



Stockholm, 13 May 2015

H.E. Mr Donald Tusk
President of the European Council

Dear President Tusk,

In the view of the upcoming European Council on Defence and Security 25 - 26 June 2015, we want to draw your attention to the following.

We, the defence industry associations of Denmark, Finland, Norway and Sweden strongly support an open European defence and security market. We represent industries that already operate in home markets that are widely open to cross-border defence trade. It is paramount that also defence industries in smaller member states, provided they are competitive, get framework conditions that facilitate less constrained access to the national European defence markets.

We would with this letter like to offer our contribution to the preparation of the upcoming European Council on Defence and Security.

We fully support and subscribe to the overarching objectives of creating a well-functioning open European market for defence equipment and an industrial policy, which fosters competitiveness of European defence industries.

We generally support the common positions already made by the AeroSpace & Defence Industries Association of Europe. However, we would like clarify, emphasize and draw your attention to the following issues that we consider to be of major importance to secure a competitive European Defence Industrial Base. In the annex you will find our common position on the way forward.

The Nordic Defence Industrial Associations are prepared to, at any time, elaborate further on our comments.

Yours Sincerely,

A handwritten signature in black ink, appearing to be 'Frank Bill', written in a cursive style.

Frank Bill
Director
The Danish Defence and Aerospace Industries Association (FAD)



Tuija Karanko
Secretary General
Association of Finnish Defence and Security Industries (AFDA)

Torbjørn Svensgård
President & CEO
The Norwegian Defence and Security Industries Association (FSi)

Robert Limmergård
Secretary General
The Swedish Security and Defence Industries Association (SOFF)



Stockholm, 13 May 2015

*H.E. Mr Donald Tusk
President of the European Council*

Subject: European Council on Defence and Security 25 - 26 June 2015

Dear President Tusk,

We would like to draw your attention to the following issues that we consider to be of major importance to secure a competitive European Defence Industrial Base.

Exploiting the CSDP and defence related research to reinforcing innovation

There is no doubt that shortfall of funding for R&T activities is a major threat to sustaining a competitive European defence industrial base in the future. It is high time to launch a preparatory action on CSDP and defence related research. The preparatory action should go beyond the existing possibilities of civil-military research in the EU's new Horizon 2020 general research programme, opening up EU financing for defence related research. The proposal to make funds available from a selection of European common funded mechanisms for relevant R&T activities is therefore in principle welcome, to be able to sustain a genuinely capability-driven European defence capability and industrial competitiveness

However, in order to be successful it requires that funds are targeted towards R&T activities that will help close identified military capability gaps at European level. Likewise it must ensure that allocation of funds does not contribute to sustaining overcapacity and overlapping capabilities in the European defence industrial base and thus slow down a long overdue restructuring. In addition to the approaches suggested, we think it would be worth considering earmarking funds in the relevant common funded programs to support the implementation of European common programs like RPAS, MILSATCOM, Cyber defence and others.

Security of Supply

Security of supply is an issue that merits further consideration at the European and Trans-Atlantic level. However, equipping and supplying military forces are, and will in the foreseeable future remain, a national responsibility where national industrial bases are an integral part. Different national approaches and requirements on security of supply must be respected and supported. They are decisions of sovereign nation based on their national security interests. Therefore, it is necessary to respect the need of several Member States to source defence equipment also outside of Europe and for the industry of the same Member States to rely on supply chains that goes beyond Europe. Any action taken at European level in this area will have an industrial dimension and therefore industry should be involved.



Internal market

In order to achieve the objectives, it is paramount that national trade barriers that obstruct or prevent cross-border trade in defence are removed. A prerequisite for this to become a reality is that the Member States with the lowest import ratios (<10%) of their defence and security procurements open their national market to industry from other European Member States. As these Member States also count for app. 80% of the overall European market for defence equipment, it is also where the potential for a more efficient market is highest. The efforts of the Commission to monitor the market, and in particular defence and security procurements not published in TED, are therefore very much supported but have to be focused on the national markets the lowest import ratios in order to be effective in supporting the overarching objectives of the roadmap. One other aspect which is essential to enable an open European market, is to further harmonize the EU export control regulations and especially the practices of the Member States. This will strengthen the competitiveness of EU industries and reduce the disparities between Member States through an emphasis on greater harmonization of practices, procedures and decision-making.

The commission's ambitions to intervene in order to prevent unjustified discriminatory requirements are strongly supported. However, it has to be recognized that in order for Member States to safeguard their essential national security interests, Member States in particular cases have to impose requirements that are deemed necessary to sustain national defence industrial and technological capabilities within clearly identified technology areas. We therefore suggest to further investigate the consequences and alternatives for the industrial base due to the implementation of the guidance note on offsets. Recently published revised national guidelines for industrial cooperation related to defence procurement, currently under implementation, could possibly serve as a basis for this overview.

Promoting a more competitive defence industry

Standardization and certification at the European level is an extremely important means to promote the efficiency and competitiveness of the European defence industry. It is, however, utmost important that European military standards and certification are fully compatible with existing and future NATO standards and certifications.

We note with interest that supporting regional networks of SMEs and strategic clusters are considered an important means to achieve the objectives of the roadmap. Networks and clusters may be appropriate tools in this context. However, it must be understood that such measures contribute to reach the objectives only to the extent, they contribute to the creation of a globally competitive European defence industry, and not if they are considered objectives by themselves.

Government-to-Government trade in defence.

Government-to-Government trade is a well-established mechanism in defence trade. In certain cases, applying this model has advantages to both the seller and user government. It is frequently used to ensure interoperability between coalition partners, in some cases to achieve commonality at equipment and systems level between close allies, achieve economies of scale and to simplify and accelerate the procurement process. To many Member States, Government-to-Government trade is an integral part of the national security policy. This is in particular the case with Member States that rely heavily on the transatlantic defence and security dimension as a critical component of their national defence posture.

Consequently, Government-to- Government trade in defence also have significant industrial implications in the sense that industrial capabilities, that are key to Member States ability to maintain equipment and sustain operational capabilities, are closely related to mechanisms that are an integral part of Government-to-Government arrangements. Any mechanisms aiming at influencing government-to-government trade by introducing any kind of European preference for sourcing of defence equipment or imposing requirements for European supply chains will not contribute to a competitive defence industrial base.