



## **EUROPEAN DEFENCE AGENCY**

Brussels, 21 November 2005

### **PRESS RELEASE**

## **EU GOVERNMENTS AGREE VOLUNTARY CODE FOR CROSS-BORDER COMPETITION IN DEFENCE EQUIPMENT MARKET (BRUSSELS, 21 NOVEMBER 2005)**

European Union Defence Ministers today agreed a voluntary code of conduct for defence procurement in order to encourage competition in the European defence equipment market, where contracts are currently exempt from normal EU internal market rules.

At a meeting of the Steering Board of the European Defence Agency, Ministers decided that the new regime would cover contracts worth more than one million Euros and would take effect from 1 July, 2006.

“This is a landmark decision” said Javier Solana, the Head of the Agency, who chaired the meeting. “It will mean a better deal for European taxpayers, and for their armed forces. And it is a vital step for ensuring that our defence industries remain globally competitive.”

“The need for this breakthrough has been recognised for years – decades, even. I am delighted that we have got there in the EDA’s first year of operation,” he added.

An EDA study earlier this year established that the majority of defence procurement by EU governments was done outside the framework of internal market rules on public procurement because of the exemption allowed under Article 296 of the Treaty establishing the European Community.

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Member States who subscribe to the new voluntary, inter-governmental regime will commit to maximising fair and equal opportunities for all suppliers based in other subscribing Member States by publicising procurement opportunities through a single online portal and setting transparent and objective criteria for selecting bidders and awarding contracts.

The key principles underlying the code are transparency and mutual accountability: regular EDA data-collecting and reporting will allow all participants to satisfy themselves that the regime is working as intended and that all are moving forward together. Special attention will be given to small and medium sized enterprises.

Assessing the first year of the Agency's operations, Ministers expressed satisfaction to see it up and running so quickly and starting to make a real difference. They noted that important advances have been achieved, such as today's decision on defence procurement -- one of the EDA's flagship projects for 2005 -- and an initiative to address Europe's capability shortfall in air-to-air refuelling.

"As I reported to the Council of Ministers, the Agency has become an effective and credible instrument," Solana said. "The challenge is now to exploit its full potential and meet growing expectations, in particular to generate new collaborative investment projects."

On another flagship – Command, Control and Communications (C3) – an important step forward was taken when Ministers agreed that the Agency should test the viability of a collective European approach to developing a next-generation Software Defined Radio (SDR) as a joint civil/military endeavour.

SDR brings together computing and communications technologies and could eventually allow military radio systems that can securely deliver voice, data and video in a variety of different formats. It could enable forces to communicate at all levels and between all levels, the key to interoperability which is a crucial requirement for multi-national ESDP operations.

Ministers also approved the EDA budget and the Work Programme for 2006. Work will continue on the 2005 flagship programmes, but much of the Agency's further work will flow organically from the systematic capability development processes now established by EDA. Some new areas will certainly be addressed, such as strategic lift, space-related capabilities and combat equipment for dismounted soldiers.

In 2006 the Agency will also tackle some big strategic issues: developing a Long-Term Vision for European Capability and Capacity Needs; developing thinking on the Defence Technological and Industrial Base in Europe as one entity; and tackling the issue of defence R&T spending.

Javier Solana, in his role as Secretary General of the Council of Ministers and High Representative, has been invited by EU Heads of State and Government to report to their December summit his first thoughts on a number of specific issues bearing on the European Security and Defence Policy, including how to raise levels of spending and collaborative spending on defence R&T, and ways of tackling key capability gaps.

ENDS

*The following additional material is available on the EDA website: <http://www.eda.eu.int>*

1. [\*EDA Steering Board Decision of 21 November 2005 on an Intergovernmental Regime to Encourage Competition in the European Defence Equipment Market and the Code of Conduct\*](#)
2. [\*Questions and Answers on the European Defence Equipment Market\*](#)
3. [\*Report by the Head of the European Defence Agency to the Council of Ministers\*](#)
4. [\*EDA Work Programme for 2006\*](#)

# EUROPEAN DEFENCE AGENCY

## - Background information -

The European Defence Agency (EDA) was established by the Council on 12 July 2004. It is designed "to support the Council and the Member States in their effort to improve European defence capabilities in the field of crisis management and to sustain the ESDP as it stands now and develops in the future". More specifically, the Agency is ascribed four functions, relating to:

- a) defence capabilities development;
- b) armaments cooperation;
- c) the European defence technological and industrial base and defence equipment market;
- d) research and technology.

These functions all relate to improving Europe's defence performance, by promoting coherence in place of fragmentation.

The Agency's tasks are:

- to work for a more comprehensive and systematic approach to defining and meeting the capability needs of ESDP ( supporting, for example, the "Headline Goal 2010" initiative);
- to promote equipment collaborations, both to contribute to defence capabilities and as catalysts for further restructuring of the European defence industry;
- to promote European defence-relevant R&T, as vital both to a healthy defence technological and industrial base and to defining and satisfying future capability requirements. This will involve pursuing collaborative use of national defence R&T funds, in the context of a European policy which identifies priorities.

The EDA is an Agency of the European Union. All EU Member States, except Denmark, participate. High Representative Javier Solana is Head of the Agency and chairman of the Steering Board, which acts under the Council's authority and within the framework of guidelines issued by the Council.