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THE PRESIDENT**



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**"DEFENCE IN EUROPE: PRAGMATICALLY FORWARD"
speech by President of the European Council
Herman Van Rompuy
at the annual conference of the European Defence Agency
"European Defence Matters"**

It is a pleasure to be joining you today for your annual conference. I couldn't agree more with its title. Indeed: European defence matters. And to the members of the European Council, the 27 Presidents and Prime Ministers that I represent, it matters tremendously. It matters for the security of our citizens and our home countries, and to uphold our interests and values in the world. It matters because of the jobs, the cutting edge technologies, the potential for growth that collectively you represent. And for those very reasons, as you know, I have arranged for leaders to discuss how to improve European defence at our summit in December.

The European Defence Agency is a young institution, but in the eight years since its creation, you have made your mark. Knowing well the challenges of setting up something from scratch, I can say this is no small achievement! Being in a way a "facilitator" myself, I have a lot of sympathy for the Agency's role... facilitating can be hugely rewarding but testing at times! We have to be pragmatic and result-driven, and also unrelenting and very, very patient. In defence matters this is particularly true. You measure time – not in the hours and days of the markets, especially at moments like these... – but in years and even decades.

P R E S S

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But the defence industry is specific in another aspect too. Saying it's not like buying and selling shoes is an understatement. The relationship between governments, as sole customers but also as regulators, and the defence industry, is unlike any other. And for that very reason, it is good to see all the stakeholders together here today. Your work, your close cooperation, is key to ensure that all European men and women in the field are well-trained and well-equipped. And having visited troops and teams from Afghanistan to Georgia – both as Prime Minister of my country and in my current capacity – I know how important that is.

Recent years have confirmed that we are facing a fast evolving strategic landscape. Of course traditional threats did not crumble with the Iron Curtain. But along them, we are also facing new threats, threats that are partly de-territorialised and dematerialised. To deal with them effectively, we must engage even closer with our partners. Yet, as rightly underlined in our common Security Strategy, "even in an era of globalisation, geography is still important". And this puts the Union at the forefront when it comes to security in our neighbourhood.

These are instable times, times of change. The European response has been proactive; the engagement of our countries – and that of the Union – in the Arab and Sahel regions testify to that. But these evolutions also highlighted once again that we need to change ourselves. Everyone of us is drawing the lessons of Libya, and more recently Mali. Starting with the gaps in capabilities that were laid bare – from air-to-air refuelling to field hospitals and force protection.

This hardly matches the high expectations of the countries of the region, who look to us for support for their own security and stability, trusting in our unique and comprehensive approach to conflict prevention.

In the new strategic environment, we need to be able to fulfil our responsibilities. And we are encouraged to do so by our most trusted ally, the United States, who is also in the process of repositioning itself. We are responsible for our security and we must contribute to that of our neighbourhood. But do we have the means?

This question of the means is all the more acute that we are facing tight financial constraints. I know it all too well... dealing with budget issues has proven to be the daily bread for a President of the European Council.

Cuts in defence spending are not a new phenomenon – and of course partly related to a post Cold-War perception of diminished threats. But with the crisis, they are accelerating. All in all, if current trends persist, by 2017 we risk having lost 12% of our overall defence spending since the start of the crisis: the equivalent to the entire current defence budgets of Poland, Spain and the Netherlands. Let us be honest: even if this decline may not be as important as forecasted, it will be substantial.

Due to many constraints, not least time pressure, most of these cuts are taking place with very little coordination between capitals. The risk – and it is very real – is that our skills and hardware erode and that the disconnect between our needs and means keeps widening. This could jeopardise our future.

The question is not only how much we spend, but also how we spend. It's about being clear on what we want to achieve, and the means we need to do so.

Each country is different, and the overall picture is notoriously complex. But the fact is that while together we have more troops than the United States, our capacity to deploy them is more limited. The fact is also that vast amounts of money still go to maintaining costly, obsolete equipment at the expense of essential investments. And I can't help but wonder how, still today, demand is so fragmented that we have over a dozen helicopter models in Europe, when it would make so much sense to take advantage of economies of scale, while guaranteeing supply.

I am well aware of all the constraints, but the fact is that as long as we duplicate as much as we do today, it will be very difficult to maintain the best standards for our armies. Military experts are telling us we will not be able to maintain key military assets under current trends. In the end, to guarantee our ability to defend ourselves effectively, something needs to change.

Of course there are no easy or quick solutions. Stating the obvious, we are a Union of 27 states (26 here at the EDA, and 21 belonging to NATO). We have different perceptions of threats and needs; different attitudes as regards our missions and roles in the world; and different needs and interests as customers and producers of defence equipment. We know that security is broader than defence, but defence is an essential part of our security. And the fact is that the threats concern us all.

Take for instance terrorism, and cyber-terrorism: a potential threat to the arteries of globalised modern life: telecommunication, banking systems, airports or energy grids... Or take our maritime security. No less than 90% of EU external trade is carried by sea, so this is a priority that none of our countries can ignore. And one on which Europeans, together, can make a difference, as the success of operation Atalanta in fighting against piracy shows. And the fact is that much cooperation is already taking place.

European troops systematically deploy together in missions, whether in NATO, EU or UN missions. However when our troops return to their respective home bases, it's a very different story. Only few countries seize opportunities to cooperate at home – despite the obvious advantages in terms of savings and sharing of best practices.

What we call "pooling and sharing" is not a new issue (it was in the EU Security Strategy ten years ago), and very good things have been done. The Dutch and Belgian navies train their staff together and commission equipment jointly, while keeping separate crews and separate fleets. For instance, the education for marine cooks is done in Belgium rather than Holland, it will not come as surprise!

The Baltic countries have set up a joint defence college instead of three separate ones. And their Scandinavian neighbours also specialise when it comes to education: the Finns teach military observers and the Danes military police officers.

The Visegrad countries have agreed to set up a common battlegroup by 2016, and – better-known to the wider public – France and the UK are engaged in an ambitious cooperation, reinvigorated in recent years by the Lancaster House summit.

Within the EDA, many of you have also developed promising projects, sometimes with lead countries, for instance on helicopter training and satellite procurement (both in place), and on field hospitals and air-to-air refuelling (where work is ongoing). There are other areas, such as surveillance drones, where we risk losing out both as consumers and as producers. I know “drones”, militarily speaking, are supposed to be lean and ungraspable so anything but “flagships”, but in terms of projects they could be precisely that! A flagship.

Beyond the fields of military training and maintenance, there are other areas where we are hardly at the beginning of defence cooperation: in particular, technological innovation (for our industrial base), and procurement (for investment and equipment). Here also, as an expert put it, "reluctance becomes unaffordable". I understand in practice it is more complicated.

There is the fear of loosing your capacity to act autonomously – when deciding where and when your troops deploy, or not..., or when having to adapt technical standards in order to buy jointly. Discussions can go all the way up from the size of bullets to the sovereignty of our countries... And even on the budgetary front it is not always clear-cut.

There is the fear of extra initial costs, not least potential job losses. Also it clearly does not help that defence ministries have no assurance that money saved through pooling and sharing will be reinvested into defence – a dilemma that I'm afraid will sound familiar to many in the audience today.

Cutting in haste (under pressure from national Treasuries eager for 'more cuts now') doesn't leave time to look into how to rationalise spending through cooperation. No-one here is naïve. We all know that – beyond the money aspects, beyond pragmatic arrangements – decisions on defence go to the heart of any state's independence. These decisions are not easily shared, sometimes not even with trusted partners.

But this makes it all the more urgent to identify those areas where gaps or delays are, quite visibly, irresponsible – and to convince the public at large that European nations must act jointly.

How do we move forward? The crisis should not be seen as an excuse to put things off but instead as an opportunity to launch initiatives, to preserve capabilities that would otherwise be lost to budget cuts.

Here's the way I see it: defence cooperation is not about the management of decline, no, quite the opposite, it's the way to ensure we remain cutting-edge and fully play our role in the future!

Overall we share the premises of a common analysis of the threats, as crystallised in our European Security Strategy and as shown so often on the ground. In fact our strategy can be read in action through the many missions and operations in which member states are involved together – from Afghanistan to Kosovo and from the Congo to Somalia.

A more explicitly shared view of the strategic context would be essential to steer day-to-day choices and help shape decisions with a long-term impact on budgets, on investments, on personnel. It should in any case not be an academic exercise but be geared toward operational conclusions and results.

Now is the time to be very concrete: to set the right incentives, involve more countries in existing projects, and get more joint projects off the ground.

The Agency has a key role to play. Clearly it can't do everything, but it can fully play its role as facilitator. By "changing mindsets", spreading best practices, helping identify solutions and set them into motion. Of course, change does not happen overnight, but as those of you who know me better are already aware: I strongly believe in progress as a series of steady steps in the right direction.

Here let me say a few words on how I now see the process launched last December, in view of the European Council discussion at the end of the year.

As you have noticed, my main concern is not so much CSDP as such or "EU defence", but rather the state of defence in Europe. That's how Presidents and Prime Ministers look at these issues together. To them, defence means national defence as much as deploying abroad. The transatlantic relationship remains vitally important; that is not under discussion. At stake is under what conditions, in the current budgetary context, Europe can remain a credible partner; under what conditions we can fulfil our separate and joint security responsibilities.

To take matters forward, all depends on the member states, who are in the driving seat. EU structures and means (like the EDA, but also the EEAS and the Commission) are essentially there to support – as service providers and facilitators – and to help build trust.

That's also where I see the role of Heads of State and Government: perhaps the intricacies of armament procurement are not their daily business, but they do care about security, about soldiers, about jobs, about budgets. And there is more: in that very financial crisis leaders uniquely experienced how interdependent our countries have become; they know, and it was and is not always an agreeable discovery, that they are co-responsible. The same goes for their joint responsibility for our continent's defence; there also, decisions in one country, will affect others.

There is too little public awareness of this, and in that respect precisely, Presidents and Prime Ministers are uniquely placed to convince a wider public opinion, and thereby to set things into motion. But to make the best of that potential, which I hope to channel between now and December, we must prepare carefully and I need your help.

For the defence dimension of our discussion in December (as distinct from the CSDP dimension), for me the important thing is to make concrete progress on three key issues:

- (1) priorities for future investment and equipment procurement;
- (2) strengthening our industrial base, so that it remains competitive and innovative;
- (3) and finally, the preparation and availability of forces.

I know intense work is already happening, between capitals and within the EDA – also on implementing the code of conduct on pooling and sharing you adopted last November.

There are indeed many concrete, practical questions with which we need to come to terms; for instance:

- How can we really set common priorities for investments, and effectively coordinate our budgets?
 - How can we further consolidate demand?
 - While civilian money needs to be used for civilian purposes, can we reap the benefits of research for dual use?
 - How do we set the right incentives to ensure savings are reinvested into defence?
 - And as we pool and share, how do we guarantee access to capabilities when needed?
 - Finally, let us not forget that empowering partners is also one of our core capabilities!
- How can we make this more systematic?

These are just examples, not meant to be an exhaustive list...

As you will have gathered by now, my aim is not to produce yet another strategic paper ahead of the December summit. What we need are tangible projects: all initiatives, whether bilateral or trilateral or in group, are welcome!

Cooperation will be different according to projects and groups of countries. There is no one-size-fits-all. We must be pragmatic. This is the way European defence, like the Union itself, is being built: pragmatically. And it is from the link between industry and defence that emerge ideas for innovation, and for a common defence, built together. A winning situation for all!

So let's start by identifying the concrete obstacles and find ways to overcome them or work around them, it is a work for policy-makers but I trust, looking at all of you here today, that all leading industry actors will be involved and themselves come up with constructive ideas.

Europe was born out of the ashes of a war. And built, at first, by pooling (and sharing!) the instruments of war: coal and steel.

Upon receiving the Nobel Peace Prize in Oslo last December, European leaders said the European Union stands by those in pursuit of peace and human dignity. To fulfil such responsibilities, we should make sure we have the means at our disposal.

