The EU’s steps towards more strategic autonomy –
The European Defence Action Plan

Since the year 2013, the European Union (EU) has undertaken several steps introducing supportive measures to strengthen the European Defence Industrial Technology Base (EDITB). Especially in the last two years, the EU accelerated the process and put developments in motion, which could have significant impact on the defence sector and the strategic autonomy of the EU – but only, if its member states participate actively.

The causes for these initiatives are manifold and can be found in geopolitical, economic, military and security reasons. Because of these, the EU has been aiming for a coherent strategy to evolve into a more credible global actor. In this regard, security and defence play an essential role, which will complement foreign policy measures and policies. The current initiatives, mentioned in this paper, are unrivalled and go hand in hand with the EU Global Strategy’s (EUGS) goal to achieve a strategic autonomy.

In his recent state of the Union speech President of the European Commission – Jean-Claude Juncker – emphasized once more the need for the EU to become a stronger global actor. The ambition is to develop a European Defence Union by 2025, not only via a structured cooperation, but also with a strengthened EDITB, as key competencies and know-how, especially if there is no sufficient support by the MS or the EU itself. The budget cuts in defence spending as well as low demand for the products of the EDITB within the MS jeopardized the industry. One of the reasons the industry managed to sustain itself was by exports, but these left not enough financial resources for long term research and development.

As a result, calls for a revitalisation and support of the EDITB started to emerge and a process to develop instruments and open funds began within the EU, since the ones available (e.g. Horizon 2020) were limited to the civilian sector and Dual-Use only.

Relevant Documents of the European Council and the Commission

In its Council Conclusion of December 2012, the European Council deemed the matter of security and defence as one of the priorities of 2013 and invited the High Representative, the European External Action Service (EEAS), the European Defence Agency (EDA), as well as the Commission to develop proposals for a strengthening of the Common Security and Defence Policy (CSDP), civilian and military capabilities and report them at the latest of September 2013. This was the starting signal for several significant EU documents, which emerged since then.

The Commission published its Communication 542 “Towards a more competitive and efficient defence and security sector”, which not only recap the various challenges for the EU as well as the industry, but also offered an action plan to strengthen the EDITB, the single market for defence, among other aspects, and to work towards a strategic autonomy and a stronger CSDP. Recognizing the work being done throughout the year 2013 by various institutions, the European Council made a strong commitment in December 2013 to further strengthen and develop the CSDP. One of the identified important aspects was “a more integrated, sustainable, innovative and competitive” EDITB. Therefore, the Council called on the MS to deepen their cooperation. In doing so,
several priority actions were identified with the strengthening of the EDITB as one of them.\textsuperscript{10} The importance of the Council’s conclusion cannot be emphasized enough, since it documents the results of the first thematic debate on defence since the Lisbon Treaty, and can be seen as another milestone when it comes to European defence.

Shortly afterwards the Commission’s Communication (2013) 542 was complemented in June 2014 with an implementation roadmap called “A New Deal for European Defence”\textsuperscript{11}, which passed a Preparatory Action on CSDP-related research to allow first steps to be taken until the post 2020 financial framework.\textsuperscript{12} This was developed in cooperation with the EDA, with the purpose to demonstrate the added value of an EU contribution.

The EU Global Strategy and the Implementation Plan on Security and Defence

The EU Global Strategy (EUGS) of June 2016 presented the plans for the EU’s external efforts in the coming future and three interdependent pillars dealing specifically with security and defence. Responding to the MS’ priorities, these are: a) a new level of political ambition to ensure the security of the Union, b) new financial instruments for the EDITB, and c) a further development of the EU-NATO cooperation.

Credibility is considered one of the most important aspects when it comes to CSDP, which is why the EUGS has been calling for an innovative and competitive defence industry to guarantee a strategic autonomy.\textsuperscript{13} Shortly after its publication, the Council of the EU presented several recommendations on how to implement the EUGS in the Implementation Plan on Security and Defence.\textsuperscript{14} In it, relevant aspects for defence research were formulated, emphasizing the importance of the political ambition mentioned in the EUGS. What is more important is the fact that the EDA along with the EU MS was asked to come up with further suggestions to develop military capacities, a structured cooperation, security of supply, research and technology, and prepare their implementation.\textsuperscript{15}

As a result, the European Defence Action Plan (EDAP) took shape and can be seen as a direct consequence of the above-mentioned endeavours of the EU and the evolution of the relevant documents.

Current developments – The European Defence Action Plan

Together with the EUGS and the EU-NATO cooperation, the European Defence Action Plan resembles an ambitious package to strengthen European defence capacities and reinforce the security and defence policy.

The EDAP focuses foremost on capability needs and the support for the EDITB. It is structured in three major pillars plus an additional one, which address various but interdependent needs of the development cycle in R&D.

- The European Defence Fund (EDF)
- Fostering investments in defence supply chains
- Reinforcing the single market for defence and
- The promotion of civil/military synergies

Pillar 1 – EDF

On the 14th of September 2016, Jean-Claude Juncker, announced his plans to propose the EDF before the end of the year by stating that a strong European defence would need an innovative defence industry. The fund will therefore be established to boost the EDITB. Compiled of two dedicated financing structures, called “windows”, the EDF will be coordinated by a board composed of the Commission, the High Representative, the MS, the EDA, as well as the industry itself (if needed).\textsuperscript{16} The research window is the one of the above-mentioned structures and aims for an EU wide cooperation when it comes to defence research. As a first step the meanwhile renamed Preparatory Action on Defence Research, with a budget of 90m Euro for 2017-2019, is going to evaluate the added value as well as initiate a first impulse to the industry. With the coming post 2020 financial framework, the research window will develop into the European Defence Research Programme (EDRP). The EDP aims to encourage Small and Medium-sized Enterprises (SMEs) as well as focus on Dual-Use products. With this in mind, synergies for the civil sector are to be harnessed as well.

As a second structure, the capability window will support not only development, but also the acquisition of defence products. The focus lies on a more efficient way of procuring and using available resources. To be able to do this, possibilities of financing key competences are being provided. In June 2017, additional 500m Euro were warranted from the EU budget, and if the European Council and the Parliament will approve the plans laid out in the EDAP in 2018, this window will lead to the European Defence Industrial Development Programme, with a financing of 1bn Euro per year.

Considering these measures, the EDF is supposed to serve as an instrument to facilitate the whole chain of capacity development, starting with research, the engineering of prototypes to the point of a joint acquisition of defence products by the MS.

Pillar 2 – Defence Supply Chain

To support the competitiveness of the defence industry, the Commission plans to support defence related SMEs by giving them access to financial instruments, which were available before, but hard to get access to because of restrictive requirements. Potential options would be the European Fund for Strategic Investments (EFSI), the programme of Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME), the European Structural and Investment Fund (ESIF) and lastly the European Regional Development Fund (ERDF).

To make the best use of these funds, cooperation within regional clusters is being encouraged. As a result, the European Network for Defence Related Regions was launched in order to help and assist the industry of the MS. The goal is not only
the maintenance of available skill sets, but also the build-up of new know-how.17 To achieve this, integrate expertise and further develop it, the European Defence Skills Alliance was formed.

Pillar 3 – Single market for defence

Being another focus point of the EDAP, the single market for defence related products will be scheduled to be more open to an optimized EDITB. The plan is to stimulate competitiveness through better conditions, resulting in an added value for the MS in the form of more convenient acquisition prices. To open the market, two directives were issued: a) The Defence Procurement Directive, which points out possibilities of savings, since most MS still purchase their equipment on a national level instead of partnering up. b) The EU Transfer Directive, which aims for a simpler licencing system for EU internal transfers of defence related products. These directives will be implemented effectively by the Commission, including through enforcement.18

Another important aspect is the matter of security of supply. The Commission attributes importance to this specific topic not only because of the obvious issue of the necessity of unhindered cross-border deliveries, but also as a trust building measure between the MS. Other actions to ensure security of supply will be considered, such as the principles of Circular Economy19 with its technical solutions and business models, which result in a more sustainable production and management. Sustainability is becoming more and more of an issue and will be addressed as well in this regard: e.g. energy efficiency is an aspect that is becoming more relevant than ever in the defence sector.

Sub-contractors – especially SMEs – are identified as crucial actors and will be helped to get better access to the defence supply chain. In order to accomplish this, the Commission will make recommendations to initiate a gradual process, in which procurement authorities will be encouraged to facilitate cross-border and SME participation. These cross-border co-

operations also highlight the importance of a common approach of certification and standardisation, to enable interoperability of defence products and make it possible first and foremost. Hopes and expectations are high to achieve synergies between the civil and the military sector, especially with Dual-Use products, and cut down on costs in the process.

The additional pillar on civil/military synergies

Besides the already mentioned three pillars, the EU Commission aims to increase coherence and synergies between the defence and other civilian sectors concerning EU policies. Especially the Dual-Use sector holds lots of potential to contribute added value. For that reason, the Commission is going to develop action plans together with the High Representative, the EDA and the MS, to cover the security needs of the Union, while supporting relevant areas like space, cyber, aviation and maritime security.

The EDAP within the context of CARD and PESCO

The European Defence Action Plan can be seen as part of the recent and comprehensive defence package of the EU, which is a complementary instrument to the already mentioned Coordinated Annual Review on Defence (CARD) and the Permanent Structured Cooperation (PESCO), which was formally initiated in November 2017.

All these instruments – which are aimed to increase efficiency and effectiveness – intertwine by taking possible options of cooperation (which were identified by CARD) and develop them to joint projects in line of PESCO. This works especially for those projects serving the improvement of capabilities and which are eligible to get funds from the EDF.20

In the end the EDF is more relevant for the EDITB since it releases long needed means for research and development. PESCO is an incentive insofar as projects within this framework receive an additional bonus of funds.21

Potential

The potential of the EDAP is obvious and clearly expressed in the documents: the support and strengthening of the EDITB. With the measures and instruments put in place, the MS will be able to support their respective industrial and economic position. Countries with a dedicated sector of Dual-Use producing companies or SMEs are even more in the advantage to make use of the action plan.

In this sense, the EDA expects multiplier and spill-over effects, meaning that the defence sector will be able to invest more in the long-term development, which may also influence the civilian research sector. If the ambitious plans of the EU will be implemented by the MS effectively, the potential can also be found in the creation of more employment and new impulses for research and technology.

One thing that must be pointed out, and which was made clear by the responsible institutions of the EU, is the fact, that the EDAP is not meant as a replacement for existing budgets, but as a supplement. After all, the goal is to make more funds available to the EDITB.

Conclusion

Considering the various efforts of the EU Council and Commission, as well as the EDA and other participating institutions, it can be stated that the EU is highly focused on establishing a strategic autonomy as well as providing the necessary instruments to do so.

The importance of a consolidated EDITB was identified from the beginning and therefore strongly incorporated into the various plans put in motion by the institutions. The Commission stressed the relevance of a European security and defence industry and already presented the cornerstones of an action plan in the COM (2013) 542, which come into effect with the current EDAP. The European Council welcomed the Commissions Communication on the EDF this summer and called for a swift implementation of the EIDIP,
which was being proposed in context with the above-mentioned Capability Window.22

With the EDAP new instruments are available for the very first time to initiate first steps until the post 2020 financial framework of the EU, specifically fitted for the defence sector. At the same time, the Commission is busy trying to make other instruments available (e.g. COSME, ERDF). In this sense, the building of regional clusters is encouraged, not only for R&D, but also for acquisition.

Now it is up to the EU MS to recognize the possibilities for their respective sectors, in order to make the most out of the supportive measures. The intentions and opportunities were demonstrated on EU level in a dimension never seen before, but in the end only the MS can decide how much use they will make of these initiatives.

It is in the interest of the MS for the EU to be strategic autonomous on a supranational level, but also to have this potential nationally. Current geopolitical changes and the challenges of the 21st century make it a necessity to be non-dependent on other international actors, as well as to take up more responsibility for the European security.

Recommendations

Having these developments in mind, several recommendations can be made for Austria in particular.

★ An Austrian strategy formulating the national position towards the plans of the EU should be established, together with the relevant ministries and national stakeholders, to work out joint priorities and establish a consistent position of both the government and industry.

★ This Austrian strategy needs to establish appropriate measures and instruments, which contain clear political parameters.

★ The Austrian presidency of EU Council will be faced with various negotiations on the EDAP – in particular with the European Defence Research Programme and the European Defence Industrial Development Programme. Therefore, appropriate preparations are necessary.

★ Together with research facilities and relevant stake-holders, it is recommended to use available possibilities to raise awareness and inform Austrian companies about the now available financial aids, as well as be of assistance.

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Endnotes

2) President Juncker at the Munich Security Conference: EU to become more capable of world politics. EEAS, 20.02.2018. URL: https://goo.gl/YiyfD1, accessed 01.03.2018.
3) EDAP p. 4.
4) In Defence of Europe. Defence Integration as a Response to Europe’s Strategic Moment, EPSC Strategic Notes, Issue 4/2015, June 2015. p.3.
5) EDAP p. 4.
7) Preparatory Action (PA) on CSDP-related research: Factsheet. 8) EUCO 205/12, p. 9-10.
10) EUCO 217/13, p. 2.
11) COM (2014) 387 final
13) EUGS, p. 45.
15) Implementation Plan on Security and Defence. p. 5.
16) EDAP p. 5f.
17) EDAP p. 13.
18) EDAP p. 15.
19) A system in which waste of resources, energy leakage, and emissions are minimized
22) EUCO 8/17.