

## Our position

# European Commission action plan on synergies and cross-fertilisation between the civil, defence and space industries

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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.

*American companies invested in Europe are an essential part of the EU's defence and space sector, making considerable contributions through the creation of high-skilled jobs, the generation and retention of technological innovations, and substantive investments. These activities support many thousands of smaller companies and their employees across the supply chain. Members of the American Chamber of Commerce to the EU (AmCham EU) Security, Defence and Space Committee employ over 50,000 direct employees in aerospace, defence and space in Europe with more than 20,000 patents having been developed and being held in the EU. Our members partner with over 250 European research and academic institutions for the benefit of an innovative and competitive European technological and industrial base.*

## Introduction

The defence and space industries have always benefitted from the cross-fertilisation between the sectors for commercial applications. Innovation in these sectors has in fact led to the developments of some of today's most valuable technological contributions, such as the internet, digital photography or satellite navigation. While the flow of innovation has traditionally been one-sided, in that it originated from the military sector, this is now slowly changing with the emergence of rapidly developing technologies and the introduction of new actors. Given these new dynamics, further strengthening existing, as well as the creation of new synergies and promoting cross-fertilisation will be key in maximising political, operational and industrial efforts.

AmCham EU has identified five areas where greater coordination and cooperation could strengthen the innovation capacity and competitiveness of the civil, defence and space industries in Europe.

## EU Industrial Strategy

When considering the EU's industrial strategy, synergies and cross-fertilisation between the civil, defence and space industries should play a primary role. To develop European industry, **cross-sector synergies and technological spill-overs should be prioritised in all areas of EU policy and regulatory competence** in order to boost innovation. **This would ensure the attractiveness of the EU to foreign investment** and avoid the risk of undermining industrial competitiveness. The **EU industrial strategy should also have a strong external dimension**, that ensures equal opportunity for like-minded market players. This will be particularly important for defence and space companies to remain globally competitive.

The EU is home to cutting-edge industries with high added value and competitive value chains. The rapid and disruptive changes driven by technological advances can further boost this if supported by a strategic approach encompassing people, new technologies and industrial processes. **A comprehensive and inclusive approach on synergies and cross-fertilisation will enhance the defence and space sectors' ability to innovate**, while also strengthening a mutually beneficial relationship with civil industries. To achieve this, **EU Member States and the EU need to join forces to optimise public and private investments and R&D projects**. Moreover, further regulatory harmonisation is required, to remove barriers to the free movement of components, data and services.

### Recommendation:

- Include defence and space industries in the EU Recovery Plan given the positive spill-over effect these have for the civil sectors.

## Synergies between EU and national R&D programmes

The Horizon Europe research and innovation programme places great importance on synergies between the different pillars and programmes in order to maximise the output and impact of EU funding. This focus on synergies should also be applied to the EU programmes dedicated to security, space and defence (Security Union, European Space Programme, European Defence Fund, etc). The identification and exploitation of synergies should not only be limited to these sectors, but also incorporate EU instruments that aim to support the civil development and market uptake, especially when it comes to dual-use technology. A cross-cutting approach that encompasses all aspects of EU policymaking could strengthen the mutually beneficial relationships between the civil, defence and space sectors.

Similar synergies should also be sought between R&D programmes at all levels, whether between European and national, or between Member States. All programmes should be supported by commonly agreed goals and objectives within an integrated and comprehensive roadmap. **Leveraging European and national spending towards common objectives between the civil, defence and space industries would increase funding intensities and ensure overall coherence between European and national ambitions.** Such ties would moreover create an organic spill-over effect between the sectors and establish a common set of requirements from an early stage.

### Recommendation:

- Extend ambitions to create synergies between EU programmes and initiatives to incorporate security, defence and space actions. The development of integrated and comprehensive roadmaps will support common goals and objectives between EU initiatives and national programmes.

## Open markets and competition

The defence and space markets are not only highly regulated but also – as the recent AFET draft opinion concerning the procurement and transfer of defence related products reaffirmed<sup>1</sup> – **still very fragmented and dominated by national contract awards.** Further action to strengthen synergies and cross-fertilisation between the civil, defence and space industries to safeguard the EU's competitiveness will need to go together with supporting the creation of a truly level playing-field across the EU. Similar action should also be taken regarding the transatlantic security, defence and space markets.

Relationships between European companies and eligible third-country entities promote healthy competition and allow EU Member States to develop interoperable and affordable capabilities and/or acquire readily available capabilities that ensure the highest technological standards for the EU.

### Recommendation:

- Create a truly level playing-field across the EU, the Channel and the Atlantic.

## Harmonisation of standards

A key pillar for improving the synergies and the cross-fertilisation between the civil, defence and space industries will be **the creation of common standards and certification processes.** Standardisation has long been an important area for defence cooperation between companies and national governments. For example, the work driven by the NATO Committee for Standardisation has been integral to ensuring the interoperability of NATO allies.

**Coordination and harmonisation on standards between the civil, defence and space spheres will prove similarly beneficial in facilitating spill-overs of technologies and expertise.** While government involvement will be critical, involving industry from an early phase will ensure a pragmatic approach on the utilisation of industrial innovation, technology and standards that could meet EU and EU Member State requirements and promote a more effective interoperability between the sectors. In order to fully benefit from such coordination, **inter-institutional dialogue between NATO, European and US standardisation communities should be reinforced.**

Standardisation is key to the functioning of the EU Single Market and a critical enabler of interoperability among European and NATO allies. It is technology, innovation and interoperability that provide the foundations for successful synergies between sectors.

### Recommendation:

<sup>1</sup> [Implementation of Directive 2009/81/EC, concerning procurement in the fields of defence and security, and of Directive 2009/43/EC, concerning the transfer of defence-related products, 2019/2204\(INI\)](#)

- The European Commission should launch reflections on how to promote common standards frameworks for the defence, space and civil industries, and identify areas of synergy suitable for promotion within the respective sectors.

## Convergence of acquisition models

The ongoing digital revolution places unique challenges on both government and industry in terms of technologies, infrastructures, production systems, and business models. The post-COVID-19 recovery, both from a financial and regulatory standpoint, creates a unique opportunity for governments to adapt and accelerate their acquisition processes by applying **more innovative, agile ways of doing business to accelerate the procurement and fielding of new technologies**. Applying best practices from the commercial to defence and space industries could help governments take advantage of rapidly developing commercial innovations, the best solutions on the market and field technology at the pace of relevance.

### Recommendation:

- The European Commission should foster a best practice exchange between the defence/space and civil domains when it comes to capability research and development, procurement and life-cycle sustainment.

## Conclusion

The members of the AmCham EU Security, Defence and Space Committee have significant experience and benefit greatly from the synergies and cross-fertilisation between their defence or space and commercial offerings. Action from the EU to further facilitate the spill-over of technology within one industry, for example between the defence and commercial aviation sectors, and across broader industries will greatly enhance the competitiveness of the European technological and industrial base and enhance the quality, efficiency and effectiveness of EU and national spending.



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