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

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The European Parliament adopted by 386 votes to 175 with 84 abstentions, a resolution on the impact of developments in European defence markets on the security and defence capabilities in Europe.

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.

These uncoordinated cuts, coupled with structural problems and unfair and untransparent practices, **put the Union at risk** by relinquishing strategic assets and capabilities and by forfeiting the opportunities that the coordination of defence policies and the pooling and sharing of defence assets could bring as regards the fulfilment of the EU's prosperity and peace.

The resolution 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.

Warning of the **risks of external dependencies** in the European defence sector, Parliament considered that special attention should be paid to the impact of certain projects on the autonomy and independence of the EU, such as cooperation with Russia in sensitive areas like satellite launching, with Soyuz rockets, and strategic airlift. The European Council was asked to: (i) take concrete measures towards **overcoming the fragmentation of the European defence market**; (ii) provide **specific guidelines** for defence policies and the European defence market, in order to increase its transparency and competitiveness.

Need for further cooperation: stressing that a combined annual defence spending of 190 billion EUR was an enormous amount of tax payer's money, 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 resolution 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.

VAT exemption should be generalised to all European Defence Agency's collaborative activities.

Furthermore, the Commission and Member States should assist companies, particularly SMEs, in adequately seizing European funding opportunities for defencerelated projects, especially under Horizon 2020, COSME programme and the European Structural and Investment Funds.

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: Parliament 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 in its implementation reports to Parliament and the Council on Directives 2009/81/EC and 2009/43/EC in 2016 to evaluate thoroughly whether, and to what extent, their provisions had been enforced correctly, and whether their objectives had been achieved, and to come up with **legislative proposals** accordingly, if the findings of the report point in this direction.