

Working Group VIII

Working document 3

## **Working Group VIII « Defence »**

**Subject:    Introductory Note by the Secretariat on Armaments**

In view of the meeting on 4 October, members of the Group will find attached an introductory note by the Secretariat on Armaments.

## **Introductory Note on Armaments**

### **I. INTRODUCTION**

1. The meeting of the Working Group on Defence on 23 September 2002 revealed the importance of developing adequate armaments to equip the European Union with credible and effective military capabilities.
2. Discussion within the Group also demonstrated the importance of the interoperability of forces and communication systems, of rapid transport and strategic analysis on the part of the Member States.

The threats we face are new ones and recent conflicts have shown that in most cases we have to act using multinational forces whose effectiveness will be all the greater if each of the nations which go to make them up has capabilities which are compatible and consistent with those of the other member countries.

3. Consequently, if they are to work together more efficiently, European forces should preferably be equipped with matériel which, while not necessarily jointly designed or manufactured, is at least compatible, since otherwise there would be both unnecessary duplication and capability gaps in certain sectors.
4. This note analyses the existing provisions of the Treaties and their implementation, describes the current situation of the European defence industry and multilateral cooperation projects on an intergovernmental basis, and puts forward a number of questions which need to be answered for the future.

### **II. TREATY PROVISIONS AND THE PRESENT SITUATION IN THE EUROPEAN UNION**

5. Developments in the international situation, the entry into force of the Amsterdam Treaty, the Franco-British St Malo initiative, and particularly the Cologne and Helsinki European Councils (in June and December 1999 respectively) accelerated the development of the ESDP as a result of the decision of the Heads of State or Government that the Union must have the capacity for autonomous action, backed up by credible military forces.

6. Article 17(1) of the Amsterdam Treaty states that "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".
7. In the European Council's conclusions on the ESDP, there are several references to cooperation on armaments.

At Cologne, the Heads of State or Government made it clear that developing the Union's military capabilities "... also requires efforts to adapt, exercise and bring together national and multinational European forces".

They also acknowledged "the need to undertake sustained efforts to strengthen the industrial and technological defence base, which we want to be competitive and dynamic. We are determined to foster the restructuring of the European defence industries amongst those States involved. With industry we will therefore work towards closer and more efficient defence industry collaboration. We will seek further progress in the harmonisation of military requirements and the planning and procurement of arms, as Member States consider appropriate".

At Nice, the Fifteen emphasised that "the restructuring of the European defence industries taking place in certain Member States was a positive factor" and "encouraged the development of European capabilities". As the brevity of this reference suggests, the European Council appears increasingly reluctant to mention the subject.

8. It must in fact be admitted that no industrial policy in support of the European armaments industry has as yet been developed within the European Union. A number of factors explain this situation.
9. Article 296(1) of the TEC acknowledges the particular features of this sector as follows: "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". The Treaty limits recourse to this provision by stipulating that "such measures may not adversely affect the conditions of competition in the common market regarding products which are not intended for specifically military purposes". That Article is interpreted broadly by the Member States.
10. Only a few of the fifteen Member States of the Union have a defence industry. For both economic and strategic reasons, these States may lay down certain legal constraints on the buying up of industries by foreign investors, may grant direct or indirect aid to the arms industry and follow a procurement policy focused on its national industry.
11. Generally speaking, defence procurement is not subject to the same publicity measures as apply to other public contracts. The budgetary priorities for armaments are set at national level.

12. Where arms exports are concerned, within the EDSP framework the Council has begun to develop an information exchange and consultation mechanism. This "code of conduct", a non-binding act adopted in 1998, has as its objective to define a common approach to arms exports based on a certain number of agreed criteria<sup>1</sup>. A report is approved and published annually. However, this is an instrument for the management of relations with third countries and not a means of encouraging the development of an arms industry with an exporting interest.
13. Between 1996 and 1997, the European Commission sent the Council two communications<sup>2</sup>. It highlighted inter alia the excessive fragmentation<sup>3</sup> of the European defence-related industry and the competitive disadvantages this situation had generated. To help the industry develop, the Commission suggested setting up, for the movement and procurement of goods, a simplified system for intra-Community transfers as well as binding rules and mechanisms covering transparency and non-discrimination in procurement based on the existing Community rules for public contracts. This communication also contained a "*draft common position*" on "*framing a European armaments policy*" and an "*Action Plan*"<sup>4</sup> for the defence-related industries".

The draft common position proposed by the Commission was not adopted by the Council. The Member States expressed different points of view and some doubted the advisability of adopting a European Union common position on armaments.

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<sup>1</sup> Respect for human rights in the State of final destination, consideration of the domestic situation in the latter, compliance by the Member States with their international commitments, aims of guaranteeing peace and stability, etc.

<sup>2</sup> "*The challenges facing the European defence-related industry, a contribution for action at European level*" COM(1996) 10 of January 1996; "*Implementing European Union strategy on defence-related industries*" (COM(97) 583).

<sup>3</sup> The same points were made in the second communication, in which the Commission compared the civil and US aerospace sectors and concluded that European industry was multiply handicapped as compared with the United States industry because of its over-fragmentation. The biggest European undertakings were a mere quarter of the size of their overseas competitors and the little synergy which existed between European undertakings was likely to result in some of them being excluded from the market.

<sup>4</sup> In addition to the abovementioned objectives, the Action Plan also suggested rationalising the sets of standards used by the industry and drafting a White Paper on the European Union's arms export policy.

14. This situation reflects the fact that there is some difficulty in designing a common policy for all the Member States, within the framework of the instruments and procedures of the Treaty, which takes full account of the specific nature of the sector. It may also be explained by the difficulty of reconciling the development of a European industrial and technological base with the aim of limiting the cost of military defence, which may sometimes be an incentive to purchase from suppliers in third countries – in the knowledge that the interoperability argument also applies to the mutual commitment between the countries which are members of NATO. Finally, the defence industries in the European countries have made different choices in their commercial strategies, which makes their coordination more complicated.
15. Thus progress at European Union level since the development of the ESDP has been limited:
  - informal meetings between armaments directors from the Ministries of Defence, providing an opportunity to exchange views;
  - the reciprocal exchange of information in connection with work on military capabilities.

### III. FORMS OF VOLUNTARY COOPERATION

16. Some Member States, which have identified common interests, have developed forms of voluntary cooperation which have made some progress possible.

#### (a) Cooperation groups

17. A forum for cooperation on armaments, the **WEAG (Western European Armament Group)** has been in existence since 1992<sup>5</sup>, involving 19 European countries of which 14 are members of the Union and 16 are members of NATO. Its objectives are the harmonisation of programmes and operational standards, cooperation on research and technology, and the opening up of markets.

The Group operates by consensus and therefore tends to fulfil the role of a discussion forum and laboratory to test ideas.

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<sup>5</sup> Since 1992 the Group has taken over the work of the "Independent European Programmes Group" created within NATO in 1976.

18. WEAG has also proposed the establishment of a "European armaments agency" <sup>6</sup> and in 1998 it adopted a "master plan" to this end, to be brought into use when appropriate conditions had been met. An ad hoc working group was set up for this purpose in 1994, but has not yet reached agreement, with the states being divided between those which share a more global vision of European defence and those which would prefer a more pragmatic approach.

In 1996 the same WEAG countries created the WEAO (Western European Armament Organisation), which manages several multilateral armaments programmes.

19. Also in 1996, **a group of States (Germany, France, Italy and the United Kingdom) founded OCCAR** (the Organisation for Joint Armament Cooperation) which continues to develop <sup>7</sup>.

Its aim is to provide effective arrangements for the management and development of certain existing and future collaborative armaments programmes between its member states. The organisation is currently managing several multilateral programmes, listed <sup>8</sup> in the Annex.

The potential of the organisation largely remains to be explored, but it should be noted that participation in these programmes does not necessarily include all the countries participating in the organisation, and that participating countries do not entrust the management of all their programmes to OCCAR.

20. OCCAR also has more ambitious long-term aims: to increase industrial and technological complementarity between the four member states, to establish common principles as regards procurement, and to go beyond the "fair return" approach on a programme-by-programme basis in favour of a more general balance between the various programmes over the longer term.
21. The OCCAR Convention is open to other European countries, on condition that those countries commit themselves to developing a multilateral equipment procurement project involving at least one OCCAR partner, and that they accept the principles, rules and procedures of the organisation. The Netherlands, Spain and Belgium have asked to join OCCAR and Sweden has expressed an interest.

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<sup>6</sup> See Declaration No 3 annexed to the Treaty on European Union, on "WEU's relations with the European Union: accompanying the implementation of the Treaty of Amsterdam", which, amongst the measures which might be developed, includes "cooperation in the field of armaments, as appropriate, within the framework of the Western European Armaments Group (WEAG), as the European forum for armaments cooperation, the EU and WEU in the context of rationalisation of the European armaments market and the establishment of a European Armaments Agency".

<sup>7</sup> In January 2001 the OCCAR Convention came into force and the organisation also acquired legal personality. Its headquarters are in Bonn, with programme offices in Bonn and Paris.

<sup>8</sup> The list of programmes managed by the organisation, as well as the list of all the other multilateral cooperation projects mentioned in this note, makes no claim to be exhaustive.

22. In 1998, the Ministers for Defence from **six EU countries (Germany, Spain, France, the United Kingdom, Italy and Sweden)** signed a **Letter of Intent (LoI)** with the aim of defining a framework for industrial restructuring in the defence sphere<sup>9</sup>.

The Letter details six areas for cooperation: harmonisation of military needs; security of supply; exports; security of information; research and technology; intellectual property rights.

**(b) Specific projects**

23. Amongst the most important specific projects undertaken either in the framework of the above initiatives, or on the basis of other forms of voluntary cooperation between some States, the following may be given as examples:

- EUROFIGHTER, a combat aircraft developed by Germany, Spain, Italy and the United Kingdom;
- the A400M, a large military transport aircraft which has considerable logistical ability and very good tactical capabilities and is being financed by Germany, Belgium, Spain, France, Luxembourg, Portugal, the United Kingdom and Turkey;
- new generation combat helicopters TIGRE (developed through Franco-German cooperation) and EH 101 (financed by Italy and the United Kingdom);
- the Counter Battery Radar COBRA launched by Germany, France and the United Kingdom;
- the MRAV GTK (Multi Role Armed Vehicle) tank, developed by Germany, the Netherlands and the United Kingdom.

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<sup>9</sup> A treaty was signed between the six states in July 2000 on the basis of the Letter of Intent.

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24. The questions which the Working Group might examine are as follows:

1. What measures might be envisaged to ensure that decisions by the Member States on armaments take account of the objectives of the ESDP (adaptation of means to missions) and its requirements (interoperability of equipment)?
2. How could cooperation between the Member States and the development of joint projects be encouraged? Must a European armaments policy be established?
3. How should the diversity of the Member States in this area be taken into account?
4. Should there be a European armaments agency? With what aims and missions? With what conditions for participation?

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**SPECIFIC PROJECTS**

<b>Programmes</b>	<b>Countries concerned</b>	<b>Description</b>
<b>A400M</b>	Germany, Belgium Spain, France, Luxembourg, United Kingdom, Portugal, Turkey	Future transport aircraft
<b>ACCS</b> <i>Air command and control system</i>	NATO countries	Command and control support system for air operations integrated at European level
<b>BONUS</b>	France, Sweden	Guided anti-tank shell programme
<b>BREVEL</b>	Germany, France	Remote-controlled light drone system
<b>COBRA</b>	Germany, France, United Kingdom	Counter-battery radar
<b>EH 101</b>	Italy, United Kingdom	
<b>EUROFIGHTER</b>	Germany, Spain, Italy, United Kingdom	
<b>FSAF</b> <i>Future Ground-to-Air Family</i>	France, Italy	Air defence systems family
<b>HELIOS</b>	Helios I: France, Italy, Spain Helios II: France, Belgium	Optical observation system
<b>HORIZON</b>	France, Italy	New generation anti-aircraft frigates
<b>HOT</b>	Germany, France	Long-range wire-guided anti-tank missile
<b>NG MRL</b> <i>New generation multiple rocket launcher</i>	Germany, United States, France, Italy, United Kingdom	Development of a precision rocket, a modernised fire control system and an exercise rocket
<b>METEOR</b>	Germany, Spain, France, Italy, United Kingdom, Sweden	Medium-range air-to-air missile
<b>MIDS</b> <i>Multifunctional Information Distribution System</i>	Spain, United States, France, Italy, Germany	High-speed inter-ally and inter- army tactical data transmission system
<b>MILAN</b>	Germany, France, United Kingdom	Medium-range portable wire- guided anti-tank missile
<b>MRAV GTK</b>	Germany, Netherlands, United Kingdom	
<b>MU90</b>	France, Italy	Light torpedo for anti-submarine combat vessels
<b>NGIFF</b> <i>New generation Identification Friend or Foe</i>	Germany, France	New generation air-to-air and ground-to-air Identification Friend or Foe system

<b>NH90</b> <i>NATO helicopter</i>	Germany, France, Italy, Netherlands	Military transport helicopter
<b>PAAMS</b> <i>Principal Anti-Aircraft Missile System</i>	France, Italy, United Kingdom	Principal weapons system of the future Franco-Italian Horizon and British T45 anti-aircraft frigates
<b>POLYPHEME</b>	Germany, France, Italy	Fibre-optic guided missile
<b>RITA</b>	Belgium, France	Modernisation of the RITA tactical telecommunications network
<b>SCALP EG / Storm Shadow</b>	France, United Kingdom, Italy	Long-range air-to-ground missile
<b>SLAT</b> <i>Anti-torpedo combat system</i>	France, Italy	Anti-torpedo detection and reaction system for surface vessels
<b>TIGRE</b>	Germany, France	New generation combat helicopters
<b>TRIMILSTATCOM</b>	Germany, France, United Kingdom	Satellite communications system

#### PROGRAMMES MANAGED BY OCCAR

<b>Date joined OCCAR</b>	<b>Programmes</b>	<b>Countries concerned</b>
At the time it was set up	Milan, Hot, Roland missiles	Franco-German programmes
	Tigre helicopter	Franco-German programme
1999	Cobra counter-battery radar	French-German-British programme
	FSAF future ground-to-air missiles family	Franco-Italian programme
	MRAV-GTK armoured vehicle	German-British programme
18 December 2001	A400M	Germany, Belgium, Spain, France, Luxembourg, United Kingdom, Portugal, Turkey
Expected to join in 2002	PAAMS anti-aircraft missile system	France, Italy, United Kingdom

Source: *Annuaire stratégique et militaire - 2002* (Military and strategic yearbook 2002), Paris, Ed. Odile Jacob

COMPARISON OF THE R&T AND R&D ACTIVITIES OF FRANCE,  
THE UNITED KINGDOM, GERMANY AND THE UNITED STATES  
*(in EUR billion)*

		<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>France</b>	R&T	0,64	0,70	0,79	0,76
	R&D	2,23	2,28	2,25	2,28
<b>United Kingdom</b>	R&T	0,67	0,67	0,64	0,91
	R&D	3,51	3,51	3,81	3,91
<b>Germany</b>	R&T	0,43	0,41	0,38	0,29
	R&D	1,30	1,19	1,22	1,06
<b>United States</b>	R&T	5,94	7	9,2	9,75
	R&D	28,2	33,5	43	45,5

Note: budgets excluding deterrence, except in the case of the United States.

Source: French 2002 draft budget law, Notice No 3323, Volume VIII, Defence, Payment appropriations, October 2001

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