

## Our position

# Ready for the present Prepared for the future

Serving European armed forces and strengthening the  
European Defence Technological and Industrial Base  
(EDTIB)

AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €3.7 trillion in 2022, directly supports more than 4.9 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

## Executive summary

Russia's war against Ukraine and the unstable global geopolitical situation have highlighted the need for a stronger European Defence Technological and Industrial Base (EDTIB). Only by promoting an inclusive EDTIB, a comprehensive policy toolbox and international and multinational industrial cooperation with like-minded allies, will the EU be prepared to face its present and future security and defence challenges. Below are five key proposals and recommendations based on our two main objectives: serving European Armed Forces and strengthening the EDTIB.

## Introduction

Recent geopolitical and industrial challenges have led governments to adapt their military requirements, modernise their legal acquisition frameworks and streamline qualification and certification processes. These developments have led to increased expectations from industries that for many years lacked prioritisation and investment. Next to existing legislative action at the EU level, policymakers will need to consider a wider range of measures to revitalise the EDTIB. Achieving strategic autonomy and a resilient EU industrial base needs to go hand-in-hand with stronger transatlantic partnerships. These two notions are not mutually exclusive, but will promote the EU's competitiveness, and capacity to be a security provider.

## Recommendations

As underlined in the 3<sup>rd</sup> Joint Declaration on NATO-EU cooperation, we must encourage 'the fullest possible involvement' among EU and NATO allies, as well as other like-minded partners. Current developments in the EU are not consistent with this goal nor to the full benefit of the EDTIB. Therefore, we call upon policymakers to:

1. **Foster an inclusive EDTIB:** Many EU-based entities with third-country entity ownership from like-minded allies are an integral part of the EDTIB and leaders in their field. They design, develop and manufacture EU Indigenous cutting-edge technologies and capabilities in the EU, and they have proven that they can fulfil all necessary security conditions to contribute to EU projects without compromising their integrity. Excluding these highly capable entities will stifle innovation in the sector, proliferate military standards, weaken interoperability and interchangeability, reduce valuable foreign direct investment and weaken the EDTIB overall.
2. **Provide a comprehensive and flexible policy toolbox:** Every development, procurement or servicing project is unique. Therefore, a comprehensive toolbox that incorporates all available solutions – such as EDIRPA, OCCAR procurement, NATO Support Procurement Agency procurement, US Foreign Military Sales or US Direct Commercial Sales – would be highly beneficial. Providing EU Member States and their armed forces with the flexibility to choose freely how they develop and procure their military equipment and services in line with their national needs can boost capability, enhance equipment effectiveness and promote cross-border industrial cooperation.
3. **Promote a conducive business environment:** Recent developments in Environmental, Social, and Governance guidelines and reporting have led financial institutions to blacklist many companies in the EDTIB. This impacts the entire industry but has an especially strong effect on Small and Medium-sized Enterprises (SMEs) and mid-caps which don't have the standing to weather such restrictions. Governments need to demonstrate the value of defence industrial activities and support a policy and regulatory environment that creates a positive narrative for defence. They

should also oppose initiatives that create market barriers and undermine access to finance or deter talent from entering the defence industry. This should start with an agreement to expand the possibilities of the European Investment Bank to mobilise investment in support of Europe's defence systems (going beyond just dual-use), and the promotion of state-owned capital funds and National Promotional Banks and Institutions to invest in the sector.

4. **Promote international and multinational industrial cooperation:** Strengthening the competitiveness and resilience of the EDTIB can also be achieved through closer international industrial cooperation between like-minded allies. This will ensure that leading-edge technologies can be cost-effectively adopted in collaborative platforms and will open international markets, especially to SMEs. Ensuring that there is a common approach to managing and anticipating decisive factors affecting the resilience of supply chains in the security, defence and space sectors will be paramount. This could be achieved through the greater exchange of best practices between companies and governments. Moreover, current progress on a framework for joint intra-EU procurement can incentivise international companies located in like-minded countries to integrate/adopt European technologies and components. These would allow the EDTIB to participate in programmes that benefit from the scales of international sales.

Example of international and multinational industrial cooperation: The US recently announced its intention to add Australia as a domestic source to the Defence Production Act and created the India-US defence acceleration initiative, INDUS-X. Initiatives such as these indicate that there are still avenues that can be explored to further deepen Transatlantic Defence Technological and Industrial Cooperation (TADIC).

5. **Increase interoperability and interchangeability:** Interoperability and interchangeability remain two key challenges for successful cooperation between allies. Learning from the interoperability challenges many allies face with current Allied and Soviet-legacy capabilities, policymakers should work to obtain full alignment for capabilities and technologies currently in development. New platforms will embrace novel technologies for which there are often no standards or certification processes. As governments consider this clean sheet, there should be an early recognition for the need of a 'by default joint approach' through NATO and its robust standardisation framework. Moreover, standards should have an open architecture that can allow accommodation of new technological developments.

Example of the need for interoperability and interchangeability: Today, each military regulator certifies their aircraft individually for specific Sustainable Aviation Fuels pathways. However, cooperation, alignment and harmonisation will be crucial when tackling the alternative fuel's limited supply and high demand. NATO and its Member Countries should develop a common approach to novel technologies and alternative fuels for military uses.

## Conclusion

The ongoing geopolitical and industrial challenges in the Euro-Atlantic area highlight the need to reinforce the EDTIB. Embracing these principles will create and support a more competitive, innovative, and resilient EDTIB that can accelerate the availability of the required resources and capabilities. However, this should not be done in an exclusionary manner. The EU should consider all available avenues, including closer cooperation with like-minded countries and stakeholders, such as US aerospace, security and defence companies invested in and committed to the EU.