

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

European Committee B

## DEFENCE IMPLEMENTATION ROAD MAP

*Tuesday 10 November 2015*

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**The Committee consisted of the following Members:**

*Chair:* MR DAVID HANSON

† Brazier, Mr Julian (*Parliamentary Under-Secretary of State for Defence*)

† Colvile, Oliver (*Plymouth, Sutton and Devonport*) (Con)

† Cummins, Judith (*Bradford South*) (Lab)

† Davies, Dr James (*Vale of Clwyd*) (Con)

† Docherty, Martin John (*West Dunbartonshire*) (SNP)

Hollern, Kate (*Blackburn*) (Lab)

† Hopkins, Kris (*Vice-Chamberlain of Her Majesty's Household*)

† Jenkin, Mr Bernard (*Harwich and North Essex*) (Con)

† Jones, Mr Kevan (*North Durham*) (Lab)

† Rees-Mogg, Mr Jacob (*North East Somerset*) (Con)

† Spellar, Mr John (*Warley*) (Lab)

† Stewart, Bob (*Beckenham*) (Con)

Stringer, Graham (*Blackley and Broughton*) (Lab)

Ben Williams, *Committee Clerk*

† **attended the Committee**

## European Committee B

Tuesday 10 November 2015

[MR DAVID HANSON *in the Chair*]

### Defence Implementation Road Map

2.30 pm

**The Chair:** Before we begin, it may be helpful if I inform hon. Members of the procedure for European Committees. Old Members will know the position, but it is important to let Members who are new to the Committee know. The whole proceedings must conclude no later than two and a half hours after we start. I will first call a member of the European Scrutiny Committee to make a brief statement about why the Committee decided to refer these documents for debate. I will then call the Minister to make a short statement, followed by questions for up to an hour. The Committee will then have the opportunity to debate the Government motion, after which I will put the question on the motion.

2.31 pm

**Mr Jacob Rees-Mogg** (North East Somerset) (Con): What a pleasure, Mr Hanson, to serve under your chairmanship twice in a week. This is becoming a regular occurrence.

It may help the Committee if I explain a little of the background and why the European Scrutiny Committee recommended this Commission report for debate. A precursor July 2013 Commission communication, "Towards a more competitive and efficient defence and security sector", was part of the preparations for the December 2013 Defence Council, the first for five years on the EU's Common Security and Defence Policy—CSDP. It was designed for Heads of State and Governments to agree its strategic direction over the next few years and it was one of a trio of scene-setting documents, all of which were debated.

This Commission report set out a high-level roadmap for implementing activities proposed in the earlier communication. The Minister declared himself encouraged by the Commission's approach as it began the follow-through process, but the previous Scrutiny Committee had concluded that there was still a significant number of areas that could go in the wrong direction notwithstanding the Minister's best endeavours, so that Committee accordingly formally requested the opinion of the then Select Committee on Defence.

In brief, the Defence Committee shared the Minister's concerns that any detailed action in respect of an EU-wide security-of-supply regime and the defence procurement directive could lead to unnecessary regulation, encourage European protectionism, constrain the Government's ability to make their own defence procurement decisions, or risk undermining the UK's and other European partners' relations with the United States. It expressed concerns about a proposed green paper on the control of the defence industry's capability and the value of new legislation in this area. It was also concerned about Commission action in third-country markets and what value would be added by the Commission's extending its activities in this area.

The Defence Committee agreed with the Minister that export policy should be a matter of national sovereignty and said that any CSDP-related preparatory action on dual-use research should ensure that UK national interests are protected and that intellectual property rights remain with the industry and not the Commission. Notwithstanding the increasing synergies between the defence and civil sectors, it questioned what value the European Commission could add in a number of areas for action outlined in the report. It also stated that research and development in science and technologies applicable to defence, which the Committee called

"the life-blood of the military capabilities of advanced states and alliances",

must remain free from unnecessary bureaucracy, especially where dual-use technologies were in development. It concluded that it was concerned that initiatives might arise from this roadmap that would lead to unnecessary legislation and duplication of effort with NATO.

In summary, the Defence Committee strongly endorsed the previous Committee's view that this report should be debated.

**Mr John Spellar** (Warley) (Lab): Will the hon. Gentleman give way?

**Mr Rees-Mogg:** No, I cannot give way at this point.

**The Chair:** Order. This is a statement. The hon. Gentleman may give way later during the debate.

**Mr Rees-Mogg:** Nevertheless, the new Committee concluded that the issues remained live, and that a debate was still appropriate. In so concluding, the Committee hoped that this debate would enable the Minister to bring the House up to date on developments in all the areas encompassed by the report, demonstrate how UK interests have been protected thus far, and outline how he envisages this road map now being taken forward and how UK interests will continue to be safeguarded.

**The Chair:** I now call the Minister to make an opening statement. As was the case with the Member who introduced the debate, it will be a statement and questions will be taken afterwards.

2.34 pm

**The Parliamentary Under-Secretary of State for Defence (Mr Julian Brazier):** It is a pleasure to serve under your chairmanship, Mr Hanson. I thank my hon. Friend the Member for North East Somerset for his opening remarks. As he will gather, the Government share many of his concerns. It is regrettable that we are only now debating the Commission's 2014 road map, which was first recommended for debate a year ago. However, I assure the Committee that we have taken full note of its earlier comments, and those of the Defence Committee, in our subsequent engagement.

The concerns raised by the Committee are still very much alive and worthy of debate. The Commission's ambition, or at least that of some of the individuals in it, is clearly expansionary and requires constant management by us to protect and promote our national interests. That is at the heart of what we are trying to do. I welcome the opportunity this afternoon to set

out how we are doing that in practice, including our objectives, progress and forthcoming challenges and opportunities.

Let me provide some background. As my hon. Friend said, the Commission implementation road map was published in June last year. It followed on from an earlier document from the previous year, to which he also referred. It was really that 2013 document, which the Committee debated in March 2014, that was the beginning of a push by the Commission into defence. It included more than 30 objectives that the Commission sought to pursue in the defence sector.

That 2013 communication featured at the December 2013 European Council and the Prime Minister made it very clear that the Commission should not own defence capabilities and spoke of the importance of NATO-EU co-operation, while recognising the central role of NATO to our defence. The principles were accepted by the wider European Council, as the Committee will know, and they remain absolutely pivotal for us today.

The main elements of the 2014 road map are contained in the explanatory memorandum and include: the intent to publish defence procurement directive guidance on the use of international organisations and the use of Government-to-Government sales; a road map on security of supply; a green paper on controls on defence assets; and preparatory action on defence research.

We believe that the document is some testament to our robust lobbying. Although there are certainly areas of concern in it, the overall approach recognises the importance of engaging closely with member states and other stakeholders such as the defence industry. As I said at the beginning, our national interest is at the heart of our negotiations in this area. In making the argument, let me address the Committee's legitimate concern about the Commission's having any involvement at all in the defence sector. That is a concern that I share—and indeed, in an earlier life, spoke about a number of times—particularly when it could imply creating a specific military role for the Commission or any action that has the potential to promote the EU at the expense of NATO, which some actors still seek to do.

In matters such as defence procurement and industrial policy, the Commission already has some internal market competence, but we will, of course, continue to defend the article 346 treaty exemption, including our right to act in accordance with our national security interests in the procurement area. Even with that, the risk remains of the Commission's introducing proposals that are quite contrary to our broader interests, which is a threat that we will not ignore.

There is a wider point that Europe's defence industry remains too fragmented and suffers from duplication and overcapacity. The Commission, working with member states, can have a role in removing some of the internal market barriers. We must continue to make the points that increasing defence expenditure across Europe, along with greater member state procurement co-operation and specialisation, are key to increasing our defence capability. UK-French co-operation and the work with Sweden on Gripen are examples, but that could be squandered if it is not supported by an efficient defence industry. Accordingly, the Government have worked continuously to shape Commission activity in order to protect our interests.

On Commission guidance on the defence procurement directive and Government-to-Government sales, we have led the debate, seeking to shape this towards a pragmatic clarification of the directive, rather than anything that could constrain our ability to procure defence capability, including, of course, from the US. Similarly, on the CSDP preparatory action, which has the potential to help stimulate the defence industry and bring new innovative capability to market, we have robustly engaged with the Commission to ensure that member states have the central role in decision making, and we would in no way support the Commission's owning defence capability.

The results of the engagement were clear in the Commission's most recent note on its activity in May. My right hon. Friend the Minister for Europe and I updated the Committee about that in July, as part of a wider update on the June Council. Thus, as a result of member state lobbying, action on supporting defence exports has been shelved, as has any immediate action on the controls on defence asset mergers and acquisitions.

However, EU action in support of defence small and medium-sized enterprises has been disappointing. It is clear that the EU needs to do more to provide practical assistance to SMEs in the sector. For example, we made the case strongly that the Commission must engage directly with SMEs to understand their challenges and where they can add value. The European Defence Agency is doing some work on that, such as guidance for SMEs on how to apply for EU funding, which I hope in time can be of practical benefit. In the UK we are also taking steps, for example, to level the playing field for SMEs by ensuring that we do not exclude them from competitions on the basis of rigid turnover-to-contract value ratios.

In summary, our engagement so far has been effective, but we must remain watchful. The June Council was a positive result for us in that the conclusions were kept strategic and high level. The EU focus is also at last on seeking to address the defence industry from a perspective of promoting growth, rather than via regulation. Our key partners such as Germany and France recognise the importance of member states taking the lead in those activities, with the Commission playing only a supporting role. However, threats remain. Commission President Jean-Claude Juncker recently wrote that a Commission 2016 priority was a new action plan on the defence industry, a document we expect some time in the new year.

Mindful of that, I stress that the Government will continue to shape EU action in accordance with our national interests, keeping NATO as the bedrock of our defence and ensuring that the EU plays a pragmatic, positive role and that sovereignty remains firmly in the hands of member states. In support of that, I welcome the opportunity to debate the subject, and I look forward to hearing the Committee's observations.

**The Chair:** We now have until 3.35 pm for questions. At my discretion, I will allow supplementary questions.

**Mr Bernard Jenkin** (Harwich and North Essex) (Con): It is a pleasure, Mr Hanson, to serve under your chairmanship. May I ask the Minister why we support EU defence industrial policy when we do not have a defence industrial policy of our own?

**Mr Brazier:** I am grateful to my hon. Friend for his question. We are not supporting EU industrial policy; we are supporting initiatives by the EDA to do what is sometimes called “speed dating” to encourage companies in different European countries to talk about how they can work together to reduce the massive overcapacity in the European defence industry and to get better value for money. To expand that answer slightly, one of our specific contributions has been to persuade countries to look at cross-purchase, or reciprocal purchase, as well as at several nations collaborating, because that is often a cheaper and more effective way of getting good value for defence.

**Mr Jenkin:** I thank my hon. Friend for that answer. May I remind him that in the 2010 Conservative manifesto we were going to pull out of the European Defence Agency? Then, under the coalition, we were told that we could not pull out of the EDA because we were in coalition. Now we are not in coalition, but we are still participating in the EDA. Why have we changed our policy?

**Mr Brazier:** We regularly review our membership of the EDA. The most recent study took place after I became a Minister. It is a relatively small budget and a simple tactical choice. In fact, one EU country chooses not to participate: Denmark. The choice is entirely pragmatic. At the moment, the small budget spent offers value for money, we feel, because in a number of areas we can see that savings are provided. The EU is not a competitor with NATO, at least not as we are formulating it, but having the EU as a forum where we can discuss participation in various collaborative projects—my hon. Friend the Member for North East Somerset mentioned collaboration—intellectual property rights, dual use and so on, provides good value in some areas. We do not have an ideological commitment to remain a member, but an independent study has looked at it in the past 12 months and we believe it offers good value for money.

**Mr Rees-Mogg:** Is it too suspicious to think that what the European Commission is trying to do is to set the groundwork for the common European army that it has been talking about in other contexts, and that procurement is, because of the over-supply, a relatively easy first step to push into?

**Mr Brazier:** There is no question of this country ever agreeing to be part of a European army. There is absolutely no question of that. From time to time, we have taken part in successful EU military ventures—mostly small-scale—in which, for one reason or another, NATO has chosen not to operate. At Northwood, which I visited several times before I was a Minister, we have the headquarters of the EU’s anti-piracy effort, for example, which has been extremely successful. There is no question of a European army, navy or air force.

Procurement is an area where there is scope for savings. We have massive overcapacity in the European defence industry, so it is in our interest to find ways of reducing it.

**Mr Rees-Mogg:** I am grateful to my hon. Friend for that answer. Will he say how much of that overcapacity might be used up if other NATO members managed to

meet their 2% of GDP spending target, and whether that might not be part of the solution, rather than having an internal market for defence?

**Mr Brazier:** I am not quite clear why my hon. Friend is making a contrast here. This country is absolutely clear: we believe that every NATO member should spend 2% of GDP on defence. Of course, not all NATO members are in the EU and not all EU members are in NATO. We have set an example and we are one of the five NATO countries that spend 2% of GDP and are firmly committed to that. I do not see why that is somehow an alternative to the view that, at a time when, first, we have massive overcapacity in the European defence industry and, secondly, we have some of the best and most competitive defence operators in this country—in fact, the second biggest defence industry in the free world after America—we should, subject to the carefully ring-fenced areas of our security, have an internal market here and encourage more competition. That seems to me self-evident. Our defence industry is likely to benefit and it offers better value for money in western arms purchases.

**Mr Rees-Mogg:** But if we are to have an internal market, does that not begin to bring in the single market rules? It may well be in the interests of this nation to support an uneconomic defence manufacturing industry because of the need for certainty of supply at a time of war which may be unpredictable. I seem to remember that during the first Gulf war, Belgium would not supply bullets—

**Mr Kevan Jones** (North Durham) (Lab): Hand grenades.

**Mr Rees-Mogg:** The hon. Gentleman is as helpful as ever. Belgium would not provide hand grenades to British forces. Can we really risk being in a situation where these decisions are in any way constrained?

**Mr Brazier:** Nobody has ever challenged the British Government. I understand there has never been a court case in which we have sought article 346 protection for a decision on defence procurement—not once. Article 346 is our protection on that. From memory—it was a long time ago and I do not want to frighten my officials—it was shells that Belgium would not provide, not hand grenades. However, in any area where we feel that security of supply is essential—shipbuilding is one such area—we can claim article 346 protection. As I said, it is fairly rare that article 346 claims have been challenged for any country, and no one has ever tried that when Britain does it. I have one last background point: article 346 today covers roughly 10% of all our defence procurement spending, so it is not a trivial, peripheral, last-resort thing.

**Mr Rees-Mogg** *rose*—

**Martin John Docherty** (West Dunbartonshire) (SNP) *rose*—

**The Chair:** I will take Martin Docherty. If there is time at the end, we will take Mr Rees-Mogg’s question.

**Martin John Docherty:** I am grateful to be under your chairmanship for the first time, Mr Hanson. I want to take up the point about shipbuilding, because I represent a constituency that no longer has shipbuilding because

of a closed UK market. Shipbuilding in my constituency has been annihilated in the past 40 years. What we have seen in the past couple of weeks is the German Government picking up our inability to take on capacity by assisting the Royal Navy. I am sure that the Minister will have something to say about that.

**Mr Brazier:** I am sorry: I did not understand the last part of the hon. Gentleman's question. He is concerned about the structure of the shipping market, but I did not understand his point about Germany. Could he repeat it please?

**Martin John Docherty:** My point is that Germany has recently been helping the United Kingdom in terms of its naval production because we do not have the capacity to meet our own need.

**Mr Brazier:** This Government have freed up the funds to pay for a very substantial naval programme. We have a large-scale submarine programme and large-scale frigate programme. I myself visited—it is a little way away from the hon. Gentleman's constituency, but by Scottish standards not that far—the Queen Elizabeth just before the Queen came to launch her; we have the Prince of Wales being built, too, and we have an offshore patrol vessel programme. This Government, by taking some extremely painful decisions on manpower, have ensured that we are able to afford a modern, huge, £160 billion equipment programme, of which warship building forms a very large part.

**Martin John Docherty:** I am grateful for the Minister's answer, but that is only one part of the equation, because what the Germans are doing is helping us with our refuelling tankers. It does not answer the question about our inability to fill our own capacity. The Minister has not answered that question.

**Mr Brazier:** I am not sure what the hon. Gentleman wants me to say. Before I came into the House, I worked as a management consultant, and some of our clients were famous names, such as Swan Hunter, which no longer exists, except in the history books—it was not entirely my fault. The reality is that shipbuilding did not just go through a recession and a depression. The hon. Gentleman knows that all over the world, world-class shipbuilding facilities closed, and most of the shipbuilding in Europe was lost in the course of 30 or 40 years under Governments of all descriptions. Swan Hunter, 30 years ago, was a major producer of warships and had a strong tradition of producing merchant ships, but it does not exist any longer south of the border, so perhaps it is not among the hon. Gentleman's interests. The fact is that we lost a lot of shipbuilding capacity. The way in which we ensure that we maintain the shipbuilding capacity that we still have is by having an active shipbuilding programme, and that is exactly what this Government are funding.

**Martin John Docherty** *rose*—

**The Chair:** One final question from Mr Docherty.

**Martin John Docherty:** I am sorry, Mr Hanson, but of course I disagree with the Minister on this point. The point about the co-operation with Germany is that it is allowing us to meet our need. That needs to be recognised and we need to build on that partnership. The European

Union, in any aspect of defence, is not a threat. My constituents are very clear on that. The biggest threat to our co-operation on defence with allies is the possible Brit exit next year.

**Mr Brazier:** I think that the hon. Gentleman is over-egging his point. The EU offers some valuable opportunities for us to deal with other countries, and I mentioned the anti-piracy patrol as an example. The EDA has produced a number of joint projects on issues such as certification, airworthiness, helicopter training and so on, which have freed up money. There is also a small element of dual-use research, which is of real value. However, to suggest somehow or other that the EU is the cornerstone of our defence, when it is manifestly obvious that it is NATO, seems very strange.

**Bob Stewart** (Beckenham) (Con): I was under the impression that in the Gulf war, the Belgians did not supply us with 9 mm ammunition for submachine guns, not artillery shells—but whatever it was, they certainly did not provide one of those things. May I ask my friend the Minister whether this EDA strategy is going to end up with a possible attack on sovereign capability among SMEs, for instance?

**Mr Brazier:** I am most grateful to my hon. and gallant Friend—he is a good friend—for his question, to which the answer is no, it is not. All that is happening here is an attempt to get better value out of a defence industry that is completely out of scale with the amount of defence purchasing going on. We are helping by guaranteeing 2% and encouraging other people to meet NATO's 2% target, and we have one or two countries such as Sweden that are not in NATO that are relatively large defence spenders for their size, but the fact is that British industry is offered more opportunities if people are willing to have a more open market in this field.

We are the one country that is really speaking up for SMEs—I say that having done it a couple of times in the European Council. I hesitate to go back to an earlier life and some of the things that I used to write about them before I was even elected to this place, but the fact is that SMEs have a huge role to play in defence. They often have very innovative ideas and different ways of doing things that can offer a great deal for our armed forces. It is no secret that sometimes—sadly—they are seen by prime contractors as a threat to their supply chain, which inevitably, they have a temptation to place cosily with their own subsidiaries. SMEs are extremely important. We as a Government are supporting them, and we are the country that is pushing them hardest in Europe.

**Bob Stewart:** I have a follow-up question. I do not quite get it. Hon. Friends have already raised the matter of the EDA versus us. Surely it is the Ministry of Defence that decides. We have been spending ages and ages looking at the way procurement is done in this country to our advantage. I am slightly concerned that suddenly we will have some EDA strategy that directs us in a different way that runs counter to the way the Minister and his fellow Ministers want to deal with it. That is a worry that I have had and continue to have.

**Mr Brazier:** May I just set my hon. and gallant Friend's mind at rest? There are a number of risks from the Commission, as I have set out, and we are looking

[Mr Brazier]

forward to seeing the new document that comes out of the Commission after Christmas, but the EDA is not a threat. It is a low-budget organisation, which, in the words of its last director, is basically a speed-dating agency. It enables European countries that are interested in a particular area to sit together, discuss things and find ways of saving money. I mentioned helicopter training as an example. It is not a threat in the way that he describes. There are some threats potentially coming out of the Commission, although I do not think they are as bad as they were a year or two ago, and I outlined some of them in my speech, but I assure my hon. and gallant Friend that that is not one of them.

**Mr Spellar:** May I take the Minister back to shipbuilding? Will he tell us what naval shipbuilding capacity there still is in France, Germany and Spain, which are all exporting to a number of other countries? I am not sure about Italy. Germany and Italy also have major civilian capacity in building cruise ships. What are the Government doing, apart from buying ships from South Korea, to help that position?

**Mr Brazier:** What we are doing about it is that we have the largest set of naval shipbuilding orders placed of any European country. Each of the major European countries chooses, as we do, to place all its warship orders with its domestic market. Merchant shipbuilding capacity in this country and all its major features had disappeared long before the coalition Government took office—little of it was left in 2010, let alone 2015—but the reality is that we are placing a whole series of very large orders for naval shipbuilding.

**Mr Spellar:** Was it not the case that with the vessels referred to on the civil side an offer was in fact made by an Italian company to undertake the design work, with the build in UK yards, but that offer was spurned by Ministry of Defence officials?

**Mr Brazier:** I will have to write to the right hon. Gentleman unless—[*Interruption.*] Ah, I have a note coming, so I shall respond to him in a little while.

**Mr Rees-Mogg:** I want to come back to what I was asking about before. I absolutely accept the Minister's argument about article 346, which is extremely important. My concern is that if we involve the EU in helpful restructuring of the defence industry, rather than leaving it as a domestic competence, the EU is then getting access to an area from which it has previously been kept out but that is within its normal areas of competence. That extends to the discussions of whether exports should be looked at by the European Union, which the Defence Committee and the Government rejected, but is being proposed—

**The Chair:** Order. This is question time. There is an opportunity for debate later, but it is questions now.

**Mr Rees-Mogg:** It is a question, Mr Hanson. Sorry, it was quite a long question.

**Mr Brazier:** I will answer both questions—I am now in a position to answer the question but by the right hon. Member for Warley. The short answer is that the Italian offer was too expensive. There is always that

decision to make. In placing defence orders, we sometimes buy abroad, but those for core warships are always placed in this country, as they always have been by all Governments, whether Conservative, Labour or coalition. In that case, it was simply too expensive.

In answer to my hon. Friend, I absolutely understand his point, but I assure him that that is not a risk. Let me say that again: nobody—repeat, nobody—is giving the European Commission any kind of competence in the area. What we have agreed to is voluntary—it is a voluntary agreement, of which Denmark has chosen not to be part—and that is to be part of the EDA, which offers speed-dating opportunities that can assist the market in clearing up overcapacity. So it will help bring together companies that can work together usefully to save money, sometimes to agree reciprocal purchase—“We'll buy some of that from you, rather than developing it ourselves, if you buy this from us,” and so on. It is speed dating through the EDA and not the Commission developing any kind of Commission competence, a subject on which I entirely agree with him.

**Mr Rees-Mogg:** I am grateful to my hon. Friend. Therefore, that is entirely intergovernmental, and the institutions of the European Union, such as the Court of Justice and the Commission, are not involved. Is that correct?

**Mr Brazier:** The EDA is an intergovernmental agreement. Denmark is not a member, although Denmark is a member of the EU. I tried to make it clear from the beginning of my speech that the Government's policy is to stop the Commission from expanding its competencies. From time to time we review our membership of the EDA; it has a small budget, which is doing useful work in a number of areas. It has saved us money—I mentioned two or three of the areas where it has done so—but we are not allowing the Commission to develop an industrial or a defence industrial policy for Europe. We have no intention of doing so.

**Mr Jenkin:** It is interesting how much assertion and denial has to be done to explain why it is in our interest to be involved with this at all, but I commend my hon. Friend for starving the EDA of the cash that it craves. Other member states would willingly vote for that, but we use our veto to prevent it, which certainly keeps things in check to a degree. However, will he clarify why, when every strategic defence review from 1998 onwards described, as he just did, NATO as the cornerstone of our defence, the 2010 SDSR did not?

**Mr Brazier:** I am most grateful to my hon. Friend for his kind comments on my exercise of the veto last year. My noble Friend Earl Howe is going over to do that next week. The short answer to my hon. Friend's question is that I do not know. I congratulate him on his observation, and I would be surprised if NATO was not pretty central to the next SDSR.

**Mr Jenkin:** I am most grateful for that assurance. Rather than repeating what the 2010 review said—it referred to

“our status as a permanent member of the UN Security Council and a leading member of NATO, the EU and other international organisations”,

as though NATO and the EU were *pari passu* with each other—may I suggest to the Minister that we include the words, “NATO is the cornerstone of our defence” in the 2015 SDSR?

**The Chair:** Order. Before the Minister answers, I remind the Committee that we are dealing with European document No. 11358/14, “A New Deal for European Defence”. Although matters relating to 2010 may have relevance to the wider debate, the focus of questions should be on that document.

**Mr Brazier:** Thank you, Mr Hanson. I shall relay my hon. Friend’s suggestion immediately back to my right hon. Friend, the Secretary of State.

**Martin John Docherty:** I do not know about anyone else, but I never thought I would hear a Committee talk about speed-dating and defence, but there is a first time for everything. Going back to the EDA and the document, the Defence Committee sees the EDA as “pragmatic, cost-effective and results-orientated”.

As a matter of fact, in terms of national security and the national agenda, nations such as Norway are members of the EDA and not part of the European Union. I do not see why this last hurrah of the empire seems to be so problematic for the Minister.

**The Chair:** I will take that to be a question. Do you wish to answer, Mr Brazier?

**Mr Brazier:** I do not think I have got an answer for that beyond saying that I and the Government share the concerns of some on this Committee, as I made absolutely clear in my opening remarks, that there may be an attempt by the Commission to extend its competencies. We have resisted that at every stage, and may have to do so again shortly after Christmas. The hon. Gentleman is absolutely right about the EDA. It has produced a series of good ideas for small-scale savings which offer a good return on money. It is not a threat.

**Mr Rees-Mogg:** I am sorry to belabour the point, but in the document, “Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, A New Deal for European Defence”, the introduction sets out that the ambition is “an Internal Market for Defence”.

That is what I am so concerned about, and I hope that the Government are clearly rejecting that. The thing about European exceptions is that they cease to be useable if they are not enforced the whole time. I may give examples of that in a speech later.

**Mr Brazier:** I do not think I can add a great deal to what I have already said. We support the internal market. This is not an industrial policy; it is about pushing back trade barriers. The Government support that and see it as an extremely positive thing for us and our fellow countries in Europe. We are quite clear that we have this exemption for defence, and we have deployed it a number of times. It covers roughly 10% of our defence procurement effort, and we have never once been challenged on it.

Competitors are normally the ones who would make a challenge, and no one has ever tried to challenge Her Majesty’s Government’s exercising of their rights on that.

**Bob Stewart:** I am looking at the document, which states:

“The Council reiterates its call to retain and further develop military capabilities for sustaining and enhancing CSDP. They underpin the EU’s ability to act as a security provider”—

the EU’s ability to act as a security provider—

“in the context of a wider comprehensive approach”

and

“the need for a strong and less fragmented European defence industry to sustain and enhance Europe’s military capabilities and”—

this is key—

“the EU’s...autonomous action”,

presumably in this respect. I question whether this is yet another move towards an EU defence capacity.

**Mr Brazier:** I am grateful to my hon. and gallant Friend, but I can only repeat what I said earlier. The EU provides collective defence capability in a small number of niche areas where NATO has chosen not to. I have mentioned several times, because it is of particular national interest to us as a country that still has a significant merchant fleet, the joint EU action off the horn of Africa, which has been a triumph—piracy there has virtually stopped. It is run from Northwood by the British, although, I am sorry to say, we have not had much in the way of naval vessels in it in the past year or two. The French-led operation in Mali is another such example. I thought that the willingness of EU countries to get together occasionally and tackle issues that NATO, for one reason or another, chooses not to was relatively uncontroversial.

The first half of my hon. and gallant Friend’s quote on Europe’s defence capability is true. The industries are in the individual countries and the policy remains a member state matter. We have made it absolutely clear—I do not think I could have made it clearer—that we have resisted successfully every attempt by the Commission to try to dictate to us in this area.

**Mr Jenkin:** Will my hon. Friend clarify whether section 2 provisions of the treaty on European Union are justiciable by the European Court of Justice inasmuch as they affect defence and the European Defence Agency?

**Mr Brazier:** I will have to wait for official advice on that. I will return to it during the debate.

**The Chair:** We will have an opportunity during the debate to include that should we so wish. Does any other Member want to ask a question?

**Mr Jenkin:** The answer to my question is that I believe they are and that there is no exclusion from the European Court of Justice. The European Defence Agency statute, established by article whatever it is, includes provision for qualified majority voting in a very substantial number of areas, which includes, as I will explain later, permanent structured co-operation and majority voting, from which we could be excluded or subject to qualified majority voting. These are serious potential developments. Does my hon. Friend not understand the risk of participating in this at all?

**Mr Brazier:** I hear what my hon. Friend says and I will come back to him later on his detailed points. I can only remind him that article 346, which is justiciable in the European Court of Justice—there have been a number of cases, although I believe there has not been a recent one—is something we have never been challenged on. It is, to put it mildly, something we would take a very tough line on if we ever were.

**Martin John Docherty:** I draw Members' attention to page 71 of the documentation, which contains a letter from the Minister to the Chair of the European Scrutiny Committee, the hon. Member for Stone (Sir William Cash). It stipulates that

“as part of EU-NATO co-operation”—

I hope that Members take note—

“hybrid and strategic communications were prioritised, as part of an overall response to Russia and threats in the wider EU neighbourhood”.

I am sure the Minister agrees that the EDA's programme and possible engagement in that process was more than welcome then, and I am sure Members will agree more than welcome in future. It is not a threat to our national security.

**Mr Brazier:** I thank the hon. Gentleman for his contribution. He is right. There is a wider point, and I urge some of my colleagues, even those who are—I entirely respect their point of view—profoundly opposed to everything that comes out of Brussels, just to think about this one point. The issue with the Russians and Ukraine has to be seen on a whole spectrum, from the hard end right through to the soft end. NATO does not do things such as economic sanctions, so there are areas where we have to talk to our fellow members of the EU if we want action, and I have participated in some of those discussions. There is room for discussing issues that are on the edges of debate but outside the main NATO remit in a European context.

**The Chair:** If there are no further questions from hon. Members, we will proceed to the main debate.

*Motion made, and Question proposed,*

That the Committee takes note of European Union Document No. 11358/14, a Commission Report: A New Deal for European Defence: Implementation Roadmap for Communication COM(2013)542: Towards a more competitive and efficient defence and security sector; agrees that any further development of the Commission's proposals in the defence sector must be in close cooperation with EU Member States; and shares the Government's view that the focus for any Commission action should be on improving competitiveness and economic growth, while avoiding any activity that could constrain the UK's ability to obtain the best capability for its Armed Forces, conflict with NATO, or otherwise impinge upon the UK's national security interests.—  
(*Mr Brazier.*)

3.16 pm

**Mr Jones:** It is a pleasure to serve under your chairmanship, Mr Hanson. I stand before the Committee as a pro-European and I will be arguing for this country to remain a member of the EU, but the document before us today demonstrates how the EU is extending itself into areas that mean that it tests the patience even of Europhiles such as myself.

The debate around European defence is a long one. It goes back to the end of the second world war, the foundation of the Western European Union and the

treaty of Brussels. We had arguments then about standardisation of equipment and pooling of defence capabilities across Europe. I agree that a cornerstone of our defence should be NATO, but even though this document reflects that, there is a way—I suspect that some Conservative Members will see this as another wicked plot from across the sea—of influencing the sovereign capability and decision making of this country. It is clear that defence matters should be for individual nation states in Europe to decide, and I understand that that is what the Government are arguing in their response to the document, but I have a problem with some of the things that are coming forward.

The first item in the document is that the Commission's aim is to have an internal market for the defence industry. Thanks to the actions of the previous Labour Government, of which you were a member, Mr Hanson, we have one of the most open and competitive defence markets anywhere in the world. We have only to look at the companies that have now based themselves here or worked with existing capacity here to see why we have that open and competitive market. Finmeccanica, Thalys, Boeing and General Dynamics are just a few of them, and that is because the Labour Government's approach was that our market should be open not just to Europe, but to the world. I argue strongly that this country, in terms of defence capability, has benefited from that process. The danger with the approach taken in this document is that we look at defence or defence manufacturing as though a fence can be put around it in terms of just Europe. That is not the case. It is a global, international market these days.

**Mr Spellar:** My hon. Friend rightly identifies some of the benefits from engaging with the wider defence industry. However, there has to be some payback for that—some degree of equity. Does he therefore share my frustration at the failure of the United States in this regard? Despite the fact that Brimstone is far and away the most effective weapon—it is favoured, actually, by the United States air force—it is being blocked within the system because of narrow industrial interests. Does that not cast a slight shadow over the wider co-operation that my hon. Friend rightly identified and welcomed?

**Mr Jones:** It does. My right hon. Friend and I spent a week in Washington trying to persuade US Congressmen and Senators to make sure that there was nothing wrong in ensuring that technology transfers should be a two-way street. The problem is that although a lot of claims are made about the US defence market being open and transparent, anyone with experience of it knows that protection is clear.

Such protection, however, comes up in Europe. The document talks about overcapacity in the European defence industries, but there is a reason for that: the protectionist policies of certain members, including France, Germany and others. They have not opened up their markets, not only not to US and international competitors, but also not to UK companies. There have been some good examples, as the Minister rightly pointed out, of good defence co-operation and manufacture between European nations and our own, which have been of benefit to not only those nations, but ours.

The objective, according to the document, of “an Internal Market for Defence where European companies can operate freely and without discrimination in all Member States”,

is frankly pie in the sky. The idea that the French defence market or shipbuilding industry, for example, will be open to competition throughout Europe is unrealistic. A few years ago in Paris, when I was a member of the Defence Committee, I asked the Member for Brest whether she envisaged a French aircraft carrier being built anywhere other than Brest. She looked at me quizzically and said, "I don't understand the question."

The Commission is pressing forward in that area, and that has real dangers for our defence industries. It is not, frankly, an area in which the Commission should be getting involved. I fully support, as the Minister does, existing co-operation in the EU for operations that lie outside NATO or involving other countries, but that is where it should stay. If the market comes into our defence industries, that will block off a lot of the opportunities that this country has for co-operation not only with the United States, which is an important market, but with other growing markets around the world. For example, in the south-east Asian market, the easy transfer between civilian technologies and defence ones brings capabilities that could benefit our defence industries. If they are somehow locked out, because our procurement is restricted to Europe, not only will our defence industries suffer, but so could what is on offer to the men and women of our armed forces.

**Martin John Docherty:** Does the hon. Gentleman not agree that in counterbalancing our defence relationship with the United States, we should continue to build relationships with European partners such as the Netherlands? I am sure he agrees that building those relationships can only benefit our security.

**Mr Jones:** I do, but it is naive to think that we are talking only about Europe. Increasingly as the lines between the development of civilian technologies and defence get blurred, defence industries and technologies are a global market. The idea that we can somehow restrict that to within Europe, or give Europe some preference, would be a great disadvantage to our defence industries. As I said, because of the open approach that we took in government, we have benefited from open markets, which have certainly added to investment from overseas into this country, but also to transfers of technologies and expertise, not only ensuring that the kit and capabilities of our armed forces are leading edge, but adding to jobs and prosperity in this country.

My other issue comes under the second point about security of supply. We have already talked about hand grenade shells in connection with security of supply within Europe. I am not quite sure how this would fit in with technology such as the joint strike fighter, which we are involved in developing and building, and which contains both UK and US technology. Perhaps that is a bad example, but there are other technologies. If we have to ensure that technologies are supplied within Europe, that would limit the ability of some of our partners to co-operate with us. I do not think—how can I put it gently?—that the trust we have in the US defence community, for example, is the same as the trust we have when we export technology to France or any of our other European allies. Does security of supply mean that the onus is on us to supply certain technologies if a European country demanded it? That would put real constraints on us.

**Mr Brazier:** I agree with quite a lot of what the hon. Gentleman is saying. It will not surprise him that we share concerns, and I hope I made it clear that we are heading off many of them. However, on the issue he just raised, I am puzzled about his reasoning. I cannot see anything that would enable that. Can he explain what he means?

**Mr Jones:** It is not clear from the document. However, if we are saying that there has got to be security of supply for a certain piece of technology, we would have to ensure that widget A is available to all European nations. If widget A contains technology that is procured from a third country with which we have a partnership, will we, because we are part of this process, have to export it or send it to a third country in Europe that needs it? That is the danger. At the moment, we have a choice about whether we do that, based on the relationship we entered into in the first place. As the Minister knows, we have certain technologies that we would not export, even to some of our allies in Europe. That is my concern.

**Mr Brazier:** I am grateful to the hon. Gentleman for raising this matter. The short answer is no, we would not agree to that. Nothing that we are agreeing to could ever put us in that position.

**Mr Jones:** The other point I would like to touch on is the reference to third markets and the idea that the European Commission has a role in promoting defence exports. It is very strange that the document again misses the entire point when it says:

"With defence budgets shrinking in Europe in recent years, exports to third markets have become increasingly important for European industry to compensate for reduced demand on home markets."

It completely ignores the fact that it is not that the defence industry cannot produce. It does not question the fact that many countries do not meet the NATO 2% and that budgets have continued to be cut across Europe. I am concerned about the idea that the Commission has a role in exporting to third markets. The Commission is living in a fantasy world if it is trying to suggest that this will put a brake on the bargaining between, for example, French and UK defence exporters, and that one would export something and the other would not.

Look at the current competition for fast jets in the middle east and elsewhere. It is not the case that the French are not acting in their national self-interest, as they always do. What is being said here, and why does the Commission want to get involved in something it does not need to? Is it trying to create a level playing field, and will the inducements and other things that are put forward not be allowable to ensure that two European nations competing for a defence contract in the middle east, for example, do so on the same basis? I do not think that is the Commission's role, and, frankly, if that is what is being suggested, it would be very difficult to implement.

The other side to that, which is also completely missed, is that purchaser nations increasingly require and want some development of technologies within their country as part of defence and export contracts, which is only right. That takes me to my final point, which is that I do not accept that offsets are a bad thing.

[Mr Kevan Jones]

If a sovereign nation is to procure equipment from overseas or another competitor, it is quite right that it should be able to demand some offset for taxpayers' money either being spent in their country or benefiting the home nation.

In conclusion, I worry about the document, because it has clearly taken the time of many a Brussels bureaucrat to draw it up, but to what end? It would be strange if we ever saw the French open up their defence markets to true competition. There is no evidence for that, and it just will not happen. The Opposition support such operations in terms of co-operation across Europe, but we need to be wary about the Commission getting into areas in which it should not be, and about our defence industry, which has been good at adapting and changing over the past few years, being put at a disadvantage. There would be nothing to gain in both jobs and technology. The important thing that we must always bear in mind is that the equipment and kit that we provide to our armed forces is not only fit for purpose, but the best available.

3.31 pm

**Mr Jenkin:** When considering this instrument, it is worth noting first that the document is dated 26 June 2014. That we are dealing with it at such a late stage is an indication of how poor our scrutiny arrangements are and how incapable we are as a Parliament at keeping up with developments in the European Union.

**Mr Rees-Mogg:** Will my hon. Friend give way?

**Mr Jenkin:** I am making absolutely no personal criticism of my hon. Friend, and I give way to him on that basis.

**Mr Rees-Mogg:** I am grateful to my hon. Friend for giving way. The document was recommended for debate by the European Scrutiny Committee about a year ago. The coalition Government refused to send documents for debate, and a huge backlog built up. Much of that is now being cleared by this Government, and I hope that more work will be done. It was not a failure of our processes; I am afraid it was a failure of Her Majesty's Government.

**Mr Jenkin:** I am very grateful for that information and I am sure the Committee is, too. I was about to say that this is the first occasion, apart from a Government statement after the 2013 Council of Ministers meeting, that we have debated the 2013 conclusions in any depth. That underlines a serious state of affairs.

**Mr Brazier:** I remind my hon. Friend that I started with an apology for the tardiness of the debate. To answer his earlier question, it is true that the EDA does operate, as he suggested, on a qualified majority vote basis. In matters that are deemed to be important for national sovereignty, however, any member can escalate the matter up to the Council of Ministers, where it must be agreed by unanimity. The practical effect is therefore not as he imagines.

**Mr Jenkin:** I appreciate that my hon. Friend has received that reassurance, but, as I will explain, it is not worth very much. The fundamental problem is that our Government like to pretend that the EU's common security and defence policy is harmless intergovernmental co-operation that has no access to money or legal sanctions and is therefore a federalist paper tiger. The 2013 Council conclusions actually give the lie to that, and any Conservative Prime Minister should have been wholly opposed to them. To sign the UK up to the programme in the document is not just another step towards a Europe army, which has always been a dream of federalist nations such as Germany, but another blow to our already beleaguered defence industries and another nail in the NATO coffin, in order that continental defence industries should not be exposed to US competition.

Much of the 2013 conclusions appears to be the usual verbiage and high-flown rhetoric about the EU being a "global player" in defence and about the "strong commitment to the further development of a credible and effective CSDP".

The understatement:

"Defence budgets in Europe are constrained"

is a feeble attempt to mask the reality that member states, including the UK, are all cutting their defence budgets. The oft-repeated plea to "make use of synergies"—a common theme of such documents—to improve capabilities has so far proved a forlorn hope. The invocation of increasing the effectiveness, visibility and impact of CSDP is bound to fail.

It is almost entirely down to France and the United Kingdom that EU defence means anything at all. We work increasingly bilaterally with the French, and other operations are NATO operations under an EU flag. NATO remains far more significant because it has US backing, and its people at Supreme Headquarters Allied Powers Europe are practised at planning and generating force for multinational operations. However, NATO gets its first mention only as a "partner" in paragraph 6 of the 2013 conclusions alongside the UN, the Organisation for Security and Co-operation in Europe and the African Union—as though NATO were equivalent to the African Union. There is mention of

"strategic partners and partner countries",

but it is telling that the EU cannot bring itself to name the United States of America, the one military entity that dominates the world and the sole guarantor of European security. That underlines the squeamishness, futility, parochialism and vanity of CSDP.

The potential to damage UK defence interests is in the detail. The call for an EU cyber-defence policy framework and for an EU maritime security strategy both involve the federalist EU Commission. Remember, the Commission is the EU's most powerful legislative body, so, if the Commission is involved, that is anything but intergovernmental co-operation.

To agree to that is to agree to a threat to the independence of UK policy in those fields. The fact that the Council will also call for

"increased synergies between CSDP and Freedom/Security/Justice actors"

opens the door to legally binding defence commitments to

"tackle horizontal issues such as organized crime, including trafficking and smuggling of human beings, and terrorism".

A lot of that is already firmly in in the Commission's legislative purview. That is another compelling reason for the UK to exercise its Lisbon treaty opt-out from EU home and justice affairs, which unfortunately we spurned last year.

Finally, on military capability development, the EU intends utterly to eclipse NATO, backed by the two legally binding 2009 defence procurement directives that enhance the power of the European Defence Agency, which is becoming an embryo EU defence ministry. The EDA's statute enables decisions to be taken by majority voting, and, where any single state can threaten a veto, a subset of member states can act unilaterally as a bloc in the name of the whole of the EU—that is what they call structure co-operation.

EU defence is not so much about defence—because, as we see, defence expenditure across the continent is declining—as it is about protectionism of continental defence industrial interests whose technology rather lags behind their US counterparts. The Council proposes support for remotely piloted aircraft systems—a squeamish name for what we call drones or unmanned aerial vehicles—air-to-air refuelling, satellite communication and cyber. In at least two of these areas, air-to-air refuelling and cyber, the UK is already supreme in the EU—we have, for example, GCHQ in Cheltenham—so why should we agree to the EU directing our policy? That is what this amounts to. For all those capabilities, US interoperability is essential for the UK, but there is nothing in these documents about co-operation with our closest ally, because EU defence is about excluding the US wherever possible. That is why NATO is not an acceptable vehicle for those who want European integration.

In the 2013 conclusions, we read that the Council “invites the Commission (again), the European Investment Bank and the European Defence Agency to develop proposals for a pooled acquisition mechanism”,

which can only mean some kind of EU defence purchasing agency. It may not require much money to develop legal control over member states' defence procurement programmes. How so? The proposals for

“strengthening Europe's defence industry”

are to be

“in full compliance with EU law”.

This is not intergovernmental. The Commission again is invited

“to set up a Preparatory Action on CSDP-related research”.

Finally,

“The European Defence Agency, in cooperation with the Commission (yet again), will prepare a roadmap for the development of defence industrial standards”

which is what we are looking at today, and

“develop a harmonized European military certification approach”.

Those are the key means by which the EU can obtain control over defence. One of the key purposes of NATO was to ensure transatlantic standards and certification to ensure interoperability. The EU is duplicating that role in order to create its own separate and distinct standards that are not compatible with our US counterparts.

Again, on this question of certification and standards there is no reference whatever to EU-US co-operation, which would make sense. That is because the EU wants

standards and certification that will exclude US defence equipment from EU markets wherever possible. That is what EU defence policy is really about.

I am sorry to tell my hon. Friend the Minister that I shall not be voting to take note of this document and will vote against if the opportunity arises.

3.42 pm

**Martin John Docherty:** Thank you, Mr Hanson, for the opportunity to address a Committee of the House for the first time. I am taking a range of issues from the debate. I do not think there is general disagreement with some of the points that the document makes about procurement and opening up markets. I think there will be broad agreement on those. My concern, speaking on behalf of the third party in the House, is the wider impact of this discussion on the broad relationships that are critical to the future of our defence planning and military partnerships. For example, the only members of EDA who are not members of NATO are Finland and Sweden, and I am sure hon. Members will agree that they do not pose a grave threat to the national security of the United Kingdom of Great Britain and Northern Ireland. For all the talk of national security today, it should be put on the record that the only threat to the UK's national interest is this debate, as it seems to be dragging us back to the issue of European Union membership, which this should not be about.

There has been some comment about NATO being the cornerstone of our defence. Of course it is; I do not think there is any disagreement on that and that will never change. However, to say that the cornerstone of our economic security, the European Union, does not have a role to play in military security—with the vast majority of EDA members being members of NATO—is wilfully naïve. Forgive me, but that sounds a bit of an empire's last hurrah.

There is an element of condescension in saying that EU cannot offer anything to UK military capability. We are doing ourselves a disservice and undermining the many years of co-operation between ourselves and our vital European allies, both in and not in NATO. I and my Scottish National party colleagues have spoken to our allies, who are aghast at the idea of the debate on taking the UK out of the EU, away from what has been the safest economic ability for 70 years. Our allies want us in and putting our weight behind our membership, and today's report is an important way to acknowledge that.

I struggle to understand many of the objections to the document from hon. Members. The financial benefits are clear. As I mentioned earlier, quoting the document, the EDA is

“pragmatic, cost-effective and results-orientated”

as the Minister himself agreed. The United Kingdom Government have signed up to the letter of intent committing us to this very sort of defence integration. Working alongside our NATO allies and its programmes such as smart defence, we can make the types of economic savings, allied with the sort of commitments to jobs here in the UK that tie in very nicely with the UK Government's stated prosperity agenda. That type of co-operation with our closest allies saves us money, so why are we so shy about being involved in it?

It is not as though the United Kingdom does not need to fill the capability gaps that this co-operation

[*Martin John Docherty*]

seeks to fill as well. My colleagues and I have been very critical—forgive me for going on about it yet again, to gasps across the room—of the lack of marine patrol activity to support our armed services. This type of document is designed to address such shortfalls, which may begin to affect our relationships with our allies, particularly as we face the emerging threats that we do.

As we see an increase in the Russian Federation's activity close to our shores, it is increasingly obvious that they are knowingly—I make this quite clear—exploiting the weaknesses in NATO's institutional ability to respond to threats. Can the European Union do something to help in that regard? I do not see why not. This July, the Foreign and Commonwealth Office highlighted the importance of increased EU-NATO co-operation in mitigating the threat we face from the new types of hybrid warfare that we see being practised, critically by the Russian Federation.

I see no threat from a deep and in-depth partnership with our European allies that seeks to strengthen our ability to deal with continuing threats by sharing expertise and knowledge. I see no threat from a document that could help us to increase our security, make efficiency savings and play a leading role in Europe. I look around and see very little appetite to lead us in Europe. What I do see, however, is what *The Guardian* this week called a crisis in British foreign policy. I see a pandering to this “last hurrah of the Ukipers” mentality that is doing us no favours.

If the United Kingdom is not careful, we will find this political state falling even further behind in the fields of research and development, over and above our addiction to Trident, and with its possible renewal we limit our ambition and ability to hold at bay those security risks that we now face. I am sure that you will be in no doubt, Mr Hanson, of the Scottish National party's commitment to working with all our allies, and that includes the rest of the European Union, to promote improved access to research, preserving jobs and saving money through synergies with our closest allies across the European Union and NATO. That does not do a disservice to the United States; I am sure that they would welcome it as well.

3.47 pm

**Mr Rees-Mogg:** May I congratulate the hon. Member for West Dunbartonshire on his maiden speech in a Committee, and say what a pleasure it was to hear that the Scottish National party is now committed to NATO? I thought that used to be in some doubt, but clearly not. Times change.

There are some clear points surrounding this whole debate. The first is that the official bodies of the European Union want to develop more a common defence policy and want to see themselves, or the European Union, as the main form of defence within the EU. I quote in evidence, from the papers before us today, the letter from the Minister to the Chairman of European Scrutiny Committee dated 23 July, so it is reasonably up to date. It is about the High Representative's report on CSDP and is on page 73 of the bundle. It is useful to remember that Federica Mogherini is not only the High Representative but Vice-President of the Commission and head of the

European Defence Agency, so a number of hats are being worn together—I assume that she does not have one on top of the other, but perhaps there are bows coming out of her hat.

What the Minister said in relation to the report—in criticism of it—was fourfold. He said:

“The report did not bring out clearly enough that Member States have primacy over defence issues.”

That is important because it is an indication of where the Vice-President of the Commission and the head of the European Defence Agency is trying to push policy—it is about trying to downplay the importance of member states and increasing the role of the European Union.

The second point that the Minister criticises is that “EU-NATO cooperation was not given enough weight.”

That is exactly the point that my hon. Friend the Member for Harwich and North Essex was making—that the EU is not that keen on NATO and sees itself to some extent as a committee.

The third point of disagreement—in a way, the nub of what today's debate has been about—was:

“The proposals on the role of the EDA went beyond what Member States have previously agreed”.

That is central because it is what we have seen in every development of European policy. The whole way the EU has developed from the European Economic Community in 1972 when we joined is by the Commission pushing forward particular issues and taking them beyond what has been agreed, which is what I think the Green Paper does as well, to try to extend EU competence.

The fourth point of disagreement is that

“There was insufficient evaluation of the value added by CSDP missions and operations.”

Even in the absence of evidence of it being useful, the aim is for more Europeanisation. So that is the first point surrounding the debate—that the aim of the EU is clear.

The second point is that what is going on in defence and has gone on in defence is, in the broad European context, highly unusual. Although it is exempt from competition policy, from some of the requirements of the single market and, indeed, trade policy, trade policy is the exclusive competence of the EU with the exception of defence, so that in the ordinary business of the EU, a lot of what is exceptional in defence procurement is ordinary in everything else—it is basically EU competence.

That leaves the third point, which is held by a horsehair thread as far as I can see—article 346. The Minister is right to rely on that, to be robust on it and to remind the Committee that it has not been challenged, as far as the UK is concerned, by the Commission. Where I diverge from him is that I think when we look at the broad policy background, we look at the ambition of the EU, and all we have to defend defence procurement is article 346. We should be incredibly cautious about any development of policy in the context of the EU that allows for more activity in the defence field.

The Minister said that he thought that it was broadly uncontroversial for EU nation states to combine for defence purposes. I do not disagree with that for a moment, with one caveat, which is that it is on an intergovernmental basis and not under the auspices of the EU.

**Mr Jones:** May I suggest that there is another way that the EU nation states combine very effectively, which is on a commercial basis—an example being Thales and Finmeccanica?

**Mr Rees-Mogg:** I agree with that, although I think that the Government should have the right to be protectionist in relation to defence procurement. I am not sure it is always wise to be protectionist. I am a supporter of having bought ships from South Korea. That was a sensible thing to have done in the broader context. I am in favour of maintaining freedom of activity rather than saying that it is always wrong to buy from overseas.

The final point I am making is that intergovernmental co-operation is admirable. When we are dealing with issues that NATO does not want to deal with, it makes complete sense to co-operate with our nearest neighbours and to use that projection of force where it can be used. I absolutely agree with the Minister that on the issue of Ukraine, a variety of agencies needed to be involved, but what never needed to happen was for defence to come under the auspices of the EU, formally or informally. It is a great protection from the general ratchet effect of what happens in the EU if the Minister is robust. I am reassured that we have one of the most robust Ministers before the Committee today.

3.54 pm

**Mr Brazier:** We have had an exceptionally thoughtful debate. If I am honest, very little has been said that I did not agree with. I will start with the comments of the hon. Member for North Durham, who I have known for many years in the House of Commons. I agree with most of what he said. I reassure him that we are never going to be compelled to sell secret technology, which was one thing he raised. Clearly, if we have developed it collaboratively, there may be an issue of stopping the other partner who owns it, but we will not be forced to release our own secrets. Security of supply is never going to be laid down by the European Commission. I remind the hon. Gentleman and one or two of my hon. Friends that the 2% commitment, which I strongly support—it is a matter of record that I gave up my position as a junior Government Parliamentary Private Secretary many years ago over defence cuts, which created absolutely no interest out in the wider world at all—is a NATO standard to which five NATO countries adhere. It is not an EU matter. Also, there is no Commission role on exports. We are not going to give way on that.

My hon. Friend the Member for Harwich and North Essex made a typically, if I may say so, extremely well researched and thorough speech. He knows perfectly well that I share some of his concerns. Indeed, I made it clear in my speech that the Government have had to repeatedly fight against a number of the threats he mentioned. We were the country that insisted the Secretary-General of NATO was invited to the European Council in December 2013. He also came to the Council's discussion of defence in June this year. He has also been invited by Federica Mogherini to the EDA. We are not alone in this, but we as a country are absolutely determined not only that NATO should have primacy on defence, but that, when European countries get together to discuss defence, it should be seen as a complement to the European position rather than a competitor.

My hon. Friend raised the spectre of the Commission curtailing or interfering with our procurement relationships in a way that would never be acceptable to this Government. We will not accept curtailment of our ability to procure the best kit for our armed forces—I am reading that straight out of my “lines to take”, to reassure my hon. Friend that it is not just the Minister saying something off the hoof. We are not going to give way on that, and we have had to fight off a number of threats, as I made clear earlier. We are not going to give way on article 346 and have not been challenged on upholding it.

The hon. Member for West Dunbartonshire made a number of points. He made one strong point: when we are faced with hybrid warfare, as we are with the Russians, we have to be clear that NATO does not pretend to cover the full spectrum. It does not do so, and it is as simple as that. It covers a large part of the spectrum but does not cover all of it, and economic sanctions are not something that NATO wants to lead on. There is a role for the EU in supporting NATO. I was there for some of the discussions on Ukraine, and we were clear that that is what the EU was supposed to be doing.

I know the hon. Gentleman to be a thoughtful Member, and we have sat opposite each other a number of times, but I do not think he will find much agreement on some of the other parts of his speech. We all agree that the maritime patrol aircraft leaves a gap. We had to take some agonising decisions in 2010. We are just about to announce a new SDSR, and it is above my pay grade to comment further. I have not seen the document yet, but I can say that we are very much aware of the issues he raises.

I am afraid I find the hon. Gentleman's position on NATO and nuclear weapons completely unintelligible. NATO was set up to defend the west against the threat from the Soviet Union after America and Britain's possession of nuclear weapons had bought us a time interval to make it possible. Had we not had nuclear weapons then, there is a pretty fair chance that our exhausted Army and an American public who already felt they had done enough would have fallen foul of the massive might of the Soviet Union. A clear availability of nuclear weapons bought the time to enable NATO to be established, and it has been a nuclear alliance ever since. For the hon. Gentleman to suggest in one breath that his party is in favour of NATO and in another that it strongly remains opposed to nuclear weapons—

**The Chair:** Order. I appreciate that the Minister is responding to the debate, but the aftermath of the second world war and the development of nuclear weapons are not part of the document before us today.

**Mr Brazier:** I accept your rebuke, Mr Hanson. I was led astray.

I share many of the concerns of my hon. Friend the Member for North East Somerset. He made some strong points about the Commission's agenda, as did my hon. Friend the Member for Harwich and North Essex. We are clear that there is and has been an agenda. We will go carefully through the document that we are promised is just a few weeks' away to see what is in there. We think that the agenda is probably not as strong as it was a year or two ago. It certainly is not as strong among the member states that were supporting the Commission

[Mr Brazier]

earlier. I find the atmosphere among a large number of member states to be remarkably pro our agenda, but there is a danger, and I will not conceal it, and nor does the motion. I ask my hon. Friend the Member for North East Somerset to give us the benefit of the doubt. We are determined to resist those elements of the agenda that threaten our national sovereignty in defence.

My principal point remains that our engagement in this area is firmly shaped by what is and is not in our national interests. We will continue to engage robustly with the Commission to protect and promote our interests, working directly with the Commission and/or our international partners as appropriate. Our interests rest in a more open and competitive defence market that respects our legitimate national security interests, and the Commission can help in delivering that.

A more efficient defence industry in Europe is fundamental to delivering capabilities to our armed forces for better value for money, while also promoting economic growth. I gave a number of examples of small areas where we have achieved significant savings as a result of our participation. The UK defence industry is particularly well placed to take advantage of a more open market—several Members have paid tribute to the strength of the UK defence sector—that is more global and increasingly connected to the dual-use sector.

We must, however, avoid action that seeks to protect the defence industry in Europe from the wider global market. I agree with the remarks about the Americans and how we must never allow people to shut out the Americans, of which there was a hint. There is no European defence industry as such. Instead, we have one that is local, national and global. We need to avoid policies or regulations that seek to create such an unnatural European identity when it does not exist in reality.

The elements of our national interest are set out in the detail of the motion. We will seek to ensure that any Commission activity is undertaken only in close association with ourselves and other member states. We will make

the case that the Commission's focus must be on those activities that support the competitiveness of the defence industry and promote wider growth. That is in our favour, because we have a strong, healthy defence industry. We will not allow actions that interfere, constrain or otherwise limit our ability to procure the best capability for our armed forces. We will not support any action that seeks to undermine NATO or the transatlantic relationship, which are the cornerstone of our defence. We will not support actions that seek to isolate the EU defence market from an increasingly global market, except where security is at stake. That is an important balance.

There are some opportunities in the EU, and I mentioned a few of them, but we must remain vigilant to those who would undermine our wider security and economic interests. I urge one or two of my colleagues—I know that they have thought long and hard on this matter and that they are very good friends of the armed forces—to look at the motion on its merits and at what we are discussing today, rather than considering the motion against a background of much wider debate on the EU and allowing considerations that have nothing to do with the motion to sway them. I urge the Committee to support the motion.

*Question put and agreed to.*

*Resolved,*

That the Committee takes note of European Union Document No. 11358/14, a Commission Report: A New Deal for European Defence: Implementation Roadmap for Communication COM(2013)542: Towards a more competitive and efficient defence and security sector; agrees that any further development of the Commission's proposals in the defence sector must be in close cooperation with EU Member States; and shares the Government's view that the focus for any Commission action should be on improving competitiveness and economic growth, while avoiding any activity that could constrain the UK's ability to obtain the best capability for its Armed Forces, conflict with NATO, or otherwise impinge upon the UK's national security interests.

4.4 pm

*Committee rose.*