

A EUROPE THAT PROTECTS AND THAT STANDS FOR TRUE PEACE: BUILDING A EUROPEAN DEFENCE UNION

October 2024



The pace of geopolitical change is dramatic, and the world has become more dangerous. Russia's war of aggression against Ukraine, Iran's missile attack against Israel as well as the Iranian-sponsored Hamas terrorist attack on Israel illustrate increasing global instability. Tectonic shifts in the geopolitical and security landscape are threatening our Western world and our values. Authoritarian actors, such as Russia and China, are pursuing an increasingly aggressive foreign policy to advance their interests worldwide, by political and economic means, but also by military means. This also includes the targeted use of disinformation, as well as cyber and hybrid attacks, with the aim of undermining the stability of our democratic societies. In addition, the malign influence of authoritarian regimes destabilises and attempts to derail the European path of candidate countries, such as in the case of the Western Balkans. Global conflicts are deepening geopolitical fault lines, which are simultaneously also putting our partnerships around the world to the test. Next to our Eastern neighbourhood, regional stability in the Mediterranean, on the African continent and in the Middle East is deteriorating. At the same time, the northern part of the Republic of Cyprus remains occupied by Turkish forces. Additionally, the military strategic importance of the Arctic region has increased exponentially in recent years. Finally, international Islamic terrorism and religious radicalism continue to pose a major threat to internal and external security. All of this demands a 360-degree comprehensive approach and a joint threats assessment.

In the last ten years, Moscow and Beijing have increased their defence budgets by nearly 300% and 600%, respectively. In contrast, the EU Member States increased their defence spending by only 20%. Even today, not all European NATO allies have

reached the 2% GDP defence-spending target. Many of those who reached it have only done so recently.

For the EPP, the close transatlantic relationship and cooperation with the United States within the framework of NATO remains the cornerstone of our security. This, however, does not release us from the obligation that we, Europeans, must be able to defend our own interests, building our own complementary and interoperable defence capabilities while avoiding unnecessary duplications in relation to the NATO framework. A true partnership means shared responsibility, joint efforts and equal burden sharing. Experts warn that within the next five years, Russia will be capable of launching a full-scale attack against the EU and NATO. Therefore, Europe must finally take its security into its own hands and become capable and willing to defend itself and its interests. In this light, we call for a true strategic partnership between the EU and NATO. Only together can we ensure our security and long-term prosperity. We have to accept that the time of the peace dividend is over and need to take bold steps in order to ensure our Union's and citizens' security. Our first step, hence, should be to update and implement the EU's Strategic Compass to reflect the magnitude of our threat environment.

The EPP has consistently shown its willingness to promote a strong defence posture in Europe in order to protect our citizens from the numerous threats we are facing. We are the political force that stands for a Europe that can defend itself while supporting those who fight for Europe and our fundamental values. We stood and will continue to stand firmly on the side of Ukraine as it courageously fights for our European way of life. It is on the Ukrainian

battlefields that the future of Europe is decided. We will support Ukraine for as long as it takes for Ukraine to win this war.

As the leading and largest political force in the European Parliament, Europeans have once more entrusted the EPP with a clear mandate in the last elections. It is high time to build a true European Defence Union. We know that time is of the essence: we must urgently pursue a systematic overhaul of Europe's defence. This entails more ambitious financing for our defence in order to push our European defence industry to the next level. It is high time that we make full use of existing instruments and be ambitious when deciding on future budgets. A key element here must also be an increase in public-private partnerships and a boost to our many SMEs, which are the key to our innovation.

For the EPP, the next decade has to become the decade of European defence. We therefore demand and will push for a focus on five key points:

1. A true European Single Market for Defence

The EU's internal market is a success story. It has boosted the EU's economy, strengthened its businesses, and created opportunities and better services for our citizens. In defence, however, the market remains fragmented and predominantly national, with limited competition. The persisting inefficiency of the European Defence Market leads to unnecessary duplication, poor effectiveness of defence expenditures, and hence to a waste of European taxpayers' money. These conditions hamper the development of the Member States' armed forces and create an obstacle to our security. It is far from ideal that EU Member States still procure 78% of their military equipment from non-EU sources. The war in Ukraine also demonstrates that a fragmented capabilities landscape and the lack of production and repair capacities lead to long and vulnerable supply lines for ammunition, spare parts, and maintenance. The neglected implementation of a true Single Market for Defence limits our capacity to credibly deter possible aggressors and defend ourselves against an armed attack. We, therefore, call for an end to the misuse of the exemption clause of Art. 346 TFEU and offset requirements in defence acquisitions by thoroughly reviewing and adapting the existing legislation in this key

field. Furthermore, ensuring supply security - particularly for smaller Member States - must be a priority, allowing their industries to participate in joint procurement without resorting to protectionist measures. It is clear: We need a true Single Market for Defence, and we have to substantially increase the share of intra-European trade in defence. This is also the best way to foster the global competitiveness of our industry. We ought to urgently expand our European Defence Technological and Industrial Base (EDTIB) and ensure that this scaled-up military production will end up supplying our European armies.

A fully-fledged Single Market for Defence should entail substantial investments in our industrial capacity, removing cross-border barriers, as well as promoting the development of pan-European value and supply chains. We urgently need to optimise production through standardisation, mutual recognition of certification and prioritisation. The Commission must propose legislative tools that help ensure the use of NATO military standards, ensuring interoperability and fostering cooperation. We also urgently need to prioritise our efforts to meet the agreed capability goals and to reduce our dependencies, especially with regard to systemic competitors, and to develop the necessary infrastructure. This would significantly increase economic efficiency and would scale up our industrial production capacities for defence goods and hence address the long-term demand for European military production.

We should integrate Ukraine into our European Defence Market and the EDTIB to harness its innovative potential and learn from their experiences in the war that Russia forced onto them. Only by improving our common existing military capabilities will we be able to stand up to aggressors like Putin's Russia. This will help Ukraine and make all of our citizens more secure. At the same time, the Union should facilitate the participation of Candidate Countries aligned with the EU in CFSP/CSDP, most notably the Western Balkans' countries, in current and future programmes linked to the defence sector.

The EPP has already been the driving force behind initiatives of joint military procurement, such as the European Defence Industry Reinforcement through the common Procurement Act (EDIRPA), and we will drive the European Defence Industrial Development Programme (EDIP). However, much more joint procurement and long-term cooperation is needed,

and the EPP will push for the ambitious implementation of the recent European Defence Industrial Strategy (EDIS). We also want to reduce costs through joint procurement and become stronger through joint military-technological capabilities, especially in the area of strategic enablers such as air transport, reconnaissance, surveillance, cyber and space. To this end, we should double our joint procurement efforts to finally reach the goal of 35%, a balance between economic efficiency and military effectiveness. We must become more innovative and create the most conducive environment for our companies and SMEs. To that end, we should utilise all available options in the EU Treaties, including Permanent Structured Cooperation (PESCO).

2. Europe has to think big and invest in the defence technology of the future

We must significantly increase our investments in emerging and disruptive technologies in defence, including cyber defence, outer space, novel materials and manufacturing, Artificial Intelligence, quantum computing, cloud computing, the Internet of Things (IoT), robotics, biotechnology and nanotechnology. In this context, we must make full use of the entire innovative potential of our European companies. Space and cyberspace will likely be critical in any future conflict, necessitating EU investment in enhancing capabilities and resilience in agencies like the European Union Satellite Centre. In addition, we need a European capability for situational awareness in the cyber and information domain, with a view to establishing a European Cyber Brigade and a European Space Domain Awareness Capacity.

The EU, together with its Member States and in close cooperation with our transatlantic partners, must also tackle ambitious European projects, such as a common and interoperable missile defence shield, a European nuclear shield, and a DARPA-style European Defence Advanced Research Programme Agency. There is a clear demand for common European ambition for technological innovation in the defence sector. From research to financing to application, we must think of defence in holistic European terms. We need to increase support for research and development in defence capabilities and

ensure a better connection with our armed forces, academia, industry and investors. This is key to shortening the development cycles and to getting the products to the markets faster. We have to analyse current developments and learn from the lessons of the war in Ukraine to see which new technologies, such as drones, will be needed for the future of European defence and develop industrial capacities for these technologies. We must cut red tape and advance the involvement of SMEs, enhance public-private partnerships and enable the emergence of European champions by making use of the full innovative potential of the whole EDTIB. We must also implement measures to ensure that SMEs in the defence sector remain in Europe and continue to thrive.

3. Europe needs more defence cooperation and integrated European capabilities

Our goal is to develop the European Defence Union (EDU), which should entail a stronger alignment of strategic cultures and a common understanding of threats. At the same time, we acknowledge the longstanding policies of military neutrality held by some Member States and fully respect their right to decide on their own level of involvement in a future EDU.

The EPP envisages a Defence Union with integrated land, sea, air, space and cyber capabilities, in coherence with NATO, and with the Rapid Deployment Capacity (RDC) as a permanent and immediately available force. The RDC should be understood as a point of departure and has to be gradually extended towards a “European Corps” by assigning additional force elements coming from the Member States, deepening their operational links and interoperability. Common training should also be strengthened via the RDC which, next to its military mandate, must also stress its humanitarian dimension as a force that aims to preserve peace and save lives. We see a necessity to improve the financing and execution of our CSDP Missions and joint defence projects through PESCO. Priorities ought to be military mobility, cyber and information dominance, as well as command and control capabilities. The Action Plan 2.0 for Military Mobility that the EU Commission presented in 2022 needs to be followed up with concrete measures, particularly with a roadmap to achieve a “military Schengen”, where military mobility is

guaranteed within EU borders. To achieve this, we call for fast-tracking the TEN-T dual-purpose infrastructure for both civilian and defence purposes, so we can quickly move forces and equipment on roads and rails in case we need to. More broadly, we should prioritise the purchase of dual-use equipment.

We should set up a fully staffed and fully equipped joint headquarters that combines the civil and military instruments to make full use of the EU's integrated approach to crisis management, right from strategic planning and operational concepts to the actual conduct of missions and operations. Likewise, the EU Intelligence Analysis Centre (INTCEN) must be strengthened. The EU and its Member States must encourage better cooperation in the area of military intelligence and cybersecurity by pooling resources, and sharing information and databases. Finally, our long-term goal is to develop a true European Defence Union with integrated European forces on land, sea, air, space and cyber.

We need to do more to foster our societal resilience as a whole. It is necessary for us to be better than the populists and the extremists in explaining today's challenges and better communicating why it is in all our interests to have a strong defence. Therefore, we have to become better at countering Foreign Information Manipulation (FIMI) and better in defending our democracies and democratic societies. The possibility of military conscription remains a full national competence.

4. More investment, smart regulation, industrial capacity building and better infrastructure

We urgently have to put the emphasis on more, better and joint investments. At the same time, we call for less regulation and a reduction of administrative burdens. The next Multiannual Financial Framework (MFF) must provide significantly increased resources to innovate and contribute to meeting Europe's defence requirements. The announced White Paper on the Future of European Defence has to put forward concrete suggestions to reach the provisions of the Draghi Report, which underlines the need for an additional €500 billion in investments for the

European defence sector over the next decade. We must explore new ways to finance our programmes. This ought to include a revision of the mandate of the European Investment Bank (EIB) and additional VAT exemptions. EIB loans should serve as a catalyst for private investments in the European defence industry. The EPP demands that a European Defence Union must be equipped with a dedicated and ambitious EU budget. After all, defence expenditures are an investment in our own future as they lead to more jobs, more security, and hence stability, which is the basis for our prosperity.

It is clear that a powerful EDTIB must be the cornerstone of the European Defence Union. There is an urgent need to strengthen the Union's industrial policy and to boost support for the defence sector, which is more crucial than ever to protect the sovereignty and integrity of the EU Member States. Joint investments and spending at the EU level, by creating economies of scale, will bring savings to Member States and help in the harmonisation of the defence sector. Public-private partnerships are essential to finance defence investments, and we call for a harmonisation of the ESC criteria definitions developed by private financial actors taking into account the particularities of the defence industry. The defence industry faces challenges in securing private financing, so we encourage banks to relax their policies and provide the defence sector with essential access to loans. We demand a review of past and new legislation and taxonomy to ensure that they are best suited to advance our European defence industry. Regulations and the incentives foreseen therein should be smart enablers for growth, innovation, and sustainable funding for defence. Moreover, we demand increased investments in research and development projects that offer further EU cooperation and ensure predictability for private industrial investments and the industry.

An example should be the creation of European Defence Projects of Common Interest to coordinate industrial collaboration. In addition, a thorough review of the European Defence Fund. We call for all Union programmes and initiatives to be strengthened and merged into a single Defence Union Instrument under the next MFF.

5. Europe needs a strong voice in the world when it comes to security and defence

which is crucial for our military. Europe has to also speed up its ability to make decisions on foreign and security policy. Europe can best represent and enforce its interests if it speaks with a single and united voice.

We welcome the appointment of a Commissioner for the Defence Union (DUC), who will coordinate defence as well as security-related issues, and promote cooperation while ensuring coherence between Union instruments and initiatives. The DUC will pave the way towards a true European Defence Union as envisaged in the Treaties and, furthermore, bridge the gap between the Commission's and Council's instruments and initiatives in order to improve coherence and effectiveness. To that end, the DUC should become the head of the European Defence Agency (EDA) and the Council's Special Representative for the Defence Union, exercising oversight over PESCO. The DUC will also promote cooperation with Member States while ensuring that there is an increased EU defence budget, which must be spent in the most efficient way to bring added value to joint investments. The DUC should also harmonise approaches to preparedness and crises. Together with the HRVP, the DUC should incentivise the establishment of clear security criteria for Member States and develop an EU Military Readiness Plan, and hence help attain our common preparedness objectives. In parallel, the DUC should drive forward the formation of a Defence Council, equivalent to the Foreign Affairs Council. The DUC ought to also focus on the security of our maritime routes together with other relevant services. Maintaining freedom of navigation must be a clear objective of Europe's new defence policy. Therefore, the Union must be ready to take on a mission to monitor critical infrastructure in the regional seas surrounding Europe.

The first task of the DUC should be to produce a comprehensive analysis of the individual defence industries of our Member States. By understanding where each Member State's strengths lie, the EU can better coordinate joint investments, streamline production, and enhance the efficiency of its defence sector.

On the global stage, Europe needs to significantly upgrade and deepen its strategic relations and our defence cooperation with like-minded partners such as the US, the UK, Norway, the Republic of Korea, Canada, Japan, Australia and New Zealand. Via these partnerships, we must do more to increase the security of our defence supply chains,