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REPORT

on the communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - European Defence - Industrial and market issues - Towards an EU Defence Equipment Policy

(COM(2003) 113 - 2003/2096(INI))

Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy

Rapporteur: Luis Queiró

Draftsman (*): Bill Newton Dunn, Committee on Industry, External Trade, Research and Energy

(*) Enhanced cooperation between committees - Rule 162a

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(*) Enhanced cooperation between committees - Rule 162a

PROCEDURAL PAGE

By letter of 12 May 2003, the Commission forwarded to Parliament its communication European Defence - Industrial and market issues - Towards an EU Defence Equipment Policy (COM(2003) 113), which had been forwarded for information to the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy and the Committee on Industry, External Trade, Research and Energy.

At the sitting of 15 May 2003 the President of Parliament announced that the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy had been authorised to draw up an own-initiative report on this subject, pursuant to Rules 47(2) and 163 of the Rules of Procedure, and that the Committee on Industry, External Trade, Research and Energy had been asked for its opinion.

At the sitting of 15 May 2003 the President of Parliament announced that the Committee on Industry, External Trade, Research and Energy, which had been asked for its opinion, would be involved in drawing up the report pursuant to Rule 162a.

The Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy had appointed Luís Queiró rapporteur at its meeting of 25 March 2003.

It considered the draft report at its meetings of 9 September and 1 October 2003.

At the latter/last meeting it adopted the motion for a resolution by 26 votes to 7 with 0 abstentions.

The following were present for the vote: Elmar Brok (chairman); Baroness Nicholson of Winterbourne (vice-chairman), Geoffrey Van Orden (vice-chairman) and Christos Zacharakis (vice-chairman); Luís Queiró (rapporteur); Ole Andreasen, Per-Arne Arvidsson, Alexandros Baltas, Bastiaan Belder, André Brie, Paul Coûteaux, John Walls Cushnahan, Véronique De Keyser, Per Gahrton, Alfred Gomolka, Willi Görlach (for Glyn Ford), Vasco Graça Moura (for Gerardo Galeote Quecedo), Ulpu Iivari (for Jacques F. Poos), Efstratios Korakas, Catherine Lalumière, Nelly Maes (for Joost Lagendijk), Hugues Martin, Emilio Menéndez del Valle, Cristiana Muscardini, Pasqualina Napoletano, Arie M. Oostlander, Reino Paasilinna (for Magdalene Hoff), Hans-Gert Poettering (for David Sumberg), José Ignacio Salafranca Sánchez-Neyra, Amalia Sartori, Ioannis Souladakis, Ursula Stenzel, The Earl of Stockton (for Charles Tannock), Demetrio Volcic and Karl von Wogau.(for José Ribeiro e Castro pursuant to Rule 153(2)).

The opinion of the Committee on Industry, External Trade, Research and Energy is attached.

The report was tabled on 8 October 2003.

DRAFT EUROPEAN PARLIAMENT RESOLUTION

on the communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - European Defence - Industrial and market issues - Towards an EU Defence Equipment Policy (COM(2003) 113 - 2003/2096(INI))

The European Parliament,

- having regard to the communication from the Commission - European Defence - Industrial and market issues - Towards an EU Defence Equipment Policy (COM (2003) 113) and to the Commission's previous communications (COM(1996) 10) and (COM(1997) 583),
- having regard to its resolutions of 11 April 1984¹, 13 July 1990², 17 September 1992³, 19 January 1995⁴, 15 May 1997⁵, 14 May 1998⁶, 30 November 2000⁷, 10 April 2002⁸, 15 May 2002⁹ and 10 April 2003¹⁰, on this subject,
- having regard to the conclusions of various European Councils on this matter and, in particular, those of the Cologne European Council (3-4 June 1999) and of the Helsinki European Council (10-11 December 1999) on strengthening the common European Security and Defence Policy, and to the Presidency's reports on developing the Union's military and non-military crisis management capability,
- having regard to the Letter of Intent on Measures to facilitate the Restructuring of the European Defence Industry signed in London on 6 July 1998 by the Defence Ministers of Germany, Spain, France, Italy, the UK and Sweden, which specifies the objectives and principles adopted by governments in order to promote the constitution and effective functioning of Transnational Defence Companies in Europe,
- having regard to the joint statement by the Ministers of Defence of the above countries of 20 April 1998, in which they agreed to make it a priority to seek to harmonise the requirements of their armed forces so as to avoid a duplication of their acquisition, research and technological development policies,

¹ OJ C 127, 14.5.1984, p. 70

² OJ C 231, 17.9.1996, p. 209

³ OJ C 284, 2.11.1992, p. 138

⁴ OJ C 43, 20.2.1995, p. 89

⁵ OJ C 167, 2.6.1997, p. 137

⁶ OJ C 167, 1.6.1998, p. 190

⁷ OJ C 228, 13.8.2001, p. 173

⁸ OJ 127 E, 29.5.2003, p. 582

⁹ OJ C 180 E, 31.7.2003, p. 392

¹⁰ Texts adopted P5_TA-PROV(2003)0188

- having regard to the agreement concluded by the EU Foreign Ministers at their informal meeting of 7 May 2000 in the Azores, in which they decided to back plans for joint EU-NATO working groups looking at security issues, military capabilities, arrangements for the EU to use NATO military assets, and the definition of more permanent consultation mechanisms between the EU and NATO,
 - having regard to the military and police capability improvement conferences and the European Action Plan on this matter of 19 November 2001,
 - having regard to the Declaration issued by the Heads of State and Government of the Atlantic Alliance on 21 November 2002 at the Prague summit,
 - having regard to the Ministerial meeting of the North Atlantic Council and the NATO-EU Ministerial Meeting held in Madrid on 3 June 2003,
 - having regard to Article 17 TEU, in particular the paragraph concerning cooperation in the field of armaments, and to Article 296 TEC on the protection of national security interests,
 - having regard to Rules 47(2) and 163 of its Rules of Procedure,
 - having regard to the report of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy and the opinion of the Committee on Industry, External Trade, Research and Energy (A5-0342/2003),
- A. whereas the ESDP has made it possible to launch and conduct EU-led operations to manage both non-military and military crises, irrespective of the specific objectives of the security and defence policy of the Member States,
- B. whereas the consistent failure of several Member States to spend more on defence or to improve their military capabilities and interoperability with the Allies may jeopardise the cohesion of NATO,
- C. whereas the defence budget of the EU Member States is approximately 50% of that of the US, but their military capability is a mere 10% of that of the US,
- D. whereas both societies are based on the same values of liberty, democracy, the rule of law and human rights, and therefore close cooperation is necessary between them,
- E. whereas the concept of a European Security and Defence Identity was accepted and recognised by all parties to the Atlantic Alliance at the Berlin meeting of June 1996,
- F. whereas the strategic partnership agreement concluded on 16 December 2002 and the implementation of permanent agreements concluded between and implemented by the EU and NATO, and in particular the 'Berlin Plus' agreements, have enabled the EU to use NATO's military operational planning capabilities and command structures to carry out EU-led operations, requiring more rigorous accounting in respect of defence equipment,
- G. whereas the end of the cold war has led to a reduction in orders for military equipment, and it is therefore necessary to strengthen this sector once more, not only in the interests of its economic and social revival but also and above all in order to ensure a safer world,

- H. whereas the ongoing restructuring of national defence-linked industries has given rise to various coordination initiatives, as evidenced by the Letter of Intent and the associated Framework Agreement, and also the creation of the Organisation for Joint Armament Cooperation,
- I. whereas following the events of 11 September 2001 security within the EU has become a more urgent issue, increasing the responsibility of those Member States charged with protecting the external borders of the Union,
- J. whereas parliamentary controls over the CFSP and ESDP are divided between the European Parliament and the national parliaments, and the latter continue to have basic powers over military expenditure and operational matters involving the armed forces,
- K. having regard to the eastwards enlargement of NATO parallel to that of the EU, and the consequent need for growing coordination between all Member States,
1. Welcomes the communication from the Commission on European defence - Industrial and market issues - Towards an EU Defence Equipment Policy, which follows a request made by the European Parliament and provides Member States with an appropriate framework for reflection on enhanced and effective cooperation in the arms sector;
 2. Insists on the need for the EU to endow itself with military capabilities, so as to ensure the credibility of its foreign and defence policy objectives; is aware that, if this project is to be successful, Member States must make a commitment to military expenditure over a period of time corresponding to their long-term defence obligations; awaits the drafting of the Commission Green Paper in 2004 setting out standards generally applicable to the purchase of defence equipment;
 3. Expresses its conviction that NATO remains not only a fundamental guarantee for the stability and security of the Euro-Atlantic area, but also an essential framework for developing joint operations, and that it is therefore in the common interest to increase the interoperability of intra-European and transatlantic defence equipment;
 4. Recognises, within this framework, the need for favourable conditions to be established for the development of a European defence equipment industry which is competitive and viable; calls for the development of a research and development programme designed to improve the Union's capabilities in the area of defence; stresses also the need for Community-level support for pilot and demonstration projects to develop European capabilities in advanced technological sectors;
 5. Encourages Member States to restructure the defence equipment industries sector and subscribe to the principle of industrial and technological interdependence in this sector, so that public defence spending is used more effectively and overlapping is avoided;
 6. Attaches great importance, therefore, to intra-European cooperation, to competitiveness and to the principle of Community preference, without excluding cooperation with third countries or the acquisition by Member States of defence equipment outside Europe, where supply proposals are more attractive economically than those available within the European Union and where these purchases operate in a form that is complementary to the

realisation of a European project;

7. Calls for the expectations of the candidate countries in terms of security and national stability to be duly taken into account, since these countries have to be involved in the process of restructuring defence-linked industries;
8. Considers that advantage must be taken of the increasing opening-up of arms markets to ensure security of supply at national and European level; advocates, to this end, a reduction in controls on intra-Community transfers of defence equipment, the simplification of administrative procedures, and the approximation of national licence systems, while recognising the complexity and political sensitivity of this sector;
9. Reiterates its position calling for the progressive establishment of a European armaments market and, in order to do this, the drawing-up and implementation of common rules on this issue;
10. Stresses that standards bodies in the European Union should make a major contribution to interoperability of armaments, in particular as regards products which may be used in both the civilian and military area;
11. Reiterates that the internal opening-up of military markets should be accompanied by a further strengthening of the export controls at the external borders of the EU; underlines in this perspective that the EU and its Member States should fully implement all Parliament's recommendations on the implementation of the EU Code of Conduct on Arms Exports;
12. Proposes that, as part of the negotiations for the forthcoming financial perspective, Community support programmes should be set up to review defence equipment; proposes, in particular, that a programme should be set up exclusively devoted to the development of equipment for the protection of the EU's external frontiers with the objective of meeting the requirements of the fight against international terrorism and organised crime, illegal immigration, trafficking in arms, narcotics and human beings, and maritime crime;
13. Recalls the decision by the Thessaloniki European Council to create, in the course of 2004, an intergovernmental agency in the field of defence capabilities development, research, acquisition and armaments, subject to the authority of the Council and open to participation by all Member States; stresses, however, that the activities of this agency must be precisely defined in advance, so as to endow it with added value; requests that its activities be defined and its working methods be agreed on in consultation with the European Parliament
14. Calls for this agency to be concerned primarily with equipment and weapons for crisis intervention, and for it to have its own budget, to be centred on R & D in the field of new technology; calls on the Member States to entrust to this agency the long-term task of creating a central financial mechanism for assessing the Member States' contribution to the Union's needs;
15. Instructs its President to forward this resolution to the Council and Commission.

EXPLANATORY STATEMENT

I. Introduction: the context and reasons for a European defence equipment policy

The Commission's communication follows the European Parliament resolution of 10 April 2002 on European defence industries, which called upon the Commission to take practical initiatives to draw up a genuine European defence equipment policy.

The events of 11 September 2001 fundamentally altered the security landscape: from one day to the next European countries faced new responsibilities and new challenges. Under increasing pressure from public opinion, EU states need to find satisfactory answers and effective and reliable responses to the new threats posed by global terrorism. The EU must therefore consider how to set in motion an adapted strategy capable of ensuring the security of its territory and peoples, while contributing to greater stability in its strategic environment.

The aim of the targets set at the 1999 Helsinki Summit was to back up the EU's diplomatic activities with a fully-fledged European defence policy endowed with the necessary military capabilities. The Laeken European Council of December 2001 then adopted an action plan on the operational capabilities of ESDP and specified the structures and resources which would allow the European Parliament to carry out crisis management operations. In its conclusions the Convention's working group on defence called on the European Union to play an active role in combating terrorism at various levels, to update and expand as far as necessary the Petersberg tasks to include joint disarmament operations, post-conflict stabilisation and support for third countries in the fight against terrorism. These proposals sought essentially to make EU crisis management more coherent and effective.

Parallel to its financial contributions (reconstruction aid, in particular), Europe has been ready to assume growing responsibilities in the management and conduct of peace operations, as currently in the former Yugoslav Republic of Macedonia, in Bosnia-Herzegovina and in the Democratic Republic of Congo, but some shortcomings remain. The war in Afghanistan - like the Balkans previously - clearly revealed the obvious and persistent disparities in military capabilities and defence technology between the United States and Europe; this constitutes a major obstacle to the essential interoperability of the military resources of the allies in the theatre of operations.

The ESDP cannot develop without a marked increase in the Union's military capabilities. This does not necessarily mean that new structures must be created and more financial resources made available for the practical implementation of this defence policy. It has been shown that while the EU Member States spend half as much as the United States on defence, the real military capability of the Member States is estimated at a mere 10% of that of the United States.

The European arms industry clearly needs to be strengthened and rationalised if the ESDP is to be really capable of performing the tasks required of it, and in particular meeting the Helsinki targets. Moreover, a competitive European defence equipment market complementing the existing legal and regulatory framework, would allow economies of scale and enhance the performance of European undertakings in Europe itself and in the rest of the world, and in particular in the American market.

In this sense, the overall rationale behind the Commission's communication is to be welcomed.

II. Outline and objectives of a European defence equipment policy

- The rationalisation of funding

It is clear from the above that the budgetary resources allocated by European states to defence capabilities are insufficient to carry out the intended tasks. However, it should be pointed out in this connection that Europe's military equipment policy is in no way intended to copy that of the United States. Since European policy wishes to complement and not to rival that of the United States, it does not seek merely to duplicate American policy: there is no reason why European defence spending should match that of our American allies. Europe does not have the same needs and does not need to maintain an arsenal of several thousand nuclear warheads and a dozen aircraft carriers or set up an anti-missile defence system. This is why Europe is able to meet its security needs with the financial resources currently available. Before spending more, Europe must make more efficient use of existing resources.

This may be feasible in a Community of 15 Member States, but will be more difficult to manage in an enlarged Europe. For enlargement creates new challenges, both geopolitical and economic. The arms industries of the new Member States are mostly loss-making. Additional financial resources will therefore be needed to rationalise and privatise these industries. A programme of special aid for new Member States could thus be envisaged in this field.

- The harmonisation of equipment standards

The pooling of defence capabilities may be one means of using existing capabilities effectively. A far-reaching restructuring of national defence related industries has already taken place or is taking place in a number of European countries, as evidenced by the cooperation efforts in the form of the letter of intent and the framework agreement (France, Germany, Italy, Spain, Sweden and the United Kingdom) and the creation of the Organisation for Joint Armament Cooperation (OCCAR) which includes France, Germany, Italy and the UK and seeks to improve the management of cooperation programmes.

It is thus the duty of the European Union to promote such a joint approach, as the Council of Defence Ministers announced on 19 May 2003. This was why groups of projects on specific aspects of defence were launched, with each project being directed by a Member State. Such restructuring inevitably means the loss of industrial capacity for some Member States in specific areas; the important thing is, however, to ensure that the Member States between them cover the whole range of industrial products.

The same applies to security of supply. The strengthening of sectoral concentration will mean that, owing to the loss of some of their national capability, governments will be obliged to obtain their defence equipment directly from foreign and transnational companies. However, specific rules will be necessary to regulate changes in the ownership of companies in the defence sector.

It should also be made clear that the objective is interoperability at both intra-European and transatlantic level, leaving some leeway for the Member States, as opposed to the process of standardisation sometimes referred to which seeks to be much more restrictive.

Finally, this compatibility between capabilities must form part of cooperation with NATO's initiative in this field so as to avoid overlapping and the duplication of effort. This dialogue with the US could eventually tackle the issue of transatlantic consolidation and fusion.

- The creation of a defence market and a European arms agency

The resolution adopted by the European Parliament on 10 April 2002 recommended drawing up an updated action plan which would examine to what extent the European Union's common commercial policy rules and the discipline of the Single Market should apply to the defence industries. The purpose is to examine in which cases recourse to Article 296 is justified.

This article of the EC Treaty stipulates that as part of the single market 'any Member State may take such measures as it considers necessary for the protection of the essential interests of its security which are connected with the production of or trade in arms, munitions and war material'; however it goes on to state that 'such measures shall not adversely affect the conditions of competition in the common market regarding products which are not intended for specifically military purposes'.

In the past an excessively restrictive interpretation of Article 296 may have worked against the obvious interests of the European arms industry. The frequent invocation and application of Article 296 have thus led to the fragmentation of national markets and industries. The time has now come to take into account the real needs of the European Union's industrial policy: the dynamism and competitiveness of this policy are clearly essential as such, but are also necessary in the light of the Lisbon objectives if the social, environmental and international aspirations of the European Union are to be satisfied.

Trade and arms production issues involve both defence policy and industrial policy. An approximation of the rules governing the market in defence equipment and the non-military market is desirable insofar as there are many companies producing products for both markets. However, it is clear that defence equipment is not a product like any other and should be treated differently. The challenge is thus to make the application of Article 296 more flexible, without abrogating it. The forthcoming intergovernmental conference due to begin in mid-October is the appropriate framework for such an approach.

In any case, the first step in this direction would be to simplify the cumbersome and slow administrative formalities governing intra-Community transfers of defence products. National procedures are both multiple and diverse and must therefore be rationalised, notably through an approximation of national licensing systems.

If rationalisation is to be successful, better coordination is needed between Member States. A call for a special agency to be set up has thus been heard from many quarters. The Convention on the Future of Europe discussed setting up a European Armaments, Research and Military Capabilities Agency operating on an intergovernmental basis. In its conclusions, the Thessaloniki European Council endorsed the idea of such an agency and instructed the

competent authorities of the Council to undertake the necessary actions towards creating, in the course of 2004, an intergovernmental agency in the field of defence capabilities development, research, acquisition and armaments.

This agency, which will be open to participation by all Member States and will be subject to the Council's authority, will aim at developing defence capabilities in the field of crisis management, promoting and enhancing European armaments cooperation, but also strengthening Europe's industrial potential in this domain. In the future stages of this process, the European Parliament must be fully informed and involved in the operation of this agency.

Furthermore, the creation of such an agency is indissolubly linked to the institutionalisation of the Council of Defence Ministers which will have authority in these matters and notably in aspects governing the strategic orientations of the European defence equipment market.

- Political and parliamentary controls

In 2002 a parliamentary report whose rapporteur was the draftsman for the AFET Committee examined relations between the European Parliament and the national parliaments, notably in the CFSP and ESDP areas in which the national parliaments still exercise powers over military spending and operational questions regarding national armies. Parliamentary controls on the ESDP thus operate at two levels on the basis of the rights and obligations conferred by the Treaties and Constitutions, respectively: a European level (for the prevention and non-military management of crises which is carried out by the European Parliament) and a national level (for the military management of crises, where controls are carried out essentially by the national parliaments). These two levels of control interact at various stages of military and/or non-military crisis management and, if they are coordinated effectively, constitute appropriate controls on and parliamentary scrutiny of the ESDP. Defence equipment policies must also be subjected to these parliamentary controls as an integral part of the ESDP.

An appropriate means of coordinating these parliamentary controls would be to hold a joint parliamentary conference at regular intervals on the ESDP involving the European Parliament and national parliaments. The objective of this conference would be to examine the development of European policy in the fields of security and defence, including European arms and defence equipment policy.

- Research and development

As regards military capabilities, the results of European technological innovation are generally inadequate. Investments in defence in Europe, particularly in research and development, amount to only a third of American investments.

The European Union must thus strengthen its position by encouraging technologies such as ICT, electronics and biotechnology, notably in view of the technological repercussions of these sectors for the economy as a whole, including the non-military sector.

In this respect this dimension of research should be considered against a background of the 7th Framework Programme. In general, cooperation must be further developed and research

made more consistent with a view to encouraging military - civilian synergies.

9 September 2003

OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY

for the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy

on the communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - European Defence - Industrial and market issues - Towards an EU Defence Equipment Policy (COM(2003) 113 - C5-0212/03 - 2003/2096(INI))

Draftsman (*): Bill Newton Dunn

(*) Enhanced cooperation between committees - Rule 162a

PROCEDURE

The Committee on Industry, External Trade, Research and Energy appointed Bill Newton Dunn draftsman at its meeting of 22 May 2003.

It considered the draft opinion at its meetings of 10 July and 9 September 2003.

At the latter meeting it adopted the following conclusions by 40 votes to 4.

The following were present for the vote: Yves Piétrasanta (acting chairman), Jaime Valdivielso de Cué (vice-chairman), Bill Newton Dunn (draftsman)(for Nicholas Clegg), Gordon J. Adam (for Eryl Margaret McNally), Sir Robert Atkins, María del Pilar Ayuso González (for Concepció Ferrer), Ward Beysen (for Marco Cappato), Hans Blokland (for Yves Butel pursuant to Rule 153(2)), Guido Bodrato, Gérard Caudron, Carmen Cerdeira Morterero (for Massimo Carraro pursuant to Rule 153(2)), Giles Bryan Chichester, Willy C.E.H. De Clercq, Carlo Fatuzzo (for Michel Hansenne), Colette Flesch, Christos Folias (for Bashir Khanbhai), Glyn Ford (for Erika Mann), Cristina García-Orcoyen Tormo (for Peter Michael Mombaur), Norbert Glante, Alfred Gomolka (for Angelika Niebler), Malcolm Harbour (for Godelieve Quisthoudt-Rowohl), Efstratios Korakas (for Konstantinos Alyssandrakis pursuant to Rule 153(2)), Hans Kronberger (for Daniela Raschhofer pursuant to Rule 153(2)), Werner Langen, Peter Liese (for Christian Foldberg Røvsing), Rolf Linkohr, Hans-Peter Martin (for Mechtild Rothe), Marjo Matikainen-Kallström, Ana Clara Maria Miranda de Lage, Elizabeth Montfort, Giuseppe Nisticò (for Paul Rübig), Reino Paasilinna, Paolo Pastorelli, Samuli Pohjamo (for Elly Plooi-j-van Gorsel), John Purvis, Alexander Radwan (for Umberto Scapagnini), Imelda Mary Read, Jacques Santer (for W.G. van Velzen), Gilles Savary (for Gary Titley), Konrad K. Schwaiger, Esko Olavi Seppänen, Alejo Vidal-Quadras Roca, Dominique Vlasto and Olga Zrihen Zaari.

CONCLUSIONS

The Committee on Industry, External Trade, Research and Energy calls on the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, as the committee responsible, to incorporate the following points in its motion for a resolution:

- A. whereas the European defence industry is economically and politically essential to the EU,
- B. recalling the need to be able to comply with the Petersberg tasks and the requirements of the EU's Rapid Reaction Force, both of which imperatives would be greatly assisted by common procurement,
- C. whereas consistency between the Common Commercial Policy of the EU and its Common Foreign and Security Policy is foreseen in the Treaties,
- D. whereas an internal market for armament equipment does not exist, and separate national procurement procedures and different forms of export regulation obstruct its development,
- E. whereas an EU defence equipment policy would bring great benefits to taxpayers in terms of efficiency, supply, and value for money,
- F. whereas defence-oriented research is uncoordinated and duplicative, and the structure and equipment of the various European armies is not yet such as to counter effectively the threats described in the joint analysis,
- G. whereas the combined defence spending of the Member States does not amount to even half of what the US spends; whereas the actual joint military capability of the Member States is equivalent to a fraction of the US capability, with the result that the role of the Union as a partner to be taken seriously in the transatlantic relationship and NATO is being called increasingly into question,
- H. whereas the Competitiveness Council conclusions of 13 May 2003 on the Commission Communication do not mention the creation of a European Procurement and Strategic Research Agency,
- I. noting the potential benefits for SMEs and the demand which exists in the defence industries for a coordinated defence equipment policy,
 - 1. Strongly supports the creation of an internal EU market for defence equipment;
 - 2. Asks the Commission to propose transparent procedures and simplification measures in order to realise the internal market in defence equipment;
 - 3. Calls for checks on dual-use goods moving within the Union to be phased out and replaced by standard forms of export regulation;

4. Recalls that the specificities of the sector should be taken into account in any legislative proposal, and that certain limits to competition could be envisaged, particularly because the US is protectionist in the defence sector;
5. Calls on the Member States to support the creation of a Procurement and Strategic Research Agency; stresses that it should play an active role in the management of armaments procurement and in research, and that it should not run Member States' procurement agencies, but should, rather, oversee and coordinate fundamental research and lead and manage large crossborder projects;
6. Vigorously supports the Commission's project for mapping the situation of the defence industry in the EU through data collection, as the basis for the definition of the single market in defence equipment;
7. Stresses the need for a future RTD programme devoted to defence-oriented research;
8. Expects full codecision procedures when decisions are to be made.