

**Douglas B Stevenson, Raytheon Company**

**Opening Remarks**

**Panel II**

**“New challenges for defense industry between consolidation and competition”**

Defence Matters – new challenges of the NATO & EU security policy  
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Thank you to the organizers for allowing Raytheon to participate and support this important forum today in Krakow. I am pleased that they decided to include this industry panel, as I believe a discussion on the strength of the national defense industries in Europe and Poland are central to the subject of today's conference. I also believe the title of this panel, “new challenges for defense industry between consolidation and competition” is particularly relevant since, in the context of Poland, the government is addressing both of these issues in connection with its defense modernization efforts.

Of course, I can only offer my perspective as an American from the US defense sector, who has worked for many years in Europe and for the past four years in Poland. From my view -- both consolidation and competition are good things. We who have worked in the defense industry for the past 2 decades know very well that consolidation has taken place in every major defense market, as we have lived and experienced it. Raytheon itself is a product of consolidation in the US defense industry, having merged with another large US defense contractor in the past. While consolidation can be a difficult and painful experience, it is also necessary in these days of tightening defense budgets of our customers around the world, including the US. But we also must remain competitive, as competition is ultimately good for our customers as it results in more cost effective, and far better, solutions – since competition challenges industry to deliver the best. So this is a balance that must be reached in every defense market, and Poland is no exception. Poland's defense industry is small in comparison to its Western European counterparts, but it is also fragmented, so I think consolidation will prove useful in the end.

In the case of Poland, I believe the Polish Government has it right. As an integral part of its plan to invest in the modernization of its armed forces and dramatically improve its defense capability, Poland is also seeking to revitalize its largely state-owned defense sector. This is a must. A strong defense sector is vital to Poland's national security interests.

So the choice has been made. The only question remaining is – how?

While this is a simple question, it does not have a simple answer. But Poland can look to good examples in almost every other market, including the US and Europe, for guidance and lessons learned. But

regardless, the bottom line is this – the approach in Poland must focus first and foremost on improving the competitiveness of Poland’s defense industry. By this, I mean both inside and outside the Polish defense market. By itself, the Polish defense market and serving only the Polish military is insufficient to sustain a strong domestic defense industry in Poland. Poland’s defense companies must learn to export and to effectively compete within the global defense market, which they largely do not do today. This will ultimately lead to better solutions for the Polish military and serve to strengthen the Polish defense industry.

How can this be done? Quite simply through partnerships. Poland can actually accelerate the revitalization of its defense sector by partnering, particularly with the US defense industry. This has proven true in other countries and Poland is no exception. It is not easy, but the alternative is even harder. Long-term defense industry cooperation with the US also brings many benefits that align with Poland’s national security strategy. It offers technology and knowledge transfer, but it also brings enduring defense and security relationships between global defense industry experts that are solving the world’s most complex military problems – to include my customers in the US military. This is far different than the experiences Poland has had in the past with purchases of US defense equipment. When an industry to industry relationship is formed in connection with a large bi-lateral defense program, for a weapon system that is deployed and supported by the US military, it naturally brings together both my US customer with the Polish military, along with the industry to industry ties. There is not a single large, complex weapons system in the US military that is not supported and continually updated by US defense contractors working closely with the US military.

But I would like to be clear, simply buying an aircraft platform, such as Poland has done in the past, or individual missiles or systems that utilize US technology, will not establish these interconnected industry and military ties. Meaningful defense industry cooperation with the US should deliver both. Poland’s new approach, of insisting on linking our respective industries together as well as our militaries, will be altogether different than past experiences. There will be technology sharing, there will be knowledge sharing, and there will be joint engineering design and development – and if this is done in connection with a major weapon system that is used and supported by the US Military, then the government to government relationship is also included as part of the bargain. Of course, in the area in which I work, the example is the Patriot air and missile defense system. No other solution under consideration by Poland for its air and missile defense program delivers this dual relationship.

I will conclude my opening remarks with my earlier point. What US defense industry cooperation can, and should, provide Poland is a stronger and more competitive Polish defense industry, both in Europe and globally. By partnering with companies such as Raytheon, Polish defense companies will grow stronger and be able to stand on a more equal footing with their larger, Western European counterparts.

Thank you, and I welcome your questions.