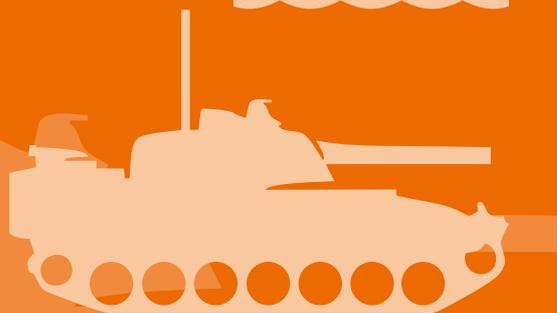




# SUMMARY MEMO

## Defence Industry Strategy



# Summary

The global security situation has deteriorated. Europe must do more to ensure its own security, and collaboration between the countries of Europe is essential in that regard. For its part, the Netherlands must be in a position to ensure its security in line with the first main task of the armed forces: the defence of national and allied territory. This cannot be achieved without a stable base of knowledge institutes and companies that ensure the Netherlands has the right military knowledge, technology and capabilities. Such a base is also necessary if the Netherlands is to play a significant role in collaboration with other countries or as a supplier to large foreign companies. Above all, this base is essential to enabling our military personnel to perform their important work as effectively as possible.

This memorandum, the Defence Industry Strategy (DIS), describes the base that is needed in the interest of national security. The knowledge, technology and industrial capabilities required for that base are evaluated on the basis of the national security interest. This DIS differs from the previous DIS in that regard. Furthermore, this DIS has a greater scope. It addresses not only priority technological fields, but also areas of expertise and industrial capabilities, including the capabilities required for the maintenance of equipment and the operational deployment of the armed forces. In addition, it takes into account the knowledge and industry base available to the Netherlands.

With the DIS, the government is implementing the coalition agreement, whereby the balance must be sought between the importance of international collaboration and a level playing field on the defence market on the one hand and the safeguarding of the vital interests of national security on the other. These are two sides of the same coin.

For each procurement process, the most suitable procurement strategy is carefully considered. The point of departure is our aim to procure the best product for the best price, with the greatest level of involvement of the Dutch business community. We will strengthen the Netherlands defence industry. In future tendering processes, we will choose – within the framework of the European regulations – Dutch suppliers if we believe that this is in the interest of our national security. Sometimes it will be important to procure items quickly, which can be purchased off-the-shelf elsewhere. In that case, we will do just that.

By no means all products that we need can necessarily be manufactured in the Netherlands. In that case, we want to ensure that Dutch companies and knowledge institutes are involved in the production, to ensure that Dutch industry has access to first-class knowledge and capabilities. We will also give the Dutch defence industry a boost by advocating a more open European defence market with a level playing field for all countries.

## Why does the Netherlands need to have its own stable base of knowledge, technology and industrial capabilities?

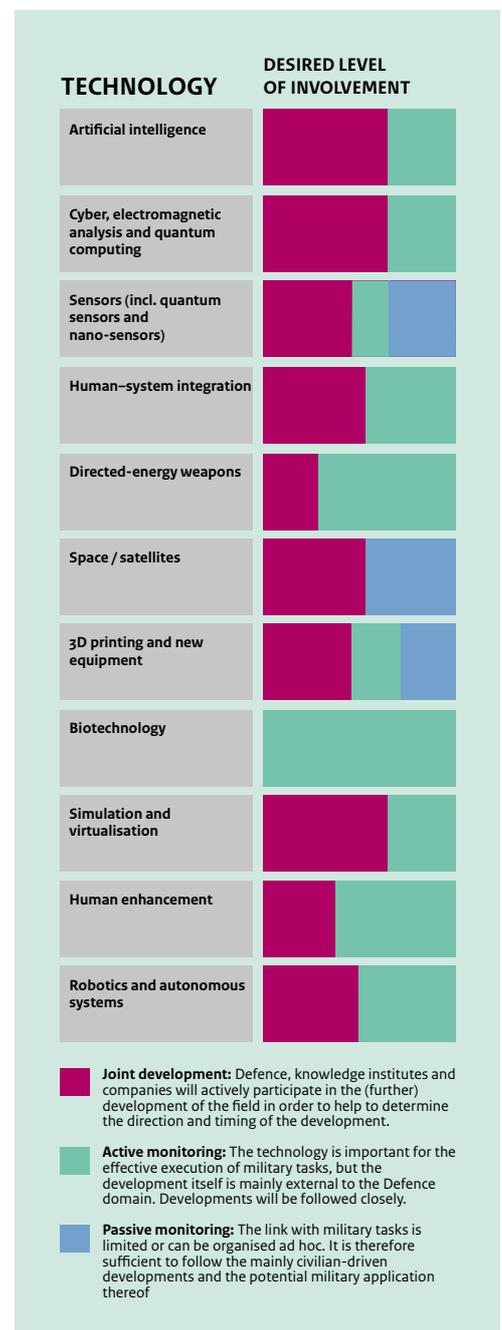
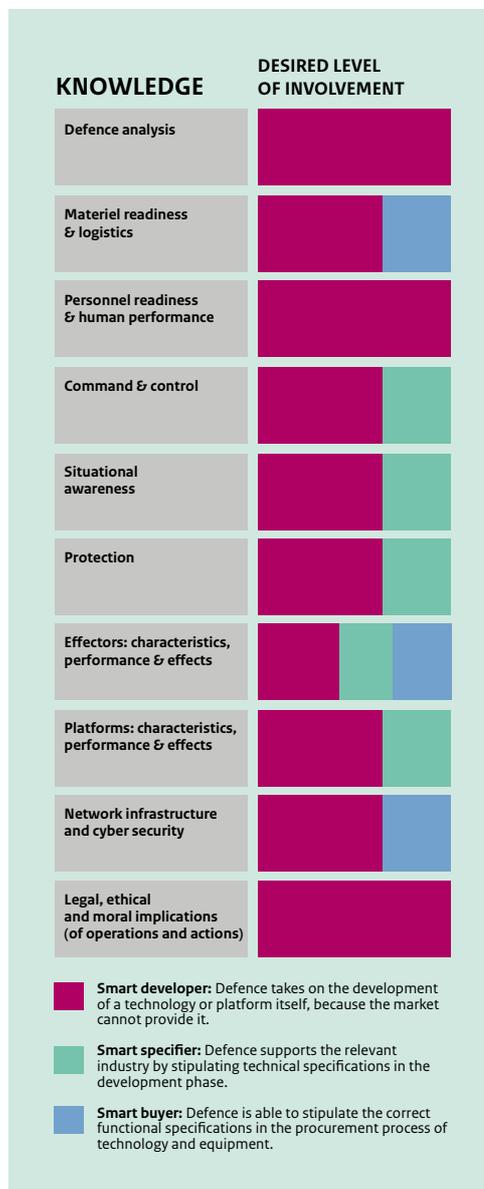
Under the Charter of the Kingdom of the Netherlands, the Constitution and international treaties, the Netherlands Ministry of Defence (hereinafter referred to as Defence) has a number of main tasks. The Netherlands must be able to execute these tasks at all times. These are elementary tasks such as military defence of our external borders and the territorial integrity of the Kingdom and the territory of our allies, as well as the protection (physical and otherwise) of vital national infrastructure or action in the event of terrorist attacks. The Netherlands must always be in a position to protect our civilians such as embassy personnel, including in crisis areas, and to protect commercial ships sailing under the Dutch flag. There are a number of cases in which the Netherlands must be able to take direct independent action, or in which it cannot afford to be a free rider. If we are to be able operate independently, we must have sophisticated equipment that can be deployed immediately. In addition, the Netherlands must have something to offer to our international collaboration partners and thus be a credible partner.

## In which areas must the Netherlands excel?

The Netherlands has had a stable base in the maritime domain for centuries, and it has leading knowledge institutes and companies in that field. In the field of radar and sensor technology, the Netherlands

is a front runner worldwide. More generally, the Dutch business community excels in innovative applications and high-tech solutions. From the point of view of national security, we must nurture these fields, in part because they can give the Netherlands armed forces an operational advantage.

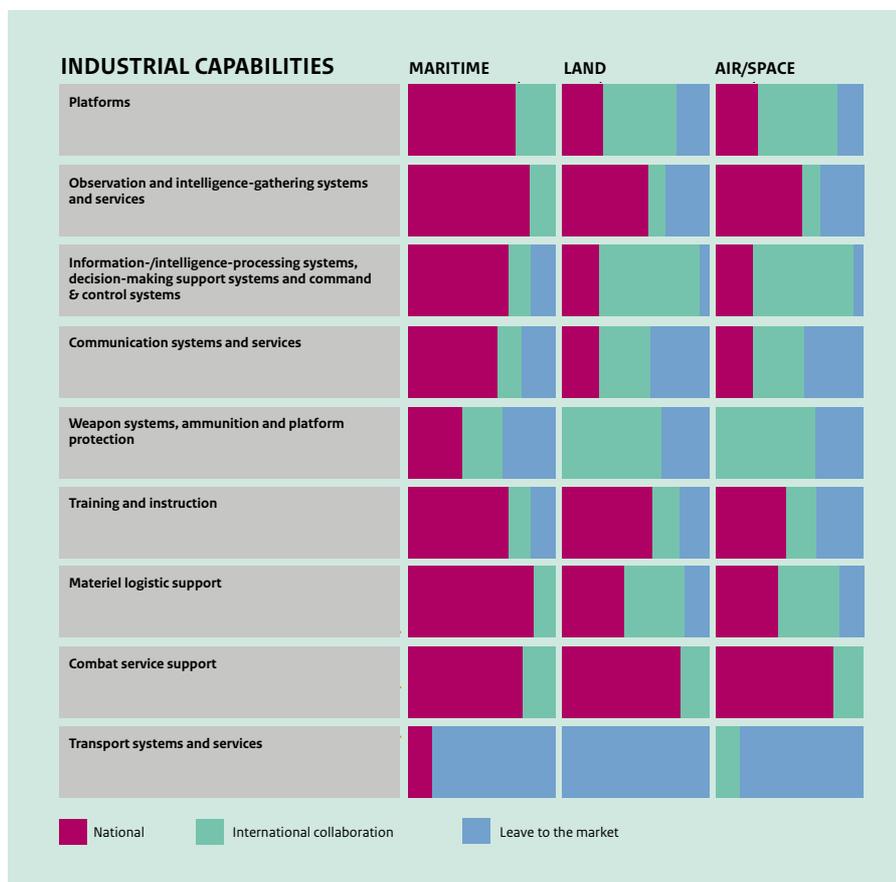
The Netherlands wants to continue its own development of military knowledge. We will therefore continue producing our own analyses and developing knowledge that can improve military performance. In a number of other fields of expertise, such as command and control, protection, network infrastructure and cyber security, we want to continue to have our own knowledge, but we can also make use of knowledge developed by others. The areas of knowledge and expertise in which we want to remain current are listed below.

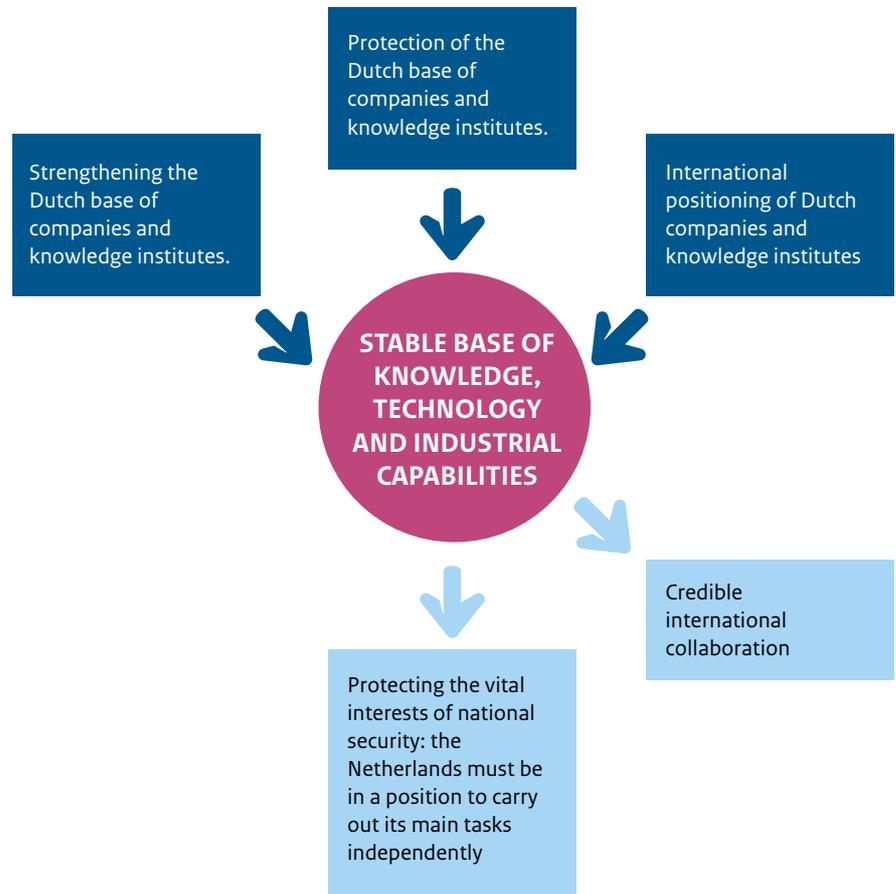


In addition, we are seeing a number of (upcoming) technological fields that are currently important for Defence or are expected to be so in the future. Defence wants to be involved in the development of the technology in a number of these technological fields, as they are important for the execution of our military tasks. Examples of these are developments in the fields of artificial intelligence, cyber and robotics. The figure below shows the technological fields identified and the role Defence sees for itself in them.

Finally, the Netherlands has the ambition to design and produce certain military capabilities itself. In doing so, we will take into account the industries that are already present in the Netherlands as well as the country's capacity and possible limitations. What does this mean in concrete terms? We want to preserve and strengthen our naval shipbuilding industry, for example. We also want to develop and maintain as many of our own sensor systems as possible – namely advanced radar systems and acoustic sensors – here in the Netherlands. It is also our ambition to produce our own small UAVs and satellites for intelligence functions, as this is a niche capability that provides operational advantages. In other areas, the Netherlands aims to supply foreign companies. The landing gear for the F-35 will be produced in the Netherlands, for example.

The figure below shows the ambitions the Netherlands has in various fields.





### How will we achieve that?

With a view to guaranteeing our industrial and technological defence base, we will take a number of measures. We will strengthen and protect the base that we need, and will improve its international positioning. We will, for example, focus more attention on defence and security in government-wide innovation policy and more frequently take on the role of launching customer. If we need new equipment, we will specifically consider the strategy we will apply to procure it. If the application of procurement legislation does not provide sufficient guarantee, we can apply Article 345 of the Treaty on the Functioning of the European Union. We will also further develop our industrial participation policy, so that Dutch companies can be structurally involved in the international development, production and maintenance chains of Defence equipment. In addition, we will also critically assess foreign takeovers in the Dutch defence and security industry in order to protect the security interests of the Netherlands. With a view to internationally positioning the base of the Netherlands, we will actively commit to ensuring a level playing field on the European defence market and will strengthen international collaboration in and beyond Europe.

### In conclusion

The DIS provides guidelines for procuring the best equipment for the best price with maximum involvement of the Dutch technological industry base. The Defence Industry Strategy applies to the government, the business community and the knowledge institutes. Together we must ensure that Dutch security interests continue to be protected.

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