

CONCLUSION: DIVERGENCES ET CONVERGENCES

What conclusions can be drawn from these nine overviews of how the main EU Member States view the prospect of a European defence market? Several key observations — as well as a few apparent contradictions — emerge.

- First, all the countries consulted share the **same diagnosis**: the EDTIB suffers from excessive fragmentation across European markets, which undermines its efficiency, competitiveness and ability to scale up. All agree that this handicap must be addressed. The remedies they advocate, however, are different.
- While EU countries broadly agree on the diagnosis of fragmentation, several nevertheless remain suspicious of any **Commission** initiative aimed at addressing the problem. They fear that the EU executive could use such initiatives to extend its competences excessively at their expense. Significantly, the four largest EU Member States — France, Germany, Italy and Poland — are among those most wary of this prospect. Spain is the notable exception.
- Differences also emerge over **whether** the 2009 Directive on defence procurement should be reformed:
 - ✓ Some Member States, notably France and Italy, remain **sceptical** of further regulatory intervention at EU level. Their preference is for intergovernmental arrangements and sovereign cooperation among groups of Member States, rather than a further extension of the Community method into the defence sector. From this perspective, the Commission should continue to concentrate on the instruments over which its role is least contested: financial support to strengthen the European industrial base and incentives for joint procurement, rather than the regulation of national demand. France, in particular, takes a markedly political view of the defence sector. Defence industrial choices are seen first and foremost as matters of sovereignty and strategic policy, to be determined through political decision-making rather than constrained by legal rules — especially where those rules are supranational.
 - ✓ Other Member States, such as the Netherlands, Denmark, Sweden, Spain and Lithuania, are **not opposed** to the emergence of a more competitive European defence market, provided that it enables their SMEs and mid-caps to secure a lasting place within the EDTIB. Their concern is that such a market could end up being shaped primarily around the interests of the major prime contractors. Germany's position is

more distinctive — and perhaps somewhat harder to interpret. Berlin presents itself as pro-European but pragmatic. On the one hand, it is open to a greater Europeanisation of the defence market; on the other, it remains wary of the introduction of overly prescriptive rules.

- The **most active countries** in the debate over an internal defence market are France and Poland, which arguably have the most developed positions, followed by Germany. Each of these three countries places the emphasis on a different priority:
 - ✓ **Germany** makes **simplification** and faster administrative procedures an overriding priority. On this point, it is supported by several other Member States, notably Denmark, the Netherlands, Poland and Lithuania.
 - ✓ **Poland**, for its part, advocates a reform that promotes **technology transfers** and local production. Its priority is to avoid any further concentration of the European defence industry that could come at its expense.
 - ✓ **France**, finally, places **European preference** at the forefront of its position, in particular with a view to promoting European strategic autonomy.

The challenge of European preference

The question of European preference is undoubtedly one of the most sensitive issues in the debate. Whenever the European Commission has put forward a new defence-industrial initiative, Member States have almost invariably divided over this point.

Broadly speaking, the countries most supportive of stronger competition rules have also tended to be those most reluctant to endorse European preference — notably the Netherlands, Germany, Denmark and Lithuania. Over time, however — particularly in the context of the debate on the internal defence market — their positions appear to have evolved. At least to some extent, they now seem to be moving closer to the French position on this issue.

In light of the changing international environment, there now appears to be broad acceptance of the principle that the EU should give greater priority to its own defence industry. Indeed, the very concept of European strategic autonomy — long viewed with scepticism — has gained considerable ground in Brussels, inevitably shaping the debate over European preference.

This does not mean, however, that all Member States support an overly rigid form of European preference. Most still want to preserve a degree of flexibility in procuring military equipment

from non-EU NATO allies. It is precisely here, however, that a **misunderstanding** persists among Member States – one that needs to be clarified.

The misunderstanding stems from the way some Member States approach the debate. Those reluctant to introduce a form of European preference into a new defence procurement directive seem to fear that the Commission intends to impose binding rules similar to those already used in EU programmes supporting the EDTIB. For example, they are concerned that strict eligibility criteria applied under SAFE and EDIP could somehow be extended to defence procurement⁷.

This is, however, unlikely. When implementing funding policies through the EU budget, the Union can legitimately impose strict eligibility criteria. National defence procurement is a different matter. In this area, the EU cannot oblige Member States to buy European equipment, still less prevent them from purchasing the systems of their choice. The issue is therefore not to impose a binding European preference, but rather to create a regulatory framework that provides for simplified procedures when Member States choose to procure European equipment, particularly systems developed through cooperative programmes.

Yet, judging from the national positions outlined here, no Member State appears to hold a position that is fundamentally incompatible with this principle. Italy is particularly revealing in this respect. Rome remains reluctant to introduce any form of European preference into EU rules on defence procurement. At the same time, however, it appears supportive of simplified procedures for equipment developed through the European Defence Fund.

Ultimately, the positions of the Member States and the Commission on European preference may not be as far apart as they first appear. Germany's and other Member States insistence that any reform should above all pursue administrative simplification also points to a possible compromise with France: simplify procedures, certainly, but ensure that this simplification apply when the purchaser intends to buy Europeans equipment first and foremost.

Of course, the question of European preference raises many other complexities. One of the most important is the need to define more clearly what should qualify as European equipment. In this respect, the criteria set out in EDIP and SAFE — notably the '35%–65%' rule and the notion of a European Design Authority — remain imprecise and insufficiently defined. Differences of view between Member States persist on both issues, but they are far from irreconcilable.

⁷ These include the so-called '35%-65% rule' and requirements based on the concept of 'European design authority'.