



European Defence and Security: A New World of Opportunities

European defence and security are on the move * For European industry, this means new opportunities * For the UK and the US, the opportunities come with challenges *

The European Union has rapidly developed new frameworks and funds in defence and security, to an extent previously unseen. Notably, new budgets have been allocated, new structures created, and there has been a significant legal breakthrough, allowing the EU to deal in these issues more actively for the first time.

For industry, in Europe and around the world, these developments are of great significance. Many new opportunities will arise, alongside many new challenges. The next generation of new European platforms and capabilities will now be created, it is imperative for all interested industries to be part of this process. Twenty-five of twenty-seven EU member states have already signed up: they are the customers in a market worth upwards of €200 billion.

A changing world

The rapid evolution in EU defence and security is not a matter of chance: it is the logical outcome of a rapidly changing world. Following the Cold War, the EU enjoyed more than two decades of calm and stability. But now, it has suddenly found that both friends and foes are in flux – as well as the union itself, and its citizens. These realities can all be seen in a number of core trends that have together driven the developments in European defence and security:

- An increase in threats – be it a revanchist Russia, violent unrest in the Middle East and North Africa, or the wave of terrorist attacks that swept through the EU member states in 2015-16, coupled with the waves of migration hitherto unseen.
- Popular demand for security – such as never before. The EU has traditionally been seen as a peace project of trade, economics and open borders. However, on the back of increasing terrorism and a sense of insecurity, citizens have increasingly placed security as a top concern, demanding the EU become a security provider.
- The passage of time – the ESDP (European Security and Defence Policy) emerged some twenty years ago, largely in response to the perceived inadequacy of the EU during the Balkan wars. Like most defence and strategic projects, it has now reached the point of maturity.
- Brexit – the UK traditionally blocked most attempts to evolve EU defence and security capabilities, largely for fear of duplicating or undermining NATO; its scheduled departure has seen a barrier lifted. At the same time, it has created a potential challenge to both UK and non-European industries headquartered there.

- Transatlantic relations – the Trump administration has repeatedly cast doubt upon US commitment both to NATO and European security, forcing Europeans to consider their own capabilities and needs more seriously, for the first time since the end of the Cold War.



Changing structures

Possibly the most significant sign of seriousness in the EU approach to defence and security is the creation of three new structures: PESCO, CARD and the EDF.

- PESCO – *Permanent Structured Cooperation* – is the broad, EU Treaty-bound framework. By the end of 2017, 25 of the 27 EU member states (not including the UK) had decided to join the initiative, and the Council had adopted a decision establishing PESCO.
- CARD – *Coordinated Annual Review on Defence* – is to be a systematic monitoring of national defence spending plans by the European Defence Agency (EDA), which will help identify opportunities for new collaborative initiatives.
- EDF – *the European Defence Fund* – will provide financial incentives to foster defence cooperation from research to the development phase of capabilities including prototypes. Until 2020, the fund will provide financing of €500 million per year, and after that it is expected to grow to €1 billion per year. The EDF is projected to leverage national financing with an expected multiplying effect of 5. It could therefore generate a total investment in defence capability development of **€5 billion** per year after 2020.

Changing opportunities - and challenges

A list of 17 projects to be undertaken in the first phase of the framework will be decided in early 2018. These will range across broad capability development as well as operational projects such as the establishment of a European Medical Command, an EU Training Mission Competence

Centre, Cyber Rapid Response Teams and Mutual Assistance in Cyber Security, to Military Disaster Relief and an upgrade of Maritime Surveillance.

This is a clear and serious list – and industry clearly has a central role in making it real, and making the new structures work. The new EU vision is founded upon the notion of new capabilities. New capabilities start with new technologies, new platforms, new thinking – and above all, new partnerships in many industries, including: aerospace, defence, cyber, digital, security, automotive, transport and many others.

Teneo can assist in forging and maintaining these new relationships and partnerships. With very senior expertise in both defence and aerospace and in the EU and NATO, it is the premier consultancy to help navigate the possibilities of the new EU defence and security agenda – and help overcome the challenges it poses.

We offer:

- In-depth analysis and background to developments
- Incisive and exclusive insights into the decision-making process
- Advice on specific interests
- Positioning and advocacy dedicated to the correct audiences
- Policy and business strategy alignment



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