

INTRODUCTION

Since the European Commission announced its intention to revive the project of an internal market for defence, Member States have been on alert. The issue is particularly sensitive. Using the EU budget to strengthen the European Defence Technological and Industrial Base (EDTIB) is one thing, regulating defence markets — and public procurement in particular — is quite another. Some countries are supportive, others remain sceptical, while others are still weighing up what position to take.

The idea of an internal market for defence does, after all, raise major issues. This is no longer simply a matter of supporting industry: it touches on the very exercise of national sovereignty, as governments decide which weapons and military equipment their security will ultimately depend on.

These questions have therefore been the subject of intense debate within the EU institutions for several months. In Brussels, even the terminology remains contested: a Defence Single Market? An Internal Market for Defence? A Defence Equipment Market?

But what is the view from European capitals? How are these issues perceived at national level? And what positions do the main Member States intend to defend in Brussels?

To answer these questions, the ARES Group asked nine of its researchers, based in nine EU capitals, to examine the debate from their respective national perspectives. The picture that emerges is a nuanced one. National positions certainly diverge, but they are far from set in stone, and several areas of convergence are beginning to emerge. More importantly, some of these disagreements appear to stem from misunderstandings that could be clarified, potentially opening the way to compromise.

The challenges facing the internal defence market

The Commission's starting point is that Europe's defence market remains deeply fragmented along national lines. This **fragmentation** constrains competition, limits economies of scale, makes it harder for SMEs and new entrants to access markets in other Member States, and slows both the development and the scaling-up of the EDTIB.

A genuine **internal market for defence** is therefore intended to strengthen Europe's industrial base, encourage joint procurement, provide industry with greater visibility over future demand, and reduce external dependencies, notably by reinforcing intra-EU supply chains.

Against this backdrop, the Commission considers that **Directive 2009/81/EC on defence procurement** is in need of reform. Adopted in 2009, the Directive remains unevenly and only partially applied across the Union. The Commission is therefore seeking to revise it with a view to:

- ✓ Reducing market fragmentation by strengthening **intra-EU competition and transparency**, while taking due account of the specific requirements of the defence sector, particularly security of information and security of supply.
- ✓ Further promoting **industrial cooperation**, notably by facilitating the procurement of equipment developed through cooperative programmes and thereby supporting greater consolidation on the supply side.
- ✓ Encouraging **joint procurement** through simpler and more flexible administrative arrangements.
- ✓ More broadly, delivering **administrative simplification** and faster procurement procedures. In particular, making it easier to integrate technological upgrades rapidly into existing weapon systems.
- ✓ Revising subcontracting rules in order to create greater scope for **local production**.
- ✓ Supporting **industrial ramp-up**, including by facilitating the procurement of additional production capacity.
- ✓ Eventually, introducing procedural provisions that could **favour European industry**, in particular by making greater use of security-of-supply considerations.