

DEFENCE COMMITTEE OF THE GERMAN BUNDESTAG – 13 APRIL

SPEECH BY JORGE DOMEQ, EUROPEAN DEFENCE AGENCY (EDA) CHIEF EXECUTIVE

- Mister Chairman, Minister, it is a great honour to have been invited to the Defence committee of the German Bundestag.
- Today's exchange of views comes at a critical moment.
- Recent attacks in Paris and in Brussels are affecting European citizens across our continent. It is no longer simply a question of protecting our interests outside the EU borders. It is now just as much about protecting our citizens and values within Europe.
- This comes at a time when migration has become a major issue and led to questions about the Schengen zone.
- It comes in the wake of the Euro crisis and questions about the Eurozone.
- And it comes just a few weeks before the UK referendum on its continuing membership of the EU.
- What is clear is that Europe's very foundations are being called into question: those of peace, prosperity, freedom of movement, cohesion.
- I will be very frank with you: it is no longer "business as usual". We need a profound reassessment of our common aspirations and endeavours for the future; we need a clear vision on the sort of European project we want for the next decade.
- Europe is being shaped in reaction to crises. We need a positive story, a new narrative for Europe. I am personally convinced that defence and security can become the drivers for the European project.

- And we have a strategic sequence in 2016 that could do just that. For the first time since 2003, Europeans will define together their interests and values. In June, Heads of States and Government will consider the Global Strategy of the High Representative Federica Mogherini.
- What is expected is the level of ambition we collectively need for the EU:
 - First, an EU that is able to protect its citizens. The threats we face ignore borders. There is no longer any distinction between internal and external security. Threats transcend individual countries. So there is no longer such a thing as a purely national response: collective security should become a cornerstone of the Common Security and Defence Policy. More should be done in intelligence, border management and cyber-security.
 - Second, an EU that is able to secure its direct neighbourhood, whether to the East or the South; which means an EU capable of acting alone, or alongside with strategic partners such as NATO.
 - Third, an EU that enables and supports its partners to become security providers themselves.
- Protect, secure, enable. This should be at the very heart of the Global Strategy of the High Representative.
- But such a vision needs to be put into motion and will therefore require investment, support of EU instruments, capabilities and a strong industrial base.
- Let me deal with each of these briefly.
 - Investment. After almost a full decade of decline, Member States are beginning to reinvest in defence. Whilst more than two-thirds are increasing their defence budget we are still well below the level of investment of 2006. Is this increase leading to more efficient spending? No: the level of defence cooperation remains very low – which leads to unnecessary duplication and redundancies.

- Capabilities. We need more cooperative programmes. The reason we do so is simply because of the exponential rise in the cost of new systems. Member States face the stark choice between cooperating to acquire new capabilities or risk losing them altogether. Clearly,

While there are many political declarations calling for more cooperation, the reality is that we face the renationalisation of defence. In the past, we carried out more cooperative programmes than we do today; we used to cooperate more in research and technology; we created instruments such as OCCAR or the European Defence Agency which has a strong European conviction. But today, Member States seem to be shying away from cooperation, there seems to be too much of conservatism in ministries of defence.

One of my top priorities as EDA Chief Executive is to promote the development of cooperative programmes: I am happy to see the role of Germany in the development of the Euromale, I am also happy to see the Netherlands creating a multinational fleet of tankers; and to see the role of Spain in the development of the next generation of Satellite Communications. But this is not enough. More needs to be done. I want to see more done at European level on capability development.

I want to make a positive business case out of cooperation, which does not equal more costs and delays. Rather on the contrary. In Europe, we went through 70 programmes on drones over the past 10 years, but for which result? Also, one cannot afford anymore 6 programmes on the development of logistic ships. Cooperation means interoperability and allows us to focus collectively on key skills and competencies. For example, the Eurofighter has brought economical and industrial benefits: employment (100 000 jobs secured for 40 years), and technology spin offs valued at 7 billion euro.

- This is where instruments can play a role. At the European level, we need to work hard to set the conditions for developing programmes in a cooperative manner. What is interesting here is

that the European Commission is increasingly becoming an essential player in defence, moving from the back seat to the front line. Together – *EDA and the Commission*-, we are combining our strengths to incentivise defence cooperation. Allow me to name a few:

Research. The preparation of an EU Defence research programme, starting on an experimental basis on 2017-2020, can be instrumental in encouraging future European cooperative programmes. Under the lead of the European Commission, a recent report from a Group of Personalities called for a budget of 3,5 Billion euros for the next financial framework of the EU. At the same time, we need to enhance cooperative R&T projects run in EDA. The Preparatory Action should not lead to a decrease of national spending. Since 2004, about 1 billion euro has been spent in cooperative R&T in EDA framework. We need to continue.

Tax policy. Since October 2015, *VAT exemption* can apply to any kind of projects or programmes in the framework of EDA, with only one prerequisite, EDA needs to bring added-value. This is a strong incentive for Ministries of defence to cooperate in the framework of EDA.

Development of financial engineering in support of cooperative military programmes. Today, we cannot get the support of the European Investment Bank for defence programmes due to restrictions in its lending policy. Nor do we have financial tools in place to support Member States to overcome the challenge of unsynchronised defence budgets, which can prevent or delay the launch of a cooperative programme. In EDA, and with the active engagement of Germany, we are working on the establishment of a defence fund to facilitate financial engineering in support of future cooperative programmes. This will be a key initiative to go for more European defence integration.

Security of supply. We will propose to Member States a stronger commitment to mutual security of supply as a way to embed the necessary political trust. This is a policy that requires a whole-of-

government approach. Without it, we will not be able to move forwards towards a more integrated and competitive EDTIB.

Key enablers, such as certification. For example, with the strong support of Germany, we work very closely with the Commission and the relevant agency, the European Aviation Safety Agency located in Köln, to develop a European framework for the insertion of drones in non-segregated airspace.

- Last, our industrial base. EU freedom of action would be an empty shell without a strong and competitive industrial base. There is a need to stimulate the supply side, be it Primes or SMEs. Research and cooperative programmes are the two levers that support our industry.

We should change the way we define future defence equipment; we need to be more agile, shorten the delivery process and be more focused on systems than on platforms.

We also need to consider civil breakthrough technologies and their spill-over effect on defence.

And we need to prioritise. It makes no sense to try and protect all of industry. We need to invest in critical technologies, which will allow us to make a difference in the future. I very much welcome in this context the identification, in Germany, of the key technologies.

In EDA, we are running an exercise aiming at identifying at European level the Key Strategic Activities. Which skills, industrial capabilities, and technologies do we want to develop in the future in order to ensure our freedom of action? Non dependence in these critical activities will be important for making the EU a relevant partner.

- These elements will certainly be part of the European defence roadmap which will need to follow the Global Strategy. I sincerely hope there will be consistency between the German White Book, to be issued over the summer break, and the European sequence.

- Yet, one thing is clear: EU structures cannot be a substitute for Member States. We can push for more defence integration, we can develop tools and instruments, we can fix objectives.
- At the end of the day, implementation is for Member States: defence integration is a matter of political choice, on a national basis.
- Let me give you the example of the Framework Nation Concept – a promising idea promoted by Germany in NATO.
- This is a far-reaching initiative, with long term implications in capability development, offering a coherent platform for bilateral or trilateral initiatives organised in clusters, with the strong involvement of Germany. It offers a response to the US request for greater burden-sharing. Recently, Germany and the Netherlands decided to integrate naval forces.
- This is very much welcome. But as EDA Chief Executive, I hope that this approach is replicated on the EU side. EU structures have to be involved. On EU side, we are contemplating provisions of the Treaty, such as the Permanent Structured Cooperation, and are starting to see problems rather than exploiting opportunities.
- Germany is a driving force in Europe. I sincerely hope that, with the support of State Secretary Suder and (Lieutenant) General Bühler, as Chairman of the EDA Steering Board of Capability Directors, with whom I work very closely, we will take European defence to a new level, taking advantage of the context of the Global Strategy and potential European Defence White Book. Europe can simply no longer afford to be a free-rider in defence. I could see some encouraging signs in the franco-german Council on Defence of last week, calling for moving towards a common defence.
- Mister Chairman, Minister, the European Union is a long journey. More than ever, this is also an open project – and that applies also to European defence integration.
- I strongly encourage Germany, and in particular your Defence Committee, to take a leading role in defining a vision for the European defence we want, both to ensure that EU is able to exercise its role on

the world stage; and for the protection of our citizens, values and interests.

- Thank you very much.