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**INTERVENTION BY EDA CHIEF EXECUTIVE IN THE EUROPEAN PARLIAMENT'S
SUBCOMMITTEE ON SECURITY AND DEFENCE***(Check against delivery)*

- Thank you. Honored to deliver my first intervention to SEDE in my capacity as EDA's Chief Executive.
- Since I took office, I have been conducting bilateral visits to the capitals of the Agency's Member States with the clear intent to instill a sense of ownership, to inquire about expectations regarding the June European Council on Defence and to share my vision on the Agency's future orientations.
- Today, I would like to avail myself of the opportunity to exchange views on this with you, the European Parliament. I very much value our sustained interaction.
- My intervention today will consist of three main topics: (i) my view on the Agency's role in the future, (ii) the Preparation of the June European Council and (iii) an update on EDA's capability programs.

Let me start on how I would like EDA to develop in the future. I would consider this development along three main strands.

- First of all, I consider EDA as an enabler. An enabler of Member States' level of ambition. As you know, it is one of our key roles to support our Member States in developing capabilities. Now, I believe these should be "*structuring capabilities*". Capabilities which allow Member States to proceed further into European defence integration. EDA's revised Capability Development Plan (CDP) will be the main driver of our work in this field.

The same goes for training activities conducted through EDA. Our goal is not the organization of exercises as a stand-alone principle. It is EDA's view that these activities should contribute to the enhancement and availability of the concerned capabilities. Good examples can be found in the Agency's Helicopter Exercise Programme, which has allowed more

than 12.000 personnel to benefit from multinational training. Personnel which has on several occasions met again in theatres of operation. As to fixed-wing training, yearly military air transport exercises generate savings of more than 500.000 EUR thanks to the European Air Transport Fleet.

- Secondly, support to industry, notably through stimulating R&T. Therefore, the Preparatory Action is so important as a test case for a genuine EU-fund dedicated to defence-related research. However, the PA is not an excuse for inaction. Rather, it should complement enhanced national R&T efforts. I will come back to this.
- It is crucial for Europe to maintain its strategic autonomy. If we do not take action, the EU defence and technological industrial base will wane and we risk becoming a continent of subcontractors. This will cost us dearly. Both in foreign policy options, as well as in terms of growth and employment. For let us not forget that prime contractors with civilian and military activities have remained in Europe so far due to the fact **because they supply MODs**.
- Thirdly, further enhancing EDA's role as the interface of military views in wider EU-policies. EDA's added value is clear.
 - We can mitigate the impact of EU regulation on defence in order to avoid that the operational capabilities of our Member States' armed forces are affected.
 - EDA can facilitate access to EU funds (ESIF, COSME), particularly to enhance SME growth and competitiveness.
 - The Agency also supports Member States in complying with EU regulation (E.g. REACH, procurement directives)
 - And last, but especially not least, EDA ensures that defence specificities are taken into account in wider EU policies. Single European Sky, which will affect the military side to a great extent, is an excellent example.
 - EDA's objective with SESAR is to guarantee military forces to have free and safe access to European airspace for training purposes, air-policing and air defence missions. In addition, it is

the Agency's goal to safeguard the ability of the military to deploy to external operation theatres from within the European airspace, as and when this is required. If this is ensured, hopefully, in the near future, we will also be able to integrate Remotely Piloted Aerial Systems into general air traffic in a safe and efficient way and on a routine basis.

This brings me to my second point, the European Council on Defence in June. First and foremost, I hope that more time will be devoted to defence than in 2013. (40 minutes) After all, there is a lot to discuss.

- The EC cannot be a simple stock-taking exercise. We need to maintain sustained top-down impetus from the highest political level.
- The upcoming revision of the European Security Strategy will be a valuable instrument. Nevertheless, strategy in its own right is not sufficient. We need clear ideas, roadmaps and programs.
- To address the fast altering security environment, and fully aware of the severe budgetary restrictions, we need to reverse the sustained reduction in the level of investment in defence. But, equally important, we need to spend better.
- Therefore, I would like Heads of State and Government to reiterate in June the commitments already taken by Ministers of Defence during a 2007 EDA Steering Board. (*20% of spending to procurement, 35% of equipment spending in cooperation, 2% of spending to R&T and 20% of the latter in collaborative R&T.*)
- We should of course maintain our clear focus on results, on programs. There are a number of pressing capability shortfalls mainly resulting from the revised CDP that could be redressed such as Air surveillance, maintenance capabilities, countering mini-drones, a counter hybrid-warfare center, BIO J-DEAL (C-IED) and missile defence. Of course, this should not divert our attention from implementing the four key priorities identified in December 2013.
- Because if we do not start looking at these shortfalls in a collaborative manner now, shortfalls which we have agreed upon, and in full consistency with what we do in NATO, we risk addressing them in a national and fragmented way. And this would surely be to the detriment

of European defence in general and to the European Defence Technological and Industrial Base in particular.

Support to industry

- I come back to support to industry and the importance of R&T.
- A healthy industrial base is key: There can be no defence without programs, and no programs without a competitive European defence industrial base which is able to innovate and to compete at a global level.
- Therefore, a comprehensive European approach is needed. This includes: a favourable regulatory environment for defence cooperation, the development of fiscal and financial incentives, the identification of fresh funding possibilities, especially for R&T and developing measures supporting Security of Supply.
- It is also time to develop on an EU-level the notion of Key Strategic Activities, in order to prioritise our work in support of the sector.
- Specific actions are needed to give a fair chance to **all** suppliers in the whole defence supply chain.
- I particularly refer to SMEs as a source of innovation and key enablers for competitiveness.
- Nevertheless, without redressing the decline in R&T spending, our efforts will have been in vain and our defence industries will not be able to survive.
- If R&T spending continues to decline, resulting in fewer defence contracts, we may face a looming threat of those companies delocalizing outside the Union and taking jobs, innovation and growth potential with them.
- To give you a concrete example: Precision Guided Ammunition. The industrial base to produce these capabilities exists in Europe today but this technology is at real risk in the coming three to five years. With real risk I mean: total loss, if these resources are not used in upcoming development programs.
- So what is to be done?

- To stimulate R&T, we need to enhance investment in traditional defence-oriented research, particularly in collaborative R&T.
- And civil-military/dual-use synergies need to be better exploited.
- Which brings me back to the Preparatory Action on CSDP-related research
 - it truly is a potential game-changer testing the viability of defence-oriented and CSDP-related research at Union level;
 - Therefore, it is crucial to ensure strong political support at the level of the European Council.
 - But again, the Preparatory Action should not be considered as a substitute for national R&T!
 - EDA has made good progress in cooperation with the European Commission;
 - Its content must be new and defence-oriented. In this regard, the link to the Capability Development Plan and Strategic Research Agendas is essential to avoid duplication and to have it focus on the real priorities of European defence.
 - As to governance, it needs to take into account the intergovernmental nature of defence cooperation and closely associate Member States in the elaboration of the work program.
- The Parliament has been providing particular impetus, notably through the EP's proposal to set up a Pilot Project on CSDP-related research.
- The Pilot project 2015/2016 will indeed be an important test run for these governance and modalities features, such as EDA handling EU budget.

Now, a word on incentives.

- Let us be honest, in times of austerity it is politically difficult for Member States to commit to increased defence spending. Although this trend seems to be reversing in several Member States, for the moment, we need to focus on how to spend better.
- Because, ladies and gentlemen, if the increase in defence budgets is only devoted to solve short-term requirements and to fill urgent gaps, and if

we fail to start looking collectively and simultaneously at the needs of European defence in 5 – 10 -15 years, then we will harm our own future interests, as well as impede the consolidation of our industry.

- This is even more the case for the countries in Central and Eastern Europe: the best way to integrate their respective defence industries in Europe is to converge around collaborative programs in the medium and long term.
- Since cooperation remains far from a second nature, there is a need to incentivize it.
- EDA is exploring several “venues”, following a clear mandate received from the European Council in December 2013 for developing non-market distorting incentives to cooperation.
 - In the fiscal area, EDA has been granted a VAT exemption for projects managed by the Agency, on a case by case basis. (Current examples: EU SATCOM Market, J-DEAL, C-IED training in Austria)
 - In the financial area, the Agency is investigating together with Member States the case for setting up a dedicated investment fund for the defence sector.
 - Such a fund could for instance help Member States synchronize their investment budget availability, enabling them to launch cooperative programs when budgets to participate are lacking at that point. It could also finance R&D activities or programs having a clear business case.
 - Finally, EDA is engaged in initial discussions with the European Investment Bank for potential support to dual-use programs and to SMEs having activities in the defence sector.

I will conclude this point with an issue which is increasingly gaining political attention: Security of Supply.

- It is important for CSDP-operations and the overall functioning of our armed forces.
- Based on the 2013 taskings, EDA worked intensively with Member States, in full transparency with the Commission, to develop proposals in preparation for the June 2015 European Council.

- These include targeted actions in intergovernmental areas:
 - enhancing mutual trust among MS;
 - Ensuring access to critical European defence technologies and industrial capabilities;
 - addressing Member States' short term shortfalls and common logistics support of shared capabilities;
 - and enhancing Security of Supply aspects in European cooperative programs;
 - In addition, the roadmap should also take into account the existing mechanisms such as the EDA Framework Arrangement on Security of Supply and associated Code of Conduct on Prioritization that should be fully implemented and exploited.
 - On the other hand, on the regulatory level, MS have stressed that no new regulatory measures should be taken and the focus should be on the coherent and full application of the two directives (Defence Procurement Directive and Intra-Community transfers).
 - EDA will table its proposals to Ministers on 18 May.
- Finally, in the preparation of the European Council in June, we maintain a spirit of full complementarity with NATO: In fact, the December 2013 Council conclusions and NATO Wales Summit Declaration are fully complementary and feature cross-references on respective topics.

As to my third and final point: an update on EDA's key capability programs.

- The four programs (RPAS, AAR, GOVSATCOM, CYBER) are progressing well in line with their roadmaps.
- **AAR**: Substantive progress has been achieved towards the establishment of a European strategic tanker capability by 2020, under the lead of the Netherlands.
- one industrial solution (AIRBUS) has been identified as meeting key requirements in terms of capability and timeframe.

- Other Member States are encouraged to join the initiative. The current focus of work is to identify synergies with similar fleets in Europe (UK and FR) in the in-service support phase as well as potential additional participants.
- EDA also proposes that non-A400M Member States acquire A400M AAR kits for use on their platforms when contingency planning asks for it. Additionally, A400M operators that haven't yet acquired an A400M AAR capability could look at potentially buying AAR kits for their platforms in order to satisfy EU and NATO targets.
- **MALE RPAS:** France, Germany and Italy are preparing the establishment of a MALE RPAS program, benefitting from EDA's activities through the MALE RPAS Community. This includes work in the field of air traffic insertion, certification and harmonization of RPAS flight crew training, licensing equipment, sharing operational experience and assessing the added value of cooperation on training.
- A feasibility study is expected to be launched in 2015. EDA can facilitate the interaction with other potential partners in order to ensure the viability of the business case. The European dimension of the program should be maintained.
- In terms of integration in general air traffic and regulation, the Agency's work on RPAS is underpinned by synergies with the Commission, the European Aviation Safety Agency and the European Space Agency.
- **SATCOM:** The development of the next generation of governmental satellite communications by 2025 is well on track, under the lead of Spain.
- The objective is to assess cooperation models in order to propose to Member States various options for a comprehensive program. EDA will launch a feasibility study with the active collaboration of the European Space Agency in 2015 with results by the end of 2016.
- **CYBER:** Activities within EDA are on-going in the areas of education, training and exercises, human factors, and technologies. Ad hoc projects are under way to set up Cyber Ranges and deployable Cyber Defence situational awareness packages for headquarters, which are now under preparation.

- The objective is to promote the development of Member States' cyber defence capabilities, research and technologies in accordance with the revised Capability Development Plan. However, it will be important to establish a single cooperative framework program under a lead nation. The sensitive nature of cyber should not be an obstacle to substantive work at the European level.

Finally, a word on support to operations.

- There is a Support to Operations Unit within EDA to systematically offer EU Operation Commanders the use of projects developed within the EDA framework and internal expertise.
- For Operation EUFOR RCA, EDA, together with the Cooperative Cyber Defence Centre of Excellence in Tallinn and the EUMS, provided cyber awareness seminars in Larissa Operational Headquarters;
 - OHQ Larissa also welcomed the installation and testing of an HR-management software developed within the EDA framework;
- and the EDA funded Smart Energy Camp demonstrator will be deployed in the framework of the CSDP military EU Training Mission in Mali later this year.
- EDA can also provide Contractor Support in the context of CSDP operations, when certain capability shortfalls can be alleviated through commercial solutions. E.G.: EUFOR ALTHEA 2014.
- We now envisage to focus on facilitating large, complex tender procedures for the procurement of services in support of a specific operation and in supporting ATHENA to set up Framework Contracts for future operations.
- This concludes my intervention. I am ready to take your questions.
- Thank you.