



EUROPEAN COMMISSION

Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs

Space Policy, Copernicus and Defence
Defence, Aeronautic and Maritime Industries

Brussels, - 2. 02. 2017
JM/nf/grow.ddg3.i.4(2017)318371

Mr Patrick Bellouard
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Dear Mr Bellouard,

Thank you for your letter to President Juncker concerning the proposals of the Eurodefense network to support the European Commission's efforts to strengthen the European Defence Technology Industrial Base (EDTIB). President Juncker has asked me to reply on his behalf. You raise a number of interesting suggestions and I would like to respond on the main proposals you make.

Since your letter, the Commission has adopted the European Defence Action Plan (EDAP) which is designed to ensure that the European defence industry is able to meet Europe's future security needs and, in that respect, enhance the EU's strategic autonomy.

On the issue of support for defence research, I note your concern that more needs to be done and more quickly. As you know, under the existing Multiannual Financial Framework (MFF) the Research Framework Programme has an exclusive civil focus. In the light of this, the Commission in the EDAP, further to the proposal for a Preparatory Action of €90 million over three years, which is considerably higher than most Preparatory Actions, proposed the creation of a European Defence Fund with an amount of €500 million per year for defence research under the next MFF. This is an ambitious proposal which, if agreed by the European Parliament and Member States, would make the EU among the top four of defence research and technology investors in Europe. The specificities of the defence sector, such as confidentiality, and IPRs will be taken into account in the preparation of the next research programme. They will also be discussed with Member States and industry, building also on the experience gained with the Preparatory Action.

Turning to the defence industrial base, the Commission fully shares your view on its importance to the whole European economy. This is clearly expressed in the EDAP. The Commission proposes improving EU-wide competition for defence procurement contracts. To do so, the Commission proposes measures to improve implementation of

the two defence-related Directives, namely the Procurement Directive (2009/81/EC) and the Transfers Directive (2009/43/EC).

On the issue you raise concerning the ban of offsets offered from third-country vendors, I can reassure you that, under EU law as it currently stands, EU Member States' procurement authorities can only require offsets in exceptional cases, when justified on the basis of Article 346 TFEU (the offsets requirement must be necessary for the protection of essential security interests). These legal restrictions already apply in the same way to any purchase made by EU Member States' procurement authorities, irrespective of whether the supplier (and offsets provider) is a company based in the EU or in a third country.

The Commission has also adopted two recommendations to encourage a harmonised use of the Transfers Directive, by defining a minimum list of less sensitive components for licensing in order to facilitate the transfer of defence-related products throughout the EU. In order to ensure consistent implementation of the two Directives across the EU, the Commission is also closely monitoring the legislation in Member States and requesting clarifications from national authorities where needed.

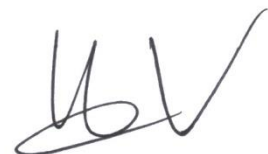
In terms of SMEs, the Commission has always recognised that the Single Market in defence will only work if companies, regardless of their size and location in the EU, have fair access to business opportunities throughout the Union. We know that cross-border market access is a particular problem for SMEs outside existing defence supply chains. The EDAP proposes a wide range of measures to help them modernise, adapt their industrial capacities and grow in the Single Market. The Commission will adopt in 2017 recommendations encouraging procurement authorities to facilitate cross-border and SME participation in defence procurement procedures and defence supply chains.

The Commission also proposes to promote the use of European Structural and Investment Funds (ESIF) to support investment projects (both innovative products and modernisation of the industrial facilities and infrastructures) in the defence sector.

Thank you once again for your interesting set of proposals and I hope that you recognise the high level of ambition the Commission has to support the EDTIB in the EU.

Yours sincerely,

Avec nos remerciements !



Alain Alexis
Head of Unit