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THE EU'S SECURITY OF SUPPLY AGENDA

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Comment

Armament Industry
European Research
Group

As part of the call for a "sustainable, innovative and competitive" European defence industry, the 2016 EU Global Strategy refers to the need for European 'security of supply' in the defence sector – the guarantee that national defence planners will have access to equipment in peace time and during crises, no matter in which member-state their suppliers are located. This year's 'Defence Action Plan', which should also include a security of supply 'roadmap', could give renewed impetus to the security of supply agenda.

Planning for EU-wide rather than national security of supply makes sense. Yes, national production of defence equipment reduces the risk that supplies can be disrupted in times of crisis; a national defence industrial base that produces innovative technologies and skills can in itself be a military advantage; and for some extremely sensitive purchases it can be in a country's essential security interest not to contract with a defence company based in another country. But the concept of national security of supply has become a way for member-states to sustain uncompetitive defence industries as state-subsidised job creation schemes in a relatively high-skilled industrial sector.

In reality, European governments are finding national security of supply to be increasingly costly – defence equipment prices have risen faster than the general rate of inflation for many years and rising personnel costs are constraining the amount member-states can spend on equipment procurement and research and development (R&D). Thus, as a result of buying at home, European countries are restricted to procuring fewer major weapons systems, and are finding it hard to sustain an industrial base that can deliver the full range of capabilities. Cross-border co-operation can become the norm only if national defence planners can rely on their allies to supply equipment or components under all circumstances.

So far, the EU's attempts to create an EU defence market – such as the 'transfer directive'– address the symptoms, but not some of the underlying reasons preventing an EU-wide security of supply regime. In its drive to establish EU-wide security of supply for the defence market, Brussels is faced with a blurred notion of European strategic autonomy and mistrust among governments.

First, while in the long-term EU-wide security of supply and strategic autonomy are inextricably linked, Brussels' autonomy ambitions should not obscure much-needed short-term measures. The EUGS' renewed call for European strategic autonomy is a far cry from today's reality. Today, Europeans still rely to a large extent on the United States - for their protection and for high-end defence equipment. These two objectives are related: while buying ready-made equipment from the US is often seen by European governments as relatively cheap, and more predictable than relying on EU defence cooperation, it also contributes to closer ties. European countries for example use

defence procurement contracts to keep the United States interested in their national security concerns.

Expensive high-end US equipment designed for expeditionary operations may not meet the needs of small European militaries that must focus on territorial defence and manage tight budgets. Though offset-agreements may at times guarantee a minimum of employment, buying 'off the shelf' often involves minimal local technology or intellectual property content, thus weakening Europe's defence technology and industrial base (EDTIB), which is crucial for EU-wide Security of Supply. And to cope with cuts in defence budgets after the financial crisis, European industries have prioritised commercially more attractive dual-use capabilities or have shifted away from their home market and focused instead on exports to countries outside the EU.

The EU's Group of Personalities Report however, is right to stress the need for balance between dependency on offshore suppliers and preserving European capabilities and systems ownership. Attempting to establish a regime of strictly European procurement would increase costs, while removing valuable opportunities for EU and third country researchers to work together. Europe's defence companies want to be at the cutting edge of systems development, which brings in more high-value orders from governments both in the EU and outside it. They should not be limited to producing European capabilities for a shrinking European market. National planners should be able to procure the best value and best technology for their money. European industries should aim not just to build the most pan-European product at any price, but to build a product that is competitive on the global market. The EU's Preparatory Action for defence research, and eventually an EU-funded Defence Research Programme could help: by investing at an early stage, the EU could reduce some of the risks that defence companies take when they embark on long-term projects.

Second, the EU should own up to the fact that security of supply boils down to a question of trust. Recent crises have highlighted the differences in strategic perspectives among European nations, especially over the right approach to a revanchist Russia. Europe learned last year that many of its citizens were against sending military aid to Ukraine to support the country against Russia. While Ukraine of course is not an EU or NATO member-state, the poll made EU member-states close to Russia feel uneasy. Their concerns appeared even more justified when it emerged that despite treaty commitments to NATO solidarity, voters in several NATO member-states were reluctant to use force against Russia even to protect an ally. These political trends have implications for security of supply. Defence planners in a Baltic state might worry whether a member-state reluctant to provoke the Kremlin would deliver defence equipment to its allies in a crisis. The Commission has taken a legalistic approach to solving this issue, encouraging governments to make bilateral agreements. The EDA has drafted a framework voluntary agreement on security of supply, designed to guarantee supply in order to increase the level of mutual confidence amongst participating

member-states. Ultimately however, the trust that is essential for security of supply grows out of shared strategic priorities and defence interests. An EU defence white book that outlines a clear military ambition could contribute to harmonising EU member-states strategic outlooks.

Europe still has a long way to go to provide for its own defence. But the impossible goal of national security of supply in Europe will eventually be history; European-wide security of supply needs to become a reality. ■

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We publish the comment of Sophia Besch, Research Fellow at the Centre for European Reform, on security of supply, a key question linked to the strategic autonomy. The domain of action was identified by the European Commission in the 2013 communication "**Towards a more competitive and efficient defence and security sector**" in which the European commission and EDA work on a collaborative way. Sophia Besch's point of view opens up the debates. We will publish other "comments" on this subject.

ARES GROUP

The Armament Industry European Research Group (Ares Group) was created in 2016 by The French Institute for International and Strategic Affairs (Iris), who coordinates the Group. The aim of the Ares Group, a high-level network of security and defence specialists across Europe, is to provide a forum to the European armament community, bringing together top defence industrial policy specialists, to encourage fresh strategic thinking in the field, develop innovative policy proposals and conduct studies for public and private actors.

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