



# INCIPE

INSTITUTO DE CUESTIONES INTERNACIONALES  
Y POLÍTICA EXTERIOR

## SEMINARIO INTERNACIONAL:

### “Smart Defence”

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Thank you chairman and thank you to the **International Affairs and Foreign Policy Institute (INCIPE)** for inviting me to participate in this seminar, and also for considering that an industrial point of view might be of any value to this selected audience.

- Coming from industry, I will try to connect SD with industry implications and the effect of political decisions connected with SD on industry.
- I am not an industry representative, thus the elements that I will bring to the table are not automatically shared by any industry or Industry Associations.
- Smart Defense comes to scene in time of budgetary constrains as an initiative that may help countries to “get more for less”; that should help Alliance “to match level of

ambition with shrinking budgets”; that should reduce cost of acquiring assets or services that are essential to ensure joint defense and security; that will reinforce interoperability. Specialization will bring benefits to all partners.

- At the same time, or maybe due to the above, SD shows up as one of the international initiatives that can shape the future of defense industry on allied countries, specially outside the US.
- Together with European Pooling & Sharing initiative, it brings to the table the promise for elements that industry has been claiming-for long time ago: clear and well defined long term plans, adequately funded; involvement of industry in early stages of programs; attention to complete life cycle of acquired systems... thus allowing industry to plan for resources and investment, recruit and train skilled personnel, organize technological capabilities....
- The challenges for nations and NATO have been defined in a number of papers and seminars, with one challenge that seems to be 1<sup>st</sup> in the row: build trust among nations as it moves to “mutual dependency”. Thus implying a need for “very strong political commitment for enduring change”.
- Implications to industry have also been touched in different ways in papers and seminars dealing with SD, as recently on the RUSI (Royal United Services Institute) conference in March.
- Among the main questions affecting industry, shared in general with those identified around Pooling & Sharing initiatives, we find elements of paramount importance, as the need for defining clear rules for technology sharing, especially when dealing with new developments. IPR’s need to be identified, protected... and shared with others under rules still under complex discussion. If this element is not solved, past investment of companies could be on risk, and future investment will be inhibited.
- Also the need to harmonize, and possibly simplify, export control regulation among nations sharing a given product or system property. Today subject to different procedures and criteria that also conditions industry’s desire to invest

- Security of Supply takes many different shapes in the contest of Smart Defense: ability to get supply of critical components in due time, access to certain technologies or even the rules under which a nation can use certain shared assets can be included under this concept. And this could affect also industry shaping.
- Industry is commonly described in all SD papers as “an indispensable partner”. Proactive partnership is considered key for successful implementation of SD.
- But the lack of a single vision on industry is commonly recognized.
- Outside the USA, the landscape of companies is complex and somehow reflects the “local” semblance: history, national defense culture, economic welfare, strategic national vision... or even the lack of it.
- And bear in mind that a similar problem is faced when interacting with export markets, especially in the case of the more dynamic economies.
- The specialization that should lead to a “fair and acceptable share across the industrial base” (SD Conceptual food for thought paper) is by no means an easy task. But more than that is not an easy political decision.
- In some documents you will see car industry as the mirror in which defense industry should look alike. But fighters are not sport cars. Rules and business models of civil markets are not always applicable to defense industry.
- The countries involved in the game are fully in control of defense technological and industrial capabilities. In an individual or collective way.
- And these industrial capabilities have implications in many different aspects:
  - o Sovereignty
  - o Medium and long term technological positioning
  - o Are part of the national economic system, providing exports, technology and taxes

- o And can make the difference, at a given point, on the ability to bring assets to the table when dealing with individual nations as partners or competitors.
  
- In Europe we have several examples of successful cooperation, also in defense procurement. The European Union is itself a cooperation scheme where significant amount of sovereignty has been placed on the hands of third parties and mutual dependency has been created.
  
- Still, today 's European economic crisis has shown as certain lessons that might be applicable to SD:
  - o Scenarios do change,
  
  - o The fact that we depend on others to overcome the problems, but at the same time no one will do the real job for us
  
  - o This may sound a little bit cynical: The need to bring valuable assets to the table if you want the others to help you.
  
- When dealing with Smart Defense, political decision makers need to know that their decisions may have effects on their industrial base that will last far more than the capabilities that they want to secure. The UAV will be obsolete sooner by far than the time it will take a country to rebuild a technological capability that it has renounced to maintain.
  
- Is this against Smart Defense initiative? I hope sincerely that, despite my poor English, it should be clear to all the audience by now that that is by no means the case. I personally consider Smart Defense a sensible idea and, as industry, I expect to find ways of making some good profitable business through it.
  
- But it is clear in my mind that a very relevant strategic implication of the SD initiative is the need to fully understand its effects on the industry base, from a national perspective, as well as from a collaborative and mutually dependant scenarios.

- The programs that are selected, the specialization schemes that are agreed upon, the contracting ways, the IPR or export control decisions, ... all that will affect industry in a relevant way.
- A fair question to me could be: Mr. García, do you have a solution? Do you have a model of relationship between NATO and industry to be applied? The answer is simple: no I don't. I am not the person, and this is not the place to discuss such a thing. All my intention today is to share the question with you.
- Thank you for your tolerant listening.