Launch of the EBC Defence and Security Committee

Speech by Tony Ennis, Committee Chairman
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Today's launch of the EBC's Defence and Security Committee is timely.

The Japanese Government recently issued its new National Defence Program Guidelines (NDPG), which acknowledge the increasingly sophisticated threats that Japan faces, and that a new approach is required to respond to these threats.

Under its new "Dynamic Defence Force" concept, Japan's SDF will prepare itself to respond flexibly to foreseeable contingencies. In the context of Japan's budgetary pressures, this approach will require greater efficiency.

The NDPG also acknowledges the importance of the defence industry in its overall security capability. It calls for measures to develop Japan's production capability and technological base.

The NDPG has made clearer than ever that Japan and the EU are now facing similar challenges – the need to respond to sophisticated threats with shrinking budgets. Moreover, we both hold other requirements in common, notably to maintain comprehensive inter-operability with the United States.

In these circumstances both of us have a great deal to gain by collaborating.

The aim of the EBC Defence and Security Committee is to promote such collaboration.

Relevance of Europe

The European Union began life in 1951 as a Coal and Steel Community among six European countries. By the time of the Maastricht Treaty of 1993, which provided for creation of the euro, and European institutions such as the Commission, it had doubled to twelve members.

It is today a community of 27 nations, with free internal movement of goods, capital and people, a European Parliament and Court of Justice, and a shared currency.

It is now the world's largest economy, with a GDP of 12.3 trillion euros. It has the world's third largest population after China and India, with some 493 million inhabitants.

It is the world's biggest trader, accounting for approximately a fifth of global exports and imports.

As an institution, the EU continues to evolve. Its weight in global affairs is growing as EU countries increasingly make foreign policy decisions as a bloc. The newly established European External Action Service, which serves as a diplomatic corps for the EU, will strengthen this further.

And the EU will continue to expand, with 3 countries having applied for membership, and discussions underway with a further four.

There is no doubt that Europe will play an increasingly central role in the full range of international affairs.

Post-war transformation of EU and Japan

Both the EU and Japan have undergone a remarkable transformation in the period following the second world war, when both their economies lay in ruins.

Japan became the world's second-largest economy in1968 and remained so for four decades. It remains an economic, industrial and technological powerhouse.

It is a world leader in many technologies, with expenditure on R&D as a percentage of GDP the highest of any advanced nation. It has the world's third largest budget for research and development at $US130 billion and some 670,000 researchers.

It has proven adept at international collaboration (although not in the realm of defence), working with international partners to develop products suited to local markets, contributing Japanese capital, technology and management expertise.

The commercial relationship between the EU and Japan is highly beneficial to both sides. The EU ranks number three as an export market for Japan. It is also Japan's third-largest source of imports.

The might of our two economies is considerable. When combined, we make up 44 per cent of world GDP.

We are in discussion over an economic integration agreement, which would further strengthen this relationship. Greater access to both our public procurement markets under such an agreement would bring substantial welfare benefits to both sides. Studies show that full liberalisation would greatly boost bilateral trade – Japanese exports by 60 per cent and European exports by 70 per cent. This would provide a welcome economic stimulus to both countries.

As two powerful economies, both have much to gain from working together more closely to secure our common goals and interests into the future, and promote the values we share.

Europe and Japan – common challenges

Ties between Europe and Japan go back to the Meiji period.

These strong ties carry through to today, when Europe and Japan enjoy a comprehensive relationship with its foundations deeply rooted in common values and mutual interests. To this end both of us remain close defence and security partners of the United States.

Both Europe and Japan have had to cope with a challenging security environment and forced to find ways to respond to them.

In the immediate post- World War II period, Europe and Japan had different security environments. Europe confronted the threat of the massive Soviet Union and Eastern bloc on its doorstop. Japan on the other hand did not have a sophisticated regional threat and enjoyed the protection of a large US presence in the region.

Individually, European nations did not have the military or industrial strength to address the threat from the Soviet Empire, which spent up to 25 per cent of its national wealth on its military.

Even collectively, Europe was not up to taking on the might of the Soviet Union.

This was the environment that gave birth to NATO, with the US as a key partner.

Therefore, from the very earliest stage following WWII, European nations needed to ensure that their military equipment was interoperable with US forces. Interoperability was built into the DNA of European defence planners and the defence industry.

Since this time, European forces have gained considerable experience in participating in NATO or US-led forces. This has provided Europe with experience not only in the requirements for modern equipment, but also in collective action and interoperability with the US.

Interoperability with US

Let us quickly remind ourselves what the definition of “interoperability” is as it is often confused with “interchangeability.”

According to the US Department of Defence’s dictionary of military terms, inter-operability means:

“The ability to operate in synergy in the execution of assigned tasks”.

It concerns the standardisation of processes and the ability to communicate in real time in a network centered environment.

While interoperability with the US is vital for both Europe and Japan, it does not require, as is often believed, having the same equipment. Designing them to common NATO standards achieves the same result.

Demands of Europe’s Armed forces

So what did Europe’s armed forces require from industry and continue to require today?

To meet their own demanding mission requirements, they wanted the latest technology. They also want prices and running costs that allowed them to stretch limited defence budgets as far as possible.

They wanted to maintain sovereignty over their armed forces and equipment, allowing them to modify and maintain their equipment to suit their own needs. Indigenous capabilities were therefore important.

They demand sustainability in the supply line, ensuring the sustainability of the product in the future.

They demanded equipment that was better able to protect its service men and women, as human resources and human life was sacrosanct.

And to repeat myself, the equipment needed to be fully interoperable with the US.

Knowledge and technology were the key.

How Europe meets this challenge

So how does Europe seek to meet this challenge?

While Europe was devastated economically by WWII, it had an incredible legacy of technological innovation in aerospace and defence technologies.

This legacy goes back to the time of Leonardo da Vinci, who is credited with having first thought of a machine for vertical flight, the "airscrew," designed in 1493,

The French Montgolfier brothers achieved the first manned ascent, launching the their hot air balloon into the sky in 1783.

British-Italian inventor Guglielmo Marconi invented the radio telegraph, sending the first ever wireless communication over open sea in1897.

The jet engine was a German/British invention. Britain invented the radar in the midst of the second world war.

Europe was also at the forefront of marine propulsion engines. Rolls-Royce pioneered the use of gas turbine propulsion in marine surface vessels.

European Capability Today

Europe is still a leader in innovation. Today, the EU is home to some of the most advanced military capabilities. Outside of the US, it is the only economy able to produce the full range of capabilities - across air, sea, land, satellites and ISTAR - to meet current security challenges.

The European Defence industry has an annual turnover of over 42 billion euros and produces some of the world's most advanced defence and security technology. It spends some 9 billion euros annually on R&D for defence equipment.

It is home to some of the world's largest multinational defence companies, such as BAE Systems, EADS, Finmeccania and Thales

A new Directive on Defence and Security Procurement in European Union entered into force in 2011, and will create an even more unified and competitive market.

EU member states are bound by an agreement on defence export controls.

With countries such as Japan, however, where it shares common values, it is open to sharing its technology. Depending on the requirements of the customer, European companies frequently enter into agreements for licensed production or technological transfer to local partners. For example AgustaWestland's AW101 is produced under licence by Kawasaki Heavy Industries.

Europe produces some of the world's most capable military-use helicopters, such as the EC 645, based on BK117 platform, co-developed between Eurocopter Germany and Kawasaki Heavy Industries.

AgustaWestland together with Bell Helicopter has developed the BA609 tilt rotor aircraft, the latest development in vertical lift technology.

Airlift mobility is vital to achieving the objective of getting people, equipment and supplies to any trouble spot rapidly and efficiently.

Many aircraft types currently fulfilling the military tactical transport role in the world's air forces are unable to carry much of today's heavy military equipment to where they are needed in the time required. The A400M by Airbus Military is a larger, more modern, more flexible aircraft that can travel further and faster than most current in-service airlifters and can carry larger payloads.

Outside the US, Europe possesses the only capability in the production of nuclear submarines. BAE Systems' Astute-class submarine sets new standards for the Royal Navy.

Rolls Royce's MT30 marine gas turbine engine has a market-leading power to weight ratio. It is powering the USS Freedom, the US Navy's first Littoral Combat Ship.

Our companies are developing systems to offer soldiers improved maneuvering capabilities and maximum protection, in response to strong demand from governments. Sagem, a Safran group company, supplies FELIN, a comprehensive and ergonomic system for infantry soldiers, with significant improvement in protection, observation, communication, engagement, mobility and support functions for front line operations.

But much of the capability is unseen. For example, Thales' Searchwater system is in service as the Royal Navy's latest ASaC radar system, providing organic fleet protection (Sea Shield) and power projection (Sea Strike).

Selex Sistemi Integrati, a Finmeccanica company produces NEXOS a Quad-mounted Surveillance Unit equipped with a LYRA 10 radar.

Europe's satellite capability covers reconnaissance and secure communications, secure launch capabilities, ground segment and information analysis.

Arianespace has been launching Defence application satellites under NATO specifications. Launches by Ariane 5 and by Soyuz from Arianespace's secure launch facilities in French Guiana also satisfy US State Department and DOD security requirements.

Astrium GEO-Information Services delivers TerraSAR-X imagery on a daily basis to defense and intelligence customers, through a domestic ground receiving station operated by a local partner. Planned to be launched within a few months, Pléiades is a new generation of wide-swath (20 km) optical Earth-imaging satellites that will supply color products at a resolution of 50 cm.

However, as defence equipment becomes more complex, the cost of developing new products has sky-rocketed – particularly for the larger and more complex systems and platforms. At the same time, defence budgets are being squeezed.

Europe's strengths in collaboration

So how has Europe responded to the increasing demands of its armed forces for increasingly complex technological challenges and shrinking budgets?

It has continued to cultivate individual centres of excellence. But it has understood the benefits to be gained from pooling resources. It has therefore learnt to collaborate to develop products jointly with other European nations, as well as the United States. This joint collaboration had enabled more partners to bear the cost as well as the risk of production. It has also allowed for economies of scale through larger production runs.

Sophisticated arrangements were developed to share technology in a secure manner while enabling the growth of broad defence industries. All this was undertaken in an environment of common interests and mutual benefit.

Successful joint collaborations include the Tornado, manufactured by a tri-nation fighter jet collaboration- Panavia, and Jaguar, the Anglo-French ground attack jet aircraft.

BAE Systems also teamed up with Boeing to produce the AV8 A/B, two developments of the British Aerpospace Harrier Jumpjet, and the US navy trainer T45, a development of the British Aerospace Hawk.

The Eurofighter platform is built by a consortium of four leading European companies. The combined expertise of these companies has produced the most advanced air-to-air fighter on the market today.

EUROJET, a consortium of four companies, is responsible for the EJ200 engine system, installed in the Eurofighter. It is the latest generation military turbofan engine in the 20,000 lbf thrust class, designed to fulfill the most demanding requirements of a fighter aircraft.

The NH 90 helicopter is a European cooperation program for a new generation multirole helicopter, involving France, Eurocopter, Germany, Eurocopter, Italy, AgustaWestland, and Netherlands, Fokker as founding nations, It has been selected by 14 nations.

A collaboration between Kawasaki Heavy Industries and Agusta Westland, the AW101 replaces both Japan's Airborne Mine Counter Measure helicopter and its Antarctic expedition support helicopter. It can also be used in other operational applications such as Search and Rescue and disaster relief.

Arianespace, the world's first commercial launch services provider, combines investment from 21 companies in 10 countries in Europe.

Britain's Aircraft Carrier Alliance between BAE Systems, Babcock,Thales UK , Rolls-Royce and the Ministry of Defence is developing the Queen Elizabeth Class aircraft carrier, which will be the biggest and most powerful surface warships ever constructed for the Royal Navy.

Japan's experience

Why is this relevant to Japan? Because Japan is facing the same issues.

The foundations for Japan's defence policy were laid in the period following the second world war, when it adopted its Peace Constitution and the 1960 Treaty of Mutual Cooperation and Security with the United States as central pillars of its defence policy.

In 1976, government policy affirmed that, while Japan had the capacity to repel a small-scale, limited invasion, Japan would depend on the United States to come to its aid in the event of a more serious incursion. In that year also, the Miki Government strengthened the Three Principles on Arms Exports.

Originally adopted in response to the Japan Socialist Party's objections to Japan's logistical support for US forces in the Vietnam, since 1976 the policy has effectively amounted to a total ban.

The world when Japan laid the foundations for its defence policy was very different from today. In the period following World War II, China's military capability was rudimentary. The US had a large presence in the region. And although the Soviet Union and Japan had competing territorial claims, Soviet attention was largely focused on NATO.

Japan shares borders with three Nuclear powers. In particular it faces the threat of North Korea, which is undertaking development of nuclear and ballistic missile capability, and continues to undertake provocative activity on the Korean peninsula. In its latest NDPG Japan states that China's military modernisation is of concern for the regional and global community.

Nor can Japan afford to completely take its eye off Russia.

The NDPG recognises that these changed circumstances require a different approach. Under the new "Dynamic Defence Force" concept, Japan's SDF will be configured to respond flexibly to foreseeable contingencies.

The NDPG reinforces the indispensable nature of the Japan-US Alliance, and also calls for closer links with other likeminded nations, as well as Europe and NATO.

Japanese Defence Industrial Capability

The NDPG acknowledges the importance of defence industrial capability in a country's ability to secure itself, and calls for a strategy to further develop Japan's production capability and technological base.

Japan maintains a very strong technological capability in defence products.

Its Self Defence Forces are also among the most modern and well equipped in the world.

However, Japan faces growing budget pressures year by year, forcing it to make difficult choices about investments in capability.

The 3Ps are a major impediment for Japanese defence industries seeking to supply the SDF with the latest, most capable equipment. Modern defence platforms, and the software that is their lifeblood, have become so complicated that many products are effectively too difficult and expensive for a single country to produce on their own. The 3Ps effectively prevent Japan from participating in any joint R&D, denying it access to technology from around the world. They also prevent Japan from joint production, which would allow it to defray its investment through exports to likeminded nations. By driving up costs, and at the same time not increasing budgets, Japan is inevitably restricting the capability of its Self Defence Forces to defend Japan.

In the last three years, close to 20 companies have withdrawn from the sector.

All the while, Japan's neighbours' defence budgets expand, and their capabilities grow ever more sophisticated.

The NDPG acknowledges the challenges facing Japan's defence industry. It calls for measures to develop Japan's production capability and technological base.

It states that Japan will also follow trends in international defence equipment production.

However, it did not go a further step and provide for relaxation of Japan's three principles of arms exports.

We are nonetheless encouraged that a serious debate has begun in Japan on this subject. Relaxation will help maintain the capabilities of Japan's defence industry and enable participation in international development programs. Not only could Japan more easily secure technology from overseas, but it could also find a market for its technologies in European and other like-minded markets.

As an industry body, we support relaxation towards these goals and strongly encourage Japan to ensure their implementation includes working with Europe.

We would welcome the chance to engage with the Japanese government and business on the concrete benefits that Japan would secure through working directly with Europe if it were to relax the 3Ps.

Demands of Japan's SDF

To summarise, what do Japan's self defence forces need today?

- They need technology that is cutting edge
- They need to keep their costs down, in light of growing budget pressures
- They need to maintain sovereignty over their equipment
- Of paramount importance, they need to ensure their equipment is completely interoperable with the US
- And they need supply line sustainability.

Does this sound familiar? This is exactly what European governments have been demanding of their defence contractors.

What role can Europe play?

Is there a role for the EU as Japan seeks to meet its security challenges?

We believe there is a lot the EU can offer Japan as it grapples with these issues. To begin with, Europe can help by sharing its experience in confronting similar issues in the past. Europe's defense forces and defense industry have undergone a comprehensive and sometimes painful process of reorganising and streamlining, leading to large scale international cooperation and industry concentration.

This could serve as reference for shaping Japan future defense organisation.

As Japan reaches out to other partners in the region, such as South Korea, to collaborate more on defence issues with South Korea, Europe may also offer a model. We have long experience of cooperating with our neighbours in this way, at both the governmental and business level.

Its lessons about how to ensure a capable, and economically sustainable defence industry have been hard learnt.

We realise that the issues are complex and one size does not fit all.

We are also open to collaboration that would involve sharing our cutting edge technologies and production methods.

We do not imagine this sharing would be a one-way street. Japan's defence industries boast some of the world's leading technologies. It is also accumulating valuable experience and know-how as it grapples with meeting its own threats.

EBC's Defence and Security Committee

We want the EBC's Defence and Security Committee to play a role in facilitating this mutually beneficial exchange.

It will do this by:

- Acting as a conduit for exchange on European and Japanese defence industries and security policies.
- Sharing expertise on how to maximise return on investment in defence industries
- Promoting the benefits of technology sharing
- Seeking more consistent and open business and government procurement practices between Japan and Europe
- Making Japan aware of the strengths of European defence industries as suppliers and partners for Japan
- Encouraging information exchange and debate over issues of interest to European and Japanese defence industries

We will undertake a program of outreach to Japanese decision-makers and stakeholders, such as government, business and media to increase their understanding of European defence industry capabilities and the benefits of closer collaboration with Europe.

We will provide opportunities for the Japanese defence policy community to meet with visiting figures from the European to exchange views on common challenges.

And we will advocate change in areas such as procurement procedures and Japan's 3Ps to benefit both sides.

Conclusion

The budgetary and external pressures on Japan's defence system are coming to a point where the status quo is no longer sustainable. Europe faces similar challenges, and has responded through a focus on advanced technologies and collaboration.

Moreover, both share a need to maintain interoperability with the US. And both need to maintain sovereignty over their equipment as well as supply line sustainability.

In view of our common needs and complementary strengths, we believe the time has come for Japan to consider partnering with Europe on a wider range of defence equipment projects.

The new EBC Defence and Security Committee looks forward to playing its part in this historic task.