

**SUMMARY**

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from:	Secretariat
to:	Working Group VIII on Defence
Subject:	<b>Summary of the meeting held on 4 October 2002</b>

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**Outcome of Proceedings**

1. Auditions of Mr Antonini, President of EDIG, Mr Gergorin, Vice-President of EADS, Mr Giovacchini, Director in French Defence ministry, Mr Lundberg, Assistant to the Director-General of the Swedish Defence Equipment Agency and Mr Parry, Brussels representative of BAe.

The Working Group took note of a series of presentations by the above invited guests on the issue of arms policy.

Mr Antonini emphasised the importance of consolidating a European arms policy, based on reciprocity of market access, the harmonisation of military operational requirements and in the longer term, the establishment of a Common Armaments Agency. He also argued for more resources for R and D, exemption of long-term defence investments from the Stability Pact, and better coordination of procurement.

Mr Gergorin underlined the striking difference between levels of R and D investment in the defence sector between Europe and the US. He called for the establishment of a European Security and Defence Research Agency, based on the principle of voluntary participation, but subject to entry criteria. This was the only way in which the European defence industry was going to be able to compete. The industry should have access to Community research funding, and the current structure of OCCAR could be strengthened and brought under the oversight of the proposed agency.

Mr Giovacchini underlined the very particular nature of the defence industry, which pointed to the need for tailor-made solutions. The development of transnational projects had been hampered by the lack of common military visions, but this was set to improve over the next few years. There was a need for common procurement rules, and for more shared programmes, building on OCCAR and the LOI. There was a role for first pillar instruments in the defence industry, and for arrangements which would provide for start-up funds for research.

Mr Lundberg described the changes which the Swedish defence industry had undergone over the last few years. These changes were a result of adapting to new threats, with a shift away from defence against invasion. The industry had moved from having essentially a national basis to one which was now extensively foreign owned, heavily consolidated and smaller overall. New projects now invariably required partners in order to provide sufficient resources.

Mr Parry highlighted the problems facing the European defence industry. It was being increasingly marginalised, and there was a risk of losing the capacity of European businesses to act autonomously. The response had to be based on three approaches: opening up markets, harmonisation of requirements, and consolidation. But political will was needed to do this. On the issue of an agency, it was important first to get ESDP fully up and running. He highlighted the challenge of enlargement for the future of the European defence industry.

## 2. Exchange of views on armaments policy

The Chairman invited members of the group to respond to the issues raised during the expert presentations, focussing specifically on the four questions set out in the agenda of the meeting.

Several members of the group said that defining an armaments policy would be premature before a fully fledged CFSP (and specifically ESDP) was operational. Some called for an agreed armaments policy in the Treaty. Several said that it also depended on a definition of the military threat. There were a number of questions on the possibility of opening up the arms market to increased competition, and on developing a substantive armaments policy which would allow for the Commission to play a role. A number of members of the group suggested that thought needed to be given to establishing an armaments agency, possibly based on the existing cooperative ventures such as OCCAR, but with an enlarged mandate, perhaps including procurement. Such an agency needed to take due account of the very different interests of the Member States in this area. This could point the way to an agency functioning on a voluntary basis. Alternatively, cooperation might remain on the basis of specific cooperative arrangements agreed between those with an interest in doing so.

There was broad agreement from the experts that a threat definition, and a properly functioning CFSP were a prerequisite for an armaments policy. But it was clear that the peace dividend no longer existed, and that increased resources were needed. It was recognised that the arms industry required different treatment from other sectors. There was scope for further market opening (although it was noted that the European industry was already more open than that of the US), and some degree of competition, but this had to be weighed against the requirement for interdependability and security of supply. An armaments agency (with the various options which had been outlined) was a proposal which deserved serious consideration, and there was certainly a potential role for the Commission if it was decided to go down this route.

The Chairman underlined that an armaments policy was needed to underpin ESDP and to provide Europe with an adequate research base. Given the very different interests of the Member States in this area, consideration needed to be given to different solutions which offered sufficient flexibility. The idea of an armaments agency, based on, or drawing on, the experience of collaborative ventures such as OCCAR, had been proposed, and would need to be developed further.

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