

**Role of the Different Actors: Industry, National Governments,  
European Commission, European Defence Agency**

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**- Nick Witney, EDA Chief Executive -**

1. Not for the first time, when I began last week to prepare for this event, I was taken aback to see the subject which I had earlier, in a moment of inattention, committed myself to address. I can speak with authority on the role of the European Defence Agency; and, having worked in part of one for a number of years, I can say at least something about the role of national governments. As for the Commission, as a relative newcomer to Brussels, I am still learning to understand this large, powerful, and many-faceted institution. And when it comes to industry – well, who am I to attempt to lecture the people in this room about their role in European defence?
2. But a commitment is a commitment, and you evidently wanted someone to address this topic of the roles of the different actors, so let me at least try. I will begin with something extremely simplistic, since I think it is interesting to look at the simple picture and work out what is wrong with it.
3. The simple account would begin by straight-forwardly ruling out the Commission from further consideration. Defence is, in

the jargon, not a Commission competence. Indeed, defence is an area where the Member States have consistently declined to pool any part of their national sovereignty, or to cede any power of proposal or decision to the Brussels institutions, whether Commission or European Parliament. The only institution that “does defence” in Brussels is the Council, where Member States meet and decide what they may be prepared to cooperate on, and what they are not.

4. So it is national governments who are in the driving seat on defence – and they have decided to create the European Defence Agency, as an agency of the Council, to be their instrument or tool for taking forward what they begin to sense must be, increasingly, their shared agendas. So the simple account is that the interests of the Agency are identical with those of the Member States, and that the Agency’s role is to do what the Member States want it to do.
5. Governments want security and prosperity for their citizens. As one aspect of security, they want capable and well-equipped armed forces, at the minimum possible cost. They can always think of better things to do with their revenues than to increase defence budgets. As for prosperity, they want jobs, and the technology that breeds the jobs of the future. Some have large defence industries, important to the national economy, and adopt various routes to foster or, one might even say, protect them – routes that may not necessarily run through defence ministries.

6. Finally, industry. I suppose – you will tell me if I am wrong – that what the industry side wants is to run successful, profitable businesses, with full order books today and the prospect of being able to achieve full order books tomorrow. For many, this means staying, or becoming, internationally competitive.
7. So that is the simple picture – and you only have to enunciate it to realise that the world is not actually quite like that.
8. Let us start again with the Commission. Like national governments, they too are interested in the security and prosperity of people – all the people of Europe. They are fully aware of the importance of the defence sector to the wider economy of Europe, and to the ambitious but necessary aim of ensuring Europe's future as a knowledge-based economy. They also have money to spend, lots of it – and plan in the years ahead to spend substantially increased amounts on space and security research. I have heard security research distinguished from defence research in a variety of different ways. But I think the fundamental difference is really who controls the money – in the case of defence research, national defence ministries, in the case of security research other national authorities and now, too, the Commission.
9. Turning to where the Agency fits in, it is certainly true that the Agency's job is to do what Defence Ministers want. But the 24 of them working together in the Agency do not always want quite the same thing. Nor do they necessarily want it

consistently. On Monday they may be very clear. On Tuesday they may be confronted with a conflicting priority, which can dilute the desire. And then, of course, defence ministries, like the rest of national governments, are human enterprises. So the Minister may want it, the State Secretary may feel lukewarm about, and somewhere down the hierarchy there may be the one colonel who truly understands the subject and happens not to want it all. So you could describe the Agency's job as to find things that the Defence Ministers, all or some, will embrace on their ambitious days, and then to pursue such agendas on their behalf with insistency, indeed impatience. This is what I mean when I refer to the Agency's role as a conscience and catalyst. None of this, of course, alters the ineluctable fact that decision-making power, and the money, rests with the 24 defence ministries.

10. Nor, I suppose – pursuing my theme of why the simple account does not quite work - is the industry a typical supplier. It is sometimes owned, or part owned, by the national governments, who are also its main customer. Governments then control to whom the industry is allowed to sell what it does not sell to them. And the same government may often have to provide the initial investment funding if the relevant project is to be economically viable.
11. A further complication is to know what the industry is. Clearly, it is the big prime contractors. But, these days, it may also be a computing or telecommunications specialist. It may be the small Slovenian plastics company which happens to be the

European market leader in masts for sailboards, and is using its skills for some interesting work on ballistic protection.

12. So, what do I conclude from this rather inadequate survey? First, that roles matter less than agendas; and that there is actually a very large degree of congruence between the agendas of all the different actors. Not only that, but there is a high degree of mutual interdependence – we are trying to climb the same mountain and we are all roped together.

13. Let me try and be a bit more specific about where I see the commonality of agendas:

- First, we all want to see a Europe that is an effective and credible actor on the international stage, contributing to global security and ensuring the safety of its citizens;
- But, second, we all recognise the continuing gap between that ambition and our actual collective military capabilities – a gap which some may argue results from under-funding, but which I tend to believe has much more to do with the ineffective use we make of the €180 billion that the European Member States collectively spend each year on defence.
- Third, we all recognise that the solution lies through pursuing what is called the transformation agenda – accepting that the world and the nature of the operations in which our armed forces will in future be engaged have fundamentally changed, and spending our money on

addressing the threats of the future rather than sustaining the legacies of the past.

- Fourth, we all recognise that transformation is necessary, but not sufficient – that Europeans need also increasingly to pool their efforts and resources. This is an operational imperative; the future is multinational, deployed operations, and the more commonality we can achieve in the equipment and systems we use the more effective and safer our service men and women will be. It is also an economic imperative – we simply can no longer afford the duplication entailed in each national military staff deciding upon a different way to meet fundamentally the same requirement, and running separate national programmes. And the supplier is feeling the pinch as much as the customer; no national defence budget in Europe is any longer big enough to sustain a comprehensive set of defence industrial capabilities on a national basis.
- So – fifth - we must achieve convergence on the demand side of the defence business – more collaborative spending, offering contracting opportunities to industry on a scale which makes economic sense, and which may often be needed to support or precipitate the process of industrial restructuring. Because, although much consolidation has already taken place in the European defence industry over the last decade, there is more to do – something which in its turn requires governments to recognise that it is no longer good enough to think just in terms of the national defence technological and industrial base, and that we must all start to think about the European industrial base as an

entity in its own right. We need to work our way forwards on the principles of eliminating duplication, recognising and building upon specialist strengths and centres of excellence, and accepting the greater degree of mutual interdependence which this will entail.

- Then – sixth - if we must think increasingly of the demand side and the supply side in continental terms, then so too must we think of the market. So I am particularly pleased that we were able, one week ago, to achieve the agreement of our 24 Defence Ministers to take a long stride down the road of liberalising defence trade in Europe. From time immemorial, the bulk of national defence procurement has been sheltered from external competition. Certainly, since the foundation of the European Union, the usual rules of the internal market have been dis-applied to most defence procurement. Now, the 24 Member States cooperating in the Agency have agreed to invite bids from industries based in each others' territories as well as from national suppliers, and to treat all bids on a fair and equal basis. This is a voluntary regime, based on a code of conduct. It still allows exceptions, in certain defined categories – and it will no doubt take time before the in-built mutual accountability and transparency, delivered by a reporting and monitoring system, ensure that the Code operates in a fully effective and consistent fashion. But the key point is this – that, for as long as anyone can remember, the default assumption has been that governments would source their defence needs from their own territories if at all possible – and now, for the first time ever, there will be a presumption

that the great bulk of defence procurement will be open to bids on a Europe-wide basis. I see this as a landmark decision, which over time should deliver not only the familiar benefits of competition – value for money, and stimulus to innovate – but will also inject an invaluable dynamic which can only assist the process of industrial restructuring to which I referred earlier. Nor will it do any harm at all that the Commission, with European Parliament support, will continue to patrol the borderline between the normal internal market and defence procurement under our Code, seeking to ensure that the application of internal market rules is as wide as it reasonably can be.

- My final, and seventh, point, where I think all can agree – and that is the need to find ways to devote more of our scarce defence resources to investment, and investment in R&T in particular. Today, more than half of the €180 billion to which I alluded earlier goes on personnel costs – the costs of keeping two million men and women in uniform. This situation is unsustainable, for various reasons – including the demographic trends, which indicate that in future the recruits will simply not be there. Today, it squeezes the resources available for our investments, in particular on research and technology. Yet R&T is the seed corn of the future. How can European industries remain internationally competitive when we are outspent by the US on R&D by a ratio of five to one?
- Some three weeks ago, at the informal summit held at Hampton Court in London, the European Heads of State and Government recognised the challenge – the challenge



to invest more, and invest more collectively. And they tasked my boss, Javier Solana, to report back to them when they meet again in Brussels in mid-December with some “initial orientations” on how this problem might be tackled during the Austrian Presidency. That means by the early summer of next year. So, I will close by noting that, if the issue of opening the defence market within Europe has been the particular preoccupation of the EDA during the early months of its life, we can now look forward to addressing the R&T agenda with equal intensity in the early months of the coming year. And I would very much encourage anybody here who has ideas to contribute to the debate to offer them today, or to send me an e-mail. Catching the attention of the Heads of State and Government is not an opportunity that comes around very often – so we must make sure that we make maximum use of it.

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