"I would say there are three cases for security and defence. The first is political, and it concerns fulfilling Europe's ambitions on the world stage. The second is operational: ensuring that Europe has the right military capabilities to be able to act. And the third is economic: here it's about jobs, innovation and growth".

HRVP / Head of the Agency speech at the EDA annual conference, Brussels 21 March 2013

I. The strategic context

The debate on capabilities, military or civilian, needs to flow from **an understanding of the strategic context,** building on the solid basis of the 2003 European Security Strategy and its 2008 implementation report. This first part of my report sets out the strategic context, puts forward priorities, and assesses the state of play of CSDP against this overall background, in accordance with the tasking by the European Council in December 2012.

Europe's strategic environment today is marked by increased **regional and global volatility, emerging security challenges, the US rebalancing towards the Asia-Pacific and the impact of the financial crisis**.

The world as a whole faces increased volatility, complexity and uncertainty. A multipolar and interconnected international system is changing the nature of power. The distinction between internal and external security is breaking down. Complex layers of governance and new patterns of interdependence empower new players and give rise to new challenges. As a result, state power is becoming more fragile. Among the drivers for this are: changing demographics and population growth, embedded inequalities, and new technologies.

Intra-state conflict, with the potential to transcend national boundaries, has become more commonplace. This is particularly true in the EU's neighbourhood, where, in particular to the south, the Arab uprisings while full of promise have also led to increased instability and conflict. To the east, frozen conflicts remain, the most recent outbreak of open conflict having occurred in August 2008. In the Western Balkans, and in spite of remarkable progress over the last decades including the recent breakthrough in the EU-facilitated Belgrade-Pristina dialogue, unfinished business remains. Increasingly also the "neighbours of the neighbours" are being affected, e.g. in the Sahel or in the Horn of Africa, two regions where the Union is conducting five crisis management missions.

In addition to **long-standing threats** - proliferation of weapons of mass destruction, terrorism, failed states, regional conflict and organized crime - there are also **new security threats**, such as cyber attacks, as well as new risks such as the consequences of climate change, and increased competition for energy, water and other resources both at a national and international level.

To address these challenges, **the transatlantic relationship remains essential**. The renewed emphasis by the US on the Asia-Pacific region is a logical consequence of geostrategic developments. **It also means that Europe must assume greater responsibility for its own security and that of its neighbourhood.** European citizens and the international community will judge Europe first on how it performs in the neighbourhood.

Recent military operations have demonstrated that Europeans lack some of the necessary capabilities, in particular in terms of strategic enablers such as air-to-air refuelling, strategic airlift, intelligence and surveillance. In addition, the financial crisis continues to squeeze defence budgets while elsewhere defence spending is increasing. According to a recent report by the Stockholm International Peace Research Institute, global defence spending is shifting "from the West to the rest"[1]. **Europe needs to develop the full range of its instruments, including its security and defence posture, in the light of its interests and these geostrategic developments.**

At the same time, the **European defence market** is also feeling the effects of the financial crisis. Europe's defence industries are not only important for our security, by providing capabilities for our armed forces, but also for jobs, growth and innovation. Yet, the European defence market remains fragmented in terms of demand and supply. The question is whether this is sustainable in view of today's economic and budgetary realities.

In sum, Europe faces rising security challenges within a changing strategic context while the financial crisis is increasingly affecting its security and defence capability. These developments warrant **a strategic debate among Heads of State and Government**.

Such a debate at the top level must set priorities. I wish from the outset to set out my view on priorities:

- The Union must be able to **act decisively through CSDP as a security provider**, in partnership when possible but autonomously when necessary, in its neighbourhood, including through direct intervention. Strategic autonomy must materialize first in the EU's neighbourhood.
- The Union must be able to protect its interests and project its values by **contributing to international security, helping to prevent and resolve crises** and including **through projecting power**. The EU's call for an international order based on rule of law and its support for effective multilateralism need to be backed up by credible civilian and military capabilities of the right type, when required.
- The ability to **engage with partners** is crucial in any crisis. The EU must build regional and bilateral partnerships to be able to both cooperate in crisis management and help build the capacity of partner organisations and third states.
- In a context of increased volatility and new threats, there is a particular need to improve the ability to engage rapidly. Drawing as necessary on military capabilities, the EU should be able to engage **all 5 environments** (land, air, maritime, space and cyber). In addition to our traditional yet increasing dependence on security at sea, we have become increasingly dependent on space assets - indispensable in today's operations - and on the ability to operate in cyberspace.

[1] Stockholm International Peace Research Institute 2013 Yearbook "Armaments, disarmament and international security".

- The **comprehensive approach** - the use of the various instruments at the disposal of the Union in a strategically coherent and effective manner - must also apply to capability development, to make best use of scarce resources.

We need to place CSDP within this overall context, and against these priorities.

There have been **many positive achievements** during the 15 years since St. Malo and the Cologne European Council. The EU has created structures, procedures, decision-making bodies for CSDP and has acquired considerable operational experience, having deployed close to 30 missions and operations in three continents. It has developed partnerships with the UN, NATO and the African Union. Following the Treaty of Lisbon, the ambition to "preserve peace, prevent conflicts and strengthen international security" has become an explicit objective of the Union (article 21 TEU).

The Union is currently deploying, through CSDP, more than 7,000 civilian and military personnel. More importantly, the engagement of our men and women in the field is **producing results:** the EU's maritime operation ATALANTA has drastically reduced the scourge of piracy off the coast of Somalia, and security in Somalia has greatly improved thanks to the training provided by EUTM Somalia to 3,000 Somali recruits and the EU funding of AMISOM. EUPOL Afghanistan has trained up to 5,000 Afghan police officers, and EULEX Kosovo plays a key role in accompanying implementation of the recent Belgrade-Pristina agreement. In the Sahel, the Union is deploying a military mission (EUTM Mali) and a civilian mission (EUCAP Niger Sahel), both of which contribute to stabilizing the region. The impact of CSDP has raised interest among many partners (the US, Asia, Middle-East,…). **In short, the EU is becoming an effective security provider, and is increasingly being recognized as such.**

But CSDP also faces **challenges**: there is **no agreed long-term vision** on the future of CSDP. Decision-making on new operations or missions is often cumbersome and long. And securing Member States' commitment to supporting missions and operations, especially when it comes to accepting risk and costs, can be challenging, resulting in force generation difficulties. CSDP also faces recurrent capability shortfalls, either due to a lack of commitment or because the capabilities are not available, as well as various legal and financial constraints resulting in difficulties to act rapidly.

Recent trends include:

- CSDP is becoming part of a wider, **more comprehensive approach**, i.e. part of a strategically coherent use of EU instruments.
- A tendency towards **capacity-building** missions in support of conflict prevention, crisis management, or post conflict management: indirect action to complement direct action.
- CSDP is increasingly an integral part of bilateral relationships with third countries and with international and/or regional organisations. Concrete cooperation has resulted in an increased number of **security and defence dialogues** with partners.

The combination of expanding security challenges and contracting financial resources points toward **growing interdependence** within the Union to effectively provide

security for its citizens, now and in the long term. No Member State alone can face all of the security challenges; nor do they have to. Doing more in common, to cooperate and coordinate more, is increasingly essential.

And in this context, there is a need to address the question of overall defence budgets, imbalances in defence spending across Member States (including between investment in personnel and equipment), as well as capability gaps and duplication among Member States.

The peace and security of Europe has always been a prerequisite for its economic welfare; we now need to avoid Europe's economic difficulties affecting its capacity to deal with security and defence challenges. For the EU to live up to its role as security provider means that European citizens and the international community need to be able to trust and rely on the EU to deliver when the situation demands. We must move from discussion to delivery.

The following paragraphs contain suggestions and proposals to that effect.

* * *

II. Proposals and actions to strengthen CSDP

Cluster 1: Increase the effectiveness, visibility and impact of CSDP

1. Further develop the comprehensive approach to conflict prevention, crisis management and stabilisation

The Union has at its disposal many **external relations policies and tools** - spanning diplomatic, security, defence, financial, trade, development and humanitarian aid, as well as the external dimension of EU internal policies - to deliver the end result that Member States and the international community seek. This is the EU's main strength at the international level. To better communicate this approach, work on a Joint (High Representative/Commission) Communication on the Comprehensive Approach is in hand. It can build on successful concrete examples, e.g. in the Horn of Africa or the Sahel.

CSDP crisis management instruments pursue short-term objectives, whereas development instruments are by nature oriented to the long term. Whilst objectives and decision-making procedures are different, this allows for natural synergies and complementarities enabled by an early and intense dialogue between the respective players, and a **better alignment** is needed.

More concretely, the revised Suggestions for **Crisis Management Procedures** were endorsed by PSC at the end of June. They aim at streamlining the CSDP decision-making procedures, whilst at the same time ensuring joined-up EU action principally by using **shared awareness and joint analysis** across the EU, thereby establishing synergies and complementarity from the outset. Individual tools can then deliver within their own decision-making processes the activity required to reach the shared objective. In addition, a proposal for a revised **Exercise Policy** will be put forward in the autumn.

A joined-up approach will enhance the overall impact and deliver enduring results. A number **of regional or thematic strategies** are in place or under development to ensure such an approach, in addition to the existing Horn of Africa and Sahel strategic frameworks. This is also valid for the Western Balkans, which are moving closer to the EU, and where a variety of EU tools and instruments is being used.

Way forward:
- put forward a Joint Communication on the EU Comprehensive Approach, a policy document to lock in progress achieved and provide the basis for further concrete work;
- endorse and give renewed impetus to the EU Comprehensive Approach;
- strengthen further a regional perspective and ensure close cooperation and alignment between the different CSDP missions and operations in a region (Sahel, Horn of Africa, Western Balkans), as well as political/development activities to increase their impact, effectiveness and visibility;
- continue elaborating or updating regional security strategies (for instance as regards the Sahel, the Horn of Africa, the Gulf of Guinea; Afghanistan/Pakistan);
- strengthen further the EU's engagement with the Western Balkans and its overall coherence.

2. Working with partners

The European Union is firmly committed to working in close collaboration with partners: working with partners is an integral part of a comprehensive approach; **the Common Security and Defence Policy is an open project**. Partnerships can build upon the knowledge, expertise and specific capabilities of our partners, while also drawing them closer to the EU.

The UN, NATO and the AU

The UN stands at the apex of the international system. The long standing and unique co-operation between the EU and the **United Nations** spans many areas, and is particularly vital when it comes to crisis management. At the **operational level**, cooperation with the UN is dense and fruitful. Recent theatres include Mali, where a joint assessment team examined the needs for supporting the Malian police and counter-terrorism, and Libya, where the EU cooperates closely with UNSMIL. The considerable experience gained in working together in different theatres is accompanied by a **regular high level dialogue**. In addition, work on the **EU-UN Plan of Action** to enhance CSDP support to UN peace keeping is being carried forward, to further maximize the potential of the EU-UN relationship.

Strong, coherent and mutually reinforcing cooperation between the EU and NATO remains as important as ever. There are regular meetings between the High Representative and the NATO Secretary General. S**taff to staff contacts** and reciprocal briefings at all levels facilitate and support that high-level dialogue and cooperation. Operating side by side in a number of theatres, the EU and NATO share an interest in jointly delivering effect. In developing capabilities, we remain committed to ensuring mutual reinforcement and complementarity, fully recognising that the Member States who are also NATO Allies have a single set of forces. In this

regard, **capability development within the Union will also serve to strengthen the Alliance**. Taking stock of earlier EU suggestions to help further improving relations, we should continue to strive to remove remaining impediments for formal cooperation, including with regard to the exchange of documents, and consider jointly addressing new security threats.

Progress was made on the three dimensions of the peace and security partnership between the EU and the **African Union**: strengthening the political dialogue, making the African peace and security architecture (APSA) fully operational and providing predictable funding for the AU's peacekeeping operations. In light of the EU's reaffirmed commitment to enabling partners, further impetus could be given at the occasion of **the EU-Africa summit** in April 2014.

Participation in CSDP missions and operations

N**on-EU NATO Allies and candidate countries** are among the most active contributors to CSDP activities and good cooperation continues in various fora and informal gatherings as well as bilaterally. In addition, the European Union has signed an increasing number of Framework Participation Agreements with third countries, to facilitate and foster their participation in **CSDP missions and operations**. Twelve such agreements are in force, two more are ready for signature (Australia, Bosnia and Herzegovina) and for three countries (South Korea, Chile, Georgia) negotiations have reached an advanced stage. In addition, and following a decision by the PSC, the Union regularly invites third countries **to participate** to specific CSDP missions and operations, with partners providing key assets, expertise and knowledge.

Security and defence dialogues

Many active **dialogues in the field of CSDP** have been developed with countries and organisations beyond the signatories of an FPA. CSDP is systematically raised in the EU's political dialogue with third parties as well as in relevant counterterrorism dialogues. Such dialogues with partners in the neighbourhood in particular could also address security and law enforcement sector reform and democratic control over the armed forces. The newly created Panel on CSDP of the Eastern Partnership (EaP) opens new opportunities for dialogue and cooperation between the EU and EaP countries.

One size does, however, not fit all: **a tailor-made approach** is of benefit in better adapting such cooperation to the EU's and partners' respective expectations and interests.

Building the capacity of partners

The **support to capacity-building of local and regional partners**, for instance in Niger, Mali and Somalia or through actions in support of the Africa Peace and Security Architecture (such as AMANI Africa etc) is becoming **a core capability**. We should support partners - individual countries and regional organisations - to increasingly take the responsibility for preventing crises and managing them on their own.

The EU is already well engaged in supporting regional or sub-regional organisations. Building on the lessons learned from Somalia and Mali, we need to improve our ability to engage directly **with the countries** concerned. **Training national security** forces - which represent the essential building block of any regional or sub-regional force - is a key element of building the African peace and security architecture. This might imply developing tools similar to those at our disposal to support the African Union and the sub-regional organisations.

Further efforts should aim at better synchronising and coordinating the use of different instruments, fully recognising the nexus between security and development and enhancing our collective ability - the EU and its Member States - not only to train and advice but also to equip partners. Today, **the EU can train but often it cannot equip**. In this context there are lessons to be learned from the experience with bilateral support through the Member States, clearing house mechanisms, trust funds and project cells in missions.

Way forward:
- continue to develop the partnerships with the UN and NATO focusing on stronger complementarity, cooperation and coordination;
- further encourage and facilitate contributing partners' support to CSDP, with a focus on non-EU European NATO Allies, strategic partners and the partners from the EU's neighbourhood;
- operationalize the Panel on CSDP under the Eastern Partnership taking into account the results of the upcoming EaP Vilnius Summit;
- explore the use of available instruments to assist in progress towards international standards of transparency and accountability of security and defence institutions of partner countries;
- focus increasingly on concrete deliverables in the dialogue with partners, recognising their specificities, sensitivities and possible added value;.
- address capacity building of partners from a more holistic and comprehensive angle, including the specific "train and equip" challenge;
- reinforce the peace and security partnership with the African Union and continue strong support to the African Peace and Security Architecture, notably through the support provided to the AMANI cycle of military and civilian exercises;
- search for complementarities and synergies between CSDP operations and other community instruments with a view to developing an EU comprehensive strategy;
- agree that appropriate instruments (concept, organisation, funding) be developed to engage in supporting national security services.

3. Respond to upcoming security challenges ('networked security')

The importance of **networks** in today's globalized world cannot be overestimated. Satellite navigation; communications and imagery, the ubiquity of computers, access to energy: these affect the daily life of citizens. Accordingly, t**he security of space and cyber networks is crucial for modern societies, as is energy security**.

Progress in these various areas is unequal, but they are being addressed:

A joint Commission-High Representative **Cyber Security Strategy** has been published and endorsed by the Council. The strategy emphasizes achieving EU-wide

cyber resilience by protecting critical information systems and fostering cooperation between the public and private sector, as well as civilian and defence authorities. It recommends focusing on enhanced EU-wide cooperation to improve the resilience of critical cyber assets, as well as on training, education, technologies, crisis management procedures, cyber exercises and the industry and market dimension. To implement its objectives, the EU could develop a **Cyber Defence Policy Framework**, focusing on capability development, training education and exercises. Additionally, Member States have agreed the EU Concept for Cyberdefence in EU-led military operations.

The EU and its Member States need to protect their **space assets** (e.g. Galileo). **As the EU role in space evolves, so too will the security and CFSP dimensions of the European space policy.** Space must be considered in all its aspects, encompassing technology, innovation and industrial policy, and must ensure strong civil-military coordination. The EU continues strongly to promote a Code of Conduct for outer space activities.

Energy security is a key objective of the EU energy policy. Foreign Ministers have been discussing how **foreign policy can support EU energy security**. The European Defence Agency and the EU Military Staff are addressing this further as regards capability development aspects as well as **measures to improve energy efficiency by the military**.

Way forward:
- recognize the importance of cyber and space networks and energy security for European security;
- ensure that cyber infrastructure becomes more secure and resilient within critical infrastructure in the EU. To increase the resilience of the communication and information systems supporting Member States' defence and national security interests, cyber defence capability development should concentrate on detection, response and recovery from sophisticated cyber threats.
- consider developing an EU Cyber Defence Policy Framework, defining also the division of tasks between the Member States and CSDP structures to (1) promote the development of EU cyber defence capabilities, research and technologies with the EDA Cyber Defence Roadmap; (2) protect networks supporting CSDP institutions, missions & operations; (3) improve Cyber Defence Training Education & Exercise opportunities for the Member States; (4) strengthen cooperation with NATO, other international organisations, the private sector and academia to ensure effective defence capabilities; (5) develop early warning and response mechanisms and to seek synergies between civilian and defence actors in Europe in responding to cyber threats.
- take the necessary steps to ensure the integrity, availability and security of space systems. The EU will play its part in establishing the European Space Situational Awareness (SSA) capability, based on assets from Member States and in cooperation with partners. The EU needs to prepare for its role in space-related crisis management to be able to address threats to its space assets;
- further incorporate energy security into foreign policy considerations.
- call for increasing energy efficiency and environmental responsibility in CSDP missions and operations.

4. Increase our ability to address maritime and border challenges

Europe's maritime security is an integral part of its overall security. It is a crucial domain. Modern economies depend heavily on open sea lanes and the freedom to navigate (90% of European trade is by sea): strategic stockpiles are now based at sea, across the globe, on route from supplier to customer. In the near future, new sea lanes could open up with important geostrategic implications. The Arctic in particular will require increasing attention in terms of maritime safety, surveillance and environmental protection.

The EU has **strategic maritime security interests** around the globe and needs to be able to safeguard them against significant maritime risks and threats - ranging from illegal migration, drug trafficking, smuggling of goods and illegal fishing to terrorism maritime piracy and armed robbery at sea as well as territorial maritime disputes and acts of aggression or armed conflict between states.

To be a credible and effective partner, the EU needs a strategic, coherent, functional and cost-effective approach to maritime security. We can build on the successes of EU NAVFOR Operation ATALANTA, the EU's first naval operation, and on a significant number of other maritime security related EU initiatives to internal and external capacity building. The purpose of a **European Union Maritime Security Strategy** is to bind all these together.

Border security is an integral part of the EU's security. Terrorism, weapons dissemination, illicit trafficking (drugs and humans in particular), illegal immigration and organized crime affect the direct interests of the EU's Member States. It is therefore in the EU's interest to help **build the capacities of third States** to control their own territory, manage flows of people and goods and address their respective security challenges, while also fostering economic prosperity.

The EU has a **variety of suitable instruments** at its disposal in this regard: Common Security and Defence Policy (CSDP) missions, the European Neighbourhood and Partnership Instrument, FRONTEX, the Instrument for Stability (IfS), as well as other EU external cooperation instruments. The most recently established mission - EUBAM Libya - is the first CSDP mission fully devoted to border management.

There would be merit in developing a more joined-up **approach to capacity building of Third States and regions.** The first objective could be to facilitate, starting e.g. in the Sahel, EU support for the financing of infrastructures and equipment for border management forces, and improve and better coordinate the advisory and training actions.

Way forward:
- put forward a joint HR/Commission Joint Communication containing elements for an EU Maritime Security Strategy on maritime security and build upon it to foster concrete progress in the areas of joint awareness and collective response;
- develop a joined-up EU approach to helping Third States and regions better manage their borders (e.g. in the Sahel).

5. Allow for the deployment of the right assets, timely and effectively on the whole spectrum of crisis management operations

The world faces increased **volatility, complexity and uncertainty.** Hence **the ever increasing strategic value of rapid response**: the Union needs to be able to swiftly assess crises and mobilize its various instruments; speedy assessment and deployment can make the difference.

Rapid deployment of civilian CSDP missions

Over the past few months a **broad consensus** has emerged on the **need to further improve the planning, conduct and support of civilian CSDP missions**, and in particular to expedite their deployment.

A **roadmap** has been established to tackle shortcomings in the setting up of civilian CSDP missions, concerning *inter alia* financial rules, logistics, and staff selection. It puts forward proposals concerning **ownership, political buy-in, sustainability, rapidity of deployment, financing, and mission support**. Work on these various strands needs to be taken forward between now and December, and further impetus may be required at the level of the European Council.

Meeting the logistic needs of new civilian CSDP missions, in particular during start-up, will be further facilitated by the **permanent CSDP Warehouse** that became operational in June 2013. The Warehouse has the capacity to store strategic equipment primarily for the effective rapid deployment of 200 personnel into the area of operation of a newly-launched mission within 30 days of the approval of the Crisis Management Concept by the Political and Security Committee. The Warehouse was used for providing equipment to EUBAM Libya. There has been progress in the creation of dedicated instruments and tools (e.g. goalkeeper software) to **improve the recruitment and training of civilian personnel for CSDP**. As regards mission support, a feasibility study on the creation of a **shared services centre** has been launched.

The revision of the **Crisis Management Procedures** should allow improved access to funding for civilian CSDP missions, and thus facilitate quicker deployment. This would mean an earlier presence of the core team in the theatre of operations. The Head of Mission should also be appointed at an earlier stage and thus be fully involved in the build-up of the mission. In the interests of the more efficient operation of civilian CSDP missions, there is also scope to review relevant provisions in the Financial Regulation and as regards procurement rules (as also set out in the EEAS review).

Military rapid response

With regard to **military rapid response**, the case for highly capable and interoperable forces, available at very short notice for EU operations, is stronger than ever.

Within the broader area of rapid response, Battlegroups continue to be the **flagship military tool**. At their April meeting this year, Defence Ministers highlighted the need to improve the effective employment **of the EU Battlegroups (EU BGs)** and

their operational relevance. EU BGs have been and are still instrumental for helping reinforce the interoperability and effectiveness of Member States' military forces, but they have yet to be deployed.

Work is under way to increase the Battlegroups' usability in the field, while maintaining the level of ambition and sticking to the common commitment of all Member States to the sole military capabilities on stand-by for possible EU rapid response operations. While efforts should intensify to mitigate the persistent gaps in the EU BG roster, a number of avenues are being considered to make BGs more usable. With discussions still on-going, these include:

- developing Battlegroups' **"modularity"** would allow incorporating the modules provided by the Member States most interested in a given crisis, avoiding a too rigid and prescribed composition of the EU BGs, and allowing for more proportionate contributions according to Member States' means.
- enhancing further the **"exercises" and "certification"** dimension of EU BGs would lead to greater interoperability, readiness and operational effectiveness of Member States' forces. Efforts to seek synergies with NATO - notably in the context of its Connected Forces Initiative - should allow ensuring coherence and mutual reinforcement.
- improving **advanced planning** on the most likely crisis scenarios requiring the use of an EU rapid reaction.

The future of the EUBGs is but one part of the wide **Rapid Response concept** that provides capabilities fit for all environments either in support of a land based response or separately utilising the advantages of either European Air or Maritime capabilities or both. The challenge of Rapid Response is the need to adapt to a range of scenarios - this means flexibility and adaptability.

In addition, there would be value in **further developing its rapid response toolbox**. This would reinforce our ability to react to the wide range of possible crises rapidly, but also flexibly, mobilising the required capabilities possibly in combination with other instruments including civilian ones. This could include the means to assess crises and possible responses by the development of structured civil-military rapid reaction assessment teams.

In parallel, **cost sharing or common funding**, while being sensitive issues, must be addressed to foster Member States' involvement and help find consensus on EU BGs or other Rapid response assets' deployment.

Crisis management structures

The effectiveness of EU security and defence policies also relates to **appropriate structures and processes**. The revised Crisis Management Procedures have further improved the fast track procedure. The present CSDP system raises a number of questions in terms of the positioning and reporting lines of the relevant EEAS departments in relation to the HR/VP and relations with other parts of the EEAS and the speed and effectiveness of decision-making, in particular in crisis situations. While the debate on structures is part of the overall discussion on CSDP, concrete progress is to be taken forward in the context of the EEAS review.

The Lisbon Treaty

There is an **unused potential of the Lisbon Treaty** in terms of rapid deployment. The Treaty provides for a Start-Up Fund made up of Member States' contributions for CSDP tasks which are not, or cannot be, charged to the Union budget. However, so far there appears to be no consensus on creating such a Fund.

Secondly, **Article 44** opens up the possibility for the Council to entrust the implementation of a task to a group of Member States that are willing and have the necessary capability for such a task. This article could be used in the context of rapid reaction, when consensus exists, and a group of Member States is willing to provide capabilities and take action on behalf of the Union. This offers benefits in terms of **flexibility and speed of action**. Its application would be ad hoc, when a situation arises, but its potential scope of application should be further explored with the Member States. In a way, the case of Mali, with one Member State deploying quickly with others providing niche support such as strategic transport, prefigured such an approach.

Way forward:
- implement the roadmap on rapid deployment of civilian missions, for stocktaking in December and further impetus if required; consider reviewing the financial regulation as applying to civilian CSDP;
- Ministers to endorse in November a new approach to the EU's military Rapid Response, including the Battlegroups;
- discuss with Member States their willingness to address the issue of an increase of common funding areas of application and enhanced Member State support for CSDP missions and operations;
- consider improvements in terms of structures and processes in the context of the EEAS review;
- consider the relevant Lisbon Treaty articles, in particular article 44 TEU.

6. Increase the focus on conflict prevention and post conflict management

Conflict is cyclical. 90% of violent conflicts occur in places that have previous experience in the past thirty years. It is therefore often difficult to neatly sequence conflict prevention and peace-building actions. In this regard, however, all CSDP missions and operations may be seen as directly or indirectly contributing to conflict prevention, and some have this objective at the core of their mandate.

More generally, **conflict analysis** is a key requirement for exploring options available to the EU for prevention, crisis management and peace-building, on the basis of a shared understanding of the causes and dynamics of violent conflict. Furthermore, **an early warning system** is also being developed to analyse short- and long-term risks of violent conflict more generally and identify early response options. This system has already been piloted in the Sahel region and is about to be rolled-out further. Finally, the crisis preparedness component of the Instrument for Stability continues to fund the training of civilian and police experts to participate in stabilization missions.

With regard to **post-conflict management**, **conflict sensitive programming** is essential in order to ensure that, to the extent possible, EU actions avoid negative impacts and maximise positive impacts on conflict dynamics, thereby contributing to conflict prevention, peace building and long-term sustainable development.

A joined-up approach, including through joint efforts or **joint programming of EU assistance with EU Member States** has the potential to further strengthen the EU's impact and its contribution to conflict prevention and sustainable development. In joint programming EU and its Member States (and possibly other donors) conduct a joint analysis of the country situation leading to a joint response strategy and a division or labour across sectors. In addition, indicative multi-annual allocations will be provided. **In more than 40 countries joint programming** is now taken forward, including in **more than 10 fragile states.** It is worth noting that in the global context so-called "**New Deal country compacts"** are developed (Somalia a very recent example) which have much in common with joint programming. How the two processes could feed into each other should be further explored.

Way forward:
- extend the use of conflict analysis, continue to build a culture of conflict sensitivity across the EU system;
- build on lessons-learned with regard to joint programming and New Deal country compacts.

7. Improve CSDP visibility

It is important to communicate to the public at large that **security and defence "matters"** now, and that it will matter to their future prosperity, even if our citizens do not necessarily see an immediate external security threat. Heads of State and Government are uniquely placed to pass this message to a wider public, and we should not miss that occasion.

Preparations for the European Council discussion have already provided an opportunity to raise the visibility of CSDP in general. The EEAS, in collaboration with the General Secretariat of the Council and the Commission, is working on a **specific communication campaign.** This needs to be linked to the communication efforts of the Member States. However, a further analysis of our target audiences, messages and tools is necessary to improve CSDP's visibility in a **sustainable** way. A targeted Eurobarometer survey on Security and Defence could contribute to this analysis.

We also need further to promote a common security and defence policy culture. In this context, the **European Security and Defence College** is currently being placed on a new footing, to strengthen a common culture in CSDP and promote training initiatives.

Training and education is a long term essential investment that Member States can make in support of CSDP. The future generation should have the opportunity to train throughout their respective careers with a view to enhancing efficiency in operating together. Indeed, promoting the way ahead by developing the networking model or the integration of international activities in national programmes or consideration of

the development of improved curricula will all assist in this challenge. A revision of the EU policy for CSDP-related training and education is a possible step to federate accordingly the initiative.

The **EU Institute for Security Studies** contributes to further develop a common European security culture by enriching the strategic debate, providing analyses and fora for discussion[2].

Way forward:
- express a strong commitment to CSDP and to fully grasp the occasion to communicate to wider public on "security and defence matters"; a specific website will be developed for the EC in December, with a web-documentary,
- further develop measures to improve CSDP visibility, including: using individual missions and operations as the main "flagships" of CSDP at the earliest possible stage, demonstrating how they benefit EU citizens; enhance the network of CSDP communicators, including at Member State level; modernise the CSDP website;
- promote interaction and cooperation between national education and training actors, building on the experience with "military Erasmus";

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Cluster 2: Enhance the development of capabilities

8. Allow for systematic and more long term European defence cooperation

Cooperation in the area of military capability development has become essential to the maintenance of capabilities and to the success of CSDP. **Cooperation allows Member States to develop, acquire, operate and maintain capabilities together,** making best use of potential economies of scale and to enhance military effectiveness. Pooling & Sharing was launched to address this, and good progress has been achieved. Through intensive staff-to-staff contacts, including between EDA and NATO's ACT, there has been close and intensive cooperation with NATO to ensure complementarity and mutual reinforcement with the Smart Defence initiative and more broadly with capability development within NATO. Indeed, the strategic context and the impact of the financial crisis have made even more compelling the case for de-confliction on capability development.

A **strong impulse is required at European Council** level, both to embed Pooling & Sharing in Member States' defence planning and decision-making processes, and to deliver key capabilities through major cooperative projects.

In line with the Code of Conduct on Pooling & Sharing, there is scope for greater **transparency between Member States**, including on potential budget cuts, national defence strategies or "White Books" and national defence procurement and modernisation plans. This would facilitate the identification of capability gaps and/or duplications.

[2] See for instance: "Enabling the future. European military capabilities 2013-2025: challenges and avenues", EUISS, May 2013.

Member States should be encouraged to **share their future capability plans** in order to address current and future shortfalls. Few Member States will be able to address such shortfalls alone: pooled/shared solutions would allow them to acquire capabilities that would be out of reach individually. The future threats and challenges are such that some **convergence of defence capability plans** will be required if Member States are to be able to collectively to meet the challenges of the future.

The **Code of Conduct on Pooling & Sharing** aims at mainstreaming Pooling & Sharing in Member States' planning and decision-making processes. Its implementation will be supported by an annual assessment to Defence Ministers comprising: an analysis of the capability situation in Europe; progress achieved; obstacles; and the impact of defence cuts and possible solutions. The **Capability Development Plan (CDP)** - a tool endorsed by the EDA Steering Board to assess future threats, identify the capabilities required, prioritize and support the identification of collaborative opportunities - supports and guides capability planners. But the Code of Conduct and the CDP will both require the commitment of Member States if substantive progress is to be achieved.

Rationalisation of demand to reduce the number of variants within collaborative programmes would generate significant economies and improve operational interoperability. In particular, there should be a greater push for **harmonised requirements**. This would reduce the number of variants of the same type of equipment, maximise economies of scale, enhance interoperability, and facilitate cooperation for the whole life-cycle of the capability, which would in turn generate additional economies, efficiencies and improved interoperability (the in-service phase of a major system accounts for around two-thirds of its total through-life cost).

In order to make cooperation more systematic, the European Council should also decide on **incentives for defence cooperation** in Europe for collaborative projects, including of a fiscal nature such as VAT exemption. Protecting cooperative projects and initiatives **from budget cuts would act as a real incentive. Innovative financing arrangements** (Private Finance Initiative or Public Private Partnerships) should also be considered.

In addition to addressing current shortfalls, Member States should engage in a reflection on the **major capability enablers**: Air to Air Refuelling, Intelligence Surveillance and Reconnaissance, and Satellite Communications. Enablers in the maritime and land domains could also be identified.

In this context, a revision of the CDP is on-going. This, together with the review of the Headline Goal process and the updated Force Catalogue would form the basis to assess shortfalls and map the capability landscape of the future. This will assess longer-term trends and capability requirements, and contribute to the identification of priorities and collaborative opportunities.

Systematic and long-term defence cooperation could be supported by a **strategic level Defence Roadmap**, approved by the European Council, and underpinned by agreed priorities and milestones. It could also pave the way for closer synergies with the Organization for Joint Armament Cooperation (OCCAR), in order to support a seamless approach to capabilities through the whole life-cycle.

Finally, the Treaty provides for an opportunity for an enhanced form of cooperation through **Permanent Structured Cooperation** (PESCO). While there have been initial exploratory discussions in 2009 and 2010 on the implementation of PESCO, the appetite to move forward remains limited at this stage.

Way forward:
- promote convergence of Member States' defence plans through increased transparency and information sharing;
- encourage the incorporation of pooling and sharing into national defence plans and maximise the utility of the Capability Development Plan to support Pooling & Sharing;
- harmonize requirements and extend throughout the whole life-cycle;
- commit to extend cooperation in support activities, such as logistics and training;
- promote a strategic Defence Roadmap for systematic and long term defence cooperation, setting out specific targets and timelines;
- reinforce synergies between EDA and OCCAR;
- decide on incentives for defence cooperation in Europe, including of a fiscal nature (VAT). Ring-fence cooperative projects from budget cuts. Explore innovative financing arrangements (PFI/PPP);
- discuss with Member States their willingness to make full use of the Lisbon provisions on Permanent Structured Cooperation.

9. Focus on delivering key capabilities

Member States' commitment is now required to cooperative projects in Air to Air Refuelling, Satellite Communication, Remotely Piloted Air Systems and Cyber Defence.

In **Air to Air Refuelling** (AAR), the objective is to improve European operational capacity and reduce dependency on the USA. The key deliverable could be the **multinational acquisition of multirole tanker transport aircraft**, foreseen for 2020. This would also include cooperation in the areas of aircraft-basing, training and logistics support. In the meantime, short and mid-term solutions are being pursued with a view to increasing interoperability and maximizing the use of existing assets. Taken together, these inter-related work-strands will considerably enhance Europe's AAR capability.

Pioneer Projects have been promoted to develop capabilities that have both military and civil applications. They are designed to harness synergies in the military and civil domains; maximise dual-use technologies; generate economies of scale; and **extend the comprehensive approach into the area of capabilities development.** Ministers have endorsed proposals to prepare three such projects, in the areas of Remotely Piloted Aircraft Systems, Governmental Satellite Communications (SATCOM) and Cyber Defence. Airlift is another capability with military and civil applications and where greater synergies would be possible.

Remotely Piloted Aircraft Systems (RPAS) are very likely to constitute a key capability for the future. They offer a broad spectrum of capabilities that can contribute to various aspects of EU-led military and civilian operations. In the civil

domain they would provide surveillance inter alia in the following areas: border control and management; key infrastructure; disasters; environment; and agriculture. In the military sphere they have demonstrated their operational capacities, including for surveillance and information gathering. There are important political and industrial implications that will need to be addressed.

The objective is to **promote a European approach for developing this key future capability**. RPAS are a concrete example of a European comprehensive approach applied to capabilities: while being closely linked to Single European Sky, the development of RPAS can benefit from the various EU instruments and actors (regulation, technologies needed for air insertion and anti-collision, certification). While promoting common employment for the short term solution, there is also an urgent need to prepare a program for the next generation of Medium Altitude Long Endurance (MALE) RPAS. Such a program will be strongly supported by the development of enabling technologies and other activities (regulation, certification, standardization) undertaken under civil initiatives, in particular by the European Commission. Horizon 2020 could contribute to the MALE program through development for air insertion and anti-collision under its security dimension, with a potential for surveillance payloads. There is scope for a public private partnership between the Commission, EDA, Member States and industry to develop this capability.

Governmental SATCOM offers the potential for a genuine dual-use cooperative European approach respecting national sovereignty. Member States' military satellite communication assets are currently fragmented in five nationally-owned constellations comprising a total of twelve satellites, whose operational life is expected to end between 2018 and 2025. The objective is the development of a **future dual civil-military capability** by 2025 via a user-driven approach based on a detailed roadmap. It will require exploitation of the synergies with R&D programmes being performed at a European level and exploration of opportunities for innovative governance and procurement schemes to ensure synergies with the Commission's possible action.

In addition to the above mentioned pioneer projects, further efforts are needed to enhance access to **Satellite High Resolution Imagery** - a timely and precise source of information essential for the EU's effective decision-making and for supporting CSDP missions/operations. In particular, facilitating access to Member States' governmental imagery will increase the **EU Satellite Centre's capacity**. In parallel, taking advantage of the dual nature of Space, the use of Copernicus (a Commission- funded programme to respond to European policy makers' growing need to rapidly access geospatial information) in support of CSDP should be further explored. This could provide EU missions with the less sensitive products.

As regards **Cyber Defence**, the objective is to establish a comprehensive and cooperative European approach. EDA activities, based on the recently adopted cyber strategy, focus on realistic deliverables within its remit and expertise: training and exercises, protection of headquarters, and Cyber Defence Research Agenda (focusing on dual use technologies).

A number of EU policies have implications for defence and require interaction between the Commission and the defence community. This is especially the case for **Single European Sky (SES**), which will have an impact on defence in financial and operational terms and where the objective of the defence community is to ensure that its views and interests are taken into account. Member States will continue to be supported as the SES develops.

Way forward:
- commit to specific cooperative projects: AAR, RPAS, Cyber and Satellite communications; agree and implement roadmaps;
- commit to further developing the EU's access to high resolution imagery;
- consider tasking further work on SESAR, airlift;

10. Facilitate synergies between bilateral, sub-regional, European and multilateral initiatives

The development of capabilities through cooperation has become essential. But it is not necessarily straightforward. Member States have made progress in improving capabilities through defence cooperation, be it through multinational frameworks such as the EU's Pooling & Sharing or NATO's Smart Defence, and/or in **clusters at the bilateral and regional, and indeed functional, levels**. Regional or thematic cooperation offers perhaps the best prospect for coordination/cooperation and sharing of reform processes. It may also yield faster results than initiatives at 28. Importantly, these capabilities developed in regional or thematic groups can be used at the European level (e.g. operations).

Wherever a cooperative approach is pursued - multi-nationally, regionally, bilaterally or functionally - there is a need for coherence to avoid unnecessary duplication and/or gaps. Moreover, whilst some capabilities can successfully be delivered through a regional approach, others cannot: AAR, Space and RPAS being cases in point. And issues such as interoperability or standardisation or certification require a broader approach. Coherence could be enhanced by **linking the regional and the European levels**, which would also allow smaller Member States and regional groupings to plug into wider EU policies and industrial interests.

The **Code of Conduct on Pooling & Sharing** provides for the EDA to act as a framework for coordination and transparency between regional clusters - as well as individual Member States - as a means to enhance and facilitate synergies and identify best practices. The first annual assessment of its implementation will be presented to ministers in November. EDA's "à la carte" approach, which allows for interested groupings of Member States to work together, also offers a light and flexible model for capability development, as well as for sharing best practice and lessons learned, and improving standardisation, interoperability and through-life support.

One particular cooperative model that merits further examination is the **European Airlift Transport Command (EATC),** the blueprint of which could be extended to other types of capability such as AAR or Sealift.

Sharing of Lessons Identified (LI) and best practices associated with on-going **national defence reform activities** could facilitate future regional cooperation in the

domains of e.g. new capability development projects, joint HQs and forces, jointly developed doctrine fostering greater inter-operability, shared logistics and maintenance facilities, training and education establishments.

Way forward:
- in line with the Code of Conduct, EDA to provide an overarching framework for these clusters, to facilitate coordination, enhance transparency, and share lessons learned;
- consider extending the European Airlift Transport Command (EATC) model to other areas.

11. Civilian capabilities

The majority of CSDP missions are of a civilian nature. Generating **civilian capabilities** remains a priority, as well as a challenge, due notably to the shortages of personnel in specialised profiles.

In the multifaceted civilian area, political awareness and commitments by the many national ministerial stakeholders involved are essential. The EU continues to support Member States' central role in improving and streamlining national mechanisms and procedures to recruit specialised civilian personnel for CSDP.

Some positive steps were taken, for instance: the increasing number of Member States with a **national strategy** or equivalent to foster national capacity building for CSDP missions; and progress made in establishing **national budget lines for civilian crisis management**.

The implementation of the **multi-annual Civilian Capability Development Plan** agreed last year usefully helps Member States' address gaps and ensure that the required capabilities will be available, whilst aiming at the most efficient use of scarce resources. A number of concrete activities are underway:

First of all, the on-going mapping of Member States' **niche capabilities** provides a picture of national units and/or specialised teams' readiness for CSDP deployment. Furthermore, we continue to engage the **European Gendarmerie Force**. Their participation in the exploratory mission to Mali has been effective. A formal declaration is expected by the end of this year, which will facilitate appropriate support when rapid deployment of robust policing assets is at stake.

As **internal and external security aspects** are increasingly interlinked, we continue to strengthen ties between CSDP and the area of Freedom/Security/Justice so as to foster a greater understanding of respective objectives and ensure mutual benefits (including Rule of Law capabilities provided to CSDP missions). Exchange of information needs to continue to stimulate the political awareness and allow for identifying added value and avoiding overlap.

In terms of concrete work, we are encouraging the greater involvement of **EU Agencies** (EUROPOL, FRONTEX) in CSDP missions and EU external relations in general to benefit from their high expertise. The close association of FRONTEX in the planning and launching of the civilian mission EUBAM Libya is a recent example

of this co-operation. Additionally, based on the successful experience of EUFNAVFOR ATALANTA with the circulation of data collected via **Interpol's** channels, we are exploring the possibility for a cooperation agreement with the latter organisation for CSDP operations and missions.

Way forward:
- call for renewed efforts in generating civilian capabilities for CSDP;
- continue work on strengthening the ties between CSDP and FSJ and explore ways to enhance support of EU Agencies and Interpol to CSDP.

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Cluster 3: Strengthening Europe's defence industry

The European Commission published a Communication on "Towards a more competitive and efficient defence and security sector" on 24 July. The Communication highlights a set of measures to reinforce the EDTIB and is complementary to the actions outlined in the following cluster.

12. Making a more integrated, sustainable, innovative and competitive EDTIB a reality

A strong, healthy and globally competitive **European Defence and Technological Industrial Base (EDTIB**) is a prerequisite for developing and sustaining defence capabilities and securing the strategic autonomy of Europe. It is also an invaluable part of Europe's wider economy. In 2011 Europe's Aerospace and Defence Industries generated a turnover of €172 Billion and 734,000 direct jobs, and invested €16 Billion in R&D.

Declining defence budgets, combined with the fragmentation of European demand and supply requirements jeopardise the **sustainability of this industry**.

The concerted effort of all stakeholders (Member States, industry and the European Institutions) is required to safeguard the future of Europe's defence industrial base. This is particularly important for Member States whose investment decisions in defence R&T, demonstrators and programmes shape the industry's future. Without substantive and strengthened cooperation at European level, including through programmes, there will not be an EDTIB in the future.

Apart from a few notable exceptions**, no European government alone can launch major new programmes**: the necessary investments are too high and the national markets are too small. With defence budgets under pressure, further market-driven industrial restructuring and consolidation is inevitable. The evolution of Europe's defence supply chain needs to be monitored at European level in order to maintain and develop the key industrial skills and competences necessary to meet future military capabilities. Having established the key skills at risk, there is a need to link available funding to the education providers (both civil and military). To achieve this it is proposed to create a strong, dynamic and coordinated "Defence Skills Network" between the key stakeholders.

The whole **defence supply chain** is of importance: from the prime contractor supplying systems-of-systems, through the range of intermediate suppliers to Small and Medium Enterprises (SMEs). **SMEs are increasing in importance as a source of innovation and act as key enablers for competitiveness**, even more so when part of a cluster. The EDA Steering Board in March endorsed an SME Action Plan, which will promote synergies across the whole European supply chain, with a particular focus on dual-use activities. Commission support will be crucial in these joint initiatives. Feedback from the Member States on the interim report has shown a keen interest in enhancing support to SMEs.

EDA is developing, in close cooperation with its Member States and the European Commission, **a market monitoring mechanism** to provide objective data on the entire European Defence Equipment Market (EDEM), which will support the consideration of additional measures and initiatives to promote the global competiveness of the EDEM. Active support and contributions from all stakeholders will be essential to ensure the pertinence, comprehensiveness and efficiency of this initiative.

Security of Supply is intrinsically linked to an effective EDTIB as it underpins successful collaboration and operational autonomy. In view of this Member States are working with EDA on concrete measures to increase both short- and long-term Security of Supply, whether related to supply chains, European non-dependencies, raw materials, or investments in key industrial and technological capabilities. Commission work to optimise the use of the Intra-Community Transfer Directive 2009/43/EC will also support in this respect. In addition, there is scope for the Commission to assist Member States in exploiting the possibilities offered by the Defence and Security Procurement Directive (2009/81/EC).

Member States are also looking at ways to enhance their **political commitment** by strengthening the Framework Agreement on Security of Supply adopted by the EDA Steering Board in 2006 to assist and expedite each other's defence requirements, involve industry in this work and exchange information on existing national regulations on control of strategic assets. This enhanced political commitment, supported by the EDA acting as a clearing house, would be an important step forward.

Member States are working with EDA on tangible measures in the areas of **standardisation, military airworthiness and certification**. This will benefit governments and industry alike by reducing the costs of testing for certification, as well as promoting mutual acceptance of results, and supporting interoperability. A closer and stronger support by the EU Standardisation Agencies to Military standardisation activities would generate efficiencies and synergies. While military airworthiness remains a national prerogative, there would be benefits in harmonising airworthiness standards based on achievements to-date and maximising synergies between EDA and EASA, starting with certification of RPAS. A continuous political commitment is required to make a step change in this domain.

Standardisation and the mutual recognition of processes and results are key enablers for making Pooling & Sharing a reality. In 2008 EDA received a ministerial mandate for the development of **military airworthiness regulation requirements**, and significant progress has been achieved. By working together, the military

community could develop a coordinated European approach similar to that in the civilian aviation safety sector.

Way forward:
- encourage further efforts to strengthen the EDTIB, to ensure that it is able not only to meet the equipment requirements of Member States and their security of supply and freedom of action, but also remains globally healthy and competitive and stimulates jobs, innovation and growth;
- recognize the role of SMEs in the defence supply chain; enhance support to SMEs;
- encourage further efforts to enhance and broaden support arrangements on security of supply, and encourage further progress on standards, including hybrid standards, certification and military airworthiness.
- incentivise the European defence industry to become more competitive globally including by undertaking collaborative programmes/procurement as a first choice solution with clear deadlines and commitments (e.g. on RPAS).

13. Stimulate synergies between civilian and defence R&T

From 2007 to 2011, defence **Research & Development expenditure** decreased by more than 18% and Research & Technology (R&T) by more than 20%. Moreover defence R&T is fragmented across Member States (more than 85% is still national): pooling resources would generate economies of scale. Strong investment is needed if Europe is to retain its R&T expertise.

Building on the list of **Critical Defence Technologies** elaborated in the EDA framework, the technologies that need to be developed at the European level for defence, space, and the civil sector should be identified on a systematic basis to underpin long-term planning of European R&T. It will also ensure that Europe is addressing the challenge of technology non-dependence at the strategic level. On this basis:

- Member States should be encouraged to commit to multi-annual investment in defence R&T through cooperation;
- the content and modalities of the **Preparatory Action on CSDP Research** should be prepared together between the European Commission, EDA and the Member States;
- if Member States so wish, a 'Critical Defence Technology' **funding programme** by Member States could be launched to fund defence technology research that matches the Commission's proposed Preparatory Action on CSDP research. This joint initiative could allow for preparing the next generation of capabilities. It could fund projects that apply a multi-disciplinary approach through technology research. With a substantial budget for 2014-2020, the fund could lay the basis to develop innovative technologies that address current and future operational needs for the armed forces.

Because technology is increasingly dual-use in nature, there is considerable potential for **synergies between civil and defence research.** The European Framework Cooperation, which coordinates and complements security and defence research work between the Commission, ESA and EDA, has proved its worth. These synergies should be exploited in a more systematic manner under the Horizon 2020 Research Programme.

The **pre-commercial procurement scheme** can provide a way forward for the development of mature technologies: pooling civil and military requirements for technologies that are needed both for defence and civil applications can lead to the procurement of common prototypes. Joint procurement would enhance interoperability and common standards. This is an area where co-funding between security and defence research can yield promising results.

A **comprehensive research strategy** could exploit synergies between national dual-use programmes and European research, in areas such as RPAS, cyber security, space, maritime security, green energy and for the key enabling technologies. As requested by EU Ministers of Defence in April 2013, this should lead to a more cooperative and integrated approach in support of Research and Technology. Among the options to consider are: access to EU instruments for dual-use research activities (Horizon 2020, in particular the Programme on Key Enabling Technologies, and European Structural Funds); jointly funded R&T activities on the basis of the article 185 TFEU; and public-private partnership via the establishment of a joint undertaking on the basis of article 187 TFEU.

Since defence R&T carries risk due to uncertainty on the return of investment, **innovative funding solutions** should be explored for attracting private funding.

This approach should not be an excuse to reduce defence budget allocations, but rather to focus budget efforts toward the Critical Defence Technologies that need to be maintained and developed at the European level, and to maximise the impact of investment.

Way forward:
- encourage Member States to commit to the necessary levels of investment in R&T to support the capabilities of the future, and to do so increasingly through cooperation where this provides benefit. This could be further enhanced through joint research programmes with the European Commission through common funding with Member States; and/or Pre-commercial procurement and joint undertakings that leverage public-private funding.
- endorse a comprehensive research strategy to exploit synergies between national dual-use programmes and European research.
- consider how to stimulate innovative funding solutions for stimulating private funding in defence R&T.
- launch a 'Critical Defence Technology' programme to fund Technology research for 2014-2020, that matches the Commission CSDP research.
- support a Preparatory Action from the Commission on CSDP-related Research, seeking synergies with national research programmes.

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III. The way forward

"The strategic, military and economic cases for defence are, for me, quite clear. What we need to make sure we have got is political will from the very top".

HRVP / Head of the Agency Speech at the EDA annual conference, Brussels 21 March 2013

On the basis of a common understanding of the strategic context, the December European Council offers the opportunity to provide **strategic direction for the further development of CSDP and defence cooperation in Europe** in accordance with the **Lisbon Treaty.** The discussion on the interim report has shown strong support for **a more regular reappraisal** of security and defence issues by the Heads of State and Government.

Three elements are of particular importance:
- first, there is a need for **concrete deliverables** by December. This needs to materialize first through commitments to capability projects. The Council of 18 and 19 November and the EDA Steering Board provide an opportunity for such commitments;
- second, **task further development** in particular areas;
- and third, a **robust follow-up process** is required, to monitor progress, sustain momentum, and provide renewed impetus.

As part of the follow-up process, and if Member States so wish, work could start on more clearly defining the **strategic role of the EU** in view of the evolving context and following the entry into force of the Lisbon Treaty.

On the basis of the preceding chapters, what follows are elements resulting from the preparatory work which could be considered by the Heads of State and Government:

- express **a strong commitment to defence cooperation** in Europe to further enhance the Common Security and Defence Policy;
- fully grasp the occasion to **communicate to the wider public** that "security and defence matter";

- endorse and give renewed impetus to a strategically coherent and effective use of EU instruments through the **comprehensive approach**;
- continue developing the **partnerships with the UN and NATO** focusing on stronger complementarity, co-operation and coordination;
- further encourage and facilitate **contributing partners' support to CSDP**: partners enable the EU, and the EU enables partners. Agree to develop appropriate instruments to engage in supporting the national security services of EU partners (transparency, accountability and capacity building);
- emphasize the critical importance to European security of **cyber and space** networks and **energy security**; support the development of an EU Cyber Defence Policy Framework;
- support work towards a **maritime security strategy**; call for a more comprehensive approach to help Third States and regions better manage their **borders**;
- call for **further improvements in rapid response**: rapid civ-mil assessment; rapid deployment of civilian missions including its financial aspects; endorse a

new approach to EU's rapid response assets including the Battlegroups; explore the use of article 44 TEU.

- promote greater **convergence of defence planning** of EU Member States (transparency, information sharing);
- encourage the **incorporation of pooling and sharing** into national defence planning;
- **harmonize requirements** covering the whole life-cycle;
- call for the development of **a strategic Defence Roadmap** for systematic and long term defence cooperation, setting out specific targets and timelines;
- decide on **incentives for defence cooperation in Europe**, including of a fiscal nature (e.g. VAT); ring-fence cooperative projects from budget cuts;
- explore **innovative financing arrangements** (PFI/PPP);
- commit to **specific capability projects**: AAR, RPAS, Cyber and Satellite communications; implement roadmaps; and consider tasking work to be done on other key capabilities such as air transport and satellite high resolution imagery;
- renew efforts in generating **civilian capabilities for CSDP** and pursue efforts to strengthen the ties between CSDP and Freedom, Security and Justice (FSJ);

- encourage further efforts **to strengthen the EDTIB**, to ensure that it is able to meet the equipment requirements of Member States, remain globally competitive and stimulate jobs, innovation and growth;
- recognize **the role of SMEs** in the defence supply chain; enhance **support** to SMEs;
- encourage further efforts to enhance and broaden support arrangements on **security of supply**, and encourage further progress on **hybrid standards, certification and military airworthiness;**
- **incentivise the European defence industry** to become more competitive globally, including by undertaking collaborative programmes/procurement as a first choice solution;
- encourage Member States to commit to the necessary levels of **investment in R&T** to support the capabilities of the future, and to do so increasingly through cooperation. This could be further enhanced through joint research programmes with the European Commission through common funding with Member States; and/or Pre-commercial procurement and joint undertakings that leverage public-private funding;
- endorse a **comprehensive research strategy** to exploit synergies between national dual-use programmes and European research.
- decide on innovative funding solutions for **stimulating private funding** in defence R&T;
- support a **Preparatory Action** from the Commission on CSDP-related Research, seeking synergies with national research programmes;

- agree on a **robust follow-up process,** to monitor progress, sustain momentum and provide renewed impetus at regular intervals, on the basis of input from the High Representative / Head of the Agency;
- consider launching a **European defence reporting initiative** to synchronise budget planning cycles and set convergence benchmarks, a "European semester on defence" in all but name.