Tackling barriers to the single market for defence

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The European Parliament adopted by 393 votes to 169, with 67 abstentions, a resolution on tackling barriers to the single market for defence.

According to the Draghi report, **enhanced cooperation** could lead to enormous efficiency savings of up to 30 % of annual defence spending across the EU. The dramatic challenges and threats faced by the EU and its Member States require a complete rethinking of the way they cooperate and coordinate on defence matters. Members underlined that the EU and its Member States must fundamentally change their understanding of defence industry production by developing a true single market for defence. Only a true single market for defence can provide the means required to truly establish and maintain a competitive, innovative and resilient European defence industrial and technological base (EDITB).

Parliament urged the Member States and the Commission to **act swiftly to create a true single market for defence**, acting on both the supply and demand sides. It is urgent that the aggregation of demand through **common procurement and life cycle management**, regulatory simplification and cross-border industrial integration at EU level is urgently needed to address such barriers and reduce reliance on non-EU countries.

Obstacles to a single defence market

Parliament underlined that the current structure of the defence industrial landscape leads to **unnecessary duplication**, **external dependencies,** and inefficiencies, and undermines the strengthening of the European defence industrial and technological base and the EU's defence preparedness. It deplored the lack of results from current coordinated capability planning and spending on defence products across the EU, which has led to divergent rules and eligibility criteria and inefficient spending of funds, creating legal uncertainty and often leading Member States to prioritise bilateral cooperation with non-EU countries.

Members deplored the persistent **mutual trust deficit** between Member States, which is reflected, among other things, in a limited degree of cross-border cooperation and joint capability planning, an insufficient level of intra-EU public procurement of defence-related goods and services, and restrictions on intra-EU transfers of defence equipment. Furthermore, the single defence market remains compromised by the insufficiently harmonised application of its rules by Member States and by the disproportionate use of the exemption provided for in Article 346 of the TFEU.

Breaking down the barriers

Parliament made the following recommendations:

- provide the EU's defence programmes with **sufficient funding** under the next multiannual financial framework to effectively incentivise Member States to engage in joint capability development and procurement, and to encourage their defence industries to conduct closer cross-border cooperation;

- employ a **‘Buy European’** approach, which prioritises common procurement and increased production of defence products from the European Defence Industrial and Technological Base (EDITB), Ukraine, European Economic Area/European Free Trade Association (EEA/EFTA) countries and, in addition, other third countries with which the EU has signed a security and defence partnership. It is important to consider **Ukraine** as an integral part of the single defence market;

simplify and revise **procurement rules** in the defence sector to make them more efficient, encourage innovation and attract private investment;

- give priority to the unity and integrity of the single market in the application **of EU competition and State aid rules** in order to guarantee fair competitive conditions and cohesion between Member States;

- provide targeted support, particularly for the testing of **prototypes of new products**, and prioritise investment in emerging and breakthrough technologies;

- establish a European **'defence innovation accelerator'** initiative, similar to models such as the American Advanced Research Projects Agency (DARPA), which would fund high-risk, high-return research projects in the field of defence;

- simplify the rules and remove obstacles related to **intra-EU transfers** of defence-related products;

- strengthen the resilience of **European defence supply chains** and reduce exposure to possible coercive measures from third countries, as illustrated by China's threats to limit raw material exports;

- put in place **incentives** aimed at diversifying the supply chain, including support for new entrants to the market and SMEs;

- ensure that the EU plays a more proactive role in supporting investments in **dual-use** technologies and products, and to establish new incentive measures to refocus the supply chains of the most critical inputs for defence products on the territory of the EU;

- consider additional European funding to tackle the commercialisation gap in innovation of defence products;

- sign a **comprehensive cooperation agreement between the EU and NATO** on standardisation as well as on planning and capability development in order to ensure coherent and complementary planning and interoperable defence capabilities;

- promote **careers** in defence technologies among young professionals.

Lastly, Members are convinced that, in order to guarantee the democratic legitimacy and transparency of EU defence policies in times of hybrid warfare and disinformation campaigns, **Parliament** must play a central role in the planning, oversight and scrutiny of these policies.