OPINION

of the Committee on the Internal Market and Consumer Protection

for the Committee on Foreign Affairs

on European Defence Union
(2016/2052(INI))

Rapporteur: Lara Comi
SUGGESTIONS

The Committee on the Internal Market and Consumer Protection calls on the Committee on Foreign Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Notes that a well-functioning internal market can positively contribute to the objectives of the Common Security and Defence Policy (CSDP) and regrets that little progress has been made so far in this direction, despite the adoption in 2009 of the defence package directives;

2. Acknowledges that the current geopolitical environment and the situation in Europe call for the Union to assume greater responsibilities in the fields of both external and internal security, in particular to ensure the safety and security of citizens in Europe under the Common Foreign and Security Policy and to protect the external borders, and in order to revive the common defence and security dimension, with the ambitious aim of progressing towards a European Defence Union and much deeper integrated defence initiatives; welcomes the European Council’s conclusions of June 2015 asking for further development of both civilian and military capabilities and the strengthening of the European defence industry;

3. Recalls that the existing internal market instruments offer solutions for effective cooperation among Member States and for building on economies of scale, working towards a greater strategic coherence and strengthening the European Defence Technological and Industrial Base (EDTIB), in order to avoid duplications and make expenditure more efficient in times of budget constraints and in view of the imminent risks of the EU defence sector losing critical expertise and innovation, technology sovereignty, autonomy and competitiveness advantages; underlines in this context the need for advanced planning and cooperation in procurement and modernisation of defence equipment by the Member States and the potential for dual-use technologies to this end;

4. Identifies the future skills gap emerging as a result of the aging workforce in the defence sector; welcomes, therefore, the Commission’s intention to support industrial and commercial efforts to encourage young professionals and apprentices to enter this sector, and moves to make use of wider EU projects such as the New Skills Agenda, COSME and a ‘Blueprint for sectoral cooperation on skills’ to target this gap;

5. Is concerned about the steady decline in defence research funding across the Member States; recalls the crucial need to maintain a viable European defence technological and industrial base and a well-functioning internal market; stresses that a genuine internal market for defence should enable defence companies to operate freely and ensure a level playing field throughout the EU, and that this will lead to a strong, innovative and globally competitive EDTIB, which is essential for Europe’s strategic autonomy and for a credible CSDP; points out, furthermore, that a future EU research fund for defence in the next multiannual financial framework will offer a chance to foster European military and industrial cooperation through the added value generated by the support of innovative research and technology; warns, however, against duplicating the efforts of Member States or international bodies;

6. Draws attention to the persisting defence market fragmentation and to the fact that the
majority of contracts are still awarded at national level; calls upon the European Defence Agency (EDA) and the Council to identify solutions that may contribute to reducing differences between national defence industries and urges the Commission to step up its efforts to achieve a level playing field in European defence markets and to combat protectionist practices by Member States in defence procurement; believes, in this regard, that the use of exclusions as stated in Directive 2009/81/EC needs to be duly justified;

7. Calls for more transparency and recalls in particular the need to improve SME access to defence supply chains, recognising that SMEs are a vital part of achieving a prosperous European defence industrial base; as such, suggests that in combination with universal and comprehensive implementation of Directive 2009/81/EC, greater transparency in supply chains, contracts and notifications of opportunities to tender should be required; underlines that it is important that Member States ensure the availability of qualitative and clear information, which would allow businesses to identify the opportunities in the defence sector and to take informed decisions;

8. Points out that we need to build economies of scale and have a common European market for defence procurement; urges the Member States to step up efforts to enforce and make full use of all options provided for in Directive 2009/81/EC concerning procurement in the fields of defence and sensitive security and Directive 2009/43/EC concerning the transfer of defence-related products; stresses the importance of cross-border market access for SMEs, while noting that Member States have made little use of the available tools, for example joint purchases through central purchasing bodies such as the EDA, which should open EU instruments and funds to SMEs in support of their access to supply and subcontracting chains and their involvement in research; acknowledges in particular that the Commission is finalising the evaluation of Directive 2009/81/EC and Directive 2009/43/EC and awaits recommendations in order to improve the implementation of the directives at national level, and also in order to improve uptake by industry and SMEs and to upgrade measures to meet the real defence market needs; equally encourages the Commission to issue increased guidance and assistance on the implementation and interpretation of these directives at the request of Member States;

9. Recalls that fostering cross-border market access and the opening of supply chains is crucial for an effective European Defence Equipment Market; stresses that competition should not be limited to the level of prime contractors, and that sub-suppliers, in particular SMEs, should benefit from the opening-up of national defence markets;

10. Notes that new businesses, including SMEs, often face difficulties when entering the market, in particular owing to the high costs of investment in research and innovation which are difficult to bear; underlines the need for financing in research and innovation in the defence sector in order to ensure the proper functioning of the market for all market participants; encourages the Commission to consolidate research in the defence sector through funding in order to improve the defence industry and defence technology;

11. Recognises the success and best practice of the Letter of Intent Framework Agreement in supporting defence industrial goals and encourages the Commission to take note of these principles and goals, primarily in the areas of security of supply and treatment of technical information;

12. Recalls that the new CSDP provides the potential for flexibility and stronger Member
State cooperation within a ‘permanent structured cooperation’ framework open to all Member States, which could take various forms, including joint research development and procurement encouraging cooperative acquisition of defence equipment; calls for the creation of a structure for the exchange of information on terrorism and cybersecurity, whilst avoiding duplication;

13. Stresses that stimulating technological developments in Europe is vital for the defence sector and in order to enhance cooperation among Member States, while fostering a more integrated internal market through the development of joint cooperative programmes, under which the Joint Research Centre could aggregate dual-use technology efforts across the EU, for instance in the field of robotics and in light of the significant capacity deficiencies in relation to drones and satellite observation; in particular, encourages the Commission to provide clear and specific guidelines to facilitate and improve the access of SMEs to the European Structural and Investment Funds (ESIF) in the field of dual-use technologies;

14. Recalls that initiatives related to better cooperation in the fields of standardisation and certification are also needed in order to further develop cooperation between the Member States and enhance the European Defence Equipment Market; considers that certification and common European standards in the defence sector should be established, where possible, in order to increase competitiveness, make access to defence procurement easier for all market operators and ensure similar high standards, and notes in this context the steps taken by the EDA and the Commission to improve mutual recognition of defence standards and requirements in industry; underlines also the importance of doing this in cooperation with international allies and partners such as NATO;

15. Urges the Commission to be ambitious in its forthcoming European Defence Action Plan (EDAP), which will have to underline, as a strategic tool, the EU unique added value in the defence sector; stresses, with regard to this objective, that it is fundamental that the EDAP contain elements which can contribute to the fostering of industrial cooperation for the development of defence capabilities programmes; points out, in particular, that the funding of critical defence technologies by a future EU-funded defence research programme in the next multiannual financial framework to support a strong European industrial base will allow critical technologies essential for Europe’s autonomy of decision and action to be retained within the EU, ensure cross-border cooperation at all levels of the supply chain, from primes to SMEs, and bring together several Member States, industry and academia;

16. Highlights the importance of intensifying the synergies between security and defence and the synergies with other Union policies, and of building on integrated capabilities in order to develop common approaches in the areas of, for example, hybrid threats, terrorism, external border security, human trafficking from third countries, common intelligence, cybersecurity and customs controls; calls on the Member States and the EU institutions to examine and address the shortcomings of the existing counterterrorism tools; notes the value of exchanging ideas with NATO on these topics as mutually beneficial to European and transatlantic security;

17. Notes that with regard to cybersecurity, protection against cyber-attacks is essential but should not impair an open, free and secure cyberspace; stresses the importance of the
expansion of technological capabilities to make European cyberspace more resilient, especially as regards critical infrastructures; considers Directive (EU) 2016/1148 on security of network and information systems an important step towards this goal;

18. Notes that differing national industries and operational capabilities hamper integration of the defence sector and contribute to market fragmentation, and believes that a European Defence Union, including, for example, common strategies in the fight against terrorism and the sharing of information relevant to security, may ultimately lead to more common projects for both civilian and military crisis management capabilities, enhanced European cooperation and the opening of the markets;

19. Encourages the Commission, and in particular the High Representative and the Commissioner for the Internal Market, to come forward with a consistent and coordinated approach to defence that includes policy objectives which further that strategy;

20. Points to the recent publication by the High Representative of the Global Strategy, which constitutes a cohesive framework for priorities for action in the field of foreign policy and for defining future developments in European defence policy.
RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION

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<td>Substitutes present for the final vote</td>
<td>Birgit Collin-Langen, Morten Løkkegaard, Julia Reda, Marc Tarabella</td>
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<td>Substitutes under Rule 200(2) present for the final vote</td>
<td>John Stuart Agnew</td>
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