European defence technogical and industrial base

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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 Commission's 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 **Commission's 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 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 Union's 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.