

Opinion of the European Economic and Social Committee on the 'European Defence Action Plan'

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1. Conclusions and recommendations

1.1 The European Economic and Social Committee (EESC) is in favour of creating a European Defence Union (EDU) and supports the European Defence Action Plan, including the establishment of a common European Defence Fund.

1.2 The EESC calls for significant qualitative progress in European defence cooperation, as the EU's defence market and industry is overly fragmented and causes inefficient allocation of resources, overlapping remits, lack of interoperability and technological gaps.

1.3 The EESC supports the objective of strategic autonomy in identified critical capability and technology areas. NATO remains the foundation of European collective defence.

1.4 The EU should continue to pursue principally preventive and multilateral diplomacy. However, military capabilities are an important element for implementing the EU Global Strategy on Foreign and Security Policy.

1.5 The EESC states that a sine qua non for the development of common defence capabilities is to strengthen the European defence industrial and technological base including a highly skilled workforce.

1.6 The EESC strongly supports giving special attention to SMEs including in the area of research and development for defence purposes.

1.7 EU funds can foster innovation in technological fields where a clear distinction between military and non-military purposes have become difficult if not impossible.

1.8 However, the EESC rejects the opening up of existing funds that serve economic or social objectives for defence purposes *sensu stricto*. The EFSI Regulation objectives, the ESI Funds and the COSME programme as well as the EIB investments serve non-military purposes.

1.9 The EESC rejects a special provision for national budgetary resources allocated for defence under the Stability and Growth Pact. The latter must be viewed in the context of the deepening of the EMU and not in just one sector. Defence expenditure should not destabilise public finances.

1.10 The EESC supports the creation of a Defence Fund with separate windows for research and capabilities. However, the EU budget has to be increased, as the research window for defence must not be financed at the expense of research in other sectors. The EESC is in favour of the capability window being financed solely by national contributions. The procurement of defence products by Member States cannot be financed from the EU budget.

1.11 The EESC welcomes the creation of a coordination committee. The final decisions in this committee must be reserved for civilian political representatives.

1.12 The EESC supports the Commission's call for full application of the Directives⁽¹⁾ on public procurement and intra-EU transfers of defence products. Much more needs to be done to ensure in particular the best use of the Transfer Directive.

1.13 The EESC supports the development of common standards both for arms and dual-use items, while avoiding duplicating existing standards, in particular NATO standards.

1.14 Arms exports should be limited to strategic partners and allies and need close democratic scrutiny.

2. General comments

2.1 Europe is faced with a series of conflicts in its neighbourhood, such as the civil war in Syria, the direct consequences of which include the global population displacements of 2015/16. With Russia's annexation of Crimea and its involvement in the armed conflict in eastern Ukraine, the territorial integrity of an independent state has been infringed and, with it, international law. North Africa and the Middle East remain unstable regions and are at risk of state failure. At the same time, Europe and the Middle East no longer appear to be a key part of US security policy. Europe faces a growing risk of finding itself on the periphery of world affairs and viewed as a burden by its transatlantic partners.

2.2 In view of these geostrategic circumstances and security developments, Europe must strengthen its security and defence capabilities. It is essential to have a clear understanding of the Union's common strategic objectives which is still missing and urgently needs to be developed. This is the prerequisite for identifying the necessary joint and national capabilities that need to be underpinned by a sustainable European defence, technological and industrial base.

2.3 The EESC points to the requests⁽²⁾ already set out in opinions CCMI/116 (2013) and CCMI/100 (2012). The EU Global Strategy⁽³⁾ and the Implementation Plan on Security and Defence⁽⁴⁾ also provide important approaches to that end. In the EESC's view, it is urgent that these be implemented consistently in accordance with the provisions of the Joint Declaration of the EU and NATO of July 2016 as well as the United Nation's principle of collective security.

2.4 The EESC considers the optimisation of European civil preventive and military defence capabilities to be a matter of urgency in order to guarantee freedom and peace in Europe, spread stability in Europe's neighbourhood reflecting EU values such as fundamental human rights, and to be able to successfully support the global peace-keeping measures of the UN.

2.5 The EESC therefore calls for the quality of European defence cooperation to be boosted. It is in favour of creating a European Defence Union (EDU), in the framework of the EU's 'permanent structured cooperation' mechanism provided for that purpose under Articles 42.6 and 46 of the EU Treaty, and welcomes the European Defence Action Plan, including the establishment of a common European Defence Fund, as an important step.

⁽¹⁾ Directive 2009/43/EC of the European Parliament and of the Council of 6 May 2009 simplifying terms and conditions of transfers of defence-related products within the Community (OJ L 146, 10.6.2009, p. 1); Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security and amending Directives 2004/17/EC and 2004/18/EC (OJ L 216, 20.8.2009, p. 76).

⁽²⁾ See also EESC opinions on *Defence industry: industrial, innovative and social aspects* (OJ C 299, 4.10.2012, p. 17), and on *Strategy to strengthen Europe's defence sector* (OJ C 67, 6.3.2014, p. 125).

⁽³⁾ EESC opinion on The new EU strategy on foreign and security policy (own-initiative opinion) (OJ C 264, 20.7.2016, p. 1).

⁽⁴⁾ European Council Conclusions on security and defence (14149/16), 14 November 2016.

2.6 The EESC agrees with the Commission's criticism of the excessive fragmentation of the market, which leads to the inefficient allocation of resources, duplicated structures, a lack of interoperability and technological gaps.

2.7 Most EU Member States are under pressure to consolidate their public budgets, meaning that the inefficient use of public funds can no longer be justified. The EESC therefore calls for the resolute implementation of collaborative approaches. In the EESC's view, increased cooperation in the priority areas mentioned by the Commission is only the first step.

2.8 The EESC supports the objective of strategic autonomy in identified critical industrial capacities. NATO remains the foundation of European security and common defence, as reiterated in the Joint Declaration of the EU and NATO. In this respect, it is important that all NATO members fulfil their requirements.

2.9 The EESC states that not all elements of the Action Plan are new but welcomes the establishment of the Defence Fund. However, this largely depends on the political will to contribute extra money from national budgets. The EESC is critical about a lack of willingness of some Member States to follow through. In addition, the Commission has to strengthen its efforts to develop a roadmap for a comprehensive EU-wide security of supply regime and ensure proper implementation of the two Defence Directives.

2.10 The Bratislava Roadmap⁽⁵⁾ points in the right direction; however, it rehashes old plans in the area of defence. In particular, the roadmap lacks strategic consistency and is focused much too heavily on the current challenge posed by the migration crisis and EU external border protection. While large-scale population movements are indeed related to security challenges, once they have developed they cannot be resolved by military means.

2.11 A sine qua non for the development of common capabilities is to establish and develop a defence internal market. The EESC has the view that it is not possible to strengthen the European industrial base without also addressing the skills issue. Defence industries constantly work at the technological edge and therefore require a highly skilled workforce. The skills-initiative of the EC mentioned in the EDAP addresses this problem and is therefore highly welcome.

2.12 More investment and cooperation in this industrial sector also help safeguard jobs and create employment. However, the fight against unemployment in the EU should not be the driving force behind investment decisions in the field of defence. It must be reduced by means other than armaments. The strengthening of European defence capabilities should be guided exclusively by strategic considerations and a profound assessment of what is necessary to protect Europe and guarantee its alliance-building capacities. This must not jeopardise public finances. In particular, the EU should continue to pursue principally preventive and multilateral diplomacy. However, military capabilities are essential to implement the security and defence priorities in the EU's Global Strategy.

2.13 The EESC shares the view that defence research can also have a positive impact on the development of civilian technologies and vice versa.

2.14 The strict distinction between military and non-military is more and more blurring in terms of cyber-attacks and also when looking at internal and external security that has become more and more interlinked.

2.15 The EESC underlines that research for instance in cyber-security technologies can have civilian as well as defence purposes and there would be more examples. Therefore, it goes without saying that such innovation and development can and must be funded also by existing European programmes like Horizon 2020. However, research in defence sensu stricto that is intended as such must be considered separately.

2.16 The EESC supports the creation of a more closely integrated defence industry and a common defence market in Europe. This aim should not be limited to the main producing countries. In implementing defence research and defence projects the existing capabilities of as many interested Member States as appropriate should be used in order to foster commitment to the common cause.

⁽⁵⁾ Work programme put forward by the European Council, the Presidency of the Council and president of the Commission at the meeting of the 27 Heads of State and Government on 16 September 2016, <http://www.consilium.europa.eu/en/press/press-releases/2016/09/16-bratislava-declaration-and-roadmap>

2.17 The EESC rejects the opening up of existing funds that serve economic or social objectives for defence purposes and about dealing with defence spending under the Stability and Growth Pact. The EESC supports the creation of a European Defence Fund that is restricted to defence research and the development and acquisition of military capabilities. At the same time, it should be clearly separated from the European Fund for Strategic Investments (EFSI) and does not include exceptions such as 'one-off measures', as referred to in the Stability and Growth Pact.

2.18 With regard to all aspects of a future defence union, the EESC calls for the full involvement of the European Parliament and a continuous dialogue between politicians, the military and civil society. As an EU consultative body and a representative of all major European civil society organisations, the EESC should act as a key partner in the area of defence policy.

3. Specific comments

3.1 *Creation of a European Defence Fund*

3.1.1 The EESC supports the creation of a Defence Fund with a research window and a capability window, which are to be fully operational from 2020 onwards.

3.1.2 The EESC supports separate financing sources for both 'windows'. However, the research window for defence must not be financed at the expense of research in other sectors. The EESC is in favour of the capability window being financed solely by national contributions. As long as the Union does not have its own variable income, the procurement of the military capabilities of the armed forces remains the responsibility of the Member States. The EU budget should therefore not be used to cover procurement under the capability window of the planned Defence Fund.

3.1.3 The EESC welcomes the planned coordination committee. However, the decision making of this committee should only include political representatives. Military, industrial and civil society representatives can participate in an advisory capacity. The European Parliament must also have a seat and a voice in that committee.

3.1.4 The role of the Commission in co-funding projects should be limited to the research window and should also provide for a special, clearly separated EU defence research programme post-2020 to this end⁽⁶⁾. The EESC supports the idea of assigning the execution of the programme to the European Defence Agency (EDA).

3.1.5 The EESC supports pre-commercial procurement for cooperative procurement contracts, in order to reduce the high investment risks associated with the industry for the businesses concerned.

3.1.6 Possible synergies between civil and defence research should be exploited, but support for civilian research activities using EU funds (Horizon 2020) should not be geared towards military purposes at the expense of other sectors.

3.1.7 The EESC supports the pooling of national funds for the acquisition of new defence capabilities. It seems doubtful that the annual joint target of EUR 5 billion for the capability window will prove sufficient. The Committee believes it would be useful to carry out preparatory studies to examine this reference amount, as provided for in the Action Plan. In the EESC's opinion, the annual amount of common financing must be geared towards meeting the objectives of creating greater synergies, relieving budgetary pressure and successfully acquiring and securing defence capabilities.

3.1.8 The EESC supports the design of the capability window outlined by the Commission, i.e. the umbrella structure for the framework, as well as the rules on common financing and the second level comprising specific projects of cooperating Member States. It makes sense for the individual projects to be clearly defined in terms of quality and quantity and for them to be financially independent of each other.

3.1.9 The development of a permanent capital structure for the capability window is supported. Liability must lie with the Member States as shareholders. The EESC rejects a special provision for national budgetary resources allocated for this purpose under the Stability and Growth Pact.

⁽⁶⁾ Report of the European Parliament on the European Defence Union (2016/2052(INI)).

3.1.10 The EESC underlines that in accordance with Article 41 TEU the EU budget cannot be used to finance military operations. Departing from this principle would also conflict with the specific character of the security and defence policy of particular Member States (Article 42(1) TEU).

3.2 *Stimulating investment in supply chains in the area of defence*

3.2.1 The EESC strongly supports giving special attention to SMEs including in the area of research and development for defence purposes. The EFSI, the ESI Funds and the COSME programme should not be prioritised for arms spending. However, the EFSI Regulation objectives, the ESI Funds and the COSME programme as well as the EIB investments serve non-military purposes. What is more, the use of these funds for military purposes would risk further duplication and fragmentation in the defence market.

3.2.2 As the EU needs a sound and sustainable defence, industrial and technological base, the challenge is to balance the EU's readiness to finance this base without unwanted export dependence. Arms exports should be limited to strategic partners and allies, and should not be driven by other economic considerations which potentially contribute to fuelling conflicts in other parts of the world. Currently there are even serious concerns as regards some allies. Therefore, arms exports need close democratic scrutiny.

3.2.3 The promotion of regional clusters of excellence is supported. This should also be done through the research window and the special EU programme that is to be set up.

3.3 *Expanding the internal market for defence items*

3.3.1 The EESC calls for a well-designed European industrial policy for the defence sector with its specific characteristics of government requirements and public funding. It therefore supports the Commission's call for full application of the Directives ⁽⁷⁾ on public procurement and intra-EU transfers of defence products.

3.3.2 Under Article 346 TFEU, Member States are able to exempt defence and security contracts from the rules if necessary to protect their essential security interests. With the two Directives 2009/81/EC and 2009/43/EC, it is now possible to reduce this exemption to a strict minimum. The EESC agrees with the criticism of the fact that a very significant portion of the procurement of military items is still not carried out under EU public procurement rules, and sees potential for making savings here, which could be invested more efficiently under the Defence Fund.

3.3.3 The EESC supports a simplified authorisation process by means of general authorisations for transferring military items within the single market. The Committee therefore welcomes the interpretation guidance and recommendations that have been announced. However, much more needs to be done to ensure in particular the best use of the Transfer Directive.

3.3.4 The EESC also welcomes studies on the security of supply of raw materials in the framework of the Raw Materials Strategy, as well as on the substitution of critical raw materials. At the same time, it deplores that the European Commission has given up on its mandate of December 2013 to develop a roadmap for a comprehensive EU-wide security of supply regime, which could also drive a politically ambitious implementation of the Transfers Directive.

3.3.5 The EESC shares the view that a well-functioning single market for defence items must be a key objective of the action plan. A defence union is inconceivable without cross-border market access and open supply chains. In particular, SMEs, which are responsible for major innovations in the sector, must be able to access calls for tender.

3.3.6 The EESC supports the development of common standards and the achievement of full interoperability both for arms and dual-use items, while avoiding duplicating existing standards, in particular NATO standards. A corresponding roadmap had already been envisaged for 2014 ⁽⁸⁾.

⁽⁷⁾ Directive 2009/43/EC of the European Parliament and of the Council simplifying terms and conditions of transfers of defence-related products within the Community (OJ L 146, 10.6.2009, p. 1); Directive 2009/81/EC of the European Parliament and of the Council on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security (OJ L 216, 20.8.2009, p. 76).

⁽⁸⁾ European Council Conclusions of 19/20 December 2013 (EUCO 217/13).

3.3.7 The EESC supports the development of reliable, secure and cost-effective satellite communications services for EU and national authorities, along with investment in European space travel.

3.3.8 The EESC is aware of the unclarified relationship between civilian and military use of the Copernicus system, and also of the fact that the military is a key partner of the European Space Agency (ESA), both as a co-developer and a user. Useful synergies could develop here. The use of Copernicus must however be evaluated collectively from a political, scientific and military standpoint. Military use must not place a burden on EU space policy or affect civil use of the system.

3.3.9 The EESC strongly supports boosting capabilities in the area of cyber security and defence, as well as civil/military cooperation on the basis of the EU Cybersecurity Strategy ⁽⁹⁾.

3.3.10 The EESC supports common approaches to promoting maritime security both in the civil and the military fields, as well as the optimisation of interoperable maritime surveillance capabilities.

Brussels, 31 May 2017.

The President
of the European Economic and Social Committee
Georges DASSIS

⁽⁹⁾ Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: The Cybersecurity Strategy of the European Union: An Open, Safe and Secure Cyberspace JOIN(2013) 1 final; Council conclusions on the Commission and the High Representative of the European Union for Foreign Affairs and Security Policy Joint Communication on Cybersecurity Strategy of the European Union: An Open, Safe and Secure Cyberspace (11357/13).