Commission proposes new competitive measures for defence industries and markets

The fragmentation of the European defence market and divergent national policies create red tape, hamper innovation and competitiveness and, ultimately, weaken the European Security and Defence Policy (ESDP). The European Commission presented today a package of initiatives to improve this situation. This "defence package" contains three elements: 1) A communication with recommendations for fostering the competitiveness of the sector; 2) A Directive on defence procurement to enhance openness and intra-European competition in Member States' defence markets; and 3) A Directive on intra-EU transfers of defence products designed to alleviate the obstacles to intra-community trade. The proposed new legislation will contribute to creating a genuine European market in this sector without sacrificing Member State control over their essential defence and security interests.

Commission Vice-President Günter Verheugen responsible for enterprise and industry policy said: "Opening the internal market for defence products will improve the competitiveness of the technological and industrial base of the European defence sector. This is also fundamental to establishing Europe's autonomy in this field."

Internal Market and Services Commissioner Charlie McCreevy said: "Introducing transparent and competitive procurement rules applicable throughout the Union is crucial for the establishment of a common defence market. This will lead to greater openness of defence markets between Member States to the benefit of all: armed forces, taxpayers and industries."

Today, an inadequately fragmented policy and legal framework is hampering the efficiency of Europe's defence markets and the competitiveness of its industries. Member States make extensive use of Article 296 to exempt defence contracts from EU procurement rules thereby adding more divergence and incoherence to defence markets. Furthermore, national systems to control transfers of defence equipment do not distinguish between exports to third countries and transfers between Member States. Applying heterogeneous and disproportionate national licensing regimes hampers the security of supply between Member States, costs business over €400 million a year and limits market opportunities for competitive SME subcontractors in other Member States. The use of non-harmonised standards hampers cooperation in R&D, procurement and production programmes.
Legislation to improve internal market for defence products

Today, the Commission has tabled two new legislative initiatives:

- **Directive on defence procurement**, which will be applicable to arms, munitions and war material, but also to certain sensitive non-military security equipments. The rules of the new Directive are adapted to the specificities of such procurements, which are often particularly complex and sensitive. Member States will thus have at their disposal Community rules that they can use without risk to their security interests. This will enhance transparency and openness of defence markets between Member States. (see Memo/07/547).

- **Directive on intra-EU transfers of defence products** aims to significantly simplifying national licensing procedures and therefore facilitating cross-frontier commercial exchanges within the EU. This will contribute to making defence industries more competitive and facilitate SMEs participation into prime contractors’ supply chains. The new legislation should enable Member States to meet military needs at lower cost and enhance security of supply for public procurement and industrial cooperation (see Memo/07/546).

Policies to support the competitiveness of the defence sector

Furthermore, the Commission identifies in its Communication a number of further actions to strengthen the sectors competitiveness. It will, in particular

- Promote the use of **common standards**;
- Use the legal instruments at its disposal to **ensure fair competition** for defence industry goods;
- Explore the merits of establishing an EU system on **security of information**;
- Launch a study, in 2008, on how **control of strategic assets** might be undertaken in the future, particularly focusing on options for ensuring competitive supply at the European level without sacrificing national security interests.
- Foster greater overall **coordination** with, and between, Member States to seek the best level of performance while allowing more cost-effective solutions.

More information

[Defence procurement](#)

[Transfers of defence products](#)