

Timo Pesonen
Director-General, DG DEFIS
Avenue d'Auderghem 45
1040 Brussels

Brussels, 16 April 2020

Re: Defence, Security & Space: key drivers of the European economic recovery in context of COVID-19

Dear Mr Timo Pesonen,

The COVID-19 pandemic is more than a public health crisis. It is a life-changing social and economic crisis. Many – if not most – sectors and businesses have been negatively affected by the impacts of the COVID-19 pandemic. The European security, defence and space sectors are no exception.

AmCham EU welcomes the policy initiatives in the U.S. and in the EU to support the economy, but advocates for limited negative consequences to the transatlantic security and to the level playing field in the EU Single Market and the Transatlantic Market. The global COVID-19 emergency has drawn attention to the possible consequences of the current economic shock on strategic industries, notably with regard to their resilience and capacity to continue to respond to the needs of EU citizens¹. The resilience of the security, defence and space industries and their capacities to produce critical assets and technologies also fall under this category. Given the magnitude of the COVID-19 pandemic and its adverse impact on the European economy, it is expected to cause severe cuts in the security, defence and space-related budgets in Europe, both at EU level and Member State level. Any reversal of recent increases in European security defence and space spending could weaken the European Defence Technological and Industrial Base (EDTIB), threaten future national, intra-EU and transatlantic capability programmes in strategic sectors, and potentially reignite a burden-sharing debate that could damage transatlantic relations.

To address the immediate short-term COVID-19-related challenges, we welcome the European Commission's Temporary Framework for State aid measures². We recommend that these measures account for a level playing field with like-minded third countries.

In the security, defence and space industries there are strong interdependences between commercial and security, defence and space activities. Many security, defence and space companies today manufacture both commercial and dual-use products and deliver services in these domains. The production of commercial and security, defence and space-related products and services often depend on the same skills, competences, manufacturing facilities and supply chains. Negative impacts on the commercial business could therefore also affect Europe's security, defence and space industrial bases. New impetus and opportunities in the security, defence space markets could offer a way of strengthening the industry's resilience, in a time when commercial branches face a substantial contraction in the demand of their products and services. For example, we would welcome the Sustainable Aviation element in the European Green Deal³ as a part of the EU's post-pandemic resilience plan.

¹ [Commission Communication on Guidance to Member States concerning foreign direct investment and free movement of capital from third countries, and the protection of Europe's strategic assets ... C\(2020\) 1981 final from 25 March 2020](#)

² [Commission Communication on the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, COM\(2020\) 1863 final from 19 March 2020](#)

³ [Commission Communication on the European Green Deal, COM\(2019\) 640 final from 11 December 2019](#)


The COVID-19 outbreak has the potential to derail many of the defence and space advances that have been achieved by the EU and in particular puts at risk the Permanent Structured Cooperation in Defence (PESCO), the Military Mobility Project, the European Defence Fund (EDF) and the European Space Programme (ESP). We call for bold actions to ensure no retractions, and this also applies to the ongoing negotiations on the Multiannual Financial Framework (MFF). If the European Commission's commitment to the above EU initiatives is not maintained and the overall ambition is reduced, this would contradict the intended efforts of the EU programmes and would lead to less pooling, sharing, standardisation and interoperability among European armed forces. AmCham EU therefore strongly recommends that the initial budget lines proposed by the European Commission should be maintained for the MFF.

The COVID-19 crisis may also lead Member States to consider nationalising their defence industries in order to maintain supply of critical resources and capabilities, and in the effort to support large companies hit by the crisis. Nationalisation will not only reduce competitiveness and increase the fragmentation of certain industrial sectors in the EU, but also hamper much needed industrial creativity, innovation and efficiency. These consequences contradict many of the objectives of the EU initiatives in the security, defence and space domains. We therefore welcome efforts by the European Commission to ensure the full and correct implementation and application of the two Defence Directives of 2009⁴. AmCham EU additionally emphasises the need to strengthen measures that ensure 'security of supply' clauses in public procurement contracts. This would balance inclinations towards nationalisation by providing sufficient insurance of the supply of critical resources without having to nationalise key industrial players in the security/defence/space sectors. Ensuring that these key industrial sectors maintain their private ownership will enable these industries to continue to be agile and produce the innovative and globally competitive technologies and services necessary for securing European citizens and nations. We believe that these efforts would also disincentivise Member States from triggering Article 346 of the TFEU on a more regular basis in the post-COVID-19 context.

The European security, defence and space industries should be recognised by all EU Member States as essential critical infrastructure to provide essential capabilities to their customers, remain at the forefront of innovation, and, at the same time, contribute effectively to a Europe that protects its companies, workers and citizens in these trying times. As many national governments introduce workforce restrictions and additional border controls, companies are recognising that these measures can lead to confusion amongst staff of whether they are considered to be 'essential' and cause significant supply chain disruptions. Clear guidance from the European Commission and EU Member States on the qualifications of essential critical infrastructure workforces will create much needed clarity for companies and employees, as well as strengthen the EU's security.

We remain available to you for any questions you may have, and we welcome the opportunity to schedule a conference call at your convenience to discuss these matters in more detail.

Yours sincerely,



Rudy Priem
Chair of the Security, Defence & Space Committee
AmCham EU

CC: Member States Defence Counsellors, and Chairs of the European Parliament Subcommittee of Security and Defence and Committee on Industry, Research and Energy

⁴ [Directive 2009/81/EC on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, from July 2009](#) and [Directive 2009/43/EC simplifying terms and conditions of transfers of defence-related products within the Community, from May 2009](#)