MARKET FORCES

THE DEVELOPMENT OF THE EU SECURITY-INDUSTRIAL COMPLEX

statewatch

tni
transnationalinstitute

EXECUTIVE SUMMARY

While the European Union project has faltered in recent years, afflicted by the fall-out of the economic crisis, the rise of anti-EU parties and the Brexit vote, there is one area where it has not only continued apace but made significant advances: Europe's security policies have not only gained political support from across its Member States but growing budgets and resources too.

The increased securitisation of the European Union has relevance not only for its Member States but for the world which will be affected by the measures, technologies and strategies being developed, sold and deployed. The emergence of 'security' as the EU's increasingly default response to complex social and ecological crises is also significant given the current political context of rising authoritarian parties and governments all-too-willing to use the latest security tools to maintain and extend power.

This report digs deep into the EU's funding of its security strategy. It shows that between 2014 and 2020, a total of at least €11 billion has been allocated to budgets directed towards security measures - €3.8 billion to the Internal Security Fund (ISF), €1.7 billion to the European Security Research Programme, €3.1 billion to the Asylum, Migration and Integration Fund (which has numerous uses in the context of security policy) and some €2.4 billion for EU home affairs agencies such as Europol and Frontex. While still a small amount in comparison to the EU's total budget of €1 trillion between 2014 and 2020, it is a significant development given that a decade ago the bloc had no dedicated budgets for security, justice or home affairs.

The report's investigation of the different budgets also draws out the big picture of where the funding is going and what it is helping to construct: an all-encompassing vision of security that seeks to combat a seemingly limitless number of "threats" ranging from terrorism to petty crime, and which displays a marked tendency of treating the entire population (European and especially non-European) as potential objects of suspicion that must be surveyed and if necessary detained, obstructed or even killed. This vision has been propelled by military and security corporations whose profits depend on a world of suspicions, fears and threats – and who have not only been major beneficiaries of EU security spending, but have also been given an unprecedented role in designing the security research programme.

In a 2009 report by Statewatch and TNI, we warned that EU's security, research and development policies were "coalescing around a high-tech blueprint for a new kind of security". We summed up the vision in the title of the report, *NeoConOpticon*, to capture the metaphor of an all-seeing prison combined with the increasingly neoconservative, corporate-led vision of the EU's security and defence policies. It warned that we were "turning a blind eye to the start of a new kind of arms race, one in which all the weapons are pointing inwards". That report examined the early years of EU security strategies,

from 2003 to 2008, and focused on the beginnings of the European Security Research Programme (ESRP) and the 85 projects it had funded up to that point.

Market Forces focuses on the development of EU security policies and budgets through the 2007-13 period and their successors, which were launched in 2014 and will run until 2020. These include the ESRP, which funds research to develop new technologies for law enforcement, border control, cybersecurity and critical infrastructure protection and leans heavily towards technologies and techniques initially deployed or favoured by military forces: drones, data-mining tools, large-scale surveillance systems, biometric recognition and automated behaviour analysis tools. It also explicitly seeks to develop "dual-use" technologies for both civil and military use.

The report also analyses the Internal Security Fund (ISF), distributed to EU Member States to enhance the powers of law enforcement and border control agencies (including through numerous new surveillance and analysis systems). The aim – albeit not yet realised – is that EU funds pay for both the development of new technologies and their subsequent purchase at EU or national level, creating a self-fulfilling loop of supply and demand. Despite warnings and public concerns over the direction of the EU's security strategy, the journey towards a world of ubiquitous public-private surveillance and control systems continues, for the time being, largely unabated.

The report is divided into three sections: the first provides a summary of the early development of the European Security Research Programme, its incorporation into the EU's formal research agenda, and the concurrent development and implementation of EU policies and budgets in the area of justice and home affairs from 2007 to 2013. The second section looks at the institutions, corporations and organisations involved in the development and ongoing implementation of the EU's security research agenda and security policies, and the ways in which private interests have long-managed to successfully shape the public policy and research agenda. The third section looks at current EU security policies and budgets. It seeks to provide a general overview of aims and objectives of current policies, the funds available for implementing them, and which organisations have so far been the chief beneficiaries.

The EU's security agenda is now so sprawling and complex that no one report can cover every aspect of it, but there are a few key themes that are worth drawing out here.

SECURITY-INDUSTRIAL COMPLEX: STATE-CORPORATE MERGER

A European security-industrial complex began to emerge in 2003 when the EU endorsed the establishment of a 'Group of Personalities' (GoP) to draw up plans for a research programme on new "homeland security" technologies. The GoP's proposals became the ESRP, which was formally incorporated into the EU budget in 2007, and processes by which corporate representatives are able to influence the EU's security research agenda have been continued and consolidated in the years since.

The current chair of the European Commission's official advisory group on the ESRP, the Protection and Security Advisory Group (PASAG), is Alberto de Benedictis, a former long-term senior employee at arms firm Finmeccanica (now Leonardo) and a former chairman at private defence and security industry lobby group AeroSpace and Defence Industries Association of Europe, (ASD). He is joined in the PASAG by former and current employers of Isdefe (Spain's state-owned arms company), Airbus and Morpho, alongside officials from major research institutes and state agencies such as the European Defence Agency, Europol and the Dutch National Police.

Public-private contacts are also maintained elsewhere. EU officials and corporate executives have continued to come together in a series of high-level events in February 2011, March 2012, March 2013 and April 2014 to look at how to better promote Europe's security industry. Meanwhile, the groups such as the European Organisation for Security (EOS, with a declared lobbying budget of €200,000-299,999 in 2016 alone) and ASD (a €298,000 lobbying budget in 2015) ensure that industry is well-represented in the corridors of power in Brussels. Indeed, an EOS-led organisation, the European Cybersecurity Organisation, has now been awarded significant influence over the ESRP's cybersecurity research agenda as part of a multi-million euro "public-private partnership".

The level of corporate influence is no accident: one of the core objectives of the EU's security policy is ensuring profits for the European security industry. As the Commission once put it: "A competitive EU security industry is the *conditio sine qua non* of any viable European security policy and for economic growth in general." While the Commission sometimes rejects industry proposals, it has nevertheless granted unprecedented industry involvement in security research and Europe's broader security strategies.

CORPORATIONS AND RESEARCH INSTITUTES REAP THE BENEFITS

It hardly comes as a surprise, therefore, that some of the biggest winners so far of the 2014-20 EU security research budget have been major corporations. As of December 2016, Atos was involved in 15 projects, (€6.5 million), Thales (nine projects, €4.6 million), Engineering (an Italian company, six projects, €4 million) and Airbus (two projects, €3.6 million). In the previous six-year period (2007-2013), the main corporate players were Thales (€28.5 million, 63 projects), Selex (€23.2 million, 54 projects), BAE Systems (€14.2 million, 32 projects) and Indra (€12.3 million, 16 projects). In total, private companies took almost €552 million from the FP7 ESRP (2007-2013) budget, some 40% of the €1.4 billion total. Per project, private companies took almost 25% more money on average from the 2007-13 ESRP than they did from counterpart research programmes such as health, ICT, energy, environment and transport.

Private companies are not the only significant recipients of ESRP funding, however. Major research institutes have also benefitted massively, such as Germany's Fraunhofer Institute, France's *Commissariat à l'énergie atomique et aux énergies alternatives* (CEAS), Greece's Centre for Research and Technology Hellas and TNO in the Netherlands. Many of these organisations' agendas are well-aligned with the EU's own: boosting industry profits whilst promising public security through the introduction of new technologies. Many of them have also held seats on the PASAG and its predecessors. In the 2007-13 ESRP, the Fraunhofer Institute was the single largest overall recipient of funding, garnering €51.5 million for its role in 85 projects. It was followed by TNO (€30 million, 54 projects), the Swedish Defence Research Institute (€31.8 million, 53 projects) and the CEAS (€15 million, 39 projects). Research institutes continue to be major beneficiaries of funding in the 2014-20 period.

It is likely that the security industry would not survive without the considerable public funding supplied by the EU and its member states. As even the European Organisation for Security (EOS), the sector's chief lobbying group has highlighted: "security is often in a position of market failure," where "the allocation of goods and services by a free market is not efficient". Yet the "market forces" represented by the industry are nevertheless seen as a crucial element in EU security policy, giving rise to novel governance structures. As a 2014 study for the European Parliament noted with regard to certain funding schemes in the ESRP: "In sharp contrast with the idea of shaping a security market... the underlying idea here seems to be the promotion of a non-market commercial relation between the 'security industry' and public sector customers." These processes raise serious questions over agenda-setting and accountability.

MILITARISED PANOPTICON

Hundreds of EU-funded research projects were examined for this report. Taken together, a picture emerges of an attempt to build an integrated, EU-wide interoperable, high-tech, surveillance system directed at combating a multiplicity of threats. The projects range from plans for border surveillance drones and multi-biometric identification and authentication systems, to the automated detection and analysis of "terrorist-related content" online and the development of new covert surveillance devices.
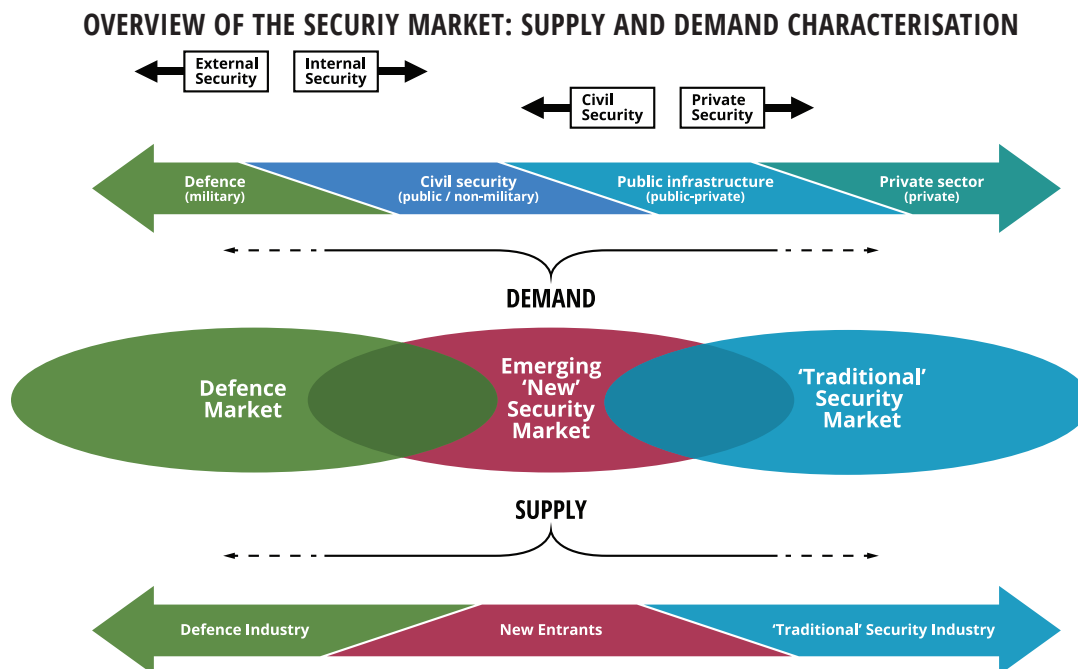
The ESRP also deliberately blurs the line between civilian and military technologies. While the legislation governing the research programme says that "activities carried out under Horizon 2020 shall have an exclusive focus on civil applications," the Commission has stated its intention to "evaluate how the results [of research projects] could benefit also defence and security industrial capabilities." The EU is also moving towards a new research budget for military research. As if in a sequel to the process that established the ESRP, a high-level 'Group of Personalities' dominated by state officials and industry representatives (including familiar names such as Indra, Airbus, BAE Systems and Finmeccanica) were invited to map the way ahead. This currently involves proposals for a €1 billion annual budget for military research from 2020 onwards.

Some of the long-term goals evident in the research funding, policies and security legislation approved in recent years include:

- **Nurturing transnational policing networks.** The EU is helping police forces to access and process information on a scale traditionally reserved for security and intelligence agencies, whilst providing financial and institutional backing for the development of secretive, unaccountable networks. For example, the Passenger Name Record (PNR) Directive, approved in April 2016, places all air travellers entering, leaving or flying within the EU under suspicion: they are automatically profiled against police watchlists and databases. One ESRP project, COMPOSITE, investigating "change management" in the

police, reveals the growing interest from police in the integration of information systems, the use of mobile technology, surveillance systems, digital biometrics and use of social media for publicity and investigation purposes. The Dutch police for example are cited approvingly for their "mobile weapons scanners" and research into the use of smells, bright lights and noises "to exploit physical reactions to create 'less-lethal technologies' with a mass effect" for use on crowds. Such technologies have been one topic of interest to the Dutch-led European Network of Law Enforcement Technology Services (ENLETS).

- **Europe-wide networked DNA databases and exchange of personal data.** The EU is moving towards ensuring national law enforcement agencies can seamlessly exchange DNA, fingerprint and vehicle data, at the same time as national DNA databases are growing steadily – an average of 10% over the course of 2015, with over 5.7 million individuals' DNA samples held across the EU at the end of that year. Through the Prevention of and Fight Against Crime Fund (ISEC), the EU spent at least €12.2 million on projects aimed at completing the network of national DNA databases. Research projects such as INGRESS (€3.2 million in EU funding and led by French security giant Safran), ARIES (€2.2 million), FLYSEC (€4.1 million), PROTECT (€5 million) and others aim to further spread the use of biometric authentication checks throughout society.

- **Increased investment in surveillance systems.** Many ESRP projects seek to extend an already-elaborate system of state and inter-state surveillance. The €4.9 million FORENSOR project, for example, seeks to develop and validate "a novel, ultra-low-power, intelligent, miniaturised, low-cost, wireless, autonomous sensor ('FORENSOR') for evidence-gathering" which will store audio and video and operate for up to two months with no additional infrastructure. ROBIN hopes to develop "a mobile robot platform able to perform autonomous protection of critical infrastructures"; INVEST, a smart CCTV for automated detection and tracking of "suspects"; and Starlight, systems for enabling video surveillance in the dark. Even the sewage system is to be used for surveillance: the microMole project proposes installing sensors to "track waste associated to ATS [amphetamine-type stimulants] production," and the 2016-17 ESRP work programme foresees other utility networks, for example water, electricity or telecommunications, being deployed for law enforcement purposes.

- **Pre-crime identification.** The idea of pre-crime - that you could be convicted based on your potential or likelihood of committing a crime – began as a science-fiction concept made popular by the film *Minority Report*, but the massive expansion of automated systems of surveillance and tracking are moving us rapidly in that direction. One EU project, INDECT, was awarded €11 million from the EU and sought intelligent "automatic detection of threats and recognition of abnormal behaviour or violence, to develop the prototype of an integrated, network-centric system supporting the operational activities of police officers." Numerous other projects in this vein have been funded by the ESRP, while Member States have their own programmes in place. Malta and Greece have committed themselves to using the Internal Security Fund budget to develop "intelligence-led policing models" that will help predict "crimes that have already been committed or will be committed in the future."

- **Militarising the EU's borders.** Through both its research projects and security budgets (notably the External Borders Fund and Internal Security Fund-Borders), the EU is actively supporting the ongoing militarisation of European borders. For example, from 2007-10, EU funds contributed to the deployment of 545 border surveillance systems covering 8,279 kilometres of the EU's external borders and 22,347 items of border surveillance equipment. It also included funding for detention centres, including in Greece, despite public reports on the appalling conditions for migrants. A long series of projects that currently includes SafeShore (€5.1 million), RANGER (€8 million) and ALFA (€4.6 million) seek to expand border surveillance, particularly through the use of drones. One previous project, TALOS (€13 million in EU funding and including Israel Aerospace Industries, the Hellenic Aerospace Industry and PIAP, a Polish robot manufacturer) even tried to develop an automated border control robot. Although the review of the project admitted that the robot "may be too complex" for border agencies to put into use, its vision of semi-autonomous border security remains a key plank of EU policy.

- **Disaster resilience preparedness.** The effects of climate change and extreme weather are also seen as key drivers for the development of security products and approaches. As one project, I-REACT (€5.4 million), has stated rather crudely, climate change will "enable new business development opportunities around natural disasters triggered by extreme weather conditions, which will reduce the number of affected people and loss of life."

OVERVIEW OF THE SECURIY MARKET: SUPPLY AND DEMAND CHARACTERISATION

← External Security | Internal Security →

← Civil Security | Private Security →

Defence (military) | Civil security (public / non-military) | Public infrastructure (public-private) | Private sector (private)

DEMAND

Defence Market | Emerging 'New' Security Market | 'Traditional' Security Market

SUPPLY

Defence Industry | New Entrants | 'Traditional' Security Industry

Source: Ecorys, 'Study on the competitiveness of the EU security industry', 15 November 2009

DEMOCRATIC DEFICIT AND THE DEMAND FOR NEW VISIONS OF SECURITY

Throughout the development of Europe's security agenda, there has been a consistent pattern of democracy playing catch-up to money, corporate influence and a belief that we can never have too much high-tech "security". The EU-wide border surveillance system Eurosur, for example, has been supported with millions of euros from the Commission since 2007, even though legislation establishing the system was not approved until 2013. A similar process of funding and rolling out programmes well ahead of legislation can be seen with the Passenger Name Record (PNR) air travel surveillance programme (€50 million in EU funding came in 2012, four years before EU legislation) and the EU's "smart borders" project (in development for almost a decade but only just coming up for approval by the European Parliament and Council of the EU). Given the far-reaching nature of these projects and the need for a robust discussion on how to prevent human rights being superseded by security objectives, this lack of democratic accountability is deeply disturbing.

This is not to say that "societal considerations" have not been an issue in the ESRP. The need for compliance with fundamental rights, democratic values and ethical standards has been noted repeatedly in the multitude of EU documents on security research. As criticisms of the security research agenda emerged in the early years of the ESRP, the Commission moved to ensure that security research projects complied with more stringent ethical checks, and broadened the agenda somewhat to fund less technologically-determined, more socially-focused research.

The Commission's 2011 legislative proposal for Horizon 2020 suggested it hoped to move away from the hard-edged, high-tech research that characterised the ESRP. It proposed that security research be merged into a broader theme on 'Inclusive, innovative and secure societies' that called for "rediscovering or reinventing successful forms of solidarity, coordination and creativity." However, national officials in the Council and MEPs in the Parliament (including some with close connections to the security industry) rejected these ideas and others that would have developed a broader "human security" research agenda and ensured more stringent oversight of projects. The result is a research agenda that remains largely focused on finding problems at which to direct commercialised industry "solutions".

A rigorous process of ethical approval remains in place – and is undoubtedly essential – but it will not overcome the political environment and objectives in which it is framed. As argued in a report for the ESRP-funded SURPRISE project: "Security policies... have increasingly adopted a conceptual approach to security problems that is strongly solution-driven and tends to neglect the variety and complexity of social, economic, technical and political factors that may have caused those security problems in the first place." Similar sentiments were expressed in a European Parliament report in 2010. It noted that while future research proposals "indicate a growing awareness for questions of fundamental rights and freedoms", they "remain overly framed by the concerns of the defence and security industry and national and European security agencies and services." In this respect, it seems little has changed.

INEFFICIENCY AND POOR RESULTS: A SAVING GRACE?

It is a sad reflection that perhaps the greatest constraint on the development of the sweeping security visions endorsed by the EU and its Member States has been bureaucratic inefficiency or the impractical nature of projects. In the case of the External Borders Fund, for example, the European Court of Auditors (ECA) in 2014 reported that EU funds had been ineffective, seriously deficient and misspent by national governments. Similarly, the formal evaluation of the 2007-2013 ESRP found that very few of the projects looked likely to result in concrete products (only 11% reported registration of intellectual property), and they performed badly too in terms of other key performance indicators such as academic publications.

The main success the evaluation could point to was that the ESRP had "improved the connections between the providers [corporations and research institutes] and users [state agencies] of novel civil security solutions," allowing them to "to develop common concepts, terminology, open interfaces, middleware, etc. that will in turn facilitate improved multilateral and cross-border cooperation." Seen from this perspective, the ESRP in FP7 has the appearance of a €1.4 billion networking exercise, and a cash cow for corporations and research institutes.

SECURITY: A ONE-WAY STREET?

Nevertheless, despite its failings and inefficiencies, this building of a security community that binds corporate interests and government policy cannot be discounted: it continues firmly on the path towards an internally and externally militarised Europe. As a European Parliament report noted in 2014, the Commission's dedication to supporting the security industry and developing technologies of surveillance "overrules all other societal considerations, which are relegated to preoccupations with societal acceptance of security technologies."

Officials from the public and private sector get together to thrash out a "security industrial strategy" for the EU.

Moreover, this is not simply a case of "bureaucrats in Brussels" implementing measures against the wishes of the Member States. While the European Commission retains significant room for manoeuvre in its initiatives, EU security policy is strongly driven by national state interests, and it is EU Member States that are leading the charge towards authoritarian and security-focused government. Following terrorist attacks and the growing numbers of refugees created by wars in Syria and elsewhere, governments across Europe have moved to reinforce security measures to the detriment of individual rights. Executive power has been bolstered at the expense of oversight by parliaments and independent agencies; standards of proof in court proceedings have been diminished; and security and law enforcement agencies have been given significant new powers for surveillance, amongst other issues.

The EU has done little to prevent these developments at national level, in part for fear of disturbing the fragile "unity" that exists between the EU's Member States, but also because they complement the EU's own measures towards total border surveillance, pro-active and "intelligence-led" law enforcement, the surveillance and profiling of migrants and EU nationals, and the expansion and interconnection of biometric databases.

NEED FOR A NEW APPROACH

It is clear that Europe faces major challenges, from the increase in terrorist attacks to the growing impact of climate change, that require collective responses. The question is whether they require the responses offered so far: extraordinary legal and policy measures combined with the development and deployment of new surveillance and control technologies often based on ideas of hierarchical command-and-control. The presumption that underpins many of the policies and technologies emerging from EU initiatives is one of countless, dispersed, almost-invisible threats, serving to propel new "public security" initiatives and corporate profit – although it is far from clear that these two goals are easy bedfellows. More fundamentally, these processes are, as the academics Eliav Lieblich and Adam Shinar have put it, undermining "a foundational principle of the liberal order" – that "the state does not act upon the presumption that its citizens are threatening."

It is noticeable that these new forms of security have been advancing at the same time as more traditional forms of social security have been deliberately eroded in the context of austerity. Yet research shows that issues relating to income, employment and financial security are what make most people feel secure, to a far greater degree than traditional security measures such as police presence or militarised borders. The reinforcement of pervasive, high-tech security measures has long been the primary consideration for the EU's security strategists, with the private interests that stand to gain from this process always ready to offer their guidance and reap the rewards. It is time for a new direction before it is too late.