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**CONFERENCE OF DEFENCE COMMITTEE CHAIRMEN
Helsinki, 20 October 2006**

1. Perhaps I may begin by affirming how pleased I am to be here with you today. I never come to Helsinki without reflecting that it was here that, at the Helsinki European Council of 1999, that the European Security and Defence Policy, ESDP, was born. Today, you have only to look at where the Union is undertaking its now characteristic brand of crisis management operation to realise that, during the intervening seven years, ESDP has come of age.
2. As we speak, the Union is running no fewer than 12 such operations, in locations as far afield as South-East Asia, the Balkans, and Africa. Most of them, of course, are civilian in nature. But the current peace support operations in Bosnia and the Congo are significant military undertakings. And to this list may shortly be added responsibility for Kosovo, following the expected transfer of responsibility from NATO – and one thinks also of the major European deployments taking place in South Lebanon which, though not formally an ESDP operation, bear the hallmark of collective European action.
3. Indeed, whether under the Union or some other flag, an average of more than 70,000 European service personnel were deployed outside Europe in the course of 2005. On that basis, we may fairly claim to be beginning to live up to the promise of the European Security Strategy – that the Union would make a more effective and proportionate contribution to the task of

maintaining global security. But a start is only a start. 70,000, after all, is less than 4% of the men and women we maintain in uniform in Europe. And, sadly, it is all too obvious that the present demand for European crisis management assistance far outstrips what we are able to provide. There remains, in short, a big gap between what we say we would like to do, and what we actually can do. Which, of course, is where the European Defence Agency comes in.

4. This Agency, the EDA if you will allow me the acronym, is a child of the ESDP. Its mission is broad, to work with the Member States on developing defence capabilities, understood to mean not just more relevant and effective militaries, but also a strong industrial and technological infrastructure. We have, if you like, been charged with working to ensure that the tools are available to do the job – the job being the one described in the European Security Strategy.
5. This makes us a thoroughly unusual kind of Agency. Agencies are normally created to discharge some rather specialist function: they tend to be set up with clearly delineated powers and responsibilities, and probably a significant budget, in order to deliver some specific product or service. The EDA could not be more different. Its functions are wide-ranging, embracing working with defence planners on armed forces modernisation; trying to encourage more collaboration in armaments and research and technology in Europe; and working to strengthen the defence technological and industrial base. On the other hand, the Agency has only a tiny budget, and virtually no delegated powers. And defence being what it is – a subject that lies close to the heart of concepts of national sovereignty – decision-taking on the various subjects I have mentioned is reserved for national defence ministries.

6. So it is through 24 national defence ministries that the EDA must achieve its results. The Agency must act as a conscience, and a catalyst. And it will accomplish its mission only to the extent that national ministries engage with it, and ultimately act in accordance with our guiding principles – which I sometimes summarise as spending defence budgets on the right things and not the wrong things, and increasingly pooling our European efforts and resources.
7. The saving grace in all this is our governance arrangements – the fact that I answer directly to Javier Solana as the Head of the Agency, and that he chairs a Steering Board on which all the Defence Ministers sit in person. This Ministerial Board has met three times already this year, and will meet for a fourth time in Brussels next month. In between-whiles, it meets in other compositions – as National Armaments Directors, or senior capability planners. Through the Steering Board, we have a persistent and continuous dialogue with the top levels of decision-making in the national Ministries of Defence. This is our chance to influence.
8. So, how are we doing? We are now approaching our second anniversary as a going concern – and I am at last beginning to breathe a little easier. The early days of this kind of enterprise are a bit like a ballistic missile launch. There is a countdown, a button is pressed, and vast amounts of energy are visibly released in the form of flame and smoke – but there is a disconcerting pause before lift-off actually occurs.
9. Happily, decisive movement is now apparent. First, we have taken a long stride towards the creation of a genuine market for defence equipment in Europe. Since, I suppose, the dawn of time, the armaments business has been conducted on a strictly national basis – the King's troops have been

equipped from the King's arsenals. For some decades now, it has been increasingly apparent that this approach, as is usual when industries are protected, leads to an inefficient supply side, bad value for the customer, and a situation which, given increasing pressures on defence budgets, is ultimately unsustainable. Of course, in deference to national security the European treaties exempt the business of defence from the normal rules of the internal market, under the famous Article 296. So our approach has been to seek an accord amongst our Member States that, notwithstanding this exemption, they will agree on a voluntary and reciprocal basis to offer defence contracting opportunities to suppliers in each others' countries.

10. This is the essence of the Code of Conduct on Defence Procurement which 22 of the 24 Member States participating in the Agency agreed a little under a year ago – and which has its practical embodiment in the new Electronic Bulletin Board, a part of the Agency's website, on which contract opportunities are now advertised which previously have been protected under Article 296. The Bulletin Board has been going for about three months, and now comprises 50 such opportunities with an aggregate value that we estimate at over €3 bn.
11. We all recognise that offering contracting opportunities across borders is one thing, and actually awarding contracts to a non-national supplier is another. We nonetheless feel heartened by the early progress made. It may not be too optimistic to believe that a crucial psychological watershed has been crossed. For decades past, the automatic assumption about procurement of defence equipment was that it should be done on a national basis. That assumption is now replaced by one of Europe-wide competition. And the benefit will be felt not only by the customer – the taxpayer, and the armed forces – but by Europe's defence technological and industrial base as a whole.

12. Because, as much as anything, this market initiative is about adding the impulse of market forces to the restructuring that Europe's defence and technological industrial base must undergo if it is to remain globally competitive. There is, quite simply, no longer enough money in defence budgets in Europe for us to continue to attempt the business of defence in 24 separate national boxes. The future success of the sector depends critically on consolidation, on both the demand and the supply sides. Consolidation will mean an increased readiness for Europeans to abandon the notion that each can do everything, and therefore to accept increased interdependence – and this underlines the particular importance of the further agreement reached by our Steering Board in September, on Security of Supply. For the first time, 22 European Member States have explicitly promised to come to each other's assistance in matters of defence materiel supply in times of operational urgency. The same Steering Board meeting also agreed that Europeans need to work to become less dependent for key technologies on non-European sources. These two developments suggest to me a real growing sense of mutual solidarity in the European defence business.
13. The second evidence of progress to which I would like to refer is the endorsement earlier this month, at the first Agency Steering Board meeting to be held inside the Arctic circle, in Lapland, of our "Long-Term Vision". This has been a year-long exercise to develop a picture of what ESDP will need in 20 years time. The outcome is a 25 page document, accessible on our website. With the help, I should emphasise, of authorities and experts from across Europe, we have attempted to pick out some of the key trends which will determine the security environment we face in the middle of the third decade; to deduce some implications for the nature of ESDP operations;

and from that to take lessons about the sort of capabilities we must already, now, start to develop, if they are to be ready at the time that we need them.

14. Additionally, this Long-Term Vision document highlights some of the key challenges that defence planners will have to face, getting from here to there. The document aspires to provide a compass-bearing, or line of march or sense of direction, for all those who, day by day, take decisions which will in practice determine what military capabilities we have, and what we do not have, twenty years hence. And, for the Agency, it provides an essential foundation for the next phase of work we must initiate with our participating Member States – that is, to work together on an ESDP Capability Development Plan.
15. As you will know, the horizon of our collective planning of capabilities is currently bounded by the Headline Goal for 2010. Also as you will appreciate, 2010 is, in relation to the lead times for developing new defence capabilities, effectively tomorrow. So the idea of an ESDP Capability Development Plan is that we should work together to define the capability priorities we must develop over the next two decades. The process will inevitably require a degree of mutual transparency amongst European Ministries of Defence – disclosure, in at least broad terms, of what national forward defence plans look like. This will have the additional advantage, we hope, of highlighting opportunities for cooperation – whether joint procurement of new systems, or the pooling or sharing of some desired new capability which may be unaffordable on an individual national basis.
16. Finally, beyond the defence equipment market and the Long-Term Vision initiatives, I should briefly mention defence research and technology. This was rightly thrust into prominence at the summit meeting at Hampton Court

during the UK Presidency, a year ago. In consequence, research and technology has been a particular focus in the Agency's second year of activity. It has been sobering to collect the data, and realise that the combined spend on defence R&T of all the Ministries of Defence in Europe is less than the annual budget of the Defense Advanced Research Projects Agency, DARPA. Propelled by the EDA's first major conference in February, defence research and technology rose sharply up the political agenda – so that Defence Ministers in our Steering Board embraced the conclusion that we must “spend more, spend better and spend more together” on R&T.

17. What does this mean in practice? We have worked with the Member States on the design of a new form of joint investment programme, with the pilot scheme focussed on the force protection area – all those technologies with potential to reduce the risks to our young men and women when we send them into harm's way. We still have two or three more weeks' work to do on this before we can be sure that all the details – and all the contributors! - are nailed down. But I am increasingly confident that, by the time of our next Steering Board meeting in November, we will be in the position to announce the launch of a programme with a substantial common budget, to which most of our Member States will have chosen to subscribe. If this works, we envisage it as being only the first in a series of joint investment programmes which will provide the primary vehicle for defence ministries in Europe to pool their efforts and resources in defence R&T.
18. And, I cannot stand here in Helsinki without paying tribute to how strongly supportive Finland has been of this initiative, as indeed of other Agency agendas, both during its current Presidency but also before.

19. So, what with the equipment market, the Long-Term Vision and shortly I hope our first major R&T initiative leaving the launch pad, I feel increasingly satisfied that the Agency is beginning to demonstrate that it can indeed make a difference. Looking ahead, I am excited at the prospect of addressing the Capability agenda more systematically than we have so far been able to, on the basis of the Capability Development Plan to which I have referred. I think we shall also need to address the issue of the defence technological and industrial base more directly in the coming year – reflecting with our Member States on just what sort of base we collectively want to achieve in coming years, and how we can get from here to there.
20. So there is plenty to tackle in the year ahead; and the impact we can have is really only limited by the amount of energy and attention that defence ministries are prepared to give to the sort of cooperative opportunities which EDA offers. Sometimes, engagement with the Agency's work can seem unfamiliar, and therefore uncomfortable, to national staffs. Sometimes – and I do actually sympathise with this! – it can seem like just one more burden in an already overburdened working life. But I do believe we are already demonstrating that investment of a little more effort and attention in the affairs of the Agency is likely to produce a substantial dividend. And, of course, I very much hope that you, in your key roles, will be prepared to give your national ministries appropriate encouragement in this regard!
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