Industrial Participation from a Nordic perspective

Joint Nordic Defence Industry Cooperation Group
The Nordic Countries

- **Finland**
  - A non-aligned logistical island. EU/non-NATO
  - > Security of Supply & autonomous capabilities
  - Defence budget 2,9 Bn €, investments 478 M€
- **Sweden**
  - Non-aligned logistical island. EU/non-NATO
  - Develop and produce defence capabilities in all domains
  - Defence budget 5,2 Bn €
- **Denmark**
  - Member of NATO and EU (excluding defence)
  - Strong ties to the U.S.
  - Defence budget 2,95 Bn €
- **Norway**
  - Member of NATO/non EU (but the internal EU-market)
  - Strong ties to the U.S.
  - Defence budget 5,6 Bn €
Commonalities

- Open markets
- Strong ties with the US
- Small volume in defence acquisitions
- Most military goods procured from abroad, with some exceptions in Sweden
- Export oriented defence industry
- Close co-op between the defence industrial associations
Defence Industrial Base in Finland

- Industry an integral part of national defence and an important partner to the FDF
- Finnish model: Strategic partnerships and other partnership arrangements
- Industry mostly SMEs, over 110 companies
- Figures 2016
  - Turnover 1.4 billion €, Exports 654 million €
  - Investments in R&D over 15 % of turnover
  - Direct employment 6100 people
Industrial Participation (IP) in Finland

• Only allowed when the conditions in Art 346 TFEU are met
  – If the protection of “essential national security interests” so require
• IP is used very selectively, in certain critical programmes only
• Direct and Indirect IP
The Finnish Story
DIVERSITY OF INDUSTRIAL PARTICIPATION (IP)

INDIRECT IP

- Essential security interests:
  - Critical technologies and defence capability areas

- Particular security interests:
  - Other national security interests

- Dual-use or security of supply relevant products

  - Future technology focus areas for defence
    - (ref. FDF’s focus areas)

  - To promote technology development and internationalization and access to market

  - Production capabilities and knowledge in sustainment and development

  - Knowledge, data, licenses, certificates etc. to Finnish industries

DIRECT IP

- ILS and industrial capacity needed
- Security of supply, skills and knowledge needed for sustain and long term capability management
- Industrial production/part deliveries etc.
- National capability and knowledge for lifecycle management and lifecycle decisions
Swedish perspective on Industrial Cooperation

Swedish Security & Defence Industry Association

Objective: to create the best possible preconditions for member companies to operate in Sweden and enhance their market accessibility and capacity to trade
The Swedish industry development

Long history – development based upon Swedish security and defence policies – non allied
Defence Industrial Base in Sweden

• Revenues
  – Approx. 3,1 billion € related to security and defence
• Direct employment 30,000
• Export value
  – 2,2 billion € (security and defence-related)
• Develop and produce defence capabilities in all domains
• Work through strategic partnership arrangements, G-2-G, G-2-B, B-2-G and B-2-B
Member companies

- 95 member companies
- 75 SME- companies
- No state owned or state controlled defence industry
- Open for foreign ownership – 20 foreign owned
- No industrial strategy except in some way for national security interests

Ownership by countries

- Finland (1)
- Germany (2)
- Norway (2)
- France (3)
- Great Britain (5)
- USA (7)
- Sweden (61)
SHARES OF MEMBER COMPANIES’ REVENUES (2016)

- **68%**
  Export as share of total defence market sales

- **16.1%**
  R&D share of revenue

- **43.1%**
  Sales of non-classified products to civil customers
Industrial Participation (IP) in Sweden

• Only allowed when the conditions in Art 346 TFEU are met:
  – If the protection of “essential national security interests” so require
• IP have, since the implementation of the Defence Procurement Directive, not been used.
• Preferably Direct if used
• In practice, no demand for IP in Sweden
Danish perspectives on offset

Frank Bill
Denmark: a huge small country

• The fifth largest country in NATO

• The twelfth largest country in the world

• But less than six million inhabitants

• No state owned or state controlled defence industry

• Strong ties with the US
National Defence Industrial Strategy

Aim of the Strategy:
To maintain and develop competitive competencies and capabilities in industrial areas of strategic importance to Denmark’s essential security interests.
Action areas

1. A competitive international defence market
2. Good framework conditions for the defence industry
3. Co-operation between the Danish Defence Forces and Danish industry
4. International co-operation concerning acquisitions and development
5. Security of supply
6. Industrial Co-operation
Technologies of strategic importance

• Advanced software, incl. cyber security
• Communication and Command & Control systems
• Surveillance and radar technology
• Operational protection of personnel and military capabilities
• Parts of the vehicle area critical for military operations
• Parts of the maritime area critical for military operations
• Advanced material technology and processing
• Optimization of energy and environment in military operations
Decision process under the guidelines

Ministry of Defence (DALO)
Decision to procure above 50m DKK

Ministry of Defence
Case by case assessment of necessity and proportionality of Industrial Cooperation obligation

Danish Business Authority
Input on industry

Danish Business Authority
Case by case assessment of the risks of civil market disturbance

Danish Business Authority
Decision on Industrial Cooperation obligation

Ministry of Defence
Enters into (conditioned) Industrial Cooperation Contract with foreign supplier(s)

Danish Business Authority
Industrial Cooperation obligation implemented in tender

Ministry of Defence
Signs contract with foreign supplier
Fullfilment

• can take place through:
  • purchase off-the-shelf defence products or services from a Danish company, or
  • by completing development projects with Danish companies

• can take place throughout the product life cycle of the specific procurement;
• must concern defence equipment and/or defence services;
• must fall within at least one of the strategic technology areas stipulated in the ICC;
• must be related to the specific procurement or corresponding defence equipment;