



THE FIVE 'I'S OF EU DEFENCE

Inclusive integration for effective
investment, innovation and institutions

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SUMMARY

At the crossroads of industrial policy and the Common Security and Defence Policy (CSDP), the European Union's (EU) defence initiatives are accelerating with the political backing of both the EU institutions and key Member States. Russia's war in Ukraine has played a seminal role in the introduction of taboo-breaking proposals to strengthen EU defence capabilities. In order to be effective, the EU must adopt the mantra of 'inclusive integration', recognising that increased cooperation amongst Member States, candidate countries, and like-minded partners makes the Union stronger. Policy actions under this mantra should thus aim to complete the regulatory framework of the European Defence Technological and Industrial Base, continue providing the right incentives for joint capabilities development, address the needs of Member State armed forces, maintain the EU's technological cutting edge and guarantee continued political momentum.



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INTRODUCTION

At the crossroads of industrial policy and the Common Security and Defence Policy (CSDP), the European Union's (EU) defence initiatives are accelerating with the political backing of both the EU institutions and key Member States. The EU's increasing level of ambition in the defence technological and industrial sphere was accelerated by the [fourth wave of Permanent Structured Cooperation \(PESCO\) capability developments projects](#) in late 2021 and the European Commission's mid-February twin Communication on its contribution to European defence and Roadmap on critical technologies for security and defence package ([the '2022 Defence Package'](#)).

The European Commission's up-and-running Directorate-General for Defence Industry and Space (DG DEFIS) also published its [first call for the European Defence Fund \(EDF\) in 2021](#). And, the European Defence Agency's (EDA) [annual defence data report](#) has highlighted some progress made in EU-wide defence expenditure, despite the economic fallout from Covid-19.

This progress quickly found itself outpaced by the realities of Russia's war of choice against Ukraine. Since then, radical policy steps have been taken to ramp up the deepening of defence technological and industrial integration at the EU and the Member State level. Due to the war in Ukraine, Germany will fulfil its EU-endorsed NATO objective of spending 2 % of GDP on defence in 2023, to be accompanied by a EUR 100 billion Armed Forces Fund to replenish and modernise its military capabilities. Denmark and Sweden have also committed to reaching the 2 % spending threshold in the medium- to long-term, with Romania, Lithuania, and Poland set to exceed the 2 % benchmark in the coming years.

Denmark joined the EU's CSDP on 1 July 2022 after a 30-year opt-out and Finland and Sweden reversed over 70 years of neutrality policies by signing a NATO treaty of accession on 5 July 2022, pending ratification by the Allies. The decision to use the off-budget [European Peace Facility](#) (EPF) to provide lethal military equipment for the very first time and the proposals under the ['Joint Communication on the Defence Investment Gaps Analysis and Way Forward'](#) (the 'Joint Communication') are also recent examples of how the EU is trying to bolster its role as a security and defence actor following the outbreak of the war in Ukraine.

THE SUCCESS OF THE CURRENT PROPOSALS WILL ONLY BE ACHIEVED WITH A SIGNIFICANT 'TEAM EUROPE' EFFORT COMBINING EU AND MEMBER STATE POLITICAL WILL, THE POOLING OF RESOURCES, AND STRONG POLICY COMMITMENTS.

Against this backdrop, CEPS' Forum on the New Industrial Strategy for Europe rolled out a brand-new working group on Strategic Autonomy in Defence to assess the implementation of recent developments and how these could translate into a more robust, inclusive, innovative, sustainable, and scalable European Defence Technological and Industrial Base (EDTIB). The success of the current proposals will only be achieved with a significant 'Team Europe' effort combining EU

and Member State political will, the pooling of resources, and strong policy commitments.

INVESTMENT

Several investment-related obstacles have emerged regarding efforts to complete an EU single market for defence technology and industry. Defence spending still lags behind, intra-EU capability development still faces hurdles, public defence and security procurement often favours national companies, and collaborative capability procurement stands well off its 35 % benchmark.

Furthermore, as the European Commission, the European External Action Service (EEAS), and the EDA have assessed in their subsequent 'Joint Communication on the Defence Investment Gaps Analysis and Way Forward' ([the 'Joint Communication'](#)), Member States' armed forces are currently plagued by 'severe reductions in national force volumes, equipment quantities, and stockpiles – now further depleted by the support provided to Ukraine', in part reimbursed through the EPF. The [modest strides](#) in EU defence spending since 1999 (a 20 % increase) are playing out against a backdrop of massive investment in the US (66 %), Russia (292 %), and China (592 %).

To tackle these challenges and increase, improve, and scale EU defence spending (investment and procurement), the '[Strategic Compass for Security and Defence](#)' and 2022 Defence Package both mention a VAT waiver for joint procurement of defence capabilities, the possibility to re-visit the EDF bonus structure, and the involvement of the European Investment Bank in providing additional capital for capability development and defence spending. Furthermore, the Joint Communication encourages Member States to increase their defence spending, restructure their defence technological and industrial bases (DTIBs) to encourage cross-border capability development, and reduce external dependencies. The crux of the proposal is to fill capability gaps by 1) replenishing stockpiles, 2) replacing legacy (Soviet) systems, and 3) reinforcing current capabilities [agreed upon by EU Member States](#).

To this end, a Defence Joint Procurement Task Force has been established to collect information on Member State requirements and coordinate the short-term replenishment of stockpiles. Moreover, the European Commission has [proposed](#) a [European Defence Industry Reinforcement through common Procurement Act \(EDIRPA\) regulation](#) which would include a short-term EUR 500 million financial instrument to reinforce cooperative defence procurement jointly conducted by at least three Member States to fill capability gaps.

Despite the fact that EUR 500 million is not sufficient to procure capabilities on the higher end of the operational spectrum, this is a taboo-breaking proposal. To get around legal provisions in Article 41.2 TEU that prevent the EU from using its common budget for military expenditures, the new instrument will focus on competitive investments with industrial ambition (based on Article 173 TFEU) and finance joint purchases (either new defence procurement projects or the extension of those launched since the start of the war in Ukraine) directly from the general budget of the EU.

Looking forward towards the long-term, the [Joint Communication](#) states that, later this year, the European Commission will propose the creation of a European Defence Investment Programme (EDIP) regulation so that European defence capability consortia may 'jointly procure, for the use of participating Member States, defence capabilities that are developed in a collaborative way within the EU and would benefit from a VAT exemption'.

The European Commission additionally intends to reinforce the EU's defence industrial capacities by mapping shortfalls in manufacturing, ensuring the security of supply of critical raw materials necessary to the EDTIB, invest in and retain the know-how of the defence-specific workforce, coordinate EU financial instruments and European Investment Bank (EIB) loans, and consider amending the framework to enhance dual-use research and innovation.

The EU will also revise its EDF bonus system to further support the joint procurement of jointly developed capabilities and encourage greater involvement by the EIB in financing European defence industry and joint procurement, development, infrastructure, and technology, primarily through its Strategic European Security Initiative (SESI), beyond its current dual-use focus. This investment could be particularly relevant for cooperative (min. two Member States) projects, including through PESCO.

Lastly, and importantly, the Communication calls for the European Commission to take on an upstream joint EU multiannual defence programming and procurement function that duly involves Member States, would inform their national programming and procurement, and work towards the joint procurement of EDF-funded capabilities.

Zooming out, it is laudable that the European Commission, the EEAS, and the EDA are taking an EU-wide perspective to defence technological and industrial spending and investment. However, a few considerations bear mentioning.

THE EU'S APPROACH MUST BE MORE INCLUSIVE AND INCISIVE

First, the EU's approach must be more inclusive and incisive. These policy documents play down the continuing relevance of US defence technological and industrial interests and know-how, along with

that of close partners such as Norway, Japan, Canada and the United Kingdom. As such, the EU's EDIP proposal should include a **foreign comparative testing** requirement for joint EU procurement bids to ensure that the procured systems are best fit for purpose and interoperable with those developed in like-minded countries.

Furthermore, the direct involvement and engagement of like-minded third countries can provide an added impetus to coordinate defence technological and industrial priorities, foster the reciprocal transfer of technology and materials, share information, screen for investments by strategic rivals in the EU, and monitor the end-use of military capabilities developed across transatlantic value chains and sold to countries that could be considered unreliable end-users. Transatlantic platforms, such as EU-NATO cooperation and the **EU-US Security and Defence Dialogue**, would also be excellent venues in which to build consensus on these topics as well as to reach Administrative Agreement between the EDA and the US Government.

Tied to this latter point is the necessity to shed light on how jointly developed capabilities are treated when they are sold outside the EU single market. If a project receives EDF funding (i.e., including at least three entities from three Member States) and no Member State (all its entities combined) has contributed to more than 40 % of the share of the work, then the European Commission and EEAS should have an expanded mandate to carry out **ex-ante arms export assessments**.

Instead of maintaining EU Member State controls, these would be jointly carried out by the Commission and EEAS with the input of independent experts, open-source intelligence and in-house conflict risk analysis. In this sense, a list of countries that fail to fulfil the criteria set out in the EU Common Position on Arms Exports could be established in consultation with third-country partners. In case EU-funded components are part of third-country systems, the EU should also extend its authorisation powers to the exports of those systems to beef up a future **EU Trade in Arms Regulation**.

Looking further down the road, it is essential that the initiatives outlined in recent policy documents avoid the risk, clearly [outlined by the US Department of Defence](#) for its own procurement processes, of **over-consolidation of the EDTIB**. Indeed, such consolidation raises costs, decreases industrial performance, and curbs innovation.

While over-consolidation is not a risk at present, with 700 entities benefitting from EUR 1.2 billion in EDF support to 61 projects, in which French, Italian, Spanish, and German entities are by-and-large the main recipients of funding. Therefore, future mergers and acquisitions must be carefully assessed by the European Commission's DG Competition against the adverse **effects reduced competition and poor inclusivity might entail**.

SMEs from across the EU must also benefit from their own **funding streams** with 43 % of first tranche EDF recipients being SMEs yet receiving [only 18 % of total appropriations](#). One intermediate way of doing this would be to [raise the bar](#) for **EDF eligibility** from the current 'three entities from three Member States' rule to better integrate armaments supply chains and, eventually, allow for improvements in interoperability. This could be further encouraged by providing an **EDF bonus** for [the joint operation and maintenance of commonly developed and procured equipment](#).



RECOMMENDATIONS

The proposed European Defence Investment Programme (EDIP) for joint defence capability procurement within the EU should include a foreign comparative testing requirement to ensure that the procured systems are best fit for purpose and interoperable with those developed in like-minded countries.

The EU-US Security and Defence Dialogue should discuss the transfer of technology and materials, information-sharing, defence-related investment screening by strategic rivals and end-use monitoring of military capabilities developed across transatlantic value chains and sold to countries that could be considered unreliable end-users. The EU-US Security and Defence Dialogue can be a venue to build consensus and coordination on these topics as well as to reach an Administrative Agreement between the EDA and the US Government.

The European Commission and EEAS should carry out *ex-ante* assessments of exported EDF-funded military capabilities if no Member State (all its entities combined) contributes to more than 40 % of the share of the work. These should be done with the input of independent experts, open-source intelligence, and in-house conflict risk analysis. In case EU-funded components are part of third-country systems, the EU should extend its authorisation powers to the exports of those systems as well to beef up a future EU Trade in Arms Regulation.

The European Commission should [raise the bar](#) for EDF eligibility from the current 'three entities from three Member States' rule to better integrate armaments supply chains and, eventually, allow for improvements in interoperability. This could be further encouraged by providing an EDF bonus for [the joint operation of commonly developed equipment](#).

INNOVATION

The European Defence Agency and European Commission are also ramping up their efforts to stimulate investment in emerging and disruptive technologies (EDTs) and exploit civilian-defence-space synergies, including in the production of dual-use items, through initiatives such as the EDF, the Observatory on Critical Technologies, and EDA's [Hub for European Defence Innovation \(HEDI\)](#).

However, the approach chosen in the Joint Communication in the wake of Russia's full-scale invasion of Ukraine provides clarity on the EDTIB priorities and its trade-off preference for 'replenishing, replacing and reinforcing' over innovation investment. There is a clear risk that innovation is taking a backseat to more urgent matters. To respond to the security threat posed by Russia, Europeans will focus on off-the-shelf procurement (including of like-minded partner-developed capabilities) and have less to invest in innovation. Crucially, though, de-prioritising innovation could result in the EU's failure to maintain its technological cutting-edge status and increase dependencies on third countries rather than position the EU to innovate on equal footing.

[As it stands](#), the number of Member States meeting the PESCO-enshrined objective of investing 20 % of defence expenditures into EDTIB research, development and procurement fell from 15 Member States in 2019 to 14 in 2020. 26 Member States fall below the PESCO objective of dedicating 2 % of defence expenditures to R&T. And only 6 % of research and technology spending was done together with other Member States, significantly undershooting the 20 % target. This is exacerbated by opaqueness surrounding research, development, and technology investment, a fragmented EU defence innovation regulatory system, corporate turf battles over intellectual property rights, lagging data processing capabilities, and the anti-competitive mantra of non-duplication that can lead to sub-optimal solutions.

The EU seems to have chosen a two-pronged approach that seeks to balance impingent needs with the necessity to innovate for the future. The first is to use EU and Member State resources for incremental multinational technological innovation that builds upon existing capabilities – much in the vein of the 'reinforce' component of the Joint Communication.

The second element is to mobilise the potential of private investment for EU defence innovation. This partly driven by the realisation that consolidated defence industrial actors with pre-existing subcontractor ecosystems are those that have primarily benefitted from the EDF.

In this sense, a Defence Equity Facility has been established under the [EU Defence Innovation Scheme](#) (EUDIS) has (in turn under EDF) to leverage EUR 100 million into EUR 400-500 million of innovation investment from other sources. This '[CASSINI](#) for defence' will support defence entrepreneurs and blend venture capital and EU funding under [InvestEU](#), a funding programme that guarantees risks related to long-term investments in sustainability, the digital transition, SMEs, and social investment.

These are positive steps forward for innovation in the EDTIB. Teaming up with National Promotional Institutions, as done under InvestEU, might be one way of better defining the necessary resources for the Defence Equity Facility and targeting investment opportunities. As noted by the Joint Communication, Member State protectionism remains a stumbling block and venture capital has not been sufficiently persuaded to enter the EDTIB.

A revised financing methodology should include **fast-track contractual pathways and early contracts** with defence innovators through the EUDIS. This can bring civilian companies and defence-related start-ups into the fold and dispel the risk that they latch onto a chain of subcontractors linked to one of the large prime integrators or leave the EU market altogether.

This approach, accompanied by **investment matching by EU Member States** and facilitated by the platform provided by the EDA's HEDI, could attract private investment from EU-based venture capital firms (third country investment subject to the FDI screening regulation – cf. [R97. in CEPS Task Force's report 2021](#)) into EU defence innovation start-ups and bring EU defence R&D across the development threshold to procurement and operationalisation.

Throughout the innovation process, defence start-ups could improve their investment attractiveness with the establishment of [EU multinational experimentation and test units within DG DEFIS and 'sandboxes'](#) that serve to assess their outputs and foster a culture of innovation. [Pilot cases](#) for such initiatives that lower the risk of investments into defence and dual-purpose start-ups and SMEs could be explored in **Central and Eastern EU Member States** that are [by-and-large less integrated](#) in the EDTIB in order to prove the added value of EU initiatives and incentivise greater integration.

Considering the need to act across the conflict cycle for sustainable peace and join up its various industrial policies with external implications, a novel idea might also be to create a dedicated EDF scheme to **invest in innovative 'peace' capabilities**. Including this policy framing in the EU's defence industrial and technological funding portfolio would be a strong political message that might favour greater strategic culture convergence.

This funding stream could include investing more in the research and development of prevention-related conflict risk analysis tools, stabilisation-relevant (remotely operated) humanitarian mine clearance technologies, and conflict resolution AI tools for mediation support, among others. This would ensure that long-term planning and necessary post-conflict actions not remain an afterthought.

These proposals could be further complemented by a whole-of-EU (European Commission/EEAS/EDA/EIB) Task Force meant to elaborate a methodology that incentivises a shift from investment in dual-purpose capabilities through adaptation – ultimately more costly across the technological life cycle – to **dual-use by design**, including regarding the dual-purpose of manufacturing capacities. For example, there would be scope to incentivise industrial process innovation to break the link between equipment producers and equipment servicing, such as through modular product design and innovative battlefield repair solutions.

Because the EU does not operate within a defence technological and industrial vacuum, it will also be fundamentally important to reflect further on EU-NATO cooperation in this sphere.

In the 8 July 2016 [Joint Declaration on EU-NATO cooperation](#), both organisations confirmed the urgent need to develop complementary and interoperable defence capabilities, as well as multilateral projects to facilitate a stronger defence industry and greater defence research and industrial cooperation. A common transatlantic understanding on defence innovation is necessary to promote synergies, coordinate

priority requirement areas, and enhance the effectiveness of their programming.

SOME OVERLAP IN FINANCIAL INCENTIVES WILL GENERATE POSITIVE COMPETITION AND ALLOW PARALLEL INITIATIVES TO LEARN FROM EACH OTHER

Therefore, the EU and NATO must ensure that the EDF (and HEDI) and the NATO Innovation Fund (and Defence Innovation Accelerator for the North Atlantic – DIANA) are complementary, synergetic and synchronised to tap into the potential of these portfolios and provide financial incentives that

ensure the technical interoperability of highly advanced solutions. Yet, a complete merging of funding is undesirable considering that some overlap in financial incentives will generate positive competition and allow parallel initiatives to learn from each other in initial technological readiness levels.



RECOMMENDATIONS

A revised innovation financing methodology under the EUDIS should include fast-track contractual pathways and early contracts with defence innovators and entrepreneurs. This should be accompanied by investment matching by EU Member States and facilitated by the platform provided by the EDA's HEDI to attract private investment from EU-based venture capital firms. Teaming up with National Promotional Institutions, as done under InvestEU, might be one way of better defining the necessary resources for the Defence Equity Facility and targeting investment opportunities.

Throughout the innovation process, defence start-ups could improve their investment attractiveness with the establishment of [EU multinational experimentation and test units within the European Commission's DG DEFIS and 'sandboxes'](#) that serve to assess their outputs.

[Pilot cases](#) for such initiatives that lower the risk of investments into defence and dual-purpose start-ups and SMEs could be explored in central and eastern EU Member States that [by-and-large less integrated](#) into the EDTIB to prove the added value of EU initiatives and incentivise greater integration.

A dedicated EDF scheme to invest in 'peace' capabilities should be created. This could include investing in research and development for prevention-related conflict risk analysis tools, stabilisation-relevant (un-manned) humanitarian mine-clearing technologies, and conflict resolution AI tools for mediation support, among others.

On the topic of dual-use, a whole-of-EU (European Commission/EEAS/EDA/EIB) Task Force should be established to elaborate a methodology that incentivises a shift from investment in dual-purpose capabilities through adaptation – ultimately more costly across the technological lifecycle – to dual-use by design.

INSTITUTIONS

We are observing the consolidation of a European Defence Technological and Industrial Base (EDTIB) that receives and will receive copious amounts of EU taxpayer money through the EDF, EIB, and other ‘civilian’ funding sources such as Horizon Europe and NextGenerationEU, among others. We must therefore consider how to improve the prospects of oversight by the European Parliament, the transparency of relations with interest groups, and how environmental, social, and governance (ESG) considerations should be incorporated into EU defence technological and industrial policy.

CONTINUED SUPPORT FOR THESE COSTLY AND POLITICALLY SENSITIVE INITIATIVES DEPENDS ON THE BUY-IN OF EU CITIZENS.

These issues are of fundamental importance for two reasons. Democratic scrutiny is a [core value of the EU legal system](#) and applies to CSDP as well. Democratic oversight is essential to dialogue about how to balance the necessities of timely and impactful security and defence capacities as well as EDTIB integration, consolidation, and innovation with the

responsibility of dealing with the long-term effects and risks of conflicts and crisis worldwide of differing causes and forms. And, pragmatically speaking, continued support for these costly and politically sensitive initiatives depends on the buy-in of EU citizens.

As such, the European Parliament should consider upgrading the Security and Defence Subcommittee (SEDE) to [full committee status](#). This would maximise its institutional power as other institutions and services (European Commission: DG DEFIS; EEAS: Directorate SECDEFPOL) reinforce their own roles in the EDTIB. An upgrade to full committee status would also equip it with [budgetary oversight powers](#) that it may exercise with the input of and coordination with other relevant committees. This is especially incumbent when the EU budget is used for dual-purpose research, development, infrastructure, and technology.

Furthermore, the European Parliament should enhance their information-sharing channels and protocols and make greater use of its parliamentary scrutiny powers. These solutions would do much to reinforce the European Parliament’s say on how financial instruments (such as the EDF) are used.

Arms deliveries financed via the [European Peace Facility](#) (EPF) should also be brought on-budget and subjected to European Parliament budgetary scrutiny that bases itself off a publicly available [Integrated Methodological Framework](#) that outlines the guiding principles and criteria through which the EU grants EPF assistance measures. Not only is this in the public interest due to the significant resources and cost of life involved during wartime, but it would allow the public to identify when the EPF could potentially act as a deterrent to prevent armed conflict. Furthermore, an on-budget EPF would be European Economic Area-relevant, so that Norway may contribute and be reimbursed like Member States.

Another point of apprehension is the influence of defence industry interest groups on the European Commission's agenda-setting and policymaking processes. In part due to a system of revolving doors rendered necessary by an initial lack of in-house expertise, this influence extends to the well-documented informal and *ad hoc* [contacts between the European Commission and defence industry representatives](#). One way of dispelling the risk of informal, opaque contacts and accompany recent efforts to strengthen the EU's transparency registry framework would be to reinforce the [Commission expert group on Policies & Programmes relevant to EU Space, Defence and Aeronautics Industry \(SDA\)](#) to include both industry representatives and those from National Promotional Institutions, as well as representatives from advocacy groups, think tanks, academia, and key MEPs in order to generate mutual learning and bring in new elements of analysis.

This whole-of-EU group should be easily mobilised to advise not only DG DEFIS, but also the EEAS and EDA on strategic developments in the EDTIB. It would also facilitate the exchange of views on industrial, technical and economic and other relevant aspects of research, development, production, cooperation, and procurement of EU defence technological and industrial products.

Importantly, an overarching concern for established industry and innovators alike is the Environmental, Social, and Governance (ESG) regulatory framework backed by EU citizens and already adopted by many investors in the EU. Bearing in mind that security is a social good and that defence solutions are a means toward preserving peace, larger private funds should also consider the upside of investing in companies that have the backing of the EU and the guarantees of Member State procurement through the EDF and its Defence Innovation Scheme. By the same token, climate change and the required decarbonisation is a generational challenge and, moving forward, the EDF should concretely follow up on its [Military Green concept](#) and [Climate Change and Defence Roadmap](#) by fully covering the funding of **innovative Net Zero capabilities**, without compromising mission security, on par with its research strand. It should also provide further bonuses if these capabilities are manufactured using **ethical and sustainable supply chains**.

THE DEVELOPMENT OF THE EDTIB SHOULD ALSO GO HAND-IN-HAND WITH EU ENLARGEMENT POLICY.

The development of the EDTIB should also go hand-in-hand with **EU enlargement policy**. According to a [staged accession logic](#), enlargement and accession candidates [should be gradually involved](#) by providing them the possibility of third-country and

third-country entity participation in PESCO and the EDF, involving them in the Coordinated Annual Review on Defence (CARD), as well as concluding Administrative Agreements with the EDA. This should facilitate their integration within the EDTIB before accession is complete. It would also improve their capabilities and synergies between the EU and NATO, encourage strategic culture convergence, and increase industrial interdependence and joint procurement.



RECOMMENDATIONS

The European Parliament should upgrade its Security and Defence Subcommittee (SEDE) to [full committee status](#) to maximise its institutional power as other institutions and services reinforce their roles in the EDTIB, as well as equip it with [budgetary oversight powers](#) that it may exercise with the input of and coordination with other relevant committees.

The [EPF](#) should be brought on-budget and subjected to European Parliament budgetary scrutiny that bases itself off a publicly available [Integrated Methodological Framework](#) that outlines the guiding principles and criteria through which the EU grants assistance under the EPF.

DG DEFIS should reinforce the [Commission expert group on Policies & Programmes relevant to EU Space, Defence and Aeronautics Industry \(SDA\)](#) by expanding participation to advocacy organisations, think tanks, academia, National Promotional Institutions and key MEPs. This would ensure the best advice not only to DG DEFIS, but also to the EEAS and EDA on strategic developments in the EDTIB. It would also facilitate the exchange of views on industrial, technical and economic and other relevant aspects of research, development, production, cooperation, and procurement of EU defence technological and industrial products.

The EDF should concretely follow up on its [Military Green concept](#) and [Climate Change and Defence Roadmap](#) by fully covering the funding of innovative Net Zero capabilities on par with its research strand. It should also provide further bonuses if these capabilities are manufactured using ethical and sustainable supply chains.

Regarding EU enlargement policy, enlargement and accession candidates [should be gradually involved in the EDTIB](#) according to a [staged accession logic](#) by providing them with the possibility of third-country and third-country entity participation in PESCO and the EDF, involving them in the Coordinated Annual Review on Defence, as well as concluding Administrative Agreements with the EDA.

CONCLUSIONS

Russia's full-blown invasion of Ukraine catalysed the tabling of taboo-breaking proposals to plug gaps in the European defence ecosystem and reinforce it in the medium term. Significant initiatives on investment and innovation bring the EU one step further toward greater defence technological and industrial integration. However, certain shortcomings in investment, innovation, and institutional setup must be remedied. A continued effort by EU institutions and Member States alike is necessary so as to complete the EDTIB regulatory framework, continue providing the right incentives for joint capabilities development, address the needs of member state armed forces, maintain the EU's technological cutting edge and guarantee continued political momentum. 'Inclusive integration' should be the mantra for more effective investment, innovation, and institutions guiding current and future EU defence initiatives.

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