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on the impact of the financial crisis on the defence sector in the EU Member States
(2011/2177(INI))

Committee on Foreign Affairs

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the impact of the financial crisis on the defence sector in the EU Member States (2011/2177(INI))

The European Parliament,

- having regard to Title V of the Treaty on European Union, and in particular to Articles 21, 42, 45 and 46, as well as to the Treaty on the Functioning of the European Union and Protocol No 10 thereto,
- having regard to the European Security Strategy (ESS) entitled "A secure Europe in a better world", adopted by the European Council on 12 December 2003, as well as to the report on its implementation entitled "Providing security in a changing world", drafted under the responsibilities of the EU High Representative and endorsed by the European Council on 11-12 December 2008,
- having regard to the objectives set by the European Council in December 2008 in order to enhance European military capabilities,
- having regard to the Council conclusions of 23 May 2011, 31 January 2011 and 9 December 2010, on pooling and sharing of military capabilities, on the CSDP, and on military capability development respectively,
- having regard to Council Decision 2011/411/CFSP of 12 July 2011 defining the statute, seat and operational rules of the European Defence Agency and repealing Joint Action 2004/551/CFSP¹,
- having regard to the High Representative's Report on CSDP, presented during the Foreign Affairs Council of 18 July 2011,
- having regard to 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 Community²,
- having regard to 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/EC³,
- having regard to its resolutions of 11 May 2011 on the development of the common security and defence policy following the entry into force of the Lisbon Treaty⁴, of 23 November 2010 on civilian-military cooperation and the development of civilian-

¹ OJ L 183, 13.7.2011, p. 16.

² OJ L 146, 10.6.2009, p. 1.

³ OJ L 216, 20.8.2009, p. 76.

⁴ Texts adopted, P7_TA(2011)0228.

military capabilities¹, and of 10 March 2010 on the implementation of the European Security Strategy and the Common Security and Defence Policy², as well as to its previous resolutions on European Security and Defence Policy,

- having regard to Rule 48 of its Rules of Procedure,
- having regard to the report of the Committee on Foreign Affairs and the opinion of the Committee on Industry, Research and Energy (A7-0428/2011),

General considerations

1. Notes with concern the culmination of a trend in recent years of cuts in the defence budgets of the majority of EU Member States in the wake of the financial, economic and debt crisis, and the potential negative impact of these measures on their military capabilities and, therefore, on the ability of the EU to effectively take over its responsibilities in peace keeping, conflict prevention and the strengthening of international security, in accordance with the principles of the United Nations Charter, should the Member States fail to make up for these losses through increased European cooperation and coordination; underlines, in this regard, that defence constitutes a public good that affects the security of all European citizens and that all Member States need to contribute in a spirit of cooperation, burden sharing and cost-effectiveness;
2. Warns that uncoordinated defence budget cuts could result in the complete loss of certain military capabilities in Europe; welcomes and supports, therefore, the Council's encouragement to the Member States to exchange information, as appropriate, and enhance transparency on current and forthcoming defence budget cuts, and calls for an impact assessment of these budget cuts for the development of capabilities in support of CSDP; recalls that the intervention in Libya clearly demonstrated that even a coalition of European countries is unable to carry out an operation of this kind without US support;
3. Notes the continuing disproportionate reliance on the United States in defence matters, given that the US share of all defence spending in the North Atlantic Alliance has risen to 75 %, and the need therefore for European allies to increase their share of the defence burden; notes with concern that recent budget cuts are in addition to a pattern of Member States under-investing and under-spending in the fields of security and defence for over a decade;
4. In an increasingly complex and unpredictable security environment, urges all EU Member States to cooperate more closely and coordinate actions against the common threats identified in the European Security Strategy (ESS), assuming fully their part of responsibility for peace and security in Europe, its neighbourhood and the wider world; while recognising that not all threats are of a military nature and that the EU has a variety of instruments at its disposal for crisis prevention and management, such as its civilian capabilities and technical assistance instruments, reminds the Member States of their repeated commitments, including in the Treaty and European Council conclusions, to improve their military capabilities, and calls on them to make sure these commitments are

¹ Texts adopted, P7_TA(2010)0419.

² Texts adopted, P7_TA(2010)0061.

met;

5. Reiterates its view that a reinforced European defence capability will enhance the strategic autonomy of the EU and provide an important contribution to collective security in the context of NATO and other partnerships; emphasises the potential of the provisions of the Lisbon Treaty in this respect and urges the Member States to implement permanent structured cooperation, to define the conditions for the application of the solidarity and mutual defence clauses, and to make full use of the European Defence Agency;
6. Without disregarding different level of ambition, points out that the Member States collectively spend about EUR 200 billion a year on defence, which is only about a third of the US defence budget but still a considerable amount demonstrating the costs of non-Europe in the defence area;
7. Deplores the way in which most of these funds are spent, based on uncoordinated national defence planning decisions, which results not only in persistent capability gaps, but often also in wasteful overcapacities and duplications, as well as fragmented industry and markets, which leads to the EU not having either the visibility, resources or reach of EUR 200 billions' worth of spending;
8. Considers that the economic and financial crisis can be used as an opportunity for the integration of EU defence policies, as it can provide the impetus for finally creating and implementing ambitious reforms long in the making;
9. Given the above, urges the Member States to accept that increased cooperation is the best way forward and that, in particular through (A) better coordination of defence planning, which includes harmonisation of military requirements and measures to increase interoperability, (B) pooling and sharing of certain capabilities and support structures, (C) enhanced cooperation in research and technological development, (D) facilitating industrial collaboration and consolidation, and (E) optimisation of procurement and removing market barriers, the Member States can develop capabilities in a more cost-efficient way, and this without adverse effects on their sovereignty;
10. Stresses that the EU has at its disposal tools and mechanisms that can assist the Member States in achieving this, as set out below, including through the identification of areas where more funding could be provided at European level (F);
11. Recognises that, regardless of the above, maintaining an adequate manufacturing and technological base and ensuring security of supply are fundamental national defence matters which should not be governed solely by financial objectives;
12. Considers that a major focus of all EU efforts on defence in reaction to the financial crisis should be the European Defence Agency (EDA), which has the potential to cover a wide area of policy overhauls and planning, yet is unable to do so in its current format; calls for an upgrade of the format of the EDA, considering that an increase in its budget, personnel, areas of responsibility and overall powers would be cost-effective in the long run, enabling it to work better on the optimisation of the EU defence sector, with a specific task of avoiding costly duplications and financially unsustainable defence policies;

(A) Better coordination of defence planning

13. Reiterates its call on the Member States to conduct systematic security and defence reviews in accordance with common criteria and a harmonised timetable; suggests that this could be developed into a regular exercise which is linked to budgetary procedures – a sort of ‘European semester’ of security and defence reviews;
14. Stresses that the point of such coordinated reviews would be to end the culture of isolation in national defence planning and to establish a platform for structured discussion, allowing the Member States to consider the bigger picture – the European perspective – before they take key strategic decisions on their defence capabilities; underlines that the initiative should complement, for the Member States concerned, their coordination within the NATO Defence Planning Process;
15. Calls again for an EU White Paper on security and defence that would develop and implement the European Security Strategy, better defining the EU's security and defence objectives, interests and needs in relation to the means and resources available, while also taking into account non-traditional aspects of security; emphasises that it should be drafted and regularly updated on the basis of the national reviews, while at the same time providing a reference for them, linking national defence planning with a common security outlook and threat assessment; stresses that such a White Paper, by setting out a common vision of challenges and solutions, will build trust and provide focused strategic guidance on the form that EU forces should take;
16. Recalls that the Lisbon Treaty has reinforced the role of the European Defence Agency (EDA) in supporting the Member States in their efforts to improve the military capabilities for the Common Security and Defence Policy; suggests, therefore, that the Member States ask the Agency to examine how to improve coordination of defence planning in Europe; recalls, furthermore, that the Treaty tasks the EDA to evaluate the observance of capability commitments and to promote the harmonisation of operational needs, and calls for better execution of these tasks; recommends that, as a first step in the ‘European semester’ exercise, the Member States could submit their draft national security and defence reviews to the EDA for advice, to assess them in particular in the light of the capability priorities set by the EDA steering board in the Capability Development Plan, as well as of the plans of the other Member States and of the NATO Defence Planning Process; believes that, in the very short term, the EDA should also play an important role in defining a European capabilities and armaments policy;
17. Takes the view that, as the next step, the Member States should go through a process of mutual consultations in order to harmonise their military requirements and examine all options for increasing cost-efficiency through EU-level, regional, bilateral or other arrangements;
18. Urges the Member States also to address within such a process the existing overcapacities, especially as regards equipment and personnel of lesser priority in operations;

(B) Pooling and sharing of capabilities

19. Is firmly convinced that pooling and sharing of capabilities is not an option any more, but

a necessity; supports the Member States in their efforts to identify the most promising projects, as part of the process initiated at the September 2010 ministerial meeting in Ghent and in line with the November 2010 German-Swedish initiative, while recognising that pooling and sharing cannot replace the actual development of capabilities, but will enhance and improve it; recalls the mandate given to the EDA in May 2011 for submitting proposals in the autumn; urges the Member States, in particular the Weimar Triangle, but also the Weimar Plus formation, to make pooling and sharing a success by acting as a political driving force;

20. Stresses that, in particular in areas such as strategic and tactical transportation, logistical support, maintenance, space capabilities, cyber defence, medical support, education and training, as well as certain niche capabilities, Member States can greatly profit from pooling or sharing of some functions and assets without creating significant dependencies that would limit their sovereign decision-making; strongly encourages initiatives addressing capability gaps in areas such as transport helicopters, air-to-air refuelling, maritime surveillance, unmanned vehicles, protection against chemical, biological, radiological and nuclear risks, countering improvised explosive devices (IEDs), satellite communication, command and control systems, and intelligence, surveillance and reconnaissance (ISR) sensors and platforms, including alternatives to satellite systems, such as High Altitude Long Endurance (HALE) UAVs, as well as the necessary green technologies required to achieve high operational autonomy and cost effectiveness;
21. Stresses that pooling resources must go hand in hand with enhanced specialisation where Member States giving up certain capabilities can be confident that others will provide them and recognises that this will require serious political commitment by national governments;
22. Invites the Member States to make creative use of the different pooling and sharing models that can be identified, such as (1) pooling through joint ownership, (2) pooling of nationally owned assets, (3) pooling of procurement, or (4) role- and task-sharing, and of combinations thereof as appropriate, and calls for quick progress especially in the areas mentioned above;
23. First, on 'joint ownership', calls on the Member States to explore the possibilities for certain equipment to be jointly acquired by consortia of participating countries or by the EU itself, taking inspiration from initiatives such as the Strategic Airlift Capability implemented under NATO, the NATO AWACS programme or the EU's Galileo, or to search for possibilities of EU funding or co-funding of equipment acquired by consortia of Member States; stresses the potential of joint ownership for the most expensive equipment, such as for space capabilities, UAVs or strategic transport aircraft;
24. Second, on the 'pooling of assets owned nationally', views the European Air Transport Command (EATC) initiative of four Member States as a particularly useful example, where the use of existing capabilities is optimised by the transfer of some competencies to a common structure, while maintaining fully national ownership of assets; considers this model of pooled, but separable, capabilities to be well adapted also to other areas of operational support, such as transport helicopters, maritime patrol aircraft and military sealift assets; believes that any delegation of competences to an integrated structure needs

to be flexible and should not require all participants to delegate the same set of competences, to avoid the risk of settling for the lowest common denominator; considers it desirable, however, that Member States provide national capabilities in the full range of the tasks of EATC;

25. Third, with respect to the ‘pooling of procurement’, such as in the A400M programme, highlights the potential benefits of joint procurement in terms of economies of scale, building a viable industrial base, interoperability, and subsequent possibilities of pooling and sharing in in-service support, maintenance and training; deplores the fact that these benefits are often lost due to differences in requirements and work-share agreements as in the case of the Eurofighter programme; in order to realise fully the potential savings, stresses the importance of maintaining a common configuration of jointly procured equipment through its entire life cycle in order to facilitate joint in-service support; invites the Member States also to consider the pooling of outsourced services;
26. Fourth, concerning ‘role and task sharing’, considers that positive examples exist in initiatives such as the French-Belgian cooperation in fighter pilot training, the UK-French agreement on the sharing of aircraft carriers, the French-German initiative on helicopter pilot training, or the Belgian-Dutch navy cooperation, where a number of national support structures are shared with the partner; highlights especially the opportunities in the area of education, training and exercises, and especially in sharing military academies, test and evaluation facilities and facilities for pilot training; in the case of some niche capabilities, considers role- and task-sharing the only viable way for most Member States to ensure access to some rare capabilities such as CBRN units or hospital aircraft;
27. Recalls the important role of the EDA, as defined by the Treaty, in proposing multilateral projects, coordinating Member States' programmes and managing R&T cooperation programmes; highlights the EDA-run projects that are already operational, such as the Helicopter Training Programme and the deployable forensic laboratory to counter IEDs and its application in Afghanistan, and calls for more progress on other initiatives such as the European Air Transport Fleet (EATF); urges the Member States to use the potential the Agency offers in terms of administrative and legal support and to entrust it with the management of their cooperation initiatives and underlines the need for the EDA to be given the means to deal with an increase of its responsibilities;
28. Recognises bilateral and regional initiatives such as the 2010 UK-French defence agreements, the Nordic Defence Cooperation and the Baltic Defence Cooperation as important steps for rationalising the use of resources and fill short-term capability gaps; notes the proposals for similar cooperations in other regions, such as among the Visegrád Group countries; takes the view, however, that significant structural gaps remain which need to be addressed in a coordinated fashion at EU level and that, therefore, at a certain point these bilateral or regional arrangements need to be integrated into the wider European perspective, making sure that they contribute to the development of CSDP and do not, in any way, run counter it; in this context, believes that the EDA should be given a role in ensuring overall coherence of efforts and encourages further reflection on how the Treaty provisions on the Permanent Structured Cooperation could be used to provide an overall coordination framework;

29. Considers that a civil-military EU Operational Headquarters, for which it has repeatedly called, would not only substantially enhance the EU's capacity to support international peace and security, but would in the long run also generate savings for the national budgets in the logic of pooling and sharing; stresses that political guidance by the Vice-President / High Representative is needed and calls on the Vice-President / High Representative to continue work based on the 'Weimar initiative' and to investigate legal options for the establishment of an autonomous operational planning and conduct capability comprising two separate (civilian and military) chains of command, in line with the model presented to the Council in July 2011, as soon as possible;
30. Welcomes the 'Smart Defence' initiative within NATO and reaffirms the importance of continuous coordination and deconfliction between the EU and NATO at all levels to avoid unnecessary duplication; stresses that an intensification of EU-NATO practical cooperation, in particular concerning the responses to the challenges of the financial crisis, is a must; calls in particular on the EDA and the Allied Command Transformation to cooperate closely to make sure that pooling and sharing projects of both organisations are complementary and are always implemented in the framework with the most added value;
31. Notes the potential for pooling of cyber defence assets, given the integration of European cyber systems, and the need to address the need for more EU coordination in this area;

(C) Supporting defence research and technological development

32. Recalls the importance of research and innovation in the security and defence sector as the basis for the competitiveness and resilience of the European defence industry, and its importance for the achievement of the Europe 2020 goals of sustainable growth; points out that current research and technology (R&T) efforts will be determining in mastering future technological advances; deplores the fact that only about 1 % of EU countries' overall defence spending goes to R&T, while more than 50 % continues to be spent on personnel, and in particular that for most Member States this is well below 1 %; urges the Member States to exclude R&T from their spending cuts as a matter of priority;
33. Regrets the fact that the potential of economies of scale from collaborative projects remains largely unused, with about 85 % of R&T expenditure still spent nationally and the large majority of the rest spent at bilateral and not multinational level, having as consequence the fragmentation among Member States; recalls that European Ministers of Defence agreed in November 2007 collective benchmarks to increase defence R&T spending to 2 % of all defence expenditure and to bring European collaborative defence R&T spending to a level of 20 %;
34. Highlights the fundamental role of the EDA in coordinating and planning joint defence research activities; stresses the benefits of research cooperation in terms of improved interoperability, and eventually greater homogeneity among the equipment and capabilities of the national armed forces, since research is the first phase of any equipment programme;
35. Recalls the ever growing number of technologies with dual-use applications, and therefore the importance of increasing complementarities and synergies between European defence and civilian security research programmes; encourages the EDA and the Commission to

pursue their coordination within the European Framework Cooperation, in order to maximise synergies with the ‘Security’ theme of the Framework Programme for Research and Technological Development, in particular in areas such as CBRN protection, counter improvised explosive devices, unmanned aerial systems, maritime surveillance, information management and processing, and cyber defence;

36. Stresses in particular that security research needs to be maintained as an independent component in the next Horizon 2020 Programme; takes the view that the scope of the ‘Security’ theme should be expanded to reflect the necessity for innovation and technology transfer between the civil and the defence industry, but maintains that, while taking due account of any relevant defence-related requirements in the programmes and projects, the theme should keep its civilian focus;
37. Points out that, just as the results of civilian research often have defence applications, the spin-offs from defence research frequently benefit the whole of society; recalls in particular the examples of the internet and GPS; takes the view that, in the long run, more specific focus on defence research could be envisaged in the next Framework Programmes, in order to stimulate European collaborative research and help bring together dispersed national funds;
38. Stresses, however, that no resources must be transferred from civilian research and that any EU-funded defence research activity should first of all follow the objective of the development of EU crisis management capabilities and focus on research with dual applications;
39. Recalls that, as specified in the legal basis of the 7th Framework Programme (FP7), research activities supported by the FP7 should respect fundamental ethical principles, including those reflected in the Charter of Fundamental Rights of the European Union; calls on the Commission to improve the way in which it enforces ethical principles in the evaluation of eligibility criteria for participation in the FP7 research programmes in the area of ‘security’; also calls on the Commission to make an ethical and societal impact assessment a standard element of each project to be financed under the FP7 and future research programmes;
40. Points out the provision of Article 185 TFEU allowing an EU contribution to existing research and development programmes undertaken by a group of Member States; believes that the possibility could be explored of using this article to speed up the development of capabilities needed for CSDP missions and operations;
41. Recalls also the equally important synergies to be sought with European space programmes, and encourages further coordination between the EDA, the Commission and the European Space Agency within the European Framework Cooperation, in particular on space-based Earth observation and space situational awareness; calls for close coordination of the MUSIS, GMES and EDRS programmes for Earth observation and for the harmonisation of standards for civilian and military spatial data infrastructures; demands that the GMES project continue to be funded from the EU budget under the next Multiannual Financial Framework (2014-2020);

(D) Building a European defence technological and industrial base

42. Recalls the need to progress in the consolidation of the European defence technological and industrial base, as, in the face of increasing sophistication of technologies, growing international competition, and decreasing defence budgets, in no EU Member State can the defence industry any longer be sustainable on a strictly national basis; deplores the fact that, while a certain level of concentration has been achieved in the European aerospace industries, the land and naval equipment sectors are still overwhelmingly fragmented along national lines; warns Member States against the possibility that reductions in defence investment will expose European defence industries and technological innovation to the risks of being overtaken by the control of third powers with different strategic interests;
43. Considers that a harmonisation of military requirements, through a process of coordinated security and defence reviews as described under (A), should lead to a harmonisation of equipment acquisition among the EU Member States, which is the first prerequisite for creating conditions on the demand side for a successful transnational restructuring of the defence industry in Europe;
44. While recognising that one of the likely consequences of restructuring will be the abandonment of some non-viable national industrial capacities, stresses that any medium and long term plans for such restructuring should be aimed at having the least impact on employment; recommends, therefore, greater reorientation and synergies, based on more specialisation, interoperability and complementarity; calls for a better use of EU funding, such as the European Social Fund and European Globalisation Adjustment Fund, to support anticipation and adaptation to change;
45. Stresses that promoting a European defence technological and industrial base can create sustainable jobs for European citizens in EU defence industries;
46. In the context of industry restructuring, highlights also the importance of ensuring that security of supply is not put at risk; calls on the Member States and the Commission to rapidly develop a comprehensive and ambitious EU-wide security-of-supply regime based on a system of mutual guarantees; urges the Member States, as first steps towards this objective, to fully exploit the potential of the Directive on transfers and to speed up work to operationalise the 2006 Framework Arrangement for Security of Supply in Circumstances of Operational Urgency;
47. Encourages the EDA to further develop a common European view on key industrial capabilities that have to be preserved or developed in Europe; as part of this effort, invites the Agency to analyse dependencies on non-European technologies and sources of supply for European strategic autonomy and make concrete recommendations for Member States, in line with the work of the European Commission which also has certain programmes aimed at reducing European supply dependency and energy dependency;
48. Believes that collaborative armaments programmes, such as those initiated by the EDA and managed by the Organisation for Joint Armament Cooperation (OCCAR), represent a vital tool for reducing development costs, supporting industry consolidation, fostering standardisation and interoperability, and boosting global competitiveness; highlights the

EDA's role in facilitating the translation of capability needs into cooperative programmes and identifying opportunities to cooperate early in the life cycle; calls on the EDA to continue work on the Collaborative Database for matching national projects as cooperative opportunities and encourages the Member States to populate this database; calls on the EDA to present a Guide to Armaments Cooperation Best Practice, as provided for in its European Armaments Cooperation Strategy;

49. Urges the Member States to avoid rigid work-share agreements in joint armaments programmes, noting the adverse effects of the principle of 'juste retour' in terms of inefficient work distribution, leading to slower implementation and higher costs; calls for the 'juste retour' principle to be replaced with a much more flexible concept of 'global balance', which allows effective EU-wide competition for the selection of contractors, provided that a minimum balance is achieved in order to ensure that small and medium-sized enterprises can compete on an equal footing with large enterprises; welcomes the fact that 'global balance' is used in the EDA's joint investment programme on force protection, and calls on the Agency to implement this concept over the whole spectrum of its activities, with the final aim of complying with the level playing field within the European defence equipment market and taking account of the interests of small and medium enterprises;
50. Invites the Member States to make use of OCCAR's management experience for the implementation of joint programmes, as prepared by the EDA, and urges the EDA and OCCAR to conclude an administrative arrangement on their cooperation; recalls that any EU Member State may join OCCAR if it is its will and if it fulfils the membership criteria;
51. Calls on the Commission and Member States to cooperate with one another to ensure cyber security, as an integral facet of the defence sector;
52. Notes that there is as yet no European-level legal definition of the European Defence Technological and Industrial Base (EDTIB) and invites the Commission and the EDA to analyse possible criteria of such a definition and their impact; stresses in this regard that one of the important criteria could be the technological added value generated by the location of design offices on EU Member States' territory; encourages the Member States to consider setting out a Defence Industrial Headline Goal to provide a clear long-term vision for the development of the EDTIB;
53. Notes the importance – for a competitive European defence industry – of transatlantic industrial cooperation, which can facilitate access to new technologies, promote advanced products development and provide incentives to reduce costs and shorten the production cycle; notes also the potential of cooperation with other external partners;

(E) Establishing a European defence equipment market

54. Recalls that, in order to increase the competitiveness of the European defence industry, as well as to make sure that the interests of the taxpayer are adequately safeguarded, Member States urgently need to improve the transparency and openness of their defence markets; considers that Directive 2009/81/EC on defence and sensitive security procurement strengthens the single market by reducing the diversity of procurement rules in the defence sector and by opening up national markets to greater competition, and recalls that

the deadline for the transposition of the directive expired on 21 August 2011; calls on the Commission to report in due time on the transposition measures taken by the Member States, and to take all necessary action to ensure timely and consistent transposition and correct implementation;

55. Stresses that the directive is tailor-made to the specificities of defence and security procurement contracts, and that, consequently, any exemption of contracts from EU law on the basis of Article 346 TFEU can be deemed legal only in exceptional and duly substantiated cases in order to safeguard essential national security interests; calls on the Commission to ensure that the directive, as well as the derogation under Article 346 TFEU, are correctly applied; underlines that this would benefit from an evaluation by the Commission reporting on good practices as well as cases of misapplication of the new rules;
56. Stresses that, in line with the on-going efforts aimed at modernising and streamlining the overall European public procurement framework, the objectives of administrative simplification and burden reduction should be reflected in the practical application of the directive, and that, in order to facilitate cross-border tendering, there is a need to review incompatible or disproportionate technical requirements that constitute barriers to the internal market; recalls, furthermore, that potential subcontractors should not be discriminated against on the grounds of nationality;
57. Recalls that the regime established by the EDA's Code of Conduct on Defence Procurement and the Code of Best Practice in the Supply Chain is only applicable to contracts covered by the derogation under Article 346 TFEU; invites the EDA and the Commission to reassess the relevance of this regime following the entry into force of the Directive on defence procurement;
58. Urges the Member States to set as a top priority the fight against corruption in defence procurement, namely by adequate implementation of the Directive, deploring the devastating effects of corruption especially in terms of inflated costs, acquisition of unnecessary, inadequate or non-optimal equipment, obstruction to joint procurement and collaborative programmes, hindering market opening and resulting in heavy burden on national budgets; in addition to generalising transparent and competitive public procurement procedures, strongly advises following the recommendations of the NATO/DCAF Building Integrity and Reducing Corruption in Defence compendium of best practices; highlights positive examples such as the concept of 'defence integrity pacts' between government and bidders with the participation of independent monitors, or systematic parliamentary oversight of all stages in procurement procedures above a certain ceiling as practised in several Member States;
59. Stresses that offset requirements can in principle only be justified if they are necessary for the protection of essential security interests in accordance with Article 346 TFEU, and that they should be consistent with the principles of transparency and must especially not cause risks of corruption or disrupt the functioning of the European defence equipment market;
60. Notes, however, that offset practices may in certain cases help domestic industries become more efficient and contribute to the development of the European defence industrial base,

as well as that intra-Union offset contracts can lead to the creation of jobs and the re-start of national industries; calls on the Member States, the EDA and the Commission to work together towards the gradual phasing-out of offset requirements, while fostering the integration of smaller Member States' industries into the European defence technological and industrial base by other means than offsets;

61. Calls on the Commission and the EDA to look into ways also to address other market-distorting practices, such as state aid and export support, building on the EDA Level Playing Field initiative;
62. Considers that, in the current budgetary context, the principle of European preference in the procurement of defence equipment can be seen as a form of European solidarity; invites the Commission and the EDA to present a cost-benefit analysis of a procedure of European preference for certain types of defence equipment in respect of which it is important to retain strategic independence and where there is no reciprocity of access to the markets of third countries; highlights the importance of ensuring greater access to third-country markets for European defence products;
63. Recalls that the administrative burden of licensing obligations in intra-EU trade in defence products has had an inhibiting effect on industry consolidation and has been a major obstacle to transnational collaborative armaments programmes; recalls that the deadline for the transposition of Directive 2009/43/EC on transfers of defence-related products within the EU expired on 30 June 2011 and that the Member States are required to apply the new rules from 30 June 2012; calls on the Commission to report in due time on the transposition measures taken by the Member States, and to take all necessary action to ensure correct implementation;
64. Urges the Member States to make best use of the new general licences for deliveries to other Member States' armed forces as an important instrument for improving EU-wide security of supply;
65. Stresses that the success of the Directive, in particular as regards licences for transfers between companies, largely depends on the confidence that the Member States have in each other's export controls; urges the Member States to comply strictly with the obligations set out in Council Common Position 2008/944/CFSP defining common rules governing control of exports of military technology and equipment, and to make sure they rigorously assess all licence applications against all the eight criteria as required; calls on the Vice-President/High Representative to evaluate Member States' compliance, in the context of the review of the Common Position, in light of both trade and foreign policy considerations, including the respect of human rights and democratic principles in importing countries;
66. Reiterates the fundamental importance of standardisation of defence equipment for the establishment of a single European defence market, as well as for ensuring interoperability and facilitating cooperation on armaments programmes, pooling and sharing projects, and operations alike; encourages the EDA, the Commission and the European Standards Organisations (CEN, CENELEC, ETSI), in cooperation with the industry and the NATO Standardisation Agency in particular, to speed up work on reducing divergence in standards in defence and security industries, and between civilian and military equipment;

promotes the use and further development of the European Defence Standards Information System and of the European Handbook For Defence Procurement;

67. Calls on the Member States and the Commission to introduce pan-European certification for security and defence products to end the unsustainable situation whereby separate testing is required in each Member State; points out that this time-consuming and burdensome process significantly drives up manufacturers' costs, damaging their competitiveness to a point which is prohibitive for smaller companies in particular; supports the EDA's work on military airworthiness and encourages the Member States to speed up work on the formation of a European Military Joint Airworthiness Organisation as the military counterpart to the European Air Safety Agency;
68. Stresses that the above mentioned standardisation and consolidation should be part of an EU- and not an industry-driven process to the benefit of the European interests and the real needs of the society, and that participation in common EU programmes and synergies should be - in principle - open to all Member States;

(F) Finding new forms of EU-level funding

69. Is convinced that, especially in the context of the adoption of the new Multiannual Financial Framework, reflection needs to be undertaken on the possibilities for the EU budget to assist the Member States in achieving the goals of the Common Security and Defence Policy in a more cost-efficient way;
70. As set out under (C) above, calls for the reinforcement and extension of security research under the Research Framework Programme, for the use of Article 185 TFEU to co-fund existing research and development programmes, as well as for the preparation of a new theme for defence research with civil-military applications in order to stimulate collaborative defence research;
71. Takes the view that EU funds should be used to foster cooperation in education and training, encouraging the creation of networks between the defence industry, research institutes and academia; calls for the necessary arrangements to be made to allow the payment of stipends to cadets participating in the 'military Erasmus' programme from the EU budget, in order to give them equal treatment with students at civilian higher education institutions and thus facilitate the development of a common security culture and approach;
72. Recommends funding of the activities of the European Security and Defence College, focused on the training of civilian and military experts in crisis management and CSDP, and promoting a common security culture in the EU, from the Instrument for Stability;
73. Encourages further development of the role of the College as a forum for cooperation between national defence academies and civilian security training institutions, in order also to identify and develop cost-saving pooling and sharing projects between them; calls on the Member States to transform it into a real academic institution, and, given its strong civilian-military focus, suggests it be funded by the EU under the next Multiannual Financial Framework;

74. Calls on all relevant actors to assess whether EU-owned assets along the Galileo model, as set out under (B), could be a viable and cost-effective option, especially in areas such as strategic and tactical transport or surveillance;
75. Urges the Member States to increase the budget of the EDA as a matter of priority, recognising the Agency's added value in compensating, through cooperation, for cuts decided at national level; deplores the fact that the Council Decision on the EDA has not provided the Agency with a multiannual budgetary framework comparable to the EU's general budget;
76. Points out that the EU Satellite Centre, operating with a modest budget, has demonstrated its efficiency and added value throughout a variety of security and defence operations; recalls the growing demand for satellite imagery, including in the wake of the recent events in Northern Africa; calls on the Member States to provide the Centre with a more important budget, and, given in particular its civil-military uses, takes the view that it should be funded from the EU budget;
77. Welcomes the efforts of the Polish Council Presidency in reviewing the ATHENA mechanism; encourages the Member States to increase their efforts in finding an agreement on common financing; invites the Member States to consider, as part of the review of the ATHENA mechanism, the possibility of extending the mechanism to provide also common funding for actions or acquisitions which support the aim of greater cost efficiency in European defence, but cannot be financed from the EU budget, notably a common financing of provided equipment;
78. Instructs its President to forward this resolution to the High Representative/Vice-President, the Council, the Commission, the Parliaments of the EU Member States, the NATO Parliamentary Assembly and the Secretary-General of NATO.

MINORITY OPINION

on the report on the impact of the financial crisis on the defence sector in the EU Member States (2011/2177(INI)),

Committee on Foreign Affairs, Rapporteur: Krzysztof Lisek

Minority Report tabled by GUE/NGL MEPs Sabine Lösing, Willy Meyer, Takis Hadjigeorgiou, Nikolaos Chountis

The report advocates further militarization of the EU; encourages (space -) armament, increased investment in security, defence and military research and equipment despite the financial and economical crises and environmental impact; it fosters the Military Industrial Complex and enhances an intensified EU-NATO cooperation including an increased cost and "burden-sharing".

We object to the report since it:

- is shaping up the EU into a military global player, through centralisation and harmonisation of power (EDA EU-OHQ), boosting armament and increase spending: i.a. supports and promotes the ATHENA mechanism beyond parliamentary control
- uses the economic crisis as a pretext to further develop the defence industry, blackmails that defence cuts may lead to the increase of unemployment;
- supports and encourages further civil-military cooperation;
- demands the liberalisation of the defence market, fosters economic interests in the field of production of weapons and military equipment - MIC
- amplifies security research, in particular for CSDP missions and mixing of civilian security and military research

We demand:

- radical (nuclear-) disarmament on EU and global level;
- military expenditure redirected to civilian purposes;
- all activities strictly within UN Charter, International Law;
- civilian EU, strict civil peaceful conflict solutions /approaches, separation of civil and military actions;
- strict separation of EU from NATO.

10.11.2011

OPINION OF THE COMMITTEE ON INDUSTRY, RESEARCH AND ENERGY

for the Committee on Foreign Affairs

on the impact of the financial crisis on the defence sector in the EU Member States
(2011/2177(INI))

Rapporteur: Evžen Tošenovský

SUGGESTIONS

The Committee on Industry, Research and Energy calls on the Committee on Foreign Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Points out that – as a consequence of the economic and financial crisis – the ongoing fiscal consolidation across the EU and the reductions in defence budgets in the majority of Member States may lead to substantial programme cuts, shrinkages or delays for almost all Member States, which is likely to continue to affect the European defence industry as well as the EU's scientific progress in this sector, and notes that it may result in job losses in the medium and long term;
2. Underlines that the European defence industry is characterised by varying national policies and programmes, which in addition to the economic and financial crisis could further aggravate the adverse effects on the industry; calls for further development of EU defence policy, leading to solid research, technological and industrial cooperation among Member States, to reinforce the competitiveness and resilience of the defence industry;
3. Calls on the Commission and Member States to cooperate with one another to ensure cyber-security, as an integral facet of the defence sector;
4. Points out the importance of research and innovation in the security and defence sector; stresses in particular that it is important for the security research programme under the 7th Framework Programme to continue to be pursued as an independent component in the next Framework Programme; notes the necessity for innovation and technology transfer between the civil and the defence industry, by analogy with what is being done successfully in the areas of communication and space, due to the shift in recent years

from traditional military operations towards peace operations, counter-terrorism, humanitarian assistance and support to civil authorities, as well as the increased need for civil protection applications in cases of natural or manmade disasters; calls, therefore, for the adaptation and diversification of the EU defence sector;

5. Notes that European Ministers of Defence agreed in November 2007 collective benchmarks to increase defence R&T spending to 2% of all defence expenditure and to bring European collaborative defence R&T spending to a level of 20%;
6. Notes, however, that currently a little over 1% of Europe's total defence expenditure is invested in R&T and only around 10% of that R&T expenditure is spent through European collaboration, so the need to enhance the effectiveness of European efforts in this domain is particularly urgent;
7. Notes that the absence of a common defence industrial policy has led to considerable fragmentation of the defence market in terms of demand and supply, regulations and standards; recognises that a common defence industrial policy makes sense economically to reinforce the role of the European Union on the global scale and maintain Europe's technological capacity while still taking into account the specificities of each Member State; believes therefore that European defence industrial policy should promote multidimensional cooperation for the benefit of the EU, outlining the main industrial objectives, mapping the comparative advantages and strategic industrial sectors and emphasising the role of the European Defence Agency (EDA), one of main actors in defining European industrial policy, and the North Atlantic Treaty Organisation (NATO) bodies in supporting cooperation among Member States; further recognises the need for the Defence Industrial Headline Goal 2030 to help coordinate the defence policies of the Member States; notes that cross-border and transatlantic industrial cooperation can facilitate access to new technologies, promote advanced product development and provide an incentive to seek effective measures to reduce costs and shorten the production cycle; notes that due to the financial crisis no EU defence industry can be viable on a national basis and that pursuing consolidation of the EU defence industry will lead to decreasing defence budgets;
8. Highlights the importance of improving the long-term competitiveness of the European defence industry with a view to ensuring greater access to third-country markets, and emerging markets in particular;
9. Suggests, also, the setting-up of a European monitoring and economic intelligence unit tasked with providing the necessary tools to confront international competition and maintain Europe's international competitiveness;
10. Welcomes the directives on procurement and transfers, which aim to increase competition and transparency and facilitate technology transfer; encourages, on the basis of pooling and sharing of initiatives, greater consolidation of demand through joint R&T projects or through bundling of demand for shared capabilities, taking into account the concerns of the defence industry, including SMEs, and recognising that it is not always economically efficient or feasible for the defence industries of each Member State to act entirely on their own; asks the Commission to support the defence industrial and technological base by establishing a procedure for Community preference due to the

specificities of certain defence equipment for which it is important to maintain strategic autonomy and operational sovereignty; notes that on the supply side, less competitive companies that cannot implement an export-led growth strategy should pursue portfolio diversification from defence goods towards civil security or dual use of goods, although some degree of supply consolidation is unavoidable;

11. Calls on the EU and the Member States to explore the potential of defence agreements with other external partners;
12. Recalls that, as specified in the FP7 legal basis, research activities supported by the FP7 should respect fundamental ethical principles, including those reflected in the Charter of Fundamental Rights of the European Union; calls on the Commission to improve the way in which it enforces ethical principles in the evaluation of eligibility criteria for participation in the FP7 research programmes in the area of 'security'; also calls on the Commission to make an ethical and societal impact assessment a standard element of each project to be financed under the FP7 and future research programmes.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	10.11.2011
Result of final vote	+: 44 -: 7 0: 1
Members present for the final vote	Ivo Belet, Bendt Bendtsen, Maria Da Graça Carvalho, Giles Chichester, Pilar del Castillo Vera, Christian Ehler, Ioan Enciu, Adam Gierek, Norbert Glante, Robert Goebbels, Fiona Hall, Jacky Hénin, Edit Herczog, Kent Johansson, Romana Jordan Cizelj, Lena Kolarska-Bobińska, Béla Kovács, Philippe Lamberts, Bogdan Kazimierz Marcinkiewicz, Marisa Matias, Judith A. Merkies, Angelika Niebler, Jaroslav Paška, Aldo Patriciello, Anni Podimata, Miloslav Ransdorf, Herbert Reul, Michèle Rivasi, Jens Rohde, Paul Rübig, Amalia Sartori, Francisco Sosa Wagner, Konrad Szymański, Michael Theurer, Ioannis A. Tsoukalas, Claude Turmes, Niki Tzavela, Marita Ulvskog, Vladimir Urutchev, Adina-Ioana Vălean
Substitute(s) present for the final vote	Antonio Cancian, Jolanta Emilia Hibner, Gunnar Hökmark, Yannick Jadot, Ivailo Kalfin, Bernd Lange, Werner Langen, Markus Pieper, Mario Pirillo, Hannes Swoboda, Silvia-Adriana Țicău
Substitute(s) under Rule 187(2) present for the final vote	Eider Gardiazábal Rubial

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	23.11.2011
Result of final vote	+: 40 -: 6 0: 0
Members present for the final vote	Gabriele Albertini, Sir Robert Atkins, Franziska Katharina Brantner, Elmar Brok, Arnaud Danjean, Andrzej Grzyb, Takis Hadjigeorgiou, Anna Ibrisagic, Jelko Kacin, Ioannis Kasoulides, Tunne Kelam, Maria Eleni Koppa, Andrey Kovatchev, Eduard Kukan, Krzysztof Lisek, Sabine Lösing, Mario Mauro, Willy Meyer, Francisco José Millán Mon, Raimon Obiols, Justas Vincas Paleckis, Pier Antonio Panzeri, Alojz Peterle, Cristian Dan Preda, Libor Rouček, José Ignacio Salafranca Sánchez-Neyra, Nikolaos Salavrakos, Jacek Saryusz-Wolski, Werner Schulz, Marek Siwiec, Hannes Swoboda, Kristian Vigenin, Boris Zala
Substitute(s) present for the final vote	Andrew Duff, Tanja Fajon, Roberto Gualtieri, Elisabeth Jeggle, Traian Ungureanu, Ivo Vajgl, Paweł Zalewski, Janusz Władysław Zemke
Substitute(s) under Rule 187(2) present for the final vote	António Fernando Correia De Campos, Jolanta Emilia Hibner, Jan Kozłowski, Bogusław Sonik, Róza Gräfin von Thun und Hohenstein