NEWS FROM THE BRUSSELS’ BUBBLE
#2019-2, 21 may 2018

News items:

- EU Defence Fund 2021-2027: main points to know
- State of play of on-going funding programmes for military R&D

Links to interesting news/articles

✗ 14 peace organisations express their concern about the so-called European Peace Facility
✗ 23 Member States sign new military mobility programme to facilitate cross-border movements
✗ Misc: a French as new EDA Director for research, updated EC list of defence-related products

2019 EU Calendar - provisional dates

23-26 May: European Parliament elections
1st of July: Finland takes the EU Presidency
2-4 July: First plenary session of the new European Parliament
28-29 August: Informal meeting of EU Defence ministers (and MFA meeting on 29-30, “Gymnich”)
3-4 October: Industry Seminar on the EU Defence Fund (by Finnish MoD)
17-18 October: EU Summit
12 November: EU Defence ministers meeting
10 December: European Defence Industry Summit in Brussels
12-13 December: EU Summit (usually with Defence-related conclusions)

Access the previous Newsletters here

The main points to know about the EU Defence Fund in 2021-2027

Where will the money come from? Will it lead to savings?

The proposed budget for the Defence Fund 2021-2027 is €13 billion, but it still has to be negotiated between EU Member States and the new parliament in the framework of the general discussion on the next EU budgetary cycle for 2021-2027. So the exact amount could be slightly less or slightly more than proposed.

As for where the money comes from, it is not possible to identify actual transfers from one budget line to another: indeed the structure of the overall budget for 2021-2027 has been drastically modified so even comparing existing programmes before and after 2021 is extremely difficult.

But we know that the overall EU budget will not be increased as many Member States are not willing to increase their contribution, and if Brexit happens it will represent a €10 billion annual net loss according to estimates.
Thus in any case the 13-billions of the Defence Fund is a form of diversion from civilian priorities as the cake is not getting bigger. It is adding a new area of work without allocating fresh money.

And the EU envelop is on top of national spending, not a substitute to it. This was made very clear by the EU, and national governments continue increasing their national military spending.

In parallel the European Parliament, in a recent (non-binding) Resolution about the EU budget for 2020, “requests a further increase in the Union’s defence budget, to be exclusively financed by fresh appropriations, in order to improve the competitiveness and innovation of the European defence industry.

Thus we rather witness a worrying trend to growing military spending at all levels.

Which companies are eligible to participate (location and control)?

We can identify 3 categories of companies in the Regulation creating the Defence Fund for 2021-2027:

1) Companies based in and controlled by an EU member state or associated country entity (public or private): they are eligible to participate in projects and get EU funding without restriction. EU member states and associated countries are put on an equal footing, meaning that in theory a project presented by 3 companies from associated countries only is eligible for EU funding...

2) Companies based in an EU or associated country, but controlled by a third country entity (a country that is nor a member of the EU nor an associated country): they can participate and get EU funding provided that the EU or associated country where it is located provides guarantees that this will not contravene EU Member States security interests.

3) Companies that are not based in an EU or associated country: they can participate in a project but without receiving EU funding, provided that this does not contravene EU member States security interests. Again guarantees should be given by the company when applying. However, as it was explained by an EU representative to the industry, the EU money received by the consortium will reduce the costs of participation for the third country company by globally reducing the financial burden for the consortium.

Another question is: which are associated countries? Well this is not agreed yet: usually associated countries refer to Norway, Iceland and Lichtenstein (e.g. countries being members of both the EEA and EFTA). However for the Defence Fund this definition was left out of the provisional agreement reached in February, most probably due to pending Brexit: as both the EU and UK want to preserve British companies’ access to the Fund, a separate negotiation will happen with the new EP on this issue.

Moreover, in other funding schemes like Horizon 2020 other third countries can participate; for example Israeli companies received EU funding under security research projects.

And in light of heavy US lobby and recent threats, this issue is far from being resolved and should be carefully watched.

What about transfers of ownership of EU funded R&D results, and about arms exports?

The general rule is that the ownership of results generated by EU-funded projects will go the beneficiaries, that is the companies part of the consortium. Their main obligation is that any transfer of ownership or exclusive licence of results to third countries entities (e.g. not EU nor associated countries) should be notified to the European Commission.

If this transfer/exclusive licence appears to contravene the security interests of the EU, the money received should be given back.
framework of cooperative armament projects and the German suspension of arms sales to Saudi Arabia reveal what the challenge is:
The French ambassador to Germany clearly stated that joint armament projects will require exports opportunities based on clear rules, and Angela Merkel on her side stated that "anyone who develops an airplane with us would like to know whether they can sell the plane with us. We will have to make compromises."

With major exporters like France or the UK ready to sell anything even in the Yemen context, a compromise can only be reaching to the lowest common denominator...

It is acknowledged now that the Defence Fund will be a game changer, together with PESCO projects, for EU arms exports and the implementation of the EU Common Position. But not for the good unfortunately

- according to the results of the screening, the EC can decide, where appropriate, to submit the project to an ethics assessment (again to be carried by EC with help of individual experts if it so wishes).

To note that even if not explicitly mentioned in the Regulation, Member States will have say on these ethics reviews via the Programme Committee (made up of MS and assisting EC with implementation of the programme, see NBB 2019-1).

Lastly, the recent EU guidelines on AI produced by the High Level Expert group set up by the Commission do not apply to the Defence Fund.

The Commission “will develop specific ethical guidance for the evaluation of project proposals in the area of AI for Defence”.

In parallel to this High Level group, a Global Tech Panel on AI was set up by foreign policy chief Federica Mogherini last year and discusses, among other things, LAWS and international security.

But the outcome of these discussions will not be made public (see NBB 2018-5) and it is not clear if this will feed concretely the Defence Fund ethical review. The composition of the Panel is also questionable as most members are more or less closely related to the private sector, and none seems to have a strong background in International, Humanitarian or Human Rights law.

Does the ethics review answer to civil society concerns?
The Defence Fund 2021-2027 includes a new provision for ethics reviews of the projects, allegedly to answer civil society concerns. The initial proposal of the Commission was already rather weak, but after negotiations it now looks like a farce and gives a central role to the industry (see NBB 2019-1).

How will it work concretely?
The European Commission will set-up a list of independent experts to help it carry out ethical reviews of the projects. Those experts should be of “various backgrounds, in particular with recognised expertise on defence ethics” (and should be nationals of EU member states). The list will not be made public. The experts do not form a specific ethical commission to work together, it is only a list where the EC can dig into to pick up individual experts to assist it in some specific tasks, on a case by case basis.

It is up to the Commission to define the process once the Regulation is adopted, including the criteria and methodology to be used. However the draft Regulation already sets a number of steps, and that is when the industry comes into the loop:
- projects will be ethically screened by the EC (internally or with independent experts) before the signature of the agreement
- these screenings will happen on the basis of an ethics self-assessment by the industrial consortium which submitted the project

Can the next European Parliament stop the EU Defence Fund? Yes, in principle

The new European Parliament to be elected this week will have two channels to discuss – and reject if it so wishes, the Defence Fund:
- through the global discussion on the EU overall budget for 2021-2027, where it can reject dedicating EU money to this Fund. An alternative presented by the GREENS was that this Fund should be directly funded by Member States with their national military spending.
- they can reopen the discussion on the provisional agreement reached in February: indeed from a procedural point of view this is only the "1st reading" step, meaning that at the 2nd reading MEPs are allowed to introduce amendments to the provisional agreement, for example on the derogatory rules excluding the European Parliament from the implementation of the programme for 7 years (see previous NBB 2019-1). The commitment not to reopen the discussion is only a gentleman agreement taken by the previous Parliament. Although it is politically unlikely that this will happen, it is important to inform new MEPs who might not be aware of this possibility.

**Links to the main documents**

See the first summary of the Defence Fund provisional agreement in the previous NBB (2019-1)

Provisional agreement on the Defence Fund, and procedure file

**State of play of on-going EU pilot programmes for military R&D (2017-2020)**

**Preparatory Action for Defence Research (€90m, 2017-2019)**

5 projects are running since 2018 following the 1st call for proposals (see NBB 2018-2). A new calls for proposals was launched in March 2018 for 4 more projects, but the announcement and official launch of the selected projects is still pending.

For the last year of funding (2019), 4 Calls for proposals are being launched from March till June, on the following topics: Electromagnetic Spectrum Dominance, Future Disruptive Defence Technologies (2 calls), Interoperability standards for military unmanned systems.

Information about the on-going projects and the priorities of the 2018 and 2019 calls for proposals is available on the EDA website here

**European Defence industrial Development Programme (EDIDP, €500m, 2019-2020)**

9 calls for proposals were launched in March 2019, and 12 further calls will follow for 2020. They will cover priority areas in all domains – air, land, sea, cyber and space, with a particular focus on Intelligence, secured communication & Cyber, as well as on unmanned systems and artificial intelligence.

A significant part of the budget compared to usual EU practices (27%) will be directly awarded to existing projects without competitive calls for proposals:
- €100 million to support the development of the Eurodrone, seen as a crucial capability for Europe's strategic autonomy
- €37 million to support ESSOR interoperable and secure military communications.

More information is available on the European Commission website here

**Links to interesting news/articles**

- 14 peace organisations express their concern about the so-called European Peace Facility

In June 2018, Federica Mogherini presented to the EU Foreign Affairs Council the proposal for a European Peace Facility, worth €10.5bn (financed by Member States contributions outside the EU budget). To a certain extent it is a follow-up of the CBSD programme (see NBB 2017-3), which diverted about €100m from EU development programmes to "train and equip" military forces in third countries.

This Facility will be taken out from the EU budget in order, among other reasons, not to be limited by EU treaties as regards the delivery of weaponry, and will also replace the Athena mechanism from 2021.
But the proposal is not what its name would suggest. It does not seek to address the root causes of conflict, but allows the EU to arm and equip foreign militaries. As this fund lies outwith the main EU budget, it is not subject to oversight by the European Parliament.

On 13 May 2019, 14 peace organisations wrote to Federica Mogherini and EU Foreign Ministers to express their concerns ahead of the EU Foreign Affairs Council. They refer in particular to “a component within it to train and equip third-country militaries, as well as regional and international organisations, including with the provision of weaponry. It is not clear to us how the EPF will support peace and human security on the ground. (…) we do not agree that granting weapons and ammunition as currently planned under the proposal, funding soldiers’ salaries, or strengthening the combat capabilities of third-country militaries, is the most effective way to do this. From our experience, the risks associated with this approach are high.”

This is sadly confirming the militaristic turn taken by EU leaders... Read the letter here

> 23 Member States sign new military mobility programme to facilitate cross-border movements

Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Spain, Sweden and EDA signed on 14 March a new programme “that will facilitate the granting of cross-border surface and air movement permissions”.

The purpose is to harmonise their different national regulations and allow Member States to reduce the administrative burden associated with different permission procedures and thus significantly shorten the timelines for granting surface and air cross border movement permissions. The programme provides the basis for important activities at technical and procedural level to develop the necessary arrangements for cross border movement per transport mode during crises, preparations for crises, training and day-to-day business. The arrangements cover surface (road, rail and inland waterways) and air movements (Remotely Piloted Aircraft Systems, fighter aircraft or helicopters). They are expected to be finalised in 2020.

This is particularly shocking at a time when the ‘cross-border mobility’ of human beings is increasingly challenged under alleged terrorist threats or “migrants crisis”...

Read the [official announcement](https://www.eda.europa.eu/info-hub/press-centre/latest-news/2019/05/02/jean-fran%C3%A7ois-ripoche-new-eda-director-for-research-technology-and-innovation) on the EDA website

> Miscellaneous: a French as new EDA Director for research, updated EC list of defence-related products

"Jean-François Ripoche joined the European Defence Agency (EDA) on 1 May 2019 as the Research, Technology and Innovation (RTI) Director. He previously held the position of Research and Technology Director at the Strategy Directorate of DGA (Direction générale de l’armement), the French Ministry of Defence Procurement Agency."

Quite convenient now that the EU starts funding military R&D?


The European Commission published on 29 March an updated list of defence-related products, which is used in particular for the implementation of the 2009 Transfer Directive.