Impact of developments in European defence markets on the security and defence capabilities in Europe

2015/2037(INI) - 12/05/2015 - Committee report tabled for plenary, single reading

The Committee on Foreign Affairs adopted the own-initiative report by Ana GOMES (S&D, PT) on the impact of developments in European defence markets on the security and defence capabilities in Europe.

The Committee on the Internal Market and Consumer Protection, exercising its prerogatives as an associated committee under Article 54 of the Parliament's internal Rules of Procedure0, was also consulted for an opinion on the report.

Concerned by the widespread and largely uncoordinated cuts to the defence budget in most Member States, Members emphasised that the **cutting of defence budgets was weakening the defence potential of Member States and the EU**, and left a question mark over the levels of preparedness to ensure national and European security. The report stated that the current security threats were common to the EU as a whole and should be addressed in a **united and coordinated fashion**, pooling and sharing civilian and military resources. It was essential to make progress on the **establishment of a European defence equipment market** and on the development of a competitive European Defence Technological and Industrial Base (EDTIB), capable of generating synergies through increased cross-border coordination and providing the necessary capabilities for the Common Security and Defence Policy.

Need for further cooperation: Members were of the view that the current budgetary constraints in EU Member States should represent an opportunity for more and better cooperation **in the field of defence equipment acquisitions**, to ensure better value for taxpayers' money and ensure adequate military capabilities across the EU and a sustainable security of supply system.

The report recalled the need for **greater convergence between national defence planning processes** and welcomed, in this context, the adoption by the Council of the Policy Framework for Systematic and Long-Term Defence Cooperation. However, Members regretted, however, its non-binding nature and the fact that it had not introduced a clear and structured process.

They demanded that cooperation and pooling and sharing initiatives be given priority and that incentives be created to this end. The Commission was asked to put forward a proposal clarifying how non-market distorting tax incentives could serve these objectives.

Need for a common approach on reducing external dependencies: European defence companies were increasingly compensating for their reduced turnover in Europe through **extra-EU exports**. Members expressed concern at the **potential drawbacks of this approach**, such as the transfer of sensitive technologies and intellectual property rights to their future competitors and moving production outside the EU, thus compromising Europe's security of supply. They considered that exposing the EU to the risk of the EDTIB being dependent on customers in third powers with different strategic interests constituted a serious strategic mistake. They urged Member States to comply with the principles of the EU **Common Position on Arms Exports**, which defined a common understanding for the control of exports of military technology and equipment serving the coordination of national export control systems.

Using internal market rules to their full potential: the report stressed that a single defence market would ensure **full transparency and prevent duplication of effort**, which gave rise to market distortions.

Furthermore, advances in dual-use research were of key importance in guaranteeing our independence and ensuring security of supply, in particular of critical items. Consequently, internal market rules should be used to their full potential through **strengthened cross-border cooperation** to counteract the ongoing fragmentation of the European defence and security sector, which led to duplication of defence equipment programmes and a lack of transparency regarding the relations between national defence administrations and the defence industry.

Member States were asked to remove national rules that did not comply with Directives 2009/43/EC and 2009/81/EC and that were hindering the internal market for defence procurement, and to correctly implement and enforce Directive 2009/81/EC, concerning procurement in the fields of defence and sensitive security, and Directive 2009/43/EC, concerning the transfer of defence-related products.

The Commission was asked to take specific steps to ensure that the Directives were properly applied and to check and monitor national transposition procedures to make sure that they did not result in market distortions.