

RECOMMENDATION 770¹

*on the future of the European naval defence industry*²

The Assembly,

- (i) Considering that Europe, with its naval defence industry, is obliged to take account of the co-existence of firms of different nationality, with varying cultures and subject to different rules, and with ties in certain cases to different governments;
- (ii) Taking the view that market pressure alone is not enough to bring about industry consolidation at the European level and that if large-scale reorganisation is to happen, government intervention is necessary;
- (iii) Noting that for mergers across Europe's naval defence industry to be genuinely successful, two essential conditions have to be met: industries need to have the legal capacity to merge with one another and governments have to make it possible for such mergers to work, by bringing standards into line and creating opportunities for technology transfer;
- (iv) Recalling that the LoI (Letter of Intent) addresses these issues and should make their resolution possible;
- (v) Considering the difficulties involved with questions such as operational convergence, synchronisation of procurement and harmonisation of budgets;
- (vi) Taking the view that these questions have been the subject of research over many years, particularly in WEAG (Western European Armaments Group) and POLARM (the EU working group on armaments policy);
- (vii) Noting that no solution acceptable to all players has been found since operational convergence and procurement policy are determined by countries' own military culture, their international areas of interest and national defence budgets and, very often, by purely industrial concerns;
- (viii) Considering nevertheless that such issues are not a structural problem in Europe, where cooperation programmes have already been implemented successfully, but that they are still a major inhibiting factor to industrial cooperation;
- (ix) Considering there is a need for countries to reach agreement on common minimum capabilities, which takes time, and on virtually simultaneous allocation of equipment budgets;
- (x) Stressing that without European programmes, consolidation of the European naval defence industry would be impossible, and that if it is to happen countries must have the same equipment requirements, at the same time, for the same missions;
- (xi) Noting that it is within the European Defence Agency (EDA) that such questions will need to be resolved if a satisfactory outcome is to be achieved for all concerned;
- (xii) Recalling that the report from the Agency Establishment Team (AET) suggests that the Agency's priorities, on start up, should include work on the follow-on to the publication of the Green Paper on Defence Procurement, studies on the European capacities of the Defence Industrial Technological Base (EDITB) and defining with the Letter of Intent (LoI) nations the use and dissemination of selected LoI rules within the EU to constitute a benchmark on how to promote the use of small and medium-sized businesses in the European Defence Equipment Market (EDEM);
- (xiii) Welcoming the idea contained in the report of launching an initiative in the area of the naval defence industry with the aim of assessing the EU supply structure and focussing on the possible impact of national and multinational programmes on industrial structures and policies;

¹ Adopted by the Assembly on 6 December 2005 at the 8th sitting.

² Explanatory Memorandum: see the report tabled on behalf of the Technological and Aerospace Committee by Elvira Cortajarena Iturrioz, Rapporteur (Spain, Socialist Group), Document 1916.

(xiv) Recalling that the EDA's 2005 work programme envisages an investigation of the scope for adding value to the EDTIB through the naval defence industry and that the Agency is also to review estimated future demand and capacity and current national strategies in the sector, and make proposals to the Steering Board,

RECOMMENDS THAT THE COUNCIL INVITE THE WEU MEMBER STATES, AS MEMBERS OF THE EUROPEAN UNION, TO:

1. Make it their common task to resolve difficulties over funding naval defence programmes;
2. Show strong political resolve in helping bring about consolidation of the European naval defence industry, in particular by encouraging:
 - (a) operational convergence, procurement synchronisation and harmonisation of budgets;
 - (b) harmonisation of rules and opportunities for technology transfer; and
 - (c) agreements for developing and implementing European programmes;
3. Ask the European Defence Agency to speed up its studies on the naval defence industry, treating that sector as a priority and taking account of the results of studies carried out in this area by WEAG;
4. Become involved immediately, in cooperation with the industry and the EU, in a European naval defence industry project for the future on which both the latter's survival and the success of the European Security and Defence Policy will depend.