

# European Defence Matters



## European Defence: From Vision to Action

### Interviews:



### Industry Talk:



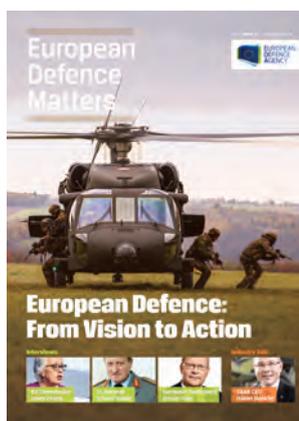
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**European Defence Matters is the only dedicated official European defence magazine focusing on senior decision-makers within national governments, European institutions and industry in Europe.**

Published three times per year, with a circulation of around 10,000 copies, the magazine provides a unique vehicle for the wider European defence community to debate the essential issues around capabilities, research, EU policies, industrial matters, armament programmes, procurement and larger Defence & Security challenges.

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# 2017: A crucial year for implementation

An eventful and turbulent year was drawing to a close when the final touches were put to this 12th edition of *European Defence Matters*: terror threat throughout Europe, continued bloodshed in Syria, Brexit, leadership change in the US... to name only some of the 2016 events which, in some way or another, severely affect Europe's security

**C**oincidence or not, 2016 has seen encouraging signs of progress on European defence cooperation.

Seemingly driven by a new sense of urgency, more and more European capitals tend to recognize the need for Armed Forces to cooperate, join forces, share capabilities and develop a stronger and more efficient defence. As Federica Mogherini, the EU High Representative, Commission Vice-President and Head of the European Defence Agency (EDA) recently said: "Our public opinions and our governments understand today the urgency of a strong Europe of security and defence, much more than in the past. So I see a clear window of opportunity right now to achieve concrete results".

In 2016, this new 'momentum' crystalized into three major defence initiatives which this magazine has covered in detail as they were also European Defence Matters highlights: the EU Global Strategy and its security and defence implementation plan, the EU/NATO Joint Declaration and its follow-up as well as the European Defence Action Plan which was adopted by the Commission on 30 November.

The latter topic, the Commission's European Defence Action Plan (EDAP), serves as the main story in this issue of your magazine. Over several pages, we summarise and analyse the main content of the Action Plan and speak to one of its

authors, Commission Director General Lowri Evans (DG GROW). The defence industry's reaction to EDAP is also reflected as are the views of the European Parliament's rapporteur on the Defence Union, Urmas Paet, who we met for an interview.

Saab CEO Håkan Buskhe, who is our guest for 'Industry Talk', gives an insight into his company's strategy and how he sees the defence industry developing in the coming years. In another interview, we talk to Lt. General Erhard Bühler who is not only the Head of Directorate General for Planning in the German MoD, but also the chairman of the EDA Steering Board in capability directors composition.

Finally, we have extended articles on two colorful EDA highlights of 2016. First, the Agency's Annual Conference which has established itself as 'must be event' for the whole EU defence community. Secondly, the 10th EDA Helicopter Training Exercise ('BLACK BLADE') which took place in the second half of November in Belgium and mobilized 14 helicopters and 400 staff from 4 Member States.

All in all, 2016 was a promising year for European defence but the job is far from being done. If 2016 was the year of momentum and new initiatives, 2017 has to become that of implementation and first achievements. The proof of the pudding, as every child knows, is in the eating.

We wish you a prosperous and successful 2017 and... enjoy your reading! **K**

# News



## EU and NATO put Joint Declaration into action

**F**ollowing up on their Joint Declaration signed last July, the EU and NATO adopted on 6 December a common set of proposals that aim to broaden and deepen their cooperation substantially.

The implementation plan includes concrete 42 proposals in 7 areas of cooperation: Countering hybrid threats, operational cooperation including maritime issues; cyber security and defence, defence capabilities, parallel and coordinated exercises and defence and security capacity-building.

The proposals were jointly developed and endorsed, in parallel, by the Foreign Ministers of NATO meeting in Brussels as well as the

Council of the European Union. "The decisions are... a major step forward. I would say that today we start a new important era in EU-NATO cooperation", said the EU High Representative, Commission Vice-President and Head of the European Defence Agency Federica Mogherini when presenting the set to the press together with NATO Secretary General Jens Stoltenberg. "This is only the beginning. Now we enter into the implementation phase" of the cooperation ambitions set out in the Joint Declaration, she said. "For the European Union, the decision taken today is an integral and coherent part of a package (together with the EU Global Strategy implementation plan and the Commission's European Defence

Action Plan) to reinforce the EU's security and defence policy. The EU-NATO cooperation is a fundamental pillar of this package," said Mrs Mogherini. NATO Secretary General Jens Stoltenberg welcomed that the EU is "taking steps in strengthening European defence" while insisting on "complementary with NATO efforts". He added: "The security of Europe and North America is interconnected.

A stronger NATO is good for the EU and a stronger EU is good for NATO. And strengthening our strategic partnership is more important than ever".

Details on the 42 proposals for cooperation: <http://data.consilium.europa.eu/doc/document/ST-15283-2016-INIT/en/pdf>

## Defence sales rise in Western Europe, says SIPRI

**W**orldwide sales of arms and military services amounted to \$370.7 billion (€351 billion) in 2015, according to new data released by the Stockholm International Peace Research Institute (SIPRI) on 5 December.

US companies continue to dominate with total arms sales of \$209.7 billion for 2015 (a drop of 2.9% compared with 2014). Defence sales by companies in Western Europe listed in the SIPRI 'Top 100' for 2015 rose by 6.6% in real

terms compared with 2014, with total combined revenues from arms sales amounting to \$95.7 billion (€90.5 billion).

This increase contrasts with the notable drop in West European companies' revenues from arms sales recorded between 2013 and 2014. The combined arms sales of the six French companies listed in the Top 100 totaled \$21.4 billion in 2015, a rise of 13.1% compared with 2014, when most of those companies recorded a fall in arms sales. "The increase in

French companies' arms sales has acted as an important driver for the recent growth in arms sales in Western Europe", SIPRI said in a press release. The three German companies listed in the Top 100 continued to increase their combined sales (by 7.4%) in 2015. Companies based in the UK reversed the downward trend recorded in 2014 with a 2.8% rise in their combined arms sales in 2015.

More information: <https://www.sipri.org/yearbook/2016>

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## GLOBAL STRATEGY - MEETING THE SECURITY CHALLENGES OF THE 21ST CENTURY

Strategy (EUGS) is on the table, the critical work of implementation has to



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## WE TOOK THE NATO-EU COOPERATION TO A NEW LEVEL



NATO Secretary General Jens Stoltenberg talks to *European Defence Matters* about the recent Warsaw Summit, the EU Global Strategy and the future EU-NATO relationship.

## EUROPEAN CONSOLIDATION IS AN EFFICIENT WAY TO ACHIEVE COMPETITIVENESS AND INTEROPERABILITY

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In December 2015, Nexter and Krauss-Maffei Wegmann (KMW) announced the completion of their association and the creation of a new joint holding company - KNDS - which, many say, could trigger a wider consolidation in the sector of land defence systems in Europe. To find out more about the strategy behind the transaction and its impact on the defence industry, *European Defence Matters* spoke to Stéphane Mayer, CEO of Nexter and co-CEO of the newly created KNDS.

## BUILDING OPERATIONAL MILITARY

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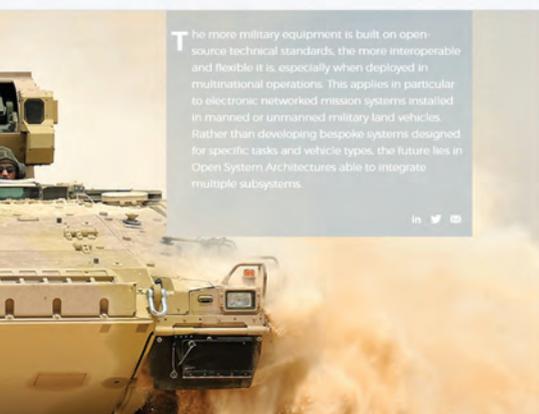
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Intuitive navigation allows you to click your way easily through the various sections of the magazine, from the 'Cover Story' through 'Industry Talk' to 'Focus', 'In the Spotlight', to 'Interviews' and others.

### SYSTEM ARCHITECTURE FOR MILITARY LAND VEHICLES



The more military equipment is built on open-source technical standards, the more interoperable and flexible it is, especially when deployed in multinational operations. This applies in particular to electronic networked mission systems installed in manned or unmanned military land vehicles. Rather than developing bespoke systems designed for specific tasks and vehicle types, the future lies in Open System Architectures able to integrate multiple subsystems.

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# European Defence

## An extra push to revitalize

**On 30 November 2016, the European Commission tabled its eagerly awaited European Defence Action Plan (EDAP) which aims to boost collaboration on defence capability and support the European defence industry.**

It proposes Member States to take action on three main pillars along the capability development cycle: launch of a multi-billion euro European Defence Fund, fostering investments in defence supply chains and a strengthening of the EU single market for defence.

In the following pages, we analyse the various EDAP proposals, review the European defence industry's reaction to it and talk exclusively to one of the masterminds behind the plan, European Commission (DG Grow) Director General Lowri Evans.

# Action Plan – defence cooperation

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# › Commission proposes EU Defence Fund as "crucial step" to boost defence industry

Considered the third element of a wider security and defence 'package' delivered by the EU in 2016 – after the EU Global Strategy and the EU-NATO Joint Declaration – the Commission's European Defence Action Plan (EDAP) puts forward ideas and proposals for propelling industrial defence cooperation and boosting the European defence market which, as it is noted in the document, "suffers from fragmentation and insufficient industrial collaboration"

**T**o counter the ill effects of market fragmentation and disparity of national defence expenditure, the EDAP suggests to strengthen the European Defence Single Market, reduce duplications in Member States' defence spending and improve the competitiveness of the European defence industry.

In order to achieve that, the Commission says it is ready to engage at an "unprecedented level" in defence to support Member States and to exploit for that purpose "all EU instruments, including EU funding, and the full potential of the Treaties, towards building a Defence Union".

Lending EU support to collaborative defence projects will not only help to achieve "a more efficient use of public money" but also lead to a stronger industrial base which is a key prerequisite for implementing the new level of defence ambition set out in the EU Global Strategy (EUGS) which identified a number of defence capability priority areas in which Europe needs to invest and develop collaborative approaches. "For Europe to be able to deliver on these capability priorities, it must create the conditions for more defence cooperation to maximise the output and the efficiency of defence spending. This should go

hand-in-hand with a strong, competitive and innovative defence industrial base", is stated in the EDAP.

In other words: a stronger EU defence with an appropriate level of strategic autonomy can only be built on the foundations of a competitive defence industry able to deliver the capabilities needed.

#### EDA expected to act as a "pivot"

The Commission is conscious that the EDAP cannot work in isolation but that "strong support from the Member States and EU Institutions will be required to realise its full potential".

Federica Mogherini, the EU's High Representative for Foreign and Security Policy, Vice-President of the Commission and Head of the European Defence Agency (EDA), also insisted on the importance of making sure the various stakeholders work hand-in-hand to accomplish the same objective: a stronger and more efficient European defence. "The European Defence Agency will have a key role in supporting and coordinating this work, acting as a pivot between Member States and the Commission", she said in her recent speech at the 2016 EDA Annual Conference (see pages 35-42). "It will be important to work together – the (European) Commission,

the Council, the European Defence Agency – that is one of the frameworks in which we can develop this cooperation", she added when presenting the EDAP to the press on 30 November, together with Commission Vice-President Jyrki Katainen and Commissioner Elżbieta Bieńkowska. Under these conditions, "the European Defence Action Plan can become a game changer for more European defence cooperation and greater solidarity between Member States", the Commission stressed.

Furthermore, the EDAP is not only closely linked with the EUGS but also with the implementation of the EU-NATO Joint Declaration (on which the EU Council adopted implementation conclusions on 6 December, see our 'News' section on page 5), because the actions proposed in the EDAP will lead to a stronger European Union in defence, "which ultimately means a stronger NATO".

#### European Defence Fund

The EDAP, proposed to Member States on 30 November and welcomed by EU Heads of State and government at the 15 December European Council meeting (see box overleaf), consists of four main pillars, namely: – launch of a 'European Defence Fund'; – fostering investments in defence supply chains; –





reinforcement of the EU single market for defence; – and promotion of civil/military synergies within EU policies "wherever possible".

The most groundbreaking, ambitious and probably also challenging proposal in the EDAP is certainly the setting up of a European Defence Fund which would consist of two distinct financing structures ('windows'):

- 'research window' to fund collaborative defence research projects at the EU level. This would be developed through the launch of a Preparatory Action on defence research and should lead to a dedicated EU programme in the post-2020 EU multiannual financial framework.
- 'capability window' to support the joint development of defence capabilities commonly agreed by Member States. This would be financed through the pooling of national contributions and, where possible, supported by the EU budget.

#### **Research window: funding collaborative defence R&T**

It is common ground that defence research is key to safeguarding the long-

term competitiveness of the defence sector and, ultimately, Europe's strategic autonomy which has been identified as an objective in the new EU Global Strategy. Nevertheless, defence R&T expenditure has seen significant cuts in national budgets: – 27% between 2006 and 2013 in the 27 EDA Member States, with no compensation by greater cooperation because over the same period, collaborative defence R&T has also decreased by more than 30%. Against this background, the Commission is now ready to mobilise EU funds to support defence research at the EU level – a 'first' since defence was so far excluded from the EU's research programme – through the Preparatory Action (PA) which will be launched in mid-2017 with a budget of €90 million for the period 2017-2019. The initial budget 2017 is €25 million.

The Preparatory Action will test the added-value of the EU budget supporting defence research. The Commission intends to conclude a delegation agreement with the EDA for its practical management and implementation. The Preparatory Action will focus on a limited number of key research projects linked to defence capability priorities agreed by Member States.

Eventually, the Preparatory Action will pave the way for the 'research window'

to take the form of a European defence research programme within the next multiannual financial framework post 2020 for which the Commission will "propose a dedicated defence research programme with an estimated amount of €500 million". This amount would place the EU among the top 4 of defence research and technology investors in Europe.

#### **Capability window: financing the joint development of defence capabilities**

Besides research, the Commission also sees the need to ensure support for the whole development cycle of defence capabilities because Member States continue to face important obstacles (lack of coordination, joint capability planning and budget synchronization, etc.) hampering the development of collaborative programmes. The 'capability window' of the Fund would seek to address these obstacles through joint financing of the development and procurement of strategic capability priorities. These would be jointly agreed by Member States and could include dual-use priorities which are relevant to the implementation of EU policies. The window would focus on the post-R&T phases, including prototypes as well as the development and procurement of products and technologies. →



The Commission estimates that €5 billion/year could serve as an objective amount for the Fund's capability window. "This would correspond to 2.5% of total national spending on defence within the EU and to 14% of national spending on defence capabilities. It would also fill the gap towards the target agreed by EDA's Member States to spend 35% of their equipment spending in collaborative projects", the Commission explains.

The development of joint capabilities would be financed through the pooling of contributions from Member States deciding to participate. This will ensure their sustained co-financing over time. Each contribution would be confined to individual projects, which would be defined ex ante by participating Member States. The projects would hence be financially independent and limited in time as well as in size, thus excluding any form of financial cross-liability between projects. National capital contributions to the capability window will be treated as 'one-offs' under the Stability and Growth Pact meaning that they will be discounted from the structural fiscal effort expected to be accomplished by Member States.

The Commission said it was ready to "explore all financing options from the EU budget to the capability window, in accordance with the Treaties" and to support it with its financial and technical expertise. "Member States' experience and ongoing work in the context of EDA for the creation of a Cooperative Facility Mechanism should also be taken into account".

The specifics of the capability window will need to be developed further in close cooperation with Member States, the High

Representative, including in her capacity as Head of the EDA and other relevant stakeholders, it stressed. Despite the uncertainties remaining around the European Defence Fund, the Commission trusts it will be a "crucial step to support the competitiveness of the European defence industry".

**Fostering investments in defence supply chains**

The second EDAP pillar is devoted to helping the defence industrial base to remain innovative and competitive. A particular emphasis is put on helping small and medium-sized enterprises (SMEs), which in many Member States remain the backbone of the national defence, to gain access to finance. Representing the most vulnerable part of the defence supply chain, SMEs constantly require fresh capital for new investments but mostly do not benefit from the necessary funding to further scale up, which ultimately hinders them to successfully integrate into the defence supply chains.

A change in the way the European Investment Bank (EIB) lends money to defence producers – especially SMEs – could help alleviate the problem. The Commission will therefore ask the EIB to adapt the lending criteria to the defence sector which would unlock new opportunities for certain parts of defence supply chain, notably SMEs. This could also have positive spill-over effects: EU financial instruments which are based on EIB lending, for example the European Fund for Strategic Investment (EFSI) or the Programme for the Competitiveness of Enterprises and small and

medium-sized enterprises (COSME), could help in dual-use defence-related activities.

Another EDAP proposal is to strengthen the support of EU funds to investment in defence. European Structural and Investment Funds (ESIF), for instance, may be used by Member States in the defence sector as long as they contribute to the objectives of the fund. Therefore, the Commission said it will promote co-financing through the ESIF of productive investment projects and modernisation of the defence supply chains in the defence sector "provided that the investment strengthens economic, social and territorial cohesion".

**Lending EU support to collaborative defence projects will not only help to achieve "a more efficient use of public money" but also lead to a stronger industrial base**

**Strengthening the single market for defence**

The logic behind the third main EDAP proposal - to make progress towards a genuine single market for defence - is plausible: more competition and a greater openness of the defence market in Europe will help suppliers to achieve economies of scale, optimise production capacities and lower unit production costs, thus making European products more competitive on the global market.

Were they fully applied (which is not the case today), the two EU directives on defence procurement and on EU transfers could make a significant contribution to achieving this goal. The Commission considers both



directives "broadly fit for purpose" with no legislative amendment necessary at this stage. "However, they also identify a number of shortcomings that need to be addressed", it says. The Commission will therefore focus on their "effective implementation (...) including through enforcement". It will clarify the interpretation of specific provisions of the defence procurement directive through the adoption of guidance notices in 2017-18 and adopt recommendations for a harmonised functioning of General Transfer Licences in the first quarter of 2018.

Other support measures are planned, for instance to strengthen security of supply. The Commission will therefore support the initiative of Member States, through the EDA, for a political commitment to facilitate transfers of defence-related commodities and to provide mutual assistance in times of crisis.

#### Maximising civil-military synergies across EU policies

The 4th pillar of the Action Plan consists of measures aimed at increasing the coherence and synergies between defence issues and other EU policies. The recently adopted European Space Strategy is one example where this should be possible. Indeed, space services can also strengthen the EU's and Member States' capacity to tackle growing security challenges. The Commission will therefore seek to maximise synergies and complementarity with relevant activities of the EU Satellite Centre in the area of space security and defence.

## European Council welcomes EDAP

On 15 December, the European Council welcomed the Commission's EDAP and stressed the importance of "fully involving Member States". EU leaders called on "all relevant actors to take work forward". The Council was invited to "rapidly" examine the related Commission proposals. The EIB was invited to examine steps with a view to supporting investments in defence research and development activities. "The Commission is also invited to make proposals in the first semester of 2017 for the establishment of a European Defence Fund including a window on the joint development of capabilities commonly agreed by the Member States", state the European Council conclusions.

Governmental satellite communications (SATCOM) is another field where civil-military synergies have huge potential. The Commission, in cooperation with the High Representative, the EDA and the European Space Agency, will launch an initiative to ensure reliable, secured and cost-effective satellite communications services for EU and national authorities managing security critical missions and infrastructures by the end of 2017. Regarding EU cyber policies, the Commission pledges to cooperate with Member States, the High Representative and relevant EU bodies (including the EDA) to establish a cyber-training and education platform to address the current skills gap in cyber security and cyber defence by 2018. In the field of aviation, "the civil-military coordination mechanism between the EDA, the European Aviation Safety Agency and the SESAR Joint Undertaking should help to better exploit the results of military research activities in the context of the

SESAR 2020 programme and the associated safety rules and standards". In the maritime field, the Commission will - in cooperation with the High Representative, EDA and Member States - develop specific actions to support a coordinated civil military maritime security research agenda and interoperable maritime surveillance capabilities.

#### EDAP follow-up

The Commission will, in close cooperation with Member States and the High Representative, "including in her capacity as head of EDA", set up an EDAP Implementation Steering Group, meeting on a regular basis, to monitor and facilitate progress in the actions. A first meeting will take place in the first quarter of 2017. It will also establish a consultation forum with the European defence industry to best align the supply and the demand sides. 

## Defence industry upbeat about EDAP

The **AeroSpace and Defence Industries Association of Europe (ASD)**, representing 15 major European aerospace and defence companies and 26 member associations in 19 countries, welcomed the EDAP as "an ambitious follow-up to President Juncker's call for a more active role of the EU in defence". ASD in particular supports the Commission's intention to propose an EU-funded defence research programme under the next Multiannual Financial Framework (MFF). "Research is crucial for the competitiveness of our industry and future capabilities of our armed forces. At the same time, research is where defence cooperation starts, and where EU action can make a major difference. Our industry therefore believes this programme could become a game changer and an important tool to develop common standards and increase interoperability", the association said.

**Mauro Moretti**, President of ASD, said: "The Defence Action Plan is the natural complement to the Defence Implementation Plan of the Global Foreign and Security Strategy. Implemented properly, it can be an important contribution to strengthening Europe's security. We as industry stand ready to contribute and to support this work".

ASD also applauded the Commission's plans to foster investment in defence supply chains. "SMEs and midcaps are, in many Member States, the backbone of the defence sector and central to the value chain. At the same time, they often find it hard to access finance and face financial difficulties when projects are delayed. Mobilising EU instruments to mitigate these problems would be highly appreciated". ASD shares the assessment that a competitive European industry needs a functioning European market. "A truly internal market for defence is still not there, but we acknowledge the European Commission's efforts to overcome market fragmentation and foster cross-border industrial cooperation. In this context, we fully support all initiatives to improve EU-wide market access and facilitate deliveries of equipment and services between Member States".



# » "EDAP needs to be implemented in a transparent way and in close partnership with Member States"

**Lowri Evans**, the European Commission Director General for Internal Market, Industry, Entrepreneurship and SMEs, sits down with *European Defence Matters* to elaborate on the key aspects, the upcoming implementation and the wider meaning of the European Defence Action Plan for the defence industry



**Can you explain in concrete terms where and how the European Defence Fund will add value to what Member States already do today?**

The EU's added value is to develop incentives and mobilise EU policies to help European co-operation. Defence is no exception. The key purpose of the European Defence Fund is to bring together the Action Plan's core proposals for using EU financing tools to support the development of European priority defence capabilities from research and development to placing products on the market.

Currently the funding of major defence capabilities is a challenge for even the biggest Member States. The Commission proposes to support industrial cooperation in defence research and the joint funding of defence capabilities. By mobilising EU instruments and policies, within the limits of the Treaties, the EU can help complement, leverage and consolidate

collaborative efforts by Member States to respond to security challenges.

**What are the planned practical steps to implement the EDAP in the coming months?**

The European Defence Action Plan represents the Commission's vision on how to deliver on shared objectives and the Bratislava Roadmap. The Commission will now discuss these proposals, in particular the creation of a European Defence Fund, with all stakeholders.

How the different actions will be taken forward will vary. For example, any budgetary proposal beyond 2017 such as the future research programme to be launched in 2021 is subject to formal budgetary decision-making which will involve the Council and the European Parliament. The Commission will launch a scoping study in 2017 to refine the budget estimates for the "capability window" of the European Defence Fund.

Our main concern is to ensure that

our implementation of the EDAP is done in a transparent way and in close partnership with Member States. We will take advantage of existing fora to discuss specific issues such as the existing technical committees for discussion on the implementation of the two Defence Directives. There will be regular interactions with various Council bodies such as the Political Committee Group and the Political and Security Committee. We must not lose sight of the fact that the implementation of the EDAP should be done in a way that is consistent and complementary with the Implementation Plan of the Global Strategy on Security and Defence and the EU/NATO Joint Declaration.

To ensure a consistency in approach, the Commission will set up an Implementation Steering Group with Member States, meeting on a regular basis, to monitor and facilitate progress in the actions, within their respective competences. A first meeting will take place in the first quarter of 2017. We will





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also establish a Consultation Forum with the European defence industry.

**The proposed Defence Fund would include two 'windows': a defence research window and a capability window, i.e. two key activity domains of the EDA. What precise role would the EDA have to play in each of the two windows?**

The two windows are in the same Fund but are two distinct financing structures. The role that the EDA and the Commission will play in both will be different and will depend on respective competences.

Starting first with the Research Window; this is a core competence for the Commission. The use of EU funds places obligations on the Commission to ensure that they are used effectively and with Member States having a key role in the decision-making procedures. Therefore, there will be a Programme Committee made up of Member State representatives, chaired by the Commission and with EDA present as

an observer. This is the normal procedure that has been agreed by Member States.

The EDA will have a role in managing the projects selected. We will be negotiating a Delegation Agreement with the EDA to allow for the management of the projects once the budget for the Preparatory Action has been agreed as part of the overall EU Budget for 2017.

On the Capability Window, the mechanism outlined is simply a proposal for discussion with Member States on ways to support the joint development of capabilities. The Action Plan makes very clear that it will, I quote, "...be developed further in close cooperation with Member States, the High Representative, including in her capacity as Head of the EDA,...". The development of capabilities goes right to the heart of the EDA's responsibilities and expertise and so it is essential that the Agency is closely involved in its preparation. This will include taking full account of the work that the EDA has led to develop a Cooperative Facility

Mechanism. We have also proposed that the EDA should be in the Coordination Board that will ensure consistency between the research and capability windows.

**Will the funding only come from Member States or will the EU budget also contribute?**

The funding for the Research Window will come from the EU budget. We have proposed an overall budget of €90 million for the Preparatory Action and €500 million per year for a research programme under the next multi-annual Financial Framework starting in 2021. These budgets represent a strong statement of ambition from the Commission to support defence research but these will only be made available with the agreement of the European Parliament and Member States.

For the Capability Window we have proposed that the fund should come from national contributions. This reflects the fact that the issue of capability development is a matter, primarily, of Member State competence. The Commission is ready to explore all financing options available to support the Fund under the EU Treaty.

**As far as the capability window of the Fund is concerned, you say it should be able to mobilise about €5 billion/year. Which incentives do you plan to mobilize to attract such funding for capability programmes?**

A key objective of the Capability Window is to provide a framework to help Member States to spend their money in a more effective way backed up by Commission's financial and technical expertise in developing and managing European funds. In particular, the capability window could offer the following additional advantages compared to the current situation:

- a framework to pool and synchronise national contributions to a dedicated project, thus allowing for more efficient and collective use of public spending in defence;
- the possibility of a contribution from the EU budget to develop the defence capability priorities identified by the Member States, who will subsequently own the assets;
- to the extent debt instruments would be used in this context, the possibility to benefit from certain flexibilities →

foreseen under the Stability and Growth Pact (e.g. national capital contributions to the capability window could be discounted from the structural fiscal effort expected to be accomplished by Member States).

The proposal for the Capability Window is simply a proposal that we will be discussing intensively with Member States and the EDA over the coming months.

**The research window of the Fund would rely on €500 million per year for the post-2020 EU multiannual financial framework. How do you want to make sure that this funding will be output-oriented and spent on research which responds to existing capability gaps?**

The Action Plan states that the research programme will focus on "...projects linked to defence capability priorities agreed by Member States". In addition, it "... should target critical defence, as well as innovation-driven, technologies based on excellence". It will be Member States that will decide the capability priorities and, as a consequence, the focus of the research programme.

The Commission expects that the EDA will play a significant role in supporting Member States to identify these priorities through the review of the Capability Development Plan and in support of the Implementation Plan on Security and Defence for the Global Strategy. All of this work will help inform the development of the work programme for the future research programme which will state the objectives and the criteria by which projects will be selected and their results judged.

**How will the Action Plan support SMEs, start-ups and mid-caps in the defence sector?**

SMEs, start-ups and mid-caps are the core of the defence sector in most Member States. They often offer dual-use goods or services in a wide range of industries such as energy, telecom and ICT, automotive, material, chemical, aeronautics and space etc. The EDAP proposes a wide range of measures to help them modernise, adapt their industrial capacities and grow in the Single Market.

Access to funding is often difficult to obtain for defence projects. The European Investment Bank (EIB) group provides loans,

guarantees and equity products for the expansion of current dual-use activities such as space and radar technology. This can provide opportunities for certain parts of the defence supply chain, notably for SMEs and mid-caps. The Commission would encourage Member States to move quickly to adapt the current EIB lending criteria to include the defence sector within the limits of the Treaties. This would also open up funding opportunities on EU financial instruments which are based on the EIB lending policy, for example the European Fund for Strategic Investments (EFSI) or the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME). Both programmes could then provide greater support in dual-use and defence-related activities.

The Commission also proposes to promote the use of European Structural and Investment Funds (ESIF) to support investment projects (both innovative products and modernisation of the industrial facilities and infrastructures) in the defence sector with a particular focus on SME participation.

We also plan to continue the excellent collaboration which we have with the EDA in promoting access to EU Funds for SMEs through regional seminars and workshops.

**What is the Commission proposing to do to ensure that defence companies benefit fully from the Single Market and improve the application of the two defence directives?**

The Commission is proposing to improve EU-wide competition for defence procurement contracts and ensure Member States get better value for money from their hard-pressed defence budgets. This will also help to tackle fragmentation in the market and support the competitiveness of the defence industry.

To do so, the Commission proposes measures to improve implementation of the two defence-related Directives, namely the Procurement Directive (2009/81/EC) and the Transfers Directive (2009/43/EC).

First, the Commission will produce guidance to help Member States effectively

and consistently implement the Defence Procurement Directive and balance the basic public procurement principles while respecting the specificities of the defence sector. Together with Member States we have already prepared the guidance on Government-to-Government Sales. Further guidance will follow in key areas including on the use of subcontracting provisions and co-operative procurement.

Secondly, the Commission has adopted two recommendations to encourage a harmonised use of the Transfers Directive, by defining a minimum list of less sensitive components for licensing in order to facilitate the transfer of defence-related products throughout the EU. In order to ensure consistent implementation of the two

**The key purpose of the European Defence Fund is to bring together the Action Plan's core proposals for using EU financing tools to support the development of European priority defence capabilities from research and development to placing products on the market**

Directives across the EU, the Commission is closely monitoring the Members States' legislation and requesting clarifications from national authorities where needed. The Commission is responsible for taking enforcement action in regards to both Directives with the aim of creating a level-playing field for all players in the Single Market.

**A lack of cross-border participation in defence procurement (80% of defence procurement is run on a purely national basis) is one of the reasons why the European defence industry lacks competitiveness. How do you want to tackle this issue?**

While the proposal for the European Defence Fund may have taken the spotlight, the Action Plan devotes considerable space to the problems of the Single Market in defence and competitiveness. Greater cross-border participation is key to improving competitiveness. Our starting point is to ensure that Europe has an effective Single Market. This requires, as I have just said, a



more effective implementation of the two Defence Directives.

We have always recognised that the Single Market in defence will only work if companies, regardless of their size and location in the EU, have fair access to business opportunities throughout the Union. We know that cross-border market access is a particular problem for SMEs outside existing defence supply chains. The Commission will promote practical measures to support cross-border market access for SMEs. These are based on the work of the Advisory Expert Group on SME Cross-border Access to Defence and Security Contracts. We count on the active involvement of stakeholders, including the industry and especially prime contractors, in this process.

Finally, we hope, there will be a positive impact in this direction from the European Defence Fund. The Research Window will support projects from consortia of companies drawn from different Member States and this will, we expect, encourage greater industrial co-operation and more procurement across borders. This could be further reinforced by greater joint procurement under the Capability Window.

**Are there synergies between the European Defence Action Plan and other EU policies for example in the field of space or cybersecurity?**

Defence related technologies have an important spill-over effect on the wider EU economy and can lead to technology transfers to other sectors and new jobs being created (ARPANET, the precursor of the Internet, was initially funded by the US Department of Defense). At the same time, research and innovation in other areas can often have a dual-use purpose and can be used to support the defence industry.

The Commission is committed to ensuring synergies and coherence between its policies in order to increase its added value and efficient use of taxpayer money, in line with its Budget For Results goals.

In October 2016 the Commission adopted a Space Strategy for Europe which aims at making the most of space for our society and economy, among other things by developing additional space-based services which contribute to Europe's common security and defence objectives. The Commission plans to expand the capabilities of the EU



**Research Window:**

© Airbus group

*"The EDA will have a role in managing the projects selected"*



**Capability Window:**

© UK MoD

*"It is essential that the EDA is closely involved in its preparation"*

Earth observation programme Copernicus to help improve border control challenges and maritime surveillance. It is also preparing, with the European Defence Agency and the European Space Agency, an initiative to improve the reliability and security of governmental satellite communication services for national and EU authorities.

The Commission will take steps to strengthen EU cyber security policies and take military and defence needs into consideration when developing measures in the aviation and maritime sectors. ❏

**Lowri Evans** was appointed Director-General of DG Internal Market, Industry, Entrepreneurship and SMEs on 1 September 2015. She has been Director-General in DG Maritime Affairs and Fisheries from 2010 to 2015. Prior to that, she has worked in several policy areas in the European Commission notably Competition and Employment. She started her professional career in audit and accountancy with Deloitte.



"European defence ministers also need to meet in Defence Councils much more often because one of the core aspects of increased defence cooperation is trust between countries and the people who deal with it. This trust can only develop if people meet regularly"

# > "Europe needs a Military Schengen"

MEP **Urmas Paet**, a former Foreign Minister of Estonia and rapporteur for the European Parliament's recently adopted 'European Defence Union' report, shares his views with us about the current challenges and future prospects of EU defence cooperation, the contribution the Commission's European Defence Action Plan can make to it and the role of the EDA

**In your report, you deplore a 'lack of competitiveness' in the European defence sector and regret that 'a sound European defence industrial policy is still missing'. Will the Commission's EDAP be able to fix this problem?**

The EDAP can certainly change things and have a positive impact on the whole environment in which the defence industry operates. I see two main problems to overcome. One is that Member States' legislations on defence support and procurement differ strongly and that the bureaucratic burdens are often high.

The second point is: how can we push European defence industry to cooperate more on innovation and technological developments. Here the Commission may have to play an important role, for example we when we speak about possible future financial contributions to defence research and innovation. This could also push European companies to cooperate. Research, as you know, is extremely costly; therefore, if you can add public money and combine it with private investments, you may see more companies joining in and connecting their forces.

**You agree with those saying there is a political momentum now for making progress on European defence?**

The short answer is yes. I am however a little bit worried that despite this momentum created by different events and developments, at the end, Europe will again be too late. If you look at past experiences, you will see that the EU often decides to act when things have already happened, when problems are already there.

Look for instance at terrorism: it's only after the tragic attacks in Paris and Brussels



**"it is absolutely crucial that EU and NATO cooperate and make the maximum out of that cooperation. Stronger European defence cooperation will not weaken NATO; on the contrary: both organisations will strengthen each other mutually"**

that the EU came to the conclusion that it needed a European intelligence agency. In the same vein, it was only after we saw the impact of the refugee crisis that the EU found out that it needed a European border guard. I really hope that with defence cooperation and Defence Union, we can be more pro-active so that we anticipate developments and needs before they occur.

**Your report calls for a 'European Defence Union'. What would be its main pillars?**

There are some basic elements to be mentioned. First, it is absolutely crucial that EU

and NATO cooperate and make the maximum out of that cooperation. Stronger European defence cooperation will not weaken NATO; on the contrary: both organisations will strengthen each other mutually. Therefore, one pillar of the European Defence Union is cooperation with NATO and bringing added value to NATO activities.

Here I see for instance a great potential in cyber defence, in hybrid warfare and also in civilian support to NATO military activities, outside and inside of Europe. A second pillar is making sure that all European countries are engaged in such a European Defence Union, including the six EU Member States which are not members of NATO. A third pillar would be that we don't go for just another round of political statements and slogans but that we clearly link the upcoming activities in this domain to the EU budget. The next Multiannual Financial Framework (MFF) should reflect the new defence cooperation (...) When I wrote this report, I often heard from people that defence cooperation and innovation is fine but that we should not give additional money to it.

We all need to understand very clearly that we cannot get quality without a certain quantity (of funding). Therefore, my report also makes the same call than NATO: in the EU too, Member States should allocate at least 2% of their GDP to defence. European funding should be added to that, not only for defence research but possibly also for other areas, such as logistics and infrastructural support for defence activities inside the European Union. Again: we cannot expect effective defence cooperation without appropriate funding. And finally, another pillar is the fact that we use existing tools which are already available, especially in the Lisbon Treaty, to →



"However, when there is a crisis looming and we want to be proactive, we have to be much more effective and quicker in this domain. Therefore the rules and procedures applying to moving troops and military equipment inside the EU should be reformed"

move ahead. There is still a lot of potential there to be used.

**You say that beyond defence research, the EU could also fund logistical support to defence. What kind of logistics support you are referring to?**

We have today the problem that the 'Military Schengen' is still missing. It is quite complicated and time-consuming to move troops and equipment from one EU Member States to another. This can sometimes take days if not weeks. However, when there is a crisis looming and we want to be proactive, we have to be much more effective and quicker in this domain. Therefore the rules and procedures applying to moving troops and military equipment inside the EU should be reformed. Some EU funding from the Structural Funds could go to projects which support our Armed Forces such as roads, bridges, barracks, etc. In these domains, the EU can be much more supportive to European defence.

**You also want a European Commissioner for defence and more regular meetings of defence ministers.**

Yes, for me that would be only logical. We currently have 28 Commissioners and if you look at the responsibilities of each of them, you will see that they are very different in size. High Representative and Commission Vice-President Federica Mogherini has in her responsibility the full world as well as

defence and security issues. At the same time, other Commissioners have portfolios with less substance. It's time to redistribute the portfolios and with defence and security becoming an ever bigger and bigger topic, I certainly believe that there is a case for having a dedicated Commissioner for Defence and Security.

In addition to that, European defence ministers also need to meet in Defence Councils much more often because one of the core aspects of increased defence cooperation is trust between countries and the people who deal with it. This trust can only develop if people meet regularly. Change is also needed in the European Parliament. It's now time to upgrade the subcommittee on defence and security (SEDE) into a fully-fledged parliamentary committee of the EP.

**In your report, you encourage EDA Member States to establish a 'common European capabilities and armaments policy'. What exactly should such a policy encompass?**

Ideally, it could mean that there is a clear overview made of what the different Member States have in terms of military capabilities and what their plans and needs are. A second step could then be that they draw conclusions from that overview for future cooperations. It would make sense because there is no point in having each Member State develop and invest in all areas of defence capabilities because this is very expensive. It would

be much more adequate if Member States could conclude agreements about which country concentrates on what sort of capability. Of course, we need a lot of trust for this and also adequate plans. We would then also need plans to make sure that these capabilities are made available to everyone in case of crises. This could and should be the objective (...) The EDA should promote this by proposing very concrete and practical examples, proposals and business cases, within the existing legal framework.

As long as there is no general defence leadership in the EU, the EDA should proactively promote defence cooperation by putting on the table very concrete and practical steps.

**'The EDA still needs to be harnessed to develop its full potential' is also stated in your report. Which specific areas or topics are you thinking about?**

There are several areas where concrete proposals are needed. Hybrid warfare or cooperation with NATO on cyber defence, for example, are two of them.

The EDA should not be hesitant or afraid, nor should it always wait for the political will to be fully existent in the capitals. I think that the time has come for the professionals, the very few professionals on defence we actually have in the EU, to bring in their full potential. The EDA can contribute a lot in this respect, especially at this moment in time. **K**



# Council tasks EDA with key role in EUGS implementation

**O**n 14 November, EU Foreign Ministers adopted Council conclusions on the practical implementation of the EU Global Strategy (EUGS) in the area of security and defence based on the Implementation Plan on Security and Defence proposed by Federica Mogherini, the High Representative/Vice-President of the Commission and Head of the European Defence Agency (EDA).

The conclusions confirm the EU's new level of ambition on security and defence and put forward concrete actions to implement it, pointing also directly to the role the EDA has to play in several of them.

Setting capability development priorities is one of the actions agreed upon

by ministers: Member States, "working through the EDA and in close coordination with the EU Military Committee (EUMC)", are invited to complement the identified preliminary capability programmes in the framework of the Capability Development Plan (CDP) by spring 2018. The Council also called on the EDA to develop proposals to strengthen European defence cooperation by "translating defence capability priorities into concrete collaborative programmes through a more out-put oriented CDP".

EDA is invited to initiate consultations with Member States and the EUMC in order to improve the EU capability development process and present proposals by February 2017, including in view of taking into

account R&T and industrial aspects in the CDP review.

EDA proposals are also required to "refine the link between existing processes on defence capability priorities, overarching R&T priorities and Key Strategic Activities", to support Member States on the coherent and complementary use of R&T resources in Europe and to improve critical enablers for cooperation as well as security of supply. The Council welcomed Ms Mogherini's intention to submit a first yearly EUGS progress report by June 2017.

Full text of the Council conclusions: <http://www.consilium.europa.eu/en/press/press-releases/2016/11/14-conclusions-eu-global-strategy-security-defence/> 

# Belgium and The Netherlands step up naval cooperation

**B**elgium and The Netherlands have taken their defence cooperation a step forward by agreeing to pool their frigate and minehunter replacement programs and to share contracting and production of both classes of ships.

On 30 November, Defence ministers Steven Vandeput and Jeanine Hennis-Plasschaert signed a memorandum of understanding which foresees that both countries will replace their existing mine counter measure (MCM) vessels and frigates with vessels of the same type.

For the replacement of the M-class frigates, The Netherlands will take the lead, while Belgium will lead for the minehunters. Belgium could also provide crew members for joint logistic support ship Zr. Ms. Karel Doorman while the Dutch Navy will help prepare units of the Belgian Amphibious Light Brigade.

Training, ship maintenance and even sailors of both navies are already extensively integrated now. "The joint procurement of M-class frigates replacement and new MCM vessels is the next logical step in our cooperation. This allows us to deepen our collective strength and to be operationally



efficient", Dutch Minister Hennis-Plasschaert said at the signing. She praised the project as an "inspiration for other capabilities and other countries" in Europe. The ultimate goal must be to increase Europe's military strength and by engaging in this type of cooperation, The Netherlands and Belgium

"turned words into deeds", she said.

"To maintain a broad and balanced armed forces, our cooperation must continue on a European level with our neighbors. Military cooperation only makes sense if there is a win-win situation for all parties", stated Belgian minister Vandeput. 

# > "Europe will need to develop

"There is a risk of Europe losing its technological and industrial lead within various essential capability areas if it does not substantially start increasing investments in R&T"



# future airpower capabilities"

In an exclusive interview, Saab CEO Håkan Buskhe tells us how he sees the defence industry developing in the coming years, why closer European cooperation will be paramount to safeguard industrial competitiveness and why Europe will have to develop future airpower capabilities if it wants to maintain technological leadership and an appropriate level of strategic autonomy

Mr Buskhe, you joined Saab in 2010 as a defence 'newcomer' because you worked before in the energy sector. Six years later, what is your overall assessment of the European defence industry, of its strengths and weaknesses?

My impression from the start was the strength of the European defence industry to effectively innovate and adapt. Coming from a sector that itself is significantly defined by technological innovations, I quickly learnt that the defence sector was even more dependent on moving technological innovations forward in order to fulfil the ever changing demands of the market. As for the weaknesses of the European defence sector, I would perhaps point to the fact that we have duplication in many capability areas.

Every new CEO brings some kind of change with him. What is the biggest change you brought about in SAAB and what strategy is the company following under your leadership?

During the last five to six years, Saab has grown to become a bigger company in many aspects. Not only has our order backlog and turnover multiplied but our products and offers are much more competitive on the global market. Saab has developed into a true international company with customers in more than 100 countries. We also put a lot of emphasis on innovative Research and Development (R&D). Twenty five percent of the company's turnover is invested in R&D, which contributes highly to our competitiveness.

How do you see the European defence industry evolving in the next 5 to 10 years? How can it remain strong and competitive while global competition gets tougher and tougher?

The conditions for driving the European defence industry forward in the next five to ten



"I think the EU is moving in the right direction. Never before has there been this sense of urgency that we can see now around the need for developing our defence technological and industrial base"



years are starting to move into place. However, drawing on our shared competences and experiences, whilst making use of our innovative and adaptive thinking and skills, will only get us part of the way. If Europe is to remain truly competitive on the global stage it needs to credibly and sustainably find ways to work more efficient together, but also together with strategic partners from around the globe.

Current EU defence integration initiatives, starting with the EU Global Strategy, aim at enabling Europe to achieve an "appropriate

level of strategic autonomy", including on capabilities. Is industry capable and ready to deliver?

When we are asked to meet the demands of governments we will always deliver innovative and cutting edge products, based on our R&D activities. We live in a complex world with many difficult challenges. I believe that the real challenge will be to accurately and in a timely manner identify the threats of tomorrow, and how we should tackle these. It is crucial to work together at a European level but also together, once again, with our strategic partners in other parts of the world.

Innovation is crucial in this respect. How is Saab making sure it remains at the cutting edge? What role does R&T play? To what extent do you reach out to non-traditional defence industries?

R&T is vital for our survival as a company. We invest a lot by ourselves and also in collaboration with academia. There are many examples, but one really worth mentioning is the Wallenberg Autonomy & Software Program (WASP) that addresses the future challenge facing Swedish industries in autonomy and software engineering. This is a very good example where we reach out to non-traditional partners in academia and industry to supply us with competence and technology.

What should be done on an EU level to ensure Europe's defence sector as a whole remains innovative and capable of leading with top-notch technology?

I think the EU is moving in the right direction. Never before has there been this sense of urgency that we can see now around the need for developing our defence technological and industrial base. This is essential for meeting defence operational needs now and in the future. Two years ago, I was privileged to be invited →



to participate in the so-called 'Group of Personalities' for defence research, together with other representatives of the European defence industry, politics and academia. We produced an extensive report which clearly outlined the need for strengthening the EU Common Security and Defence Policy (CSDP) through cooperative R&T programmes. In the report we agreed that the EU must have the EU's best interest in mind, and not only the interests of individual Member States. We also agreed that we need a focus on the core capability shortfalls and essential European needs; a focus on taking research and innovation to the production phase; and finally, that the EU needs to keep its doors open for collaboration and partnerships with the rest of the world.

#### **What are in your view the chances for a next generation of European combat aircraft?**

It is clear that Europe will need to develop future airpower capabilities if we want to maintain an appropriate level of strategic autonomy as well as to maintain leadership on technological innovation within air defence globally. The competence and conditions for taking that technological leap is in place, but the ambition needs to be more clearly defined and agreed in order to move forward. Saab is a successful company in a global perspective, with a renowned track record in innovation and use of new technology. Saab is looking forward to be an active part of the development of future airpower capabilities. I believe our innovative solutions, cutting edge technology within e.g. automation, model-based engineering and operational flexibility in our products will position ourselves favourably in this sense.

#### **Do you see sufficient political willingness in the EU Member States to push forward with defence integration and cooperation?**

Here I will frame my answer to the European Defence Technological and

Industrial Base (EDTIB) perspective, and the answer is yes. I believe need dictates actions, so it is important that the debate and subsequent decisions does not mix apples with pears and focuses on what is key, notably actions that strongly support the EDTIB. We are today moving towards a crucial point for European defence. There is a risk of Europe losing its technological and industrial lead within various essential capability areas if it does not substantially start increasing investments in R&T. EU Member States are facing many challenges within many different areas, and only recently has it been made clear that defence is one of them. The geopolitical state of play and the fact that the security environment in and around Europe has dramatically changed in recent years is a clear sign of this. In a short period, we are increasingly faced with situations, security challenges and conflicts which demand an innovative and forward looking EDTIB. As said, I also recognize that a sense of urgency has not been as heightened in Europe for a long time, and that concrete action must be taken now. In the end, structural changes need also to be driven by competition.

#### **Which key strategic activities do you feel Europe should preserve to ensure that we retain sufficient freedom of action and non-dependence?**

It is not solely about preserving strategic activities. It is in many cases about

developing them and sometimes even about reactivating them. As a first example, I would mention the area of sensor technology. In order for Europe to credibly preserve a freedom of action, we need to be able to clearly know and see what is around us, in our skies, our oceans and around our borders. We need to, at an as early stage as possible, see the threats that are approaching in order to prevent them from having further impact. This activity also has the transnational benefit of being able to be carried out jointly, in the procurement phase as well as in the operational deployment. Secondly, we also see increased hostile underwater activity and Europe needs to reactivate its capabilities to detect and deter possible threats. Certainly there are many more areas which could be identified and many activities/capabilities are more relevant in some places than others, but identifying these activities should be done jointly.

#### **What additional role could and should the EDA play to further facilitate defence cooperation and how could EDA better engage with industry?**

The European Defence Agency has played an important role in facilitating the progress of European defence cooperation. It has always showed a keen interest in listening to industry and understanding what it is that incentivises industry participation in, for example, cooperative programmes and projects. Having said this, the Agency should play a more central role in identifying common needs together with participating Member States and demanding that industry deliver on those needs from a performance and life-cycle cost perspective. One good example is the EDA's Carl-Gustaf Framework Agreement whereby participating Member States procured the provision of ammunition through the EDA. Strengthening this type of activity I believe will be crucial for the EDA in the future. **K**

**Håkan Buskhe** is, since 2010, President and CEO of defence and security company Saab AB. When he joined the company, Mr Buskhe brought to Saab more than 20 years of experience in programme and operations management and business development from national and international commercial industries. Most recently, he served as the President and CEO of E.ON Nordic AB and E.ON Sverige AB.

Defence and security company SAAB has around 14,000 employees. Annual sales amount to around SEK 27 billion (€2.75 billion), of which it re-invests about 20% in research and development. Its most important markets today are Europe, South Africa, Australia and the US.

**52<sup>nd</sup>**

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# > 10th EDA Helicopter Training Exercise puts the spotlight on interoperability and joint training

Exercise BLACK BLADE marked a significant milestone for the EDA as the 10th edition of its Helicopter Exercise Programme (HEP). Hosted by Belgium at Florennes Airbase, an average of 400 personnel and 14 air assets undertook an intensive and successful three week programme from the 14th of November to the 2nd of December. As a Special Operations Forces (SOF) oriented helicopter exercise, BLACK BLADE focused on enhancing European interoperability and developing cooperation with SOF

**H**elicopters have always been a crucial asset for European forces and remain a key enabler in modern crisis management operations. Despite significant numbers of rotary-wing aircraft in European inventories, successive operations have been short of their vital support.

The non-employability of helicopters is an issue that the EDA in consultation with Member States looked to address. Several contributing factors were identified; from a lack of training for the crews to a shortage of technical equipment for the aircraft. The EDA has been working with Member States to address European helicopter employability by putting the training element in focus.

Out of this consultation, the Helicopter Exercise Programme (HEP) was launched in 2009, with a formal programme arrangement signed in 2012. Today the HEP has 14 participating Member States (AT, BE, CZ, DE,

EL, FI, HU, IT, LU, NL, PT, SE, SI, UK) and is one of the EDA's flagship training projects and programmes.

Speaking about the involvement of Belgium in the HEP and its added value, BLACK BLADE Exercise Director Lieutenant-colonel Stéphane ROOBROEK stated, "Belgium is a small country with a small helicopter fleet. In operations, the integration into a multinational helicopter unit is the only viable option. For that reason, Belgian helicopter crews need to be trained to work in a multinational environment. The HEP is the best suited helicopter programme to make Belgian crews ready for operations". Through the HEP, the EDA is working with participating Member States to develop, consolidate and share best practices in order to meet the challenges of flying helicopters in modern operational environments.

By enhancing the operating skills of helicopter crews across Europe, the HEP plays

a significant part in increasing the deployable helicopter capability for contingency operations. As a ten-year programme, it has become and will remain an integral part of enhancing European rotary-wing capability and interoperability.

## **BLACK BLADE: Prepare, train and operate together**

Since its launch, 9 training exercises have taken place under the umbrella of the HEP (*See chart overleaf*). For its 10th edition, a total of 14 air assets from 4 Member States (13 helicopters from Belgium, Slovenia and Austria and one Falcon aircraft from the UK) were deployed across the three week duration of BLACK BLADE. An average of 400 personnel (Helicopter Exercise Forces, Special Operation Forces, Exercise Direction, Logistical and Medical Support), plus observers (Italy) and mentors were welcomed by the host nation Belgium at Florennes Airbase.



"Since the inception of the HEP, the EDA has worked to integrate the lessons learned and experiences from each training exercise into the planning stages of subsequent HEP editions to increase their value and scope.

By putting interoperability to the fore of our planning, we have seen tangible outcomes in the increased capacity of Member States and participating crews to successfully prepare, train and operate together."

*Roland Van Reybroeck Director of the EDA's Cooperation Planning & Support Directorate.*

The EDA Core Planning Team, comprised of two experienced helicopter pilots who are responsible for organising the annual HEP exercise with the host nation, supported the Belgian Exercise Directors during the planning, preparation and execution phase of the exercise. With the participants and teams in place an ambitious programme was created for BLACK BLADE. The programme was based on combined, joint and realistic scenarios following the overall exercise objectives of teaching and learning helicopter Techniques, Tactics and Procedures (TTP). During BLACK BLADE participants executed a range of operational tasks (low flying, formation, gunnery, etc.) and flew a diverse set of day and night training missions. Several national training and Composite Air Operations (COMAO) missions were also planned and executed by the participants.

The added dimension of BLACK BLADE was its designation as a Special Operations

Forces (SOF) oriented helicopter exercise. The deployment and integration of 70 personnel from the Belgian SOF allowed the participants to undertake SOF operations and develop cooperation both in the air and on the ground.

The crews and personnel were further challenged by the aims of the exercise, planning, preparing and flying two COMAO missions on some days and undertaking personnel recovery and MEDEVAC missions. Pilots and aircrews also received the latest training on mission planning, night flying and air gunnery.

#### **BLACK BLADE: Achieve and succeed together**

Over the three week period, the combined air assets flew in excess of 360 mission hours across a combined 175 aircraft sorties. Enhanced interoperability at a tactical level was one of the major outcomes as Exercise Director Lieutenant-colonel

Stéphane Roobroek outlined, "BLACK BLADE was an excellent demonstration of cooperation between helicopter units and land forces in the planning and execution of a COMAO in support of Special Forces. Interoperability at tactical level between helicopter units has been considerably optimised."

The exercise demonstrated a real-world example of what can be achieved through European defence cooperation and highlights that at very low cost, immediate operational output can be realised. BLACK BLADE marked another step forward for enhancing training skills among European nations for flying in different environments, and to train for future European crisis management operations.

As the exercise concluded, participants praised the usefulness of BLACK BLADE in building trust among multinational crews, strengthening operational interoperability and enhancing European helicopter capabilities in view of future multinational operations. →



"The 10th edition of the Helicopter Training Exercise Programme (HEP) is truly a milestone for the EDA. The HEP has a proud track record in enhancing helicopter crews skills, interoperability and contributing to the readiness to deploy.

The added value of the HEP is clear as practicing large-scale joint and combined missions just could not have been achieved by working alone. It is also a cost effective and efficient way to share best practice and learn enhanced helicopter techniques, tactics and procedures for joint operations."

**Jorge Domecq, EDA Chief Executive**



"EDA created an international Mentor Team of experienced tactical helicopter crewmembers (from DE, SE and UK) who have been trained by the EDA's Helicopter Tactics Instructors Course and follow HEP Standard Operating Procedures to support BLACK BLADE.

They provided invaluable advice and support to the participants, ensuring safe and structured missions which implemented the lessons learned from earlier HEP exercises."

**Roel Cuppes, acting EDA Helicopter Programme Manager**



"There is still more we can do in terms of training together, in terms of having our teams working together through greater interoperability and deployability. This is going to make the European Union a more reliable, more credible and a stronger security provider in the world."

**Federica Mogherini, Head of the EDA, High Representative of the Union for Foreign Affairs and Security Policy / Vice-President of the European Commission**



The participants also pointed to the benefits obtained on a tactical and operational level. Special thanks were expressed to Belgium as the host nation. The results of the exercise will now be thoroughly analysed and adopted into future planning by the EDA.

### Distinguished Visitors Day (DVD)

BLACK BLADE concluded with a special Distinguished Visitors Day (DVD) on November 30, that was attended by Head of the EDA, High Representative of the Union for Foreign Affairs and Security Policy / Vice-President of the European Commission, Federica Mogherini. The DVD was also attended by EDA Chief Executive, Jorge Domecq, Chairman of the European Union Military Committee (CEUMC), General Mikhail Kostarakos, Vice-President of the European Parliament, Ioan Pascu MEP, Belgian Chief of Defence, General Marc Compennol and VIP political and military representatives of the EDA Member States.

Ms. Mogherini took the opportunity to witness at first hand the latest developments in joint European helicopter training. Upon arrival she received a briefing on the EDA's HEP and training activities by the Director of the EDA's Cooperation Planning & Support Directorate, Mr. Roland Van Reybroeck. Exercise Director Lieutenant-colonel Stéphane Roobroek also briefed the Head of the Agency on the mission and objectives of BLACK BLADE.

Ms. Mogherini toured the participating helicopters and took time to talk with some of the air crews and SOF involved. Speaking to the press in front of one of the participating helicopters, Ms. Mogherini described BLACK

BLADE as "European cooperation in practice", and outlined how European defence efforts were at a crucial juncture following the release of the EU Global Strategy and the European Defence Action Plan. She also stressed the importance of joint training as a key enabler, stating "by increasing interoperability, training together –which is what our teams are doing here [at BLACK BLADE], - the benefits come directly to operations. But we can and have to do more."

The DVD concluded with a live demonstration and simulated exercise which was attended by Ms. Mogherini, Member State and military representatives and members of the press. The air-crews and personnel put into practice the joint operations procedures and the SOF cooperation enhanced over the duration of BLACK BLADE. The participants demonstrated some of the skills honed, from insertion and extraction procedures to fast-rope skills, over the previous three weeks. The audience were particularly impressed by the demonstration of the Special Patrol Insertion/Extraction (SPIE) procedure. The live demonstration vividly underscored the importance of interoperability and joint training for European forces. A fly-by of the participating helicopters was a fitting and impressive end to an extremely successful 3 weeks for the air-crews, personnel, organisers and hosts of the 10th EDA HEP exercise.

### Next Steps

In building upon the success of 10 editions, the EDA will continue to support the development of a European training

framework among Member States that focuses on high-end capabilities, harmonised training curricula and making the best use of national training centers.

With the rationale, objectives and value of the HEP now well established, the EDA will work to ensure the programme reaches a level of maturity whereby it can begin to explore the possibility of a Member State adopting and running the HEP, thus ensuring its long term continuity.

This progression will allow the EDA to develop and launch future training initiatives in consultation with its Member States. The EDA has already applied this logic to fixed-wing exercises, with the progressive transfer as of 2017 of EDA Tactical Airlift Exercises developed under the European Air Transport Fleet project (EATF) to the European Tactical Airlift Centre (ETAC) in Zaragoza, Spain. In the meantime, future editions of the HEP are expected to take place in Hungary (2017 – Exercise FIRE BLADE), Portugal (2018) and the Czech Republic (2019).

### Enhancing European capability

Joint training will remain an integral part of enhancing European capability and interoperability, directly impacting on the European ability to participate in future multinational and crisis management operations. The continuity of the HEP will ensure that Member States air-crews have a forum to share, learn and develop the training skills required to operate whenever and wherever they are called upon. ◀



## EDA bringing Interoperability and Joint-Training to a wider audience!

Over 50 members of the press attended the DVD at Florennes Airbase. The event generated significant coverage in international, local, EU and specialised outlets. Photo and video coverage of the live demonstration and the visit of Federica Mogherini were used in national and international reports. BLACK BLADE also had excellent engagement on social media channels via the EDA Twitter and LinkedIn accounts.

### More from BLACK BLADE?

There are over 300 photos on the EDA Flickr page!

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» **"No European state has the capacity to solve today's challenges on its own"**

*European Defence Matters* sat down with Lt General Erhard Bühler, Head of the Directorate General for Planning within the German MoD and current chairman of the European Defence Agency Steering Board in capability directors composition, to discuss today's military capability challenges

In times of instability and fast changing risk scenarios, defence capability planning has become very complex and demanding. How do you handle this duty and what are the main challenges you are currently confronted with?

Currently, we are living in a very volatile and complex security environment. The threats and challenges and the related military scenarios cover the whole range from the sustainable conduct of crisis response operations to high intensity warfare for territorial defence.

In principle, the Bundeswehr must dispose of those capabilities to address 360° of Security challenges. Therefore, we need to strike the right balance as far as the capability profile of our armed forces is concerned. With a single set of forces the Bundeswehr must be ready and capable of covering the entire spectrum of existing and potential tasks as laid down in the →

"Cooperation is essential for our future and has to be considered as one of the cornerstones for our national, European and transatlantic defence"



recently published Defence White Paper 'White Paper on German Security policy and the future of the Bundeswehr'.

Consequently, we have adjusted earlier decisions on material, personnel and budget for the Bundeswehr and are breaking the trend of downsizing and decreasing. We are convinced the right answer to hybrid warfare is a comprehensive, whole of a government approach, i.e. a combination of closely coordinated soft- and hard power means. In our opinion, hard power does not fit to every problem we are facing at the moment. Nevertheless, hard power must not be excluded as it can play a significant and effective role.

#### **New types of threat also change the picture?**

Yes, cyberspace is increasingly becoming a theatre of conflict. In order to counter these threats effectively and efficiently, a new Cyber Command will be established and will become operational in 2017. First and foremost, this Cyber Command will provide us with the capabilities to properly react to one of the most pressing security challenges.

We all should be aware: no European state alone has the capacity to solve today's challenges on its own. This is why we firmly believe that bilateral and multinational cooperation is essential for our future and has to be considered as one of the cornerstones for our national, European and transatlantic defence.

#### **This will require a certain degree of harmonization and synchronization of Member States' defence planning cycles and spending plans. What are in your view the main incentives and obstacles for achieving that?**

National defence planning processes in general are rooted in national perspectives of the security situation. However, no single Nation is in a position to solve its security problems on its own and therefore we are engaged in the EU as well as in NATO to safeguard our security interests. Consequently, multinational defence planning processes such as the EU Capability Development Mechanism (CDM) and the EDA's Capability Development Plan (CDP) as well as NATO's Defence Planning Process (NDPP) are aiming to converge the various national efforts towards a commonly agreed political objective or a common level of ambition. In this respect the organisations are the "owners of the requirements", whereas the Nations are the "owners of capabilities".

Since Nations only have a single set of forces and capabilities at their disposal we have to make sure nations do not receive competing capability requirements and different lists of priorities from the above mentioned organisations. In other words the products of the various multinational planning processes should be in line with each other. We also have to make sure the requirements developed by the EU, the EDA and NATO are all designed to correspond with our level of ambition and are at the same time realistic enough to be implemented. The requirements should also be expanded into the long term in order to allow room for manoeuvre to Nations to implement them. Finally, the definition of requirements and national defence planning issues must be transparent in order to provide an overview on the European capability landscape.

Besides that we need a change of mind set: National defence planning cannot be conducted successfully in isolation. Since we will always operate in a multinational environment, we have to look at coherence and interoperability of our European force pool in the first place. Therefore, the national defence planners always have at least to take into account the effects of their national planning on the European capability landscape and the ability to operate together.

#### **A coordinated annual review of Member States' defence planning and spending would help to achieve this. What is your take on this idea, would it be a step-change?**

The term 'European Defence Semester' was recently put forward on numerous occasions like in the EU Global Strategy or the Initiative of the French and German defence ministers to revitalize CSDP. The answer to your question ties in with what has been said earlier. I am convinced the added value of a coordinated annual review would be an unprecedented level of transparency and also a higher political visibility on multinational and national capability development.

A coordinated annual review could be a periodic EU peer review of military and civilian capabilities as well as related shortfalls and budget lines, which makes full use of the existing processes and reporting systems in the EU and the EDA (...) This approach could lift capability development to the political level and thus make EU defence planning more visible and politically more relevant.

#### **You are the current chairman of the EDA Steering Board in Capability Directors composition. Based on your first year in this position, what are the biggest hurdles for enhanced capability cooperation and what could be done to overcome them?**

In my view the cooperation between European capability directors is on a good way. However, there is still some room for improvement and an enhanced cooperation requires further steps. We need to meet more often and discuss the issues relevant to our level.

We have to ensure a common situational awareness, broad information sharing and free exchange of views between Capability Directors to allow well-informed decision

making. With support of the EDA the right tools to foster these processes are available. Now we have to make best use of it.

However, we must not forget that the substance and its details cannot be handled by the directors' level only. We need the entire 'capability community' to be successful. In this respect the new setup of 'Capability Days' to prepare the content of the Steering Boards in the format of Capability Directors as well as to give guidance to the expert level seems to me a promising way ahead.

All in all we clearly have to overcome a case-by-case or event driven dialogue. Therefore, we should investigate how to further improve our way of working and to achieve both more focus and more continuity.

### How could the EDA be enabled to better facilitate defence cooperation?

Let's have a look at the EDA's history: Over the past twelve years, we have tried a number of measures and the EDA has developed excellent offers to support the participating Member States (pMS) in numerous areas. There might even be some divergences of views amongst pMS on EDA's performance. However, let us be honest: The EDA remains a service provider for its Member States and its the pMS who play the decisive role when it comes to substantial cooperation. Therefore, the EDA has to further provide services and instruments of support in its portfolio. From my point of view, I would also like to encourage the EDA to further pursue a capability driven approach as the main driver of its activities across all relevant areas within the EDA's mandate in particular when it comes to R&T activities. The EDA's and pMS R&T activities must be first and foremost capability driven.

The EDA is increasingly assuming the important role of the pMS' voice in Brussels. Let's take the Single European Sky (SES) activities, for example. Their results have become indispensable for national decision making processes.

We have already achieved remarkable progress, especially in capability planning and development. We need to tap the EDA's full potential by further improvement and alignment of established fora and processes.

In the process of identifying and meeting requirements, the EDA should therefore focus on preparing multinational armament programmes, i.e. serve as a European coordination and catalyst forum for programme preparation. The further implementation should then be transferred to a dedicated management agency, such as OCCAR, or a pilot nation. The existing Administrative Arrangement between the EDA and OCCAR provides the cornerstone for such an approach.

### Do you see any role for the EDA in providing support to the Framework Nations Concept (FNC)?

The 16 FNC Defence Ministers decided in June 2016 to open the FNC concept for partner nations and we are investigating how we can benefit from existing multinational organizations, such as the EDA. I consider this is a unique opportunity to visibly demonstrate a pragmatic way of working between NATO and the EU. I am convinced that this

will strengthen the European pillar within NATO.

The EDA has been invited as an observer to the upcoming FNC meetings. That is a first significant step. We will continue to identify the scope, modalities and concrete areas of future cooperation and support.

As a result of the FNC Steering Board meeting, FNC participating Nations asked the EDA to consider whether the agency could provide a common electronic workspace. This initiates a pragmatic working relationship and our experts already figure out in detail, how the EDA can pragmatically support the implementation of FNC activities.

### You served as Commander of the 9th German Kosovo Force Contingent (2004) and as NATO Commander KFOR in Pristina (2010-2011). Based on your experience, what an improvement would it be if, in future, EU military operations were commanded out of a joint military HQ instead of rotational command by EU states?

The Union presently deploys eleven civilian missions and six military operations across three continents. Currently the EU has three different options to plan and conduct its operations and missions: either by Operational HQ provided by Member States, by using the NATO Command Structure via the Berlin-Plus-Agreement or the EU OPCEN while civilian CSDP missions already have their own planning and conduct capability (CPCC).

However, the current EU crisis management structures left three out of six EU operations – the non-executive military training missions – without a planning and conduct capability at strategic level.

The EU is not on the verge of launching a permanent 'EU HQ' for military operations – nor trying to duplicate NATO's command structure. From my perspective the national OHQ remain an important pillar for executive EUFOR- or EUNAVFOR-operations. But for non-executive training and advisory missions, the EU will need its own strategic planning and conduct capabilities especially linking civilian and military efforts more closely.

However, this would not be a completely new element but could build onto already existing elements within the current structures of the European Union Military Staff, CPCC and the EU OPCEN Horn of Africa and SAHEL. 



"Cyberspace is increasingly becoming a theatre of conflict. In order to counter these threats effectively and efficiently, a new Cyber Command will be established and will become operational in 2017"



**Lieutenant General Erhard Bühler** joined the Federal Armed Forces in 1976. Since then, he held numerous positions, including Military Assistant to the Permanent State Secretary of the Federal Ministry of Defence (1997-1998) and Senior Military Assistant to the Minister of Defence (2001-2003) before becoming Commander of the 12th Armoured Brigade (2003-2006), Deputy Chief of Staff V (Operations) of the Armed Forces Staff at the MoD (2006-2009), Commander 10th Armoured Division (2009-2013) and Commander of the NATO Joint Warfare Centre in Stavanger/Norway (2013-2014). Since August 2014, Lt General Bühler is Director for Defence Plans & Policy and Head of the Directorate General for Planning in the Federal MoD in Bonn.



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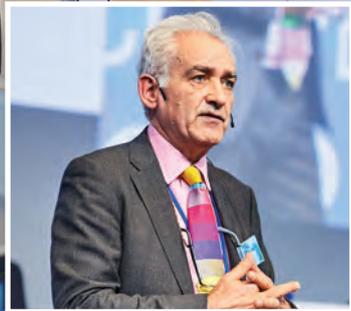
# » EDA Annual Conference 2016



The European Defence Agency's Annual Conference has become a well-established annual rendezvous for the European defence community which meets at this occasion to discuss developments, prospects and challenges for European defence cooperation. The 2016 event entitled '*A third industrial evolution or revolution in defence?*' took place on 10 November and attracted a record 500-strong audience in the European Commission's Charlemagne building.



Focused on defence innovation and technological trends affecting defence, the conference allowed for lively and fruitful discussions based on outstanding speeches and contributions made by **Federica Mogherini** (High Representative of the Union for Foreign Affairs and Security Policy, Vice-President of the European Commission and Head of the EDA), **Elżbieta Bieńkowska** (Commissioner for Internal Market, Industry, Entrepreneurship and SMEs), Slovak State Secretary of the Ministry of Defence **Róbert Ondrejcsák** (representing the acting EU Presidency) as well as various representatives of the defence industry, governments, EU institutions and academia.





As EDA Chief Executive **Jorge Domecq** stressed in his welcome note, the EDA 2016 Annual Conference took place *"at a defining moment for European defence"* and after an eventful and promising year 2016 which, he said, has created "new momentum" and "a clear window of opportunity" for a stronger and more efficient European defence.



# › EDA Annual Conference 2016: "A (r)evolution in European defence cooperation"

Held on 10 November 2016 in the midst of encouraging EU signals and developments on defence, EDA's Annual Conference entitled '*A third industrial evolution or revolution in defence?*' offered a timely and useful platform for the whole European defence spectrum – governments, armed forces, industry, EU institutions, think tanks and media – to discuss the future of European defence matters



"What we need, what our citizens need is not an endless hypothetical debate, be it on EU army or on changing our treaties, what we need to do it is to use the instruments, all the potential, all the tools we already have"



**T**he conference opened with a first highlight: Federica Mogherini, the High Representative of the Union for Foreign Affairs and Security Policy and Vice-President of the European Commission who is also the Head of the EDA, emphasized the EU's "new level of ambition on defence" reflected in the Global Strategy, and called for action to implement it.

In a broader context, the conference precedes two events that are set to shape the future of European defence: the June 2016 release of the Global Strategy on Foreign and Security Policy, currently being prepared by Federica Mogherini, High Representative, Vice President of the Commission and Head of the European Defence Agency, and the NATO Summit in Warsaw, due to take place in July 2016.

Time has come, she said, to make urgent and concrete steps towards a stronger and more efficient European defence, adding: "Next March (2017) will be an important moment when we will celebrate the 60th anniversary of the Treaty of Rome. And by that date, a concrete implementation process will have to be up and running. The title of this conference asks whether we are living a revolution or an evolution of European defence. Let me tell you very clearly: I believe the revolution we need is simply – it is not so simple sometimes – to make things work. Sometimes it is more difficult to make things work than to reflect on big scenarios and great revolutions. So we will not engage in another theoretical debate: what we are doing, what we are working on, is concrete deliverables. What we need, what our citizens need is not an endless hypothetical debate, be it on EU army or on changing our treaties, what we need to do it is to use the instruments, all the potential, all the tools we already have. If I could summarise the message it would be 'no excuses, we just need to do it and to do it now'".

Mrs Mogherini recalled the three parallel processes currently ongoing, namely the implementation of the

EU Global Strategy, the Commission's European Defence Action Plan (EDAP) and the follow-up on the EU/NATO Joint Declaration. These three processes have to be complementary, she insisted. We have to advance quickly to make sure that those processes lead to first concrete results by spring 2017. In this respect, the EDA can act as a pivot between the Commission and Member States on European defence, she said.

#### **Towards a Defence and Security Union**

The High Representative and Vice-President of the Commission put a special emphasis on the need to make sure Europe has the required capabilities to play its role in defence.

"For our cooperation to be sustainable, we need to make sure our capabilities are up to the task – and here I come to the 'noyau dur'. Europe has to be very careful, I believe, very careful, and I do not need to preach to the converted, that the investment gap is not translated into an ever wider technology gap. Because a technology gap would then lead to an interoperability gap. And if left unchecked, this could translate into a political gap which would clearly not be in our interest. And I would add, this would also have economic implications for our continent".

Mrs Mogherini concluded with an upbeat message: "By March, I believe we could announce, in Rome hopefully, a major step forward towards a Defence and Security Union (...) This is a unique moment for us to make the difference and succeed where sixty years ago, our founding mothers and fathers did not (...) This is the time, I believe, to take our responsibilities and to respond to that call, together, and we can do this only as a true Union".

#### **EDAP to support whole sequence of defence capabilities development**

Elżbieta Bieńkowska, the Commissioner for Internal Market, Industry, Entrepreneurship and SMEs, shared Mrs Mogherini's assessment about the strong momentum →

for EU defence cooperation. "Co-operation is the only way forward. There is a clear political momentum to move towards more integration in defence, and we should seize it", she said.

With its European Defence Action Plan (EDAP), which was adopted on 30 November (see previous articles in this magazine), the Commission wants to make a substantial contribution to it. "Our objective is clear: to provide support for the whole sequence of defence capabilities development. The Commission will act as an enabler and accelerator for European defence cooperation, proposing ambitious but necessary elements. Our starting point is to ensure that there is a strong industrial base and to identify where the EU can provide added-value. This, in turn, will enable support for the development of strategic capabilities identified in the follow up to the Global Strategy", Mrs Bieńkowska told the conference in her 'outlook speech'.

Speaking more specifically about the Commission's upcoming Preparatory Action on defence research, she stressed that "the cooperation with EDA will be key for its success". It will be the first time that EU budget is used to finance defence in research which is a "real breakthrough", she added. "I trust we will work together to make this test a success. We cannot fail. This Preparatory Action will pave the way for a future programme dedicated to defence research".

The EDAP is also meant to unlock EU investment to defence supply chains, especially for small and medium-sized enterprises "which are an important element to ensure the competitiveness of defence supply chains", Mrs Bieńkowska stated. "We want therefore to ensure that there are financial tools for defence-related SMEs to help them modernise their industrial capacities, grow, and scale up across borders".

On the current EDA-Commission cooperation, she said: "I value the work we do together. The Preparatory Action will be a revealing moment of our common capacity to work together. The EDA has a clear role in defining capability priorities for Member States. And we need very much your expertise into that, in full complementarity with NATO processes. It is also clear that for the first time since we discuss defence cooperation, the Commission is ready to play its role to the full and to even consider putting EU funds, especially for research in defence. This is potentially a game changer".

**Common solutions needed**

Addressing the conference on behalf of the (then acting) EU Presidency, Róbert Ondrejcsák, the Slovak



State Secretary of the Ministry of Defence, called for "common solutions" on European defence. "Consensus is well reached on the main principles of the level of ambition (...) but when it comes to details, the unanimity is far more



**"This creates a risk for the European defence industry which will face an increasing competition from companies producing military equipment in the third countries"**

difficult, or impossible to reach. Despite the common goal, we still diversify in visions and plans concerning defence cooperation, financing CSDP missions and operations, EU Battle Groups and form of support of our partner countries. Slovakia is not an exception, of course. But it is important that at the end of the day we find common solutions, agreeable to every Member State", he said.

**R&T, Pooling & Sharing**

Lacking research and development (R&D) funds for defence is one of the risks Europe faces because "this would mean that Europe and its Member States will no longer be able to afford sophisticated modern military capabilities" that are required to protect itself, Mr Ondrejcsák said. "This creates a risk for the European defence industry which will face an increasing competition from companies producing military equipment in the third countries". He also urged Member States to engage in Pooling & Sharing which can achieve "significant savings" and enable Member States to acquire together military capabilities that they could otherwise not afford individually.





### And now... the future!

With his vibrant and inspiring 'breakthrough speech' on innovation and research as part of a wider vision for a future European defence, Stephan De Spiegeleire, Principal Scientist at the Hague Centre for Strategic Studies, immediately captured the audience's imagination by anticipating and analysing the broader technological context in which defence is likely to evolve in the future.

### Opportunities and challenges from the supply and demand sides

Two panel debates on the opportunities and challenges from the supply and demand sides

"Co-operation is the only way forward. There is a clear political momentum to move towards more integration in defence, and we should seize it"



respectively, both skillfully moderated by Graham Muir (Head of the EDA's Strategy & Policy Unit), stood out as the most interactive part of this year's conference as the audience made plenty use of the opportunity to comment and ask questions to the panelists.

High-level panelists in the first roundtable (supply side) were Lowri Evans (Director General DG Internal Market, Industry, Entrepreneurship and SME's at the European Commission), Heikki Allonen (former CEO and President of Patria Oyj, the Finnish national defence industry group), Dr. Kurt Braatz (Senior Vice President at Krauss-Maffei Wegman), Pedro Sinogas (CEO of Tekever) as well as Prof. Witold Holubowicz (CEO of

research/consulting company Itti Ltd.). The panel raised and discussed a number of crucial questions related to the future of the European defence industry, such as 'Are Europe's defence industrial models suited for the future?', 'How best to bring innovation closer to defence?', 'Is enough being done to capitalise on civil and military synergies?' and 'What measures can the European Commission bring to support innovation in defence?'

A particular emphasis was put on how the role of SMEs and Start-Ups in the defence supply chain could best be maximised and how their full potential as a source of innovation and a key enabler for competitiveness can be realized. In this respect, the need was stressed to promote SME's access to defence research programmes and to encourage their greater involvement in EU funding programmes.

The second panel debate (demand side) saw high-profile representatives from national governments and EU institutions sharing their views on implications for the defence sector at large: whole-of-government policies in support of strategic innovation, emerging risks and vulnerabilities in terms of technology control, interface with industry, impact on acquisition choices and life-cycle management.

The four high-level panelists were: Ioan Mircea Paşcu (Vice-President of the European Parliament and former Defence minister of Romania), Rear Admiral Matteo Bisceglia (Director for Naval Armaments, Italy), Vice Admiral Mark Mellett (Chief of Defence, Ireland) and Alexander Weis (Vice-Director of the Bundeswehr Planning Office, Germany, and former Chief Executive of the EDA).

Among the questions discussed were the following: 'Are the current procurement processes of Defence Ministries best adapted to the challenges and opportunities presented by innovation?', 'How important is continued and sustained national investment in research & innovation?', 'What do policy-makers need to do to provide the best possible environment to foster the technological innovations required?', 'How can Europe respond to the US Third Offset Strategy?' and 'How to overcome fragmentation of demand?'

There was broad consensus on the EDA's role in defence R&T and innovation: the Agency should continue to act as a "catalyst" by identifying innovation gaps and potential collaborative opportunities, bringing interested Member States together and facilitating collaborative R&T projects. However, it was stressed, R&T initiatives need to be driven by capability requirements. The objective is not to fund industrial policy, said Mr Weis. "The EDA has →





to make sure that R&T projects are capability driven, be it national or EU capabilities".

**Jorge Domecq: Conference takeaways**

In his closing words, EDA Chief Executive Jorge Domecq summarized the conference presentations and discussions and singled out a number of takeaways, in particular:

- innovation in defence research, planning and funding is paramount. Safeguarding leadership in strategic technologies is therefore more pressing than ever
- developing new technologies will require a "new mind-set" in order to: – identify and incorporate commercial sector innovations and quickly develop new concepts of operation; – tap into innovation in the private sector and channel it into defence; - achieve cross-border competition which is so important to SME's and start-ups in Member States which do not have prime defence companies
- a balance is needed between not suffocating SME's/ start-ups and taping their knowledge for defence, on the one hand, and providing governments with assurances that these new players will respect the specificities of the defence and security world, on the other hand
- major challenges arising from a third industrial revolution are to integrate future innovations into development and production cycles, gain awareness of emerging leap-ahead technologies, access non-traditional sources of innovation, and ensure the reliability of trusted supply chains
- innovation does not come for free: the massive decline in budgetary terms of our defence R&T efforts is a matter of the highest concern because capabilities of the future are at stake here and the competitiveness of our defence industry is at risk. Therefore, fresh funding and the reinforcement of our R&T and innovation efforts will be key to structure European cooperation

- Member States should make systematic use of the financial and policy instruments offered by the EU which can support defence research, identify key enabling technologies and support testing and experimentation in view of potential uptake in defence products
- the EDA is looking to get ahead by also working "up-stream", notably by facilitating Member States' convergence on identifying and prioritising research topics
- European collaboration generates innovation and remains the best guarantee for achieving value for money and developing cutting-edge defence capabilities. It remains the most efficient and cost effective way to ensure Europe's strategic autonomy
- nevertheless, cooperation in defence is still not part of Europe's DNA
- EDA will continue to engage with industry and R&T innovators as valuable partners in providing technology and solutions which address the needs of Member States.

**Follow the speakers and debates on social media**

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**Lubomir Cano** @Icask - Nov 10  
**#HRVP at #EDA 2016 Annual Conference: Security today matters more then during the Cold war, no Member State is big enough in today's world**

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**DF Chief of Staff** @DF\_COS - Nov 10  
**Very interesting discussion on innovation at the EDA annual conference in Brussels today**

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**Federica Mogherini** @FedericaMog - Nov 10  
**Opening the @EUDefenceAgency annual conference today in Brussels**

[www.eda.eu](http://www.eda.eu)

**EDA: "At the service of Member States"**

The Chief Executive closed the Annual Conference 2016 by recalling EDA's mantra: "At the service of its Member States". They should view the agency as a "crucial and natural partner" and better use its resources and expertise, he stressed.

Jorge Domecq concluded the event by making an appointment with the audience: *"See you again next year for the 2017 Annual Conference!"* 📅

# Key Quotes

## Page 5

"Our public opinions and our governments understand today the urgency of a strong Europe of security and defence, much more than in the past. So I see a clear window of opportunity right now to achieve concrete results"



Federica Mogherini, High Representative/Vice-President of the Commission and Head of the EDA, in her opening speech at the EDA 2016 Annual Conference

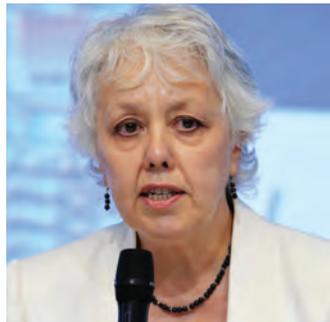
## Page 13

"The Defence Action Plan is the natural complement to the Defence Implementation Plan of the Global Foreign and Security Strategy. Implemented properly, it can be an important contribution to strengthening Europe's security. We as industry stand ready to contribute and to support this work"

Mauro Moretti, President of AeroSpace and Defence Industries Association of Europe (ASD)

## Page 14

"Currently the funding of major defence capabilities is a challenge for even the biggest Member States. The Commission proposes to support industrial cooperation in defence research and the joint funding of defence capabilities"



Lowri Evans, European Commission Director General (DG GROW)

## Page 18



**"Stronger European defence cooperation will not weaken NATO; on the contrary: both organisations will strengthen each other mutually"**

Urmas Paet, Estonian MEP, rapporteur on European Defence Union

## Page 22

"If Europe is to remain truly competitive on the global stage it needs to credibly and sustainably find ways to work more efficient together, but also together with strategic partners from around the globe"

Håkan Buskhe, CEO of Saab



## Page 31

"We need a change of mind set: National defence planning cannot be conducted successfully in isolation. Since we will always operate in a multinational environment, we have to look at coherence and interoperability (...) National defence planners always have to take into account the effects of their national planning on the European capability landscape and the ability to operate together"



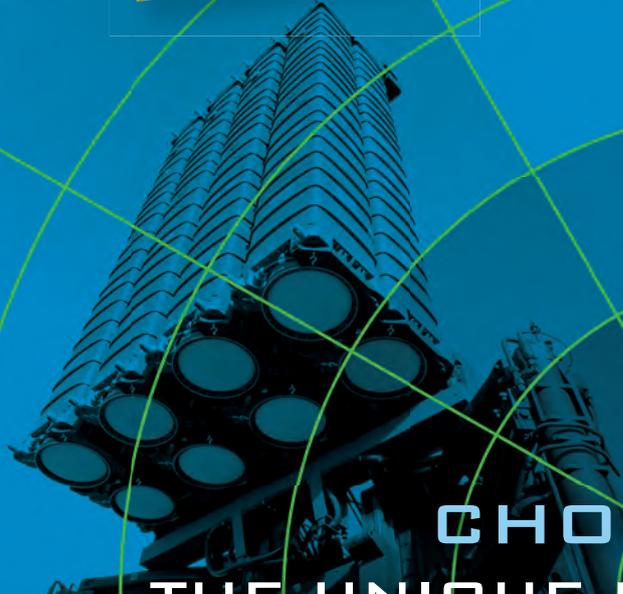
Lt General Erhard Bühler, Head of the Directorate General for Planning in the German MoD



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**ATBM PROVEN  
14<sup>TH</sup> NOVEMBER 2011**

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