



**European Defence Technological and Industrial Base**  
**– On the Way to Reality**  
**Berlin, 12 June 2007**

**Address by Nick Witney, Chief Executive, EDA**

**Panel 1: “Interests and Objectives of the European  
Defence Policy”**

I will begin, if I may, with an anecdote. In a previous life, I was a diplomat; and in the late 1970s served as Chef de Cabinet to the British ambassador in Washington, with all the most fascinating cable traffic of the British Foreign Office flowing across my desk. It was the time of the 4-power summit which Jimmy Carter hosted in Guadeloupe; and one particular piece of the diplomatic record impressed itself on my memory. The main business of the summit was theatre nuclear weapons. But the three European leaders – Chancellor Schmidt, President Giscard, and Prime Minister Callaghan – took time out for some European discussions. I forget now who it was who raised the state of the European defence industry – but all readily agreed that the duplication of different national armaments programmes was wasteful and absurd. There should be a division of labour: one nation leading on land systems, another on ships, the third on combat aircraft. And then, with almost equal readiness, the agreed conclusion – “nice idea, but all too difficult”.

And we live with the consequences today. Rival combat aircraft committing fratricide in export markets. A pot-pourri of armoured vehicles deployed on multinational operations, unable to exchange air-filters and all requiring their separate logistic chains back to Europe. And industry struggling for orders and production runs of a viable scale.

This is bad economics. But, as the title of this first panel implies, there are now other interests at stake as well. Because we have today, what did not exist in 1979, a European Security and Defence Policy. A policy which, over the last four years, has increasingly manifested itself in action – with crisis management operations completed or in train from the Balkans, to the Congo, to Indonesia, to the Middle East. The EU has agreed a European Security Strategy which commits the Union to be an increasingly active, coherent and capable contributor to global security. Our armed forces, it turns out, are not just for deterrence – they are also for use. And, across Europe, we find they are not configured or equipped as well as they need to be for the real-world operations they are now called upon to undertake.

This, of course, is a key reason why the European Defence Agency was created – to work with the Member States on capability development or, as I sometimes paraphrase it, on making sure we spend our defence budgets on the right things and not the wrong things. Following up last year's Long-Term Vision analysis, we are now working with our Member States on a Capability Development Plan. But, today, I must focus on the other half of the EDA mission – the effort to ensure that our armed forces are supported, and indeed that the strategic aims of

European defence policy are underpinned, by a strong and globally competitive defence technological and industrial base.

And the root of the problem of course is fragmentation. Over 50 years, the rest of European industry has been transformed by the internal market. But defence is “special” – in the Brussels jargon, it has certain “specificities”, which demand special treatment. And, of course, at one level, this is true: tanks are not washing machines, and governments do stand in a very special relationship to the defence industry, as customers, regulators, investors and sometimes owners. At another level, the “specialness” of defence has been used to justify often indiscriminate use of the famous Article 296 – or, to say things as they are, for fundamentally protectionist purposes. Ultimately, of course, such a policy is self-defeating. Like any other industry, the defence industry will only thrive if it produces what its customers want to buy. And if defence procurement is operated with the focus on national industrial policies rather than on anticipating and meeting the user’s future needs, then the user will not want the product and the industry will eventually lose its market.

The solution is as simple to state as it is too difficult to achieve. We can no longer afford the fragmentation – so we must encourage the development of a proper defence equipment market in Europe, as a key means of encouraging the consolidation of both the demand and the supply sides, and thus creating a truly integrated European defence technological and industrial base. The money is no longer there to operate on any smaller scale.

This audience will I know be familiar with some of the steps the EDA has so far been able to take towards this objective – notably the agreement of now 23 of our Member States on a Code of Conduct on defence procurement, to open national markets to suppliers from each others' countries on a voluntary and reciprocal basis. The Electronic Bulletin Board on the EDA's website, through which this agreement is operationalised, now carries nearly 200 contracting opportunities for suppliers across Europe, with a total value now pushing €10bn. Industry support for this initiative has been manifested in the recently-opened second section of this Bulletin Board, carrying industry-to-industry offers – thus driving the benefits of cross-European competition down the supply chain.

At this point, I would like to pay tribute to the support we have enjoyed in these efforts from the Commission. We share, I believe, the same analysis, and are travelling the same road together. Of course, as different institutions, our responsibilities are different – they look for community solutions, we for essentially inter-governmental arrangements. But we have already I believe demonstrated that these approaches can be entirely mutually reinforcing. And, in a city where cooperation between institutions is not necessarily the norm, it has been a real pleasure for me in the last few years to find how easily and constructively we have been able to work in partnership with the Commission.

But, as I just remarked, the nature of the EDA enterprise is fundamentally intergovernmental – so the development to which I attach the most importance, the EDA achievement in this area which I regard with the greatest satisfaction, was the agreement last month by 26 European Defence Ministers in our Steering Board to a joint Strategy for the European Defence Technological and Industrial Base.

It is an unusually trenchant document. Europe today has widely capable, and in many sectors world-leading, defence industries and technologies. “But” – and here I am quoting the Ministers’ words - “we recognise that is largely the result of past investment.... The point has now been reached where we need fundamental change in how we manage the ‘business aspects’ of defence in Europe – and time is not on our side.... The essence of the change is to recognise . . . that we must therefore press on with developing a truly European DTIB, as something more than a sum of its national parts”. The Ministers state that to continue with a predominantly national approach to the business of defence in Europe “is no longer economically sustainable – and in a world of multi-national operations it is operationally unacceptable, too”.

The strategy then lays out the characteristics of this “truly European” DTIB. It must be more integrated, more specialised, less duplicative, and more interdependent. It must draw on skills, technology and innovation from beyond the traditional defence sector – and from all across the enlarged Union. It must be driven by consolidation on the demand side – more pooling of efforts and resources amongst European ministries of defence – and encourage greater consolidation on the supply side too.

More competition must be introduced into the European defence equipment market – and where that is not appropriate cooperative approaches must be more effectively conducted.

All this is accompanied by a full and frank account of the challenges, of policy and practice, to be overcome in achieving this vision – and a clear expression of determination to meet and overcome them.

Well – will it work? Or should it just be filed under “empty rhetoric?” Here, in short summary, are my three main reasons for optimism:

- First, the Ministers have directed us to work with national armaments directors (and indeed the industry) on a specific action-plan – and will themselves review progress in one year’s time, on the basis of an Agency report.
- Second, important actions have preceded the Strategy. I have referred already to the first practical manifestation of the proper defence equipment market we seek, i.e. the Code of Conduct and its Bulletin Boards of concrete cross-border competitive opportunities. Member States have, for the first time, pledged mutual help on materiel supply in operational emergencies. 19 of our Member States have put together over €50m for the first cross-Europe exercise in jointly commissioning research and technology work. In different combinations, other groups of Member States have embraced new projects in areas as various as software-defined radio, unmanned air vehicles, and soldiers’

personal equipment. Practical pooling of efforts and resources on a European scale is really starting to happen.

- Third, the Strategy is a statement not just of political will, but also of economic necessity. If we want a future European defence industry which amounts to more than niche producers working increasingly for US primes, then the Guadeloupe answer is no longer acceptable.

In short, Europe is too small a place for us not to integrate our efforts. And the sooner we do so, the better the outcome will be.

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