

## Position on White Paper on the Future of European Defence

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### Introduction

As the geopolitical landscape evolves, it is clear that EU member states' contribution to the collective security and defence of NATO needs to increase. The EU and its member states need to take more responsibility to ensure security and stability on the continent including providing support Ukraine.

We advocate for structuring the discussion on the future of European security and defence in the following way:

1. The EU's role and required level of ambition, including its relationship with NATO.
2. Industrial policy to strengthen the European defence industry.
3. Cooperation amongst Member States during the entire life-cycle of military capabilities.
4. Financing.

### 1. Role and ambition of the EU

#### *a. Role of the EU*

To strengthen NATO's collective defence and deterrence – the cornerstone of our collective security – the EU should use its unique strengths to support this effort. In our view, the EU's key roles in defence should be:

1. Strengthening a demand driven European defence industry, based on military needs.
2. Ensuring that EU regulations allow for the readiness and deployment of the armed forces of Member States.
3. Coordinating and stimulating civilian and military support for Ukraine.
4. Enhancing military mobility across the continent.
5. Fostering cooperation and partnerships with NATO and important allies.

Firstly, a stronger and more innovative **European defence industry** is essential, as the current EU-wide production capacity is insufficient to address existing threats and meet NATO capability targets within reasonable time. Member States remain responsible for the formulation of the military needs, that result in capability development, -prioritization, -planning and -procurement. EDA, as the European intergovernmental agency, should play an enabling role in joint capability development, mainly by identifying, accelerating, prioritizing, and supporting development of joint capability opportunities and supporting joint procurement. The EU should develop a demand driven defence industrial policy to better enable Member States to meet the NATO Defence Planning Process (NDPP) targets and EU Capability Development Priorities (CDP).

The EU should strive to ensure that **existing and future EU legislation allows for the readiness and deployment of member states' armed forces**. Legislation should not stand in the way of preparing for one of the biggest threats to our security: military aggression. That is why the Netherlands is currently developing national legislation with the aim to remove obstacles that may stand in the way of our forces' readiness for deployment (e.g. expanding and swiftly adapting training(grounds) and infrastructure, purchasing and maintenance of military products). This is needed as training in real-life circumstances is essential for combat effectiveness, as we have seen in the Russian war against Ukraine. Other member states are conducting similar national explorations since they face comparable challenges. The Netherlands looks forward to working together with the Commission to conduct a similar exercise at EU level, by for instance looking at legislation on procurement and legislation with spatial implications, without prejudice to the goals of this legislation. Elongated and labor-intensive license applications deriving from some obligations in EU-legislation should be heeded to, since well-intended policies now create genuine barriers to operational readiness. The aim of this exercise would be to ensure that EU legislation written in a zeitgeist of peace, does not hinder national armed forces' readiness and deployment in this new

deteriorated security environment. The Netherlands stands ready to cooperate with the Commission on developing concrete proposals to address potential legal barriers, potentially working towards an EU Defence Readiness Act.

Thirdly, increased support for **Ukraine** is crucial. European countries must step up their contributions, requiring more sustainable and structural funding. The EU should continue to support this by stimulating and coordinating military and civilian support to Ukraine and strengthening its defence industry. This should be done by leveraging existing instruments such as the Ukraine Support Instrument (within EDIP) and the European Peace Facility.

Fourthly, the EU must play a key role in enhancing **military mobility**, as it is a cross-border challenge critical to strengthening our collective defence. Military mobility requires investments and harmonization of national rules and regulations throughout the EU, making EU-level measures essential to ensure efficiency and coherence.

Lastly, effective **cooperation and strategic partnerships** with key allies, such as the UK, US, Norway, Canada and Türkiye are vital to enhancing our collective defence capabilities. In areas like capability development, defence industry, and military mobility, collaboration can facilitate knowledge sharing, reduce costs, and increase interoperability. For instance, in the defence industry sector, the Netherlands strongly advocates for EU instruments that foster cooperation with the defence industries of allies. This approach should strengthen the European Defence Technological and Industrial Base by ramping-up production and development of the most urgent critical defence capabilities within Europe for the security of supply of our armed forces and support for Ukraine. By adopting a balanced approach, we can strengthen both EU industry and NATO's collective defence capabilities, ultimately enhancing our ability to address common security challenges. Stimulating the adoption of NATO Standardisation Agreements (STANAGs) is another way the EU could support cooperation.

#### *b. Ambition of the EU*

To achieve a coherent and effective security and defence approach, the EU must define a clear level of ambition. This requires a shared vision on three key points:

- Member States identify which joint military capabilities must be developed, building on the NDPP, CDP and CARD.
- Member States and the Commission determine the required industrial capacity (R&D, production, and resilience) within the EU to fill military capability gaps.
- The Commission identifies the EU-level policies and instruments — such as funding mechanisms, regulations, and incentives — needed to support these objectives at various levels of ambition, making optimal use of existing EU instruments wherever possible.

Only with a unified vision on these fundamental issues can we conduct a meaningful discussion on how to finance our ambitions and ensure the security and stability of EU member states. The forthcoming White Paper's analysis should form a solid foundation for informed decision-making and guiding the next steps.

#### **Way forward: Role and ambition of the EU**

- Member States and EU institutions should first determine the roles and responsibilities within the EU defence framework, taking into account the competences conferred by the Treaties.
- Next, Member States should jointly determine the level of ambition regarding:
  - which joint military capabilities must be developed, building on the NDPP, CDP and CARD;
  - required industrial capacity;
  - EU-level policies and instruments needed to support these objectives.
- The White Paper should provide the analysis on the required industrial capacity and EU-level policies and instruments to support this.

## 2. Strengthening the European defence industry

The most important instrument for strengthening the European defence industry will be the **European Defence Projects of Common Interest**.

In addition to EDPCIs, we need a **comprehensive defence industry program** with a focus on innovation to fulfill (evolving) military needs. As Draghi points out, the EU's investment in defence research and innovation is much lower than that of its industrial peers. A broad-based defence industry program not only underpins a robust foundation for technologies, production capacities, and know-how, but also ensures ongoing innovation well beyond the scope of individual flagship projects. This program should build on existing EU instruments and bring together R&D, industrialization of R&D, procurement, maintenance and resilience.

**Cross-border supply chains** that facilitate industrial cooperation are essential for building a cost-efficient and resilient EU defence industry that fully leverages the innovative potential of European SMEs. European cross-border supply chains will not materialize spontaneously but require new rules, conditions and incentives in order to realize a significant increase in cross border cooperation:

- Prime contractors in common procurement that award contracts to direct (tier 1) suppliers in a more competitive way.
- Bonus schemes and award criteria that are aimed at enhancing cross-border defence industrial cooperation and the inclusion of SMEs in defence supply chains.
- Development of an arrangement to ensure a fair and balanced distribution of work across the EU in EU capability and materiel collaboration (e.g. global work share).
- Further convergence in the field of exports of military technology and equipment to ensure a level playing field.

To enhance resilience and safeguard options during crises, the EU must support strengthening the **security of supply** of the defence industry. In addition to the security of supply framework within the European Defence Industry Programme (EDIP), the EU should better connect national security of supply regimes and encourage Member States to collaboratively establish strategic reserves and sustain reserve production capacity.

To support **Ukraine's defence industry**, we should procure directly from the Ukrainian defence industry through bilateral agreements and by utilizing EU instruments like the European Peace Facility (EPF). Additionally, we should promote financing, joint ventures, and maintenance activities on Ukrainian territory to strengthen the local defence industry. Ultimately, our goal is integrating Ukraine's Defence Technological and Industrial Base (DTIB) into the European Defence Technological and Industrial Base (EDTIB). To facilitate this, we should grant the Ukrainian defence industry access to EU instruments such as the European Defence Fund (EDF), fostering deeper cooperation and collaboration between our defence industries.

Close collaboration with **industries from third countries**, particularly the US and the UK, is crucial for ensuring a strong and capable European defence. Such partnerships provide access to high-quality components and advanced technologies, which are essential for maintaining the operational readiness of armed forces. This collaboration enhances interoperability and operational cooperation, critical for successful joint missions and exercises. Importantly, these partnerships reinforce the transatlantic relationship, which is a cornerstone of collective security and a key factor in addressing global security challenges.

European coordination in the procurement of equipment from third countries and key non-EU allies is equally essential, for the **short term** also through **co-production of third country military equipment**. Key benefits are:

1. **Accelerated strengthening of armed forces and support for Ukraine.** Co-production enables faster delivery of critical capabilities by utilizing existing designs and production knowledge. This ensures the rapid enhancement of military readiness while maintaining the ability to provide timely and sustained support to Ukraine.

2. **Reinforcement of the European defence industry.** Co-production brings significant benefits to the European defence industry and our armed forces by introducing advanced expertise, expanding production facilities within the EU, reducing costs through economies of scale, and shorten the lead-time of the needed defence capabilities.
3. **Strengthening relationships with strategic partners.** By engaging in co-production agreements, the EU can deepen its ties with key strategic partners, such as the US and the UK. This not only boosts interoperability within NATO and operational collaboration but also strengthens the transatlantic partnership critical to addressing shared security challenges.

#### **Way forward: Strengthening the European Defence industry**

- EU industrial policy should be directed towards delivering the knowledge and industrial capacities needed, including R&D and resilience, for delivering military capabilities. Should be based on NATO capability targets, CDP and CARD.
- Set up a comprehensive defence industry program, that includes instruments for collaborative R&D, industrialization, procurement, maintenance and security of supply.
- Include in all EU instruments rules, incentives to strengthen cross-border open supply chains.
- Strengthen the UKR industry.
- Ensure that collaboration with **industries from third countries**, particularly the US and the UK, remain possible within the EU framework.

### **3. Cooperation amongst Member States during the entire life-cycle of capability development**

Military capability is much more than just equipment; it includes training, personnel and doctrine, amongst others. Delivering military capabilities that meet NATO's capability targets is the responsibility of Member States. However, to effectively address the most pressing capability shortfalls, **Member States cooperation is critical**. The **European Defence Agency** (EDA) plays a crucial role in facilitating cooperation opportunities, leveraging existing instruments such as the Capability Development Priorities (CDP) and Coordinated Annual Review on Defence (CARD).

European Defence Projects of Common Interest (EDPCIs) play an important role in stimulating the industrial component of military capabilities. These large-scale, cross-border projects are negotiated through the European Defence Industry Programme (EDIP) and have EU-wide significance. To ensure effective **governance**, EDIP should reflect the division of competences between Member States, who are responsible for delivering military capabilities, and the EU, which oversees EU-wide industrial policy. Specifically, Member States should identify and define the military domains or areas where projects within an EDPCI will be developed, as industry is an integral part of the capability delivery process.

EDPCI priorities should be based on the following criteria:

- Alignment with national and NATO capability targets, and the CDP.
- Added value of development within the EU framework.
- Strengthening the European defence industry.
- Coherence with ongoing European initiatives.

Consequently, we advocate for the EU to focus on the following joint capability development priorities:

- **Space** has become the fifth operational domain and recognized as a strategic domain within the EU. To strengthen societal resilience, the EU must protect its space infrastructure more effectively against threats within and from this domain. The EU Space Shield can play a major role by expanding, developing, or enhancing intelligence, situational awareness, communication, and Positioning, Navigation and Timing (PNT) capabilities—making the security of space infrastructure a crucial, integral part of the effort. Close military-civil cooperation is essential to ensure these capabilities complement NATO.

- **Maritime Domain Awareness** is particularly crucial for the protection of our critical underwater infrastructure. A coordinated approach based on a shared Recognized Maritime Picture (RMP) is essential for identifying and mitigating all maritime threats, both for safety and security. Regional efforts should be reinforced and connected to increase our common European Maritime Domain Awareness. Interoperability with (non-EU) NATO partners, both military and civil is important, as threats do not end at EU borders. Finally, there are also many R&D projects financed through the EDF on this topic. These can be further developed into concrete capabilities and that can augment each other and civil initiatives.
- **Integrated Air and Missile Defence** is the most urgent critical capability gap. We have to protect populations, vital interests, territory and armed forces from the entire spectrum of air and missile threats. This spectrum ranges from small UAS through fourth and fifth generation fighter aircraft and stealthy cruise missiles, to hypersonic (ballistic) weapons, with or without maneuvering re-entry vehicles (MARVs) or CBRN payloads. Any future multinational European cooperation efforts should build on work already done in NATO and investments already made by MS. The air and missile threat is developing and diversifying at a high pace and requires both defensive and offensive multi-domain response capabilities. Technology is proliferating at high speed and developing not only in the traditional domains, but also in the new cyber and space domains. An open architecture to allow for integration of multiple systems (also from third countries) is critical. The EU's short-term focus should be on scaling existing capabilities through actions such as aggregation of demand and joint procurement. Mid-to-long term focus should be on joint development, given its urgency and high investment costs.

#### **Way forward: joint capability development**

- Member States should cooperate more on capability development, aggregation of demand and joint procurement to deliver on NATO capability targets.
- EDA plays a crucial role in mapping out and facilitating cooperation opportunities.
- EDPCI's can deliver on the industrial part of military capabilities, this should be reflected in their governance within EDIP.
- Our joint capability development priorities are Space, Maritime Domain Awareness, and Integrated Air Missile Defence.

## **4. Financing**

National defence budgets are the primary source of funding, with the NATO Defence Investment Pledge (DIP) serving as the guiding framework for all NATO Allies. It is crucial that all NATO Allies reach the NATO target. Stable national defence budgets provide the certainty for armed forces and the defence industry necessary to scale up. From the viewpoint of solidarity, all Member States should be willing to make comparable defence efforts. The EU can play a critical role in coordinating and stimulating support for Ukraine. Additionally, the EU should contribute to the strengthening of the EU-wide production capacity, stimulating innovation and cooperation between Member States during the entire life-cycle of military capabilities, and supporting resilience.

In addition, the discussion on the NATO DIP and on financing of EU defence cooperation must be seen in conjunction.

### *a. Ukraine*

It is crucial that we continue to support Ukraine. European countries must contribute more through increased funding. Unity within the EU is crucial; the deadlock on EPF disbursements must be swiftly resolved. We also advocate for adequate burden and risk sharing in instruments like EUMAM and EPF.

### *b. Investing in capabilities and industry*

On the topic of investing in capabilities and the defence industry, we believe national defence budgets remain the cornerstone. There is no readily available substitute to purchase defence equipment than national defence investment spending which is where the biggest financial need lies. In addition, stable defence budgets should be translated into long-term orders of governments in the industry, meeting the need for long-term security of the defence industry.

The first step should be to explore ways to stimulate private investment. It is crucial to engage banks, insurance companies, pension funds, and private investors to increase their investments in the defence industry. Barriers to private sector involvement must be removed, for example by introducing a label for defence industry entities. This could reduce the due diligence burden for private investors.

As a final step, further public funding could be explored. It is a positive development that the European Investment Bank (EIB) mandate has been broadened to include dual-use projects. We support exploration to assess the possibility of expanding this mandate to core defence without negatively impacting the EIB's operations, credit rating or financing position. In the meantime, the EIB should continue exploring other ways to take a stronger role in providing investment funding and leveraging private funding for the security and defence sector. Therefore, the list of excluded activities and sectors should be re-evaluated and the terminology and content of excluded activities should be more precisely defined, and as limited as possible, in order to be aligned with the new policy priorities of the EU. This should also be done without negatively impacting the EIB's operations, credit rating or financing position. Further improved access to EIB financing and speeding up defence and security investments in the EU, would leverage private funding and have strong signaling effects as regards to other investors.

Making use of flexibility in existing budgets within the current Multiannual Financial Framework (MFF) can also be considered. For instance, by making use of the existing flexibilities to support dual-use goods and military mobility via cohesion policy funds and the possibilities in this respect as proposed in EDIP. NL does not support taking on common debt for new European instruments.

#### **Way forward: Financing**

- On Ukraine, (1) continue and scale up support by Member States, (2) explore further options for using frozen assets, and (3) break deadlock on EPF.
- On investing in capabilities and industry:
  - Assess the scope of additional financial needs, on top of national defence spending budgets.
  - Increase access of defence industry to private investment.
  - Explore possible further broadening of EIB mandate to core defence. In the short term, strengthen the role of the EIB for example by more precisely defining the list of excluded activities.
  - Making use of flexibility in existing budgets within current MFF.