



EUROPEAN COMMISSION

*Brussels, 1.2.2023  
C(2023) 867 final*

*Dear President,*

*The Commission would like to thank the Senat for its Opinion on the proposal for a Regulation of the European Parliament and of the Council on establishing the European Defence Industry Reinforcement through common Procurement Act {COM(2022) 349 final}.*

*The Commission welcomes the Senat's broad support for the aims of the proposal and notes its concerns regarding the exclusive responsibility of the Member States on defence acquisitions, as well as the proposal to exclude defence investment expenditures from the calculation of national budgetary deficit in order to encourage common acquisitions at the EU level.*

*The Commission is pleased to have this opportunity to provide a number of clarifications regarding the Senat's concerns.*

*First, the Commission's proposal respects the principles of subsidiarity and proportionality including the exclusive responsibility of Member States in the field of defence acquisitions. Its legal basis is Article 173 of the Treaty on the Functioning of the European Union, which covers industrial policy, which both the EU and the Member States have to implement. Through the proposal, the Commission aims at supporting the European defence industry to adapt to the structural market changes resulting from Russia's war of aggression against Ukraine. By supporting common procurement, the proposal would offer additional visibility to European industry on future orders, allowing it to plan for investments needed to ramp up its production capacities.*

*Concerning the Senat's consideration that it would be important to exclude defence investment expenditures from the calculation of national budgetary deficit, the Commission considers that, while higher security spending would address a common EU priority, by itself, it is unlikely to significantly increase potential growth and to*

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*contribute to the sustainability of public finances, which is the primary aim of our fiscal rules. Excluding defence expenditure from the deficit calculation would therefore be difficult to justify. That said, the Commission's orientations for a reformed governance framework envisage the possibility to agree on a longer fiscal adjustment path with Member States provided they commit to detailed, frontloaded, time-bound and verifiable reforms and investments that are growth enhancing and support fiscal sustainability. Such an extended fiscal adjustment path would also create the necessary space for additional defence spending. Additional security expenditure could thus be accommodated within Member States' spending plans in a way that it ensures fiscal sustainability, provided Member States themselves make the necessary trade-offs between different spending priorities.*

*The European Defence Agency is fully involved in the Commission's initiatives in the field of common procurement. As announced in the Joint Communication on defence investment gap analysis<sup>1</sup>, the Commission established, together with the European Defence Agency and the European External Action Service, a Joint Defence Procurement Task Force to identify urgent and critical defence products need for Member States' armed forces, as well as to interact with defence industry to identify production bottlenecks. The Task Force will inform the implementation of the proposal. Additionally, the European Defence Agency will also be an observer in the programme committee of the proposal, building on its expertise and experience in this regard. Moreover, the European Defence Agency might act as procurement agent in the implementation of the proposal if Member States commonly procuring defence products decide so.*

*With this proposal, the Commission responded to the Council's call expressed in the Versailles declaration of March 2022 by proposing a short-term instrument to fulfil the most urgent and critical needs of the Member States. Later, the Commission will propose a longer-term instrument. These proposals respond to a gradual approach to incentivise joint acquisitions.*

*The Commission hopes that the clarifications provided in this reply address the concerns raised by Senat and looks forward to continuing the political dialogue in the future.*

*Yours faithfully,*

*Maroš Šefčovič  
Vice-President*

*Thierry Breton  
Member of the Commission*

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<sup>1</sup> JOIN(2022) 24 final.