



Jorge Domecq - Keynote Speech

Workshop for the representatives of Croatian defence industry

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Dear Deputy Prime Minister,
dear President of the Chamber,
respective industry representatives,

- Allow me to start by thanking you for the kind invitation to speak in front of the Croatian defence industry representatives and present the work of the European Defence Agency.

- My last visit to Croatia took place almost 5 years ago when I met with both authorities in the Ministry of Defence as well as the Croatian defence industry. Since then a lot has changed, both at the European level, with the roll out of the new European defence initiatives, but also here in Croatia.
- If I compare the context then and now, I have to say that the activities in the area of security and defence have evolved considerably. I believe, there is a clear and visible change of mindset both on the governmental level, which is actively engaging and supporting the new European defence initiatives, but also among the Croatian industry, with the development of industry clusters and stronger interest of Croatian companies in European collaborative opportunities.
- I am very pleased to see that both the Croatian Chamber of Commerce and the Croatian Defence Industry Competitiveness Cluster are now regularly attending EDA meetings with senior representatives of National Defence Industry Associations, which shows a clear change of perspective towards emerging opportunities at the EU level.
- Let me now recall what led to this recent change of mindset and progressive boost of activities in the area of security and defence.
- 3 years ago, in 2016, in the new EU Global Strategy, the Member States jointly set a new EU Level of Ambition,

which for the first time didn't only include expected performance in Common Security and Defence Policy (CSDP) missions and operations, but looked at European defence across the full spectrum of defence capabilities including for the purpose of the "protection of EU citizens and its territory". This has called for enhanced defence cooperation of all EU Member States, while respecting the principle of a single set of forces for those which are also NATO Allies.

- This ambitious target of a more coherent set of usable, deployable, interoperable and sustainable capabilities and Forces has also been reflected in the revised set of EU Capability Development Priorities, agreed in June 2018 as the common baseline for the Member States' joint defence efforts. The Capability Development Plan priorities clearly show what needs to be done in the short, medium and long term to improve on the output of defence capabilities at European level.
- To achieve this new Level of Ambition, we have also set up a number of tools at European level, namely the Coordinated Annual Review of Defence (CARD), the Permanent Structured Cooperation (PESCO) and the European Defence Fund (EDF). The aim of all of them is to boost European defence cooperation, complementing and enhancing NATO efforts.

- The Capability Development Plan tells us “what” needs to be done at EU level, the CARD process reviews every two years the state of play in the implementation of the CDP priorities and suggests next steps in the form of cooperative projects and programmes. Finally, PESCO should take forward those activities and projects that are really structural and help Member States achieve having a more coherent and efficient set of Forces and capabilities. To complete the picture, basing EDF projects on real capability priorities, including PESCO projects, will enable us to deliver against them and to have a coherent output.
- In this context, the European Defence Agency was given a reinforced role to be able to help and support Member States in the implementation of these new initiatives.
- The Ministers of Defence in 2017 entrusted the EDA with an enhanced mission of:
 - Becoming the main forum for planning and prioritisation of defence capabilities at EU level,
 - The preferred platform to support the MS in the development of projects in the area of technology and capabilities,
 - And the main interface and facilitator between the defence community and the European Commission and EU Agencies on wider EU policies and EU funding opportunities, from Single European Skies to REACH, from Space to Energy, just to mention some.

- As a result, the Agency has considerably stepped up its activities in all 3 areas, actively engaging both the Member States and their defence industries.
- The EU Global Strategy identified 2 preconditions for a step change in European defence. Together with the call for the full use of the Agency's potential it proposed for the first time the use of EU funds for defence purposes. This has led to the European Defence Fund and its precursors, the Preparatory Action on Defence Research and the European Defence Industrial Development Programme.
- Following the positive experience with Pilot Project and Preparatory Action on Defence research, also hopefully with the European Defence Fund, funding of both defence research and defence capability development will be allowed from the EU budget. The 13 billion euros planned for that Fund will significantly boost the European defence sector and give strong incentive for defence cooperation.
- For the long-term success and sustainability of the programmes and EU defence initiatives it will be important to meet the following key preconditions.
- First, we need to maintain the steady increase of defence spending in Member States in the years to come. Despite the recent increase of defence spending among 27 EDA participating Member States, the average share in relation to GDP is still only around 1,43% and we have only recently reached the level of investments we had 10 years ago. Namely, in 2017 (latest figures available) we had only

reached 98% of the European defence spending level of 2007 (in constant 2010 prices).

- Second, we need to make sure that we use that money and the EU budget by investing in the right priorities, those identified among the Member States in the agreed prioritisation processes, namely the Capability Development Plan (CDP) and the Overarching Strategic Research Agenda (OSRA). These priorities need to inform the investments of the European Defence Fund, as this is the only way to ensure that the money invested serves the needs of our Armed Forces and not particular industrial interests.
- Third, we need to invest in cooperation with other Member States, to avoid duplication, inefficiencies and fragmentation of our Defence efforts. That is why the full implementation of the CDP is of utmost importance.
- That's why EDA puts high importance on close cooperation between governments and national industry, so when the time comes, we are all on the same page on what are the specific capability needs of our Armed forces.
- To be able to do this, it is key to embed the EU defence initiatives into national defence planning processes, so the national and European level plans and developments go in the same direction. It is extremely important to strongly engage the industry to be able to give it a clear perspective

of what it needs to deliver and at the same time to make Defence Ministries aware of whatever innovative technologies or solutions are available to meet our defence needs.

- Since 2017 EDA has been aware of the need to change both mindset and methodology, in its approach towards industry and research centres, involving them more in the projects and activities of the Agency through a structured dialogue and enhanced engagement.
- Industry representatives are now included in all the prioritization processes of the Agency: the Capability Development Plan and the elaboration of the Strategic Context Cases; the R&T prioritisation and innovation process called Overarching Strategic Research Agenda and, last but not least, the identification of Key Strategic Activities for European non-dependence (KSA).
- The 11 Capability Development Priorities that have been agreed in 2018 have now been elaborated in detail into the so-called Strategic Context Cases (SCC). SCCs are clear output oriented documents that define short, mid and long term activities needed to develop each CDP priority. The industry has contributed to defining the agreed avenues of approach for each priority. The Member States endorsed the documents in June this year and they will be updated as appropriate on an annual basis.

- The Agency, upon Member States approval, intends to share SCC with industry later this month through the National Defence Industry Associations. The contents of the SCCs will be relevant for decisions by the Member States to invest in cooperative initiatives, including the PESCO projects or projects that they submit to the European Defence Industrial Development Programme and the European Defence Fund. This will require active involvement of the national industries, so we want to keep you properly informed and prepared.
- Similarly, in the area of research, EDA continues to encourage strong participation of industry in EDA RT&I activities. Industry has been actively engaged in our Capability Technology Working Groups – CapTechs. Each EDA CapTech now has a dedicated Industry Rapporteur working with MS representatives in setting the priorities in technology in the defence domain and supporting innovation. Apart from the prioritisation work in “Captechs”, the participation in them is particularly beneficial for SMEs as it enables them to access supply chains in Europe, allowing them to network with the larger actors at European level and to showcase their niche technological advantage.
- EDA is having a growing portfolio of ad-hoc projects in research which might trigger your interest, as it could also benefit specific niche industries such as the ones you can find in Croatia.

- Since the birth of the Agency in 2004, EDA CapTechs have generated more than 1 billion Euros worth of cooperative R&T projects. And the pace of the CapTechs' work is increasing. The total value of R&T projects signed within the EDA framework in 2018, has more than tripled in the value of projects signed in 2015. We should also keep in mind that R&T projects, as well as ad-hoc capability projects in the framework of EDA, benefit from VAT exemption.
- When it comes to Key Strategic Activities, the Agency's work is focused on identification of key domains important for European non dependence in order to preserve and strengthen key manufacturing capacities, technology and related skills. We have just developed a set of 11 KSA reports derived from the Capability Development Priorities, but the work will continue with the further analysis on 20 Technological aspects by the end of the year. Here also, the industry representatives play a crucial role in both identification and definition of these key Strategic Activities and I would like to invite you to contribute actively to this process of identification of those activities we have to preserve and protect in Europe, mobilising EU regulations and funding opportunities.
- In addition to the engagement with industry I have just presented, we are also providing a more practical support to industry by providing them access to information and identifying cross border opportunities through a number of

tools like “IdentiFunding”, “EDIDP/EDF Marketplace”, “SME Corner” and the possibilities for EIB loans.

- I would like to specifically highlight the newly created “IdentiFunding” tool, as it is a unique instrument that provides the industry with a very user-friendly way to connect your potential defence projects with the possible best EU funding opportunities. The tool is accessible through EDA website.
- My colleague Pieter Taal, the Head of Industry Strategy and EU policies (ISP), responsible for coordinating all industry engagement activities across the Agency, will go later today in depth into all of the possibilities the Agency offers to the industry.
- Finally, I would also like to highlight to you 2 areas that are of growing interest for Member States and that have been discussed just last week in the informal meeting of Ministers of Defence in Helsinki: Artificial Intelligence and Climate Change/Energy and Defence. The Agency is actively engaged in both topics in support of Member States.
- As regards to Artificial Intelligence, the Agency is taking forward the work on what AI is in Defence by creating a complete Taxonomy and Glossary by the end of the year in order to reach an agreed shared understanding of the topic among Member States. This will enable further cooperation and development of AI which will have strong impact on

how our Armed Forces are organised, trained and operate in the future. As a follow on, Member States will prepare an Action plan on AI by February. In any case, AI in defence is already now one of the Agency's core centres of attention with more than half of our CapTechs currently working on new AI related domains. Finally, I would like to bring to your attention the Agency's annual Innovation prize that this year is specially devoted to AI. I hope that Croatian industry and RTO have participated in the call closed this weekend.

- When it comes to energy in Defence, and as you probably know, the Agency has been delegated by European Commission to run the Energy Consultation Forum over the last 3 years. We have achieved considerable progress in ensuring an output-oriented Consultation Forum.
- In the first phase of the Energy Consultation Forum we have raised the awareness in Defence Ministries and created a real network of experts of energy issues related to defence. All the working groups developed ideas that can lead to defence energy-related concepts or actions plans. For instance, guidelines for improving the overall management of energy and for improving the energy efficiency of military building stock and fixed infrastructure; the need to address energy considerations by reviewing renewable energy sources and their use in defence infrastructure; or developing guidelines on the protection of defence-related critical energy infrastructure against hybrid threats.

- In the second phase of the Energy Consultation Forum, those ideas were transformed into around 30 real defence energy-related projects with the involvement in many cases of industry. As an example, a Slovenian project RES HUB which stands for Defence Resilience Hub network in Europe was assessed as one of the key project ideas in renewable energy harvesting and hydrogen energy storage, which will be supported by EDA in the application for EU funding.
- The Energy Consultation Forum is now entering, as of this month, a phase III and I encourage you to take advantage of it and to work with your authorities. By the way there is still a possibility to get involved and present innovative energy related projects in defence this year benefiting still of the funding of the second phase of the Consultation Forum.
- To conclude my remarks, I must reiterate our belief that Industry input both at national and European level is crucial for an efficient and effective implementation of all the European defence initiatives.
- As I always say, Defence Industry is an integral part of our Defence Capabilities and that is the reason why we cannot approach it only from a market perspective. I can only encourage you to get more engaged with the Agency. Smaller companies and SMEs with specific niche capabilities can substantially benefit from their stronger participation, as in the case of Croatian SME Utilis, which with the support

of the Agency received a first ever defence related grant from ESIF in 2018.

- With a number of new opportunities arising at the EU level, we all need to have a change of mindset reaching out to cross-border cooperation and abandoning our zone of comfort in purely national defence programmes.
- The Agency stands ready to offer its support and assistance to all of you.
- Thank you,