Geneva Centre for the Democratic Control of Armed Forces

Occasional Paper - № 5

The Parliamentary Dimension of Defence Procurement

Requirements, Production, Cooperation and Acquisition

Willem F. van Eekelen

Geneva, March 2005

GENEVA CENTRE FOR THE DEMOCRATIC CONTROL OF ARMED FORCES (DCAF)

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List of Acronyms

AAF	Air-to-air refuelling
AGS	Alliance Ground Surveillance (NATO)
C3	Command, Control and Communications
CAPS	Conventional Armaments Planning System
CASA	*Construcciones Aeronáuticas S.A.* (Spain)
CBRN	chemical, biological, radiological, or nuclear (weapons)
CBS	Columbia Broadcasting System (US)
CentCom	Central Command (US)
CFSP	Common Foreign and Security Policy
CIS	Command and Information Systems
CNAD	Conference of National Armaments Directors
COARM	Council Working Group on Arms Exports (EU)
COSAC	Conference of European Affairs Committees
CSAR	Combat Search and Rescue
CSCE	Conference on Security and Cooperation
CTNSP	Center for Technology and National Security Policy (US)
DARPA	Defense Advanced Research Project Agency (US)
DASA	DaimlerChrysler Aerospace AG (Germany)
DCAF	Geneva Centre for the Democratic Control of Armed Forces
DCI	Defence Capability Initiative (NATO)
DITB	European Domestic Defence Equipment Market
EACC	European Airlift Coordination Cell
EADS	European Aeronautic Defence and Space Company
EC	European Community
ECAP	European Capability Action Plan
EDA	European Defence Agency
EDC	European Defence Community
EDEM	European Defence Equipment Market
EDIG	European Defence Industries Group
EPC	European Political Cooperation
ESDP	European Security and Defence Policy
ESRP	European Security Research Programme
EU	European Union
EUCLID	European Programme for defence technology
EURONAD	Eurogroup of National Armament Directors
FA WEU	Forces Answerable to Western European Union

FREMM	*Les frégates européennes multimissions* (France/Italy)
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
HALE	High Altitude Long Endurance
HDW	*Howaldtswerke-Deutsche Werft* (Germany)
HFC	Helsinki Force Catalogue
HHC	Helsinki Headline Goal Catalogue
HPC	Helsinki Progress Catalogue
IDRMS	Integrated Defence Resource Management System
iEPG	independent European Programme Group
IFOR	Implementation Force (NATO led)
IGC	Inter-Governmental Conference
IGO	Intergovernmental Organisation
IISS	International Institute of Strategic Studies (UK)
IMF	International Monetary Fund
IPU	Inter-Parliamentary Union
ISAF	International Security Assistance Force in Afghanistan (NATO led)
ISTAR	Intelligence, Surveillance, Target Acquisition and Reconnaissance
ITAR	International Traffic in Arms Regulations
JSF	Joint Strike Fighter
KFOR	Kosovo Force (NATO led)
KKR	Kohlberg, Kravis, Roberts & CO. (US)
LoI	Letter of Intent
MALE	Medium Altitude Long Endurance
MBDA	Matra BAE-Dynamics Alenia (joint venture)
MEADS	Medium Extended Air Defence System
MoD	Ministry of Defence (UK)
MoU	Memorandum of Understanding
MTU	*Motoren und Turbinen-Union* (Germany)
NAD	National Armament Director
NASA	National Aeronautics and Space Administration (US)
NATO	North Atlantic Treaty Organisation
NBC	Nuclear, Biological, and Chemical
NDU	National Defense University (US)
NGO	Nongovernmental Organisation
NIAG	NATO Industrial Advisory Group (NATO)
NIST	National Institute of Standards and Technology (US)
NPA	NATO Parliamentary Assembly
NSF	National Science Foundation (US)

OCCAR	(European) Organisation for Joint Armament Cooperation
OSCE	Organisation for Security and Cooperation in Europe
PARP	Planning and Review Process (NATO)
PASR	Preparatory Action on Security Research (EU)
PGM	Precision Guided Munitions
POLARM	Working Group on Armaments Policy (EU)
PPBS	Planning, programming and budgeting system
PSC	Political and Security Committee (EU)
QMV	qualified majority voting
R&D	Research and Development
RAF	Royal Air Force (UK)
RITA	*Reseau Integre de Transmissions Automatique* (France)
ROC	Required Operational Capabilities
ROOT	Responsible Ownership of Technology
SAGEM	*Société d'Application Générale d'Electricité et de Mécanique* (France)
S&R	Search and Rescue
SHARC	Swedish Highly Advanced Research Configuration (Sweden)
SIPRI	Stockholm International Peace Research Institute (Sweden)
SNECMA	*Société Nationale d'Etude et de Construction de Moteurs d'Avions* (France)
TBMD	Theatre Ballistic Missile Defence
TCAR	Transatlantic Cooperative AGS Radar
TEC	Treaty Establishing the European Community
TEU	Treaty of the European Union
TIPS	Transatlantic Industrial Proposed Solution
TRP	Technology Reinvestment Project (US)
UAV	Unmanned Aerial Vehicles
UK	United Kingdom
UN	United Nations
US	United States of America
WEAG	Western European Armaments Group
WEAO	Western European Armaments Organisation
WEU	Western European Union
WMD	Weapons of Mass Destruction

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Willem F. van Eekelen

Introduction

This occasional paper of the Geneva Center for Democratic Control of Armed Forces attempts to consider defence procurement in its modern political – military setting. Since the fall of the Berlin Wall most European countries no longer regard the defence of their territory and independence as the overriding priority it had during the Cold War. The role of military forces has changed considerably. Collective defence focused on reliable capabilities of 'forces in being' and effective mobilisation and, in the case of NATO, on integrated planning and command structures. Today, the protection of national territory has a new dimension in the face of terrorist attacks, and in the case of the US, by the programme for missile defence. Everywhere the link between external and internal security has become closer.

The cooperative use of armed forces remains an important tool of foreign and security policy and a factor of influence and prestige. Most operations being outside their country, the military profession has become a dangerous one. In many cases the military are performing a function abroad, which at home is the domain of the police: they deter by presence, are able and willing to act, and when necessary take the necessary action. Western militaries are not only performing these new tasks, they are also used as means of building relations with other states and assisting them in reforming their armed forces. The International Institute of Strategic Studies has devoted an Adelphi Paper to 'Reshaping Defence Diplomacy', which outlines the new spectrum of activities, ranging from advice to exchanges of personnel, training teams and the provision of military equipment.[1]

Peacekeeping and peace-enforcement raise new issues of morality and of the legitimacy of intervention. Sovereignty no longer is an absolute impediment to intervention in cases of grave violations of human rights. The United Nations are groping for their role in this new environment and Secretary General Kofi Annan is expected in the spring of 2005 to announce his reaction to the report of the High-level Panel on Threats, Challenges and Change.[2] Military training has to teach new qualities in addition to the traditional military skills, which remain essential, because conflicts might flare up and require self-defence or enforcement action.

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[1] Adelphi Paper 365, 'Reshaping Defence Diplomacy: New roles for military cooperation and assistance', by Andrew Cottey and Anthony Forster. IISS, April 2004.

[2] General Assembly document A/59/565 *0460231* of 29 November 2004. See also Gareth Evans (member of the Panel) 'When is it right to fight?' in Survival, vol 46, no 3, Autumn 2004, pp. 59-82. The Economist had a preview on 20 November pp. 23-25.

In the past, for most parliamentarians there were few votes in defence. Some were concerned about maintaining the jobs of defence industries in their constituencies, but questions of strategy and defence planning usually were left to a few specialists. Today, participation in peace support operations is a matter of popular interest, closely connected with wider issues of foreign and security policy. Stability abroad, respect for human rights, and action against genocide have moved up on the political agenda, receive immediate media attention, and are the subject of frequent parliamentary debates.

Democratic governments try to adjust to the current scene by producing defence white papers as the basis for their security policy, their national strategy and their participation in multilateral forms of cooperation. All of them search for the right mix of capabilities, but most have difficulty in keeping pace with the speed of developments. Notions of mobility and flexibility are widespread, but few have fully adjusted their armed forces to these new concepts. The bulk of most standing armies is still too static and insufficiently geared to the demands of intervention-type operations. The latest challenge is the transformation into network-centric warfare, as implemented in the US.

The call for more and better capabilities is justified, but should not necessarily lead to higher defence budgets. Spending more wisely, according to clearer priorities, with a keener eye to what allies and partners are prepared to contribute, might do the job. Many parliamentarians will be bewildered by the speed with which the demands for capabilities change. After the terrorist attacks in the US and the operation against the Taliban in Afghanistan, the call was for special forces and unmanned aerial vehicles, which previously were low priorities in most defence plans. Equally, suicide attacks call for better protection of headquarters and soldiers on patrol.

A peculiar characteristic of many parliamentary debates is the attention paid to the risks involved for the participating soldiers, which often exceeded the evaluation of the importance and necessity of the mission. Peculiar, because if the operation were not risky, the need for the dispatch of the military would not be evident. Understandable, at least to a certain extent, because matters of life and death are judged differently in intervention-type operations than in self-defence.

In the early '90s, many expected the growing emphasis on multinational units to be a powerful factor in standardisation, but performance has remained disappointing. Possibly, because most peace support missions were restricted to low intensity operations and did not call for combined action. In any case, national units remained self-contained and self-supporting and were not interdependent with neighbouring forces.

The narrative in this Occasional Paper tells the story of the many initiatives aiming at better cooperation in equipment production and procurement. At several occasions a new initiative was taken at the very moment a previous one finally seemed to be making headway. Many questioned whether the political will was sufficient to overrule parochial national interests, and the answer is still uncertain. The European Armaments Agency which finally came into being in 2004 might prove the sceptics wrong, but only if countries are prepared to undertake binding commitments and pool their research resources and funding. The enormous increase in the American defence budget will make it very difficult for the Europeans to come even close to the US effort. Transatlantic takeovers may blur the picture. From the economic and employment sides such teaming up might seem profitable, but it would detract from European autonomy.

A growing awareness of the need to maintain a defence technological and industrial base as a vital interest of the European Union as a whole, has changed the picture. The Lisbon Agenda with its emphasis on innovation and competitiveness is likely to provide the right climate for common research and development, also in the field of defence. In the meantime the European defence industry has consolidated, first at the national level, then also across borders.

Finally, a word of caution about the use of statistics. As the Military Balance of the International Institute of Strategic Studies regularly notes, the issue of transparency in reporting military expenditure is a fundamental one.[3] "Only a minority of the governments of UN member-states report defence expenditures to their electorates, the UN, the IMF and other multilateral organisations. … some governments do not report defence expenditures until several years have elapsed, while others understate these expenditures in their reports. … The most frequent instances of budgetary manipulation or falsification typically involve equipment procurement, R&D, defence industrial investment, covert weapons programmes, pensions for retired military and civilian personnel, paramilitary forces and non-budgetary sources of revenue for the military arising from ownership of industrial, property and land assets". So, parliamentarians, be warned!

That is the main message of this Occasional Paper. Defence issues in general, and procurement in particular, often are far from transparent and difficult to follow. Even if the information is available, and it often is obtainable from open sources, considerable expertise is required in making sense out of the multitude of claims and counterclaims, biased and unbiased, influencing the debate. Parliamentarians need to remain critical and to orientate themselves as widely as possible, using professional staff, drawing on think tanks and consulting non-governmental organisations.

The following pages attempt to alert parliamentarians to the ongoing processes and to help them in taking position on issues of fundamental importance to the taxpayer and to the possibilities for their country to assume responsibility in matters of peace and security. They will have to be able to say "Hey, wait a minute!" at the appropriate moment.

The paper starts with an analysis of the characteristics of defence procurement, including the role of governments and the process of resource allocation. Chapter 2 discusses the role of parliaments and describes a model sequence in obtaining parliamentary approval. Chapter 3 compares the US and European efforts at consolidation of the defence industry and multinational cooperation. It sketches the difficult path of European armaments cooperation and the move towards a European Security and Defence Policy. Chapter 4 attempts to answer the difficult question of the 'What For?" of defence capabilities in the current security environment. It discusses European and American scenarios and includes the prospects of the newly created European Defence Agency and the adjustments made in member countries to build more flexible and deployable forces. Every chapter underlines its relevance to parliamentary scrutiny. Chapter 5 on parliamentary oversight ties them together and closes with specific questions a parliamentarian might wish to ask.

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[3] The Military Balance 2003-2004, pp. 10-11.

1. Characteristics of Defence Procurement

The acquisition of defence equipment has many characteristics of its own, which sets it apart from other sectors of government procurement. No other purchases are as much in the public eye and raise so much debate inside and outside parliament. Obviously, most interest centres around large purchases, such as a new type of aircraft or battle tank or a new series of naval vessels. Hundreds of smaller contracts pass relatively unnoticed. Nevertheless, defence purchases generally are subjected to a kind of scrutiny and monitoring, which is absent from large contracts in the civilian sector.

The reasons are manifold. The defence market is monopsonic, which means that there are different suppliers, but only one buyer. Police, coast guard and private security companies may enter part of the market, but for major weapons systems the only customer is the Ministry of Defence. Consequently, the industry becomes vulnerable to changes in defence planning, as it will be difficult to find alternative outlets for its products. With shrinking defence budgets and the consequent thinning of the market for defence equipment, the number of companies active in this field went down and a process of consolidation set in , first in the US, later also in Europe.

Defence money is taxpayer money and its spending should benefit the national economy wherever possible. In many instances jobs are at stake and politicians from the districts concerned will lobby for job creation or preservation. For smaller countries which do not possess the full range of defence industries, co-production and compensation arrangements are important for retrieving at least part of their external expenditure.

Defence technology is important for the research and industrial base of the country. Over the years, the connection between defence and civilian technology has become closer. At first, the defence and space industries were leading innovation. Space technology was a powerful incentive for miniaturisation, which subsequently was taken over by developments in other fields of high-tech and medical applications. Today, defence and military technologies and civilian industry are a two-way street, each benefiting from innovations in the other. The mobile telephone is a good example, where the civilian network could do just as well, or even better, than military systems, provided the relay stations could remain operational in a crisis.

A substantial difference relates to secrecy. Characteristics of weapons systems should not become available to potential enemies, who could use them to counter their offensive capabilities or circumvent their defences. Secrecy applies to technical specifications on the military side, but also to industrial secrecy on the side of the suppliers. Sometimes weapons systems are sold to different countries with differing levels of technological sophistication, in order to protect the latest state of the art. The extent of technology transfer has become one of the most sensitive issues in foreign purchases and international cooperation.

Finally, technical expertise plays an important role in drawing up specifications and evaluating various industrial offers. From the point of view of transparency and democratic accountability, professional expertise is the most difficult to assess correctly. Although professional journals will contain many details of weapon characteristics, they might be biased and subject to rebuttal. Counter-expertise is not always possible and in any event likely to be costly. Therefore, decision-making requires a considerable measure

of trust among all the parties involved, the political leadership, the professional military and the parliamentary committees which screen the planned acquisitions.

1.1. The Role of Governments

In defence procurement governments have a leading role. In each country the Government:

- is the only national customer for defence equipment;
- accepts or denies the setting up of armaments activities on its national territory, and therefore has a decisive influence on any restructuring process of its defence industry, regardless of the legal status of the companies;
- is concerned with the security of supply, i.e. a foreign country's ability to guarantee the supply of military material sufficient to fulfil defence commitments of the buyer;
- selects the source of supply, which might be linked to security arrangements with other countries;
- determines market conditions by defining its military requirements and product specifications;
- decides on the size and number of programmes, the delivery dates and the rate of production. In each domain there are long periods of time between programmes, which makes it impossible to maintain research and design teams by purely commercial means during these long intervals;
- makes its procurement decisions dependent on the updating of its threat evaluation, which may lead to changing priorities in overall programming. These changes will have a disproportionate effect on the activities of the defence industry, which becomes unable to make reliable market forecasts as are normal in other industrial markets;
- requires from its suppliers commitments spread over many years for preliminary studies, development, production, in-service support and updates;
- has to fund to a very large extent the industrial costs of Research and Development, which are often larger than 30% of total programme costs and thus much larger than in other industrial sectors;
- approves the export of defence equipment. If in use by the national armed forces, marketing abroad obtains the advantage of a 'seal of approval', often reinforced by direct governmental support in prospective buying countries. [4]

[4] Taken from the communiqué of the European Defence Industries Group of 23 April 1996 'The European Defence Industry views on the Communication from the Commission on the Establishment of a European Defence Domestic Market'.

In addition, governments are in a position to decide whether they want to perform certain tasks themselves, or to outsource them to private companies. This applies primarily to logistic functions and maintenance, which often are privatised. In some countries the reverse applies when subsidiaries of defence departments have production functions, which normally are left to industry.

The European Defence Industries Group (EDIG) paper referenced above concluded that in all countries the strength of the defence industry depended on its national market. Since this market was shrinking as a result of the 'peace dividend', the European industry had to restructure quite extensively, but by 1996 had done so mostly on a national basis. EDIG argued that now it was vital to render further consolidation possible at the European level by organising a European Defence Domestic Market. National governments should adopt the necessary policies. Consolidation happened, however, almost in spite of governmental policies.

By 2000 major steps in European consolidations were taken, but mainly in the aerospace and missile fields. Compared with the 20 companies existing in 1980, only 4 remained: EADS (combining Aerospatiale, Matra, Dassault Aviation, DASA and CASA), Thales (Thomson CSF and RACAL), Finmeccanica Alenia, and BAE Systems (combining British Aerospace and GEC Marconi). The first two were truly European transnational companies, the latter two a consolidation into national champions. It came as a disappointment that British Aerospace did not join EADS and opted for the acquisition of the Marconi part of GEC, thus remaining a national champion. The largest of these have some cross-links, for example EADS, BAE Systems and Finmeccanica being the three shareholders in the MBDA missile company.

1.2. Compensation Transactions

Large contracts granted by governments to foreign suppliers in the civilian sphere never give rise to demands for compensations benefiting domestic industry. Bridges, trains or civilian aircraft are purchased as straight business deals, even if the client is a state organisation. For defence, compensation is normal, and often mandatory, particularly in countries having little or no major defence industry of their own. Expenditure abroad has to result in equivalent employment at home. Offset takes different forms. The most efficient form involves a swap: you buy my system if I buy yours. In 1976 the US Government refused to be drawn into such deals any more. In Europe they often are part of the agreement. As a consequence, American suppliers had to find other ways of compensation by outsourcing workloads to industry in the client country. This could be done by finding industrial partners who could provide component parts, either for the entire production series or only for the numbers purchased by their government, the former being more cost-effective than the latter. Another possibility would be to start a separate assembly line, again with the option of limited use for the buyer or for other customers in the same region as well. The final possibility would be to place orders in a different field, not connected with the major contract. Obviously this would be more difficult to arrange, but the large conglomerates in the US, producing for both the civilian and the military market, had little difficulty in putting together sufficiently interesting packages. They were subject to an evaluation in the client country of their technological value and man-hours for highly skilled personnel.

Examples abound in all categories and often in combinations of the different options. US aircraft, like the F-104 and later the F-16 saw assembly lines in Europe, just like the armoured personnel carriers of the M113 and subsequent types. Some parts were produced in the buying countries. In shipbuilding the Netherlands bought the British Rolls Royce engines and the UK acquired the Dutch Goalkeeper last-ditch air defence system. Like many other governments, the Netherlands Ministry of Economic Affairs was very strict in judging the technological content of the compensation orders and their complementary nature. The argument of a minister of defence that, as far as he was concerned, compensation could also cover cheese, did not pass because its additional character to normal trade could not be proven.

Offset became part of most industrial deals supported by governments, both in European and transatlantic defence trade. European deals focused more on divisions of labour within a joint project. On the whole, they were more frequent on the transatlantic circuit, largely because of the size of the deals concerned. In 2004 some American industries exerted pressure on Congress to prevent them. Representative Duncan Hunter (Rep-California), chairman of the House Armed Services Committee, denounced the practice as 'exertion' that posed 'a strategic threat to the defence industrial base' and drafted legislation that banned the Defense Department from buying goods and services from foreign companies in countries that required offsets. As Pentagon officials complained that this would imply practically everybody, Hunter and his colleagues settled for requiring the Secretary of Defense to develop policies and procedures to ensure that unfair trade practices, including offsets, would be eliminated.[5] The worst was avoided, but the sky remained cloudy, because countries without industries able to partner US companies want be make sure that their taxpayers' money will somehow result in spending at home.

1.3. Resource Allocation

Most Western defence departments use methods of resource allocation based on American techniques pioneered in the 1960s and summarised as PPBS : planning, programming and budgeting system. Later the element of assessment and evaluation was added. The value of the system was its proper differentiation of the different elements in the process, but also in the relationship between input and output, or more specifically the real resource cost of the inputs required to produce a specific military capability[6]. In the PPBS terminology:

- a plan is a statement of what you firmly intend to do;
- a programme is a plan with time-lines attached;

[5] Defense News, October 11, 2004. p.12.

[6] See David Greenwood, 'Resource allocation and resources management in defence: the Western model' in the Supplementary Handbook of the Centre for European Security Studies, Groningen, in their National Security Education Project, May 1995. Greenwood noted the irony that the PPBS variant developed in the US subsequently went out of favour there. Today, the system is seen in relation to the definition of Required Operational Capabilities (ROC) and the concept of an Integrated Defence Resource Management System (IDRMS) which includes other issues like logistics, finance management, audit, and human resources management. The level of maturity of IDRMS varies greatly and could be taken as a yardstick for good governance.

- a budget is a programme with price-tags attached: what funds are needed and when.

In NATO countries planning covered a period of 10 years, the first five years being firmer than the second, and the first year presented as a solid commitment in the Defence Planning Committee of NATO. Every year another year was added in a 'rolling forward' planning cycle. National ministries of defence needed about 15-22 months for their internal procedures before decisions are taken and published. They have to match the available financial resources with the military requirements.

In the UK the Ministry of Defence annually produces a Statement on the Defence Estimates as a White paper, elucidating policy and giving an account of the activities of the armed forces in relation to their assigned roles and missions, a budget breakdown of defence management, and a summary of the national order of battle. The Statement is accompanied by a volume on defence statistics (including data on industrial and regional spending and payments to major contractors) and a Major Projects Statement giving progress reports on all equipment acquisitions in train, including important cost information. On the parliamentary side there are regular Committee Reports, notably from the House of Commons Select Defence Committee, addressing general policy themes, force structure issues and resources management. The House Select Committee is small and numbers only eleven members. It does not concern itself with a detailed scrutiny of the budget. The National Audit Office reports to parliament not only audit matters, covering the propriety and legality of MoD spending, but also on its efficiency and effectiveness.

In France, every five years a new military plan is developed and submitted to parliament, which adopts it as a *loi du programme*. It is discussed both in committee and in the plenary session of the *Assemblée Nationale*. Compared with the other parliamentary committees, the defence committees of both the assembly and the senate have extraordinary powers of cross-examination and hear not only the defence minister, but also the chiefs of staff of the four armed services and senior civil servants. The assembly committee carried out an extensive inquiry into the events surrounding the fall of the Srebrenica enclave in Bosnia and the involvement of French officers in the chain of command.

Once the elected representatives have given their approval, the amounts fixed in the law are supposed to remain firm commitments over the period. There is, however, some room for adjustment, as the *crédits de paiement* have to be voted annually. In 2003 a sub-committee of the defence committee was set up for scrutinizing defence spending under the current budget, consisting of a dozen members who represent the various political groups in parliament. This *Mission d'information* meets quarterly, either at the Ministry of Defence or at the ministry of the budget. A first report was published in February 2004, the next one is expected early in 2005.

Germany probably gets the prize for the most detailed scrutiny of the budget – line by line – and equipment decisions. The federal budget is referred to the Budget Committee for deliberation and ultimately approved in the form of a law by the *Bundestag*. The defence committee has no formal competence with regard to the budget law, but in practice its recommendations, resulting from several days of deliberations, are taken into account by the Budget Committee. The Defence Committee exerts great influence on the execution of the defence budget. The Minister of Defence is obliged to submit all procurement projects of special importance in terms of security or military policy to the committee, as well as all projects exceeding € 25 million. No procurement decisions have

been implemented without the consent of the Defence Committee, even if they had been included in the budget law.

In Denmark, at the beginning of a new parliamentary period the political parties try to conclude a 'political compromise', determining the amount of defence expenditure during their legislature. In the Netherlands at least every ten years, and recently more often, a '*Defensie Nota'* is submitted to parliament, giving the framework for defence planning during the next ten years, but figures are no firm commitments and budgets have to be approved annually.

2. The Role of Parliament

2.1. A Model Sequence

Every procurement cycle will start with the determination of the operational requirement. Today this is more complicated than during the Cold War, when the threat assessment was relatively unambiguous and undisputed. In those days, when European members of NATO had the primary task of protecting a sector of the 'layer cake' defence of West Germany, it was clear what their sector needed to respond to a massive surprise attack from the Soviet Union and the Warsaw Pact. The threat could be quantified and so could the preferred responses. Today, the threats are different, often multidimensional, difficult to deter and to defend against, and responses cannot be limited to the military only. Consequently, there is both a qualitative and a quantitative problem: what do we need, and how much of it? After the demise of the Soviet Union defence planners shifted from a threat-oriented to a capability-oriented approach. The present author believes that, with the appearance of new threats, the determination and organisation of the necessary capabilities will have to be linked to possible scenarios. Otherwise, action in crisis management will always be too late to prevent escalation and massive casualties.

Military requirements are the outcome of a process in which past experience, new strategic and tactical insights, technological possibilities and the capabilities of potential enemies all are taken into consideration. Operational research and war-gaming have become new tools. The process usually starts with the plans and policy section of the staff of the armed service concerned. Depending on the degree of integration of this staff the other sections will be consulted. All too often this is a weak spot in the chain of developments and the link between the operational side of the house and the armaments directorate falls short of the permanent interaction it should be. Armament experts should be enabled to make their inputs, just like later on operational experience has to be involved in judging industrial offers and suggestions as well as possibilities for international cooperation, which might lead to changes in specifications or replacement schedules. Internal transparency is even more important than external transparency and neither side should be a closed empire.

In the NATO defence planning cycle the Supreme Allied Commanders formulated Force Proposals which contained an element of challenge to bring the member countries to increase their efforts beyond what they originally had planned for. The multilateral examination of country plans in the NATO defence planning cycle was a kind of 'mutual arms twisting' with its mix of praise and naming and shaming. Since 1989 the independence and territorial integrity of the NATO members is no longer menaced and the role of their armed forces has shifted to peace keeping and peace enforcement or other operations outside their own territory. Collective defence was replaced by intervention by 'coalitions of the willing', which were composed on an ad hoc basis. They resembled the integrated approach of collective defence by their multilateral character, but participation was not automatic. Peace support operations required politico-military decision making in which questions like a legitimate mandate, the participation of others, the risk to own forces ands the chances of success played an important part and often were subject to parliamentary debate and approval. Defence policy became an element of a wider security policy in which other government departments, and particularly the Ministry of Foreign Affairs, had their inputs to make.

Clearly, the requirements of intervention differed greatly from the more static aspects of territorial defence and had substantial impact in the areas of reconnaissance, transport, logistics, and equipment. Flexibility and mobility have become new catchwords, which could not entirely make up for the impossibility of quantifying requirements. Military needs became subject to the level of political ambitions of the nation and its willingness to take responsibility for actions which bore no direct relation to national defence in the strict sense of the word. Other notions of a more indirect nature took over, like the preservation of stability, the fight against organised crime and more recently against terrorism. These changes needed to be incorporated in new defence white-papers, outlining the future tasks of the armed forces. They required changes in the mindset of the planners, but also of their political masters.

Modern equipment needs to be adjusted to the new tasks and military personnel have to be trained to be able to use their new tools in the changed environment. Their profession has changed, too, and has become more dangerous than in the years of the Cold War in which no shots were fired. In peace support operations, once peace has been restored, the military become jacks of all trades, diplomats, mediators, administrators and restorers of infrastructure. Their equipment will have to be adequate for the new tasks, but at the same time capable of sustaining traditional military operations if the conflict escalates again.

In theory, equipment will have to be based on military efficacy in fulfilling the primary tasks outlined in new military concepts and white-papers, but in practice this guideline remains rather vague. An example of changing circumstances was the new emphasis on the threat of terrorism, which led to new requirements for special forces and better intelligence. NATO Secretary General Lord Robertson never tired in calling for 'capabilities, capabilities, capabilities' , but after the attacks by Al Qaeda of September 2001 the capabilities needed most were different from previous years. Obviously, the new threats, commonly defined by NATO and the European Union, as terrorism, weapons of mass destruction, and the combination of failed states and organised crime, present a formidable challenge to politico-military planners, but for the armament directors they are a nightmare. They are supposed to acquire equipment, which could be expected to last for 30 years, but are not able to get clear requirements in terms of specifications and numbers needed. Given the long lead-times involved in the development of military equipment their task is not to be envied.

In any case, one criterion is given added weight and that concerns the physical safety of the personnel handling the weapons systems. Dying in defending one's country is a different matter from becoming a casualty in peace support intervention. No wonder that parliamentary debates on accepting these missions pay great (and sometimes excessive) attention to the risks involved. If there would be no risk, the need for sending military forces would not be evident. Of course, the urgency of an operation and the willingness to join have to be evaluated in terms of possible losses and every commander has the duty to minimise casualties among the personnel entrusted to him. The more the military have to act in the role of the 'guardian soldier', the more they are entitled to maximum care for their physical protection. Yet, it is not easy to calculate risks and to instruct the soldiers accordingly. In peacekeeping operations it is important to win the hearts and minds of the population, which requires a friendly approach minimising the show of force with protected soldiers in heavy armour. If, however, rebels and suicide killers mix with the people, protective measures have to be strengthened and the corresponding equipment provided. The ultimate political evaluation, which governments and

parliamentarians have to make, is one of risk-sharing and the need to take joint responsibility in crisis management, which has no immediate impact on the defence of their country, but might have serious consequences for peace and stability in the long run.

2.2. Obtaining Parliamentary Approval

A model sequence of reporting on procurement is taken from parliamentary practice in the Netherlands. In this process the first communication should be sent to parliament when the operational requirement has been determined in general terms: the type of equipment and a general indication of the numbers needed. In many cases the new equipment will replace older and outdated equipment. New technologies might reduce the numbers required, but will also affect the cost of the project. Some indication will have to be given of the volume of funding reserved for the procurement. Parliamentarians are likely to focus on the share of the overall budget to be absorbed by the new plans and pose questions concerning their compatibility with other priority needs.

Once the requirement has been approved, or at least not rejected by a 'the commission takes note of the document presented', the next phase concerns preparatory studies on a number of subjects. The operational requirements have to be translated into technical specifications. The market has to be explored and an exhaustive list of all possible suppliers drawn up. Or, if it appears that nothing much is yet available in the near future, plans have to be drawn up for a development phase in cooperation with industry and, where possible, with other interested countries. In both cases a procurement strategy has to be established, as well as a timetable for production and delivery to the armed forces.

The third step is a thorough study of the information provided by interested suppliers. Are they able to fulfil all specifications or do they suggest alternative ways of meeting the requirements? Is the equipment in use by other forces and what are their experiences regarding performance? What are the possibilities for co-production and compensation? This study should lead to a short list of alternative products. Depending on the parliamentary practice of the country concerned, this information should be made public and subjected to discussion in the competent parliamentary committee.

The fourth phase concerns preparations for the acquisition on the basis of negotiated offers, possibly complemented by field trials. The armaments directorate will apply a range of criteria in arriving at its final judgment. Assuming that several alternatives meet the military requirements, other factors enter the fray. What are the life-cycle costs; are there gradations in military effectiveness and the safety of the personnel?

Concurrently, the ministry of economic affairs, or another agency responsible for the involvement of domestic industry in military production, will negotiate co-production and, when necessary, complementary compensation outside the project concerned. Over time parliaments have become more demanding and usually demand hundred percent compensation for every defence dollar or euro spent abroad. As foreign suppliers tend to paint too rosy a picture of their compensation activities, parliaments are pressing for penalty clauses if the targets are not met. Putting them into contracts, however, is no easy matter as usually the time allowed for effecting compensation is prolonged and might cover some ten years. In the meantime, some plans will have lost their feasibility or other

possibilities have opened up. In any case, no contract will be signed until it has become clear that the domestic industry will be adequately involved in its implementation.

This final phase is subject to intense lobbying, involving media, think tanks and parliamentarians. Decision makers are invited to visit factories or attend demonstrations. This is also the phase in which they have to be extraordinarily careful not to accept favours, which might be seen as influencing their judgment. Many cases exist where politicians accepted holiday trips or even outright payments for themselves or their party coffers.

Practice varies as to how authority to sign the definitive contract is obtained, sometimes preceded by a letter of intent. In the Netherlands this depends on the money value. Contracts below Euro 5 million are left to the service concerned. Up to Euro 25 million the projects have to be included in the overall defence plan by the Chief of the Defence Staff in his role of 'corporate planner' and communicated to parliament Between Euro 25 and 100 million the requirement at the beginning of the cycle has to be approved by the parliamentary committee, but further execution is mandated to the service concerned, unless the project has been qualified as 'politically sensitive'. Projects of higher value need parliamentary approval before signature and decisions regarding their implementation can only be taken by the State Secretary (deputy minister) in charge of equipment. Contracts above Euro 250 million require approval by the full cabinet before they are submitted to parliament. If the parliamentary committee does not give the green light, members can put the issue on the agenda of the plenary session of the Second Chamber for a debate and vote.

The model sequence, or somewhat similar, outlined above is practiced in only a few NATO countries. DCAF Occasional Paper №2 on 'Democratic control of armed forces: the national and international parliamentary dimension' includes a comparative table on parliamentary authority, either in plenary or in committee.[7] The record was not bad in terms of legislation, but less good on control of the executive. The Minister of Defence is obliged to provide information to the defence committee on procurement decisions above a certain amount in Germany (above €25 million), the Netherlands (above €50,0000, Norway (above €0.8 million), Poland and the UK. In all these countries except the UK he needs parliamentary consent to conclude the contract. Involvement of the committee in specifying the need for new equipment is provided for in Canada, the Czech Republic, France, Germany and the Netherlands; and in the comparison of offers and selection of a producer in the Czech Republic, the Netherlands and Norway. Only the Czech and Netherlands parliaments reported involvement in the assessment of compensation and off-set arrangements.

The Netherlands Advisory Council on International Affairs has published a report on the availability of independent research to assist parliamentary control[8]. The picture was scanty. All NATO countries have parliamentary committees on defence, but few have a form of expert support. There is no lack of independent think-tanks, but rarely does parliament instigate research of its own, challenging the official views. In the US the Congressional Research Service of the Library of Congress provides an impressive array of documentation and support, but does not have a separate defence section. The

[7] Written by Dr. Wim F. van Eekelen, Geneva, October 2002.

[8] Report No.16, 'Defensie-onderzoek en parlementaire controle', December 2000.

Congressional Budget Office traces the implementation of authorised expenditure. In the UK parliament has a large library with some 200 experts and an International Affairs and Defence Section. There is no specific research bureau for defence matters, but the Select Committee on Defence has its own staff, who often consult external expertise. The German Bundestag has its *Wissenschaftliche Dienst* with 3 persons working on defence and security and links with independent institutes like the *Stiftung Wissenschaft und Politik*. The French National Assembly has a *Service des Etudes et de la documentation* with a staff of 36, and the defence committee a supporting staff of 7 persons. Norway has a Council on Defence Research, which advises the government. The Swedish Riksdag has a research service with some 30 staff collecting public information. Parliament has the right to request research by government-subsidised institutions, but rarely does so. The Stockholm International Peace Research Institute produces an impressive yearbook, book-size studies and reports, but has an international agenda, like the International Institute of Strategic Studies in London.

3. Consolidation and Cooperation

3.1. The American Situation

During World War II the US developed a formidable defence industry and ever since has remained the pacesetter in global armaments production. Domestic demand was so strong, that the entire spectrum of defence needs could be covered at home and even competing firms could make a fairly prosperous living. The defence industrial lobby became a powerful force in Washington, so much so that President Eisenhower – usually not known for historical remarks – dubbed it the Military Industrial Complex. His remark had a lasting effect on political scientists and politicians alike and put defence establishments on both sides of the Atlantic on the defensive.

Secretary of Defence McNamara, coming from a motor company, met critics by introducing systems analysis in defence planning. For years his 'whiz kids' were most unpopular among the military. Although the Secretary declared repeatedly that, if the analysis confirmed the need for a particular weapon system he would provide it, the military were subjected to hosts of questions they were not accustomed to. Later, their scrutiny became less severe, but the presence of a strong civilian component in the Department of Defence was firmly established.

In transatlantic relations technology transfer always was a delicate matter. American firms could satisfy European needs as well and often had the advantage of lower prices as a result of longer production-series and economies of scale. In return the Europeans would insist on production-shares of high-technological value. The best arrangement would be to have European assembly lines, as happened in the cases of the F-104 and later, very successfully under a 'not to exceed price', of the F 16. US industry sought partnerships with European firms as the best way to create vested interests in Europe.

The US government did not itself engage in compensation transactions and left these negotiations to industry. This meant that procurement by the Department of Defense could not be counted as compensation for foreign purchases in America. Examples of such procurement were few and far between. The best way to sell in the US was to find an American partner. During the many years of strong US leadership in NATO, the Conference of National Armaments Directors (CNAD) functioned well in providing technical information to the European allies. Army, Air Force and Naval Armaments Groups supported the CNAD in their respective fields. A Research and Technology Board conducted collaborative programmes and a Conventional Armaments Planning System (CAPS) assisted member countries in long term planning and the identification of cooperative possibilities. On the non-military side NATO's Science Committee developed a programme to support collaboration between individual scientists and later, under the Partnership for Peace, provided research infrastructure support to Partner countries. The scope of the activities is wide, ranging from physical and engineering science and technology to life science, environmental and earth science, and 'security-related civil science and technology'.[9]

[9] See the 'NATO Handbook', which is regularly updated by the NATO Office of Information and Press, 1110 Brussels, Belgium.

In the US much talk was spent on the creation of a 'two-way street', but most of it was lip-service. US industry could provide everything the Department of Defence could ask for, and had not the slightest interest in foreign firms acting as prime contractors. Only during the Carter administration, when William Perry was the Undersecretary in charge of acquisition, a genuine attempt was made to give it real substance. Most of the time the two-way street was pictured as a motorway leading from the US to Europe and a rickety bamboo bridge for the return track.

American defence industry had its heyday from the late 1970s to the late 1980s when President Reagan, feeling deceived by the Soviet military build-up of the Brezhnev years, decided on large spending, including the Strategic Defense Initiative, which ultimately would make Gorbachev agree to new arms control measures. The ending of the Cold War led to a slashing of the defence budget from $400 billion in 1989 to $281 in 2001. In 1993 Secretary of Defence Les Aspin and his deputy, William Perry, invited a dozen defence industry executives to dinner at the Pentagon. At this 'last supper' the guests were told that there were twice as many people at the table as the government wanted to be in business in five years time. The implied threat of 'combine or die', together with a policy of government subsidies covering some merger-related costs, helped to speed rationalisation of the US industry. As a result, consolidation occurred earlier in the US than in Europe, where no such government inducement was given and matters were left to private industry alone. Compared to 22 major US defence companies in 1992, only 4 remained in 1998. Their initial focus was on aircraft, space and missile systems, but in recent years they started acquisitions in the army and navy sectors as well.

By the year 2000 among the top ten defence companies worldwide, seven were American, with Lockheed Martin, Boeing and Raytheon taking the first three places. Number four was BAE Systems. EADS came seven, Thales eight, preceded by General Dynamics and Northrop Grumman (which in 2002 jumped over GD by acquiring TRW Inc., previously tenth). United Technologies was nine. This pecking order might change if European consolidation continues. In November 2004, moves were reported to merge EADS and Thales, or alternatively EADS with parts of British Aerospace. Much was made of German concerns of losing influence to France if the first option would be realised and the plans were not confirmed.

In 1989-90 William Taft, US Permanent Representative to NATO and previously Undersecretary of Defense, suggested a GATT-type system to promote fair trading practices in defence trade. A NATO trade panel, created to study this proposal, identified seven general areas of deviation from free and open trading currently evident among NATO member-countries.[10] These were enumerated as bi-national laws excluding foreign competition in certain sectors; similar unofficial practices in the absence of formal legislation; difficulties in understanding, obtaining or complying with other countries' legislation; exclusionary national certification or screening procedures; foreign ownership restrictions; export financing and other assistance to defence industries; offset requirements; technology transfer restrictions and differences in third-country sales control, and domestic safety, environmental or social regulations that also become trade barriers.

[10] See the Study on' The future of the European Defence Industry' written by Saferworld and published by the Club de Bruxelles, 1994, p. 105. The example of buy-American preference is on p. 106.

Most of the complaints were directed against the US, but most European authorities resorted to similar means to block American imports to protect domestic producers. In fact, most Europeans regarded the Taft initiative as a concealed effort to maintain the American lead in defence production. If nobody would resort to protectionist practices, the US ultimately was likely to benefit. The comparison with GATT with its binding dispute solving panels would be difficult in the defence field where notions of sovereignty still were paramount. The initiative shifted to drafting a code of conduct, but withered away when its main protagonist left his post at NATO. It had clarified some of the problems and demonstrated that neither side was without blame. The European Commission from her side followed it up by a report on US barriers to fair trade, which among other points listed a 6% buy-American preference applicable to Department of Defence procurement in the telecommunications field.

Few examples exist of the US acquiring complete systems from European suppliers. The British Harrier jump-jet aircraft was bought by the US Navy and the French RITA tactical field communication system by the Army. These deals required establishing links with an American company in co-production accords, similar to offset agreements in Europe by American manufacturers. Although the designs were European, the American customer changed much in the specifications. That, too, was not uncommon on the European side and usually added substantially to the cost.

After the demise of the Soviet Union, demand for new weapons systems fell and shifted to retrofits and upgrades. This tended to benefit the original supplier and left little room for newcomers. Downsizing of the armed forces theoretically would favour modern equipment, which could be handled by fewer people, but reduced threat perceptions and budgetary pressures were not conducive to new ventures. It became difficult to maintain design-teams, which in turn led to political concerns about the future of the defence technology and industrial base. Legislation was passed to earmark funds for defence conversion, workers retraining, technology transfer, export assistance, and the exploitation of 'dual-use' technologies. In the US a major policy initiative was the Technology Reinvestment Project (TRP), funded at approximately $1 billion for Fiscal Year '94, aimed at "… stimulating the integration of the military and the commercial industrial bases". TRP was administered by the Defence Technology Conversion Council, which was chaired by the Department of Defence's Advanced Research Project Agency (DARPA), and jointly implemented by the Defence Programmes Office of the Department of Energy, the Commerce Department's National Institute of Standards and Technology (NIST), the National Science Foundation (NSF) and the National Aeronautics and Space Administration (NASA).

The scope of the TRP was impressive and the results accordingly. The broad objectives covered technology development at the pre-competitive level, ranging from information, infrastructure, electronic design and manufacturing, materials and aeronautical technologies; technology deployment, with extension services targeting small business, seeking to increase competitiveness and to assist in the transitioning of technologies from research to markets; and manufacturing, education and training in order to create a high-quality workforce for the 21st century by improving competitiveness and productivity through fellowships in dual-use engineering and improvement of the technical capabilities at the university, college and vocational level.

Writing in 2004 it is most interesting to see how quickly after the demise of the Soviet Union and the Warsaw Pact, the US was engaging in a new direction, while even today

Europe has not yet taken the fundamental decisions. The Lisbon Agenda posited the overly ambitious objective of becoming in ten years time 'the most competitive economy' in the world, but after three years it has become clear already that this target will not be met. The aim of becoming competitive already would be difficult enough, but "most competitive' was derisory and damaged the credibility of the declaratory policies of European leaders.

In drafting the TRP the American authorities had taken a leaf out of the books of the European Communities, which in the early eighties had started Eureka and Brite programmes for respectively pre-competitive research in technology and the updating of traditional industry. These figured in the five-yearly framework programmes and gave them a high-tech twist. Funding remained modest and had insufficient impact. A major problem was that industry had great doubts about the ability of the European Commission and its advisory bodies 'to pick winners'. In the US the funding was large, but surpassed massively by the 4,500 proposals received, amounting to some eight times the money available.

Even today DARPA arouses the jealousy of all Europeans. An Agency administering advance research projects is what the EU sorely needs. Perhaps the Defence Agency proposed by the European Convention and approved separately from the Constitution by the European Council of Thessaloniki, will perform this function. Another point where the US was far ahead of the Europeans was its 'prototype plus' policy of developing new weapons, testing them and putting them on the shelf, ready to enter production as soon as the need would arise. It had the advantage of keeping design teams together, but overlooked the need to also retain the teams of skilled production workers and manufacturing facilities. Nevertheless, European industry would have been most happy if they got orders for what they called 'demonstrator projects', showing the feasibility of the results of their research projects. It would keep the industry competent, which is a prerequisite for becoming competitive.

When the Soviet threat was real, US leadership was predominant in NATO generally, but also in the field of defence procurement. American weapons systems were superior and most European countries focused on co-production arrangements. The successful consortium building the F-104 Starfighter was the best example. Technology transfer was limited by concerns of aiding the enemy and the so-called 'CoCom' organisation closely monitored exports of strategic materials. Today, those concerns apply to non-proliferation of technologies usable for building weapons of mass destruction.

In the '90s, when the terrorist threat was less manifest, enhanced transatlantic defence industrial cooperation was viewed as a useful tool among allies to promote coalition military integration, the revolution of military affairs, and competition in consolidated defence markets. During the Clinton administration some progress was made.[11] Measures were adopted to facilitate industrial cooperation, including Declarations of Principles

[11] See 'Transatlantic Transformations: Equipping NATO for the 21st Century' by the Center for Transatlantic Relations and edited by Daniel S. Hamilton. Washington D.C., 2004. It contains an American perspective by Jeffrey P. Bialos and Stuart L. Koehl, and a European perspective by Andrew James, pp.147-189). The SIPRI Yearbook 2004 has a section on 'Technology transfer issues in transatlantic defence-industrial relations', pp. 409-418, followed by Appendix 11A 'The 100 largest arms-producing companies, 2002'. SIPRI also published Research Report No. 20, 'Technology and security in the 21st century, a demand side perspective' by Amitav Mallik. Oxford University Press, 2004. It argues for 'Responsible Ownership of Technology' (ROOT) with unambiguous incentives for responsible behaviour and disincentives against cheating with country-specific profiles for grading.

with the UK and Australia, the approval of BAE's acquisitions in the US and a joint venture between Raytheon and Thales, and the start of major programmes like the Joint Strike Fighter (JSF), the Medium Extended Air Defence System for theatre missile defence, and the Multifunctional Information Distribution System as the next generation Link 16 system for secure communications and data transmission. The Defense Trade Security Initiative was a package of measures including licensing reforms with country-specific waivers of the International Traffic in Arms Regulations (ITAR) and a series of 'global' licenses. The Bush administration wanted to build on these efforts and worked on National Security Policy Directive 19, focusing on enhanced coalition warfighting capabilities. Bialos and Koehl concluded that progress was impeded by two factors: first, the fact that armaments cooperation policy continued to be divorced from technology transfer policy (where congressional opposition grew after the terrorist attacks on the US) and, second, the dichotomy between what senior leadership said and what was done in practice in the bureaucracy. In their view, significant change to enhance defence industrial cooperation would be difficult in the current environment. Their prediction proved to be correct during the deliberations on the 2005 Defense Authorisation Act, when ITAR waivers for the UK and Australia were stripped from the $445.6 billion military funding bill.[12] With growing autarky in Europe, most ongoing cooperation concerned the JSF programme.

A more positive note was struck by the Transatlantic Industrial Proposed Solution (TIPS) presented in April 2002 for NATO's Alliance Ground Surveillance (AGS) on behalf of 19 European and North American companies and aiming at an initial operating capability no later than 2010. It proposed a mixed surveillance strategy consisting of medium-sized commercial jets of the Airbus 320 family and High Altitude Long Endurance Unmanned Aerial Vehicles (HALE/UAV), using state-of-the-art data links and a Transatlantic Cooperative AGS Radar (TCAR) developed by 7 companies. The AGS would be an essential capability for the new NATO Response Force. [13]

US governments have accused the EU of a 'fortress Europe' mentality, but have demonstrated the same mentality with their 'Buy American' acts. It is virtually impossible for non-British companies from Europe to buy American firms, while even firms in the UK, always proud of their special relationship with the US, are complaining of the impossibility to enter into high-tech cooperative arrangements.[14] Lord Bach, UK Undersecretary of State for Defence Procurement, gave a strong political signal that his government would have to reconsider US firms' open access to the British market if Congress would block the granting of limited waivers under the US International Traffic in Arms Regulation. He was quoted as saying "Many people are beginning to say: What is it that the UK really gets out of this defence industrial relationship with the US?"[15] Similar concerns were expressed in the Netherlands and Norway, which have spent

[12] Defense News, October 11, 2004. 'U.S. Congress Spurns ITAR Waivers'.

[13] See the article by Dr. Thomas Enders in NATO's NATIONS and Partners for Peace, 3/2003. EADS, Galileo Avionica, General Dynamics Canada, Indra, Northrop Grumman and Thales were major partners, joined by firms from the Netherlands, UK, Iceland, Belgium, Portugal, Norway, Denmark, Luxemburg, Poland, Czech Republic, Hungary and Turkey.

[14] The Atlantic Council of the United States has been concerned about this trend which would reinforce political separation and make interoperability more difficult. See 'Permanent Alliance? NATO's Prague Summit and Beyond', Policy paper, April 2001, with Robert L. Hutchings as rapporteur. The suggestion was made to include Europeans in the Quadrennial Defense Review to give them a better understanding of U.S. defense planning. See also Backgrounder No. 1777 of July 9, 2004, of The Heritage Foundation, 'Protectionism compromises America's homeland security'.

[15] Defense News, July 19, 2004.

money on the development of the Joint Strike Fighter, but find it difficult to realize the expected industrial participation.

Recently another concern was expressed by Europeans about American companies acquiring European firms. Daimler-Chrysler sold its engine producer MTU to the investment company KKR; and Fiat Avio, also active in engine production, became part of Avio Holding, in which the Carlyle fund has a 70% stake next to the 30% of Finmeccanica. General Dynamics bought the Austrian Steyr, Daimler-Puch, SSF group, the Swiss Mowag and the Spanish Santa Barbara companies. United Defence acquired the Swedish Bofors. In the naval field the German shipyard HDW with its innovative propulsion technology was acquired by the OEP investment fund.[16]

3.2. The Wishes of European Industry

Industry has a vital interest in good communications with the Ministry of Defence, the national armaments director, and the officers and civil servants in charge of procurement for the services. They want to hear as soon as possible about future planning in order to adjust their production schedules and to prepare the best offer in terms of the state of the art and anticipated technological developments. It is a two-way street, because industry often is better equipped to judge what is technologically feasible within the time frame of the military requirements. Industry looks for continuity and economies of scale. Over time, they have been remarkably capable of devising production schedules and divisions of labour in co-production arrangements, but in a thinning defence market there simply were too many European firms fighting for the same contract.

In order to remain competent and competitive, industry looked at governments for 'demonstrator' projects, which would not necessarily come into production, but would be ready for implementation when the time was ripe. In this way, research and design staffs would not have to be laid off, but productive capacity tended to become underutilized and profits would be low. To put this strategy into practice, active governmental support would be necessary, but unfortunately the European levels of funding R&D work fell far short of American spending. Industry realised the need to lobby governments for greater transparency and formed the NATO Industrial Advisory Group (NIAG) and later, in the context of the Western European Armaments Group (WEAG), the European Defence Industry Group (EDIG). Both managed to approach governments in a coordinated way. The EDIG analysis of the role of governments has already been mentioned. Its main thrust was the need for a European Defence Domestic Market. In the run-up to the Amsterdam Treaty, EDIG made a strong plea for the creation of an armaments agency. Spurred on by the rapid pace of consolidation in the US, three persons with practical experience in this field drew attention to the difference in speed of action between the US and Europe. [17] While in the US a limited number of major defence-related companies was active in a defence equipment market of some $70 billion, the European market of some $39 billion was fragmented and uncoordinated with a large number of small companies. The issue at stake was the survival of a globally-

[16] Article by Emile Blanc in the issue of La Tribune on the occasion of the 2004 EuroSatory equipment show, which signaled an 'enveloping American strategy with grave consequences for European autonomy'.

[17] Letter to seven major European Newspapers of 7 February 1997, signed by W. van Eekelen, former Secretary General of the WEU; E. Blanc, former Chairman of the WEAG; and J-P Rasquin, former Secretary General of EDIG.

competitive European defence industrial and technology base to support its own defence needs, as well as elements of a common European foreign and security policy. It was therefore crucial that the ongoing Inter-governmental Conference would recognise:

Firstly, that the European defence industrial and technology base is a vital strategic asset and that its maintenance is a prerequisite for a genuine European security and defence identity;

Secondly, that a European domestic defence equipment market (DITB) of sufficient size is needed to provide the foundation upon which the European defence industry can sustain its global effectiveness. This must assume that partner nations will accept industrial and technological interdependence as a norm;

Thirdly, that the long term existence of a European defence industrial and technology base will require the identification of those critical technologies which need to be sustained in Europe and the necessary investment in leading edge technology programmes to demonstrate their effectiveness.

For EDIG the European Council of Amsterdam was a disappointment. The vital character of a European DITB was not recognised and the Treaty on European Union only contained a small paragraph about the promotion of further cooperation. Article J.7 (formerly J.4) in its first paragraph got an additional sentence, which was to remain unchanged in the Treaty of Nice under Article 17: "The progressive framing of a common defence policy will be supported, as Member States consider appropriate, by cooperation between them in the field of armaments."

A new opportunity came in 2002 when the European Convention solicited inputs from all sectors of civil society and interest groups. EDIG made a substantial input, with a different approach, stating that the creation of a European Security and Defence Policy (ESDP) was an essential prerequisite of building effective instruments to implement a common armaments policy.[18] Industry supported an effective ESDP, because it needed a consolidated market, which could only be achieved through true cooperation, based largely on a harmonisation of military requirements. The successful conclusion of restructuring the industry required the active involvement of the European governments in defining harmonised rules and procedures, allowing companies to compete for defence contracts purely on the basis of cost-effectiveness. At the same time, favourable conditions should be created to facilitate companies to form alliances and consolidate their production capacity. A comprehensive European Research and Technology Policy should be developed to secure the future of the DITB and a list of key technologies should be defined by all stakeholders and agreed upon by the ministries of defence. Convergence of export licensing procedures was urgent, recognising the political responsibility of the final exporter.

The EDIG contribution defined four conditions to enable a single European Defence Equipment Market to operate:

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[18] 'EDIG Contribution to the Convention on the Future of Europe for ESDP' with the enclosure 'Creating a European Defence Equipment market as a basis for a European Defence Technological and Industrial Base', Brussels, 18 September 2002. A year later EDIG was dissolved and its function taken over by a smaller group representing the European aerospace industries.

- A common, or at least substantially overlapping, foreign and security policy, having particular regard to the harmonisation of military requirements, and to use the efficiencies resulting from longer production runs. The paper made the interesting point that this way political sensitivity would decrease since an agreed Common Foreign and Security Policy (CFSP) would necessarily take considerations of national sovereignty into account. Several alternative approaches would be possible, varying from a start with promising sectors, to technical solutions by identifying sub-systems that could be made common to a number of national systems, or a pro-active process giving priority to programmes where collaboration seemed feasible. The latter approach could take the form of a standing committee to review national procurement plans and to propose joint projects to the ministers of defence.

- A common armaments policy that defines an agreed mechanism for dismantling trade barriers and consolidating the industry on the basis of principles of mutual interdependence, as well as a framework for the long-term development of a European defence industry. EDIG recognised that in the past arguments about security of supply had been considerable obstacles, but used the example of the Letter of Intent (see page 30) framework agreement as a way to remove them.

- A common procurement policy that implements the industrial strategy through agreed harmonised procurement mechanisms for contractor selection, funding, risk sharing and technology transfer. As long as each government carried out these functions on their own, it would be very difficult to procure anything except on a national basis.

- A common research and development policy with common objectives to optimise investment, via a willingness to increase the sharing of R&D results between the nations.

The EDIG contribution concluded with a list of recommendations, which are summarised as follows:

- The treaty should include the ultimate aim of an armaments policy, based on effective reciprocity of market access and taking 'due consideration of the specificity of the armaments sector'.

- The harmonisation of military operational requirements is a vital action for future progress. A European armaments policy could provide the framework for this.

- We must continue to build on previous initiatives, like OCCAR, LoI and WEAO, with the longer term aim of a Common Armaments Agency as a tool for further fostering a single European defence equipment market (EDEM).

- Member states should provide more resources for, and better coordination of, defence related Research and Technology to support the creation of centres of excellence and to prepare the launch of a centrally funded multi-year programme. Multi-year collaborative programmes should be exempt from the rules of the Stability Pact concerning the admissible level of budget deficits.

- Introduce a concept enabling common procurement in support of EU operations.

These recommendations reflected the prevalent mood in Europe and once again the consensus in industry about the necessity of a free internal market had an impact, this time on the discussions in the European Convention, which was drafting a European Constitution, and on the decision by governments to anticipate its entry into force by the creation of a European Armaments Agency. Yet, a critical note should be placed at the remark concerning the 'specificity of the armaments sector'. What would this mean? The European armaments industry is far from homogenous. A few countries provide a broad range of defence equipment and are able to integrate systems and to build and equip platforms; a few have niche industries with specific quality products and the remainder manufactures only components. Accordingly, their interest in a competitive market differed greatly, the makers of components being the most enthusiastic.[19]

The system integrators and platform builders in Europe – primarily the UK, France, Germany, Italy, Spain and Sweden – are confronted with a very imperfect market. Research and development costs are great, the number of potential buyers is small and contract opportunities are rare. Risks are high, jobs are at stake, and correspondingly they feel the need for some assurances of their own government. Their national market comes first unless they are able, with government support, to consolidate or enter into alliances with firms in other countries with buying potential.

The smaller European countries – small in terms of their defence industrial capabilities – are interested in developing specific technologies and specialised products, for which they seek access to the world market. While the big countries have little chance of selling their products in the US, the smaller attempt to foster transatlantic links to enter the American market, usually in association with a US company, to co-produce in the context of compensation deals, and to obtain licensing and agency arrangements. The number of sub-contractors is far greater than the system integrators and entering a competitive market would be important to them. The only caveat here is the increasing tendency of the major companies, both European and transatlantic, to conclude long-term agreements with 'preferred suppliers' (sometimes shifting development costs onto them), which offer mutual advantages to both sides in terms of continuity, but limit competition.

The resulting situation is somewhat paradoxical. The larger companies, who normally should be expected to be able to cope with market forces, depend on government planning and decision-making, while the smaller, more vulnerable firms benefit from a freer market. The picture is even more complex, as the governments without large defence companies keep their procurement options open and often prefer 'off the shelf' purchases to cooperative commitments. The future European Defence Agency will have a tough job in reconciling these diverging interests. Before we come to the creation of this new institution, we shall trace the chequered history of European armaments cooperation.

[19] An interesting analysis was provided by the Netherlands Advisory Council on International Affairs, 'Europese militair-industriele samenwerking', June 2001.

3.3. European Armaments Cooperation

The history of European armaments cooperation is long but uneventful.[20] Different organisations followed each other, but concrete results were not forthcoming. As early as 1950 the first attempt was made when France launched the Pleven Plan for a European Defence Community. It was a French way of coping with the necessity of German rearmament in the face of the growing threat of the Soviet Union, but without giving Germany equal status in NATO. Paradoxically, the plan failed in the French parliament and Britain (which had stayed outside the EDC) took the lead in turning the Brussels Treaty of 1948 between Britain, France and the three Benelux countries into the Western European Union by admitting Germany and Italy.

The EDC was modelled after the European Coal and Steel Community with an Executive Commission having supranational authority. In the declaration of 24 October 1950 launching his plan Pleven mentioned a European minister of defence, responsible to a council of ministers, a common assembly and a common budget. An armaments agency with far-reaching powers would decide on equipment and standardisation. In the WEU this function was watered down to an intergovernmental Standing Armaments Committee where member nations could exchange information.

In February 1958 France, Germany and Italy informed NATO and WEU of their decision to set up a three-power steering committee to select types of weapons for which they were prepared to undertake joint study, research and production. France would provide a technical testing centre for the new organisation and a missile training centre for the Alliance. A few months later, they offered a list of projects to their NATO and WEU partners, which included the development of a 30-ton tank, standardisation of tactical vehicles, development of tactical support aircraft, anti-tank guided weapons, joint production of the US Hawk surface-to-air guided missile and cooperation in its further development, development of weapons against very low flying targets and of a ballistic missile capable of carrying a nuclear warhead with a range of 2800 km. Some projects came to fruition, such as the Jaguar and Transall aircrafts, the Roland missile system and the joint French-UK procurement and production centre for the Gazelle, Lynx and Puma helicopters, but the proposed organisation did not take off.

A more systematic approach was attempted in 1968 with the establishment of the Eurogroup. This initiative of Denis Healey, then UK Secretary of State for Defence, had a double purpose: to show to the US that the European defence effort was more substantial than they believed, and to promote inter-European cooperation on defence production. Until 1975, armaments cooperation was handled by the EURONAD subgroup, consisting of national armaments directors. France refused to join because it regarded the Eurogroup as affiliated too closely with NATO. Yet, equipment cooperation without France made little sense. In 1975, the German and Netherlands Ministers of Defence, Leber and Vredeling, managed to draw France into the independent European Programme Group (IEPG) and in 1976 EURONAD was suspended. The high hopes for the IEPG were not realised either. The Dutch tried to

[20] For developments prior to 1998 see Willem van Eekelen, Debating European Security 1948-1998. Sdu Publishers, The Hague and Centre for European Policy Studies, Brussels, 1998, pp.282-290. For subsequent developments see two Chaillot Papers by Burkard Schmitt, No. 59 of April 2003 entitled 'European armaments cooperation, Core documents', and No. 63 of August 2003 under the title 'The European Union and armaments, Getting a bigger bang for the Euro'.

create an approach based on making replacement schedules compatible in terms of timing and requirements. In practice, however, some five concrete projects were selected, but only one was successful. The tripartite mine-hunter built by Belgium, France and the Netherlands in identical configuration came to fruition, but the initiative had already been taken before the start of IEPG. Another activity of the Eurogroup concentrated on the two-way street between the US and Europe, leading to a series of bilateral memoranda of understanding to facilitate access to the US market. The most tangible result of IEPG was the creation of the EUCLID Programme for pre-competitive research, comparable to EUREKA in the civilian field.

In the run-up to Maastricht, interest in promoting defence production on a European scale also increased. The meeting of the European Council in Rome on 14-15 December 1990 identified economic and technological cooperation in the armaments field and co-ordination of arms export policy among the issues in the security and defence field to which the IGC should give particular attention. In its section on the operational role of WEU, the WEU Declaration of Maastricht included "enhanced cooperation in the field of armaments with the aim of creating a European armaments agency" in the proposals which would be examined further. This proposal was part of the joint initiative launched by President Mitterrand and Chancellor Kohl on 4 October 1991.

The two countries followed up with a joint statement at the NADS meeting, proposing incorporation of the IEPG into WEU. That took some time, but at the meeting in Bonn on 4 December 1992, Defence Ministers of the thirteen nations agreed to transfer the IEPG functions to WEU, with the understanding that all IEPG members should be entitled to participate fully, and with the same rights and responsibilities, in any armaments cooperation forum. This was of particular importance to Norway and Turkey, who were 'associated members' of WEU, and to Denmark, which was only an 'observer' and had tried to keep armaments cooperation at arms length from the WEU institutions. The new name of these activities would be Western European Armaments Group (WEAG).

Ministers increasingly devoted attention to the WEAG in the declarations issued after their meetings. At Noordwijk in November 1994, they agreed to establish a Research Cell to support the EUCLID Programme. They accepted a German proposal to set up an informal group of experts of the EU and WEU to study the options for a European Armaments Policy, but reached a negative conclusion on a European Armaments Agency: conditions did not currently exist for the creation of an agency conducting the full range of procurement activities on behalf of member states. They were positive, however, about a Franco-German initiative to create a new armaments cooperation structure as a subsidiary body under the Brussels Treaty. Ministers Léotard and Rühe were prepared to put their bilateral cooperation within the WEU framework and suggested that their colleagues do likewise. The scope of this initiative would remain unclear for some considerable time. It would take till 12 November 1996 before the joint Armaments Cooperation Structure was signed by France, Germany, Italy and the UK, to be known under its French acronym OCCAR.

In 1995 in Madrid, Ministers endorsed a strengthening of the dialogue between WEAG and the operational users, so that armaments cooperation could more closely rely on common military requirements. The Secretary-General recommended giving EUROLONGTERM a role in this area, under responsibility of the Chiefs of Staff. Work on a Charter and a general Memorandum of Understanding (MOU) for a European

Armaments Agency had not been completed and "substantial difficulties remain to be solved".

The meeting at Ostend on 19 November 1996 created a new WEU subsidiary body called the Western European Armaments Organisation (WEAO) with a Charter and a MOU. The EUCLID Research Cell would obtain the legal capacity to place contracts and initially would be the executive body of the WEAO, as a precursor to a European Armaments Agency. Its first contracts were placed with a Thomson-CSF, DASA and GEC-Marconi consortium for developing modern radar technology. A new procedure was added - EUROFINDER - allowing industry itself to make proposals for research and technology projects for inclusion in the EUCLID Programme.

As discussed before, the Treaty of Amsterdam provided only a weak reference to cooperation in the field of armaments in the context of a progressive framing of common defence policy. That came as a severe disappointment to the European defence industry, but also to the European Commission which, in May 1996, had issued a communication on the challenges facing the European defence-related industry, "a contribution for action at European level". Not to be deterred, Commissioner Bangemann in September 1997 addressed a further communication to the Council and the European Parliament entitled "The Aerospace Industry Faced with the Global Challenge". He drew the conclusion that in many sectors it would only be possible for one entity to remain viable in Europe. This would apply in particular to the production of airframes where, according to many commentators there would probably only be room for one major civil-military producer. But such a suggestion would not necessarily give rise to competition problems as long as there was a fully functioning global market with strong foreign competitors. The message was clear, even though the example went too far. It should have been limited to airframes for civilian and military transport aircraft, fighters being an area of its own with close links to missile and other high-tech areas and therefore a specific field of consolidation.

Nevertheless, the plea for European transnational restructuring was most opportune and was rapidly followed on 12 November 1997 by the adoption of a strategy document by the European Commission developed by Bangemann and Van den Broek. The Council was requested to adopt a draft "common position" with intra-community transfers, public procurement and common customs duties as priority areas. The accompanying action plan embodied a short time scale, with the first set of measures to be undertaken in 1998. It also included the rationalisation of standards, a review of the dual-use regulation, drafting a white paper on EU armaments exports and a benchmarking exercise in the field of defence industries. The document quoted figures showing that the EU countries imported six times more defence-related goods from the US than they exported. The dispersed nature of European industry was demonstrated by the fact that the eight major European defence companies in 1996 had a turnover of $60 billion, whereas the three top US firms had sales of $90 billion. Overcoming previous acrimonious debates about the competence of the Commission in this field, France, Germany and the UK took up the challenge and addressed an appeal to their aerospace

and defence electronics industries to present within three months plans for a far-reaching clustering of their activities.[21]

After Oostend multilateral progress was disappointing, which, not for the first time, cast doubt on the political will of the major players to implement their lofty declarations. As early as 1995 the COREPER had set up an informal group, later formalized as the ad hoc Working Group POLARM, initially to study the report of an informal EU/WEAG report on options for a European armaments policy and to make recommendations for further action. The group discussed aspects of the defence-industrial base and the European defence equipment market, but did not come to any firm conclusions. It took till the first half of 2003, under the Greek Presidency, for the group to develop a new dynamic. Within a few months resolutions were drafted and agreed by the Council concerning standardisation, restructuring challenges in the armaments sector, and security of supply.

In the meantime, most of the momentum had come from a developing partnership of France, Germany, Italy and the UK in the form of OCCAR, which in principle was open to others on condition that they adhered to an agreed set of rules of conduct – the so-called 'Baden-Baden' principles – and participated significantly in a cooperative Programme. The group aimed at doing away with arrangements of *juste retour* in a single Programme but equalising work shares on a multi-project basis. Thus it could become the nucleus of an armaments agency and go beyond the research phase pursued by EUCLID and WEAO. But strong headwinds developed, particularly from the smaller countries.

Like the WEAO, legally OCCAR had the potential of becoming a full-fledged armaments agency. According to Article 8 of the OCCAR Convention, it could cover a whole range of tasks that the Member States may assign to it:

- management of current and future cooperative programmes, which may include configuration control and in-service support , as well as research activities;
- the management of those national programmes of Member States that are assigned to it;
- preparation of technical specifications for the development and procurement of jointly defined equipment;
- coordination of planning and joint research activities, as well as, in cooperation with appropriate military staffs, studies of technical solutions to meet future operational requirements;
- coordination of national decisions concerning the common industrial base and common technologies;
- coordination of both capital investments and the use of test facilities.

[21] Commission document ip 97/983 of 12 November 1997 and statements issued in the three capitals on 9 December 1997.

Being an international treaty, OCCAR will remain in existence after the creation of the European Defence Agency, to which it will render assistance. Its major challenge will be to show effectiveness and efficiency in the management of cooperative projects. It took existing Franco-German projects, like HOT, Roland and Milan as examples for its regulatory framework and is currently engaged in the Tiger attack helicopter (FR/GE), the Future Surface-to-Air missile Family (FR/IT) and the A400M transport aircraft (B/E/FR/GE/PO/T/UK). In 2003 OCCAR's 200-member staff was managing a budget estimated at €1 billion. Burkard Schmitt made the point that member states decided 'almost spontaneously and without clearly defined criteria' which programmes should be managed by OCCAR, and attributed this to the absence of a European body upstream of the procurement cycle that could prepare the ground in a more systematic way.[22] So far, all projects have been organised under traditional intergovernmental agreements. Overhead costs have been reduced somewhat, but to apply its own principles fully and arrive at a global *juste retour,* OCCAR would need several new Programmes to start almost in parallel. In the meantime, Belgium has become its fifth member on account of its participation in the A400M Programme. Spain applied, but its demand for 8 voting rights (as compared with 10 for the founding members) was rejected unless Madrid joined another major project, preferably the Tiger helicopter. This happened with a signed contract and the agreement to set up an assembly line in Spain.

The other cooperative venture outside the EU was the Letter of Intent (LoI) signed in July 1998 by the defence ministers of six major European arm-producing countries in the field of aeronautical industry, the four founding members of OCCAR plus Spain and Sweden. The original aim was to facilitate cross-border restructuring of defence industry. In July 2000 they took a further step by signing a 'Framework Agreement', a legally binding international treaty covering six areas: security of supply, export procedures, security of information, research and technology, treatment of technical information, and harmonisation of military requirements. All these areas had been bottlenecks in earlier endeavours. Implementing Arrangements were drafted to specify in detail how the system should work.

On security of supply the signatories undertook not to hinder the delivery of defence articles and services produced on their territory to the LoI partners and to provide them eventually from their own stocks. Industry would sign national codes of conduct containing commitments to accept national priority and reallocation systems for production in the event of a crisis.

For exports, the Framework Agreement was innovative in devising the Global Project Licence (GPL) to streamline export procedures. If a GPL is granted for a given cooperative project, be it industrial or governmental, the system itself, its subsystems and components could move freely within the territory of the six partners. For exports to non-LoI countries 'permitted export destinations' would be determined by consensus, modifiable in case of significant changes in the political situation in the importing country.

Security of information referred to visits to industrial facilities and governmental establishments, security clearances and consultation if non-LoI countries needed access to classified information. A code of conduct would be developed to coordinate relations

[22] Chaillot Paper No. 63, p. 25-26.

in the field of research and technology with transnational defence companies. Common standards would be developed for dealing with Intellectual Property Rights (IPRs), which in general should be held by companies, with governments keeping some prerogatives on transfers of IPRs and the payment of royalties. Finally, a common board would identify common needs and possible common solutions.

The LoI process will not lead to a permanent institutional structure and is governed by an Executive Committee, meeting four times a year at a level which for all except Sweden is well below that of National Armaments Director. Since its beginning, the process, in the words of Burkard Schmitt has been caught between pressure to produce concrete results rapidly and a reluctance to engage in more thorough reform.[23] Although Ministries of Foreign Affairs were involved (and in the case of Sweden chaired a working party) the approach was too narrow to cover all the necessary technological, financial and economic aspects of strategic industries. The intergovernmental method has proven extremely time-consuming and cumbersome. In themselves the learning effects of the Framework Agreement and its various Implementing Arrangements will be highly beneficial, but can only be the beginning of a process. They did not set up a defence equipment market, but could serve as benchmarks for more comprehensive solutions.

3.4. Towards a European Security and Defence Policy

The European communities took a long time in dealing with defence issues and military matters. When the European Political Cooperation started in 1971, the political aspects of East-West relations were put on the agenda, but the closest they came to security was the emerging Conference on Security and Cooperation in Europe (later becoming an Organisation with OSCE as its acronym). Military aspects were negotiated in the Vienna-based conference on Mutual and Balanced Forces, where the Western position was coordinated in NATO without the participation of France, which had opted out of the military integration.

In 1982 the foreign ministers of Germany and Italy took the Genscher-Colombo initiative to extend the European Political Cooperation to the field of security. Three participating countries, Denmark, Greece and Ireland were not prepared to come along, albeit for different reasons, and consequently the EPC in its Solemn Declaration of Stuttgart in 1983 was not able to go beyond the statement that the Ten would discuss the political and economic aspects of security, thus omitting the military ones. The seven member states of the WEU would have been prepared to go further, but there was little enthusiasm. Several felt that defence discussions outside NATO could become divisive, certainly as long as France did not participate in NATO's integrated military structure and rejected the strategy of flexible response. Nevertheless, all seven agreed to discuss a new role for the WEU at a meeting to celebrate the 30th anniversary of the Paris Treaties of 1954 in Rome.

The revitalisation of the WEU did not proceed smoothly. It took hold only in 1987 when the Netherlands presidency managed to produce the Hague Platform on European Security Interests, which built a bridge between France and the other NATO members on strategic questions. The platform recognised the need for a mix of nuclear and

[23] Chaillot Paper No. 63, p.28.

conventional weapons in the defence of Europe, the continued presence of American forces on our continent and the defence of member countries at their borders. The latter formula was alternative, but acceptable wording for the concept of 'forward defence' employed in NATO. Politically the Platform gave an important signal by stating that 'European integration would not be complete as long as it did not contain a defence element'. This phrase was accepted by the UK and later on would often be quoted when London resisted.

The second positive development was the WEU decision to coordinate the mine-clearance operation in the Persian Gulf during the war between Iran and Iraq, which was the first example of Europe being prepared to assume responsibilities outside its own continent. Of course, the freedom of navigation in the Gulf and security of oil supplies was as much a European interest as an American, or even more so. Nevertheless, in the past Europe had been so preoccupied with its own survival, that it had allowed itself to be reduced to a regional power at best, with no ambition of force projection elsewhere to protect its interests with military means.

The Iran-Iraq war was a most peculiar contingency, for the belligerents posed no threat to the West, only the mines did. Two years later the situation was quite different. Saddam Hussein invaded Kuwait in August 1990, provoking a UN Security Council Resolution authorising the use of "all necessary means" to restore the integrity of the country and imposing a complete trade embargo on Iraq. WEU became the major enforcer of the embargo, examining about three quarters of all ships sailing in the area. At the height of the operation 39 naval vessels, now also including ships from the new members, Spain and Portugal, took part in the operation. Compared to the 1987-8 operation coordination was much better. Deployments were complementary, logistic support capabilities were pooled as well as air and sea transport from home countries.

Following the fall of the Berlin Wall and the increasing likelihood of a united Germany the need was felt for a new attempt at defining the *finalité politique* of the process of European integration. The intergovernmental conference culminating in the Treaty of Maastricht transformed the European Communities into a European Union and added several new elements. It decided a timetable for the introduction of the Euro, called into existence the Common Foreign and Security Policy and brought the cooperation between the Ministries of Justice and Home Affairs within the scope of the EU. In spite of these milestones, one could doubt whether the resulting framework deserved the title of a Union. The CFSP and the judicial cooperation remained purely intergovernmental without the communitarian characteristics of initiative by the European Commission, budgeting and control by the European Parliament and jurisdiction by the European Court of Justice. The most glaring shortcoming of the CFSP was its inability to include hard security within its scope. Again it proved impossible to reconcile the Atlanticists and the European advocates. The result was a series of convoluted formulations. At Maastricht the WEU members issued the following declaration:

WEU members agree on the need to develop a genuine European security and defence identity and a greater European responsibility on defence matters. This identity will be pursued through a gradual process involving successive phases.

WEU will form an integral part of the process of the development of the European Union and will enhance its contribution to solidarity within the Atlantic Alliance.

WEU member states agree to strengthen the role of WEU, in the longer term perspective of a common defence, compatible wit that of the Atlantic Alliance.

WEU will be developed as the defence component of the European Union and as a means to strengthen the European pillar of the Atlantic Alliance.

Article J.4 of the Treaty on European Union contained the following wording in its first two subparagraphs:

> The common foreign and security policy shall include all questions related to the security of the Union, including the eventual framing of a common defence policy, which might in time lead to a common defence.
>
> The Union requests the Western European Union (WEU), which is an integral part of the development of the Union, to elaborate and implement decisions and actions of the Union which have defence implications. The Council shall, in agreement with the institutions of the WEU, adopt the necessary practical arrangements.

At the time it looked rather complicated, particularly as the promised practical arrangements were not forthcoming. It was unclear what the European identity and the European pillar of the Alliance would mean. NATO was not constructed on a pillar basis and an identity needed some arrangements to express itself. A positive point was that the WEU secretariat could be moved from London to Brussels; less encouraging was that it proved to be much easier to cooperate with NATO than with the EU. Yet during the '90s matters clarified themselves. Today little is heard of a European identity or the pillar and the European Security and Defence Policy, only a vision at Maastricht, is now openly discussed and developed. In Amsterdam the double conditional of Maastricht was removed in Article J.7 and replaced by the simpler wording that the CFSP "shall include all questions relating to the security of the Union, including the progressive framing of a common defence policy, … which might lead to a common defence should the European Council so decide".

During the preparations for Maastricht several proposals, which did not muster sufficient support, were referred to further examination. This applied to "enhanced cooperation in the field of armaments with the aim of creating a European armaments agency". It would take another thirteen years before such an agency could be created. The other proposal aimed at developing the WEU Institute of Security Studies, which had replaced the three agencies in Paris, into a European Security and Defence Academy. So far this has not materialised, but the Institute itself was a success, establishing a firm niche in the security community. High Representative Solana annually uses its forum to speak on 'the State of the Union'.

The WEU gained some credibility by its actions in the Gulf, followed by its naval embargo of Yugoslavia in the Adriatic and a similar action manned by police and customs officers on the Danube. When the EU assumed the administration of the district of Mostar, the WEU was asked to supply the police element. Later on WEU provided the Mutual Assistance Police Element in Albania after the country had experienced chaos following the crash of a pyramid scheme. Paradoxically, most of the activities were carried out by police officers, except for the naval embargoes, and bore little resemblance with the 'defence implications' tasked at Maastricht, unless the word defence was seen as synonymous with security.

In the military field WEU made some progress by creating a Satellite Centre in Torrejon, Spain, and after the move to Brussels a Planning Cell located in the same building as the Secretariat. The Centre trained officers in the analysis of satellite pictures, most of which were bought from the French commercial firm SPOT. An attempt to create a separate satellite capability failed because of lack of funding. The Planning Cell provided advice to the Secretary General and the Council and worked on procedures and contingencies for the use of what came to be called FAWEU, Forces Answerable to WEU.

In 1992, at their meeting on the Petersberg near Bonn, Ministers defined the missions the WEU might undertake: humanitarian, rescue (e.g. of citizens from a beleaguered city), peacekeeping, and the role of combat forces in crisis management, including peacemaking. Peacekeeping referred to the traditional UN concept with the agreement of the parties and with a cease-fire in place. Peacemaking in today's jargon would be peace enforcement. In the Amsterdam Treaty of 1997 these missions were transferred to the EU at the request of Finland and Sweden, who were prepared to take part, but did not want to subscribe to the automatic military assistance clause of WEU.

A breakthrough occurred in December 1998 with the St. Malo Declaration agreed by President Chirac and Prime Minister Blair. Its most interesting paragraphs were:

> 2. …the Union must have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them and a readiness to do so, in order to respond to international crises…
>
> 3. In order for the European Union to take decisions and approve military action where the Alliance as a whole is not engaged, the Union must be given appropriate structures and a capacity for analysis of situations, sources of intelligence and a capability for relevant strategic planning, without unnecessary duplication…

The declaration signified a major change in the position of the United Kingdom, which previously had shown little enthusiasm for military activities in the context of the EU. Some other staunch supporters of the Atlantic Alliance, like Portugal and the Netherlands, were surprised by this overtaking on the left, but did not object. The way lay open for incorporation of St. Malo in the decisions of the EU. This happened during the European Councils of Cologne and Helsinki in 1999, the latter being even more explicit:

> The European Council underlines its determination to develop an autonomous capacity to take decisions and, where NATO as a whole is not engaged, to launch and conduct EU-led military operations in response to international crises.

In December in Helsinki the EU leaders further agreed to assemble by 2003 forces of 50-60,000 personnel, within sixty days and sustainable for at least a year and able to conduct the full range of the Petersberg missions. Within these forces smaller rapid response elements should be available and deployable at high readiness. The requirement of sustainability meant that an additional pool of deployable units and supporting elements at lower readiness to provide replacement for the initial forces.

Following the statement of this objective – henceforth known as the Helsinki Headline Goals – a group of national experts drew up the Helsinki Headline Goal Catalogue (HHC) setting out the military capabilities the EU would require to meet the goals. A call for contributions was issued to the member states and their responses were listed in the Helsinki Force Catalogue (HFC). The eastern European countries, which were to join the

EU in 2004, were consulted and decided to participate. Their additional contributions were included in a supplement to the HFC.[24]

A comparison of the two catalogues – the HHC containing the requirements and the HFC the available capabilities – revealed 42 shortcomings, which had to be remedied in order to meet the headline goal. A Capability Commitment Conference was called in November 2001, which decided to draw up a European Capability Action Plan (ECAP). The objective of ECAP, which was launched in February 2002, was to propose for each shortcoming a short and a medium term solution, until the EU would acquire the means to implement long term solutions through the procurement of new equipment.

Nineteen ECAP panels were set up to look into 24 of the 42 shortcomings. Each panel consisted of national experts on secondment from interested countries and was led by one or more of them. It had to establish a common operational requirement, list all the means available and the projects under way, identify potential areas of synergy, initiate or extend cooperation on future programmes and come up with ideas for joint qualitative or quantitative solution that would make good the capability deficit.

The results of the 19 panels were presented to the defence ministers of the 15 EU member states at a new Capability Commitment Conference on 19 May 2003. The two catalogues were refined in response to progress made and new contributions promised. ECAP entered a new phase with the Helsinki Progress Catalogue (HPC), which would no longer propose solutions, but work towards the implementation of the options identified by the panels.

The 19 panels were replaced by 15 project groups with others to be set up once countries came forward to lead them. They covered the following shortfalls:

- air-to-air refuelling;
- combat search and rescue;
- strategic unmanned aerial vehicles;
- nuclear, biological and chemical protection;
- headquarters;
- special operation forces;
- theatre ballistic missile defence;
- strategic airlift;
- interoperability;

[24] A useful summary of events leading up to the European Capability Action Plan is given in WEU Assembly document A/1842 of 3 December 2003 containing the report by Mrs Aguiar on "European defence: pooling and strengthening national and European capabilities – Reply to the annual report of the Council". The Helsinki European Council Presidency Conclusions of 10-11 December 1999 are available under http://europa.eu.int .

- space;
- intelligence, surveillance, target acquisition and reconnaissance (ISTAR);
- strategic sealift;
- collective medical protection;
- attack helicopters;
- support helicopters.

The WEU Assembly report by Mrs. Aguiar gives the following details:

- *Air-to-air refuelling (AAF):* the Helsinki Headline Goal Catalogue estimates were confirmed during recent operations in Afghanistan and Iraq which brought to light the need for tanker aircraft. The EU will require a fleet of them in order to deploy 75 aircraft to a theatre of operations abroad. However, under the current proposals only half this requirement will be met. As provisional solutions in the short term the ECAP Project Group has suggested converting C-130 aircraft and hiring civilian aircraft that can be transformed into tanker aircraft using a mobile kit system. The EU member states will nevertheless have to cooperate in this area, invest in a proper multinational fleet of tanker aircraft and take the necessary steps to equip the A400M with facility.

- *Combat search and rescue (CSAR):* the EU has no quantitative shortfalls in this area but there is a need for qualitative improvements. The relevant ECAP Project Group is examining a number of possibilities: drawing up a joint doctrine in line with that of NATO, then preparing and conducting joint exercises at European level. However, a number of member states have plans for the procurement of helicopters that will make for a substantial increase in the overall quality of European CSAR capabilities by 2009.

- *Strategic UAVs:* strategic UAVs – both high altitude long endurance (HALE) and medium altitude long endurance (MALE) – are virtually non-existent and there is no short-term solution to this problem. The problems faced by member states are both budgetary and technological. The ECAP Project Group still has a long way to go and 2010 would appear therefore to be a reasonable date.

- *NBC protection:* the ECAP Project Group is in fact the first forum for European cooperation in this area. Here again, the EU has much to do before it is able to acquire a truly effective NBC capability.

- *Headquarters*: the ECAP Panel on headquarters established that the member states have a sufficient number of national headquarters at the requisite levels:

  - operations headquarters (at strategic level in Europe);

  - force headquarters (at combined services level in the theatre);

  - component headquarters (at the level of each service in the theatre).

The difficulty resided in the need for each type of headquarters to be made multinational for the purpose of EU-led operations. The Project Group must therefore:

1) Adopt procedures for "augmenting" the cores of the proposed headquarters to make them multinational.

2) Adopt operating procedures for those "European" headquarters.

3) Set up an exercise policy adapted to the different levels of headquarters.

4) Tackle as a priority the problem of the interoperability of command and information systems (CIS); the architecture for a European command and intelligence system also needs to be defined.

5) *Special operations forces:* few results in this area are as yet available, but the Project Group has already identified three key areas which call for action: drawing up a doctrine, forces interoperability in general, and interoperability as regards the communications and support of these deployed units in particular. Those issues now need to be studied mote closely.

6) *Theatre ballistic missile defence (TBMD):* there is no problem regarding the quantity of ground-based TBMD systems in the EU, but the relevant ECAP Panel pointed to a shortfall in systems that can be deployed at sea. Since it will not possible in the immediate future to buy or hire systems to remedy this, the Project Group proposes to partially fill the gap by using deployable ground-based systems until such time – possibly 2010 – as maritime TBMD systems become available.

7) *Strategic airlift:* the Project Group must focus on centralised European coordination by setting up a movements coordination cell taking as a basis the current European Airlift Coordination Cell (EACC) in Eindhoven, the Netherlands, negotiating contracts for the hire of heavy-lift transport aircraft (with Russia, Ukraine etc.) and, in the long term, coordinating the procurement of strategic transport aircraft at European level.

8) *Interoperability:* the relevant Project Group is to study interoperability between European armed forces in the very specific area of humanitarian aid and emergency evacuation operations where the need for a quick response requires very careful preparation to ensure that units taking part in this type of mission are interoperable.

9) *Space:* this Project Group is divided into sub-groups examining the following subjects:

    a) the concept of the military use of space;

    b) the definition of space requirements for military operations, i.e. telecommunications, observation, listening devices, navigation, space-based surveillance and advance missile warnings;

    c) the acquisition of key technological space capabilities through the joint development of demonstrators;

    d) the development of a European satellite system to be used for various purposes, in particular for network centric warfare.

10) *Intelligence, surveillance, target acquisition and reconnaissance (ISTAR)*: the task of the ISTAR Project Group is to find ways of making good Europe's surveillance shortfalls by using AGS (Air Ground Surveillance) systems that rely on airborne radar equipment. It is working in conjunction with a NATO working group set up to study this aspect. However, the scale of the necessary funding is such that there is unlikely to be a solution in the short term.

11) *Strategic sealift:* in order to overcome the EU's shortfalls in this area, the ECAP proposes placing charter contracts guaranteeing access to civilian transport vessels in the event of a crisis, setting up a European coordination centre and developing a proper strategic sealift policy centralised under EU responsibility.

12) *Collective medical protection:* to fill this gap the EU needs more medical units, some of which could be obtained through new contributions, others by improving existing assets.

13) *Attack helicopters:* the ECAP Project Group wishes to emphasise interoperability, joint training, the drawing-up of a common doctrine and the standardisation of tactics and procedures.

14) *Support helicopters:* the EU has a shortfall in this area, since the contributions proposed by member states cover only half of requirements. The Project Group proposes that participants should as a first step increase their national contributions, then in the medium term organise cooperation and coordination at European level by merging their procurement Programmes and creating joint funding. Finally, for the long term, the Project Group invites member states to pool existing national assets.

Thus it can be seen that the options envisaged by all project groups fall into three sub-categories:

- *operational concepts and doctrines:* in other words, creating a common concept for the use of a specific force. To avoid all duplication, NATO concepts and doctrines should be used whenever they can be transposed to the EU framework;

- *training and interoperability:* in other words, enhancing the operational effectiveness of existing national forces in a multinational framework by organising joint training of personnel and exercises at European level. Enhanced interoperability, beginning with that of command and transmissions systems, is a prerequisite for forces to operate in a European framework. Finally, the standardisation of certain types of equipment makes for smoother logistics;

- *equipment procurement:* although in the short term some shortfalls may be offset by new contributions or hired equipment, the acquisition of specific equipment is often to be recommended as the best long-term solution. Member states should therefore envisage the possibility of making a financial contribution to the development of certain capabilities. However, the project groups must bear in mind the financial constraints weighing on most EU member states.

In addition, the report stressed other areas of cooperation, like training and schools, exercise policy, multinational forces and concrete military operations. Nothing would be more effective for training headquarter staff and armed forces than real operations.

Operation Concordia in Macedonia and Operation Artemis in the Democratic Republic of Congo were good examples. Concordia was organised on the basis of the so-called 'Berlin Plus' arrangement: the 'operation headquarters', responsible for strategic direction consisted of SHAPE officers led by the Deputy Supreme Allied Commander Europe, who is always a European. In theatre the 'force headquarters' was provided by a European multinational force. Operation Artemis was the first autonomous EU operation. A European multinational force of 1,400 troops was deployed to Bunia under French command. Seventeen nations took part under a UN mandate pursuant to Chapter VII, allowing the possible use of coercive measures. UN forces could not be assembled quickly enough to stop the killing and the EU was able to deploy more speedily to fill the gap. Both operations were first of their kind and provided opportunities for establishing liaison procedures with NATO and between the headquarters and the new politico-military structures of the EU in Brussels, the Political and Security Committee (PSC), the Military Committee and the EU Military Staff.

The two operations at last provided clear examples that the EU was able and willing to accept responsibilities and to carry out useful military operations. Yet, the link between these activities and the long range of objectives in the field of research, development and acquisition of defence equipment was not fully clear. Near the time the functions of the WEU were handed over to the EU, the Planning Cell had developed a number of illustrative scenarios as the basis for military requirements. These were used in compiling the Helsinki Headline Goal Catalogue (HHC), described earlier in this paper, but not published. Increasingly, the need was felt to define more precise scenarios, at least for planning purposes. This was politically sensitive. If leaked they would undoubtedly be subject to premature public debate and parliamentary scrutiny. Yet, they would be a necessary tool for planning purposes and setting priorities, but subject to political decision-making if a potential crisis became reality. Equally, the list of shortfalls in meeting the Helsinki Headline Goals was still too long to be a guideline for defence budgeting, unless extensive task specialisation became possible. The basic question remained what the purpose of European military forces would be in a changing security environment.

The work on a European Capability Action Plan went in parallel, and to certain extent in competition with, NATO's Defence Capabilities Initiative. DCI started in a typical NATO manner with a list of some 53 requirements, far too many for useful policy guidelines.[25] Every country could point at something it was doing in pursuit of the initiative. This was a major criticism voiced in the debates of The NATO Parliamentary Assembly. In preparation of the NATO Summit in Prague, the list was shortened to six headings where individual allies 'made firm and specific political commitments to improve their capabilities':

- chemical, biological, radiological and nuclear defence;
- intelligence, surveillance and target acquisition;
- air-to-ground surveillance;

[25] Prague Summit Declaration of the North Atlantic Council, 21 November 2002, paragraph 4c. Annex to Atlantic News No. 3433 of 22 November 2002.

- command, control and communications;
- combat effectiveness, including precision guided munitions and suppression of enemy air defences;
- strategic air and sea lift;
- air-to-air refuelling;
- deployable combat support.

The same paragraph concluded with an observation on NATO-EU relations:

> Our efforts to improve capabilities through the PCC and those of the European Union to enhance European capabilities through the European Capabilities Action Plan should be mutually reinforcing, while respecting the autonomy of both organisations, and in a spirit of openness.

The exhortation made sense, because ultimately increased capabilities would prove their worth in both NATO and EU-led operations. Nevertheless, in practice the development of a NATO Response Force of some 21,000 personnel and the EU Headline Goals of 50-60,000, but specifying some 13 battle groups of 1,500 each raised doubts about the possibility of assigning units to both. Quick reaction would require immediate deployment, which could be realised only with dedicated forces. A way out could be a schedule of rotation, in which a country would not commit forces to both in the same year. With a NATO membership of 26 and the EU standing at 25 it would not be necessary for every member to participate in every operation. The new emphasis on battle groups led some to question whether they will detract from the Headline Goals. That is not the intention. On the contrary, meeting the shortfalls was the substance of a new complementary HHG programme for 2010, which would be presented in mid-2005 in a new Headline Goal Catalogue.[26] The battle groups were intended as a rapid reaction capability, available within 5-10 days, while the HHG deadline was two months. Already in 1999 in Helsinki the creation of rapid reaction elements was envisaged.

[26] WEU Assembly doc A/1885 of 30 November 2004, Report on 'Cooperation on defence systems procurement in Europe', submitted by Mr O'Hara. At a symposium in Enschede the deputy director-general of the EU Military Staff stated that the emphasis would be on qualitative aspects and particularly on interoperability, deployability, sustainability, equipment, forces and command and control procedures.

4. What For?

4.1. European Scenarios

In her preface to the 'Report of an independent task force', published by the EU Institute for Security Studies under the title "European defence, a proposal for a White Paper", its director, Nicole Gnesotto, wrote that there are two reasons to believe that ESDP will continue to grow substantially in the years to come.[27] The first was the deterioration of the international context with crises remaining in the Balkans, Africa, the Caucasus and Moldova, but especially in the Middle East. Whether they liked it or not, Europeans would not be able to avoid this international disorder, especially at a time when security had become a major concern of its citizens. Her second reason concerned American insistence that their allies do more, either bilaterally or in the context of international frameworks. The idea of a White Paper along the lines issued by many national governments was not new, but it was not possible to agree on charging an intergovernmental group with this task or even on a formal request to the Institute. The European Council in Laeken on 15 December 2001 approved the 'Declaration on the operational capability of the common European security and defence policy' and a report by the Belgian Presidency, which included a statement that the Institute 'will work in particular on a publication on European Defence in the framework of the Petersberg tasks' in order to improve the way public opinion was informed. The Institute did so by means of an independent task force.

The members of the task force shared the basic assumption that "even though the use of force is neither the first nor the only way to deal with regional or international crises, the EU must have at its disposal a certain level of forces at a certain state of readiness and operational efficiency, if only to widen its range of options when faced with a crisis and to facilitate decision-making at the highest political level". In itself this assumption said little of the level of the forces and equipment needed. Moreover, the group was confronted with a growing tension between two types of military requirements: on the one hand, the ability to provide very mobile, flexible and rapid forces for expeditionary intervention; on the other, the necessity to deploy and sustain for a very long period substantial peacekeeping forces for crisis management. Even if the risk of escalation is taken into consideration, the second category is less of a fighting force than the first and requires other skills, training and equipment.

The task force developed five scenarios to serve as broad descriptions of potential missions, from which guidelines for planning and procurement could be deducted:

I. A large scale peace support operation.

II. High-intensity humanitarian intervention.

III. Regional warfare in the defence of strategic European interests.

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[27] Published in May 2004. All publications of the EU Institute for Security Studies are accessible via its website www.iss-eu.org. In September 2004 the Institute published 'EU Security and Defence Policy, The first five years (1999-2004) with a preface by Javier Solana and edited by Nicole Gnesotto.

IV. Prevention of an attack involving weapons of mass destruction.

V. Homeland defence.

Scenario I ranges from modest and uncontroversial monitoring and truce supervision to large scale multi-dimensional deployments of the IFOR and KFOR variety, which have been a constant of the post-World War II security landscape. It did not reveal serious shortfalls. In line with the UN Brahimi report the EU is able to deploy within 60 days and to set up a mission headquarters within 15 days. The most pressing challenge was deployable and secure command, control and communications. Nevertheless it was noted that an emphasis on peace support operations could have high opportunity costs, in the sense that they might substantially reduce the ability to perform satisfactorily in scenarios involving high-intensity force projection.

Scenario II aims at fielding and, if appropriate, leading a force capable of stopping an emerging genocide, without too severe a limitation on geographical location, given the global range of precedents like Bosnia, Rwanda and East Timor. Emphasis is on speed and momentum with follow-on forces exercising a de facto international protectorate. Prolongation of the international presence then becomes a peace support operation under scenario I. The report makes the valuable observation, that in political terms there is a built-in obstacle against timely action: as long as nothing serious has happened, intervention can hardly be justified; if crimes are being committed it may be politically possible to intervene, but by then it may be too late to save lives.

Operational assumptions are that the intervention requires special operations forces, supported by tactical air forces for close air support and offensive air support, and air- and sealift. The force should be able to carry out counter-insurgency operations in a rural environment (cordon, search and destroy), to establish and control safe areas, to deny and guarantee movement as appropriate, to wage a 'hearts and minds' campaign, to offer military assistance to IGOs and NGOs, and to bring humanitarian relief. Given the time-urgency of action, a lead-nation approach recommends itself, as was the case for Operation Artemis in the Ituri province of the Congo.

The task force signalled a number of shortfalls in this scenario. Again the most serious one was secure and deployable command, control and communications, but now also theatre surveillance and reconnaissance, target acquisition, and human intelligence. For a relatively limited deployment available sea and air lift would be sufficient. However, the EU countries would lack highly mobile forces and special operations forces for unconventional warfare, and support and attack helicopters. The overall conclusion of the task force was that "the shortfalls, while significant, could be corrected through the reallocation of finding and changes in organisational priorities, with limited impact on the overall level of defence spending".

Scenario III, regional warfare in the defence of strategic European interests, could be termed a peace enforcement operation, although of a particular muscular variety. The task force felt that future regional wars could affect European interests in two very important but rather different ways. First, by directly threatening European prosperity and security, for instance by interrupting oil supplies or other flows of goods and services, or massive increases in the cost of energy, or forced emigration of war-threatened populations. In the scenario a regional power attacked a neighbouring country, which then asked the EU and the US for help under article 5 of the UN Charter.

And secondly, by affecting Europe's ties with the United States. Not participating in a crisis which clearly affected European interests as well, would seriously impact on that relationship. In the aftermath of the Iraq war, the latter argument may not be shared as universally as before. Even earlier, the reasoning went along separate paths. Some talk about 'not less America, but more Europe', which is consistent with close transatlantic ties. Others want to build up Europe as a counterweight to the United States, which is less consensual and, in the short term, not a realistic objective. Therefore, it seems more constructive to insist on Europe becoming able and willing to shoulder larger responsibilities, which will extend beyond her own continent.

Today, only the US would be able to provide the framework for regional warfare. The report concludes that EU countries would lack all the shortfalls mentioned under the previous scenarios, plus early warning and distant detection, carrier-based air power, precision-guided munitions and stand-off weapons. They would have insufficient combat search and rescue, air-to-air refuelling, theatre ballistic missile defences, battle damage assessment, psychological warfare units, transport helicopters and even medical units. Logistical capabilities were unlikely to sustain the operation for the required period. Building a European-led variant of this scenario would require defence spending increases far in excess of what might be expected in a 'baseline scenario'.

Scenario IV deals with the prevention of an attack involving weapons of mass destruction, particularly in the hands of non-state groups or irregular groups whose affiliation with any given state is not admitted. A case in point was the Taliban regime in Afghanistan and the operation 'Enduring Freedom'. Contrary to the war in Iraq, this operation was of limited size. In fact, it was a combination of large-scale unconventional warfare and medium-scale, broad-spectrum naval and air operations. In the autumn of 2001 the US deployed some 6,000 soldiers to Afghanistan, which was, the task force noted, less than the UK sent to the Falklands in 1982. These were supported by a CENTCOM force array in the broader theatre of operations of some 60,000, not more than the Helsinki Headline Goal of the EU.

In theory such an operation would be doable for the EU, but the task force concluded, that it would best be conducted in coordination with the United States. European countries would have enough special forces, but at present seemed unable to sustain over a longer period. Moreover, it was unlikely that most would perform well in difficult terrain and under the threat of CBRN weapons. In addition, the EU lacked strategic intelligence assets and medium- and long-endurance unmanned aerial vehicles (UAVs).

Scenario V – homeland defence represents new military tasks, mostly in support of civil authorities. The aim is to protect facilities which intelligence sources consider to be targets of an impending terrorist attack, and to limit the consequences of such an attack once it occurs. Neither contingency is a Petersberg task, but the new European Constitution, which still has to be ratified, includes a solidarity clause among member countries for terrorist attacks or natural calamities.

Planning assumptions included protection of the four largest airports, the two biggest harbours, the ten most critical power plants, the ten most critical chemical plants, and all the capitals of EU member states, including the seat of the EU in Brussels. The EU must provide light infantry as a back up to national police forces to help protect critical infrastructure and to assist in securing the external borders of the EU. For consequence limitation, national forces should assist in the maintenance of law and order. The French

emergency plan *Vigipirate Renforcé* was mentioned as an example. Under this heading also comes effective quarantining of areas in which 'ring vaccination' is necessary in order to treat all of the affected population without having to divert scarce resources if the epidemic were not contained.

Civil protection is a national responsibility, but most EU nations lack the means to deal with the consequences of attacks by weapons of mass destruction. To deal with catastrophic terrorism there is a need for more special operations forces or counter-terror units.

The task force concluded with seven findings and proposed ways of correcting deficiencies:

- The EU cannot deploy land forces quickly and cannot sustain them, due to the shortage of committed, deployable, combat-ready forces.

- The Union has no agreed system of force packaging, which severely restricts deployability and sustainability.

- The Union is capable of conducting a wide range of operations, including high-intensity warfare. However, it runs a relatively high risk of casualties among engaged forces and collateral damage.

- Out-of-area warfare and new roles and missions, such as counter-insurgency and counter-terrorism, require a new doctrinal approach and new training methods. However, the Union has no conceptual approach to force transformation in the sense of shifting from traditional platform-centric warfare to network-centric warfare, as demonstrated in the US-led operations in Afghanistan and Iraq. A European doctrine centre was thought necessary, possibly within a European Defence College.

- The EU cannot provide the operational framework for large-scale operations. There are sufficient operational headquarters, but technical shortfalls for operations in distant places.

- The growing military-technical gap between the US and most of the European allies raises questions about interoperability.

- The Union has limited capabilities for strategic decision-making and crisis management, partly due to the weakness of Europe's military space programme.

Remedies could consist of 'bottom-up' specialisation through unilateral concentration on a specific type of force; niche capabilities; co-financing of national capabilities; developing collective capabilities in the fields of command control and communications (C3), intelligence, surveillance, target acquisition and reconnaissance (ISTAR), logistics, combat search and rescue, air-to-air refuelling, suppression of enemy air defences, air defence systems, all-weather precision guided munitions (PGM) and stand-off weaponry. More radical remedies would be top-down specialisation, which imply combining capabilities for collective use and, as a consequence, a collective decision-making process or a supranational authority, or setting up a standing nucleus force and permanent operation headquarters. The latter could be organised at the level of the 'battle groups', which are the new focus of the European rapid reaction forces and would consist of

1500 men complemented by air and naval components. Finally, research and development activities should be better funded and coordinated. Comparing the scenarios, priority was given to homeland defence: civil protection, medical supplies, logistics and emergencies must be coordinated at the European level and the post of European coordinator was deemed a necessity.

4.2. American Scenarios

While Europeans were planning scenarios with enhanced military capabilities, Americans were confronted with the need to consider scenarios, which focused less on traditional 'war winning' objectives and allowed for stabilisation and reconstruction. Experience in the Balkan and Iraq had shown that military operations in themselves tended to be rather short, but had to be followed by a prolonged phase of stabilisation and nation building. During the follow-up the military still had to perform their role of 'deterrence by presence' and, if necessary, of forceful action, but nation-building would be effective only through close civil-military cooperation.

Almost at the same time as the report of the task-force of the EU Institute of Security Studies, the Center for Technology and National Security Policy (CTNSP) of the US National Defence University published a report on stabilisation operations with scenarios for force sizing.[28] One of its major points argued that the very rapid defeat of the enemy military forced the United States to be ready to field these resources promptly – ideally concurrently – with the end of major combat. This could only be done if planning for the stabilisation and reconstruction operations was integrated into planning for the conflict from the beginning, and if the right skills were in theatre to begin operations concurrently with the surrender or collapse of the enemy military. In the past the relatively long duration of major combat was supposed to allow time to plan for reconstruction operations and to begin them as the conflict wound down. The new challenge was to fill the gap between the major combat mission and nation building by a stabilisation and reconstruction mission.

It still is too early to judge reactions to this thesis. It would be a drastic departure from the Powell doctrine developed at the time of the 1990 Iraq war, which aimed at massive intervention, doing the job militarily and leaving as quickly as possible. Yet, the report underlined that successive post-Cold War US interventions have become increasingly more ambitious and include regime change. Rapid and decisive military victory did not guarantee a peaceful post-conflict stabilisation environment and, historically speaking, five to seven years were needed for successful nation building.

The CTNSP report advanced the key judgement that there is no standard model of a stabilisation and reconstruction scenario upon which to base US force planning. Much would depend on the magnitude of the operation, which is largely determined by the size of the country, and the difficulties encountered. Therefore, the ambitiousness of US goals would be a key consideration. Nevertheless, the report formulated far-reaching recommendations. It proposed to create two joint military headquarters to organise units critical to the S&R mission; field two division-equivalents with joint assets, organised to

[28] Transforming for Stabilisation and Reconstruction Operations, edited by Hans Binnendijk and Stuart E. Johnson, 2004. In 2002 Binnendijk edited 'Transforming America's military', published by CTNSP.

be flexible, modular, scalable and rapidly deployable, with four brigade-size groups that include Military Police, Civil Affairs, Engineers, Medical, and Psyop, supported by a tactical combat capability. A multi-agency civilian rapid response capability should be established to deploy with the S&R forces and prepare for the transition from S&R (under military control) to the nation-building mission (under civilian control).

On the equipment side high-priority items were wireless and land-based communications for civilian/military interoperability, unmanned systems, non-lethal weapons, detection devices for urban operations, and course-of-action analysis and planning tools. Special attention was paid to unmanned vehicles for surveillance and threat neutralisation. In Iraq, two levels of UAV were used, the high altitude Global Hawk and the medium-altitude Predator. For detailed local surveillance further deployment of low-level UAVs would be required, including small systems like Dragon Eye and unmanned ground vehicles for going into buildings and caves. Wide area coverage could reduce manpower requirements.

Quite different news came from the Pentagon after the re-election of president Bush. It made known that the 2005 Quadrennial Defense Review would contain a sweeping reassessment of military strategy, force structure and equipment.[29] Next to the traditional, but less likely threat of a challenge to US power by military operations, three new categories were defined: irregular, catastrophic and disruptive.

- Irregular threats were seeking to erode US influence and power by unconventional methods, such as terrorism, insurgency, civil war and emerging concepts like 'unrestricted warfare'. The likelihood was very high; the vulnerability moderate, if not effectively checked.

- Catastrophic threats were seeking to paralyze the US leadership and power by employing weapons of mass destruction, or WMD-like effects in surprise attacks on symbolic, critical or other high-value targets. Examples were September 11, 2001, terrorist use of WMD and a rogue missile attack. The likelihood was moderate but increasing; the vulnerability unacceptable because a single event could alter the American way of life.

- Disruptive threats were seeking to usurp US power and influence by acquiring breakthrough capabilities, such as sensors, biotechnology, miniaturisation on the molecular level, cyber operations, space, directed energy and other emerging fields. The likelihood was low; the vulnerability unknown, with the general caveat that strategic surprise would put US security at risk.

Key to the effort seemed to be to avoid tilting resources toward any given scenario, but it remains unclear how this would affect the allocation of resources, except strengthening the current emphasis on mobility and flexibility.

Americans remained in two minds about the European Security and Defence Policy. Would it result in additional capabilities or fritter away scarce resources in new organisational structures and duplication of effort? Earlier they had resisted a European caucus in NATO, which was deemed divisive in an alliance. They could live with the

[29] Defense News November 2, 2004.'U.S. Revises Threat Scenarios'.

vague notion of a European identity, but that was never defined.[30] The same applied to the principle of 'separable but not separate' forces, which was developed during the first term of the Clinton presidency. Gradually the US appreciated the fact that Europeans were providing the bulk of forces on the Balkan, but after 9/11 and an initial period of unilateral action, were looking for a wider role of NATO or a group of its members as an ad hoc coalition of the able and willing. Surprisingly, this proved possible in Afghanistan, but not in Iraq.

It remains to be seen whether NATO will indeed go 'global'. In ISAF it plays a crucial role, but without the participation of American forces. In Iraq its role is limited to the training of Iraqi military personnel. An important question for the Europeans will be to what extent the words of Secretary Rumsfeld that 'the mission will determine the coalition' will be applied in limiting NATO consultations. In essence, his approach would mean that the allies only had the option of joining an operation already decided by the US, while the reverse i.e. 'the coalition determines the mission' would emphasize a joint approach to crisis management. Apart from this conceptual question, the Europeans would link their contributions to a common action to the influence they would have in the actual conduct of the operation. From their side, the Americans remain uncertain about the ability and willingness of the Europeans to play more than a regional role, limited to the European continent and its immediate periphery. Will the EU overcome its present deficiency of being an 'unbalanced power' and become capable of effective decision-making and of maintaining forces technically able to fight alongside their American allies?[31] Or will the CFSP remain a producer of declaratory policy without any military significance? The question is being asked on both sides of the Atlantic.[32]

4.3. A European Armaments Agency at Last?

The European Council of Thessaloniki decided to lift the proposal for a European armaments agency out of the draft for a European Constitution and to implement it in the course of 2004. As shown on the preceding pages of this Occasional Paper, it was not be the first time that this intention was expressed. In fact, ever since 1982 proposals have been made to this effect. So far, however, every time an institutional development started to take effect, it was overtaken by another institutional arrangement, before a firm evaluation could be made of the previous set up. To some, this process was intentional, as the political will seemed to be lacking to establish an effective Agency, which of necessity would have effective decision-making and sufficient binding elements. So, expectations were high, but coloured by some scepticism.

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[30] US objections were voiced in the 'Bartholomew telegram' of 20 February 1991, reproduced in my book 'Debating European Security', CEPS/Sdu, 1998, pp. 340-344.

[31] The expression was used by General Klaus Naumann (Ret.) in Bulletin vol.XI,3, August 2000, of The Atlantic Council of the United States, 'Implementing the European Security and Defense Policy: a practical vision for Europe'.

[32] Kori N. Schake wrote a constructive article in issue 184 of August 2001 of Strategic Forum of the Institute for National Strategic Studies of the National Defense University in Washington D.C. under the title 'Do European Union defense initiatives threaten NATO?. She concluded that the extent of European dependence on the US poses a greater threat to American interests than what might develop if the EU becomes a more independent actor in defence policy. ESDP was not responsible for the divergence among NATO militaries but could aggravate existing problems among them.

The draft Constitution was the product of a European Convention, which met for 16 months under the chairmanship of former President Giscard d'Estaing, with Giulio Amato and Jean-Luc Dehaene as vice-presidents. Its task was to present proposals, probably in the form of options, for the questions which had proved elusive ever since the treaty of Maastricht. With a record number of new members coming in, the *finalité politique* of the process of European integration had to be clarified and a number of institutional questions settled. The increase in the number of small countries made the larger ones afraid of being outvoted, even though in the past dividing lines never shaped up between large and small. Could the competences of the main institutions be better defined and the number of different procedures limited? The issue of 'subsidiarity' came up again together with the role of national parliaments in determining whether a proposal by the European Commission merited being transformed into community law, or should be left to national regulation. Should the EU as a whole have legal personality, or should this continue to apply only to the 'first pillar' of the original community? Should the method of 'reinforced cooperation' be extended to the field of security and defence?

The composition of the Convention was an innovation, already successfully followed by the preceding convention on the Charter of Fundamental Rights, which the European Council of Nice had accepted as a political, but not legally binding, document. Every country, including the 'candidates' Bulgaria, Romania and Turkey, sent a government representative and two parliamentarians, the European Parliament sixteen and the European Commission two of its members, all with alternates. Including observers from other institutions like the Economic and Social Council and the Committee of the Regions, the total number came to 210 delegates. Quite different from the secretive way in which previous treaty changes had been negotiated in 'intergovernmental conferences'. Therefore, the persistent complaint that Europe's citizens were insufficiently involved did not hold water. That many citizens were rather apathetic about European integration, was another, and worrying, matter, but could not be held against the Convention. All plenary sessions were held in the open, all documents accessible, a special week was devoted to a youth convention, and the organisations composing our 'civil society' were invited to hearings.[33]

The merit of President Giscard's stewardship was his insistence from the start that these questions – and the European Council of Laeken had formulated some 58 of them – could only be answered in a comprehensive document and not through separate responses, let alone options. His strategy worked and, to the surprise of many, a consensus document was produced. Subsequently, however, the consensus proved to be less complete than it seemed at the end of the Convention. Many governments started to unravel the draft text and it took till the end of the Irish presidency of the EU in June 2004 before a final text could be agreed. The signing took place in Rome on 29 October 2004, to be followed by a tedious ratification process, which will involve referenda in many member states. The problem with these referenda threatens to be that the voter will turn out to show his displeasure with the government in power in his home country,

[33] During the proceedings more than 850 documents were posted on the internet site http://european-convention.eu.int. Interesting, day-by day accounts of the Convention were rapidly produced by Peter Norman in his "The accidental Constitution", published by EuroComment, Brussels, 2003, and by Alaine Dauvergne, 'L'Europe en 0tage? Histoire secrète de la convention' Ed. Saint-Simon, 2004. In October 2004 EU Institute of Security Studies published Chaillot Paper 71 'La cohérence par la défense – une autre lecture de la PESD' by former ambassador Philippe de Schoutheete, which specifically discussed the genesis of the articles on ESDP. Reading these books, it has to be kept in mind that the numbering of the articles in the draft by the European Convention differs from the final version negotiated by the Intergovernmental Conference.

or with the situation in Europe generally, while not realising that a rejection of the Constitution would mean the continuation of the Treaty of Nice, which by all accounts is inferior, less clear, less democratic and insufficient for managing a Union of 25 or more.

For the purpose of this Occasional Paper the sections on the CFSP and ESDP are particularly relevant, which are contained in articles 16 for CFSP, 28 for the new function of Minister of Foreign Affairs of the Union (combining the functions currently held by the High Representative and the Commissioner for External Relations), 40 for decision-making in the CFSP, 41 for the ESDP and the possibility of 'permanent structured cooperation' between countries whose forces meet higher military criteria and have undertaken additional commitments, and 42 for the solidarity clause in case a member becomes the victim of a terrorist attack or other calamity. These principles are made more specific in Part III of the Constitution, which includes the various policies of the Union. Title V contains the articles for the external action of the Union and its Chapter II deals with foreign and defence policy. Chapter III of Title VI defines the modalities of enhanced cooperation.

Midway through the Convention working groups were formed, eventually numbering eleven. Groups for the Common Foreign and Security Policy, chaired by Jean-Luc Dehaene, and Defence, Under-Commissioner Michel Barnier, ably assisted by Assistant Secretary General Annalisa Gianella, came in the second batch. Membership was on the basis of personal preference, so could not be said to be representative for the Convention as a whole. Like in the plenary, there was no voting, but in the report of the group indications could be given of the degree of support for certain proposals.

In the mandate for the Convention, the European Council of Laeken had included Europe's global role as one of the main issues, including 'how to develop the Union into a stabilising factor and a model in the new, multipolar world'. Backed by opinion polls, including Eurobarometer 58 of autumn 2002, the Laeken Declaration asserted that Europe's citizens wanted to see the EU more involved in foreign affairs, security and defence. However, there were considerable differences of opinion as to the way in which this should be achieved. Countries like France and the UK did not want to give the European Commission, nor the European Parliament a substantial role in these areas (partly because their own parliaments had only limited control over these matters). Others wanted to extend the 'community method' with its interplay of Commission, Council of Ministers, Parliament and Court of Justice. It was the old quarrel, which in Maastricht had led to the peculiar pillar construction.

Jean-Luc Dehaene started his working group by asking five very practical questions. How should the interests of the Union be defined; how should consistency be ensured of all instruments at the disposal of the Union, including trade policy and development aid; what should be done to speed up decision-making; what were the lessons from Solana's term as High Representative; and what changes in the Union's external representation would boost its international influence? His report discussed various ways of linking the post of High Representative and external affairs commissioner, which ultimately would result in the proposal for an EU foreign minister, who would chair the External Action Council of Ministers. It also proposed to extend the use of qualified majority voting (QMV) in CFSP, possibly by the inclusion of a *passerelle* through which the European Council at the appropriate moment could decide unanimously to apply QMV, thus avoiding the need for a formal treaty change in the future. However, in the plenary this proved to be unattainable, particularly for the UK. Its representative, Peter Hain,

objected that QMV would expose internal fault lines to the outside world. Others, including German Foreign Minister Joschka Fischer, argued that without QMV a Union of 25 or more would be condemned to a total lack of importance. In the end no progress was made on majority voting, except the renewed exhortation to use the possibility, opened since the Treaty of Amsterdam, to resort to 'constructive abstention' through which consensus would not be blocked, but the abstaining country would not be bound by the decision. On CSDP, Hain argued even less convincingly that QMV would not be possible, because no country could be forced against its will and its constitutional procedures to send forces abroad. That was quite true, for every government, and would be a restraining element in any intervention, but no reason to exclude QMV from every decision on security and defence.

The Barnier report was innovative in several ways. Firstly, it introduced the principle of solidarity in case a member state was attacked by a non-state terrorist actor, not as committing as the automatic military assistance clause of Article V of the WEU treaty, but nevertheless a breakthrough after its acceptance by Austria, Finland, Finland and Sweden. Article I-42 reads:

> 1. The Union and its Member States shall act jointly in a spirit of solidarity if a Member State is the victim of terrorist attack or natural or man-made disaster. The Union shall mobilise all the instruments at its disposal, including the military resources made available by the Member States, to:
>
> (a) - prevent the terrorist threat in the territory of the Member States;
>
> - protect democratic institutions and the civilian population from any terrorist attack;
>
> - assist a Member State in its territory at the request of its political authorities in the event of a terrorist attack;
>
> (b) assist a Member State in its territory at the request of its political authorities in the event of a natural or man-made disaster.
>
> 2. The detailed arrangements for implementing this Article are at Article III-329.

The Barnier group had come to the conclusion that a defence commitment comparable to that of the WEU was not possible in the light of the opposition of the 'neutral and non-aligned'. Instead, a double measure of closer cooperation was proposed. Closer cooperation, also called 'enhanced cooperation' or 'flexibility', was made possible by the Treaty of Amsterdam in case a group of member countries wanted , as a last resort, to integrate more closely than the Union as a whole was ready to consider. The Treaty of Nice extended this possibility to the domain of the CFSP, but not to defence. The Convention took this a step further and proposed that, as along as the European Council had not proceeded towards a common defence, the method of closer cooperation would cover military assistance in case of armed aggression against a Member State. This posed a dilemma for the 'neutral and non-aligned', who did not want to be excluded beforehand from a form of closer cooperation, but had difficulty with military assistance. Thanks to the Italian presidency , but to the surprise of many, a general clause of mutual assistance was introduced in its Naples package of early December 2003 and brought to a successful conclusion under the Irish presidency with the following compromise as Article I-41, par. 7:

> If a Member State is the victim of an armed aggression on its territory, the other Member States shall have towards it an obligation of aid and assistance by all the means in their

> power, in accordance with Article 51 of the United Nations Charter. This shall not prejudice the specific character of the security and defence policy of certain Member States.[34]

A third sentence was added to link the implementation of the obligation to collective defence within NATO:

> Commitments and cooperation in this area shall be consistent with commitments under NATO, which, for those States which are members of it, remains the foundation of their collective defence and the forum for its implementation.

The 'neutral' or 'non-aligned' members ultimately accepted these provisions under condition that they could not be interpreted as joining a military alliance. So the somewhat paradoxical upshot seems to be that they would assist an attacked partner, but on their own and not together with the others. Fortunately, there is no immediate threat of aggression against any member state and there will be time to get used to the new obligation.

Secondly, the possibility of permanent structural cooperation was opened within the Union framework for those Member States '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' (Article I-41,6). This form of cooperation was further defined in a Protocol approved by the Intergovernmental Conference on 18 June 2004. The full text is included as Annex 3 to this Occasional Paper. The IGC made clear that the decision to embark on a mission would require unanimity. The same would apply to closer cooperation in the area of CFSP.

Thirdly, it proposed the creation of the European Armaments, Research and Military Capabilities Agency, later to be called the European Defence Agency, open to all Member States. Its draft mandate was included unchanged in Article III-311 of the Constitution:

- contribute to identifying the Member States' military capability objectives and evaluating observance of the capability commitments given by the Member States;

- promote harmonisation of operational needs and adoption of effective, compatible procurement methods;

- propose multilateral projects to fulfil the objective in terms of military capabilities, ensure coordination of the programmes implemented by the Member States and management of specific cooperation programmes;

- support defence technology research, and coordinate and plan joint research activities and the study of technical solutions meeting future operational needs;

- contribute to identifying and, if necessary, implementing any useful measure for strengthening the industrial and technological base of the defence sector and for improving the effectiveness of military expenditure.

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[34] The so-called Naples Package was presented in Doc CIG 60/03 on trhe eve of the European Council of 12-13 December 2003.

In comparison with earlier equipment organisations, the significance of this mandate was its combination of requirements, the link with the European Capabilities Action Plan (ECAP), the defence technological and industrial base, research and technology, procurement, and evaluation. It will be particularly important to discuss requirements as early as possible. Too often in the past, cooperative projects have been established after national requirements had become relatively firm, making the task of finding common solutions to conflicting national demands very difficult. Clearly, defence procurement no longer was a matter left primarily to the armament directors, but was put into a comprehensive context. That was also the reason for the new name: European Defence Agency. To make this work, will be a considerable challenge, because not all national ministries of defence will be geared to such an integrated approach. So we should expect organisational changes in the national setup, which will be of great interest to parliamentarians.

It might have been more logical to put the evaluation clause at the end of the mandate, instead of at the very beginning, but in any case it is quite clear that the Agency will go well beyond the procurement function. Its statute, seat and operational rules would be defined by the Council, acting by qualified majority. Somewhat ominously the Article added that this decision 'should take account of the level of effective participation in the Agency's activities'. Further provisions stated that specific groups shall be set up within the Agency bringing together Member States engaged in joint projects, and that the agency shall carry out its tasks in liaison with the Commission, where necessary.

As mentioned before, the proposal for an armaments agency was lifted out of the draft presented by the European Convention for early implementation. A preparatory committee was formed under Mr. Witney, formerly deputy undersecretary for policy in the British Ministry of Defence, which worked rapidly. On 14 June 2004 the Council agreed a 'Joint Action' establishing the European Defence Agency (EDA). Its Chief Executive and his deputy were appointed soon afterwards, so that a small staff could start work in September. In addition to these two, five directors were appointed, representing the other LoI countries and Belgium. By the end of 2004 some 20-30 personnel should be recruited. The budget for 2004 was €2 million, for 2005 €24 million, to cover salaries, installation and the first studies on capability shortfalls. Long-term decisions would be taken with unanimity by the Council of Ministers, but the yearly programme would be determined with QMV by the Executive Board on which all participating countries are represented. Denmark did not join.

In the negotiations for the European Defence Agency there was a marked division on its status. While the UK was in favour of a fully independent agency, Germany and France wanted political control by the Council and the Political and Security Committee. It was unclear to what extent they would be prepared to enter into binding commitments. The Netherlands insisted on unanimity for deciding the 3-year multi-annual budget. One of the unsolved issues was the relationship with Norway and Turkey, which were equal partners in the West European Armaments Group (WEAG). On 14 June, the Irish presidency recorded in the minutes that by 30 September a new arrangement should be finalised. That deadline was not met, but nevertheless the Ministers of Defence decided on 22 November 2004 that the WEAG should be dissolved and cooperation be transferred to the European Defence Agency before the middle of 2005.

EDA will not be a European DARPA. The way the US are approaching advanced research projects is still beyond the means of Europe. Nevertheless, an important

connection has been made with the research activities of the Commission in the civilian sphere with its five-yearly programmes. OCCAR remains in being and offered its services. The same applies to the Letter of Intent group, but that has less institutional implications, because LoI is a framework agreement without an executive organ.

Will all this be sufficient for the creation of a European Defence Equipment Market (EDEM)? Probably not. Article 296 (formerly 223), which takes defence procurement out of the free internal market, remains in being. A valid argument lies in the fact, that third countries did not liberalise their defence market either, so the article should at least be kept as a bargaining chip. However, this is no reason for restraining competition among members of the Union. As early as the days of the independent European Programme Group (iEPG) the Vredeling report of wise men had advocated this in 1987 under the title 'Towards a Stronger Europe'.

4.4. The Role of the European Commission

The European Commission continuously has tried to bring defence goods into the orbit of the common market (and to raise import duties on products from third countries), but was opposed by the countries with substantial defence industries. It had some success in the area of 'dual use' goods with application in the civilian as well as in the military sphere. On 19 December 1994 the EU Council established a common control regime for dual-use exports to third countries as a symbiosis of the Community and the CFSP.[35] In July 2000 this system was replaced by a new control regime, based exclusively on Article 133, bringing both principles and lists under the competence of the Commission and giving it the exclusive right of initiative. All Council decisions are taken by qualified majority, instead, as previously, by unanimity. However, as concluded by Burkard Schmitt, since the list of controlled items is a compilation of lists defined by international non-proliferation regimes (such as the Wassenaar agreement, the Missile Technology Control Regime, and the Nuclear Suppliers' Group), where the Commission is not represented, the members states have preserved a dominant position.[36] Moreover, effective implementation is to be expected only if national controls are adequate and industry cooperates.[37] European governments have informal contacts with industry, but only Sweden has an institutional model in its Swedish Export Control Society, which informs companies of changes in Swedish, EU and US policies and coordinates the expression of their views back to the government. Since 1991, the US has its Business Executive Enforcement Team with a secure electronic network linking over 3,000

[35] Council Regulation (EC) 3381/94 and Council Decision 94/942/CFSP published in the Official Journal of the European Communities, L 367 of 31 December 1994, pp. 1-7 and 8-163. Based on both a Regulation and a Decision, the regime was an example of a cross-pillar approach. The control procedures and mechanisms outlined in the Regulation became part of community law; the Decision was adopted under Article J.3 (now art. 14 of the TEU) as a Joint Action taken under the CFSP and listed permitted destinations and controlled items.

[36] 'A common European export policy for defence and dual-use items?' Occasional Paper 25 of the WEU Institute for Security Studies, May 2001. pp. 8-9. See also Chaillot Paper No.63, p.31. Council Regulation (EC) 1334/2000 of 30 June 2000 was amended five times. Its latest consolidated version is Regulation 149/2003, Official Journal L 30/2003.

[37] See 'Business and Security, public-private relationships in a new security environment' edited by Alyson J.K.Bailes and Isabel Frommelt. SIPRI and Oxford University Press, 2004, chapter 6 'Strategic export controls and the private sector', pp.76-83.

individuals in dual-use exporting firms with the Office of Export Enforcement of the US Department of Commerce.[38]

The new EU regime represented an improvement of the earlier Code of Conduct on Arms Exports, adopted by the Council on 8 June 1998 as a Declaration in the framework of the CFSP. This Code was developed by the Council Working Group on Arms Exports (COARM) and contained eight export criteria:

- Respect for the international commitments of EU members, in particular the sanctions decreed by the UN, the EC, and non-proliferation agreements;
- The respect of human rights in the country of final destination;
- The internal situation in the country of final destination;
- Preservation of regional peace, security and stability;
- The national security of the member states, as well as that of friendly and allied countries;
- The behaviour of the buyer country with regard to the international community, in particular its attitude to terrorism, the nature of its alliances, and respect for international law;
- The existence of a risk that the equipment will be diverted within the buyer country or re-exported under undesirable conditions;
- The compatibility of the arms exports with the technical and economic capacity of the recipient country.[39]

The regime of July 2000 established a consultation mechanism to deal with the problem of one member state undercutting another, which had refused to grant an export licence. Member states have to inform each other on denials of export licences, to consult if they have the intention to undercut, and to explain their reasons for doing so. At the Community level a coordinating group, composed of licensing officials and customs officers and chaired by the Commission, meets regularly to discuss the practical application of the Regulation and to develop a common interpretation. That is no easy task, as the guidelines remain vague, which leads Schmitt to the conclusion, that the regime is little more than a common framework for different national policies. Member states recognise each other's export licenses, but do not necessarily agree with them. It remains to be seen, whether the consultation machinery can compensate sufficiently for the absence of a common export policy. And the issue will continue to be prominent on parliamentary agendas.[40]

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[38] Ibidem p. 16, footnote 62.

[39] Defined by the European Councils in Luxemburg (29 June 1991) and Lisbon (26-27 June 1992).

[40] SIPRI Policy Paper No. 8 of November 2004, written by Sibylle Bauer and Mark Bromley carried the subtitle 'Improving the Annual Report'. It recommended agreement on common reporting requirements and comparability of data on export licenses, but also a move towards the use of data supplied by industry. Practice in 18 EU countries was analysed.

On customs duties, the Commission was not successful. In January 2003 a Council regulation was adopted, suspending import duties on a number of weapons and military equipment.[41] A positive development was the Commission initiative to launch a European 'Defence Standardisation Handbook', with the assistance of the European Committee for Standardisation (which has played an important role in removing obstacles to the creation of the internal market in the follow-up to the '1992' Programme of the Commission) and participation of Ministries of Defence and of industry. An operational version, containing references to standards, commonly used terms to support procurement contracts, and guidelines for the optimum selection of standards should be ready by the end of 2004.

The Commission will also be able to make an impact in the field of research and technology. Its Framework Programmes, covering periods of four years, have become an important sponsor of technological development. Starting in 1984, they are now in their sixth period, which provides for an overall Community participation of €17.5 billion, equalling 5.4% of all public (non-military) research spending in the Union. One of the seven thematic priority areas covers aeronautics and space. Although the Framework Programmes only fund civilian projects, they also benefit the military side of their activities. In any case, public R&D funding will help industry to remain competitive at a time when the demand for military equipment is shrinking. Moreover, dual-use technologies have gradually been included in the Framework Programmes, such as Global monitoring for Environment and Security, secure communications, and the safety of IT networks. Recently, the EU accepted the link between military and civilian research. The Presidency Conclusions of the European Council of 20/21 March 2003 explicitly recognised 'the role that defence and security related R&D could play in promoting lead-edge technologies and thereby stimulate innovation and competitiveness'. The Council was invited 'to analyse the role of defence R&D procurement in the context of the overall R&D activities in the Union, including the possible creation by the Council of an inter-governmental defence capabilities development and acquisition agency'.[42] A few months later, at Thessaloniki the European Council decided to proceed with the creation of such an Agency. The increasing attention to the 'Lisbon-agenda' for strengthening innovation and competitiveness is bound to militate in favour of this development, even though some will frown over the emphasis on the inter-governmental character of the new venture. In the meantime the European Commission is preparing a European Security Research Programme (ESRP) for the period from 2007 onwards.

The outgoing Prodi Commission published a Green Paper on Defence procurement in an attempt to open up the debate on the need to take EU-level initiatives on the regulation of defence procurement markets. Acting on the advice of a 'Group of Personalities' it announced the creation of a European Security Research Advisory Board and the launch of a European Security Research Programme. The Commission asked a series of questions as the start of a consultation process, ending four months from 23 September 2004, the date of the publication.[43] It argued that a truly European market was crucial for strengthening the competitiveness of European industry, but that the current

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[41] Council regulation (EC) 150/2003, based on Article 26 TEC, published in the Official Journal, L 25 of 20 January 2003.

[42] Quoted by Burkard Schmitt in Chaillot Paper No. 63, p.35.

[43] COM(2004)608 final and MEMO/04/222 of 23.09.2004.

situation was characterised by the fragmentation of markets along purely national lines, by the specific features which distinguished it from other types of public procurement, and by a complex legal framework. Article 296 TEU (previously Art. 223) reads:

> [N]o Member state shall be obliged to supply information the disclosure of which it considers contrary to the essential interests of its security;
>
> 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, munitions and war material; such measures shall not adversely affect the conditions of competition in the common market regarding products which are not intended for specifically military purposes.

These formulations date from the beginning of the European Community and for many years were contained in Article 223. In 1958 the Council adopted a list of products to which the provisions of this article would apply, a list which by now is clearly obsolete. In the Green Paper the Commission argued that Community rules also apply in principle to the defence sector, but Member States may derogate from them in the circumstances set out in the treaty. Such derogation did not constitute a general, automatic exemption, but should be justified case by case, with the burden of proof resting with the Member State. Nevertheless, the low number of publications of tenders in the Official Journal of the EU implies that several countries believed they could apply the derogation automatically.

The Commission moved carefully and, bearing in mind the principle of subsidiarity, referred to the work being done in the Council Working Party on Armaments Policy (POLARM), the Western European Armaments Group (WEAG), and the Agency Establishment Team. It also admitted that states needed to have access to adequate industrial and technological capacities throughout the (long) life cycle of a system, and maintain lasting, reliable relations with suppliers. Since production volumes are limited and the risk of commercial failure high, 'state support is required'. The main value of the Green Paper was its effort to get the debate started and to list the relevant questions to be answered in the consultation process:

- Do you think it would be useful/necessary/sufficient to explain the existing legal framework in the way presented?
- Are there other aspects of the Community system in question that should be clarified?
- Do you consider the rules of existing directives suited/unsuited to the specific characteristics of defence contracts?
- Would a specific directive be a useful/necessary instrument for creating a European defence equipment market and strengthening the industrial and technological base of European defence?
- What is your opinion regarding the use of a possible directive for purchases by other bodies, such as the European Defence Agency?
- Procedures: do you believe the negotiated procedure with prior publication to be suitable for the specific needs of defence procurement? In what situations should use of the negotiated procedure without publication be allowed?

- Scope: what should be the most appropriate way of defining the field of application? A general definition? If so, what? A combination of a definition and a list?

- Exemptions: do you think it would be useful/necessary to define a category of products that would be excluded categorically from the directive?

- Publication: do you think a centralised publication system would be appropriate, and, if so, how should it function?

- Selection criteria: what criteria do you think should be taken into account in addition to those already laid down in existing directives to take account of the specific features of the defence sector? Confidentiality, security of supply, etc.? And how should it be defined?

- How do you think offset practices should be handled?

At the time of writing, the answers to these questions were not yet known, but industry clearly has high expectations of the new defence agency. EDIG no longer existed as the primary lobby group on the European front, but the vice-presidents in charge of strategy of the big concerns like EADS, BAE systems and Thales meet regularly and have appealed to their governments directly and through the press. In the meantime the Commission announced a Preparatory Action on Security Research (PASR) to be carried out over the period 2004-06 with the aims to develop a European security culture supported by a credible industry, to develop synergy between civil and military research and between the public and private sectors, and to stimulate investment in technology meeting the objective of spending 3% of GDP on research. Project priorities were improving situation awareness, protection of networked systems, protection against (bio)terrorism, and interoperability of integrated systems for information and communication. The first contracts would be signed before the end of 2004. The budget for the 3-year period would be €65 million.[44] Good news, as long as new turf wars about competence in these matters can be avoided.

4.5. National Adjustments

In Europe defence budgets have been under constant pressure. Even if the clamour of the early '90s for 'peace dividends' has stopped, very few countries have been able to increase spending. At the same time new developments, which are in full swing in the US like the 'revolution of military affairs', transformation and network centric warfare, have left Europeans out of breath. To what extent could and should these new concepts and technologies be applied to the kind of operations Europe might be involved in? Moreover, after the impressive first stage of the war in Iraq, army reliance on information technology to ensure the survivability and lethality of lightweight mobile ground vehicles has had its drawbacks in terms of casualties.[45] Nevertheless, the process seems irreversible.

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[44] WEU Assembly Doc A/1885, p.13.

[45] Joseph N. Mait and Richard L.Kugler, 'Alternative approaches to Army transformation', Defense Horizons 41, July 2004 published by the Center for Technology and National Security Policy of NDU.

In Annex 3 defence expenditure by NATO countries for 2003 is summarised. The picture is not encouraging. NATO Europe spends an average of 2% of GDP on defence, but this figure is inflated by the high percentages of Greece and Turkey, which spent 4.2 and 4.8% respectively. Above average were France, UK, the Czech Republic and Portugal (which spends virtually all of it on personnel and is the second lowest on equipment, above Belgium). Norway and Poland are at the average level and nine out of fourteen members below it. In comparison the US spent 3.5% of GDP, with an equipment quota of 27.6%. An investment level of 20% is regarded as acceptable, but only Turkey, UK, Norway, the Czech Republic and France spent a higher percentage on equipment. The US has an investment quota that is exceeded only by Turkey. The German figure was only 14%, seventh from the bottom.

The UK was the first to launch a conceptual defence review to restructure its forces for post-Cold War contingencies, and in 2004 managed a budget increase of an average 1.4% over three years, bringing expenditure up to £33.4 billion by 2007. This news was accompanied by a severe thinning of the ranks in order to pay for new technologies and transformation.[46] Secretary of State for Defence, Geoff Hoon, explained that the government wanted 'to shift away from numbers of platforms to a new emphasis on effects and outcomes and on the exploitation of the opportunities presented by new technologies and network-enabled capability. The Royal Navy would lose 3 old destroyers and 3 modern frigates, 6 minesweepers and 3 nuclear attack submarines. The Royal Air Force would close an airbase and lose 1 Tornado F3 fighter squadron, 3 Jaguar strike squadrons, 5 Nimrod MR2 maritime surveillance aircraft, and the order for its successor Nimrod MR A4 would be cut from 18 to 12. The British Army would loose 4 infantry battalions (out of 40) and 7 Challenger main battle tank squadrons, 24 (out of 28) Rapier anti-aircraft missile launchers, 72 (out of 156) High Velocity Missile fire units for air defence, and several 155-mm self-propelled howitzer batteries. These cuts would involve 1,500, 7,500 and 6,500 troops for the three services respectively, the RAF being hit hardest. Altogether, about 25,000 would be cut, out of roughly 300,000 military and civilian jobs, from all branches of the military and the Ministry of Defence itself.

Some of the cuts are less dramatic than they might seem, because modern replacements are coming into the inventory, like the Eurofighter (equipped with the 'Storm Shadow' cruise missile, built by MBDA for the UK and France), new armoured vehicles, artillery pieces and Apache helicopters. On the whole they make sense in an environment where the air threat is low, anti-submarine warfare no longer a priority and tank battles a thing of the past. The cut in personnel seems a gamble on improvement of the situation in Northern Ireland, because currently the army is seriously overstretched. During the war in Iraq, half of the British Army was involved, which would not have been sustainable in a prolonged operation. The UK also made clear that it would be unable to follow the American vision of a wholesale transformation of the armed forces, but rather had to follow an incremental approach. Ongoing programmes, dating back to an earlier security environment, like the Eurofighter, were taking a large part of spending on modernisation. The situation in other European countries is similar.

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[46] The Economist, July 24, 2004, p.32 and Defense News July 26, 2004, pp. 1 and 8. See also Andrew D. James, 'The defense industry and transformation: a European perspective'. Chapter 8 in 'Transatlantic Transformations: Equipping NATO for the 21st century', op. cit. 2004.

With any reduction, the crucial question is 'what is left?' and what can are we still able to do with it? Instead of 3 heavy and 3 mechanised and 1 light brigade, the Army will consist of 2 heavy armoured brigades, 3 medium-weight brigades and 1 light brigade plus existing air assault and Royal Marines brigades, which taken together would be better suited for the flexible, expeditionary type of operations envisaged for the future.

On the procurement side, some new orders will be placed and some current plans will be adjusted. The two new aircraft carriers with a displacement of some 60,000 tons will enter service between 2012 and 2015. The dozen Type 45 air defence destroyers will be reduced to eight, giving rise to a debate on the wisdom of designing a single-mission ship. As recent conflicts have seen little air threat, one could see merit in more flexible, multipurpose vessels, giving the Type 45 ballistic missile defence and land attack capabilities. The four Netherlands air defence frigates with their command facilities and potential for carrying cruise missiles could be used as an example. In any case, the UK government has offered industry a sizeable package of construction for the next fifteen years, which enables it to enter restructuring talks.[47]

Germany had both political and financial problems. Politically it took till the 1995 decision of the Constitutional Court in Karlsruhe before Germany could send its soldiers beyond the NATO area and even today the Bundestag monitors peace support missions very carefully, insisting on a UN mandate. As a result Germany came late in restructuring the armed forces. Financially, Germany has slumped to its lowest percentage of GDP devoted to defence. At 1.4% Germany now is in the lower half of NATO countries and finds it difficult to keep its commitments in multi-annual programmes. On 5 December 2002 defence minister Peter Struck explained the cuts he had to make.[48] The number of the European A400M transport aircraft would be reduced from 73 to 60; the number of Meteor air-to-air missiles with a capability beyond visual range would be reduced from 1,488 to 600, and the IRIR-T air-to-air missile, which replaces the Sidewinder on the Eurofighter and Tornado aircraft from 1,812 to 1,250. The commitment to buy 180 Eurofighters would be kept, even though the rationale for so many had disappeared. Changing it would ruin the cooperative programme and have a disastrous effect on the participating industries. The number of Tiger support helicopters and NH-90 helicopters would be lowered. On the positive side was the announcement of electronic protection of the C-160 Transall transport aircraft, the development of a combat search and rescue version of the NH-90 helicopter, and the acquisition of a new armoured infantry fighting vehicle to replace the 30-year old Marder. The Breguet Atlantic would be replaced by a new maritime patrol aircraft through a European cooperative programme. In 2004 it was announced that instead Germany would acquire 8 updated P-3C aircraft from the Netherlands, which are terminating their mission in this field. Germany also invests in the MEADS missile defence programme.

Minister Struck and his new Inspector General Wolfgang Schneiderhan left little intact of what their predecessors Scharping and Kujat had planned. In a directive of October 2003 the minister instructed a new approach to procurement: future equipment should be acquired in close relationship with the factual tasks of the armed forces. Plans which did not meet these criteria should be cancelled, even if they concerned connected capabilities,

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[47] Defense News, October 18, 2004, 'U.K. Seeks Industry Change for Ship Plan'.

[48] Atlantic News, No. 3439 of 11 December 2002, 'Defence minister Peter Struck outlines cuts in major procurement programmemes for Bundeswehr'.

and all current programmes had to be reviewed to be able to apply new technological developments.[49]

The funding level of the Ministry of Defence is the subject of a running battle between the Defence Minister and the Minister of Finance, Hans Eichel. In June 2004 the current year's budget was fixed at €23.9 billion plus €100 million saved through privatisation, in order to reach the politically important threshold of €24 billion. Minister Struck aims at boosting the budget from €24.25 billion in 2005 to €25.8 billion in 2009 and procurement from €4.02 billion next year to €7 billion in 2012, raising the investment quota to 31%. Comments have been sceptical in view of the overall German budget deficit, which is in excess of the 3% allowed by the financial Stability Pact of the European Union.[50]

The French government is experiencing similar problems. President Chirac consistently attached high priority to modernisation of the armed forces, both conventional and nuclear. Like Britain, France is capable of mounting expeditionary operations and has proved its willingness to do so. Contrary to many continental countries, France neither has a problem with pre-emption when the situation would demand it. In spite of increases in the defence budget, the government will be faced with the painful choice of reducing troop levels or slashing equipment expenditures. The financial and economic situation of the country is difficult and Finance Minister Nicolas Sarkozy, a political rival of the president, wanted to trim the defence budget in order to put his house in order before he left his post to concentrate on the leadership of the party. Under his pressure France veered towards a mix of national and European consolidation: takeovers by foreign companies were resisted, like in the *Aventis* case; national mergers were encouraged, even if their synergies were not obvious (like the engine producing SNECMA with the missile and electronics group SAGEM); and Thales was encouraged in its feelers towards a merger with EADS, which would strengthen French influence.

Troop levels had already been cut in all military services except the Gendarmerie during the 1995-2002 budgetary period. With the abolition of conscription, the army was reduced from 237,000 to 136,000, with a modular organisation in 9 combat brigades, 4 combat support brigades and 2 logistic brigades. This figure still is 20,000 higher than the British Army, but the capacity to muster an expeditionary force is less. On the nuclear side France keeps 4 strategic missile nuclear submarines, by 2010 all of the modern Triumph class, to be equipped with new submarine-launched ballistic missiles. The *Rafale* aircraft will replace the *Mirage-2000N* and *Super Etendart* in their nuclear attack role.

Under the current Military Budget Law equipment spending would rise by 0.8% in 2005 from €14.9 billion in 2004. Personnel cost have risen spectacularly over the last decade, as a result of professionalisation and higher salaries and living conditions, and consumed €16.4 billion in 2002. The civilian side of the Ministry of Defence is heavy with 90,000 civil servants, many of them in the equipment sector. Following the NATO method of calculation, France spent 2.6% of GDP on defence in 2003.

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[49] Weisung für die Weiterentwicklung der Bundeswehr, Berlin, 1 October 2003, quoted by Martin Agüera in Gemeinsam sicher,Vision und realität europäischer Sicherheitspolitik, Hans Seidel Stiftung/Ars Una, Neuried, 2004, p.353.

[50] Defense News, June 21, 2004. 'Defense Reform Still Uncertain for Berlin'.

France distinguished herself by an impressive array of technological projects. Next to the nuclear programme, the value of which might be doubted in the present strategic environment, France developed an independent reconnaissance capability through the *Helios* optical programme and the *Syracuse* communications satellite, and also was the first European country to recognise the importance of unmanned aerial vehicles. UAV's originally were designed for tactical reconnaissance, transmitting their imagery directly to the commander in the field. During the Afghanistan campaign the US added a weapons-delivery capability, which might bring a revolutionary change to high-tech combat. Not only do they allow for immediate real-time responses, they are also likely to reduce losses of friendly forces, which no longer have to expose themselves in vulnerable positions. France took the initiative to bring Dassault Aviation and the multinational EADS company together to develop a new medium-altitude long endurance UAV called *EuroMALE*, and a combat UAV called *Neuron*. Defence minister Michèle Alliot-Marie pledged to fund a €135 million technology demonstrator for France's new networked air-land warfare concept called *Bulle Operationelle Aeroterrestre,* which will provide the framework for using the data delivered by UAV's and other sensors.[51] France was also a leading advocate of the A400M transport aircraft in the Airbus family and will take 50, with 60 going to Germany, 27 to Spain, 25 to the UK, 10 to Turkey, 7 to Belgium and 1 to Luxembourg. When deliveries start in 2009, Europe will acquire an important strategic lift capability.

Among the other NATO allies, Italy made news by launching a second aircraft carrier. The 27,000 metric ton *Cavour*, able to carry 12 helicopters or 8 short take-off aircraft, will be operational in 2008. The carrier will join the smaller *Garibaldi*, which measures 13,850 ton, and accommodates an amphibious task force and landing troops in addition to the naval and air crews.[52] On the day of the launch defence minister Martino told the press that he was fighting a cut of €1.8 billion (out of a total budget of €14 billion) and hoped to reduce it to €900 million. Even if he succeeded, the equipment budget of €3.2 billion was expected to be cut by €500 million. At the same time negotiations were conducted for the Franco-Italian FREMM frigate programme, with 17 planned for France and 10 for Italy. Less positive was the sudden Italian withdrawal from the A400M transport aircraft project.

On the industrial side *Finmeccanica* is asserting itself, particularly in the helicopter field, by acquiring Westland in the UK and taking over some avionics and communication systems from BAE Systems. The six-year old Alenia Marconi Systems joint-venture was terminated in a move which appeared to focus more on take-overs than alliances.[53]

Spain has increased its defence budget for 2004 by 4.5%, amounting to €360 million, as part of a 15-year modernisation programme. In addition to the procurement of the transport A400M aircraft and the Eurofighter, Spain is building a multipurpose amphibious assault ship able to carry 4 large or 8 small helicopters.[54]

Poland approved a five-year plan for the period 2001-2006 stipulating that it will spend no less than 1.95% of its GDP on defence. Further funds were added to buy 60 F-16

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[51] Defense News, June 21, 2004, 'France Launches UAV Challenge'.

[52] Defense News, July 26, 2004, 'Second Carrier Launched Amid Italian Budget Fear'.

[53] Defense News October 25, 2004, 'Finmeccanica, BAE Break Up AMS'.

[54] NATO Parliamentary Assembly, report by John Shimkus (US) 'Alliance-wide progress on meeting the Prague Capability Commitments', April 2004.

aircraft. The other new members of NATO also committed funds around this percentage, except Estonia and Slovenia, who stood at 1.6% and 1.5% in 2002. Among the smaller countries, the Czech Republic found a niche by concentrating on NBC detection and protection equipment.

The country which spends more on research and development as a proportion to GDP than any other in the world is Sweden. Its armed forces are actively pursuing a range of advanced weapons systems and use Sweden's expertise in information technology to develop unified battlespace-information network. Saab is reportedly studying a low-observable unmanned combat aerial vehicle dubbed SHARC, for Swedish Highly Advanced Research Configuration, and warheads for its cruise missile. Sweden freed money for R&D by a radical reorganisation of its armed forces into three joint commands, cutting its officer corps from 15,000 to 9,400.[55]

Under its Army XXI reform plan, beginning in 2004, Switzerland is reducing its army from 320,000 to 140,000 personnel with 80,000 reserves. The militia system will remain central to Swiss defence planning, but professional personnel will be increased from 3,500 to 4,500. Like any downsizing, these changes will have an impact on the procurement of equipment.

Looking at these changes and the overall state of the European military, the picture is ambiguous. Some progress is being made in meeting the shortfalls on the EU side, but its pace is not impressive. Taken together the need for aircraft carriers ultimately will be met, if the British, French and Italians manage to work together. The air transport needs will be filled by the A400M, even if it will be unable to carry the heavy loads of a C-17 or An-70. The shortfall in NBC protection has been remedied. On fighter-bombers the inventory is diverse, but the total number seems to be in excess of future needs. In recent conflicts there was no enemy in the air and the number of strike missions in Afghanistan, for example, demanded very few aircraft after the initial campaign was over. No wonder many Ministries of Defence are unhappy with their commitments from a previous era. In general, the problem is not so much the availability of individual capabilities, but the difficulty of putting them together into reliable force packages, capable of early deployment and joint action. For that reason, possibilities of pooling are getting renewed attention.

The accession of ten new member states to the EU did not change the situation of Europe's armaments sector fundamentally.[56] The new members will have to define a position with regard to ongoing initiatives, particularly the European Defence Agency. They will need guidance for the modernisation of their armed forces (which often have stocks of Soviet-era equipment) and possible 'niche' capabilities. EDA could also help in identifying opportunities for cooperation.

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[55] IISS Strategic Survey 2000/2001, pp. 30-31, 'Swifter Sweden'.

[56] EU Institute for Security Studies, Occasional paper No. 54, edited by Burkard Schmitt, 'EU enlargement and armaments. Defence industries and markets of the Visegrad countries'. September 2004.

5. Parliamentary Oversight

Decisions about defence and security have become more political, and consequently attract more parliamentary attention. Participation in peace support operations is not automatic, but subject to a wide range of considerations. Questions of stability and international law and order are high on the agenda. Grave violations of human rights, or even genocide, necessitate international action of international organisations or 'coalitions of the willing'. Participation is determined by national perceptions of their interests and, increasingly, by their level of ambition. What are they prepared to contribute in terms of costs and what are the risks they are willing to share? And what part of the national cake are they willing to devote to peace and security in a tough competition with other tasks of government, which directly affect the citizen, like health, education and social security? The growing realisation of the link between internal and external security has moved the issue higher up on the political agenda, but trade-offs remain delicate.

Without trying to be too academic it is worth noting that modern Western society has developed a new paradox, which has to do with the difference between value-based and interest-based international cooperation and the confusion between values and norms. Values come first and norms are derived from them. In Western organisation the sharing of sovereignty has become the norm, but risk-sharing is the value. The goal of peace has become more of a process and less of a product.[57] The paradox lies in the fact that at the same time our society has become more averse to risk; a management ethos has taken the place of great ideals. The result is constant debate about every choice, compounded by the absence of precise criteria for maintaining levels of forces and the corresponding financial effort. Everything has become a matter of appreciation and everybody is in danger of losing track.

Under these circumstances parliamentarians should attempt to follow a comprehensive and consistent approach, following clearly established procedures for defence committee proceedings and plenary debates. First, their government should present, follow and update its security concept and security policy. These should specify the defence needs in the strict sense of the word, that is the preservation of independence and territorial integrity, and be accompanied by a threat assessment process.

Second, the level of ambition for participation in international peace support operations should be determined, defining concrete contributions in terms of units and skills and readiness for deployment outside the country.

Third, personnel and equipment levels should be geared to these ambitions, including training, logistic support and cooperative arrangements. The preferred option would be to form 'force packages', trained and ready for deployment as soon as a crisis erupts and the political decision to join the operation is taken.

Fourth, in NATO and EU more attention should be paid to the acquisition plans of allies and partners. The NATO planning and review process (PARPS) provided for a comprehensive evaluation by the military authorities. The EU follows a voluntary

[57] The author is indebted to Christopher Coker for his remarks at the Schengen Conference of the Luxembourg Institute of European and International Studies, June 2004.

bottom- up process, which so far lacks the top-down process of proposing adjustments to member countries. It is not good enough to identify shortfalls and hope that somebody will fill them. Evaluation by the European Defence Agency might fill the gap.

Fifth, more specifically for defence procurement, a number of points should be made. The DCAF/IPU Handbook for Parliamentarians №5 of 2003 devoted chapter 28 to 'Arms and military equipment procurement' with a box of suggestions 'What you can do as a parliamentarian' (See Annex 5). Most important is to make sure that governments apply the democratic processes of 'reveal, explain and justify' also to the equipment sector. On the budgetary side, parliamentarians have to be convinced that there will be sufficient funding for the plans submitted to them, not only in the current year, but during the entire acquisition phase. Governments have a tendency to underestimate price escalation in long-term projects, and to be more optimistic about future resources than in the current year. Germany and Romania have provided examples of procurement plans, which they could not afford. Statistically, estimates of total project costs have always been on the low side, and sometimes intentionally so. Cost overruns are frequent, delays occur, and flanking programmes are becoming more expensive than budgeted. As defence procurement involves long lead times, it is important to assess the impact on long-term capacity building to ascertain how new equipment will fit into a harmonious composition of the armed forces. The current emphasis on 'jointness' makes this even more necessary. Equally, attention should be paid to the lifecycle costs of the new systems, including maintenance, updates and the personnel needed to handle them.

Difficult issues are raised by aspects of secrecy and the prevention of corruption. In the area of defence, secrecy inevitably plays a larger role than in other fields. Obviously, detailed operational plans have to remain secret, both for defence and peace enforcement. The same applies to certain weapon characteristics, but the need for secrecy should not be exaggerated. Most performance details are in the public domain through professional journals, company advertisements and other media. If a choice hinges on secret details, parliamentary committees should be able to receive confidential briefings behind closed doors.

Corruption poses a problem, because it is difficult to detect. Is somebody's preference the result of solid evaluation of all relevant factors, or has it been influenced by favours, undue hospitality, presents or outright payments? Ministries of Defence should have special offices for countering corruption among their personnel, with access to all documents involved. Parliamentarians are the object of approaches by companies in an attempt to sway their vote in a tough competition. Sometimes this takes the form of donations to party coffers, as experienced in Belgium and Germany. The best way to maintain their objectivity in judging bids is not to visit defence companies on their own, but together with colleagues from other political parties.

There is a certain tension between the preferences of the military, who look for the best and are influenced by traditional connections with the armed forces and industrial companies of a particular country – often the US - and politicians who have to take a broader view of the political and economic interests of their country. If a national or joint European product meets the criteria, why not take it, even if an American system might be better? Such considerations play most heavily in countries possessing a substantial arms industry of their own. In others there are powerful arguments for buying the latest state of the art off the shelf and not giving a preference to European industry. The weight given to economic considerations varies from country to country, but

generally is on the increase in comparison with the years in which the priority given to collective defence simply demanded the best. In any case, the matter of jobs at home has always played heavily in parliamentary debates.

Parliamentary control of defence matters rests with national parliaments. Nevertheless, the parliamentary assemblies of NATO and WEU have played an important role in providing an international dimension to the debate. Their reports are of high quality and are a useful source of information to parliamentarians, the media and the public at large. Debating on them, and working and voting on joint resolutions raises the level of awareness in the process, which could best be described as 'consensus building'. Returning home to their own parliaments, members profit from this common appreciation (or differences) when they have to take the floor in the national debate.

The process of European integration lacks this parliamentary dimension in the field of security and defence. The European Parliament does not have the competence to scrutinise it, although increasingly it touches on the margins and High Representative Javier Solana appears before its committee on external relations. In future, this may change when questions of industrial policy and technological innovation in the civilian and military sectors become intertwined. So far, however, several countries, France and the UK among them, have resisted giving the European Parliament and the Commission a greater role in these 'intergovernmental' matters. As a result the possibility of contacts between national parliamentarians at European level is threatened by the assumption by the EU of the functions of the WEU. The WEU Assembly already is hanging in limbo without the ability to debate with a Council at ministerial level. Its proposal to form a joint assembly of national parliamentarians and a number of members of the European Parliament has not been retained. Instead, governments moved in the direction of a heavier agenda for the COSAC, the meeting of members of national committees of European affairs, but these persons normally are not experts in security affairs, nor in the other intergovernmental area of justice and home affairs. The Intergovernmental Conference on the European Constitution included two articles on inter-parliamentary cooperation in Title 2 of the Protocol on the role of Member States' national parliaments in the European Union. This protocol deals primarily with the important issue of 'subsidiarity' and the right of parliaments to send a reasoned opinion on whether a draft European legislative act should be adopted by the Union or left to national legislation. On inter-parliamentary cooperation it reads:

> Article 9. The European Parliament and the national Parliaments shall together determine the organisation and promotion of effective and regular inter-parliamentary cooperation within the European Union.
>
> Article 10. The Conference of European Affairs Committees may submit any contribution it deems appropriate for the attention of the European Parliament, the Council and the Commission. That Conference shall in addition promote the exchange of information and best practice between national Parliaments and the European Parliament, including their special committees. It may also organise inter-parliamentary conferences on specific topics, in particular to debate matters of common foreign and security policy, including common security and defence policy. Contributions from the Conference shall not bind national Parliaments and shall not prejudge their positions.

These provisions leave much to be determined in an uneasy relationship between the European and national parliaments. In any case, they would be a step back in comparison with the work of the WEU Assembly, because the members of COSAC do not have a mandate from their national committee or political party and therefore do not draft

political resolutions. Infrequent and non-committing parliamentary conferences cannot replace the institutional arrangements of a fully-fledged assembly with a work-plan, a 'rapporteur' system and voting procedures. It is difficult to see how, without preparation in committees, ad hoc conferences of members of 25 or more parliaments will be able to come to meaningful pronouncements.

Another drawback would be the disappearance of the status of Associate Member and Associate Partner which has been an innovative arrangement in WEU to draw in non-EU members of NATO and the candidate countries for the EU (including Turkey, but without Cyprus and Malta, which do not participate in NATO's Partnership for Peace and therefore have to stray outside the circle of security and defence policy). Ultimately, this arrangement might lose its significance when Bulgaria and Romania become members of the EU in 2007, but the status of Associate Member for Turkey would remain useful much longer, also in connection with the working of the European Defence Agency as successor of the WEAO.

Under these circumstances the security debate among informed parliamentarians is likely to shift to the NATO Parliamentary Assembly with its well-established reputation for the quality of its reports, its links with Partnership for Peace countries, including a special position for Russia, and a Mediterranean working group meeting with representatives from North African countries. The value of the NPA rests largely on the contacts between American and European politicians and will therefore depend on the continued interest shown by the members of the US Congress. Procurement questions usually do not figure prominently on the agenda of the Defence and Security Committee, but issues like the ESDP or technology transfer do.

Conclusion

The analyses of the preceding pages hopefully have given a proper impression of the complexity of factors which affect military procurement and impact on governmental decisions and parliamentary scrutiny. In chapter 1 we have seen that the government is closely involved, not only as the single buyer of defence equipment, but also because the defence industrial and technological base represents high quality jobs with spin-offs in other areas. In terms of resource allocation, industry is fully dependent on the political decisions reached between government and parliament. Clarity and, wherever possible, long-term consistency in the budgeting process are essential for defence and industrial planning. Parliamentarians should pay particular attention to changes in multi-annual planning and see to it that procurement aspects are taken into consideration and result in the desired harmonious build-up of their armed forces.

Without governmental assistance, and sometimes pressure, the consolidation of defence industry into national or, preferably, transnational entities has little chance of success. But governments also have a task in bringing the people in charge of defining operational requirements together with the armaments directors. Otherwise the risk of opt-outs in the course of the development phase is considerable, as shown in some recent multinational projects. In doing so, governments will have to convince parliaments that staying the course is the best alternative, but that will require a transparent presentation of the project from the beginning.

We have outlined a model sequence for the preparation of plans and budgets and the way in which parliamentary approval is obtained. The Netherlands and Germany have a logical way of keeping parliament informed how operational requirements are determined and, in several phases of technical specifications, market exploration and negotiated industrial offers, are turned into decisions to procure, subject to parliamentary consent. No other system is as clear and transparent, both on policy and on the financial implications.

Parliamentary oversight of defence procurement is far from perfect. Only a few countries follow procedures, which have the potential of imposing checks on the executive. And few parliamentarians are capable of bringing a comprehensive judgement to bear on increasingly complex matters. Political, military and economic considerations are intertwined. Equipment decisions should match the level of ambition of the country in shouldering responsibility for peace and security. They should also be accompanied by a personnel policy which ensures proper staffing and the security of the people handling the equipment. More attention should be paid to what partners and allies are planning to contribute and a serious effort is needed to draw up 'force packages' as a framework for long-term planning and procurement. Their actual deployment will remain subject to sovereign national decisions, but for planning purposes they are essential, even if some redundancy has to be built in to hedge against unexpected withdrawals. Hopefully, a strengthened security and defence policy will keep the partners together in a spirit of solidarity.

Compensation transactions, offsetting financial outlays abroad by co-production or alternative orders, have become a way of life for entire sections in the ministries of economic affairs. Should the US Congress pursue its opposition to these arrangements, foreign buyers will be greatly deterred from acquiring American systems. Parliamentarians usually are keen to know the details of these arrangements in terms of

the quality of the employment provided and the cost-increases as a result of duplicating assembly lines or other arrangements. Co-production of parts for the entire series built by the main contractor usually is the best arrangement.

European industry has consistently argued in favour of the creation of a European Defence Equipment Market (EDEM) allowing for fair competition among European suppliers. This is not the same as doing away with the Article 296 TEU (formerly 223) which keeps military goods outside the internal market. Most firms want to maintain the article, if only as a bargaining chip with main competitors outside the EU which have their own markets closed.

A major conclusion reached in this paper is that industry is miles ahead of their governments. This should concern parliamentarians. Governments have jumped from one organisational solution to another, but in the end kept their parochial and protectionist attitudes, without realising that their industries would be better off with a proper EDEM and simple rules for export restrictions and security of supply. The participating countries are swaying between interdependence and sovereignty, local industrial interests and the importance of markets of European scale. EDA basically is a top-down approach, but lasting cooperation also needs a basis built from the bottom up. In short, the European environment is complicated and it will require a real effort by parliamentarians to stay abreast of developments.

Parliamentarians will have to form an opinion on the desirability of either merging industry within their country developing national champions, or pushing for consolidation at the European level. The absence of a unified European defence budget continues to force companies to market their products in each country individually. At the same time industrial policy in Germany and France is less inclined to favour transborder mergers, while the UK is wavering between European and transatlantic interests. As a result the current giants – EADS, BAE Systems and Thales – might be kept from further mergers among themselves. Future consolidation might be restricted to the second and third tier companies, either at European or transatlantic scale. Acquisitions by American companies, particularly General Dynamics, are coming under increased scrutiny. In Germany a recent change in the law on foreign trade allows the government to veto foreign investments of more than 25% in any company in the sensitive area of defence.[58]

The various organisational structures, like LoI, OCCAR, POLARM, WEAG and WEAO all had some value, but their output remained below expectations. No wonder that the announcement of the European Defence Agency has been met with the usual scepticism. One captain of industry remarked privately that European governments still are divided by 'customs booths of the mind'. Nevertheless, if realised with a certain sense of commitment, EDA for the first time would represent a conscious effort to bring requirements, production, acquisition and ultimately also evaluation, together in the same institutional set-up.

Much attention has been paid to the scenarios for crisis management on both sides of the Atlantic. Some may question a scenario-oriented approach in a time of uncertainty.

[58] CBS MarketWatch, December 9, 2004 by Aude Lagorce, 'EU defense sector championed. Defense budget consolidation unlikely anytime soon'.

Nevertheless, it is the only way to plan our armed forces and to equip them appropriately. Parliamentarians would do well to study these scenarios, because they form a comprehensive underpinning of the possible tasks of their armed forces. There seems to be growing agreement between the EU and the US on the major threats confronting both: terrorism, weapons of mass destruction, and failed states in combination with organised crime. The Solana draft of June 2003 has performed an important bridge-building function. It still falls short of a concrete guideline for force planning and needs further refinement, but it has taken much steam out of transatlantic irritations. National parliamentarians should now focus on how they see the role of their country in meeting these threats and which kind of forces and equipment would be necessary to meet these tasks.

When the European Constitution has been ratified, the new Foreign Minister will have to exercise his right of initiative. Preparations for establishing a common external service already are taking place. The EU will only enhance its role in world affairs if it proves to be able to employ all the instruments at its disposal in a coherent manner. Since the European Commission needs to be involved in applying most of the instruments, like sanctions or other restrictions, the double headed capacity of the Foreign Minister will enhance this consistency.

His task will not be an easy one, because external relations of the EU have many aspects, which will be difficult to fathom by a single person. His relationship with the newly created President of the European Council and with the President of the Commission will require more than a course in mediation, but the function is worth trying as an essential effort in putting more coherence into the communitarian and intergovernmental elements of the integration process.

International security will continue to preoccupy national parliaments, and governments will have to respond to the growing feeling of insecurity prevailing everywhere. Citizens want to be protected against the increasing level of violence and will hold their governments responsible. Borderlines between internal and external security are being blurred, which will require new arrangements and coordination between the military, the police and other government services. In the US, the Department of Homeland Security has acquired wide competences, but still has to prove the value of such a mammoth organisation. In any case, rapid communication, a clear division of labour and a capacity for early action will be crucial everywhere. This will also have an impact on procurement of the systems needed for collecting and disseminating information and for the protection of high value targets in domestic society. In the military field the 'transformation' towards network-centric operations will continue, but is also showing its limitations. In spite of all high-tech assets we have seen intelligence failures in all recent operations and human intelligence still remains indispensable. Equally, without soldiers on the ground, urban operations or other counter-insurgency actions cannot be successful. Armaments planning will have to take these old truths into account.

Many countries are adjusting their plans, unfortunately with lower financial resources. Increasingly the question is asked which countries would still be able to do any fighting, or to remain in the jargon of the Petersberg tasks, to engage in the higher spectrum of peace enforcement with combat forces. The recent decision to mount some thirteen 'battle groups' is welcome, but the question remains what kind of battle can be fought with 1,500 troops. Therefore, the issue of combining several battle groups and providing them with adequate command structures and combined weapons remains on the table.

So far, national adjustments have suffered from a lack of coordination with other partners and allies, a common phenomenon in both NATO and EU. Parliamentarians would do well, if they remain focused on possibilities of creating synergies by the pooling of resources, the development of 'niche' capabilities, joint training and exercises.

This Occasional Paper has dwelt extensively on the European scene. This is not because there is any doubt about the technological edge of the US in many fields, nor about the desirability of cooperation in transatlantic relations. It is because European arrangements for defence equipment cooperation are in flux at a time in which the importance of a defence- industrial base of the EU is being recognised and technology transfer by the US is becoming a serious obstacle to equipment cooperation. Both trends are likely to continue, although the Pentagon seems to be willing to allow some European competition, provided it teams up with American firms.[59] Industrial innovation has become a key word in the EU, and without a two-way street across the Atlantic few major purchases will take place. The only question mark surrounds the ongoing process of US firms and investment companies acquiring European defence enterprises.

In the light of increased attention being paid everywhere to respect for human rights, export policies for armaments will continue to come under parliamentary scrutiny. To some extent they might become obstacles to multinational production arrangements when they affect security of supply of components to the main contractor or assembly line. A recent case getting parliamentary attention was the EU arms embargo against China in the wake of the Tiananmen violence. Suspension of this embargo was sought by France and Germany, but the EU made it dependent upon a strengthening of its own export code.

Not for the first time hopes are being raised of equipment cooperation taking off, but now the chances for progress seem better than ever, in spite of the considerable difficulties remaining. On the whole, European industry is sufficiently competent. The problem lies more in the availability of sufficient mass to create economies of scale. Further consolidation therefore seems necessary. Secondly, the EU is only starting to give substance to a European security and defence policy. Officers in uniform are newcomers in a world concentrating on legislation and the creation of a level playing field in competition. Notions of solidarity and risk-sharing don't come naturally, particularly when our own existence is not immediately at stake. Progress has been made. Our values of democracy and respect for human rights are common, at least on paper. In the EU, structural funds to assist underdeveloped regions have created a sense of solidarity. Twenty years ago, the business community has given a strong push in the creation of a common internal market, as a necessity to remain competent and to be able to meet international competition. Today, the same trend seems visible in defence production. Yet, differences remain, which have to do with the relations between the state and industry. Governments are ambiguous about their aims. On the one hand, they are interested in maintaining a technological base and the consolidation of companies, which alone would not be able to survive, but also in getting value for money by encouraging competition. Moreover, governments are not very good at picking industrial

[59] The Pentagon was encouraging a European bid for supplying tanker aircraft after Boeing had been discredited by promising employment to a defence official. Understandably, Airbus was reluctant to expose itself after the US had consistently criticized it for receiving state aid. See Defense News, November 29, 2004, 'DoD Opens Tanker Door to EADS. Fear of backlash in Congress haunts potential U.S. partners.' Northrop Grumman apparently was talking to EADS about a partnership.

winners. Their main challenge will be to encourage trans-border cooperation, which does not lead to cost-increases, and to develop programmes in which all participants stay the course and do not drop out prematurely, leaving the others with the pieces. In short, a spectrum of considerations worthy of parliamentary attention, early on, organised in a systematic way, with professional staff and an optimum of transparency and dialogue.

Annex 1

Consultation of the European Parliament by the Foreign Minister

European Constitution, Article III-304 (ex Article 21 TEU and Convention 205)

1. The Union Minister for Foreign Affairs shall consult the European Parliament in accordance with Article 1-40 (6) and Article 1-41 (8). He or she shall ensure that the views of the European Parliament are duly taken into consideration. Special representatives may be involved in briefing the European Parliament.

2. The European Parliament may ask questions of the Council and of the Union Minister for Foreign Affairs or make recommendations to them. Twice a year it shall hold a debate on progress in implementing the common foreign and security policy, including the common security and defence policy.

Annex 2

The Common Security and Defence Policy

European Constitution Article III-309 (ex Article 17 TEU and Convention 210)

1. The tasks referred to in Article 1-41 (1), 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 undertaken for 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.

2. The Council shall adopt European decisions relating to the tasks referred to in paragraph 1, defining their objectives and scope and the general conditions for their implementation. The Union Minister for Foreign Affairs, acting under the authority of the council and in close and constant contact with the Political and Security Committee, shall ensure co-ordination of the civilian and military aspects of such tasks.

Article III-310 (new, Convention 211)

1. Within the framework of the European decisions adopted in accordance with Article III-309, the Council may entrust the implementation of a task to a group of Member States which are willing and have the necessary capability of such a task. Those Member States in association with the Union Minister for Foreign Affairs shall agree between themselves on the management of the task.

2. Member States participating in the task shall keep the Council regularly informed of its progress on their own initiative or at the request of another Member State. Those States shall inform the council immediately should the completion of the task produce major consequences or require amendment of the objective, scope and conditions for the task determined in the European decisions referred to in paragraph I In such cases, the Council shall adopt the necessary European decisions.

Article III-311 (new, Convention 212)

1. The European Armaments, Research and Military Capabilities Agency, established by Article 1-41(3) and subject to the authority of the Council, shall have as its task to:

   a) contribute to identifying the Member States military capability objectives and evaluating observance of the capability commitments given by the Member States;

   b) promote harmonisation of operational needs and adoption of effective, compatible procurement methods;

   c) propose multilateral projects to fulfil the objectives in terms of military capabilities, ensure co-ordination of the programmes implemented by the Member States and management of specific cooperation programmes;

   d) support defence technology research, and co-ordinate and plan joint research activities and the study of technical solutions meeting future operational needs;

e) contribute to identifying and, if necessary, implementing any useful measure for strengthening the industrial and technological base of the defence sector and for improving the effectiveness of military expenditure.

2. The Agency shall be open to all Member States wishing to be part of it. The council, acting by qualified majority, shall adopt a European decision defining the Agency's statute, seat and operational rules. That decision should take account of the level of effective participation in the Agency's activities. Specific groups shall be set up within the Agency bringing together Member States engaged in joint projects. The Agency shall carry out its tasks in liaison with the commission where necessary.

Article III-312 (new, Convention 213)

1. Those Member States which wish to participate in the permanent structured cooperation defined in Article 1-41(6), which fulfil the criteria and have made the commitments on military capabilities set out in the Protocol on permanent structured cooperation shall notify their intention to the council and to the Union Minister for Foreign Affairs.

2. Within three months following such notification, the Council shall adopt a European decision establishing permanent structured cooperation and determining the list of participating Member States. The Council shall act by a qualified majority after consulting the Union Minister for Foreign Affairs.

3. Any Member State which, at a later stage, wishes to participate in the permanent structured cooperation shall notify its intention to the council and to the Union Minister for Foreign Affairs.

   The Council shall adopt a European decision confirming the participation of the Member State concerned which fulfils the criteria and makes the commitments referred to in Articles 1 and 2 of the Protocol referred to in paragraph 1. The council shall act by a qualified majority after consulting the Union Minister for Foreign Affairs. Only members of the Council representing the participating Member States shall take part in the vote.

   A qualified majority shall be defined as at least 55 % of the members of the Council representing the participating Member States, comprising at least 65% of the population of these States.

   A blocking minority must include at least the minimum number of Council members representing more than 35% of the population of the participating Member States, plus one member, failing which the qualified majority shall be deemed attained.

4. If a participating Member State no longer fulfils the criteria or is no longer able to meet the commitments, referred to in Articles 1 and 2 of the Protocol mentioned in paragraph 1, the Council may adopt a European decision suspending the participation of the Member State concerned.

   The Council shall act by a qualified majority. Only members of the Council representing the participating Member States, with the exception of the Member State in question, shall take part in the vote.

   A qualified majority shall be defined as at least 55% of the members of the Council representing the participating Member States, comprising at least 65% of the population of these States.

   A blocking minority must include at lest the minimum number of Council members representing more than 35% of the population of the participating Member States, plus one member, failing which the qualified majority shall be deemed attained.

5. Any participating Member State which wishes to withdraw from permanent structured cooperation shall notify its intention to the Council, which shall take note that the Member State in question has ceased to participate.

6. The European decisions and recommendations by the council adopted within the framework of structured cooperation, other than those provided for in paragraphs 2 to 5, shall be adopted by unanimity. For the purposes of this paragraph, unanimity shall be constituted by the votes of the representatives of the participating Member States only.

Annex 3

Financial Provisions

Article III-313 (ex Article 28 TEU, Convention 215)

1. Administrative expenditure which the implementation of this Chapter entails for the institutions shall be charged to the Union budget.

2. Operating expenditure to which the implementation of this Chapter gives rise shall also be charged to the Union budget, except for such expenditure arising from operations having military or defence implications and cases where the Council decides otherwise.

   In cases where expenditure is not charged to the Union's budget it shall be charged to the Member States in accordance with the gross national product scale, unless the Council decides otherwise. As for expenditure arising from operations having military or defence implications, Member States whose representatives in the council have made a formal declaration under Article III-300(1), second subparagraph, shall be obliged to contribute to the financing thereof.

3. The Council shall adopt a European decision establishing the specific procedures for guaranteeing rapid access to appropriations in the Union budget for urgent financing of initiatives in the framework of the common foreign and security policy, and in particular for preparatory activities for tasks as referred to in Articles 1-41(1) and III-309. It shall act after consulting the European Parliament.

DEFENCE EXPENDITURE IN 2003[60]

	% GDP	$ per capita*	% Personnel	Equipment	Infra
Belgium	1.3	400	72.1	5.2	2.7
Canada	1.2	283	42.0	16.0	3.8
Czech Rep	2.2	128	48.8	21.0	4.3
Denmark	1.6	588	49.2	18.0	2.8
France	2.6	797	58.8	20.6	4.8
Germany	1.4	478	60.4	14.0	4.5
Greece	4.2	611	69.0	12.7	1.4
Hungary	1.9	114	48.7	10.2	7.1
Italy	1.9	334	73.7	12.7	1.0
Luxembourg	0.9	536	69.2	17.1	2.2
Netherlands	1.6	493	52.3	17.1	3.7
Norway	2.0	891	40.2	21.8	5.9
Poland	2.0	88	64.4	14.4	2.8
Portugal	2.1	273	80.2	7.3	0.9
Spain	1.2	223	61.7	11.8	2.3
Turkey	4.8	112	45.4	32.9	6.3
UK	2.4	563	39.7	23.5	0.9
US	3.5	1110	35.3	27.6	1.6

* US $ in 1995 prices and exchange rates

[60] Source: NATO Information Service.

Annex 4

Protocol on Permanent Structured Cooperation

Established by Articles 1-41(6) and III-312 of the Constitution

The high contracting parties,

Having regard to Articles 1-41(6) and III-312 of the Constitution,

Recalling that the Union is pursuing a common foreign and security policy based on the achievement of growing convergence of action by Member States;

Recalling that the common security and defence policy is an integral part of the common foreign and policy; that it provides the Union with operational capacity drawing on civil and military assets; that the Union may use such assets on missions referred to in Article III-309 outside the Union for peace-keeping, conflict prevention and strengthening international security in accordance with principles of the United Nations charter; that the performance of these tasks is to be undertaken using capabilities provided by the Member States in accordance with the principle of a single set of forces;

Recalling that the common security and defence policy of the Union does not prejudice the specific character of the security and defence policy of certain Member States;

Recalling that the common security and defence policy of the Union respects the obligations under the North Atlantic Treaty of those Member States, which see their common defence realised in the North Atlantic Treaty organisation, which remains the foundation of the collective defence of its members, and is compatible with the common security and defence policy established within that framework;

Convinced that a more assertive Union role in security and defence matters will contribute to the vitality of a renewed Atlantic Alliance, in accordance with the Berlin Plus arrangements;

Determined to ensure that the Union is capable of fully assuming its responsibilities within the international community;

Recognising that the United Nations Organisations may request the Union's assistance for the urgent implementation of missions undertaken under Chapters VI and VII of the United nations Charter;

Recognising that the strengthening of the security and defence policy will require efforts by Member States in the area of capabilities;

Conscious that embarking on a new stage in the development of the European security and defence policy involves a determined effort by the Member States concerned;

Recalling the importance of the Minister for Foreign Affairs being fully involved in proceedings relating to permanent structured cooperation;

Have agreed upon the following provisions, which shall be annexed to the Constitution:

Article 1

The permanent structured cooperation referred to in Article I-41(6) of the Constitution shall be open to any Member State which undertakes, from the date of entry into force of the Treaty establishing a constitution for Europe, to:

a) proceed more intensively to develop its defence capacities through the development of its national contributions and participation, where appropriate, in multinational forces, in the main European equipment programmes, and in the activity of the European agency in the field of defence capabilities development, research, acquisition and armaments (hereinafter referred to as the "Agency"), and

b) have the capacity to supply by 2007 at the latest, either at national level or as a component of multinational force groups, targeted combat units for the missions planned, structured at a tactical level as combat formations, with support elements including transport and logistics, capable of carrying out the tasks referred in Article III-309, within a period of 5 to 30 days, in particular in response to requests from the United Nations Organisation, and which can be sustained for an initial period of 30 days and be extended up to at least 120 days.

Article 2

To achieve the objectives laid down in Article 1, Member States participating in permanent structured cooperation shall undertake to:

a) cooperate, as from the entry into force of the Treaty establishing a Constitution for Europe, with a view to achieving approved objectives concerning the level of investment expenditure on defence equipment, and regularly review these objectives in the light of the security environment and of the Union's international responsibilities;

b) bring their defence apparatus into line with each other as far as possible, particularly by harmonising the identification of their military needs, by pooling and, where appropriate, specialising their defence means and capabilities, and by encouraging cooperation in the field of training and logistics;

c) take concrete measures to enhance the availability, interoperability, flexibility and deployability of their forces, in particular by identifying common objectives regarding the commitment of forces, including possibly reviewing their national decision-making procedures;

d) work together to ensure that they take the necessary measures to make good, including through multinational approaches, and without prejudice to undertakings in this regard within NATO, the shortfalls perceived in the framework of the "Capability Development Mechanism";

e) take part, where appropriate, in the development of major joint or European equipment programmes in the framework of the Agency.

Article 3

The Agency shall contribute to the regular assessment of participating Member States contributions with regard to capabilities, in particular contributions made in accordance with the criteria to be established *inter alia* on the basis of Article 2, and shall report thereon at least once a year. The assessment may serve as a basis for Council recommendations, and decisions adopted in accordance with Article III-312 of the Constitution.

Annex 5

What You Can Do as a Parliamentarian[61]

Overseeing arms procurement

- Parliamentary oversight of arms procurement needs to be legislated. Procedure to be agreed.
- Make sure that parliamentary oversight of the security sector is comprehensive and covers all aspects of procurement, paying careful and special attention to:
  - Security needs;
  - Regional political consequences in terms of likelihood of negative reactions leading to a regional arms race;
  - The burden for the budget (short and long term), and
  - Effects on the national industry in the private and public sector.

Transparency and accountability in arms procurement

- Make sure that parliament has a say in the process of arms and military equipment procurement.
- Demand that parliament or its competent committee is presented whenever appropriate, with a detailed, up-to-date report relating to the possession and technical quality of major conventional weapons (aircraft, armoured vehicles, artillery, guidance and radar systems, missiles and warships) and smaller categories of weapons (calibre smaller than 100 mm) as well as the rationale for buying new ones.
- Make sure that parliament is presented with a long-term concept of defence capacity-building.
- Make sure that issues relating to secrecy in a procurement deal can be addressed and are addressed by parliament or its competent committee through a legislated process which ensures accountability while maintaining military confidentiality.

Procurement impact analysis

- Analyse the consistency of the procurement plan with the security policy.

[61] Taken from Born, Hans, Philipp Fluri, Anders Johnsson, (eds.), Parliamentary Oversight of the Security Sector: Principles, Practices and Mechanisms. Handbook for Parliamentarians, No. 5, (DCAF /IPU: Geneva, 2003).

- Make sure that parliament study and assess the financial burden of arms procurement in comparison with other public needs and social priorities, so as to prevent imbalances affecting the development and economic and social stability of the country.

- Use parliamentary procedure to prevent over-ambitious arms procurement decisions. Parliaments should ensure rationality in plans which do not result in a military burden to the country in the long run.

Procurement audit

- Monitor the consistency between the defence policy and plans, the defence budget and actual expenditure for arms and military equipment.

- Conduct a post-procurement performance audit of weapons systems, after the contract has been implemented (at least three points/stages in the weapon's life-cycle).

Parliamentary committee on procurement

- Unless an arms procurement committee or sub-committee already exists, set one up, thus raising the importance of linkage between policy planning, financial planning and audit, the defence industry and research and development.

- In this connection, request and study information on the terms of reference, procedures and outcome of similar bodies in other parliaments.

- Make sure that your parliamentary body is able to access and utilise expert advice.

Annex 6

Oversight of Defence Procurement in Selected NATO Member States:
The role of the parliamentary defence committee[62]

	B	CAN	CZ	DK	F	D	I	LUX	NL	N	PL	ES	TR	UK	USA
The Minister of Defence is obliged to provide the Committee with detailed information on procurement decisions above *X* amount (in million €)	No	No	No	No	No	€25	No	No	€0.05	€0.8	Yes	No	No	Yes	
The Committee decides all contracts above *X* amount (in million €)	No	No	No	No	No	€25	No	No	€0.05	Yes	€28	No	No	No	Yes
The Committee is involved in specifying the need for new equipment	No	Yes	Yes	No	Yes	Yes	No	No	Yes	No	No	No	No	No	
The Committee is involved in comparing and selecting a manufacturer and product	No	No	Yes	No	No	Yes	No	No	Yes	Yes	No	No	No	No	No
The Committee is involved in assessing offers for compensation & off-set	No	No	Yes	No	No		No	No	Yes	No	No	No	No	No	No

[62] Based on a survey conducted by Dr. Hans Born (Senior Fellow at the Geneva Centre for the Democratic Control of Armed Forces) in cooperation with the International Secretariat of NATO's Parliamentary Assembly. The findings of the table represent the opinion of the spokesperson of the parliamentary defence committees in the selected states.

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Geneva Centre for the Democratic Control of Armed Forces (DCAF)

Established in October 2000 on the initiative of the Swiss government, the Geneva Centre for the Democratic Control of Armed Forces (DCAF) encourages and supports States and non-State governed institutions in their efforts to strengthen democratic and civilian control of armed and security forces, and promotes security sector reform conforming to democratic standards.

The Centre collects information and undertakes research in order to identify problems, to gather experience from lessons learned, and to propose best practices in the field of democratic governance of the security sector. The Centre provides its expertise and support, through practical work programmes on the ground, to all interested parties, in particular governments, parliaments, military authorities, international organisations, non-governmental organisations, and academic circles.

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