


Procedure file

Basic information			
INI - Own-initiative procedure	2013/2125(INI)	Procedure completed	
European defence technological and industrial base			
Subject			
3.40.09 Defence and arms industry			
3.50.03 European space policy			
6.10.02 Common security and defence policy (CSDP); WEU, NATO			
Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	AFET Foreign Affairs (Associated committee)		21/03/2013
		PPE GAHLER Michael	
		Shadow rapporteur	
		S&D ZEMKE Janusz	
		ALDE NICOLAI Norica	
	Verts/ALE BÜTIKOFER Reinhard		
	ECR VAN ORDEN Geoffrey		
	EFD TERHO Sampo		
	Committee for opinion	Rapporteur for opinion	Appointed
	ITRE Industry, Research and Energy (Associated committee)		30/05/2013
		PPE AUDY Jean-Pierre	
	IMCO Internal Market and Consumer Protection		29/05/2013
		PPE GÁLL-PELCZ Ildikó	
Council of the European Union	Council configuration	Meeting	Date
	Competitiveness (Internal Market, Industry, Research and Space)	3258	26/09/2013
European Commission	Commission DG	Commissioner	
	Internal Market, Industry, Entrepreneurship and SMEs	TAJANI Antonio	

Key events			
04/07/2013	Committee referral announced in Parliament		
04/07/2013	Referral to associated committees announced in Parliament		
24/07/2013	Non-legislative basic document published	COM(2013)0542	Summary
26/09/2013	Debate in Council	3258	
24/10/2013	Vote in committee		
30/10/2013	Committee report tabled for plenary	A7-0358/2013	Summary
20/11/2013	Debate in Parliament		

21/11/2013	Results of vote in Parliament		
21/11/2013	Decision by Parliament	T7-0514/2013	Summary
21/11/2013	End of procedure in Parliament		

Technical information

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Documentation gateway

Non-legislative basic document		COM(2013)0542	24/07/2013	EC	Summary
Committee draft report		PE516.829	28/08/2013	EP	
Amendments tabled in committee		PE516.909	25/09/2013	EP	
Committee opinion	IMCO	PE516.616	01/10/2013	EP	
Committee opinion	ITRE	PE516.798	09/10/2013	EP	
Committee report tabled for plenary, single reading		A7-0358/2013	30/10/2013	EP	Summary
Text adopted by Parliament, single reading		T7-0514/2013	21/11/2013	EP	Summary
Commission response to text adopted in plenary		SP(2014)88	10/03/2014	EC	
Follow-up document		COM(2014)0387	24/06/2014	EC	Summary

European defence technological and industrial base

PURPOSE: to set out an Action Plan for the Commissions contribution to strengthening the Common Security and Defence Policy (CSDP).

BACKGROUND: the security challenges the EU is facing are numerous, complex, interrelated and difficult to foresee. The strategic and geopolitical environment is rapidly and constantly evolving. The worlds balance of power is shifting as new centres of gravity are emerging and the US is rebalancing its strategic focus towards Asia.

The crisis in public spending induces cuts in defence budgets. From 2001 to 2010 EU defence spending declined from 251 billion to 194 billion. These budget cuts are also having a serious impact on the industries that develop equipment for our armed forces. They affect in particular the investment in defence R&D that is crucial for developing capabilities of the future.

The problem of shrinking defence budgets is aggravated by the persisting fragmentation of European markets which leads to unnecessary duplication of capabilities, organisations and expenditures. This situation necessitates a reorientation of priorities.

Defence industry in Europe directly employs about 400 000 people and generates up to another 960 000 indirect jobs. It is, therefore, a sector that is essential to retain if Europe is to remain a world-leading centre for manufacturing and innovation. The European Defence Technological and Industrial Base (EDTIB) constitutes a key element for Europe's capacity to ensure the security of its citizens and to protect its values and interests.

Europe must be able to assume its responsibilities for its own security and for international peace and stability in general. This necessitates a certain degree of strategic autonomy: to be a credible and reliable partner, Europe must be able to decide and to act without depending on the capabilities of third parties. Security of supply, access to critical technologies and operational sovereignty are therefore crucial.

Defence is still at the heart of national sovereignty and decisions on military capabilities remain with Member States. However, the EU does have a significant contribution to make. With Members States having amongst themselves around 1.6 million soldiers and annual defence budgets of 194 billion the EU has the capacity to be a strategic actor on the international stage, in line with its values.

The European Council, in its Conclusions of 14 December 2012, called upon the High Representative, notably through the European External Action Service and the European Defence Agency, as well as the Commission, to develop further proposals and actions to strengthen CSDP and improve the availability of the required civilian and military capabilities.

CONTENT: this Communication builds on the work of the Commission's Defence Task Force established in 2011 with the objective to strengthen the defence sector by mobilising all relevant EU policies. The European External Action Service (EEAS) and European Defence Agency (EDA) have been fully associated to the work of the Task Force and in the preparation of this Communication.

This Communication presents a package of measures aiming to encourage the cooperation between Member States. It aims to exploit possible synergies and cross-fertilisation which come from the blurring of the dividing line between defence and security and between civil and military.

To reach these objectives, the Commission sets out an Action Plan to strengthen the CSDP in the following areas:

Strengthen the internal market for defence and security: the Commission has put forward the two Directives on defence and sensitive security procurement ([2009/81/EC](#)) and transfers ([2009/43/EC](#)), which constitute today the cornerstone of the European defence market. The Commission shall also tackle persisting unfair and discriminatory practices and market distortions as well as develop instruments which enable Member States to improve the security of supply between them.

Strengthen the competitiveness of the EDTIB: to this end, the Commission will develop a defence industrial policy based on the following strands:

- support for competitiveness including developing 'hybrid standards' to benefit security and defence markets and examining the ways to develop a European certification system for military airworthiness, building on the civil experience of EASA gained by certifying the Airbus A-400M (in its civil configuration);
- screen raw materials that are critical for the defence sector within the context of the EU's overall raw materials strategy and prepare, if necessary, targeted policy actions;
- support for SMEs including development of a European Strategic Cluster Partnership to provide links with other clusters and support defence-related SMEs in global competition;
- promote skills identified as essential to the future of the industry including through the "Sector Skills Alliances" and "Knowledge Alliances" programmes currently being trialled. In this context, Member States can use the support that can be provided by the European Social Fund (ESF) and in certain cases of mass redundancies also by the European Globalisation Adjustment Fund.

Exploiting dual-use potential of research and reinforcing innovation and reducing the energy footprint: this concerns exploiting civilian military synergies to the maximum extent possible in order to ensure the most efficient use of European tax payers' resources, in particular by:

- concentrating its efforts on possible cross-fertilisation between civil and military research and the dual-use potential of space;
- assessing the possibility of EU-owned dual-use capabilities, which may in certain security areas complement national capabilities and become effective and cost-efficient force multipliers;
- considering launching a preparatory action for CSDP-related research focusing on those areas where EU defence capabilities are most needed;
- helping armed forces reduce their energy consumption and thereby contribute to the Union's 20/20/20 targets.

The Commission invites the European Council to discuss this Action Plan in December 2013. On the basis of the discussions with Heads of State and Government, the Commission will develop for the areas defined in this Communication a detailed roadmap with concrete actions and timelines.

European defence technological and industrial base

The Committee on Foreign Affairs adopted the report by Michael GAHLER (EPP, DE) on the European Defence Technological and Industrial Base, in response to the Commission communication entitled

Towards a more competitive and efficient defence and security sector.

The Committee on Industry, Research and Energy, in exercising its prerogatives as an associated committee in accordance with [Article 50 of Parliament's Rules of Procedure](#), was also consulted for an opinion on this report.

Members recalled that an operational Common Security and Defence Policy needs a strong European defence technological and industrial base (EDTIB). They welcomed the European Council's decision to put the strengthening of Europe's defence on the agenda for its December summit and called on the European Council to provide the necessary fresh and ambitious impetus in this area.

While some third countries such as China, India, Brazil and Russia are increasing their defence spending, EU defence budgets are being cut back.

Concerned about the reductions in defence investment, the report urged the Member States to reinforce European industrial cooperation with a view to ensuring, as far as possible, strategic autonomy by developing and producing efficient military and security capabilities using the most advanced technologies.

Harmonisation of requirements and consolidation of demand: the report called on the European Council to launch a European defence review process and make the coordination of national defence planning processes at EU level a reality. Member States are invited to further explore the possibility of synchronising and jointly planning the life-cycle management of their defence capabilities in cooperation with the European Defence Agency (EDA).

Industrial policy: according to Members, a European industrial defence policy should have the aim of optimising Member States capabilities by coordinating the development, deployment and maintenance of a range of capabilities, installations, equipment and services. It should also promote research and technology cooperation and by developing equipment cooperation programmes.

The report stated that it is time to promote a voluntary approach in acting on the fragmentation of the European industrial defence market, furthering its consolidation (and initiating harmonisation) as regards supply and demand, rules and standards.

Member States are invited to:

- develop their defence industrial and technological bases and centres of excellence around key technologies, and provide them with effective corporate governance mechanisms within the European Union;
- encourage cooperation between major defence companies and universities;
- minimise unnecessary regulatory obstacles, to improve dialogue between defence undertakings and to promote the rationalisation;
- develop ways and means of consolidating small and medium-sized enterprises in a sustainable manner and of facilitating their access to defence procurement.

Common approach to standardisation and certification: Members reiterated the fundamental importance of standardisation of defence equipment for the establishment of a competitive single European defence market, as well as for ensuring interoperability and facilitating cooperation on armaments programmes.

Member States are encouraged to:

- explore the possibilities offered by the European Defence Agency (EDA) in terms of drafting European standards for military products and applications, for example for the construction of hospital ships or in the field of remote-controlled aerial systems;
- streamline European certification procedures, with the mutual recognition of certificates and the development of common civilian and military European certification procedures.

Ensuring security of supply: Member States, the EDA and the Commission are invited to rapidly develop a comprehensive and ambitious EU-wide security-of-supply regime, and to submit a joint non-dependency strategy on critical technologies, in particular as regards unlimited access to and availability of civilian and military (dual-use) emerging and key enabling technologies, such as cutting-edge micro-/nano-electronics, artificial intelligence and photonics.

Giving a new impetus to armaments cooperation: the report recommended developing key enablers with civil-military applications, which are sorely lacking in the majority of the Member States, such as some remotely piloted aircraft systems (RPAS), fostering the development of high technologies and helping sustain key competencies within Europe.

It encouraged EU participation in joint projects through leasing and/or acquisition of dual-use capabilities and the possible procurement of prototypes.

The European Council is urged, against the background of the existing administrative arrangement between the EDA and the Organisation for Joint Armament Cooperation (OCCAR).

The report also highlighted the need:

- to support CSDP missions through European research and development: Members emphasised the importance of research and innovation in the security and defence sector and of the Horizon 2020 research programme and invited the Member States to establish an appropriate platform for bringing defence research to the civilian sphere, with a focus on cutting-edge technological applications;
- to maintain the excellence of this technologically innovative and efficient industry in order to ensure the technological independence of the European Union;
- for greater cooperation and exchange of know-how among Member States, on the one hand, and between the European Union and its key partners, on the other; for the safety and security of infrastructure and technology;
- to develop European ICT and cyber-security standards and integrating them with international standards.

Strengthening the internal market in defence equipment: Members recalled that Member States urgently need to improve the transparency and increase the openness of their defence markets, while stressing the specific nature of defence procurement. The Commission is urged to step up efforts to build a level playing field in the defence market, limiting the use of market-distorting practices to the strict minimum of duly justified derogations.

European defence technological and industrial base

The European Parliament adopted by 415 votes to 103 with 67 abstentions, a resolution on the European Defence Technological and Industrial Base.

Parliament recalled that the development of a strong European defence technological and industrial base (EDTIB) should be part of the strategic priorities of the EU. It welcomed the European Council's decision to put the strengthening of Europe's defence on the agenda for its December summit and called on the European Council to provide the necessary fresh and ambitious impetus in this area.

Reduction in budgets and investment: Parliament drew attention to the changing strategic global landscape, and to reduced defence budgets, caused especially by the economic and financial crisis. While some third countries such as China, India, Brazil and Russia are increasing their defence spending, EU defence budgets are being cut back.

In this context, the resolution urged Member States to reinforce European industrial cooperation with a view to ensuring, as far as possible, strategic autonomy by developing and producing efficient military and security capabilities using the most advanced technologies.

Harmonisation of requirements and consolidation of demand: in view of the fragmentation of demand in the EU, with 28 national defence customers, Parliament calls on the European Council to launch a European defence review process and asked the VP/HR to initiate a wide-ranging process to develop a White Paper on European Security and Defence.

Member States are asked to make the coordination of national defence planning processes at EU level a reality and to explore the possibility of synchronising the life-cycle management of their defence capabilities in cooperation with the European Defence Agency (EDA).

Industrial policy: according to Members, a European industrial defence policy should have the aim of

- optimising Member States capabilities by coordinating the development, deployment and maintenance of a range of capabilities,

installations, equipment and services;

- promote research and technology cooperation and by developing equipment cooperation programmes.

In acting on the fragmentation of the European industrial defence market, Parliament believed that it was time to promote a voluntary approach as regards supply and demand rules and standards. It also stated that it was time to invest in an integrated sustainable industrial policy based on research, innovation, increasing efficiency of resources, a strategy for raw materials, the strengthening of SMEs and the development of regional networks.

Member States were invited to:

- develop their defence industrial and technological bases and centres of excellence around key technologies;
- encourage cooperation between major defence companies and universities;
- minimise unnecessary regulatory obstacles, to improve dialogue between defence undertakings and to promote the rationalisation.

Common approach to standardisation and certification: Members reiterated the fundamental importance of standardisation of defence equipment for the establishment of a competitive single European defence market, as well as for ensuring interoperability and facilitating cooperation on armaments programmes.

Member States were encouraged to:

- explore the possibilities offered by the EDA in terms of drafting European standards for military products and applications, for example for the construction of hospital ships;
- streamline European certification procedures, with the mutual recognition of certificates.

Ensuring security of supply: Parliament called on Member States, the EDA and the Commission:

- to rapidly develop a comprehensive and ambitious EU-wide security-of-supply regime;
- to submit a non-dependency strategy on critical technologies, in particular as regards unlimited access to and availability of civilian and military (dual-use) emerging and key enabling technologies, such as cutting-edge micro-/nano-electronics, artificial intelligence and photonics.

Giving a new impetus to armaments cooperation: Parliament:

- recommended developing key enablers with civil-military applications, which are sorely lacking in the majority of the Member States, such as some remotely piloted aircraft systems (RPAS);
- encouraged EU participation in joint projects through leasing and/or acquisition of dual-use capabilities and the possible procurement of prototypes;
- urged the European Council to strengthen the existing administrative arrangement between the EDA and the Organisation for Joint Armament Cooperation (OCCAR).

Furthermore, the resolution stressed the need to:

- support CSDP missions through European research and development using the Horizon 2020 research programme;
- establish an appropriate platform for bringing defence research to the civilian sphere;
- maintain the excellence of this technologically innovative and efficient industry in order to ensure the technological independence of the European Union;
- increase cooperation between the European Union and its key partners for the safety and security of infrastructure and technology. Members wanted to see the development of cyber-security standards and the integration of these with international standards.

Strengthening the internal market in defence equipment: Parliament invited Member States to improve the transparency and increase the openness of their defence markets, while stressing the specific nature of defence procurement. It also invited the Commission to step up efforts to build a level playing field in the defence market, limiting the use of market-distorting practices to the strict minimum of duly justified derogations.

European defence technological and industrial base

In this report, the Commission presents a Roadmap for measures to strengthen the Single Market for defence, to promote a more competitive defence industry and to foster synergies between civil and military research including details and timelines for the actions. The Communication is a follow-up to the [Commissions Communication](#) of July 2013 and contributes to the implementation of the European Council Conclusions of December 2013. At the same time, it builds a bridge to the Commissions contribution to the European Council of June 2015.

The Commission pursues the following objectives:

- an Internal Market for Defence where European companies can operate freely and without discrimination in all Member States;
- an EU-wide security of supply regime where armed forces can be sure to be sufficiently supplied in all circumstances no matter in which Member State their suppliers are established;
- a Preparatory Action on CSDP-related research to explore the potential of a European research programme which, in the future, may cover both security and defence. This is in addition to exploiting all possible synergies between existing civil and defence research; and
- an industrial policy which fosters competitiveness of European defence industries and helps to deliver at affordable prices all the

capabilities Europe needs to guarantee its security.

To pursue these objectives, the report establishes a roadmap for the activities set out in the Communication. In particular, it notes that the relationship between civil and defence world intensifies with the dividing lines becoming increasingly blurred. This is particularly apparent in CSDP missions which are mostly civil and require close civil / military co-operation to be effective. This is increasing the demand for greater civil / military synergies in areas such as communication, strategic transport, surveillance, RPAS etc. At the same time the investment in defence R&D is continuing to fall dramatically. In 2012, EU-wide defence R&D expenditure decreased by 38% compared to 2011. Partly as a consequence, the gap between defence and civil R&D is increasing. Therefore defence industry dependence on technologies with a civilian origin is increasing as is the tendency to diversify into civil businesses.

The Communication aims to exploit possible synergies and cross-fertilisation that comes from the blurring of the dividing line between defence and security and between civil and military.

The Roadmap proposes the following initiatives:

Complete the Single Market for defence and security: the Commission stresses that the [Directive on defence and sensitive security procurement](#) and the [Directive on transfers of defence-related products](#), which constitute today the cornerstone of the European defence market, must be fully applied in order to tackle market distortions and contribute to improving security of supply between Member States. It will:

- propose further measures to strengthen the implementation of the Directive on transfers on the basis of the results of a study expected in July 2014;
- issue a Green Paper on possible shortfalls of the current system for the control of assets and explore options for EU-wide action, including mechanisms of notification and consultation between Member States;
- adopt a roadmap in 2015 for a comprehensive EU-wide Security of Supply regime, which will: identify possible actions in the areas of (a) supply between Member States, (b) supply of Member States from third countries and (c) control of industrial and technological assets in the EU, which are all key elements for a comprehensive security of supply regime;
- continue to phase out offsets and clarify exclusions from the scope of Directive 2009/81/EC.

Promoting competitiveness in the defence industry: the Commission will develop a defence industrial policy based on:

- work to identify a new mechanism for developing defence standards in Europe and a common approach to standards for military aircraft;
- supporting SMEs including: (a) development of networks between defence-related regions within the EU, (b) support defence-related SMEs in global competition and (c) provide practical guidance to SMEs and European regional authorities clarifying the eligibility of using European funds in support of dual-use projects.
- screen raw materials that are critical for the defence sector through the JRC and with EDA and industry, possibly paving the way for future policy actions in this area;
- a communication campaign on EU funding of skill-related initiatives and launching a study on current and future competencies and skills supply and demand in the defence sector.

Exploiting dual-use potential of research and reinforcing innovation: the Commission will seek the maximum synergies possible between civil and military research. The main action it proposes is the Preparatory Action, the purpose of which is to illustrate the value added of an EU contribution in new research areas complementing the CSDP-related civilian research ongoing under Horizon 2020. The Preparatory Action will last for a maximum of three years. The total amount of funding will depend on the available budgetary resources at the time of adoption. If successful, this Preparatory Action would prepare the ground for a possible CSDP-related research theme which could be funded under the next multi-annual financial framework. While this cannot substitute for national investment in defence R&D, it should promote synergies with national research efforts and encourage industrial co-operation. The scope of the Preparatory Action will be defined in consultation with Member States, the European Parliament, EDA, EEAS and industry.

Development of Capabilities: the Commission will:

- undertake, with the High Representative and EDA, a joint-assessment of dual-use capability needs for EU security and defence policies, to highlight areas where military and non-military capability needs are similar and identify the potential for synergies;
- a Communication, within the context of the European Maritime Security Strategy, to provide an implementation Roadmap for Common Information Sharing Environment (CISE).

Space and Defence: while some space capabilities must remain under exclusive national/military control, the Commission believes that there are significant potential benefits, in terms of reduced costs and greater efficiency, from increased synergies between national and European space capabilities. It will continue its work to protect space infrastructure and support the development of the next generation of Satellite Communication (SATCOM).

Application of EU energy policies and support instruments in the defence sector: armed forces have a strong interest in reducing their energy footprint and could thus make an important contribution to the Unions energy targets. The Commission started discussions on the establishment of a Consultation Forum for Energy in the Defence and Security Sector. The Forum will develop (i) guidance documents on the implementation of the relevant EU energy legislation and financing investments in energy efficiency and renewables in the defence sector; (ii) concepts and recommendations for joint actions between Member States to improve the protection of critical energy infrastructures.

Strengthening the international dimension: the Commission will discuss with stakeholders how to support the European defence industry on third markets. Issues to be addressed include: (a) the impact of offsets requirements in third countries on the European defence sector; (b) the obstacles that European industry faces when competing for contracts in third countries and the contribution of EU trade and investment agreements; (c) the support that competitors from third countries receive, and the extent to which similar support could be provided to EU companies.