

EDA in support of the European Defence Industrial and Technological Base

Keynote speech (12:00)

12 September 2017, London, United Kingdom

(Check against delivery)

- Thank you for the invitation to speak here today. As you all know, DSEI is an exceptional occasion to share ideas and knowledge across the entire spectrum of security and defence.
- We are in a crucial period of building European security and defence cooperation. Following the publication of the EU's Global Strategy in June last year, work has accelerated on laying down the foundations of a more effective and more robust European defence. But success is not guaranteed. In order to respond to the expectations of Europe's citizens for real change in defence cooperation, all of us – Member States, EU entities, industry, and the research world – must play our roles to the fullest in this endeavour.
- Today, I would like to raise two major issues:
 - first, the European Defence Fund and its implementation, and

- second, the European Defence Agency's efforts in promoting and engaging with the European defence industry.
- After my presentation, I look forward to your questions and comments.
- You may be aware of the significant European defence initiatives which have recently been launched or are under preparation.
 - In June, the European Commission launched the European Defence Fund (EDF), allowing EU financing for defence research and capability development for the first time.
 - This Autumn, Member States will agree to launch an ambitious and inclusive Permanent Structured Cooperation in defence (PESCO), which could result in a real qualitative leap in European defence cooperation.
 - Also from this Autumn, a new, transparent and Member States-driven process, the Coordinated Annual Review on Defence (CARD), will contribute to overcome capability shortfalls through enhanced information-sharing and cooperation in EDA framework.

- Furthermore, stronger EU-NATO cooperation has also received a new impetus with the Joint Declaration signed by the Presidents of the European Council and Commission and the Secretary-General of NATO in July last year.
- In all these initiatives, the Defence Industrial and Technological Base is an integral part. A strong, competitive and innovative defence industry is a prerequisite for developing and maintaining state-of-the-art defence capabilities.
- I would like to emphasize that transatlantic cooperation should and will remain a cornerstone of European security and defence. A stronger Europe means a stronger Alliance, and a more credible European defence means a more credible transatlantic partnership.
- Turning to the main subject, the European Defence Fund, and its implementation. The European Commission, as part of its increased efforts to provide support to the European defence sector, launched the EDF in early June with two distinct but complementary financing schemes, one for the research phase, and one for the development phase.

- Starting with the research part, we have made significant progress. A Pilot Project, starting in 2015, prepared the ground for the current Preparatory Action that is well under way and which in turn will lead to a significant defence research programme of some 500 million euros per year planned for 2021 and beyond.
- Through the current Preparatory Action – the first substantial EU funded Action for Defence Research – the Commission, supported by EDA, is making an important contribution to European defence that:
 - First, provide European added value, since the PA focuses on capability priorities at European level and in areas where Member States can no longer afford to act alone;
 - Second, benefit all Member States;
 - Third, serve agreed capability priorities, notably through the CDP;
 - and finally, provide incentives for more cooperation at European level, both among governments and industry.
- The activities under the Preparatory Action are already well under way. Three calls for proposals were issued in the first week of June, each of them covering a different topic and with different objectives.

- The first topic focuses on the added value of unmanned systems in enhancing situational awareness, while operating alongside and communicating with other manned and unmanned systems. The second topic relates to force protection and soldier systems. While, the third topic called for proposals to start the strategic technology foresight in view of the planned European Defence Research Programme.
- These topics also reflect that with Member States, EDA is already working in an upstream role in the Work Programme for 2018. There is also an important downstream role for the Agency in the uptake of results.
- The first in a series of information days on the Preparatory Action was organized by the European Defence Agency together with the European Commission at the end of June. We had some 400 registered participants from more than 300 companies and research organisations, representing 26 EU Member States and Norway. The tremendous interest in the Preparatory Action from industry across the continent is a testimony to the role industry and research organisations can and must play in delivering present and future European defence capabilities.
- In view of the highly strategic and political value of the Preparatory Action, we also made an effort to put in place

a mechanism to support the formation of strong consortia through a “Brokerage Event” where industry actors had the opportunity to liaise and contact each other. Opportunities need to be established in order to provide platform to getting closer to business opportunities.

- The main purpose of the Pilot Project and the Preparatory Action is of course to pave the way for a fully-fledged European Defence Research Programme in the next Multi-Annual Financial Framework (MFF) after 2020. I am inclined to say that the Pilot Project and the Preparatory Action have been successful endeavours so far, and some lessons can already be learned.
- First, in the evolving European defence landscape, a right balance should be struck between the intergovernmental and community approaches. In concrete terms, and in the context of the Research Window of the European Defence Fund, governance has to be provided by the Commission. Meanwhile, EDA and the intergovernmental set up is well placed to provide expertise and best practice advice during the whole prioritisation process, as called for in the Lisbon Treaty and in the Long Term Review of EDA that was endorsed by the Defence Ministers in May this year.
- Second, we have to keep defence specificities in mind. The defence sector is different in many ways from the

civilian one, and the modalities of the programmes and the defence research topics are widely affected by them.

- Third, we should build on the good cooperation so far between the different actors, including the Commission and EDA, and to make the best use of existing networks and processes, in order to not duplicate what we already have.
- Fourth, the Preparatory Action cannot and should not substitute ongoing collaboration or national funding in research of the Member States. It has to focus on European priorities and address areas where the Member States will or should not act alone and where critical mass needs to be achieved.
- Let me now say a few words on the European Defence Industrial Development Programme (EDIDP), which forms the key part of the Capability window of the European Defence Fund.
- EDIDP aims at supporting defence industrial collaboration through providing co-funding to consortia consisting of at least 3 entities from at least two Member States. It will cover the development phase of the product life cycle, focusing in particular on prototypes, but also covering upgrades of existing systems.

- The test phase will be conducted between 2019-2020 with an allocated budget of 500 million euros for co-financing of projects. A more robust Programme is planned for the next MFF starting in 2021 with a budget expectation of 1 billion euros per year in co-funding of Member States' own contributions.
- The process to adopt the legal basis for the EDIDP is currently going on both in the Council and the European Parliament.
- Despite many questions still open, EDA is preparing for its contributions to the implementation of the Capability Window, both in upstream and downstream roles.
- Through our upstream role in the EDIDP, we can ensure a structured and transparent process to assist the Member States in building a common understanding of the added value the priority topics that the EU budget will fund should have on the EU defence capability landscape.
- To that end, the prioritisation mechanisms in place at the European level, notably the Capability Development Plan, must be fully used. And through this, for Member states who are also NATO allies, the consistency with NDPP targets must be ensured.

- I would like to underline that to be a real game-changer, EDIDP must get the buy-in of all Member States and for this must be accessible to all Member States and facilitate the cross-border inclusion of Small and Medium-sized enterprises (SMEs) in the supply chains.
- We know that this is a challenge. The structure of the defence market with increasingly complex procurement contracts make it even more difficult for SMEs to get cross-border access to the supply-chains. However, an innovative and competitive European Defence Technological and Industrial Base (EDTIB) requires a balanced approach through a healthy environment for both big primes and SMEs with EU-wide business opportunities.
- Now, turning to the issue of EDA's industry engagement, I would like to reiterate that European defence industry has a strategic importance also in the context of ensuring an appropriate level of European strategic autonomy. That is why the EU Global Strategy calls for a structured dialogue with the defence industry.
- In line with this, the European Defence Agency is committed to enhance its engagement with European industry at all levels in support of innovative capability development and innovation. The European Defence Technological and Industrial Base is strong and we work

closely with National Defence Industry Associations (NDIAs) as well as with the ASD to keep it that way, but it is also necessary to reach out to innovation holders beyond the traditional scope of defence industry.

- In May this year, Ministers of Defence gave a clear guidance to EDA how to strengthen its engagement with industry along a few but focused priorities. What is important is to ensure that industry engagement is coherent and integrated in broader EDA activities in order to make it efficient and add value.
- The first priority area for enhanced interaction is capability development. The Agency currently is working on the revision of the Capability Development Plan. In this context, industry can contribute to the identification of current technological and industrial challenges and expected developments. Industry can also be consulted to strengthen the generation of collaborative activities in the identified CDP priority areas.
- The second priority area is Research, Technology and Innovation, where the aim is to maximise the development of new projects with the participation of industry in EDA activities. The main platform in this regard is provided by the Capability Technology Groups or (CapTechs), where defence research prioritisation is taking place, and industry should have an extended role in this process.

Another important aspect is to bring those innovative companies closer to the defence sector which are traditionally not present in this domain.

- The third element of our enhanced industry engagement is asking for industry input to the work on Key Strategic Activities. Your industrial knowledge on the state of skills and manufacturing competences in Europe is indispensable.
- Finally, EDA will continue to provide support to industry to build cross-border partnerships, and will improve its information sharing activity. EDA is committed to work under its remit to facilitate SMEs access to markets, supply chains and funding opportunities in order to exploit their potential.
- The current EDA tools to support industry and particular SMEs, such as the Defence Procurement Gateway – a one stop shop for information related to business opportunities at the EU level – and the Defence Supply Chain Network – where industry representatives meet to address pertinent topics – and other EDA targeted events, should be mentioned .
- In the context of SMEs, we also need to understand the importance of Research and Technology for defence capability development. EDA provides support to Member

States' R&T activities through the Capability Technology Groups - the CapTechs - which form a network of experts from participating Member States and industry.

- As to the access to EU funding and instruments, EDA has been supporting industry's access to two major EU sources for dual-use R&T projects: the European Structural and Investment Funds, and the COSME programme. In the case of the ESIF, it must be emphasized that it is accessible also for national R&T projects.
- With regard to “how” to access ESIF, EDA has developed a methodology and tested it through successful pilot R&T projects. All pilot R&T projects are led by SMEs.
- All these instruments and tools have been developed and implemented in close cooperation with relevant Commission bodies. Collaboration and coordination among the community and intergovernmental tools are indispensable to provide effective support and incentives to defence cooperation, EDA's experience and existing structures play a crucial role in this regard.
- European defence is at a crossroads. We are in an increasingly complex, competitive and threatening environment. The expectations from our citizens are high, and to meet them will not be an easy task. Safeguarding

European leadership in strategic technologies is therefore more pressing than ever. As the EU Global Strategy describes it, “A sustainable, innovative and competitive European defence industry is essential for Europe’s strategic autonomy and for a credible Common Security and Defence Policy (CSDP)”.

- I truly believe that if we can make cooperation the norm, based on agreed priorities, sufficient funding, and innovative technologies, there will be a real step change in building up the European Defence Technological and Industrial Base.
- Thank you!