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Opening address by High Representative Catherine Ashton at the European Defence Agency (EDA) Annual Conference, Brussels, 31 January 2012

Ladies and gentlemen,

It is a great pleasure to open this year's EDA Conference and share with you some reflections on the importance of European defence collaboration at this time.

Last year, the debate about defence focused on the financial crisis and we have seen a wave of defence budget cuts across Europe. Even the United States is not immune. President Obama has just announced significant cuts of \$450 bn over 10 years.

The past year has also seen a renewed focus on closer European cooperation.

This EDA conference therefore reflects this shift in how we want to tackle the challenges we face: by doing more together and doing it better; by looking for greater efficiencies and value for money; by pooling and sharing of military capabilities.

This is the only pragmatic way forward given the growing demand for the European Union to become a more capable, coherent and strategic global actor.

To be able to respond to the complex threats of the 21st century we must mobilise all our levers of influence – political, diplomatic, economic, as well as our civil and military crisis management tools. This is the idea of the "comprehensive approach" foreseen in the Lisbon Treaty.

My objective today is to encourage you in your work to develop the military capabilities that will ensure CSDP remains an effective component of the EU's response. If Europe is to be a credible player in the world, it requires more than just soft power.

Military capabilities matter and that is why pooling and sharing – allowing the development of key capabilities with limited resources – is so important. It is a political imperative if CSDP is to progress, especially in a climate of austerity. The European Defence Agency has a key role to play in bringing member states and industry together to deliver projects.

P R E S S

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The budgetary constraints pose both a challenge and an opportunity. They offer a chance to reform, and to launch a new dynamic.

To succeed, our efforts have to be underpinned by robust and credible defence capabilities. The European Defence Agency which I head has been established for this very purpose: to improve Europe's military capabilities through an integrated and coherent approach bringing together at the European level capability planning, strengthening defence industrial base, armaments co-operation and Research & Technology.

The agency has already generated impressive results; in particular, its work to turn the Pooling and Sharing concept into a reality.

Defence Ministers have already recognised that it is better to have excellent collective capabilities than unsustainable or unattainable national ones. Since the informal EU Defence Ministerial in Ghent in 2010 there has been a strong political will to pool and share capabilities more systematically.

This excellent work should ensure a significant European contribution to defence capabilities at the NATO summit in Chicago.

The EU relationship with NATO is essential. The breadth of EU instruments can be usefully combined with the depth of NATO's role on defence. The two organisations must continue to reinforce each other's work. I know SG Anders Rasmussen is as committed to this as I am.

The Libya crisis again showed the clear need for this. We work hand-in-hand in many theatres, and we owe it to our people in the field. I am also pleased to confirm that on capabilities in particular, whether labelled Pooling & Sharing or Smart Defence, we have achieved an unprecedented level of cooperation.

A capability driven, competent and competitive European Defence Technological and Industrial Base is vital to ensure that Europe is able to respond to today's and tomorrow's security and defence challenges. Its reinforcement is not only an economic but also a strategic necessity for Europe. The European Defence Agency is currently working on ensuring a more effective strategy to strengthen European defence industry. This will be presented later this year.

A strong European defence industrial base, in particular in the current economic climate, must be underpinned by an increasingly competitive defence market that can provide its customers with robust, flexible and interoperable equipment in the most cost-effective and efficient way.

With the Agency's work on Defence Procurement and the Commission's new directives on defence procurement and intra-Community Transfers, real progress has been made towards the development of a European Defence Equipment Market. As Head of the EDA, High Representative, and Vice-President of the Commission, I am deeply committed to a seamless approach.

However, making a real difference will require the continued close involvement of our partners in industry to chart a course together to incentivise defence industrial efficiencies, competitiveness and innovation.

This conference is an important step towards advancing our collective thinking on how to harness defence resources through Pooling & Sharing, setting the strategic priorities for Europe's defence technological and industrial base and increasing the efficiency and cost-effectiveness of the defence market.

The issues that you will be debating here are important. Economic and financial austerity is a challenge we cannot duck; it is one we must confront and overcome. The only way to do so is through cooperation.

Thank you.

Check against delivery by accessing the Europe by Satellite (EBS) website:

<http://ec.europa.eu/avservices/ebs/schedule.cfm>

EDA Annual Conference 2012 – Defence cooperation in a time of financial challenge

The European Defence Agency will hold a high level conference on 31 January 2012, to generate new thinking and the political momentum necessary for refocusing defence cooperation.

High Representative Catherine Ashton, who heads the Agency, will participate along with around 250 senior decision makers from Ministries of Defence, Ministries of Foreign Affairs, Member States' Armed Forces, NATO and defence industry.

The conference is expected to generate European thinking on such issues as models for enhanced defence collaboration, the strategic priorities for the defence technological and industrial base, as well as measures to increase the efficiency and costeffectiveness of the defence marketplace.

It will be used as a sounding board for concrete proposals for more effective use of defence resources, which will be presented to the Defence Ministers when they next meet in the Agency's Steering Board, in Spring 2012.

On the way to EDA's Annual Conference: Defence Market: Going Global – an Opportunity and a Necessity?

Brussels - 18 January 2012

A globally competitive European defence industry is vital to ensure that Europe is able to respond with autonomy to today's and tomorrow's security and defence challenges. At a time of increasingly constrained defence budgets in Europe and the US, European (and US) defence companies have a choice of shrinking in line with their domestic defence budgets or seeking greater access to global markets to survive and perhaps thrive in a time of austerity.

Consequently, if Europe is to retain a robust Defence Technological Industrial Base we have to work towards maximising the global competitiveness of its industry. This and associated issue of reciprocal market access are key topics in the debate on defence at a time of financial challenge. The EDA Annual Conference 2012 will bring together some of Europe's leading defence experts to examine these very issues.

Among its many advantages defence export success can help provide resources for continued investment in the critical defence research and development that determines future competitiveness and industry's ability to produce the leading edge defence equipment necessary to capture military sales.

An unfortunate consequence of defence budget cuts in Member States has been reductions in government defence R&D. The R&D situation looks bleak and this is at a time when Europe's significant R&D gap with the US is expanding and R&D investment among competitors is growing. While exports often can only be achieved at the cost of technology transfer and licensed production – with the associated risk of losing industrial capabilities, skills and technologies, to the detriment of the long term health of Europe's Defence Industrial Base (EDTIB) - they can also foster important partnerships and facilitate cooperation that can stimulate technological advancement and innovation. They also help spread some the high overhead costs often associated with defence procurement and provide economies of scale reducing the procurement cost for the domestic European customer.

Last year marked the fifth anniversary of the launch of the Intergovernmental Regime on Defence Procurement, a landmark agreement by EU governments towards opening up to competition some of the most sensitive areas of Europe's defence market. The regime has pioneered a gradual transition from closed and fragmented national markets to a more open, transparent and competitive marketplace where value for

money is the key procurement priority. Together with the European Commission's new defence directives on procurement and intra-Community Transfers real progress has been made towards the creation of an internationally competitive European defence equipment market. These are laudable developments but not enough – by themselves – to ensure the future of Europe's defence industry.

If the foreseeable growth in defence markets is, as it seems, to be found outside Europe then industry has to tap into these markets to stay competitive, innovative, and healthy. Better access to the global marketplace therefore has become crucial. At present, it is often hampered by various restrictions and obstacles embedded in national laws, rules, policies and practices as well as export control systems. Some of the challenges are just too great for industry to handle on their own.

No serious attention has yet been paid to this issue. Important questions must be addressed on how governments and institutions can play a constructive role in enhancing European defence industries competitiveness and innovative advantage in the global defence market and facilitating market access through concrete measures to limit barriers and inherent obstacles to defence trade. Collectively governments, institutions and industry must develop adequate policies and strategies that would address such issues as technology transfer requirements, local content and work share rules, offsets and juste retour and foreign investment policies.

One thing is certain fortress Europe policies and protectionism will not save Europe's defence industrial base, this is simply a dead end. Europe's defence industries future depends on looking outward and embracing the challenge of globalisation.

The EDA Annual conference will be a first step towards providing solutions on the way forward.