



European Network Against Arms Trade

# The arms industry and the EU Constitution

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The European Network Against Arms Trade (ENAAT) has participant groups from 13 European countries. These groups work independently and have structures which fit their own national situations. However, as the arms industry globalises, the groups have recognised the growing need to work together at international level.

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# Introduction

For the past five years, after decades of inactivity, a common foreign, defence and security policy in the EU has been developing at amazing speed. The EU has reached agreement on capacity needs, political and military strategy, on a command structure and an arms agency. The military aeronautics industry has consolidated itself. With the ten new members now fully incorporated in the Union and the strategically very important Turkey finally on its way to membership, the European Union is developing a platform for global preventive military action. A strong military EU is on its way.

It is doubtful if this is what the European population wants. Opinion polls have shown that a majority of European citizens were opposed to the war in Iraq and preferred other methods of handling the controversy about the suspected weapons of mass destruction. The relative absence of protest against the development of a militarised EU does not signify popular consent; it merely means that people do not know it is happening.

Since European leaders have launched the ideological project to create a European Constitution, European citizens should take this as an opportunity to voice their opinions. We need to do this because, although to a large extent the Constitution merely incorporates the former European Union Treaties, it also includes new and alarming elements, especially on the subject of foreign policy and defence. As it is a document that will be hard to change (it can only be changed if the 25 EU member states are unanimous) it deserves careful scrutiny. If this Constitution comes into force, the foreign and defence policy of the European Union will be set in a most unwelcome direction for years to come.

The European Constitution points towards a more aggressive way of solving conflicts, a less restrictive arms export policy and an increase in violence and

armed conflict. The European arms industry has been successful in finding itself a niche in the common security and defence policy. Lobbying by the industry has impacted directly on political decisions. By introducing the first European arms research budget ever, and making it compulsory for all member States to improve their military capacity, the Constitution will give the arms industry a competitive advantage, especially in relation to the American military giants, which have been enjoying a much larger market for sales at home.

People concerned with peace, security and human rights should be very worried about these developments, but most of them are unaware of what is going on in Brussels. Control of military affairs and of the arms trade (which has never been a model of transparency and democracy) is being taken away from national decision-makers, and policies are being militarised.

In 2005 and 2006 referenda will be held in many countries to consult European citizens about the new European Constitution. These referenda are not about xenophobia and nationalism, they ask what kind of Europe we want to live in. Do we want a Europe which focuses on conflict prevention, diplomacy and international law? Or do we want a Europe which is directing its budgets to more arms and a more efficient military industry? Can we expect the Constitution to enhance the restrictions on arms trade? Or must we fear that arms export policies will be relaxed? With the publication of the report, "The arms industry and the European Constitution", the ENAAT Research Group hopes to contribute to the debate on the Constitution by supplying facts and arguments to consider when it comes to a vote on Europe's future. Even though, following the votes in France and the Netherlands, the Constitution is likely to be dropped in its current form, most of the military changes are happening anyway.<sup>1</sup>

# Executive summary

The development of the European arms industry cannot be understood without knowing something about the relationship between politics, the military and the armaments industry. The EU Constitution says that a common security and defence policy is to be an integral part of the EU foreign policy. The European Council drives this policy. It is to “identify the Union’s strategic interests and determine the objectives of its common foreign and security policy.” It is to “provide the Union with an operational capacity drawing on civil and military assets. The Union may use them on missions outside the Union for peace-keeping, conflict prevention and strengthening international security in accordance with the principles of the United Nations Charter.” Note that “in accordance with the principles of the United Nations Charter” is not the same as “in accordance with United Nations decisions”. The chosen formula leaves open the possibility of military operations without explicit UN sanction.

The European Security Strategy (ESS) includes an analysis of Europe’s security environment. It defines the Union’s strategic objectives and sets out the policy implications this will have for Europe. Key policy implications from the ESS are included in the Constitution. While identifying a range of problems and causes of conflict, the ESS is very ‘threat-based’. It over-estimates the danger of terrorism and weapons of mass destruction. By accepting the ESS, the EU goes a step further than the Petersberg Tasks, because the EU is called upon to “act before countries around us deteriorate”. When necessary this can also include military intervention, and at an early stage because “preventive engagement can avoid more serious problems in the future”. Therefore, the EU needs to “(...) develop a strategic culture that fosters early, rapid, and when necessary, robust intervention.” No geographical limits are placed on the EU’s security interests. In fact, the ESS is adding an autonomous European capability to the already extensive NATO ones.

According to military strategists there are gaps in shared EU military equipment and in interoperability. However, if all the EU’s capabilities are taken together, there is a lot of overlap. Harmonised procurement and shared capabilities would enable EU armed forces to make much more efficient use of their budgets. This

would be the job of the European Defence Agency (EDA). The Constitution says that: “Member states shall undertake progressively to improve their military capabilities. An Agency in the field of defence capabilities development, research, acquisition and armaments (European Defence Agency) shall be established...” The EDA is supposed to promote coherence in European military procurement, to encourage collaboration in procuring equipment, to promote Europe’s military industrial base, and, more specifically, to foster European research in areas of military relevance.

The EU has a combined military budget of  $\square$ 160 billion and 1.6 million troops, making it the world’s second largest military force. By comparison, the US military budget is currently in excess of  $\square$ 330 billion, more than a quarter of which is spent on arms purchases. There is strong pressure on the European NATO members to fill this supposed gap. This improves the bargaining power of those pressing for higher EU military budgets. The ISS says that approximately  $\square$ 42 billion would be enough to make up the chief shortfalls, but this seems to be just a starting figure. No allowance is made for the procurement necessary to transform European from territorial defence to intervention and expeditionary warfare. Hopes of military budget cuts are therefore unrealistic. Even if countries share their weapons systems to avoid costly duplication, there will be many new programmes and priorities for out-of-area missions and homeland security, and these will cost more than can possibly be saved.

The arms budget in the US is huge, but it comes at a high cost. The US has an enormous government debt which is paid for by capital flows from the other rich parts of the world. The total costs of the Millennium Development Goals (the UN programme to eradicate extreme poverty) over eleven years is lower than total world military expenditure for one year. While the eastern European countries are currently below the global average figures for government military spending, there is pressure from both NATO and the EU to spend more.

Europe is still a multinational entity, where capitals defend different historical interests. However, the effort to rationalise Europe’s military industry has had some

success. Over the past decade there has been a series of mergers and take-overs. Three European arms giants have emerged: BAE Systems, with three quarters of its production in the military sector; EADS with one quarter, and Thales with two thirds. The key products of these companies are advanced military technology, aircraft and naval vessels (BAE Systems), civil and military aircraft and satellites (EADS) and military electronics such as radar and communications and control systems (Thales).

The European military industry competes vigorously with its US counterpart. With the advantage of scale, the US is able to make products of comparable technical quality much more cheaply. On the political side, there have been several attempts to streamline legal rules and export policies, and work towards common procurement and financial support. One of these political moves was the creation of OCCAR, a common procurement programme adopted by the European Union's six largest arms-producing countries. By providing industry with large combined orders, cheaper production runs should be guaranteed. In 2000 the same countries signed a Framework Agreement to restructure European military industry. The aim of the Agreement was to harmonise regulations and facilitate co-operation between arms-producing companies in the six countries in the production and export of military equipment. The Framework Agreement relaxes arms export controls, because some Framework countries have weaker controls than others, but the list of potential recipient countries has to be agreed by all six. In a move away from transparency, this list of potential recipients is intended to remain secret. Although OCCAR and the Framework Agreement only affect some EU member States, they will become part of the whole EU constitutional process by being brought within the EDA.

When preparing the draft text of the European Constitution, the European Convention's working group on defence invited a number of experts to advise on which major aspects to include in the text of the treaty. In addition to a number of people with a military background, three of the thirteen experts represented the interests of the arms industry. Their level of influence is extremely worrying, especially given the absence of any civilian input or critical voice on these issues. The influence of the arms industry is also evident from the fact that for the first time in its history, the EU has begun to provide funding for the industry. Initially, this funding can only be given for 'homeland security research', which makes it more

acceptable to the public. It will probably be only be a matter of time before the 'softer' funds for homeland security research are made available for actual military R&D spending. The emphasis placed on bringing military research within the EU domain is also reflected in the text of the EU Constitution, which places it under the authority of the European Defence Agency, one of whose functions is "to support defence technology research".

As the amount of weaponry the EU can absorb is limited, the higher the sales of a product outside the Union, the more profitable it becomes for the company. The costs of research and development costs are spread over larger quantities. This export drive increases arms production capacity as well as armaments, because export orders tend to include transfers of technology. In 1999-2003 Europe was responsible for 23% of all global arms exports; of these exports, 80% went to non-European countries. So the European industry is massively dependent on exports. Arms control regimes must be used, and interpreted strictly, to counteract the industrial export drive.

In order to harmonise legislation on arms exports, the EU has signed a code of conduct on the export of conventional arms (EU-CoC). This code includes conditions on social expenditure, human rights, internal and international conflict and international security. Arms control could have been included in the Constitution through a reference to existing policies and the EU-CoC, but it has been left out. The Constitution does contain an article which says that arms export policies are not the responsibility of the European Union (Art. III-436). By contrast with other sectors of the economy, no limits are placed on protection or subsidies for the military sector. The EU Constitution explicitly states that "any Member State may take such measures as it considers necessary for the protection of the essential interests of its security which are connected with the production of or trade in arms, munition and war material; such measures shall not adversely affect the conditions of competition in the internal market regarding products which are not intended for specifically military purpose." Although the European Defence Agency and thus military industrial policy are included in the Constitution, arms control is explicitly left out. The so-called 'security exception' enables member States to take whatever steps they consider necessary to protect their domestic military industry.

# Relevant articles in the Constitution

In a purely legal sense, the new European Constitution is no more than a treaty between sovereign States, like other EU Treaties. However, calling it a Constitution gives this Treaty a psychological impact greater than 'normal' treaties. The European Constitution is being used to promote the European Union and make it more popular with its citizens. It also includes elements of 'nation building'. It provides for the creation of national symbols such as a European anthem (based on Beethoven's "Ode to Joy") and a motto ('Unity in Diversity'). European leaders are apparently hoping that cosmetic measures will create a feeling of 'European-ness'..

The European Union urgently needs more legitimacy. In most European countries, including the new member States, turn-out at elections for the European Parliament is extremely low. This was why Giscard d'Estaing, former President of France and chairman of the Convention on the Future of Europe which drafted the text of the Constitution, issued a strong appeal to European countries to consult their citizens on the Constitution before ratifying it.

An important part of the Constitution is a new definition of the common security and defence policy of the European Union. This makes a sense of European identity even more urgent. If the EU really wants to develop a European military force, this force needs to know what it is fighting for.

The relationship between politics, the military and military industry, and their common interest, is the driving force behind the European military industrial policy. A more efficient military industry is in the interest of politicians and the military, because efficiency reduces costs. However, military threats (real or perceived) and the need for more military hardware is in the interests of the armed forces and military industry. The more politicians think security can be found in armaments and military technology, the more will be spent on new military equipment, and the more profits will be made by the arms industry.

## A common military policy

In the EU Constitution specific provision is made for a CFSP "based on the development of mutual political

solidarity among Member States, the identification of questions of general interest and the achievement of an ever-increasing degree of convergence of Member States' actions." (art I-40.1 EU Constitution)<sup>2</sup> The European Council is to lead this policy and "identify the Union's strategic interests and determine the objectives of its common foreign and security policy."

The Common Security and Defence Policy (hereafter called defence policy) is to be an integral part of the foreign policy. It is to "provide the Union with an operational capacity drawing on civil and military assets. The Union may use them on missions outside the Union for peace-keeping, conflict prevention and strengthening international security in accordance with the principles of the United Nations Charter. The performance of these tasks shall be undertaken using capabilities provided by the Member States." (Art. I-41.1 EU Constitution)

The EU has been involved in two of these tasks, peace-keeping and conflict prevention, since it adopted the Petersberg Tasks.<sup>3</sup> For several years it has engaged in them, with missions in Macedonia, Bosnia and the Congo, and since December 2004 it has accepted responsibility for implementing the civilian aspects of the Peace Agreement in Bosnia and Herzegovina. The third task, however, "strengthening international security" is new to the EU and opens the door to yet unspecified military operations all over the world. A new development in the EU is institutionalised. When the Constitution says that action will be "in accordance with the principles of the United Nations Charter" this is definitely not the same as "in accordance with United Nations decision-making". This formulation leaves open the possibility of military operations without explicit UN sanction.

Common military action will be undertaken only when the European Council makes a unanimous decision. In order to reduce the risk that countries reluctant to participate in military operations may obstruct those who do take part, other options are included as well. Countries not in favour of military action might abstain from voting so as not to hinder those wanting to act. One may expect that when the big countries want to act there will be strong pressure on countries opposing military action to use this option of "constructive



abstention". Moreover, under Art. I-41.6 the Union might decide to give a group of front-runners "whose military capabilities fulfil higher criteria and which have made more binding commitments to one another in this area with a view to the most demanding missions" the freedom to set up a permanent structure to act in the name of the EU. This could mean that the initiative is handed over to a small group of countries which will decide on the EU's military stance from then on. However, all military action could take place under the common EU flag, even when countries abstain from voting or have surrendered the initiative to others. A country could become involved in war as an EU member State even if it has abstained on the vote for war.

## How to arm the EU army?

To fulfil the tasks formulated under the CSDP, the EU has stated that: "Member states shall undertake progressively to improve their military capabilities. An Agency in the field of defence capabilities development, research, acquisition and armaments (European Defence Agency) shall be established to identify operational requirements, to promote measures to satisfy those requirements, to contribute to identify and, when appropriate, implementing any measures needed to strengthen the industrial and technological base of the defence sector, to participate in defining a European capabilities and armament policy, and to assist the Council in evaluating the improvement of military capabilities." (Art. I-41.3)

This means that for the first time the EU will get involved in a common structure supporting military research and procurement. There have been such initiatives in the past, but they were not an integral part of the EU. The establishment of the European Defence Agency is especially worrying in the context of armaments policy. The Agency will not only harmonise the European military needs as identified on the basis of military interventions and missions laid down in the Constitution<sup>4</sup>, but will also be a supporter of, and lobbyist for, European military industries. This will include the streamlining of trade regulations and the reduction of measures likely to limit military exports.<sup>5</sup> The Constitution makes a clear choice to provide European security by means of military action, not by preventing arms proliferation and thereby armed conflict.

## Disarmament

Article I-41.3 includes the statement that "member states shall undertake progressively to improve their

military capabilities." Even if the people of a member State vote for a government in favour of disarmament, the government concerned will find it difficult to achieve the goal of disarmament, because it is bound by the Constitution to improve its military capacity. Countries can have different reasons for disarmament. It may be a question of economising, or it may be part of confidence-building measures, or a country may want to invest in its security by other than military means. All these are reasonable grounds for disarmament, but the European Constitution leaves no room for them.

Disarmament has no place in the European Constitution. It is mentioned only once in the whole of the text, and then as a task for EU interventions in third countries. "The tasks (...) in the course of which the Union may use civilian and military means, shall include joint disarmament operations, humanitarian and rescue tasks, military advice and assistance tasks, conflict prevention and peace keeping tasks, tasks of combat forces in crisis management, including peace-making and post-conflict stabilisation. All these tasks may contribute to the fight against terrorism, including by supporting third countries in combating terrorism in their territories." (Art. III-309.1)

This article shows that the military ambitions of the European Union are now greater than under the Petersberg Tasks. In this article, the authors of the Constitution allow preventive action, that is, military intervention not to help solve a crisis, but to prevent a real or supposed threat from becoming an actual threat. In future any country may be at risk of being perceived a threat, which would in turn risk intervention by EU troops. The war in Iraq (based, in this case, on the unproven threat of weapons of mass destruction) showed what a slippery slope can be created by joint disarmament operations.

## Financial support

By contrast with other sectors of the economy, no limits are placed on protection or subsidies for the military sector. It is the most pampered industrial sector in Europe. National financial support for military industry is possible because neither EU nor World Trade Organisation (WTO) free market rules apply to it. Article III-436.2 of the EU Constitution expressly states that "any Member State may take such measures as it considers necessary for the protection of the essential interests of its security which are connected with the production of or trade in arms, munition and war material; such measures shall not adversely affect the conditions of competition in the internal market



regarding products which are not intended for specifically military purposes." What is new here is that the EU itself will begin actively supporting the arms industry, especially its research and development capacity. It will do so through the European Defence Agency (EDA).

## Who controls the CSDP?

The Common Foreign and Security Policy and the Common Security and Defence Policy fall under the direct authority of the Council. "The European Council shall identify the Union's strategic interests and determine the objectives of the common foreign and security policy. The Council shall frame this policy within the framework of the strategic guidelines established by the European Council (...) (Art. I-40)" The guidelines referred to here are those laid down in 2003 in the agreement on a European Security Strategy. The inclusion of the European Security Strategy in the Constitution endows it with almost indisputable status. The European Council is advised on the CFSP and CSDP by the European Commission, where the arms industry lobby has very good connections.

The role of the European Parliament, the direct representatives of Europe's citizens, is very limited. The Parliament is only entitled to limited information about what is going on: "The EU Parliament shall be regularly consulted on the main aspects and basic choices of the Common Foreign and Security Policy. It shall be kept informed of how it evolves." (art I-42.8) The Parliament will not have any decision-making powers. At best it might be able to exert some indirect influence, because: "The Union Minister for Foreign

Affairs shall ensure that the views of the European Parliament are duly taken into consideration. Special representatives may be involved in briefing the European Parliament." (art III-304.1) So the only possible democratic control over the decisions taken by the Council takes on the CFSP will be through national parliaments. Especially in cases where quick decisions are required, the parliaments will suffer from a lack of direct information and from their physical distance from the place where decisions are taken.

## What does the Constitution mean?

The CFSP and CSDP chapters of the Constitution are based on the vision of an EU of strong military capacity, including a robust military industrial base. It is yet to be seen how far this Constitution will be binding on member states where their national policies differ from the rules of the Constitution. It can be expected that the large EU member States will find it easy to ignore their Constitutional obligations and to interpret the articles in whatever way suits them, as can be seen from the way the Stability Pact<sup>6</sup> works out in practice. However, the Constitution sends out a strong signal to the rest of the world that Europe is moving towards being a military player on the international stage. By adopting this Constitution, Europe will be choosing to spend resources on military hardware, rather than on other ways of achieving security which maybe much more effective in a world where threats are diffuse and often non-military. This choice is the outcome of a process which started long before the Constitution was written, and which has ultimately emerged in the European Security Strategy.

# Preparing a military EU

The origins of a common European security and defence policy can be traced back as far as 1948, when the Treaty of Brussels established the Western European Union (WEU). Since then the concept of a common foreign and security policy for the EU has been put on the table regularly, but it was not until the end of the Cold War and the violent break-up of Yugoslavia, right on the border of the EU, that the political will emerged to take steps towards it.

In 1992 the Ministerial Council of the Western European Union, at that moment the most likely body to develop a European military capacity, formulated the Petersberg tasks. With these the WEU committed itself to humanitarian, peacekeeping and rescue operations, and to crisis management, including peacemaking. In 1993 the European Union Treaty formulated a decision making structure for a common foreign and security policy which would include “the progressive framing of a common defence policy, which might lead to a common defence (...)”<sup>7</sup> An instrument for doing this was found through creating a link with the WEU such that the EU could instruct the WEU to carry out Petersberg Tasks.

The Treaty of Amsterdam (1997) made the WEU an integral part of the development of the EU. The EU appointed a High Commissioner on Common Foreign and Security Policy. This post was given to Javier Solana, former Head of NATO. The High Commissioner’s role is to assist the Council on CFSP matters by contributing to the formulation, preparation and implementation of decisions. In the Nice Treaty the EU established a Political and Security Committee (PSC), a Military Committee (EUMC) and a Military Staff (EUMS), forming a permanent political and military structure responsible for operational EU military policy.

## Growing ambition

In 1999 something seemed to change in the EU. As one Parliamentarian said: “The introduction of the single currency in January 1999, the entry into force of the Treaty of Amsterdam and its new provisions concerning the Common Foreign and Security Policy on 1 May of the same year, the Kosovo war and finally, the fresh impetus given to its enlargement policy have

completely changed the Union’s self-image. (...) the Union has reassessed its role, gained the self-confidence and determination it had previously lacked and decided to embark [on] what is, given the central importance for national sovereignty, the hardest part of the European integration process, i.e. security and defence.”<sup>8</sup>

The military intervention in Kosovo in 1999 (known as Operation Allied Force), helped to muster the political will necessary to speed up the Common Security and Defence Policy. The popular impression given of the Kosovo war was that the EU needed the United States to save innocent civilians from Serb aggression, and that the EU was incapable of helping fellow-Europeans in danger. The EU could not intervene in crisis situations, it was said, because it lacked military capacity. If Europe could not even handle a military operation close to its borders, it was certainly out of the question that it could ever intervene in regions outside Europe. The problem would also arise of a lack of political will and unity.<sup>9</sup>

The leaders anxious for a stronger European capacity took advantage of the opportunity presented by the Helsinki Summit in 1999, when the EU agreed on Headline Goals for the CSDP. A 60.000 strong multilateral Rapid Reaction Force was to be created for humanitarian and rescue missions, as well as for peacekeeping and peacemaking. These forces would be deployable within 60 days, be kept operational for at least one year, and even be able to participate in several operations at the same time. However, there was no common strategic vision of when and how the EU might contemplate military action.

## A Secure Europe in a Better World

As a reaction to the European divisions on the invasion of Iraq, in May 2003 the EU Ministers of Foreign Affairs asked Javier Solana to produce a common strategy document for the EU.<sup>10</sup> This was a logical step towards enhancing the EU’s common military policy. Solana produced a paper which was initially presented in Thessalonica in June 2003, and then adopted in a revised form by the European Council in December of

that year. In this paper, the European Security Strategy (ESS) is presented under the optimistic title: 'A Secure Europe; In a Better World'.<sup>11</sup> It analyses Europe's security environment, defines the Union's strategic objectives, and concludes with the policy implications this will have for Europe. This European Security Strategy provides a framework for understanding the foreign policy and security paragraphs in the Constitution. Key policy implications from the ESS are found in the Constitution, and to understand the paragraphs in the Constitution on military policy it is useful to look closely at the European Security Strategy.

## Threats and causes of conflict

The starting point of the analysis in the ESS is that the EU, which now has 25 states producing a quarter of the world's Gross National Product (GNP), has a responsibility for global security. Moreover, in this globalised world Europe is faced with new threats. It has to look beyond defending its own territory, because of new threats emerging as a consequence of security issues elsewhere in the world. Five key threats are identified: terrorism, the proliferation of weapons of mass destruction (WMD), regional conflicts, failing States and organised crime. The ESS therefore covers a wide range of military security problems.

Between the first draft version of the Strategy<sup>12</sup> and the final version, this threat analysis has been considerably revised. In the first draft of the Strategy the emphasis on threat, especially from terrorism and WMD, was stronger and more in line with that adopted by the US National Security Strategy in 2002.<sup>13</sup>

Another interesting change is in relation to economic globalisation as potential cause of conflict. The first version of the Strategy states that: "Flows of trade and investment, the development of technology and the spread of democracy have brought freedom and prosperity to many people." In the final version, a sentence was added to show that demands for a just and democratic international order had not passed unnoticed: "Others have perceived globalisation as a cause of frustration and injustice." However, the reasons for this injustice – frustration and growing poverty in some parts of the world – are described as "economic failure linked to political problems and violent conflict" in the developing world. This may be partly true, but critics of globalisation have pointed out that injustice is caused not only by corrupt leaders who abuse their authority and by weak institutions, but also by external forces. These include the World Trade Organisation (WTO) and the EU. The sentence referring to frustration seems to have been included in

the text only in order to make it easier for those 'others' to accept, and it is unconnected to the rest of the Strategy. In that sense the ESS is completely in line with the Constitution, which embraces the free market and lays down as a fundamental principle that: "The free movement of persons, services, goods and capital, and freedom of establishment shall be guaranteed within and by the Union, in accordance with the Constitution." (Art. I-4)

In other paragraphs the ESS identifies problems without identifying root causes: "Competition for natural resources – notably water – which will be aggravated by global warming over the next decades is likely to create further turbulence and migratory movements in various regions." As written, this statement leaves open which of these, climate change or major movements of people, should be seen as the security threat. Implicitly, it suggests it is the latter.

Europe's increasing economic vulnerability is also recognised, because of its "interconnected infrastructure in transport, energy information and other fields."

Although range of problems and causes of conflict are identified, the ESS is very 'threat-based', over-estimating the danger of terrorism and WMD. By focusing on causes of conflict, it comes to a logical conclusion that a "mixture of instruments" is necessary to address the modern threats to security, and emphasises military solutions.

## From peace-keeping to robust intervention

In accepting the ESS, the 25 members of the Union agreed that security is more than just the defence of the home country against violence and intrusion. It also means being able to intervene anywhere in the world if European interests are at stake. This might include defending economic interests, such as the energy supply, or preventing the large refugee flows into Europe.

In fact, the ESS is adding an autonomous European capability to the already extensive NATO capabilities. This will mean developing independent command structures and forces. However, the EU will first try to resolve situations within the NATO framework, and the EU army will only operate alone when NATO declines to act..

In 2003 a joint EU-NATO statement declared “Welcome the European Security and Defence Policy (ESDP), whose purpose is to add to the range of instruments already at the European Union’s disposal for crisis management and conflict prevention in support of the Common Foreign and Security Policy, the capacity to conduct EU-led crisis management operations, including military operations where NATO as a whole is not engaged.”<sup>14</sup>

The Strategy places no geographical limits on the EU’s security interests, although there is a special concern about the stability of the areas bordering on the EU such as the Balkans, European non-EU states, the Southern Caucasus and the Mediterranean. With respect to the Mediterranean, the Strategy stresses the importance of an Arab-Israeli solution and says “A broader engagement with the Arab world should also be considered.” Undoubtedly, this is because: “Energy dependence is a special concern for Europe.”<sup>15</sup>

The Strategy goes a step further than the Petersberg Tasks. The aim is no longer only to be able to act in crisis situations. Now the EU also wants to “act before countries around us deteriorate”. The Solana paper speaks of “effective multilateralism” and stresses that “for international organisations, regimes and treaties

to be effective” the EU must be “ready to act when their rules are broken.” When necessary this can also include military intervention, and at an early stage because “preventive engagement can avoid more serious problems in the future”. Therefore the EU needs to “(...) develop a strategic culture that fosters early, rapid, and when necessary, robust intervention.”

This opens the door to all kinds of military operations and although “(...) a rule-based international order is our objective”, and the future European military force is supposed to co-operate with the United Nations as it responds to threats to international peace and security, the Strategy does not say that the EU will always need a UN mandate for military action. Thus it expressly leaves open the possibility of acting without the consent of the United Nations.

A more integrated European army implies increasing multinational co-operation, the pooling of resources, and task specialisation around ‘cores of excellence’. To “transform our militaries into more flexible, mobile forces and to enable them to address the new threats,” the Strategy calls for more resources and a more effective use of them, and emphasises the need for better use of current budgets.

# Capacity building for a military EU

On the political level, the development of the CSDP since 1999 looks spectacular, particularly in contrast to the slow progress made in previous decades. But the military structures in individual countries are much slower to change. National self-defence is still the dominant strategy, much to the frustration of those in favour of interventionism. Only the UK, France, and the Netherlands have expeditionary armed forces.<sup>16</sup> The military establishment is rather conservative in resisting a change from territorial defence to mobile and flexible forces. It maintains its historic emphasis on land war, although naval and especially air power are essential for the purpose of intervention. The number of ground forces in the EU is still twice that of naval and air personnel taken together. Budget competition between army, navy and air forces further slows the pace of change. In addition, national governments are less than enthusiastic about investing large sums in more a flexible and integrated defence force with new equipment and structures. As a consequence, the list of military shortcomings identified by NATO and by the EU seems to have hardly changed since 1999.<sup>17</sup>

## European capabilities

The agreement on the Helsinki Headline Goals in 1999 and the establishment of a Rapid Reaction Force raised the question of how to make EU forces capable of action. As a result two confidential “catalogues” were produced by the EU Military Staff: the Helsinki Headline Catalogue, which reviews all European military capabilities, and the Helsinki Force Catalogue, which lists all the commitments of member States. Military strategists came up with a list of gaps in shared EU equipment and in interoperability. However, if all the EU’s capabilities are taken together, there is a lot of overlap. Common, harmonised procurement and the sharing of capabilities could enable the EU armed forces to make much more efficient use of their budgets.

As a step towards this, the EU launched a European Capabilities Action Plan (ECAP), to rectify 24 ‘significant’ capability shortfalls identified in the Helsinki catalogue. ECAP is organised into working panels comprised of experts from member States who work on looking for solutions, including multinational ones, and new forms of co-operation. This leaves

room for expensive and long-term procurement programmes as well as for more flexible and quicker leasing and pooling options.<sup>18</sup> Former NATO experts have provided military and technical advice for the ECAP.

## Presumed defence gaps

NATO has also made an inventory of the supposed gap between the European and the US partners in the Alliance and of lessons learned from joint military missions, especially the Allied Force operation in Kosovo. In the Kosovo war, the only kind of bombing that was considered feasible, in the light of international law and public opinion, was precision bombing. However, fewer than 10% of Europe’s fighter jets were capable of precision bombing, and only the US had the capacity for all-weather, day/night precision bombing. Only a few European allies had precision-guided missiles, so it was the US which contributed strategic and stealth aircraft. The European allies also lacked reconnaissance and surveillance aircraft. In addition, there were problems with interoperability, highlighted by communications problems with the planes for warning and communications (AWACS).

To bridge this supposed gap, NATO launched the Defence Capabilities Initiative (DCI), to “improve defence capacities to ensure the effectiveness of future multinational operations (...) with a special focus on improving interoperability among Allied forces and where applicable also between Alliance and Partner forces.”<sup>19</sup> NATO came up with a list of equipment and structures that were said to be lacking on the European side. For what the military call “crisis response operations,” which means military intervention beyond NATO territory, the Alliance should buy new equipment for small-scale operations of longer duration. The most important areas identified were “deployability and mobility of Alliance forces, [...] their sustainability and logistics, their survivability and effective engagement capability, and [...] command and control and information systems”.<sup>20</sup>

However, Europe was not willing to increase its military capacity to the level desired by NATO and, in 2002, the DCI was replaced by the less ambitious Prague

Capabilities Commitment. This is now placed in the context of a NATO Response Force, a small but rapid, reaction force which should be deployable within 5 to 30 days.

## **NATO-EU relations**

Under the so-called 'Berlin + arrangement', NATO offered the EU the possibility of using its equipment – especially command facilities – for independent EU operations in which NATO as a whole was not engaged militarily. This gives the EU access to NATO planning and command capabilities and makes NATO equipment available for use in EU-led operations.<sup>21</sup> For example, in the case of the EU follow-on mission in Bosnia-Herzegovina from December 2004 onwards, NATO's Deputy Supreme Allied Commander Europe (DSACEUR) is the EU Operation Commander. NATO will maintain its headquarters in Sarajevo and continue to assist Bosnia and Herzegovina in areas such as security reform and the fight against terrorism.<sup>22</sup>

It is clear that NATO will remain the most important military organisation for Europe, with 19 of the 25 EU states members of the Alliance.<sup>23</sup> However, the military ambitions of some European political and military leaders continue to grow. In 2004 the EU launched new Headline Goals with which it aims to translate the European Security Strategy into concrete military objectives. One aim is that the EU should be able to sustain several operations simultaneously. Military capacity has been extended by the introduction of so-called Battle Groups, nine multilateral rapid reaction units of 1,500 military personnel each, deployable within a week. This short timescale for deployment makes them suitable for quick crisis intervention, but places severe strain on democratic control over military missions outside the EU. In 2002, a Committee of the WEU concluded that national parliaments played virtually no part in controlling the international deployment of national armed forces.<sup>24</sup>



# Do we need to fill the gap?

The EU has a combined military budget of €160 billion and 1.6 million troops, making it the world's second largest military force, but it lacks capabilities such as rapid troop deployment, real-time battle information and precision-guided munitions.<sup>25</sup> By comparison, the US military budget is currently in excess of €330 billion,<sup>26</sup> of which a large share is spent on the acquisition of weapons. There is strong pressure on the European NATO members to fill this supposed gap. Former NATO Secretary General of Robertson has pointed out that although Europe has nearly 60% of NATO's population, it provides only 40% of NATO's budget and, more importantly, only one-third of total equipment and one-sixth of research and development expenditure.<sup>27</sup> Javier Solana has asked in the ESS for more efficiency and more resources. The US has also demanded higher European military budgets, arguing that the US taxpayer should not have to make up for shortfalls in European military spending. The commitment to improve military capabilities in the European Constitution gives bargaining power to those pressing for higher EU military budgets.

In 2003 world military expenditure was over US\$900 billion; a sharp increase compared to 2002, when US\$850 billion was spent. Military expenditure increased four percent in 2002 and six in 2003. The rise in 2002, as compared to 2001, of over US\$32 billion was accounted for by only a few States. According to the Bonn International Center for Conversion (BICC), the United States increased its military expenditures by US\$26 billion. China, Russia, Iran, Brazil and India together spent a total of US\$7 billion more in 2002 than the preceding year. On the other hand, in the rest of the world military expenditure fell by one billion dollars.<sup>28</sup> The US share of global military expenditure exceeds 40 percent; that of all NATO members together is 64 percent. The massive dominance of the US is also evident from other indicators: while the number of people employed in the arms industry around the world has fallen slightly to just under 7.7 million currently, the corresponding figure for the US has grown by 3.6 percent to 2.6 million. In the area of military research and development, US expenditure now exceeds US\$55 billion annually.<sup>29</sup>

## The technology gap

When US military expenditure is compared with expenditure on the European side of the Atlantic, it is often concluded that spending in Europe is low and insufficient to close the technology gap. When this is combined with an awareness on the European side that the Americans are not always reliable in sharing capabilities, notably intelligence,<sup>30</sup> eyebrows are raised and predictable demands for more resources appear in the recommendations of many reports and articles. It remains questionable how necessary investment is. How much security can be gained from advanced military technology? Can stealth aircraft prevent a man from becoming a suicide bomber? Does the US 'fighting-machine' soldier contribute more to stabilising the Iraqi society than the 'Dutch approach' (not openly armed, no sunglasses and an open car instead of armoured vehicle. Just how big the Atlantic technology gap is also depends on what European "defence" wants to achieve. A study by the Institute for Security Studies (ISS) envisages five possible scenarios :

1. a large scale peace operation;
2. high-intensity humanitarian intervention;
3. regional warfare in the defence of strategic European interests;
4. preventing an attack from Weapons for Mass Destruction (WMD); and
5. homeland defence.<sup>31</sup>

The ISS says that approximately €42 billion is enough to solve the main financial shortfalls,<sup>32</sup> but this figure excludes procurement, which is said elsewhere in the study to be necessary to transform European defence from defending territory to conducting intervention and expeditionary warfare; such preventive and robust interventions are seen as a precondition for an effective ESS. It looks as though the ISS report is proposing a reasonable first step, within current financial limits,- in closing the gap and expanding Europe's capabilities. Some requirements for expeditionary forces are excluded from the calculations and placed in a category labelled 'future needs'.<sup>33</sup> This



is shorthand for weapon systems deemed necessary for an effective security strategy.

The €42 billion seems to be just a starting figure in the context of the more ambitious text of the ESS, which includes all five scenarios. "It would be a good idea to discuss the European defence based more on scenarios and the costs attached to them. It is possible to paint a European army based on a combination of scenario 1, 2 and 4 within the current budgets and without being entangled in major wars and internal militarisation," says Kees Kalkman of the Netherlands based research institute VD AMOK in a reaction to the study.<sup>34</sup>

The ISS paper states that Europe will never be able to match the change in US-doctrines which has come about with the introduction of the Revolution on Military Affairs (RMA) and Network Centric Warfare.<sup>35</sup> As early as 2000, when the figures were lower, a Canadian Colonel observed: "America has become fascinated with the prospect of projecting military force through the exploitation of the technological capabilities offered from advanced civilian technology, even while most other Western countries have been preoccupied with the more mundane tasks of force reductions, the creation of professional forces, and restructuring. Throughout the rest of the developing world, the RMA is a completely unattainable concept."<sup>36</sup>

It is also questionable whether there is a technology gap in general. Gordon Adams of the Washington University, who co-authored a two year study on the technology gap between the US and Europe says: "The gap is more about direction than about technology. (...) Their toys may not be as shiny as ours, but they are perfectly usable."<sup>37</sup> This report was published in October 2004, a time when President Bush's first term in office had greatly increased the gap between military expenditure in Europe and the US. Its main conclusion was that there was a gap not in technology, but in investment. Europe spends less on the military, and the EU countries use the money for the Cold War-type weapon systems, such as tanks. This means the EU has much less to invest in improving network technologies.<sup>38</sup> It is not about closing the technology gap, but about resources to buy more military technology and the restructuring of the armed forces.

## The financial gap

The US military budget is unmatched, but its size used time and again as an argument for increasing EU military spending. The EU group Star21, which has

promoted the interests of the European aerospace industry writes: "The European aerospace industry is a world leader in several key market sectors, accounting for one third of the world's aerospace business in terms of turnover, compared with almost one half for its US counterpart."<sup>39</sup> This comparison is the main theme of a report by Star21 explaining why rules must be changed and more support given to the industry. The EU Commissioners, who worked together with the heads of the European aerospace companies in Star21, could also have looked at the figures in another way. The US produces 50% and Europe 33% of all aeronautics. This means only 17% is produced by the rest of the world, including China, Russia, Japan, South Korea and India. Nevertheless, the gap with the US is a constant refrain in almost all articles about European military industry. There is however another gap; the gap between "us" and "them" – the Western world and the rest. The US may impress some Europeans, but many others ask the obvious question why the US has a military budget almost as big as that of the rest of the world combined.

The budget argument is not new. After the Cold War, military budgets were cut in both East and West.<sup>40</sup> The gap between US and West European military budgets fell from US\$140 billion in 1987 to US\$70 billion in 1996. In spite of what was said at the time, in fact Europe was slowly bridging the gap. The budget in the US is huge, but comes at a high cost. The US has an enormous government debt which is covered by capital flows from the other rich parts of the world; but even its massive spending does not enable it to win the war in Iraq.

There is also a moral argument to make against the quest for enhanced weapon budgets. Vast resources are already spent on weapons and the military while people starve or go short of clean water. These other gaps need to be closed, and the military budget is enough to close most of them. The total cost of the Millennium Development Goals – the UN programme to eradicate extreme poverty – over eleven years is less than world military expenditure for one year.<sup>41</sup> Spending so much on the military stems from a narrow vision of security and, to speak bluntly, is criminal.

The new EU countries are faced with similar demands to spend more on the military, and not without result. The UK Export Credits Guarantee Department is arranging export credit facilities in order to guarantee more arms sales to Eastern European countries in the next few years.<sup>42</sup> This is part of the EU-policy of improving the military capabilities of member States, and also a result of NATO membership. However, the

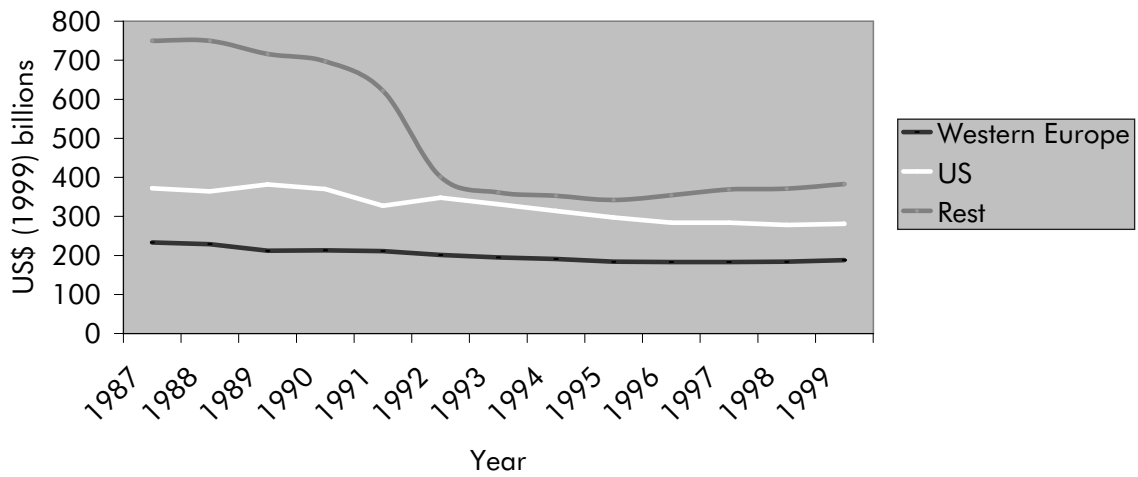
EU Constitution is among the factors which will force the new EU countries to increase their military spending. This is in spite of the bleak economic situation in some of the eastern European countries – notably the biggest, Poland – which prevents them from providing adequate social welfare, health, education and unemployment benefits.<sup>43</sup> While the

eastern European countries are currently below the global average figures for government expenditure on the military,<sup>44</sup> pressure to increase it is coming from both NATO and the EU.

US military spending and military policy is not an example for the EU to follow.

**Military Expenditures 1987-1999, Western Europe, US and Rest of the World**

(Source: WMEAT 1996 and 1999-2000)



# The industry: competition and export

The draft Constitution and the policy paper 'A secure Europe in a better world', tabled during the Thessaloniki summit, are major recent developments in the process of creating a European Union in which States are closely connected. It has a long history, principally of convergence in economic policy, but also in military co-operation. Until recently, military industry was almost entirely within national control. However, in the early nineties, just after the end of the Cold War, discussion began on the lack of European weapons capacity for the new tasks lying ahead, such as improved air defences. The technologically advanced weaponry used during Desert Storm (1991), based on a combination of command, control, communications and intelligence (C3I)<sup>45</sup>, integrating satellite information and battlefield data, became an integral part of modern warfare and a combat-tested argument for more investment in weaponry. CNN showed this kind of weaponry in use and brought it into the living rooms of millions, also showing . weaponry failures in the Balkans. This helped make the argument for a stronger European arms industry. The Constitution and 'A secure Europe' are political programmes to enshrine the results of that debate.

## Past efforts

From the mid-1990's onwards, European military companies and EU officials regularly told the sob story of a European arms industry losing ground to its US counterpart. All the key EU Commissioners said that without an independent European military industry there would be no independent European military policy.<sup>46</sup> According to Hans van den Broek, European Commissioner on Foreign Policy, the creation of a European Defence Identity should have three components: a political one, a military one and a military industrial, scientific and technological component "without which this identity will have no substance." He was essentially saying that an effective and competitive armaments industry is a precondition for the existence of a credible European Defence Identity.<sup>47</sup> A European arms industry would be able to produce exactly what Europe needs, at lower cost than separate national European industries. An arms industry policy is thus an important element in a CSDP. The need for a change of policy was also emphasised by the Director- General of the EU Commission for

Industry, Guy Crauser, who warned that Europe must Europeanise its military industry: "(...) it is now time to encourage European industry to take the steps to enhance its competitiveness. Steps which are necessary for its sheer survival. Unless bold political decisions are taken, it will not withstand the triple pressure of declining defence budgets, increased US and third country competition, and national trends that resist integration."<sup>48</sup> Van den Broek and Crauser were both speaking for the common objectives of various political interests in Europe which aim to develop a European military industrial base, European military integration, and national policy reform and budget allocation. This viewpoint, developed during past conflicts, but especially during the Balkans war, form the background to the new developments, as laid down in the Constitution and ESS.

## Competition with the US

European military industry is in fierce competition with its US counterpart. With the advantage of scale, the US is able to make products of comparable technical quality much more cheaply. Their sales potential is guaranteed by an enormous home market and a much bigger military budget; the Pentagon has a strong domestic industrial base to source its weapons. This US advantage is boosted by its reluctance to share military capabilities, even with its European allies. During the Clinton era this policy was relaxed so that military intervention alongside key allies would be easier. For example, the US Defence Science Board (DSB) came. up with a proposal for a more relaxed arms export policy – building higher walls around fewer, but more advanced, technologies and facilitating transnational mergers of military corporations to help them achieve bigger profits. The DSB document acknowledges that its proposals may conflict with "foreign policy objectives, particularly those achieved by limiting foreign access to US defence technology, products and services," but the interests of US military companies are given precedence in the report,<sup>49</sup> as are joint operations with allies. In July 2003, the influx of overseas weapon systems, partly as a consequence of industrial co-operation with allies, led to strong opposition in the US. Republican Congressman Duncan Hunter proposed a 'Buy American' policy instead. Hunter

demanded that the minimum percentage of US-made components in weapons bought by the Pentagon be raised from 50% to 65%. The Bill was diluted under pressure from politicians and Pentagon officials who feared it would exacerbate the growing political gap with allies of the US. It could also lead to fewer purchases by the allies from the US. Criticism also came from Europe, where national politicians and the European Commission both raised queries.<sup>50</sup> In the end, only one of Hunter's proposals survived this counter-offensive. Tools to produce weapons must be of US origin, as those tools are the most important part of any military industry. In practice, while co-operation with the US continues to grow, key technologies are being withheld, even in major programmes, such as the Joint Strike Fighter. Nevertheless, the American weekly *Defense News* commented recently that: "Rapidly mounting frustration with US restrictions on defence technology transfers will drive the European Union to create its own defence market, to the detriment of the US government and industry, EU and industry officials warn."<sup>51</sup> In other words, the EU will have its weapons, with or without the US.

## Arms giants emerging: in the US and Europe

About fifteen years ago there was another development which, at the time, was much more alarming for the European arms companies. During the early nineties the US industry completely changed its structure, and mergers and acquisitions became the norm in the US military industries. This process of consolidation was supported by the US government, which was securing its military industrial base during a time of reduced military expenditure.<sup>52</sup> The mergers and acquisitions led to much bigger US military companies such as Lockheed Martin, an expanded Boeing and Northrop Grumman. These giants were more powerful than their European counterparts, and the process gave the US companies more competitive clout in the shrinking world market. The European industry was dwarfed by these developments, and EU officials such as Van den Broek and Crauser sounded the alarm. The giants in the US, pressure on the market and the fierce competition between military companies finally led to a process of takeovers and mergers in Europe. This was a key reason why the European Commissioners joined with the armaments industry to develop a common strategy to counter this process.

Until this point, European governments wanted to keep the arms industry national for as long as possible and many EU member states are still very reluctant to give up their national military structures to become part of an EU one. Nevertheless, the example of EADS shows that companies did try, and succeed, in taking steps to keep their businesses viable. During the second half of the nineties, the three major aeronautical companies (Aerospatiale, British Aerospace and German DASA) started to talk about merging Europe's main aerospace and military companies into what was widely known as the European aerospace and defence company (EADC). This project was seen by most analysts as having failed when British Aerospace and the General Electric Company (GEC) announced a merger in January 1999.<sup>53</sup> However, instead of being a failure, the move in the UK acted as a catalyst. In May 1999 the Lagardère Group and Matra merged into *Aerospatiale Matra*, and in June the German company DASA merged with the Spanish aircraft manufacturer CASA. *Aerospatiale Matra* and DASA merged in October 1999, and the European Aeronautic Defence and Space Company (EADS) was established.<sup>54</sup> The European Commission gave the green light for the merger in May 2000, and the consolidation of the European aeronautic defence industry developed very quickly. Nothing of this kind has yet happened in either land vehicles, including tanks, or the naval shipbuilding industry.

Three European arms giants have emerged: BAE Systems (British Aerospace combined with most of the military parts of GEC), with three-quarters of its production in the military sector; EADS with a quarter, and Thales (which has companies in 27 countries) with two-thirds. The key products of these companies are advanced military technology, aircraft and naval vessels (BAE Systems), civil and military aircraft and satellites (EADS), and military-electronics such as radar, communication and control systems (Thales).

At the time of writing Germany and France are in dispute about a possible merger of EADS and Thales. This is very sensitive because of their respective national interests. When Thales joins EADS the balance between the two will be heavily weighted on the French side.<sup>55</sup> This game of "who's-the-boss" illustrates how important national ownership of military industry still is, and how far off is a real European identity in the arms industry: Europe is still a multinational entity, where capitals defend different historical interests. At the same time, however, the effort to rationalise Europe's military industry has had some success. In 1996, the biggest three European military companies had a combined revenue of US\$17.3 billion from military

production; in 2003 it was US\$33.7 billion. (see table: 10 biggest military companies).

Although most of this restructuring process is taking place within the EU, many companies also have a major interest in transatlantic co-operation, so as to gain or retain access to the world's largest military market.

While there are still intra-EU problems to overcome, the European aerospace, missile, space and electronics companies have created a stronger European military industry in just a few years, more quickly than anyone would have expected. From now on, European military industry has a choice of paths in its quest to become stronger, and the US will play a role in all of them. Europe could acquire technology from the United States; it could develop military systems and technologies on a transatlantic basis; or it could build its own military industrial base to strengthen its "own defence technology independently of the United States, and to provide partnership and competition with US companies."<sup>56</sup> This last option seems to be the favourite in military-industrial circles, not least because many companies take part in transatlantic co-operation programmes, such as missile defence and the Joint Strike Fighter, as well as in strategic partnerships, such as those between Northrop Grumman and EADS, and Thales and Raytheon. It is also part of an overall strategy that is focused not on excluding the US, but on creating a stronger European industry which cannot easily be outrun by US companies or government. This process is being helped by restructuring the organisation of Europe's military-industrial framework: and by consolidating the industry itself. Since the second half of the 1990's new organisations and agreements have been adopted at a political level to promote the development of Europe's military industry.

## OCCAR

There have been several initiatives to help consolidate the European military sector. On the industrial side we have seen a series of mergers and take-overs; on the political side there have been several attempts to streamline legal rules and export policies, and work towards common procurement and financial support. One of these political moves was the creation of OCCAR (Organisation Conjoint de Cooperation en matiere d'Armement) which was established in November 1996.<sup>57</sup> OCCAR is a common procurement programme, originally for France, Germany, Italy and the UK, but later joined by Belgium and, most recently, by Spain in 2005.<sup>58</sup> By providing industry with large

joint orders, cheaper production runs should be guaranteed. To date, OCCAR's biggest achievement is a 18 billion Euro contract for the Airbus military transport plane A400M, which aims to fill a gap in air transport. Launched in May 2003, the A400M programme's first deliveries will be to France and Turkey.<sup>59</sup>

Aviation Week & Space Technology stated in January 2004: "The military transport market underwent a major change in 2003. For decades, European countries have failed to spend more than token funds on dedicated military lift. But in May, Europe's OCCAR arms agency signed the firm procurement contract launching production of the Airbus Military Co.'s A400M."<sup>60</sup> The project was said to be a result of the rift between the US and Europe, mainly about the Iraq war. "If the continent's leading powers, especially France and Germany, want to establish a multinational superpower independent of the US, they will need a rapidly deployable out-of-area force projection capability."<sup>61</sup> The A400M has also been offered in the US, and may be an alternative for the C-130 Hercules, which is too small for newly developed combat vehicles.<sup>62</sup> Other OCCAR projects are for a combat helicopter, missile systems, vehicles, and radar systems.<sup>63</sup>

OCCAR was created to smooth co-operation between the military companies in Europe and to help provide European governments with cheaper European weaponry. OCCAR uses five principles to achieve this: 1. cost effectiveness, 2. harmonisation (requirements, technology), 3. a competitive industrial base, 4. forgoing "Juste Retour", 5. being open to other countries. However, companies from other countries may only participate as part of a project by an OCCAR member country. A share of project costs will not automatically lead to a proportionate number of jobs. Smaller countries especially are afraid of losing out, owing to their smaller bargaining power. Although only six EU countries are part of OCCAR, it is improving military collaboration in Europe, as the A400M example shows.

The A400M has also started to attract export customers.<sup>64</sup> In December 2004 EADS Chief Executive Officer proudly announced: "Having South Africa on board of the A400M more than three years before its maiden flight, is a great achievement for EADS' Military Transport Aircraft Division. It also provides evidence of the success of our strategy in bringing Airbus technology to the defence market." Later in December 2004 a letter of intent was signed by the South African government and EADS which said that



South Africa is to participate in the programme. This is worth at least 750 million euros.<sup>65</sup>

In 2000 the European Union's largest arms producing countries (France, Germany, Italy, Spain, Sweden and the United Kingdom) signed a Framework Agreement on the restructuring of European military industry. This is another example of a small group of EU countries taking the lead in formulating European military-industrial policies. The group was established in connection with the failed EADC project (see above), in which the Framework countries played an important role. The aim of the Agreement was to harmonise regulations and to facilitate co-operation between arms producing companies in the six countries, with regard to both the production and export of military equipment. It should help improve cross-border co-operation.

The Swedish Peace and Arbitration Society (SPAS) has identified two concerns about the Framework Agreement. First, it would relax arms export controls, because some Framework countries have weaker controls than others, yet the list of potential recipient countries have to be agreed by all six. Second, the list of potential recipients is to remain secret, a backward step for transparency.<sup>67</sup>

The impact of the Framework Agreement goes beyond the agreement itself. The Swedish government used it to pave the way for the signing of the Declaration of Principles (DoP), a bilateral agreement with the United States along the same lines. The Scandinavian countries have taken the Agreement as the model for a similar agreement between the Nordic countries (Denmark, Finland, Norway and Sweden).<sup>68</sup> The Assembly of the WEU takes the view that the Framework Agreement must become part of the European Defence Agency, as must OCCAR. This policy advice will be implemented by EDA soon. According to a job advertisement, a principal officer for the military industry in EDA will be tasked to pursue: "EU-wide development and harmonisation of relevant rules and regulations (particularly by an EU-wide application of relevant rules of the Letter of Intent (LoI)/Framework Agreement)."<sup>69</sup> It is also an example of bilateral agreements between the US and allied States intended to smooth collaboration on arms production and exports. By stealth, the Framework Agreement has brought new export policies into the remit of the European Union.

Though OCCAR and the Framework Agreement are projects of only some EU member states, they will be enshrined in the whole EU constitutional process by

being brought within the domain of the EDA. This means that six countries are developing EU rules and procedures on the production and export of weapons, and the six are self-chosen because they have the largest military industries. The Dutch Advisory Council on International Affairs is complaining. It "believes that it would be highly undesirable for the Framework Agreement states to create a permanent division between their own military-industrial interests and those of other EU Member States. In the long term such a split could cause alienation between the two groups."<sup>70</sup> Criticism also came from the British Conservative, Robert Key MP, who voiced US concerns that the Framework countries would follow the lowest common denominator approach on security.<sup>71</sup> He feared that that arms export policies originating in the Framework Agreement countries would follow the industry's economic interests rather than political considerations, and might lead to the arming of future enemies. Recently the Framework Agreement and OCCAR have become embedded in both the EDA and the Constitution, in both cases with the industry having had a strong influence on the shaping of policies.

## European Defence Agency <sup>72</sup>

In July 2004, EU foreign ministers formally authorised the creation of the EDA<sup>73</sup>, a process that began over a year earlier at the European Council at Thessaloniki.<sup>74</sup> The agency is enshrined in the EU Constitution, a token of the significance attached to it by the EU.

The EDA steering board consists of 24<sup>75</sup> EU defence ministers and is headed by EU foreign policy chief Solana.<sup>76</sup> Based in Brussels, the agency will have eighty staff in 2005. The 2005 budget is expected to be 25 million euro, including ten million euro of set-up costs.

The EDA is supposed to become a central component in the further development of a European foreign and defence policy. It is supposed to promote coherence in European military procurement: to stimulate collaboration equipment procurement, to promote the European military industrial base, and, more specifically, to foster European research relevant to military matters.<sup>77</sup>

The background to this project is that if the EU wants to realise its ambitions to play a more active role on the global stage – as repeatedly urged by Solana and other European leaders – its armaments policy should be better co-ordinated and more efficient. This should prevent unnecessary duplication in capabilities, and fill gaps in materiel and personnel.<sup>78</sup> If successful, it would make more efficient use of taxpayers' money. However,

given the language of the EU Constitution, hopes of military budget cuts are unrealistic. Even if weapons systems are shared by countries to avoid costly duplication, there will be many new programmes and priorities for out-of-area missions and homeland security, and these will cost more than will ever be saved.

Although the Agency seems to enjoy stronger support than similar initiatives in the past, it remains to be seen whether the EDA will succeed. The crucial factor will be the willingness of national governments to give the Agency executive powers if this means compromising national military-industrial interests.

According to UK defence minister Geoff Hoon, the Agency would not bring about a "protectionist" Europe in matters of procurement and development. However, he has warned that Europe could be pushed along that road if 'Buy America' legislation is adopted by the US Congress, adding that that "would be bad for the US and for Europe".<sup>79</sup> However, "if industry has expectations there will be billions of euros coming from the agency, they're going to be disappointed", according to Hilmar Linnenkamp, deputy chief executive of the Agency.<sup>80</sup>

Despite a fair amount of scepticism, the EDA has been warmly received by the European arms industry. Some are hopeful that the new EU security research budget will mean greater emphasis on the procurement of European-made weaponry. Others hope for an "Airbus effect", referring to the successful integration of most major European aerospace industries into EADS.<sup>81</sup>

It is no surprise then that the day after the EDA received approval from the EU foreign ministers, the Chief Executive Officers of Europe's 'big three' – EADS, BAE Systems and Thales – took a full-page advertisement in two leading European papers, with an open letter urging the EU to boost its military spending.<sup>82</sup> "Industry in Europe is under enormous competitive pressure from the United States. With US defence R&T investment running at around eight times that of Europe's fragmented total and with substantial growth in the Pentagon's vast procurement budget in a heavily protected national market, American industries are reaching new heights. While it is not the wish of Europe's elected governments or of industry to develop a Fortress Europe, it is equally not their wish to see indigenous defence technology overtaken or dependence on foreign technologies become a necessity, especially where technology transfer terms are very restrictive. Again [...] the Agency has a vital role to play." Furthermore, if the EDA is not to become

another "fig leaf to cover the nakedness of any real efforts to improve European defence," EU member states should nationally demonstrate real commitment "by addressing their defence budgets".

That message is clear.

## Arms industry lobbying<sup>83</sup>

For many years the arms industry has been trying hard to get in the door of Brussels' decision makers with their predictable message: a strong military Europe needs a strong arms industry. After many years with little reward, the industry now scents success. Boosted by the shift in focus towards more security-oriented policies since 11 September 2001, and exploiting the room for manoeuvre resulting from the lack of influence of the peace movement at an EU level, the arms industry has successfully gained access to the highest political circles in Brussels. It has secured crucial influence in most, if not all, of the rapid developments in military policy over the past couple of years. Its influence has even been strong enough for it to play a significant role in the process leading up to the Constitution.

While preparing the draft text, the European Convention's working group on defence invited a number of experts to give advice on what important aspects should be included in the treaty text. As well as a number of people with a military background, such as ex-NATO and current EU foreign policy chief Javier Solana, French defence minister Alain Richard and the chair of the EU Military Committee, Gustav Hagglund, three of the thirteen experts represented the interests of the arms industry: Corrado Antonini, president of the European Defence Industries Group (EDIG), the umbrella organisation of national arms industry lobby groups<sup>84</sup>; Anthony Parry from BAE Systems and Jean-Louis Gergorin from EADS. What exactly they have recommended to the working group has not been made public, nor is it clear exactly what influence they exerted,, but one thing is certain: no-one from the peace movement or other civil society organisations with experience of war and peace issues was asked to present their views to the working group. That indicates the lack of a balanced and democratic approach, and is itself characteristic of the general process of militarisation of the European Union.

There is another level where the arms industry has been very successful in penetrating the heart of the Brussels decision-making procedures. With active support from the European Commission, the industry has been given privileged access to the industrial-



political advisory bodies which established during the past few years in the aerospace, shipbuilding and research and development (R&D) sectors. These groups of experts from both the Brussels political arena and the industry have formed think tanks which give advice on crucial policy matters to the European Commission. The Commissioners are in fact lobbying themselves, because the advisory bodies include European Commissioners as well as members of the European parliament (MEPs) and representatives from the arms industry and military organisations. Although these think tanks have some odd names, e.g., Star21, LeaderSHIP 2015 and the Group of Personalities, their level of influence is more than worrying, especially as any civil society input or critical voice on these issues is virtually non-existent. Even to say that the arms industry is "lobbying" these advisory bodies is far from accurate, since they have been invited into them and are part of them.

The Group of Personalities in the Field of Research may be the clearest example of how these things work in Brussels. Established in late 2003 by the then commissioners Liikanen (Enterprise and the Information Society) and Busquin (Research), this group of 27 people regarded as experts in security and/or research has no fewer than eight members directly from the arms industry: BAE systems, Diehl, EADS, Ericsson, Finmeccanica, Indra, Siemens and Thales. A couple of other members come from institutes researching military matters and from ministries of defence. The purely civilian membership of the Group of Personalities was confined to four MEPs. The latter were said to have been invited to the group mainly for tactical reasons, in order to gain parliamentary support. In March 2004, days after the Al-Qaeda train bombs in Madrid, they presented their report "Research for a Secure Europe". Its first and main recommendation is that military spending should rise to one billion euros.: "This spending level should be reached rapidly, with the possibility to progressively increase it further, if appropriate, to bring the combined EU [...] security research investment level close to that of the US"<sup>85</sup>

No matter how important co-operation on security matters may be, the report's narrow focus on security, which is dealt with from a technological point of view only, combined with the sheer weight of the industry's role in compiling it, means that the way it is implemented will call for close scrutiny. Not only was the Group of Personalities an important step in the process by which the EU is coming within the embrace of the arms industry; it also signifies the trend towards the EU itself funding the industry. As already noted, it will probably be only a matter of time before the 'softer' homeland security research funds will be opened to actual military R&D money. The significance of the process by which military research is being brought within the sphere of the EU is also evident from the text of the EU Constitution, which places military research under the aegis of the European Defence Agency, one of whose tasks is "to support defence technology research".<sup>86</sup>

The Group's report has been warmly received by the EC. This is not surprising, since it set up the Group and takes part in it. So there is little prospect in the near future of turning back the tide and halting the trend towards EU arms industry subsidies. In 2004 a 'small' 65 million euro budget was introduced for security research over the period preceding the new EU framework programme on research, due to start in 2007. The 7th Framework Programme proposal, launched in early April this year, allots a 3.5 billion euro budget for the years 2007-2013 (500 million euro each year), to 'Security and Space'.<sup>87</sup> How security and space will divide the money is yet unclear. Although this figure is far below the amount the industry had asked for through the Group of Personalities, it is a lot of money for a new project, especially if we compare it with environmental research, for example, which will get 320 million euros a year. The new defence research budget is therefore a groundbreaking development which is anchored in the Constitution and is a major step towards creating a strong European military industrial base. Ultimately, such an industrial base will result in more exports.

# The Union and arms exports

The EU wants a stronger military-industrial base, and is working in a variety of ways to achieve this goal. While this policy is mainly focused on strengthening the European Union militarily, it also has consequences for arms export policies. This was emphasised in the mid-nineties with European efforts to build its own military industry. For example, Martin Bangemann, Commissioner for Industry, said at that time that if the European military aerospace industry was to survive it needed support for exports.<sup>88</sup> Since the EU can only absorb limited quantities of weaponry, the more sales a product achieves outside the Union, the more profitable it becomes for its manufacturer. It means that research and development costs are spread over larger quantities,<sup>89</sup> production lines are more intensively used and arms companies have extra income, giving them more leverage to operate. Arms exports are themselves integral to creating a stronger EU military industry. This export drive contributes to the proliferation of arms production capacity as well as arms, since export orders tend to include transfers of technology.

In Sweden, for example, arms exports are used to help companies to maintain their technological competence, and it is important to co-operate with overseas partners who can contribute technological know-how and help to increase sales. An important case in point is the collaboration between Saab and BAE Systems on the Swedish Gripen fighter aircraft. Swedish arms exports are used to keep the domestic military industry alive. According to a summary of Swedish arms export policy by the Stockholm International Peace Research Institute (SIPRI): “The legitimate defence policy objective of preparedness is a further argument for a certain volume of exports in peacetime.”<sup>90</sup> Sweden has traditionally been neutral and therefore differs from other countries in the EU, but it produces a wide range of weapon systems for its own use.

The UK also has such a policy. Major General Alan Sharman, director general of the Defence Manufacturer’s Association says: “(...) while the fundamental role of the defence industry is to supply our own armed forces, exports are vital for its survival. The industry cannot be sustained by relying on the Ministry of Defence cheque book alone. Crucially, profits from exports help to spread the cost of the UK’s

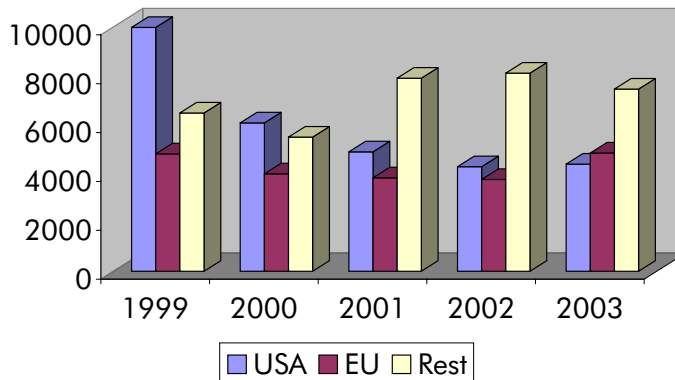
own research and development, meaning our defence budget is up to £ 400m less than it would be otherwise.”<sup>91</sup> The UK is among the biggest European arms producers and spends the most of all European countries on military procurement.

In other arms producing countries, small and large, the same considerations count. In the US, with the world’s biggest military industry “(...) this increased reliance on foreign sales is being fuelled more by the financial needs of defence contractors than by national security. They see this as an unholy alliance of industry and government working to hawk sophisticated weapons abroad as a way to keep factories open at home until the Pentagon can justify a new round of weapon-buying.”<sup>92</sup> Arms exports are part of military policy, sustaining the industrial pillar of security policy.

When considering EU military exports, it is helpful to look at the US example. To compensate for small home markets, exports are often mentioned as a solution to meet the necessary scale of production.<sup>93</sup> However, this does not mean that big home markets result in fewer arms exports. Commenting on the US industry, economist Ann Markusen noted that: “private sector contractors will rationally seek to export as long as increasing returns to scale hold sway.”<sup>94</sup> Big markets do not lead to fewer exports. It is the prospect of more income, and especially more profits, which drives the companies. In addition, a larger scale of production means cost reductions and competitive advantage, and thus a stronger position in the export market.

A look at the most successful fighter aircraft in history, the F-16 Fighting Falcon, makes it clear that scale is not itself a limiting factor on exports. The plane was sold in thousands to the US government, but was exported in roughly the same quantities to twenty four countries,<sup>95</sup> some of which went on to manufacture them, at least in part. The F-16 was sold not only to the main US allies in East Asia and Europe, but also to Indonesia and Pakistan. In both cases, this led to concerns on Capitol Hill.<sup>96</sup> Exports are part of the success story of the F-16 fighter and of the profits made by Lockheed Martin, which bears out Markusen’s case.

### Volume of transfers of major conventional weapons



While the US is responsible for 45% of all military expenditure – creating the biggest domestic arms market – roughly 34% of arms exports in the period 1999-2003 were from the US.<sup>97</sup> Lockheed Martin, the world's largest military company, earns 20% of its revenues from exports, valued at almost US\$7 billion in 2003.<sup>98</sup> The US example shows that scale alone places no limit on arms exports.

While exports are an important part of military-industrial policy in the US, this is even truer in Europe, which has much smaller military budgets and a more fragmented, inefficient industry. Europe accounted for 23% of all global arms exports in 1999-2003, and of these, 80% went to non-European countries. The European industry is thus highly dependent on exports. To control arms exports, restrictive policies and rigorous implementation are essential. Arms control regimes – and their strict interpretation – must serve as a counterweight to the industrial export drive.

## Controls

With the internationalisation of arms production and trade, it is becoming increasingly difficult to control exports. For example, it is less clear which country is responsible for licensing the export. Is it the country where the contract is signed? The country where the components are produced? Or the country where they are assembled? A company operating internationally can make use of different national approaches when it applies for an export licence. Non-governmental organisations (NGOs) are consequently fearful that the Europeanisation and internationalisation of the arms industry will lead to a 'race to the bottom' for export controls.<sup>99</sup>

With a view to harmonising legislation on arms exports the EU has signed a code of conduct on the export of conventional arms (EU-CoC).<sup>100</sup> This code includes conditions on social expenditure, human rights, internal conflict, international security and war. All EU countries use the EU-CoC on arms exports. It is not a legally binding treaty, but a guide for national policymakers on arms exports. This means that the code is as strong as the will of the member countries to implement it.<sup>101</sup> Many countries also have their own national regulations to restrict arms exports, relying on to a system of export licences. These regulations differ from country to country – as does the interpretation of the EU-CoC – but use roughly the same criteria for an export licence as those set out in the EU-CoC. It is for each country individually to assess applications for export licences in the light of the country of destination. What is the human rights situation in that country? Is it engaged in a war, or is there acute international tension which might lead to war? What is the balance between the military budget of the purchasing country and its expenditure on social needs? How strictly these criteria are implemented differs from country to country, and also from one government to another. Some European countries, such as France, export almost everything to everybody, while others, Sweden for example, are much stricter.

Both the NGOs and the arms industry welcomed the adoption of a European code. An editorial in the US weekly *Defense News* illustrates this: "That shift in government thinking [to propose a code of conduct] about arms trade is not, however, being driven by far-sighted politicians. Instead, it is European industrialists who are beating down the doors at Whitehall and the Elysee Palace in an attempt to establish a unified European market place."<sup>102</sup> The EU-CoC provides a level playing field for all European arms exporters.

NGOs concerned with peace and development try to monitor their governments' activities in this area and to determine whether they are acting according to the principles set out in the EU-CoC. The monitoring exercise is complicated by a lack of transparency in reporting. Information on arms exports is often kept secret, because the arms industry argues that transparency is bad for business. In some countries, there is a tendency to report in more detail on arms exports, but the quality of information continues to vary from country to country. Details are important for NGOs, because they can only formulate their position on a country's arms exports policy or sales when a government provides specific information on sales, such as their value and amount, the types of weapons involved, and the end users.

Without any binding EU restrictions, there are so many loopholes that European armaments can be transferred all over the world without proper end-user control. This increases the risk that arms will end up in countries which would normally be regarded as unacceptable recipients. The export of components is one such loophole. For example, in most cases it is far from clear what happens to Dutch components for F-16s or Apache attack helicopters, as they almost never have end-user certificates when exported to the US main contractor. The Dutch government places its trust in US arms export policies, while acknowledging that they may differ widely from Dutch practices. This is how Dutch components can end up in Taiwan, Israel or Turkey, although direct exports to these countries would be highly controversial, if not impossible. Tight control and monitoring, together with the strict interpretation of existing or future arms regulations, should prevent arms from falling into the wrong hands. However, they obviously do end up in wrong hands: Amnesty International alone has published several reports in recent years pointing to human rights violations linked to arms exports.<sup>103</sup>

There are other ways in which EU-CoC is undercut. The US is currently signing bilateral industrial co-operation and arms export agreements with allies, for example the so-called Declarations of Principle (DoP) which partly regulate the arms trade between the two signatories. The procedures are made simpler, more efficient and faster for the exchange of weapons and components between the signatories, as well as for exports to third countries. As in the Framework Agreement, the DoP also includes a secret "white list", with generally accepted destinations.<sup>104</sup> The UK Working Group on Arms stated almost three years ago that changes in UK criteria to allow the delivery of components from the UK to the US for assembly into

larger weapons systems, most notably the F-16s destined for Israel, was a way of undercutting the EU-CoC.<sup>105</sup> Similar concerns can be voiced in all countries signing bilateral agreements. This loophole, created by some European Union member States to facilitate co-operation with the US, sent a message that the EU-CoC is less important than efficient co-operation with Washington.

The low priority attached to arms control policies is also evident in the Constitution. The fact that arms control – except for military operations to disarm other countries – is nowhere mentioned in the Constitution is very telling. There is no reference at all to the Code of Conduct itself.

## Security exception

While the EU-CoC is not mentioned in the Constitution, there is one article claiming that arms export policies are not the responsibility of the European Union (Art. III-436). This so-called 'security exception' is close to the end of the EU Constitution. Member States are allowed to take whatever steps they find necessary to protect their national military industry. This is in line with existing clauses in other trade agreements, such as the WTO and EC-treaty.<sup>106</sup> Military imports and exports are treated differently from other kinds of trade, because of the importance attached to military industries as a basis for national security. This is the main reason for the security exceptions. Arms imports are also excluded from the customs tariffs in the EU because: "It is in the interests of the Member States and the Community for the armed forces of the Member States to be equipped with the most technologically advanced weapons and military equipment available." Yet these transactions are guaranteed to remain secret.<sup>107</sup> These exceptions show that weapons are not seen as a product like any other. Military industry is a heavily protected part of the economy. According to a press release from the Commission: "(...) certain defence products are very specific in nature. States need them to protect their sovereignty and to conduct their foreign and security policies. Consequently, defence industries are strategic and governments play a crucial role as customers, sponsors and regulators. Given the political and military sensitivity of defence systems, secrecy, confidentiality and security of supply are particularly important."<sup>108</sup> Here the Commission summarises the reasons for special customs treatment and also explains why the exception exists.

There are three important clauses in the EU Constitution security exception. European member States:

1. "shall be not be obliged to supply information, the disclosure of which it considers contrary to the essential interests of its security;
2. may take such measures as it considers necessary for the protection of the essential interests of its security which are connected with the production of or trade in arms, munitions and war material;
3. such measures shall not adversely affect the conditions of competition in the internal market regarding products which are not intended for specifically military purposes".

Although the Union is seeking to formulate a common CSDP, the first paragraph states that member States may still withhold information. The second is even more important, as it keeps arms trade and military production out of the free trade paradigm and EU regulation. It gives governments a free hand to support military industry and to export arms on the basis of national considerations. This clause will not be applied generally, but will be used in an ad hoc manner by a member State if it considers it necessary to defend its national interests. Larger EU-states have more scope than smaller ones for this course of action.<sup>109</sup> How the clause is applied is subject to monitoring by the European Commission, but the purpose of the monitoring is to ensure that support by member States does not affect competition in civil production. The clause can be used to defend support given to arms manufacturers and weapons programmes, as long as it does not distort competition on the civilian market. It is widely used by governments to bolster arms manufacturers and support arms exports, but assistance given to the military side of company business of companies can spill over to their civilian side. The security exception can therefore be used to reward military production and at the same time to stimulate its civilian counterpart, as might be the case in the shipbuilding or aerospace industries, where production technologies often overlap.<sup>110</sup>

The third clause also has major implications. The statement that measures relating to the arms trade may not adversely affect the internal market is part of a two-edged sword: governments are given a free hand to support weapons manufacturers, but if they want to control arms flows across their territory, they are bound by what is called internationally accepted practice. The Dutch Minister of Foreign Trade has said that an export licence for arms passing through Dutch territory does not conform to international common standards, and for this reason has refused to introduce a general system of licences for arms transit through the Netherlands.<sup>111</sup> No restrictions are to be placed on the free flow of trade, and this can be justified by the security exceptions, as in article III-436. National military and security interests can be protected, but the tight arms controls needed or security in other parts of the world can be ruled out in the light of this clause. The clause also raises a general barrier to binding European arms export regulations. The appearance of this text in the European Constitution indicates that key member States want policies on arms trading to be left, at least to some extent, to the national sphere.

To summarise, the EU is developing common policies on arms export controls, though it would have been more reassuring if these policies were included in the Constitution. Arms production and exports are now deliberately kept inside the national sphere, and are not likely to become a matter for the EU alone. Arms controls could have been brought into the Constitution by referring to existing policies and the EU-CoC. At present the Constitution makes provision for the European Defence Agency, and thus for military industrial policy, but not for arms control.. Moreover, the CSDP as described focuses on a narrow vision of security, restricted to military capabilities and military action. Security should be seen in a much broader context, including security in daily life and the prospects for social well-being, in other words human security. For people in poor regions, facing human rights violations or living with conflict, the European Constitution offers little by way of eliminating one of the prime causes of conflict: the arms trade.



# Conclusion

Criticising these policies of the European Union policies is not a sign of xenophobia or extreme nationalism. It does not mean one is anti-European: in fact, those who seriously seek to discuss the Constitution may have more to contribute to democratic development in the EU than the Euro-Parliamentarians, who set up a 'rapid reaction force' to monitor anything "false" said about it. The public relations offices of the European Parliament in all 25 member states have been asked to scrutinise the debates for "wrong" information, and to react: "Within three hours, or at least within the same day, we want to react to lies and distortions about the Constitution,"<sup>112</sup> said Jo Leinen, head of the European Parliament's Constitutional Affairs Committee. Jens-Peter Bonde, a Danish eurosceptic MEP, said it was "a splendid idea" to try and ensure that the debate surrounding the Constitution is factual, but was critical of the fact that the MEPs involved are all strongly in favour of it.

One of the so-called lies, according to the watchdog, is the statement that the European Constitution will lead to a new military alliance.<sup>113</sup> Does this mean that the European Parliament's rapid reaction force will accept other critical questions about the EU's path to further militarisation? Let us have a debate before statements are made on what is false and what is not. Questions must be asked. For example, why is the creation of a European military industrial base included in the Constitution while arms control is left out? Why is attention given to military security, but not to human security? What arguments will the European Parliament's rapid reaction force use to deny that Europe wants to become an economic and military superpower?<sup>114</sup>

Europe's ambitions are growing fast. Javier Solana, in his security study, wrote: "As a Union of 25 states with over 450 million people producing a quarter of the world's Gross National Product (GNP), the European Union is a global actor, it should be ready to share in the responsibility for global security." He continued a few pages later: "If we are to make a contribution that matches our potential, we need to be more active, more coherent and more capable." More active is defined as this: "We need to develop a strategic

culture that fosters early, rapid, and when necessary, robust intervention."<sup>115</sup> The ESS pays a lot of attention to diplomatic efforts to solve conflicts, but does not confine itself to doing this. This does not mean that the EU has chosen military force as its first resort, but it will develop the strength to react with military means when necessary.

Solana's text is closely linked to the Constitution. Together they make it clear why the EU is creating its military industrial base, and why military industry is such an important factor in the Constitution.

The Constitution is a means of speeding up the pace of restructuring, which is itself gaining momentum, according to the security think tank ISS, which is linked to the European Union. The ISS states: "(...) following the experience of the European Capabilities Action Programme (ECAP) Process and the work of the Convention, several initiatives have been launched which may considerably enhance the role of the Union in the field of armaments. (...) This is the case in particular for the European Defence Agency, but also for the Commission's plans for a European Security Research Programme (ESRP) and a possible community directive on defence procurement."<sup>116</sup> So even the ISS, the EU's own security research institute, identifies the Constitution as a step in this process. The European Constitution will not inevitably lead to a military alliance, but does put in place the structure to permit the strengthening of European military capabilities. With this Constitution, the EU has made a clear choice for a Europe of military strength.

In this report, we have analysed the chapters dealing with security, military production and the arms trade, and have placed them in their political context, in which the Constitution itself is just one element. It is, however, a step with potentially far-reaching consequences, because once in force, the Constitution will be hard to change.<sup>117</sup> Following the votes in France and the Netherlands, it looks as though the Constitution may be dropped in its current form; but most of the military changes are happening anyway. Comments on the text still deserve to be looked at, because they shed light on the ongoing military (industrial) policies inside the EU.

# Biggest 10 military companies

| 19                        |                  | 19                         |                  | 20                  |                  |
|---------------------------|------------------|----------------------------|------------------|---------------------|------------------|
| Company                   | Defence revenues | Company                    | Defence revenues | Company             | Defence revenues |
| Lockheed Corp.            | 10,195           | Lockheed Martin            | 14,300           | Lockheed Martin     | 30,097           |
| McDonnell Douglas Corp.   | 9,052            | McDonnell Douglas Corp.    | 10,130           | Boeing              | 22,033           |
| GM Hughes Electronics     | 6,600            | British Aerospace          | 9,055            | Northrop Grumman    | 18,700           |
| Martin Marietta Corp.     | 6,320            | Northrop Grumman Corp.     | 6,699            | BAE Systems         | 17,159           |
| British Aerospace plc     | 5,863            | Hughes Electronics Corp.   | 6,300            | Raytheon            | 16,896           |
| Raytheon Co.              | 4,700            | General Electric Co. (GEC) | 6,057            | General Dynamics    | 12,782           |
| Northrop                  | 4,532            | Boeing Co.                 | 5,770            | Thales              | 8,476            |
| Boeing Co.                | 4,407            | Thomson Group              | 4,434            | EADS                | 8,037            |
| Thomson Group             | 4,072            | Raytheon Co.               | 4,032            | Finmeccanica        | 5,900            |
| United Technologies Corp. | 4,000            | Lagardère Group            | 3,830            | United Technologies | 5,300            |
| <b>Total</b>              | <b>59,741</b>    | <b>Total</b>               | <b>70,607</b>    | <b>Total</b>        | <b>145,380</b>   |

Source: *Defense News top 100, 1993, 1997, and 2003.*

**Mergers and names:** British Aerospace (merged with the General Electric Company, see there); EADS (merger between Aerospatiale Matra and DASA, October 14, 1999); GEC (merged with BAe, 26 November 1999, new name BAE Systems); Hughes Electronics Corp. (was acquired by Raytheon January 16 1997); Lagardère (Lagardère's Matra merged with Aerospatiale name changed to Aerospatiale Matra, May 1999); Lockheed (merged with Martin Marietta, March 15, 1995); McDonnell Douglas (merged with Boeing Aug. 1, 1997); Northrop (acquired Grumman in 1994); Northrop Grumman (acquisitions of Litton (2001), Newport News Shipbuilding (2001) and TRW Corp. (2002); Thomson (changed its name into Thales, 6 December 2000).



# Glossary

|         |  |        |   |
|---------|--|--------|---|
| ASD     | Aerospace and Defence Industries Association of Europe | ECAP   | European Capabilities Action Plan   |
| ASEM    | Asia Europe Meeting (bi-annual)                        | EDA    | European Defence Agency   |
| AWACS   | Airborne Warning and Control System (plane)            | EDIG   | European Defence Industries Group   |
| BICC    | Bonn International Center for Conversion               | ENAAAT | European Network Against Arms Trade   |
| BITS    | Berlin Information-center on Transatlantic Security    | ESDP   | European Security and Defense Policy  |
| C3I     | Command, Control, Communications and Intelligence      | ESRP   | European Security Research Programme  |
| CASA    | Construiones Aeronauticas S.A.                         | EU-CoC | EU Code of Conduct on arms exports  |
| CAAT    | Campaign Against Arms Trade                            | EUMC   | EU Military Committee   |
| CFSP    | Common Foreign and Security Policy                     | EUMS   | EU Military Staff   |
| CSDP    | Common Security and Defence Policy                     | ISIS   | International Security Information Service  |
| CESDP   | Common European Security and Defense Policy            | ISS    | Institute for Security Studies (of the EU)  |
| DASA    | Deutsche Aerospace Airbus GmbH                         | GATT   | General Agreement on Tariffs and Trade  |
| DCI     | Defence Capabilities Initiative                        | LoI    | Letter of Intent (predecessor of Framework Agreement)   |
| DoP     | Declaration of Principles                              | MEP    | Member of the European Parliament   |
| DSACEUR | Deputy Supreme Allied Commander Europe (of NATO)       | NIID   | Nederlandse Inschakeling Industriële Defensieopdrachten (Dutch defence industry lobby organisation)       |
| DSB     | Defence Science Board (of the US)                      | OCCAR  | Organisation Conjoint de Cooperation en matiere d'Armament (Organisation for Joint Armament Co-operation) |
| EADC    | European Aerospace and Defence Company                 | PSC    | Political and Security Committee  |
| EADS    | European Aeronautic Defence and Space company          | R&D    | Research & Development  |
| EC      | European Commission                                    | R&T    | Research & Technology   |
| ECAAR   | Economists Allied for Arms Reduction                   | RMA    | Revolution in Military Affairs  |
|         |  | SPAS   | Swedish Peace and Arbitration Society   |

|         |   |       |  |
|---------|---|-------|--|
| SIPRI   | Stockholm International Peace Research Institute                          | WMD   | Weapons of Mass Destruction                    |
| VD AMOK | Association of Conscience Objectors – Anti militarist Research Collective | WMEAT | World Military Expenditures and Arms Transfers |
| WEU     | Western European Union  | WTO   | World Trade Organisation                       |

# Notes

- 1 This report was written before the referenda in France and the Netherlands.
- 2 For this text the October 29, 2004 version of the 'Treaty establishing a Constitution for Europe,' has been used (CIG 87/2/04, REV 2).
- 3 Petersberg Tasks are: Humanitarian search and rescue tasks, peace-keeping tasks, crisis management tasks including peace enforcement, and environmental protection. Those tasks have expanded in the Constitution, see art. III-309, discussed below.
- 4 See also chapter 4.
- 5 See chapter 6 and 7.
- 6 The Stability and Growth Pact is an agreement to limit budget deficits in countries that are members of the Eurozone. It was agreed they would limit their budget deficits to no more than 3% of their total economy. This was dropped by Germany and France when they decided in 2003 to tackle recession through public spending.
- 7 Treaty of the European Union Common Provisions art. 2.
- 8 Catherine Lalumière (Rapporteur), 'European Parliament Report on the Establishment of a Common European Security and Defence Policy after Cologne and Helsinki,' (2000/2005(INI)) Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, November 21, 2000.
- 9 To illustrate this political division: "Germany wanted to stop bombing Serbia's cities, Americans worried about bombing within Kosovo, and France wanted to stop the bombing in northern Serbia. Instead of worrying that a letup in bombing would encourage Belgrade to hold out even longer, the Europeans feared that continued attacks would derail final negotiations." Richard K. Betts, 'Compromised Command,' Foreign Affairs, July/August 2001.
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- EU-member states not in NATO: Austria, Cyprus, Finland, Ireland, Malta, and Sweden.
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