

INTERVENÇÃO ANA NO KANGAROO GROUP

"Third country investors influence the European security and defence markets"

- Let me start by thanking Mr Karl von Wogau for his kind invitation to come here;
- Mr von Wogau is, like I am, a passionate supporter of a Europe of defence, a Europe that is more than just the sum of its 27 national parts;
- Which brings us to the title of this conference - why does it make sense to discuss the influence of third country investors in the European defence markets? Doesn't it seem quite reasonable to expect investors in any kind of business to be able to influence what happens with his/her investment?
- Well, there are two reasons why this title is appropriate:
 1. First, the defence market is different from all other markets, for reasons you are all familiar with;
 2. Second, because the European defence market is different from other defence markets.
 - Let me dwell on this last point: first of all, a European defence market only exists in the vaguest sense; unfortunately, we are still mainly talking about many fragmented national markets - the Commission and the EDA are working hard to change that as we speak;
 - The second important aspect of the European defence market is that most of its components - the national defence markets - are quite open to investment by third countries - unlike those of other major international actors;
 - In other words, who would organize a conference with the title *"third country investors influence the US, or the Russian, or the Chinese security and defence markets"*? No one. **Because those countries are quite adamant about keeping pretty much all**

meaningful third country investment away from their security and defence markets;

- So let's focus on Europe's partners. There is much fuss about the fact that VTB, a publicly-owned Russian bank has a 5% stake in EADS, and seems to want to grab more. But Russian inroads into the European defence market are still quite limited;
- Frankly, the issue of third country investor influence in this context is mostly about the influence of US investment in Europe and the lack of transatlantic reciprocity;
- One example of the pernicious effect of not developing a clear strategy for Europe's own defence industry is Italy, where the defence industry pretty much has a sub-contracting role for US majors;
- For those like me who believe that Europe should have a defence-industrial base shaped by the needs of Europe's increasingly mature Security and Defence identity (and by no one else's), the strong influence of the US in the choices of European industry and decision-makers is worrying;
- But let me be clear about who I point the finger to: I am not blaming Washington; I suppose they are defending their own interests when they block technology transfers even to their closest allies; or when they make European companies go through hell to land major deals with the Pentagon; or when the Committee on Foreign Investment in the United States puts up significant hurdles in the way of non-US investment in the US market - I blame European policy-makers and their short-sightedness (although things are improving now);
- Yes, BAe Systems and Rolls-Royce have penetrated the US market, and BAe is going on an investment spree there; yes, the US-UK Defense Trade Cooperation Treaty that was signed by Prime Minister Blair days before he left office will make it much easier for the UK to acquire US technology;
- **But few of us in Europe want to pay the price for the so-called "privileged relationship" the UK enjoys: permanent asymmetry and an unequal partnership;**

- The Joint Strike Fighter/F-35 project is a classic example of how US-led transatlantic projects can on one hand make European countries and their industries completely dependent on decisions made in the Pentagon, while at the same time these projects crowd-out any European alternative and industrial competition;
- We should stop dreaming about a utopian transatlantic defence market, which seems to be less realistic by the day: **the US will never deal with the EU as a whole in this domain**, because it is in the US' interest to pick off a few privileged few and deal with them individually; the US Congress will never allow any administration to reform export and technology transfer laws enough for a level playing field to develop; and who can imagine EADS taking a big chunk of any US major?;
- **The way ahead for Europe can only be one:** further consolidation of supply on the industrial side, consolidation of demand on the government side, facilitation of intra-Community transfers, and above all, some elements of 'European preference', either through an addition to the present EDA Code of Conduct, or as part of the Commission Directive on Defence Procurement, which should be coming out any day now;
- I am not reinventing the wheel here: if you look at the *Strategy for the European Defence Technological and Industrial Base* agreed by EU Defence Ministers in a meeting of the Steering Board of the European Defence Agency on May 14, it's all there; it makes very good reading, indeed;
- It starts by saying that "*the maintenance of a strong DTIB in Europe is a fundamental underpinning of the European Security and Defence Policy;*" - this is what it's all about;
- The final strategic goal in the field of security and defence is a European Union practicing effective multilateralism, **developing and procuring the equipment it needs to successfully pursue the principles of the European Security Strategy** within the context of ESDP, assuming its **global 'responsibility to protect'**, **supporting the UN** and **exporting arms responsibly** according to

a Code of Conduct on Arms Exports that **should be legally binding** on all Member States;

- A healthy defence industrial base is, in my opinion, just a means to an end, a necessary tool to achieve Europe's **strategic autonomy**, which is a fundamental precondition for Europe to effectively implement the *European Security Strategy* and achieve its ultimate aim of a *Secure Europe in a Better World*;
- Should you think that concepts like "*European strategic autonomy*" and "*over reliance on the US*" have no place in the European consensus and should best be hidden in some policy paper of an obscure directorate of the Quai d'Orsay, I will again remind you of those May conclusions of the EDA Steering Board;
- EU Defence Ministers think that there should be (AND I QUOTE) "*less dependence on non-European sources for key defence technologies*"; they "*recognise that the problem of accessing the US defence market, and of establishing balanced technology exchange across the Atlantic, make it natural and necessary for Europeans to cooperate more closely to ensure the future of their own DTIB*" and most strikingly, when it comes to identifying key technologies, EU Defence Ministers agreed that (AGAIN I QUOTE) "*we need to identify, from a European perspective, the key defence technologies that we must seek to preserve and develop. Military capability need is the prime criterion, **but we must also have regard to the needs of autonomy and operational sovereignty***";
- So, please don't shoot the messenger if you disagree with me and when I say that Europe needs to deal with third country investors, exporters and partners on a more equal footing; we need to get our act together and we need to do it amongst ourselves - no one is going to do it for us.