

#41

# NATIONAL EXPECTATIONS REGARDING THE EUROPEAN DEFENCE FUND: The Swedish Perspective

By

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*The views expressed here are solely those of the author.  
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*Comment*

## ABSTRACT

There is a general consensus among key stakeholders in Sweden about the merits and challenges with the EDF. While the Swedish government, Defence Commission and security and defence company association all welcome the European Commission's proposal to establish the EDF all express concerns about the access of third countries. The Swedish government and Defence Commission also express some concerns regarding the funding of the EDF.

**Keywords:** *Sweden, European Defence Fund, defence policy*

In June 2018 the European Commission submitted its initial proposal for the European Defence Fund (EDF). The proposal comes in the wake of a changing security environment in Europe's neighbouring regions. Meanwhile, the European defence market is fragmented along national lines and defence related research and development (R&D) has been given low priority the past decade. The EDF aims to encourage increased spending on R&D and promote cooperation to spur innovation and competitiveness within the European defence technological and industrial base.<sup>1</sup>

In July 2018 the Government of Sweden, via the Ministry of Defence, stated its preliminary position on the EDF. The government welcomes increased European cooperation within the area of defence materiel and is positive towards promoting increased defence research on the EU level. However, in the wake of Brexit, the government of Sweden would strive for a reduced EU budget and consequently a reduced EDF budget compared to the initial proposal by the European Commission. The government noted that due to national legislation Swedish expenditure to the EDF would have to be taken from the national budget for defence and security, about 5 billion SEK or 465 million EUR from 2021-27. In negotiations the government would strive to safeguard the competence of the member states within the area of defence research and take measures necessary to further the national defence.<sup>2</sup>

The Swedish government was concerned that the European Commission's initial proposal did not sufficiently open up for cooperation with strategic partners outside the EU. The government's position concerning associated countries is to strive for a flexible approach, e.g. to enable participation from the UK after Brexit. The view of the Swedish government was that evaluation and selection processes for research and development activities should be merit based. Furthermore, the government of Sweden agreed with the European Commission's view that the proposal follows the principle of subsidiarity,<sup>3</sup> i.e. that the EDF with its intents and goals, operates at an EU level and could not be efficiently operate at a lower or national level.

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<sup>1</sup> European Commission (2018) *Proposal for a regulation of the European Parliament and the Council establishing the European Defence Fund*, COM (2018)476 final.

<sup>2</sup> Government of Sweden (2018) *Förordning om Europeiska försvarsfonden*, 2017/18:FPM153, 7–8.

<sup>3</sup> Ibid.

The Swedish Defence Commission (Sw. Försvarsberedningen) is a body under the Ministry of Defence with parliamentary representation. The purpose of the Defence Commission is to create consensus among the political parties ahead of the quinquennial defence policy bill. In May 2019 the Defence Commission published its report for the period 2021-25. The Defence Commission is generally positive towards the establishment of the EDF but notes that the Swedish share currently would be between 700–750 million SEK or 65–70 EUR annually during 2021-27. Given the principles established by the Riksdag, an increase in the EU budget would be financed from the respective area in the national budget. Consequently, national defence would require an additional 5 billion SEK in order to maintain spending levels. The EDF would not satisfy all the R&D needs of the defence of Sweden and gives no guarantees that Swedish industry would receive funding from the EDF. The Defence Commission further stresses the importance of third country participation as a large part of Swedish defence companies are owned by entities or dependent on subcontractors from outside of the EU. As initially formulated, there is a risk that current initiatives would reduce incentives for European cooperation with the US and post-Brexit UK.<sup>4</sup>

The Swedish security and defence company association (Sw. Säkerhets- och försvarsföretagen, SOFF) provided its view on EDF in September 2018. Like the Swedish government and Defence Commission, the association was positive towards the proposal. SOFF identified the European market as the largest and most important for the Swedish security and defence industry. The association welcomed increased competition within the European defence market as the current divisions into national markets impedes competition and cost efficiency. It also stressed that coming projects should be capability driven and focus on national and common challenges.<sup>5</sup>

The association further stressed that the UK and the US are important partner countries, containing central partners for Swedish defence companies. SOFF therefore advocates an inclusive approach towards associated countries and entities but notes that the proposal contained few possibilities or incentives for third country participation. This was also the

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<sup>4</sup> Ds 2019:8, Värnkraft – Inriktningen av säkerhetspolitiken och utformningen av det militära försvaret 2021-2025, 315-316.

<sup>5</sup> Säkerhets- och försvarsföretagen, SOFF (2018) *SOFF:s remissvar på EU-kommissionens förslag till Europaparlamentets och rådets förordning om inrättande av europeiska försvarsfonden COM (2018) 476 med hänvisning till diarienummer Fö2018/01010/MFU*.

case for entities with ownership in non-associated country. SOFF noted that while countries like Norway would fall within the definition of associated countries, the UK would fall outside that scope. SOFF stressed the importance for Sweden that conditions for cooperation are provided for the UK and the US, also within EDF projects. The association further stressed the importance of avoiding protectionism and that the common funds should not be used to support inefficient companies. SOFF also expressed concern about the wording “*in principle*” in the context of “*in principle the Union should not have ownership or intellectual property rights (IPR) over the products or technology resulting from the funded actions...*” as this creates uncertainty concerning whether or not such principles can be deviated from and the European Commission could claim ownership over certain IPR. SOFF stresses that the EDF should complement and not substitute national investments in research and development within the defence sector.<sup>6</sup>

There seems to be a general consensus among key stakeholders in Sweden about the merits and challenges with the EDF. While the Swedish government, Defence Commission and security and defence company association all welcome the European Commission’s proposal to establish the EDF all are concerned about the access of third countries. The Swedish government and Defence Commission also express some concerns regarding the funding of the EDF. ■

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<sup>6</sup> Ibid.

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### **ARES GROUP**

*The Armament Industry European Research Group (Ares Group) was created in 2016 by The French Institute for International and Strategic Affairs (Iris), who coordinates the Group. The aim of the Ares Group, a high-level network of security and defence specialists across Europe, is to provide a forum to the European armament community, bringing together top defence industrial policy specialists, to encourage fresh strategic thinking in the field, develop innovative policy proposals and conduct studies for public and private actors.*

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