

# The emerging EU Military-Industrial Complex

## Arms industry lobbying in Brussels



Frank Slijper

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## INTRODUCTION

After many years of ideas, but little substance, military developments in the European Union are currently moving forward faster than ever before. Issues that were deemed likely to remain at the discussion table forever have 'suddenly' rooted: EU defence policy, common procurement, military research spending and the restructuring of the arms industry. The incorporation of military issues in the EU Constitution and the creation of the European Defence Agency in particular are important milestones that have passed unnoticed for many people. Not so for the defence industry. Besides a dozen generals and diplomats, three arms industry representatives were asked to give their view on Europe's defence policies – but no representatives from civil society organisations.

Over the last few years, the arms industry has increasingly pressurised high-ranking officials and parliamentarians, in Brussels and in national capitals, to adopt their policy proposals - with no small degree of success. 'The Group of Personalities', 'LeaderSHIP 2015' and other task forces led by European Commission luminaries, have been essential in lobbying their interests, ranging from increased spending on anti-terrorist technology to the removal of arms export barriers.

This TNI Briefing highlights the influential but little-exposed role that the arms industry and its lobby play in Brussels today. The close co-operation between the European Commission and the arms industry is a case study of backroom policy making, and a caricature of how many people today look at European decision-making processes in general. The briefing also shows how this lobbying power threatens the 1998 EU Code of Conduct on arms exports (CoC) that should forbid arms sales to human rights abusers or conflict zones. This study therefore hopes to contribute to a much more transparent European decision-making process - especially on military matters - involving civil society, instead of the current situation of overwhelming corporate power. With referenda on the Constitution ahead in many European countries, these developments deserves to be brought to the fore.



## ABOUT THE AUTHOR

Frank Slijper works at the Dutch Campaign against Arms Trade (Campagne tegen Wapenhandel) and has been a researcher and campaigner on arms trade issues for the past thirteen years. He graduated in 1993 as an economist (international economic relations), specialising in Dutch military procurement and the offset policies implemented to enhance the defence industry. He has written and published extensively on Dutch arms exports and policy ever since. In 2003 he co-authored "Explosieve materie - Nederlandse wapenhandel blootgelegd" [Explosive material - Dutch arms trade revealed"], a unique handbook based on 16,000 pages of previously secret information released through the Dutch Freedom of Information Act. For many years, one of the focal points of his work has been the arms trade to India and Pakistan. Last year, he wrote a comprehensive review of Dr. A.Q. Khan's many connections with The Netherlands, as part of a Greenpeace International report on nuclear proliferation.

More on Dutch Campaign Against Arms Trade: [www.stoparmstrade.org](http://www.stoparmstrade.org)

## ***EU military-political background***

The idea of European military co-operation is nothing new. Since the 1950's various ideas for common foreign and defence policies have been launched.<sup>1</sup> In the post cold war era the urgency for better European co-operation on international issues became more strongly felt. Political turmoil and even full-scale war on the borders of the EU, as much as its inability to play a leading role in conflict-resolution, contributed to the sense of urgency. After 1989, NATO became less relevant than in the decades before. Growing unease among many EU countries about an overly-dominant US role - shown for example during the Kosovo conflict - has also been a factor in bringing European minds closer together.

With the Treaties of Maastricht (1992) and Amsterdam (1997), the structure for a common foreign and security policy (CFSP) was established. In Helsinki (1999) and Nice (2001) policy and structures for military intervention were incorporated.<sup>2</sup> Within the European Constitution, a common security and defence policy (CSDP or ESDP<sup>3</sup>) is now formalised.<sup>4</sup>

**T** European ground for common military action has certainly changed over the last decade. This is, for example, reflected in the birth of EU-led extraterritorial operations. With the launch of the first ever European Union Police Mission (EUPM) in Bosnia in January 2003, the EU crossed a psychological threshold. Two months later "Concordia" in the Former Yugoslav Republic of Macedonia became its first military operation, soon followed by a three-month mission under the UN flag - codenamed 'Artemis' - in Bunia (DR of Congo) from June 2003. The most recent EU military mission started in Bosnia in December 2004.

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**I** Then there is the military Western European Union (WEU), originating from the 1948 Brussels Treaty on Economic, Social and Cultural Collaboration and Collective Self-Defence. With 10 EU members, plus another 18 associates and observers<sup>5</sup>, it has always played a marginal role, largely overshadowed by NATO. One of its few military actions was "Operation Cleansweep", a demining mission in the Strait of Hormuz, at the end of the Iran-Iraq war, and another mission in the region during the 1991 Gulf War. The WEU has been most visible in the Balkans throughout the 1990's. Among others, it deployed a police force in Mostar (Bosnia and Herzegovina) and operated with NATO in embargo monitoring in the Adriatic Sea ("Operation Sharp Guard"). With the incorporation of security and defence policies fully within the domain of the EU, the WEU has become factually defunct.

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<sup>1</sup> E.g. the Pleven plan (for a European Defence Community and a European Political Community) and the Fouchet plan (for a European Political Union). In 1970 another framework for a common foreign policy was launched: the European Political Cooperation (EPC), an informal forum to exchange views on foreign policy. See also: <http://www.europa.eu.int/scadplus/leg/en/lvb/r00001.htm>

<sup>2</sup> Respectively a 'Headline Goal' (defining EU deployment) and a Political and Security Committee (PSC) were agreed.

<sup>3</sup> European Security and Defence Policy.

<sup>4</sup> See 'Draft Treaty Establishing a Constitution for Europe', Chapter 2, pp.66-70.

<sup>5</sup> Including non-EU, NATO member states Bulgaria, Iceland, Norway, Romania and Turkey.

## I. THE CONSTITUTION AND THE EUROPEAN DEFENCE AGENCY

On 12 July 2004, EU foreign ministers formally authorised the creation of the European Defence Agency<sup>6</sup>, a process that had been initiated a bit more than a year before by the European Council at Thessaloniki.<sup>7</sup> The EDA had its first meeting on 17 September 2004 in the Dutch coastal resort of Noordwijk, prior to a meeting of EU Ministers of Defence. Three more have followed since.<sup>8</sup>

The EDA steering board is made up of 24 EU defence ministers<sup>9</sup>, and headed by EU foreign policy chief Javier Solana.<sup>10</sup> Based in Brussels, the agency consists of a “top team, a Corporate Services branch and four directorates (Capabilities, R&T, Armaments and Defence Industry/Market)”.<sup>11</sup> The 2005 annual budget is expected to be 25 million euro, including ten million euro for setting-up costs. The EDA should have 80 staff in 2005.

The importance that has been assigned to the agency can be seen from its prominent role in the EU Constitution’s text on defence policy, where the establishment and tasking of the EDA is one of the most significant developments marking the creeping militarisation of the European Union (see text box).

As the Constitution’s text makes clear, the EDA is intended to be a central component in the further development of a European foreign and defence policy, supporting “the Member States in their effort to improve European defence capabilities in the field of crisis management and to sustain the ESDP”. In general, the EDA is supposed to promote coherence in European defence procurement. It is therefore tasked with enhancing collaboration on the development of equipment, promoting the European defence sector’s technological and industrial base and the defence equipment market and, more specifically, fostering European defence-relevant Research & Technology (R&T).<sup>12</sup>



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<sup>6</sup> Council Joint Action 2004/551/CFSP of 12 July 2004 on the establishment of the European Defence Agency. EDA is what in the draft Constitution (and elsewhere) is called the “Agency in the field of defence capabilities development, research, acquisition and armaments”.

<sup>7</sup> The idea was also discussed and agreed earlier at the UK-France summit in Le Touquet in February 2003.

<sup>8</sup> On 22 November 2004 and 2 March and 22 April 2005, all in Brussels.

<sup>9</sup> Denmark does not take part in the EDA as it does not take part in EU defence related decision making in general.

<sup>10</sup> “Ministers back co-ordinated arms industry for Europe”, Judy Dempsey, *Financial Times*, 18 November 2003.

<sup>11</sup> EDA background paper, 17 May 2004. See: <http://ue.eu.int/uedocs/cmsUpload/Background%20Agency.pdf>

<sup>12</sup> EDA background paper, 17 May 2004.

In the Constitution, the European Defence Agency is described and defined in two places:

Article I-41 "Specific provisions relating to the common security and defence policy" says under provision 3:

"Member States shall make civilian and military capabilities available to the Union for the implementation of the common security and defence policy, to contribute to the objectives defined by the Council. Those Member States which together establish multinational forces may also make them available to the common security and defence policy.

Member States shall undertake progressively to improve their military capabilities. An Agency in the field of defence capabilities development, research, acquisition and armaments (European Defence Agency) shall be established to identify operational requirements, to promote measures to satisfy those requirements, to contribute to identifying and, where appropriate, implementing any measure needed to strengthen the industrial and technological base of the defence sector, to participate in defining a European capabilities and armaments policy, and to assist the Council in evaluating the improvement of military capabilities."

Furthermore, under Article III-311 it says:

"1. The Agency in the field of defence capabilities development, research, acquisition and armaments (European Defence Agency), established by Article I-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 coordination of the programmes implemented by the Member States and management of specific cooperation programmes;
- (d) support defence technology research, and coordinate 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 European Defence Agency shall be open to all Member States wishing to be part of it. The Council, acting by a 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."

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## Industry, EDA and the Constitution

The background to this mission is the EU's ambition to play a more active role on the global stage, as repeatedly argued for by Solana and other European leaders. This requires a better co-ordinated, more efficient armaments policy, and a stronger role for Brussels. That would prevent unnecessary duplication in capabilities on the one hand and fill material and personnel gaps on the other hand.<sup>13</sup> Common air lift capabilities and an EU military police force are examples of current programmes that serve as pilots for stronger military co-operation. To help sustain these programmes the EDA is meant to play an important supporting role, making - it is said - much more efficient use of taxpayers' money. But, given the language of the EU constitution - viz. "Member States shall undertake progressively to improve their military capabilities." - hopes of reduced defence budgets across Europe are illusory.

Even as weapon systems are better shared in the future by member countries to avoid costly duplication, many new programmes and priorities in the field of 'out-of-area' missions and 'homeland security' are competing for larger amounts of money than will ever be saved by common procurement and joint research and development (R&D). In this light, for those who have the opportunity to vote in referenda, a vote in favour of the Constitution could be seen as a vote for a more military-oriented European Union that will strengthen Europe's arms industry.

That the arms industry has substantial influence on EU defence matters is perhaps most clearly shown by its involvement in the preparatory work for the EU Convention. The working group on defence invited 13 experts to give their advice. Together with top-level Eurocrats<sup>14</sup>, two representatives from the industry (BAE Systems and EADS) and the president of the European Defence Industries Group (EDIG) had the honour of putting forward their ideas on the role of defence issues in a future EU Constitution.<sup>15</sup> As their contributions have not been made public it would be interesting to know exactly what level of influence the industry has had on the Constitution's contents. By stark contrast, not one civil society representative was heard by the Convention's working group on defence.

## An EU Armaments Policy at last?

According to UK Defence Minister Geoff Hoon, the agency will not lead to a protectionist Europe on issues related to procurement and development, but he warns that Europe could be pushed along that road if 'Buy America' legislation were adopted by the US Congress, "[which] would be bad for the US and for Europe."<sup>16</sup> German armaments director Hilmar Linnenkamp also downplays

<sup>13</sup> In Helsinki in 1999 the EU heads of state agreed to set "headline goals" to back the European Rapid Reaction Force. This is currently known as the Headline Goal 2010, adopted by the European Council in December of 2003, signed in 17 May of 2004 and endorsed on 17 and 18 of July of that year.

<sup>14</sup> Among them, Javier Solana (High Representative for the CFSP), Christopher Patten (Commissioner for External Affairs), Alain Richard (former French Minister of Defence) and Gustav Hagglund (Chairperson of the EU Military Committee).

<sup>15</sup> <http://register.consilium.eu.int/pdf/en/02/cv00/00461en2.pdf>

<sup>16</sup> "Ministers back co-ordinated arms industry for Europe", Judy Dempsey, *Financial Times*, 18 November 2003. Recurrent 'Buy America' legislation proposals require the Pentagon to buy only US-made goods and services, unless these are unavailable in the US. So far the most protectionist provisions have not received sufficient support.

stories of large-scale support to industry, telling US weekly *Defense News* that “if industry has expectations there will be billions of euros coming from the agency, they’re going to be disappointed”, before going on to note that consolidating demand will “improve conditions for rationalising the supply side to defence as well”.<sup>17</sup>

Despite the politically significant step of setting up the EDA, with its potentially far-reaching powers, a real common procurement policy is still a distant prospect. For the foreseeable future, national capitals will almost certainly want to maintain their sovereign powers in this field. In fields such as transportation and training, however, some steps are certain to be taken. In addition, current initiatives on increasing international competitiveness in the field of military contracts may slowly open up defence markets in the future.<sup>18</sup>

This suggests that developments in defence industry liberalisation, closer co-operation in production, more transparent procurement processes and their effects on the arms trade should be closely monitored over the coming months and years.

### EDA powers

Though the EDA has historical look-alikes in the IEPG and WEAG<sup>19</sup>, it is the first EU initiated armaments agency. Whether the EDA will turn out to be more successful than the previous armaments co-operation groups remains to be seen. Commitment to the agency seems undeniably stronger than ever before. Crucial factors though, will not only be sufficient political will to start common armaments programmes, but more importantly, the will to give real executive powers to the agency, most likely at the cost of some national (industrial) interests. But without such a transfer of power, the EDA will likely end up another failure. Quite unusual - for defence issues at least - is that “as many decisions as possible would be taken by majority voting”.<sup>20</sup>

Exactly how decision-making powers will be arranged is expected to emerge in the next couple of years. At present, however, important financial, legal and technical questions are still outstanding.<sup>21</sup> Ironically, it is exactly such matters which have proved insurmountable obstacles to previous defence co-operation initiatives.

<sup>17</sup> “EU’s Acquisition Central?”, Brooks Tigner, *Defense News*, 2 February 2004. Six months later, on 30 July 2004, Hillenkamp was appointed Deputy Chief Executive of the EDA.

<sup>18</sup> See e.g. “Green Paper Defence Procurement”, COM (2004) 608 final, Brussels, 19 July 2004.

<sup>19</sup> See for more on IEPG en WEAG in the textbox on EDIG in chapter 6.

<sup>20</sup> “UK and France clash on defence”, Judy Dempsey, *Financial Times*, 18 May 2004.

<sup>21</sup> Including its links with the EU Military Committee; which authority would have responsibility for securing supplies for defence forces; relations between the steering committee (defence ministers) and the EU foreign ministers. See also: “The European Armaments Agency: a virtual reality”, Daniela Manca and Gerrard Quille, *European Security Review*, issue 20, December 2003.

<sup>22</sup> ‘Agreement Concerning Measures to facilitate the Restructuring of the European Defence Industry’. For more see e.g. <http://projects.sipri.se/expcon/loi/lointent.htm>

and [http://www.basicint.org/pubs/Research/2001ExportControls1.htm#Export\\_Controls](http://www.basicint.org/pubs/Research/2001ExportControls1.htm#Export_Controls) .

<sup>23</sup> Organisation Conjointe de Coopération en matière d’Armement. It currently has 6 common programmes running. Most of them are not really to the credit of OCCAR, however, as they are much older than OCCAR itself. (See: [www.occar-ea.org](http://www.occar-ea.org).) It is expected that OCCAR and its activities will be taken over by the European Defence Agency.

The EDA is supposed to develop close working relations with existing European armaments co-operation initiatives, such as the Letter of Intent (LoI)/Framework Agreement<sup>22</sup>, OCCAR<sup>23</sup> and WEAG. Whether this means that they will merge at some stage is as yet unclear. These initiatives were launched years ago with high ambitions, but never really made a real difference. To avoid further complexity and bureaucracy, as well as duplication of effort, the merging of all these organisations under the umbrella of the EDA seems the most efficient thing to do.

Talking to a closed group of journalists and industry officials in Brussels, Nick Witney, the current Chief Executive of the EDA and former head of the Establishment Team responsible for setting up the EDA, revealed the thinking in that direction:

"I'm not saying absolutely that the EDA will run programs, but I don't exclude the idea of three or four [EU] member states giving it a chunk of money to bring a weapon program to the contracting stage".<sup>24</sup>

Another indication of initiatives towards a merger is a late 2004 EDA vacancy notice, which refers to

"the creation of an internationally competitive European Defence Equipment market, in particular by [...] pursuing EU-wide development and harmonisation of relevant rules and regulations (particularly by an EU-wide application of relevant rules of the LoI Framework Agreement)".<sup>25</sup>

This six-nation<sup>26</sup> Agreement addresses many aspects of the defence industry, notably the need "to harmonise the requirements of their armed forces, their procurement, research and technological development policies, and defence-related aspects of their export procedures."<sup>27</sup>

Bringing this agreement under the umbrella of the EDA will seriously threaten Europe's current arms export policy. The LoI/Framework Agreement for example allows for free exports to third countries, which have been agreed upon by the participants through (secret) white lists, regardless of the EU's Code of Conduct on arms exports. Moreover, incorporation of the LoI/Framework Agreement policies under the EDA is a threat to national democracy itself, as the original six member countries each had to ratify the agreement. Now the EDA apparently aims to quietly incorporate this controversial agreement, making it EU-wide policy without being subject to further national ratification.

Looking at the Constitution, such measures fit perfectly with the role that the Constitution attributes to the EDA. With the EDA meant to "contribute to identifying and, if necessary, implementing any useful measure for strengthening the industrial and technological base of the defence sector"<sup>28</sup>, it has plenty of room for manoeuvre, including initiatives to review arms export controls that would strengthen the arms industry. The above-mentioned vacancy notice should therefore serve as an early warning of the EDA's burgeoning powers.

<sup>24</sup> "EDA To Manage Weapon Programs, Policy", Brooks Tigner, *Defense News*, 3 May 2004.

<sup>25</sup> Vacancy Notice EDA/A/2004/053.

<sup>26</sup> France, Germany, Italy, Spain, Sweden and the UK.

<sup>27</sup> <http://projects.sipri.se/expcon/loi/loianna.htm>

<sup>28</sup> Article III-311-1e.



## 2. MULTIPLE MILITARY STAKEHOLDERS

Despite disappointing experiences with previous initiatives, the European Defence Agency has generally been warmly received within the European arms industry, hoping that it will strengthen their industrial base. Some are hopeful that the new EU defence research budget will pave the way for closer European involvement in defence spending, including stronger emphasis on the procurement of European-made weaponry. In the blunt words of Director Ian McNamee of the Swedish-British fighter aircraft company Gripen International: "I don't think anyone wants to become a vassal state to the United States and be forced to buy products without access to the technology behind them."<sup>29</sup> Others hope for an 'Airbus effect', referring to the successful co-operation in both civilian and military aircraft production at EADS, seen by many as a model for further integration of the European defence industry. The naval shipbuilding industry, in particular, is pursuing a similar path.<sup>30</sup>

### *No fig leaf – Arms industry coveting EU military budgets*

**T** Industry has exercised its influence not only on the Constitution - as outlined earlier - but also on other military developments, like the creation of the EDA. For example the European 'big three' - EADS, BAE Systems and Thales - have launched several timely public relations offensives. Quite uniquely, they have also written a few joint press releases to get their message on Europe heard more effectively. The day after the EDA received approval from the EU foreign ministers, the CEOs of the three largest European arms companies published a full-page advertisement in two leading European papers, including an open letter urging the EU to boost its military spending.<sup>31</sup> The letter was a sequel to a similar declaration a year earlier, urging the EU "to beef up their spending on defence research, technology and acquisition", with reference to "the need for Europe to enhance its defence", in the light of the "9/11 events, followed by the intervention in Afghanistan and [...] in Iraq".<sup>32</sup>

<sup>29</sup> "Europe Warms to Idea of Unified Military Agency", Heather Timmons, *New York Times*, 22 July 2004.

<sup>30</sup> A necessary, but unpopular precondition for such integration of the European arms industry would be rigorous reconstruction, including trimming of some heavily subsidised, mostly state-owned companies. That would in all likelihood lead to the closure of a significant number of companies, and the consequent loss of jobs. France and Spain, especially, have a tough road ahead in this respect. Besides, a really 'European' arms industry will never exist anyway, as many companies here have vested interests in and links with the American market. BAE Systems, one of the largest European defence firms, earns most of its money across the ocean, while even French company Thales has close links with American giant Raytheon.

<sup>31</sup> "The new European defence agency - Getting above the clouds", Dennis Ranque (Thales), Philippe Camus (EADS), Rainer Hertrich (EADS) and Mike Turner (BAE Systems), 15 June 2004. *Le Figaro* and the *Frankfurter Allgemeine Zeitung* had one-page advertisements with the complete letter, while the *Financial Times* and *The Independent* featured extracts.

<sup>32</sup> "Time to Act!", Joint declaration of BAE Systems, EADS and Thales, 28 April 2003. *Military Technology*, May 2003.

**Top 10 arms producing companies in the world**

| company             | defence revenues | % of total revenues |
|---------------------|------------------|---------------------|
| Lockheed Martin     | 30,097           | 94.6                |
| Boeing              | 22,033           | 54.2                |
| Northrop Grumman    | 18,700           | 71.4                |
| BAE Systems         | 17,159           | 76.7                |
| Raytheon            | 16,896           | 93.3                |
| General Dynamics    | 12,782           | 76.9                |
| Thales              | 8,476            | 63.7                |
| EADS                | 8,037            | 21.3                |
| Finmeccanica        | 5,900            | 54.3                |
| United Technologies | 5,300            | 17.1                |

Source: "2004 Defense News Top 100", based on 2003 data. Revenues in millions US\$.

In their 2004 advertisement welcoming the advent of the EDA, the big three's figure-heads claimed that:

"industry in Europe is under enormous competitive pressure from the United States. With US defence R&T investment running at around eight times that of Europe's fragmented total and with substantial growth in the Pentagon's vast procurement budget in a heavily protected national market, American industries are reaching new heights. While it is not the wish of Europe's elected governments or of industry to develop a Fortress Europe, it is equally not their wish to see indigenous defence technology overtaken or dependence on foreign technologies become a necessity, especially where technology transfer terms are very restrictive. Again [...] the Agency has a vital role to play."

They went on to assert that if the EDA is not to become another "fig leaf to cover the nakedness of any real efforts to improve European defence", EU member states should demonstrate real commitment "by addressing their [national] defence budgets". The message is clear.

**Industry in the Commission's kitchen – Preparing new defence policies**

Ideas about developing a European defence policy have gone hand-in-hand with the efforts of the arms industry to promote its interests in Brussels. Little is publicly known though about the part played in Brussels' political life by highly-influential arms companies and their lobbyists. We have already looked at examples of the industry's access to the EU Convention's working group on defence, as well as their PR offensive on the defence agency. But the arms industry tries to dictate policy at different levels and in many settings: participating in think tanks and task forces, as a member of lobby organisations, or as sponsors of lunch meetings. All these provide ample opportunity for companies, EU commissioners and MEPs to discuss and prepare relevant policy proposals. This chapter and the next will examine the most significant forms of arms industry lobbying in Brussels.

In some cases, organisations serve as a platform for journalists, industrialists and consultants to meet commissioners or leading Brussels' officials, often during closed-door lunches or dinners. Examples are the New Defence Agenda and the Kangaroo Group (chapter 3). There is also, of course, the more traditional form of lobbying by interest groups which represent a whole sector. Chapter 3 elaborates on the recently-formed umbrella lobby organisation AeroSpace and Defence Industries Association of Europe (ASD), which serves as the mouthpiece for most of Europe's arms industry. Most striking, perhaps, are the European Commission's invitations to the arms industry to take part in policy task forces that have considerable influence on new policies, as we will see in this chapter.

With ambitious - sometimes even funny – names, LeaderSHIP 2015 (shipbuilding), the Group of Personalities (R&D) and Star 21 (Aerospace) seek to garner support in Brussels for their industry's interests. Though they look like – and may in fact be – corporate-controlled initiatives, officially these task forces were set up by European Commissioners as policy advisory groups. By giving industry a leading position in these groups, they are the most open manifestations of corporate influence on European defence industrial policy developments.

**T** Another element these three groups share is that they represent both civil and military industrial interests, often embodied by companies that operate in both markets. Such linkages serve the interests of both the civilian and the military part of the sector involved. In some cases, the civilian side may act as camouflage for its military counterpart - introducing defence industrial policy at the EU level is still a sensitive issue. The arms industry, for its part, enables funding possibilities which are off-limits for non-defence products, as both the WTO and the EU Treaty allow for arms industry subsidising,

In many cases, therefore, military subsidies serve the interest of the whole company and may even serve as a backdoor conduit for government money to the civil sector.<sup>33</sup> This is confirmed by the newly-created security research budget (see below) that is not only meant to serve our security, but also to increase the competitiveness of the European defence industry. "The Lisbon agenda, which aims to make Europe competitive again, clearly plays a part in the background", according to a top EU official.<sup>34</sup>

### ***The Group of Personalities***

As a consequence of greater co-operation on foreign policy and defence issues, as well as the increased focus on anti-terrorism after 'September 11' and 'Madrid', decades-old barriers to EU financing of defence research have fallen surprisingly easily.

Instrumental to breaching these barriers has been the 'Group of Personalities in the Field of Security Research' (hereafter: the Group of Personalities or GoP). Brought together by then EU Commissioners Busquin (Research) and Liikanen (Enterprise and the Information Society), the GoP

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<sup>33</sup> Part of the ongoing EU-US conflict on subsidising EADS and Boeing stems from conflicting opinions about which subsidies can be considered as being for military use, and which not.

<sup>34</sup> "Onderzoeken tegen Osama", Michael Persson, *de Volkskrant*, 2 October 2004.

met for the first time on 6-7 October 2003. Their primary mission was “to propose principles and priorities of a European Security Research Programme (ESRP) in line with the European Union’s foreign, security and defence policy objectives and its ambition to construct an area of freedom, security and justice”.<sup>35</sup> According to Group member and former Swedish Prime Minister Carl Bildt, there was strong support within the GoP “for breaking down barriers and tackling new challenges”.<sup>36</sup>

## Who is Philippe Busquin?

**Philippe Busquin (1941): Research Commissioner in the 1999-2004 EC, a Belgian national and Socialist, Busquin served as Member of Parliament in Belgium from 1978-1995. In this period he held several cabinet posts and has been Minister of State since 1992. He is a member of the Group of Personalities, LeaderSHIP and STAR 21.**



*- I think that this distinction between civil and military research is become more and more artificial and expensive. The threats of security don't consider this distinction. I think, for example, to the bioterrorism attacks, the bank systems attacks, the mine fields detection or massive infiltrations through our borders. - <sup>i</sup>*

<sup>i</sup> Dinner debate of the Kangaroo Group, Brussels, 9 September 2003

It is important to realise that the GoP’s mission was groundbreaking for the EU: advising on a budget specifically earmarked for defence and security research. Critically, one should also examine who makes up this influential group. Of the 25 ‘personalities’ besides Busquin and Liikanen, eight have direct roots in a range of arms-producing companies: BAE Systems, Diehl, EADS, Ericsson, Finmeccanica, Indra, Siemens and Thales. A handful of others come from defence-related research institutes and ministries of defence. The central role of the industry’s representatives in the Group of Personalities’ work<sup>37</sup> makes any claim of independence risible.

<sup>35</sup> “Security Research: The Next Steps”, Communication from the Commission, 7 September 2004. See at [http://europa.eu.int/eur-lex/en/com/cnc/2004/com2004\\_0590en01.pdf](http://europa.eu.int/eur-lex/en/com/cnc/2004/com2004_0590en01.pdf). Note that the border between ‘defence’ and ‘security’ has become blurred. Being less controversial, official language now tends to use the word ‘security’, which applies to traditional ‘defence’ and latter day ‘homeland security’. Moreover, apparently to smooth its introduction, the new EU R&D budget is labelled as being for security research. But real, ‘hardcore’ military research is not at all excluded from the EDA’s mandate, nor by the EU Constitution in general. The EC calls security “an evolving concept”, including “global challenges and key threats” among which “terrorism, organised crime, natural disasters and disease” (“Commission proposes preparatory action on security research”, 16 February 2004, at [http://europa.eu.int/comm/research/security/news/article\\_657\\_en.html](http://europa.eu.int/comm/research/security/news/article_657_en.html)).

<sup>36</sup> “Group of Personalities discusses a security research strategy for Europe”, *Cordis News*, 7 October 2003 at: [www.eubusiness.com/eunews/EUNews.2003-10-07.3949](http://www.eubusiness.com/eunews/EUNews.2003-10-07.3949).

<sup>37</sup> See for further elaboration the paragraph “a Dutch look behind the scenes”.

The GoP is a perfect match between leading European policymakers and the defence industry. Getting critical feedback on research priorities from, say, civil society could, one imagines, have been very disturbing. It therefore comes as no surprise that not one human rights or peace group is represented on the list of members. What might be seen as some democratic content is the presence of four MEP's in the Group. But according to Jan Dekker, ex-chairperson of Dutch research institute TNO and former member of the GoP, the parliamentarians were merely invited for support, and to neutralise potential opposition. "[It's a] standard tactic", Dekker was quoted as saying, "[t]hen you have the commitment of the parliament at one stroke. Look, here it is, this is the contribution of [Dutch MEP] Elly Plooi, 'the European security policy should respect values of human rights, democracy, rule of law and fundamental freedoms'. With such a statement she cannot vote against it any more".<sup>38</sup>

### **GoP: Building support for military research**

By late 2003, the European Commission had made available an initial €65 million budget for "preparatory action" in the period 2004 to 2006. Thereafter the budget would "significantly increase" to enable a fully-fledged programme.<sup>39</sup> Industry is likely to make a smaller contribution than under regular research programmes, as the EC considers this research "mission-driven rather than technology-driven".

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The philosophy behind this, according to Commissioner Busquin, is that "Europe is paying a very high price for the artificial – and uniquely European – separation between civil and military research".<sup>40</sup> His colleague Liikanen goes so far as to say that "new technologies mean that it has become more difficult to distinguish between civil and military research".<sup>41</sup>

These arguments are at best misguided, suggesting that a border between military and civilian R&D hardly exists. Of course, there is a lot of wasted research money due to national governments spending precious money on national research projects, causing duplication costs. But at a European level, the distinction is directly linked to the civilian, economic co-operation that the EU was originally meant to foster, of course, and is therefore by no means 'artificial'.

There are also many examples of civil-military interaction – think of Global Positioning Systems (GPS) and the internet, think of the aerospace industry - but military-funded research is almost always specifically meant for military purposes, no matter what civilian applications may later emerge as spin-offs. The converse is also true: corporate financed R&D for consumer products does cross over into the military world, most obviously in the case of ICT-related technology. But research on munitions or submarines clearly has little or nothing to do with civilian research. So even though the two do sometimes overlap, that does not mean they are impossible to separate.

<sup>38</sup> "Onderzoeken tegen Osama" [Researching against Osama], Michael Persson, *de Volkskrant*, 2 October 2004.

<sup>39</sup> This allocation is not included in the EDA's funding. "Propping up R&D", Pierre Sparaco and Michael A. Taverna, *Aviation Week & Space Technology*, 27 October 2003; and "Group of Personalities discusses a security research strategy for Europe", *Cordis News*, 7 October 2003 at: [www.eubusiness.com/eunews/EUNews.2003-10-07.3949](http://www.eubusiness.com/eunews/EUNews.2003-10-07.3949).

<sup>40</sup> "Propping Up R&D", Pierre Sparaco and Michael A. Taverna, *Aviation Week & Space Technology*, 27 October 2003.

<sup>41</sup> "Group of Personalities discusses a security research strategy for Europe", *Cordis News*, 7 October 2003 at: [www.eubusiness.com/eunews/EUNews.2003-10-07.3949](http://www.eubusiness.com/eunews/EUNews.2003-10-07.3949).

In any case, the Group of Personalities serves perfectly as an instrument to bridge the sensitive gap between both, by means of formulating 'homeland security-related' quasi-military R&D projects.<sup>42</sup> Specific subjects to be focused on by the GoP are wide-ranging: crisis management; protection of vital public and private infrastructure; border and coastal surveillance; satellite intelligence capabilities; protection against incidents involving bio-chemical and other substances; and non-lethal means to counteract terrorist actions. "Offensive weaponry" was explicitly excluded under the initiative.<sup>43</sup> Nevertheless, Liikanen suggested a slightly different agenda by reminding the Group of Personalities that it is crucial that "we create an environment in which European defence-related companies can give better value for money by increasing their competitiveness".<sup>44</sup> The relationship between such an enabling environment, and the creation of a more secure Europe is tenuous, if not tendentious.

## **GoP: Research for a Secure Europe**

In March 2004, the Group of Personalities presented its report "Research for a Secure Europe" to then European Commission President Prodi.<sup>45</sup> Coincidentally, the report came in the aftermath of the shockwaves following the Al-Qaeda train bombings in Madrid days before. Referring to that, Prodi welcomed the report with these words:

"Last Thursday's tragic events in Madrid remind us of the urgency and importance of being prepared against old and new threats to our security. It shows that the damaging effects on the daily life of the European citizens can be enormous. This report opens a new area of activity in which the added value of closer co-operation, joint efforts and increased investment at EU level is indisputable. That is why we have included security research in our blueprint for the EU's financial perspectives for 2007 - 2013".<sup>46</sup>



<sup>42</sup> Homeland security became an integrated part of US security policy soon after 11 September 2001, embodied in a super-ministry bringing together a whole range of activities from intelligence and border control to disaster management and airport security, in fact covering any activity required to prevent attacks on the US or to cope with the consequences of attacks. That concept is now finding its way in Europe as well. Currently some 'softer' homeland security-related research (e.g. on aviation safety, biometrics) is funded through the civilian Sixth Framework EU R&D programme. Through the new security/defence R&D budget, also more military oriented homeland security R&D must be covered (e.g. border control monitoring, detection systems for weapons of mass destruction). See also "Europe's Peace Shield", Michael A. Taverna, *Aviation Week & Space Technology*, 24 November 2003.

<sup>43</sup> "Group of Personalities discusses a security research strategy for Europe", *Cordis News*, 7 October 2003 at: [www.eubusiness.com/eunews/EUNews.2003-10-07.3949](http://www.eubusiness.com/eunews/EUNews.2003-10-07.3949). Also "EU to Unveil Its First Defense Research Projects in November", Brooks Tigner, *Defense News*, 20 October 2003.

<sup>44</sup> "EU to Unveil Its First Defense Research Projects in November", Brooks Tigner, *Defense News*, 20 October 2003.

<sup>45</sup> "Research for a Secure Europe: Report of the Group of Personalities in the field of Security Research", at: [http://europa.eu.int/comm/research/security/documents\\_en.html](http://europa.eu.int/comm/research/security/documents_en.html).

<sup>46</sup> "European industry leaders and EU policymakers call for budget boost for Security Research", EC press release, 15 March 2004. See: <http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/335&format=HTML&aged=0&language=en&guiLanguage=en>. Similar wording was later used by incoming commissioner for enterprise policy Olli Rehn who, referring to the GoP's report, that events have pushed security "to the top of the political agenda both in Europe and across the globe". Quoted in "EU Security Project Planned", *Defense News*, 13 September 2004.

With its stress on the importance of increased security co-operation, a shortcoming of the report is its almost exclusive focus on technocratic and technical solutions to a problem the complexity of which requires far more than technological (and often repressive) measures. In that respect, the report fails to address the urgent need for an integrated approach that goes beyond proposing a huge research investment budget.

The report's first - and arguably main - recommendation is that the EU "should move into high-tech funding for homeland security [...] on a scale matching that of the U.S."<sup>47</sup> As stated elsewhere, "[i]ts minimum funding should be €1 billion per year, additional to existing funding. This spending level should be reached rapidly, with the possibility to progressively increase it further".<sup>48</sup>

There is some concern that this provides the opportunity for a corporate hunt for huge sums of extra tax payers' money to defray the costs of business risk. If followed, the report's recommendations would cause a momentous shift in EU security-defence policy and strategic research priorities, diplomats and security experts commented at the time.<sup>49</sup>

Another indication of successful corporate lobbying is the advice to create new financing instruments to enable research funding to be disbursed at up to 100% of its cost. Furthermore, it is recommended that a 'Security Advisory Board' should be established to draw up strategic lines of action, and prepare the research agenda. Customers, industry, research organisations "and any other relevant stakeholders" should constitute such a board. The reference of 'other stakeholders' seems rather *pro forma*, if one looks at the precedent of the GoP's membership.

The inclusion of security research within the upcoming 7<sup>th</sup> Framework Programme for EU research (2007-2013) understandably attracts great interest from the defence-related industry. At a meeting in March 2004, shortly after the presentation of the GoP's report, more than 400 participants, mostly from the business community, attended an information day, which focused on "building a community that will take us into the full-scale security research programme of the future".<sup>50</sup> Or as one participant put it sardonically: a get-together for the industry "with short presentations and long coffee breaks [...] to say hello, get to know each other and talk about each others' ideas", while jockeying for position with an eye on the slated €1 billion prize waiting beyond 2006.<sup>51</sup>

<sup>47</sup> "Report Seeks More EU Security Research, Funds", Brooks Tigner, *Defense News*, 15 March 2004. Apparently meant as a sign of restraint, the report notes that: "since the idea of matching the U.S. defence budget is unrealistic (and may not even be desirable), an ESRP [European Security Research Programme, FS] should rather take the U.S. spending on Homeland Security Research as a reference" (p. 27).

<sup>48</sup> "Research for a Secure Europe: Report of the Group of Personalities in the field of Security Research", "Conclusions and Recommendations", p.28.

<sup>49</sup> "Report Seeks More EU Security Research, Funds", Brooks Tigner, *Defense News*, 15 March 2004.

<sup>50</sup> "Spectacular turnout at security research information day", EC news article, 30 March 2004, at [http://europa.eu.int/comm/research/security/news/article\\_779\\_en.html](http://europa.eu.int/comm/research/security/news/article_779_en.html)

<sup>51</sup> The €15 million allocated for 2004 (out of the total €65 million 2004-2006 budget) received 173 proposals, of which only 12 could be awarded. "Onderzoeken tegen Osama", Michael Persson, *de Volkskrant*, 2 October 2004.

Despite the relatively small size of the country, Dutch defence research institute TNO is “not unsatisfied” with the results of their efforts: it has secured participation in four of the twelve running research programmes.<sup>i</sup> Besides projects on behavioural recognition technologies with surveillance cameras; the vulnerability of vital infrastructure such as energy and telecommunications; and the protection of secret information in a network, TNO also leads the important ‘Impact’ project for the development of technologies to prevent and combat attacks with weapons of mass destruction.

According to Jan Dekker, a member of the Group of Personalities and then-chairman of TNO, the hard work of his so-called ‘*sherpas*’ has been crucial in securing a part of the pie. “The *sherpas* did three-quarters of the work”, says Dekker in a revealing article in Dutch daily *De Volkskrant* on the work behind the scenes.<sup>ii</sup> “How does it work in Brussels? You think of something, and then you get together people who you know will say what you want. And then you ask them to write that down”, Dekker explains.

“[Thus] the industrial defence lobby was invited to bring people for the GoP”, agrees Pieter de Smet, official of the EC’s Research department and co-ordinator of the ‘preparatory action’ programme. Dekker goes on,

The big defence bosses said: ‘give us that money, then it will become alright’. Not so. Now we have arrived at more cooperation with the institutes. And the word ‘military’ has been avoided – that became ‘security’”.

“That may be so”, declares Gert Runde, ‘Director Defence’ of the largest European defence lobby group, ASD, “but security is more about defence than, say aerospace”. He goes on to argue that “means that we should rather get 100 rather than 50 percent subsidy for technology development”. Runde emphasises that his organisation will continue to lobby to get the subsidy as high as possible. He thinks that security research will spill over to consumer products over time, but he can’t really tell how: “Probably something in our evolving style of living”.

Ex-TNO chairman Dekker ] says that these effects should not be overestimated though. A justification for him is the “enormously stimulating effect of defence subsidies to the American economy. [...] You could maybe get that effect in another way, but that way has not yet been discovered”. Moreover, he sees American protectionism as providing an impetus to the fostering of European defence industries. “At a certain moment foreign companies may only deliver materials at level 7. Level rivets. The Netherlands may do that then, or Korea, or Congo. That is the threat we need to arm ourselves against”.

Dutch defence manufacturers’ association NIID hopes that other companies may also reap the benefits of TNO’s ‘pole-position’. Together with TNO, the NIID has tried to get as many companies as possible on board. Stork Aerospace, De Schelde shipyard and the Dutch branches of Thales, Siemens, Cap Gemini and LogicaCMG have all shown interest.<sup>iii</sup>

<sup>i</sup> “Onderzoeken tegen Osama”, Michael Persson, de Volkskrant, 2 October 2004. Recently “TNO Defence Research” changed its name into “TNO Defence, Security and Safety”.

<sup>ii</sup> “Onderzoeken tegen Osama” [Researching against Osama], Michael Persson, de Volkskrant, 2 October 2004. Dekker especially praises sherpa Kees Eberwijn, director of TNO Defence, Security and Safety.

<sup>iii</sup> [http://europa.eu.int/comm/research/security/pdf/attendance\\_list\\_en.pdf](http://europa.eu.int/comm/research/security/pdf/attendance_list_en.pdf)

### **GoP: Attributing an appropriate level of resources**

Six months after the Group of Personalities' report, the Commission published a letter, expressing support for most of the group's recommendations and promising to undertake the necessary action in collaboration with the stake-holders: security authorities, industry and research institutes.<sup>52</sup> Though no amount of money is mentioned, the communication says that "the ESRP should be attributed an appropriate level of resources" and that they should be additional to any financing already ensured today. The 7<sup>th</sup> Framework Programme proposal, which was launched in early April, earmarks a €3.5 billion budget for the period 2007-2013, or an annual €500 million euro, for 'Security and Space'.<sup>53</sup> How the money will be divided between 'security' and 'space' remains to be seen. While the amount is much less than the industry had asked for through the GoP, the budget remains high when compared, for example, to environmental research, which gets €320 million annually.

The industry knows very well what they have to do. A renowned aerospace weekly observes: "The promise of this new market - worldwide sales are expected to top \$100 billion per annum - already has European defence contractors scurrying to reorganise to meet new homeland security requirements, which will rely on the same [network-centric] operations and [end-to-end systems] concepts as those underlying contemporary warfare".<sup>54</sup>

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Though the GoP's focus has been mostly on homeland security research initiatives, the new research budget may well provide a welcome boost to aerospace and defence research funding.<sup>55</sup> That is clearly what many industrialists are hoping for too, no matter how promising homeland security budgets may look. According to *Defense News*:

"Firms are angling to get in on the ground level of a radical reorientation of EU financial support for security and defence projects. With the launch later this year of half a dozen so-called security test cases [...] the European Union will move directly into defence research, even though that object is being couched for political reasons under the term 'security'".<sup>56</sup>

Without mentioning a source, the same article speaks about the EU's "intent to exponentially increase its research support for security and defence technologies from virtually nothing to as much as €2 billion a year by 2012-2015. [...] It is for this reason that Europe's defence and aerospace sectors are clamouring so quickly to meet the commission's call for security research proposals".

Probably anticipating that, EADS chief Philippe Camus strongly criticised European governments for not spending enough on defence R&D, just weeks after the GoP got together for the first time.<sup>57</sup>

<sup>52</sup> "Security Research: The Next Steps", Communication from the Commission, 7 September 2004. See at [http://europa.eu.int/eur-lex/en/com/cnc/2004/com2004\\_0590en01.pdf](http://europa.eu.int/eur-lex/en/com/cnc/2004/com2004_0590en01.pdf).

<sup>53</sup> "EU research - Building Knowledge Europe: The EU's new Research Framework Programme 2007-2013", memo 05/114, Brussels, 7 April 2005.

<sup>54</sup> "Europe's Peace Shield", Michael A. Taverna, *Aviation Week & Space Technology*, 24 November 2003.

<sup>55</sup> "Propping Up R&D", Pierre Sparaco and Michael A. Taverna, *Aviation Week & Space Technology*, 27 October 2003.

<sup>56</sup> "EU Braces for Flood of Homeland Security Research Proposals", Brooks Tigner, *Defense News*, 17 May 2004.

<sup>57</sup> "EADS chief calls for more research funds", Joris Janssen Lok, *Jane's Defence Weekly*, 12 November 2003.

According to him, armaments agency EDA should “fund important research projects and stimulate European interests in advanced technologies”. Camus specifically stressed the need to invest in “power projection” and “precision-strike weapons, as well as the platforms needed to carry them. [...] This is very well adapted to the sort of missions that are required for addressing the new threats, the new operations”, Camus told *Jane’s Defence Weekly*.

That may be a step too far for now, but there can be little doubt, now that the new homeland security research programmes have been set up, that eventually proposals for new R&D programmes will be made and gradually the funding that EADS’s Camus and many of his colleagues have in mind will be made available.

Unless a more vocal opposition emerges to bring this creeping militarisation of EU budgets to a halt, the arms industry and the EC will instigate new task forces which will, in turn, prepare new budgets of benefit to both the industry and EU officials that aim for a strong military Europe. It is high time that such undemocratic corporate-led policy-making processes come to an end if the EU wants to rid itself of its remote and opaque image.

### **LeaderSHIP 2015**

In January 2003, reacting to a proposal by the industry, the European Commission established a ‘High Level Advisory Group’ called the LeaderSHIP 2015 initiative, aimed at finding ways of ensuring - and further developing - the competitiveness of the European shipbuilding and ship repair industry. The advisory group presented the results of its work on 28 October 2003, listing 30 recommendations in areas ranging from trade policies to industrial consolidation.<sup>58</sup> Compared to the Group of Personalities and Star 21, LeaderSHIP 2015 members have a more diverse background in the sense that civil shipbuilding outweighs the naval side of the industry. Nevertheless, most companies are involved in both, with some being predominantly military, and others mostly civil. Izar (Spain), Fincantieri (Italy), Blohm + Voss (Germany) and Damen Shipyards (The Netherlands) represent companies with substantial military orders. Remarkably, major naval shipbuilders like HDW-ThyssenKrupp, DCN and BAE Systems are not participants, though their interests are apparently served well by their naval colleagues in LeaderSHIP 2015 (see below).

Aside from Liikanen and Busquin, the Commissioners for Transport & Energy (De Palacio), Employment & Social Affairs (Diamantopoulou), Trade (Lamy), Competition (Monti) and Enlargement (Verheugen) were members of LeaderSHIP 2015. Rounding out the numbers were two MEP’s (Pöttering and Westendorp Y Cabeza), as well as the Secretary General of the European Metalworkers’ Federation.

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<sup>58</sup> “Defining the future of the European shipbuilding and shiprepair industry – Competitiveness through excellence”, LeaderSHIP 2015, Brussels, October 2003. Also see: “LeaderSHIP 2015” – A European Approach to Naval Shipbuilding Needs”, *Military Technology* 4/2004.

**Erkki Liikanen (1950): Enterprise and Information Society Commissioner in the 1999-2004 European Commission. Throughout most of the 1970s and 1980s, Liikanen was a member of the Finnish Parliament for the Social Democratic Party and from 1987-1990 he served as Finance Minister. Until 1994, Liikanen was Ambassador Extraordinary and Plenipotentiary and Head of the Finnish Mission to the European Union after which he became a Member of the Commission for Budget (1995 – 1999); personnel and administration; translation and in-house computer services.**



**Liikanen has a long history of involvement in lobby groups, including the Group of Personalities, LeaderSHIP 2015 and STAR 21. He was Keynote Speaker at the 2002 AECMA annual convention and at the November 2003 NDA meeting. He launched the "Impact Assessment Study on the Simplification of Intra-community Transfers of Defence Equipment" in 2003. He left the EC in July 2004 to head the Finnish Central Bank, but remains a crucial figure through his involvement in GoP, LeaderSHIP and STAR 21.**

*- By taking forward this new research agenda we can strengthen the Union's security, boost European competitiveness and bridge the gap between civil and defence research - <sup>i</sup>*

<sup>i</sup> Press Release "European industry leaders and EU policymakers call for budget boost for Security Research"; Brussels, 15 March 2004

### ***LeaderSHIP: Coming on board***

LeaderSHIP 2015 certainly did not go unnoticed in The Netherlands. Dutch entrepreneurs, with the help of some MP's with strong feelings for the sector, have effectively used the report to lobby their national interests in The Hague.<sup>59</sup> Two roundtable meetings were held with industry to set priorities in line with LeaderSHIP 2015. The creation of instruments to tackle financing difficulties, to stimulate innovation and to enable a level playing field, were seen as most important.<sup>60</sup> As a direct consequence, a guarantee arrangement has come into force from 2005 to support the position of the Dutch industry in relation to more heavily-subsidised competitors, both within and outside Europe.<sup>61</sup> Apparently European co-operation in this field is a distant dream. Huge financial support for the shipbuilding industry in some countries, especially Spain, remains a major obstacle to European policy and a level European playing field. For the time being, this remains a heavily subsidised - and therefore distorted - market.

<sup>59</sup> A number of parliamentary questions ['Kamervragen'] were raised concerning the Dutch shipbuilding industry during 2003-2004, as well as a number of letters that were sent by the government explaining its policy with regards to the European and international context, including several references to LeaderSHIP 2015.

<sup>60</sup> "Scheepsbouwsector" [Shipbuilding sector], Tweede Kamer, vergaderjaar 2004-2005, 29505, nr.6, p.3.

<sup>61</sup> €20 million for the period 2005-6. In line with the European Commission's Temporary Defence Mechanism (TDM), the Dutch government also secured another €50 million for 2004-5 to offset South Korean shipbuilding support.

While a large part of its report is devoted to civil shipbuilding, LeaderSHIP 2015 pays special attention to the naval shipbuilding industry and its export position.<sup>62</sup> It emphasises its comparative efficiency - allegedly 2.5 to 3 times more cost efficient than US naval yards – and its unmatched leadership in areas such as conventional submarines and fast patrol boats. The industry experiences strong cross-fertilisation between naval and merchant shipbuilding, the report notes, but the prevalence of fragmented, nationally-based industries endangers its survival. Increased co-operation and consolidation, including privatisation, is necessary to keep open EU defence options, the report argues.

Considered key to enhancing its competitiveness is the maintenance of its dominant export position through improved access. Diverging export rules currently “lead to distortion of competition and barriers to increased industrial co-operation. [...] Therefore, export rules (and their application and interpretation) need to be harmonised between member states”.

The current EU Code of Conduct (CoC) on arms exports is indeed applied differently in different countries. But that is for a specific reason: in the course of negotiating the CoC, differential application was agreed so as to get the major exporting countries on board – then mainly France and the UK, without requiring countries with more restrictive arms export policies to lower their barriers. In practice – and that is what the people of LeaderSHIP 2015 perhaps had in mind – suggesting the harmonisation of export conditions means that the (generally) smaller exporting countries would have to loosen their (largely) more restrictive policies. Otherwise, maintaining - or improving - it's the EU's competitive international position, as the report urges, will be virtually impossible. The implication of this makes LeaderSHIP 2015 a serious threat to the Code of Conduct on arms exports.



## **STAR 21**

The “Strategic Aerospace Review for the 21<sup>st</sup> Century”, or STAR 21, was published by the European Advisory Group on Aerospace in July 2002.<sup>63</sup> Similar in its provenance to the Leadership 2015 and Group of Personalities reports, STAR 21 provides another industry wish-list under the title “Creating a coherent market and policy framework for a vital European industry”. The group was created in 2001 on behalf of the European Commission “to analyse the adequacy of the existing political and regulatory framework for aerospace in Europe, to highlight deficiencies and to make proposals for further improvement”.<sup>64</sup>

Policy proposals came from seven industry representatives (BAE Systems, Finmeccanica, Rolls-Royce, SNECMA<sup>65</sup>, Thales and two from EADS), in co-operation with five commissioners (Research, Trade, Enterprise, Transport, External Relations), the High Representative for the Common Foreign

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<sup>62</sup> “Defining the future of the European shipbuilding and ship repair industry – Competitiveness through excellence”, LeaderSHIP 2015, pp. 25-27.

<sup>63</sup> [http://europa.eu.int/comm/enterprise/aerospace/report\\_star21\\_print.pdf](http://europa.eu.int/comm/enterprise/aerospace/report_star21_print.pdf)

<sup>64</sup> [http://europa.eu.int/comm/enterprise/aerospace/report\\_star21\\_print.pdf](http://europa.eu.int/comm/enterprise/aerospace/report_star21_print.pdf)

<sup>65</sup> SNECMA chairperson Jean-Paul Béchat is also president of the European Association of Aerospace Industries (AECMA), about which more below.

and Security policy, Javier Solana, and two MEPs: Carlos Westendorp (also LeaderSHIP 2015), and Karl von Wogau (also Group of Personalities). Its composition made Belgian MEP Bart Staes question why there was no civil society representation “when such an important area of policy is under debate”.<sup>66</sup>

From a different point of view, the open participation of the industry is seen as progress. As an anonymous British industry executive said in mid-2001, shortly after the creation of Star 21: “Unlike the Bangemann paper, which was carried out rather secretly, their names will be right on the report, and thus their credibility will be at stake”.<sup>67</sup> Liikanen’s predecessor, Martin Bangemann, published a similar effort back in 1997, urging industrial restructuring and consolidation, as well as optimising civil-military synergies through EU tax incentives and research policy.<sup>68</sup> “Now that the Fifteen [pre-enlargement Members] are finally reviewing military matters in the council [of Ministers], we think we can build on this momentum by expanding council discussions – and policy initiatives, we hope – based on Star 21’s recommendations,” says the British executive.<sup>69</sup>

### **STAR 21: New things to chew on**

As an EADS director, somewhat tongue-in-cheek states: “Industry cannot put forward institutional or policy changes, of course, but it can give EU and national politicians new things to chew on”.<sup>70</sup> According to the magazine *Defense News*, which had access to early drafts of the report, Finmeccanica steered the group’s analysis of the defence sector, while EADS took the lead in space and research & technology issues. The article also notes that, as with the Group of Personalities, ‘sherpas’ from the industry play an important support role in the sub-groups.

Secrecy aside, simply through direct participation in the formulation of policy advice under the umbrella of the European Commission, the industry’s influence is strong. This stands in stark contrast to the total lack of any direct civil society representation or content.

The STAR 21 report characterises the aerospace industry as standing on two pillars: civil and defence, “[which] are both complementary and mutually dependent [and mean] sharing skills and technologies, and enjoying economies of scale and the benefits of a broad product range”.<sup>71</sup> Both challenging and affecting the European aerospace industry are the American companies that “operate in the world’s single largest home market and benefit from a highly supportive operating framework which is designed to underpin a declared policy aim to maintain US supremacy in aerospace”.

The currently overly-fragmented policy framework therefore requires that “the issues that will determine its future competitiveness should be addressed from a European perspective”. Though some progress has been made, particularly in civil aviation, STAR 21 notes that “the current political and regulatory framework is insufficient to bridge the gap between Europe’s ambitions and

<sup>66</sup> Written question P-1132/02 by Bart Staes (Verts/ALE) to the Commission (10 April 2002).

<sup>67</sup> “EU Group To Discuss Unifying Defense Market”, Brooks Tigner, *Defense News*, 16-22 July 2001.

<sup>68</sup> “The European Aerospace Industry – Meeting the Global Challenge”, COM (97) 466 fin., Brussels, 24 September 1997.

<sup>69</sup> “EU Group To Discuss Unifying Defense Market”, Brooks Tigner, *Defense News*, 16-22 July 2001.

<sup>70</sup> “EU Group To Discuss Unifying Defense Market”, Brooks Tigner, *Defense News*, 16-22 July 2001.

<sup>71</sup> This, and the other quotes in this paragraph, come from pp. 6-7 of the report.

the capacity to deliver the required results". Defence, space and research & technology, in particular, are seen to require quick decisions "to avert a closing off of policy options for the future". Most important, according to STAR 21, is 'a level playing field', the industry's mantra for better market access by "convergence in export control policies" – that is, lower barriers. Moreover, Europe should seek better market access in the US through changes to 'Buy America' practices.

In the absence of these conditions, a healthy and competitive European aerospace industry is seen to be under threat. "It is in the areas of security- and defence-related research that the most pressing need for added efforts to secure the future of the European industry is identified".<sup>72</sup> Though the report avoids mentioning specifics as regards money, it does state that "adequate financial resources" are essential to enable the realisation of the plans. To give an idea of the figures they have in mind, STAR 21 points to an estimated €100 billion needed to fund civil aerospace research over the next 20 years.<sup>73</sup>

As with the Group of Personalities, STAR 21 refers to the area of applications with both civil and military use. More specifically, it stresses the need for early action "to explore applications of space technologies especially for communication and monitoring, including those required for security and defence." This not only refers to the nascent Galileo programme - supposedly the European answer to the American GPS navigation system - but also to other more specific military space programmes that the EU is considering. They mark a very significant, but barely noticed, turn away from ESA's historically civil space programmes.<sup>74</sup>

Echoing the GoP, STAR 21 comes to the conclusion that there is an urgent need to set up, structure and co-ordinate EU-wide armaments policy and programmes to increase efficiency in defence spending. Paradoxically, instead of concluding that this rationalisation would result in savings, STAR 21 urges "Europe's political leaders [...] to seriously consider how to bring about the needed commitment to the increased resources and more coherent European framework required to meet Europe's existing and future political goals".



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<sup>72</sup> p.8.

<sup>73</sup> p.7- 8.

<sup>74</sup> "A fully Europe-based capability for surveillance, reconnaissance and command/control should also be developed. Europe should also maintain an independent and competitive access to space", reads the STAR 21 press release ("European Advisory Group on Aerospace outlines way forward for industry", IP/02/1059, Brussels, 16 July 2002). ESA is the European Space Agency.

### 3. MILITARY INDUSTRIAL LOBBY

#### *ASD – the lobby giant*

The most comprehensive arms industry lobby group is the recently formed ASD - the AeroSpace and Defence Industries Association of Europe. It is the result of the April 2004 merger between three older industry bodies: EDIG, AECMA and EUROSPACE. The box gives a short history of the two predecessors that had the strongest roots in the defence industry.

ASD claims to represent 32 associations in 20 countries across Europe, or more than 800 companies with combined annual revenues of about €100 billion.<sup>75</sup> Its first president Mike Turner, CEO at BAE Systems, was succeeded in October 2004 by Italian Finmeccanica chief Pier Francesco Guarguaglini<sup>76</sup>. Roger Hawksworth, the former AECMA chief, serves as ASD Secretary General. Furthermore, ASD has five directors and at least another 14 staff working at its Brussels office.

Two of ASD's top priorities are improving US-European trading relations and increasing government-funded research and technology. ASD also stresses the need for "coherent European policies". To lend the European Commission a helping hand, ASD regularly visits the highest ranking officials in the Brussels political scene, of course. For example, in mid-January 2005 Guarguaglini visited Commissioners Verheugen (Enterprise and Industry) and McCreevy (Internal Market) who both reportedly displayed a positive attitude toward industry<sup>77</sup>. The same day the ASD president also met EDA chief Witney, and was also invited to meet the EU's High Representative on CFSP Javier Solana in September 2005. In late March this year, Guarguaglini had an appointment with EC Vice President Jacques Barrot and the new Research Commissioner Janez Potocnik, "to discuss matters within competence that are relevant to the industry".<sup>78</sup>

With the enlargement of the EU, a new Commission and EP elections all in 2004, ASD must have been extremely busy fulfilling another of its missions: to ensure "that representatives of the new members of the EU, new Commissioners, their staffs and new MEPs get all the needed support in order to correctly position our industry's priorities in the general EU framework".<sup>79</sup>

To this end, for example, the ASD 'EU Working Group', which consists of Brussels-based representatives of the major companies that meet about once a month, and which advises the ASD Policy Commission, invited in June 2004 Dominique Lamoureux from Thales to present a case for setting up an ASD Working Group on Export Controls<sup>80</sup>. After an apparently unsuccessful launch, the renamed 'Export Control Committee' is now supposed to start soon.<sup>81</sup>

<sup>75</sup> "European Aeronautics, Space and Defence Industries Join Forces in ASD", ASD Press release, 22 April 2004. Also: "Single Voice", *Aviation Week & Space Technology*, 3 May 2004, p.15.

<sup>76</sup> Who in turn will be succeeded by EADS CEO Rainer Hertrich, nominated as ASD President Elect 2005-2006; see p.6 at: <http://www.asd-europe.org/Convention%202004/ASD%20Convention%20Dossier.pdf>.

<sup>77</sup> *ASD Weekly Bulletin*, 21 January 2005.

<sup>78</sup> *ASD Weekly Bulletin*, 11 April 2005.

<sup>79</sup> ASD 'Top 10 Priorities for 2004', at [http://www.asd-europe.org/Publications/ASD\\_Introduction.pdf](http://www.asd-europe.org/Publications/ASD_Introduction.pdf)

<sup>80</sup> *ASD Weekly Bulletin*, 25 June 2004.

<sup>81</sup> *ASD Weekly Bulletin*, 11 April 2005.

Formed in 1976, the European Defence Industries Group (EDIG) was probably the oldest Brussels-based lobby organisation of its kind. From the start, it functioned as an advisory body to the Independent European Programme Group (IEPG) – the initiative of European NATO countries (except Iceland) to foster common defence procurement programmes. From late 1992, IEPG came under the umbrella of the WEU as the *Western European Armaments Group (WEAG)*.<sup>i</sup>

EDIG also drew its membership from the national defence industry associations of the WEAG member nations. *Its mission was*

"[to] be the forum for the co-ordination of European Defence industry advice and policy recommendations to the WEAG governments, the European Commission and the European Parliament, on all initiatives concerning the European defence technology and industrial base, including the European defence equipment market."<sup>ii</sup>

Over the years, mooted joint military programmes and, similarly, industrial programmes, have usually arrived stillborn. Any real collaborative action was paralysed by opposing national (military and industrial) interests. This meant that IEPG and WEAG not only never had much success, but also that EDIG went through a prolonged lean period. One of its main areas of action over recent years has been promoting the creation - and EU funding - of military Science & Technology (S&T) and Research & Development (R&D) programmes.<sup>iii</sup> EDIG also had the opportunity to pass on the defence industry's wishes to those preparing the EU Constitution, as discussed earlier.

Nonetheless, EDIG has largely kept a low profile, at least in public. Lobbying for the interests of so many different countries, each with different industrial interests, may also have hampered its effectiveness. With the recent developments on the military front in Brussels, the emergence of ASD increases the prospect of a much more influential combined defence industrial lobby.

Compared to EDIG, the aerospace lobby has always been more visible since it came together in 1950 under the umbrella of AECMA<sup>iv</sup>, the European Association of Aerospace Industries. All the major companies took part in AECMA, either directly as members of the AECMA Council, or through their national aerospace associations.

Of particular note, and uniquely in Europe, the aerospace industry is a path breaker in European industrial collaboration and concentration. Two of the world's largest industrial giants, EADS and BAE Systems, have been spreading their wings across Europe (and further afield) for years now. EADS in particular, with the Franco-German Eurocopter and the pan-European Airbus consortium under its wing, is held up as an example of cross-border industrial co-operation. With a cumulative annual turnover of about €75 billion, former AECMA's industries still have a vested interest in the military market, which represents about one third of their total turnover.<sup>v</sup>

In looking at AECMA activities, a number of familiar faces show up repeatedly. For example, at its 2002 Annual Convention in The Hague, guest speakers included Carl Bildt (also Group



of Personalities), Karl von Wogau (also GoP, STAR 21, Kangaroo Group) and Erkki Liikanen (also GoP, LeaderSHIP 2015 and STAR 21). Naturally, AECMA sends out a supportive press release for every step that is taken towards a more defence- and security-oriented Europe.<sup>vi</sup> Not only does AECMA see defence spending as a prerequisite to survival for its members, it also thinks that "support for aerospace should [...] be an essential part of the proposed CFSP [...and that a] European defence technological and industrial base [...], including export capability for products and services, is required to support an autonomous CFSP".<sup>vii</sup> In other words, no sound EU foreign policy is possible without strong arms export support.

Looking back on all the examples of the defence industry's influence on - and participation in - all kinds of advisory bodies and lobby groups raises some concern. Now the first concrete steps towards defence industry involvement in CFSP/CSDP have been made, there are fears that undermining current arms export policies will be one of the industry's next targets.

<sup>i</sup> In fact the WEAG ceases to exist from 23 May 2005.

<sup>ii</sup> <http://www.edig.org/missions.htm>

<sup>iii</sup> See section 'Group of Personalities'

<sup>iv</sup> Association Européenne des Constructeurs de Matériel Aérospatial

<sup>v</sup> The relative proportions of aerospace industry turnover contributed by military and civil production have shown a marked change: from being half the amount of military sales in 1980, civil aircraft sales are now worth double those of military sales in 2002. Source: AECMA Facts & Figures 2002.

<sup>vi</sup> See for example: "European Aerospace and Defence Industry Leaders Express Strong Support for the European Armaments, Research and Military Capability Agency" (22 October 2003); "European Aerospace Industry Welcomes the STAR 21 Communication of the European Commission" (21 October 2003); "European Aerospace and Defence Industry Welcomes Security Research Initiative of the European Commission" (7 October 2003).

<sup>vii</sup> "Defence Activities", AECMA Position, January 2002.

The ASD has a number of task forces and other working groups, such as the ELDIG, also known as the Land Systems Sectoral Group or [European] Land Defence Industry Group, which was launched at the Eurosatory arms fair in Paris in June 2004. It is meant to provide a forum for enhancing a European land-defence industrial base.<sup>82</sup>

Still a predominantly aerospace interest group, ASD has the potential to grow into a truly pan-European defence industry lobby, representing producers of tanks and naval ships, to electronic warfare kits and fighter aircraft, and from rifles to nuclear bombs. If they succeed in promoting their common interests - more government funding, more arms production and more arms exports - there is reason to fear that the arms industry will further strengthen its grip on European policies. Considering the ease with which ASD people have access to the highest bureaucratic levels in Brussels, such fears are not without foundation.

<sup>82</sup> ASD *Weekly Bulletin*, 18 June 2004.



## *Lunch in Brussels: Forum Europe and the New Defence Agenda*

Besides task forces, working groups and lobby organisations, there is another more informal ground for networking and lobbying in Brussels. There are at least a couple of organisations that may portray themselves as think tanks or forums. A common feature of these groups is that their meetings often take place around lunch or dinner time, and are attended by EP representatives, NATO and EU military staff, as well as defence companies - which often tend to sponsor the meetings. This section will look at two of the most notable groups: the New Defence Agenda and the Kangaroo Group.

Housed in the prestigious Bibliothèque Solvay, Forum Europe's New Defence Agenda (NDA) is an excellent example of a lobby institute that serves backdoor diplomacy between the arms industry and EU officials. The NDA was established as a separate forum in 2002, though Forum Europe itself took up defence issues long before that. The NDA's claim to be a "neutral platform for discussing NATO and EU Defence and Security Policies"<sup>83</sup> is breathtaking for its hubris. It boasts of being "the only regular forum in Brussels where NATO and the EU, industries and academia, political figures and journalists gather to discuss the future of European and transatlantic defence policies and to contribute to a series of Discussion Papers that reflect key points raised in these debates. The NDA also serves as a networking centre of defence-related think tanks around Europe."

As an indication of its level of political access, NATO boss Jaap de Hoop Scheffer, and - at the time of writing - EU foreign policy chiefs Benita Ferrero-Waldner and Javier Solana are the group's three patrons.<sup>84</sup> Its president is former Spanish Defence Minister Eduardo Serra.

The director of Forum Europe and the NDA is Giles Merritt, a veteran lobbyist who also heads the Friends of Europe think-tank. A former *Financial Times* correspondent, Merritt is a regular contributor to the Op-Ed pages of the *International Herald Tribune*. In one of his latest columns he concludes that

"the success or failure of an ambitious new European strategy will ultimately depend on the in-fighting skills of a small number of top officials. To equip Javier Solana with a foreign ministry worthy of the name, the machinery must be set in motion very soon."<sup>85</sup>

To help accomplish that appears to be exactly what Merritt sees as the role of his NDA. Merritt recently co-authored "The Path to European Defence"<sup>86</sup>, in which he urges "substantial increases in national defence budgets", as the only remedy to counteract "the dangers to the European Union economy as a whole if the defence sector shrinks any further".

<sup>83</sup> See more on <http://www.forum-europe.com/NDA/index.html>

<sup>84</sup> Chris Patten was one when he was Commissioner till November 2004.

<sup>85</sup> "Solana's role stirs up a bureaucratic turf war", Giles Merritt, IHT, 17 December 2004.

<sup>86</sup> "Industrial aspects of European defence and concrete measures", Giles Merritt, in: "The path to European Defence", K. von Wogau (ed.), Maklu, Antwerp 2003.



### ***NDA: Partners and Members***

Such opinions are, as one would expect, happily received by the arms industry, which willingly provides financial backing to the NDA, in order “to reach a select group of policy decision makers and media opinion formers”.<sup>87</sup> Its ‘partners and members’ include the world’s largest arms companies, such as BAE Systems, Boeing, Dassault, Diehl, EADS, Finmeccanica, Honeywell, Lockheed Martin, Northrop Grumman, Raytheon, Saab, Thales and United Technologies.<sup>88</sup> Lockheed Martin, is particularly noteworthy for being a regular sponsor of NDA meetings and papers. The substantial American input is significant, considering the relatively strong support from influential MEP’s and the EC to the European industry in building and enforcing a European defence identity. That notwithstanding, it’s quite logical to see Lockheed Martin and Boeing around in Brussels, given that they are the world’s largest arms producers, with most European countries as their customers. Naturally, they are also trying to reap the rewards afforded by Europe’s military ambitions, which are in turn expanding in the context of growing US pressure for the EU to ‘share the burden’.

**T** In an attempt to compensate for a diminishing share in both civil and military aviation markets, to Airbus and Lockheed Martin respectively, “Boeing has been getting out its cheque book of late and has recruited a number of top-flight ex-diplomats in EU national capitals”, explains Merritt to the conservative business eZine *EU Reporter*.<sup>89</sup> Boeing uses the contact books of these “heavy hitters” to “open doors” and win lucrative EU contracts. What Merritt does not say is that the same cheque book also provides him with a comfortable living.

**N** NDA also receives support from potential EU newcomers, such as the Romanian and Turkish Ministries of Defence, which are both on its list of ‘partners’.<sup>90</sup> More surprisingly, the NDA has affiliated itself with a couple of ‘content partners’ in the peace research community, such as the Center for Defense Information (CDI) and SIPRI, the leading Stockholm institute, which both run projects that highlight the adverse effects of the international arms trade.

### ***NDA: Protecting civil society – by invitation only***

**I** At the March 2004 European Business Summit held in Brussels’ Sheraton Hotel, NDA’s Merritt co-chaired a session on “Defence and Security” in which he offered some handy PR tips. “Stop making macho ads with missiles and fighter planes” and start using “civil society language”, Merritt recommended, suggesting that the industry could present itself as “protecting civil society and the freedom of citizens”.<sup>91</sup> The same meeting heard speakers from Lockheed Martin and EADS.<sup>92</sup>

The New Defence Agenda mostly organises conferences and monthly ‘invitation only’ roundtables,

<sup>87</sup> “Fresh perspectives on Europe’s security”, *NDA Discussion Paper*, February 2004, p.56.

<sup>88</sup> These sponsor lists of course change over time - names mentioned here come from lists that were on the NDA website in late 2004 as well as in April 2005.

<sup>89</sup> “Boeing seeks slice of EU military, space spending”, George Burton, *EU Reporter*, 20-24 October 2003.

<sup>90</sup> Remarkably, an older list also contained the ‘Taipei Representative Office’.

<sup>91</sup> As quoted in “Competing Ourselves to Death”. Corporate Europe Observatory, April 2004.

which are attended by 50-60 industry and EU/NATO officials, as well as selected journalists. Regular press dinners “in a prestigious informal environment with NDA VIP members” are also part of the NDA’s programme. Previous meetings have been addressed by luminaries such as Javier Solana and Erkki Liikanen. The latter spoke in November 2003 on “Europe’s Defence and Security Research”. One of his key points – according to the NDA report of the meeting – was that he called for the industry

“to show ‘fighting spirit’, saying that without it nothing will ever be achieved. Commissioner Liikanen insisted that a long awaited debate has been started on [a] subject considered taboo for decades. Calling for patience, the Commissioner painted a picture of a sector that, although complex, [was] seeing the first signs of fundamental change”.<sup>93</sup>

In terms of major speakers, the NDA’s February 2005 conference “Towards an EU Strategy on Collective Security” must have been their most successful so far, with speeches from EU counter-terrorism czar Gijs de Vries, Franco Frattini (Commissioner for Justice, Freedom and Security) and Enterprise and Industry Commissioner Günter Verheugen. The conference was largely paid for by EADS, which is not only the parent company of Airbus and Eurocopter, but also known as the premier supplier of France’s nuclear missile ‘security blanket’.

## ***The Kangaroo Group***

Similar to the New Defence Agenda in its operations and goals, but different in its origins, is the so-called Kangaroo Group<sup>94</sup>, which has its roots in the Christian Democratic People’s Parties of Europe (PPE) grouping in the European Parliament. Originally, in the early 1980’s, the main focus was internal market issues like the abolition of border controls, and the removal of obstacles to trade within the EU.

As we have seen before, when it comes to support for European defence issues the stalwart MEP, Karl von Wogau, is almost always around. The Kangaroo Group proves no exception. From the outset, Von Wogau and fellow MEP Basil de Ferranti have led the group. Von Wogau is currently chairperson, and a most vocal advocate of a stronger, more militarised EU. Among the Board’s members are some ten MEP’s, with a further eleven representatives from the industrial sector, including EADS’ Vice President Hartmut Bühl (European Security Policy & NATO).

It comes as no surprise to learn that, like the NDA, the Kangaroo Group is sponsored by the arms industry, counting among its corporate members EADS and major German companies Diehl and Rheinmetall, as well as French SNECMA and Thales.<sup>95</sup>

<sup>92</sup> [http://smooz.4your.net/ebsummit/files/EBS\\_Report\\_2004.pdf](http://smooz.4your.net/ebsummit/files/EBS_Report_2004.pdf) - see pp. 34, 35.

<sup>93</sup> Press Dinner with Erkki Liikanen, New Defence Agenda, 12 November 2003, see: [http://www.forum-europe.com/publication/SOD\\_PressDinner\\_Commissioner\\_Liikanen2.pdf](http://www.forum-europe.com/publication/SOD_PressDinner_Commissioner_Liikanen2.pdf).

<sup>94</sup> The name was seen as a symbol for an animal with an ability to take great leaps forward. Also, it was apparently inspired by a parallel group of MEP’s, which called themselves the “Crocodile Club”.

<sup>95</sup> After its recent merger with Sagem, SNECMA is now one of the largest French defence companies.



## Who is Karl Von Wogau?

### Karl von Wogau (1941):

Prior to his political career, Karl von Wogau was Manager at Swiss chemical giant Sandoz (1971 – 1984). Thereafter, he became a partner in the law firm Graf von Westphalen Bappert & Modest in Freiburg. He is MEP for the German Christian Democratic CDU since 1979 and is currently the chairperson of the sub-committee on Defence and Security of the EP, and a member of the EP delegation to the NATO Assembly. Von Wogau, whose personal website can be seen at [www.wogau.de](http://www.wogau.de), is Kangaroo Group initiator and chairperson; and a regular participant in NDA meetings. He is also a member of the Group of Personalities and of STAR 21.



The Kangaroo Group claims support from “over 150 Members of the European Parliament who actively support the group by giving lectures at its conferences, seminars, working groups, by writing articles for the group’s quarterly Newsletter, [and] by chairing various events”.<sup>96</sup> Among its working groups is one on “Economic Aspects of a Common European Defence Policy” - usually led by Von Wogau. As with the NDA, the Kangaroo Group facilitates the digestion of the weighty issues on review by organising “Brussels Dinner Debates” and “Strasbourg Lunches” (replete, one assumes, with lashings of gravy).

In a December 2002 press release, the Kangaroo Group announced its suggestions to the European Convention for a two-stage defence plan. Most striking is the wish that by 2009 the EU should be capable of conducting “operations of the extent and intensity of the Kosovo conflict in a defined European area of concern”, representing a significant escalation in the scale of operations than had previously been mooted. As regards industrial aspects, the Kangaroos feel that a ‘true’ common market in the area of defence should be created:

“Remaining obstacles to trade between member states should be abolished and common strict arms export rules to third countries established. Arms exports should be handled in a more common way.”

The probable consequence of that, however, would be that the biggest arms producing and exporting countries – especially France, the UK and Germany - have a dominant say in determining exactly what constitute “strict export rules”. Not surprisingly, their interpretations tend not to be as strict as, for example, those of Denmark or Finland. The ongoing case of the EU arms embargo against China may serve as an example of that. Heavy US pressure - including threats of arms industry sanctions – rather than opposition from other EU members, has so far prevented the three largest arms-producing countries from not having lifted the embargo already.

<sup>96</sup> [http://www.kangarogroup.org/E/033\\_members\\_D.lasso](http://www.kangarogroup.org/E/033_members_D.lasso)

## 4. CONSEQUENCES FOR ARMS EXPORTS POLICY

It is not just the promotion of a strong military Europe that all the previously mentioned initiatives from the arms industry and its sympathisers have in mind. Naturally, a strong military needs a strong, and preferably self-sufficient, arms industry to cater for it. And a natural corollary to that is the drive to export, to maintain - or, even better, to increase - profitability. Clearly, then, what is at stake is the very idea of European arms export policies based on a notion of 'good conduct' where one does not wilfully arm and support repressive or belligerent states.

Lars-Erik Lundin, the head of the security policy unit in the Commission's department for external relations, indicated at a conference of the Brussels-based research organisation ISIS-Europe in June 2003, that the Commission "would like to create a level playing field for exports, so that companies could export from different countries within the EU without having to deal with different regulatory systems."<sup>97</sup> That would remove the obstacles that can currently exist, where weapon systems that are produced by companies in more than one country, are obliged to face the different interpretations of the EU Code of Conduct (CoC) on arms exports by the respective governments. To facilitate exports, the industry is pressing the EU and national governments to apply export policies in such a way as to make it impossible for one country to prohibit the export of parts of a weapon system that will be exported eventually to a 'problematic' third country from a second EU country where assembly takes place.

Such modifications of export procedures have already been established through the so-called Framework Agreement that was set up by six of the main European arms producing countries: the UK, France, Germany, Spain, Italy and Sweden.<sup>98</sup> The intent of the Framework Agreement is "to harmonize the requirements of their armed forces, their procurement, research and technological development policies, and defence-related aspects of their export procedures." We saw in the section on the European Defence Agency how the EDA intends to make the arrangements of the Framework Agreement into EU policy, thereby undermining many current national arms control systems.

Less far-reaching, but clearly instrumental in that goal is the "impact assessment study on the simplification of intra-community transfers of defence equipment" that was announced in late 2003 by Finnish Enterprise Commissioner Erkki Liikanen.<sup>99</sup>

All these policy developments are closely monitored and actively lobbied on - if not, indeed, initiated - by the lobby groups and think tanks described above. Clearly these developments are a serious threat to arms control policies which have been developed and introduced over the years, both on a national and an EU level.

<sup>97</sup> See p.9 of the report of the ISIS Europe organised conference "Building an Integrated and Accountable European Security and Defence Policy", on 11 June 2003 in Brussels. The conference was part of the Research Training Network's "Bridging the Accountability Gap in European Security and Defence Policy" project, which was supported by the European Commission. More on [www.isis-europe.org](http://www.isis-europe.org) and [www.esdpdemocracy.net](http://www.esdpdemocracy.net).

<sup>98</sup> An excellent review has been written by BASIC [British American Security Information Council]: "Export Controls in the Framework Agreement Countries", Kathleen Miller and Caroline Brooks, July 2001, at: <http://www.basicint.org/pubs/Research/2001ExportControls1.htm>

<sup>99</sup> Report of a Press Dinner with Erkki Liikanen, 12 November 2003: [http://www.forum-europe.com/publication/SOD\\_PressDinner\\_Commissioner\\_Liikanen2.pdf](http://www.forum-europe.com/publication/SOD_PressDinner_Commissioner_Liikanen2.pdf).



Since matters of arms production and exports by definition relate to questions of security and human rights, as laid down in the CoC, it is essential to have these considerations explicitly included in policies on the development of the European defence-industrial base. Thus far, little or no progress has been made in that direction.

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## CONCLUDING REMARKS

As has been shown throughout this paper, the arms industry is deeply rooted in Brussels' decision-making circles. It is of concern that its ability to set the terms of debate and shape the direction of policy can only be expected to grow in the coming years, as it is only now starting to reap the rewards of earlier intensive lobbying work. As Brussels places more importance on military matters, the arms industry will find cause to intensify its efforts to frame policy, while 'levelling the playing field' in ways that are beneficial to their business interests, and conducive to the continued proliferation of double-edged swords. Extending the metaphor, arms industry lobbyists are busily working to 'turn ploughshares into swords' using the panoply of weapons available in the arsenals of public relations, advertising and media-management agencies.

So far they have been very influential and successful with formulating policy proposals on the developing European Defence and Security Policy. Invited to present their wish lists, the industry was well represented at the European Convention's table. It furthermore had a crucial role in a number of European Commission policy task forces dealing with defence industrial policies. The groundbreaking 'security' research budgets that have recently been set out are probably the most concrete results of the arms industry's lobbying.

In glaring contrast, meaningful representation from civil society more generally in this part of foreign policy is largely, if not completely, absent. Organised civil society at large may itself be to blame for not having pushed harder to be heard, but as the EU Convention's working group on defence shows, the concept of a secure Europe has been military-oriented from the beginning. Their hearing of almost exclusively top military bureaucrats, four-star generals and the arms industry was a serious shortcoming. Human rights organisations, development workers, churches and local grass roots organisations all have their expertise in dealing with conflict-prevention and resolution, often thinking in very different terms to those - be they warriors military, bureaucratic, or corporate - who clamoured to be heard. The 'levelling of playing fields' mantra should be heard in different arenas, recognising that to accomplish this Herculean task the EU Commissioners, Parliamentarians and bureaucrats need help not only from the lobbyists and their clients, but also from those of us who sanction - and pay for - the work.

It is difficult but to infer that the prevailing idea of a 'secure Europe' emphasises 'security' as the measures taken to protect a place or to restrict access to it, rather than the other - more nuanced - sense of 'security' meaning the feeling of being safe and free of worry. Finding a balance between the 'hard' and 'soft' meanings of the word cannot be left to the Brussels lobbyists entrenched in the citadels of power and *haute cuisine*, while beavering away in the shadow of Fortress Europa.

The influence the industry exercises on policy-making processes is astonishing for the uninitiated outsider to see. The field of defence and defence industry would seem to have been abandoned by all but the captains of industry, the officers of the lobbies - both commissioned and non-commissioned - and the trusty auxiliary corps of 'sherpas'. The leading role played in Brussels by both lobby organisations and companies themselves is largely unknown to the general public, which masterfully demonstrates a precept of Sun Tzu's, taught at war and business colleges:

“Be extremely subtle, even to the point of formlessness. Be extremely mysterious, even to the point of soundlessness. Thereby you can be the director of the opponent’s fate.”

Having entrenched themselves in the network of trenches, tunnels and spider holes represented by the various working groups, budget committees and *chocolatiers* of Brussels and Strasbourg, the lobbyists confirm the veracity of Sun Tzu’s comment that “opportunities multiply as they are seized”. Thus the armaments industry and its cohorts have seized the opportunity to set the foreign and security policy agenda, in the absence of a more inclusive and transparent policymaking process, which in turn leads to framing industrial and research policy and funding priorities, as well as widening the beachheads created by attacks on arms export control regulations. For some, this could evoke the ‘military-industrial complex’ term, coined by that soldier-turned-politician, Dwight Eisenhower.

In general, the EC should do more to increase transparency in matters of lobbying. Currently a coalition of non-governmental organisations is asking the Commission “to act immediately to curb the excessive influence of corporate lobby groups over EU policy-making”.<sup>100</sup> The large majority of the some 15,000 professional lobbyists that work in Brussels represent business interests. At present, it is completely unclear when and with whom lobbyists maintain contacts, both in the EP and at the EC. This contributes to fears of a ‘democratic deficit’, dodgy deal-making, unresponsive government and misplaced allocation of resources.

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Of serious concern, finally, is how arms export control mechanisms are under serious pressure from the defence industry and its lobbyists. First, increased international co-operation in arms production will most likely lead to a movement of arms exports from countries with a more restrictive implementation of the EU Code of Conduct on arms exports towards, in general, the big arms producers, who turn out to be more willing to sell arms in conflict zones or to states with questionable human rights records, as well as those with a history of insurgent activity. The 1998 EU Code of Conduct was hailed as a milestone in creating an international policy mechanism to control conventional arms exports. It is now beginning to appear that the initiatives to strengthen the European arms industry may take precedence over this arms control instrument, however, as pressure mounts for a ‘level playing field’ and harmonisation of export policies. The protection and strengthening of the relatively young Code of Conduct on arms exports is a matter that should be of direct concern to all Union citizens and taxpayers. It is a shame therefore that the EDA and its supportive role for the arms industry figure so prominently in the current EU Constitution’s text, without ever mentioning the necessity of stringent EU arms control policies and practices. That is a sad example of where priorities apparently have been set. A sustainable, secure and peaceful world is much better served with proper social security, health and education systems than with expensive armaments, which not only threaten regional stability in different parts of the world, but also put often fragile economies under enormous pressure.

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<sup>100</sup> See for example the website of the Netherlands based Corporate Europe Observatory:  
<http://www.corporateeurope.org/lobbydebate.html>

## GLOSSARY

AECMA: European Association of Aerospace Industries  
ASD: AeroSpace and Defence Industries Association of Europe  
CEO: Chief Executive Officer  
CFSP: Common Foreign and Security Policy  
CoC: Code of Conduct on arms exports  
CSDP: Common Security and Defence Policy  
DG: Directorate General  
EC: European Commission  
EDA: European Defence Agency  
EDIG: European Defence Industries Group  
EFSP: European Foreign and Security Policy  
EP: European Parliament  
ESA: European Space Agency  
ESDP: European Security and Defence Policy  
ESRP: European Security Research Programme  
EU: European Union  
GoP: Group of Personalities in the Field of Security Research  
IEPG: *Independent European Programme Group*  
LoI/Framework Agreement: Letter of Intent/Framework Agreement  
MEP: Member of the European Parliament  
NATO: North Atlantic Treaty Organisation  
NDA: New Defence Agenda  
OCCAR: Organisation Conjointe de Coopération en matière d'Armement  
R&D: Research and Development  
R&T: Research and Technology  
UN: United Nations  
US: United States of America  
WEAG: Western European Armaments Group  
WEU: Western European Union

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After many years of ideas, but little substance, military developments in the European Union are currently moving forward faster than ever. Issues that were deemed likely to remain at the discussion table forever have 'suddenly' taken root: EU defence policy, common procurement, military research spending and the restructuring of the arms industry. The incorporation of military issues into the EU Constitution and the creation of the European Defence Agency, in particular, are important milestones that have passed unnoticed for many people. Not so for the defence industry. Among a dozen generals and diplomats, three arms industry representatives were asked to give their views on Europe's defence policies – but not one civil society representative was approached.

Over the last few years the arms industry has increasingly pressured high-ranking officials and parliamentarians in Brussels and in national capitals to adopt their policy proposals. With no small degree of success. 'The Group of Personalities', 'LeaderSHIP 2015' and other task forces led by European Commission luminaries, have been essential to lobbying their interests, ranging from increased spending on anti-terrorist technology to the removal of arms export barriers.

This report highlights the influential but little-known role that the arms industry and its lobby play in Brussels today. The close co-operation between the European Commission and the arms industry is a case study of backroom policy-making, and a caricature of how many people today perceive European decision-making processes in general. The report also shows how their lobbying power threatens the 1998 EU Code of Conduct on arms exports (CoC) that should forbid arms sales to human rights abusers or conflict zones. This study hopes to contribute therefore to a much more transparent European decision-making process, especially as regards military matters, one which involves civil society, and serves to temper the overwhelming corporate power prevailing currently. With referenda on the Constitution ahead in many European countries, these developments should be brought to the fore.

Founded in 1974, TNI is an international network of activist-scholars committed to critical analyses of the global problems of today and tomorrow. In the spirit of public scholarship and aligned to no political party, TNI seeks to create and promote international cooperation in analysing and formulating possible solutions to such global problems as corporate driven globalisation, militarism and conflict, poverty and marginalisation, social injustice and environmental degradation. It aims to provide intellectual support to those movements concerned to steer the world in a democratic, equitable and environmentally sustainable direction.

The TNI Globalisation and Militarism Project aims to highlight the links between rising militarisation and the process of globalisation. It aims to exemplify the connection between globalisation and war; between the carving out of new markets by means of trade and by means of violence; between the economics of neo-liberalism and the politics of empire.

The project involves an international network of researchers and activists and is currently focussed on three major themes: Alternatives to Empire; International Movement Building and the Economics of Arms Trade. The project co-hosts seminars and forums, undertakes analyses, produces publications and participates in a number of regional and global civil society platforms.

The Dutch Campaign Against Arms Trade (Campagne tegen Wapenhandel) is a politically independent organisation that investigates the arms trade policies and realities, publishes books, reports and articles, organises protest and informs politicians and the media on current developments. It stresses the need for a much stricter application of the present European Union Code of Conduct on arms exports, that should prevent arms exports to conflict regions and human rights abusing regimes. Working in close cooperation with international partner organisations, the campaign seeks to promote the concept of human security rather than military security.

The Campaign Against Arms Trade is part of the European Network Against Arms Trade ([www.enaat.org](http://www.enaat.org)).