



European Commission - Speech [Check Against Delivery]



Remarks by Executive Vice-President Vestager, High Representative/Vice-President Borrell, and Commissioner Breton at the press conference on the European Defence Industrial Strategy and the European Defence Industry Programme

Brussels, 5 March 2024

Remarks by Executive Vice-President Vestager

Today we adopt a European Defence Industrial Strategy, and table a proposal for a European Defence Industry Programme. We do so to respond to changes in Europe's security paradigm.

Because not far away, the Ukrainians are fighting for their freedom and our common values, in a war that already caused immense human tragedies.

In the last two years, we have faced the situation of a defence industry without sufficient production capacity to meet the sharp increase of demand. We have been vividly confronted with a well-known structural fragmentation along national borders that limits economies of scale, and creates mistrust, while preventing genuine competition between industrial players. This entails major inefficiencies, and insufficient value for taxpayer's money.

Furthermore, Member States spend on many different types of equipment, so that we often have two, three, four, even five types or more, of each weapons system than the United States. This creates redundancies, inefficiencies and prevents value for money from economies of scale.

Also, since the start of the war until June 2023, Member states have spent over 100 billion euros on defence acquisitions. Almost 80 per cent of that was spent outside the Union, and the U.S. alone accounted for more than 60 per cent of this spending.

This is no longer sustainable, if it ever was. Defence budgets in all Member States are rising sharply, so we should change the way we spend. Since we want to invest more, we should invest better, which largely means investing together and investing European.

This is the message and the toolbox of the package that we present today. In order to enable us to move from a crisis response mode, to one of structural defence readiness. In a manner that closely involves Ukraine.

I will mention some of the specifics of the package.

First, we propose a joint programming and procurement function, performed through a new European Defence Industrial Readiness Board, composed of Member States, the Commission and the High Representative. The Board will help us draw overall priorities, and inform how we use the different EU instruments at our disposal.

Second, the Defence Industry Programme will take over the role of the instruments we set up in response to the war: the European Defence Industrial Reinforcement through Procurement Act (EDIRPA) and the Act in Support of Ammunition Production (ASAP), once they expire at the end of 2025. And it will expand their scope to all defence products, as well as incorporate new tasks.

Third, with the "Structure for European Armament Programme", we create a legal framework to encourage Member States to cooperate more, for instance through common procurement or joint life-cycle management of defence products.

Fourth, we enable the Member States to set up European Defence Projects of Common Interest, so they can join forces on strategic projects that no country can do alone.

To support this, the Programme has an initial budget of 1.5 billion euros. This budget, used strategically, can serve to incentivise the type of actions that help our Member States deliver. We propose to achieve the goal, by 2030, of procuring 40% of equipment in a collaborative manner, and to procure 50% of equipment within the EU.

Beyond this, let me underline two political balances that I see as essential in relation to this

Strategy.

First, we need to get the Transatlantic balance right.

Irrespective of electoral dynamics in the U.S., we must take more responsibility for our own security, while remaining fully committed to the NATO alliance. An improved ability to act will make us a stronger ally.

I believe the EU is ready to step up further. When doing so, Member states will invest in economic prosperity, job creation and technological innovation in Europe. All while ensuring interoperability with NATO.

Which brings us to the second political balance: we need to get the internal balance right.

It is a priority to ensure a real pan-European defence market where value creation is well distributed and shared across the Union. A continental defence market should create opportunities for every European player. Some of the most innovative companies are small players, many coming from the civilian side, whose products can help give our militaries an edge.

The Strategy and Programme we present today tackle this head on, by incentivizing cross-border cooperation and putting a strong focus on boosting the role of SMEs and small mid-caps. We will do that through a dedicated funding.

And we want to fully integrate the Ukrainian defence industry into this ecosystem. We have seen how technological breakthroughs can help get an edge on the battlefield. Our new defence innovation office in Kyiv will help transmit advancements in both directions.

With the necessary political will, and if we get those balances right, we can foster a European defence industry that is up to the new security challenges that we face.

Remarks by High Representative/Vice-President Borrell

Thank you. Thank you, Margrethe [Vestager, Executive Vice-President of the European Commission].

I am going to talk more on the perspective of my role as High Representative for the Security and Defence Policy and Head of the European Defence Agency. Thank you for the good cooperation in order to make this [Joint] [Communication](#).

Maybe, you will remember that, two years ago, when presenting the [Strategic Compass](#), I said "Europe is in danger". Well, I am sorry, I was right. Europe was in danger and [today] is still [even] more in danger.

Peace is no longer a given, unfortunately. The war is at our borders.

Russia's war of aggression has brought a great sense of urgency to step up our industrial defence capacities.

At the beginning, the war was fed by stocks. Now, we go to an industrial production war. Because the war has lasted two years, it does not seem it is going to be finished soon and the needs of military equipment have been increasing, exhausting stocks and increasing the capacity of our industrial production.

Certainly, the European Union has answered in an unprecedented manner. This war has changed the way we look at our defence capabilities.

The European Union is not a military alliance, but the Treaties express [the will] to build a Common Security and Defence Policy. And part of this Common Security and Defence Policy is to have good [and] efficient industrial basis.

We have done a lot through the European Peace Facility to supply what we have. Now we have to move from [an] emergency mode – urgency – to a medium and long-term vision that strengthens our defence industrial readiness, to continue providing military support to Ukraine.

It is no longer a matter of looking at the stocks but being able to produce a continuous flow of production.

On ammunition, for example, the industry has answered quickly to the emergency. The European defence industry has increased its industrial capacity by 50% since the start of the war. And I want to thank Commissioner [for Internal Market, Thierry] Breton for pushing the industry. And the industry has answered: 50% increase of capacity since the beginning of the war is a remarkable increase.

And today, what we lack is not production capacity, [it] is financing. In the short term, we have production capacity, [but] we need financing. But looking a little bit ahead, we need more production capacity.

We increased [it by] 50%, it has to still increase more and quicker - but funding is fundamental. We do not have a Pentagon in Europe. We do not have an institution that has a strong buying capacity driving the market and driving the industry.

But we have to cooperate and coordinate the way the Member States react in order to provide funding for the industry and the capacity for the industry in order to answer the increasing demand.

We need to do more, not only on ammunition. In the medium term, we need to increase - as Margrethe has said and Commissioner Breton will explain more in detail - the strength and resilience of the European defence industry.

We need a defence industrial policy, because the defence industry is unique. You do not go to the supermarket to buy defence products. There is a single buyer – the Governments. And there is a variety of producers but 90% of the industrial defence capacity is being concentrated in a few Member States.

Our defence industry, before the war, secured about 40% of the defence needs of our armies and export about half of its production. So, our industry is competitive – half of its production goes to exports. But since the beginning of the war, the amount of our need to buy outside has been increasing. But keep in mind that Governments are the buyers – they set the priorities based on operational needs. Working together with Member States is crucial because they are the masters of their armies.

This Strategy tries to match supply and demand, through procedures to invest more, better, together and European. We have to overcome fragmentation by cooperation.

Our demand is fragmented – obviously, because we have different national armies. As I said, we do not have an institution that concentrates the capacity to demand and drive the industry.

We are divided in 27 Member States, with 27 different armies. So, this has to increase our cooperation.

Keep in mind one figure: in 2022, the defence investment of our Member States amounted to €58 billion – fragmented among 27 “demand centres” (Member States). In the United States, a single one – the Pentagon – was asking the market for \$215 billion, almost four times more.

As I said, since the beginning of the war, we have to request more imports because our industry was on an increasing demand.

Our cooperation is still very low. Only 18% [in 2022] of our procurement [was] done in a cooperative manner. The target is 35%.

The European defence industry is following closely this degree of cooperation, and we [have not] improved in the last years. This Strategy will try to incentivise joint procurement of defence capabilities and projects of common European interest.

Fragmentation needs to be addressed with cooperation. Fragmentation is the logical consequence of the fact that we are not a single State, but it has to be overcome by cooperation if we want to spend not more, but better. I will push for the Permanent Structured Cooperation (PESCO) to work in this direction.

You mentioned also our cooperation with NATO – for sure. And also, about the financial capacity, and that is related also to the discussions about frozen Russian assets. If we agree that these assets could be used in order to support Ukraine's reconstruction, it could also be used to avoid Ukraine's destruction. And it means to increase military capacities or the defence technological base of Ukraine.

But for that, we still need an agreement of the Member States. We need a unanimous agreement based on a Common Foreign and Security Policy proposal that can [be tabled]. But for the time being, we continue working with the Member States in order to get an agreement on that.

It has certainly advantages, and also some inconveniences. But the key idea is that if we can use this money to support Ukraine on the reconstruction process, we should also be able to use it to avoid the destruction of Ukraine by increasing their defence capability.

Thank you.

Remarks by Commissioner Breton

« L'Europe de la défense est en marche »

Dans le contexte géopolitique que nous connaissons tous, l'Europe doit prendre en main sa propre sécurité, qui ne peut pas dépendre des résultats d'élections chez nos alliés tous les 4 ans.

En construisant une véritable Europe de la défense avec une plus grande aptitude à faire face à un conflit de haute intensité – une « defence readiness ».

Nous devons investir **plus, mieux et ensemble, en Européens**.

Et avec le retour d'un conflit à haute intensité, **nous devons produire plus, plus vite et ensemble**.

C'est tout le sens de la stratégie industrielle de défense que nous présentons aujourd'hui. **Il s'agit de passer d'une période marquée par les dividendes de la paix à un mode « économie de guerre » pour cette industrie.**

Nous ne partons pas d'une feuille blanche.

Depuis 2017, nous avons commencé à mobiliser le budget européen pour soutenir la Recherche et Développement (au travers du Fonds Européen de Défense).

Et pour répondre à l'urgence de la guerre en Ukraine, nous avons soutenu grâce au budget de l'Union, d'abord l'acquisition conjointe avec EDIRPA et ensuite les capacités de production industrielles dans les munitions avec ASAP.

Ce que nous avons démontré avec les munitions, c'est qu'avec une ambition collective, et des moyens au niveau européen, nous sommes capables de développer rapidement notre base industrielle productive.

En moins de 10 mois, nous avons remonté notre capacité de production de munitions d'artillerie à 1 m d'obus chargés par an. Et nous la passerons à 2 m d'ici à 2025.

Il n'y a pas de fatalité ! Et c'est d'ailleurs ça le travail du Commissaire à la défense qui est devant vous : cartographier les capacités, résoudre les goulets d'étranglement, et soutenir les efforts de montée en cadence.

Nous le faisons dans les munitions d'artillerie, nous devons désormais le faire sur l'ensemble des équipements nécessaires à notre sécurité.

Il faut donc pérenniser les efforts faits dans l'urgence au-delà de 2025 et faire le pont pour aller jusqu'au prochain cadre financier en 2027, et les étendre au-delà des munitions à l'ensemble des équipements de défense.

Car la disponibilité des équipements européens de défense devient désormais un enjeu de compétitivité et de sécurité.

Cela veut dire aussi que l'industrie européenne de défense doit prendre plus de risques, et nous les accompagnerons pour leur donner plus de visibilité.

Je souhaiterais ici évoquer deux points importants dans cette nouvelle initiative :

D'abord, le nouveau programme industriel de défense. Il assure la continuité des actions prévues dans EDIRPA et ASAP. Mais il va au-delà.

Nous intégrons pleinement la base industrielle de défense de l'Ukraine à la base européenne. Les industries Ukrainiennes seront éligibles aux mêmes activités que l'industrie européenne et nous pourrons soutenir les coopérations entre l'Ukraine et l'Union. C'est un signal très fort.

Par ailleurs nous testons de nouvelles formes de soutien :

- **Le financement de sites industriels maintenus prêts à l'emploi** (ever warm) afin de raccourcir les temps de montée en cadence.
- **La mise en place d'un mécanisme européen de ventes militaires** s'inspirant largement du mécanisme américain US Foreign Military Sale, et qui permettra le financement de réserves stratégiques européennes, gérées par les États membres. L'objectif ici est de permettre d'accroître la disponibilité des équipements de défense européens et ainsi rétablir une concurrence loyale notamment dans les contrats entre gouvernements.
- **La création d'un Fonds de garantie pour des prêts bonifiés** mis à la disposition des PMEs de défense active tout au long des chaînes industrielles.

Nous proposons la mise en place d'objectifs ambitieux pour 2030 : Acquérir ensemble 40% des équipements militaires, en transfrontalier au moins 35% et à 50% dans l'Union (60% en 2035).

Pour une Europe de la défense crédible, nous devons aussi avoir une ambition budgétaire adéquate.

Le programme que nous proposons aujourd'hui est **doté de €1.5mds**, sur mi-2025/fin 2027) mobilisable pour le soutien à l'industrie européenne de défense.

Pour le soutien à l'industrie ukrainienne de défense, un top-up est envisagé en utilisant une partie des intérêts dégagés par les avoir russes gelés. Cette discussion est en cours. Et il faudra l'accord unanime des États Membres. Mais j'ai confiance que nous saurons trouver les solutions pour ancrer la base industrielle de défense ukrainienne à notre marché intérieur.

Au-delà, comme nous le savons, le budget européen aujourd'hui est contraint, et les perspectives de financements futurs (après 2027) sont trop lointaines.

Or l'urgence est là.

Pour ma part, je l'ai déjà dit, je considère que nous devrions – comme nous avons su le faire dans la période du COVID face à une menace existentielle – envisager un investissement commun ad-hoc pour l'industrie de la défense.

Pour avancer sur ce point, il faut évaluer les besoins – en nature et en coûts – et présenter des options de financement. C'est le débat que nous lançons aujourd'hui.

Après le soutien par plusieurs leaders européens [*Macron, Kallas, De Croo*] sur cette question qui monte, la Commission ne pouvait rester silencieuse.

Par ailleurs, au-delà de l'investissement public, nous devons mobiliser l'investissement privé. L'industrie de la défense doit pouvoir bénéficier d'un accès au financement.

À ce titre, nous demandons avec insistance à la BEI de modifier sa politique afin de permettre un soutien aux industries de défense – au-delà de l'usage dual – afin d'accompagner la montée en cadence de production. Tout le monde doit s'adapter aux nouvelles réalités. **Le temps n'est plus à la temporisation, mais à l'action.**

L'Europe de la défense est en marche. Et c'est une chance.

Pour la compétitivité de notre industrie.

Pour la crédibilité du pilier européen au sein de l'OTAN.

Pour la sécurité de nos concitoyens.

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