



Why the EU should not subsidise military research

ENAAT Position Paper on the proposal of Preparatory action on Defence research

In the framework of the budgetary procedure for the 2017 Budget, the European Parliament and the Member States will have to decide on the proposal of the European Commission to fund a Preparatory action on Defence research, in other words to fund research for military goods.

The European Network Against Arms Trade (ENAAT) is opposed to such Preparatory Action (PA) for political, democracy-related and efficiency reasons that we detail in the next pages. In a nutshell, we consider that this proposal is highly problematic because:

- it contributes to a worrying shift of the EU mission from a civilian peace project to a military-led project
- the decision-making process is over-influenced by the arms industry lobbyists and falls short of being transparent and democratic; the EP and the Council are asked to vote a blank cheque
- it could set unprecedented favourable grants conditions for the arms industry while the latter does not play the rules of the game of public interest
- it would divert part of the EU budget from other priorities which are much more relevant for citizens' well-being in and outside the EU
- it puts the cart (much) before the horse as EU Member States are not ready to play the game of the common interest in defence matters
- it will not contribute to more security, but rather represents a high risk of wasting public money to the mere profit of the industry

Although the current proposal in the 2017 budget only mentions 25 million EURO for 2017, in fact the industry plans are much bigger and costly: the PA is meant to last 3 years (2017-2019) for a total amount of about 80 million EURO. Moreover, it would be the first step towards a fully-fledged European Defence Research Programme (EDRP) of 3,5 billion EURO in the next multi-financial framework.

- **We appeal to you, as elected representative of EU citizens, to halt the inclusion of arms industry research into the EU 2017 budget. No EU money should go to the arms industry**
- **Research funds should go to projects developing ways of resolving and preventing conflicts, and in particular to non-violent ways and ways tackling root-causes of instability such as climate change.**

Why the EU should not subsidise arms industry research

1. The decision-making process is under strong influence of the arms industry lobbying, while transparency and balance of interests are not respected

The main interlocutors of EU institutions on the Preparatory Action have been industry and application-oriented research groups (those who will in the end benefit from the funding), together with some Member States representatives.

The most striking example is the *Group of Personalities on the Preparatory Action for CSDP-related research*, which is mainly made-up of defence industry representatives and application-oriented research groups (9 out of 16), 2 think-tanks, 3 MS representatives and 2 from the EU institutions.

Although set-up in March 2015 and clearly answering the criteria of an Expert Group, by June 2016 **it was still not registered in the EC Register of Expert Groups**. The letter we sent to Commissioner Elżbieta Bieńkowska on this matter (dated 23.05.2016) is still unanswered today.

The fact that press releases were produced about the GoP and its final report published in February 2016 does not replace the strict respect of EU governance rules; indeed the EC Register is the main source of transparency and information about how the EC makes decisions for EU citizens and civil society, and it should be permanently up-to-date.

Moreover, the ENAAT request for access to documents about the GoP work process has still not been answered after 4 months, and we are still not able to know at least when the meetings of the GoP members' sherpas took place and who attended them, while these are the meetings during which the discussions between stakeholders took place and decisions were made.

The EP study on the future of European Defence Research (March 2016)¹ raises similar concerns: it was produced by 2 eminent experts, but whose professional past or current activities relate them very closely to those who would be the primary potential beneficiaries of the future PA: one is a lawyer acting as a consultant for industrial and institutional clients on defence and military issues (including on the PA, although not yet adopted!) and the other, although presented as "retired" chair of a German defence research group, was in parallel participating in the Group of Personalities as sherpa of the President of the same German research group.

While it can be legitimate that these groups make the case of their interests and point of view, it is much more problematic that they are the main and almost only advisers to the EC, and that the EP is financing their contribution to the debate as so-called independent experts, while no similar space is given to critical voices from civil society. For example during the SEDE exchanges about the above-mentioned EP study and the planned Preparatory action on March 16th and May 30th, no alternative points of view were invited to speak about this project. Academic experts fully independent from the different opinions/stakeholders should and could have been identified for such roles.

In conclusion, there was a clear unbalanced representation of interests on this issue, going against EU transparency rules and shedding doubts on the independence of EU decisions in this field. Even the formal budgetary procedure raises many elements of concern.

¹ EP/EXPO/B/SEDE/2015-02, March 2016, PE535.003

2. The European Parliament and the Member States are asked to vote a blank cheque, as they don't know yet and will have no say on how exactly this money will then be used

Unfortunately the budget proposal does not include details on how the money will be spent, and the EC will not provide any information on how exactly the money will be spent: granting modalities and amounts, IPR regime, governance model are all problematic issues not resolved at this stage (see below). The EC plans to define these rules in December only, well after the debate will have taken place and -probably- after the adoption of the 2017 budget. **Discussions are being held behind closed doors and, although some Member States are involved in the discussion, neither the EP nor the EU Council will have a say on these elements, which are key for the outcomes of the Action, in particular regarding its claimed EU added-value.**

Moreover, the final EC evaluation report on 2016 Pilot Projects and Preparatory Actions, that should be the basis for the EP assessment of future PAs, was seriously delayed and not available for debates and even votes that should or have taken place mid-July. To our knowledge it is not yet published to this date, at least not publicly for EU citizens.

As the EC presented its draft budget with 1-month delay, the debate at the EP is being drastically squeezed to a point challenging the democratic process. For example in the ITRE Committee, no debate could take place at all, and the vote on the budgetary amendments that took place on July 12th, 2016 was very confused: apparently not all members were in possession of the correct document (which was not available to citizens on the EP website at the time of the vote) and the vote was extremely fast making it even difficult to follow. Most EP Committees are facing similar constraints with the summer break, which makes it also difficult for civil society organisations to reach out to MEPs ahead of the first votes.

3. The EU should promote an alternative to arms instead of trying to be a pale copy of the US

ENAAT members fundamentally disagree with this vision of a militarized world where the EU is a follower of the US. 'Competing' with the US in the field of defence expenditures is just impossible unless giving up the European political and social model. Indeed this would imply an increase of about 30% of the current national defence budgets!!²

It is time for the EU to pave the way for an alternative model for international relations and **promote seriously alternative ways of peace-building**. For decades we have been told that more arms and military means should lead to more peace through deterrence, but what one can witness worldwide is rather proliferation of arms, violence and instability.

It is to be reminded that worldwide military expenses represented 1'670 billions of US dollars in 2015, according to SIPRI figures. **If only a tiny portion of this massive amount was diverted in order to sufficiently finance and reach the Millennium goals, or tackle seriously the impact of climate change in development countries, many root-causes of tensions and conflict would be resolved in a much more efficient way.**

4. Besides, the EU budget should not be used to comply with commitments taken by Member States individually

If individual MS committed, within NATO's framework, to dedicate 2% of their GDP to defence expenditure (of which 20% should go to investments), then it is their responsibility to see how they can make it; they should not use EU budget for that purpose because they cannot or do not want to assume the internal political consequences of such commitments. And even less if at the same time they are not ready to give-up national sovereignty and national companies interests as mentioned before. **Once again the EU budget is both seen as the cash cow for Member States and the possible scape-goat for EU citizens in case it goes wrong.**

² <http://club.bruxelles2.eu/2016/05/la-recherche-de-defense-europeenne-en-panne-dinvestissement/>

5. The EU Budget is not extensible: where would the money come from?

The EU budget is insufficient for the commitments EU leaders have decided so far. For example:

- The current MFF was reduced compared to the previous one (2007-2013) while challenges are increasing
- The H2020 was already shrunk to finance the “Juncker Plan” (in particular the European Fund for Strategic Investments), and the EC recently called for a prolongation of this plan while the EP raised strong concerns about the impact on other budget lines
- The EC has huge payments delays already: the level of unpaid bills by the end of 2014 was reaching 24.7 billions EUR, and the cumulated amount since 2007 is 139 billions (= 17% of the EU budget)

Under such circumstances, it does not make sense to take further commitments in new areas where the efficiency, real needs and EU added-value are not proven at all.

6. Alternative spending should be done in other areas that will also boost jobs and growth while contributing to peace through civil means

It would make much more sense to use these resources in areas that can generate at least as much growth and jobs while responding to major challenges that are root-causes of many conflicts such as climate change, which effects “pose serious threats to the stability of states and societies in the decades ahead” (see the [New Climate for Peace Report](#) commissioned by the G7). However, only 11 million EURO will go to 'Climate change and security' over 4 years (2014-2017) under the Instrument contributing to Stability and Peace (IcSP), although the EU claims to consider “climate change as a major risk to global security, acting as a driver of instability and conflict”³.

The same can be said about non-violent ways to prevent or resolve conflicts: the IcSP dedicates only 9% of its budget to conflict prevention, crisis preparedness and peace-building. Of this, only 25.5 millions over 4 years (2014-2017) will go to 'Confidence building, mediation, dialogue and reconciliation' for local civil society actors in third countries.

Thus the 25 million EURO foreseen for the PA on defence research for one year only would have a much bigger and direct impact for peace under these budget lines. Many other examples could be taken ranging from fundamental rights, social justice, or access to education to name but a few.

Last but not least, a [CAAT report shows that it is possible to reconvert and develop employment from the military sector to the renewable energies](#).

7. The arms industry already benefits from a large amount of public money through different channels while not respecting the rules of public interest and transferring technology to third countries

Moreover, it should be reminded that the arms industry already benefits from public money through different channels:

- as all companies, they use infrastructures paid for by taxes;
- their products are also paid for by taxes, as the lion share of what arms companies produce is bought by governments (EU MS but also third countries which are, for many of them, partly financed by the EU development aid thus freeing part of their national budget for defence expenditure);
- last but not least, much of their research and development is already subsidized by governments or done in cooperation with publicly funded universities and/or research institutes;

Moreover, experts including the EDA itself recognize that there is a shift in the research process: if for long the military research was then feeding civil applications, the contrary is happening now: more and more it is civil

³ IcSP Brochure, European Commission, 2014, p.17

research that provide for technological progress then to be used in military applications: thus the defence industry is also benefiting from the results of civil research which is also partly funded with public money.

On the other side, defence industry does not seem to be “playing the game” when for example **they practice tax evasion**: a Dutch report⁴ shows that 7 of the of the 10 biggest global arms companies have nearly empty legal structures in the Netherlands, and one-third of the hundred biggest military companies turned out to have one or more holdings in the Netherlands (for example, Airbus and BAE Systems); the major reason for this being that the Netherlands has a “highly competitive fiscal climate” and is a favourite for tax evasion⁵. **While arms industry sales are depending primarily on governments spending of public money they do not fairly contribute to public funding themselves.**

Another major concern is the increasing practice of technology transfer to third countries in order to get deals:

both according to arms experts and external observers like [SIPRI](#), importing countries are increasingly asking for local production and transfer of know-how as part of their deal with arms producers. **In other words, the new technologies to be developed thanks to EU funding today could very well end being transferred to third countries in 10 or 15 years, thus rendering them obsolete for us and pushing for a never-ending technological race.**

In short, the main outcome of this PA one can be sure of at this stage is that it responds to short term interests of the arms industry, while the decision-making process falls short of being democratic and transparent. Indeed many elements show that there is a high risk of wasting public money through this PA on defence research, even from the point of view of its supporters.

8. It is too early to adopt a follow-up PA while funds under the PP have not even been granted yet

The implementation of the Pilot Project on CSDP-related research (voted in 2014) is just starting, and the indicative calendar provided by the EDA indicates that the grant agreements will not be signed before October-November 2016, e.g. once the 2017 budget procedure will be (almost) over. Funded projects would end between December 2017 and June 2018.

According to the EP Working Document on Pilot projects and Preparatory actions in budget 2016 and 2017⁶ “a Preparatory Action [is] normally the successor of a successful Pilot Project” (emphasis added). In the case of the PA on defence research, we will be far from such scenario:

depending on the length of the budget procedure, it might not even be possible to assess the capacity of the EDA to publish and timely manage a call for proposals before deciding to allocate an amount 5 to 7 times higher than the PP. It will be also difficult, if not impossible to assess the level of interest by defence industry actors in such projects, the quality of projects submitted and the success rate, the level of participation/involvement of SMEs, the countries involved, etc.

Last but not least, there will be no way to assess, even partially, “the feasibility and usefulness of the cooperation with EDA” (one of the objectives of the PP according to the EC interim report about the on-going Pilot Projects and Preparatory Actions, published on March 4, 2016), or in other words EDA's capacity to manage the funds and monitor the projects, and even less the added-value of the PP: did the financed projects had a real EU added value? Did they respond to the overall and specific objectives of the PP? Did they contribute to genuine cooperation and integration? Etc.

4 [Tax evasion and weapon production: Letterbox arms companies in the Netherlands](#), December 2015, in cooperation with Transnational Institute

5 EP study, Blomeyer & Sanz, [European initiatives on eliminating tax havens and offshore financial transactions and the impact of these constructions on the Union's own resources and budget](#), 15/04/2013, PE 490.673

6 PE578.710v01-00, p.2

There will be no possibilities to learn lessons from the PP before launching a 3-years PA up to 80 millions EURO. In time of restricted budgets taking the risk of wasting such an amount while many other priorities are lacking funds is very inappropriate. It might appear a small amount for the arms industry, but this is not the case for less advantaged sectors: as a comparison, the 2017 annual budget of the well established and functioning European Initiative for Human Rights and Democracy (EIDHR, existing since 2007) is ... 132 804 000 EUR⁷, and the success rate of project proposals is extremely low due to the high number of applications. A good number of great projects for the promotion and protection of human rights could be financed with an extra amount of 25 million per year....

9. Under the current proposals, the arms industry would benefit from the most favourable financial conditions under EU grants ...

Unfortunately the budget proposal does not include details on how the money will be spent, and in particular the grants conditions. The only available information is provided by the *Group of Personalities* who advised the EC on this issue. Not only is the composition of this GoP highly problematic (see below), but their proposals also are:

- Research projects under the PA should provide full 100% coverage of eligible direct costs, while normally EU Framework Programmes for civil applications propose co-financing around 80% in average.
- Moreover, reserve funds for additional costs are even higher than the -already extremely high!- 25% of eligible costs usually seen in civil research.
- So the arms industry would benefit from the most favourable treatment ever granted under EU grants, while not being asked for any form of compensation.

The main objective remains to preserve the competitiveness of the industry (including its capacity to export), as though the arms industry is one industrial sector among others; in that case why should they benefit from a special treatment? If they are not a sector like the others, then why should the PA be driven by market considerations, in particular knowing the increasing tendency to transfers of technology in order to gain deals (see below)?

Again, in comparison the EIDHR nearly never finances 100% of a project (very exceptionally for CSOs operating under extremely difficult situations). In most cases the EU covers up to 80% of the eligible costs (sometimes only 75%) and organisations that are non-profit have to struggle to find a co-financing from other sources. They only benefit from administrative costs up to 5% of the total direct eligible costs, and a 7% contingency budget line is available for unexpected costs, but the use of it is strictly controlled and requires detailed justification and receipts.

10. ... as well as of an IPR regime aiming at “protecting the interests of industry participants”⁸

The GoP report also calls for a special Intellectual Property Rights (IPR) regime much more favourable to the industry than in other research projects (it is to be noted that special IPRs have been already negotiated with the security sector under H2020, but the arms industry seems to be looking for an even better deal). While one can understand that research in the military field is particularly sensitive, it is clear that the main objective here is to preserve the industry interests, as IPRs have a critical impact on innovation, competitiveness and profitability⁹. The EC head of Unit Alain Alexis confirmed that IPRs were “key assets” for the industry during a debate of the SEDE Committee (May 30th, 2016).

⁷ COMMISSION IMPLEMENTING DECISION of 7.12.2015 on the Multi-Annual Action Programme for the years 2016 and 2017 for the European Instrument for Democracy and Human Rights (EIDHR), p.5

⁸ Report of the group of Personalities on the Preparatory Action for CSDP-related Research, '[European Defence Research, the case for an EU-funded defence R&T programme](#)', Rapporteur: European Union Institute for Security Studies, February 2016, p.72

⁹ Idem, p.72

in other words, the industry should receive a 125% funding coverage with public money while fully preserving its business interests. Indeed the GoP proposals state that background IPR should be fully protected included between consortium partners, and foreground IPR shared only among consortium partners. The EU and the Member States, those paying for the research, should only receive “a package of information explaining the aim of the research and summarising the results achieved, as well as clarifying its potential military applications and likely exploitation plans. This will help (sic) spread an understanding of the nature and potential applicability of the defence research being undertaken, and promote (sic) subsequent take-up (...)”¹⁰.

11. The proposed governance model is rather vague and favours the industry and national interests

Again the only proposals regarding the management of the Preparatory Action are the ones of the Group of Personalities: the governance model proposed by the GoP is rather vague and mostly favours the role of the industry and the Member States (including the EDA) to the detriment of EU institutions such as the EC, and more problematically the EEAS that will only be part of the Advisory Group just like Industry representatives. It would not participate at all in the Programme Committee (PC) nor to the selection of evaluators. How in such situation could the EU general interest be preserved and “EU integration encouraged” as claimed by some PA advocates? Again the GoP proposes that the usual H2020 governance rules should be adapted to specificities of the defence sector:

A Programme Committee (PC) composed of MS representatives should act as decision-making body under stewardship of the EC, but the EC should only act as facilitator and observatory and would not take part in the decisions (as in most PC). But at the same time the EC should act as a consensus-builder in order to avoid the over-representation of national interests which is a particular challenge in this field. How could the EC play that role without any decision leverage, and when the GoP did not dare to define the exact decision procedure (unanimity or majority?).

The GoP also calls for a more inclusive tailor-made **Defence Advisory Group (DAG)** that should assume the function of the traditional Advisory Group but also contribute to the overall review of the PA's operation as well as discussions around the possible EDRP. This **DAG** should represent the views of major stakeholders, and would include the arms industry, military experts, military-oriented Research Technology Organisations (RTOs), the EEAS and the EDA itself.

The **executive agency** should be the EDA, but which has until now not been very successful, for different reasons, to reach tangible results towards MS cooperation in the military sector. One of the reasons being that most Member States are not ready to go for this.

12. The PA will not lead to a better security for EU citizens as neither Member States nor the industry are ready to play the game of the common interest

Many supporters of EU funds for military research are convinced that this PA and follow-up ERDP will contribute to further EU integration in Defence matters. While the pertinence of further integration in this area is per se a matter of discussion, it is clear that even from this angle the PA will not answer the expectations of its followers.

We have already mentioned many elements showing that preserving the arms industry interests is the main goal of this PA under the cover of promoting EU jobs and growth through competitiveness. More fundamentally, for decades EU MS have been unable to make progress in the integration of Defence policies, and national interests are still prevailing, competition among major companies/countries leading in arms sector is still and will continue to be high. In such context how could they cooperate suddenly?

The EP study on the future of European Defence Research shows that in time of crisis and budget constrains, joint research projects between EU MS have declined much more than the global decrease, instead of looking for

¹⁰ *Ibid*, p.73

economy of scale and more efficiency: from 2006 to 2013, joint research projects declined by 40% against a global decrease of 29.2% and 27.7% for R&D and R&T respectively. The same for acquisitions of jointly produced military equipments (-32%). This trend was confirmed by EDA figures. National industries regularly compete to get deals both within and outside the EU, and the military sector is very much considered as national sovereignty where the EU should not have a say.

86% of the critical mass of the European military industry is concentrated in about 10 EU MS, and 3 countries (France, UK, Germany) make 86% of the R&T investments. Why should they suddenly play the EU collective interest, when Member States could only commit few nice words without any concrete translation? Even the EDA, where unanimity is the de facto rule, was not provided with the means to properly implement its mandate.

In such circumstances, it is likely the money will go to a small group of countries and small bunch of companies and research groups already very active in this area.

Pretending that starting from the bottom and putting the money first will “oblige” states to cooperate and will “naturally /spontaneously” lead to more integration is not convincing, as the very EU history demonstrates that this does not work:

In the 1950s already, the project of a “European Community of Defence” was dropped because of national reluctances and focus on economic dimension was justified by saying that starting with this would naturally lead EU countries to make progress towards further political integration; 60 years later progress has been very limited and Foreign and security policy issues (except on international trade) are still purely intergovernmental, hardly any power has been granted to the EP in this area and both the high representative and the EEAS have rather limited leeway.

The same can be said regarding social and fiscal harmonisation: in 1986 the EU single market was also justified as a way to push Member States to accept more integration regarding social and fiscal issues, again claiming that once the internal market would be in place this would ‘naturally’ lead to more harmonisation in this regard; again 30 years later, limited progress has been reached, mainly under internal and labour market rules, Member States are still not interested at all in a social Europe and taxation is still under full national competence.

If the impact of a Preparatory Action and follow-up ERDP is to take several decades to have a real impact on EU military efficiency and integration, then even according to its supporters it will be anyway far too late. **In the meantime billions of Euros will have been lost to the detriment of crucial investments to respond to major new major challenges and bring positive and direct impact for EU citizens.**

Conclusion:

So why the EU should not fund military research? Because

*“The world is over-armed and peace is underfunded”
Ban Ki Moon, UN Secretary General, September 9th, 2009, Mexico City*

30/08/2016