

Key Note Address

**European Defence Fund
Opportunities, and challenges: does one size fit all?**

by

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at the

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Distinguished Members of Parliament, Ladies and Gentlemen, colleagues, good morning,

I am honoured to address you at this Conference on European Defence Cooperation. And I am grateful that you are able to hide your disappointment for not seeing my colleague and good friend Arian de Waard. He fell ill and asked me to jump in. So you miss our ultimate expert on projects and international cooperation and in return you get the experience of a lifelong end user. And permanent military representative for the Netherlands in EU and NATO.

This conference comes at the right time.

If only 5 years ago someone had predicted that the European Commission would establish a major defence related budget, we would have urged him to get a reality check. Most certainly when he would have added the size of 13 billion euro's. Today, he would be accused of selling old news.

So, what has happened?

For starters, we are all confronted by a turbulent and unpredictable world. We find ourselves in strategic competition with state and non-state actors alike. 2014, with the Crimea, the Caliphate and hugely increasing migration flows, proved a pivotal year. And the global, geopolitical turbulence has continued ever since.

This effects the EU. And it effects the way the EU looks at security and defence.

It effects our missions and operations, civil and military alike.

It effects NATO – EU cooperation and the way these two major European and Trans-Atlantic security actors are defining their complementarity.

And it clearly effects the way the EU develops capabilities.

It is on the field of capability development that I want to focus my speech.

The many developments in this field are moving towards an increasingly aligned process.

The Headline goal process translates the EU Level of Ambition into required capabilities and military shortfalls. CARD will help us to understand the capability landscape and identifies which capabilities are available, or in planning. The EDA Capability Development Plan looks at, amongst others, potential opportunities for cooperation and helps us to set priorities among military capability gaps. PESCO gives the EU Member States a new framework for concrete cooperation.

But there is another kid on the block. Perhaps an odd one out: the European Defense Fund or EDF. Odd one out, because it is, in its nature, a financial tool. It is owned by the Commission, It looks at prototyping and research. And it is still under development. With the Preparatory Action and the EDIDP showing ample promise. Finally and arguably, EDF could well be a game changer.

As always with these initiatives, questions and concerns are plentiful. Can Member States find common ground to collectively use the EDF to fund their priorities? And how do we best align prioritisation and cooperation models, such as CDP, CARD and PESCO with EDF?

I don't have all answers readily available. But what I can do is provide you with some thoughts on the why, what and how of EDF, from the perspective of a smaller country with a well-established name in innovation and research, some middle sized OEM's, some very innovative SME's and, most importantly, an extensive experience with all sorts of cooperation. I will do so by addressing 4 points: smart scaling, smart development, smart procurement and finally smart expectations.

First: Smart Scaling

In the many EU corridors and meeting rooms, fragmentation of the EU industrial land scape is often used as a synonym for inefficiency. The US has one main battle tank, the EU four or five. Which is considered bad. I beg to differ.

Even when we forget that some of the systems are produced and procured outside Europa and thus the number of European systems less than the easily stated numbers, the fundamental question here is whether diversity, a term I prefer over fragmentation, is by definition wrong? My answer is "no".

From an operational point of view, a certain variety of systems might even be beneficial. As in nature, evolution is not a stepped change but a slow and continuous development. And survival comes with diversity!

Smaller series allow for evolutionary development and fielding of new technologies more easily. Smaller series allow for more designers and builders to compete, driving innovation and, surprise-surprise, reduced costs.

The Netherlands has shown that innovative ship design for smaller series does not per se imply expensive, less capable systems. On the contrary. And I can vouch for that on the basis of personal experience on missions and operations

One could argue that different types will complicate *interoperability*. Again, that is not my experience. Interoperability is achieved through definition of standards. And in Europe, in particular naval and air systems prove that this works.

For EDF, it will therefore be important to cater for incremental developments and evolutionary innovation with similar systems provided by multiple providers and avoid a one-size-fits-all approach.

The second point I have named Smart Development.

To me, innovation is a *conditio sine qua non* for the development of new concepts and systems. But innovation does not sit exclusively with bigger companies and in major systems. In fact, lots of innovation are also possible, and needed, in supply chains and delivered by smart SMEs.

Also, the military are no longer sole owners of the security arena. The complexity means that we must cooperate with many other actors, in the design, building, fielding, maintaining and using our capabilities. Only then can we ensure innovation, both technological, organisational and cultural.

New developments are occurring rapidly and exponentially. Disruptive innovations are numerous: nanotechnology, 3 and 4D printing, artificial intelligence/machine learning, robotics, medical diagnostic equipment, augmented reality, virtual reality, big data – the list is endless. But perhaps even more ground-breaking is the fact that the internet enables us to connect new ideas, innovations and technologies. This creates extraordinary opportunities. And challenges.

But how can we streamline this? How can we bring together demanding end-users, research laboratory wizards and efficient builders? The Netherlands has ample experience in doing that, to the benefit of the user, the researcher, the builder and, ultimately, the tax payer. True, this so called Triple Helix model came very much alive within industrial stove pipes, but the model is now being modified to allow smart SME's to join, for international cooperation to take place and to look beyond the manufacturing of equipment and towards a life cycle approach.

We do that by creating market places. Where sharing is the name of the game, trust an important ingredient and role discipline an important prerequisite. Broadening the idea of the market place to the European-level may well prove beneficial.

Is EDF able to recognise the value of such extensive cooperation schemes? Perhaps the creation of an EU Industrial Advisory Group, similar to the one at NATO, could be part of the answer.

My third point is on Smart Procurement

This includes a few elements.

First, innovative methods are required to deliver the proper capabilities. For this purpose, the NL Defence Materiel Organisation is testing the concept of Concurrent Design – a proven method within the European Space Agency-framework where design, deliver and support co-exist continuously. The initial results are very promising. Other nations could benefit as well and therefore we must look at allowing EDF also at projects where research, prototyping, procurement and fielding are not as clearly divided as initially envisaged for EDF.

Second, smart procurement includes speeding up and improving the quality of procurement processes. IT for instance, requires alternatives ways of procurement if we want to keep up with technology. This will also have an effect on the EDF Research Window project cycle, with being able to keep pace with the speed of the technological developments outside the defence domain a major challenge.

Third, we need to take into account future requirements with regard to topics such as human factors, occupational hazards, energy saving and environmental issues in the early phases of design and development.

Finally, in smart procurement there is a need to use the full potential of international collaboration. Ideally EDF and the financial toolbox will help in that respect. We probably also need sophisticated innovation procurement models such as Pre Commercial Procurement and Value Engineering in

combination with more traditional development and procurement schemes in order to really innovate the procurement process.

And my fourth and final point is Smart Expectations

Despite the unavoidable challenges, I see vast opportunities in the current developments for cooperation and capability development in Europe. PESCO and CARD are already delivering and I am sure EDF can follow swift. Yet, risks are looming on the horizon. First, policy must be allowed a proper time for implementation – something often a bit tedious for policy makers. We have to give time for policies to mature into practice. Second, once policy is defined, we must allow for an implementation which allows for bottom-up refinement and is not restricted by an abundance of rules, regulations and exclusivity. We need to give space to the execution in order to fully exploit the possibilities. Cooperation is not a choice, but a necessity. And cooperation will flourish if the work floor has breathing space and anyone interested can join. Without too much hassle.

I will come to a conclusion.

It is my sincere wish that we will be able to develop and implement EDF in a smart and practical way, so that we will be able to use it for the development of technologies and capabilities that will make a difference. EDF can only be a success if all Member States ultimately feel that it is beneficial, that it is easily and equally accessible, that their interests are considered alongside those of others and qualitative output is guaranteed. This can only be the case if EDF is employed for bigger and smaller industries, for OEMs and SMEs, for bigger countries and smaller countries, for procurements and supply chains, with breathing space for the work floor. The potential is clearly there, but as always the proof will be in the eating of the pudding. I hope my thoughts will contribute to a mouth-watering recipe.

I thank you for attention.