



**EUROPEAN INSTITUTE:
TRANSATLANTIC ROUNDTABLE ON DEFENCE AND SECURITY
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NICK WITNEY, Chief Executive, European Defence Agency

**The EDA's goals: strengthening Europe's capabilities and
defence industrial base**

1. Let me first try to put the European Defence Agency in context, by speaking briefly about European defence. Next month we mark the 50th anniversary of the Treaty of Rome – the moment when the original six set up the Common Market. So it is a time for recollection – and few recollections of those early post-war years are as intriguing as how close Europe came, back in the early 1950s, to establishing a European Defence Community. Forget the sort of carefully nuanced initiatives which proceed under the banner of European defence today – this would have been real, full-blooded common defence, with a standing European army under central command, sustained by a common budget. Even more intriguing, President Truman was all for it – and so was Eisenhower, after the change of administration. But eventually it came to nothing, NATO got going, and defence rather disappeared from the specifically European agenda for the next half century.
2. It reappeared as the European Security and Defence Policy (ESDP), as recently as 1999. And I think it fair to say that the welcome it got on this side of the Atlantic was less than wholehearted. Okay, so the Brits were in there from the beginning, determined to ensure that this new policy developed only in ways compatible with NATO. But would there not be

others pursuing different agendas, dreaming of using the policy to separate Europe from America? And was there not more than a dash of pretentiousness about this new European enthusiasm – particularly in light of the then-recent Balkan campaigns? True, the Europeans had adopted the so-called Helsinki Headline Goal for improving their military capabilities – but there was a long history in NATO of trying, without conspicuous success, to get Europe to share more of the military burden.

3. And I guess it is at this last point – the bit where people point to the gap between the ambition and rhetoric on the one hand, and actual capability on the other – that the European Defence Agency comes in. I like to think of the EDA as European defence’s “back office”. The “front office” came first, at the beginning of the new policy. It is staffed by diplomats and generals. The diplomats worked their way through the creation of new institutions, and the negotiation of the Berlin+ arrangements with NATO. Then, in 2003, they agreed the European Security Strategy – a remarkably clear, and blessedly short, document which tells you in effect what the ESDP is for.
4. It analyses the post-Cold War (and post-9/11) world in terms with which I think Americans should be comfortable – pointing out that the new threats and challenges are not the conventional adversaries of the past, but such less tractable yet equally menacing dangers as terrorism, proliferation of weapons of mass destruction, state failure, regional conflict and organised crime. It acknowledges that Europe has a responsibility to take a greater share of the burden of sustaining global security. And it asserts without equivocation that “The transatlantic relationship is irreplaceable. Acting together the European Union and the United States can be a formidable force for good in the world. Our aim should be an effective and balanced partnership with the USA”.

5. The “front office”, as I have noted, is staffed by generals as well as diplomats. They have run Europe’s crisis management operations – a surprising 16 of them to date, from the Balkans, to the Congo, to the Middle East, to Aceh in Indonesia.
6. True, many of these operations have been very small, and the majority have been civilian in character, involving not soldiers, but judges, policemen, observers, experts in civil administration. Indeed, Europe senses that it has a rather specific brand of crisis management capacity to offer, which fuses hard and soft power and focuses as much on preventing conflicts, and sorting out their aftermath, as it does on dousing the blaze.
7. Relative peanuts you may think, but it all adds up, and it may surprise you to know that in recent years there has been a fairly consistent level of about 70 thousand European troops deployed outside the continent, whether under UN, EU, NATO, or national flags. This, I suggest, is not nothing. On the other hand, it is also less than 5% of the nearly two million men and women that we keep in uniform in Europe – and the fact that some 80% of this total are simply not deployable outside their national territories tells you that the modernisation of Europe’s defence capabilities still has a very long way to go. It also tells you that Europeans collectively are not getting proper value from what they spend on defence – about \$ 250 billion a year, less than half US expenditure but in absolute terms a pretty substantial input, particularly in relation to the achieved output of usable military capability.
8. There is nothing like operations to bring you face to face with your deficiencies and limitations – so it is no surprise that it was just as the ESDP was beginning to become operational that the European presidents and prime ministers decided, in 2003, that they had better complement the “front office” with a “back office” – an agency focused on the tools needed for the

job. Tools and infrastructure – because the European leaders were becoming equally concerned about the condition of Europe’s underpinning defence technological and industrial base. The evidence was accumulating (and I shall come back to this) of steady erosion of Europe’s competitiveness and capacity on the industrial side.

9. So, just over two years ago, the EDA opened its doors for business – with the mission of supporting the Members States in their efforts to improve their defence capabilities for crisis management operations. Our terms of reference range over military capabilities, defence research and technology, armaments, and industry and market issues – in other words, pretty much everything except the policy issues and the operations which the front office handles. To address this wide-ranging agenda, we have one hundred staff (drawn from 20 different nationalities) and an annual budget of less than \$30m. National Defence Ministers hold on to their money, and their decision-making authority: in matters of defence, no-one is prepared to be bossed around by some powerful supranational body in Brussels. So to change things we have to get the Member States to agree and – the bottom line – to spend their defence budgets in rather different ways than they might otherwise have done.
10. Fortunately, we have wonderful access – our Steering Board, chaired by my boss Javier Solana, comprises the Defence Ministers in person, and met 4 times last year. And we are ultimately working with the grain – the Member States want to do the right thing, even if, like Saint Augustine, they may not always want to do it right now.
11. They do want to stop spending their money on the wrong things and spend it on the right things instead; and they do recognise the necessity of increasingly pooling their efforts and resources. Because everybody

knows that if Europeans want to preserve effective military clout, and a globally competitive industry, they have no choice but to cooperate. The era in which the business of defence could effectively be managed in 24 separate national boxes in Europe is now over; none of us can any longer afford it. The only way forward is, to express it in business terms, to consolidate demand, encourage the consolidation of the supply side, and create a continental scale of market in which demand and supply can meet.

12. So how are we doing? We have a wide range of specific projects in hand, from Software-Defined Radio (which is going rather well) to an effort to rationalise equipment test facilities across Europe. We have under management a portfolio of over 40 individual research & technology collaborations. But we think it is at the strategic level that we can ultimately add most value – which is why arguably our most important output to date is a document called the Long Term Vision, published last October, which attempts to look forward over the next two decades and draw some conclusions about the environment in which ESDP operations will take place, and what that means for the sort of military capabilities and industrial capacity we will need.
13. This Long-Term Vision majors on the changing role of force in today's world, and the accelerating advance of science and technology. It concludes that we must decisively break with the old concepts of warfare which obtained in the last century, which were all about unloading as much ordnance as possible on conventional opponents. It underlines that application of force will have to be increasingly modulated with what is happening in the political arena; that operations will likely take place in constrained and ambiguous circumstances, under tight rules of engagement and 24/7 media scrutiny. It emphasises that the decisive capabilities of the future will be less heavy metal and high explosive, and more the

capabilities that provide situational awareness, and allow rapid communication and decision-taking. Operations will be expeditionary, and multinational, placing a premium on interoperability, deployability and sustainability. Perhaps not a wholly original analysis – but 24 Ministers of Defence are now on this same page. In passing, I think more surprise was created by some of the demographic and economic analysis the document contains – when you realise that in 2025 European will comprise only 6% of the world’s population and that the average European will be 45 years old, it makes you think.

14. This year, we will be taking the analysis down one level, and working towards more detailed guidance on where we should all be concentrating our investment – on network-enabled capabilities, on strategic lift, and so on. Analysis never fixed anything in and of itself – but we can at least make Ministries of Defence feel increasingly uncomfortable if they persist in prioritising the purchase of main battle tanks and combat aircraft.
15. On the industrial side, I think we have made more conspicuous progress. I referred earlier to the traditional way of doing defence procurement largely on a national basis. A security get-out clause in the European treaties has allowed more than half of European defence procurement to be sheltered from the competition rules of the Common Market. Without abandoning that clause, almost all Member States have now agreed, on a voluntary and reciprocal basis, to offer the bulk of their new procurement opportunities to suppliers in each other’s countries. The Electronic Bulletin Board on the EDA’s website on which these offers are posted went live last July – and now advertises around \$9 billion of business. In passing, I should emphasise that this has nothing at all to do with “Fortress Europe”. It is purely about how Europeans deal with one another. It leaves the position of US exporters unaffected.

16. More competition will make defence budgets go further. But we are just as interested in how greater play for market forces can help the European defence technological and industrial base (DTIB). At a major EDA conference earlier this month bringing together top government officials and industrialists from across Europe, there was striking consensus on this. As Commissioner Verheugen expressed it: “The question is: for how long can the DTIB survive if Europe continues to postpone reforms that are generally accepted as unavoidable?”
17. We need more competition in Europe, and we need more cooperation; if governments can consolidate demand – offer to the market more joint programmes – the supply side will respond. Anything else is economically unsustainable. And it makes operational sense too – there is no form of interoperability better than different national contingents on multinational operations using the same kit. And I should note that this logic of European cooperation gets a helpful assist from the difficulties European industries find in accessing the US defence market and in technology exchange across the Atlantic. We hope to crystallise all this into a top-level European DTIB strategy for the Defence Ministers to consider this summer.
18. In closing, a quick word on Research and Technology. For the first time we have put together the data – and it is not so much data as writing on the wall. Since the year 2000, the US has increased its spending on defence R&D by over 9% a year; collectively, Europeans have increased by less than 1.5%. So you now out-spend us by 6 to 1, and the DARPA budget exceeds the entire sum of European MoDs’ R&T expenditure. We are eating the seed corn.

19. Part of the problem is that only 6 or 7 European nations have ever gone in for defence R&T. So last year we devised and launched a new vehicle for joint investment, providing a way into the business for nations who had not previously been able to spend money effectively on defence R&T on a national basis. The fund totals \$70 million, with 19 of our 24 Member States contributing; as a sign of the times, one of the major contributors is Poland.
20. So is our glass half empty or half full? If I were you, I would reserve judgement; Europe has promised so much in these areas in the past, to so little effect. But I would wish the enterprise well. On the capabilities side, this is absolutely not a zero-sum game with NATO: our activities are complementary, and if Europeans do manage to raise their game on defence, it seems to me to matter not a jot whether this is done on a NATO or an EU ticket. On the industrial side, we need to succeed if there is to be any sort of European defence industry to give the US primes a run for their money – ultimately, I suggest, in your interest as much as ours. Personally, I have no doubt that the enterprise will succeed, since there is simply no alternative. The key question is how long will it take and what will be lost if the results do not come through sooner rather than later. But, from a US perspective, I suggest that NATO's recent Riga Summit declaration had it right: "A stronger EU will further contribute to our common security". So, fingers crossed.
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