



FANNING THE FLAMIES

How the European Union
is fuelling a new arms race



The background of the lower half of the image shows a war-torn city street with damaged buildings and debris. In the foreground, there are two military vehicles: a large armored truck on the left and a missile launcher on the right. The overall tone is dark and somber.

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EXECUTIVE SUMMARY

*'If you prepare for war you get war.
If you prepare for peace you get peace.'*

– Ukrainian peace activist Yurii Sheliazhenko

At the time of writing in March 2022, a war has broken out in eastern Europe following the illegal invasion of Ukraine by Russian troops. Towards the end of 2021 unrest in the Balkans came close to boiling point. Tensions in the South China Sea continue to simmer and threaten regional and global stability. Wars and violence continue in Afghanistan, in Central Africa, Iraq, several countries across the Sahel, Syria, and Yemen among other countries and regions experiencing constant violence and consequent displacement. Some of the world's most powerful nations are sabre-rattling, drafting and deploying troops, stockpiling military materiel, and actively preparing for war – including the European Union (EU) and some of its member states. Contrary to the EU's founding principle of promoting peace, it too has been charting a course to establish itself as a global military power. History has shown, however, that far from contributing to stability and peace, militarism fuels tension, instability, destruction and devastation.

In a 'watershed moment', in response to the war in Ukraine, the EU announced that it would, for the first time, fund and supply lethal weapons to a country under attack through the European Peace Facility (EPF). While this move is unprecedented, it is not unexpected. The EU has been pursuing a military path since the entry in to force of the Lisbon Treaty in 2009, which provides the legal underpinning to create a common security and defence policy. Less than a decade later, in a new point of departure, the EU created specific budget lines to allocate funding to military-related projects. This decision firmly set the EU on a new and deeply worrying trajectory, where international political and social problems were to be addressed not only through dialogue and diplomacy, but also through the threat of military solutions.

The **European Defence Fund (EDF 2021–2027) has a budget of €8 billion** for the research and development (R&D) of military materiel. Since it is too early to analyse the impact of the EDF, which is still being developed, this report looks at its two precursor programmes: the **Preparatory Action for Defence Research (PADR 2017–2019) with a budget of €90 million to fund defence research**, and the **European Defence Industrial Development Programme (EDIDP 2019–2020)** with a budget of €500 million to fund the development of defence equipment and technology. Under these budget lines, almost €600 million of European public money was granted to highly lucrative private companies producing and exporting arms and military technologies, as well as private research centres among other beneficiaries. These pilot projects expose deeply worrying trends with regard to European-driven militarism, which if replicated under the **EDF, with a total budget that is 13.6 times that of the precursor programmes**, could potentially lead to catastrophic results. By increasing the funding for military R&D by a massive 1250% from one budgetary cycle to another, the EU is now increasingly intent on investing in military hardware and advanced technologies rather than in building or maintaining peace.

The objective of these budget lines is to **research and develop new weaponry**, as well as to **enhance existing armaments, integrating new technology such as artificial intelligence (AI), unmanned or autonomous systems**. In particular, the funds promote the development of 'disruptive technologies', which would, were they to be deployed, **radically change the conduct of war**. After the evolution of gunpowder and nuclear weapons, conflict analysts refer to the current period as a third evolution in the arms race, in which automated weaponry is being tried and tested and may eventually be part of conventional arsenals, despite serious unresolved legal and ethical questions. In allocating billions of euros for the development of new defence technology, the **EU is fuelling a third and deeply troubling arms race**, which may eventually render obsolete the existing rules of war and International Humanitarian Law (IHL).

Both the EU funding calls and the arms-producing companies use the same language of collaborative defence, interoperability, industrial competitiveness, enterprise, and innovation, with no regard for the instability, death and destruction that will certainly result if such weapons and military technology are deployed. But wars never occur in a vacuum, but are the manufactured outcome of many years of political strategies and decisions. In choosing to invest in innovative weaponry, the EU is not merely implementing a defensive strategy in the unlikely event that one of its member states might be attacked, it is driving militarism, actively fuelling a very dangerous arms race, and fanning the flames of war.

This report reveals that:

EU decision-making processes and budgets have been captured by highly lucrative corporations that exploit these political spaces for their own gain, exposing the pervasive influence of arms-trade lobbyists in setting the EU's agenda.

- **Nine of the 16 representatives in the Group of Personalities on Defence Research**, which was set up by the European Commission (EC) in 2015, **were affiliated with arms companies, arms research institutes and an arms industry lobby organisation**. The six arms companies are **Airbus, BAE Systems, Indra, Leonardo, MBDA, and Saab**, two arms research institutes, **Fraunhofer and TNO**, and the arms industry lobby organisation, **AeroSpace and Defence Industries Association of Europe**.
- The **EC proposal** that eventually led to the establishment of the EDF was **based on a report presented by the Group of Personalities, which included entire sections copied verbatim in the EC defence fund proposal**.
- The entities they represented stood to make massive profits from the budget lines they were influential in creating. Concretely, **those who participated in the Group of Personalities have to date received over €86 million or 30.7% of the allocated budget**, although since the entire allocation has not yet been made public, they are likely to receive even more funding.

The EU is funding arms companies that are involved in highly questionable practices that fall far short of upholding human rights standards and the rule of law, two of the EU's core values. That the EU would knowingly invest European public money in entities that are involved in dubious and highly controversial arms deals, producers of nuclear weapons, or have faced allegations of corruption, raises serious questions regarding the standards the EU applies before granting hundreds of millions in military spending.

- Concretely, the seven largest beneficiaries of this EU budget line **are involved in highly controversial arms exports to countries experiencing armed conflict or where authoritarian regimes are in place and human rights violations are commonplace.**
- By funding these beneficiaries, the **EU is indirectly funding nuclear armaments**, given that many of the companies are also involved in the development, production, and maintenance of nuclear weapons.
- Furthermore, five of the eight **largest beneficiaries faced substantial allegations of corruption in recent years**, namely **Airbus, Leonardo, Safran, Saab** and **Thales**.

Although not all of the information regarding funds granted under PADR and EDIDP is yet available, the **EU currently finances 62 military research and innovation projects with a total of €576.5 million** (the total is closer to €600 million including administrative and internal costs).

- To date, **68.4% of the budget goes to companies based in France, Germany, Italy and Spain.**
- These are the nations where the largest arms companies are headquartered and the EU member states with the largest volume of arms exports.
- Companies from these four countries **coordinate 42 of the 62 projects (67.7%).** France alone receives 26.4% of the funding allocated.
- Italian arms giant, **Leonardo**, the largest arms company in the EU, is the largest single recipient with €28.7 million. Other companies in the top five (including their subsidiaries across the EU), are Spanish company, **Indra** (€22.78 million), and French companies, **Safran** (€22.33 million), **Thales** (€18.64million) and the trans-European company **Airbus** (€10.17million).
- Almost half of EU member states receive less than 1% of the funding.
- These funding lines not only promote the R&D phases of the defence industry, but **actively call for EU countries to then purchase the arms and related technologies, add them to their defence arsenal, or promote their export beyond Europe.** The result will be highly sophisticated armies inside the EU and its enlargement as a global military power, as well as armed forces in those countries whose military capacity has been beefed up through European arms exports.
- The combined military sales of the eight largest beneficiaries of the EU budgets analysed came to over US\$42 billion in 2020, confirming that the **EDF primarily serves to subsidise Europe's largest and most profitable arms companies.**

The checks applied to approve the funding of novel lethal weaponry **fall far short of even the most basic legal and ethical standards** such that the equipment, if eventually deployed, may threaten to permanently shift the conduct of war.

- Our report focuses on projects related to four specific clusters of equipment: (1) disruptive defence and protection; (2) disruptive tools for defence; (3) non-disruptive defence tools; and (4) disruptive combat systems.
- At least 22 of the 34 projects aim to develop disruptive tools, which could be used in defence or in combat. The development or use of **unmanned systems is included in at least 12 of the 34 projects**. The use of **AI as a disruptive tool is part of at least six projects**. While the research and development of entirely autonomous lethal weapons is not yet permitted under EU budget lines, other automated weapons, autonomous systems and controversial technologies are being developed, and there are fears that this may eventually lead, perhaps unwittingly, to approving funding for weapons such as 'killer robots'. These developments have taken place with no meaningful debate about the serious legal and ethical implications of deploying 'smart' weaponry.
- The EU's legal and ethical risk assessment procedure mainly relies on **self-assessments by applicants** (mainly corporations) for EU funding. These assessments are effectively a **box-ticking exercise**. Responsibilities held by state parties under International Humanitarian Law (IHL) are being shifted to private third-party funding applicants which may lead to the **de facto deregulation of potentially one of the deadliest pools of money from Brussels**. Attempts by civil society to obtain further information on these procedures were inadequately addressed and information was deliberately withheld, raising serious concerns about transparency and democratic oversight.
- The kinds of technologies being funded **may lead to violations of EU and international law** once they become operational. Evidence shows that even when human beings are involved, those programming or operating technical equipment are far more likely to be predisposed to, or influenced by, automation bias and computer-generated knowledge rather than seeking out alternative verification. In the past this has led to armed forces mistakenly downing their own or allied fighter jets. The EU's Ombudsman's Office found it to be of concern 'that there is no **detailed assessment of the compliance of projects with international law**'.
- Specific concerns are raised regarding novel guns based on laser and electromagnetic systems, AI systems, electronic devices and cyber response, unmanned systems, combat drones and target location, tracking and designation systems. In particular, it is unclear how 'smart' weaponry might accurately distinguish between civilians or armed combatants in situations of war.

The EDF and its precursor programmes explicitly aim to strengthening the 'global competitiveness' of the technological industrial base of European defence. There is a major disconnect between such technologies and their potential impact beyond the profits they will generate. They will inevitably **boost European arms exports and fuel the global arms race, which will in turn lead to more armed conflicts and wars, greater destruction, significant loss of life, and increased forced displacement.** As we emerge from a global pandemic, the need to reimagine what we mean by security and ask what makes people feel safe has never been more evident. Is it investment in armament, defence infrastructure and the military? Or is it through guaranteeing access to a functioning public health system, education and improving access to social services, responding to climate breakdown, and other global challenges? In allocating billions of euros to defence projects, the EU has made a political choice to prioritise already highly lucrative arms companies rather than citizens' well-being. In doing so it is fuelling rather than stemming instability and the likelihood of conflict.



The Transnational Institute (TNI) is an international research and advocacy institute committed to building a just, democratic and sustainable planet. For more than 40 years, TNI has served as a unique nexus between social movements, engaged scholars and policy makers.

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The European Network Against Arms Trade (ENAAT) is an informal network of European peace groups working together in research, advocacy and campaigning. ENAAT members consider that arms trade is a threat to peace, security and development, and that the arms industry is a driving force behind increasing military exports and expenditure. Since 2016 the ENAAT EU project has been scrutinising EU budget lines for military research and development.

www.enaat.org

Stop Wapenhandel

Stop Wapenhandel is an independent research and campaign organisation opposed to the arms trade and the arms industry. It campaigns against arms exports to poor countries, undemocratic regimes and countries in conflict areas. It also stands against the financing of the arms trade by governments, banks and pension funds.

www.stopwapenhandel.org

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TNI's **War and Pacification** programme concerns the nexus between militarisation, security and globalisation, confronting the structures and interests that underpin a new era of permanent war. The Border Wars series looks at the globalisation of border security, examining the policies that put economic interests and security above human rights, as well as the corporate interests that drive this agenda and profit from it.

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