



HOUSE OF LORDS

European Union Committee

---

---

1st Report of Session 2006–07

**Current  
Developments in  
European Defence  
Policy**

Report with Evidence

---

Ordered to be printed 19 December 2006 and published 12 January 2007

---

Published by the Authority of the House of Lords

*London* : The Stationery Office Limited  
£price

HL Paper 17

### *The European Union Committee*

The European Union Committee is appointed by the House of Lords “to consider European Union documents and other matters relating to the European Union”. The Committee has seven Sub-Committees which are:

Economic and Financial Affairs, and International Trade (Sub-Committee A)  
Internal Market (Sub-Committee B)  
Foreign Affairs, Defence and Development Policy (Sub-Committee C)  
Environment and Agriculture (Sub-Committee D)  
Law and Institutions (Sub-Committee E)  
Home Affairs (Sub-Committee F)  
Social and Consumer Affairs (Sub-Committee G)

### *Our Membership*

The Members of the European Union Committee are:

Lord Blackwell	Lord MacLennan of Rogart
Lord Bowness	Lord Marlesford
Lord Brown of Eaton-under-Heywood	Lord Powell of Bayswater
Baroness Cohen of Pimlico	Lord Roper
Lord Freeman	Lord Sewel
Lord Geddes	Baroness Symons of Vernham Dean
Lord Grenfell (Chairman)	Baroness Thomas of Walliswood
Lord Harrison	Lord Tomlinson
Lord Kerr of Kinlochard	Lord Wright of Richmond

The Members of the Sub-Committee which carried out this inquiry (Foreign Affairs, Defence and Development Policy, Sub-Committee C) are:

Lord Anderson of Swansea  
Lord Boyce  
Lord Chidgey  
Lord Crickhowell  
Lord Hamilton of Epsom  
Lord Hannay of Chiswick  
Lord Lea of Crondall  
Lord Roper (Chairman)  
Lord Swinfen  
Baroness Symons of Vernham Dean  
Lord Tomlinson

### *Information about the Committee*

The reports and evidence of the Committee are published by and available from The Stationery Office. For information freely available on the web, our homepage is:  
[http://www.parliament.uk/parliamentary\\_committees/lords\\_eu\\_select\\_committee.cfm](http://www.parliament.uk/parliamentary_committees/lords_eu_select_committee.cfm)  
There you will find many of our publications, along with press notices, details of membership and forthcoming meetings, and other information about the ongoing work of the Committee and its Sub-Committees, each of which has its own homepage.

### *General Information*

General information about the House of Lords and its Committees, including guidance to witnesses, details of current inquiries and forthcoming meetings is on the internet at  
[http://www.parliament.uk/about\\_lords/about\\_lords.cfm](http://www.parliament.uk/about_lords/about_lords.cfm)

### *Contacts for the European Union Committee*

Contact details for individual Sub-Committees are given on the website.  
General correspondence should be addressed to the Clerk of the European Union Committee, Committee Office, House of Lords, London, SW1A 0PW  
The telephone number for general enquiries is 020 7219 5791.  
The Committee’s email address is [euclords@parliament.uk](mailto:euclords@parliament.uk)

## CONTENTS

---

	<i>Paragraph</i>	<i>Page</i>
<b>Report</b>	1	5
<b>Appendix 1: Sub-Committee C (Foreign Affairs, Defence and Development Policy)</b>		6
<b>Appendix 2: Reports</b>		7

### **Oral Evidence**

<i>Dr Sarah Beaver, Director General International Security Policy; Mr Andrew Mathewson, Director for Policy on International Organisations; Mr Robert Regan, International Relations Group Leader, Defence Procurement Agency; and Mr Ian Hall, Head of Research Collaboration, Ministry of Defence</i>		
Oral evidence, 30 November 2006		1

NOTE: References in the text of the report are as follows:

(Q) refers to a question in oral evidence

(p) refers to a page of written evidence



# Current Developments in European Defence Policy

## REPORT

---

1. In this Report we make available, for the Information of the House, the oral evidence given to Sub-Committee C (Foreign Affairs, Defence and Development Policy) by Dr Sarah Beaver<sup>1</sup>, Mr Andrew Mathewson<sup>2</sup>, Mr Robert Regan<sup>3</sup> and Mr Ian Hall<sup>4</sup>, Ministry of Defence, on 30 November 2006. We thank them for their time.
2. Key topics in the evidence are:
  - Ministerial attendance at the Sub-Committee's evidence sessions (Q 1)
  - Development of capability and progress towards the Headline Goal 2010, including the readiness, deployment and tasking of battlegroups. (QQ 3–33)
  - The budget of the European Defence Agency (EDA) and the three year financial framework. (QQ 34–36, 38–39, 44–49)
  - The role and usefulness of the EDA (QQ 37, 42–43)
  - The EDA's Work Programme for 2007 (Q 50)
  - The EDA's arrangements with Norway and Turkey and cooperation between the EU and NATO (QQ 51–52)
  - The EDA's Code of Conduct, including the Electronic Bulletin Board (QQ 53–62).
  - The EDA's Long-term Vision (QQ 63–71)
  - The proposed European Defence Technical Industrial Base Strategy and the future of Research and Technology cooperation. (QQ 72–90)

---

<sup>1</sup> Director General International Security Policy.

<sup>2</sup> Director for Policy on International Organisations.

<sup>3</sup> International Relations Group Leader, Defence Procurement Agency.

<sup>4</sup> Head of Research Collaboration.

## **APPENDIX 1: SUB-COMMITTEE C (FOREIGN AFFAIRS, DEFENCE AND DEVELOPMENT POLICY)**

---

The members of the Sub-Committee which conducted this inquiry were:

Lord Anderson of Swansea  
Lord Boyce  
Lord Chidgey  
Lord Crickhowell  
Lord Hamilton of Epsom  
Lord Hannay of Chiswick  
Lord Lea of Crondall  
Lord Roper (Chairman)  
Lord Swinfen  
Baroness Symons of Vernham Dean  
Lord Tomlinson

### **Declarations of Interest**

A full list of Members' interests can be found in the Register of Lords Interests:  
<http://www.publications.parliament.uk/pa/ld/ldreg.htm>

## APPENDIX 2: REPORTS

---

### Recent Reports from the Select Committee

EU Legislation—Public Awareness of the Scrutiny Role of the House of Lords (32nd Report session 2005–06, HL Paper 179)

The Brussels European council and the Priorities of the Finnish Presidency (44th Report session 2005–06, HL Paper 229)

Annual Report 2006 (46th Report session 2005–06, HL Paper 261)

### Session 2005–2006 Reports prepared by Sub-Committee C

The European Union's Role At the Millennium Review Summit (11th Report session 2005–2006, HL Paper 35)

Review of Scrutiny: Common Foreign and Security Policy (19th Report session 2005–2006, HL Paper 100)

Current Developments in European Foreign Policy (26th Report session 2005–06, HL Paper 124)

Current Developments in European Defence Policy (27th Report session 2005–06, HL Paper 125)

Seventh Framework Programme for Research (33rd Report session 2005–2006, HL Paper 182) (prepared jointly with Sub-Committee B)

The EU and Africa: Towards a Strategic Partnership (34th Report session 2005–06, HL Paper 206)

Current Developments in European Defence Policy (35th Report session 2005–06, HL Paper 209)

Current Developments in European Foreign Policy (43rd Report session 2005–06, HL Paper 228)

Europe in the World (48th Report session 2005–06, HL Paper 268)

The EU and Africa: Follow-up Report (49th Report session 2005–06, HL Paper 269)

### Session 2004–2005 Reports prepared by Sub-Committee C

Current Developments in European Foreign Policy (2nd Report session 2004–05, HL Paper 44)

European Defence Agency (9th Report session 2004–05, HL Paper 76)

Preventing Proliferation of Weapons of Mass Destruction: The EU Contribution (13th Report session 2004–2005, HL Paper 96)

# Minutes of Evidence

TAKEN BEFORE THE EUROPEAN UNION COMMITTEE (SUB-COMMITTEE C)

THURSDAY 30 NOVEMBER 2006

---

Present	Anderson of Swansea, L	Lea of Crondall, L
	Boyce, L	Roper, L
	Chidgey, L	(Chairman)
	Hamilton of Epsom, L	Swinfen, L
	Hannay of Chiswick, L	Tomlinson, L

---

## Examination of Witnesses

Witnesses: DR SARAH BEAVER, Director General International Security Policy, MR ANDREW MATHEWSON, Director for Policy on International Organisations, MR ROBERT REGAN, International Relations Group Leader, Defence Procurement Agency, and MR IAN HALL, Head of Research Collaboration, Ministry of Defence, examined.

---

**Q1 Chairman:** Dr Beaver, can I welcome you and your colleagues to the Sub-Committee this morning. As you know, I am a new chairman of Sub-Committee C and we have several other new members of the Sub-Committee who you will not have met on your previous visits—Lord Chidgey, Lord Anderson, Lord Hamilton and Lord Swinfen—who have come onto the Sub-Committee in the new session of Parliament. We are very pleased to see you and your colleagues. In a moment perhaps you could introduce Mr Hall whom I do not think we were expecting to see. There is a great deal of material both from the EDA Steering Board discussions on 13 November and the meeting of the General Affairs and External Relations Council and we have therefore really quite a range of questions to ask you which we have already sent to you. I have been reading the earlier exchanges which the Committee has had on meetings such as this and, as you know, the Committee has in the past raised the issue as to whether or not it would be appropriate after a meeting of this sort if a minister could come and speak to us. I understand it was not possible on this occasion but the Committee does hope, for instance, if we were to undertake a fuller inquiry into the ESDP it would be possible on that occasion for a minister to come and give evidence to us. Dr Beaver, would you like to introduce Mr Hall and if you have any opening remarks would you like to make them?

*Dr Beaver:* Thank you. Mr Hall is here to support us on the research and technology side. He works for the Director General Research and Technology in the Ministry and he is Head of Research Collaboration within that department.

**Q2 Chairman:** Thank you. Have you any opening remarks you would like to make or would you like us to move straight to our questions?

*Dr Beaver:* I think not, thank you.

**Chairman:** In that case, can I ask Lord Boyce if he would like to start the questioning?

**Q3 Lord Boyce:** I would like to start off by focussing on the front end output of developments in European Defence Policy and ask a number of questions surrounding capability of development. It will probably be easier if I bundle up a number of questions because you may find it easier to address them as a collective rather than individual. How much progress have you made towards the Headline Goal 2010? Are we satisfied that we are going to be able to deploy two battlegroups at short notice from 1 January next year? Riding off that, I would be interested to know how you think they are going to do it. Also I would be interested in your comments on observing how some countries who are members of NATO, and who are also members of the EU, are reluctant to allow their forces to go into danger in Afghanistan; whether you think this might present a problem in the deployability of battlegroups from that particular point of view once 1 January comes along. Once we are moving towards an operational scenario what are the sort of major shortfalls in military capabilities that you can identify at the moment? What are we doing in our own Government and also across the EU to address those sorts of shortfalls? Tied into that and part of the clearing up operations if you like, what are the civilian capabilities that are being developed as well to support the post-conflict stage, if there is a conflict stage, or post-initial operation stage?

*Dr Beaver:* There are quite a number of questions tied up in that together. I think by way of background on the Headline Goal 2010 it is important to understand that this is very much a process and we have not yet got the final outcome of

30 November 2006 Dr Sarah Beaver, Mr Andrew Mathewson, Mr Robert Regan and  
Mr Ian Hall

the process. It is different from the original Helsinki Headline Goal process because we were very concerned to make sure that it addressed the qualitative as well as just the quantitative issues; we wanted to have more confidence that the capabilities offered in response really were substantive and effective capabilities. This is also the first time that the Headline Goal would have been underpinned by proper analysis of military scenarios and operational analysis, the kind of thing that we do within the UK. Through that process we developed a requirements catalogue and countries were then invited to bid their offers against that catalogue. The product at that stage was what was noted by the ministers at their meeting. What still has to be done is the matching of the force catalogue against the requirement catalogue to identify where there are excesses and shortfalls in the capabilities offered. We do not yet have that work done although perhaps you and I might be able to anticipate some of the areas where the shortfalls would arise and strategic lift, for example, I think is an area where there has been some useful progress but we would anticipate that there might still be some shortfalls. You asked about deployment and our confidence in the deployment of two battlegroups. We certainly have made progress in the sense that we have confidence that we have a roster identifying which battlegroups are on a call for six month periods. The roster is complete for 2007 and 2008; there are gaps in the first half of 2009 and the second half of 2010 and we are working to address that. Do we think that the battlegroups are all going to be fully effective as we would wish them to be? I think that is an area where in some cases there is probably further work required. As countries come up to be on the roster they are addressing those difficulties. That will involve a range of challenges from the political process, being able to make decisions speedily enough that the country can deploy in the short time frames necessary, but also the very really practical challenges of delivering that military capability and deploying that capability speedily. Certainly we do know that some countries have taken this very seriously indeed. Indeed, the whole process of the battlegroup initiative has been an important driver for change and transformation within many countries and they speak openly about this. I think it is actually a very important driver for improving European capability. You asked about the question about whether some might be reluctant to face the danger in the scenario we have seen in Afghanistan. I think this is an open question; some countries have not been used to operating in high level risk environments but I think you have seen countries recognising, with the progressive lifting of caveats, that if the situation requires it they will have to face

increased risk and they need to be equipped and prepared to do that. I think probably the experience of Afghanistan at the moment is drawing some nations' attention to the need to improve their capabilities to operate in a more challenging environment. On the specific shortfalls, I mentioned strategic airlift. There have been some useful developments on that in terms of the Strategic Airlift Interim Solution which we signed up to last year along with 16 other nations which gives access to commercial strategic airlift, particularly Antonov<sup>1</sup>. We have launched or own initiative to encourage all Member States and allies to identify the strategic lift requirement that they would have to deliver and fulfil their deployment commitments both in a NATO and EU context. I think that has encouraged nations to confront the challenge that strategic lift presents. You will probably be aware of the recently announced NATO strategic air lift capability initiative which has included 15 NATO member countries and also Sweden to acquire and jointly operate a C17 aircraft. So progress is being made in that area. As I said, we still do not have the outcome of the analysis that the EU military staff will be doing against the current force catalogue but we do anticipate that there will be shortfalls probably in areas such as air to air refuelling and a number of other capabilities.

**Q4 Lord Boyce:** It would be helpful if you could give us some idea about when that analysis will be completed, requirement versus reality? Will it be this year, next year?

*Dr Beaver:* Within the next few months. Some time next year.

*Mr Mathewson:* Could I just come in there? Late 2007, more likely early 2008.

**Q5 Lord Boyce:** That is quite a long time to wait to realise what our problems are. On this point I am less sanguine than you are and of course it does have a particular problem. When you have quite a tight rotation cycle if one battlegroup decides they do not like the look of it, because it is a bit dangerous, that presents quite a problem: a knock-on effect on the whole rotation cycle. Could you say whether or not the battlegroups have been properly evaluated and audited in terms of their fightability, if you like, their fighting effectiveness? Has there been a process of training followed by an examination of their fitness to fight?

*Dr Beaver:* No, there has not been. It is very much operating on the basis of self-audit and evaluation. These are battlegroups; you work up as you do with a NATO response force to the period when you are on the roster. I think all individual nations are

<sup>1</sup> Antonov AN-124-100 transport aircraft.

30 November 2006 Dr Sarah Beaver, Mr Andrew Mathewson, Mr Robert Regan and  
Mr Ian Hall

looking out to the future to see how they will shape up in time but it is on the basis of self-evaluation.

**Q6 Lord Boyce:** This is different in the NRF I believe and that of course does not fill one with confidence because people will pass themselves out to their own satisfaction as opposed to some common standard. Is that a concern to the MoD?

*Dr Beaver:* I think it is an issue of some concern but I think in all of this there is this balance between the extent to which nations, including our own, would be prepared to accept critical scrutiny.

**Q7 Lord Boyce:** It happens in the NRF, in the NATO direction.

*Dr Beaver:* I think we find the cultural environment is different in the EU context.

**Q8 Lord Tomlinson:** When we come round to this I always think “Silly old me!” because I think of Headline Goals as somehow being a target but Dr Beaver has once again said that it is a process. Can I ask if you still have that same sort of definition that we had last time when we looked at this when, in evidence the Ministry of Defence—not you personally—said, “The Headline Goal process is designed to identify the shortfalls and therefore identify where we need to do more, so it is not a failing of the system if the answer shows there are still shortfalls.” We are still in a situation of saying that the Headline Goal process is wonderful because it shows that there are still shortfalls that we are not going to reach.

*Dr Beaver:* I understand the point you are making.

**Q9 Lord Tomlinson:** I am only quoting back what I was told last time; I am a mere peasant in these things. I follow the advice of experts and I am trying to deduce something from the evidence of experts.

*Dr Beaver:* I think the important point to realise is that we were keen to go through this process in order to identify where there are shortfalls and this provides a context in which we hope Member States will recognise that they need to take action to improve their capabilities if Europe is to be able to fulfil its ambition to undertake the Petersberg Tasks.

**Q10 Lord Tomlinson:** So we are still not going to reach it by 2010 but is there any way of identifying progress, the degree to which there is a shortfall? Is there less of a shortfall or more of a shortfall? If there is more of a shortfall does that identify greater need and therefore shows the success of the system or, as we close the gap, does that show the success of the system?

*Dr Beaver:* This work is going to be undertaken over the next few months. I did look back last night and check the progress reports that were prepared against the original Helsinki Headline Goal where we set up a number of project groups to consider shortfalls. Although I noticed that the evaluation shows that in many cases no dramatic progress has been made and we will have to think in terms of long periods of time for the improvement in equipment capability, there were some (such as the development of an operational headquarters) where a lot of progress has been made. We expect further progress to be made over time; I would not expect us to go backwards, but I think you do have to be patient about the timescales for delivery of results.

**Q11 Lord Hamilton of Epsom:** When it comes to deploying a battlegroup who makes that decision? If that decision is made, is there a national veto that can be exercised by individual components of that battlegroup?

*Dr Beaver:* The position on this is that the decision to launch an ESDP mission would be taken by unanimity in the European Council. However, that does not bind the nations contributing the battlegroups to actually contribute those forces in those circumstances because we have always felt very strongly that that is a sovereign decision for Member States. You may have countries with their nations on the battlegroup roster but they indeed decide that they do not wish to support a particular operation. In practice, of course, there is a lot of discussion going on in Brussels at the time and as the EU is deciding whether or not it is going to launch an operation you will have had a sense of whether or not nations are willing to commit their forces to that operation.

**Q12 Lord Hamilton of Epsom:** Therefore it follows from that, I think you might agree, that it is almost inconceivable that this battlegroup will be deployed in Helmand Province in Afghanistan.

*Dr Beaver:* If Helmand Province was at a further stage and it was not—

**Q13 Lord Hamilton of Epsom:** No, we can only talk about Helmand Province as it is today.

*Dr Beaver:* I think that would be at the outer range probably.

**Q14 Lord Hamilton of Epsom:** Almost inconceivable.

*Dr Beaver:* Yes, because it is beyond the range of the Petersberg Tasks which goes to separation of parties by force but they do not talk about dealing with an insurgency.

30 November 2006 Dr Sarah Beaver, Mr Andrew Mathewson, Mr Robert Regan and  
Mr Ian Hall

**Q15 Lord Hamilton of Epsom:** What do they talk about?

*Dr Beaver:* Basically peacekeeping, humanitarian and rescue tasks. This is not war fighting.

**Q16 Lord Hamilton of Epsom:** I see, so they might go to Darfur.

*Dr Beaver:* They might.

**Q17 Lord Hamilton of Epsom:** You mentioned the problem with the battlegroup, the lack of capability, which obviously does apply to some nations who have not had much experience, but that does not extend to the French who have had a lot of experience of fighting wars in Africa and all sorts of places.

*Dr Beaver:* They certainly have a lot of experience. That is actually one point I should have made about the battlegroups, that in most of the battlegroups there are large nations such as Germany, France, Italy or ourselves providing significant contributions and these countries all have experience of operating in difficult environments.

**Q18 Chairman:** On the question of the Petersberg Tasks, you mentioned two of the Tasks. I do not have the third one in front of me, but I thought it was something about the use of combat forces in conflict management.

*Dr Beaver:* The definition that we normally use is: humanitarian and rescue tasks, peacekeeping tasks and tasks of combat forces in crisis management, including peace making but they do not include full war fighting.

**Q19 Lord Hannay of Chiswick:** Moving from the theoretical to the practical, have any plans been drawn up or is any consideration being given currently to any battlegroup deployments anywhere in the world?

*Dr Beaver:* At present Europe is not contemplating deployment of a battlegroup.

**Q20 Lord Hannay of Chiswick:** So there is no consideration being given to the Darfur context?

*Dr Beaver:* No, we are working on a UN mission. The EU is engaged in providing support to the African Union Force there but we are not considering a battlegroup deployment.

**Q21 Lord Swinfen:** Dr Beaver, if I heard you correctly you said that the decision to deploy a Battlegroup would be by unanimity, but you also indicated that each individual nation would decide whether or not to use their troops in that deployment. That does not strike me as being compatible that a nation can decide with unanimity

to deploy to Battlegroup but still withdraw their troops from the battlegroup and not allow them to go. The two just do not seem to hang together.

*Dr Beaver:* I think I understand your point, but it is also very important that decisions to deploy your national troops and put them in harm's way have to be a decision for an individual nation. You find this in the context of NATO where you have NATO taking decisions at unanimity but then it is up to individual allies to decide where and whether they will deploy their troops. It is exactly the same principle. There is a certain sense of once you have taken a decision at unanimity there is a moral obligation to back up that decision by the deployment of forces.

**Q22 Lord Swinfen:** I understand to some degree what you are saying but if you, as a nation, are not prepared to deploy your troops on that particular task, why therefore would you take the vote in favour of it at EU level?

*Dr Beaver:* I think you might do so in the hope that other countries would deploy their forces.

**Q23 Lord Swinfen:** Does that not strike you as being rather dishonest?

*Dr Beaver:* We, for example, did not oppose—the deployment of troops to the DRC to support the election. We provided designated reinforcement personnel to go to the operational headquarters at Potsdam but we made it clear from the outset that while we supported the DRC mission we would not be able from the UK to deploy forces on the ground.<sup>2</sup>

**Q24 Chairman:** I think we may want to come back to this at a later stage because the concept of the battlegroup is rather different from the concept of force generation for activities such as the DRC which was prior to the existence of battlegroups. I think some of us may have assumed that the creation of battlegroups was to have forces rather more rapidly available for deployment rather than having to generate a force almost ad hoc for any particular ESDP operation. I think we should come back to that on another occasion unless you feel there is something that can be said to clarify it now.

*Dr Beaver:* All I would say is that battlegroups have been up and running for a little while. It is from the beginning of next year we will have two battlegroups available.

<sup>2</sup> The UK provided one officer for the EU Force HQ in Kinshasa throughout the Operation, and a second UK officer, serving with the European Air Group, provided assistance with planning and logistics during the first month.

30 November 2006 Dr Sarah Beaver, Mr Andrew Mathewson, Mr Robert Regan and  
Mr Ian Hall

**Q25 Lord Anderson of Swansea:** You have spoken about aspirations, Dr Beaver, you have spoken about identification of shortfalls, so what is the precise significance of 1 January of next year?

*Dr Beaver:* That is the date when we hope formally to achieve full operational capability for two battlegroups.

**Q26 Lord Anderson of Swansea:** In respect of the relationship with NATO for example, are there any protocols which have been negotiated with NATO in respect of these?

*Dr Beaver:* It has been a factor for all contributing nations that we have needed to plan our contributions to the battlegroups roster in a way that is compatible with our capacity to fulfil our commitments to the NATO response force and, of course, our contributions to other on-going operations.

**Q27 Lord Anderson of Swansea:** Are there any documents which are available on that or are these principles?

*Dr Beaver:* I think the NATO concept on the NATO response force is classified but I will check for you. There may be some papers on the battlegroups concept; I will look into it.

**Q28 Lord Anderson of Swansea:** What about the battlegroups being used as an instrument following a resolution of the UN Security Council? Are there any principles agreed in respect of that?

*Dr Beaver:* It is set out in the concept for the battlegroups that they are envisaged being used under UN mandate.

**Q29 Lord Anderson of Swansea:** Apart from that, there is no working document.

*Dr Beaver:* There is no formal agreement with the UN, I think I am right in saying, but the UN has recognised the contribution that these battlegroups might make.

**Q30 Lord Hannay of Chiswick:** Presumably it would depend very, very much on whether the UN's role was an authorising role only for the deployment of an EU battlegroup which would be autonomously EU, or whether the EU battlegroup was being deployed as part of a UN peacekeeping operation. You would completely different degrees of integration and cooperation in those two circumstances, the Congo one being of course the latter, I think.

*Dr Beaver:* It had been a mission under the political direction of the EU.

**Q31 Lord Hannay of Chiswick:** It was integrated in what the UN was trying to do in the Congo presumably.

*Dr Beaver:* They clearly had to work very closely alongside.

**Q32 Lord Anderson of Swansea:** Are there any specific proposals in respect of deployment in Bosnia?

*Dr Beaver:* The current deployment in Bosnia of EUFOR. We are expecting a decision on the draw down arrangements for that operation in December.

**Q33 Lord Anderson of Swansea:** Is there any suggestion that following that December decision the battlegroups will be very much in the frame as a reserve?

*Dr Beaver:* No. We are not considering the use of the battlegroups as a reserve force.

**Q34 Lord Tomlinson:** I would like to turn to a budgetary question about the European Defence Agency. Why is it that the Secretary of State in the explanatory memorandum confidently predicts that a 2008/2010 financial framework will be agreed by the end of 2007, particularly in the light of the nature of the budgetary dispute? When the budgetary dispute to increase the operational expenditure from five million euros to ten million—a relatively peanuts figure—went to the General Affairs Council, as I understand it at the General Affairs Council the old budget was agreed on the basis that the General Affairs Council could not reach a consensus at any lower figure. I contrast that confident prediction in the explanatory memorandum that we got with the statement that was made in Parliament where it was much more expansive, much more meaningful. It said, “The Joint Action establishing the Agency requires the setting of a three year financial framework. This has proved difficult to achieve over the past two years. The Presidency postponed a decision following the failure to reach to consensus in the Council and a requirement to set a financial framework will be addressed in the review of the Joint Action to take place in 2007.” That does not sound like a confident prediction of getting a three year financial framework and it appears that Parliament is being told two different things in two different circumstances.

*Mr Mathewson:* Firstly, if there is any appearance that you are being told two things in different circumstances, then I must apologise for that.

**Q35 Lord Tomlinson:** I am quoting from the document; it does sound like it.

30 November 2006 Dr Sarah Beaver, Mr Andrew Mathewson, Mr Robert Regan and  
Mr Ian Hall

*Mr Mathewson:* It does sound like it and in that case I must apologise for that impression. Perhaps I can explain how we got to where we are and how we see this being taken forward. I certainly apologise if we have misled you by giving that impression. There has been a difficulty in both 2005 and 2006 in setting the three year framework that the Joint Action establishing the EDA requires. For the benefit of new members, the three year framework is an indicative budget rather than a binding budget; it is an indicative budget set by the Council which will then allow the Agency Steering Board itself to set its annual budgets within that indicative budget. It has been relatively easy to set the next year's budget and ministers this time in the GAERC were able to agree that the Agency budget could be set at a level of 22.1 million for the next year. That includes an element of five million for the operational budget, the output end of the budget. It has been much more difficult for ministers to agree what that level of budget should be in three years' time because that is a much more uncertain area in budgeting terms. The Agency's proposal was that the operational element of the budget should increase from five million in the year 2007 to ten million in the year 2009. The United Kingdom's view (our Secretary of State's view) was that we had no basis really for an assumption that the budget should grow over this fairly short period in those terms (effectively doubling by 2009). The reason is that the money for this has to be taken from other MoD budgets so we are asking essentially to find offsets against currently planned expenditure against an uncertain requirement in two years' time whereas we have a degree of confidence in the near term. The ministers were therefore not prepared to agree with the assumption that the budget should grow to ten million in the year 2009. We would be prepared to join consensus at a lower figure recognising an assumption that the Agency should allow for modest growth. The ministers in the General Affairs Council were unable to agree on a lower figure so they resorted this year, as they had last year, to delaying the setting of the three year financial framework. The formal position therefore is that ministers have decided to set at the end of 2007 the budget for the years 2008, 2009 and 2010. There is a firm decision on the part of ministers that they will come back to this at the end of 2007 for the next three years. However, nationally we have reservations about whether the requirement to set a three year framework is a useful device because the budgeting problems are not in the next year; they are, as I said, in looking out for three years and coming to a safe prediction.

**Q36 Lord Tomlinson:** The three year framework programme for the budget was a requirement when we established the Agency.

*Mr Mathewson:* It remains a requirement now. The Joint Action requires that the Council should set a three year framework within which the Steering Board then sets its annual budget. That remains a requirement in the Joint Action and therefore the decision by ministers to attempt in 2007 to meet that requirement in the Joint Action, but the Joint Action requires that it should itself be reviewed in 2007—three years after coming into force—so this is the year in which we will review the Joint Action and certainly from our point of view nationally this is one of the aspects of the Joint Action that we will want to look at. Is this a useful requirement? The experience of the first couple of years of the Agency's life is that it has generated more heat than light and we might therefore want to consider other options, including just moving to a simple system of annual budgeting. We will want to review these options as the Joint Action itself is reviewed. At the moment we have a requirement under the Joint Action again at the end of 2007 to set a framework for the next three years. I hope that has clarified it.

**Q37 Lord Tomlinson:** It does clarify it; I have just one very brief supplementary question. I invite you to reflect unfairly, if you were sat in my place when we see public expenditure going into billions and billions everywhere else and you see this sort of argument over five million euros, would you think that we are dealing with an Agency that has much utility?

*Mr Mathewson:* I think that goes to one of our questions about the utility of the Agency. There is a division of opinion on how the Agency should operate. The vision that we are trying to advance for the Agency is that it facilitates nations in coming together to spend their own money. There is a vision which has the Agency taking money into a common pot and spending it on our behalf. I think what you have seen there in this dispute over, as you said, a relatively small sum of money, is this difference in vision being played out with the United Kingdom trying to protect the understanding that the Agency is an organisation which facilitates members coming together in order to decide how they would spend their own allocated money against an understanding in some other parts that actually the Agency would work better if it had a bigger pot of its own money.

**Lord Hamilton of Epsom:** Unlike Lord Tomlinson, I think that peanuts add up, when you take one million after another, to quite substantial sums. My only sadness is that we could not have found greater savings from this. I think Mr Mathewson's term that this is an organisation that is creating more heat than light is absolutely right. Clearly the operational ambitions of this organisation are extremely limited and I think it is fatally flawed

30 November 2006 Dr Sarah Beaver, Mr Andrew Mathewson, Mr Robert Regan and  
Mr Ian Hall

really by the decision making process, the national vetoes; I am not sure that we are ever going to see this going anywhere and I think it is typical of many European structures that are full of ambition and when it comes to the practicalities very little happens. The lessons we are learning today in Afghanistan are extremely sobering in terms of national will—and here we are talking about political will—to actually commit troops to difficult areas and that does not seem to be there any more, particularly in Europe.

**Chairman:** That was not a question.

**Lord Hamilton of Epsom:** No, it was not a question; I was very much supporting the position and sad that we could not cut the budget by more.

**Q38 Lord Hannay of Chiswick:** On the budgetary aspect, I had worked out for myself that this fly in the ointment about the deduction from the Ministry of Defence's own budget of the British share of anything that is agreed with the EDA was no doubt motivating and now, as I suspect, you are proving actually driving our whole attitude towards this. Could you tell me whether any other Member State deducts from its national budget the national share of the EDA budget or are we the only one, as I believe we are, in all aid budgets? Actually you need not answer that because it is not your responsibility, that is DFID. It does have an absolutely fundamental effect on the attitude of spending departments to these matters. I assume that you do not tell the Treasury when you are involved in the comprehensive spending review that you find the idea of planning a budget for three years ahead complete nonsense. I imagine they would reply rather crisply if you did say that. So why is it so unreasonable to try to plan a budget three years ahead for this very modest Agency? Is that not sensible? What you say about going back to single year budgeting, would you not recognise that that is a step in exactly the opposite direction to all other expenditure programmes in the EU which have moved since the 1980s all onto a pluriannual forecast and not a single year allocation. I suppose it is conceivable that this one defies all the wisdom that has been applied to the other ones, but it seems slightly unlikely.

**Mr Mathewson:** I understand and I would want to check it before I gave you an absolute assurance that other countries resource their contributions to the EDA in the same way as we do. These are funds allocated from their defence budgets.

**Q39 Lord Hannay of Chiswick:** Yes, I see. It would be helpful I think just to check that because it does produce, in fields where that is not an invariably practice, an extraordinary mismatch in the

motivation of Member States sitting round the table in Brussels.

**Mr Mathewson:** I do not think that is in this case the cause of the difference in motivation. I think there is a difference in motivation and in the approach to the budget. It is a more philosophical difference about the role which some countries envisage for the EDA. I do not believe it is the difference in the source of the funding. Your question about booking three years ahead, the issue I think for us is that the three year programme is not actually a budget, it is indicative, it is a framework. The Ministry of Defence of course is planning three years ahead and has programmes which are allocating resources out over a much longer period. All the Agency is trying to do is predict three years ahead what it might spend in three years. This is not a resource programme with milestones allocated against deliverables; this is just a fairly crude estimate of the sums it might want to spend on particular projects in the third year rather than a sophisticated budgeting. It might even be easier if the Agency were properly budgeting for three years. It is this slightly unusual arrangement where it is simply asking to set a ceiling three years out and will then decide, as we get closer to those years, how it precisely spends the money. It is that that gives us the trouble, that we are asked to divert money from a known and planned programme within the MoD to an uncertain guesstimate really of where we might spend money in the European Defence Agency.

**Q40 Lord Tomlinson:** Can I just ask if we can be provided with a very brief note on that because I think we are talking about from five million in year one to ten million in year three, what is our proportion? What is the key for our contribution to it? What will be our share of that five million over a period of three years?

**Mr Mathewson:** We can certainly give you a note on that. Our share is roughly around 18 per cent.

**Q41 Chairman:** I noticed that the Director of the EDA—who does originally have some association with the Ministry of Defence—in his annual report says that nations must spend more, spend better and spend more together. So far as that is concerned, would that be a position you would endorse?

**Mr Mathewson:** Indeed, absolutely. I think it is a firm aspiration of our engagement with the EDA that it should end up with nations spending more on defence capability, spending that capability better and spending it collaboratively together through the EDA. That is not the same as saying that we should spend that money by putting it into the EDA's budget.

30 November 2006 Dr Sarah Beaver, Mr Andrew Mathewson, Mr Robert Regan and  
Mr Ian Hall

**Q42 Lord Lea of Crondall:** Going back to our discussion a year ago, is not that last exchange in a sense the answer to those worries that there is no particular purpose in this at all? If the benchmarking of what people really ought to be contributing has any chance of success it can only be through involving the philosophy that has just been described in the last interchange. Is that not still how you would see the value of it.

*Mr Mathewson:* Yes, that to us is the value of the Agency. May I refer to another piece of Agency work which is an attempt to set indicators and targets for investment in defence? In the pack of papers we sent to you before the Steering Board there was a paper on indicators and targets which included indicative targets that nations might accept for their investment in defence. By the time we got to the Steering Board itself the targets portion of that paper had been removed. A number of countries at the preparatory committee were unhappy with the idea of setting targets, which nations individually would accept; they were happy with the idea of collective aggregate targets. We want to use this exercise to set targets which nations would accept for increasing their defence investment and making their defence investment more relevant to the changing capability needs, so spending more on capability rather than on personnel costs.

**Q43 Lord Lea of Crondall:** I think it would be fair to say that we have to guard a degree of schizophrenia about whether or not we want to get a more specific set of commitments out of Member States which does footprint into the decision making of the Member States. That is the dilemma—I call it schizophrenia—which we are all suffering from.

*Mr Mathewson:* We see considerable value in the Agency if it can make the case for increased national investment. We certainly want to use the indicators and targets exercise as a way of setting some benchmarks for the sort of investments nations ought to be aiming to make.

**Q44 Lord Swinfen:** You said that the contribution to the EDA is taken out of the MoD budget.

*Mr Mathewson:* Yes.

**Q45 Lord Swinfen:** We do get various figures for what the United Kingdom pays to the EU. It that sum comes out of the MoD budget, is that sum actually included in what the UK pays to the EU or is it a hidden donation to the EU?

*Mr Mathewson:* It is not included but I would hesitate to say that it was a hidden donation.

**Q46 Lord Swinfen:** That may be the wrong word, but it is not included in the sum that we pay to the EU so it is over and above.

*Mr Mathewson:* It is an additional discreet contribution to this particular activity.

**Q47 Lord Swinfen:** It is an additional sum whatever you call it.

*Mr Mathewson:* Yes.

**Q48 Chairman:** That is because it is not in the EU budget. The EDA has a separate budget in the same way as, for example, the European Development Fund has a separate budget outside the general EU budget.

*Mr Mathewson:* That is correct, this is not community funding; this is an activity amongst nations, amongst participating Member States which they fund jointly together.

**Q49 Lord Hamilton of Epsom:** I take Mr Mathewson's point about wanting to increase the defence budget in relation to Europe. Do you see any signs of this actually happening? It is quite significant that Greece is one of the countries that has a higher percentage GDP spent on defence and that is because they are threatened by Turkey. I cannot quite work out who anybody else in Europe is threatened by. Russia does not seem to be a threat to anybody and there are always higher priorities for these emerging nations to spend their money on other things. Do you really think there is a serious will to increase defence expenditure in many countries in Europe?

*Mr Mathewson:* I think it is a challenging agenda, certainly. Many countries spend considerably less than we do on defence and considerably less than we might think appropriate and budgets in many countries are declining. I think it is a challenging aspiration. I would point out that the NATO summit in Riga just concluded included in its communiqué an aspiration that nations should halt the decline and try to reverse the decline in national defence spending to the extent that 19 EU members are NATO members. I think there is a recognition that resources across defence are probably inadequate. I share your scepticism that we will see a quick turn around in this.

**Q50 Lord Swinfen:** The General Affairs External Relations Council has, I understand, just approved the EDA's work programme for next year, 2007. What are the main aspects of the programme and what do you expect the EDA to achieve by the end of 2007?

30 November 2006 Dr Sarah Beaver, Mr Andrew Mathewson, Mr Robert Regan and  
Mr Ian Hall

*Mr Mathewson:* In fact the work programme was endorsed by the Steering Board. The Generals Affairs Council endorsed guidelines for the work and a more specific work programme was endorsed by the Steering Board and you should have a copy of that in the pack of papers sent by the Secretary of State following the Steering Board itself. The main priorities that they have identified are: to establish a capability development plan which builds upon the long term vision and tries to identify the mid- to long-term perspective where are the main capability areas that need further investment; to develop a defence research and technology strategy; to develop a European defence technology and industrial based strategy; and to continue to work on the cooperative armaments programmes through the Agency's well-established practices. The work programme at the moment does not have enough detail on where we expect to be by the end of the year and what are the milestones towards reaching that point. In endorsing the work programme ministers asked for early work in 2007, to fill it out, to take each of the items on the work programme and identify the end points envisaged by the end of the year and the milestones along their way. We strongly support this. This activity in itself will help us resolve some of these resourcing issues, to have a clearer understanding of how we expect each of these issues to be taken forward. I should say also that the work programme is as much a menu as a programme; it is not exhaustive, if new issues are proposed by nations in the meantime they could be added to the programme and it is by no means certain that we will make equivalent progress on all of these. I think there is an important stage of work to be done to add detail and add substance to the work programme which you have in the pack of papers sent out after the Steering Board.

**Q51 Chairman:** Can I just ask one question which I think I saw from the report of the Director of the EDA and that is that the EDA has reached an agreement with Norway on cooperation but has not yet reached an agreement with Turkey. Would reaching an agreement with Turkey on the work of the EDA facilitate cooperation between the European Union and NATO on defence matters?

*Mr Mathewson:* I think in a small way it would. The issue has been that the European Defence Agency is invited in its Joint Action to establish administrative arrangements with outside parties including states which have been involved in the Western European Union's armaments arrangements. The EDA itself concluded that texts of arrangements with both Norway and Turkey—ie the countries which have been previously involved in the WEU's arrangements—were sent forward to the Council for

Council level authorisation. One nation blocked the conclusion of the arrangement with Turkey but was happy to allow the arrangement with Norway to go through and we are still in that position of trying to persuade other members of the Council that actually we should conclude an arrangement with Turkey as well as with Norway. It is a political impasse at this stage. This would, in a small way, facilitate cooperation between the EU and NATO. I think it is more a symptom than a problem.

**Q52 Chairman:** Dr Beaver, did you wish to add anything to that?

*Dr Beaver:* No, simply to add that at working level there is some quite good practical contact going on between the EDA and NATO, as we would expect there to be.

**Q53 Lord Boyce:** You will be aware from previous meetings of my slight scepticism about the Code of Conduct which was introduced a few months ago. Perhaps you can rid that scepticism by telling us how participating members who have signed up to the Code are getting on with their commitments to publish their defence and security tenders to other Member States, and is the Bulletin Board up and running and working to the satisfaction of all concerned?

*Mr Regan:* The Code of Conduct I would say at the moment is a qualified success. Up until 24 November, last Friday, 10 nations had posted I think 77 contracts. I should qualify that by saying that to be included on the Bulletin Board it has to be a national opportunity, not collaborative; it has to be valued in excess of a million euros; it must be new (I can elaborate on the implication that that has for us in the UK if you like); and it has to be something that would otherwise be exempted under an Article 296 derogation. It is a limited set of opportunities and those 77 contracting opportunities that have been posted so far the EDA estimate to be worth about three billion euros. I cannot explain why the other 12 nations have not yet posted. Some of the smaller members have less ambitious defence acquisition programmes I suppose. In the UK's case we have put four contracting opportunities onto the Electronic Bulletin Board but two of them are very large (in excess of 400 million pounds each, one for medium sized helicopters, another one for commercial satellite communications, both very large indeed) which account for something like 40 per cent of the total by value that is up on the Electronic Bulletin Board. I know that the EDA would have liked to see many more contracting opportunities to be published and they are working with Member States to understand the reasons why some have not

30 November 2006 Dr Sarah Beaver, Mr Andrew Mathewson, Mr Robert Regan and  
Mr Ian Hall

posted opportunities and will be conducting stock takes with them through 2007.

**Q54 Lord Boyce:** Of the 12 nations who have not so far contributed are we aware whether any of them in fact have sent out tenders for products which would qualify for all the criteria, in other words who have decided not to fall in with the Code? Of course, it is voluntary.

*Mr Regan:* It is voluntary and there will still be areas where there will be exceptions, areas like national cryptography and that sort of technology which you would not expect to see on the Electronic Bulletin Board.

**Q55 Lord Boyce:** Amongst the 12 are there any of what I call large nations who have failed to contribute?

*Mr Regan:* Italy is one of them and Belgium is probably the second largest of the 12 who have not yet contributed.

**Q56 Lord Boyce:** As far as the UK is concerned, is there someone who has scrutinised to see whether every opportunity where we could post one of our contracts on the Bulletin Board is being taken? Are there thought police there?

*Mr Regan:* We have our own thought police. We have conducted our own audit of the opportunities that we posted. As I said, one of the reasons why numerically the number for the UK is relatively small is because we already have our defence contracts bulletin and opportunities that have already been posted do not qualify to go onto the Electronic Bulletin Board, otherwise the figure would be more like 22.

**Q57 Lord Anderson of Swansea:** There was a very helpful series of table in Annex 1, EDA Indicators and Strategic Targets. There was no table on the individual countries' procurements from national sources. I seem to recall some years ago seeing that France, for example, only bought three per cent of its total requirements from outside France. Has that changed? Would it not be helpful to have some comparative indices of what other countries do in terms of their national and non-national procurement?

*Mr Regan:* Yes it would and the EDA I think are still gathering that data so I would expect to see it at some later stage.

**Q58 Lord Anderson of Swansea:** Presumably the data is already available; are they being too cautious in perhaps embarrassing certain countries about national procurement issues?

*Mr Regan:* Because we are talking about procurements that would normally be subject to article 296, the data is not necessarily as readily available as one might expect.

**Q59 Lord Anderson of Swansea:** You would expect to see it in future.

*Mr Regan:* Yes, I would.

**Q60 Lord Hannay of Chiswick:** Do you have any feel for the attitude of the UK's defence procurement industry, defence contractors and so on, as to the usefulness of the Electronic Bulletin Board and whether it is a tool of which they can make use?

*Mr Regan:* I think I would have to derive an answer from the support which the defence contract bulletin already gets. The Electronic Bulletin Board at the EDA is not really very much different from our current practice and that is very well supported by the defence industry. We will see later on as we move into 2007 as the Electronic Bulletin Board is extended to sub-contracting as well that is the point at which industry will then start to participate in its own right.

**Q61 Lord Hamilton of Epsom:** Can the subsidiaries of American defence majors which are British subsidiaries bid in these contracts?

*Mr Regan:* These are publications of intention to purchase. There is no prescription as to the nationality of the company that can then apply to supply.

**Q62 Lord Hamilton of Epsom:** It could from outside Europe.

*Mr Regan:* It could be, yes.

**Q63 Lord Lea of Crondall:** We turn now to the 20 year perspective called the Long Term Vision. Some people are unenthusiastic about visions; other people are not. I am struck by an analysis on page 11, paragraph 9, for example because we have just done a report on Africa. It says here that high fertility should see African population growing faster than anywhere else, et cetera; implications for migratory pressures, et cetera, are obvious. This is clearly a region neighbouring Europe and the preceding sentence refers to regions neighbouring Europe and that includes, of course, the Middle East. I was wondering if MoD colleagues could tell us, are the UK HMG totally on board with this analysis? Secondly, what are the practical consequences—obviously you have to have an idea of the next 20 years for defence procurement—to feed into the sort of work the EDA is doing?

30 November 2006 Dr Sarah Beaver, Mr Andrew Mathewson, Mr Robert Regan and  
Mr Ian Hall

*Dr Beaver:* I think it is important to say that the UK was very supportive of this work; we think it is a very necessary context for the development of our capabilities, it provides a very useful framework. The EDA was very careful to make sure that nobody was actually endorsing this vision because, by its nature, we cannot be certain about the future. We broadly supported the assessment; there is a lot of correspondence with the work that we have done nationally to develop our own analysis of strategic trends which informs our own defence planning process. I would not say that we were necessarily going to say that this is an exact prediction that the Government has endorsed.

**Q64 Lord Lea of Crondall:** I understand that but one economist once said that forecasting is always difficult particularly about the future. That must be true, but there is an uncertainty factor into the different elements of this and the question really becomes have you taken into account the uncertainty factor in your forward planning, and this does apply to the MoD as well as countries of Europe presumably?

*Dr Beaver:* I think we are very conscious of uncertainty and in fact in our own work there have been a lot of strategic trends. There is a reference to shocks and trends and clearly 9/11 or the Tsunami are examples of shocks. I think it reinforces the requirement for the need for us to have sufficient flexibility that we can respond appropriately to the unforeseen.

**Q65 Lord Lea of Crondall:** Do you think it would be valuable if this analysis of the future, particularly the section on the global concepts for defence was given more general publicity? I have not read a word about it anywhere I must say. Has this analysis had any general rejection? It seems to be rather unlike the sort of analysis HMG does on its own; is it easier to do this sort of analysis politically less sensitive if somebody else does it, like the European Defence Agency?

*Dr Beaver:* We have done a similar analysis ourselves. I think the first iteration was published about three years ago and it was on an MoD website. We are not shy about publishing the context in which we think defence policy has to be developed and defence planning has to be undertaken. I have to say that there was some concern amongst member states about the publication of this document because they were concerned about the notion that it might look as though Members States had endorsed it and they were uneasy about that, but actually it was agreed that it would be posted on the European Defence

Agency's website. It is very much in the public domain.

**Q66 Lord Tomlinson:** If we take each 20 year period, say from 1906 through to 2006, is there any one of those 20 years when the Ministry of Defence had a fighting chance of correctly forecasting what was going to happen over the next 20 years? I suspect that the answer to that is, "Not really". You were not very close on any of them; I do not blame you for that. Here we are today in 2006 where we cannot get an agreement on a three year financial forecast, where we are judging Headline Goals on the lessons that we learned by failing to meet them. What confidence do you have in a future forecasting process for anything other than the comfort and security it gives to those who are making decisions that they will be drawing their pension by the time they are held accountable for the failure of the decision.

*Dr Beaver:* I understand your comment about the accuracy—.

**Q67 Lord Tomlinson:** Call it scepticism.

*Dr Beaver:* I understand your scepticism about the accuracy of forecast; it is notoriously difficult. That said, I think that there are certain things that come out of this; the world may not develop and the global context may be somewhat different from what is predicted and set out in this document (the LTV) but will nevertheless be appropriate guidance for the way in which we need to develop our armed forces.

**Q68 Lord Tomlinson:** Such as?

*Dr Beaver:* For example, deployability. In the past we were very much concentrating on the defence of Europe against static boundaries. We knew we had a very clearly defined threat. It was already identified in the strategic defence review of 1997 that that was no longer the requirement. We needed to have deployable, flexible armed forces. The Strategic Defence Review did not predict terrorism on the scale of 9/11 but it remains the case that actually the UK was better prepared to respond to the new scenario than many countries which had not done that future thinking.

*Mr Mathewson:* It is unpredictable but there is a high degree of correspondence between how the EU has seen the future through this piece of work on the Long Term Vision and the corresponding work in NATO. NATO has done an analysis of the capability requirements identified in the Long Term Vision against their own key future capability requirements. There is an encouraging degree of correspondence between them, indeed an almost total match. There is a degree of confidence in that

30 November 2006 Dr Sarah Beaver, Mr Andrew Mathewson, Mr Robert Regan and  
Mr Ian Hall

but that is not to say of course that this is any more than a guess about what the future might look like.

**Q69 Lord Tomlinson:** Some of the guesses are bound to be partially right. I look at one of the sub-headings in this: “The world of 2025 is likely to be more diverse, more inter-dependent and even more unequal”. That can be written almost by any school child as a reasonable prediction that it is going to be more diverse, more inter-dependent, more unequal, but what does it mean in terms of the development of strategic thinking?

*Dr Beaver:* I think that one of the things that we would draw from that is that a sense of instability will continue in the world and we need to be prepared to cope with that instability.

**Q70 Lord Lea of Crondall:** Would it not be fair to say, to take paragraph one of the introduction on page eight: “Every day defence planners, technologists and industrialists across Europe take decisions which materially affect the sort of defence capabilities and underpinning technological industrial base that Europe will have at its disposal in 20 years’ time.” I take it that that would be a general view which is true of all countries of Europe that such forward analysis is absolutely essential and all we are doing—very necessarily I would have thought—is trying to make sure that this analysis is checked out against other people’s analysis and if the British Government is happy that the analysis in the document—if not signed up to—which is translated and received from Finland through to Portugal that it is very valuable in terms of the way in which we start to plan procurement in some respects but certainly the need to define capability. Is that not the philosophy behind it, not that we can always be too precise?

*Dr Beaver:* We thought this was very necessary work. We have been doing it for a few years for ourselves; we have just been refreshing that work internally and again there is a lot of correlation. This is very much done within the framework of what we see European security and defence policy as needing to encompass. We look in a broader context for our own national defence purposes but we certainly see this as a very useful step which I think has been a remarkably educational effort for many of our partner Member States.

**Q71 Lord Hannay of Chiswick:** Do you have any evidence as to how this is being used as a tool by ministries of defence which are less ahead of the game than we are?

*Dr Beaver:* I think it might be a little bit early to expect that to happen but it goes back a little bit to the whole process which I understand might be a bit

frustrating to you about things like developing the Headline Goal 2010. It has been a very educational experience for partner nations to go through this because they are not used to working in the much more disciplined framework of forecasting and analysis of requirements and needs which the UK is used to working within.

**Q72 Chairman:** I was interested to see the first sentence of paragraph 55 where it says, “There has never been a more difficult time to be a defence planner”. I suspect that many would say “Amen” to that. I wonder if I could go onto a different point and that is the decision that the EDA should develop essential components of a European Defence Technical Industrial Base Strategy which would identify the ideal EDTIB of the future. Given the diversity of national R&T strategies and procurement arrangements, what obstacles do you foresee the EDA will have to overcome in this exercise?

*Mr Hall:* I think the question is certainly very incisive in that it does address one real difficulty, and that is the extent to which Member States will be able to get agreement as to what are the priorities for R&T in Europe. In this case we see it as being particularly important for there to be exceptionally strong cooperation between the Member States and the European Defence Agency so that we get something which is perhaps beyond a simple list of priorities so that the EDA really does understand what the priorities are, what they mean and why they are priorities. Of particular importance to the UK, we think it is very important also that the EDA understands and recognises that a lot of Member States will require operational sovereignty over certain research and technology, or indeed industrial capacities, and that in certain circumstances they will require these on their own national territory. Again we do think this is going to be a very, very significant task for the EDA, and it will indeed require an enormous degree of interaction between them and the individual Member States and their ministries, which is where the main expertise lies.

**Q73 Chairman:** How far has this sort of thing been done in the past by NATO and what is the argument for doing it in the EDA as well if it has been done in NATO?

*Mr Hall:* NATO has looked at R&T strategies before, however NATO’s Research and Technology Organisation is a very, very different beast to the European Defence Agency in that the EDA wishes to look at the entire defence technology industrial base, whereas perhaps NATO will look at some more specific technological issues to do with the Alliance. Certainly I would say from the point of

30 November 2006 Dr Sarah Beaver, Mr Andrew Mathewson, Mr Robert Regan and  
Mr Ian Hall

view of a pan-European organisation it is probably a first, provided of course you do not count some work that the Western European Armaments Group did which was perhaps at a much lesser level prior to its formation.

**Q74 Chairman:** It did not, of course, include as many countries.

*Mr Hall:* It included about 19 countries so there certainly is experience of working in big groups.

**Q75 Lord Anderson of Swansea:** Presumably a number of the countries will already have gone through this process in preparing first for NATO. On R&T, for example, a number of the Balkan countries would, in our view, have spent a disproportionate amount of their total defence spend on staff rather than R&T. To prepare for NATO they presumably would have gone through that same process so what is the difference between the pressure now from the EDA and that which would have come before from NATO?

*Mr Hall:* I think from the point of view of the pressure from the EDA we really have to look at what the EDA is trying to do. Certainly I think you are completely true in saying that there will be pressure to increase expenditure on R&T, and indeed more resources committed to R&T. What I would say is that within the EDA we do have a situation in which you do not have such a great disparity between the biggest player and the smallest player. Within NATO the biggest player is always the United States with its 13 billion dollars a year expenditure on research and technology, and a very small country—or even a medium sized country—might well say, “There is no way I can compete, therefore perhaps I won’t try”. Within the EDA and within the EU the disparity is still large but it is certainly not as great; it is reduced by an order of magnitude. I think certainly that feeling that you cannot increase your expenditure because it will not make any difference is actually not so strong.

**Q76 Lord Anderson of Swansea:** Unless it is in a niche area like the Czechs on their own specialism.

*Mr Hall:* Are you referring to CBRN?

**Q77 Lord Anderson of Swansea:** Yes.

*Mr Hall:* Yes.

**Q78 Lord Hamilton of Epsom:** It was called R&D in my day and it always suffered when we came to look at the defence budget so we have not done particularly well on that area anyway. If we are in a world of declining defence budgets surely the chances of spending more on R&T are almost non-existent.

*Mr Hall:* I think you are right<sup>3</sup>, it is going to be exceptionally challenging for a number of countries. I think as well that we do need to look at the structure of R&T within the EU for defence. Certainly the top six countries spend over 93 per cent of the total expenditure on defence R&T therefore one has to take a very pragmatic view as to what difference an overall increase amongst all Member States would make. Clearly increases by the higher spending Member States, which are also economically a lot richer, would certainly have a disproportionately greater effect. I do take your point, it will be exceptionally challenging.

**Q79 Lord Hannay of Chiswick:** Do you think that there is any scope for the smaller and relatively prosperous EU countries to increase their defence R&T in joint programmes which they would never have considered increasing if they had been spending only within their national boundaries as it were?

*Mr Hall:* I think the Joint Investment Programme which has recently been announced will certainly be very useful in giving us some information on that. Quite a large number of the medium to smaller size countries are involved in that. There are two possible outcomes, one is that it will encourage them to spend where they would not have spent before, but there is also a counter pressure in that if they spend disproportionately less than other nations and then take part in a large cooperation where they can get disproportionate benefit, that again may be a pressure for them not to increase their expenditure but rather just to spend it collectively. I am afraid only time will tell on this and I think it is very important to look at the actual structure of defence spending<sup>4</sup> within the EU. Certainly a model which works for some smaller and medium sized countries may not be as appropriate for cooperation amongst the larger countries such as France and the United Kingdom et cetera.

**Q80 Chairman:** What is the relationship between the aim of the EDA to increase collective spending of defence R&T in Europe and the funding of non-European projects such as the JSF?

*Mr Hall:* We regard collective spending on R&T as being the totality of R&T spend not necessarily that which is just spent collaboratively. Certainly it is the UK’s policy when carrying out procurement to get best value for money and to cooperate with the country with whom you can get best value for money. Here again there are two competing pressures: does one cooperate with a big player such

<sup>3</sup> i.e. the question from Lord Hamilton raises a valid point which is dealt with in the following sentences.

<sup>4</sup> i.e. which Member States spend significantly, on what, and how.

30 November 2006 Dr Sarah Beaver, Mr Andrew Mathewson, Mr Robert Regan and  
Mr Ian Hall

as the United States in which you can get a very high degree of technological advantage but possibly at the disadvantage of having stringent export controls over it and the inability to perhaps modify easily for the armed forces' future use? Or do you go with countries who are perhaps not up to that same standard, but who you can actually cooperate with a lot easier from the point of view of export control or modifying the equipment? Again these are very, very difficult judgments which do need to be made. What we are doing, however, is going to the process driven by our industrial strategy and our technology strategy of actually looking at things beyond the single procurement, or beyond the single cooperation and attempting to look at them in the longer term and to see the effect of this.

**Q81 Lord Hannay of Chiswick:** You have explained in the documents why the UK decided not to participate in the EDA's Joint Investment Programme on Force Protection. What do you envisage might be the UK's future relationship with the proposed Programme? Do you foresee setting up any agreements for information or work sharing with the contributors to the Programme? Has the Government got any plans at the moment for any other joint R&T programmes which it would participate in in the future?

*Mr Hall:* Perhaps taking the last point first, certainly we see the Force Protection in the Joint Investment Programme as being very much a pilot and an experiment and we will look with interest on the results. Indeed, we wish to draw upon the lessons learned from it. In answer to your question, we do not perceive participation in the near term on such a Joint Investment Programme as the Force Protection, but we are actually cooperating with European countries using other mechanisms. In terms of the actual relationship which we will have to the Programme, because the Programme will be set up as a Project Arrangement<sup>5</sup> between participating Member States<sup>6</sup> we shall not have a direct relationship with that Programme; we will not take part in the work or exchange information with the specific Programme. However, that certainly does not exclude the possibility that individual Member States, who are also members of that Programme, may wish to cooperate with the United Kingdom outside the context of that project. Certainly we would look upon those with an open mind.

<sup>5</sup> A Project Arrangement (also sometimes called Technical Arrangement etc) is an arrangement between governments committing nations to a particular project or programme. It is normally under an existing Memorandum of Understanding, or similar international instrument.

<sup>6</sup> i.e. that subset of EDA participating Member States (plus Norway) who are contributing to the Programme.

**Q82 Lord Anderson of Swansea:** I hear the argument about the reason for our failure to participate being to avoid duplication and so on, but I also hear the French response that our policy was surprising and indicated a lack of commitment to the EU defence effort. Do you think we have possibly missed a trick by at least not showing some warmth towards it and there was a certain symbolism in this which the French have exploited?  
*Mr Hall:* I personally don't think we have missed a trick here by not participating in this particular cooperation. It is very true to say that there was a large degree of duplication between our national effort and it would be difficult to see from a perspective of spend on research and technology how that would have been money well spent, although I do take the point that it would have been symbolic. I think what we would like in the future—for any future such programmes—is perhaps a longer gestation period in which Member States were able to look at a range of potential subject areas and, if you like, de-conflict those from their own national programmes, so we do get something which is not duplicative and really does have value for money for all Member States.

**Q83 Lord Anderson of Swansea:** I just wonder whether, accepting the point on duplication, some limited area of cooperation might have been a wiser policy overall.

*Mr Hall:* Whilst we do not actually intend to cooperate with this Programme, we certainly have not excluded the possibility of cooperating with the individual Member States. I would see that this is probably the easiest route to cooperate on very, very specific parts of the subject matter which I think you are referring to.

**Q84 Lord Anderson of Swansea:** When will the next opportunity come for perhaps revising one's policy in terms of participation? When will the next policy step be taken?

*Mr Hall:* Are you referring to changing that policy?

**Q85 Lord Anderson of Swansea:** Yes.

*Mr Hall:* I do not foresee that we will be changing our policy as regards cooperation with the EDA. However, certainly this coming year the EDA will be producing its Research and Technology Strategy where we should be looking for commonality with groups of Member States in Europe. One would foresee at that stage that is probably the best opportunity where one can see whether there are really meaningful opportunities for collaboration on research and technology. I would say this is not a policy change issue, it is an issue of R&T strategy and the outcomes of this.

30 November 2006 Dr Sarah Beaver, Mr Andrew Mathewson, Mr Robert Regan and  
Mr Ian Hall

**Q86 Lord Tomlinson:** I have great admiration for visionaries but while they are looking at the stars I also like to see where they are putting their feet at the present time. Do we spend as much time on retrospection and learning lessons from the recent past as we do on trying to forecast futures? For example, I spent a very interesting week and a bit as a guest of Lord Boyce in his former incarnation at the Saif Sareea exercises. To a non-expert there were at least 10 or 15 lessons that can be very easily learned that affected the quality of the deployment of our military resources in that exercise. Do we spend as much time learning the lessons of retrospection from our actions?

*Dr Beaver:* We do have a pretty rigorous lessons learned process which we set in place from any operation that was launched and the architecture of that was designed by our Director of Operational Capability, for example, right at the outset when we were first contemplating Iraq. We are very keen to capture and process and learn those lessons as quickly as possible. That is not say that we necessarily are always entirely successful in doing so, but actually I think we do have a good lessons learned policy.

**Q87 Lord Tomlinson:** In terms of a simple thing—I was thinking of the difference between Saif Sareea and Iraq—like the quality of the bar coding and the machine reading of bar codes on ISO containers so that goods that arrive at a field of operations could be easily identified. There was no problem about them being there, but there were problems in identification of them. That was a lesson that came very clearly out of Saif Sareea and still did not appear to have been learned by the time we got to Iraq.

*Dr Beaver:* I think in some cases the lesson might have been identified after which there is a process of prioritisation of the many, many competing requirements to work out which ones we can afford to do in which timescale.

**Lord Tomlinson:** I just make that point because, keen as I am that people should look to the future, I do not think it should be at the expense of the here and now where there are enough real, difficult problems.

**Q88 Chairman:** There have now been a number of ESDP operations; how far within the various European institutions are common lessons learned about the problems which we have had in cooperation and deployment in some of those existing EU operations?

*Dr Beaver:* We do have some lessons learning work going on; the EU military staff do that. What I do think is quite interesting is that sometimes different

countries will learn different lessons from it and so there is a political angle to this as well as an objective lesson.

**Q89 Lord Hamilton of Epsom:** Is there any risk that all this talk about R&T is going to draw us into European cooperation on procurement projects or have we learned all the lessons of the past where they invariably turn out to be expensive, late and quite often we pull out of them rather like the medium range Trigat and kybosh the whole thing having been drawn in because we wanted to show good will and then come to the conclusion later on that we did not want to know about it. Eurofighter, of course, has been produced at such a stage that it is completely irrelevant to the risks that we now face. It was astronomically expensive because we were not able to withdraw since we drew up the contract to make sure it was more expensive to pull out than stay in.

*Dr Beaver:* The EDA has done a lot of work at our instigation in this area.

*Mr Regan:* I certainly would not want to infer that there would be a diminution of collaboration because I think there are some underlying principles if you can move away from the *juste retour* that has dogged a programme like Eurofighter and develop different models for collaboration in the future. The precursor for that in some ways is to harmonise requirements in the first place, and that is the process that will drive collaborative endeavours in the future.

**Q90 Lord Swinfen:** Harmonising requirements with the EDA are all very well but we are doing an awful lot of work with the United States. Does that mean that it does not necessarily fit in with the equipment that the Americans are using? If we are working with them we have to be able to use their equipment and switch it around between units if necessary.

*Mr Regan:* I think there is a difference between interoperability and commonality and it is perfectly within the gift of the European technology and industrial base to produce equipment which is interoperable with American equipment but is not necessarily identical to it. There will be developments in the future, I am sure—software defined radio being an example that comes to mind—where they will need to be able to talk to each other and that work needs to develop. One would like to think that we can obtain the best of capabilities from whatever source, whether it is from Europe or the United States; it is not necessarily mutually exclusive.

**Chairman:** Dr Beaver, can I, on behalf of the Committee thank you and your colleagues for having covered such a very wide range of questions

30 November 2006 Dr Sarah Beaver, Mr Andrew Mathewson, Mr Robert Regan and  
Mr Ian Hall

---

for us so fully. We have left you with one or two things on which we look forward to getting notes. Thank you very much indeed, we have learned a

great deal about the work of the EDA and particularly those of us who are new to this subject have found it a very useful morning.