SUMMARY

1. EU News

➢ Military research: main priorities of the Preparatory Action and draft Budget 2018
➢ Conclusions of the EU Foreign Affairs and Defence ‘Jumbo’ Council meeting of 18-19 May 2017
➢ EC proposals on 7 June: financing the EU Defence Fund and creating a Defence Industrial Programme
➢ in short:
  - EP avoids calling for the inclusion of the defence industry in EFSI 2.0, but opens door for military research under H2020 successor
  - Former Defence minister nominated as deputy-head of EC internal think-tank
  - CEO of Dassault-France elected as chair and director of main arms industry lobby association ASD

EU NEWS

● EC formal Decision to launch the Preparatory Action on Defence Research adopted on 11 April 2017: three areas of work with focus on naval drones – €40 million planned for 2018

The EC adopted last month its legal Decision for the start of the Preparatory Action for Defence Research (PADR) that was voted last year by the EP and the Member States. Apart from technicalities (amounts, delegation agreement with the EDA that will implement the action), this Decision defines the activities that will be financed under this PA, and in particular the areas of research:

The first entails the initial phase of a complex technology demonstrator involving naval situational awareness via unmanned air, surface and underwater platforms systems for wide area surveillance and maritime interdiction. Among other requirements, the demonstrator will have to address anti-jamming and electronic counter-measures, drone launch and recovery from manned platforms in severe weather conditions, real- or near real-time communications, and the ability of the drones to swarm and deliver cargo. Most of the EUR 25 million will be spent here.

The second action is to develop force protection technologies regarding soldier systems, adaptive camouflage and tailor-made protection for personnel against blast, ballistic and CBRN (Chemical, Biological, Radiological and Nuclear) threats.

Finally, the third action will develop a methodology for gathering recurrent data “to develop realistic scenarios of potential future conflicts”, with the view to “help scope EU-funded defence research”.

● Conclusions of the EU Foreign Affairs and Defence Council, 18-19.05.2017

This “jumbo” Council meeting included both Foreign Affairs and Defence ministers from the 28 members States, and were also joined at some point by the Interior ministers. This meeting discussed a wide range of defence-related issues and took some important decisions. You can find below a brief summary of the main points relevant to the ENAAT priorities at EU level. The other issues are only listed, and the link to the full conclusions is provided. Regarding research and industry, the Defence ministers welcomed the advancements and called for further progress. In particular: they ask Federica Mogherini to improve the coherence between the political and industrial dimensions of the EU Defence policy. This could indicate they are not that pleased with the EC trying to expand its competencies on defence-related issues under cover of industrial policies (see next point).
However they do push for further progress in many areas:
> revision of the common Capacity Development Plan in Spring 2018 (conducted under the EDA), which will serve as the basis for the “key strategic activities”. This means in particular:
  - elaboration of a general agenda for strategic research
  - A Defence Industrial Development Programme to be presented in June by the EC
>
they also use a quite strong wording toward the EIB stakeholders, reminding them “their duty” and noting that no further progress was achieved despite their call in December 2016 that the EIB should support R&D investments in the defence sector.

Other topics addressed were:
- implementation of the EU Global Strategy on security and defence and of the EU-NATO Warsaw declaration: progress reports to be presented in June
- Hybrid threats: EC report on the implementation of the Joint Framework on countering hybrid threats by July 2017

EC proposals on 7 June: financing the EU Defence Fund and creating a Defence Industrial Programme

The European Commission will present on Wed 7 June three documents relating to EU defence policy:

the first is a kind of White Paper process called “Reflection paper on the future of European Defence by 2025”, the fact that it is jointly prepared by Federica Mogherini and Jyrki Katainen (EC vice-President in charge of Jobs, Growth, Investment and Competitiveness), demonstrates that the EC is overriding its mandate on defence and that the EU Defence policy is mainly industry-driven, as we say for long...

Even more worrying are the 2nd and 3rd papers as they are legislative proposals, on which the European Parliament and the Member States will have to vote:
- One will make a concrete proposal for a capacity financial mechanism (CFM) for the European Defence Fund that was mentioned in the EC Defence Action Plan and includes both the research dimension and the capability development dimension (following the initial research phase).
- The other is something quite new, called Regulation establishing the Defence Industrial Development Programme aiming at supporting the competitiveness and innovative capacity of the EU defence industry;

the EC didn’t communicate on those documents, but according to specialised press, some elements could be:
- the Regulation would be to create an extra EU funding between €200 and €400 million for further R&D activities (justified by the need to fill a gap between initial research and capability development), in 2019-2020, to be taken from unspent budget lines. To be clear, this of course on top of the 3,5 billion planned in 2021-2027...
- national contributions from MS to those funds could be exempted from the Stability and Growth Pact (e.g. excluded from the 3% deficit threshold)

Last but not least, those proposals would be legally based on the EC competence regarding industrial matters (to note that the 2nd and 3rd papers are lead by Commissioner Katainen only...) and not as part of the CSDP (Common Security and Defence Policy). A first reason is that the EC has no competence on pure defence issues, so it tries to overstep the limits of its competences as defined by the EU treaties through this bias. The second reason is, once again, that it is an industry-driven process that has title to do with defending Europe and its citizens...

In short

- EP reports on the extension of EFSI and on the evaluation and future of H2020

Following our action against opening the EIB and the European Fund for Strategic Investments (Juncker Plan 2.0) to the defence sector, this is the state of play:

- the ECON and BUDG committees rejected the amendments calling for the inclusion of the defence sector in the renewed EFSI (in particular thanks to the reluctance from the German Rapporteur Udo Bullman and the Spanish one Tremosa i Balcells). However the legislative Report does not call either for an explicit exclusion, which means that any change on the EIB criteria or on implementation measures could de facto make this funding directly usable for military investments. Now the legislative text for the extension of EFSI is being negotiated between Member States, EP and EC, and it seems that this
question was raised again. Thus we will remain vigilant on this issue, as pressure remains high in the EIB.

- the Research Committee adopted a Report on the EU Framework Programme Horizon 2020 in which military research could potentially be included: unfortunately in that case the Spanish Socialist Rapporteur was not so keen to listen to us and the Report accepts that the EU budget could be used for a military research programme. It only states that it should be clearly separated from civilian research in order not to ‘affect it’, and that an equivalent increase of national contributions to the EU global budget should happen. However we’ve seen already last October that the EP will not dare to block the whole EU budget adoption for this principle... At this stage it is more a kind of ‘opinion’ report with no legislative value.

- former Defence Minister becomes “Mr Defence” of the EC as new deputy-head of the EC internal think tank

The former Romanian Defence Minister, Mihnea Motoc, was nominated as deputy-head of the European Political Strategy Centre (EPSC) the EC's in-house think tank that provides “strategic analysis, advice and support for the President and the Commission”. He works in particular on the Commission’s priorities in security and defence matters, and contributes in particular to the reflection document on the future of European Defence to be presented next week.

- French CEO nominated as head of the ASD

Eric Trappier, the French Chairman and Chief Executive Officer (CEO) of Dassault Aviation, was nominated as President of the AeroSpace and Defence Industries Association of Europe (ASD). You can read their press release here. Together with the new pro-defence French government, this sounds like a hard time for peace...