EUROPEAN DEFENCE TECHNOLOGY AND INDUSTRIAL BASE – SUPPORTING ELEMENT OF COOPERATION UNDER EU COMMON SECURITY AND DEFENCE POLICY

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The development of the EU’s security and defence profile has been a constant over the last two decades and one of the most dynamic projects of European integration. In this sense, last few years have recorded significant progress, illustrated both by the conduct of a significant number of civilian and military operations in different geographical perimeters, as well as by the launch of cooperation initiatives in the field of defence capabilities and defence research. The reporting framework of these developments has also undergone major changes, integrated into the process of establishment the European Defence Technological and Industrial Base (EDTIB). After an initial stage of conceptual structuring, carried out between 2007-2013, the profile of this construct has matured rapidly in recent years, offering consistent prospects in terms of supporting EU security and defence objectives. To this end, practical projects on defence capabilities and research have been developed through EDTIB in line with the Common Security and Defence Policy agenda. An extremely important role is represented by the consolidation of the financial potential associated with EDTIB to support cooperation projects and initiatives. The use of EU budget resources, stimulated in the context of EDTIB, represents a strategic paradigm shift in which European cooperation has evolved. The results recorded so far indicate the viability of the approach, supported by Member States’ interest in deepening this trend, including by consolidating investment in defence and industrial purposes.

Keywords: EDTIB; PESCO; EDF; PADR; EDAP; Common Security and Defence Policy; EDA; EDIDP; EU Global Strategy.

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Introduction

Recent years have seen a significant increase in the European defence and security cooperation, as one of the key projects of the EU integration process. In addition to strengthening the EU’s operational footprint in the field of crisis management, this evolution was reflected mainly in the defence capability development. This perspective encompassed the launching of several initiatives in defence area, such as the Permanent Structured Cooperation (PESCO), the Coordinated Annual Review on Defence (CARD), the European Defence Industrial Development Programme (EDIDP) and the European Defence Fund (EDF). Their main functions are based on a multidisciplinary approach on the issue of capabilities, aiming at involving the European industrial segment to support the level of ambition assumed by the Member States under the aegis of the Common Security and Defence Policy (CSDP). Another objective was to enhance the interaction and continuity between research and industrial components. In this sense, the EDTIB establishment is a constant in the evolution of European cooperation in the field of security and defence, much more visible after the signing of the Lisbon Treaty and development of this area of interaction between Member States. Equally, concerns about the creation of the EDTIB have had a meandering path, often with asymmetric developments between it and the CSDP processes. Recent years have seen significant changes in the sense of consolidating this connection, especially through the development of the above-mentioned initiatives.

1. Conceptual and Normative Landmarks

The creation of the PESCO, EDF and CARD initiatives cannot be analyzed without taking into account the specific nature of the last five years in which European defence cooperation evolved significantly, the main stimulus for which has been the adoption of the EU’s Global Strategy (28 June 2016). Although it may appear to be a circumstantial development, the creation of the initiatives represents, in fact, milestones of a path initiated at EU level since the years prior to the adoption of the Lisbon Treaty (1 December 2009). Basically, it is about a reference period in which EU evolution was positively influenced by the existing convergence between Member States on enhancing the profile of defence cooperation in the European context. To a similar extent, it is about a substantial evolution centered on developing the conceptual and doctrinaire inventory of European cooperation, which made possible the current stage. This approach was significantly valued in the context of the European Convention (2002-2003), which facilitated the adoption by the European Council in 18 June 2004 of the Treaty establishing a Constitution for Europe.
Its provisions aimed at implementing a comprehensive approach by integrating industrial and technological aspects into the overall defence context. The main feature was the establishment of the European Agency for Military Capabilities, Research and Armaments, whose functions would be, in addition to supporting the capability development process, to facilitate defence research segments and to strengthen the defence industrial and technological base at European level (Constitution for Europe, Art. III-212, d), e)). As is well known, the Constitutional Treaty, failed to be adopted at EU level, following the negative votes expressed in referenda conducted in France (29 May 2005) and the Netherlands (2 June 2005). On the results in the two countries, subsequent analyses have largely indicated that citizen’s options were not about expressing reluctance to deepen defence cooperation, but rather related to different aspects of the European integration and different national political agendas (Hobolt and Brouard 2011, 7). Within this context, the European Defence Agency (EDA), an intergovernmental body responsible for capability development, research, procurement and armaments was created on 12 July 2004. The EDA parameters were closely related with the efforts of consolidating the European Defence Technological and Industrial Base (EDTIB) based on cooperation with the relevant structures of the European Commission and the European defence industry. The outcome was meant to be a balanced development of EDTIB, based on practical realities and potential of defence industry at Member States level (COUNCIL JOINT ACTION 2004/551/CFSP, Art.3-4).

Despite the failure of the ratification process that caused the abandonment of the project to adopt the Constitution for Europe, the defence aspects were transferred in the Lisbon Treaty, thus formalizing the creation of the EDA and its attribution in the field of research and defence industry (Art.28 d, e), TEU). Based on these provisions, the EDA has a supporting role as regards:

- Support defence technology research by coordinating and planning joint research activities and development of technical solutions for future operational needs;

- Contributing to the identification and, if necessary, implementation of any useful measures to strengthen the defence industrial and technological base and optimize of military spending.

From an institutional perspective, these provisions have special relevance since EDA was the first entity under CSDP, responsible for integrated management of the capability generation process. At the same time, there is a certain degree of meaning by employing for the very first time concepts that were never applicable at European context. There must be mentioned that signing of the Lisbon Treaty marked an important stage in the development of the EU’s security and defence profile. This is the time when the EU is launching military and civilian operational
commitments, the most important of which is taking responsibility\textsuperscript{1} for managing the security situation in the Western Balkans. The operational dynamics of this period have been reflected primarily in the consolidation of Member States’ interest in developing the capabilities required for EU operations, which could be successfully addressed outside of connecting the industrial and research segment.

From this perspective, the EDA Governing Board, on 14 May 2007, adopted the framework for the European Defence Technological and Industrial Base (EDTIB), which was intended to clarify the European objectives in these areas and the practical modalities in which they could be fulfilled. The main premise in this undertaking was to match the development of European Security and Defence Policy (ESDP)\textsuperscript{2} by generating EDTIB support for operational aspects of crisis management through the required capabilities for deployment and delivery of EU commitments. These aspects were approached from the perspective of the sustainability of CSDP political agenda and as a way to ensure “freedom of action”. This option was in line with the general profile of the early stages of development the of European cooperation in the field of crisis management, focused on autonomous EU operational action (Joint Declaration, pp. 8-9).

The EDTIB was also designed in the context of the major disparity between Europe and the United States regarding the level of defence expenditures being explored, thus, additional options for closing this gap. For implementing this approach, there were highlighted potential economic opportunities that EDTIB can offer through job creation, stimulate exports and technological progress. The sustainability aspects were approached in the sense of reducing the fragmentation in the defence industry, and stimulate more collaborative approach in developing research and procurement systems. Although not a recent issue, the implications of this situation become much more difficult to manage given the limited defence resources. One of the solutions anticipated was to align national requirements within an integrated EDTIB-type framework. Without being merely a sum of national industries, the EDA’s projected vision of the EDTIB profile followed, basically, three lines of action. Firstly, it is about the central role of capabilities in guiding the EDTIB activities (capability – driven process) especially on meeting the operational needs, from a multidisciplinary perspective that did not exclude the prioritization

\textsuperscript{1} The first operational commitment was made by launching, in 2003, of the EU Police Mission (EUPM) in Bosnia and Herzegovina followed, in less than a year, by military mission EUFOR Althea that largely took over the NATO SFOR mandate. Afterwards, EU operational commitment increased by launching other commitments in Former Yugoslav Republic of Macedonia (from 2009, North Macedonia) like military mission CONCORDIA and civil PROXIMA and EUPAT. At the same time, EU operational inventory in the aftermath of Lisbon Treaty included missions in Africa, Middle East and Central Asia.

\textsuperscript{2} After the adoption of Lisbon Treaty (December 2009) became Common Security and Defence Policy (CSDP).
of capability requirements (Strategy for the European Defence Technological and Industrial Base, p. 2).

Secondly, the EDTIB had to be “competent” in timely and efficient capitalization of technological and industrial potential of the Member States. Adopting this priority presumed a laborious process of defining European priorities in defence technologies development. This undertaking also required a similar approach to identifying the appropriate industrial capabilities that could deliver concrete results. In this sense, the Member States’ contributions were essential given the absence of an integrated industrial complex in EU. Furthermore, the integrated nature of EDTIB was more justified taking into account the major fragmentation at EU level in this domain. Thus, the strategic framework promoted through this strategy focused on avoiding duplication and increasing interdependencies, while deepening specialization, especially on the logistic supply chain. The possibility of developing Centers of Excellence reflected the interest on specialization as a potential stimulus for consolidating the European defence market, based on inclusivity and with a balanced geographical focus.

Thirdly, EDTIB had to be competitive in a global context in which European industrial entities faced significant competition. The geographical perspective included both Europe as well as external markets requiring, thus, an appropriate level of integration of other domains beyond defence and decrease of dependencies from technological sources outside EU. This component induced the idea of a relatively protectionist approach, which could involve reducing the imports and consolidation of the European alternative for capabilities requirements.

2. New Course

The ambitions which led to the adoption of the EDTIB Strategy suffered a serious setback in the context of economic crisis (2007-2008), which was to affect the level of defence and military expenditures globally. In this context, the attractiveness of the EDTIB for EU Member States decreased, in direct connection with the general tendency to decrease the national budgets, slowing down the pace of development of some major procurement programs (Flanagan 2011, 22-24). Under these circumstances, the framework promoted through the Strategy remained at the level of orientation without practical follow-ups. The change happened in 2013, when the effects of economic crisis faded helping the reorientation of Member States’ interest towards EDTIB. This approach will happen in 2013 when the effects of economic crisis started to fade. These evolutions benefited from the entry into force of the Lisbon Treaty which counterbalanced the failure on ratifying the Constitutional Treaty and, subsequently, gave a new impetus of European cooperation in the field of defence.
Under these favorable auspices, a first structured debate on the priorities in European context took place at the level of European Council (November 2013). A special attention was placed on the way in which EDTIB could support the CSDP objectives. The main reason of this approach was that the structural fragmentation of the European market on defence is affecting the competitiveness of the security and defence industry (European Council 2013, 1). To note that this perspective introduced in this debate the topic of EDTIB sustainability with a new perspective on defence industry role in sustainable development, especially on increase the job opportunities, innovation and economic development in European Union. From this perspective, the European Council reconfirmed the validity of the conceptual framework promoted by EDTIB Strategy, while seeking to stimulate de implementation process by adopting a more practical agenda including:

- defence research and capitalization of the security research programs developed in EU that could be applicable for generating defence capabilities;
- development of certification standards based on efficiency and optimization of expenses;
- expanding the access of small and medium-sized enterprises to defence markets and their participation in EU-funded programs;
- development of the relevant parameters of supply chain assurance at EU level, considering the global character of the defence industry.

The relevance of the new course that the EDTIB issue has taken since the aftermath of economic crisis could be seen from the perspective of European Commission growing participation in this area. Practically, the European Council decisions of December 2013 were based on a substantial contribution of the Commission structured around four components, namely: the development of the European defence market, the development of an industrial defence policy, the exploitation the civil-military synergies and the potential of dual-use capabilities. Last but not least, it was forwarded the idea of launching a Preparatory Action in the field of research for relevant capabilities (European Commission 2013, 5). Based on the parameters governing the EU’s institutional interaction, the Commission’s contribution has been reflected in the development of a distinct level of activities related to EDTIB. Within this the practical and pragmatical features of this institution will be decisive in achieving tangible progresses for the coming years.

At the same time, one can speak of the development of a new typology for division of labor between European structures. In this new paradigm, the role of the EU Council, through the EDA, was mainly focused on the aria of political-military management of capability development, while the European Commission becomes the main actor in implementing-financing (economic area) and regulating the normative framework for EDTIB aspects. This interaction could be seen as a
decisive moment in approaching EDTIB more structurally, and even as a way to rewrite EU Strategy adopted in 2013, in order to connect the conceptual framework with the economic development and existing potential in the EU.

Within this context, the Commission assessment indicated that defence in the European context was one of the areas with major economic potential, with more than 400,000 people indirectly generating over 960,000 jobs (European Commission 2013, 3). It is of utmost importance that in spite of the significant cuts in defence budgets in the wake of economic crisis, the potential for EDTIB development was substantial. This was at a time when, immediately after the economic crisis effects started to fade away, the cumulated defence expenses of Member States exceeded those of China, Russia and Japan. Therefore, the potential was relevant and could be stimulated by dedicated measures for increasing the competitiveness and Intereuropean cooperation to overcome fragmentation.

Along these lines, the Global Strategy reaffirmed its support for EDTIB development in order to ensure the credibility of EU undertakings in CSDP context. The structuring of the EUGS Implementation Plan was centered on the above-mentioned division of labor. Thus, the political criteria to which EU Commission had to answer were aimed at ensuring a functional connectivity between EDTIB and security needs (current and prospective), as well as in terms of meeting the level of ambition assumed through the EUGS (crisis response, support to partners in internal construction, protection of the Union and its citizens).

Furthermore, another distinct point of interest concerned the research and technology (R&T) dimension from the perspective of ensuring the complementarity between different processes and initiatives developed in the EU and Member States level. The aim was to eliminate the redundancies and duplications generated by fragmentation in EU affecting the applicability of R&T in the field of defence. At the same time, it was followed the connection of this level with the process of fulfilling the priorities assumed by the Member States for capabilities development in the CSDP institutional set-up. Specifically, the EUGS implementation process forwarded the need to connect collaborative projects with the priorities of Capabilities Development Plan (CDP)\(^3\), including on innovation and disruptive technologies (European External Action Service, 2007, 23). As regards the industrial dimension, the Implementation Plan reiterated the objective of taking stock of the EU’s potential, including production capacities. It thus sought to generate an integrated research-capabilities-industry matrix which was to form the basis of the EDTIB.

\(^3\) Document drafted by the European Defence Agency and adopted by the EU defence ministers. It includes the priorities agreed for capability development at EU level being periodically revised (every 4 years). The first CDP was adopted in 2008.
3. Investments

What was missing from this complex process was mainly the financial support for EDTIB-related processes. So far, financing sources for research projects or defence capabilities development were extremely limited and only indirectly related to security programs. This was also meant to reduce the interest in developing cooperative formulas in the field of defence. Traditionally, for the entire period of the integration process conducted in EU, defence capability generation and R&T associated aspects were nationally financed, a situation which proved its vulnerabilities in the context of the economic crisis, following which the individual potential of Member States reached its limits. At the same time, the sustainability of single-source financing of capability development was to be seriously questioned from the perspective of states’ ability to keep up with technological and innovation progress.

As regards the possibilities to access the European funds for development projects in defence, the only way was to seek opportunities in different projects on dual-use applicability developed under Framework Programs for Research and Technology Development (Framework Programs - FP) coordinated by the European Commission. This limitation was induced by the distinct provisions of the EU Treaty for defence area.

FPs was initiated in 1984 for four years, corresponding, at that time with, to a multianual budgeting system used in EU. Thus, for the 2014-2020 period, the eight sequence of framework programs, known under the name “Horizon 2020”, with a budget of EUR 77 billion, was in operation, including a distinct segment on security research (Security Research). Within the multiannual financial framework 2021-2027, it started to work the “Horizon Europe” program with a budget of 100 billion. In the quest of developing the research area within EDTIB framework it was decided to initiate the first pilot project for defence research which will function under EDA coordination as a delegated agent of the Commission. It will run from 2015-2016 with a rather modest budget (EUR 1.4 million) provided from the Horizon 2020 program that managed to attract the interest of more than 80 research entities from 20 Member States. The main conclusion was that the interest of research community on using the financial opportunities coming from EU budget was a clear reality that could increase the European competitiveness.

The test carried out through the pilot program also validated expectations of concrete results that could not arise in the absence of predictable funding. From

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4 This model was based on the fact that the funds from the EU budget could be used only by the European Commission, directly or by delegating implementing functions towards other actors. This typology will be used in the next years as the financial resources for defence collaborative programs will develop.
this perspective, after the completion of the pilot program, the discussions on the continuation of this approach entered a straight line, leading to the adoption by the European Commission of the decision on the financing of the Preparatory Action on Defence Research (PADR), which was the first multi-annual funding program for collaborative research programs at European level. PADR covered the 2017-2019 period and was conceived as the antechamber of a distinct defence program. The budget approved for funding projects through the PADR amounted to EUR 90 million. This amount was distributed from a direct funding line of the EU budget, in relatively equal proportions for the three years of operation. The dynamics identified in the context of the call for projects for the Pilot Program have intensified in the context of the PADR, with a year-to-year increase in the number of projects as well as in the number of the private and state entities participating in the competition for funding. Similarly, the range of areas addressed in the PADR included various capability-related research proposals covering: troop transport, communication systems, counter improvised explosive devices, interoperability standards, including the applicability of disruptive technologies at their level. It should be noted that the parameters for the evaluation of the projects submitted to the competition were placed on coordinates of geographical inclusiveness by making it compulsory to create consortia bringing together entities from Member States. For example, one of the consortia\(^5\) that obtained the largest funding through the PADR, incorporated 43 entities from 15 Member States which is a relevant indicator for the degree of inclusion of the collaborative approach in the context of EDTIB-CSDP.

The obvious success of the research dimension has led to an acceleration in the expansion of the possibilities in which EDTIB-related processes are funded by addressing the capability issue. On 14 September 2016, the President of the European Commission, Jean-Claude Juncker, in his annual State of the Union address, placed the issue of financing capabilities on new coordinates, stressing that the low level of cooperation generates major losses for Europe which exceeded EUR 25 billion annually (Juncker 2016, 17). The European official’s plea aimed at moving towards a creative approach aimed at jointly acquiring capabilities, announcing the launch of a new initiative to stimulate this option. Two months later, the European Commission adopted a new communication on the European Defence Action Plan (EDAP), which focused on the capabilities dimension in a technology and production-based perspective. The main strands of the initiative were: the launch of a European Defence Fund (EDF); strengthening investment in the defence-related logistics chain; the revitalization of the single market for defence products.

Clearly, the main attraction of the package promoted by the Commission was the EDF, designed as an integrated formula for financial support to cooperation processes between Member States, both on the research and capability development

\(^5\) OCEAN2020 consortium.
dimensions. Structurally, the EDF was to include two distinct “windows” (research and capabilities), but which would operate in a complementary way through a coordination structure, bringing together EU entities (High Representative, Commission and EDA) and representatives of the defence industry. This approach was an absolute first in terms of strengthening the interaction between concrete projects financed from the European Union budget and the European industrial potential. Such a solution was likely to generate added credibility to cooperation in the field of capabilities, while offering a concrete/tangible purpose and based on coordinates of economic viability.

The entry into operation of the new instrument has been set for January 1, 2021, so that it capitalizes on the progress made on the research dimension through the implementation of the PADR 2017-2019. It also envisaged the operation of EDF for the period 2021-2027, covering the multiannual financial cycle 2021-2027, so as to allow provision of funding sources under the EU budget. The benchmarks of the financial envelope advanced by the European Commission, at the time of the launch of the EDAP-EDF for the two components, aimed at financing at least EUR 500 million/year for the research window. For the capability, the Commission’s estimates were around 5 billion per year, which would represent 2.5% of defence spending at Member State level. However, the incipient nature of the ceilings put forward by the Commission should be stressed, their degree of relativity being influenced by the political negotiations between Member States to determine the overall level of the EU budget for the period 2021-2027.

The period that followed saw intense debate on the financial perspective for 2021-2027 financial framework, the complexity of this process being accentuated by United Kingdom’s decision to leave the EU, an option with direct implications for the reduction of the overall budget. Even under these circumstances, the resulting compromise was another step in increasing the visibility of defence at EU level. Thus, for the first time since the creation of the European Union, the budget of this organization included distinct components, directly associated with the field of defence, targeting the European Defence Fund (EUR 7.95 billion) and Military Mobility (EUR 1.5 billion) (Multiannual Financial Framework, 2021-2027). Within this allocation, the research window has EUR 2.65 billion while the capability window has EUR 5.3 billion covering the entire period 2021-2027. At the same time, at the level of funding sources, priority was given to disruptive technologies, by allocating a percentage of 4-8% to projects with applicability in this field (Official Journal of European Union 2021).

With regard to the development of projects which could be funded by EDF, the method in which they were structured and the criteria to which they had to respond would be developed by taking into account the experience of the PADR preparation stages. Practically, the entire procedural framework developed in this
context has been incorporated into the typology of operation of the research window. For the capabilities component, given the lack of relevant experience, it was decided to carry out a preliminary process to prepare EDF way of operation. The way to operationalize this approach has materialized in the launch of the European Program for Industrial Development in the field of Defence – EDIDP (2019-2020), which has been allocated a total budget of EUR 500 million to fund capability projects derived from EU priorities as established through the CDP. The main eligibility criterion of the new instrument was that cooperation projects had to be promoted through a consortium of at least three entities from at least three Member States.

The importance of the EDIDP is also given by the predictability and continuity at the level of the cooperation projects launched since 2019, which can be found, later, in different forms within EDF context. Also, given that most capability development processes require a longer period for completion, the EDIDP has been the platform for launching strands of action that will be continued in the context of EDF. Following the development of the two EDIDP cycles, approximately 30 calls for projects were launched, including capabilities on cyber, CBRN, command-control, applications of artificial intelligence in the field of defence, improvement of air combat capacity, maritime surveillance capabilities, air superiority, precision ammunition, space situational awareness, etc.

Also, the interest in seizing the opportunities generated by this instrument has strengthened significantly. Following the competition under the EDIDP 2019, 16 projects involving 233 entities from 24 Member States were selected. The European industry response has significantly improved in the case of EDIDP 2020, with the selection process validating 26 projects involving 420 entities (out of 717 participating entities) from 25 Member States (Defence Industry and Space – European Commission). This trend was maintained even after the European Defence Fund started to operate, with the results after the evaluation of the first year of operation (EDF 2021) aiming at selecting 61 projects with a budget of EUR 1.2 billion. The winning projects will be implemented by consortia bringing together 700 entities from 26 Member States.

Conclusions

As can be seen, the creation of the European Defence Industrial and Technological Base is a comprehensive process that targets a wide range of processes and initiatives. The progress made in recent years towards the creation of a distinct European potential in capability development and the funding of this process are elements that favor the development of the EDTIB. Obviously, the level of financial resources is still low, but developments so far indicates an attractive potential for capitalization of resources, which will lead to an increase in the possibilities of financing projects developed in the European context.
Beyond the procedural aspects, the progress made since the adoption of the EDTIB Strategy is relevant in this direction, being mainly determined by the involvement of the European Commission, which has allowed to overcome the conceptual stage and enter an area with practical industrial purpose. At the same time, the creation of the EDTIB has become the main benchmark to which European cooperation under the aegis of the CSDP now relates. Whether it is the European Defence Fund or the other initiatives launched in recent years at the level of European cooperation, the EDTIB is used as the framework within which they evolve. There is not yet full conceptual and practical clarity on what EDTIB means. Developments to date point to a comprehensive approach to achieve a mechanism at European level to enable the generation of the different types of capabilities needed to carry out the EU’s operational commitments. At the same time, the creation of EDTIB provides a solution for the economic adaptation of the different industrial segments in the field of defence, both from an internal perspective and in terms of access to foreign markets of European products. The basic condition is the creation of a coherent system, at the level of which the industrial potential of the Member States can be used by eliminating redundancies and duplications.

Creating the European profile is therefore the main challenge, both in terms of the political aspects as well as on the way in which geographical inclusiveness and balanced representation of the interests of all Member States are ensured. Clearly, the competitiveness of EDTIB is another dimension that poses challenges for the sustainability of the project itself. In the absence of a high level of competitiveness of production generated under the auspices of EDTIB, its viability is seriously questioned. Thus, the ability to secure adequate funding becomes essential. In the absence of substantial investment in both components (research - capabilities), no significant progress can be made. The decision to launch the EDF indicates that this reality is aware and the assumed course of action is clearly oriented towards strengthening the European financial contribution as a way of supplementing national support.

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