

Proposal for a regulation establishing the European Defence Fund

An inclusive defence fund that strengthens vital transatlantic defence industrial cooperation

The American Chamber of Commerce to the European Union (AmCham EU) has viewed with much favour the recent developments in European defence cooperation. Programmes, such as the Permanent Structured Cooperation in Defence (PESCO) and the European Defence Fund (EDF), are critical steps in ensuring the security of the EU and strengthening the European Defence Technological and Industrial Base (EDTIB). EU-based companies with US parentage are an essential part of the EDTIB, making considerable contributions to the EU through the creation of high-skilled jobs, the generation and retention of technological innovations, as well as through substantive investments. Moreover, US companies generate government revenues through corporate taxes, personal income or property taxes and also export a significant part of their production, therefore forming a vital pillar of the Member States' economic efforts.

Just as the finalised European Defence Industrial Development Programme (EDIDP) recognises the value of the transatlantic contribution to the EU defence sector and the global nature of its supply chains, the EDF should have a similar reflection. By aligning the scope of the EDF with that of the EDIDP framework and allowing European companies to partner, under certain and precise conditions, with third-country entities located in the EU, the programme would reaffirm the guiding principle of attaining the best strategic value for money. This would not only promote healthy competition, but allow Member States to develop interoperable and cost-effective capabilities and/or purchase readily available capabilities that ensure the highest military effect for the EU's armed forces.

Member State involvement

Member States are best placed to recognise the value that actors located in their territories, irrelevant of ownership, bring to their respective Defence Technological and Industrial Base (DTIB) in terms of employment, technology and wealth creation. In this regard, national authorities also have the experience with third-country entities located in their territories, to ensure that no national nor European security interests are threatened. The role of the Member States has been recognised in the EDIDP and in order to ensure coherence the EDF should similarly install national authorities as the body that decides on participation to the fund. A successful EDF will centre on a strong Member State participation, commitment and procedural involvement.

Recommendations:

- To ensure that EU defence measures do not come at the expense of transatlantic defence cooperation, the EU should promote the openness and accessibility of transatlantic markets as a prerequisite for a sustainable and mutually reinforcing defence and aerospace industrial base;
- The EU's strategic autonomy needs to be both capability and technology driven, not nationality-driven. The success of products and services needs to be driven by their merits and not determined by geographical considerations;
- The objectives of the EDF could be diluted by excluding third-country headquartered companies that do not contravene the defence and security interests of the EU and its Member States. US-headquartered companies and their EU-based subsidiaries should be allowed to participate in EDF-funded defence projects and be applicable for EU funding under certain conditions. Inclusion of these will positively impact the efficiency, effectiveness and interoperability of transatlantic defence cooperation and ultimately improve collective security.
- The EU should also keep open the option for US Government and/or US industry participation in PESCO projects, as this would be in the interest of transatlantic security and allow for sharing expertise across the Atlantic.