



European Affairs Committee

Corrected oral evidence: Implications of Russia's invasion of Ukraine for UK-EU relations

Wednesday 8 November 2023

10.35 am

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Members present: Lord Ricketts (The Chair); Baroness Anelay of St Johns; Baroness Blackstone; Lord Hannay of Chiswick; Lord Jay of Ewelme; Lord Lamont of Lerwick; Lord Liddle; Baroness Ludford; Baroness Nicholson of Winterbourne; Baroness Scott of Needham Market; Viscount Trenchard.

Evidence Session No. 5

Heard in Public

Questions 55 - 64

Witnesses

I: Dr Luigi Scazzieri, Senior Research Fellow, Centre for European Reform; Professor Alexander Mattelaer, Senior Research Fellow, Egmont Royal Institute for International Relations; Professor Richard G Whitman, Professor of Politics and International Relations, University of Kent.

Examination of witnesses

Dr Luigi Scazzieri, Professor Alexander Mattelaer and Professor Richard G Whitman.

Q55 **The Chair:** Welcome to this public session of the House of Lords European Affairs Committee, continuing our inquiry into the implications of Russia's invasion of Ukraine for UK-EU relations. We have two panels today, each of three distinguished experts, on issues of defence and reconstruction, and the implications of Ukraine possibly joining the EU.

The first session very much has a defence and security focus, and we are delighted to have three witnesses with us: one online from Brussels, Professor Alexander Mattelaer from Free University School of Governance in Brussels; Dr Luigi Scazzieri, from the Centre for European Reform, where he is a senior research fellow; and Professor Richard Whitman, from the University of Kent. Richard, thank you for agreeing to join us at rather short notice. We are delighted to have all three of you with us. This session is being broadcast. It will be recorded, and you will get an opportunity to look at the transcript before we publish it.

Since it is on defence, I will start by declaring an interest in that I am vice-chairman of the Royal United Services Institute. With that, I would like to get things under way with a broad question to all of you—with fairly concise responses, if you could. Could you give us an overview of how you think the support provided to Ukraine by the EU and its member states, and by the UK, has contributed? Has it been an effective response, and how good do you rate the overall response of the EU and the UK to be? Maybe I could start with our Professor Mattelaer.

Professor Alexander Mattelaer: Thank you very much, Lord Chair. I hope everyone can hear me loud and clear. Military support for Ukraine has been incremental in its build-up, and it originated unevenly across the European continent. That incremental nature, at least initially, has been strongly tied to considerations of escalation management. The uneven distribution of the origin of that support also reflects the asymmetric interests and different strategic cultures across different European states. Also, European states were, to a variable degree, surprised by the dramatic turn of events in the spring of 2022.

In recent months, it has become excruciatingly clear that military support will need to be sustained for the long haul, probably at high volumes of output. The recent interview accorded by General Zaluzhny to the *Economist* provides ample context thereof. The bleak outlook that we now face probably poses a very significant challenge to all European states, which are to some extent all balancing the need to continue supporting Ukraine with the imperative of recapitalising their own force structures.

The EU's efforts, such as the extensive use that has been made of the European peace facility with the recent active support of ammunition production and so on, have enabled EU member states to help address that delicate balancing act. However, I remain overall quite concerned

about the pace at which we are shifting gears, because we may be lagging behind Russia's ongoing efforts to prepare and provide for the long war that is probably ahead of us. I will leave it at that.

The Chair: Thank you. That gets us off to a very good start, and we will come back to many of those issues.

Dr Luigi Scazzieri: Thank you very much for inviting me. If we consider the overall response, the European one is our starting point in terms of how we assess that. Some would probably have had higher expectations and others lower. I think the EU has demonstrated impressive unity in how it has responded with sanctions and, as Professor Mattelaer has just highlighted, through the military support that it has provided to Ukraine—in particular through the European Peace Facility, marking the first time that the European Union has provided support to a country at war—but also with the launch of new defence industrial tools, the impact of which will be felt as time progresses.

In terms of a broader picture, the support provided by European countries obviously cannot be considered without taking into account the US, which remains by far the largest provider of support and the political glue that has bound the coalition supporting Ukraine together. Different European countries have supported Ukraine to a different extent, largely as a function of the degree to which they perceive their own security to be at stake and their domestic political constraints. The question going ahead is whether that support can be maintained. As we have heard, we face issues in resupplying our own stocks versus supplying what we can to Ukraine. There are challenges in ramping up industrial capacity across the alliance—including, by the way, in the United States—and questions over political will that we might also get into.

Perhaps a final note on UK support specifically. I think it has played a very important role in normalising the provision of certain weapons systems quite early on—consider for example, the provision of Cruise missiles, for example, or indeed the UK's role in perhaps pushing others to provide tanks. I will leave it there for now.

Professor Richard G Whitman: Thank you for the invitation, Chair. To recapitulate points that colleagues have already made, the starting point is the benchmark for what we might have expected EU member states to have done collectively. Measured against the past, there has clearly been a significant shift in the way they have responded.

The second issue is the strategic culture of the countries concerned. A number of EU member states have been on quite a journey over a very short space of time in their strategic culture: in particular, moving from a position of discomfort when it came to supplying arms, particularly arms of lethality—think of Sweden, for example—through to Germany and Poland, which were in a very different place when it comes to ambitions for their own defence.

The striking thing when you look at EU member states is the small number of stand-outs in their response—Hungary, basically—and a smaller group of countries that are obviously more comfortable with supplying non-lethal assistance, like Austria, Cyprus and Ireland. Even then, all those states have moved quite a lot.

We have a sort of spectrum of responses, within which there are also clusters of states such as those that were signatories to the Tallinn pledge, which suggests that the EU is not a big enough forum for them and that they want to do more with a state like the UK. I would endorse Luigi's comments here. The UK's role has been to push out the boundaries of what is possible and to provide some leadership in allowing a debate to be had about particular weapons systems, not least tanks, but also ordnance that can be used at longer range.

To reinforce the point made by the other two witnesses, the issue now is sustainability, both in a political sense—whether in individual member states or at the EU level—but also at the level of resource supply. That is where we have not yet got the machinery in place to ensure that Ukraine has clarity as to what sort of resources will flow over the next few years.

Q56 Baroness Nicholson of Winterbourne: How far does the European Union's support for Ukraine represent a change in its approach to a common defence and security policy? If it does represent a significant change, how durable is that likely to be, or will it flake away, as we have already seen with one or two member states, as mentioned?

Professor Richard G Whitman: Thank you for the question. It has had two significant effects on EU defence policy. The first is to accelerate and deepen the trajectory of some existing policy; I know we will get back to that a bit later. Secondly, it has stimulated innovation. We are seeing that with the European Peace Facility, the Military Assistance Mission and ASAP.

The other key issue for me is that it has acted as a driver for changes in the strategic culture of a number of member states, Germany being one, and Finland and Sweden being others in acceding to or being soon to accede to NATO, while Denmark is also coming into the tribe of EU defence. So clearly it has made it possible to have conversations that were not possible previously, but it has also exposed some of the limits of the existing policy—for example, CSDP missions and the extent to which they have been innovative across time.

It has also exposed the difficulties of the EU's longer-term ambitions, particularly around capabilities development through things like the co-ordinated annual review on defence. Trying to get its own forces up and running, the Crisis Response Operation Core—the CROC—using the battle groups, and even PESCO have not progressed significantly, I would suggest.

So you could argue that, on the one hand, the EU is focused on the immediate need, which is to support Ukraine, but, on the other, the broader landscape of EU defence policy is a bit of a mixed picture.

The Chair: Professor Mattelaer, is this a durable shift in EU defence policy and capability?

Professor Alexander Mattelaer: The short answer is yes. It is very difficult to see how any of the problems and challenges that have been identified over the past 18 months will go away any time soon.

However, it is not just EU defence policy developments that have been changing. NATO has also gone through a process of adaptation that arguably has outpaced that of the European Union. It is now widely regarded as the primary framework for addressing defence policy issues in Europe, and the accession of Finland and the pending accession of Sweden are evidence thereof.

The big picture is that the Ukraine war has helped to clarify the division of labour between NATO on the one hand and the European Union on the other, with the former providing the deterrence foundation and the framework for operationalising common defence and the latter enabling the rebirth of the defence industrial base in Europe as well as the pooling of financial firepower that is necessary to support Ukraine over the long haul.

What is arguably the big tragedy is that the European Union's push into revitalising the defence industrial base, which started making use of research and technology budgets as an instrument, arrived too late to make a huge difference to supporting the ongoing military recapitalisation cycle that had to start at breakneck speed. The R&D effort that had already started a few years ago will only realise its long-term ambitions over a multiyear, and in some respects multidecade, the time horizon. Obviously, that does not meet the urgency of the present situation, but all the trend lines that we can detect from developments in recent years are new and can be extended far into the future.

Q57 **Lord Liddle:** It is encouraging to listen to what you say. Thinking about political developments in the United States, how much concern is there among EU member states and the European members of NATO about the apparent reluctance of Congress, particularly the House of Representatives, to continue voting for American support for Ukraine? What impact do you think that would have on Europe were it to occur?

Professor Alexander Mattelaer: Such concern is already very palpable, and it is increasing in the light of what the polling landscape in US politics suggests. There are at heart two main consequences following from that concern, and only one really relates to Ukraine itself. The big concern is whether, over the medium term, the US will continue to act as the main convenor of the co-ordination platform for military support, the Ukraine Defense Contact Group, also known as the Ramstein group. If the outcome of the US presidential election results in a dramatic change of

US policy, there is an urgent problem when it comes to supporting Ukraine and the co-ordination of that support. So it is wise for European states to think of contingency plans to help to address such a prospect.

The other consequence relates to NATO defence planning efforts in their own right, where essentially a similar problem imposes itself, but then the reference is not just to the future of Ukraine but to the future of European security architecture writ large. There, the contingency planning effort is much more challenging, because, at least in the short to medium term, it poses a very dramatic outlook.

Dr Luigi Scazzieri: In a sense, it is too early to say whether we are seeing a durable shift in how the EU behaves as an international actor. Yes, the EU is more involved in defence industrial policy, and that will probably continue to grow. Yes, the EU has new tools to help its partners. Yes, enlargement has set in motion a process of internal reform that may lead, for example, to greater qualified majority voting in foreign policy.

What has also happened is a shift in EU thinking, especially on the benefits of interdependence. The EU is much more aware of interdependence potentially bringing risks. We see that in its approach to China and how it is trying, for example, to foster more domestic production in critical raw materials and semiconductors. The willingness to use all these tools still depends on unity between the member states. In a sense, Ukraine was a very easy case, because it triggered unity, partly because it was a very normatively clear-cut case. However, we have not seen that being replicated in the months that have followed, and what we are now seeing in the Middle East is indicative of that.

When it comes to US support, there is clearly a lot of concern. That concern focuses on the short term rather than the long term. Europeans—and I include the UK in that—would already be in a difficult position if the US, even within Biden’s term, were not to renew its support for Ukraine. The willingness to think through a scenario in which Trump might be re-elected and halt support to Ukraine is, perhaps, almost too difficult for many decision-makers to face.

The reality is that Europeans would probably be able to fill a short-term gap, with some difficulty, if it was merely a delay in US support. If, on the other hand, there was a full rethinking of that, they would be in a much more difficult position and would have to make very difficult choices.

The Chair: Indeed.

Q58 **Lord Jay of Ewelme:** I want to ask about the co-ordination of policy between the UK and the EU. To what extent do you think the EU—and, indeed, EU member states—have co-ordinated their military support to Ukraine, and how effective do you think that co-ordination has been so far? Looking further ahead, is there a need for better and different co-ordination? In particular, is there any case for a more structured form of co-ordination between the UK and others, or are the present

arrangements are okay?

Dr Luigi Scazzieri: On co-ordination, I think it is fair to say that there has been lots of consultation on a bilateral level within the framework of the G7 and in the Ramstein group, and a very successful logistical effort in co-ordinating deliveries to Ukraine. Of course, the UK and the EU have run their separate training missions. They have been relatively co-ordinated, as far as I understand, with the UK providing the curriculum for the EU mission and several EU member states contributing to the UK mission.

Having said that, most military assistance has been bilateral or in small groups. Some of the most effective co-ordination we have seen has been in the coalitions that have formed to provide single weapons systems, such as the Leopard initiative, and an air defence partnership between the UK, the US, the Netherlands and Denmark. Larger groups have proven more unwieldy, with, for example, the requirement for consensus on disbursements from the European Peace Facility.

There is always scope for more co-ordination. There is the question—going beyond the Ukraine case—of whether the good degree of co-ordination that we have seen is merely a product of the alignment of interests in this specific instance and is perhaps not reflective of a broader and deeper kind of co-operation. That is where we get to something that we will touch on later, which is the possibility of a more structured form of co-operation between the UK and the EU in defence and security matters.

Professor Richard G Whitman: Just to echo what has already been said, the co-ordination space in terms of the diplomatic effort has worked reasonably well because of the strong coincidence of interests. In fact, there has been a certain strange opportunity structure by having the need to work informally and to carve out the space to do so. That has been beneficial for both sides, both as a reminder of shared and common interests and as a rediscovery of muscle memory, particularly on the diplomatic side, which is good.

Interestingly, on the defence side, as has already been said, we now have a well-established machinery through Ramstein, and so on, which is the primary locus for the co-ordination of individual countries' contributions to Ukraine. However, the direct EU-UK interface on defence is not there, frankly. We have it when it comes to the co-ordination between the EU Military Assistance Mission and Interflex, but that is on the level of making sure that the curriculum and so on are co-ordinated. However, the European initiative on ASAP is one of the very important areas where it looks to me as though there could have been a very good and useful partnership, but that has not worked.

There are problems feeding through into the longer-term defence industrial impacts. Essentially, on the EU side, I think it is because the EU has not really worked through its ambition in the Strategic Compass to work out what the third-country relationships might be and how they

might work. Russia's war in Ukraine came too early, in a way, for the EU to work that through.

My anxiety is what happens, having found this mode of operation in an area in which there is a heavy coincidence of interests, when things start to get a bit more difficult in allied areas such as China's involvement. That is when it becomes much more difficult not to have a more structured relationship and, as I say, to have parallel undertakings that are not co-ordinated to the very best effect.

Lord Jay of Ewelme: Thank you. That is very helpful.

Professor Alexander Mattelaer: The role of the Ramstein group has already been referenced. We arrived at that situation as a result of the decision early on, when the war escalated, to keep NATO as united as possible on the common deterrence and defence agenda and to refer the decision on supporting Ukraine militarily to the discretion of individual nations.

Now, a year and a half down the road, we see greater multilateralisation of that conversation, in particular the good work that has been undertaken by NATO's military committee, which is another important but more structured foundation below the wider Ramstein group co-ordination.

The problem is that, ultimately, everything remains centred on the role of the United States as convenor thereof, but if the whole Ramstein experience has taught us anything it is that the willingness of individual European nations to put support on the table is, in many respects, also contingent on what the United States itself is doing. Germany is the best example thereof.

So we can only speculate on what the co-ordination challenge would look like were there to be a change in US policy. Ultimately, the work in NATO'S Military Committee is the best effort to date in terms of restructuring things for the long haul.

The EU's support to Ukraine goes far beyond the military domain. Its big contribution is the financial support for reconstruction. The €50 billion Ukraine facility that was recently announced for the period 2024-27 is a good example. It concerns grants and loans in the current Multiannual Financial Framework, but it also already foreshadows the discussion that is yet to come with respect to future financial assistance in the next-use Multiannual Financial Framework. The EU-UK co-ordination of financial support is arguably more important than the military support co-ordination challenge.

Q59 **Lord Hannay of Chiswick:** To what extent is the fact that the countries that are operating training programmes for Ukrainians outside Ukraine are probably instructing Ukrainians in quite different forms of military equipment? Take tanks. There are a few Challenger tanks, and presumably the British are able to instruct Ukrainians on those, but to

what extent can they instruct Ukrainians on Leopard or Abrams tanks or on ex-Soviet Union armour? To what extent can this be achieved in the medium and long term without making the individual national efforts a bit more co-ordinated—to use that phrase?

Dr Luigi Scazzieri: On the training per se, I do not have an answer, but I know that it is part of the broader challenge that Ukraine faces in absorbing so many different types of western kit. That poses a huge challenge not only in operational training and how to use it but in the logistics chains that are needed to maintain that sort of equipment. One of the major considerations in decision-makers' minds has been how to harmonise that and make sure that Ukraine has on its own territory the capacity to repair some of that kit. As a side effort, this is where many of NATO's own initiatives to harmonise defence equipment come into play. Even something as simple as 155-millimetre ammunition, which many people think is the same across the alliance, has a lot of variance, so that is a challenge.

Q60 Baroness Scott of Needham Market: We have touched on this once or twice, but I want to focus on the various EU initiatives to increase weapons production in the member states. How effective do you think those are likely to be, and over what timescale? Is there likely to be any role for the UK?

Professor Richard G Whitman: The timescale point is the key issue. The EU has dipped its toe in the water here since 2017. It has a specific focus, which is primarily on research and development activity; we are not talking about building at scale. We have had this parallel activity under PESCO, which is probably the place where we could best look for an evidence base. The PESCO initiative, which means more intergovernmental co-ordination, was very slow to get going; I think only two of the 62 PESCO projects have actually been delivered to date. I rest that there when it comes to the difficulty of co-ordination even in an area where member states have voted to join, although some of those projects are intended to be for the long term, so I might be being unfair.

The broader question for the UK is whether the EU wants the UK to engage. In the way the European Defence Fund in particular has been configured, it is very hostile to third-country participation. Article 5 of the EDF regulation, which talks about the participating associated countries, only really allows for Norway. It is very difficult for third-country legal entities to be involved, for reasons that we could talk about.

Particularly with the Commission now looking at the future of defence industrial strategy, an important issue, both for the UK when it comes to changing the terms of the debate and for the EU to think about, is how we might organise a defence industrial strategy that is beneficial to the broader ambition of European strategic autonomy. Quite a lot could be done. I understand where some member states are coming from, but, important as Norway is, having a structure that allows Norway to participate but not other European states is probably not the right set-up.

Professor Alexander Mattelaer: The European Union's joint procurement Act, EDIRPA, was voted into law on 12 September this year—so less than two months ago—so it is far too early to evaluate the effectiveness of the latest initiatives. The only thing we can observe at this point is the broad political support that they generate in the present security environment. To zoom in on the EDIRPA vote in the EP, there were no fewer than 530 votes in favour versus 66 votes against. We do not often get votes with such a stark outcome.

However, to zoom out and take a slightly longer time horizon into account, the dramatic increase in research technology and research and development budgets, both at the EU level through the EDF and at the national level—because PESCO commits participating states in most cases to dramatically increasing their RT&D expenditure—that is the biggest shift that we have seen. However, that stretches long-term into the future, so it is only early days.

As for whether the UK should seek to engage with such initiatives, that is ultimately a sovereign UK decision. However, we know that the European defence industrial landscape has entered a period of major change as a result of two factors: first, the ongoing skyrocketing demand in terms of defence procurement; and, secondly, the emergence of major financial incentives to pursue European industrial collaboration through the EDF.

There is quite a bit of tension between the urgency of today's capability gaps and the long-term desire to strengthen the European defence, technological and industrial base. I tend to expect that the long-term evolution of procurement policies will prove to be the most decisive factor in determining the future of the defence industrial base. Overall, I think that UK engagement in those discussions would be welcomed by many EU member states, but I am sure that some of them will also pay close attention to the fine print.

Dr Luigi Scazzieri: I think it is far too early to say for many of these initiatives. What I would say is that the EU now has in place an ecosystem for defence research development and procurement. The procurement side is admittedly still very underdeveloped and rather small, so many of the tools that we have mentioned, such as ASAP and EDIRPA, add up to only €800 million and have been cut down in size quite significantly. They did not succeed in what was perhaps their initial function of ramping up production very quickly, but they are in place and established precedents that will be followed.

The European Defence Fund is much more significant. It is sizable, because it adds €8 billion over a seven-year period, about 10%, on top of member states' research and development budgets. There is a big incentive for firms to participate in collaborative research projects, because ultimately it is free money for them to secure, and I think that over time it will have its intended structuring effect on the European defence industry. Once a group of firms have got together in the framework of an EDF project to develop a certain technology, it makes sense for them to continue working together and procuring together.

That brings me to the implications for the UK. If these tools were to gain further momentum, there would be two clear risks; one commercial risk for UK firms, which might find themselves with less business in Europe; and one risk for the UK as a state, which might find itself increasingly cut out of European defence collaboration. It is true that the UK is turning increasingly to other partners such as Australia, Japan and the US. However, co-operation with European countries remains very important, partly because it takes place among equals—unlike, say, co-operation with the US—so it is much easier to go about things like technology sharing.

Involvement is very complex due to the current set-up of the rules, especially as far as they concern export restrictions that a third country can impose and the ability of that third country to extract intellectual property, but there may be scope to change them.

The Chair: Very good. Thank you.

- Q61 **Lord Lamont of Lerwick:** My question follows on very directly from what Professor Whitman was saying, and indeed in a sense he has answered it. The UK Government have expressed concerns that third-country participation terms for the trade policy are too restrictive—that is, they are protectionist and do not reflect the reality of defence co-operation in a world that goes wider than the EU. You have already commented on this issue, and I think you answered with a loud yes, but perhaps you could tell us what else there is to add.

Professor Richard G Whitman: It is a soft yes. I think they are too restrictive as currently configured, if the intention is to build out rather than build in.

The only participant within the EDF from outside will be Norway, as the rules currently stand, because it is the only European Economic Area state with a defence industry and is therefore the only real possible participant. Norway will also have to pay for that privilege; the budget contribution for Norway is the standard one for participating in EU programmes by an EEA state, which is 2.5% or about €30 million for Norway. Any third country participating will have to put into the pot before it can take out of it.

The issue is also about making the most of an industry that is diffused across Europe. These restrictions, such as participants having to have their executive management structure in the EU, and not being subject to control by a non-associated third country or a non-associated third country entity, would have to change if we are to see the UK participate, as well as the issues that have already been mentioned about intellectual property transfer rights, which are not possible outside the EU as the arrangements currently stand. They are configured in such a way that, as unless changed, they would make it very difficult for the UK to participate, not least if the UK is not in the European Economic Area, which seems of low political probability at the moment.

Q62 Lord Lamont of Lerwick: Professor Mattelaer, you have talked about the financial incentive to participate in these programmes. Is there not a possibility that people might take the cash that is available but at the same time offset it by reductions in their national expenditure?

Professor Alexander Mattelaer: First, I second what Richard said; the terms for third-country participation are fairly restrictive at present. However, derogations from the general rule are possible on a case-by-case basis if certain conditions are met, pertaining to security of supply, security of information and the protection of intellectual property rights. Such derogations can be assessed by the Commission and need to be approved by member states, but, at least theoretically, it is possible to make exceptions to the rules that Richard has described. One can say that this is fairly restrictive and reeks of protectionism, but ultimately that is the political reality that emerged from the legislative process that gave birth to the European Defence Fund.

However, we should bear in mind that the EDF exists alongside national RT&D budgets whose rules are governed by purely national preferences, and these national budgets are also increasing; they are not decreasing because of the EDF. As far as R&D initiatives are concerned, the EDF requires national co-financing by the member states, so member states are also increasing their own instruments for doing so. If we zoom in on the German case, for example, for the budget year 2022 the German defence RT&D budget alone accounted for close to €2.3 billion, which is more than double the size of the entire EDF annual budget for that year.

So other mechanisms are available for the UK and EU member states to team up in a bilateral or minilateral format. The recently announced air defence deal between MBDA UK and Poland is a good example. It is not as though all doors are closed; one just needs to pursue the opportunities that exist.

The Chair: To conclude our discussion quickly, I wonder whether Lord Liddle might put his question about the European Defence Agency now so Dr Scazzieri can answer the two, because in a way it follows on from Lord Lamont's question about financing.

Q63 Lord Liddle: I think Professor Whitman has written with colleagues that it would be possible for Britain to have an administrative arrangement with the EDA along the lines that the US has, but at present the Government do not seem to be looking at that. Could you expand a bit on that remark? What are the costs and opportunities of seeking such an arrangement?

Professor Richard G Whitman: To be honest, I do not think there are any costs. Signing such an agreement would not bind or compel any third country to join any agency undertakings except by mutual agreement. It is an important signalling device. The fact that Norway, Ukraine and the US Department of Defense have signed an administrative arrangement means that it should hold no fear for the UK, particularly if Serbia and Switzerland can also sign.

The issue for me is more involvement in PESCO projects. The one PESCO project that the UK has been involved with has been done on the basis that you do not have to have an administrative arrangement, but if you did want to be involved in other PESCO projects, I think you would need to have that agreement in place. However, I think it would be relatively unproblematic.

Lord Liddle: It opens the door but does not require you to walk through it, basically.

Professor Richard G Whitman: Yes.

Dr Luigi Scazzieri: On the EU rules regarding third-country participation in defence tools, it is perhaps worth clarifying where they come from. First, there is the notion that EU money should benefit EU industry.

Secondly, it is worth bearing in mind that the whole treaty basis for these tools is industrial policy, so in a sense they are slightly torn between the more intuitive aim of fostering the development of European capabilities and the actual treaty aim of fostering a stronger European defence, technological and industrial base.

Thirdly, they are based on the concept of reciprocity with the US, and this is a real challenge faced by the UK: if the EU were to give the UK better access, it would open itself to the US asking for better access as well. That is why it will be a very challenging discussion. In order to unlock a particularly meaningful degree of access for its firms, the UK will eventually probably have to look at making a financial contribution, because that would differentiate it from the US.

On participation, I will make a quick clarification. We are talking about several different concepts. There can be participation in EU defence projects without benefiting financially—that is easier to achieve and perhaps something that the UK can aim for in the first instance—and, on the other hand, participation as a full member, including financially benefitting from these tools.

On the EDA, I very much agree with Richard. Perhaps the EDA in some ways has, until recently, disappointed in not fulfilling its original function as an EU procurement agency, but there have been changes over the past two years. I note that the EDA has been involved in the joint procurement of ammunition, for example, through the European Peace Facility. Norway can also be involved in that as a result of its administrative arrangement with the EDA—there is an agreement through which it is a participant in the project. These are in a sense lower-hanging fruits for the UK but still, in my view, very much worth pursuing.

Q64 **Baroness Ludford:** I want to raise the communiqué issued following the NATO summit in July, which stated: “For the strategic partnership between NATO and the EU, non-EU Allies’ fullest involvement in EU defence efforts is essential”. It looked forward to “mutual steps, representing tangible progress, in this area to support a strengthened

strategic partnership". As a non-EU member of NATO, what steps, if any, should the UK take to give effect to the intent of that communiqué?

Dr Luigi Scazzieri: In a sense, that language is aspirational. On the EU side, the discussion on the current instruments has been settled rather painfully and after a lot of negotiation between member states, with some positive results, as far as the involvement of third countries can go compared to the original proposals. The EU would probably say that it has done what it can and that the next steps are on the UK.

The first step would be signalling interest in participating in these tools, or in being more closely associated with them, which the Government have not done, at least at the highest political level. We still have no structural relationship in defence and security matters between the UK and the EU, so the first step would be that political signal, with the conclusion of some kind of formal agreements on foreign policy dialogue. These do not need to be treaty-based; there could also be a political declaration or something of that sort, or an administrative arrangement with the EDA, as has been mentioned, or perhaps involvement in additional PESCO projects, which, by the way, may also be helpful in clarifying some of the grey areas around the rules that Alexander mentioned, because there are potential exemptions.

The UK always has to look at these exemptions sceptically until the EU clarifies how it would implement them, so there is a case for engaging more deeply in PESCO. All these things together would probably help to change the conversation a little—in particular, going to the distinction I made before about the potential participation of UK entities in EU defence, without necessarily benefiting financially by getting EU funds.

Professor Alexander Mattelaer: On what steps can be undertaken, first, there is the Administrative Arrangement with the EDA. Secondly, there is the possibility of applying for derogations in EDF-funded consortia. Thirdly, there is the possibility of making greater use of the wide range of bilateral agreements negotiated in recent years between the UK Government and various European Union member states.

Just to add my two cents to Lord Liddle's question about administrative arrangements, one already exists with the US Department of Defense. That clearly illustrates what it does enable: consultation on important issues such as defence standardisation and supply chain management. Through such an arrangement, the UK would be more in the loop on EU defence-related issues, while EU member states that are keen to collaborate with the UK would be able to channel those conversations into that forum. There would be a modest bureaucratic transaction cost, in the sense that it requires a bit of staff capacity.

However, an Administrative Arrangement with the EDA is not a panacea, in the sense that the defence R&D agenda and the R&D efforts that are now under way are mostly driven by the European Commission operating in close consultation with the member states in the EDF Programme

Committee. There is no way to engage with that except indirectly through the bilateral framework.

Professor Richard G Whitman: I will take a slightly different direction so as not to duplicate. This is an interesting area of opportunity for the UK, because the EU-NATO relationship is not all sweetness and light. In particular, the North Atlantic Council and the Political and Security Committee have not been able to meet for some time, for example because of difficulties between some members of NATO and members of the EU re Cyprus. This is a space in which the UK is a bit of an honest broker; it has an interest in them both working together rather better than they are able to—better than their declared ambition. It is a place in which the UK could and should make a useful contribution, frankly.

That would also go some way towards addressing the UK concern, which is broadly to make sure that whatever goes on in the EU and NATO on capabilities development and defence industrial initiatives do not see duplication—there is the potential danger of that—and do not see discrimination towards non-EU members of NATO. That is the space that the UK occupies, and it should also see that as an opportunity.

The Chair: We are perfectly on time, so thank you very much to all three of our witnesses for this fascinating session. I have to say that, from my own experience, for the last 25 years NATO-EU co-operation has stumbled over the issue of Cyprus, so there is nothing new there, but let us hope that can make progress. Many thanks go to all three: to Professor Mattelaer for joining us from Brussels, and to our two witnesses here.