

European Scrutiny Committee

Oral evidence: PESCO and UK-EU Defence Co-operation, HC 1347

Wednesday 13 September 2023

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Watch the meeting

Members present: Sir William Cash (Chair); Adam Holloway; Mr Marcus Fysh; Mr David Jones; Gavin Robinson; Greg Smith.

Questions 60-94

Witness

[I](#): Gabriel Rațiu, Defence Manager, Aerospace, Security and Defence Industries Association of Europe (ASD).

Examination of Witness

Witness: Gabriel Rațiu.

Q60 **Chair:** Good afternoon, Mr Rațiu. It is very nice to speak to you this afternoon. Welcome to our Committee. We have some important questions about PESCO—you have probably followed some of the previous material that we have examined—and we will publish a report in due course. I will ask the first question. How has the UK defence industry been impacted by the invasion of Ukraine, and what does this mean for the defence companies that you represent?

Gabriel Rațiu: Thank you for the question. First of all, I would say that this is more a question for the UK industry associations, but I can also provide an answer relating to UK industry and to the entire European industry.

Before answering, I would like to mention the fact that ASD, the Aerospace, Security and Defence Industries Association of Europe is not only about EU members. We have members from 16 EU member states and an additional three countries: the UK, Norway and Turkey. You will see that I will try to be a little bit neutral in some of my answers—not advocating for the EU or the other way around.

Q61 **Chair:** Before you start on that, does that mean that when you come to decision making, some countries operate within the framework of the EU and others are full participants or in some rather different position in relation to the discussions? Do you have majority voting?

Gabriel Rațiu: That is correct; we have majority voting. When we have to take decisions, we have a board of industry associations and also major companies. That is being updated every two years. The voting is just like you expressed. That is why I mentioned that actually we try to have a neutral position even if there are moments when we tend to be taking the part more of certain industry associations or certain companies.

Q62 **Chair:** Of course, in the supply of ammunition and things of that kind—I know that Adam Holloway wants to ask a question on that in relation to Ukraine in a minute—does that mean that you can have a situation in which decisions that some countries would like to take are blocked by the majority vote of the defence industry?

Gabriel Rațiu: Not necessarily blocked because it happens in absolutely every democracy. We try to reach a common position for absolutely everyone. If there are certain topics that are sensitive for a specific member, we try to address them in the full board meetings.

Q63 **Chair:** Do you refer back to NATO to get guidance as to what the position would be if it is potentially a NATO-based operation?



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Gabriel Rațiu: No, because basically this is a private association; it is not a political one. NATO is actually more a political and military alliance, so we do not go back to NATO, nor the EU, and say, "Look, we're sorry, but we cannot."

- Q64 **Chair:** But NATO cannot do things if it does not get a supply—you see what I am driving at? Is there a position where, because of the majority voting within your association, which is obviously not entirely EU based, or because decisions are taken that affect operations performed by NATO, that the situation can be blocked or perhaps locked out by decisions that the Defence Industries Association takes? Or would you say in general that this just does not happen, or you would not let it happen? Have you got any thoughts on that?

Gabriel Rațiu: I am speculating, but so far we have not seen this kind of situation where actually something was really blocked for someone.

- Q65 **Chair:** I hope that I am not inaccurately describing in any way what I seem to remember from 1991 when I was still in Parliament. The Belgians—I don't want to accuse them of anything, but as I understand it, there was a problem about the supply of ammunition at that time. It may not have been their fault; I don't know. What I do know is that if you have a structure where the operations that are conducted under a treaty have to be conducted, and the defence industry is not actually providing the materiel necessary to support that action, it would quite clearly be a very serious situation.

Gabriel Rațiu: It could be, indeed. Industry has limited resources, like everybody. Sometimes we need to meet the demand with the request.

Chair: Okay, we will leave it at that for the moment, but I am putting the issue on the table.

- Q66 **Adam Holloway:** I was in Ukraine last week, and one of the people I spoke to was explaining how as a percentage of NATO's total ammunition and equipment, the amount of help being given is actually tiny. To put it in context, America has 6,000 Abrams tanks and Ukraine has been given 31. The reason for this, we are told, is because we obviously cannot run down our ammunition supplies and our own defences so much. Is the industry able to ramp up production of ammunition quickly, so that we can get away from this situation?

Gabriel Rațiu: I am representing some of the EU associations, so I will not refer to the US capabilities because—

- Q67 **Adam Holloway:** As a proportion of NATO stocks as well, it is a tiny amount going to Ukraine.

Gabriel Rațiu: If you look at the numbers, the obvious response would be that you are right.

From the perspective of ramping up production, I know that everybody is talking about this, but there are a lot of challenges for industry to ramp up production. It cannot be done overnight. I can even give you some



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examples in which the industry needed the support of local authorities, local government. In principle, to ramp up production, you need either to modernise the production line or to come up with a new production line. This is the easy part. To run this kind of ramped up production, you need additional personnel. First you need to select them, then you need to train them. That is not happening overnight. That is one of the main challenges.

Another challenge is about the financial aspect—the investment that the industry has to do. They might not have the money, or they have it but might be cautious about actually investing money in this kind of production line unless they have strong orders that span for some years, so that they can of course have the economical benefit of it. That is just part of it.

- Q68 **Adam Holloway:** Russia has been producing artillery ammunition since the 1950s, and they are using it in huge quantities. Also, their factories are running 24 hours a day. Is any of the industry doing that, notwithstanding the constraints you have explained?

Gabriel Rațiu: This is also challenging from the legal perspective. There might be industries that are doing this—instead of saying there are, I prefer to say there might be. But you also have labour legislation on how many work hours per week and on working night shifts. Some of them did increase tempo, that is clear, but in principle you still have the same amount of people that you had before the conflict, which means you have to stretch them from two shifts to three shifts. That is an aspect that needs to be taken into consideration.

I was explaining a little about problems that the industry might face, or is facing, in ramping up production. The critical raw materials to produce—

Adam Holloway: Thank you. I get the picture. There are a lot of other questions.

Chair: Thank you, Adam. That is very kind of you. It gives us a picture of what is a real problem. It has to be sorted out. No doubt you will take this back to your friends and colleagues and explain that we are asking these questions for good reason.

- Q69 **Mr Jones:** MBDA says that it supports, “the objectives of the EU and NATO to deepen their initiatives towards defence co-operation between participating countries.” To what extent does PESCO help to ensure effective co-operation between the European Union and NATO?

Gabriel Rațiu: I can only refer to the generic PESCO approach; I will not comment on one of our members, or in this case MBDA. I have worked with some of the PESCO projects in the past. I joined almost four months ago, and before I was an active duty officer. I retired, and I have also worked a little bit in international organisation.

- Q70 **Mr Jones:** Have you worked in Military Mobility?

Gabriel Rațiu: Yes, a bit, at exactly the beginning of it. At the inception, when it was still called Military Schengen, I was a little bit involved.



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Coming back to the question about PESCO, it is basically a political instrument that is seen as a framework for co-operation between EU member states and third states on an ad hoc, voluntary basis. Each member state decides what projects it would like to be involved in and to what level. That is a very important message to pass on.

PESCO per se is supporting the operation between the EU and NATO. I know that there has been a lot of rumours in the past about PESCO competing with NATO. That is not the case. We are talking about two different layers. PESCO is a political instrument, while NATO is a political and military alliance. We are talking about different categories.

Q71 Mr Jones: Why did the initiative have to come from the EU rather than from NATO?

Gabriel Rațiu: There is a basis for this in the Lisbon treaty, which leaves the opportunity for member states to have PESCO—Permanent Structured Corporation. At some point they have decided to make use of that article in the Lisbon treaty and see how it goes. I am not able to speak on behalf of the political level.

Q72 Mr Jones: I understand that, but are all the participating EU member states also NATO members?

Gabriel Rațiu: Not all of them.

Q73 Mr Jones: Which ones are not?

Gabriel Rațiu: Of all the 27 EU member states, just Malta decided not to be part of PESCO. If we look at the countries that are both NATO allies and EU member states, currently there are 22 out of the 27 EU members, plus Sweden and Finland.

Q74 Mr Jones: Which have just acceded to NATO.

Gabriel Rațiu: Yes. So we are now talking about 24 out of 27.

Q75 Mr Jones: Which are the ones that are not NATO members but are participating in PESCO?

Gabriel Rațiu: Basically, the member states that are neutral. Countries such as Austria, which is neutral and is part of the NATO Partnership for Peace programme. The second one is Ireland and the third one is—

Q76 Mr Jones: It does not matter—I am sure we can find out. It is odd that neutral member states should want to participate in what is a military project.

Gabriel Rațiu: Yet they do participate.

Q77 Mr Jones: Is there a reason for that? It seems unusual on the face of it.

Gabriel Rațiu: Yes, at first glance it might appear a little strange, but Military Mobility is especially addressing the bureaucratic aspects of transiting other countries, especially if you are going on a multinational exercise, for example.



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Q78 Mr Jones: Would it not impact on the neutrality, for example, of Austria if NATO forces were to pass through Austrian territory?

Gabriel Rațiu: You should ask an Austrian politician about that. For training purposes, I know of multinational exercises in which Austrian friends of mine participated with others, so it is absolutely no problem. We are talking about exercises, not real combat actions.

Q79 Mr Jones: Is PESCO necessary for NATO's operations in Europe?

Gabriel Rațiu: It is an enhancement. It enhances the co-operation between countries.

Q80 Mr Jones: It has been quite a long time since NATO was formed and PESCO is a fairly recent initiative. How did NATO manage before PESCO?

Gabriel Rațiu: Things develop in time and especially now, for example, with the Russian invasion of Ukraine, I keep on seeing phrases like "new times, new challenges, new approaches". Somehow, we need to adapt. We cannot be stuck in the past. This was one of the articles in the Lisbon treaty that the politicians—they are smarter than me, of course—probably considered was a good opportunity to enhance their co-operation.

Q81 Chair: One of the challenges that you mentioned would not include as an objective a European army, would it?

Gabriel Rațiu: I am smiling because in my previous position I received this question several times, including from civilian friends. This is, from my personal perspective, a wrong interpretation of PESCO. Why? Because—this is my personal perspective, to be honest—there will be no European army. I can give you some generic arguments as to why.

All the countries, regardless of whether they are NATO allies, EU member states or members of the PfP—it does not matter—they have a single set of forces. The UK has a single set of forces. You cannot split them between NATO, an army and a European army. This has always been acknowledged by both NATO and the EU. There are even planning tools—now I am speaking from my previous experience as an officer—that make sure there is no overlap between these. I can give the example of my country. If you know that some of your troops—a specific battalion or brigade—is allocated for a NATO mission, just in case, for sure it will not be allocated for an EU battlegroup or something. The member states always have in mind that there is a single set of forces and a single set of capabilities. There is no such thing as a European army. It has been sold badly, I would say, by some people.

Chair: Your evidence is interesting and relevant to this bigger question, so I will leave that as it stands for the moment and move on to Greg Smith.

Q82 Greg Smith: I want to follow up on a theme of Mr Jones's questions through a slightly different lens. The NATO alliance is the strongest defence alliance in the world and it has kept peace in Europe for in excess of half a century. Although it is not geographically constrained to the



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continent of Europe where there has been that co-operation, the co-operation already exists, with some of the points you have made about PESCO earlier. Yet we now have the European Defence Industry Reinforcement through Common Procurement Act—a wonderful mouthful—which is set to exclude non-EU firms. The practical question is what impact that has on the UK, but I think that answers itself. What does that actually say for the defence co-operation we have enjoyed for in excess of half a century?

Gabriel Rațiu: First, EDIRPA is a member states instrument, not an industrial instrument. That is very important to mention at the beginning. As for the developments yesterday, there was a vote in the European Parliament, and it went exactly as in the version that was negotiated and agreed between the Council and the Parliament. EDIRPA is a member states instrument, addressed to the member states—in this case to all the Ministries of Defence—and it is for a limited duration. To be more precise, it is one of the tools addressing the Russian invasion of Ukraine. In the past there was no such thing. There were probably some thoughts about this, but it did not happen until now. It is something new for everybody. It is a short-term instrument and it addresses partial reimbursement to the MODs. Related to industry, a requirement in the Act is that there need to be at least three member states for them to ask for this partial reimbursement up to 15%, and it can go up to 20% in case of support to Ukraine and the Republic of Moldova. The type of armaments that they are requesting for the reimbursement must have at least 65% EU components within them. The other 35%—*[Interruption.]*

Chair: Forgive us. We have a Division in the House of Commons Chamber. We can continue in about five to 10 minutes' time—let's say seven minutes—or later if there is another.

Gabriel Rațiu: Absolutely, no problem.

Sitting suspended for Divisions in the House.

On resuming—

Chair: Welcome back, everyone. I am sorry for the delay, Mr Ratiu, but Divisions take place in the Chamber of the House of Commons, and we have to return to the Chamber to do our voting. I invite David Jones to ask the next question.

Q83 **Mr Jones:** ASD has given written evidence to the Committee that says that it “advocates for the best possible conditions for collaboration and trade”. Referring to EDIRPA, which my colleague was asking you about a little earlier on, does that Act raise any barriers to seamless trade, and if so how does that affect Europe's defence strategy? Extending that question, could joining PESCO projects help to achieve stronger relationships to help ensure that UK firms do not face any barriers to trade?

Gabriel Rațiu: Thank you for the question, which I will split into two questions. The first is related to the advocacy of ASD; actually, I would



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say that that is the advocacy of ADS, not of ASD. However, I can still present some ideas on this. First, I would say that there is no European defence strategy. I guess that you are referring to the common security and defence policy—CSDP. Basically, that is focused on crisis management outside the EU borders. In principle, there was no major change in approach from when the UK was also part of the EU. This is totally different.

On EDIRPA, what I started to say in response to the previous question was that at least 65% of the equipment that is jointly procured, by at least three member states, has to be of EU origin. What remains—up to 35%—can be from outside of the EU borders. That means it can be British, American or Israeli—it depends. In principle, for major equipment, it is quite hard to have just European equipment. For most countries, it is difficult to have only your industry involved in major combat equipment.

In our view, EDIRPA in principle does not provide the kind of barrier that you refer to, because it still gives that liberty: up to 35%. Of course, I know that that is not much—most companies would like to have 100%, or have the freedom of doing however much they want—but you also need to bear in mind that most of the major defence industries have headquarters in various countries, and not only in Belgium, Sweden or the UK. Here I can give you an example that is quite useful in that it has a UK context: the famous NLAW. NLAW is now being produced by Saab. Some months ago—I think in December, if I am not mistaken—there was a joint venture between Saab and Thales UK to manufacture on UK soil. So these kinds of co-operation are always there. When we talk about major combat systems, there is, for sure, this mixture of indigenous and outside of borders.

Q84 Mr Jones: To what extent would British membership of a PESCO project change that position? Would it give the UK any more access to trade?

Gabriel Rațiu: We are talking about two different initiatives. EDIRPA is one; like I say, it is a short-term instrument that incentivises the joint procurement of at least three countries. That is one. For PESCO, there are similar but different rules. For example, according to the Council decision—and I have to be honest that I brought some FAQs with me just to make sure that I can cover this—if a third state is not part of the PESCO project, its industry, in principle, cannot be part of the implementation industry for the project. It cannot be part of the industry consortium, in principle. However, according to this, if it is duly justified, and with some conditions in mind, it could still happen. So I would say we are talking more theoretically here than in practice.

On the Council decision, I think it is quite well written, explaining all these steps and requirements. In answer to your question, in PESCO, the political guidance is given by the Council. If there is a company from a third state that wants to be part of this consortium, or could be part of it, one EU member state can go to the Council and say, "From our perspective, this is not actually in accordance with the decisions," and it has to be investigated. Then the Council has to say whether the company



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can be involved. I would say that it is quite tricky, because most of the major companies, like I said earlier, do have offices in various countries.

Coming back to the example of NLAW, Saab can receive an order for NLAWs. Up to 35% might be from the UK—it is theoretical; I do not exactly know the numbers, to be honest, but this is the case: it can happen. It is on a case-by-case basis.

- Q85 **Chair:** Thank you very much. From the business point of view, how would you describe the advantages to the UK of joining PESCO projects, and are there potential economic benefits or risks for UK firms?

Gabriel Rațiu: From a business point of view, there are the typical advantages, such as shared R&D costs, which are very important, especially for industry. I would say that is one of our top two most interesting topics for industry. We also talk about keeping the technological edge, because what happens now, with the industry and everything that is around us, the pace of development is quite fast. It is a little hard to keep that technological edge if you do not somehow co-operate with others, because nowadays you cannot have absolutely all of the competencies; it is almost impossible to have it—as a company, I mean, not necessarily as a country.

I would also touch on the skills of personnel. You need to somehow keep your personnel skilled. There was an initial question on the numbers, about UK industry—but somehow, we have been derailed to other topics—that I can also touch on.

I would say that the advantage when developing major regional capabilities—this is very important from my perspective, as a former military person—is because the R&D development phase for major combat equipment takes years. Then, it takes years to field it. Afterwards, this major combat equipment, in principle, has a lifespan of something like 30 to even 50 years. Imagine if the UK companies are involved in that kind of project, because you need to have the maintenance, the training, the spare parts and everything for 30 to 50 years. If we consider the fact that you do need the skilled personnel, and you do need to have businesses throughout that 30 to 50 years, plus the R&D, I would say that it is a win.

In terms of how the UK not joining could affect the industry, the industry would be kept outside of some EU initiatives and some possible EU funding, and in time, I am sorry to say, they might lose some opportunities for further development and for keeping the technological edge and the R&D.

- Q86 **Chair:** But of course, all these processes with respect to military hardware and defence industries are not just theoretical, bureaucratic or even technological questions. They are about whether or not you are ready, if and when there happens to be some regrettable but none the less drastic necessity, either to defend yourself or to get involved in combat action. We know from the last world war that we did not have initially the Spitfires that were needed, but you cannot just run things off a conveyor



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belt; it takes time.

You are talking about even a 30-year programme, but it could be that you have no more than 30 days, because you have to make decisions about what will be there—you have to know that you have your stockpiles; you have to know that you can run off new machinery, new weaponry and so on. Does it worry you that these wonderful frameworks that are being created get so bogged down in the question of arrangements, of which PESCO may be yet another layer, that it inhibits the ability to react swiftly, which is perhaps the only option you have when it comes to a war situation, if regrettably that were ever to be the case?

Gabriel Rațiu: Respectfully, this is not necessarily a question for industry, because industry can do up to the level that it has the resources to do. It also needs some leverage from the Government. This is a political decision that I will not dig into more, because that is not my purpose here.

Q87 **Chair:** Let's park it in that case, because I think it is a question that some people are going to have to address. The world is not necessarily as stable and secure as some people may think, and it is the uncertainty of war as well as the pity of war that can create all kinds of difficulties.

It alarmed me, as I explained earlier, when I discovered—what I believe to be accurately—that we were not being supplied with the right kind of ammunition when we needed it in 1991. That is just an example. There are other occasions when, for example, alliances are invoked, and people provide helmets as an answer. You know what I am talking about, with the Germans at the beginning of the Ukraine invasion. There was a suggestion in the Gulf war of the same people providing television sets. I do not want to be unfair on anybody, but the bottom line is that when war takes place, it is a relentless and difficult question, and you need to be sure that you can react accordingly.

I am asking, in relation to this framework of your defence industries plus the alliances of NATO, and now plus PESCO, whether you are not creating a complicated organisation that requires so many checks and balances and so many decisions taken by different parties, not necessarily in synchronisation with others, that the entirety of the defence strategy is very difficult to be sure about in terms of success. That is a big question, I appreciate, and it may be that you cannot answer it, but do you not think it is a legitimate question?

Gabriel Rațiu: From a personal perspective, I do think so, and I could give you other personal arguments, but unfortunately, I will not do that.

In terms of PESCO and all the other things, there are mechanisms in place. Everybody is free to choose if they want mechanism A or mechanism B, from my perspective. As you said, Chair, we are lacking the co-ordination—we are lacking the co-ordination to build a safer Europe. I am talking about Europe, not the EU. This is a very important thing from my perspective. There were some quotes from the NATO Secretary General like, "NATO needs a stronger Europe." I believe this is the case. How will that be done? I would say in a complicated manner.



Chair: I am going to leave it at that. Other people will look at these questions, too, so I call Adam Holloway to ask the next question.

Q88 Adam Holloway: How effective is the PESCO Military Mobility project?

Gabriel Rațiu: First, the PESCO mobility project is just a slice of the pie of the entire Military Mobility at EU level. There is this so-called EU Military Mobility action plan. The first version was in '18 or '19. At the beginning of this year it was version 2.0. If we relate only to the PESCO Military Mobility project, it is extremely important for the military—putting round the table various experts from Military Mobility and trying to tackle the problems that they have on what I imagine is about transiting other countries.

Military mobility became high on the agenda in 2017, after the invasion of Ukraine in 2014. In '17 it became quite relevant by having these experts around the table. The number in the first Military Mobility was 24 EU member states plus Norway, the US, which is a big player around the table with their experience, and Canada. The UK is also considering it. From a military perspective your MoD is considering it quite well. It is quite a good enhancer. I can give you examples.

The bureaucracy for transiting countries is tremendous and it needs to be improved. We are talking about digitisation in the forum of Military Mobility. They are discussing it. It is one of the main topics in the Military Mobility action plan for 2022-26. They are discussing the digitisation of infrastructure and cyber hardening. In the past you were going with paper to the customs: look, this is the paper; this is the NATO travel orders that I want to transit your country. Then it was a huge bureaucratic process to check the numbers of the guns. Now it is technicalities.

First, you need to check whether these are the vehicles. Are these the persons? Are these the weapons? If you talk about dangerous goods, it is a tricky problem. It is not like you are just going to the border. First, you need to have been granted access by this member, this country, to transit. Asking for these kinds of permissions can take weeks to get right. You need to provide also a list of persons transiting your country.

Q89 Adam Holloway: I get the picture. They need to streamline all that.

Gabriel Rațiu: Exactly. They need to make it not only digital, but also to be more flexible. You need to give the names of 100 people that are transiting the country. What if one person is getting sick? Or one car breaks down?

Adam Holloway: Got it. Thank you.

Gabriel Rațiu: That is the added value of Military Mobility in this context—the fact that it can transit quite easily.

Chair: I am very glad that Gavin Robinson was able to return to the Committee, but we have now reached the end of our proceedings. Thank you for coming back, Gavin, and thank you, Gabriel, for giving us your



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insights into all these matters. I am bringing the meeting to a close now, but thank you very much for coming. I can see that there are a number of matters that we might need to consider further—along with the Defence Select Committee, we hope, in due course. Thank you very much indeed for coming.