
NBB special edition: New EC proposal for MFF 2021-2027 EU funding for the military industry to be barely impacted by COVID-19

News from the Brussels' Bubble #2020-2, 1st June 2020

Arms industry won first battle and is well placed for negotiations to come

- ✓ pro-defence lobby saved basics: EC proposes €8bn EU Defence Fund and €1.5bn military mobility
- ✓ Space, dual-use and civilian funds increasingly accessible to military industry
- ✓ Any good news for peace?
- ✓ Despite difficult negotiations, EU military funding most likely barely impacted by COVID-19

2020 EU Calendar: main meetings to come

- 02 June** Press conference of HR/VP Josep Borrell, presenting the External Action heading in new MFF proposal, in particular NDICI
- 16 June** EU MFA ministers meeting
- 16 June** EU MoD ministers meeting
- 18-19 June** EU Summit (usually with Defence-related conclusions), Brussels, tbc
- 01-07-2020** German Presidency of the EU

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EC new proposal for next EU long term budget (2021-2027): arms industry won first battle and is well placed for negotiations to come

- **pro-defence lobby saved the basics: EC proposes €8bn for EU Defence Fund and €1.5bn for military mobility programme**

On March 27, the European Commission presented at last its long-awaited proposals for a European Recovery Plan (called [Next Generation EU](#)) and for [the 2021-2027 multi-annual financial framework \(MFF 2021-2027, whose initial proposal of May 2018 could not be agreed on before the lock-down\)](#).

As a reminder, in May 2018 the Commission was proposing a fully-fledged European Defence Fund worth €13 billion and a Military Mobility programme worth €6.5 billion (both figures in current prices)*, along with other funding schemes illustrating the EU paradigm shift towards securitisation.

While the European Parliament adopted its position and amendments to the EC proposal already in November 2018, EU Member States were stuck in penny-pinching discussions. The rift between national

positions was such that the Commission presented a non-paper just before the lock-down including a Defence Fund worth €7bn in 2018 prices (slightly more than the €6bn first proposed by EU Council president Charles Michel) and deleting the military mobility programme (see [NBB 2020-1, 18.05.2020](#)).

With the COVID-19 severely disrupting health systems and the economy, one could have hoped for a U-turn towards civilian priorities, but this was without counting the pro-defence lobby who worked hard claiming that military spending is essential to face any kind of challenge including pandemics ([NBB 2020-1](#)).

AS a result, the Commission proposes now a **Defence Fund worth €8 billion, a 30% decrease compared with the initial 2018 proposal** (€11,45bn in 2018 prices), but still more than the latest state of play before the

pandemic broke. This demonstrates that subsidising the arms industry to "strengthen its global competitiveness", e.g. boost arms exports, remains a key priority despite the current crisis.

To note also that the **military mobility programme**, once a collateral 'victim' of tough budgetary negotiations, has been 'rehabilitated' in this new

➤ **Space, dual-use and civilian funds increasingly accessible to military industry**

Moreover, the Defence Fund is only the tip of the iceberg:

The EU space policy is also increasingly interrelated with dual-use and defence policies and its funding is preserved in this new proposal, with a **€13.2bn worth EU Space programme** that will largely benefit to industrial stakeholders of the aerospace and defence sector.

To add on, in the current budgetary cycle the arms industry already started to benefit from a facilitated access to a [range of civilian EU funds](#) like the Structural

➤ **Any good news for peace?**

Aren't there however some good news for peace in this new proposal? Well only a few:

The Humanitarian Aid budget, which was smaller than the Defence Fund in the initial 2018 proposal (€9.56bn versus €11.45bn), is raised to €14.76bn thanks to the Recovery plan. But this should be compared against actual EU subsidies to the arms industry through all possible funding schemes, which will be doable only at the end of the budgetary cycle...

The external aid instrument (NDICI) also gets an extra €5.7bn from the Recovery plan, up to €86bn; however there are many concerns about how this funding will actually be used, [as expressed by civil society](#).

And a Health programme has been created with a budget amounting to €9.37bn. It is to note though that this programme is included under a larger

➤ **Despite difficult negotiations to come, EU funding for the military will most likely end barely impacted by COVID-19**

Of course there are major issues for discussion like the Recovery plan and its final format, and a number of member States are already contesting some of the key aspects of the package, in particular the balance between loans and grants, and the long-term funding

proposal, with a **budget of €1.5bn**, still quite far from the initial proposal of €5.76bn (in 2018 prices). But the Commissioner for Budget Johannes Hahn insisted during the press conference that "*military mobility could be easily funded, for example, via structural funds*", but also the Connecting Europe Facility for Transport.

Funds, COSME or Horizon 2020. And this trend will most probably increase after 2020 through the **€87bn worth European Strategic Investments** (in particular InvestEU, the Connecting Europe facility for Energy and for Digital, and the Digital Europe programme), which aim at supporting sectors considered of strategic importance, like the military is. The blurring line between what is civilian, dual-use or strictly military makes this support to the military sector even easier.

EU support to the military industry in the next 7 years will thus be far above the +€8bn of the Defence Fund.

heading V called '*resilience, security and defence*'. This Health programme together with rescEU (the Union Civil Protection mechanism) and related decentralised agencies under a subheading '*resilience and crisis response*' now makes about half of Heading V total budget.

Still it is worth asking why health and civil protection are put together with hard security and military programmes, and which ones will be politically more prominent over the others...

As for the so-called European Peace Facility, it has been excluded from this new proposal officially because it is an off-budget programme, but also because of lengthy and difficult discussions about content, proceedings and budget. The basis for discussion of the latter is the €8bn proposal made by the EU Council President Louis Michel in February.

of this recovery plan. Discrepancies between the 'Frugal four' (Austria, Denmark, The Netherlands and Sweden) + Finland and South-Europe, but also mistrust on the side of some Central and Eastern countries (Hungary's leader recently stated that this Recovery

plan was ‘absurd’ and would only benefit the rich countries) still exist and the economic crisis to come will make deals even more difficult to reach.

But defence issues will also be part of tough discussions regarding the MFF whose total budget is higher than many countries were ready to accept, at least before the COVID-19 crisis.

It was clear during the 27 May press conference that the Commission felt under pressure to justify the cuts in defence-related programmes (in fact mainly the Defence Fund and the military mobility).

We already mentioned in our previous newsletter ([NBB 2020-1](#)) the intense pro-defence lobby by different actors, in particular think-tanks but also more recently political leaders.

And on 29 May, the respective Ministers of Defence of France, Germany, Italy and Spain issued [a 6-pages letter](#) to the EU High Representative Josep Borrell and their fellow MoDs, claiming that European *"Armed Forces have been instrumental in helping to deal with the challenges posed – both in Europe and beyond"*, and that *"the effects of the pandemic have already started aggravating existing conflicts and crises"*. They conclude that *"Security and Defence must therefore remain a top priority"*. They list 7 issues to be dealt with, from solidarity and resilience to cooperation with NATO.

But the core of their suggestions is about reinforcing operational capacities, with PESCO as *"the central political framework"* and enhancing military capabilities, in particular by *"reducing critical dependencies"* and *"reinforcing the European Defence*

and Technology Industrial Base". Of course this includes *"a more ambitious European Defence Fund"*, that is more than the €8bn of the new proposal. Incidentally, those 4 countries appear to be the main beneficiaries of the Preparatory action for defence research (PADR), getting alone 57% of the budget of the military research projects currently funded and for which detailed information is available.

Taking into account that the majority of the European Parliament was already in favour of the maximum budget level for the Fund and will probably remain so, and that the Commissioner in charge Thierry Breton is also a strong advocate of well-funded subsidies for the arms industry, it is very likely that the European Defence Fund will end up halfway between the initial and the latest proposal, e.g. around €9.5 to €10bn. This is exactly what was already predictable before the COVID-19 crisis.

And a similar scenario could be foreseen for the military mobility programme, to be a carrot to sweeten the Dutch position among others.

In other words, the European Defence Fund final budget will probably be barely impacted by the COVID-19 crisis, contrary to what its advocates keep claiming.

As will the militaristic priorities of the EU in general...

Despite calls for a quick fix of negotiations (the Commission would need about a year of preparation to have all programmes ready to run by 1st January 2021) it is very unlikely that an agreement is reached before July, and the German Presidency will have to lead the discussion in the second semester.

** When presenting its draft proposal in 2018, the Commission first gave amounts in current prices, and insisted on the importance given to "security and defence priorities" with a €13bn fully-fledged Fund. However now the trend is to give amounts in 2018 prices, which makes comparisons with the previous budget cycle more easy. But it also makes the recent cuts in military-related budget lines appear more "dramatic". All amounts in this article are in 2018 prices as now reported in media, unless specified otherwise.*

Links to relevant documents

[‘Europe’s moment: Repair and prepare for the next generation’](#), EC press release, 27.05.2020

[MFF 2021-2027 and Recovery plan fact-sheets](#)

[Defence and security win battle but not war, in EU budget plans](#), Euractiv, 27.05.2020

[Von der Leyen proposes €750 billion stimulus under member states’ grip](#), Euractiv, 27.05.2020, updated on 28.05.2020

[How EU member states reacted to the Commission’s Recovery Fund proposal](#), Euractiv, 28.05.2020

[29 May letter of French, German, Italian and Spanish MoDs to Josep Borrell and fellow MoDs](#)

[Patchy at best: EU unveils coronavirus recovery plan](#), Greenpeace, 27.05.2020

Thank you for your attention and take care