

## **NEWS FROM THE BRUSSELS' BUBBLE**

### **#2018-3, 18 May 2018**

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#### **News items:**

- EU Defence Fund in 2021-2027: EC budget proposal even higher than expected (€13 billion)
- Defence Industrial Development Programme (EDIDP) for 2019-2020: state of play of negotiations between EP and Member States

#### **Links to interesting news/articles**

- x EDA press release: Outcome of EDA Ministerial Steering Board
- x A more 'political' Research Framework Programme ?

#### **EU Calendar related to EU Defence Fund**

- 22/03 to 22/05:** EP, EC and Member States negotiations on EDIDP ('trilogue') - last meeting on **22 May**
- 28 May:** Foreign Affairs Council
- 13 June:** EC to 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 EDIDP text for 2019-2020
- 25 June:** Foreign Affairs Council could formally agree on EDIDP text for 2019-2020
- 26 June:** EU Council on General Affairs could vote on EDIDP text for 2019-2020
- 28-29 June:** European Summit, which traditionally raises defence-related issues
- 02-05 July:** EP plenary vote on EDIDP text for 2019-2020 if not done in June

[Access the previous Newsletters here](#)

### **The EU Defence Fund in the next budgetary cycle (2021-2027): up to €13 billion**

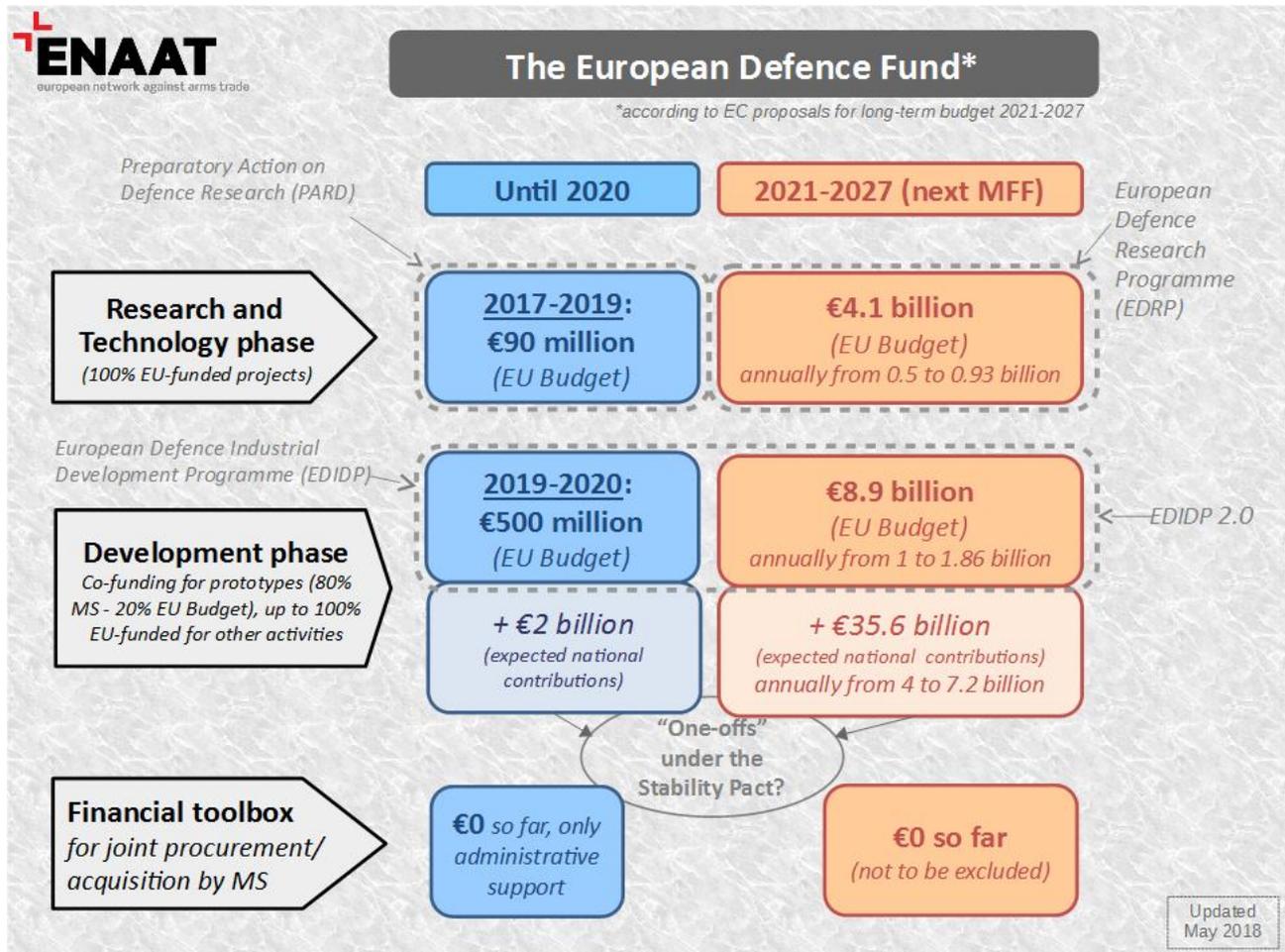
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- **The EU Defence Fund in 2021-2027: €13 billion (EU budget) + €35.6 billion (national contributions)**

On May 2<sup>nd</sup>, the EU presented the general framework for the next EU budgetary cycle to run from 2021 to 2027. In this proposal the amount to be devoted to the European Defence Fund is even higher than expected, rising to **€13 billion** in total taken from the EU budget, against the €10 billion initially suggested.

Of those 13 billion, **€4.1 billion** (instead of 3.5) should go to the European Defence Research Programme (the follow-up of the on-going Preparatory Action on Defence Research) and **€8.9 billion** (instead of 7) would go to capability development (the follow-up of the EDIDP under negotiation for 2019-2020). This also means that the contributions expected from Member States (MS), to complement the Capability Development programme, should also increase to **€35.6 billion** for the 7 years (instead of 28). If so the total amount of the European Defence Fund would reach **€48.6 billion** (EU Budget + MS contributions, instead of 38.5).

The updated version of the summary graph now looks like this, depending of course of the final approval by the Member States and the European Parliament\*:



\*note

Such increase compared to initial plans could also be for strategic reasons: traditionally the EC proposes a higher budget that Member States will contest, thus leading most of the time to a compromise close to the previous budget. Brexit making the coming negotiations about budget even more complex, the EC might have increased the Defence Fund budget in order to secure a minimum amount of €10 billion after negotiations.

Interesting to note that the annual commitments would increase over time: for the 3 first years the previous proposals will be maintained (that is €500 million for R&T and 1 billion for Capability Development every year), then annual commitments will start increasing from 2024 and almost double at the end of the 7-years cycle (933 million for R&T and 1.86 billion for Capability Development in 2027). If one was to be cynical, this could look like already preparing a doubling of the Defence Fund from 2028...

➤ **A new Heading for ‘security and defence’ with a dedicated budget of €27.5 billion**

The Commission proposal also significantly modifies the structure of the global EU long-term budget for 2021-2027, and in particular creates a new heading on Security and Defence with a dedicated budget of €27.5 billion (including the EU Defence Fund). One of the major consequences will be the creation of a dedicated new Directorate-General for Security and Defence in the new Commission. It is structured as follows:

| <b>Heading 5 - "Security and Defence"</b><br><b>€27.5 billion</b> |  |   |
|---|--|---|
| sub-heading 'Security'<br>€4.8 billion                            | sub-heading 'Defence'<br>€19.5 billion               | sub-heading 'crisis-response'<br>€1.4 billion           |
| Internal Security Fund <sup>1</sup><br>€2.5 billion               | EU Defence Fund (NEW)<br>€13 billion                 | Civil Protection Mechanism <sup>4</sup><br>€1.4 billion |
| Nuclear decommissioning & safety<br>€1.18 billion                 | Military mobility <sup>3</sup> (NEW)<br>€6.5 billion |   |
| Decentralised agencies <sup>2</sup><br>€1.3 billion               |  |   |

(1) the existing ISF (Internal Security Fund) would be increased by 1.8 and integrated into this new heading. It aims at stimulating cooperation and exchange of information between Member States, and between EU and international level, in the fight against terrorism and radicalisation, organised crime and cybercrime, and victims assistance and protection.

(2) the main decentralised agencies in the security field are Europol (EU Agency for Law Enforcement Cooperation) and CEPOL (Agency for Law Enforcement Training)

(3) the Military mobility part will be part of the existing programme Connecting European Facility, so as to "enhance EU strategic transport infrastructures" (see [Newsletter 2018.2](#))

(4) the Union Civil Protection Mechanism (rescEU) "supports EU Member States to prevent, prepare and respond to natural and man-made disasters, in particular through rapid, well-coordinated mutual assistance amongst them". A new initiative to which other European States can participate (Iceland, Norway, Serbia, Montenegro, FYROM, Turkey)

➤ **A new Heading for 'migration and border management' with a dedicated budget of €34.9 billion**

The EC also proposes to group in one dedicated Heading the main budget lines on migration and border management (thus separating migration issues from Justice and Home Affairs), with a significant budget increase (x2.6). This extra money would go in priority to the European Border and Coast Guard Agency (FRONTEX, with standing corps rising from 1'500 to 10'000 border guards) and to "border management, incl. customs equipments". Again an interesting opportunity for security companies. The proposal also foresees the creation of a European Union Agency for Asylum (see [EC fact-sheet](#) for more details). The structure would be as follows:

| <b>Heading 4 - "Migration and Border Management"</b><br><b>€34.9 billion</b> |  |                         |
|--|--|-------------------------|
| sub-heading 'Migration'<br>€11.28 billion                                    | sub-heading 'Border Management'<br>€21.33 billion  | margin<br>€2.29 billion |
| Asylum and Migration Fund<br>€10.42 billion                                  | Integrated Border Management Fund<br>€9.32 billion |                         |
| Decentralised agencies<br>€0.86 billion                                      | Decentralised agencies<br>€12.01 billion           |                         |

➤ **A so-called 'Peace Facility' outside the EU budget to fund military and civilian missions**

The EU High Representative Federica Mogherini announced a number of months ago that a Peace Facility would be created in the next budget, partly as an attempt to respond to criticism about a militarisation of the EU. When reading the EC proposal published on 2<sup>nd</sup> May however, one can see that this facility relates to peace by name only. The official description speaks for itself:

*“the European Peace Facility aims to finance the common costs of military operations under the Common Security and Defence Policy; contribute to the financing of military peace support operations led by other international actors; and provide support to third states’ armed forces to prevent conflicts, build peace and strengthen international security”*. This latter support is further described as *“infrastructures, equipment and supplies or military technical assistance”*. Provided by whom? Largely by European industries...

This Facility should replace the existing Athena mechanism and have a worldwide mandate (contrary to the Athena mechanism limited to Africa), with an indicative budget of €10 billion for the 7 years.

➤ **What does the Defence Fund represent compared to the global EU budget?**

In percentage the Defence Fund represents a very tiny portion (about 1%) of the global proposed budget, which would amount to 1'279 billion for the seven years. Even the full Heading on Defence and Security, with €27.5 billion, is the smallest of the 6 thematic headings (and about a third of the administrative costs of the EU). Yet the Defence Fund alone would be more than the Humanitarian Aid budget (€11 billion).

However just looking at plain figures is not very relevant. What really says it all are the structural modifications and budget increase:

2 out of the 6 policy headings would be devoted to police, security and defence activities, as the 'migration and borders' one mainly takes a police and security approach to migrations. And it is very likely that this will lead to the creation of a dedicated DG (Directorate-General) and Commissioner on Security and Defence.

Moreover, the major budget increments would go to those 2 headings too (respectively x2.6 for 'migration & borders', x1.8 for security and **x22 (!)** for defence according to EC official figures). And if other budget lines like *Youth and Research & Innovation* also receive substantial extra money, bear in mind that the defence sector is now mainstreamed and often a priority within those programmes, thus leading to some diversion of the available budget from civilian activities, which will be difficult to anticipate and track. Moreover, the next EU Framework Programme for Research and Innovation (successor of the current Horizon 2020) will still include significant funding dedicated to research in the security area, mainly benefiting the industry.

(see p.6 on next EU Framework Programme, and [Newsletter 2016.2](#) on the current budgets lines accesible to defence)

➤ **where would the money come from?**

This is even more complicated to know! Comparisons are extremely difficult for different reasons:

- first the structure of the overall budget has drastically changed, with budget lines moving or merging, so it becomes almost impossible to identify transfers. What seems clear is that the cuts would mainly affect the agricultural policy and the regional funds.
- second, the figures themselves are confusing (and you may very well see different figures for the same budget line): the budget is presented both in '2018 prices' and in 'current prices' (taking into account estimated inflation over the 7 years). Moreover the EC also distinguishes commitments (the maximum it could spend), and estimated actual expenses. For those willing to dig into details this is quite a nightmare, [as stated by the EP](#).

However this does not change the general worrying trend towards security and defence to the detriment of civilian priorities and peace, so we should not bother too much with that. The figures in this newsletter are 'commitments' expressed in current prices (leading to the highest figures), as they are the ones the EC is most using under its claim for an "ambitious budget".

➤ **projects to be funded: European drone, space surveillance, but also 'killer robots'?**

The overall long-term budget presented on May 2<sup>nd</sup> does not provide a lot of details on the concrete actions to be taken, even less on the priority areas under the EU Defence Fund. From the press and official declarations some major priorities can still be identified and are of no surprise:

**Early warning and space surveillance:** France in particular is willing to submit 2 projects with partners on space surveillance and early warning, a very expensive programme for France to run on its own, and that should complement the civilian research project on space surveillance under Horizon 2020.

**European Drone programme MALE:** the French Defence minister recently repeated that this should be one of the first projects to be submitted under the Defence Fund.

What about **fully autonomous weapons**? In this regard nothing was said so far; however the developments under the negotiations for the Defence industrial programme (EDIDDP 2019-2020, see below) are not reassuring. So the door is still open for it, in parallel with a strong focus of the civilian EU Research Program on artificial intelligence (see p.6).

➤ **Provisional calendar of decision: legislative proposals to come on June 13, decision process till ...**

What will be the next steps? The documents presented on May 2<sup>nd</sup> are only about the general structure and global amounts of the long-term budget. The EC is now drafting detailed legislative sectoral proposals for each of the different spending programmes. Concretely, under the Defence Fund the EC will have to present 2 legislative proposals: one for the *European Defence Research Programme* (EDRP, follow-up of PADR) and one for the next *European Defence Industrial Development Programme* (EDIDP 2.0). They should be released on June 13.

Then the decision making process should happen in 2 parallel tracks:

The EC is now pushing for a general agreement on the overall budget by 5 May 2019 (the last EU Summit before the EP elections), but this might be quite difficult to reach in light of the current Member States concerns.

From June 13 the 'normal' decision-making process will start on the different legislative proposals per programme, like the EDRP and the EDIDP. This won't be over before the EP elections in June 2019, and will have to continue with the newly elected MEPs, probably till early or mid 2020.

In any case, the EP elections in June 2019 could be a good opportunity to raise a public debate on the EU paradigm shift towards security and defence also at national level?

*Links to the main documents on the next EU long-term budget (MFF 2021-2027):*

EC [press release](#) and [general fact-sheet](#)

EC fact-sheets on: [defence – security – migration & borders](#) – [Neighbourhood and the world](#)

EC [Communication](#) and [Staff Working Document](#) (for access to detailed headings explanation and figures)

## **Defence Industrial Development Programme (EDIDP) for 2019-2020: state of play of negotiations between EP and Member States on the legislative text**

The legislative process for the 1st Defence Industrial Development programme (EDIDP for the years 2019-2020) is about to resume: the last trilogue meeting will take place on Tuesday 22 May, and should close the negotiation phase between the European Parliament, the Member States and the Council.

There has been limited public feedback on those negotiations for two months, and they seem to have been quite painful with Member States not being ready to compromise on many issues. Probably under time pressure to adopt the text before the summer break, the process seems to be accelerating now. However most of the time this happens to the detriment of the Parliament views. According to recent public news, a compromise is about to come that would:

- open access to the EU funding for non-EU companies (based in the EU but controlled by a non-EU entity or country) with Member States guarantees
- allow for extra funding rate from the EU budget when SMEs and MidCaps are involved, opening the door to up to 55% EU funding including for prototypes (thus reducing further national contributions)

- divert 80% of the EDIDP budget from existing civilian projects (even higher than the EC proposal), the EP giving up on what was supposed to be its major request
- define 3 main thematic areas of work: mobility and energy protection, communication and intelligence, engagement and combat capacities

Another main reason of concern is that **nothing is said about the possible exclusion of fully autonomous weapons** as proposed by the EP: knowing that this was introduced thanks to the tenacity of the Greens, GUE/NL and a number of Socialists but that the main EP negotiators (a French Conservative and a Romanian Socialist) were quite reluctant to it, it is quite likely that they will be giving up on this too at the last minute to get the deal.

## Links to interesting news/articles

### ➤ Outcome of EDA Ministerial Steering Board

- x an Overarching Strategic Research Agenda (OSRA) is being developed with a view to guiding future investments in collaborative European defence research
- x Military Mobility
- x Cooperative Financial Mechanism & other topics

<https://www.eda.europa.eu/info-hub/press-centre/latest-news/2018/05/05/outcome-of-eda-ministerial-steering-board>

### ➤ Next EU research programme: a more ‘political’ Framework Programme on hot-button issues?

*Draft plans for the next EU research programme include lots of hot-button issues – from terrorism to healthcare inequality – that could attract broader political support*

<https://sciencebusiness.net/framework-programmes/news/more-political-framework-programme>

**“Security.** One of the earliest debates on FP9 involved whether to include military technologies for the first time. In the end, it appears that the Commission is planning to keep Framework civilian – but with a bigger emphasis than in the past on improving citizens’ security online and in their homes.

The draft plans include creating a central, European “cybersecurity research and competence centre as a hub with world class knowledge and technology capabilities.” It plans to fund technologies for police, border forces and customs officers, improve the inter-operability of the equipment they use, and study crime and radicalisation. It will support disaster-relief workers and their technology. It will try to counteract the receding “trust in the political institutions of democracy” by funding more research on populism, social media misinformation, and social inequalities. It will also try to improve economic policy by creating a “knowledge base for advice on investments and policies,” and studying European tax and benefit systems “with a view to reversing inequalities and addressing the negative impacts of technology, demographics and diversity.”

**Industrial and digital technologies.** The draft plan reshuffles the way industrial and digital technologies are handled inside the Framework Programme – linking them together in an effort to boost jobs and the economy. It notes that industry provides one out of five EU jobs, two thirds of private sector R&D investment and 80 per cent of EU exports. (...) The search for new materials – nano, bio, plastic, and “smart” – will continue, as will support for “key enabling technologies” for industry such as robotics, bio-manufacturing and Big Data (with the addition of artificial intelligence, as recommended recently by a [Commission advisory group](#).)

**Artificial Intelligence:** the Commission envisions “easily accessible open Artificial Intelligence platforms (including software algorithms and data) that provide companies with support and advice on how to integrate Artificial Intelligence into their products, services and processes.”

It also doesn’t shy away from industrial policy. It talks of ensuring the “non-dependence and sustainability of the supply chain” in space systems to “secure EU leadership in satellites and launchers” and several other fields. As expected, it continues a push for stronger European capacity in high-performance computing.”