
ENAAT Position paper on the EDIDP

***EU funding to military Research & Development
should be critically scrutinized***

A crucial debate has started in the EU and key decisions will be taken by the European Parliament and by the Member States in the coming weeks and months. Not only these decisions will shape the future of the EU but they will also influence how the world is addressing and responding to environmental, societal and political challenges.

The Council on the one side, the ITRE, SEDE, Budgets and IMCO committees on the other are now discussing the EC legislative proposal about a European Defence Industrial Programme, a component of the European Defence Fund, that would divert €500 million of the EU budget under the current MFF.

The 19 members of ENAAT across Europe and a growing number of citizens are concerned that such a proposal will merely profit arms industry economic interests and aggravate the international turmoil rather than contribute to peace:

In a joint petition with the citizens' movement [WeMove.EU](#), we have so far collected more than [142,000](#) signatures of citizens worried about this use of EU funds for the military industrial sector. In addition, more than [4,000 citizens expressed their concerns on the EDIDP legislative proposal](#) under the 'have your say' website set-up by the EC to collect citizens' voices, which is by far an unprecedented feedback rate level. However the European Commission has so far ignored those voices.

There is no doubt that European citizens are worried about the international turmoil and that they expect the EU to act in this regard; however there is a huge gap between this expectation and the fact to subsidize arms industries with the EU budget. An independent poll from [2016](#) suggests that a majority of European citizens are not in favour of increased military spending.

We consider that the Defence Fund in general, and the proposed Defence Industrial Development Programme in particular, will not contribute to peace and should be rejected by the Council and the European Parliament.

We urge all MEPs across political groups and committees to get involved in the debate:

- What is at stake is too important to leave it to a small group of 'defence experts' that would agree on an allegedly 'testing-programme' of minor importance. The fundamental political debate is kept being postponed until the move will be a reality, until we will be told it is too late and that "we have no choice but go on with it". This is not our vision of how democracy works.
- It is about time that political representatives stop rushing ahead and think carefully, in order to make an informed political choice. Because there are options. And this start with listening seriously to the voice of the peace community, no matter how disturbing it is for the dominant one-track thinking.

In the next few pages we will develop briefly the main reasons why we oppose to EU funding for the arms industry. For more details one can refer to [our online information tool](#) that expands on those arguments and provides facts and references for further analysis¹. In a nutshell, we believe that:

- *peace organisations should be at the forefront of debates and consultations, not the arms industry*
- *investing in arms is economically a bad decision and will not lead to savings*
- *subsidising the arms industry will not lead to a Defence Union nor to strategic autonomy*
- *subsidising the arms industry will rather exacerbate the international turmoil by contributing to the global arms race*
- *peace does not need more weapons, but rather an EU champion of sustainable paths to peace*
- *MEPs should open a large cross-theme debate as the main decision to make is about peace, not about a hypothetical EU of defence or jobs and growth*

1) If the final goal of the Defence Fund is to contribute to peace in the world, then the peace organisations should be at the forefront of the debates and consultations, not the arms industry

Unfortunately this is not the case at all.

In the EP for example, invitations have been limited to very valuable, but neutral research groups providing figures about military spending or arms exports but no critical analysis, or resort systematically to the same expert or group blindly favourable to the move, not reflecting the majority view of the peace community. The more critical voices have not been authorised into the formal debate so far.

In parallel the European Defence Action Plan and the EDIDP draft proposal in particular reflect the pro-industry approach that the EC has been increasingly taking in many areas.

The major arms companies and their lobbying association ASD have long-established strong and behind-the-scene ties with the main decision-makers and EC key officials, as demonstrated repeatedly by several reports (Q12), the most recent one (dated October 2017) showing [how the arms industry is hijacking EU Defence Policy](#): in 2015, the Group of Personalities on defence research played an instrumental role in shaping EU funding for military research, and industry representatives continue to be the main interlocutors and source of “inspiration” regarding its concrete implementation and the new proposals on the capability window. Not to mention the privileged relationship arms companies have with their national governments.

A preferential treatment for the arms industry

As a result, the arms industry is to receive a privileged treatment from the EU on top of the important public support already granted at national level through different ways, like infrastructures, publicly-funded research or public procurements; but in parallel they try to avoid national taxes by [settling empty shells in 'fiscally advantageous' countries such as the Netherlands](#) (Q15), and benefit from exception to European and international free competition rules, in particular regarding public procurements and compensation deals (offsets). (Q16 & 17)

It is a preferential treatment first because the EU has been regularly refusing new budget lines claiming that the budget was too tight, but managed to find €590 million for the arms industry. Second, the funding conditions granted to the arms industry are even more favourable than the specific conditions negotiated under the security research, not to say compared to non-profit development or human rights organisations! (Q9): they claim for a lump-sum of indirect costs higher than 25%, they will have full ownership of the Intellectual Property

¹ We indicate for each argument the number of the questions (QXX) you can go to in order to explore further the issue

Rights (Q10) even for 100% EU-funded activities (others than prototyping) and the arms export controls will remain a national competence, which raises a number of concerns in terms of end-use and end-users of the EU-funded military technology (see below).

2) Investing in arms is economically a bad decision and will not lead to savings

The production and sale of weapons and military equipment is not a 'normal' business, firstly because of its political and humanitarian consequences. But it is also an economically dysfunctional sector (Q16) as it relies heavily on public spending, protected national markets, corruption & bribery, offsets, and multiple form of arms exports subsidies: it is thus not an effective one to use for boosting a 'normal' free market economy. Investments in many other economic sectors would better contribute to growth and have positive societal impacts on top of it, like renewable energies or education.

Military R&D will not seriously contribute to jobs either (Q17): the 1,4 million direct and indirect employments of the defence sector mentioned by the EC represent less than 1% of the total EU workforce! And because of the shortcomings of this dysfunctional sector, investments in the defence industry creates fewer jobs at a higher cost than other economic sectors. To add to this, investments in military R&D in particular rather shift jobs from the civilian to the military, as Europe already lacks highly-skilled workers in engineering or technological research.

Thus any investment in other economic sectors will have a more positive impact on jobs and growth. Besides, workers from the military sector have the necessary skills to retrain for jobs in other economic sectors, like renewable energies as demonstrated by a [report from CAAT UK](#).

Besides, the military sector is not driving innovation (Q18). This may have been the case during the Cold War, but nowadays technology transfer from the commercial sector (like robotics, big data or artificial intelligence) to the military sector is much more common and at lower costs because of more opportunities for economies of scale, as stated regularly by experts, including the [EP study on the future of EU Defence Research](#). Moreover the accelerated pace of innovation will result in a never-ending cycle of military spending to maintain competitiveness and in order to compensate the export of this new weaponry to non-EU actors.

Lastly, the Defence Fund and the EDIDP in particular will not lead to savings: the Commission and the Member States made very clear that EU funding should be an add-on to national spending. And EU governments took the political commitment to dedicate 2% of their GDP to military expenditures, representing an overall increase of €76 billion in the coming years (according to NATO estimates) that has already started. (Q21)

3) funding the arms industry does not lead to a Defence Union nor to strategic autonomy: only political will can

It is regularly argued that the Defence Fund and its funding programmes for the arms industry will pave the way to an EU of Defence. But this is merely a wishful thinking: economic incentives do not work when there is a lack of political will, and defence policy is a highly sensitive national sovereignty issue. Similar hopes regarding fiscal and social harmonisation were expressed at the moment of creating the internal market, and 30 years later social and fiscal competition between EU countries is still a harsh reality. (Q24)

In the case of the Defence Fund, this is clearly demonstrated by the fact that the European Parliament is not given any chance to discuss the content of the Defence Fund and its funding tools: upstream, capability priorities and the type of weaponry to be funded are discussed between governments and the arms industry under the EDA; downstream, the programming and grant conditions (including funding rates or IPR regime) is under control of the member states and the EC with input from the industry. The question of the end-use and end-users of those EU-funded weaponry also remain a national prerogative, including exports. The EP is left with the minimum right to authorise the funding and budgetary post-control.

The fact is that there is no pilot in the seat, or 'at worst' there is only a co-pilot, called industry. Indeed there is no vision about what an EU of Defence and its strategic autonomy should look like: or there are at least 27 visions, not to mention the EP views or NATO opinion. The risk is that military capabilities are to be developed out of a shared vision of threats and strategies while the key question is when, where, for what purpose and by whom will those capabilities be used; because sooner or later they will be, most probably by EU countries (collectively or not) according to their national geostrategic interests and for military operations abroad.

Moreover, in 2015 the collective EU annual military spending amounted to \$217.5 billion, making it second in the world after the US, above China with \$214.8 billion and far above Russia with \$66.4 billion (SIPRI figures). This trend was similar in previous years. Thus the issue of the so-called EU strategic autonomy is not a funding one (Q23).

When justifying its proposals, the EC identified the following points as the main challenges of a European defence: duplication and incompatibility of national military equipment, industrial duplication, lack of economies of scale and of political will for collaborative research, and lack of transparency of national armament markets and procurements.

The European Defence Fund and the EDIDP in particular do not respond to these main challenges because doing so would severely undermine short-term national industrial and political interests, and no government is ready to put the common good above the latter. EU funding might rather increase duplication and industrial over-capacity by subsidising companies that would otherwise not survive in a real 'free market'.

Indeed the EDIDP tries to please Member States and the industry alike by providing a pot to dig into with hardly no counterpart, and major firms with bigger capacities to set-up projects will get a large share of the funding to the detriment of less experienced SMEs, as this is already the case under the security research funding. Possible mitigation measures to set aside a slice of the pie to SMEs will not reverse the basic trend but will rather increase duplication and industrial over-capacity in order to satisfy both sides of the fence.

4) Subsidising the arms industry will exacerbate the global arms race which in turn feeds conflicts, rather than contribute to peace

This leads us to what is even more problematic: increasing the competitiveness of the arms industry is also about increasing its capacity to export. Not only it is a stated expected 'positive effect' of the EDIDP, but also an inevitable consequence as European national markets are too small to absorb the production of the European defence industry.

In parallel, the EU Common Position on arms export controls is being poorly and incoherently implemented, and the arms industry is endlessly lobbying to lower down the restrictions on arms exports and follow the US model (Q20). A first predictable impact is that EU-paid new weaponry or military technology will end up being exported outside the EU, in particular to the Middle-East which in 2015 made 40% of the EU authorised arms exports licences, according to the official EU data (Q26).

By exacerbating the global arms race, EU funding to the arms industry is in fact the best way to war as history demonstrated repeatedly, under the so-called 'security dilemma' (Q27). And if weapons are not on their own provoking conflicts, whose causes are multi-factorial, they encourage military responses to tensions, they feed on-going conflicts and related refugees flows, and they aggravate the terrible consequences of war for civilians. One of the most horrific examples is undoubtedly the war in Yemen where at the moment European-made weapons are being used to commit war crimes and human rights abuses, with a devastating famine as a consequence.

Unfortunately the EC did not conduct any impact assessment nor considered any of the problematic side-effects of this funding scheme when drafting its proposal.

5) Peace does not need more nor new weaponry, but an EU championing sustainable paths to peace

The European Defence Fund represents a serious paradigm shift in the sense that it aims at cancelling definitely the red-line that made the EU a once peace-led project, e.g. not contributing to military-related activities. And not only it starts funding the arms industry, but it does so by diverting EU taxpayers' money from civilian areas of work, as the EU budget is not increased in parallel (Q25).

"The world is over-armed and peace is underfunded" said very rightly the former UN Secretary-General Ban-Ki-Moon. Why should the EU add an extra layer to an already overinflated military spending worldwide?

Indeed the annual military spending worldwide reached \$1'760 Billion in 2015, and a cumulated amount of \$38'275 Billion (in 2014 USD) since 1988 according to the SIPRI figures: if arms and military responses were to be an efficient mean for peace, then the world should be in peace for long.

It is claimed that developing European military capabilities will strengthen the EU traditional soft power. However we consider that using both soft and hard power is contradictory and thus not an efficient path to peace (Q27). Moreover resources are not unlimited and the military path is easier and more popular short term despite not being efficient long term: with increased military power, the EU will loose interest in seriously promoting peaceful conflict prevention and resolution. And adding external military actors to a conflict only makes it worse and longer, considering that a medium term expectation of this move is the capacity for the EU to conduct military interventions abroad.

In contrast, research shows that over the past 35 years, 77% of conflicts ended through a peace agreement while only 16,4% ended trough a military victory. And a study from the US think thank RAND Corporation concluded that only 7% of terrorist groups were eliminated through military force while 43% ceased to exist because they were successfully integrated to the formal political process.

Thus dedicating the same amount of money to the peaceful resolution of conflicts on the one side, and to better respond to the major challenges that are root-causes of many conflicts on the other side, would be much more effective to reach peace (Q28). Rather than subsidizing costly military technology, the EU should invest in human capacity.

6) MEPs should open a large cross-theme debate as the main decision to make is about peace, not about a hypothetical EU of Defence nor about growth and jobs

The European Defence Fund represents a fundamental paradigm shift of the EU project and is already impacting many EU policies, both internal and external ones. Hence a wide political debate should take place involving decision-makers from very many areas: industry, research, security and defence, arms exports, development, peace, human rights, civil liberties, budget, economic growth, employment, environment... are all issues directly or indirectly impacted by this move.

Thus, even though you are not an expert on defence issue it is your responsibility to get information at different sources, consider critical analysis as much as arguments in favour, and make your mind according to your conscience and to the long-term impact for a long-lasting peace.

In other words, it is time to think out of the box. What question will you have to answer in the next few months? The question is not whether you are in favour of an EU of defence or not, the actual question is:

➔ *What are the exact objectives of the concrete proposal on the table today, and what is to be its expected impact? And more fundamentally, will it effectively contribute to a long-lasting peace?*