

WORKSHOP

Requested by the SEDE subcommittee



The future of the European Defence Agency (EDA)



Policy Department for External Relations
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WORKSHOP

The future of the European Defence Agency (EDA)

ABSTRACT

The aim of the workshop, held on 22 November 2017, was to discuss the future of the European Defence Agency (EDA) against the backdrop of framing a common Union defence policy. The first speaker, Dr Christian Mölling, provided an analysis of the issue of defence cooperation among EU member states and the difficulties it faces. In this context, he described the role and power of the EDA as well as possible options for its future. The second speaker, Professor David Versailles, focused on capabilities and competencies as well as on the interaction between civilian and military capabilities. The presentations were followed by a debate involving members of the Security and Defence Committee of the European Parliament.

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WORKSHOP

POLICY DEPARTMENT, DG EXPO
FOR THE SUBCOMMITTEE
ON SECURITY AND DEFENCE (SEDE)



Wednesday 22.11.2017 – **17:00-18:30**
PAUL-HENRI SPAAK BUILDING – ROOM **P5B001**

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The future of the European Defence Agency

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Chair: Anna FOTYGA

Programme of the Workshop

DIRECTORATE-GENERAL FOR EXTERNAL POLICIES
POLICY DEPARTMENT



For the Sub-Committee on Security and Defence (SEDE)

WORKSHOP

The future of the European Defence Agency (EDA)

Wednesday, 22 November 2017
Brussels, **Paul-Henri Spaak building, Room P5B001**
17.00-18.30h

PROGRAMME

17.00-17.05 Welcome and introductory remarks by

- **Ms Anna FOTYGA**, Chair of the Sub-Committee on Security and Defence (SEDE)

17.05-17.50 The future of the European Defence Agency

- **Dr Christian MÖLLING**, Deputy Director of the Research Institute of the German Council on Foreign Relations, Head of the 'Security, Defence, and Armaments' programme;
- **Dr Valérie MERINDOL**, Co-director of the newPIC chair (new Practices for Innovation and Creativity) at Paris School of Business; expert on Defence-related industrial policy making, with a special focus on the governance of public policies;
- **Dr David W. VERSAILLES**, Co-director (with V. Mérindol) of the newPIC chair (new Practices for Innovation and Creativity) at Paris School of Business; expert on Defence related industrial policies.

17.50-18.25 Q&A

18.25-18.30 Concluding remarks by

- **Ms Anna FOTYGA**, Chair of the Sub-Committee on Security and Defence (SEDE)

Biographical summaries of the speakers and contributors to this report

Christian Mölling (Germany) is the Deputy Director of the Research Institute of the German Council on Foreign Relations, and Head of the 'Security, Defence, and Armaments' programme. Prior to joining DGAP, Christian held research and leadership positions with the German Marshall Fund of the United States (GMF), the International Security Division at SWP – the German Institute for International and Security Affairs in Berlin, the Center for Security Studies at ETH in Zurich, and the Hamburg Institute for Peace Research and Security Policy.

Valérie Mérindol (France) is currently the co-director of the newPIC chair (new Practices for Innovation and Creativity, with David W. Versailles) at Paris School of Business where she has a position as (Full) Professor in management science. She is an expert on Defence-related industrial policy making, with a special focus on the governance of public policies (S&T and DIB policies). Valérie also specialises in the management of innovation and of science policies, and in the management of creativity. She has been mixing academic activities, consulting missions and public positions in these domains for more than 15 years.

David Versailles (France) is an expert on Defence related industrial policies, with a special focus on the management of complex programs, on the management of technology, and related budget / public finance issues. He also is the co-director of the newPIC chair (new Practices for Innovation and Creativity, with Valérie Mérindol) at Paris School of Business, where he has a position as (Full) Professor in management science. As a Consultant, D. Versailles supports the management of innovation and of complex programmes for the aerospace industry, and more specifically in the domains of business modelling. His consulting activities develop in OBIZCO SARL, located in Luxembourg. David is also a Visiting research fellow at the I-Space Institute (Wharton Business School).

1 Welcome and introductory remarks

Ms Anna FOTYGA, Chair of the Sub-Committee on Security and Defence (SEDE)

Colleagues, please be seated. We start the next point of the agenda immediately. The topic is the future of the European Defence Agency, it is a workshop. We have two panellists, the third one is ill and was not able to come.

It is my pleasure and privilege to welcome Dr Christian Mölling, who is the deputy director of the German Council on Foreign Affairs and Professor David Versailles, co-director of the of the newPIC chair at the Paris School of Business. We had frequent meetings with the executive director of the European Defence Agency, listening also to plans for development of this structure and now we would like to listen to experts representing two EU member states, and afterward we look forward to a debate.

2 The future of the European Defence Agency

Dr Christian MÖLLING, Deputy Director of the Research Institute of the German Council on Foreign Relations, Head of the 'Security, Defence, and Armament's programme'

Thank you very much, Chair, for your welcoming words and for the opportunity to speak to you on the future of the European Defence Agency. A small caveat: I am not speaking on behalf of my government, what I would have to say here is not the official line of the German government as far as I understand it, but that may make it even more interesting. I am talking to you as somebody who has been working on and with the European Defence Agency for possibly about a decade now, with people which I honour very much in the Agency, and I have seen it going up and down and therefore what I have tried to do in the four pages I sent you and in the four slides is trying to give a picture that does not come from the institutional point of view but from what we would like to get out this: we would like to get more security out of it I would like to get more defence out of it and then the question about institutions is the second question to this. This has been the starting point also for my presentation. It is a problem the European Union shares with others like NATO and multi-national cooperations: it has serious problems to deliver on defence, so defence cooperation is not an easy thing. The technical solution means to politically square the circle. The technical solution is: we basically cooperate, so then we have economies of scale and other good things that come from the economic paradise that we can think about. The problem is that governments and industry put lots of hurdles to this. Governments put hurdles to this because they want to have the right to decide nationally while at the same time they do not recognise that it is not about the decision-making power they have but the power to implement the decisions they want to take. So the capability to act to solve problems is more important than the ability to take decisions. But governments are still in the illusion of sovereignty, which means if they decide, things will happen. The second problem is what I would call defence industrial nationalism, that is the overemphasis of national work shares and the need of a return of investment to national companies. This has been the case not only since the existence of the EDA and of the European Union but since the beginning of European and international cooperation. The consequence for the member states is that at the end of the day they are less capable and they become more dependent on each other to implement their decisions, which I would say is not a good outcome.

The role and power of the European Defence Agency. There is a slight gap between what the former role of the EDA is and what the power is, in terms of the authority and the capacity to act. Because of this gap, the EDA has been unable or disabled to help member states in squaring the circle. The EDA got a strong mandate from the beginning, which was in the context of the heydays of ESDP, before CSDP, when there was a pioneering spin in the whole debate in Europe and within the European Union to make defence work within the European Union. But it got strangled after, possibly even because of its first successes by

national Ministries of Defence. Therefore the mandate the EDA had, the EDA was never able to fulfil. The Lisbon treaty even politicised the mandate of the EDA by giving it a role in framing a common defence policy and playing a role also in capability development, which are both of course highly political issues, not least because of the things I have said before on capabilities and industry. At the same time, 2007, which saw the beginning of discussions about the Lisbon treaty and its successive implementation, is not the same landscape and time as 2017. The EDA has turned from an innovator in defence cooperation towards a facilitator due to the strangling by the member states. And in parallel the institutional landscape has changed. We are moving from a time when the military lived on an island within the European Union towards a tremendously higher density of institutions and policies that interact with defence and defence capabilities and defence industry. This is something where the EDA always had to adjust to, or should have adjusted to, and the question is whether it was really able to adjust to this environment. The consequence is that the EDA has sunk into the institutional landscape of the European Union, which one could say is a good thing because it shows a kind of normalisation, where the EDA has been a flagship at the beginning, the thickening of the institutional environment shows there is even more in terms of institutional policies available. Therefore the EDA has been more and more overlooked in the changing institutional environment.

What could be the future for the EDA? The Agency is still needed, possibly more than ever before because of the change in the security environment in the arc around Europe. What would be needed would be to empower the EDA, which means on the one hand the institutional functioning and the authorities of the EDA but also a strategic guidance. What we have at the moment is a destructive ambiguity with the EU's Global Strategy and its lots of catchwords. The institutional functioning and authorities are needed to place the EDA at the centre of what is currently the debate around PESCO, CARD and EDF. Here we have an imbalance between the different instruments in terms of as to what extent they are mandatory or you can basically choose what you want to do. And this is where the EDA cannot play a facilitating role if for example CARD is to remain a voluntary instrument, then member states will do what they have done over the last decade, they will not give you the right figures, they will sanitise the information. The defence planning that would be built on that is still built on shaky ground.

On the strategic guidance the European Global Strategy or at least the discourse around it that happens not only in Brussels but also in the capitals is still not clear in terms: of are we talking about defence like crisis management or defence proper? This has tremendous implications for the role of the EDA and its relationship to the Commission but also to NATO and so on. If you take the reading of the High Representative, defence is nothing more than crisis management but many member states maybe would like to have more from the European Union. The same is true for strategic autonomy, which has become one of the big words of the Global Strategy, where if you look it up in the Petersberg Tasks, in the level of ambition there, nothing has changed or not tremendously many things have changed compared to the Petersberg Tasks and to the level of ambition of 2003. Is there something we are missing in the picture, is there a new role to empower the EDA or is it just the ambiguity of words? It is necessary to say what we mean by defence and explain clearly what a common or European defence policy would like to defend against and what to protect. And that is still, at least if I look at my capital, not clear.

Last, I would like to present only two options, there are many more you could think about. One is the option to empower, which means to keep the institution as an intergovernmental stakeholder and as a mediator towards other institutions like the Commission, NATO, etc. The value of this is to enable the EDA to play a role for the governments, for the member states. Because defence will remain for a foreseeable time the business of member states. So it is good to have a mediator between what is happening in the capitals and who at the same time understands the Brussels bubble, and so can translate what you want to achieve in the capitals with what is possible in Brussels and vice versa. The second option would be to embed the EDA that would mean to keep and empower the functions of the EDA but put it into a wider defence amalgamated archipelago of the defence institutional environment in Brussels. A higher-density of the

institutions but with a broader spectrum that links together defence and security as the compelling selling point of the European Union compared to NATO and others. This would mean for the EDA to lose its identity, to get sucked up within a larger framework, which from a functional point of view could make tremendous sense. So far the European Union is not willing to play a proper defence role and to look beyond crisis management. So it makes sense to integrate the defence pillar into a security institutional landscape.

As a baseline, if the answer to current changes in the global security and defence order is merely another change in the legal base of the EDA, this is just under-ambitious and, more importantly, it will not deliver more security. Thank you very much for your attention.

Ms Anna FOTYGA

Thank you Sir. Now I would like to ask Professor Versailles to take the floor.

Dr David W. VERSAILLES, Co-director (with V. Mérindol) of the newPIC chair (new Practices for Innovation and Creativity) at Paris School of Business; expert on Defence related industrial policies

Thank you for the opportunity to speak about the future of the EDA today. I would like to introduce my points as an economist. I spent almost ten years of my life working as an economist inside the French Ministry of Defence. Now I am an academic, and it is much easier to talk about these issues because I have much more freedom to say exactly what we want about that. I would like to stress the issue of competencies available inside the different agencies and frameworks. When we discuss these aspects, it is useful to draw some specific scenarios about the future of the agency. When we prepared the note for this workshop, we started to work on the different aspects of the reflection paper issued by the European Commission in June 2017. The main parts of the scenarios we developed have fallen and vanished because the recent decisions made by the agency about PESCO, about the Defence Fund have framed some of these aspects but the main conclusions we had still hold. We confront here a very big issue associated with competencies and there is ultimately an elephant in the room. Usually, everybody is thinking about NATO. It is not the case here. The elephant in the room is associated with the pretence to introduce an industrial policy instead of something specifically associated with defence and the development of defence capabilities. So I would like to make three points here: the first one linked with the necessity to focus on defence issues and capabilities, the second point focusing on the evolution of competencies and eventual competencies for the European Defence Agency, and the last one directly associated with the interaction between military and civilian-oriented activities, because we still need to think about dual-use technologies and programmes. Last preliminary remark: the EDA has developed so far in the intergovernmental framework and it is still under debate. One of the main conclusions is associated with the necessity to take advantage of all governance possibilities and all eventual developments that we can have here between the intergovernmental framework and the Commission. The specific position of the High Representative, who is also the head of the European Defence Agency, provides a great opportunity to take advantage of several governance schemes to make sure we can reach specific outcomes and capabilities in the domain of defence and security.

The first point is associated with the necessity to build defence-related capabilities. It is not another way to fund or to work for specific activities in relation with research or other aspects. There is the necessity to maintain a specific line of reasoning about defence because of the huge tunnel effect between the moment when we work on basic research and development and the moment when we have the capabilities available on the battlefield for the war fighters. At the end of the day, we have to care much more about the war fighters and the capabilities in the field than about another way to fund research and development. Here we need to focus on capabilities and it is probably one of the main difficulties today inside the European Defence Agency. When we discuss these aspects with other agencies, when we compare the different agencies available at the national or international levels, we usually have military

people in charge of discussing these aspects and providing an end-user point of view. It is interesting to have a mix between military people and civilians inside the European Defence Agency but it is no wonder that nobody is able to develop a consistent activity associated with capabilities and capability forecasting, planning inside the Agency because there is an understaffing of military people. There is a specific need for defence planning process similar to the one that exists at NATO with capability planning and the organisation of these programmes. It is a need for European institutions but it is important to note that the relevant competencies are not currently available inside the European Defence Agency, because of an understaffing of either competencies or military people. We should also keep in mind the coevolution of competencies and of interests between public and private stakeholders. There is a lack of convergence and of long-term understanding between the different stakeholders present inside the European framework. Stakeholders are most often focused on short-term priorities and issues. When we discuss with them, it is absolutely relevant and they have the best reasons to do so. When we observe capability planning in other environments, there is an important convergence between the stakeholders and an alignment of the methodologies and the ways to think of working in order to reach the different capabilities. And this point is specifically lacking inside the European Defence Agency.

Now I would like to make another series of remarks associated with competencies. From an organisational point of view, we draw a difference between three types of agencies: one that would be able to develop activities very similar to those available in the different countries in the 1950s, where we had engineers and end users inside public agencies, who were able to talk precisely and extensively about the deep details of specifications. They had, inside the public agencies, competencies that are totally similar to those available in system integrators on the industry side. Over the years, this type of competence has vanished inside public agencies almost everywhere in the world. The second type of competence available at public agencies is usually associated with the possibility of facilitating activities and interactions between the stakeholders. This is still something that exists at the European Defence Agency but it should be fostered in very specific ways in order to have the sufficient level of understanding of capabilities from a military or technological point of view and to understand everything associated with military capabilities. Here I am also thinking of the necessity of working together on doctrines, ways of working, activities that exist on the battlefield. The main differences between the programmes available worldwide almost always relate to doctrinal issues. People working on specifications of defence and security programmes have to encompass these aspects in order to frame the specifications upfront and discuss precisely with the industry or with the research and development system. This is a very specific problem because facilitating this type of development, meeting or discussion requires specific competencies. This is very challenging because you need to keep up with the technological aspects. Last option available for competencies and capabilities at public agencies: procurement agencies. You do not need specific competencies to discuss with people from the industry or research and development. You just need to introduce a back-office activity, to wrap up meetings and draft the contracts. But it is totally different at the level of influence and power. If you are only working as a procurement agency, you do not influence the meetings, the orientations for the capabilities the way you do when you facilitate the meetings with a technological and doctrinal competence. When we develop observations about the European Defence Agency, nobody knows precisely where they locate. Depending on the office, the activity, the tasks, they have one level of competence or the other. It is important to be able to translate the different ambitions associated with the recent papers on PESCO, CARD, the Defence Fund into capabilities required of the Agency to implement them. Otherwise these papers only remain words. If you want to concretise the different ambitions present inside the recent decisions, competencies are explicitly required inside the agencies. You have to translate the different aspects into a mix of difficulties and challenges. The role assigned to the European Defence Agency will have to translate into a very specific organisation of subsidiarity between the agencies at the European level but also at the national level. How is it possible to transform the competence of national agencies into the competencies of a European agency? Over the last decade, nobody addressed this challenge precisely and European countries never aligned their positions. Member states have to

contribute to the elaboration of competencies for the European Defence Agency and they also have to frame governance issues associated with the discussion of alignment processes between national and European levels. And translating this into actual ways of working is obviously a big challenge. The relation to NATO remains a very autonomous point but it is probably not the main difficulty to solve because operational processes inside military organisations more or less align with NATO processes and all important countries spending money on investment and research and development also take part in NATO processes at the same time. The culture associated with NATO development and capability processes are also present in national states. Member states are in need of organising the convergence between their contributions to NATO and their contributions at the European level. This other difficulty does not have anything to do with NATO but with industrial policies. You cannot spend one euro twice. Either you do it with a European programme and the building of European capabilities or you do it elsewhere. We have a huge amount of instances of public expenditure associated with either research and development or procurement of capabilities that exemplify the difficulty of converging precisely inside European programmes. Lots of European countries prefer to spend their money on capability building that relates directly to the American defence industrial base. We have to address a major challenge that does not have anything to do with the European Defence Agency but that represents precisely the difficulty to solve in each country.

The last point is the difficulty of converging with civilian activities. I work a lot on dual-use technologies and the management of dual-use innovation. There is a major difficulty to solve inside European governance issues and at national levels. A huge amount of the technologies needed to build future capabilities for defence and security are also at the very same time issues for civilian projects: artificial intelligence, cybersecurity. We have to understand the difficulties associated with the articulation between the volume of budget associated with the intergovernmental framework and the European Defence Agency on the one side, and the budgets available for the interaction between European agencies, the national level and also the industry, for civilian activities. One of the very nice instances is the debate on air traffic management and the building of the single European sky, linked to major issues about other agencies (Eurocontrol) and the elaboration of specific instances that do not exactly belong to the intergovernmental framework anymore and that relate to the influence of the European Commission and its relation to the industry. When discussing defence and security, we have to deal with the exact same challenge. How is it possible to address at the same time the elaboration of capabilities for defence in relation with defence budgets while taking advantage of the budgets available for Horizon 2020? The different roadmaps do not align, nor do the governance schemes. These articulation issues lead to the same difficulties for the EDA as those faced by Eurocontrol. We need to draw feedback from these aspects in order to elaborate specific capabilities for defence and security and to provide war fighters in the field with concrete capabilities.

Instead of opposing the funding and governance schemes, it might be smarter to take advantage of all the possibilities that exist for civilian or military issues and merge these aspects together. Because nobody cares where the money comes from. Ultimately, we only care about building capabilities in the field. Building industrial competencies in order to elaborate programmes in the long run requires a huge sequence of programmes where you get the possibility to learn, programme after programme, how to organise the different activities. It is impossible to miss one step, otherwise you kill the competencies. We need the capabilities in the field, and that is the most important point to keep in mind.

3 Discussions

Mr Valerio BRIANI, European Defence Agency (EDA)

I wanted to react to what panellists have said. I believe this is a very useful initiative, considering all the turmoil that has been going on in the defence world. I have to agree that the Agency so far has been underused, this has been recognised as well in the Global Strategy. But things have been done. We have not been idle. In fact, Mr Versailles has been talking about capabilities. I would like to stress that the total value of the ongoing capability projects generated by the Agency so far is 430 million, which, for an agency with a budget of 30 million and a staff of 140, is quite a result I think. These capability projects cover the whole spectrum, from research to technology to development, training, exercise, maintenance and also pooling procurement. We also have a series of activities with no price tag, such as the support to the industrial base; we encourage small and medium enterprise, cross-border cooperation. You mention the single European sky. The Agency is the forum where the military community comes together to react to the single European sky. We work on standardisation and certification, so we have a wide portfolio of activities. For the future, last May, the Ministers of Defence approved a final document after a one-year process of high-level meetings. This long-term review of the Agency identified three priorities for the future activities of the EDA. The first one is for the Agency to act as the major intergovernmental prioritisation instrument, which means that we are going to support member states in understanding what is lacking at the European level and not at the national level, so that they can cover it with cooperative initiatives. This is where all the new instruments such as the CARD, the overarching strategic research agenda, the key strategic activities are going to come into play. Also, the capability development plan is developed with member states to understand which military capabilities they will need in the short, medium and long term. So we have a long-term view with member states. The second priority will be to continue to act as the preferred cooperation forum – I already mentioned the 400 million of ongoing capability projects, and we continuously add new projects in the fields of cyber or military mobility. The third priority will be to act as facilitator towards the Commission and other EU agencies, as the central operator for EU-funded defence-related activities. We will act as the *trait d'union*, facilitating the relation of the member states and the military community with EU agencies and supporting EU-funded defence-related activities such as the future EU defence fund. The Agency already has a big role in the pilot project and the preparatory action of the research window. We foresee that we will continue to do, with the support of member states, a crucial job in the future European defence fund.

On competencies and personnel, more than half of the personnel in the Agency is military and all the project officers who deal with research activities and capability development within the working groups with member states are military.

Mr Arnaud DANJEAN, MEP, Member of the Sub-committee Security and Defence

We are not going to be excessively formal here, that is not the point, but it is the first time in two mandates that I see a discussion organised here other than between the guests and the Parliament, so with all due respect to the European Defence Agency, they are not a member of the panel, and they are just in the audience, they should not be taking the floor. I would not like to see this become a precedent: the debate is between the guests and the members of Parliament. If everyone takes the floor for self-justification, we are not going to get anywhere.

This leads me to a question that I was not necessarily going to ask. I think the comments that were just made clearly illustrate the problem around the EDA. Despite all the explanations we are given, it is still not very clear. Politically speaking, one of points raised is very interesting: does it stay an intergovernmental agency, whose intergovernmental nature is the key point, or does it become a sort of service provider to the Commission? I met with the Director yesterday, and I think it is almost heretical to ask the question for

them but, at a moment when the Commission is going to put a fairly significant amount of money on the table and the Parliament will take a growing role to monitor the activities, the question will arise. This is not the fault of the Agency but we are not dealing with a very impressive balance sheet. I would like to get your feeling about possible, probable developments because I am almost certain that the status quo will not last very much longer. Politically speaking, I do not see how member states and the European institutions can agree, as if nothing happened, on the duration of a structure which does not provide any specific deliverables in the short term.

Ms Anna FOTYGA

From my side, it is a bit difficult to encourage members to take the floor and sometimes I do this but actually try to refrain. At the first instance that a member is willing to take the floor, I try to cut the other interventions. Of course, members have priority, there is no change of rules. There were simply no requests earlier.

Dr Christian MÖLLING

There needs to be a political decision on the future because the structure is not going to last because of the evolution of the rest of the world around the EDA. What we have seen from the EDA is what we, political analysts, call a sign of institutional struggle or survival. It was a nice piece of self-promotion but the EDA has to deliver. Thank you for the figure of 450 million. My government alone has a turnover on defence of 33 billion and you have a turnover of 270 billion, which gives an idea of what the EDA can manage and what it cannot. If you want an institution able to run big-ticket items then you need to grow either the Agency or something else. There is of course a need to do this in a different way than over the last decade. If you go into the budget structure of intergovernmental funding of such or such activity, in the heydays of ESDP, it was not necessarily completely transparent. That would have to change if you take European taxpayers' money. You have to ensure that this money is spent the right way and for the right purpose. For me, as a European taxpayer, it does not matter whether the institution is called EDA or something else as long as there is an "E" in front of it because it is European money. If you compare what the Agency has been tasked for and what it has delivered so far, why should we gain trust for its future? I wrote a study in 2015 for the European Parliament exactly on that. It shows that, because member states are in the driver seat of that Agency, it has not been able to deliver. How do we want to change this? Do we want to keep member states, and especially Defence Ministries, which have a very conservative approach to the Agency, in the driver seat or do we want it to become a political agency, as it was conceived at the beginning? If you go back to chapter 8 of the Convention that led to the Lisbon Treaty, that was the overall idea. I value that the Agency is struggling for its survival, maybe for good reasons but it is ultimately about the survival of the European Union. And institutions may be put into question at least.

Dr David VERSAILLES

In practice, I would agree with everything that Christian Mölling has just said. I would like to add a few details. Without at all calling into question what was presented as the balance sheet of the Agency, there is a gap between the activities and the results, which is clearly not in line with the objectives. In all the work we have been able to do on this type of subject, when we look at problems linked to the evolving of the Agency, be they intergovernmental or other, very often we end up in a situation where the Agency's mission is calibrated *de facto* on the skills available and not proactively on what they want to gain. We could give many examples of agencies in the countries dealing with defence questions, France for instance. It is a rather perverse situation where we have calibrated our new missions on the skills we have and not on our ambitions, which is the opposite of what we need.

If we set up an agency as a facilitator, the main skill it will add is as a neutral intermediary clearly capable of organising debates in order to reach consensus and to orient them towards a given ambition. If you want to build this role of trust, you need to have specific skills. To build those, you need skills in governance

or technology, and this is where I fit in with what the Agency's representative has said. There are military skills within the Agency but, if we look at national countries or NATO, there is a problem with the level of skills or seniority in the European Defence Agency. In Germany or France, designers of programmes, architects, are never below colonel level. These problems have to be dealt with in a proactive manner. When such countries send staff to the Agency, they cut links with the national level, whereas those links should be maintained. There is a relationship of indifference or mistrust. If we want to think about this in an intergovernmental manner, we should not sacrifice this positive result. This is probably not enough. Today, there is so much to be dealt with, in terms of dual technologies and we will need to deal with activities that are not dealt with at the intergovernmental level. Complementarity will have to be added. We should never sacrifice the intergovernmental but add to it. There is an opportunity to grasp, a shared aim and we need the skills to meet these significant challenges.

Ms Anna FOTYGA

I would like to thank our distinguished panellists and all of you for participating in this workshop.

Annex I

The future of the European Defence Agency (EDA)

by Christian Mölling

EU and defence: the issue of cooperation

1. **The EU has a chronic problem: it has so far not really delivered on defence cooperation.** The EU shares the problem to some extent with NATO and with many multinational frameworks that remain empty in terms of capability– but full of political declarations.
2. **The technical/technocratic solution** is simple and has been accepted by all actors: more cooperation and coordination is the way to improve the EUs military capabilities and this its political influence.
3. **Politically, however, the solution is about squaring the cycle:** illusions about national sovereignty and defence industrial nationalism work against the technocratic logic of scaling effects that offer more effectiveness and efficiency. The latter implies compromises for national governments in, among others, decision making and the return of defence investment to national companies.
4. **The evidence of the last decade is that nations only cooperate once they have (almost) crashed against the wall, i.e. lost a capability.** Consequently, they consider last minute solutions which are economically and sometimes militarily sub optimal. Similarly, until this switch to a cooperative model, nations will have wasted money on unnecessary nationally held capabilities. More importantly, the resulting capability portfolio of the EU may be more integrated but is still not driven by a concise definition of military needs.
5. **The EU was until now not able to help effectively.** EU-Defence planning institutions like EDA and EU Military Staff (EUMS) are constantly improving their planning tools. However, member states remain reluctant to buy in. Sometimes they even actively block as they are especially opposed to transparency and information sharing. Occasionally, some Member States do not know the state of their capabilities themselves, nor would they like others to know about their reality and deficiencies. Therefore, Member States insist that they decide which reality is to be presented to their partners.
6. **EU Member States are caught in a vicious cycle:** While they still desperately want to believe in their autonomy and independence, they cannot plan and organise their defence posture together. At the same time, they can also not achieve this individually because none of them is capable enough. They need more clarity about the contributions from who they call their partners and allies. But they do not want to share information about their own state of defence capabilities and their likely future with them, not the least because it would underline their dependence on others.
7. **Member States try to square this cycle:** Whilst being unable to plan and organise their future defence individually because none of them is capable enough, they nonetheless resist in compromising on their self-image. This is even true in the light of ever growing challenges from reality: While defence austerity since 2009 is continuing to diminish the means available for defence, Member States have only proven how robust their self-image is, and that they are willing to bear the destructive consequences of that for European Defence, i.e. sacrificing capabilities instead of autonomy.

8. **The conception of sovereignty is key to current problems:** Austerity increases intra-European defence dependence. Yet, the conception of sovereignty that member states still maintain does not allow them to recognise these dependencies and thus hinders the Europeans to manage them. Sovereignty is for most member states not about being capable to act effectively in order to solve problems of their societies. Rather, for them it means to stay master of the final decision, even if this prevents or diminishes the development of a (European) capability that could engage with their (national) problems. Hence, member states prefer autonomy over capability. By doing so, whether consciously or not, member states actually pretend to be individually able to deal with security risks and threats and keep those away from their territory, people and political system.
9. **It is thus only logical that with such a conception of sovereignty in mind, EU Member States avoid talking about, and engaging with, cooperation and specialisation.** Accepting specialisation would mean acknowledging that they cannot longer assure the national core of defence task alone. Recognising cooperation inflicts similar difficulties: national governments have to admit that their ability to decide and act in security policy does not carry enough weight in view of current security problems.
10. **Yet, states also insist on their individual right to decide because, they argue, they cannot entirely trust their partners:** they fear being left alone in an operation because a partner decides to withdraw; not being able to engage in an operation, as a partner with important capabilities decides to not participate; or giving others, who do not make any contributions of their own to shared security, the opportunity to free ride.
11. **Thus, states have locked themselves into this vicious circle:** Their clinging to national prerogatives eventually increases their dependence upon partners whilst diminishing their own military capacity to act. Member states have not been able to prevent capabilities from getting ever more critical, such as by increasing cooperation. The individual defence planning and investment cuts even further the dependency. Finally, while states are rhetorically adhering to the idea of military autonomy, reality is catching up as specialisation is already taking place in an uncontrolled way and further increases dependency.

The Role and power of the EDA

12. **The question of the role of the EDA may obfuscate the desirable with the real status.** I therefore suggest to reframe the question to gain more analytical clarity and to identify options for future development: Does the EDA currently have the power, authority and capacity to frame a Union defence policy and to define a capability policy?
13. **The EDA is a creation of the heydays of the EU entrepreneurial phase considering security and defence policy:** between 1998 and 2006, the development of the then ESDP (European Security and Defence Policy) took place, with almost light speed, starting with St Malo until 2004. At the same time, this phase marks the development of a policy field that was highly/only intergovernmental in its character. The high hope that member states had regarding EDA's ability to shape a common EU defence policy is mirrored by the central role that the primary law conferred to EDA: No other institution linked to defence, like the Military staff or a committee, has received such a central status.
14. **The EDA's given role and main mandate is a strong one** – but it has never been allowed to live up to its potential. After heads of states and government inaugurated the agency, they handed it over to the ministries of defence. Since then, these bureaucracies struggled to give the EDA enough freedom of operation to deliver.

15. **The Lisbon Treaty introduced the notion of a European capabilities and armaments policy** (Article 42(3) TEU), though this has yet to be framed. It also established a link between the CSDP and other Union policies by requiring that the EDA and the Commission work in liaison when necessary (Article 45(2) TEU). This concerns in particular the Union's research, industrial and space policies, for which Parliament was empowered to develop a much stronger role for CSDP than it had in the past.
16. **The EDA's real role has been cut back from an innovator to a facilitator:** While EDA has kicked off the P&S debate, MS have marginalised the agency, instead of using its full mandate. The over 60 projects EDA is or has been involved in are too small to influence the general mind-set or the structural determinants of the defence sector. With a few exceptions such as Air-to-Air Refuelling or Medical Support, these projects tackle rather technical and regulatory issues, instead of the concrete pooling and sharing of capabilities and large-scale projects. While the four flagship projects EU MS have agreed upon during the 2013 Defence Council make some headway, the EDA handles only elements of these projects. The Capability Development Plan (CDP), even after its reset, does not interest MS very much because the CDP is seen as not focussing on their capability needs nor reflecting the necessary level of ambition.
17. **This all happens while the political and institutional environment is changing.** Defence as a policy field is changing: the institutional and legal density within the EU increases. Defence affects and is affected by many more policies than only CSDP, and much more than military affairs in isolation. Not only the European Commission but other policy areas contribute legislation, norms and other elements that affect the ability of the EU and its MS to defend itself and generate the relevant means. And EDA takes active part in this change: The Commission has entrusted the EDA with managing the preparatory action on defence research.
18. **A second effect of this development is that states and other actors increasingly overlook EDA in this changing landscape.** Institutionally, it is essential in the Brussels bubble to stay relevant by staying in the documents and get tasking. EDA however is less and less mentioned when it comes to the latest initiatives. Thus, staying visible has generally become rather difficult for the agency. Moreover, EDA finds itself between other powerful actors: it is, for good reasons, not independent but headed by the HR, who has to ensure policy coherence across the new developing landscape. However, this additionally limits its visibility and room for manoeuvre. On the other side, the EDA finds itself as a vehicle with its 27 bosses taking the driver seat.

What future for the EDA

19. **An agency that can create transparency is needed:** as defence is gaining importance and more is spend on resources. A fundamental failure seems to take place already, again: Governments have started spending with a national perspective and entered into separate individual programmes – all without coordination.
20. **To empower EDA for future tasks, institutional functioning & strategic guidance are missing:** A Common Union defence policy would not only need the serious functioning of current institutions like PESCO, CARD, EDF or similar institutions. It will thus be necessary to increase the efficiency of defence input through more cooperation.
21. **It needs also a common strategy, i.e. an answer what the common policy should defend, against which threats and how this links into the wider security toolbox of the EU as well as vis-à-vis MS, NATO and other multinational formations.** While the EDA was seen in a logical consequence of the 2003 European Security Strategy, it is no longer clear what the EDA currently is, now that the EU's EUGS has replaced the ESS.

22. **Moreover, the strategic purpose is fuzzy.** The notion of defence has been used especially related to the EUGS. But many still struggle to understand the exact meaning: is the focus on proper defence or crisis management? Proper defence means to offer armed divisions, crisis management means armed detachments and a much more integrated approach vis-à-vis non-military instruments. Hence, the purpose of defence defines not only the LoA but also the strategic direction and thus the importance of EU within the considerations of MoDs and MFAs.
23. **The catchwords of the EUGS are adding destructive ambiguity:** EU, governments and experts still debate the political meaning of “strategic autonomy”. This has significant impact on the (missing) clarity of the strategic and military level of ambition the EU has and wants to implement. Moreover, this level of ambition would also define the role of the EU vis-à-vis NATO as the current provider of defence and deterrence.

Three options on the future of EDA

24. **The future role of EDA within the new institutional arrangements needs to be clarified.** While the Lisbon Treaty assigns tasks as to “contribute to the regular assessment of participating Member States’ contributions with regard to capabilities”, it fails to spell out how this ought to be done. Given that the member states make up its governing board, it will be interesting to see how EDA will proceed with this sensitive issue, also related to new institutions like PESCO, CARD and the EDF. Who will develop assessment criteria? Will they be listed and become auditable? If EDA is to emit recommendations, how can it make sure that member states take them into account?
 - a. **Empower – Keeping the Institution as an intergovernmental stakeholder and mediator.** Member States would miss this additional actor when they would have to handle the European Commission. The EDA is the core institution within the intergovernmental pillar of European Defence. As the other institutions, EP and European Commission, seek to increase their standing in European Defence, EU MS risk losing influence in EU Defence: because the intergovernmental pillar is comparatively weakened, and because the EDA does not have comparable instruments and competences to play at the same level as EP and Commission. Moreover, the EDA offers unique expertise: the military perspective combined with an understanding of the Brussel Bubble. This will be crucial when shaping aspects of the Commissions defence initiatives. EU MS could empower the European Defence Agency. They should allow EDA to take a more active role in shaping capability development and the EDTIB, thus thereby representing the intergovernmental and defence dimension in capability development. The agency should receive the responsibility to independently monitor EU MS’s capabilities and DTIB in terms of strengths and weaknesses and report this to the Council.
 - b. **Embed – keeping and empowering the functions:** it may be desirable to increasingly integrate the EDA firmly into the evolving security and defence institutional landscape, within the EU and outside. This could be the end of EDA as visible actors. Its key functions are seriously needed. They could gain more weight when the currently fragmented elements linked to defence and capability planning would be fused. Even greater coherence could be achieved if the gap between capability planning and armaments would be closed or narrowed. Thus, strengthening the link towards the Commission but also towards the OCCAR would move the landscape from isolated island to a bigger archipelago of defence. This EU/ European complex could be linked to NATO via the NATO defence planning process. While NATO and EU planning could become synchronised, still civilian-inspired capabilities would need to have their inroad into the EU- system, to harvest its biggest potential: to nurture its defence and security from the wider EU policies framework. But as mentioned – in such an amalgamated “EU defence ministry”,

the EDA would be adsorbed as an identifiable actor. To integrate the EDA into a larger more coherent defence planning unit or even use it as the starting point for this may be the first step.

25. **Baseline:** If the answer to current changes in the global security and defence order is (merely) another change in the legal base of the EDA, this may just be unambitious and – more importantly does not deliver more security. The remaining problem is still the illusion of sovereignty of European states and the nationalism in defence industry. EDA can only make its effects transparent and find workarounds. Real solutions can only come from the governments themselves.

Annex II

Contributions to the workshop on the future of the European Defence Agency

by Valérie Mérindol and David W. Versailles

Specifications: FRS workshop on the future of EDA

The European Defence Agency (EDA) was created in July 2004 following the respective tasking of the Thessaloniki European Council in July 2003 in the context of the development of the first European Security Strategy. Since the Entry into force of the Lisbon treaty the EDA's legal base has been adapted twice, in 2011 and in 2015, to reflect some of the changes introduced by the Lisbon treaty and to better integrate it into the Union's institutional framework. The next ordinary review is programmed for 2020.

Further changes in the Agency's statute have been suggested and the appropriateness of certain of the provisions therein challenged. The European Parliament itself has issued multiple calls to reform the legal base of the EDA which so far haven't been taken into consideration. Talks on the future of the EDA have started against the backdrop of framing a common Union defence policy.

For the workshop three aspects will be addressed by the experts:

- The role of the Agency in framing of the common Union defence policy,
- The role of the Agency in defining a European capabilities and armaments policy, and
- The path to compliance with the treaties of EDA's current legal base

The development of Defence and Security operational capabilities requires decisions at the crossroads between technological, economic, economical, budget-related and military (including doctrinal) issues. In the domain of Defence and Security capabilities, there is no such thing as a 'neutral' technology: technological specifications in materials, programs, and systems always enact a precise military doctrine that translates the interaction with command and control systems into the war fighters' actual ways of working. It is therefore important to keep in mind that command and operations ultimately relate to decisions made on behalf of public opinions, of citizens who vote, and pay their taxes. Operational doctrines and ways of working therefore directly relate to cultural aspects framed by public opinions in each country. Countries have also specific priorities in the domain of Defence and Security, and show specific levels of commitment to Defence and Security missions. These national specificities translate into national budgets, and into the repartition between capital (including RDTE, at various TRL levels) and operational expenditures.

The subsidiarity between national and European levels and the introduction of perspective on the future of the European Defence Agency hides in reality two elephants in the room: the interaction between NATO and European initiatives in the domains of Defence and Security; and the repartition of prerogatives between European bodies in charge of preparing activities and of making decisions in these two domains.

Beyond the principles of solidarity present in the North-Atlantic Treaty, the presence in NATO has often related to (indirect) budget concerns and (direct) consequences on the Defence industrial base. Countries with smaller budget capabilities have often found in NATO an opportunity for protection

without sharing all the burdens. Over the recent years, the USA did explicitly explain that peace in Europe cannot be taken for granted, that it will be challenged, and that 'our freedom is not free' (Obama, March 2014); the Alliance should examine its members' contributions and all countries should increase their Defence spending in the future.

Governance and subsidiarity rules for the domains of Defence and Security are implicitly present in all aspects of this discussion. The future of EDA obviously relates to the evolution of subsidiarity between Member States and the supra-national level. The discussion of governance should also question the repartition of institutional prerogatives among the European bodies. Most of the points introduced in our paper are consistent with the intergovernmental cooperation framework and require eventual adaptation in order to match the European communities' domain. Our committed preference goes for the intergovernmental method. We justify our preference for the intergovernmental method because it preserves the prerogatives of national Member States in the domain of Defence and Security that is still driven by explicit asymmetries in budgetary efforts, by discrepant priorities, and by discrepant operational doctrines. We know that reaching convergence between 27 Member States remains a difficult endeavour when dealing with qualified majority for the establishment of cooperation (article 20 TEU, 329(1) TFEU) or with unanimity rules when dealing with cooperation in the field of the Common Foreign Security Policy (article 329(2) TFEU). We stress that the installation of the EDA has represented an explicit improvement in the management of Defence and Security programs at European level. Our paper explicitly focuses on improvements to be introduced into EDA's organisational design in order to accommodate new challenges, and new ambitions.

In this paper, we only want to address the evolution of the EDA in Europe without discussing any further these two aspects that relate much more to political contents.

We want to discuss the EDA's evolution in the framework of two main challenges: a temporal opposition between long and short run perspectives, most notably linked to budget related constraints; and an explicit tension between public and private interest. The preservation of long-run interests is consistent with the time frames incurred by Defence and Security investments (RDTE, technology, and major military programs) but it conflicts usually with much shorter time frames where governments have to secure at the same time budgets for these investments, and also for operations, MRO, etc. All countries have to operate budgetary arbitrations in order to secure the long run consistency of Defence and Security policies. We however learn from history that public expenditures in the domain of Defence always correlate with the existence of actual threats that are sensed and shared by public opinions. We will introduce considerations on technical aspects related to Defence and Security related industrial policies and acquisition strategies later in this paper. All experts who work pragmatically on these topics know that the devil lies in the details.

In this paper, we will introduce first considerations about the importance of competences to be available inside any public agency in order to run projects in relation with Defence and Security policies; then a scenario-based analysis on the evolution of EDA; and an analysis of the interaction between civilian and military capabilities.

Introducing the issue of capabilities and competencies

Broadly stated, three steps have to be considered when discussion Defence and Security projects, as in any investment: the definition of specifications, the moment where investments have to be actually appropriated and paid, and the operations (and the operational expenditures) once programs have been delivered on the field. When dealing with Defence and Security projects, the definition of specifications

represents the outcome of specific Defence and Security RDTE programs that usually open the path towards discussions about potential spin on towards other environments or ecosystems. Defence and Security carry with them the largest part of sovereignty capital expenditures in all countries; they are also easy targets in lots of budgetary arbitrations. This is the reason why public finance specialists and policy makers exhibit their creativity in order to share the burden of these capital expenditures (including with the private sector via PPPs). The operation phase is the very first moment where tax payers can eventually understand the relevance (and accuracy) of spending public money into Defence and Security; during this phase, it is also hardly possible to postpone expenditures. The tunnel effect between the initiation of the RDTE phase and the moment where investments pay off explains why public decision makers have it eventually easy at delaying investments, or RDTE projects. Defence and Security procurement is usually shaped by the (short term) optimisation of budget expenditures while States behave like clients who expect to get the best value for their money. In doing so, they forget the preservation of resources and capabilities enabling the installation of long term capabilities.

We raise therefore two points in relation with the installation and/or preservation of competences: first, in the industry, because industrial capabilities can only exist if public bodies fund these projects consistently with the horizon of eventual returns on investments; second, in the public administration, because each step mentioned above requires specific skills, knowledge and experience. As this paper is focusing on the EDA's evolution, we will focus on public (individual and organisational) competenc(i)es.

Defining and implementing an industrial policy on Defence and Security issues concretely requires the development (and protection) of technological and industrial competencies over the long run, with explicit expectations on critical skills preparing operational effectiveness, and superiority on the battlefield. Public competencies allow for the ability to make decisions, to manage and to fund the risks and uncertainties present in the innovation processes, and with the long term co-development of capabilities in the industry. Acquisition strategies focus on the necessary trade-off between costs, priorities, and operational (or technological) specifications for weapon systems. Beyond the necessary expertise on the legal aspects present in contracting itself, public agents need a specific expertise. These aspects complexity when situating in a governance system with multiple layers of private and public actors.

From the States' points of views, the definition and implementation of operational capabilities elaborates on the existence of public agencies enacting a combination of skills suited to interacting with several series of stakeholders: RDTE experts, the industry working on the preparation of future technologies and programs, and the end-users (war fighters, etc.). The latter category is already complex to handle at a national level when several categories of end-users jointly use the Defence and Security systems; this complexity dramatically expands in the case of international programs, and also explains a large amount of additional or hidden costs.

Working with different stakeholders requires in-house capabilities: agencies need to coordinate and implement industrial policies and acquisition strategies. With the increasing (and systemic) complexity of weapon and C2 systems, the nature, quality and credibility of public expertise becomes crucial in order to transform public policies and acquisition strategies into action. These organisational competences elaborate on a combination of multiple individual competencies covering the military, doctrinal, political, technological, economic, and budget related domains. Beyond the institutional differences existing between the USA, the UK and France, the return on experience associated with the long run development of Defence and Security capabilities in these countries always shows that the major issue at stake always relate to the existence of such expertise on the long run, its credibility, and its

preservation. The coordination of private and public interest can only occur with long term perspectives in mind. Decision making processes on major investments also covers the (military or Security- related) doctrines of operations implicitly or explicitly underlying the nature of the specifications for these systems (including their insertion into Command and Control networks, and the 'philosophy' of the interaction with the politicians in office who have the cast on orders and decisions). This requires a concomitant and comprehensive understanding of all constraints prevailing for all stakeholders: industry, war fighters, public finance (budgets) and elected decision makers.

The creation of EDA represents a unique case because it develops and operates in intergovernmental context. EDA operates in multinational environment, with responsibilities spanning over the EU27 countries. Required competences relate both to technical and operational domains, and to inter-cultural and international skills. 'Multi-cultural' aspects are therefore necessary to understand challenges and nationally sensitive issues in order to transform the EDA into a credible, neutral, and central player of the elaboration of European Defence and Security related policies, and of subsequent capabilities. The EDA has to cope with a level of institutional complexity that does not compare with the ones confronted by the agencies operating at national level: it has to work out complementarities and coordination throughout the 27 EU Member States. The role of EDA has been progressively clarified, and its relation to OCCAR as well. The EDA's budget and resources remain however scarce as compared to the issues at stake for Defence and Security policies. A significant series of topics and capabilities are shared with, or borne by other European institutions: dual-use technologies with H2020 initiatives (and formerly the FP7 program), military aspects of the SES packages with EUROCONTROL, etc. Even if the EDA does not intend to take over all roles and initiatives carried out by national Defence agencies, the elaboration of an actual European expertise with respect to Defence and Security policies requires some clarifications, including against different missions assigned to other European agencies.

Scenarios, roles and missions for the EDA

In previous research, we have referred to several types of missions performed by public agencies according to the nature of available competences. We oppose the different options according to the depth and breadth of competencies available in the public agency's staff. Such competencies directly explain the agency's contributions to public policies in a specific domain. The maximal depth and breadth of competencies prepare for a traditional ability to drive technological or R&D programs, to orient the stakeholders' contributions, to lead problem solving processes in R&D and in production, and to anticipate on operational expectations. A reduced version focuses on the management of collective arbitration mechanisms, on the interaction and communication rules and on the anticipation of governance schemes. It differs from the maximal version inasmuch as its staff knows how to facilitate problem resolution and how to gather all the relevant people around the problem resolution table, yet without being able to sit at the table and take part to discussions. Governments frequently turn to that scenario when the level of (technological) complexity increases, when the distribution of knowledge base among stakeholders widens, and when the relative importance (relevance) of in-house competences reduces against the other stakeholders in the ecosystem. The minimalist version of this scenario occurs when the competence base shrinks to contractual aspects only, and when the agency does not even contribute to identifying technological issues and the relevant problem solvers.

The EC (2017) Reflection paper on the future of European Defence has described three scenarios that directly impact the EDA's evolution. This paper is consistent with the general orientation introduced by the Juncker commission since in took office: Security and Defence matters have become a priority. New

aspects for the ESDP have been presented and endorsed by the European Council in Dec. 2016, based on three elements: the EU global strategy's implementation plan on Security and Defence (agreed by the Council on 14 Nov. 2016); the European Defence action plan (put forward by the European Commission on 30 Nov. 2016, with new financial tools for capability development and Defence cooperation); and cooperation with NATO with a common set of 42 proposals endorsed by EU and NATO councils in Dec. 2016. These aspects have prepared the European Council held in June 2017 that officially gave birth to the European Defence Fund.

We elaborate on the issue of roles, missions and competences for the EDA in reference to these scenarios. We first wrap-up on these scenarios (and describe them in a more comprehensive way in the annex below). No version in the EC(2017) document instantiates the minimalist version of the public agency's role mentioned before, because this document always computes that "some" knowledge is available in the agency.

- **Security and Defence Cooperation:** the EU27 Member States *'would cooperate on Security and Defence more frequently'*. The *'Europe's Defence industry would remain fragmented'*. This worst case in the EC (2017) document elaborates on small number of capabilities at European level that more or less represent the current EDA's situation, with a preservation of most national competencies.
- **Shared Security and Defence:** the EU27 Member States *'would move towards shared Security and Defence'*. In this scenario, *'the EU would enhance its ability to project military power and to engage fully in external management, and in building partners' Security and Defence capacities'*. In the definition of programs, the agency is also able to actively contribute to several technological domains, yet a small list as compared to the variety of potential applications.
- **Common Defence and Security:** the EU27 Member States *'would deepen cooperation and integration further towards a Common Defence and Security'*. A *'Security and Defence Union would be premised on the global strategic, economic and technological drivers'* with *'the mutually reinforcing responsibilities of the EU and NATO for the protection of Europe'*. Nothing is directly said about in-house capabilities, but the scenario might be interpreted as a maximalist version of the agency if it were preserved in the intergovernmental scheme.

The first scenario introduces the creation of an EU Defence research program, and the establishment of the European Defence Fund to develop capabilities together. In the second scenario, the respective scopes of the EU Defence research program and of the European Defence Fund expand in order to support the development of multinational capabilities and of critical technologies. The third scenario states that the European Defence Fund will now ensure *'immediate responses'* in specific capability areas; it mentions a *'dedicated European Defence Research Agency [to] support forward looking Defence innovation and help translate it into the military capabilities of tomorrow'*.

For the analysis of EDA's future, we propose to complement these scenarios with two additional perspectives:

- All 27 Member States commit to either scenario described in the EC (2017) reflection paper;
- Not all 27 Member States commit to the baselines described in the various scenarios, and the EU engages into differentiated integration levels as regards the Defence and Security Policy.

Here is our characterisation of options and implications for the EDA in each scenario.

Nothing changes much for the EDA in EC (2017) **Security and Defence Cooperation** scenario. The EDA's role would remain similar to today's role, where the Agency gathers a minimum sample of technical

competencies (on budget-related, military and technological issues) and an explicit understanding of multi-cultural and multi-national governance constraints. In this scenario, the EDA's activities focus on the facilitation of interactions. Its breadth of competences is really small, and associate with depth only in a very small number of technologies, if any, and in governance and facilitation issues. This first scenario locates the main important technological and operational competencies in national agencies. The EDA's competences will only run targeted consultations and missions. The availability of resources directly depends on the willingness of national agencies to delegate their (skilled) personal and staff the EDA. In reality, all decisions in the Defence and Security domains are still made at national level; national agencies eventually commission the EDA on specific topics, but the unanimity of the EU27 Member States is really not mandated for this scenario. It is really easy to figure out differentiated perimeters for each project, or to accept that the EDA's facilitation role accommodates differentiated strategies for each EU27 Member State.

In the EC (2017) **Shared Security and Defence** scenario, the EDA faces significant evolutions. The main important point associates with complementarities between national agencies and the EDA; it materialises with an explicit transfer of prerogatives for specific capability domains. In this scenario, the EDA transforms into the sole actor of coordination for specific domains of capabilities in the European Defence and Security policy, acting on behalf of all EU27 Member States. Its technical and operational competence broadens thanks to the transfer of national competences (depth and breadth). In order to enact the identification and coordination of key capabilities, the EDA has also to receive significant budgets (funding mechanisms yet to be defined) and to staff the competencies required by its mission (industrial policy focused on key capabilities, and acquisition of programs on joint operational capabilities). Consequences are twofold for the EDA's competence base: missions require improved in-house technological and operational competencies (eventually delegated by national agencies) and in the management of the multi-layer governance of national specificities (in order to strengthen the role of facilitator or mediator).

In the EC (2017) **Common European Defence and Security** scenario, we want to understand that the EDA develops further, and becomes the main actor in charge of developing future capabilities on key strategic areas. It is not clear from the EC (2017) 3rd scenario whether the EDA will transform into the European Defence Research Agency as well, but we do not see any reason preventing from this evolution in the framework of intergovernmental governance. The EDA becomes here the agency enacting both the industrial and acquisition policies in Defence and Security, and structuring the European Defence consolidated market with the industry. National agencies now support an EDA in charge of coordinating all R&D and industrial efforts in the domains of Defence and Security. National agencies only preserve in their prerogatives the management of local specificities that do not have any impact at European level. The main question deals here with the interaction between such an EDA and the other European institutional bodies.

In our 4th scenario, greater cooperation between EU27 Member States only occurs according to differentiated perimeters and on targeted capabilities. EU27 Member States will decide, on a case by case basis, the list of specific competences and capabilities to be transferred to supra-national levels, or to joint initiatives. EDA will eventually bridge with the other MS and connect with such projects/ programs/ agencies/ operations. In these domains, it seems logical that Member States contributing to differentiated initiatives will also devote most of their efforts to such activities, and will eventually jointly organise their interaction with the EDA. It makes sense to anticipate that the depth of such joint initiatives will reach greater levels than the EDA's ones, or that the paths selected by these joint initiatives will follow different technological or operational rationales. It means that the depth of competencies

and the Agency's role will adapt to each perimeter, or to each capability domain. The dynamics of cooperation however introduces the risk of coexistence between multiple agencies, each dedicated to coping with a specific cooperation perimeter, and with a specific governance model. We do not want to appraise the eventuality of differentiated perimeters in each scenario identified in the EC (2017) reflection paper because this does not add much to the discussion of the EDA's future.

The table below proposes an outline of each scenario, the main drivers of the interaction between the EDA and NATO, the EDA's role, the EDA's expertise mandated by each role, and the associated key success factors.

Scenario	EDA's role	Subsidiarity EDA vs. EU MS	Required expertise	Key success factors	Relation to NATO
#1 Security and Defence Cooperation	Current role	Major competences and decision remain at national level in the national agencies	Credible competences on operational and military issues	Neutrality against national MS issues. National experts staff EDA with a minimal expertise. The duplication of decision and brainstorming arenas is not an issue	'as is' EDA and NATO roles do not compare much
#2 Shared Security and Defence	Key player in the coordination (on the whole spectrum) on joint/shared capabilities. EDA shall have the leadership on coordination for all domains in relation with key capabilities	EDA becomes the reference against national agencies, with a transfer of prerogatives from MS to EDA on specific capabilities. Complementarities between MS and EDA align with subsidiarity	Improvement of competences on the operational and military issues. Competences on key capabilities for UE are built with a transfer of expertise from MS to EDA (the challenge lies in "producing" the experts while transferring them)	Definition of subsidiarity between MS and EDA. Commitment by MS to build EDA expertise and enforce the transfer of prerogatives	Systematic cooperation and coordination in mobilising the full range of their respective instruments. EU Sec and Def policy cover the lower end of the spectrum of NATO capabilities.
#3 Common Defence and Security	Key player in the coordination for ESDP and the elaboration of the European Defence market	EDA becomes the coordinator of all ESDP initiatives. EDA expands into the EDRA and runs/coordinates all RDTE programs for ESDP	Improvement of competences on the operational and military issues on all domains. National agencies are only present with reduced expertise on national specificities.	Convergence of EU MS to building EDA as a centralised expertise centre on all EU key capabilities	EU27 ESDP 'complements' NATO prerogatives and capabilities, and "mutually reinforce each other [for the protection of Europe]".
#4 Variable cooperation mixing inputs from previous scenarios	Potential co-existence between several agencies, each associated with a specific perimeter of cooperation. Potential institutional competition between EU agencies and governance levels	EU MS will decide on a case by case basis the list of specific competences and capabilities to be transferred to supra-national levels, or to joint initiatives. EDA will eventually bridge with the other MS.	EU MS will hardly contribute to EDA initiatives in the domain where they install joint initiatives.	Intergovernmental commitment to the development of specific capabilities, with dedicated cooperation and joint operations (installation of a virtuous circle)	Interactions between EU27's ESDP and NATO will depend on the nature of EU capabilities, and on the perimeter of variable cooperation (i.e. on the nature of EU MS' budgets and capabilities)

At this stage, we want to come back to the point that underlies all different aspects present in the table supra, and in this section: the interaction with actual operational uses for Defence and Security systems.

The main important driver for the effective design of Defence and Security systems, and with the orientation of the associated R&D, lies in the close interaction with actual end-users. This aspect now represents one of the main important results in current investigations on innovation management in

general. On civilian markets, this condition explains the timeliness of delivery for new programs and solutions; it also explains how the whole R&D process has improved cost-efficiency, because effort and resources are directly driven by the end-users' feedback and expectations. There is no reason why these rationales would not apply to Defence and Security programs. The coordination of expertise about actual activities performed on the field by actual end-users is the key to the elaboration of effective programs, whatever in the domain of incremental or of breakthrough innovation. The close interaction between stakeholders who are parts to the actual operations has to be installed from the earliest stages of the projects. Only an agency staffed with all these competences on a long- term basis can effectively perform the tasks of facilitating, coordinating, and implementing such projects.

Interaction between civilian and military capabilities

In the context of knowledge based economies, the development of Defence and Security capabilities cannot relate only to closed ecosystems active for Defence and/or Security, exogenous to R&D and innovation targeted to civilian clients. Numerous interpenetrations between these worlds can be named, with automatic impacts on Defence and Security missions: digital technologies (from AI to big data), nanotech, etc. are present in all sectors in the very same way, with the very same disruption effects. The coordination between civilian and Military / Security industrial and R&D policies has been a recurring topic in the academic literature on Defence since the end of the Cold War, in all countries with significant Defence-related efforts and military capabilities. Countries such as the USA, the UK and France have all devoted significant efforts to the elaboration of synergies. At European level, it also materialises with the possibility to fund Security-related projects with the FP7 budgets, what even expanded with the different budgets dedicated to H2020 initiatives (see for instance the military aspects in SESAR 2020 packages). The issue of dual-use technologies has to be reintroduced in this analysis of the EDA's future – it goes much beyond the traditional focus on the management of spin-on and spin-offs between ecosystems. It also raises the difficult issue of articulating together different prerogatives respectively associated with the intergovernmental domain, and with the EC activities (in the H2020 program for instance).

There are two ways to think about the issue of dual-use technologies. The first one relates to a linear and sequential vision of innovation. This approach promotes a central idea: synergies principally emerge upstream, during the basic or applied research phases. This approach has been discarded with current investigations on the management of innovation that now focuses on non-linear models, on pluridisciplinarity, and on user-lead innovation: innovation trajectories follow random paths, with fast and timely feedback loops between upstream and downstream activities in the innovation process. The division of labour has reduced or, to state it in a different way, feedback loops require all stakeholders to the innovation process to interact together in order to generate effective outcomes. We have already mentioned the importance of interacting directly with the end-users, but this is not enough: end-users have to discuss with these other stakeholders, and they have to discuss options and problem solving all together. Designers, engineers, end-users, R&D people are most present together around the very same table to address problem solving, and to design specifications.

Thinking the management of dual-use technologies along the non-linear model of innovation reshapes the coordination of public policies. Industrial and R&D policies have now to relate to exchange and interaction platforms, fostering the adoption of together consistent ways of thinking about innovation. People in charge of civilian and military domains have to investigate themselves the opportunities for dual-use applications. Such considerations can neither relate to the origin of funds and budgets, nor

imprison projects in the constraints of governance. The issue at stake is to zoom out from the particulars of the projects and foster new practices making the construction of synergies easy.

At this stage of the analysis of EDA's future, the management of dual-use technologies brings onto surface the necessity to also analyse where and how synergies can emerge in the puzzle of the European governance. The global consistence of civilian and military policies has to be constructed beyond institutional differences, and opportunities for synergising have to be privileged against potential (or actual) institutional battles. At the end of the day, the installation of effective European Defence and Security capabilities seems much more important than conflicts of prerogatives between European bodies in charge of Defence R&T vs. FP7/H2020 or SESAR packages, to name a few. These issues are not vague and disconnected from reality: they incur funding mechanisms and governance schemes. The funding modalities associated with Defence basic research cover specific modalities for covering risks and uncertainties without even thinking about 'returns'. Perspectives closer to market dissemination can better accommodate co-funding mechanisms between the industry and public bodies (either at European or at national level). We also know that the industry has come to discard specific (public) calls of interest or calls for tenders in R&D because the conjunction of high selection rates and co-funding mechanisms has made it almost impossible to cover its cost (not only the cost of the tendering process, but also the costs of execution).

When appraising all these specificities together, we recommend the preservation of the EDA as an autonomous institution for several reasons: 1/ take advantage of Defence -related specificities (tender processes, funding mechanisms); 2/ preserve the European Defence and Security industrial base thanks to specific projects; 3/ introduce joint programs taking advantage of the specificities of the governance rules present in each pillar in order to generate breakthrough innovation, and work on complementarities instead of capturing topics in one governance scheme only; and 4/ install new specific mechanisms suited to fostering synergies between experts and end-users throughout the whole innovation process (which is hardly possible in "normal" civilian calls for tender).

Annex III

EC COM(2017) scenarios 'on the future of European Defence'

The EC (2017) Reflection paper on the future of European Defence has described three scenarios that directly impact the evolution of the EDA. Here is an outline of these scenarios.

- a) **Security and Defence Cooperation:** the EU27 Member States *'would cooperate on Security and Defence more frequently'*; such cooperation would remain largely on a voluntary basis ('bottom-up'), and *'would depend on ad-hoc decisions as and when a new threat or crises arises'*. This scenario mentions the creation of an EU Defence research program, and the establishment of the European Defence Fund to develop capabilities together. The paper mentions that these initiatives *'would promote Europe's strategic autonomy'* and *'would make an increase in the value for money of Defence spending'* even though it acknowledges that *'Europe's Defence industry [our emphasis] would remain fragmented'*.
- b) **Shared Security and Defence:** the EU27 Member States *'would move towards shared Security and Defence'*, *'show[ing] far greater financial and operational solidarity in the field of Defence, building on a broader and deeper understanding of respective threat perceptions and convergence of strategic cultures'*. In this scenario, *'the EU would enhance its ability to project military power and to engage fully in external management, and in building partners' Security and Defence capacities'*. Dealing with crisis management, *'the EU would significantly step up its ability to project military forces externally, enabling it to conduct high intensity operations in the fight against terrorism and hybrid threats'*. In this scenario, the Members States *'with the strongest armed forces [would] execute demanding crisis management on behalf of the Union'* (article 44). Cyber Defence and the resilience against cyber-attacks is explicitly mentioned as a EU capability in this scenario, as well as the fight against terrorism, organised crime and money laundry, and the protection of EU's external borders (Border and Coast Guard, space capabilities). In Defence areas, *'cooperation would become the norm rather than the exception'*. National Defence planning *'would be far more aligned'*; *'duplications between Member States would be drastically reduced'*. An *'ambitious'* European Defence Fund would support the development of *'multinational capabilities in several fields'*, such as strategic transport, UAV, maritime surveillance, satellite communications, and offensive capabilities. *'Joint planning and command structures at EU level, as well as logistics'* would support these multinational capabilities (stand-by multinational force components, medical and air transport command). The scenario also mentions that *'critical technologies would be developed through European programs'* (*'notably'* in the fields of AI, biotech, supercomputing). *'There would be a more rational use of resources thanks to the economics of scale reaped by a consolidated Defence industry operating in an EU-wide Defence equipment market and favourable financing conditions across the supply chain towards SMEs.'*
- c) **Common Defence and Security:** the EU27 *'Member States would deepen cooperation and integration towards a common defence and security'*. *'Solidarity and mutual assistance between Members States in Security and Defence would become the norm, building on the full exploitation of article 42 of the TEU which includes the progressive framing of a common Union Defence policy, leading to Common Defence.'* *'In full respect of the obligations of MS which see their Common Defence realised in NATO, the protection of Europe would become a mutually reinforcing responsibility of the EU and NATO.'* *'The EU would be able to run high-end operations to better protect Europe, potentially including operations against terrorist groups, naval operations in hostile environments or cyber- defence actions.'* *'Contingency planning would be carried out at European level, bringing internal and external security closer together. The interconnection of national*

security interests would lead to genuine European security interests.' 'The increased ability to act at EU level would be underpinned by a greater level of integration of Member States' Defence forces, further strengthening solidarity among Member States. Such forces would be pre-positioned and be made permanently available for rapid deployment on behalf of the Union. They would engage in regular joint military exercises, and receive regular training in European Defence Colleges to facilitate the convergence of strategic cultures.' 'Member States' defence planning would become fully synchronised, and national priorities for capability development would account for agreed European priorities. Such capabilities would be subsequently developed on the basis of close cooperation, even integration or specialisation.' 'Capabilities in areas such as space, air and maritime surveillance, communication, strategic airlift and cyber would be commonly procured by Member States with the support of the European Defence Fund to ensure immediate responses. Europe would be able to deploy detection and offensive cyber-capabilities. Collaborative multinational development and procurement programs would be scaled up significantly in areas like transport aircraft, helicopters, reconnaissance assets or CBRN defence capabilities. All this would be underpinned by a genuine European defence market, with a European mechanism to monitor and protect key strategic activities from hostile external takeovers. A dedicated European Defence Research Agency would support forward-looking defence innovation and help translate it into the military capabilities of tomorrow. Cutting edge knowledge would be pooled, enabling critical research and start-ups to develop key technologies to address Europe's security challenges. Efficient defence spending and more and better defence outputs would be achieved through the right mix of competition and consolidation, specialisation, economies of scale, the sharing of expensive military assets and technological innovation aimed at getting the best value for money spent.'

Elements	#1 – Defence and Security Cooperation	#2 – Shared Security and Defence	#3 – Common Defence and Security
Missions	Crisis management Capability building	High intensity operations (naval, air, land)	Enhanced resilience, high-end operations
Forces	Interoperable armed forces	Standing multinational forces components	Greater level of integration of Defence forces
Capabilities	Collaborative procurement	Joint purchase of multinational capabilities	Common financing and procurement of capabilities
Critical technologies	Support to a few critical technological areas	European programs to develop cutting edge technologies	European Defence Agency
Intelligence	Ad hoc threat analysis	Systematic intelligence sharing	Systematic and common assessment of threats and contingency planning
Capabilities	Ad hoc solidarity	Solidarity (financial and operations)	Solidarity and mutual assistance (underpinned operationally)

Source: European Political Strategy Centre, quoted on p 17 of the EC (2017) *Reflection paper NB: the item "Capabilities" is mentioned twice.*

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Annex IV

Presentation slides

The Future of the European Defence Agency

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EU Defence and the problem of cooperation

- ▶ The EU's chronic problem: it cannot deliver on defence
- ▶ The "technical" solution means to politically square the circle
 - ▶ (Illusion of) sovereignty:
 - ▶ right to decide VS the capability to act to solve problems
 - ▶ Defence industrial nationalism:
 - ▶ overemphasis of national workshares and return of investment to national companies
- ▶ Consequence: EU MS are less capable, and become more dependent on others to implement their decisions

Role and power of EDA

- ▶ Formal role VS real power, authority and capacity to act = inability of the EDA to help MS squaring the circle
 - ▶ EDA got a strong mandate – context of Heydays of ESDP (1998/9-2006)
 - ▶ But strangled after first success by national Ministries of Defence
- ▶ Lisbon Treaty politicized the mandate but no strengthening of EDA powers
 - ▶ Role in framing Common Defence Policy & Capability development
- ▶ But 2007 VS 2017
 - ▶ EDA from innovator to facilitator
 - ▶ Institutional environment moving from military in isolation towards higher density of institutions and policies that interact with defence and capabilities
- ▶ Consequence: EDA overlooked in the changing environment

What future for EDA?

- ▶ Agency is needed, still - possibly more than ever!
- ▶ Need: empower EDA
 - ▶ Institutional functioning & authorities
 - ▶ Powerful PESCO, CARD and EDF institutional interaction with EDA in the center.
 - ▶ Currently weak and unbalanced – voluntarism remains
 - ▶ Strategic guidance VS destructive ambiguity of EUGS catchwords
 - ▶ Defence VS defence proper
 - ▶ Strategic autonomy VS Petersberg tasks
 - ▶ Level of ambition 1999/2003 VS 2015/16
 - ▶ Stop playing with the word defence and explain clearly what a common/EU defence policy would defend against and what to protect.

Two Options

- ▶ Empower – Keeping the Institution as an intergovernmental stakeholder and mediator
- ▶ Embed – keeping and empowering the functions in a wider defence amalgamated into an emerging “EU defence/security ministry”
- ▶ Baseline:
 - ▶ If the answer to current changes in the global security and defence order is (merely) another change in the legal base of the EDA, this may just be unambitious
 - ▶ and – more importantly does not deliver more security.

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