

## **Key Messages of the Netherlands on the European Defence Industrial Strategy (EDIS)**

### Introduction

Russia's war of aggression against Ukraine has been a wake-up call for Europe regarding the pressing need to take more responsibility for its own security. The European Commission, the European External Action Service, the European Defence Agency and EU Member States have taken unprecedented steps to assist Ukraine and shore up European security. Strengthening the European Defence Technological and Industrial Base (EDTIB) by ramping up production capacity, maximizing innovation and increasing cooperation with regard to capability development and joint procurement is a prerequisite to achieve a stronger and more capable EU on security and defence. Political will is needed to achieve this. It is critical that Member States and industry shift their mindset to a more collective and European effort. These efforts should always complement and strengthen NATO.

### Objectives

The European Defence Industrial Strategy (EDIS) should inter alia focus on six core objectives:

1. Enable ramp-up of production capacity of the EDTIB.
2. Enhance supply chain resilience.
3. Boost joint procurement of critical defence capabilities.
4. Incentivize more cross border industrial cooperation.
5. Boost R&D of defence capabilities to meet current and future demand.
6. Strengthen EU-NATO complementarity and avoid duplicating efforts.

Therefore, EDIS should be geared towards an EU that is able to respond **adequately** and **timely** when the security of the EU is at stake. This means the defence industry should have the **capacity** to efficiently produce, in sufficient volumes, systems and equipment that ensure operational dominance when facing any possible threat or challenge. To achieve this goal, this strategy should strive for integration of the European defence market, reduced fragmentation and more European defence industrial value chains, whilst contributing to interoperability and interchangeability between Allies. Furthermore, the strategy should focus on addressing EU **capability gaps**. Additionally, the EU needs to remain on the forefront when it comes to **innovation** in defence technologies so the EDTIB can meet current and future demand. Increasing geopolitical tensions underline the need to reduce unwanted dependencies and to improve supply chain resilience. The growing importance of the need to strengthen the European defence industrial base calls for a stronger emphasis and focus on this within the **new European Commission, in close collaboration with the European Defence Agency**. To summarize, this strategy should aim to establish an EU that is more capable and resilient in times of geopolitical challenges and thereby reinforces the Transatlantic alliance.

### Building blocks

The following building blocks could be considered to develop an effective and comprehensive EDIS:

#### *Ramp-up of production capacity of the EDTIB*

- Propose actions to ensure effective follow up of both EDIRPA and ASAP to address urgent capability gaps jointly and to accelerate the ramp up of production capacity by providing the defence industry with long term perspectives.
- Propose actions to improve the access to finance for the European defence industry, by removing barriers for institutional investors, including from European banks and pension funds, to invest in EU defence industry. Sufficient access to finance is necessary

in order for industry to be competitive, innovative and capable of ramping up its production capacity.

#### *Supply chain resilience*

- Identify current bottlenecks for the enhancement of security of supply and propose measures to address these.
- Propose the establishment of a comprehensive resilience framework to ensure the EU has the ability to respond quickly in times of an urgent need for defence products. The competence to activate this framework should lie with the Member States.

#### *Joint Procurement*

- Build on lessons learned from recent EU initiatives such as EDIRPA and the joint procurement of ammunition through EDA and lead nations to propose effective measures to stimulate joint procurement.
- Specify how EDIS can incentivize the joint procurement of critical EU capability gaps, notably strategic enablers, as outlined by the EDA's Capability Development Priorities (CDP) and NATO's Defence Planning Process (NDPP).
- Propose incentives, preferably within the framework of CARD, to support the synchronization of the different national European defence planning processes.
- Address how the rest of lifecycle management of jointly procured capabilities can be stimulated, in addition to procuring the capability itself.

#### *R&D and innovation*

- Contribute effectively to increasing the EU's capacity to act in the field of security and defence. The focus should be on developing strategic capabilities, as outlined by the EDA's Capability Development Priorities (CDP) and NATO's Defence Planning Process (NDPP).
- Gear funding programmes for European defence related R&D especially towards the development of key disruptive and enabling technologies necessary for innovative defence capabilities and European defence platforms, including in the field of artificial intelligence, quantum technology and space.
- Make available sufficient financial resources for small-scale highly innovative projects within the current EDF.
- Propose actions to promote the uptake of results from European defence R&D and innovation, notably through EDF, into the production phase in order to strengthen the defence ecosystem.
- Include resilience as an important aspect in programming of the EDF and future EU programmes on defence related R&D and innovation.

#### *Cross border industrial cooperation*

- Initiate new mechanisms to ensure more industrial cross-border cooperation on the European defence market, with sufficient access to value chains for suppliers, in particular SMEs, from across the entire Union. This will result in less fragmentation and inefficiencies, reduce supply chain risks, ensure security of supply and alleviate strategic dependencies on a Union level.

#### *Strengthen EU-NATO complementarity*

- EDIS should contribute to strengthening the EDTIB in a way that complements and strengthens efforts of EU Member States in the framework of NATO.
- Capabilities developed utilizing EU instruments should complement and contribute to Member States' efforts in NATO.
- Jointly addressing strategic capability gaps should increase interoperability and interchangeability between Member States and NATO.