Impact of the financial crisis on the defence sector in the EU Member States

2011/2177(INI) - 30/11/2011 - Committee report tabled for plenary, single reading

The Committee on Foreign Affairs adopted an own-initiative report drafted by Krzysztof LISEK (EPP, PL) on the impact of the financial crisis on the defence sector in the EU Member States.

The report notes with concern the culmination of a trend in recent years of **cuts in the defence budgets of the majority of EU Member States** in the wake of the financial, economic and debt crisis, and the potential negative impact of these measures on their military capabilities.

Warning that uncoordinated defence budget cuts could result in the complete loss of certain military capabilities in Europe, Members call for an impact assessment of these budget cuts for the development of capabilities in support of CSDP.

They consider it necessary for European allies to **increase their share of the defence burden** given that continuing disproportionate reliance on the United States in defence matters. They urge all EU Member States to cooperate more closely and coordinate actions against the common threats identified in the European Security Strategy (ESS), assuming fully their part of responsibility for peace and security in Europe, its neighbourhood and the wider world.

Given the above, the report urges the Member States to accept that increased cooperation is the best way forward and to develop capabilities in a more cost-efficient way, and this without adverse effects on their sovereignty in particular through:

(1) Better coordination of defence planning which includes harmonisation of military requirements and measures to increase interoperability: Members call again for an EU White Paper on security and defence that would develop and implement the European Security Strategy, better defining the EU's security and defence objectives, interests and needs in relation to the means and resources available, while also taking into account non-traditional aspects of security.

In the light of the Lisbon Treaty, Members suggest that the Member States ask the Agency to examine how to improve coordination of defence planning in Europe. They take the view that, as the next step, the Member States should go through a process of mutual consultations in order to harmonise their military requirements and examine all options for increasing cost-efficiency through EU-level, regional, bilateral or other arrangements.

Member States are called upon to conduct systematic security and defence reviews in accordance with common criteria and a harmonised timetable; suggests that this could be developed into a regular exercise which is linked to budgetary procedures – a sort of '**European semester' of security and defence reviews**.

(2) Pooling and sharing of capabilities: Members are firmly convinced that pooling and sharing of capabilities is not an option any more, but a **necessity**, in particular in areas such as strategic and tactical transportation, logistical support, maintenance, space capabilities, cyber defence, medical support, education and training.

They strongly encourages initiatives **addressing capability gaps** in areas such as transport helicopters, air-to-air refuelling, maritime surveillance, unmanned vehicles, protection against chemical, biological,

radiological and nuclear risks, countering improvised explosive devices (IEDs), satellite communication, command and control systems, and intelligence, surveillance and reconnaissance (ISR) sensors and platforms.

Members invite the Member States to **make creative use of the different pooling and sharing models** that can be identified, such as (i) pooling through joint ownership, (ii) pooling of nationally owned assets, (iii) pooling of procurement, or (iv) role- and task-sharing. The report considers that a **civil-military EU Operational Headquarters**, for which it has repeatedly called, would not only substantially enhance the EU's capacity to support international peace and security, but would in the long run also generate savings for the national budgets in the logic of pooling and sharing.

(3) Supporting defence research and technological development: Members deplore the fact that **only about 1% of EU countries' overall defence spending goes to R&T**, while more than 50% continues to be spent on personnel, and in particular that for most Member States this is well below 1%. They regret the fact that the potential of economies of scale from collaborative projects remains largely unused, with about 85% of R&T expenditure still spent nationally. **Member States are urged to exclude R&T from their spending cuts as a matter of priority**.

The report highlights the fundamental role of the EDA in coordinating and planning joint defence research activities. It stresses the benefits of research cooperation in terms of improved interoperability, and eventually greater homogeneity among the equipment and capabilities of the national armed forces, since research is the first phase of any equipment programme.

(4) Building a European defence technological and industrial base: the committee recalls the need to progress in the consolidation of the European defence technological and industrial base, as, in the face of increasing sophistication of technologies, growing international competition, and decreasing defence budgets, in no EU Member State can the defence industry any longer be sustainable on a strictly national basis. It considers that a **harmonisation of military requirements** should lead to a harmonisation of equipment acquisition among the EU Member States, which is the first prerequisite for creating conditions on the demand side for a successful transnational restructuring of the defence industry in Europe. Members recommend, therefore, greater reorientation and synergies, based on more specialisation, interoperability and complementarity. They call on the Member States and the Commission to rapidly develop a comprehensive and ambitious EU-wide security-of-supply regime based on a system of mutual guarantees.

The EDA should be encouraged to further: develop a common European view on key industrial capabilities that have to be preserved or developed in Europe; analyse dependencies on non-European technologies and sources of supply for European strategic autonomy and make concrete recommendations for Member States.

(5) Establishing a European defence equipment market: Members States urgently need to improve the transparency and openness of their defence markets. Directive 2009/81/EC on defence and sensitive security procurement strengthens the single market by reducing the diversity of procurement rules in the defence sector and by opening up national markets to greater competition. Members recall that the deadline for the transposition of the directive expired on 21 August 2011 and that the Commission should report in due time on the transposition measures taken by the Member States, and to take all necessary action to **ensure timely and consistent transposition and correct implementation**.

The report reiterates the **fundamental importance of standardisation of defence equipment** for the establishment of a **single European defence market**, as well as for ensuring interoperability and facilitating cooperation on armaments programmes, pooling and sharing projects, and operations alike. Members encourage the EDA, the Commission and the European Standards Organisations (CEN, CENELEC, ETSI), in cooperation with the industry and the NATO Standardisation Agency in particular,

to speed up work on reducing divergence in standards in defence and security industries, and between civilian and military equipment. They call on the Member States and the Commission to introduce **pan-European certification for security and defence products** to end the unsustainable situation whereby separate testing is required in each Member State.

(6) Finding new forms of EU-level funding: Members are convinced that, especially in the context of the adoption of the new Multiannual Financial Framework, reflection needs to be undertaken on the possibilities for the **EU budget** to assist the Member States in achieving the goals of the Common Security and Defence Policy in a more cost-efficient way. They take the view that **EU funds** should be used to foster cooperation in education and training, encouraging the creation of networks between the defence industry, research institutes and academia. They recommend funding of the activities of the European Security and Defence College, focused on the training of civilian and military experts in crisis management and CSDP, and promoting a common security culture in the EU, from the Instrument for Stability. Lastly, they urge the Member States to **increase the budget of the EDA as a matter** of priority, recognising the Agency's added value in compensating, through cooperation, for cuts decided at national level.