

1. Title of Proposed Study

COVID-19: Address disruption and build resilience in the defence technological and industrial bases of the NATO Member and partner countries to mitigate risks and capture opportunities related to multinational cooperation on delivery of interoperable military capabilities.

2. Brief Description of Proposed Study

This spontaneous NIAG study will collect lessons identified and/or learned, good practices, from the initial months of the pandemic, and make recommendations to industry, nations, and NATO, in order to inform their actions to:

- correct the deficiencies identified;
- boost their individual and collective resilience through industrial preparedness;
- make continuity of armed forces and essential services to the population more durable;
- identify steps for further national or collective action;
- identify defence technologies that could be used for fighting against or controlling future pandemic crisis.

The study should focus on defence industry, while reflecting also upon other industries (e.g. medical, civil aviation, civil manufacturing, IT, etc.) as appropriate.

3. Background:

ALL companies were affected by the COVID-19 crisis, on a personal, company, and consortium level, locally, nationally, and internationally. The meaning of '*we are in this together*' has had a more profound meaning than at any time in recent history. Nobody remained untouched, and for the time being this crisis still seems far from over.

Therefore taking actions and being imaginative, even today, is still relevant. It is relevant for organizing the crisis response, for fighting the virus and the disinformation, and for assessing and mitigating the financial impact. And, it is relevant for the recovery in the aftermath of the crisis. This crisis is not only about equipment, ventilators or face masks. It may not be about equipment at all.

What can the NIAG do? What can defence industry do and how? Is it all national? What is possible and actually happening at transnational, or multinational level? Business as usual is not an option, with the entire world at a halt. '*Wait and see*' is clearly not the best strategy either. Failure to adequately plan with industry may hinder the NATO community's ability to meet defence needs.

The coronavirus pandemic started in December 2019 in China, but it had an unexpectedly global impact. At the moment this study proposal is elaborated, it is still not clear how far, how deep and for how long the effects of the almost-global lockdown, of the lives lost and affected, and of the economic crisis will continue to be felt at global scale.

In the very short term the effect on the defence industry seems to be rather limited. Lessons learned from the 2008 financial crisis have shown that the defence budgets declined rapidly, while the effects on defence industry were felt only two, three years later. Therefore it is anticipated that the effects of the pandemic could be a global crisis that will deeply impact defence industry sooner or later, affecting also allies' defence capabilities.

The initial reaction of falling back within national borders, to then close the borders and call for onshoring of strategic capabilities, increasingly relying on national resources for the most urgent needs, determined pundits to question the viability of globalisation and of all the notions associated with global trade. International organisations were put under scrutiny, some demonstrating their relevance, such as NATO or EU, while others being challenged.

4. Objectives of the Proposed Study:

The study will:

- evaluate the challenges (such as from in-sourcing to delivery of products/ services to their customers, impact on their workforce – temporary unemployment, furloughs, cash-flow constraints, reduction of venues for business development, deprioritisation of national defence expenditures versus other public services, reduction of national R&T/D budgets, demand-side collapse, impact on customer satisfaction, distortion of competition, export of products, secondary effects due to stock price declines, loss of skills and knowledge);
- identify short- and midterm business response to the crisis and exit strategies (balance the health of workers with protecting the bottom line, identify 'essential' activities, temporary closures, government support in terms of financial stimuli, relief on various technical/regulatory issues, mitigate risks), delay payments to vendors, implement business continuity plans, suspend non-essential spending, identify alternative suppliers;
- classify the actions taken by industry during the crisis, by priority, urgency, type, maturity, impact, and other criteria as relevant;
- attempt to estimate the impact of the pandemic as such, and of the subsequent financial crisis, on defence industry, on supply chains, on the security of supply, on NIAG, and to the extent possible, on the resilience of Allies and NATO;
- evaluate the potential impact of the growing dilemma between protecting individual rights/calling for ethical use of new technologies on the one hand, and threats to the collective right to health and security raised by the new technologies (tracking apps, facial recognition technology, tracing credit card transactions, using cell phone information, video footage, use of AI and robotics, ...), on the other;
- evaluate the impact on capabilities, on the technological edge, and make recommendations on short, mid and long term, for actions, corrective and preventative measures in light of potential future similar events;
- evaluate the impact of the crisis on civil aerospace sector, on the trans-Atlantic defence technological and industrial base (TADTIB), on global defence supply chains, on strategic autonomy and foreign direct investment debates, the acquisition of undervalued or bankrupted companies, cyber security, the liberal market place;
- evaluate the impact on industry relationships with NCIA, NSPA and NATO's STO;
- recommend steps that can be taken to allow the TADTIB to recover and thrive.

5. Please indicate whether you would like to be presented with alternative solution options, taking into consideration that exploring various options may reduce the depth of the study scope:

Yes

6. NATO Priority:

High priority, and urgent matter

7. Intended Follow on to the Proposed Study:

Depending on the breadth and depth of the recommendations, share with Allies and NATO bodies and organisations, to inform eventual (a) reviews of the contingency planning and plans and (b) legislative and regulatory initiatives.

If initial findings are timely and substantial, they can be used to inform the preparation of the NATO-Industry Forum 2021, and of other relevant NATO events and activities.

8. Other NATO Bodies Involved in the Related Area of Work:

Not that we are aware of.

9. Current Industrial Involvement with the Sponsor Group:

Solely through the NIAG.

10. Proposed Start Date:

As soon as possible (potentially shortly after the NIAG virtual Plenary meeting, 3-4 June 2020)

11. Desired Completion Date:

As soon as possible. In order to be relevant for the NATO-Industry Forum 2021 preparation, initial substantive results should be available by mid-October 2020.

12. Study Classification:

NATO Unclassified. Annexes can be developed at higher classification level, as necessary.

13. Study Open to Partner industries:

Yes, to Austria, Finland, Sweden, Switzerland, Ukraine

14. Final report releasable to:

To Austria, Finland, Sweden, Switzerland, Ukraine

15. Sponsoring Group Point and IS Point of Contact:

NIAG – spontaneous proposal

IS POC – Industry Relations Coordinator

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