plan) for the arms industry. For the time being this proposal has been blocked by the EP. However the EIB can already invest in security or dual-use* projects provided they focus on civilian applications only.

On the other hand, the EP accepted a breakthrough regarding the external action funds: from 2017 to 2020, about €100 million of the Instrument contributing to Stability and Peace (IcSP*) will be used to support the military forces in non-EU countries, politely named "capacity-building for security and development" (CBSD). (Q25)

Regarding the security-related funds, corporations and applied research groups active in the security and defence sector are the main beneficiaries of the ESRP (European Security Research Programme): according to the 'Market Forces' report they took 69% of the ESRP total budget from 2007 to 2016: 43% for companies (€745.5 million) and 26% for research groups (€456.5 million), with major beneficiaries like Thales, Airbus or the German Fraunhofer Institute participating in several dozens of projects (Q12).

related information:

[Market Forces: The development of the EU Security-Industrial Complex](#)', TNI-Statewatch report, 25.08.2017

The EC Defence Action Plan: [Press Release](#), [factsheet](#), [EDAP full text](#)

[EIB excluded activities](#) 2013& [EIF Restricted sectors](#), 2010

[EP Report on the extension of the European Fund for Strategic Investments \(EFSI\)](#), 15 May 2017

5. What are the 'Pilot Project on CSDP-related Research' and the 'Preparatory Action for Defence Research'?

The short answer

In the EU jargon, a Preparatory Action is a kind of pilot funding scheme, in order to test a potential new area of work for the EU. In many cases the Preparatory Action is preceded by a Pilot Project, and they usually have relatively small budgets. If successful and after thorough assessment (in theory), they can be turned into a formal EU programme.

This is what is happening in the field of military research: first an 18-months Pilot Project has been proposed and voted by the EP in 2014. Then in 2016 the EC proposed a 3-years Preparatory Action which was agreed by the EP and the Member States end 2016. From 2021, the EC wants to set-up a fully-fledged European Defence Research Programme (EDRP*, Q4) as part of the European Defence Fund.

Under the Pilot Project and the Preparatory Action on Defence Research, the projects funded or planned mainly focus on 2 issues: unmanned/autonomous systems (including drones) and soldiers high-tech equipment.

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The norm is that EU-funded programmes are under control of the European Commission, from the definition of priorities to the launch of the calls, the selection of funded projects and the management of the grant including project evaluation. In this case, a special system has been put in place, where the Commission delegates this management responsibility to the European Defence Agency (EDA*). This new responsibility for the EDA led to delays in the implementation of the Pilot Project (PP) in particular.

The 'Pilot Project for CSDP-related research', voted in 2014 is an 18-months project with a limited budget of €1.5 million. The grant agreements for 3 projects were signed in October 2016 only, for 12 to 18 months-long projects. One is about developing miniaturized sensors to guide soldiers in urban warfare; another is about standardisation of Remotely Piloted Aircraft Systems (RPAS, e.g. drones) for detection and avoid collisions, and the third one is about unmanned autonomous systems to control and command groups of sensors, which could in turn become of large scale usage for border control and surveillance-security. Because of the quite small amounts, it is mainly medium-size companies and research centres benefiting this funding.

In turn, the follow-up 'Preparatory Action on Defence research' (PADR) has a quite unusually high budget for a PA, amounting to €90 million over 3 years (2017-2019, Q3). It takes a huge share of the usual global available envelope for PAs in EU annual budgets (28 million in 2016). 2 calls for proposals have been launched so far (June 2017 and March 2018) and the main projects relate to the following Research and Technology* topics:

- The biggest project, Ocean 2020 (involving 42 partners and 10 countries!), is about naval surveillance technology, and will take about a third of the budget (35 million in total): it will develop unmanned platforms for surveillance and interdiction missions, meant to help getting a "comprehensive picture of an operational situation in a contested naval environment"; but this could also translate into improved technology to stop migration flows in the Mediterranean... The project is led by Leonardo (Italy), and 6 of the beneficiaries were also members of the Group of Personalities, an expert group that advised the EC in 2016 about this defence research programme (Q12). Operational demonstrations should take place in the Mediterranean sea in 2019 with unmanned helicopters, naval vessels and systems.

- Three projects are about improving soldiers equipments, for example adaptive camouflage protecting soldiers from sensors on several bands of wavelengths, improving the compatibility of complex devices (like sensors or digital glasses), or the design of ultralight infantrymen outfits.
- The 2018 call for proposals also include a call for R&T projects towards a “European high-performance, trustable (re)configurable system-on-chip or system-in-package for defence applications” and a “European high power laser effector”. In all cases those R&T projects should then be followed by R&D projects under the EDIDP (Q7) in the coming years.

To note that the Preparatory action on Defence research (PADR) was adopted when the industrial projects under the Pilot project (PP) scheme were just selected, and that the discussions around the future defence research programme (Q6) will mainly take place in 2019-early 2020, so well before any thorough assessment of the PP and PADR impact could be conducted, as the last projects will end in 2020.

related information:

[the Pilot Project on CSDP-related research](#)

[European Defence Agency webpage on the Preparatory Action for Defence Research](#)

[EC press release on PADR projects \(16.02.2018\)](#)

[Leonardo's press release on Ocean2020](#)

6. What is the proposal for a European Defence Research Programme?

The short answer

The European Defence Research Programme (EDRP) will be the follow-up programme of the Pilot Project and the Preparatory Action that are currently funding military research (R&T*). It will be the first 'window' of the European Defence Fund and should start in 2021, if agreed by the EP and the Member States. The EC is proposing to dedicate at least €500 million of the EU budget every year to this EDRP, making a total of €3.5 billion for the 2021-2027 budgetary cycle, as part of the European Defence Fund. The future EDRP should also mainly focus on “innovative defence technologies and products” under the main priorities defined by the Defence Fund (Q2).

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A concrete legislative proposal for the European Defence Research Programme (EDRP) will be presented by the EC mid-2018 as part of the proposals for the new budgetary cycle for 2021-2027 (the EU multi-financial framework, MFF*). These proposals, including the one on the EDRP, will then have to be discussed, negotiated and agreed upon by the European parliamentarians and by the national governments of the EU Member States. This global decision process will be long and complex and should conclude in 2020, the Defence Fund being only one among many other items to discuss, and a rather small share of the global EU budget in pure financial terms, although quite significant in political terms (Q25 and 27).

Initially the EC suggested to include the EDRP into the general EU research programme for 2021-2027, the Framework Programme 9 (this FP9 will be the continuation of the current EU research programme called Horizon 2020). However this idea already led to a controversial debate about diverting funds from civilian research to the military one and blurring further the line between what is civilian and what is military. And the military industry claims that it needs 'special conditions' which are not compatible with the current rules of the EU civilian research programme (Q9 & 10). Thus it seems that the EC is now considering a specific research programme completely separated from the future FP9, although this could raise other practical and legal problems.

So far, little information has been provided about the possible research topics for this future programme, but in general terms it will focus on “innovative defence technologies and products” such as electronics, meta-material, encrypted software and robotics (e.g. unmanned/autonomous systems, including the Eurodrone MALE). The main

priorities should be defined in conjunction with the Member States, in particular through the European Defence Agency (EDA*).

related information:

[A European Defence Fund: €5.5 billion per year to boost Europe's defence capabilities](#), EC press release, 07.06.2017

[Official factsheet on the European Defence Fund](#)

[EC Communication "launching the European Defence Fund"](#)

7. What is the proposal of European Defence Industrial Development Programme (EDIDP)?

The short answer

The European Defence Industrial Development Programme (EDIDP), if adopted, will be part of the European Defence Fund (Q2) and will fund the second phase of military R&D*, like prototypes development, testing or feasibility studies (everything before the proper production phase). It is part of the "capability window" of the Defence Fund.

This programme will provide funding to the military industry for projects related to the priorities of the Defence Fund. A concrete example is the further development of a European drone, to be then armed by the Member States. The buy-in of the final products by Member States will be indeed a crucial element of this programme.

For the years 2019-2020, the EC plans to dedicate €500 million of the EU budget to this programme, and from 2021 the amount would increase to €1 billion every year. This EU funding will be complemented by national contributions from the Member States under an expected multiplier effect of 4, e.g. 2 billion for 2019-2020, and 4 billion/year from 2021 (Q3).

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The EC presented on 7 June 2017 a draft Regulation "establishing the European Industrial Development Programme aiming at supporting the competitiveness and innovative capacity of the EU defence industry". This was quite an unexpected move to start funding the second phase of the military R&D* (the capability window of the Defence Fund, Q2) already under the current budgetary cycle: indeed this will directly divert quite significant amounts from other - civilian- budget lines (Q3), and such practice usually upsets the European Parliament as a co-decision maker.

The first phase of this programme will cover the years 2019 and 2020, and will dedicate €500 million to the development of military goods and technologies: €245 million in 2019 and €255 million for 2020. the EC expects a multiplier effect by 4 with Member States' contributions amounting to 1 billion every year.

Under the next EU budgetary cycle (2021-2027), the successor of this industrial development programme will take €1 billion every year from the EU budget, and the EC expects national contributions to raise up to 4 billion every year. Thus the total amount (EU budget + voluntary national contributions, Q3) at the end of the 7-years budgetary cycle will be **€35 billion** for this programme.

The draft Regulation does not give details about the priority topics to be funded: they should be in line with the Defence Fund general priorities (Q2) as well as follow-up on some of the R&T projects funded under the Preparatory action (Q5). Several Member States have already shown interest in this funding and suggested projects. In fact they mainly dusted off pending plans that they would like to see funded by the EU:

The French government in particular is expecting the EU to start funding the current joint project for a European drone (so-called MALE, a project including France, Germany, Italy and Spain): this project has been going on for more than a decade now, with partner countries coming in and out, delays, suspensions and relaunches with new industrial partners, and enormous costs already. In the current context of drones developments worldwide, such a 'eurodrone' sparks renewed interest and France recently stated it wants to be able to arm it.

Another specificity of this programme is that it will fund military development projects only when Member States will have committed to jointly produce and procure the final product or technology at the end of the project, as a “contribution to the competitiveness of the European defence industry”.

Last but not least, the EDIDP is largely presented as a co-funding instrument, where the EU would fund only 20% of the project and the rest would be paid off by the Member States. This is only partially true:

- the 20% limit for EU funding applies only for the development of prototypes, usually the most costly part of the development phase;
- for other activities (testing, feasibility studies, certification, etc.), the EU funding can cover up to 100% of the costs;
- moreover, when a project is presented under the recently agreed Permanent Structured Cooperation (PESCO*), then it could benefit of an extra 10% EU funding, thus leading to almost 1/3 of the costs for prototypes.
- Most probably some extra funding will also be granted in projects led by or involving SMEs

The type of activities to be funded by the programme is listed in the Regulation: design and technical specifications, prototype, testing, qualification (demonstrating that it meets the specified requirements), certification, feasibility studies and other accompanying measures.

In order to encourage transnational cooperation, the projects should involve at least 3 'undertakings' established at least in 2 different EU Member States. The Member State or its nationals shall control and own more than 50% of this undertaking, a provision which is raising problems (Q23). The draft does not specify what type of 'undertakings' will be eligible; however through its purpose and frame, the programme is de facto targeting the arms industry at large (profit-making companies and applied-research groups).

The draft Regulation also clearly states that it will not affect Member States' sovereignty over exports of military products, equipments and technologies (Q18), and that the intellectual property rights* will belong to the beneficiaries, e.g. the companies (Q10).

related information:

[Official factsheet on the European Defence Fund](#)

[draft Regulation setting the European Defence Industrial Development Programme \(EDIDP\)](#)

8. How will the decision on the EDIDP be made?

The short answer

The decision-making on this industrial programme is rather simple as it falls under the ordinary legislative procedure (Q1), e.g. joint adoption by the European Parliament and by the Member States.

What is surprising is the speed of the process. Indeed it normally takes (much) more than a year before a draft law presented by the Commission is finally adopted under the ordinary procedure.

But in this case, Member States took their first position as soon as December, and the European Parliament also speeded up its process, allowing the negotiations between the EP and the Council to start already in March. The final votes are expected in June. This would make it an unusually fast 12-months procedure on a key issue representing a fundamental paradigm shift of the EU project (Q25).

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the draft Regulation was formally presented by the EC on 7 June 2017. the Member States started to discuss it right away at a high political level.

Traditionally a draft EU law is first discussed in the relevant thematic working groups with civil servants from the different EU countries, and then the text goes up to the different levels until the EU ambassadors: similarly to national ambassador in other countries, each Member State has one or two special Ambassador(s) for the EU, who

are the ones in charge of the last, and usually most difficult negotiations before a text is formally presented to the Ministers for the final vote.

In this case the draft Regulation is mainly being discussed in a more informal, and thus even less transparent and accessible group called “Friends of the Presidency”, and then directly at the level of EU ambassadors preparing the Council meetings. The working groups in charge of research and industrial competitiveness were not involved.

In parallel, the European Parliament decided that the ITRE Committee, in charge of Industry, Research and Enterprises, takes the lead on this draft law, and that the Committee on Foreign affairs (AFET) is only associated. In practice the work in AFET is conducted by its subcommittee on security and defence (SEDE). The Committees in charge of the Budgets (BUDG) and of the Internal Market (IMCO) also provided opinions, that ITRE is not obliged to take into account.

The main Rapporteurs* are the French centre-right MEP Françoise Grossetête for ITRE, and the Romanian Socialist MEP Ioan Pascu for SEDE. Shadow rapporteurs are also nominated in the other political groups for each committee involved; they follow the issue on behalf of their political group and negotiate the needed compromises to reach a common position of the EP.

provisional calendar:

12/12/2017: The Member States agreed their first position (referred to as 'general approach') on the draft Regulation during the General Affairs Council of 12 December

26/02/2018: the ITRE Committee adopted its final Report with a range of amendments to the draft Regulation, including a limited number coming from the other Committees' Opinions.

13/03/2018: the EP decided in plenary that this ITRE Report will be the basis for entering into negotiations with the Member States (this avoiding a 1st debate and vote in Plenary)

22/03 to 22/05/2018: trilogue* meetings between the EP, the Council and the Commission to negotiate compromises

mid-June or early July: possible vote of the compromise text by the EP

last week of June: possible vote by the Member States in Council or EU Summit format

The Commission is pushing for a swift adoption by the 2018 summer break so as to have the time to prepare and launch the programme early 2019.

**'Trilogue' is a closed negotiation process through which the EP and the Council, assisted by the EC, negotiate and possibly find compromises on the points of disagreement around a draft legislative proposal. In most cases the EP and Council manage to find an agreement at the end of it, and then the amended draft law is adopted smoothly. Only in rare occasions the trilogue fails, and if so the 2 bodies have to vote again separately and start a second round of negotiations. If the EP and the Member States still fail to find an acceptable compromise, the law cannot be adopted.*

related information:

If you want to follow in more details the adoption procedure, you can refer to the [ENAAT newsletters here](#)

[EDIDP Adoption Procedure of the European Parliament](#)

[Press Release: Council agrees position on EDIDP](#) (12.12.2017)

[ITRE Report on EDIDP](#) (26.02.2018)

[AFET opinion on EDIDP](#) (25.01.2018)

[BUDG Opinion on EDIDP](#) (25.01.2018)

[IMCO Opinion on EDIDP](#) (24.01.2018)

9. What percentage of the projects costs will be paid by the EU?

The short answer

Under the Preparatory Action, Military Research and Technology* projects run by profit-making companies and applied research groups will receive an EU funding level of 125%: the EU will cover 100% of the eligible costs of the projects, and at least a flat-rate of 25% to cover indirect costs. This is in line with the general rules under the civilian EU Research Programme Horizon 2020*.

For Research and Development* projects, the level of EU funding will be lower for prototyping activities (at least 20% paid from EU budget, the rest being covered from Member States contributions), but will reach up to 100% for other development activities. The flat-rate for indirect costs is not specified yet, but will probably be similar or even higher than under the Preparatory action. Most of those funds will be channelled as grants, like donations that the industry will not have to reimburse.

Read more

Funding levels for Research and Technology:

Under the previous Framework Programme for research FP7* (2007-2013), funding levels were quite complex, but covering in average 70 to 80% of the eligible costs and providing lower funding levels for profit-making groups.

Under cover of simplification, the EC changed those rules for Horizon 2020* (FP8, running from 2014 to 2020) and now applies the same funding rules for profit-making companies and for public universities or non-profit making organisations: EU funding covers 100% of the eligible direct costs of a project, plus a 25% flat-rate for indirect costs (such as administrative costs).

But this is apparently not enough for the arms industry: In its lobby papers, the ASD is claiming for a flat-rate for indirect eligible costs even higher than 25%. So far the EC has resisted this push and the Preparatory Action (PADR, Q5) is funding 100% of the direct costs of defence research projects plus a flat rate of 25%. What the rules will be under the fully-fledged Research programme to run from 2021 remains to be seen, but we expect them to be at least as favourable, if not more.

In contrast, for human rights projects funded under the European Initiative for Democracy and Human Rights (EIDHR*), the EU contribution must fall between 51 and 95% of the eligible costs* (usually limited to 75% for European non-profit organisations), plus a lump sum of 7% for eligible indirect costs and a 5% contingency reserve for unexpected costs that must be duly justified or reimbursed.

Funding levels for the development phase of military R&D:

The situation is slightly different for the funding of the development phase through the European Defence Industrial Development Programme (EDIDP, Q7). In this framework there will be 2 standard funding rates, with the possibility of a 10% extra EU funding if the project is run under the banner of the Permanent Structured Cooperation (PESCO*). Concretely this means the following co-funding rules:

- for the development of prototypes, the EU will fund at least 20% of the costs, and the remaining costs should come from Member States contributions. Extra EU funding could be provided according to a number of possible cumulative criteria still under negotiation (PESCO projects, SMEs involvement...);
- for other Development activities (Q5), the EU can cover up to 100% of the project costs. The draft does not say if a PESCO project could benefit from a 110% EU funding...;

In all cases however, 100% of the costs of the projects will be paid with taxpayers' money, and if the proposal does not specify whether there will be an extra flat-rate for indirect costs, we expect this usual practice to be maintained.

In principle, the EU funding available under this Industrial Programme could be provided to the industry under different ways, ranging from grants to investments, loans or guarantees. However the explanations accompanying the proposal clearly say that most of the funds will be allocated through grants, and this was confirmed by EU

Commissioner Bieńkowska to the MEPs on 3 October 2017. Grants do not have to be reimbursed or paid out, contrary to loans or investors.

[related information:](#)

[Call for proposals under the PADR](#)

[draft Regulation setting the European Defence Industrial Development Programme \(EDIDP\)](#)

10. What will happen with Intellectual Property Rights? Who will own the results of EU-funded Research & Development?

The short answer

The principled rule of EU funding for research was one of open access. However, overtime more restrictive Intellectual Property Rights* have been gradually granted to EU funding beneficiaries, for the sake of competitiveness or confidentiality, in particular under the Security Research envelop of Horizon 2020*.

And this is not sufficient yet for the arms industry, which has been successfully claiming for a more favourable treatment through its lobby organisation ASD*: now the results generated by EU-funded military R&D projects will be fully owned by the beneficiaries, that is mainly profit-making companies and applied-research groups, with limited control or access by the EU and the Member States.

Under the rules of the current Preparatory Action (Q5), they are indeed allowed to protect, transfer or licence those results, including outside the EU, and to make money when granting access rights to their former partners in the project. And the draft EDIDP (Q7) does not even pick-up the PA's already minimalist limits to this ownership.

Read more

The special conditions for ownership of the results are particularly advantageous for the recipients of EU funding under military R&D projects, both under the current Preparatory Action and in the draft Industrial Programme: Under the Preparatory Action for 2017-2019, the general rules about the “exploitation and dissemination of results” clearly states that the results are owned by the beneficiary generating them. This means than even within a single project, each 'partner' only owns the results it has directly produced; only when such distinction is not possible then results are jointly owned by the beneficiaries that contributed to them. The main rules of the IPR regime under the PADR are as follows:

- results can be protected by the owner (for example via a patent) when there is a reasonable possibility of a future commercial or industrial exploitation of the results “for an appropriate period of time and [...] territorial coverage” (no definition is given about what is 'appropriate');
- results can be transferred or licensed to third parties within or outside the EU; one partner may object to this transfer or licensing under certain conditions. The EC may object to a transfer of ownership or licensing to third parties in a non-EU country only if this possibility has been included in the initial grant agreement. In such case the EC will assess if “appropriate safeguards” are in place to preserve the EU competitiveness, “ethical principles” or “security considerations” before authorising or not the transfer or licensing. Sanctions in cases of a breach are however limited.
- access rights for further exploitation of the results against compensation: the owner of the results will be able to ask for “fair, reasonable and non-discriminatory” compensation (such as royalties) to its former partners or their European affiliated entities if they need access to its results for the exploitation of their own results.
- the EU institutions, bodies or agencies can have access to the results on a royalty-free basis only “under the duly justified purpose of developing, implementing and monitoring Union policies and programmes [and] limited to non-commercial and non-competitive use”
- the EU Member States can only access the Special Reports of the projects summarising the technological results obtained and the potential further developments, “solely for the purposes related to the use by or for their

armed forces, or security or intelligence services including within the framework of cooperative programmes” and under “appropriate confidentiality obligations”

As for the draft European Defence Industrial Development Programme (EDIDP, Q7), the current proposal bluntly states that the applicable IPR regime shall be defined contractually between the beneficiaries and that the EC shall not own the results nor have any IPR claim. Neither the limitations regarding transfers or licenses outside the EU nor the -already limited- access rights for the EU and Member States provided under the PA have been picked up in the EDIDP.

To sum-up the situation in an accessible language, what does that mean for the EC and the Member States:

For the EC: under the current Preparatory Action, the EC has only a limited leverage to prevent transfer or licensing of the results outside the EU the sanctions it could take are not deterrent enough. No limits at all are defined in the draft Industrial Programme (EDIDP, Q7);

For the Member States: their limited access to the Reports only will oblige them either to subsidise further and procure to the same company, or to pay royalties for another company to develop further those results, despite the projects being 125% paid by taxpayers money (Q9). No access at all is foreseen in the draft Industrial Programme (EDIDP, Q7);

The beneficiaries (e.g. profit-making undertakings) win on every count, as they will own the results and be able to make money even out of their 'partners' through royalties, despite results being fully paid by public money in most cases (Q9).

related information:

[Call for proposals under the PADR](#), see the General Annexes, 'exploitation and dissemination of results' p.40-44
[draft Regulation setting the European Defence Industrial Development Programme \(EDIDP\)](#), article 12

11. The European Commission has no competence in defence and military matters. Why then are such proposals being made?

The short answer

Indeed the Commission cannot make any legislative proposal nor fund any action related to the EU Common Defence and Security Policy (CSDP*, including military matters) as this is an intergovernmental common policy under control of the Member States only.

This is why the EC presented its proposals for EU funded military R&D* as part of its industrial policy within the EU, for which it has full competence under the EU treaties. This also allows the European Parliament to co-decide on these proposals.

However this hybrid solution sparks criticism from opponents and triggers important contradictions between traditional industrial interests and security-related interests. Furthermore, if Member States are happy to dip into the EU budget, they still want to preserve their full sovereignty on military matters and are not willing to accept the whole set of community rules, nor is the industry.

Read more

The EU Lisbon treaty formalised a common Foreign and Security Policy (CFSP*) and a Common Security and Defence Policy (CSDP*), but both remain purely intergovernmental policies, meaning that they are under control of the Member States only. And in practice most decisions are taken under the unanimity rule by the national governments alone. The EP can only provide non-binding opinions.

Regarding Pilot projects and Preparatory actions, they are meant to test new areas of actions and the EC does not need to justify under which competence it is proposing a PP or a PA in a specific area. Thus the legal basis was not really an issue at the moment of deciding on the Pilot Project or on the Preparatory Action on defence research,

although one could already argue it contradicted EU peace values.

In contrast, the European Defence Industrial Development programme (EDIDP, Q7) is a legislative proposal and as such does need a clear legal basis: the EC chose article 173 of the Treaty on the Functioning of the European Union (TFEU*, part of the Lisbon Treaty) that grants it competence in industrial matters. This confirms first that the primary objective of the programme is rather to boost an industrial sector and its competitiveness. Second, it gives a say to the European Parliament as co-legislator.

However, this seriously questions the founding values of the EU (Q25) and contains fundamental internal contradictions:

Using the EU budget should imply respecting the standard community rules* and obligations, something that neither the Member States nor the arms industry want to follow, in particular regarding open access and Intellectual Property rights (Q10), EC and EP involvement in defence matters, limitations to national sovereignty (Q19, 23 & 24) or arms export control (Q20 & 26).

related information:

[Introduction to the Lisbon Treaty & Treaties currently in force](#)
[FAQ on the EU competences and European Commission powers](#)
[Official presentation of the EU Foreign and Security Policy](#)

12. What role and influence did the arms industry have on the emergence of these proposals?

The short answer

These proposals reflect the pro-industry approach that the EC has been increasingly taking in many areas. The major arms companies and their lobbying association ASD* have long-established strong and behind-the-scene ties with the main decision-makers and EC key officials. In 2015, the Group of Personalities on defence research, whose membership included a majority of industry representatives, played an instrumental role in shaping EU funding for military research; and they continue to be the main interlocutors and source of “inspiration” regarding the concrete implementation of this funding and the recent developments described above.

In addition, the example of the security research programme set-up in 2007 shows that the same profit-making stakeholders are then the main beneficiaries of EU funding.

Read more

The role of the ‘security and defence’ industry in shaping related EU policy-making has been documented since the early 2000’, and several reports uncover the level of influence of what is described as a spider-web:

Major corporations like Airbus, Dassault, Rolls-Royce or Thales are active in a number of areas ranging from civilian aviation and transport to security and defence, and as such are involved in a large number of advisory groups, experts groups, high level panels and other similar bodies. These bodies are consulted by the EC on a regular basis: some play a key role at the very early stage of the definition of a new policy till the drafting of the legislative proposal, while others advise on the implementation of the adopted legislation or programme, for example on the rules and criteria for a funding programme including on the priorities, the annual work programmes and finally the calls for proposals; calls to which they will then apply for funding.

Over-representation of private interests in EC experts and advisory groups in security and defence

The transparency organisation CEO (Corporate Europe Observatory) has regularly denounced the over representation of the industry and private interests in the EC expert groups and similar bodies, and the security & defence area is no exception to the rule, to the contrary:

In 2003 the EC set up a Group of Personalities (GoP) in the Field of Security Research, including 15 representatives of corporations or research groups out of 28 members; in February 2004 the EC included most of the GoP recommendations into a Communication and announced the launch of a Preparatory Action on Security Research. Then in 2007 a full European Security Research Programme was integrated into the EU Research Framework Programme FP7*, and this ERSP was extended in 2014 with an increased budget. In parallel an Internal Security Fund was created. Does that ring the bell to you?

Indeed a very similar process is going on regarding military research: in 2015 EU Commissioner Bieńkowska (in charge of internal market and industry) set up a Group of Personalities on defence Research: 9 out of 16 members represented corporations or research groups including members of the former GoP on security research, namely BAE systems (UK), INDRA (SP), Airbus group (former EADS), Finmeccanica (now Leonardo, IT) and TNO (Dutch research group). The GoP final report was published in February 2016, and in the following months most of its recommendations were taken over by the EC: the draft 2017 EU budget included a Preparatory Action on defence research, and the following EC Defence Action Plan (November 2017) and Communication launching the European Defence Fund (June 2017) included most of the GoP recommendations in terms of funding rate, intellectual property rights (Q10), guaranteed 'market uptake' through the EDIDP (Q7), and a fully-fledged European Defence Research Programme from 2021 (Q6).

In line with the usual practice in EU funding programmes, industry representatives are or will be part of the advisory groups on the implementation of the Preparatory Action and the possible EDIDP, and will then apply to the calls for proposals to get EU funding.

One example among others: the Fraunhofer Group

As an illustration of this spider-web system, let's look at a concrete case: a major German applied research group, the Fraunhofer Group, is the third biggest beneficiary of EU funding under the general EU Framework Programme* for research cross-themes (currently Horizon 2020). It is in particular the first recipient of funds under the Security research programmes: between 2003 and 2016, it received €65.7 million via its participation in 109 projects.

Fraunhofer also participated in the GoP on Defence Research in 2015. It was formally represented by its President Reimund Neugebauer. But as it is often the case, those high-level representatives only met twice; the regular work and report drafting were conducted by 'Sherpas', (like representatives of representatives). The Sherpa for the Fraunhofer Group was Dr Klaus Thoma, former director of one of the Fraunhofer Institutes and former chair of the Fraunhofer Group for Defence and Security VVS. While acting as Sherpa* in the GoP, Dr Thoma was also paid by the EP as an independent expert to carry out a study on the need for an EU Defence Research Programme. This study was then a major internal lobbying tool for the pro-industry MEPs to convince their colleagues to accept the Preparatory Action on Defence Research (PADR). As the Fraunhofer Group is very active in military research, it will also probably be a major recipient of the future European Defence Research Programme, as it is already the case in the Ocean 2020 project funded by the PADR (Q5).

And this is not an isolated case: among the main recipients of EU research funds (civilian and/or security), one can find Airbus, Rolls-royce, Dassault, Thales, TNO, Leonardo...; They are all key players of the military industry too, and as such will also benefit from the future Defence Research programme....

Influencing the decision-makers (Member States and Parliament)

Besides, the security and defence industry is capable to influencing the negotiations between the 2 EU decision makers (Member States and European Parliament) during the trilogues* (Q1), both directly at national level where they have very close ties with their governments, and at EU level through their own Brussels offices, their lobbying organisations like ASD* or EOS*, friendly think-tanks like Friends of Europe*, and possibly consultancy firms.

The fact that many MEPs say they have never been approached by the defence industry itself is contradictory in name only. The truth is that it does not need to do so:

In parallel to ad-hoc opportunities like the EP study we mentioned previously, the security and defence industry has a privileged entry point in the EP through the Kangaroo Group: it is an EP Intergroup* whose secretariat was run by the lobbying association ASD for several years until it had to stop after criticism sparked. MEPs that are members of this Kangaroo group regularly meet with the industry, are conveyed to high level events about EU defence policies and

are the initiators of the first EP proposal for a Pilot project on defence research in 2013; today they continue to be the main players as Rapporteurs, shadow rapporteurs or 'expert MEP' on the EC proposals in favour of the arms industry; as such they have a key influence on the decision process within the Parliament and often participate in trilogues*. Not to say about the national level again, that largely determines MEPs positions regarding defence.

related information:

['Securing profits, how the arms lobby is hijacking Europe's defence policy'](#), B. Vrancken, Vredesactie, October 2017

['NeoConOpticon, the EU Security-Industrial Complex'](#) (2009) & ['Market Forces: The development of the EU Security-Industrial Complex'](#) (2017), Reports from Statewatch and TNI

[Arms Industry Lobbying in Brussels](#), CEO Infographic, December 2017

[Register of EU Commission Experts groups and other similar entities](#)

[ASD website, position papers related to EU defence policy and funding](#)

13. what is the role and influence of civil society and peace groups such as ENAAAT?

The short answer

In contrast, few civil society organisations are following this complex issue in-depth and conducting a critical analysis of the proposals; and the ones who do so are lacking the resources needed to balance the over-influence of the industry. Besides, time is short: the current proposals are being discussed and adopted in an 'accelerated' procedure leaving little space for a proper debate; and once the Defence Fund will be in place it will be extremely hard to stop it even if proven inefficient.

Thus it is crucial that citizens, journalists, researchers and academicians, as well as political decision-makers are informed, engage and make their voice heard if they disagree with the path taken by the EU (Q30).

Read more

Civil society organisations (CSOs) working on peace and transparency are lacking the resources to counterbalance the arms industry spider-web: they are usually understaffed and underfunded, this issue is only one among many files part of their mandate, and it is a complex one at the nexus of corporate lobbying, industrial policies and interests, peace-making and security and defence policies.

It is thus very difficult for one organisation to have an in-depth knowledge of all these areas combined and they lack the human and financial resources to research the issue, to conduct EU level advocacy, and to campaign for awareness-raising of the public all at the same time.

So far ENAAAT, with its 0.66 FTE permanent staff, has been the main organisation following the developments about EU subsidies to the military industry and trying to raise an alternative voice at EU level. It also works in cooperation with other organisations that have expertise in some of the related areas, namely transparency organisations and peace organisations.

Together with the citizens' movement WeMove.eu, ENAAAT launched a petition to raise awareness among EU citizens, which gathered +142'000 signatures so far. Another example of citizens' interest is the success of our call to submit comments on the EDIDP under a quite obscure 'consultation' possibility named "have your say": despite a bad timing (deadline for submitting comments on august 7), a late warning to our supporters and a not user-friendly procedure, more than 4'000 citizens posted critical feedbacks against this legislative proposal. So far the best feedback rate that the EC could get through this tool was 260 responses.... However both the EC and the European Parliament have been playing down the importance of those feedbacks and limited the information circulating about it.

Hopefully this online information tool will now become a major tool of the 'noEUmoney4arms' campaign. Indeed we are convinced that a larger audience needs to be informed about the real motivations and expected impact of the current proposals: progressive MEPs, journalists, civil society actors and EU citizens at large must be able to

understand what is going on and tell whether they agree with a military-industrial complex increasingly shaping major EU policies and benefiting from taxpayers' money.

related information:

[WeMove-ENAAT Petition "EU: Don't invest in weapons", + 142'000 signatures so far](#)

[NoEUmoney4arms Facebook page](#)

[4,000 citizens expressed their concerns on the EDIDP legislative proposal](#)

[Researchers for Peace Action](#)

Follow us on Twitter: @_ENAAT - #noEUmoney4arms

PART II: ECONOMIC & INDUSTRIAL ASPECTS: WHY IS THIS NOT GOOD FOR JOBS AND GROWTH?

14. What are the economic and industrial arguments put forward in favour of the European Defence Fund?

In a nutshell, the main economic and industrial arguments put by the EC when presenting its plans to fund military R&D under the European Defence Fund are savings and contribution to jobs and growth:

- the lack of cooperation between MS is estimated by the EC to cost annually between €25 billion and €100 billion because of lack of competition, costly duplication, lack of interoperability, technological gaps, and insufficient economies of scale
- this would largely be due to the fact that 90% of the research and 80% of the defence procurement is run on a pure national basis
- a spill over effect on European economy is expected: the defence sector is presented as a key industrial sector generating a turnover of €100 billion every year and employing directly or indirectly 1.4 million highly-skilled workers in Europe
- military research is considered the main driver for innovation that further lead to civilian applications to the benefit of all (typical example being the internet or GPS technology)
- it is thus important to support the competitiveness of the defence industry with a specific attention to SMEs, and including its capacity to export

In the following questions we will check with concrete elements to which extent those assertions are true.

related information:

EC communication '[Towards a more competitive and efficient defence and security sector](#)' 24.07.2013

The EC Defence Action Plan: [Press Release](#), [factsheet](#), [EC Communication on the EDAP](#)

European Defence Fund: [Press Release](#), [factsheet](#), [EC Communication Launching the EDF](#)

15. How is the military industry receiving a preferential treatment?

The short answer

It is a preferential treatment first because the EU has been regularly refusing new budget lines claiming that the budget was too tight, but managed to find €590 million for the arms industry (Q3).

Second, despite Horizon 2020* general rules that are already quite favourable to profit-making beneficiaries of EU funding, in particular under the Security Research Programme (Q9), the arms lobbying is still claiming for an even more favourable treatment such as a flat-rate higher than 25% (Q9) or more favourable Intellectual Property Rights* rules (Q10).

Last but not least, the arms industry is also benefiting from an important public support at national level through different ways like infrastructures, publicly-funded research or public procurements; but in parallel they try to avoid national taxes by settling empty shells in 'fiscally advantageous' countries such as the Netherlands, and benefit from exception to usual free competition rules, in particular regarding public procurements and compensation deals (offsets).

Read more

Adding to the privileged treatment they are about to receive at EU level (Q9 & 10), the arms industry has also been receiving preferential treatment at national level for long through a number of channels:

as all companies, they use infrastructures paid for by taxes;

- their products are also paid for by taxes, as the lion share of what arms companies produce is bought by

governments (EU MS but also third countries which are, for many of them, partly financed by European development aid thus freeing part of their national budget for defence expenditure);

- last but not least, much of their research and development is already subsidized by governments or done in cooperation with publicly funded universities and/or research institutes;
- they increasingly benefit from innovations produced by civilian research also partly publicly funded (Q18).

On the other side, defence industry does not seem to be “playing the game” when for example they practice tax avoidance: a 2015 Dutch report shows that 7 of the of the 10 biggest global arms companies have nearly empty legal structures in the Netherlands, and one-third of the hundred biggest military companies turned out to have one or more holdings in the Netherlands (for example, Airbus and BAE Systems); the major reason for this being that the Netherlands has a “highly competitive fiscal climate” and is a favourite for tax avoidance, as stated by the European Parliament itself in a 2013 Report. A concrete example shows that this is common public practice: in 2015 the French land armament Nexter and the German land armament company KMW seek to merge; for this a holding, KNDS, is being set in the Netherlands and owned 50% by the French government and 50% by a German stakeholder; KNDS in turn owns 100% of the French and German companies.

Under EU law, national public procurements should be open to other European companies, except for arms...

Under the EU internal market rules, Member States have to open public procurements to all European companies and cannot favour national ones. However the EU law on procurements does not apply to arms-related procurements. In 2009 the EC adopted a specific Directive to encourage more transparent EU-wide competition in arms-related procurements. However, 7 years later, the implementation of this Directive is extremely poor: only 20% of those procurements are open. And when they are, in most cases the contract is given to a national company. But the EC is extremely reluctant to raise the case for non-compliance against MS, although it is said to be crucial to combat the fragmentation of the EU defence market.

Arms trade benefit from a blanket exception to the WTO rules regarding offsets...

Offsets* are promises on the part of the supplying company to invest in the economy of the buyer, as a form of compensation. under the WTO rules, offsets cannot be a criteria in purchasing decisions, except for the arms deals... Offsets in arms trade represent 50% of the offsets globally, and are of particular important for European companies (Q19). They cloud and distort procurement decisions.

To sum up, the EU is to fund military R&D for a dysfunctional industry (Q16) that escapes traditional free competition rules and already benefits from massive public subsidies. In return, the results of the R&D and the profits generated by the sale of the final products will remain to the companies. If that is not privileged treatment, then what is it?

related information:

[European initiatives on eliminating tax havens and offshore financial transactions and the impact of these constructions on the Union's own resources and budget](#), EP study, Blomeyer & Sanz, 15/04/2013, PE 490.673

[Tax evasion and weapon production: Letterbox arms companies in the Netherlands](#), Stopwapenhandel in cooperation with the Transnational Institute, December 2015

[EC Evaluation of the Defence procurement directive](#)

<https://club.bruxelles2.eu/2017/09/le-mariage-kmw-nexter-knds-lairbus-terrestre/> (in French)

16. Is EU funding for military R&D crucial to preserve and create growth?

The short answer

when the Commission says that the defence sector represents €100 billion annual turnover, it forgets to explain what this represents in the EU economy: about 1.5% of the total turnover of the EU manufacturing sector only.

The production and sale of weapons and military equipment is not a 'normal' business, firstly because of its political and humanitarian consequences. But it is also an economically dysfunctional sector as it relies heavily on

public spending, protected national markets, corruption & bribery, offsets, and multiple form of arms exports subsidies (Q21): it is thus not an effective one to use for boosting a 'normal' free market economy. Investments in many other economic sectors would better contribute to growth and have positive societal impacts on top of it, like renewable energies or education.

Moreover, military R&D does not lead innovation any more (Q18) nor will it contribute to resolve unemployment (Q17).

Read more

The defence market represents a quite small share of the European economy, albeit differently weighed according to countries. Even experts in favour of the EU Defence Fund admit that “the EDTIB is rather small and unimportant in economic terms” (in Strategic autonomy and the Defence of Europe, p.55).

Apart from the question how ethical it is to use arms production as an economic instrument, there is little data on the impact of the defence sector on national economies, and the more recent academic literature is moving towards a more accepted, if not consensual, view: rather, military expenditure has a negative effect on economic growth:

In a 2013 study by defence economists J-P. Dunne and N. Tian, the entirety of existing literature on the subject (close to 170 papers) was reviewed. The results provide strong support for the argument that military spending has adverse effects, or at best no significant effect at all on growth.

Even when looking specifically at the military Research and Development (R&D) spending, the positive impact of such investments on employment and economic growth is not uncontested:

In a report initiated by the Sub-committee on Arms Trade of the Flemish Parliament, Dunne & Braddon concluded that it cannot be proven that investment in military R&D is a motor for economic development as there are so many other elements influencing the process. And that, if there is any effect, it is most likely a negative one because the 'spin-in' process from military to civil sectors has reversed: actually technology transfer from the commercial sector to the military sector nowadays is much more common (Q18).

Thus, military R&D has a negative 'distortion effect' on the economy as a result of 'crowding out' resources from the civilian research while the latter contributes much more to growth and jobs. The same distortion effect will happen at EU level: we already explained how the European Defence Fund will be diverting significant amounts of the EU budget from civilian areas (Q3).

Why is it so? Indeed it is a quite counter-intuitive situation in light of the huge amounts of money behind arms production and sales. There is a number of reasons for it:

- firstly military spending create (far) less jobs than similar investments in other sectors (Q17);
- it is a heavily subsidised economic sector (Q15), which in average costs more than it brings gains;
- this is true including for arms exports, which are also highly subsidised through different channels (Q21): despite impressive figures they are mainly a cost for the country rather than a gain;
- the European arms industry faces a number of 'obstacles' (compared to competitors like the US) that are not addressed by the Defence Fund, which rather preserves short-term national and industrial interests (Q19).

Thus, in order to try and compete with the US defense industry, European companies have to resort to alternative ways to propose attractive deals to potential costumers: that is offsets and bribery. Indeed the level of corruption and bribery is particularly high and widespread in arms sales including by Western companies, and offsets are also increasingly systematic in order to gain deals, which distort further the armament market. (to know more about bribery, corruption and offsets, read 'Indefensible' (Myth 5, p.117 onwards)

related information:

'Strategic Autonomy and the Defence of Europe, On the Road to a European Army?' H.P. Bartels, A.M. Kellner, U. Optenhögel (dir.), Bonn, Dietz Ed., 2017

The following studies have been accessed through the book '[Indefensible: 7 myths that sustain the global arms trade](#)' by P. Holden et AL. London, 2016:

- 'Military Expenditure, Economic Growth and Heterogeneity', Paul Dunne & Nan Tian
 - 'Defence and Peace Economics', Taylor & Francis Journals, vol. 26(1), pages 15-31, February 2015
 - 'Economic Impact of Military R&D', Flemish Peace Institute 200
- 'Militaire productie en Neerlands welvaren De relatie tussen economie, militaire industrie en kennisinstellingen'. Dr. E.J. de Bakker en prof. dr. R.J.M. Beeres Militaire Spectator 12/2016

17. Is EU funding for military R&D crucial to preserve and create jobs? What would happen to jobs without this funding?

The short answer

Not at all: when the EC says that the defence sector employs directly or indirectly 1.4 million workers in the EU, it forgets to explain that this represents less than 1% of the total EU workforce!

And because of the shortcomings of this dysfunctional sector we exposed previously (Q16), investments in the defence industry creates fewer jobs at a higher cost than any other economic sector. To add to this, investments in military R&D in particular rather shift jobs from the civilian to the military, as Europe already lacks highly-skilled workers in engineering or technological research.

Besides, workers from the military sector have the necessary skills to retrain for jobs in other economic sectors, like renewable energies.

Read more

The arms sector does create jobs of course, although it represents a tiny share of total employment; but because of the important public funding it receives, it still creates fewer jobs at a higher cost than any other economic sector:

- A 2011 US study from the University of Massachusetts compared the impact of defence spending on job creation against the estimated cost of job creation in 4 civilian areas: health, social care, education and green economy. The results clearly showed that all 4 areas create more jobs per \$1bn than the defence sector. Among the main reasons for this lower job creation rate is the lower labour intensity level of the defence industry, and the expensive highly mechanized and substantial industrial inputs needed, as well as the import-heavy nature of the industry.
- And UK studies suggest that even defence exports have a deflationary impact on employment, there again due to the use of enormous public subsidies including national procurement (Q21). Halving defence exports would in fact raise employment as the resources freed would create a higher number of jobs than the ones lost.

Investment in military R&D does not create more employment but rather a shift from the civil to the military sector:

In a report initiated by the Sub-committee on Arms Trade of the Flemish Parliament (2008), Dunne & Braddon concluded that military R&D has a negative 'distortion effect' on the economy as a result of 'crowding out' financial and human resources. The same effect is recently reported more specifically for the Netherlands by De Bakker and Beeres.

Not to say about the export of manufacturing capacities, from production goods or technology up to on-the-shelf plant productions in non-EU countries (in particular as offsets* part of arms export deals, Q16): in some cases, if not systematically, this limits the actual creation of jobs in the EU when the transfer happens in a country with a wide enough industrial base, capable to 'capture' the transfer in the long-run.

To add to this, investments in the military R&D benefits technically high-skilled workers who happen to be mostly male. At the same time women are under-represented in the EU workforce. According to Eurostat Employment Statistics the 2015 EU employment rate for men aged 20–64 stood at 75.9%, as compared with 64.3% for women. Investment in military R&D will not create employment for the group that most needs it. One could say that investment in military R&D is gender-biased investment.

Funding reconversion of military sector workers:

If the EC and Member States' main concern is jobs then they should be shifting that support into more positive areas like education, health, renewable energy and low carbon technology, agroecology research, waste recycling and other industries which would create more jobs and have a positive impact on societal issues, rather than depending on war and conflicts for profit.

And because the armament sector mainly employs skilled workers, the latter could easily convert to help fill these new needs in other industrial sectors: for example, a research from Campaign Against Arms Trade in the UK shows that the renewable energies sector requires similar skills like electrical engineer, mechanical engineer, marine engineer or project manager, and that off-shore wind and marine energy could create more jobs than the entire arms industry. All this while addressing a major global challenge and an important root-cause of conflicts.

related information:

[‘Arms to renewables; work for the future’](#), Campaign Against Arms Trade UK, 2014

‘Strategic Autonomy and the Defence of Europe, On the Road to a European Army?’ H.P. Bartels, A.M. Kellner, U. Optenhögel (dir.), Bonn, Dietz Ed., 2017 (p.63 about offsets and transfers)

‘Militaire productie en Neerlands welvaren De relatie tussen economie, militaire industrie en kennisinstellingen’, Dr. E.J. de Bakker en prof. dr. R.J.M. Beeres, Militaire Spectator 12/2016

The following studies have been accessed through the book [‘Indefensible: 7 myths that sustain the global arms trade’](#) by P. Holden et AL. London, 2016:

- ‘The US employment effects of military and domestic spending priorities: 2011 update’, Robert Pollin & Heidi-Garret-Peltier, Amherst, MA: Political Economy Research Institute, University of Massachusetts
 - ‘Escaping the subsidy trap: why arms exports are bad for Britain’ Paul Ingram and Roy Isbister, British American Security Information Council, Saferworld and Oxford Research Group, London and Oxford, 2004
 - ‘The economic costs and benefits of UK Defence exports’, Malcom Chamlers, Neil V. Davies, Keith Hartley and Chris Wilkinson, Centre for Defence Economics, University of York, 2001
- ‘Economic Impact of Military R&D’ Dunne & Braddon, Flemish Peace Institute, 2008

18. Is EU funding for military R&D crucial to innovation?

The short answer

Once again this is a specious argument: the military sector is not driving innovation. This may have been the case during the Cold War (although this can also be challenged), but nowadays technology transfer from the commercial sector (like robotics, big data or artificial intelligence) to the military sector is much more common and at lower costs because of more opportunities for economies of scale.

Referring to this out-of-date argument to justify EU funding for military R&D* is not only a way to mislead citizens with alleged benefits for them, but also an attempt to hide the reality: arms companies want to preserve their profits to the benefit of their shareholders rather than investing in R&D*.

What is not said either is that the accelerated pace of innovation will result in a never-ending cycle of military spending to maintain competitiveness and strategic autonomy (Q23), in order to compensate the export of this new weaponry to non-EU actors (Q26).

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“Thanks to the military we have the Internet”: we are being told that over again. But reality is a bit more complex, as it is often the case. The first ideas of an ‘Internet concept’ have been produced by civilian researchers, and while the military put that into action, computer scientists and companies then played a key role in turning it into the modern Internet we use today in civil life. Moreover, a major reason why military research has been successful, in this and other similar cases, is the huge amount of money it received. Sufficient funding in civilian research would most probably have equally led to the Internet as we know it today. Moreover, for one successful project how many multi-

billion ones completely failed, like the US so-called Stars Wars plans?

While the contribution of the military research to some of the major innovations of the Cold War period is a reality, it should not be overestimated either. And the same results may have been more efficiently reached if the research was done for civil purposes in the first place.

Today, experts and even the European Defence Agency* recognize that there is a shift in the research process: civilian research is increasingly providing for the technological progress to be then used in military applications. In this way the arms industry is also benefiting from the results of civil research partly funded with public money.

The EP study “the future of EU defence research” (2016, p.39-40) explained further that “the centre of gravity in cutting edge military applicable research is shifting abruptly away from the defence establishment to relatively new commercial firms wit loads of cash to invest. (...) Indeed international commercial corporations are taking the lead over defence industries. The defence sector (...) is nowadays becoming an importer of the technological advances taking place worldwide. (...) The changing technological environment is reshaping the entire Western defence industry. As a matter of fact, there are no defence companies among the top 20 industrial research and development spenders worldwide. (...) This position has left defence firms reluctant to jeopardise the support of their stakeholders by allocating cash to fund defence R&D”. [emphasis added]

In other words, the defence industry asks the EU and Member States to pay for the research so that they can keep their profits safe for their shareholders (shareholders make the largest part of an industry stakeholders and the ones more interested in preserving available cash).

A last point is about life-cycle and endless spending for new technologies. As the EP study says, “robotisation, big data and artificial intelligence are now widely recognised as defence disruptors. (...) defence customers will have to adapt to much higher innovation rates and to potentially shorter life-cycles for equipment”. Indeed “defence industries will have to incorporate such innovations in their products or gradually lose relevance as suppliers for western militaries which base their military strength to a large degree on technological superiority” as underlined by Chagnaud, Mölling, Schütz & von Voss.

As a consequence, this accelerated pace of innovation will result in a never-ending cycle of increasing military spending to maintain alleged competitiveness and strategic autonomy (Q23), as the rules applying to Intellectual Property Rights (Q10) and to arms exports (Q20 & 26) will favour the dissemination of these new weaponry and technologies outside the EU, with high risks in terms of end-use or end-users diversion.

related information:

'The Future of EU Defence Research', by F. Mauro & K. Thoma for Policy Department, DG External Policies, European Parliament, March 2016

'Indefensible: 7 myths that sustain the global arms trade' by P. Holden et AL. London, 2016, (Myth 4, p;83 onward)

Chagnaud, Mölling, Schütz & von Voss in 'Strategic Autonomy and the Defence of Europe, On the Road to a European Army?' H.P. Bartels, A.M. Kellner, U. Optenhögel (dir.), Bonn, Dietz Ed., 2017

19. What problems is the European military industry being faced with and will they be resolved by the European Defence Fund?

The short answer

Comparing with non-EU competitors, the main challenges of the European military industry are small national markets, industrial duplication, lack of economies of scale through joint research, production and procurements, and lack of transparency of national armament markets and procurements.

The European Defence Fund does not resolve those problems as they mainly rely on one reason: the lack of political will of Member States to play the game of the common interest. Responding seriously to those challenges would severely undermine short-term national industrial and political interests and no government is ready to put citizens' interests above that.

EU funding might rather increase duplication and industrial over-capacity by subsidizing companies that would otherwise not survive in a real 'free market'.

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The industry claims that it is facing a competitive disadvantage compared to international competitors, in particular American ones, but also new comers in the international defence market such as Russia, China, Brazil or Turkey.

One main disadvantage is the home defence market: American companies profit from a single defence market with a huge budget. The same can be said for China and Russia in terms of single market if not in terms of military spending: China is just behind the EU and Russia spends only about a third in military compared to the Eu28 (Q23).

However on that aspect Member States are extremely reluctant to take serious steps, as shown by the poor implementation of the Procurement Directive (Q15) that intended to bring some transparency and EU-wide competition in national defence procurement.

The industry may not have such interest in a single European defence market either, as this would mean more competition within the EU, and thus pressure on prices and the elimination of national companies that are duplicating and less competitive: they prefer to have the cake and it too, e.g. access to protected national markets which helps maintaining artificially higher prices and to EU funding at the same time, in order to preserve profits.

But at least this single market should be in the interest of Member States, no? Again it depends of the point of view: firstly national industries have very close ties with political leaders and the latter will prioritize the economic interests of their national military industry, allegedly in order to preserve national jobs (Q17) and growth (Q16). Secondly, at political level there is no mutual trust between MS to go for a common European strategic autonomy, something that we will explore further in Q23 & 24. And for some countries like France, national military power is also a geopolitical priority.

Thus for the Member States too, it is more advantageous to dig into the EU budget pot: they can claim that they are responding to citizens request for more EU involvement in defence, while in fact they are just preserving their national political and industrial interests. Interestingly, this directly contradicts the stated objective of improving military capabilities (Q24) and strategic autonomy (Q23).

Regarding economies of scale, there is huge space for progress in the field of joint funding for research, development, production and final procurement. However for the reasons mentioned above, to the contrary when less money is available for military spending, even less is spent jointly! The EP study shows that from 2006 to 2013 when defence budgets shrunk in EU countries, collaborative projects in R&T* shrank proportionally even more! This demonstrates that decisions in this field are not rational ones.

The European Defence Fund will not change the mindset as Member States remain in the driving seat with the industry closely associated. As an illustration, under the EDIDP* draft proposal, an eligible consortium needs 3 companies from only 2 different EU countries, which in fact corresponds to existing practices; there is no specific EU added-value in this regard. Moreover, one of the main points under discussion is the strict definition of and limitation to EU companies proposed by the EC that many MEPs consider as too restrictive and compelling, and they call for an access to 'allied non-EU countries' like Norway and soon the UK, but also Israel, Turkey and even the US.

The case is that western military industry is facing exactly the same economic cycle as many other industrial sectors before (coal, textile, ...): the decline of their dominant position worldwide. Not only 'ambitious' countries like China or Russia, but also recently emerged wealthy countries like Brazil, Turkey, South Korea or India want both to decrease their dependency on western-made weaponry and to have their share of the pie, e.g. the lucrative international defence market. Pouring EU money into the European industry will at best preserve a bit longer industrial profits at the expenses of peace (Q27) and civilian priorities (Q3 & 25), when a radical structural shift would be needed.

Lastly, the industry also claims to be at competitive disadvantage because of European rules regarding arms export controls; we will explore this issue from an industrial point of view in the next question (Q20), and from a political point of view in Q26.

related information:

EC communication '[Towards a more competitive and efficient defence and security sector](#)' 24.07.2013

EC Communication on a [European Defence Action Plan](#), 30.11.2016

'[The Future of EU Defence Research](#)', by F. Mauro & K. Thoma for Policy Department, DG External Policies, European Parliament, March 2016

[Europe faces defence spending challenges: new plans meet old obstacles](#), Politico (14.12.2017)

20. How will this Fund increase arms exports outside the EU? Will the EC be able to control the export of EU funded products?

The short answer

Actually the European Commission has repeatedly said it in different documents, including the legislative proposal for a Defence Industrial Development Programme (Q7): one expected result of it is to strengthen the arms industry capacity to export outside the EU; but in parallel no concrete mean is provided to the EU to control what will happen with EU-funded products, as the results will be owned by the industry (Q10) and the Member States will still decide about arms exports authorizations (Q26)

The European military industry is heavily depend on exports, and because of that it is also closely following and taking any opportunity to influence the European legal frame towards easing exports. Thus a proper evaluation of the components of the European Defence Fund needs to take this aspect fully into account, as increased arms exports will contradict the stated objective of strategic autonomy (Q23) and have a serious negative impact on peace worldwide (Q27).

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Because of the situation we described previously (Q19), the European armament industry is suffering over-capacity compared to the needs of 28 fragmented national markets. Thus it makes a large share of its business outside the EU: in 2015, 82% of the EU arms export licences* were issued for non-EU countries (excluding also Switzerland and non-EU Nordic countries). From 2012 to 2016, the EU28 collectively was the second largest arms supplier in the world, making 26 % of the global arms exports after the USA (33 %) and before Russia (23 %).

It would sound logical to try and remedy this dependency on arms exports, and thus dependency on major clients such as Saudi Arabia, as a way to increase EU economic and political autonomy. However this is not the way forward taken by the EC and the Member States, to the contrary:

In its 2013 communication, the EC already included 'competitiveness worldwide' as a key element of its strategy. In 2017 it is even clearer: the draft proposal for the European Defence Industrial Programme (EDIDP*) lists in its expected results "having a positive effect on exports".

So far arms exports are a national competence and the EDIDP draft proposal fully preserves this sovereignty (in its recital 9). Considering the industrial bias of the EC, we would not call for a role of the EC on arms export control. But from the point of view of the EU, it is incoherent to pay with one hand and ignore what the other hand will do with the final product.

Still from an industrial point of view this is the best solution as the rules applying to arms exports are inconsistent across the EU despite the EU Common Position on arms export controls* (Q26). Exporters can thus take advantage of the loopholes and of less restrictive national frames. This practice is favoured by the second EU directive dealing with arms, the 2009 Transfer Directive.

This Directive facilitates the transfer of weapons and military equipments within the EU, and in principle allows a Member State to apply restrictions to the re-export outside the EU of a component or equipment previously transferred within the EU. Despite this principle, the Directive already had a negative impact on the Member States capacity to fully control the re-export of components, and thus their final destination and use.

Furthermore, the industry has been largely consulted in the 2016 evaluation of this Directive, and is now involved in the discussions to “improve” its implementation in 2 areas that are problematic from an export control point of view: the definition and listing of 'less sensitive goods and components' as well as a list of 'safe countries' for which there should be no restriction to re-exports. In both cases, behind technical considerations, what is at stake is the capacity of Member States to keep control on the final destination and use of the weaponry they produce, and in parallel the opportunity for the industry to legally take advantage of the loopholes of 28 inconsistent national arms export controls, a practice that would help them align with US standards.

You may think that we are getting quite far from the European Defence Fund? Not so much: what will happen with the outcomes of military R&D funded through the Defence Fund will very much depend on the frame regulating arms exports. And it is for a good reason that the arms industry is following these 2 processes in parallel: their strategy is being fully coherent contrary to the EU one. Except if they have the same goals...

related information:

[draft Regulation setting the European Defence Industrial Development Programme \(EDIDP\)](#)

[EP Report on arms export: implementation of Common Position 2008/944/CFSP \(2017/2029\(INI\)\), 18.07.2017](#)

[EU Directive on intra-EU transfers of defence related products](#)

[ENAAT position on the Transfers Directive](#)

[ASD Position Paper on the European Defence Action Plan](#)

21. Will the current proposals of EU funding for military R&D lead to savings?

The short answer

Not at all, quite the contrary. While official promotional messages claim that the lack of cooperation costs annually between €25 and €100 billion, in reality both the EC and Member States made very clear that the EU funding should not be a substitute to national spending, but rather an add-on. Moreover, in July 2016, 22 EU Member State took the political commitment within NATO to increase their national military expenses to 2% of their GDP*, with a special emphasis on reinforcing capabilities.

To add to this, as the defence sector is a dysfunctional one as we demonstrated before (Q16), and as the European Defence Fund does not resolve its structural problems (Q19), this extra EU funding will rather increase the cost of military equipments. And strengthening arms exports will not help reduce those costs either: in fact Member States rather subsidize exports to the profit of the companies.

There is a general trend to increase military spending (Q29) as an easy visible answer to complex challenges, and the EU move to fund military R&D is sadly contributing to it.

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Again intuitively, one would indeed think that spending jointly would enable to spend better, and thus in the end spend less for a similar or better result. But once again the defence sector works differently than normal economy:

Firstly while 'more competition' usually means less state-aid for a sector under the belief that free market will automatically lead to better products at lower costs, surprisingly for the defence sector it is the contrary: for more competition there should be more public funding...

Second, as described previously (Q15 & 16), the military sector is a dysfunctional one. Massive public spending, protected markets, bribery and offsets practices are all factors that contribute to maintaining the costs of military equipment artificially high: because of lack of free competition on the one side, and on the other because the cost of offsets and bribery is anticipated and integrated into the final price of military goods. A 2012 Belgian study found that offsets increase the price of a defence purchase by up to 30%. Hence, pouring more public money into military R&D without resolving those structural failures will only further nurture this vicious circle.

But would not that be compensated by the exports that would enable to share the costs of development and production?

This is indeed a common argument that arms exports save national defence money through lower unit costs for national procurements. But the reality is slightly different: national governments are favouring their national industry including when their products are more costly than foreign competitors, and are rather subsidising arms exports through national spending. A 2016 study from the Stockholm International Peace Research Institute (SIPRI) and the Committee Against Arms trade (CAAT UK) put the public cost of arms exports at more than £100 million per year.

Examples of how the UK government subsidizes arms exports are: the UK Trade & Industry Defence & Security Organization, the Defence Assistance Fund, other government support, e.g. lobbying by Prime Minister, the net subsidies for Export credit Guarantees, the distortion of UK procurement priorities to help exports. And in most countries exporting weapons you will find similar examples.

And that is exactly what the EDIDP will do: indeed EU funding for the development phase of military goods or technologies will be conditional to the commitment by Member States to procure the final products. Once again, the costs will have been largely paid with public money before the exports, whose benefits will remain to the supplying companies.

A general trend to increase military spending as an easy visible answer to complex challenges

Last but not least, the EU funding is part of a general trend for a drastic increase of military spending in Europe: EU Member States that are member of NATO have committed to increase their national military expenditure to 2% of their GDP with a special emphasis on capabilities, in the July 2016 Warsaw agreement. Although it is a non-binding political commitment, this is often presented to the public as an 'obligation'. Concretely, it would imply in average a 30% increase of the military spending for EU Member States compared to 2014, but for some countries more than doubling their military spending! Most EU Member States have now started to increase their national military spending and a growing number are about to reach the 2% threshold. And a similar call has been integrated in the recently agreed Permanent Structured Cooperation (PESCO*) insisting particularly on dedicating the 20% of this spending to defence investments expenditure (see annex).

Once again it seems that simplistic messages are sent to the general public with the support of complacent or lazy mass media. Meanwhile all political leaders know very well that the European Defence Fund will not lead to savings at all, but to the contrary will contribute to a radical increase of military spending in Europe.

related information:

'Special treatment: UK Government support for the arms industry and trade', SIPRI-CAAT UK report, November 2016

PESCO Declaration and its annex

Europe faces defence spending challenges: new plans meet old obstacles, Politico (14.12.2017)

PART III: POLITICAL AND ETHICAL ASPECTS: WHY IS THIS NOT GOOD FOR PEACE?

22. What are the political arguments put forward in favour of the European Defence Fund?

In a nutshell, the main political arguments put by the EC when presenting its plans to fund military R&D under the European Defence Fund relate to so-called European strategic autonomy. In particular, it is claimed that:

- the EU is dependent on NATO, e.g. on the US, while the latter have made clear that “they want Europeans to do more for their own defence”
- the EU is losing its leadership role in terms of cutting-edge technologies and equipments because it does not spend enough on military R&D and because 90% of the research is conducted at national level
- despite spending half as much as the US on defence, the EU is not half as efficient, including regarding the deployment capacities of EU armed forces, in particular because:
- there is a high level of duplication of systems in use, the EU having 178 different types of weapons systems compared to 30 in the US (17 tanks versus 1, 29 destroyers/frigates versus 4 or 20 fighter planes versus 6, etc.)
- moreover there is a severe lack of interoperability between those weapon systems
- EU citizens are expecting the EU to protect them from the growing international tensions, and in particular from the worsening security situation in Europe's neighbourhood.
- The EU is chiefly a 'soft power' but needs some hard power too (e.g. integrated defence capacities) to be more efficient in promoting peace

In the following questions we will assess, with concrete examples, the extent to which these challenges are being addressed by the European Defence Fund and whether it will contribute to peace and thus to EU citizens' security.

related information:

EC communication '[Towards a more competitive and efficient defence and security sector](#)' 24.07.2013

The EC Defence Action Plan: [Press Release](#), [factsheet](#), [EC Communication on the EDAP](#)

European Defence Fund: [Press Release](#), [factsheet](#), [EC Communication Launching the EDF](#)

23. Will the EU Defence Fund secure European strategic autonomy?

The short answer

Not at all under the common understanding of strategic autonomy (e.g. the capacity to defend itself with sufficient, appropriate and interoperable weapons systems, and a certain level of 'technical superiority' or 'exclusivity' over its potential enemies). This is because the Defence Fund does not resolve the main structural challenges of a collective European defence, quite the contrary:

First, it pours in more money without resolving duplication of weapon systems, as no EU country will be willing to give up its own systems (and industry) in favour of the neighbour's one.

Second, the European ownership of the funding and of the R&D results, including new weaponry prototypes, is not guaranteed.

Third, it does not put any restrictions on the exports of the new EU-funded technologies. Knowing that 80% of the EU arms sales are exported outside the EU (Q20), any potential “leadership gain” will be very short-term and would need a never-ending cycle of growing spending in military R&D.

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Duplication of weaponry is considered a major challenge of European Defence, coupled with the lack of interoperability. Logically any initiative to resolve this challenge should thus aim at reducing the quantity of different

types of weapons systems and make them interoperable by choosing a reduced number of platforms.

Concretely this would mean suppressing about 2/3 of the existing systems in Europe and making the remainder compatible: Some EU countries should thus stop producing, selling and using the abandoned ones, and instead they should buy the systems produced by some others and be dependent on the platforms provided by others.

We already mentioned that for industrial reasons no EU country is ready for this (Q19), and politically, mutual trust among EU countries is lacking for more than a marginal effect (Q24): the few European military powers like France will never accept to jeopardize their own national strategic autonomy for the common good, while smaller countries do not want to become too dependent on France or other 'big' EU countries.

And pretending that the added layers of 27 national strategic autonomies will make a European one is not credible either: the EU is not a military alliance and is far from an effective Europe of defence (Q24).

The European ownership is not guaranteed, both in terms of funding beneficiaries and ownership of result

If the EU is to pay for military R&D, logically EU citizens will expect that the ownership of the results and the related weapons produced will remain European, in order to guarantee our strategic autonomy in terms of cutting-edge capacities and 'superiority' over potential enemies. But again the reality is quite different:

Because the military industry is increasingly becoming international (not even European), it is increasingly difficult to define what is a European company; and the minimum threshold proposed by the EC in the Defence Industrial Programme (a beneficiary of EU funding should be established in the EU, owned more than 50% by an EU Member States or an EU national, and effectively controlled by it either directly or indirectly) is already contested as 'too complicated' or 'too compelling'. We remember that under the Security Research programme, the Israeli security industry can access EU funding and use EU-funded results for surveillance and security policies in Palestine, to be then exported.

Thus military R&D results could very well end in the hands of non-EU companies, either that they would directly access EU funding or because they will access them after the project as a branch or partner of an EU company. In this regard the Intellectual property rights regime (IPR*) of the Industrial Programme (EDIDP*) and the Preparatory Action (PADR*) are not sufficiently protective (Q10).

EU-funded cutting-edge equipment and technology will be sold abroad, including to 'threatening countries'

Last but not least, a major contradiction to the declared objective of European strategic autonomy is the issue of arms exports. Arms export controls will remain a national sovereignty (Q26), and in 2015 80% of European arms sales were exported outside the EU. Moreover boosting arms exports is an 'expected positive result' of the EDIDP*.

Thus it is very likely that a large share of the EU-funded results and weapons will end up in non-EU countries, in particular from the middle East (40% of the EU exports in 2015). Not only this has a significant negative impact on peace (Q27), but more prosaically this also contradicts the declared objective of strategic autonomy, as our new high-tech weapons will sooner than later end in untrustworthy hands, be they governmental or non-governmental. And exports can also include transfer of manufacturing capacities (either directly or as offsets) e.g. production goods and technologies to non EU countries: in other words EU-funded new military systems could be at some point produced and controlled by non-EU countries, including major competitors (Q19) or future 'enemies'.

This sounds quite irresponsible, no? which country could do so?

Well, ironically, the Commission itself identifies Saudi Arabia as one of the main 'serious competitors' of the EU, with Russia and China, for having upgraded its defence sector "on an unprecedented scale" (COM(2016)950, p.3): let's remind that the Saudi military capacity is largely a European-made one, the Kingdom being in average our client number 1 for military equipments over the last decade...

Another striking example is the aborted sale of French Mistral warships to Russia: it is only under strong peer pressure after the Russian invasion of Crimea that France finally cancelled the deal (and once an alternative was found). If Russia had attacked Crimea a few months later, it would now own French-made warships, at a time when Russia is presented as one of the major threat to justify this EU militaristic path... Generally speaking, France is

known (and criticised) for making a good part of its huge armament deals by accepting to export sensitive or cutting-edge technologies that its western partners are more reluctant to give away.

related information:

<https://club.bruxelles2.eu/2017/09/le-mariage-kmw-nexter-knds-lairbus-terrestre/> (in French)

[EC Communication on the European Defence Action Plan](#) (COM(2016)950)

'Strategic Autonomy and the Defence of Europe, On the Road to a European Army?' H.P. Bartels, A.M. Kellner, U. Optenhögel (dir.), Bonn, Dietz Ed., 2017

24. Will the EU Defence Fund pave the way to a full Defence Union or a military alliance?

The short answer

To this question any sincere person should answer... that she/he can't tell. And this is a pretty worrying situation: in fact there is no pilot in the fighter jet, or 'at worst' there is only a co-pilot, called industry.

If a formal military alliance similar to NATO is probably to be excluded for the time-being, there is no vision either about what an EU of Defence is to look like. The risk is that military capabilities are to be developed out of a shared vision of threats and strategies while the key question is when, where, for what purpose and by whom will those capabilities be used; because sooner or later they will be, either under the EU flag or by EU countries according to their national geostrategic interests and for military operations abroad.

Claiming that the European Defence Fund is the path to a Common Defence policy in the interest of EU citizens is a misleading message to justify subsidies to the arms industry and the development of weaponry that will aggravate international tensions rather than contribute to peace (Q27), and a good number of which will even be exported to non-EU countries (Q26)

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You are feeling confused by contradictory information, some claiming that the EU of Defence is almost a reality, others denouncing a conspiracy to destroy national sovereignty and impose a European army, and in between a variety of lukewarm opinions considering that the bottle is either half empty or half full... Well do not worry, the truth is that nobody really knows and that each actor involved has its own agenda and vision. This involves not only each of the 28 Member States but also the European Commission, the industry and probably NATO too... No need to say that amid this battle the genuine interest of European citizens has been lost from sigh for long.

A formal military alliance competing with NATO is the least probable scenario?

There is still a huge gap between funding the arms industry and building a formal military alliance. Besides, many European countries (from Eastern Europe but also Nordic states) still trust much more the US and NATO than their European partners, and would fiercely oppose anything close to an alternative alliance. If in the current context a formal European military alliance seems to be excluded, still an unexpected event can radically change the picture; More certainly, the EU funding will serve to reinforce the military capacities of European allies within NATO. For a number of EU states, this is largely sufficient to justify digging into the EU budget. As of now, the military cooperation being put in place is mainly capacity-oriented in close cooperation with the industry, to its main benefit.

From a strengthened military cooperation to an EU of defence? For the time being national interests still prevail...

Many supporters claim that the EU Defence Fund and the recently adopted PESCO (Permanent Structured Cooperation*) pave the way to an EU of Defence. However there is still no common understanding of what an EU of Defence is, and Member States still privilege their national interests and industry (Q23); to add to this, the current EU foreign policy is more about compiling different, and in some cases, contradicting visions rather than a shared vision and ambition about threats and strategies, while it is supposed to be the political guidance of a common Defence policy. An instructive recent example comes from the industrial merge between 2 land armament companies, the French Nexter and the German KMW, into a Dutch holding called KNDS: German politicians across the political

spectrum expressed concerns about the risk of a “French supremacy”, as this was the case in previous experiences including with Airbus, and the need to preserve German autonomy on key capabilities.

Still some aspects are clear: the industry will be the main beneficiary of this trend; the 'deployability' of EU military forces and equipments (e.g. the capacity to deploy them rapidly when deemed necessary) is becoming a priority (to avoid repeating the failure of the EU Battlegroups, never deployed since 2004); and an EU of Defence is not about defending the European territory, as this role is devoted to NATO (with European troops of course, as it is already the case today). Thus any EU of Defence would primary aim at military interventions abroad... Not sure this is really what citizens are expecting from the EU...

The main issue is indeed what will be done with these new EU-funded capabilities, and whether this will contribute to peace (Q27), be it under the EU flag, through ad-hoc coalitions or by individual member states.

What about the use of EU-funded military equipment? As a minimum, Member States will freely use EU-funded weapons according to their national geostrategic interests

In fact the crucial question is: who is going to decide when, where and for what purpose should European military capacities be used? The EU funding proposals under the Defence Fund completely ignore this issue and leave it to the Member States; considering the lack of common vision of the EU Foreign policy there is room for concern. Again let's take a concrete example to illustrate the situation:

France is very much willing to use the European Defence Fund to finance the development of the European drone MALE, and the countries involved clearly stated that they want to arm this drone: once put into service partly thanks to EU money, what will they do with this armed drone? So far they will be absolutely free to conduct drone strikes wherever it wants against whoever it wants according to its own interests. And the same for any European country that will procure this engine or any other EU-funded military technology and equipment. Not to mention the possibility to export this EU-funded weaponry (Q26).

'Economic incentives' to overcome the lack of political will?

A last argument is to pretend that starting from the bottom and putting the money first will “oblige” states to cooperate and will “naturally /spontaneously” lead to more political integration on Defence. But this not convincing either. The EU history demonstrated repeatedly that this does not work when political will is an obstacle: in the 80's, to face criticism about the high risks of fiscal and social dumping between Member States, the EU single market was also justified by claiming that once in place, this would ‘naturally’ lead to more social and fiscal harmonisation. Again 30 years later, limited progress has been reached, Member States are still not willing a social Europe and taxation remains a national competence; social and fiscal competition between EU countries is still a harsh reality.

related information:

on the KNDS holding: <https://club.bruxelles2.eu/2017/09/le-mariage-kmw-nexter-knds-lairbus-terrestre/> (in French)

<http://www.euractiv.com/section/global-europe/news/german-defence-minister-backs-european-armed-drone/Germany, France and Italy to build military drone>

[La ministre des-armées Florence Parly annonce l'armement des drones francais et du futur eurodrone](#)

[NATO allies battle for spoils of big spending](#), Politico, 09/11/2017

[Europe faces defence spending challenges: new plans meet old obstacles](#), Politico (14.12.2017)

25. Why does this represent a fundamental paradigm shift of the EU project? Could this lead to a wider 'militarisation' of EU policies?

The short answer

The European Defence Fund represents a serious paradigm shift in the sense that it aims to definitively cancel the red-line that made the EU a once peace-led project, e.g. not contributing directly or indirectly to military-related activities. And not only it starts funding the arms industry, but it does so by diverting EU taxpayers' money from civilian areas of work, as the EU budget is not increased in parallel.

But challenging this red-line started discretely 15 years ago by adopting a security approach to home affairs policies such as borders control, and benefiting the same industry. Today, the military sector is becoming a priority in a wide range of EU policies, from regional development to skills, education and transport (Q4), and influences the Foreign and Security policy towards an increasingly militaristic approach to face tensions and conflicts (Q27).

Read more

So far the EU was a civilian project in the sense that the EU as such (and its budget) could not take action on defence and military-related issues (Q11). However for some years already this red line was blurred through initiative in the security and dual-use areas, through which security and defence companies could already access EU funding (Q4).

A 1,000-fold increase of EU military spending in less than a decade contradicting the founding fathers' vision

On 9 May 1950, then French minister of Foreign Affairs Robert Schuman proposed to create “foundations for a common economic development as a first step to a federation of Europe, to change the destinies of those regions which have long been devoted to the manufacturing of war materials, of which they themselves have been the most constant victims.” Economic cooperation to prevent war was the original idea of the European Community, the predecessor of the European Union. An important element of this was to control and constrain the arms industry. But today the EU seems to have forgotten its origin. There is another wind blowing in Brussels, at the square that is named after Schuman. In recent years a great many initiatives have been developed to give the arms industry not less but more space and financial means.

Increasingly significant amounts of money will be diverted from civilian areas of work to the arms industry in an unprecedented move in terms of speed and growth: from a ‘tiny’ €1.5 million Pilot Project in 2013, the EU contribution should jump to at least €1.5 billion annually from 2021 (Q2): a 1,000-fold increase in less than a decade!! In comparison, the amounts devoted to the peaceful resolution of conflicts look ridiculous (Q28) and the 20-years old European Instrument for Democracy and Human Rights (EIDHR) is hardly reaching a pale €133 million annual budget. And a good number of other budget lines are being impacted (Q4), including external aid (see below). As Member States will most probably not increase their contribution to the EU budget, and adding the net loss after Brexit estimated to €10 billion annually, this will necessary and severely impact EU civilian programmes.

A wider militarisation of EU policies? At least a wide range of EC policies with a strong focus on ‘defence’, that is the armament sector

But the issue is not only about money, it is also a political one: the EC President Juncker made clear in his 2017 State of the Union address that ‘defence’ is now one of the main objectives of the EU to be mainstreamed in all EU policies. “For each portfolio we had to think about what we could do in our field” said Transport Commissioner Violeta Bulc on 10 November 2017. Defence is becoming a major priority in a widening range of issues (Q4).

The ‘hard’ approach has been influencing EU migration policies, in particular on border control, for over a decade now, already with an increasing involvement of the defence and security industry accessing related EU funding. Several reports describe this militarisation of EU migration policies.

And under the 2016 European Defence Action Plan a number of policies will now include the military sector as a priority (Q4) ranging from structural funds, regional policies, support to SMEs, the new skills Agenda including Erasmus+, and recently the Transport policy: as the military dimension is to be mainstreamed in these policies it will be increasingly difficult to track the support provided to the arms industry, thus accentuating this disturbing feeling of EU policies militarisation.

The arms industry is increasingly influencing EU external policies, including development aid

After digging into “business opportunities” in the EU funding for external actions for long, as described by ASD in its newsletters, the arms industry ultimately managed a breakthrough under the development aid, and this is probably just the beginning.

On 5 July, 2016, the European Commission made a new proposal to start EU support for the security Sector Reform (SSR) in ‘partner countries’ (in other words non-EU countries benefiting from EU development funds), also referred

to as “train & equip” activities, e.g. to bring direct support to armies of developing countries as part of the EU developments policy, under the rationale that “development is not possible without security”.

In practice, this “capacity building in support of security and development (CBSD)” will be funded under the financial instrument devoted to Stability and Peace, which should be extended to assistance to the military forces under “exceptional and clearly delimited circumstances” according to the EC press release. Possible activities listed are “training, mentoring and advice, provision of non-lethal equipment, infrastructure improvements and other services” in order to “address urgent short-term as well as medium-term needs in the context of the achievements of sustainable development, i.e. stable, inclusive and peaceful societies.” Despite some limitations imposed by the European Parliament during the final negotiations, priority is given to stability and security through military means, while economic and social development become even more hypothetical.

This is part of a general trend to prioritize military and security approaches to new external or internal challenges, in close consultation with the security and military industry to benefit from this shift (Q12). Intentionally or no, this will marginalise peaceful solutions both for resources and political reasons (Q27). As an illustration of this growing involvement of the military-industrial complex in shaping EU foreign and defence policies, high-level events are taking place regularly and involves top-level EU decision-makers, media and arms industry representatives to discuss. To name just a few recent ones: the annual General Assembly of the European Defence Agency (23.11.2017) ; Friends of Europe of Europe event ‘Modern security is more than military spending - Towards a single security budget?’ ; the European Defence industry Summit (04.12.2017).

As nature abhors a vacuum, the industrial co-pilot is taking over from political leaders the guidance role for the EU defence.

related information:

[Press Release and EC Communication on military mobility in the EU, 10 November 2017](#)

[Border Wars: The arms dealers profiting from refugee tragedy, Stopwapenhandel, 2016, updated in 2017](#)

<http://www.friendsofeurope.org/publication/no-eu-army-more-joint-security-and-defence-spending>

<http://defencesummit.eu/>

[ASD position paper on CBSD](#)

[Te Military-Industrial Complex Is Fundamentally Changing the European Union, A. Fotiadis, in The Nation, 10/11/2017](#)

26. Why will this funding contribute to the global arms race? Does not the EU have the highest standards regarding arms export control?

The short answer

The EU Common Position on arms export controls* defines the common criteria that Member States must assess when licensing arms exports, and set indeed quite high standards on paper. However in the absence of a sanctions mechanism, these rules are not properly implemented and Member State prioritise industrial and geostrategic interests over ethical criteria.

The EU collectively is the second largest supplier of weapons in the world after the US, and about a third of those exports go to the Middle East, but also other areas of conflicts or growing tensions. As the EU funding for military R&D aims at strengthening the EU industry competitiveness, including its capacity to export (Q20), this will inevitably contribute to the global arms race in a context of growing international tensions. In turn, this arms race exacerbate the risk of conflicts (Q27).

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The control of arms exports remains a national competence of EU Member States who have full sovereignty to licence arms exports from their national industries.

In an attempt to harmonise disparate practices, EU countries agreed in 2008 a Common Position “defining common

rules governing control of exports of military technology and equipment”. This text defines eight ethical criteria for the evaluation of an arms export license application. These criteria include the human rights situation in the country of destination as well as its involvement in armed conflict and its economic situation.

The Common Position is officially binding but in practice, there is no legal overview nor sanctions in case of breaches. In fact the Position leaves a lot of space for political interpretation. As a result, governments apply the eight criteria at random, depending on their economic, political and strategical interests. Peace groups and the European Parliament alike regularly criticise this poor implementation and denounce exports of European weaponry to destinations clearly violating the Common Position criteria. One of the most horrific examples is undoubtedly the war in Yemen where at the moment European-made weapons are being used to commit war crimes and human rights abuses, with a devastating famine as consequence. However this is only the tip of the iceberg.

EU Member States led by a policy of short-term benefits

Exports from the EU28 amounted to 26% of the global total in 2012-2016, which makes the EU28 collectively the second largest arms supplier in the world after the US (33%) and followed by Russia (23%). In particular, arms exports to the Middle East rose by 86% and accounted for 29% of global exports between 2012-2016. There is also a trend to increase the sale of weapons to South-East Asian countries amid growing regional tension. Among the main clients of the EU in the recent years, one can find Egypt, Turkey, India, Saudi Arabia, UAE, Qatar, Singapore or Morocco; considering the poverty in some of these countries, widespread human rights abuses or involvement in regional or internal conflict in others, or even suspected ties with terrorist group in some cases, it is astonishing that governments consider them legal destinations for a European Union following an ethical arms trade policy.

Arms and technologies developed with EU public money to be sold to third countries with insufficient control of exports and end-use (Q29)

As we have seen previously, the European arms industry increasingly relies on arms exports outside the EU for profits (Q20), and the European Defence Fund does not resolve the structural reasons for it (Q19). Moreover the EU funding for military R&D openly seeks to increase the industry capacity to export, while preserving the full control on arms export licensing to the member states. In parallel the already low level of implementation of the Common Position is being further hampered by the facilitation of arms transfers within the EU (Q20).

Under such conditions there is no doubt that the EU funding will be highly successful at least on one point: increased exports of EU-funded military equipments and technologies outside the EU, probably including manufacturing capacities.

Indeed, European industry compensate its lack of competitiveness with US or Chinese companies by offering attractive offsets. Offsets are forms of compensation for the client that will invest a large amount of money in weapons, either indirectly through investments in other economic sectors, or directly with the transfer of manufacturing capabilities, e.g. production goods and technology (including know-how) and/or on-the-shelf plants. This means that other countries will be capable to produce and sell European military technology with all the entailed risks in terms of uncontrolled dissemination.

related information:

[EU Common Position on arms exports control](#)

EP reports on the implementation of the EU Common Position: [2017 Report](#) and [2015 Report](#)

[Global arms industry: First rise in arms sales since 2010, says SIPRI](#)

[ENAAT data browser on EU arms exports](#)

[‘Towards Europeanized arms export controls? Comparing control systems in EU Member States’](#), Flemish Peace Institute, June 2017

[‘Indefensible: 7 myths that sustain the global arms trade’](#) by P. Holden et AL. London, 2016, (Myth 3, p. 57 onwards)

CAR Report

27. Will more money for the military industry make Europeans and the world more secure? In other words, will a “stronger Europe” contribute to peace?

The short answer

No. We have addressed the internal contradictions of the European Defence Fund regarding the European strategic autonomy (Q23) or the emergence of an EU of Defence (24). But there are more fundamental reasons why EU funding to the arms industry will rather make the world more insecure, including for European citizens, and will bring us to war with more certainty than to peace.

Using both soft and hard power is contradictory and thus not an efficient path to peace. Moreover resources are not unlimited and the military path is easier and more popular short term despite not being efficient: with increased military power, the EU will lose interest in seriously promoting peaceful conflict prevention and resolution. And adding external military actors to a conflict only makes it worse and longer.

Additionally, history has repeatedly demonstrated that arms races are the safest path to war, under the so-called ‘security dilemma’. And if weapons are not on their own the cause of conflicts, they encourage military responses to tensions, they feed on-going conflicts and related refugees flows, and they aggravate the terrible consequences of war for civilians.

Read more

On top of the internal contradictions of the Defence Fund proposals we have addressed previously (Q23 & 24), there are more fundamental reasons why the European U-turn will aggravate the international turmoil and make the world more insecure for all citizens:

As an easy and populist path, the military approach will take over peaceful resolution of conflicts, and will rather exacerbate conflicts and tensions

In front of a complex situation of growing regional tensions and international terrorism, it is highly tempting to go for easy answers that will reassure citizens and may have very short-term results, ignoring their medium or long term deterrent effect that will be visible only after the next election. By promoting the military approach, either by direct interventions or by helping others to intervene more in conflicts (Q26), the EU will rather aggravate the situation.

It is often argued that thanks to new military capabilities, the EU will be able to get involved in disputes in order to shut down the worst abuses and end wars. But the reality is that the more actors to a conflict, the more difficult it is to reach a viable solution: there is strong data showing that the involvement of more than two parties, in particular when outside countries become involved, tends to increase the length and deadliness of wars, with the risk of internationalising the conflict (to the exception of UN peacekeeping efforts). The clearest example are of course the US wars in Iraq and Afghanistan that have left the US and the world less secure and contributed to increase terrorist activities and capabilities well beyond the boundaries of the 2 states. Moreover, the legitimacy of such interventions is highly questionable as they are mostly driven by interests very far from genuine humanitarian concerns.

Second, financial and human resources are limited: this EU move to the military approach means that less political attention and less resources will be dedicated to support peaceful solutions to tensions and conflicts and to resolve the root-causes of conflicts on which Europe can have an influence, like environmental threats (climate change impact, access to water...), access to land and food security, poverty and severe inequalities, corruption and bad governance,... In this regard the US example is again interesting to illustrate the dangers linked to this path: United States have more staff to run fighter jets than its total number of diplomats.

To add to this, the proliferation of weapons and high military spending (Q29) also increase the tendency to seek military solutions to non-military problems as a way to justify retrospectively the massive investments done, to the detriment of effective diplomacy and cooperative action on root-causes.

Last but not least, we ought to address today’s argument number 1 in favour of more weapons: the fight against terrorism. And again the data goes against the common belief that we can’t escape a “war on terror”: the US think tank RAND Corporation, esteemed by the Conservatives, concluded in a study that only 7% of terrorist groups were

eliminated through military force while 43% ceased to exist because they were successfully integrated to the formal political process (Q28). Military answers will rather be counterproductive by alienating the local population, fuelling resentment and facilitating terrorist groups recruitment. Not to say about European arms ending there...

EU arms export will exacerbate the global arms race which will in turn feed conflicts and refugees flows and aggravate the international turmoil, also impacting Europe

In international relations theory, what is known as the 'security dilemma', or the 'spiral of insecurity', refers to a situation where country A perceives the countries around it as posing a security threat at medium or long term. It responds to this perceived threat by increasing its military capacities, which in turn will create or reinforce in the neighbouring countries the same feeling of security threats and a similar increase in military capabilities, which will in turn push country A to further arm itself, etc. etc. etc. Like the chicken and egg situation, in the end nobody knows who started nor if the threats are real or perceived; but it does lead to an arms race that risks turning into a real war at the slightest spark.

Not to say that arms are creating conflicts in their own right. Of course the latter are rooted in multi-factorial causes, but the trade in arms does fuel many of them around the world. One of the most horrific examples is undoubtedly the war in Yemen where at the moment European-made weapons are being used to commit war crimes and human rights abuses, with a devastating famine as a consequence. But the same process can be witnessed in many areas of conflicts even if at a smaller scale:

In addition, the lack of control on the end-use and end-users of the military equipment we sell is another major shortfall that fuels arms trafficking and conflicts: it is well known now that huge numbers of weapons and military equipment have been lost in Iraq or Libya and ended up with terrorist groups. A French expert, former official of the arms exports Unit, said that the maximum 'vision' on the sold weapons one could have is 2 to 5 years at best. Knowing that arms and equipments have at least a 15-20 years life cycle, if not more, there is in fact no way to prevent European weapons to fall into any kind of hands, including being turned against Europe: in 10-20 years time, will our non-democratic 'allies' like Saudi Arabia, Turkey or Egypt still be that friendly?

Last but not least, European weapons and equipments can also be used for internal repression like in Egypt, and probably in Turkey or Togo that are currently violently covering up any dissenting voice or peaceful protests.

To conclude, arms sales rather have a negative impact on human security worldwide, beyond active conflicts: on human rights and democracy, but also on good governance and socio-economic development by diverting most-needed public money from fulfilling basic needs and feeding corruption, and by helping dictatorships to remain in place; all factors that in turn contribute to force people to flee from their countries. A recent report by the Centre Delas concludes to a strong correlation between arms sales and refugees flows if not a direct causal link: Between 2003 and 2014, EU member states exported military and military-grade materials to 63 of the 65 prevailing countries in situations of tension or in armed conflict with significant numbers of refugees, some of them also notable for their high number of internally displaced persons.

Thus, by exacerbating the global arms race, EU funding to the arms industry is in fact fuelling conflicts and worldwide insecurity, violence and refugees flows. Dedicating the same amount of money to the root-causes and to the peaceful prevention and resolution of conflicts (Q28), as well as to the arms industry reconversion (Q17), will do much more for the protection of EU citizens and for peace in the world.

related information:

EP reports on the implementation of the EU Common Position: [2017 Report](#) and [2015 Report](#)

'[Indefensible: 7 myths that sustain the global arms trade](#)' by P. Holden et AL. London, 2016, (Myth 1 & 2)

'[European arms that foster armed conflicts, conflicts that cause refugees to flee \(2003-2014\)](#)', Centre Delas D'Estudis per la Pau, June 2017

'[Arms trade and conflicts. Analysis of European exports to countries in armed conflict in 2015](#)', Centre Delas & Escola de Cultura de Pau, November 2017 (in Spanish, soon to come in English)

'[Arms deals are a major threat to security, peace and human rights](#)', Alfred de Zayas, UN Independent Expert on the promotion of a democratic and equitable international order, 22 September 2016

28. Is not the EU also funding peaceful conflict prevention and resolution? What are the alternatives to the military approach?

The short answer

The EU has indeed a long history of soft power approaches to conflict and specific actions for preventing conflicts and building peace. Besides a dedicated Instrument Contributing to Stability and Peace, other EU funding programmes support peace directly or indirectly by focusing on some of their root-causes, in particular the external aid budget.

However the EU could and should do more to support the range of peace-building approaches, and should resist the siren voices of so-called technological solutions to complex societal problems. Genuine peace-building approaches are not technology driven and thus cannot please industry-driven views. Rather they need peace-oriented research, adequate skills in peace-building and sufficient human resources. By investing €1,5 billion every year in human capacity rather than in military capacity, the EU will have a real added-value and will contribute much more to peace and human security.

Read more

The EU has several well developed tools to build peace. In certain cases, the EU has played the role of a mediator, bringing opposing actors around the negotiating table, or supporting negotiations as was the case with the Colombian peace process or Iranian nuclear deal. The importance of EU institutions dedicated to peace-building is paramount. Today, the EU has several institutions dedicated to conflict prevention and peace-building.

A division in EEAS, named Prevention of conflict, Rule of law and security sector reform, Integrated approach, Stabilization, Mediation (PRISM), is one such structure. PRISM has conflict prevention and early warning as well as conflict response teams, in addition to geographic expertise.

The Instrument Contributing to Stability and Peace (IcSP) has funding for activities such as mediation and civil society support, and the Foreign Policy Instrument (FPI) includes funding especially earmarked for preventing conflict and building peace.

Other instruments that the EU can use for building peace include the Development Cooperation Instrument, European Neighbourhood Instrument, the Instrument for Pre-Accession Assistance, and the Partnership Instrument, as well as EU trust funds.

But in terms of resources and funding, there is still room for manoeuvre to do more and do better

The Instrument contributing to Stability and Peace (IcSP) dedicates only 9% of its budget to conflict prevention, crisis preparedness and peace-building (the very minimum foreseen in the instrument although a greater share could be decided very easily). Of this, only 25.5 millions over 4 years (2014-2017) goes to 'Confidence building, mediation, dialogue and reconciliation' for local civil society actors in third countries.

Climate change “pose serious threats to the stability of states and societies in the decades ahead” according to the [New Climate for Peace Report](#) commissioned by the G7; however, only 11 million EURO will go to 'Climate change and security' over 4 years (2014-2017) under the same IcSP, although the EU claims to consider “climate change as a major risk to global security, acting as a driver of instability and conflict” (2014 IcSP Brochure).

Even the 22-years old European Instrument for Democracy and Human Rights only receives about €130 to 135 million per year to fund NGOs independently from governments, including in difficult countries, against the planned €500 millions for a European Defence Research Programme (Q6).

Examples of alternative peace-building approaches that would make a huge difference with €1,5 billion a year...

Along with other sources, the QCEA peace-building report (see below) provides concrete examples of peace-building as an alternative to hard power responses and suggests that these type of structures be reinforced.

Indeed, seeking opportunities to build peace necessitates re-thinking security in favour of an integrated approach based on soft power and long-term engagement. To be effective, peace-building principles, such as inclusiveness and addressing power dynamics, should be main-streamed into the different 'conflict sensitive' EU institutions and

instruments. Every form of engagement necessitates a thought-through process of reflection and critical thinking in order to ensure due diligence. And such approach needs adequate human skills and resources.

Some of the examples presented in the report draw on the most well known methods of peace-building, such as dialogue and mediation. For example in Tunisia four civil society organisations won the 2015 Nobel Peace Prize for their efforts to bring different sectors of Tunisian society into the dialogue process, becoming a trusted partner to play other roles such as mediating in peace talks.

But peace can also be fostered across sectors. In terms of security for example, community-based policing can be an effective measure to address concerns by building meaningful links between the police and community. This was the case of a Saferworld project in Kenya, where community-based policing transformed the organisational culture of the police as well as behaviour of the police in the context of police violence and resulting mistrust with communities. Initiatives that help populations access justice and education can also be a mechanism for peace-building. Peace education also ensures long-term peace-building.

Peace-building of this kind is not technology consuming but rather human resources consuming: it needs specific human skills, it needs sufficient human resources and it needs flexibility, cooperation and continuity.

Thus the €590 million foreseen until 2020, and the annual €1,5 billion from 2021 (Q2) would have a much bigger and direct impact by investing in human resources, in building skills and in human interaction. Not to mention the much needed attention to be paid to the root-causes of conflicts that we will address in Q29.

On top of reconversion (Q17), this would also create a good number of jobs, from peace-oriented research to projects management, peace-building skills training and proper evaluation and assessment methods, as well as supporting local actors in the field.

“How to talk to terrorists” and “why negotiating is the only way to peace”

Besides the long-term work on its root-causes (Q29) there is also an alternative approach to address the terrorist threat. This issue is sensitive and complex, and would deserve long development that we cannot afford in this tool. Reading Jonathan Powell, former chief British government negotiator on Northern Ireland from 1997 to 2007, is an eye-opener and we encourage you to go through his writings before make any assumption on how to defeat terrorism. The recent peace agreement in Colombia, despite its fragility inherent to any similar process, can only confirm Powell's views.

The [Colombian President José Manuel Santos, former Defence Minister, said](#) after concluding peace talks with the FARC: “making war is very easy and very popular (...). Making peace means you sit down with your enemies and you start making transactions in order to achieve that peace. (...) this is something that is not very popular or accepted. Let me tell you peace is much better than war”.

Instead of endlessly subsidizing military Research & Development and dedicating billions for new military technology that will hardly contribute to peace but rather protect industry profits, the EU should invest in human skills and human resources for alternative peace-building approaches.

Buy doing this, the EU will definitely make a major and meaningful difference for peace and human security in Europe and in the world.

related information:

‘Building Peace Together’, [QCEA](#) report to come

‘How to talk to terrorists’, Jonathan Powell, the Guardian, 7 October 214

‘El silencio de los fusiles’ (the silence of rifles), documentary on the Colombian peace process, Natalia Orozco, 2017

[EEAS work on conflict prevention, peace building and mediation](#)

[EEAS crisis management and response](#)

[EU international Cooperation and Development Aid](#)

[The Instrument contributing to peace and stability \(IcSP\)](#)

CONCLUSION: WHAT CAN YOU DO?

29. To what extent is public interest being undermined by this paradigm shift?

The short answer

Throughout this tool we have demonstrated that EU funding for military R&D does not respond to the challenges of European defence nor to rational economic needs, is mainly driven by corporate interests under heavy lobbying of the arms industry, and will not lead to peace and security.

But the EU paradigm shift is also an illustration of a more global picture showing an over-inflated military spending worldwide, while many other societal challenges are largely under-funded and causing much more human suffering and deaths than terrorism; it also proves US General Eisenhower right when he was alerting about the danger of a military-industrial complex taking over politics. His concern was based on the US situation already in the 60's, but the same scenario has arisen in Europe.

The overall industrial and technological bias of the EU is largely feeding critics against it, and the proposed Defence Fund will further nurture citizens' mistrust towards European leaders.

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The former UN general secretary Ban-Ki-Moon rightly said that *"the world is over-armed and peace is underfunded"*:

Indeed the annual military spending reached \$1'760 billion in 2015 worldwide, and a cumulated amount of \$38'275 billion since 1988 according to the SIPRI figures (2014 USD): if arms and military responses were to be an efficient mean for peace, then the world should be in peace for long..

By comparison, if \$267 billion over 15 years were dedicated to productive investments and social care measures, this would be sufficient to eradicate hunger in the world, according to the UN Food and Agriculture Organisation.

Regarding climate change, the industrialised countries that are the main responsible for its accelerated path are not capable to find the €100 billion annually they have promised to developing countries, in order to help them cope with and adapt to the impact of climate change. In the meantime island countries are to disappear covered by raising waters...

In October 2017, the European Environmental agency estimated to 500'000 the premature deaths attributable to air pollution in Europe in 2016. Those premature deaths amounted to. 6,5 million worldwide in the same year, and a total of 9 million due to all types of pollution (air, water soil, workplace). More prosaically, about 25'000 individuals died in a traffic accident and 135'000 went seriously injured in Europe in 2016.

And the list could go on for long...

Shifting only part of the massive global military spending would allow resolving many of the threats against human security. In particular, it could help tackle and resolve the major root-causes of many conflicts and thus contribute to peace with much more certainty: besides climate change, this includes access to water and to land, inequalities and discrimination, human rights, corruption, free and fair elections, sound juridical systems and the rule of law, or reaching the Development Millennium Goals.

Some of those will need technological progress and tools to be resolved; however technology is never an answer to environmental, societal & political challenges. Such easy 'solutions' to complex problems will merely benefit the industry lobbying for it and cannot replace political projects and vision. As regularly demonstrated by transparency organisations like Corporate Europe Observatory, the over-influence of corporate interests on EU and national policy-making is a harsh reality in a wide range of 'lucrative' areas including environment and health: the recent case of the Monsanto papers and the glyphosate is a clear but unfortunately not isolated example, and there is no reason why the armament sector should escape this trend, quite the contrary (Q12).

If the EU is sincerely willing to win back EU citizens' trust, it should take a U-turn regarding transparency and lobbying practices in its policy-shaping and decision-making processes, and prioritise general interest over corporate profits.

[related information](#)

[SIPRI Military Expenditure Database](#)

[Military-Industrial Complex Speech, Dwight D. Eisenhower, 1961](#)

[Corporate Europe Observatory](#)

30. What can you do as a citizen, as a CSO, as a journalist or expert, as a decision-maker?

the short answer

Our first responsibility is hope: today it seems a naive dream to say that more weapons are not a necessity, that there are other paths to peace. Probably it is as much naive as believing in principles of equality between human beings, and then in gender equality and non-discrimination based on race or sexual orientation, was at a time. Those principles eventually became a reality after decades of struggle and progressive steps; in the same vein, peaceful resolution and prevention of conflicts will not happen overnight. Still, how the future will look like will result from the choices and acts we make today, tomorrow and the day after tomorrow, in line with our principles and ideals.

Today what can we do? Whether we are a citizen, an activist, a journalist, a researcher, a political scientist or economist, a writer or philosopher, or a decision-maker, we all have a role to play: first to call for a wide public debate to happen on this EU paradigm shift and on the European Defence fund in particular. Second, to get informed and critically evaluate these proposals, and then speak against this move contradicting and threatening EU policies for peace, development and human rights.

Read more

- as a citizen, you can do a lot!

First of all you can read this information tool but also other sources, including the EU official ones, in order to make your mind and be able to defend it with grounded arguments.

Of course you can sign [our joint petition](#), and then you will be kept informed of the main developments by [WeMove.eu](#), including possible other actions like writing to your MEPs or similar actions at key moments.

You can also follow us on [Twitter](#) and [Facebook](#), and get in touch with peace groups in your country (see [ENAAT list of members](#)) if you want to become more involved in arms-related issues in your country too.

You can also decide to write on your own to your political representatives to let them know your concerns and disagreement: your minister of defence, your head of state/government, your MPs so that they question your government, your MEPs... Any moment is a good moment to do so, as the concrete draft proposals and the European Defence Fund will be particularly discussed in the coming months, but also over the next 2 years.

And of course you can spread the word around you, share it with your relatives, friends, friends of your friends...

- as a CSO, support your work by supporting ours and vice-versa

This issue may seem quite far from your core business, and your priorities are equally important: what you can do is analysing to which extent this trend will impact negatively your own priorities, from diverting funds to contradicting positive policies in your area of work.

If that is the case, you can support our cause by signing the petition and spreading the word around you, and if relevant integrate some of the information or arguments available here in order to support your own work: for example, if you've been told for years that the EU budget was too tight for further support, how come that suddenly they find €500 million available for the Defence Industrial Development Programme? the same could go regarding the level of co-funding for human rights or development projects, the intellectual property rights for other areas of

research, support to non-violent ways of preventing and resolving conflicts, working on the root-causes of conflicts and migration flows...

Please share with us similar examples from your perspective, and we will integrate them as much as possible to illustrate the negative impact of these proposals in a range of areas.

- as a journalist or expert member of the 'intellectual elite': analyse, inform and debate publicly

So far public debate has been rather limited to a narrow circle of 'specialists' and the 'EU bubble'. It is about time that the large audience can enter the discussion and that alternative points of view are considered as seriously as the arguments in favour: criticising specific EU policies is quite different from being a Eurosceptic!

As a member of the 'intellectual elite' that can influence the public debate (journalist, writer, philosopher, researcher, economist, political scientist, artist), you have the responsibility to take the time and analyse this issue in-depth, consider seriously critical voices, and use any opportunity to open a critical debate and adequately inform your audience.

We hope that this tool and all its references will help you to dig into the issue in detail for an 'expert' audience, or to the contrary to present it in a clear and concise way while not over-simplifying. Do not hesitate to share with us any remark, suggestions for improvement or extra information.

As a researcher, you can also [sign the pledge](#) and join the [Researchers for Peace Action](#) recently launched by peace groups and scientists organisations.

- as a decision-maker: MEP, MP or national government: think out of the box!

First of all, it is too important an issue to leave it to a limited number of 'experts' decision-makers:

In a contradictory move, the proposals are presented on the one side as historical steps, and on the other side discussions have been limited hitherto to some defence experts, in particular in the European parliament.

Whatever the point of view, the European Defence Fund represents a fundamental paradigm shift of the EU project and will impact many EU policies. Hence a wide political debate should take place involving decision-makers from very many areas: industry, research, security and defence, arms exports, development, peace, human rights, civil liberties, budget, economic growth, employment, environment... are all issues directly or indirectly impacted by this move.

Thus, even though you are not an expert on defence issue it is your responsibility to get information at different sources, consider critical analysis as much as arguments in favour, and make your mind according to your conscience and to the long-term impact for a long-lasting peace.

As an MEP, you will be asked to pave the way to this Defence Fund already in the next months:

Regarding the EIDP (Q7 &8) you will have to accept or reject it by the summer, and in parallel the debate on the next Multi-annual Financial Framework has already started and will raise in importance till 2019 (Q8).

As a member of national government: think out of the box!

The general approach of the 28 Member States on the EDIDP has been adopted, but this is only the beginning of the process; the trilogue that opened after the vote of the EU Parliament will be crucial as well as the debate on the next MFF over the next 2 years (Q8).

What is the question you have to answer? The question is not whether you are in favour of an EU of defence, the actual question is:

➔ What are the exact objectives of the concrete proposals on the table today, and what is to be their expected impact? Lastly, will they effectively contribute to long-lasting peace?

We urge you to think out of the current one-track thinking about security and defence and have the courage to choose the peaceful resolution of conflicts against industrial interests.

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