NEWS FROM THE BRUSSELS’ BUBBLE
#2018-2, 30 March 2018

News items:

• EU Defence Fund: EU Parliament and Council Positions on Industrial Programme, trilogue in April-May, budgetary proposals for 2021 onwards to come in May

• Preparatory Action on Defence Research: 4 projects under way and 2018 new call for proposals, info day in Brussels on 12/04

Links to interesting news/articles

➢ EU COSME funds transnational defence cluster partnerships
➢ EP written question on IPR under the Preparatory Action on Defence Research
➢ EU plan to improve army logistics across Europe (“military Schengen”)

EU Calendar related to EU Defence Fund

22/03 to 22/05: EP, EC and Member States negotiations on EDIDP ('trilogue') - next meeting on 10 April
02 May: EC should present general overview for next budgetary cycle (2021-2027)
05 May: informal meeting of EU Defence ministers
28-29 May: Foreign Affairs Council, possibly "special Defence" (tbc)
End May: EC should present detailed draft Regulations on EU Defence Research Programme and on Defence Industrial Programme (EDIDP 2.0) for 2021-2027
11-16 June: EP plenary session during which it could vote on the final text of the EDIDP
26 June: EU Council on General Affairs could vote on EDIDP
28-29 June: European Summit, which traditionally raises defence-related issues

EU Defence Fund: EU Parliament and Council Positions on EU Defence Industrial Development Programme (EDIDP), trilogue in April-May, budgetary proposals for 2021 onwards to come in May

The EP Plenary voted on 13/03 (and not 01/03 as firstly planned) to allow the trilogue on EDIDP to start: the majority of MEPs agreed that the ITRE Committee (Industry and Research) could directly start the negotiations with the Member States and Commission (so-called trilogue) on the basis of the Report adopted by ITRE on 21/02 (see Newsletter #2018-1, 26.01.2018). In other words the EP decided not to adopt in a plenary session its provisional position on the EU defence industrial programme, but to vote only on the final compromise resulting from the trilogue, most probably in June. Beyond a practical argument for accelerating the decision process, it was also a way to avoid a larger debate on this militarisation trend beyond the few MEPs following this file in SEDE (Security and Defence Committee) and ITRE.
Main points of the ITRE position on EDIDP (access the ITRE Report here)

In a nutshell, the main amendments that the ITRE Committee is proposing compared to the EC legislative proposal are (see analysis of the initial EC proposal in Newsletter #2017-3, 20.07.2017):

- 100% of the EDIDP budget should come from unallocated margins and not diverted from existing programmes;
- projects should include minimum 3 partners from 3 EU countries, instead of 2 countries in the EC proposal;
- general transfer licences should apply for transfers in the framework of the projects so as to facilitate cooperation between the partners (point 21a, p11 & art.12a p.18);
- a number of prohibited weapons and related technologies should be excluded from the programme (WMD, banned weapons and ammunition, weapons not compliant with international law such as cluster munitions, anti-personnel landmine and incendiary weapons) as well as “fully autonomous weapons that enable strikes to be carried out without human control over the targeting and engagement decision” (art.6.4(a) p.15); in parallel ITRE added a paragraph clearly stating that drone-related technology will possibly be funded by this programme (point 16a p.10);
- SMEs and Mid-Caps (up to 3'000 employees) should be allocated at least 15% of the funds, and projects involving SMEs and Mid-Caps should receive a higher co-funding from the EU funds;
- non-EU companies* can participate in the programme under specific conditions, but without receiving funding (art.7 p.15-16);
- the independent experts to assist the EC in the proposals evaluating should be “EU national experts, from as broad a range of Member States as possible, selected no the basis of a transparent process, taking account of incompatibilities owing to conflicts of interest” (art.14.1, p.19).

Main points of the EU Member States position on EDIDP (access the EU Council General Approach here)

- 100% of the EDIDP budget should be taken from existing programmes, not from unallocated margins;
- 10% of the overall budget should benefit SMEs as well as a dedicated category of projects (art.13.3, p.24); increasing co-funding rate for projects involving SMEs and mid-cap, under certain conditions (art.10, p.21-22);
- among the objectives, they add “to support the competitiveness of the European Defence industry on the internal market and the global marketplace” (art.2(c), p.14) and in the award criteria “contribution to the competitiveness by creating new market opportunities and accelerating the growth of companies” (art9(c), p.20);
- non-EU companies* can access the programme, including funding if they are located in an EU country, and the guarantee that this would not “undermine EU security interests” should be provided by the country where they are located (art.6.4., p.18);
- the award criteria are ‘weakened’ on a number of points: MS only have to intend to procure what would come out of the project (art.5.5. p.17), while the EC draft says that MS should commit to produce and/or produce, and the award criteria should not be cumulative any-more (art.9, p.21: thus a project not fulfilling one or several of the criteria could still be funded);

*note that ‘non-EU companies’ refer to companies either located outside the EU or controlled by a non-EU country or entity; a foreign company with a branch in the EU that could demonstrate that it is not controlled by a non-EU country or entity would be eligible to the programme, including funding. How and by whom this level of control can be evaluated is still under negotiation, the EP favouring the role of the EC while EU governments want that guarantees by one MS should be sufficient.
- a number of procedural amendments aims at strengthening Member States (MS) control over the programme compared to usual practices: they can request to approve the list of independent experts for evaluation support (art.14.2., p.25), they must be consulted on the implementing acts that will be necessary to implement the programme, in particular the annual work programmes and the final selection of projects to be funded, and no decision can be taken by the EC if the MS don’t come up with an opinion (a de facto veto power to MS, art.12, p.23-24), the Commission shall consult the MS project manager, in cases there is one, before executing payments to the beneficiaries of the funding (art.4.4., p.15).

➢ The trilogue and adoption calendar of EDIDP

A number of meetings between representatives of the EP, Council and Commission will be held between 22 March (when the first trilogue meeting took place) and early or end of May. According to MEP Ioan Pascu who participated in the first trilogue meeting, there was little progress on the main conflicting points, apart from a compromise wording about excluding weapons prohibited by law. Thus he is anticipating that the trilogue will rather conclude end of May. The main conflicting points are:
- where will the money come from (existing programmes or unallocated margins);
- eligible actions and award criteria: proposed exclusion by the EP and award criteria being cumulative or not;
- eligible entities: from 2 or 3 countries, conditions and guarantees for participation of non-EU companies;
- work programme: drafted by the EC, the main controversy is on the respective roles of the EP and the MS in it.

It is then expected that the EP and the Member States will each accept or reject (the latter being quite unlikely) the compromise text resulting from the trilogue at some point in June:
- the EP could do so in its plenary session in Strasbourg in the week 11-14 June, or at the latest 1st week of July
- the Member States could do so at the latest in the General Affairs Council of 26 June

Lastly, regarding the new EU budgetary cycle for the years 2021-2027 that should include a larger budget for the European Defence Fund, it is expected that the EC will present a general overview early May, and that the more precise draft Regulations, including on the future European Defence Research Programme and EDIDP 2.0, would rather be presented end of May. It seems it is still unclear if the 2 programmes would be addressed under a single financial instrument (easier administrative management) or would rather have each their own (allowing for more flexibility and different rules to apply).

Preparatory Action on Defence Research (PADR): 4 projects under way and new call for proposals, info day in Brussels on 12/04

Following the call for proposals in 2017, 5 projects are currently being funded under the PADR budget line:

1. **Ocean 2020 programme** for naval surveillance technology is the main one: it will boost technological research in the naval domain also by the integration of unmanned platforms in surveillance and interdiction missions. The first operational demonstration will take place in 2019 in the Mediterranean Sea. The demo will involve Leonardo’s ‘Hero’ and ‘Solo’ unmanned helicopters, naval vessels and systems from a number of partners, including Italian Navy’s vessels equipped with Leonardo’s systems. Interesting to note that the 42 partners in the project, led by Leonardo, include the Ministries of Defence of Italy, Greece, Spain, Portugal and Lithuania, with additional support from the Ministries of Defence of Sweden, France, the United Kingdom and Estonia and the Netherlands. European industrial partners include Indra, Safran, Saab, MBDA, PGZ/CTM, Hensoldt, Intracom-IDE, Fincantieri and QinetiQ. A number of research centres include Fraunhofer, TNO, CMRE (NATO) and IAI. 6 of those companies or research
The PADR 2018 work programme includes the following topics, calls for proposals launched on 15 March:

- ✔ A European high-performance, trustable (re)configurable system-on-a-chip or system-in-package for defence applications. The project aims to design and validate a SoC/SiP and as such make a substantial contribution towards the development and manufacturing of European high-performance, trustable (re)configurable SoC/SiP suitable for multiple defence applications (indicative amount up to €12 million);

- ✔ Towards a European high power laser effector. This topic focuses on a research and technological development (R&T) project, later on followed by a development phase, to design and build a European high power laser effector, to become available for defence applications within the next decade (indicative amount up to €5.4 million);

- ✔ Strategic technology foresight. This action should aim to provide an effective way for tackling the issue of the critical defence technological dependencies for the EU regarding current and future systems and capabilities (indicative amount up to €1.9 million);

- ✔ Moreover, 20 million of the 2018 budget will be allocated to the Ocean 2020 project selected in 2017

The calls for proposals were launched on 15 March, and the deadline for application is 28 June. You can access the detailed call for proposals here.

A PADR Info and Brokering day is organised by the European Defence Agency in Brussels on Wednesday 12/04 (details here), to provide detailed information and partnership opportunities for the military industry and research centres.

For more information on the PADR, access the EDA info page on PADR here.

For more information on the EU Defence Fund and our detailed arguments against it, you can refer to the ENAAT Online Info Tool produced by the EU programme.
**Links to interesting news/articles**

- **EU COSME funds transnational defence cluster partnerships**

  Two transnational defence-related cluster partnerships have started negotiation of a grant agreement in view of being awarded COSME funding:

  - the “ALLIANCE” (Alliance for International Business Development of Advanced Materials and CoNnectivity for DefenCe and SEcurity Market), whose strategic and technical director is the French defence-related cluster SAFE and is coordinated by the TECHTERA (French Cluster on advanced materials and composites). Other partners are OTIR 2020 (Italian Cluster on technical textiles), CITTA STUDI (Italian Cluster on technical textiles), NIDV (Netherlands Cluster on Defense and Security), SIIT (Italian Cluster on Defense and Security), SCS (French Cluster on ICT and Cyber Security);

  - the “EU KETS4DUAL-USE” (EUropean Key Enabling Technologies for Dual-Use worldwide), led by OPTITEC, French photonics & imaging cluster active in the defence sector, partnering with the Estonian Defence Industry Association, CenSec (Denmark) and Minalogic (France).

  Read the EDA announcement [here](#), it provides access to more links if you want to explore further

- **EP written question on IPR under the Preparatory Action on Defence Research**

  Upon ENAAT and Vredesactie suggestion, MEP Bodil Valero (GREENS, Sweden) had put a written question to the Commission on the IPR rules applying to the projects funded under the PADR. The EC is mainly repeating what is written in the general rules and inform that the currently funded projects respect those general rules and didn’t ask for specific rules as they could have done. There is still no way for the EC to actually prevent a transfer of results to a non-EU entity as it relies on the goodwill of the beneficiary to actually inform the EC, and sanctions may not be deterrent enough. Nothing is said either about post-control and the role of the EP. We will keep following this issue.

  Access the written question and the answer [here](#)

- **EU plan to improve army logistics across Europe (“military Schengen”)**

  The European Commission launched on Wednesday (28 March) a plan to improve military mobility between member states, as part of a wider effort to step up its defence capacities.

  [https://euobserver.com/institutional/141477](https://euobserver.com/institutional/141477)

  **EC press release: “EU takes steps towards a Defence Union”**