

Our position

Strengthening the security of all citizens: Considerations for the post-COVID-19 recovery

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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 €2 trillion in 2018, directly supports more than 4.8 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

Introduction

The inherent cyclical nature of the defence market precludes drawing definitive conclusions about how the COVID-19 crisis is impacting European defence dynamics. The pandemic has nonetheless exacerbated some of the security challenges that Europe is facing and has accelerated the urgency for Member States to spend strained defence budgets smarter, which carries both risks and opportunities for industry.

The COVID-19 crisis reminded us of many things we may have forgotten or taken for granted. For example, we are reminded of the following:

- Article 2 of the North Atlantic Treaty (Washington D.C. - 4 April 1949): “The Parties will contribute toward the further development of peaceful and friendly international relations by strengthening their free institutions, by bringing about a better understanding of the principles upon which these institutions are founded, and by promoting conditions of stability and well-being. They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them.”
- The joint declaration by the President of the European Council, Donald Tusk, the President of the European Commission, Jean-Claude Juncker, and the Secretary General of NATO, Jens Stoltenberg (Warsaw – 8 July 2016): “... we believe there is an urgent need to: ... Facilitate a stronger defence industry and greater defence research and industrial cooperation within Europe and across the Atlantic. ...”

The European Commission put forward an ambitious strategy towards economic recovery from the COVID-19 crisis. AmCham EU agrees that substantial investments will be important to kick-start economic recovery. We support the European Commission’s ambition to reinforce the European Defence Technological and Industrial Base (EDTIB). Initiatives such as the European Defence Fund (EDF), Connecting Europe Facility (CEF), the European Space Programme (ESP) and the Internal Security Fund (ISF) could play a catalyst role in the EU’s recovery. We also welcome the European Commission’s ambition for a stronger Europe in the world, and the EU equipping itself with the resources to act on the global stage. Finding common solutions to global challenges should be done in cooperation with like-minded strategic partners to ensure alignment and for the benefit of collective economic recovery.

Strengthening the security of all citizens

The COVID-19 pandemic is a shock which is leaving governments, businesses and citizens with great uncertainty as to what the future holds. The economic, political, geopolitical and industrial impacts of the pandemic will take time to fully emerge.

Leaders are faced with an increasingly complex security environment, where non-traditional and non-kinetic threats have broadened the range of threats to citizens. Today, this environment is made even more complex with new vulnerabilities emerging in the aftermath of the COVID-19 emergency, and the uncertainty created by the crisis has already been leveraged for the purpose of disinformation.

The COVID crisis has demonstrated transatlantic readiness and resilience, enabled by robust capabilities and international cooperation. The armed forces and their suppliers have been critical in the speedy and efficient response to the COVID-19 emergency. The armed forces have provided logistical support, built field hospitals, and airlift support to COVID-19 efforts, and suppliers to the armed forces have transformed their production lines to produce medical equipment at short notice, and have provided their fleets (aircraft, vehicles, ships, ...), facilities, machines and infrastructure to support COVID-19 efforts globally. Armed forces also train experts to minimise the risk of chemical, biological, radiological and nuclear (CBRN) threats.

The security, defence and space industries also have a key role to play in responding to the new vulnerabilities and security threats that have developed as a result of the crisis. The security, defence and space industries will be critical for enabling leaders to address disinformation, and to protect critical assets and infrastructure. The security, defence and space industrial industries are therefore essential to address national security challenges

and strengthen the security of citizens. They will also be essential for protecting the economic environment and enabling a strong economic recovery.

A resilient NATO and resilient EU need robust and mutually-reinforcing Defence Technological and Industrial Bases (DTIBs) on both sides of the Atlantic. Transatlantic cooperation is the foundation for our security. And, security is the foundation for our prosperity.

Recommendations:

- Ensure that the armed forces and their suppliers are a part of the recovery plan from the beginning. They are a vital component of supporting the fight against the spread of the coronavirus and will be important to responding to future threats to citizens and nations.
- Recall the imperative of working together to deliver defence capabilities in the new normal: Smart investment in defence and innovation contracting schemes remain key to deliver deterrence and collective security. In addition, the enhanced capability output that cooperation generates would lead to a more coherent transatlantic community, resilient to systemic shocks and strategic surprises
- Preserve and, where possible, strengthen spending targets for the security, defence and space suppliers and sustain our security, defence and space industrial bases for resilience purposes. This approach will be essential for enabling the EU to take responsibility for ensuring the security of citizens.
- Aim for ambitious EDF and ESP budgets as priorities in the defence and space domains and a swift adoption of the respective regulations, in full respect of the discussions on the EU's Multiannual Financial Framework (MFF).
- Limit negative consequences of the pandemic to transatlantic security and to the level playing field in the EU Single Market and the transatlantic market.
- Recognise the importance of a strong and prosperous Transatlantic Defence Technological and Industrial Cooperation (TADIC) for the transatlantic relationship, sustainable growth and achieving collective security.
- Recognise that the importance of enhanced cooperation between the EU and NATO is paramount; so is the need to eliminate duplication of efforts and deliver tangible output.
- Preserve open security, defence and space markets among like-minded countries:
 - The proposed exclusion of third-country entities with considerable European footprints from major EU and Member States' public Research & Development (R&D) and Procurement funding schemes will lead to the exclusion of vital economic contributors from major R&D and procurement programmes and undermine the EU's objective to strengthen its EDTIB. This exclusion could cause market distortions and ultimately weaken the transatlantic relationship.
 - Moreover, such exclusions could inadvertently hurt Europe's ability to attract foreign investment that will be crucial for the recovery and could lead to companies from like-minded countries pulling away vital research, development and innovation capabilities from the EU.
 - As the US business community committed to and invested in Europe - also meeting criteria of added value and respect of EU values – AmCham EU strongly believes that the EU's economic recovery must be outward looking, open to foreign direct investment from and trade with like-minded third countries and third-country entities.
 - AmCham EU's member companies directly support 4.9 million jobs in Europe and have always shown commitment to respect and enforce IP rights.

- Cooperate on emerging policy areas, such as the use of Artificial Intelligence, in order to provide legal certainty, promote investment, and assist in the roll-out of new, innovative technological solutions.
- Recognise at the national level the critical nature of the security, defence and space industries 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.
- Continue and increase investment in cybersecurity at national and sector levels as our societies become even more dependent on digital infrastructure:
 - Cyber-attacks have spiked during the crisis, and the threat to cybersecurity has increased significantly. New paths of communication and work environments create new security risks. Cyber authorities should collaborate with the private sector to provide guidance on remote work security for businesses. EU initiatives in areas such as data policy, AI, data protection and certification need to take into account at their design phase the particular challenges posed by cybersecurity as a key consideration.

Conclusion: Out of crisis comes opportunity

In the security, defence and space industries there are strong interdependences with commercial activities, as many 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. New incentives 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. The recovery phase ahead of us carries unique opportunities to unlock the great untapped potential of the transatlantic security, defence and space communities:

- Smart investment in security/defence/space and agile contracting schemes remain key to deliver deterrence and collective security. It would be strategically unwise to reduce investment in new capabilities in Europe.
- Any reversal of recent increases in European security/defence/space spending could weaken the respective DTIBs, threaten future national, intra-EU and transatlantic capability programmes in strategic sectors, and potentially reignite a burden-sharing debate that could damage transatlantic relations.
- The enhanced capability output, generated through cooperation, would lead to a more coherent transatlantic community, resilient to systemic shocks and strategic surprises.
- Enhanced cooperation between the EU and NATO is paramount; so is the need to eliminate duplication of efforts, increase interoperability and deliver tangible and affordable outputs.
- Transatlantic and global level playing fields need to remain equal: openness and accessibility of transatlantic/global markets are a prerequisite of sustainable and mutually reinforcing security, defence and (aero)space industrial bases.

The imperative of working together to deliver security, defence and space capabilities has been made even more evident during the COVID-19 crisis. When like-minded nations partner to deliver capability together it enables them to procure faster and access capabilities that they may not be able to afford on their own.



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