

**THE CHANGING FACE OF EUROPEAN
ARMAMENTS CO-OPERATION:
CONTINUITY AND CHANGE IN BRITISH,
FRENCH AND GERMAN ARMAMENTS POLICY
1990 – 2000**

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Abstract

This thesis investigates the changing nature of Western European armaments collaboration between 1990 and 2000. Falling defence budgets, American defence restructuring, a decreasing world armaments market and moves towards a European Defence and Security Policy, have forced greater co-operation between Western European states on armaments policy. Although the European Union and Western European Union have responded to these changing circumstances, the most far-reaching co-operation has been intergovernmental; in defence procurement, the establishment of OCCAR, and in defence industrial policy, the Framework Agreement. These developments show the emergence of a core group of countries in armaments matters; the most important of which are Britain, France and Germany.

The thesis argues that, notwithstanding these institutional developments and the similar external and domestic pressures on West European states, national armaments policies continue to reflect distinctive national paths, and that these differences adversely affect the prospects of increased armaments collaboration. Synthesising new institutionalist and social constructivist approaches, the thesis examines policy continuity and change in Britain, France and Germany in this period by considering state-defence industry relations, state-military relations and the defence procurement bureaucracy. It scrutinises the policy changes made in the three countries in response to the pressures on the Western European armaments sector. It contends that national strategic culture, models of state-industry relations and the culture of defence procurement organisations continue to reflect historical patterns and domestic constraints, and thus are proving resistant to the changes in policy. The thesis concludes by assessing the prospects for greater European armaments collaboration.

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GLOSSARY

Abbreviations

ABC	Atomic, Biological and Chemical Weapons
ACE	Allied Command Europe
BAe	British Aerospace
BDI	<i>Bundesverband der deutschen Industrie</i>
BDLI	<i>Bundesverband der deutschen Luft- und Raumfahrtindustrie</i>
BICC	Bonn International Center for Conversion
BWB	<i>Bundesamt für Wehrtechnik und Beschaffung</i>
CAIA	<i>Confédération Amicale des Ingénieurs d'Armement</i>
CDU	<i>Christlich Demokratische Union</i>
CFE	Conventional Forces in Europe (Treaty)
CFSP	Common Foreign and Security Policy
CHEAr	<i>Centre des Hautes Études de l'Armement</i>
CMP	<i>Code des Marchés Publiques</i>
COEIA	COmbined Effectiveness and Investment Appraisal
CPS	Cardinal Points Specification
CSU	<i>Christlich Soziale Union</i>
DCN	<i>Direction des Constructions Navales</i>
DERA	Defence Evaluation and Research Agency
DGA	<i>Délégation Générale pour l'Armement</i>
DGAP	<i>Deutsche Gesellschaft für Auswärtige Politik</i>
DMA	Defence Manufacturers Association
DMA	<i>Délégation Ministerielle pour l'Armement</i>
DoD	Department of Defense
DPA	Defence Procurement Agency
EAA	European Armaments Agency
EAC	Equipment Acquisition Committee
EADS	European Aeronautic Defence and Space Company
EDC	European Defence Community
EDIG	European Defence Industries Group
EFA	European Fighter Aircraft
EMU	Economic and Monetary Union
ESDI	European Security and Defence Identity
EU	European Union
EUCLID	European Co-operative Long-term Initiative for Defence
FAR	<i>Force d'Action Rapide</i>
FCO	Foreign and Commonwealth Office
FDP	<i>Freie Demokratische Partei</i>
GDR	German Democratic Republic
GEC	General Electric Company
GIAT	<i>Groupement Industriel des Armements Terrestres</i>
GICAT	<i>Groupement des Industries Concernées par les Matériels de Défense Terrestre</i>
GIFAS	<i>Groupement des Industries Françaises Aéronautiques et Spatiales</i>

IEPG	Independent European Programmes Group
IISS	International Institute of Strategic Studies
IPT	Integrated Project Team
JACS	Joint Armaments Co-operation Structure (English acronym for OCCAR)
JSF	Joint Strike Fighter
KONVER	a European Union fund to compensate areas badly affected by defence cuts after the end of the Cold War
LoI	Letter of Intent
MBB	Messerschmidt-Bölkow-Blohm
MIC	Military Industrial Complex
MP	Member of Parliament
MoD	Ministry of Defence
MRAV	Multi Role Armoured Vehicle
NATO	North Atlantic Treaty Organisation
OCCAR	<i>Organisme Conjoint de Coopération en Matière d'Armement</i>
ODIG	OCCAR Defence Industries Group
PAAMS	Principal Anti Air Missile System
PE	Procurement Executive
POLARM	a European Council <i>ad hoc</i> working group on a European armaments policy
R&D	Research and Development
RMA	Revolution in Military Affairs
SBAC	Society of British Aerospace Companies
SDR	Strategic Defence Review
SEA	Single European Act
SIPRI	Stockholm International Peace Research Institute
SMA	<i>Service de la Maintenance Aéronautique</i>
SMEs	Small and Medium-Sized Enterprises
SPD	<i>Sozialdemokratische Partei Deutschlands</i>
TEU	Treaty on European Union
UK	United Kingdom
UN	United Nations
UNPROFOR	United Nations Protection Force
US(A)	United States (of America)
WEAG	Western European Armaments Group
WEAO	Western European Armaments Organisation
WEU	Western European Union

Foreign Terms

<i>Acquis communautaire</i>	body of accepted legislation and policy (especially EU)
<i>Assemblée Nationale</i>	National Assembly of France
<i>Bundesamt für Wehrtechnik und Beschaffung</i>	Federal Office for Armaments Technology and Procurement
<i>Bundesministerium der Verteidigung</i>	Ministry of Defence (Germany)
<i>Bundesrat</i>	second chamber of the German Federal Parliament
<i>Bundessicherheitsrat</i>	Federal Security Council
<i>Bundestag</i>	first chamber of the German Federal Parliament
<i>Bündnis 90/ die Grünen</i>	Alliance 90 / The Greens
<i>bündnisfähig</i>	Alliance capable
<i>Bürger in Uniform</i>	citizens in uniform
<i>Cohabitation</i>	period when the president and prime minister of France are of different political parties
<i>Corps de l'Armement</i>	Armaments Corps
<i>Dirigisme</i>	interventionism (especially of the French state)
<i>Étatisme</i>	statism
<i>Europe des Patries</i>	a Europe of nation states
<i>Generalinspekteur</i>	administrative head of combined German forces
<i>Grandes écoles</i>	highly regarded French colleges
<i>Grands corps</i>	the upper stratum of the French civil service
<i>Grundgesetz</i>	Basic Law
<i>Hauptabteilung Rüstung</i>	Armaments Directorate General
<i>Ingénieur de l'Armement</i>	armaments engineer
<i>Juste retour</i>	'fair returns' – a system of collaborative procurement
<i>Länder</i>	German regions
<i>Levée en masse</i>	mass conscription
<i>Mitbestimmung</i>	German form of social consensus on employment matters
<i>Ostpolitik</i>	Chancellor Brandt's policy towards Eastern Europe
<i>Pantouflage</i>	the practice of moving between the state and private sector in the space of a career (especially in France)
<i>Politique de l'armement</i>	armaments policy
<i>Rechtsstaat</i>	a state based on the rule of law
<i>Rüstungspolitik</i>	armaments policy
<i>Rüstungswirtschaftlicher Arbeitskreis</i>	Defence Industry Working Group
<i>Tutelle</i>	guardianship
<i>Verantwortungspolitik</i>	'policy of responsibility' – German foreign policy stance
<i>Wehrbeauftragte</i>	Military Ombudsman in Germany

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Introduction: The Europeanisation¹ of Armaments Policy

Introduction

During the 1990s, there has been a growing interest in the potential for armaments collaboration in Western Europe. The making and marketing of arms has remained very definitely in the national sphere where possible until recently, so the reasons for this change are interesting. While the absence of a direct and common threat in post Cold War Europe has encouraged countries to cut defence spending, paradoxically there has also been an increasing desire to have a European response to the changing global security agenda. Given the existing spiralling procurement costs, there have therefore been both economic and political motivations for the Western European governments' new-found or regained enthusiasm for armaments co-operation.

The aim of this thesis is to examine the changing nature of European armaments collaboration, and to assess the level of armaments policy convergence among the three main arms-producing Western European states: Britain, France and Germany². This thesis will explain the reasons for the increasing levels of European armaments collaboration, and will assess the extent to which distinctive national policies and practices remain. Focussing on the area of armaments policy offers interesting insights into the wider European integration process, as it is a policy sector which, despite the logic of European integration, has until very recently remained resolutely

¹ For the purposes of the thesis, Europeanisation will be taken to mean "the emergence and development at the European level of distinct structures of governance, that is, of political, legal and social institutions that formalise and routinise interactions among the actors, and of policy networks specialising in the creation of authoritative European rules" (European Forum, 1999: <http://www.iue.it/RSC/EF/ResearchEF-99Axes.htm>).

² Throughout the thesis the Federal Republic of Germany (FRG) will be simply referred to as Germany. It should be noted therefore that prior to 1990 only West Germany (officially known as the FRG) is considered.

national. Even recent moves towards greater co-operation such as the establishment of the *Organisme Conjoint de Coopération en Matière d'Armement* (OCCAR³) and the Letter of Intent on defence industrial restructuring⁴ have been carried out outside of the EU institutions.

This introductory chapter will firstly explain why the sector has been 'special', it will then look at the history of collaborative procurement in Europe to establish why, in contrast to the trend in overall security policy during the Cold War, there has always been an inclination towards European rather than transatlantic collaboration in procurement. The reasons for the new urgency in tackling the problem of inefficiency in European collaboration will then be discussed. The chapter will then assess the models suggested by academics and policy-makers for more coherent collaborative procurement. The research questions raised by this background will then be discussed and the methodology of the research explained. Finally the chapter will offer an overview of the thesis.

It might seem logical that moves towards deeper European integration would automatically include armaments policy. After all it is not only vital to the success of any Common Foreign and Security Policy (CFSP), but also the inclusion of the defence industry in the Single Market would seem an automatic step. It seems surprising in fact that defence products are exempted by treaty from the Single

³ OCCAR also has an English acronym JACS (Joint Armaments Co-operation Structure) but the French acronym has prevailed in general usage and thus will be used throughout the thesis.

⁴ Britain, France, Germany, Italy, Spain and Sweden are involved in this process. They signed a Letter of Intent in December 1997 calling for defence industrial restructuring, and subsequently formed working parties to develop the conditions for the formation of transnational defence firms and the development of a European market for defence goods. This process culminated in a Framework Agreement signed on 27th July 2000 at Farnborough.

Market⁵. Integration in this sector remains an aspiration rather than a reality, and the path towards integration is a problematic one. In fact as de Vestel points out,

"The Europeanization of defence markets and industries figures among the most complex subjects of European integration. Through defence markets and industries, the problematic issues of political integration and more particularly the integration of the tools of sovereignty are posed."
(de Vestel, 1998: 197)

Armaments policy is about both defence markets and industries. There is a symbiotic relationship between defence firms and the nation state. The nation state needs the firms to produce their weapons, while for the firms their government is the primary customer. As a policy sector it acts therefore as an interface between industrial, technological and defence policies. It touches the heart of the concept of sovereignty of the nation state; its defence. Without the weapons to defend its territorial sovereignty, it is argued, a state cannot be truly sovereign; even neutral states have armed forces. This rhetoric is both emotive and fundamental to the Westphalian ideas of statehood. Preserving national autonomy in the armaments sector has therefore traditionally been very important for states.

Krause (1992) suggests that there are three reasons for states to maintain a military industry; the pursuit of victory or survival in war, the pursuit of power and identity and the pursuit of wealth. Clearly, maintaining security of weapons supply in times of war can be vital for victory as can the possession of superior weaponry. In addition to ensuring national defence and security though, armaments production has also been a foreign policy weapon. Arms transfers are considered as a way to maintain and expand a country's sphere of influence; in Realist terms this can be

⁵ Article 223 of the Treaty of Rome now Article 296 of the Treaty of Amsterdam.

described as the maintenance or expansion of a state's power in the world and its self-identity as a powerful country (Willett, 1996: 76). These are factors, which have been important to the state in an international system commonly perceived by policy-makers as innately anarchic. At the same time, armaments policy is as much about industrial and technological policy questions related to the pursuit of wealth. To what extent should a government intervene in the market to protect indigenous defence firms? Where is the dividing line between military and civil research and what should be funded by the state? How should profit be maximised? These are questions that focus on the definition of the role of the state in armaments production. These issues are as relevant as ever, but in the 1990s, in Western Europe, have been challenged by the pressures of increasing European integration and the internationalisation of the defence industry. Nation states need to reconcile their strategies with the necessity of co-operating at the bilateral, multi-lateral or international organisation level as well as coping with the "globalisation of technical innovation" (de Vestel, 1998: 187). Such developments have changed the policy-making environment, and both enable and constrain the nation state in the policy decisions it takes.

Ever since the technological advances that allowed the mass production of armaments were made, the nation state has, therefore, ensured it played a vital role in directing the development, production and sale of weapons. As de Vestel argues,

"Public policy, whether it be industrial and technological or concerning security and defence, contributes in profoundly affecting the technological, industrial and social dimensions of armaments production."
(de Vestel, 1998: 197)

There has consequently been a tradition of analysing armaments policy through the lens of defence economics. De Vestel defines the defence economy as all of the economic dimensions of defence; “industrial, technological, budgetary and employment aspects, and the transactions between buyers and producers” (1995: 1). The political economy of defence, which is the focus of this thesis, is broader as it brings the state and its directorial role firmly into the equation⁶ alongside these existing factors. The rationale for such an approach is clear according to de Vestel,

“...in parallel with the classical economic dimensions (industrial, technological and social) it is a question of public economy in the sense that states (and to a lesser extent international institutions) play a dominant role in the definition of armaments requirements and the organisation of production.” (de Vestel, 1995: 2)

This change in emphasis is matched by methodological change. Aben, for example, advocates the use of the tools of political science such as institutional analysis and theories of international relations as a fruitful methodological approach to the political economy of defence (Aben, 1992: 15) thus moving away from an emphasis on economic tools⁷. Such an approach seems likely to offer new insights into the area of research. This approach is consequently used in the thesis.

The thesis, moreover, emphasises the role of the state rather than the defence industries; thus it concentrates on the demand rather than the supply end of the equation. While some of the literature surveyed, particularly on Britain, concentrates on either defence procurement or defence industrial policy, the thesis contends that

⁶ This approach owes more to the French school of defence economics (Aben, 1992; de Penanros, 1995; Hébert, 1991 and 1999), which examines the role of the state closely, than to Anglo-American authors, typified by Hartley and Sandler (1995), who tend to emphasise the primacy of neo-liberal thought in their work and down-play the role of the state and the politics involved. However, the French work seems more applicable to examine Western Europe, as even Britain had, by the late 1990s, begun to attempt a closer state-defence industry relationship.

⁷ The advantages of this change in methodological approach are explained more fully in Chapter 3.

this is an imaginary divide and that the two are intertwined and not easily separated in analysis. There have been many excellent studies on the subject of the changing condition of defence industries⁸ but the demand side has been less well researched. Although there are prescriptive surveys, both official (such as European Commission 1996 and 1997) and academic analyses (such as Hayward, 1997; de Vestel, 1993 and 1998 and Matthews, 1992) of what governments *should* do to react to the changing policy environment post 1989, there is relatively little written about the reasoning behind governments' policy choices in this sector. Moreover, much of the existing work has been carried out using the American case⁹, which, as will be discussed later in this chapter, is not really comparable with the Western European case. There is also a tendency in the literature to take strong normative positions on defence production. The thesis tries to avoid prescription of policy, and thus does not engage in the ethical debate about the arms trade in particular or the merits or otherwise of maintaining a defence industrial base

The focus of this study is on the policy behind national decisions on the procurement of major weapons systems. Thus when defence industries are discussed, the thesis concentrates on the major contractors rather than the SMEs which often act as sub-contractors. It concentrates principally on the factors that prove particularly relevant to policy decisions about collaborative projects. It does not therefore offer an

⁸ Studies of the changing role of the defence firm in Europe include Brzoska and Lock (1992), Brzoska (1997), Bullens (1994), Dassauge and Cornu (1998), de Penanros (1995), Fontanel and Smith (1985), Hébert (1999), Serfati (1996) and Kaldor and Schmèder (1997). The wider issue of the globalisation of defence industry is addressed by Markusen (1999), Markusen and Costigan (1999), Susman and O'Keefe (1998), Kaldor, Albrecht and Schmèder (1998), Inbar and Zilberfarb (1998) and Hayward (1999) among others.

⁹ See for example Chowalsky (1983) or Farrell (1997).

exhaustive comparison of defence procurement processes¹⁰, but uses these processes to illustrate points made about armaments policy. As has already been argued, the armaments sector has been generally viewed as an essential part of national sovereignty by politicians and commentators alike. National projects mean that security of supply is guaranteed, that the armed forces get precisely the equipment that they want and need and that the indigenous defence industrial base benefits - thus helping the economy¹¹. The influence gained through exporting the product need not be shared and the financial profit also remains at home. Krause (1992) correctly argues that these are the reasons why states support military industry. So the question must be asked: why should nation states collaborate, as surely this would diminish the benefits?

Collaborative projects can be used as foreign policy tools; it is noticeable for example that when the Franco-German relationship has seemed to flag, often the solution was the proposal of a new cluster of joint defence projects. The reason why states collaborate is though often quite simply cost. Only superpowers can afford to develop and produce large-scale weapons projects alone. As Smith argues,

“Collaboration helps reduce costs by sharing the R&D between the partners and in principle can provide learning curve and economy of scale benefits in production. In practice, duplication of facilities, differences in requirements, coordination problems, lack of clear control and delays due to different budgetary systems all tend to increase the costs of collaborative projects.” (R. Smith, 1996: 69-70)

¹⁰ This ground has already been covered by Kausal *et al* (1999), and by Trybus' (1999) detailed comparison of the legal framework of defence procurement in Britain, France and Germany.

¹¹ This statement has long been assumed to be the truth but, as the civil spin-offs from defence technological advances become fewer and non-defence related technology becomes more important to defence equipment development, the validity of this is being questioned. There is now to all intents and purposes a 'spin-in' effect rather than a spin-off effect (Rohde and van Scherpenberg, 1996).

As, even when collaborative projects do not function efficiently, they are cheaper for major weapons systems than a national project; there are huge and desirable potential savings if collaborative projects are managed more efficiently. The difficulties in achieving efficient management are clear. Even more difficult to address though, is the problem of collaborative projects failing entirely, because partners cannot agree on requirements or processes. This thesis intends to investigate this phenomenon of collaborative non-procurement as well as the more usual issue of how collaborative procurement can be managed more effectively. It addresses issues such as the following. Why, if even when problematic, collaborative procurement is cheaper than a national alternative, is more not carried out? Is national protectionism of industry the only cause?

A History of Collaboration?: The Transatlantic Record

Given that Western European security was managed primarily in a transatlantic framework throughout the Cold War and continues to be so, it might be expected that armaments collaboration would also be carried out in this setting. However, although it has been encouraged through the operational needs of collective security structures such as NATO since the start of the Cold War surprisingly little collaboration has taken place. As Cooper (1990: 81) points out NATO, for example, was founded without any collective procurement strategy and this has hampered attempts to form one. Bittleston (1990) more optimistically suggests that there were some significant moves towards forming such a strategy. The main initiatives were as follows;

- The Conference of National Armaments Directors was established in the late 1960s to promote requirement harmonisation but has a bureaucratic image and was only modestly successful.
- The Consolidated National Defence Equipment Schedule from the same era, was also intended to enhance requirement harmonisation, but came too late in the national procurement process to be effective.
- The Periodic Armaments Planning System was established in 1981 to create harmonised mission needs but failed because it lacked American backing.
- The Independent European Programme Group (the only one to fully include France) was also created in 1976 to promote European collaboration but has achieved nothing concrete. It was the successor to the Eurogroup, which, as it did not include France, was a purposeless organisation.

It can be argued that none of these were particularly successful. Cooper (1990) contends that it was not until 1985 that rising procurement costs were taken seriously, and that this is why earlier attempts were unsuccessful. In evidence he points to the good, if limited, track record of the 1987 Conventional Armaments Planning System, which did take into account transatlantic industrial co-operation as well as harmonisation of requirements. There are, though, reasons for its limited track record. Cooper's argument fails to take sufficient account of the significant underlying political and economic tensions in transatlantic armaments policy co-operation.

As we have seen NATO does not have a good track record in fostering armaments policy collaboration. Hayward argues that there is a continual tension between the USA and Europe over industrial and technological issues which means

that NATO is not the ideal focus for the collaboration debate (Hayward, 1997: 22). In part, this is because the imbalance between the United States and Europe is so great; there is no sense in which they are equal partners. The American rationale in involving itself in collaborative projects has always been to ensure adequate defence spending on the part of the European allies rather than for efficiency or cost gains. The 1986 Nunn-Roth-Warner Amendment shows this. This was a piece of US legislation, which earmarked funds from the defence budget only for use with their allies in collaborative NATO projects. It involved "pushing a shopping basket of high priority equipment programmes" (Cooper, 1990:87) even if some of these were already the subject of development in other countries. The European response to this showed some reluctance to having their requirements and budgetary processes driven by an ally. Some Europeans also argued that the Nunn initiative was an American strategy to halt competing European technology in key areas where Europe is strong. It also required a massive change in US procurement policy as Congress's reluctance to buy goods even part-produced elsewhere is well known (Cooper, 1990). Transatlantic projects were therefore frequently carried out on very unfavourable terms for the European states. In effect, as a result, the experience of transatlantic collaborative projects has persuaded the European governments that, unless they are content to be junior partners, collaboration is more beneficial within a European framework.

Worries about the reliability of the United States as an ally also lent further weight to the argument for European co-operation. In particular America's refusal to involve the Europeans in arms control negotiations left them feeling vulnerable.

National pride and worries about security, as well as the assumed need to maintain a competitive defence industrial and technological base, meant that the European route, by the late 1980s, was looking ever more attractive. This feeling, on the part of the European nations, increased the existing American belief that the Europeans were protectionist, and so made collaborative projects more difficult to get past Congress. Thus, "a two-way-street now exists in abrasiveness" (Matthews, 1992: 16) rather than in defence products.

European defence-industrial initiatives on the other hand have a long history. Since the Second World War there has been a tendency towards a collectivist approach to the issue rather than a purely national one. As Matthews argues,

"The initial rationale for this change of policy direction was to ensure that Germany was fully integrated not just into a European economic and political framework, but an interdependent defence arrangement¹² also. A re-industrialising Germany would pose less of a military threat to its European neighbours as a consequence." (Matthews, 1992: 27)

However, although this produced a variety of collaborative projects, such as the Anglo-French Jaguar fighter bomber and the Franco-German Alpha trainer jet, there were no advances in overall policy co-operation and no European defence industrial strategy was developed (Matthews, 1992: 34-5). The continued rise in costs of military programmes has also long been an incentive for collaboration. As early as 1978 Wallace wrote,

"In spite of the efforts of the British and French governments to maintain independent arms industries, the steadily increasing costs of research, development and production have gradually forced them towards the policy of intergovernmental collaboration which the German government had adopted by choice." (Wallace, 1978: 33)

¹² The history of the proposed European Defence Community shows this intention too, although it failed to pass through the French *Assemblée Nationale* in 1954. This organisation would have had a centralised procurement system.

However, until the end of the Cold War, limited co-operation on major weapons systems production sufficed to make ends meet. This collaboration was based on *juste retour* principles¹³ and was *ad hoc* rather than planned across a range of projects in advance. The primary role of the nation state in armaments development and production was not really challenged. As Hayward argues,

"Although collaboration helped to bring replacement schedules into line, it did not necessarily lead to convergence. Equally, the relative success of collaboration tended to strengthen national industries and intensify the industrial and technological interests that governments would seek to promote and defend in subsequent programmes." (Hayward, 1997: 25)

However, despite this the predisposition to choose other European partners continued. Following the publication of the 1986 Vredeling Report, which highlighted the threat to European defence industries by US competition, some action was taken to co-ordinate this co-operation. The Action Plan on a Stepwise Development of a European Armaments Market, in the IEPG, did provide for opening markets to competition within Europe, the use of *juste retour* to encourage cross-border procurement, technology transfer, the EUCLID programme of co-operative research in defence technology, and special assistance and protection for the Greek, Portuguese and Turkish defence industries, which were in their infancy (Hayward, 1997: 10-11). This plan was somewhat overtaken though by the end of the Cold War. After the end of the Cold War when defence budgets were cut, the need to co-operate was intensified for a number of reasons; the global armaments market decreased in size, American defence firms rationalised their industry and began to compete more aggressively for the remaining market, European firms were challenged both by this

¹³ *Juste retour* principles refer to the practice of allocating work share in proportion to investment share.

and drastic cuts in national defence budgets, and the feeling that the European Union should have its own voice in security affairs gathered support among member states.

The Pressures for a European Solution

A Smaller World Armaments Market

Between 1987 and 1994 world defence spending fell by 37% (Dowdy, 1997:88). As Walker and Gummett point out, the defence industry and the political arrangements underpinning it, were substantially creatures of the Cold War when spending on defence was almost unquestioned (Walker and Gummett, 1993). The end of the common threat rewrote the environment in which companies and procurement agencies must work, and there was no longer a predictable setting. The special protected position given to defence industries by their national governments during the Cold War became untenable. The peace dividend expected by the general public meant that defence budgets were slashed by most major military powers. In the United States, for instance, the military procurement budget for the fiscal year 1996 hit its lowest point in real terms since 1950 (Dowdy, 1997:89). In the past defence cuts could be addressed by greater arms exports but that market shrank too, so existing firms had to fight ever more aggressively for contracts. As well as this the Western powers have had to cope with and contain new types of conflict, for example in Bosnia, which required new skills and different equipment for the armed forces. This meant that while defence electronics, for example, expanded, traditional areas like ship-building suffered disproportionately from the downturn in the market. All this has meant that governments and suppliers are having to learn new ways of coping

with their relationship and these pressures have made co-operation among the Europeans appear, in many quarters, not only more desirable but also more necessary and urgent than ever before.

Restructuring and Rationalisation of American Defence Industry

Much of the pressure on all the European actors comes from the way in which American firms reacted so quickly to the falling markets and by restructuring and rationalising. The trend in the early 1990s in the American defence industry was for firms to get either totally 'in' or totally 'out' of defence; there were a large number of both horizontal and vertical mergers, which led to greater economies of scale and lower unit costs. Contractors also tried to buy into firms dealing in defence electronics, the only defence sector that was still growing. They did not do this entirely on their own. Help was given by the Clinton administration, which employed a 'stick and carrot' approach. The Defence Secretary in 1993 argued that, there was over-capacity in the defence sector, and that the government was prepared to watch some firms go out of business. In order to help push mergers even more, they offered subsidies to cover merger costs and started a vigorous export drive, which was supported at all levels. They also relaxed the anti-trust laws to allow mergers that may damage competition (Grant, 1997: 9-12). All this meant that America obtained a larger share of the shrinking cake in defence markets as their firms were more competitive. Despite the collapse of the Soviet arms industry, European firms in contrast have failed to take advantage. This resulted in America's share of the world

arms market more than doubling from 25% to 57% between 1984 and 1994 while the share of NATO's European member states remained static at 26% (Dowdy, 1997:95).

European countries could not repeat this pattern of mergers because there was a fundamental asymmetry between European and American defence markets: This is because America's size means higher domestic demand, more extensive production runs and lower unit costs. America's natural advantage here is often described as a natural subsidy. European firms must also overcome the disadvantages of operating in a cross-border setting and the challenge of comparatively rigid labour policies. The retention of Article 223 of the Treaty of Rome (now Article 296 of the Treaty of Amsterdam), which exempts defence goods from EU competencies, also means that the European Union was relatively powerless to help by enforcing policies to overcome these problems. Finally and importantly, in the early 1990s there was a lack of political consensus on the best way to maintain the sector between the major arms producing countries, ranging from France's Colbertist mercantilist approach to Britain's 'value for money' competition orientated approach. This all meant that European firms and governments came under increasing pressure to copy the Americans, and to sort out the problem quickly before the European defence industry went out of business.

The Functional Reasons for European Collaboration

Since 1989, public expectations of a peace dividend have led to major cuts in defence budgets across Western Europe. These cuts have made it almost impossible to afford national solutions to armaments needs, and international co-operation has

become the norm rather than the exception for major projects. As was argued earlier this collaboration has for many reasons been predominantly intra-European. It should also be mentioned that there is a sense of normality about intra-European collaboration in the defence industrial sector because economic integration elsewhere is a *fait accompli*. The density and importance of the EU member states' ties to each other, and the economic and political interdependence that has emerged, should not be underestimated. Although there has been considerable scepticism about the actual as opposed to the perceived benefits of European collaboration, the debate has centred round collaborating more efficiently rather than not collaborating at all¹⁴. Bourn for example argues,

"There are two main risks to value for money¹⁵ here:

- Equipment procured collaboratively may be the most cost effective means of meeting a nation's needs, although the need to compromise on specifications has to be carefully weighed against cost savings. These cost savings can also be undermined by rigid workshare arrangements.
- Nations may not be making the most of opportunities to group together their requirements when purchasing off-the-shelf and may therefore, be failing to maximise their purchasing and negotiating power." (Bourn, 1994: 49)

These fears about the efficiency of collaborative projects are amply borne out by the evidence¹⁶. Even if the added technological complexities and costs had not been brought about by the current Revolution in Military Affairs¹⁷ it seems likely that there

¹⁴ Prescriptive commentaries on armaments collaboration include among others Bittleston (1990), Bourn (1994), de Vestel (1995 and 1998), Hayward (1997), Karl (1994) Matthews (1992) and Uttley (1995).

¹⁵ 'Value for money' became the shorthand for efficiency in British circles during the late 1980s and early 1990s.

¹⁶ There are countless official governmental and academic audits of individual projects. On the Eurofighter fiasco see for example Willett, Clarke and Gummert (1994) or Albrecht, Lock and Cohen (1994). On the demise of the Horizon frigate project see House of Commons (1999a) or Nicoll (1999).

¹⁷ The term is frequently misused; for the purposes of this thesis a Revolution in Military Affairs is understood to take place;

"...when one of the participants in a conflict incorporates new technology, organization, and doctrine to the extent that victory is attained in the immediate instance, but more importantly, that any other actors who might wish to deal with that participant or that

still would have been considerable economic pressure to collaborate more economically. These added costs make efficient collaboration essential if European armed forces are to remain at a level with American forces.

The Desire to Create a European Security and Defence Identity

The final pressure on the policy-makers is the desire to create a European Security and Defence Identity (ESDI)¹⁸. Moves towards an institutionalised European voice on security began rather slowly with the 1984 resurrection of the Western European Union and was strengthened by the Petersberg Declaration of 1992, which laid out the WEU's role. This was followed in 1992 by moves towards a Common Foreign and Security Policy in the Treaty on European Union. The 1997 Treaty of Amsterdam later allowed for the incorporation of the Petersberg tasks into the EU treaties as well as codifying the relationship between the EU and WEU. Thus, the institutional building blocks for an ESDI were put in place. This desire to create an ESDI in the past had always come overwhelmingly from France and can be defined as

“an assertion by European states of the desirability and legitimacy of their quest for more concerted influence over issues affecting European security” (Howorth, 1997:10).

activity must match, or counter the new combination of technology, organization, and doctrine in order to prevail. The accomplishments of the victor become the necessary foundation for any future military activities in that area of conflict. The emphasis on a specific area of conflict is important because it is possible that technologies or organizations proposed as elements of a current RMA -- such as the so-called sensor-to-shooter connection -- could be countered in a particular conflict by other elements, such as nuclear weapons.” (Galdi, 1995: 2)

The current RMA centres on the belief that automated strike and reconnaissance systems along with other advanced technologies, such as Stealth and information warfare, have, since the Gulf War, changed warfare.

¹⁸ Although ESDI refers specifically to the desire to create a stronger European identity within NATO, it is also used throughout this thesis to refer to the evolution of the military side of the CFSP, because it was used in this way in the majority of the literature on this topic.

This assertion though is paralleled by the assumption, even by France, that Europe's security ultimately needs the Atlantic Alliance and so it is more a call for relative autonomy than for independence. This concept has informed every plank of French, and to a lesser degree German, defence policy and so is clearly also influential in armaments policy decisions. Until more recently, though, there has been hostility to such ideas from the strongly pro-Atlanticist Britain. However, the lessons learned first in Bosnia and then in Kosovo have persuaded the British that a more efficient use of resources could only be achieved by greater co-operation. In armaments policy too, the changing world climate has persuaded Britain that greater co-operation in Europe is helpful to Britain. The new British enthusiasm for strengthening the EU's security role, from the late 1990s onward, has allowed considerable progress to be made. There is a growing recognition too in all member states, as the European integration process intensifies in the economic sphere, that,

"In an interdependent world, policies cannot flourish in vacuums. It is impossible to have an effective economic policy without simultaneously also possessing a coherent foreign policy and a credible security policy."
(Eliassen, 1998: 1)

There certainly has been a new will to construct institutions to put such policies in place. However, as Schmidt points out, if the necessary resources and political support and legitimisation are not taken into account, institution building is merely talking round the subject (Schmidt, 1995:11). One of the major problems with creating an ESDI is the lack of European equipment and technology. It is hard to have a credible security policy when the European states are so dependent on borrowing American equipment, so increasing armaments policy collaboration has become ever

more important. Thus by the mid to late 1990s, pressure was being put on European governments to collaborate more efficiently for economic reasons, to rescue their defence industrial sectors and to create the sort of defence industrial base which would allow the creation of an ESDI. The next question is how should this be done?

How Should Armaments Collaboration be Managed?

The European Union Reaction

The European policy dimension had, as has been discussed, remained present if somewhat stagnant until the mid 1990s. The impetus for change at this time can be seen in two European Commission *communiqués* from the mid 1990s. By 1996, the Commission was becoming increasingly worried about defence markets¹⁹. They addressed the issues of organisation of industries and markets in a primarily economic manner. The *communiqué* suggested the creation of a single armaments market by the repeal of Article 223 and application of slightly revised rules based on the regulation of civil public markets (European Commission, 1996). In a more politically focussed document the Commission pointed out in 1997, in support of the 1996 suggestions, that maintaining the European defence industrial base was not only crucial for establishing a European defence identity but also for reasons of competitiveness²⁰ and jobs in vital manufacturing sectors. It was vital for the creation of a European defence identity, simply because if the capacity to produce the armaments does not exist

¹⁹ There had been previous EU efforts to enhance co-operation in the sector. In 1976 they suggested a European Military Aircraft procurement agency, the 1975 Tindemans Report suggested a European Armaments Agency and the 1978 Klepsch Report suggested a European Common Industrial Policy for the development and production of conventional arms (Matthews, 1992: 36).

²⁰ The divide between defence and civil technology is disappearing and so losing a defence industrial sector would disadvantage Europe in many other high-tech sectors.

within the EU, there is no guarantee that supplies will be available for a mission, if it is not approved of by the monopoly supplier, America. This clearly would reduce the independence of any European defence identity (European Commission, 1997). This supranational vision was widely ignored. De Vestel (1998) dismisses it as impracticable, arguing that,

"The creation of a single market of armaments based on the model of a civil single market does not enjoy any significant political support. Furthermore, the technical and strategic obstacles inherent in this proposition appear insurmountable." (de Vestel, 1998: 212)

EU regulation in this sector continues to be regarded as "cumbersome, lengthy and bureaucratic" as Blunden described it in 1989 (Blunden, 1989a: 294). In part at least this poor reaction was because the Commission had framed their proposals in a primarily industrial/economic framework, while the nation states continued to work from a framework of primarily defence related considerations²¹ (Mörth, 2000). This difference in emphasis though, along with the sense that the Commission tends to over-regulate, has ensured the virtual omission of the EU from the initiatives brought forward between 1995 and 2000. So if European collaboration was not best handled by the EU how should it be managed?

Whither European Armaments Policy?

By the mid 1990s, the need to confront the issue of armaments collaboration, at the European level, was generally agreed. Writing at this time, de Vestel (1995: 78-82) suggested five possible models for increased collaboration. Firstly, he considered

²¹ This emphasis was because Martin Bangemann, then Commissioner of DGIII, was more forceful than Hans Van den Broek of DGIA was in pushing his agenda.

a continuation of the ad hoc bilateral and multilateral co-operation deals for certain projects, but pointed out that as this would fail to deal with any of the industrial and economic problems present it would not be successful for Europe. There have been, of course, various European efforts to co-ordinate and co-operate in arms procurement and production both at the bilateral and multilateral level in the past as was mentioned earlier. However, large-scale multilateral projects on a *juste retour* basis such as Eurofighter have often been marked by disputes and ever growing expense. Even bilateral projects such as those carried out by France and Germany have had a patchy success rate and have tended to be affected by policy disagreements in other areas (Sauder, 1996). Moreover, neither the Eurogroup (which France refused to participate in thus making it pointless) nor the Independent European Programme Group within NATO had much success. Equally, a lack of governmental determination over the internationalisation of defence industry would be detrimental to any development of a common European defence or security policy.

Secondly, de Vestel contemplated the exact opposite; the federalist version of a single European armaments market as proposed by the European Union Commission. He considered this unlikely to succeed in the short term as there was considerable opposition from the nation states to such a loss of sovereignty, although it might be achieved on a less ambitious scale if a common defence policy develops. Thirdly, he looked at the possibilities of a 'Fortress Europe' approach, essentially extending the French Colbertist²² policy to the rest of Europe. Here though, he

²² Colbertism is the term used to describe a mercantilist strategy that made domestic industrial capacity and a trade surplus sources of the state's power (initiated by Jean-Baptiste Colbert French Prime Minister 1670-80). This practice was reinstated vis-à-vis the armaments industry after the Second World War and has continued ever since in France .

pointed out that self-sufficiency in armaments is a concept made obsolete by strategic, financial and technological constraints, and that as a major strategic and technological power, America, would remain a necessary partner for Europe. Fourthly, he considered an extension of the British model of competitively tendered procurement policy to cover the rest of Europe. He dismissed this model on the grounds that results were not as good as they should have been²³. It also relied on a privileged relationship with the United States continuing as well as the goodwill of Congress, which as far as international co-operation is concerned is unpredictable.

Finally, de Vestel considered and supported an intergovernmental approach through the establishment of an armaments agency. Such an agency would have to be based on the principles of use of competition, openness to the rest of the world, integration of military and civil activities, a coherent arms export policy, the primacy of the armed forces' requirements and the institutionalisation of reform at the European level. It also would have to be acceptable to the European Union, WEU and NATO. He considered that *juste retour*, although not rational, would have to remain as a political tool for promoting privatisation and rationalisation within industry. He also saw the development of a genuine common policy as a long-term goal that should be reached incrementally.

This final model appears to have become the agreed model for progress. In 1992 the IEPG, founded within NATO, was incorporated into WEU and renamed the Western European Armaments Group, with the intention of this forming the basis of a European Armaments Agency (WEAG later created a structure WEAO in which this

²³ The change in British policy from 1995 onwards shows their acceptance of this point.

co-operation could be carried out.). This, according to de Vestel (1995:100), was to manage co-operative programmes, administer the EUCLID programme and joint research and testing facilities, carry out operational and technological studies and establish information and data services. Progress, however, was extremely slow and in 1995 the French and German governments decided to push the issue forward by forming their own agency, known as OCCAR, which they intended to form the nucleus of the European Armaments Agency. Both OCCAR and the WEAO fit with de Vestel's preferred model to some extent.

While agreeing with de Vestel's conclusions to a large degree, this thesis will argue that successful institution building is not sufficient to foster integration in this area. It seems clear that merely creating an agency would not supply the conditions, such as a common arms export policy or integration of civil and military activities, de Vestel sees as imperative. The thesis will, therefore, consider how the necessary policy agreement, needed to support the agency, has been fostered or hindered by national governments.

Research Questions

The discussions about the best way to improve European armaments collaboration have centred on the institutions that should carry out this work. There has been much debate in the literature about various structures and strategies²⁴ that need to be in place for example for weapons requirements to be co-ordinated or for national budget cycles to be reconciled. Writers, though, have only made passing

²⁴ See de Vestel (1995; 1998), Matthews (1992), Hayward (1997) and Uttley (1995) among others.

reference to the need to reconcile national armaments policy cultures, although it is claimed that this is an important factor in explaining different practice (de Vestel, 1995; Hayward, 1997; Kausal et al, 1999; Walker and Gummett, 1993). The implication of this is that, in the past national policy culture differences have caused collaborative projects to fail. This is particularly important in the European context, as according to Schmitt,

“National regulations regarding armaments are particularly complex in Europe, and for historical and cultural reasons they lack homogeneity.”
(Schmitt, 2000: 32)

Two interesting research questions emerge here. Firstly, do the different national armaments policy cultures affect collaborative projects, even if common practices are agreed, and what would be the implications of this in a common armaments agency, such as OCCAR or the proposed future European Armaments Agency? For example, would the French state’s tendency to intervene to rescue failing French defence firms override an agreed commitment to a competitive tendering process.

Literature addressing the policy culture question in a national context is also sparse. However, Kolodziej's (1987) study of France, and Cowen's (1986) work on Germany suggest that there are very distinctive national armaments cultures in these countries²⁵. However, both of these studies were undertaken before the end of the Cold War, and the wider comparative foreign policy literature has opened a debate on whether there has been convergence of national defence policy in Europe since 1989²⁶. This is often couched in terms such as 'normalisation' or 'the end of

²⁵ Blunden's work (1989b) on British defence policy-making, while not specifically on armaments policy, also offered valuable insights into the British case.

²⁶ See for example Gordon (1994), le Gloannec (1997), Fontanel and Hébert (1997), Schmidt (1999) or Aldred, Clarke and Gearson *et al* (1998).

exceptionalism'. This raises the second research question. Are there still distinctive differences in national armaments policy cultures in Western Europe, or have the common pressures like a shrinking world market and falling budgets brought convergence since the end of the Cold War? These two research questions form the motivation for this study of Western European armaments collaboration. Having decided what the research focus would be, the next step was to decide how the research was to be carried out.

Methodology

Boundaries of Study

Clearly there are many different potential approaches to analysing armaments collaboration. Certain parameters were placed on the study from the beginning. Firstly and most importantly, the motivation behind the research was to explain why defence procurement collaboration was not working, and qualitative factors such as administrative culture and military doctrine proved most important. This meant that qualitative methods of research were likely to be the most beneficial in understanding these processes. A deliberate choice was made though not to compare the countries through statistical evidence as well. There were several reasons for this. Firstly, there have been many quantitative attempts to analyse armaments policy both in a comparative context²⁷ and at the national level²⁸. Secondly, what figures do exist are generally considered to be unreliable. There are considerable variations in the figures

²⁷ See for example Fontanel, Smith and Willett (1985), Louscher, Cook and Barto (1998) or Levine and Smith (1997).

²⁸ See for example Cholawsky (1983) on the United States or among others on the UK, Hartley and de Fraja (1996).

given by national governments and those collated by among others, the Stockholm International Peace Research Institute (SIPRI), the Bonn International Center for Conversion (BICC) and the International Institute for Security Studies (IISS). Even among the independent collators the figures differ. Although the reasons for these differences are interesting, there are, for example, different national definitions of the composition of military expenditure or arms transfers and different accounting and audit procedures; they make a comparative study difficult. This causes considerable methodological problems in quantitative research²⁹.

The choice of cases was the next important decision. It was decided that considering any more than three countries would be impossible for practical reasons such as time, cost, languages spoken and availability of information. Linguistic reasons led me to favour the selection of countries where the information would be predominantly or completely in the author's working³⁰ languages; English, French and German. The final choice of Britain, France and Germany was made because all three are proactively involved not only in the recent initiatives on armaments co-operation but also in the wider debate on CFSP in the EU. They are the three largest Western European arms-producing countries and they offer interesting comparisons in policy as can be seen below.

British defence and security policy has always been characteristic of a great, if declining, power. Post 1945 Britain has regarded itself as being at the centre of three concentric circles; the special relationship with America, the Commonwealth and Europe. In more recent times, though, the relationship with the Commonwealth

²⁹ See Kolodziej (1987: 411-5) or Levine (1973: 300-4) for discussions of these problems.

³⁰ As interviews were intended the language knowledge had to be working rather than passive.

has declined in importance while the special relationship, while clung to by Britain, has been devalued by America who no longer really sees Britain as a special ally. Although Europe therefore has become more important in British foreign and security policy there has been a notable reluctance to forsake Atlanticism for the European option. This is personified by Britain's previous unwillingness to give the European Union a defence role by the incorporation of the Western European Union, and its hostility to moves such as the formation of the Eurocorps, designed to give Europe a defence capacity of its own.

Britain wanted to maintain its importance in world affairs as a nuclear power and as a permanent member of the United Nations Security Council but this, especially with the amount of peacekeeping involved, cost a lot of money. After the end of the Cold War, efforts were made through defence reviews to cut the defence budget but there was little consensus on losing any military tasks. Therefore Britain turned towards Europe as the best solution. As Gummatt (1996) points out considerable savings could be made in the defence procurement process if Britain were to participate in a more coherent European defence industrial base. However it is clear that Britain's policies in this area have been marked by a residual Atlanticism, and this has made it difficult to co-ordinate action in this area³¹.

British procurement policy has been essentially characterised by the espousal of 'best value for money' policies. This does not mean simply the cheapest price but takes into account performance, reliability and maintenance costs. Since about 1985

³¹ These points will be discussed in more detail in Chapter 4. For fuller discussions of British defence policy see among others Bellamy (1994), Byrd (1991), Carver (1992) or Sharp (1996). Accounts of British defence industrial policy include Taylor and Hayward (1989) and Bishop (1995). For commentaries on the 'value for money' approach to defence procurement see for example Bourn (1994) or Schofield (1995).

competition, including fixed price contracts, has been introduced into the defence procurement process in line with Thatcherite neo-liberal economic policy (R. Smith 1996). In Britain the direct linkage between industrial policy and defence procurement policy was also discontinued at this time, although the government remained heavily involved in promoting arms sales. This also meant to a large extent the end of protection for the British defence industry, which led to the purchase of many small firms by foreign companies and a greater willingness to import arms. The only fields to remain sacrosanct were nuclear warheads and cryptography. This meant that the indigenous defence industry was forced to become more efficient and huge job losses ensued. More recently, there has been a policy shift towards more industrial involvement in defence procurement but the emphasis on 'value for money' remains. The combination of enthusiastic Atlanticism and a free market approach to armaments policy make Britain a distinctive and interesting player.

France, like Britain, is a former great power whose military role in the world today is somewhat beyond its economic might. Unlike Britain, though, France has considered its role to be part of a European defence system, if the preferred option of a completely independent defence policy was impossible, and has always been suspicious of American involvement in Europe. Although France is a member of NATO, its troops are not officially part of the integrated command structure, and attempts at formal *rapprochement* with NATO in the late 1990s failed. While in practice French troops are now reintegrated, it is regarded as unlikely that France will formally rejoin (Economist, 1999: 19). According to le Gloannec (1997) France pursued a three pronged strategy from de Gaulle to Mitterrand; to protect its status

and rank as a world power, to promote European integration in a number of areas, including defence, and to stand by its allies in times of crisis. This policy led to considerable progress in the Franco-German relationship as far as defence co-operation was concerned, with moves such as the formation of the Franco-German brigade and the Eurocorps. Chirac's presidency from 1995, though, was marked by a new pragmatism in defence policy. Policy initiatives include the scrapping of some parts of the nuclear policy³², the attempt at *rapprochement* with NATO, the phasing out of conscription and the decision to open up the defence industry to restructuring while continuing with the basic policy aims. These moves are largely seen as necessary to cut the defence budget as well as strategically important. However, although the French government does seem to have tried to review its strategies and has in fact similar post Cold War military priorities to Britain, its position vis-à-vis procurement and industry is very different.

Traditionally, French government has been heavily involved in the affairs of the defence industry, indeed many firms were, until the late 1990s, at least in part state-owned and the industry has been heavily protected through the government's belief in creating national champions in vital sectors. Despite moves to reform the procurement process to cut costs, French armaments policy retains the state's distinctive interventionist role. France's desire to provide leadership, through the Franco-German axis, on security matters in a European context rather than a

³² This reduction in the French nuclear programme involved the scrapping of the Hades and Mirage IV bombers and the closure of the Plateau d'Albion as well as the Polynesian sites of Mururoa and Fangataufa.

transatlantic one, along with the interventionism of the French state provides a good contrast with the British case³³.

German influence in foreign and security affairs has long been diminutive compared with its economic might, contrary to the British and French situation. Policy has been formulated under highly exceptional circumstances since the end of the Second World War; a divided nation, lacking full sovereignty, trying to compensate for its tarnished history by denying its national interest and more than most countries suffering directly from the threat of the Cold War. These restraints have led to the Federal Republic being regarded as an economic giant but a political dwarf or as Maull put it a “civilian power”(Maull, 1992). From Adenauer onwards, excepting Brandt’s *Ostpolitik*, Germany’s foreign policy objectives have been essentially both loyalty to the Atlantic Alliance and commitment to the process of European integration, thus submerging national interest in multilateral actions. In the light of their history German leaders believed that their military forces should be used exclusively for territorial defence. Since reunification German foreign and security policy has been ‘normalised’ to some degree and Germany now participates in peace-keeping actions. As Gordon (1994) argues though they are still more sensitive to international and domestic perceptions of their foreign policy, more prepared to integrate into international institutions, less susceptible to overt power politics and reluctant to use military instruments to deal with political problems. The Germans have tried to export their civilian power model to the European level.

³³ These arguments will be developed in Chapter 5. For general accounts of French defence policy see among others Chafer and Jenkins (1996), Gordon (1993a), Howorth and Chilton (1984) or Mathieu (1996). On French defence industrial policy see Dassauge and Cornu (1998) or Hébert (1991) for good summaries. On traditional French armaments policy Kolodziej (1987) remains the best account.

German defence procurement policy comes somewhere between the British and French models. Although the defence industry is in private hands there has been a stress on creating national champions such as DASA and there has been less emphasis on liberalising the market because of the shareholder structure. Germany is noted for its tight arms export controls. The most distinctive feature of German armaments policy has been its insistence on multilateralism and particularly on collaborative procurement. In contrast to Britain and France, Germany has been enthusiastic about both the Transatlantic Alliance and European integration where foreign and security policy has been concerned, and has played a successful mediator role between the two. It has, therefore, frequently been key in finding a compromise that all can accept³⁴.

The choice of three members of OCCAR highlights the omission of the fourth, Italy. Italy has tended to follow a similar pattern in armaments policy to France, with a strong state-owned sector in defence industry (with very strong party political links). Italy, though unlike the other three countries, does not have a strong centralised procurement agency. Procurement lies more in the hands of the individual services (Walker and Gummett, 1993: 26-7). The role of the state, even in regard to the state-owned firms has been rather ambivalent and changeable (Rallo, 1994). In contrast to the other three countries, Italy's voice has been rather quiet on the future of European security policy, although it wishes to retain its defence industrial sector. Italy's role while important, for reasons of the smaller size of their defence industry and lack of

³⁴ German policy will be discussed more thoroughly in Chapter 6. However for accounts of German defence policy see among others Gordon (1994), Maull (1992), Meimeth (1998), Szabo (1990) and (1999). For German defence industrial policy see for example Albrecht (1980) or Flume (1996). On defence procurement policy see among others Cowen (1987) or Trybus (1996).

political influence in the wider European security debate, has therefore, unlike the other three OCCAR states, been reactive rather than proactive. It seemed more fruitful to analyse and contrast the proactive states. An interesting direction for further research would be to extend this study to other Western European states. A good comparative study might be of Italy or Spain as medium-sized arms producers, a small producer such as Belgium and the fascinating case of Sweden, a *sui generis* case of a small country achieving almost total autarchy in armaments.

Rationale behind the Chosen Methodology

The study is based primarily on documentary material with added input from selective interviewing. The focus on documentation was chosen for two reasons. Firstly, there has been relatively little work done on a comparative basis and so using a wide range of sources was likely to be fruitful. The decision was taken not to rely on purely academic literature and so a range of sources such as official publications, technical and academic journals, newspapers, speeches and books were used. It was also felt that valuable insights were to be found in the French and German literature which could offer alternative explanations to the better known English language literature.

The interviews were always intended to enhance rather than supplement the documentary research. It would have been very difficult to rely heavily on interview data because the political sensitivity of the area made it difficult to obtain interviewees and also meant that 'truthfulness' could not be guaranteed from the interviewees. This problem also limited the possible qualitative methods. It was felt

that the response rate to postal questionnaires would probably be low, unless purely factual questions were asked, which would not elicit the answers needed by the study. Equally arranging a focus group of either civil servants or defence industrialists seemed unfeasible. The remaining practical options were semi-structured or unstructured interviews. Initially, it seemed wisest to ask the same questions at all interviews but this quickly proved to be very limiting. Firstly, I was not allowed to record some interviews (and twice was asked to stop taking notes) and so meaningful comparisons could not be carried out. As some interviews carried out were 'off the record' anyway, using transcript evidence would have been problematic, even if it could have been used for all 'on the record' interviews. Secondly, the situation was changing very rapidly throughout the period of the study, as firms were in major merger talks and governments were negotiating the Framework Agreement, and so using the same questions throughout would have been very limiting. On this basis topic areas were selected and interviews carried out on an informal basis.

The next major question was who to interview. The original plan had been to interview industrial figures, civil servants and military personnel involved in defence procurement. At the time of the research though the main defence firms were almost without exception involved in merger discussions, and therefore were unwilling to allow interviews which would touch on commercially very sensitive areas. It was therefore decided that interviews with industrial interest groups would be more fruitful. Accordingly interviews were carried out in each country with representatives

from the general defence manufacturers associations³⁵ and with representatives from aerospace industrial associations³⁶, as aerospace was the most advanced industrial sector in European merger terms. The plan to interview military figures was dropped after further study when it was decided that they played relatively little role in defence procurement after the initial stages. As far as the civil servants were concerned it was decided that it would be most interesting if two types from each country were interviewed. This was to reflect the different views of those engaged primarily in policy formulation and those engaged primarily in operating collaborative projects. The civil servant interviewees were selected both by recommendation (snowball sampling) and through the administrative almanacs published in France and Germany³⁷. Other interviews were carried out in addition to this with individuals especially recommended by other interviewees. Eighteen full interviews were carried out in Germany between October and December 1998, in France between May and June 1999 and in the UK between November 1999 and January 2000³⁸ and these were supplemented by conversations with political representatives in Germany. The views of politicians were also canvassed by letter, but the response rate ranged from excellent in Germany to almost non-existent in Britain, which limited their use.

This leads on to the general question of access. It was considerably easier to make contact with potential interview partners and to gain access to documentation in

³⁵ In the UK this meant the Defence Manufacturers Association (DMA), in Germany the defence industrial section of the *Bundesverband der deutschen Industrie* (BDI) and in France the *Groupement des Industries Concernées par les Matériels de Défense Terrestre* (GICAT).

³⁶ In the UK this meant the Society of British Aerospace Companies (SBAC), in Germany the *Bundesverband der deutschen Luft- und Raumfahrtindustrie* (BDLI) and in France the *Groupement des Industries Françaises Aéronautiques et Spatiales* (GIFAS).

³⁷ In France the *Bottin Administratif* and in Germany *Oekel's Taschenbuch des öffentlichen Lebens*.

³⁸ See Appendix I for names and positions of interviewees and precise dates of the seventeen attributable interviews. One interview with a British civil servant was off the record. Informal interviews were carried out with officials from the FDP, SPD and *die Grünen* in Germany.

Germany than in France or Britain. In part this was because the research in Germany was carried out from a temporary base at the *Deutsche Gesellschaft für Auswärtige Politik*, which has close links to the German government. In France too though, although interviews were harder to obtain, there was a good level of access to the documents needed. In both countries, in contrast to Britain, the interviewees, especially the civil servants, saw the research as potentially useful; perhaps a reflection of the relative importance of academics to the policy debate in those countries. In Britain a culture of secrecy prevailed (the magnificent exception of House of Commons Select Committee Reports notwithstanding) and it was harder to obtain interviews. The refusal of the two main political parties to send me information on their policy in this area was also in contrast to the helpfulness of most French and German parties.

Documentary evidence was used to cross-check interview data and *vice versa*. It was felt that this would adequately inform the research questions, and provided the best solution to the limitations posed by the field. With the methodology chosen several problems remained for the research. One problem faced during the research was that of translation. Political and cultural concepts are particularly hard to translate, as they often convey a complex set of underlying understandings and connotations, which are not conveyed by the equivalent word in the target language³⁹. Throughout the thesis I have used my own translations which have tried to convey as much of the register and underlying cultural connotations of the original as possible. The limitations of this are clear but within the constraints of the thesis this seemed the

³⁹ See Mawdsley (1999) for an extended discussion of this point.

best solution. The other problem was coping with researching a contemporary and much changing sector. Throughout the research new mergers were completed, treaties signed and national policy changed. New information was incorporated into the thesis throughout the period of writing, but it is recognised that further changes are likely in the near future.

Overview of Thesis

The thesis will address the questions of whether different policy cultures inhibit armaments collaboration, and whether distinctive national policies and practices remain. Chapter two will address the research question of why collaborative projects succeed or fail and whether cultural factors matter. It will do this by considering two cases, which could be considered to represent the old and the new way of carrying out such projects. The first case to be looked at is the history of collaborative projects within the Franco-German relationship. This represents the old pattern of individual bilateral or multilateral agreements to collaborate on projects. The Franco-German relationship is considered to be the most durable and successful example of bilateral armaments co-operation and a range of projects will be discussed to find the reasons for their success and failure. It is argued that any new form of co-operation must be able to respond to and solve such problems. The second case is OCCAR and represents this new thinking. OCCAR was chosen rather than the WEAO, precisely because it is the Franco-German answer to their problems in managing collaborative projects successfully. Although OCCAR cannot be assessed fully, as it is still a new organisation, the process of negotiation and of setting up the

agency and compiling its common rules offers insights into what the member states regard as particularly important issues. That is to say it will consider both issues pushed to further efficiency in collaboration by a state and those seen as threatening to their interests. The extent to which OCCAR is an adequate response to these issues will be discussed. This chapter will, therefore, have concluded that cultural factors are important and identified those, which still affect practice.

Chapter three will lay out the theoretical framework, to address the question of whether there has been convergence in armaments policy cultures across the three countries since the end of the Cold War. By examining a range of theoretical approaches the chapter will establish a framework for comparing state-defence industry relationships, strategic culture and the institutional culture of the defence procurement organisations in the three countries. The chapter will first consider the contrasting perspectives on armaments policy analysis offered by various academic disciplines, and then will synthesise institutional and cultural analytical theories to produce this framework. It will also address the question of integration in the sector and suggest how this should be considered. Chapters four, five and six will then consider these factors in Britain, France and Germany to assess how they affect continuity and change in procurement practice and the overall armaments policy. As was argued earlier, the three cases offer the breadth of comparison needed to answer the research questions. The concluding chapter, chapter seven, will assess the level of convergence in armaments policy cultures in the three countries. It will then return to the evidence of continuing cultural differences, laid out in chapter two, to assess how successful OCCAR seems likely to be. The conclusion will also consider the

implications of this assessment for further research and will consider the implications of this study for the wider field of European integration research.

Chapter 2: Armaments Co-operation: Mapping the Past and the Future

Introduction

In order to analyse the chances of success in any future armaments policy integration, it is necessary to understand where and why problems have arisen in the past, and how new institutional structures intend to overcome these problems. The introductory chapter hypothesised that deep-rooted differences in national policy culture did affect co-operation, and so this chapter will look at the historical problems of the sector. Rather than examining a single project in the past, it seemed appropriate to examine an institutionalised format of co-operation so that the emerging trends can be identified. Instead of further examining any of the European or transatlantic structures, discussed in the introductory chapter, the Franco-German relationship will be examined. The first case study is institutionalised through the Franco-German Security Council and is often considered to be an example of successful co-operation. The other organisations discussed in the introductory chapter have either been very transitory or widely regarded as failures. It seemed for that reason more illuminating to consider a relationship, where, during the latter half of the twentieth century, there have been both successes and failures, so that the conditions where integration can succeed can be more clearly identified. Equally, the choice of OCCAR, the armaments agency established in the late 1990s, rather than WEAO as the second case study, is because it has been heralded as a solution to the well recognised problems of armaments collaboration. This chapter will therefore examine each of these two case studies in turn and then deduce what conclusions can be drawn from their study.

A Triumph of Presentation over Achievement: The Franco-German Relationship

Introduction

Whenever the potential for European armaments co-operation is derided by commentators, proponents of the strategy almost invariably cite the Franco-German co-operative efforts in this area as proof that it can really work¹. However, their record is inconsistent. While it is indisputable that there have been successful Franco-German projects such as the Tiger helicopter project which nears completion in 2000, there have been many failures such as the jointly developed tank project, which collapsed in 1983 (Muguet, 1995:100). There has been much written on the Franco-German relationship in general, and the security relationship in particular,² not only because such close bilateral ties between old enemies are unusual, but also because of the relationship's role as the 'motor' of the European integration process. In the security sector, it would indeed be true to say that, while security relationships with varying degrees of co-operation exist between many countries, at first sight the relationship between France and Germany is odd in the fact that it exists at all. The two countries have followed radically different foreign and defence policy styles in the decades following World War Two, and indeed it could be argued that they have completely opposing philosophies in this area. A brief overview of the history of co-operation between the two countries will illustrate the reasons for these differing policies.

¹ See Muguet, (1995), Quilès and Verheugen, (1998) or Wallace, (1986) for examples.

² Probably the most comprehensive study is the book arising from a joint study carried out by *Centre d'Information et de Recherche sur l'Allemagne Contemporaine, Deutsch-Französisches Institut, Deutsche Gesellschaft für Auswärtige Politik* and *Institut Français des Relations Internationales* carried out between 1989 and 1995 (Sauder and Schild, 1995). Other useful texts include McCarthy, (1993); Schmidt, (1993); Kaiser and Lellouche, (1986); Guerin-Sendelbach, (1991) and Gordon, (1995).

The first hints of military co-operation came surprisingly soon after the end of the Second World War. In the light of the Cold War situation, the Western Allies realised that German rearmament was crucial. France though endeavoured to minimise this step by containing Germany's potential forces in a European Defence Community. This plan, known as the Pleven Plan, was defeated in the French National Assembly and Germany rearmed, though as part of the WEU and NATO, in 1955. Later General de Gaulle proposed the Fouchet Plan, which in forming a confederal Europe would have also contained a common defence policy. This was sceptically regarded, and turned down by the Benelux countries. Although its driving force was the promotion of the Franco-European vision, there was a secondary aim of containing German power (this time economic) "through its harnessing to a French political and strategic vision" (Haglund, 1991:86). Franco-German bilateral military co-operation only really began, despite both countries' membership of NATO and WEU, in 1963 with the signing of the Elysée Accords by Konrad Adenauer and Charles de Gaulle. This treaty called for regular periodic meetings between top-level French and German officials, but was not really utilised because of the German addition, following American pressure, of a firm commitment to NATO in a preamble to the Treaty, which infuriated de Gaulle (Friend, 1993: 163). French policy at this time was directed at lessening American influence in Europe.

The arrival in office of Helmut Schmidt and Valéry Giscard d'Estaing marked a renewed commitment to bilateral security co-operation. Their co-operation in the European Community, especially on the establishment of the European monetary system, along with changes in French defence policy in the mid 1970s, which

enhanced the French commitment to European and German security, renewed the Franco-German partnership. However, because of French domestic opposition to Giscard d'Estaing's less Gaullist stance and the French failure to support Schmidt on the deployment of NATO's INF missiles little progress was made until François Mitterrand and Helmut Kohl came to power (Gordon, 1995: 15-7). By then continuing misunderstandings between the Europeans and the United States, in matters of disarmament negotiations with the Soviet Union and the Strategic Defence Initiative (Gnesotto, 1986: 19-25), increased the need for co-operation on security issues, and in 1982 the Elysée Accords were reactivated. This time they were formalised by the creation of the Franco-German Commission for Defence and Security, which was to attempt to achieve common military concepts through approximation of the two countries' defence views. In 1986, agreement was reached on more Franco-German security co-operation, especially with regard to the use of French *Force d'Action Rapide* (FAR) in Germany, and various common manoeuvres and the acceleration of the necessary consultation procedures were agreed. This led to the 1987 *Moineau Hardi* Franco-German exercise. In 1988 further institutional expansion of the military co-operation took place when the Franco-German Defence and Security Council was created. The Council was intended to ensure that the increasing military co-operation was strengthened and properly supported by a permanent body. It was also at this time agreed to establish a joint brigade of German and French soldiers which was completed in 1990 (Feld, 1993: 102-3). The final important move in Franco-German military co-operation was undertaken in 1991, with the politically symbolic proposal to extend the Franco-German brigade into the Eurocorps. This theoretically involved

complete French acceptance of multinational integration of troops, for the first time since their withdrawal from the NATO integrated military command. Throughout this period of deepening of the security relationship, the aim of further co-operation in the armaments field was ever present, however, often although the political intentions were good, the radically differing strategic cultures and foreign policies of the two countries made progress difficult.

The Nazi period and the failures of Wilhelmian militarism profoundly affected German strategic culture. The Federal Republic of Germany had two main foreign policy aims before reunification. Firstly, to achieve the integration of Germany into the Western Alliance (NATO) in order to ensure that Germany would never again allow a tide of nationalism to carry it into war. Secondly, German politicians wished to avoid the possibility of a rekindled nationalism by the firm integration of Germany into a united Europe. These two aims effectively precluded the development of an independent foreign or defence policy, with the notable exception of Willy Brandt's *Ostpolitik*, which tried to achieve German rapprochement with the Warsaw Pact countries and in particular East Germany. German governments have also been supportive of the American influence in Europe, seeing it as vital to their own security. German foreign and security policy was, therefore, tentative and resolutely multilateral in flavour. Reunification did bring some 'normalisation' of German foreign policy (Gordon, 1994), most notably the beginning of German peace-keeping and enforcement participation³. Fundamentally, though, security policy has played a

³ See Chapter 6 for a full discussion of the normalisation debate.

very minor role in German priorities in comparison to domestic and economic matters since the end of the Second World War (Gordon, 1993:140-2)⁴. As Szabo writes,

“During the Cold War, a broad consensus supported a strategic paradigm of Germany as a civilian power. The major elements of the civil power paradigm are:

- An emphasis on the non-military tools of statecraft, especially trade, investment and cultural tools. This has meant an activist diplomacy and an increased use of foreign aid.
- A heavy emphasis on interdependence, integration and multi-lateralism.
- A security policy that relied heavily upon collective defense and collective security, deterrence and territorial defense. Arms control and confidence building measures received a high priority in the overall security policy.” (Szabo, 1999:1)

This was twinned with Genscher’s notion of *Verantwortungspolitik* which placed a “particular emphasis on the role of responsibility and morality in German foreign policy” (Hoffmann and Longhurst, 1999: 33). Thus, German defence and security policy tended towards the cautious.

France, on the other hand, was one of the World War Two victors, and as such had no reason to downplay its importance in world affairs, in fact French leaders did quite the opposite. Foreign and defence policy have been prioritised in the post war period by French governments, especially during the Gaullist years, and their strategic culture has differed profoundly from that of the Federal Republic’s. Their over-riding policy goal has been the restoration of France as a great power (including in the military domain). France’s humiliating defeat in 1940 meant that after the war, French leaders were desperate to obtain an agreement with the other victors (especially with

⁴ It is also vital to remember that until 1990 the Federal Republic was not a sovereign state and as such had to abide by restrictions particularly in the area of defence policy such as the ban on ABC weapons and their lack of a General Staff. Even after achieving full sovereignty through reunification the German government signed a voluntary ban on producing ABC weapons and still does not have a General Staff in the usual sense. Public opinion was always also heavily against any form of independence in defence policy and to this day is very sceptical about German involvement in even peacekeeping exercises.

Britain) to guarantee France a permanent seat on the United Nations Security Council, status as one of the Four Powers in Germany, and the restoration of its former colonies. General de Gaulle was particularly insistent on the importance of France as a great power, and his successors have never halted their attempts to maintain and increase France's status and rank in world affairs (Gordon, 1993b: 140-2).

French leaders have always claimed to have an independent security policy, as France possesses a nuclear deterrent. De Gaulle's withdrawal of France from NATO's integrated command structure in 1966, and his insistence on French security policies rather than those of the Western Alliance as a whole assert this independence. This strategy can be seen right up to the end of the twentieth century in examples, such as, French nuclear tests breaking the world moratorium, and French government attempts at independent negotiations during the Gulf Crisis (le Gloannec, 1997). French politicians have frequently deplored the American influence in Europe, and so often have been keen to promote European solutions and organisations at the expense of the Atlantic Alliance. French politicians also have been constantly worried by the prospect of a revived German power, which is the clear result of years of warfare between the two countries, and so have always subscribed to the theory of containment of Germany. Finally France has ended conscription, while in the late 1990s, this seemed to be still a step too far from the German concept of "citizens in uniform"⁵ for such a move to take place in Germany. In short on matters of strategic policy the two countries do not agree on much. Moreover although Germany, since

⁵ One of the ways in which German politicians have tried to ensure that a German army never gains any real power is conscription as they feel making the army professional could give it more power. Conscription also ensures that it remains an army of *Bürger in Uniform* (citizens in uniform).

regaining full sovereignty with reunification, has showed signs of ‘normalisation’ in its security policy⁶ the geo-political realities of the Cold War which provided common ground are no longer present.

These strategic differences have caused difficulties in general bilateral military co-operation, notably in the mid 1990s over the question of the potential deployment of the *Eurocorps*⁷. However, compromises are even harder to find in armaments co-operation, because it involves large sums of money that cannot be regained, if mistakes are made. Such co-operation also involves industrial co-operation and compromise. A lack of political willpower is not the problem dogging Franco-German co-operation on armaments. As an important part of the wider security relationship, often the leaders are very keen for collaborative projects to go ahead, but their concepts of arms production, and the uses to which the arms will be put, have varied considerably between the two countries. As Schild argues, frequently in the Franco-German security relationship, high-level general treaties and statements are used to paper over the very large cracks in the actual understanding of each other’s policy priorities; details are then conspicuous by their absence, because there is very little actual agreement (Schild, 1997). Arms co-operation though is too detailed to be papered over for very long. The Franco-German relationship is generally regarded as a success story, although with the proviso that it is not without problems. However, when one looks at the substance of what has been achieved, rather than the

⁶ These signs include participation in peace-keeping operations especially in Kosovo, the more overt pursuit of national interests (especially in the battle for recognition of Slovenia and Croatia) and attempts to influence the NATO agenda (as Fischer tried to do with his espousal of a policy of “no first use” of nuclear weapons in 1998).

⁷ See Schild, 1997; Meimeth, 1999 and Carton, 1995 for more details.

institutional structures surrounding the relationship, the situation often seems very different.

The two countries have frequently had quite different tactical needs for equipment that could be jointly procured. France, for example, generally wants its military equipment to be capable of use in desert conditions because of its involvement in the problems of its former colonies, while Germany, even on a peacekeeping basis, sees its activities as confined to Europe. Moreover, armaments co-operation does not only involve reconciling differing strategic concepts but also different industrial policies as well. France, proud of its independence in arms production, dislikes procuring components from other countries and expects to pay for the added development costs by an aggressive arms export policy (Kolodziej, 1987: 139-212). Germany, on the other hand, has relatively restrictive policies on arms exports and is very sensitive to hostile public opinion on exports, and sees value for money as being of paramount importance where the question of components is concerned. France sees Franco-German weapons collaboration as a way of maintaining self-sufficiency (and so avoiding dependence on the United States) at a price they can afford (Kocs, 1995:69). Germany, on the other hand, has been more prone to see it as a useful gesture to the friendship between the two countries, but not prohibiting arms procurement from and co-operation with the United States. In the 1950s, Germany was willing to take a secondary role in Franco-German projects in order to gain the technological know-how the fledgling German defence industry⁸

⁸ The specific condition of the post-war German defence industry, and how this affected German defence industrial policy, will be discussed further in Chapter 6.

lacked, and was less worried than France about protecting its armaments industry from unfavourable deals. As time went on though, and German industry became both more competitive and economically important, its willingness to accept the French lead declined (Kocs, 1995:71). These are just some of the problems which have made Franco-German armaments co-operation problematic in the past. The next section of the chapter will, therefore, look at the history of specific projects in the history of Franco-German arms collaboration and specific trends and problems will be identified.

The Record of Franco-German Armaments Co-operation

An obvious feature of Franco-German armaments co-operation is the perceivable gap between stated objectives and actual achievements. Armaments co-operation has been a constant feature of agreements on wider security co-operation from the Elysée Accords onwards, and is often cited as proof of the endurance of the relationship. Franco-German armaments co-operation is seen as important by policy-makers and manufacturers alike. Interviews with German industrial representatives⁹ highlighted the perceived importance of Franco-German armaments co-operation to German business, while a British observer¹⁰ saw the political importance of the Franco-German relationship to both governments as far more important than relationships with Britain. However, there appear to have been surprisingly few successfully completed Franco-German projects. In order to clarify the situation a

⁹ Interviews with Matthias Spude of the *Bundesverband der Deutschen Luft- und Raumfahrtindustrie* and Timm Meyer of the *Bundesverband der Deutschen Industrie* in Autumn 1998 in Germany.

¹⁰ Bob Godbold of OCCAR made this point in an interview in Bonn in November 1998.

chronological overview of Franco-German armaments co-operation, evaluating major projects, should reveal how successful the relationship has actually been.

From the mid 1950s, France regarded partnership with Germany and other European countries in the field of armaments development and production as a way to maintain its self-sufficiency in the field and to reinforce French autonomy from the United States. In the German case it was also seen as another way to control German arms production potential. German politicians saw it as a way of cementing their new friendship with France. In some quarters, particularly within the *Christlich Soziale Union* (CSU), who regarded continued dependence on the United States and the constraints on independence this imposed as irksome, this co-operation was regarded as a way to regain equality as a nation (Brandt, 1966: 189). It was also seen as a way to legitimise renewed German arms production. Moreover the state's responsibility for maintaining employment in the arms industry was, from the onset, very important for France, whose industry had been largely state-owned since the 1930s. This meant retaining the whole sector of research and development at its traditional level. Co-operation with another country meant that this research and development could be done far more cheaply. When Germany first considered rearmament it was expected that much equipment would be bought from abroad. However, when a revised strategy¹¹ from 1956 onwards saw an increasing role for German industry, the utility of the Franco-German relationship for saving jobs at a lower cost became clear to German politicians as well. As the German aerospace industry became more vital to the success of the German economy, both countries also became concerned by the

¹¹ See Chapter 6 for an explanation of this change in strategy.

technological deficit, which would be an inevitable consequence of adhering to the American strategy of tying arms sales into strategic protection in Europe. Therefore, there were very good reasons for joint development and production projects for both France and Germany. It can however be argued that the partnership benefited the French far more from the beginning. As Kolodziej argues,

“Collaboration with Germany in aircraft and tactical missile development has yielded the highest dividends for the French arms industry while advancing French foreign and security policy objectives...French interest in expanding its influence over German and European arms production paralleled its long-term efforts on several fronts to weld together a continental grouping which could magnify French power, counter pervasive American influence, and harness German arms production capabilities to French purposes” (Kolodziej, 1987: 156-7).

This ‘hidden agenda’ was to cause problems for the future of arms collaboration between the two countries, as there does not appear to have been any intention on the French side to treat Germany as an equal partner. Rather, French policy-makers saw Germany as playing a subordinate role in planning and production but contributing an equal share of the cost. As Serfati points out,

“Cooperation with Germany has allowed France, while holding onto the direction of operations for twenty years, to benefit from important financial and technological resources and, in part due to strictly adopted German law in this field, the exports of the co-produced arms.” (Serfati, 1996: 68)

Formal co-operation began on January 21st 1958, when the two countries agreed, together with Italy, to collaborate on weapons development within the WEU framework. In particular a committee was set up to explore proposals for the development of a battle tank, fighter aircraft, transport aircraft and basic conventional weaponry research. Exploratory talks were even held on nuclear issues. The Italian government, however, soon lost interest. The talks on the battle tank continued until

1963, when the project collapsed as the Germans decided to develop their own tank. The German government also decided to buy the American Starfighter fighter aircraft in October 1958 rather than the French alternative (Kocs, 1995:76-8). These were seen as major blows to the new strategic alliance.

There were, however, some successful projects that emerged from these original decisions. In 1963, France and Germany agreed to co-develop anti-tank missiles and the following year surface-to-air missiles. The resulting missiles were both a technical and a commercial success (Kocs, 1995: 88-9). Moreover, a 1958 agreement allowed Germany equal access to the French military research laboratory at Saint-Louis where many German scientists had worked from 1945 onwards. This co-operative research venture provided much of the technical data for future Franco-German projects (Kocs, 1995: 80-1).

The Transall military transport aircraft, whose production agreement was signed in 1964, could also be regarded as a partial success in that it was actually produced, albeit with no commercial success. Both France and Germany had needed such an aircraft, but their strategic requirements varied dramatically. The French wanted something suitable for their long-range commitments in North Africa, while the Germans wanted something to be used in Central European weather conditions. Even the planned capacity was different; Germany wanted a medium capacity while France needed to be able to transport large numbers of soldiers at once. Nevertheless, joint production was seen as desirable by both countries, on the German side to save jobs, and on the French side to finance a project that they very much wanted to

complete. The final design was, though, considerably nearer to the French ideal. This meant that it did not meet the specifications of the German forces (Kolodziej, 1987: 157). Further problems were caused by the production being carried out on an entirely bilateral basis, even down to sub-assembly tasks, which meant heavy time and cost overruns (Bittner, 1986: 116). At the end of the day the finished Transall was inferior to the American Lockheed C-130A, and cost more, so export chances were negligible. However, it can be regarded as a partial success, as it did shore up the political relationship between the countries, following the Starfighter decision, and it did improve the situation for both countries' aerospace industries.

By the early 1960s, though, further incompatibilities in the two countries' procurement policies were emerging. On the German side, the impact of the offset accords¹² meant that the proportion of the German defence expenditure budget devoted to American purchases increased. Although Bonn probably would have bought some equipment from America anyway, as the Starfighter purchase shows, it does appear that several major procurement choices¹³ in the 1960s were determined more by offset obligations than other considerations. Moreover, the need to cover these obligations led to the purchase of major weapons systems from America to fulfil them all at once, rather than in bits and pieces, which would have been a difficult task. This meant that the sort of expensive project where France most urgently needed

¹² Between 1961 and the mid 1970s, Bonn signed a series of offset accords with the United States and the United Kingdom, which meant Germany buying armaments and related services from America, as well as some military goods from Britain, to offset both countries' foreign exchange expenditure in keeping troops in Germany (Kocs, 1995:82).

¹³ In 1964 Bonn justified its decision to buy American Bell UH-1D military helicopters rather than the French Super-Frélon on the grounds of offset obligations, and similar decisions were made in the 1968 decision to buy Phantom reconnaissance aircraft and in 1971 Phantom combat jets (Cowen, 1986:158-63).

German co-operation, was not even under consideration (Kocs, 1995:83). During the same period, France had tried and failed to achieve meaningful nuclear developmental co-operation with both Britain and the United States, because of American opposition to aiding the independent French force. As the Gaullist commitment to an independent nuclear force remained strong and France was determined to continue alone whatever the cost, its need for conventional weapons co-operation increased. Germany, however, as in wider strategic questions, refused to make a choice between Washington and Paris.

During the late 1960s and early 1970s, France and Germany moved further apart politically, specifically on security issues. General de Gaulle had effectively stymied further European integration with his insistence on both vetoing British entry and on his concept of a *Europe des patries*. Germany, therefore, saw it as less essential to obtain French support for the political construction of Europe. Militarily, France's withdrawal from NATO's integrated military command structures in 1966 had ended the guarantee of French commitment to Germany's defence, which again reduced its strategic importance to Germany. In short, as far as European integration and Atlantic relations were concerned the two countries were deeply at odds. The French were also uncomfortable with the speed at which German *Ostpolitik* was proceeding as it showed the limits of their own détente policy. Finally, there was the Pluton question. The French had developed a nuclear missile called the Pluton with a range of 120 kilometres. Given that it was likely, if used, to detonate within West German territory, the German government argued for a measure of involvement in the

control process. The French government, however, would allow no German voice in the operational plans. As Kocs argues,

“The question of bilateral strategic co-operation between France and Germany remained essentially dormant throughout the 1970s, with neither side showing much interest in reviving the matter. The one bilateral issue which *did* arise, the Pluton question, proved impossible to resolve. As such, it was both a symptom of the existing Franco-German stalemate and a caveat for those who might have been tempted to try to end it” (Kocs, 1995:111).

It is then small wonder given the countries’ mutual distrust during the period and differing objectives that little armaments co-operation took place.

The Alpha-Jet project can be regarded as the only large co-operative success during this period. Again though, like the Transall, it was not an unqualified success. The French had needed a trainer aircraft while the Germans wanted a close air support aircraft. The Germans proposed that these requirements could be fulfilled by two versions of the same prototype. The project was agreed in 1972, and although the Germans had reservations, particularly over French refusals to use an American engine¹⁴, they felt that having backed down on a joint pilot training scheme, the project was politically vital. The Alpha-Jet was produced on time and to cost but proved a disaster for the German airforce. As Kocs explains,

“The close air support version of the Alpha-Jet was slower than the G-91 it replaced. Its avionics were rudimentary: the aircraft was not equipped with an autopilot, an inertial platform or even a radar. The aircraft’s poor performance characteristics made it an object of bitter criticism within the German air force” (Kocs, 1995:115).

This was another example of a politically motivated co-operation decision on the German part that led to poor equipment procurement. Exports also caused problems

¹⁴ If American parts were used exports could not be maximised as licenses would have to be obtained and profits shared. More importantly though, the French government wished to protect the ailing SMECMA.

for the two countries with both the Transall and the Alpha-Jet. Germany's restrictive arms export policies fitted poorly with France's determination to fill holes in its budget through arms exports. Although agreement was eventually reached, exports of jointly produced arms continued to be a potential problem both internationally and domestically for Bonn¹⁵. This showed that despite the existence of political will, the major strategic culture differences and different defence policy-making cultures in the two countries caused problems.

During the late 1970s and the 1980s, relations between Paris and Bonn improved considerably. Moreover, the original incentives for armaments co-operation still existed. The French were especially keen to rebuild their position in the European arms market, following a series of successful American sales, while the Germans still wanted to save money, and expand their technological capacities, especially in the area of aerospace, where they still lagged behind. This new enthusiasm led to the initiation of a number of major projects after 1975. These were namely a fighter aircraft (with Britain, Italy and Spain), a joint battle tank, an attack helicopter, and tactical missiles (Kocs, 1995:159). These projects can be regarded as a equal balance between success and failure (Yost, 1988).

The European Fighter Aircraft (EFA), which subsequently became known as the Eurofighter, has been a *cause célèbre* for many years. Discussions began between the French, German and British in 1976 about the potential for developing a tactical fighter aircraft for the 1990s. Italy and Spain subsequently became involved. Arguments over differing tactical needs, replacements schedules and use of American

¹⁵ See the chapter on Germany for a fuller discussion of the issue.

components were minor in comparison to the ongoing Anglo-French battle for dominance within the project. Germany suggested the use of an 'integrated management structure', as was used in the British-German-Italian Tornado project. This was an alternative to the cheaper 'pilot country structure', which gave one country the lead, and also normally produced a product conforming more to the lead nation's ideal than anyone else's. The integrated management structure was proposed not only as a solution to this problem but as a way of ensuring the German role in the project. The French refused to accept this as such a product was unlikely to conform to their strategic or industrial needs, but the British did, which led to the French developing Rafale on their own from 1985, while the other countries developed the Eurofighter (Kocs, 1995:163-8).

The French refusal to lose the lead nation position in premium projects, which had secured for their industry a continued technological advantage, has proved a continual problem for co-operation in this sector. The state's ownership of the major defence firms created protectionist tendencies. As Leimbacher argues, it seems that because of this, technological gain has always been more important to the French than either interoperability or military efficiency, both of which were vital to the Germans (Leimbacher, 1992:90-1). Germany's procurement organisation, in comparison, has never been allowed to carry out any industrial or regional policy in its procurement decisions. Such differences in policy emphasis in defence procurement are a cause of difficulty in collaborative projects. The French and German foundations on armaments policy, thus, differed greatly in the industrial sphere as well as the strategic culture sphere.

The jointly developed battle tank became a highly politically significant project for both governments. Discussions started in 1977, when it was noted that tank replacement schedules were potentially compatible, and both the French government and arms procurement sector and the German Chancellor Schmidt and his Armaments Director, Eberhard, imbued it with symbolic significance. Given the association of German military aggression with tanks it was seen as the ultimate sign of friendship. German industry was less enthusiastic as their superiority in the sector over the French was generally accepted, and so industrial figures saw few advantages in co-operation. Original discussions between the two ministries proved problematic, and it took the personal intervention of Chancellor Schmidt and President Giscard d'Estaing before the formal statement of intention was signed in 1979. There were, though, four outstanding problems. Firstly, the replacement schedules were not as compatible as had been thought; the French needed to replace tanks in 1991 while the Germans did not need a replacement before 1996. Secondly, they disagreed on the extent of development needed in the tank, the Germans wanting an improved version of their Leopard 2 while the French wanted to help their industry by designing a totally new tank. Thirdly, the Germans wanted a tank in the 50-60 tons range while the French wanted a lighter tank with less armour that would be more suited to export markets. Finally, the question of exports was even more delicate than usual as the Germans, sensitive to the role tanks played in their historical aggression, had restricted the export of German produced armoured vehicles to Western industrial democracies¹⁶.

¹⁶ See Bauer and Küchenmeister (1996) for a fuller discussion of the variations in German export rules.

France gave in on most of these points but remained obdurate on the question of exports. Eventually Chancellor Schmidt gave in to French demands at a high level summit in 1980. However, although Schmidt was prepared to do this, given the highly symbolic nature of the tank to the Franco-German relationship, he had not realised the level of opposition in Germany to the proposed agreement. Industry saw no advantages in co-operating with the French. The military did not consider the project likely to fulfil their tactical requirements. Members of the *Bundestag* were annoyed at not having been consulted, and the Social Democrat (SPD) and Free Democrat (FDP) politicians were worried by the export agreement. Moreover, the then shortfall in procurement funds made the project even more unpopular, especially given that the Leopard 2 was just coming into production and so another tank seemed unnecessary. The German Minister of Defence refused funding for the Franco-German tank on the grounds of procurement cuts in 1981, and Schmidt was unable to persuade the *Bundestag* to fund it from elsewhere in the budget. The project finally was allowed to die in 1983 following Schmidt's departure from office (Kocs, 1995:159-63). It proved to be an example of a prevailing trend in Franco-German relations, whereby important integrative decisions are made at summits by the leaders, but then the detail remains impossible to agree.

On the other hand, the project that replaced the battle tank, as the prestige project of Franco-German defence industrial co-operation, can be regarded as at least a partial if not a complete success. The anti-tank helicopter, which became known as the Tiger helicopter, had reached production stage by the late 1990s (despite its three different variations) and is now being managed through OCCAR. The variations

consist of a support helicopter that the French wanted to protect their anti-tank helicopters (HAP), the anti-tank helicopter for the Germans¹⁷ (UHU) and a third generation anti-tank helicopter (HAC) aimed at French wishes which was to be equipped with a jointly developed¹⁸ anti-tank missile (Forster, 1998:4). These variations were necessary due to the impossibility of reconciling different strategic needs. This again shows the problem of co-operating when strategic cultures vary considerably, and once more solutions had to be imposed by the Heads of State to such problems as seating arrangements and the situation of the day-night all weather equipment (Heisbourg, 1986:130). French insistence on developing a day-night all weather operational capability, rather than purchasing already available American equipment, as well as changing strategic needs on the German side in particular, has made the project last considerably longer than expected. However, despite time and cost overruns, decreases in orders from both countries, and constant crises over one aspect or another of the project, the UHU and HAP versions reached production stage in 1998. The HAC, along with its jointly developed missile system, seems far more uncertain (Forster, 1998:4-5). The Tiger project has like the Eurofighter been a victim of changing strategic circumstances. The need to co-ordinate much more closely at the planning stage, rather than just the procurement stage, is seen though as a lesson to be learned from the project¹⁹. It is, however, paradoxical to think that this project is

¹⁷ The original German specification was for an armoured helicopter, armed with air-to-air and air-to-ground missiles, suitable for fighting against Soviet tanks on the front-line. The end of the Cold War has altered this specification, so that the UHU now resembles the French variant (HAP) (Muguet, 1995:102).

¹⁸ Great Britain was also involved in developing this anti-tank missile.

¹⁹ This point was raised in an interview with the Tiger Project Manager Friedrich Schwind in Koblenz in December 1998. He was enthusiastic about the value of collaborative projects for European countries but thought the co-operation was simply not at an early enough level which accounted for many of the difficulties in Franco-German projects.

hailed as such a success, when it has taken so long to develop and fell prey to so many problems. Perhaps the answer is that success in co-operative ventures is relative. This project was also the first major project where Germany took the lead nation role, this was given up when the Eurocopter²⁰ company was founded to co-ordinate the project along the same lines as Euromissile.

The area of co-operation that has been the most commercially and technically successful has been that of tactical missiles. Major projects such as the successors to the Milan, HOT and Roland missiles, whose development was described earlier in the chapter, were the only Franco-German projects to advance without major public disagreements or obvious resistance from some of those involved. The Trigat-MR medium range anti-tank missile and the Trigat-LR long-range anti-tank missile were developed by the Euromissile consortium, which was founded by Aérospatiale, Messerschmidt-Bölkow-Blohm (MBB) and British Aerospace Dynamics Group in 1980. The other major missile system developed was the Franco-German ANS supersonic naval missile which followed up from the MBB-developed Kormoran missile where Aérospatiale and other French firms were sub-contractors (Kocs, 1995:174-5).

Ironically, given the much publicised advances in Franco-German security co-operation from 1992 onwards, the trend moved away from purely Franco-German arms projects during the 1980s. This was generally due to increasing difficulties in finding contractual agreements that suited both parties. German insistence, as its

²⁰ Eurocopter has developed from a single project fusion and is currently testing the NH-90 helicopter, another joint development although also involving Italy and the Netherlands.

defence industry became more important to its economy, on playing a more equal role, played a major part here. France was prepared to compromise up to a point, (as the project negotiations described above show), but began to seek out partnerships with small arms producing countries, such as Belgium and the Netherlands, rather than Germany in order to maintain its industrial strength. The Hélios military satellite project, which was pursued with Italy and Spain after Germany refused to take part, is an example of this (Kocs, 1995:173-4). Equally, France began to pay more attention to Britain as a prospective partner (Muguet, 1995: 99).

The constraints on defence procurement budgets following the end of the Cold War, as well as the moves towards interoperability brought by the development of first the Franco-German Brigade and then the Eurocorps, reactivated the old partnership along with many new multilateral and bilateral partnerships. Another source of pressure to resume closer ties was the close relationship between Chancellor Kohl and President Mitterrand, who added a protocol in 1988 to the Elysée Accords, which encouraged the development and deepening of co-operation in the field in order to maintain a European capacity (Guerin-Sendelbach, 1993:97). Most of the major projects started since then are still at an early stage and so cannot be fairly judged at the time of writing. However, the difficulties with project such as the Hélios 2 satellite, NH-90 helicopter and MRACV suggest that the record is hardly improving.

Much can be learnt anyway from the study of earlier Franco-German armaments co-operation. It may seem from the chronological account given above, that it is more an account of failure. In armaments co-operation though, failure is

relative, and so the Franco-German relationship can be seen as comparatively successful. There have been more successes in minor projects than in major weapons systems projects, and even though there is a tendency to overrate the partnership the fact remains that it has proved the most widespread and durable example of an armaments alliance. Examining the differences between the projects that worked and those that did not can produce fruitful hypotheses for establishing a model for successful future projects. Moreover, examining the difficulties that have been relatively constant between the French and Germans can show whether these are likely to continue in the new environment of OCCAR.

Why do Projects Fail?

What are the areas that could be responsible for a project failing or succeeding? The type of project needs examination. There has been a tendency throughout for the successful projects to be those of second-ranking importance, while main weapons systems projects have almost invariably failed (Muguet, 1995:111). There are also various factors that need to be considered. Often lack of political willpower is blamed for failure, while others blame incompatible requirements, or industrial and technological aims on the part of governments or firms; these factors need evaluation. Moreover, external factors, such as third-country policy changes and global conflicts, can wreck a project, and so must also be considered.

Clearly adequate political will is needed to make sure sustained co-operative efforts can succeed. If commitment is in doubt then the project is very unlikely to get

further than the planning stage. The history of Franco-German armaments co-operation has proved that top level political support is not sufficient to ensure success. There are many examples of the two countries' leaders throwing their weight behind a project and maybe getting it back on course for some time but failure being the end result. Indeed as Wallace argues,

“The hiatus in arms collaboration which continued through the early 1980s demonstrated the limits to which political commitment could overcome technical, industrial and service interests” (Wallace, 1986: 242).

This does not mean to say, however, that the leadership is unimportant; there are clear indications that the priority a leader puts on the relationship, is frequently related to what is achieved in all sectors including armaments co-operation²¹. In fact, given that successive French and German governments, not only the leaders, have so consistently favoured armaments collaboration, it is surprising that it has not been more successful. There have been incidents where concerns about exports or budget overruns have forced the German parliament to oppose projects such as the battle tank in the 1970s. On the whole, though, the political élite has been broadly in favour of co-operation. To sum up, it can be argued that political support is a necessary but not sufficient condition for co-operation to work.

Political willpower can fall victim to problems in related policy areas. Franco-German armaments co-operation has sometimes fallen victim to political disagreements between the two countries especially on the shape of European integration and the state of the Atlantic Alliance. For example, disagreements on

²¹ In interviews with Timm Meyer of the *Bundesverband der Deutschen Industrie* (BDI) in Köln and Matthias Spude of the *Bundesverband der Deutschen Luft- und Raumfahrtindustrie* (BDLI) in Bonn in Autumn 1998 both thought that Schröder would place a lower value on the Franco-German relationship.

Economic and Monetary Union, rather than carefully thought through decisions about the value of the projects, were widely held responsible for first the French pulling out of Franco-German helicopter and military transport aircraft projects (Davidson 1996) and then the German retaliation by deciding against a spy-satellite programme (all but the military transport aircraft have since been reinstated) (Gray 1996). Such decisions do add to the vulnerability of the co-operation process. Nevertheless, the amount of projects that have failed entirely or mainly through political factors are few and far between. Indeed de Bing suggests that the failure of the military satellite negotiations was more to do with French attitudes towards the Germans. He accuses lobbyists of antagonising German administrators,

“French lobbyists tend to just haunt the corridors of the Chancellory, and treat German administrators and parliamentarians casually, so end up by irritating them and being totally counter-productive.” (de Bing, 1997: 60)

He points to a joke prevalent in German industrial circles at the time as being indicative of German opinions of the French lobbying;

“Germany doesn’t need a satellite.... but as for France, she needs a satellite: Germany!” (de Bing, 1997: 60)

Such antagonism apart it does not seem reasonable to blame all Franco-German co-operation failures on Germany’s wounded *amour-propre* or France’s arrogance.

It would therefore seem necessary to look further for the source of the problem. As Kocs argues,

“If both the French and German governments consistently favoured arms procurement collaboration, however, then why did cooperation prove so difficult to carry out in practice? The blame could not be laid at the doorstep of any one actor or group in either country. Franco-German armaments cooperation had few consistent opponents. In fact, only the French Communist party and its allied trade union, the CGT, systematically opposed armaments cooperation between the two countries. The attitudes of industry, military planners, and budget authorities

towards proposed co-production projects all tended to vary with the specific circumstances of each case” (Kocs, 1995: 176).

If there was no substantial sustained opposition then it would appear useful to examine the reasons why industry, military planners and budget authorities would be inclined to favour a project or not.

Trefz argues that many of the problems in Franco-German armaments co-operation can be traced back to structural differences in, for example, the attitude of the state to funding for military-industrial research and development. However, she also stresses the under-valuation of the role of industrial interests, in the criteria for success or failure of a project (Trefz, 1989:100-112). She argues that the root of the problem lies in the,

“antimony between the French armaments policy that is so closely associated with their striving for independence and the German recent political consciousness of their economic and industrial potential” (Trefz, 1989:126).

In simpler terms, this alludes to the competition between the French desire to keep all sectors of their armaments industry, from aeronautical design through to ship building, as successful operations, both financially and technologically, and the increasing of German awareness of their own interests and potential in the sector.

More specifically, if we look at the firms involved in the projects that were successful we can see that industrial interests are noticeable. Support can be based on the type of work-share agreements, the technological strengths and weaknesses of those involved and on the habits of individual companies. As was mentioned earlier, the lack of enthusiasm on the part of German tank manufacturers Krauss-Maffei and Krupp MaK was in part responsible for the failure of the battle tank initiative. This

was because they could see no discernible advantage for themselves but felt that sharing their technological advantage would mean a loss. Kocs' research shows that Dassault, the French aircraft manufacturer, supported or resisted co-operation depending on whether the arrangements would allow them to keep control of key design decisions, and so maintain their own expert reputation (Kocs, 1995:177).

Regarding MBB the German aeronautics firm, Kocs also points out,

“The long history of cooperation between MBB and Aérospatiale in the construction of aircraft and tactical missiles (including among others Transall, HOT, Milan and Roland) made agreement between the two firms on new projects easier to achieve. In fact, MBB sometimes showed itself more willing than the German government to compromise in order to reach co-production agreements with Aérospatiale, as occurred during the industrial negotiations over the Franco-German attack helicopter” (Kocs, 1995:177).

Problems in the relationship between state-owned French firms and the private German firms increased throughout the period, as the concepts of risk and profit margins are much more important when private shareholders had to be considered by the Germans²². Now that times are harder for all European defence industries, including the French one as it moved towards privatisation at the end of the 1990s, such topics are becoming more important considerations. It would seem therefore, that for a co-operative project to have a good chance of success it needs to bring positive benefits to the firms involved. A useful example of this is the co-operation between MBB and Aérospatiale on tactical missiles. MBB not only received half the production work but also half the export profits. Many of France's customers for the missiles were Middle Eastern states whose markets would have been forbidden to

²² This point was raised in an interview in Bonn with Dr Spude of the BDLI in October 1998.

MBB²³ under German regulations so co-operation opened up new export markets. For Aérospatiale co-operation with MBB meant that Germany would not develop its own family of tactical missiles to compete with French products for the Western industrial markets. The problem of organising work-share agreements to suit all parties has plagued co-operative projects in general not just Franco-German ones. The start of restructuring of European industry, along with the partial privatisation of French defence industry, into transnational alliances has clearly made such projects easier. However, until this happens in sectors other than aerospace, separate business interests are likely to continue to play a role and must therefore be considered in any model. Even where mergers have taken places reconciling different national interests is hard as can be seen in the complicated management structures of EADS.

The role of the military planners should also be considered. Their attitude to co-operative projects has also been variable. In particular, there have been times when the German military has shown a preference for American equipment, especially as far as aircraft and helicopters were concerned. However, this is hardly surprising given that co-operative projects with the French have sometimes resulted in unsatisfactory equipment such as the Transall aircraft and the Alpha-Jet. The higher level of importance the German military attached to interoperability, was also a factor in this preference for the American equipment widely used in NATO. It should not though be assumed that this meant an opposition to collaboration; it was much more closely linked to the desire for the best equipment available, however it was produced.

²³ It should be noted that MBB was publicly owned until 1989 when it was taken over by Daimler-Benz.

What was disliked were projects that appeared to be mainly for political reasons. National budget authorities had a similar attitude. They are normally supportive of collaborative projects, as they are usually cheaper than independent development, if not more cost-effective because of the higher administrative overheads. Again though, projects that have been developed for political motives, rather than military requirements, are disliked, as was clear with the *Bundestag's* refusal to fund the Franco-German tank in 1981, and once more in 1997 when they made approval for the Eurofighter costs a long drawn-out procedure. These factors though seem less likely to play a major role in future given the awareness of budgetary problems. It seems unlikely that the French and German leaders would be able to proclaim such expensive proofs of their friendship in the future unless they are militarily necessary. It is also necessary to mention the need to co-ordinate successfully on the actual procurement, that is to say the co-ordination of budget cycles, replacement cycles and design factors. This is a factor though that can be more easily solved if all other conditions are in place²⁴.

External factors can help or hinder co-operation. For example, the offset obligations incurred by Germany from the expenses of foreign troops stationed there, clearly hindered Franco-German co-operation. On the other hand, the ending of the Cold War and the subsequent cutting of defence budgets in both countries have encouraged co-operation. Equally the rationalisation of American defence industry

²⁴ Friedrich Schwind of OCCAR pointed out in an interview in December 1998 in Koblenz, that such things are more flexible than they may look on paper, if the other factors are in position.

has had a similarly positive effect. Thus while external factors or pressures must be taken into account, they can not be classed as simply positive or negative.

Therefore, the conditions for a successful project would include not only wider political support, but also gains for the firms involved and a real military requirement that will be met by the project. The existence of these conditions in European armaments co-operation by the late 1990s had been largely ensured by external factors, such as the changing world arms market, renewed American competition and European budget cuts described in chapter one. Thus, the climate for successful armaments co-operation in Western Europe at the end of the 1990s seemed favourable. The problems shown in the Franco-German example which remain, can be divided into two categories; structural and cultural. The first includes matters such as, different budgetary and approval procedures, different procurement codes and practices and different research funding structures. The second includes the more nebulous problems, described in the Franco-German case, of different strategic cultures, different state-industry relationships and different armaments policy-making cultures.

European armaments experts decided to tackle the first category of problem through the establishment of institutions. This led to the establishment of both the WEAO and OCCAR, the latter of which this chapter will now consider. It seems likely that the establishment of common procurement practices and a single project management structure will alleviate such problems, as well as making co-operation

more efficient. Whether institution building will tackle the second category of problems is less certain. Fontanel and Hébert argue that,

“Cooperation is difficult to organize, but the main problem is of a political nature (defence doctrine, conceptions of the country’s interests and modes of intervention)” (Fontanel and Hébert, 1997:53-4).

If this is true then the path ahead is more difficult. Peter and Thelen perhaps sum it up best,

“The fusion of the big European aircraft producers into one European concern must act as an example for the whole of the defence industry. At the moment though every country is guarding their own capabilities, and will not give any of them up to a co-operative venture... And what is more the leaders of Europe cannot decide on a common security policy. In that case, beneficial structures, such as a common European armaments agency, won’t work, as the example of OCCAR shows.” (Peter and Thelen, 1997: 22)

By 2000 the emergence of the EU rapid reaction force and real cross-national defence industrial restructuring seemed to herald the beginnings of a common security policy. Nevertheless, strategic differences have been a major factor causing difficulties in the Franco-German relationship, and these have not been fully resolved. Equally, despite changes in the industry-state relationship in France and the establishment of transnational defence firms there are still different attitudes towards defence industrial policy in the two countries. All this may mean that OCCAR’s task is harder than finding and following a template on which to base successful projects. Greater progress in European integration may be necessary before the agency can really be successful.

So what has this case study shown us? It can be argued that for armaments policy integration to succeed there are deeper problems than ones caused by budgetary problems, resource duplication and different schedules. The history of

Franco-German armaments co-operation has shown us that these surface problems matter, but that there are also problems when strategic cultures are different, when state-industry relationships are different and when procurement strategies and policies cannot be harmonised. Have some of these questions been addressed and overcome by the formation of OCCAR? The next section of the chapter will attempt to answer that question.

OCCAR: An Attempt at the Integration of Defence Procurement in Europe

Introduction

The idea of a European Armaments Agency is nothing new. As Lenzer writes,

“European co-operation in the armaments field has been a political and military objective since the end of the Second World War. Finabel, the Standing Armaments Committee, Eurogroup, IEPG, WEAO and OCCAR are just some of the steps along the long and difficult road towards what so far have been rather meagre results.” (Lenzer, 1997: Memorandum Point 1)

The need for the countries to co-operate in arms development and production in order to save money led to the setting up of the Independent European Programme Group (IEPG) in 1976. Its functions were transferred to the WEU to form the West European Armaments Group (WEAG) in 1992, following a renewed commitment to the idea by WEU defence ministers in December 1991. They agreed six basic principles for the transfer, the main ones of which were:

- “All 13 nations should be entitled to participate fully and with the same rights and responsibilities, in any European armaments cooperation forum.
- There should be a single European armaments cooperation forum.
- Armaments cooperation in Europe should be managed by the National Armaments Directors of all the 13 nations, who will be accountable to the Ministers of Defence of those governments.

- The existing links with NATO and EDIG should be maintained.”
(www.wcu.int weag, 15.3.00)

However, this organisation, which later established a separate legal structure within WEU, known as the Western European Armaments Organisation (WEAO), to act as a structure in which co-operation could be carried out, has made relatively little progress in armaments co-operation, except, to some extent, in the research field. In Autumn 2001, defence ministers will decide whether to implement the WEAG experts’ plan for a European Armaments Agency. However, states have remained reluctant to give up industrial capacity in any defence sector, and the less important arms producing states have even seemed to use the WEU as a way to improve their domestic industrial capacity. This meant that *juste retour* was unlikely to be abolished and so the chances of achieving savings and more efficient practices seemed remote (Uttley, 1995: 288). The size and heterogeneity of the group made it difficult to make progress and the larger arms producing countries (Germany, France, Italy, the United Kingdom and to a lesser extent Sweden), who realised speed was needed, were frustrated by this.

In an era of falling defence budgets, more co-operation was always going to be desirable, particularly as the cost of defence technology rises, however the globalisation of the defence industrial sector provided the real impetus. The dramatic changes in ownership and structures of the global (especially American and West European) defence industry in the 1990s has made states recognise that their traditional role of control and direction of defence industry is no longer valid. Moreover, states recognise that, their defence firms know if they are to remain prime contractors, they must merge and improve competitiveness. A partial exception to this

are French defence firms who have needed more government direction to recognise the changing global situation; although their position was complicated by being state-owned, the firms, excepting Matra, showed little sign of recognising a changing era. In order to maintain their favoured access status to their indigenous defence firms, many of the European states have seen that they must offer a good market and favourable research funding to maintain their defence industrial base. Such conditions can only be offered in a collaborative arena. The paradox of needing to collaborate to control, but at the same time losing national control over defence industry is an interesting one²⁵. The major weapons producers seemed more aware of the need to act quickly to create such conditions and so were frustrated by the lack of progress in WEAG. This frustration helps to explain the creation of the *Organisme Conjoint de Coopération en Matière d'Armement* (OCCAR).

The Beginnings

Although the *Organisme Conjoint de Coopération en Matière d'Armement* (OCCAR) was formally created in November 1996, the Franco-German meeting at Baden-Baden in December 1995 is often cited as its origin. Its roots though, can be traced to a decision taken by the Franco-German Defence and Security Council in Mulhouse on the 31st May 1994 to move ahead and create an organisation to cooperate on arms procurement. This followed a statement in December 1993 by the French and German Ministries of Defence, which originally suggested such a move, away from multinational programme offices towards an integrated management,

²⁵ See Chapter 2 for a more detailed discussion of this point.

structure. This decision was taken partly to improve Franco-German co-operation in this area, partly as a symbolic political gesture, but also in frustration at the slow progress made by the WEU in European arms co-operation²⁶. As early as the November 1994 report by the French and German Armaments Directors²⁷, the shape of OCCAR was already becoming clear; a limited central organisation would be charged with overseeing financial and administrative business, while programme directors would run the programmes at their bases (*Ministère de la Défense* Press Release, 1994). The organisation was envisaged as a part of the WEU. The administrative shape of the organisation, along with its judicial status and financial arrangements and the principles on which it would rest, had already been planned as can be seen in the September 1994 plan (*Ministère de la Défense*, 1994). The decision to base its administrative headquarters in Bonn was taken in July 1996 (*Der Spiegel*, 1996: 21). There was therefore already a clear plan in place before Italy and the United Kingdom joined the fledgling organisation in November 1996. The Baden-Baden meeting in 1995 between Chancellor Kohl and President Chirac decided to proceed with the plan and to announce it officially along with a co-operative agreement on military satellites²⁸ (Moniac, 1995).

From relatively early on it was clear that the agency would be based on certain principles laid out at Baden-Baden;

“The first insists on the pre-eminence of cost-efficiency criteria in the choice of industries. The second highlights the necessity of long-term harmonisation of not only the needs of the users but also different

²⁶ See Normand (1994) for a fuller account of the Franco-German moves.

²⁷ The close friendship between the French and German Armaments Directors (Conze and Schönbohm) at this time was widely regarded by those interviewed for this study as the reason for the successful negotiation of such a far-reaching plan in such a short space of time.

²⁸ Germany subsequently pulled out of the plan for the Helios satellites.

technology policies. The third principle fixes as an objective, an affirmation of the European industrial base on a basis of a strong increase in competitiveness. The fourth principle explicitly provides for the abandonment of *juste retour* by programme and suggests a search for a more global equilibrium carried over several projects over several years. Finally, the fifth principle is a principle of openness carrying the possibility of other countries participating in the structure. The required condition, apart from the acceptance of the principles, is significant participation in a programme being co-operatively run inside the structure.” (Prevot, 1997: 49)

These principles broke with the inefficiencies associated with European armaments co-operation by rejecting *juste retour*. Interestingly as well, despite much rhetoric for and against on all sides, there is no specific, binding commitment to a European preference in the agreement document on structure and working principles (OCCAR, 1996)²⁹. Instead there was agreement that an OCCAR member would give preference to procuring equipment that it had helped to develop. The principles were accepted quickly by Italy and the United Kingdom who were keen to join.

Given the tenor of British European policy in 1996 it is perhaps surprising that the UK was so enthusiastic about joining OCCAR. John Wilkinson (MP for Ruislip-Northwood) more typically feared that OCCAR would “develop protectionist, pro-European and anti-American preferential tendencies in its procurement policies” and increase the UK’s propensity to be “sucked along in the Franco-German slipstream” (Hansard, 5th March 1997: 870). There was, after all, a clear link between armaments co-operation and the development of a European defence policy, which at that time was opposed by the Conservative government (Hansard, 5th March 1997: 870). However, it should be noted that firstly, a new realism about the importance of the British defence industrial base had by then pervaded the Ministry of Defence and

²⁹ Observers though insist that a European preference exists implicitly if not explicitly (*de defensa*, 1998: 8).

OCCAR offered a chance to increase its chances of survival. Secondly, the principles on which OCCAR was to be based, particularly the acceptance of the pre-eminence of cost-effective methods and the rejection of *juste retour*, were seen as major concessions, particularly by France, to the British 'value for money' mantra. It was, however, somewhat ironic that economic needs effectively forced British participation in a project, which reversed all their political ideas on defence (*de defensa*, 1998:5).

The new armaments agency was in fact widely hailed as a move towards more efficient European armaments co-operation (Puhl, 1996). OCCAR was seen by the participating states as a break with the inefficiencies of the past as it incorporated new techniques on decision-making, work share and procurement authority. OCCAR was to have the powers to issue contracts on behalf of participating states and to run the procurement procedure. This offered a number of savings. For example, rather than having a Programme Director from each country participating in a collaborative project, there would be a single Executive Director. Qualified majority voting was also to be introduced into some decisions. As Reda writes,

“OCCAR is exploring a more flexible decision making process. Although the principle of unanimity still stands for existing programmes and partners, there is a move away from consensus decision making....If successful, it will be a monumental step in the democratic decision making process with applications to other forums and industries.” (Reda, 1999: 83)

This would certainly enhance the efficiency of co-operative projects. The idea also was to associate OCCAR with the best ideas in defence procurement. As it says in Article 24 of the Convention,

“OCCAR shall aim to adopt best practices for procurement and shall work with Member States to benchmark procurement practices against the highest standards.” (Defence Committee First Report, 1999: viii)

The idea seems to aim for recognition of OCCAR as a model of best practice in defence procurement in general, not just in collaborative projects.

Although improvements in practice were important motives in forming OCCAR, certainly at the time of creation and planning, there were also political motives. The agency was intended to continue the strengthening of the Franco-German security relationship especially as the decision to proceed was taken at a time of uncertainty. Chirac had just taken over the French Presidency, and there was not as much empathy between him and Kohl, as there had been between Kohl and Mitterrand. The agency was also intended to enhance and advance the EU's Common Foreign and Security Policy. The Franco-German declaration in Baden-Baden made it clear that the two countries saw the rationalisation of Franco-German armaments co-operation, as a useful step on the way to achieving a European Armaments Agency. They also thought that it formed an important precondition for a European security policy of the sort laid down by the Maastricht Treaty (*Bundesministerium der Verteidigung*, 1995). Indeed it could be maintained that at least as far as the French are concerned these issues remain very important. Jospin, for example, argued in a 1998 speech that,

"Our belief is that the creation of an industrial base in defence technology, composed of powerful entities, supported at first by an armaments market at the heart of the continent, will condition the emergence of a true European defence policy. (...) Putting an internal armaments market into place at the heart of Europe is necessary to ensure the competitiveness and the profitability of this European industry while it is establishing itself, but also to allow armies to equip themselves at the lowest cost" (Jospin, 1998)

Interviewees though have suggested that, following the accession of Italy and the United Kingdom, the overtly political or federalist angle became progressively less

important³⁰. It was also felt that the retirement of the French and German armaments directors, who had initiated the project, had lessened its politicisation, and led to a concentration on more practical matters. In particular, the Blair government's more enthusiastic message on ESDI, started by the 1998 Saint-Malo Declaration, superseded the previous disagreements between OCCAR members in the policy area³¹. This made the articulation of the political motives less necessary, as there was no longer any real disagreement about OCCAR's direction. Progress within the EU on the creation of a common defence and security policy has also made OCCAR less politically sensitive, as it became less radical and more a part of general defence policy.

The Devil Lies in the Detail: Establishing OCCAR

There were several major obstacles to be overcome before OCCAR could start work. Firstly, its relationship to the WEU, the EU and NATO had to be clarified. Secondly, the rules on OCCAR acquisition had to be formulated. Interestingly, the OCCAR states decided to write a new set of rules rather than import a system of acquisition (although each state naturally wished to incorporate as many features of their national system as possible), thus following the idea behind European Union integration of establishing an *acquis communautaire*. This plan was aimed at removing many of the problems with different budgeting and audit procedures, financial years, and procurement processes among other factors that had dogged

³⁰ During a series of interviews carried out in Britain, France and Germany in 1998-2000 with civil servants and industrial lobbyists this view was stated frequently.

³¹ Stephen Logan, the UK Assistant Director of Procurement Policy on OCCAR made this point, in an interview at Abbeywood in November 1999.

earlier collaborative projects. OCCAR provides an intriguing snapshot of European integration. It is interesting to observe how many of the practices of European Union integration are being followed; the establishment of *acquis communautaire*, the establishment of a central apolitical, multinational administrative staff, and the setting of conditions for membership. There is also a sense of finding a technocratic solution to collaborative defence procurement, which depoliticises the issue. This suggests that, even though none of those interviewed foresaw an early merger with the EU, the experience of European Union integration has greatly affected practice and culture.

The legal status of OCCAR was closely linked to its relations with other international organisations. Initially the organisation was intended to become a WEU organ (Kemp, 1997: 11), but the establishment of the WEAO one week after OCCAR made this legally difficult. In addition, there was political reluctance on both sides as the motivations of both organisations were different. Spain and Greece in particular, resisted OCCAR becoming part of WEU because of the attempts to eliminate *juste retour* (Reda, 1999: 84). The WEAO was primarily politically motivated, with each member having an equal voice, whereas OCCAR was intended as a pragmatic solution to the problems of armaments co-operation. It is noticeable that, although the Netherlands was finalising their accession at the time of writing, and that the potential membership of Belgium³², Spain and Sweden has been discussed, none of those interviewed envisaged much further expansion nor considered it desirable. This is in spite of the principle of openness to other WEU states. OCCAR has definitely become

³² Belgium has officially applied for membership, but some commentators suggest that the Belgians would demand off-set arrangements to safeguard their industry (Trybus, 1999: 220).

a club of the powerful³³ and has no agenda for helping those less fortunate. Equally, for similar reasons no one foresaw a speedy incorporation into the EU³⁴. Clearly too it was inappropriate to link closely with NATO as it was a purely European organisation. OCCAR therefore needed a legal personality of its own. This was obtained on the 9th September 1998 at the Farnborough Air Show when the Defence Ministers signed a convention agreeing this (MoD Press Release, 9th September 1998). This convention, following ratification by all members, allowed OCCAR to develop its own procurement procedures and contract regulations.

Setting up these new rules and regulations has taken rather longer than at first expected. It was always going to be hard to formulate multinational rules. Schmitt graphically describes the potential pitfalls in such an approach,

"The procurement process is a complex decision-making process in which lots of different military, political and industrial interests participate. To bring together the varying interests is hard enough at national level. If more national decision-making processes must be brought together the difficulty increases exponentially with the number of participants. Mostly the devil lies in the detail. Geo-political considerations mean different requirements and even when the same thing is wanted different military doctrines mean that different things are wanted from the same system. On top of that diverging procurement philosophies and competing industrial interests make multi-national procurement rules hard to formulate." (Schmitt, 1998:21)

³³ Discussions about the accession of the Netherlands have meant a change in funding arrangements. Previously France and Germany paid a third each and Italy and the UK a sixth. When the Netherlands joins this will change to equal shares for the original members (about 22% each) and a half share for the Netherlands of costs. This means that the founders have ten votes each and the Netherlands five. Ten votes can act as a veto over any decision including the admission of other nations (House of Commons, 1999c: 5). Given that neither France nor Britain is keen to enlarge, this could keep OCCAR's size very limited but conversely more powerful. In 2000 there was every indication that, both the OCCAR and the Lol countries preferred to deepen rather than widen their work (Schmitt, 2000: 37).

³⁴ The levels of scepticism about the EU's capacity to manage defence industrial and procurement matters among those interviewed were surprising. They expected at least a decade to pass before OCCAR would be a part of the EU and the Commission's plans for defence industrial co-operation in Europe were generally seen as naïve.

Each of the countries has had its own special concerns. France has been particularly anxious about OCCAR being “irreproachable at the level of confidentiality of information” (CHEAr Committee 12, 1998: 39). Germany finds it hard to accept that its regulation based approach is not being fully adopted, as they see anything else as less accountable³⁵. Britain has been lobbying hard to avoid having to sign up to any explicit European preference. Equally, the question of the extent to which sustaining the European defence industrial base should inform procurement decisions has been fraught. The states’ different relations to the defence industrial sector continue to inform this argument, as do their varying opinions on transatlantic relationships. The delays in getting OCCAR ready to start work have helped to increase scepticism about the organisation. It also should be noted that the underlying cultural differences between the countries on defence issues³⁶ have fed these disagreements which suggests that creating a new and overriding multinational administrative culture will be hard (Schwartzbrod, 1998: 84). The question of how OCCAR has been received by politicians, civil servants and industrialists, not only in the three countries under consideration but in the wider world, helps to illuminate this problem further as it will illustrate the constraints under which OCCAR staff work.

Reactions to OCCAR

Political reaction at the executive level in all three countries has been very positive. at least in public, although it must be said that governments have not shown

³⁵ Bob Godbold made this point in November 1998 in an interview at OCCAR in Bonn. This shows how ingrained the legalistic approach is in Germany.

³⁶ For example how can integrated project teams be set up including military and civilian members as happens successfully in Britain and France when this is constitutionally forbidden for Germans?

much enthusiasm for putting new rather than transferred projects, such as TIGER and COBRA, into OCCAR. However, British politicians have been concerned about OCCAR's financial and political accountability, warning that,

“ There is a danger that if such accountabilities are lacking, OCCAR may simply become another extravagant, self-serving and purposeless international bureaucracy in the way that many similar bodies have become in the past.” (House of Commons, 1999c: xi)

The Defence Select Committee did though recommend that the OCCAR Convention be ratified as did their French equivalents. In France, concern rested more on OCCAR's concentration on economic factors rather than developing the political aspects through the EU's Common Foreign and Security Policy (*Commission de la Défense*, 1999). Both parliaments though ratified the convention in early 2000. The German parliament had already voted to approve the convention on 4th November 1999, and it came into force with Italy's ratification on 17th July 2000.

However, although the German politicians seemed to approve of OCCAR (with the exception of some pacifist Greens) general opinion of OCCAR remained muted even in the traditionally Europhile press. As Laird and Mey write,

“In regard to the newly formed European procurement agency, OCCAR, optimism is greater at the political level than at the working level. In Germany, the question is less whether Germany will be able to play a large role in pushing the advanced technologies associated with the RMA than whether OCCAR will be able to function at all. The political obstacles to greater cooperation remain large.... What is clear in regard to multinational cooperation programs is that Germany, faced with tremendous financial constraints, will be much less willing to pursue cooperative programs with the French, or anyone else, merely for the purpose of political symbolism.” (Laird and Mey, 1999: 84)

This lack of enthusiasm for the project contrasts interestingly with positive opinions in Britain³⁷ and France. This positive opinion continued despite highly publicised collaborative procurement problems, which led to France pulling out of the MRV project and Britain from the Horizon frigate project. It is unusual for the Germans to be unenthusiastic about European projects. However, widespread scepticism exists on this topic,

“The agency has no tasks because the armed forces haven't yet agreed on a common armaments programme. And so a dozen representatives of the armaments agency sit in the Bonn Ermekeil office and twiddle their thumbs, joked a high-ranking officer from the Hardthöhe³⁸.” (Peter and Thelen, 1997: 22)

This though is perhaps symptomatic of a wider German unease at the Franco-British rapprochement on defence policy³⁹ and is based more on a fear of being marginalised by two countries with very similar agendas.

“...France and the United Kingdom share many defence interests which are not shared by our other European partners.” (House of Commons, 1999c: 6)

Germany, at the time of writing, had still to enter into real discussion about the future of their defence policy despite the Weizäcker Commission Report⁴⁰, and especially the impacts of RMA on a conscription based army with a defensive doctrine. France and Britain, on the other hand, had set clearer priorities and so had distinct agendas in OCCAR⁴¹, which it could be argued, disconcerted the Germans.

³⁷ British industry's distinct lack of confidence in OCCAR will be discussed later.

³⁸ This is a common abbreviation for the German Ministry of Defence, which is based on this hill in Bonn. For similar German doubts see *Wehrdienst* (1998c).

³⁹ See for example Schmidt (1999) for a sceptical view on the Saint-Malo declaration.

⁴⁰ See Chapter 6 for a discussion of the German unwillingness to change their defence policy.

⁴¹ Given traditional Anglo-French disagreements on defence it was surprising to discover in the interviews carried out for this study the extent of working, if not political, agreement on defence issues, especially around procurement, that existed in the late 1990s between British and French civil servants.

For those working in the civil service procurement agencies OCCAR has produced a rupture in their working arrangements. In all three countries therefore there was, understandably, a relatively hostile reaction from the middle and lower ranks of the national procurement agencies who feared that they would lose all the most interesting projects and be downgraded⁴². Previously, when multinational programme bureaux were used in collaborative programmes, there were few attempts to co-ordinate different national procurement policies and styles. While this certainly increased inefficiency, it allowed there to be considerable movement between collaborative and national programmes for staff. As OCCAR will have its own procurement procedures and regulations there is a likelihood of an ‘international procurement career stream’ developing, which with the decline of national projects, in the end may mean those in the national agencies will only deal with small scale procurement⁴³. Equally difficult, for the civil servants involved in OCCAR, is giving up their national tried and tested procurement methods which each truly think are the best. The British, for example, are heavily engaged in trying to sell ‘Smart Procurement’⁴⁴ to the rest (Hayward, 1998). Therefore it is unsurprising that reaction has been ambivalent in some quarters, and has brought uneasiness especially among middle and junior ranking staff. The reaction of civil servants to OCCAR is important, because of the level of technicality, and also the length of time, involved in armaments co-operation projects. As Schmitt points out, the officials dealing with

⁴² I am grateful to the members of BWB, DGA and DPA who clarified the differing opinions of those working in procurement in a series of interviews carried out between Autumn 1998 and 1999.

⁴³ British officials deny that this is intended suggesting four year tours in OCCAR see House of Commons (1999c:8)

⁴⁴ See Chapter 4 for a description of the principles of Smart Procurement.

these issues are “the real masters of any reform, and not the political decision-makers” (Schmitt, 2000: 69).

Much of the reaction to OCCAR from non-participating states was disconcerted. Reactions to the plan ranged from hostile at worst to lukewarm at best. There were fears that it would further complicate the Byzantine security architecture of Europe and lead to “duplication of efforts” (Titley, 1997:17). The less important arms producing European countries felt threatened by the moves and felt left out of future developments⁴⁵. This was understandable. It should be noted however that OCCAR competitions would be open to firms from all WEAG countries and even outside if it was unanimously agreed. The OCCAR countries, despite maybe having other plans, felt obliged to go further and emphasise that, the development did not threaten them. As Bonsignore writes though,

“...from an official standpoint OCCAR is certainly not seen as the core or forerunner of the planned European Armaments Agency (EEA)...OCCAR is *a* European armaments agency not *the* agency. That is at least the formal explanation, although in practice things could develop quite differently, we will soon see.” (Bonsignore, 1997: 73)

Whether this means that smaller countries will be able to inhibit OCCAR’s future development remains unclear. American reaction showed a clear fear of a Fortress Europe developing and pointed to their interest in whether OCCAR would contravene reciprocal trade agreements already in place (US General Accounting Office, 1997:

7). Looking towards the future they pointed out that,

“U.S. government and industry officials are watching to see whether OCCAR and other initiatives are fostering political pressure and

⁴⁵ Spain, for example saw OCCAR both as a threat to its market share (CASA, through Airbus, gains more than the Spanish government contributes) and a threat to its sovereignty, if it joined. The same report describes the establishment of OCCAR as a barrier to further internationalisation, and saw no benefits in it for Spain (Ministerio de Defensa, 2000: 6-7). It should, however, be noted that Spain’s defence procurement system is considered to be the most protectionist in Europe (Trybus, 1999: 221).

tendencies towards pan-European exclusivity. As membership of the various European organizations expands, pressure to buy European defense equipment may increase. For example, according to some industry officials, the new European members of NATO are already being encouraged by some Western European governments to buy European defense products to ease their entry into other European organizations.” (US General Accounting Office, 1997: 8)

This is indicative of the pressure that is being put on OCCAR states especially Britain by the American civil servants and politicians, who in turn are being pressurised by US business. There is a clear risk of trade disputes developing in the future. As can be seen, the establishment of OCCAR has not been a popular move politically outside of the member states and even there, there are doubts about OCCAR’s use⁴⁶.

For industrialists too, the establishment and acceptance of OCCAR has been difficult. Firstly, they had to accept the relinquishment of usual *juste retour* practice, which was clearly not going to be a popular move with some firms. In fact for SMEs the issue was felt to threaten their very survival. Industrial interest groups represented this feeling to the politicians⁴⁷ but all admitted that the larger and more important firms recognised the necessity of such a step and that it was therefore irrevocable⁴⁸. There were also common fears about adding another layer of bureaucracy, which have been strengthened by the length of time taken to establish working practices in OCCAR. A common industrial view in all three countries was a sense that firms will

⁴⁶ This hostility is somewhat surprising given the pessimism with which some commentators saw OCCAR. Politi’s reaction is perhaps typical,

“JACS could benefit major arms producing countries, but if one looks at the programmes that should be supported and, more specifically, at the political consensus needed to support them, the picture is rather less rosy. The expectations of Franco-British collaboration are not high and Franco-German cooperation risks being unravelled by a general lack of determination, and, specifically, by a lack of funding on joint satellite programmes.” (Politi, 1997: 141-2)

Still more saw it as an irrelevant side-show to the development of the WEAO.

⁴⁷ See for example the *Bundesverband der Deutschen Industrie* 1998 position paper on OCCAR (BDI, 1998: 3)

⁴⁸ This point was made continually in interviews at BDLI, BDI, GIFAS, GICAT, DMA and SBAC in 1998 and 1999.

start taking OCCAR seriously when governments start committing new projects to it rather than just transferring old ones. The questions of export regulations, intellectual property rights and cross border payments were also raised in all countries as industry felt they had been insufficiently addressed by the Convention⁴⁹. All available documentation and interview data from industrial sources suggested that industry felt that overall European armaments policy was chaotic and did not help them become more competitive. OCCAR and the WEAO were included in this criticism. As the French aerospace lobby organisation (GIFAS) argues for example,

“These multilateral initiatives do not make it any easier to define common objectives designed to promote the competitive industrial and technological base that industrial leaders want. Indeed, the impression of uncertainty remains and is even accentuated by the fact that national and European Union authorities have, so far, failed to implement measures favouring cooperation and restructuring.” (GIFAS, 1998: 7)

Despite these concerns, French and German industry is, though, relatively in favour of OCCAR, which they think has the potential to be helpful.

For British industry the situation is somewhat more complicated. There is a current of thought that suggests that the best way to manage European collaboration is to remove the government and civil servants from collaborative projects as much as possible. Advocates of this approach point to the Stormshadow project, where the prime contractor essentially managed the project with little government input, as proof that this can work. For believers in the market-orientated approach OCCAR is not radical enough a step⁵⁰. There are also sceptics such as Colin Chandler of Vickers plc who cannot see that OCCAR is doing anything that was not being done before

⁴⁹ See for example the preliminary position document of the *Bundesverband der Deutschen Luft- und Raumfahrtindustrie* (1997) on this.

⁵⁰ I am grateful to Alan Sharman of the DMA for explaining this in an interview in November 1999 in Surrey.

(House of Commons, 1999c: 20-21). Even the Defence Manufacturers Association feared that the personnel in OCCAR would fail to create the right culture for procurement change, arguing that,

“One of the concerns of industry is that the same personnel who ran the inefficient collaborative programmes have been transferred to the OCCAR organisation. Any new recruits have broadly come from the “International” civil servants who speak French, German and English and have also been linked to collaborative programmes for some time, and may therefore have the “old” culture of unaccountability. They are unlikely to be versed in current UK Procurement Best Practice or have the confidence of the UK Defence Business Community. To change their attitudes will be difficult.” (House of Commons, 1999c: 22)

This points to a very real fear that the new culture of efficiency in OCCAR is merely a smokescreen. British industrialists are also annoyed that they were not consulted on OCCAR which Sir Robert Walmsley (then Chief of Defence Procurement) admitted in 1999 had been a mistake (House of Commons, 1999c: 3). This feeling was common in other countries too; the OCCAR industry group (ODIG) has made it clear that communication between OCCAR and industry needs improvement (ODIG, 1999). On the whole, however, British industry seems inclined to accept OCCAR, if rather more sceptically than their French and German counterparts. From studying all these different reactions, it can be seen that OCCAR has to battle against a considerable amount of scepticism and fear spread across almost all arenas. Are these sceptics right? OCCAR is an ambitious construction, and so serious questions must be asked about its ability to succeed in its tasks.

Conclusion: Can OCCAR Succeed?

Although it is clear that OCCAR constitutes the most far-reaching attempt to reform collaborative procurement in Europe its chances of success are by no means certain. There are three factors that need to be considered. Firstly, as we have seen reaction has been far from positive. Secondly, although OCCAR should be able to overcome certain structural problems in collaborative procurement, can it really create a whole new European procurement culture as is needed? Thirdly, can OCCAR succeed without meaningful developments towards a European defence identity?

The issue of negative reactions to the establishment of OCCAR is important for two reasons. Firstly, we must ask how willing governments will be to commit extra resources in the shape of projects to an organisation that does not have universal support. The level of hostility already existing in certain quarters may influence policy. In Britain we must ask whether industrial mistrust of the plans will carry more weight in an era of industry-sensitive Smart Procurement? This would be especially important if there was a change of government and a profoundly Euro-sceptic Conservative Party entered government. In France we must ask whether the government's priority will be rescuing ailing national defence firms (when there are considerable political stakes) or collaborative competitive procurement. Their decision to rescue GIAT by pulling out of the MRV project suggests that this could be a real issue⁵¹. Finally, in Germany we must ask if, given the degree of German scepticism towards OCCAR, a country making huge cuts in their defence budgets and constrained by cultural factors from modernising defence policy can commit the

⁵¹ See Chapter 5 for a fuller discussion.

necessary resources to OCCAR. If OCCAR does not receive new projects it is unlikely to flourish.

The second reason why the hostile reaction to OCCAR must be considered, is how it is ever to be incorporated into other European economic and security organisations. If OCCAR is still regarded as a threat by other WEU members and the WEAO orientation towards *juste retour* remains then even if the agency proves successful it will be almost impossible to incorporate it into either the EU or WEU⁵². This could lead to considerable duplication of effort in the research and formulation of common requirements sectors. The same could be argued regarding NATO arrangements. The motivations behind OCCAR suggest very strongly that American anxiety is justified and will continue to be so. If OCCAR has no place in the developing European security architecture it can only act as a stand alone agency for a limited amount of time but its ability to integrate into the architecture must also be doubted. To counterbalance this, the example of the Eurocorps, which will participate in the planned EU Rapid Reaction Force, shows that an organisation, that was initially mistrusted by all outside it, and which moved ahead of other integration efforts, can be accepted into the European mainstream.

The question of whether OCCAR can really create a whole new procurement policy must also be addressed. It can be argued that while overcoming the practical barriers to collaborative procurement will clearly offer improvements, substantial savings will only be achieved if OCCAR reaches its goal of best procurement practice. This requires not only that the civil servants manage to put aside their

⁵² At the time of writing the precise future relationship between WEU and the EU remained vague.

national practices, assumptions and prejudices but also that industry is persuaded of the benefits of working this way too. As the earlier part of this chapter on Franco-German collaboration showed, the enthusiastic participation of industry is vital for success. At present industry remains somewhat doubtful. Creating this new administrative culture will also be very difficult, as it is impossible to separate the civil servants from their political masters. At present politicians have failed to create helpful conditions for OCCAR by co-ordinating wider issues of industrial and defence policy. Relationships with defence industry and military doctrine remain very different in the three countries considered, as do constitutional issues of accountability. Creating a new procurement culture is hard for the civil servants but possible as the example of the EU shows but if the wider framework affecting procurement is not co-ordinated there is little chance of success.

This links into the final factor. Can OCCAR be successful without advances towards a European defence identity? Integration in this field is clearly sensitive as,

“Security integration promises not only to strip the states of one of the most important means of asserting separate, sovereign entities on the international stage but also to bestow on the emerging European entity the advantages of powerful identity-forming devices such as martial symbols, military *esprit de corps* and shared exposure to casualty and risk.”
(Gambles, 1991: 14)

The three states still clearly have different end goals planned for the EU's Rapid Reaction Force. In particular Britain's 'special relationship' with the USA is always likely to be problematic. However it is also clear that unless there is substantial progression in the formulation of common requirements, which suggests a rapprochement of military doctrine, OCCAR will not have enough collaborative

projects to flourish. This has not yet happened. Equally, as OCCAR is limited to programme management and does not cover other areas of procurement, such as the harmonisation of requirements or technical specifications or the in-service support needs, its impact on procurement policy may be lessened. As has been said earlier the difficulties in integrating OCCAR into the CESDP may also be a stumbling block. At present there is a sense that the three governments are trying to isolate armaments policy from the moves towards integration of some defence policy sectors and existing common industrial and technological policies⁵³. This casts doubt on any functionalist explanation of European integration in this sector. Closer co-operation on arms exports is just one issue that needs to be addressed for OCCAR to work, but in 2000 we saw the German government announcing new tougher guidelines, which will affect collaborative projects. This is because there is no wider consensus on these issues. This cannot continue if OCCAR is to succeed.

To conclude, it would seem that although OCCAR seems a very positive step in the improvement of European defence procurement collaboration, it needs much more commitment from those involved for it to work. It cannot achieve the savings promised otherwise. OCCAR finds itself in a paradox; it cannot convince its critics of its worth without more government commitment but governments are unwilling to do this because in part of the critics. Equally, OCCAR cannot and should not be separated from the wider business of creating a European defence identity. Finally, we

⁵³ I am grateful to Olivier Prats of the Délégation des Affaires Stratégiques (French MoD) for this point made in an interview in June 1999 in Paris.

must also ask whether OCCAR can really respond to the challenges posed to the states and their defence needs by the internationalisation of the armaments industry.

Conclusion

Armaments co-operation is difficult to achieve. That much is shown by both of the case studies. As was argued earlier the problems dogging collaborative projects can be divided into two groups. Firstly, there are the structural problems. These include varying budgetary cycles, different approval procedures and different legal regulations. Secondly, there are the cultural problems caused by differing procurement philosophies, different strategic cultures and attitudes to defence industry. The Franco-German relationship has been troubled by both sorts of problem throughout its history, despite being generally regarded as an example of successful bilateral collaboration. OCCAR began life as the Franco-German solution to the problems that they recognised existed in their collaborative procurement. Although OCCAR has gone a long way to addressing the problems posed by the Franco-German difficulties in armaments co-operation it would seem that there are still some structural problems. Clearly the lack of a holistic approach or 'joined-up government' is a problem, especially for OCCAR, as government priorities in different areas change sector by sector. The cultural problems do not seem to have been addressed so much.

Why do these cultural problems matter in collaborative projects? A vast array of political, military and industrial interests have to be satisfied with a project for it to

succeed. What both cases have shown is that frequently these interests have their own agendas, which may not be related to procuring weapons in the quickest, cheapest and best manner. These agendas often remain unspoken, as they are deeply rooted in national norms and values. This can make agreement difficult to achieve. For example, French lobbyists failed to recognise the importance of parliamentary consent in the German procurement system, when they concentrated on the Chancellory. To understand the rationale behind national policy decisions on collaborative projects, it seems necessary to understand why the procurement system is as it is, what the national strategic culture is and how the state-defence industry relationship works and what it prioritises. These cultural factors seem to be important in determining the success or failure of a collaborative project. The Franco-German relationship shows that with all the political willpower wanted, the difficulties of reconciling two very different strategic cultures can prove too much even when other factors are in place.

Both cases suggest therefore that greater convergence in strategic culture, procurement agency organisational culture and even state-defence industry relationships must be achieved if collaboration is to achieve the gains it promises. The two cases clearly show that cultural factors, although often nebulous, do affect success in armaments collaboration, so it is necessary not only to understand them but also to analyse whether these cultural differences are changing. The next research question, therefore is how to find a framework of analysis to discover whether this desired convergence is in fact taking place. Can we assume that as part of the wider moves towards European integration that governments will either agree to change to maximise their gains or will be forced to by incremental integration? Or must we

examine the countries involved individually to see whether they are responding to the common external pressures on these areas in similar or different ways?

Chapter 3: The Integration of Armaments Policy: Constructing a Framework for

Analysis

Introduction

As the previous chapter showed armaments co-operation is a complicated issue. Policy integration seems also to require a level of convergence in both practice and philosophy, which is beyond the level of establishing uniform regulations. Theorising about moves towards greater integration of policy through OCCAR can be carried out through a number of approaches. This chapter will therefore firstly look at what the two traditional perspectives on European integration, intergovernmentalism and neo-functionalism, can offer to the debate. It will then move on to discuss the insights which economic and sociological theories on preference formation in armaments policy-making offer. The chapter will then establish a framework for comparative analysis of armaments policy formation, in order to establish whether convergence in the three countries is being achieved, by unpacking the interrelationships involved in policy-making. This section will therefore consider how to theorise about state-defence industry relations, state-military relations and the defence procurement bureaucracy, which acts as the interface between defence industry and the military.

Armaments Policy and European Integration Theory

Security has long been considered the most basic function of the nation state and co-operation and integration between nation states has been minimal. The decision of

Britain, France, Germany and Italy to cede a degree of sovereignty over defence procurement, and therefore military capability, by forming OCCAR is therefore an interesting one, especially as it is only one of several moves towards greater co-operation in the armaments sector. At first sight it would appear obvious that this is just another (though significant) step in the European integration process, even though these initiatives are occurring outside the traditional EU framework, and so should be analysed through the lenses of integration theories.

There is a need to recognise that defence and security related integration has not been widely considered by integration theorists. European integration theorists have tended to concentrate on policy sectors regarded as core to the EU. In many ways this is indicative of the integration process as a whole. From the 1980s onwards, there was a sense within the European integration project that the actors should concentrate on what could actually be achieved in integration rather than on idealistic plans for full political union (Fels, 1990). Defence integration within the EU was not really regarded as possible in the near future, and so, was neglected by politicians and academics alike. Moreover, as progress towards defence integration was and is proceeding in a different manner to economic integration, the theoretical implications of these developments have been neglected (Chilton, 1996: 222). Many commentators indeed have treated the European Union as a civilian power and assumed that its security would always be taken care of by NATO and so have not even considered it (Chilton, 1995: 81). Defence integration is still, despite recent developments, very much intergovernmental and piecemeal in

character and is often of a 'bottom-up' nature and therefore slower than the 'big bang' progress of economic integration and so less easily explained by 'grand theories' (Anderson, 1995: 443). It has also proceeded in different fora and with different patterns of membership to the EU norm, which has added to the difficulty of theorising about this development. Nevertheless, it can be argued that integration theories can cast light on the formation of OCCAR and other such initiatives.

For the purposes of this section the classic debate between intergovernmentalism and neo-functionalism will be the focal issue. In many ways this debate has been superseded by the debate about whether we should study the EU as a polity rather than an International Relations phenomenon¹, or by the insights offered by the new institutionalist² or social constructivist³ debates. These insights feed readily into a comparative argument and will be returned to later in the chapter. The intergovernmentalism *versus* neo-functionalism debate, however, must be addressed, as it is necessary to consider the extent to which armaments policy integration can be understood as an inevitable part of the European integration process.

At first it may appear clear that the European Union has had little effect on national defence policy. The Common Foreign and Security Policy remains intergovernmental and relatively unsuccessful and Article 223 of the Treaty of Rome (renamed as Article 296 in the Treaty of Amsterdam) exempted arms procurement from Community competence. The existence of the European Union though has affected this

¹ See for example Hix (1994) or Richardson (1996).

² See for example Pollack (1996) or Pierson (1996).

³ See for example Christiansen (1998) or Jørgensen (1997).

sector. Freedman and Menon, for example, argue that although the European Union has not had any great direct impact on national defence policy it has had a considerable indirect impact. They claim, for example, that stringent financial economies, leading to cuts in armaments programmes and defence spending in general, have been made by states to prepare for Economic and Monetary Union. Equally, as industrial policy intrudes on defence policy so does European Union competition policy, which the Commission has expanded to cover more and more defence-related issues. Finally, they argue that increased links in other policy areas encourage co-operation. All of these matters clearly affect defence policy-making in general as they either limit or change the framework in which decisions are made (Freedman and Menon, 1997:156-7). Taylor suggests, that the EU impacts on the specific field of arms procurement in four key ways;

- The EU administers the framework scheme of research and development some of whose projects are defence-related,
- It must give approval for major corporate mergers even if they have a defence dimension,
- It has funds to alleviate unemployment in areas affected by closing defence bases or failing firms⁴ and
- It has managed to set up in 1995 a largely licence free regime for the trade of dual-use goods within the EU.

⁴ This scheme is known as KONVER. Measures eligible for support include; advisory and business support services to improve know-how and encourage diversification, job creation and vocational training schemes, redevelopment of military sites for civilian use, environmental and community facility improvements and the promotion of tourism.

To this list we could add the code of conduct on arms sales agreed in 1998. Nevertheless he argues that this role is still minimal (Taylor, 1997:132).

This analysis can be used to show the strengths and weaknesses of both intergovernmentalist and neo-functionalist arguments. For intergovernmentalists, we could argue that the maintenance of Article 296 in the Treaty of Amsterdam, and the intergovernmental nature of CFSP policy-making, show the reluctance of the member states to cede sovereignty in this area. The minimal nature of the EU's involvement in even defence industrial matters bears out the perceived difference between high and low politics. However, this argument is somewhat belied by the moves towards a European security policy, and the belief that integration must increase if effective responses are to be found to European security problems⁵ (Guay, 1998a: 170-2). Indeed, one might be driven to ask why the EU would play a role at all if intergovernmentalists' arguments were true. The ideas of liberal intergovernmentalism regarding the formation of domestic preferences (Moravcsik, 1991: 1993) also fit poorly with this prevalence of the European idea. In Britain, for example, there is little evidence to suggest that either defence industry or the military have shown clear preferences in favour of the creation of European peace-keeping forces, but Prime Minister Blair was, in 1999, the prime proponent of such a plan. However, that is not to say that neo-functionalist can provide a better explanation. While it is undeniable that some degree of functional spillover has occurred in the area of defence industrial policy from industrial policy, this has remained

⁵ Clearly decisions made in 1999 at the Cologne and Helsinki summits have carried the EU prospectively at any rate into a much more integrated security policy than was thought possible through much of the 1980s and 1990s.

minimal and constrained by the existence of Article 296. Where political spillover is concerned, the evidence is even slighter; there has been little enthusiasm for the Commission playing a greater role in armaments policy from either governments, militaries or defence industry (Guay, 1998a: 173-6).

A further weakness of the neo-functional perspective is that the international dimension is absent. Much of the impetus for reform of national control of armaments issues does not come from the European integration process but rather from the globalisation or internationalisation of the armaments industry (Guay, 1998a: 177-8). This point will be returned to later in the chapter. Guay suggests a solution to this problem in his theory of reactive spillover, thus refining neo-functionalism to allow that “changes in the international environment can accelerate, restrain or even reverse spillover” (Guay, 1998a: 181). However, one must ask whether spillover really is occurring at all. It has been notable that most progress on armaments issues has been made outside of EU structures. The philosophy and structure of OCCAR are interesting, for example, as although a supranational institution has been created, it is not an EU institution, nor does it comprise all EU or even WEU member states. Why moreover in the late 1990s did varying groups of nation states get together to push defence industrial and procurement co-operation initiatives outside of EU or WEU bodies? Why did Britain and the United States sign an agreement in 1999 on enhancing armaments co-operation? It could be argued that EU integration theorists in this area such as Guay (1998a and b) tend to underestimate the effects of NATO. The transatlantic security community is

clearly influential and has had the effect of providing non-EU fora to discuss armaments issues, something that cannot be ignored. Even the European presence in NATO is not synonymous with EU membership. However, as has been discussed in Chapter 1, there are good reasons for the Europeanist logic running through the defence industrial initiatives and the formation of OCCAR.

There are therefore problems with using the classic theories of integration to explain the developing European co-operation in armaments policy. In part this may be due to a reluctance to consider the changing structural environment in which any integration will take place (Christiansen, 1998). There also seems to be though, a difficulty in applying these theories to integration occurring outside the EU institutions. Equally, because of the unwillingness of member states to accept Commission involvement in the sector, and disagreements between the commissioners as to under which pillar the sector should be regulated⁶, there is no real policy at the EU level on armaments. Thus the tools of EU policy analysis also seem unhelpful. Therefore, it would seem appropriate to move the level of analysis from the European level to that of the states involved in the process. It is necessary to understand why they have decided to cede some degree of sovereignty in this very sensitive area and under what conditions these new initiatives are likely to succeed. To do this we need to understand how armaments policy is formulated in the nation states within a comparative framework.

⁶ Martin Bangemann favoured the extension of Single Market principles to the armaments sector, while Hans van der Broek saw the sector as part of the intergovernmental CFSP pillar.

Explaining Decision-Making in Armaments Policy

Much of the work theorising armaments policy formulation has come from the school of defence economics⁷. The defence economists have traditionally concentrated on the concepts of economic efficiency and marginal cost and benefits (Leonard, 1991: 261). They also assume rationality. This has led them to examine the benefits and costs of maintaining a national defence industrial base and how much importance should be attached to its wider economic benefits (Gummett, 1996; Wiczorek, 1997; Seidelmann, 1997). They have also analysed procurement systems trying to find optimum models of performance (Bittleston, 1990; Bourn, 1994). There has been a body of literature, which has concentrated on explaining arms races (Sandler and Hartley, 1995: 73-109). Others have examined the benefits of arms exports and the effects on the international political economy of the arms trade (Neuman and Harkavy, 1980; Choi, 1992; Scherpenberg, 1997; Levine and Smith, 1997). The use of game theory⁸ (Sandler and Hartley, 1995: 128-33) has been popular as it explains much about strategic interactions in procurement⁹. Traditionally, economists have assumed that state intervention was necessary to correct market failure and that the defence sector was a prime example of state intervention for the public good (Sandler and Hartley, 1999: 124-5). More recently, theories about public choice that recognise that this government intervention can fail have gained in popularity.

⁷ See such important works as Hitch and McKean (1960) or Scherer (1964).

⁸ Much of the groundbreaking work carried out in this field was done at RAND (a contraction of the term research and development). See Leonard (1991) for a full account of the work carried out by this organisation in developing defence economics.

⁹ Some economists though feel that advanced game theory and econometric methods have in fact complicated the issue beyond reason and therefore do not add to a greater understanding of the sector. See Leonard (1991) for a fuller discussion of the controversy.

According to Sandler and Hartley (1999), public choice theory focuses on non-market decision-making and models the behaviour of voters, political parties, governments, bureaucracies and other interest groups. This work moves slightly away from mathematical modelling towards the type of qualitative explanation¹⁰ favoured by international political economists. Although, these economic explanations clearly cast light on procurement processes in particular, and on armaments policy formulation in general, their assumption of rationality in their ideal type models can obscure rather than cast light on policy choices. Especially problematic is the assumption that preference formation, based on self-interest, can be replicated in different nation states. Although public choice goes some way to recognising the non-economic interests at stake it still holds similar assumptions. Nevertheless, we need to consider their arguments. There are though other perspectives, which may prove more useful in a comparative context. Kurth (1973) for example, identifies four theories of logic of defence procurement, three of which are qualitative. These are firstly, the 'official' strategic rationale, secondly, economic explanations, thirdly, bureaucratic theories and finally, the function of electoral politics. The most famous qualitative theory explaining defence procurement, that of the military-industrial complex combines the last three perspectives. It also represents an explanation of armaments policy as opposed to just defence procurement policy.

¹⁰ Although Sandler and Hartley (1999: 127) point out that although such approaches often tell a persuasive story, causal empiricism is no substitute for economists for "clearly specified hypotheses and predictions capable of being tested, refuted, and compared with alternative models".

The Theory of the Military-Industrial Complex

The theory of the military-industrial complex was first articulated academically by C. Wright Mills in 'The Power Elite' in 1956¹¹. The theory entered popular discourse and was widely accepted as a valid explanation of many of the questions surrounding defence policy, and more specifically as an explanation of defence procurement particularly in the United States during the Cold War. The term is often misused; to paraphrase Slater and Nardin the military-industrial complex has passed from polemical into scientific literature without a critical evaluation of its terms (Slater and Nardin, 1973: 28-9). In his work Wright Mills linked,

“the war danger to the emergence of a society dominated by a power elite, in which thinking, participating publics were being transformed into powerless masses...Sociological explanation consisted not in reducing militarism to prior socio-economic causes, but in analysing the permeation of social processes and social institutions by war preparation.” (Shaw, 1984: 6-7)

The term has however, not always been used in this Marxist analytical context, but has been used as a descriptive term for the interrelationships surrounding military procurement and production. As Alpin points out,

“Even many citizens who hold no truck with conspiracy theories tend to see some sort of formalised structure to the Military-Industrial Complex (MIC). It's viewed as a kind of confederation of business firms and military services.” (Alpin, 1980: vi)

The theory is nevertheless important to consider as much of the analysis carried out has been informed by a belief in the existence of a military industrial complex. According to Rosen the key proposition is that high levels of defence expenditure have given rise to

¹¹ Although historians have since pointed to the existence of similar structures throughout history. See for example (Koistinen, 1980).

powerful domestic groups which have vested interests in the continuation of military spending and international conflict (Rosen, 1973:2-3). The domestic groups that comprise the military-industrial complex are the professional soldiers, managers and owners of industries engaged in defence supply, high governmental officials whose careers and interests are tied to military expenditure and legislators whose constituencies benefit from defence procurement. These core groups are supported by associated groups such as scientists and engineers engaged in defence-related research and trade unions representing those employed in the defence industry. These people are said to occupy important positions within the internal political structures of the major arms-producing states and

“exercise their influence in a co-ordinated and mutually-beneficial way to achieve and maintain optimal levels of military expenditure and war preparation, and to direct national security policy.” (Rosen, 1973: 3)

Their power is seen as outweighing any countervailing forces¹². The theory also implies the permanence of such power; that is to say that it does not depend on the politicians in power at the time.

According to Rosen the military-industrial complex rationalises high levels of defence expenditure with a theory of international relations that mirrored the ideology of the Cold War (Rosen, 1973:3). Theorists disagree on whether this ideology is caused by a deliberately manufactured version of the world made up by the military-industrial complex to further its own aims or whether it is caused by a military false consciousness of threat that arises automatically as a result of high defence spending. In the latter case

¹² It should be noted that the military-industrial complex theory was largely developed to explain the American case and, to a lesser extent, that of the former Soviet Union during the arms races. The US-centric nature of the theory is clear see (Lens, 1971; Koistinen, 1980 or Higgs, 1990) for examples of this.

the military-industrial complex is regarded as mistakenly acting in what it thinks is the national interest rather than purely for their own self-aggrandisement. In either case however the complex requires a belief in the inevitability of international conflict to exist in order for it to survive. Most theorists believe that the conflict ideology that is put forward by members of the military-industrial complex is sometimes false and often exaggerated in its assessment of threats. In the post Cold War era the absence of the 'peace dividend' is often blamed on government's belief in the over-exaggerated threat scenarios being posited by members of the complex.

The theory is also prone to much criticism. Slater and Nardin for example, point to four major flaws in the argument. Firstly, that it relies on the acceptance of a conspiracy and it is dangerous to trace policy to conspiracy when other explanations may exist, and secondly, that demonstrating that the complex will benefit from a policy, does not prove that the complex initiated the policy. Thirdly the composition of the complex varies from theorist to theorist; many include associated grouping such as scientists, engineers, universities, veterans' associations and trade unions. If this is true the theory loses force, as it is no longer based on the assumption, that high policy is being made by a small, largely non-official and unrepresentative group. Finally they claim that dubious measures are used to assess the powers of the complex as no attempt is made to explain non-procurement (Slater and Nardin, 1973). They claim that the theory therefore should be dismissed as a basis for research on the grounds that it is insufficiently rigorous.

Their criticisms though, while valid, accept the research agenda of the theory. It is important though to challenge this agenda. Firstly, the agenda presupposes a Keynesian understanding of the economy as national which, even in the protected sector of defence industry, is no longer the case, at least as far as Europe is concerned. Secondly, a theory grounded in a climate of an arms race seems less relevant anyway in the post Cold War atmosphere of Western Europe¹³. The absence of a common, visible enemy and public expectations of a peace dividend have made it harder to justify defence spending increases. Thirdly, as Lovering argues,

“The implicit ahistoricism, ethnocentrism (or US-centrism), and empiricism underlying the concept of the MIC mean that at best it only describes, rather than theorises, the organisational relationships to which it directs attention¹⁴.”
(Lovering, 1986: 2)

Clearly these relationships exist but can we say that they are so radically different from those informing, for example, European industrial policy-making where a similar coalition of interests also frequently prevails? Any sector which is protected by the state from free competition, and some which are not, will produce a policy-making network, which by its nature will have a collective self-interest. This leads us to consider the policy-making process less as a system with inputs and outputs (Clarke, 1989) but rather as a complex web of relationships. It would seem appropriate to call this web a policy

¹³ Although as arms races are still continuing in other parts of the world (such as India and Pakistan) and the theory may seem more valid there.

¹⁴ Dunne (1995: 411) agrees arguing that, "There is no clear conceptualization of the MIC. Indeed the concepts appears to be most of value as a descriptive rather than an analytical concept."

network¹⁵ although others (Lovering, 1986¹⁶; Wiarda, 1997) have preferred the language of corporatism to describe the military-industrial complex. Policy networks tend to deal with policy problems that involve,

“complex political, economic and technical tasks and resource interdependencies and therefore presuppose a significant amount of expertise and other specialised and dispersed policy resources.” (Kenis and Schneider, 1991:41)

Rhodes explains that policy networks¹⁷ are one way of analysing interest aggregation and intermediation. He considers them important to such a process because they limit participation in the policy process, define the roles of actors, decide which issues will be included and excluded from the policy agenda, shape the behaviour of actors because of the need to follow the rules of the game, privilege certain actors and substitute private government for public accountability (Rhodes, 1997: 9-10). However, there are problems with this approach as it gives an impression of stability and permanence which the policy networks in fact often lack. It also should be noted that all these approaches, economic, sociological and political, in assuming rationality of behaviour, risk missing some of the qualitative factors, which inform armaments policy such as institutional structure or

¹⁵ By the use of the word policy network I understand this to be, “... a shared-knowledge group having to do with some aspect (or, as defined by the network, some problem) of public policy.” (Hecllo, 1978 cited in Richardson, 1996:9) This suggests a common base of information and understanding of the policy but not necessarily agreement.

¹⁶ Lovering (1986) makes an interesting distinction between pluralist and *étatiste* corporatism in military-industrial complexes, claiming that the *étatiste* model is more applicable to Western Europe while the pluralist form describes the United States’ situation.

¹⁷ According to Börzel there are two different schools of policy networks in the study of public policy; the interest intermediation school which interprets policy networks as “a generic term for different forms of relationships between interest groups and the state” and the governance school which conceives policy networks as “a specific form of governance, as a mechanism to mobilise political resources in situations where these resources are widely dispersed between public and private actors” (Börzel, 1997:6). The first approach is used in this chapter.

strategic culture. There is also a danger of ignoring overlapping policy areas. Levine for example points to the dangers of examining the military-industrial complex in isolation rather than in the context of the defence policy system in which it is embedded (Levine, 1973). The extent to which the military-industrial complex theory can be simply assumed to fit all arms producing countries must, for example, be questioned. On Britain Blunden claims that the

“tacit alliance of military, political and industrial interests in Britain rests only, however, on general resistance to overall defence cuts, not on agreement about which particular weapons should be procured.(Blunden, 1989:226)”

In short, as Lovering argues in concluding his account of the changing relationship of the British state to defence companies,

“...the history and structure of specific nation-states need to be taken into account in analysing economic, social and spatial developments. General tendencies inferred from abstract models – whether neo-classical economics, Marxist theories of accumulation and the state, or pluralist notions such as the ‘Military-Industrial-Complex’ – throw little light on actual historical processes.” (Lovering, 1986: 51)

Essentially, while there are types of military-industrial complex in Western Europe, they are not the same as the American model, and many of the assumptions, especially about motive, underlying the theory are simply not relevant in a post Cold War Western Europe. The term ‘military-industrial complex’ has more value as a descriptive shorthand, as has been argued above, than as a theory¹⁸. Therefore, it is necessary to unpack the relationships within the military industrial complex and analyse them more thoroughly at the national level in order to understand the motives behind armaments

¹⁸ Dunne (1995: 411) argues that as there is "no clear conceptualisation of the MIC" the concept is of most value as "a descriptive rather than an analytical concept".

policy. The rest of the chapter will therefore, investigate the interrelationships between state and defence industry, state and military and the defence procurement bureaucracy, which represents the interface between defence industry and the military.

The State¹⁹ and Defence Industry: A Changing Relationship?

Defence industry has always been regarded as a ‘special’ industrial sector as it provides the nation state with its military capability. As Sen writes,

“The importance of military capability is reinforced by its dual role in international politics. The primary importance of military power relates to its operational use in actual conflict, or as a deterrent. However, its significance as a conditioning factor in other forms of rivalry and conflict cannot be underestimated. While the relevance of military power in a particular conflict may be open to debate, its general influence is undeniable. For example the bargaining strength of a country over questions of territorial limits at sea (usually of commercial significance) depends largely on its naval power. Its ability ultimately to enforce unilateral decisions of its own, or to resist those of other countries, limits and defines the negotiating positions held. Similarly, the potential threat of military intervention influences the attitudes of many countries toward the economic interests of certain countries in their own country.” (Sen, 1984: 66-7)

Equally, the technological impetus provided by military industry to civil industry has been seen as vital for a country’s industrial and technological development²⁰. It is interesting to note that Japan and Germany, countries, whose history has left them peculiarly reluctant to use force, maintain thriving defence industrial sectors. Clearly, therefore, maintaining military capability is of prime importance to nation states.

¹⁹ State in this context refers to government rather than the country in territorial terms.

²⁰ The most obvious example being the civil nuclear power industry, which was developed using the technology developed to build the atomic bomb. More recently however, the link between military technology and economic growth has been questioned as most new technological advances are coming from civilian rather than military research.

Equally, it is important not to underestimate the association between military power and a world of sovereign states. Military power has always formed an intrinsic part of the way such an international system operates. Although globalisation, technological advances and regional integration among other factors now challenge this model, the association of military power and the nation state is a powerful one. Despite the existence of security communities, such as NATO, the identification of armed forces as national has been little challenged. Therefore, armed forces, and thus the defence industry that equips them, have been bound up in the concept of state sovereignty.

The particular relationship of state to defence industry can be traced to two factors occurring at about the same time in Europe and the United States. Firstly, the Industrial Revolution in the late eighteenth century paved the way for the mass manufacture of weapons. This, coupled with the faster rate of technological development, made the existence of a large-scale defence industry possible by the end of the nineteenth century. Secondly, in the same period the Western European state system was crystallising. This was the era of nationalism and national armies rather than mercenaries (Kaldor, 1981; Hayward, 1999). The contemporaneity of these events allowed the development of a close relationship between the nation state and the emerging defence industry. This relationship was deepened by the experience of total warfare in the twentieth century and later by the Cold War arms race. It can be argued that,

“...the military sector was the last remaining bastion of the Fordist²¹ era. The military-technological style, based on large platforms and the intensive use of energy, was drawn from the experience of mass warfare during World War II. Military resources were tightly controlled by the state and the defence industrial sector remained largely national.” (Albrecht, Kaldor and Schméder, 1998: 2)

In fact the almost symbiotic relationship of the nation state and defence industry was unchallenged.

If defence industries need to be maintained to ensure national defence, how did the state do this? Sen argues that there are various modes of state intervention. Firstly, the state can intervene with direct subsidies and tariffs. In this way unprofitable firms can be maintained if this is in the national interest. Secondly, the tactic of state ownership can be used. The era of the state-owned defence firm in Europe was only ending at the end of the twentieth century, despite the privatisation pressures of the neo-liberal economic consensus. Thirdly, preferential procurement clearly plays a role. Most countries have traditionally, for reasons of security of supply, procured military equipment primarily from national manufacturers. Fourthly, there is a possibility of discriminatory taxation to favour strategic industry. Fifthly, export subsidies can be used. In this way a country can help make national programmes more viable through economies of scale. Finally, state support of education and research to underpin technological development is important (Sen, 1984: 87-9). All of these modes have been used by Western European states at various times, to support and maintain their defence industrial sectors, although the degree of interventionism has altered over time and between countries. It is important to

²¹ “Fordism was characterised by mass production, mass consumption and massive state intervention in the economy and society. In particular, the revolutionary methods of serial production associated with the name of Henry Ford, became the pace-setter for affluence.” (Albrecht Kaldor and Schmüder 1998: 2)

realise that, even in a protected sector, wider beliefs about state-industry relationships have a visible impact. In recent years, for example, as Walker and Gummett wrote,

“France and Britain provide the two poles, the one with its interweaving of industry and state, the other trying, if not always succeeding, to maintain a distance between them.” (Walker and Gummett, 1993: 24)

These national differences mean that we cannot assume that there is only one model of state-defence industry relations. Clearly, the closeness or otherwise of relations will impact on the way in which the state responds to new challenges. Nevertheless, there is one general conclusion that can be made; however light the hand of the state may have been, there was always a control function in place as far as the state’s relationship with defence industry was concerned.

This is the most important factor marking out the distinctiveness of the defence sector. Even in free market economies, such as the United States, governments have traditionally controlled their defence industries. State intervention was taken for granted by all concerned. As arms exports had to be controlled for reasons of national security, the state was frequently the only important customer of a defence firm. By requiring certain types of weapons and funding the research and development process, the state effectively controlled the direction of defence industry and technological innovation. This led to the development of ever more baroque versions of large platforms (Kaldor, 1981).

As Hayward argues,

“The defence industries had, in short, become an extension of national sovereignty. Within the protective shroud of national security, the defence business evolved more often than not insulated from commercial pressures and commercial disciplines. Large and complex procurement establishments

defined needs and requirements, negotiated contracts with suppliers, oversaw development and imposed unique accounting and security restrictions on private enterprise.” (Hayward, 1999: 3-4)

Naturally, such policies produced a bloated defence industrial sector maintained by privileged treatment from the state. This situation was unique but under threat.

Throughout the 1980s, in most Western countries, defence firms were gradually exposed to the market to a greater or lesser extent depending on government philosophy. This was in part due to changes in economic orthodoxy but also because of the rising number of dual-use products. This exposure did produce consolidation, notably in Western Europe in the shape of national champions. However proper consolidation has taken place since the end of the Cold War when falling defence budgets and the resultant surplus capacity²² made consolidation inevitable first in the United States then in Europe. Financial pressures meant that governments have turned to commercial procurement practices to save money and began to act more as proper customers²³ (Schmitt, 2000). Defence industry has “contracted, become more concentrated” and “shifted its sectoral boundaries” while becoming more open to “international flows of ideas, labour and materials”²⁴ (Lovering, 1994: 479). There has been a clear internationalisation or perhaps transnationalisation of the defence industrial sector. As Lovering points out,

²² It certainly could be argued that there was surplus capacity in the defence industrial sector throughout the Cold War but this surplus capacity only became politically and economically unjustifiable at the end of the Cold War when the general public expected a ‘peace dividend’.

²³ The ‘Smart Procurement’ initiative in the UK and the French reforms of the DGA are good examples of this change, and will be discussed in subsequent chapters.

²⁴ Both politicians and academics have made much of the peace dividend, in their focus on conversion, and there is a common perception that times are hard for defence companies. However, it can be argued that those companies who have survived are, in fact, considerably more powerful than they were, and in some ways in a better financial position.

“The defence sector is globalised in the sense not only of international exchanges through trade (‘arms exports’), but also the proliferation of collaborative development and production deals linking companies around the world.” (Lovering, 1998: 13)

In addition to this transnational corporate structures are being created. As Hayward argues,

“It is already evident that a ‘national’ defence industry identity has been irrevocably diluted by the flow of outward and inward investment and by the operation of an international supply chain. National governments must now respond to the challenges posed by a globalising defence industrial system where the demands of industrial efficiency and international trading are likely to conflict with issues such as security of supply, security clearances and controls over technology transfer.” (Hayward, 1999: 1-2)

It is clear that having exposed their defence firms to the market, states are now challenged by their defence firms' future visions. The firms are much leaner, more competitive and efficient. There is a trend towards more multi-national corporations. Economic and technological imperatives are driving these firms towards ever greater internationalisation, while at the same time states remain concerned about maintaining and securing their military capability and security²⁵. There is an impression that far from controlling their defence firms, nation states are now chasing them and trying to create more favourable conditions for themselves (Markusen, 1999). It was noticeable for example that European governments' efforts to shape the merger process failed to prevent

²⁵ The question of arms exports has become ever more problematic in this light. If firms are to maximise their competitive advantage they will wish to be able to export without restriction but this clashes with states' desires to maintain military advantage over potential enemies. The problems this causes were perhaps most graphically illustrated by the Gulf War when an Iraqi army largely equipped by Western suppliers faced the Western coalition.

the unwanted BAe / GEC Marconi merger²⁶. European companies' visions are clear as this extract from a merger ruling shows,

“On the basis of the above considerations, the parties conclude that the prime contracting market is in transition from a national market to an international market. The parties also argue that the prime contracting market for defence systems, being determined in the medium term by competition in terms of capability, is international because national markets are no longer sufficiently large to support the capability so that competition is determined by success on the export markets. The internationalisation of the prime contracting market brings with it the internationalisation of the sub-contracting market which is even further advanced as national security interests have a lesser impact on sub-contracting. Finally, the parties argue that the cost structure of prime contracting markets coupled with shrinking defence budgets makes the internationalisation of European defence markets inevitable.” (European Commission, 2000: 6)

Equally, there has been a rapprochement between defence firms and global capital. No longer regarded as protected government creatures by the financiers, arms industries have been granted an extra independence by their *new access to financial capital* (Lovering, 1998: 14). Also although there has been a shrinking of national defence spending expenditure on private security, paramilitary activities and organised crime is increasing.

“Indeed, the growth in informal forms of organized violence seems to have been greatest in the regions where the fall in military spending has been most dramatic, that is Africa, Latin America and Eastern Europe. The officially sanctioned arms trade is falling but the sale of second-hand weapons, dual-use technologies, and privately traded small arms is increasing. National defence producers are disappearing, but new transnational partnerships, mergers and networks are growing, especially in the area of research and development.” (Albrecht, Kaldor and Schméder, 1998: 7)

In other words the defence industrial sector is in transition but there has been a combination of factors working to make the sector less reliant on nation states and more

²⁶ Politi (1997: 139) points out that global financial capital rather than any government is influencing mergers.

like ordinary firms²⁷. This has clear theoretical implications. The assumption that the defence sector is different to other industrial sectors has meant that there has been a reluctance to apply general theories to the sector. However, maybe defence firms should now be regarded like any other high technology firm. As Lovering writes,

“One of the most important effects of the wave of neo-liberal thinking and attempts to reduce public spending has been the transformation of the defense firm into a commercial actor, rather than an agent of a Ministry of Defense. The leading European defense companies no longer operate as passive executors of government instructions and behave much more like normal corporations with normal business practices and managements. They cannot wait until groups of politicians and military committees have formulated a grand plan.” (Lovering, 1999: 357-8)

These factors represent a challenge to the nation state.

The increasing transnational nature of industrial thinking is reflected in the nature of discourse about defence procurement issues. There is an international defence literature emerging and while some of it is the product of official military establishments the majority is of commercial origin. Thus, according to Eyre and Suchman information is disseminated,

“to a degree that may be unexpected by those who assume that security considerations restrict the flow of defense information across borders, the military profession is marked internationally by many of the same features that other professions exhibit.”(Eyre and Suchman, 1996:112)

The transnational nature of the discourse means that traditional assumptions about the purely intergovernmental nature of defence procurement issues are now out of date. The emergence of this transnational body of literature is having a significant effect on the

²⁷ Although these factors are important clearly it is likely that nation states will continue to be the major customers of the defence firms. The question is perhaps more how many companies there will be left for nation states to buy from.

flow of material resources (through advertisement), know-how and ideas about defence procurement and associated issues around the world. This too challenges the national nature of armaments policy.

In short, we are seeing a clash between the national (or at most European) visions of the nation states and the international ideas of the firms. This means that states cannot relinquish their vision without fundamentally reconsidering their ideas of sovereignty. This has obviously occurred before in other economic sectors. Keohane and Nye among others suggested that multinational corporations, in particular, may be significant in limiting the power of governments to control agendas, because of their use of multiple channels of contact to influence decisions (Keohane and Nye, 1977:34-5). Other sectors though are not so closely connected with the idea of nation state sovereignty (Tuomi and Väyrynen, 1982: 13). States recognise this exceptionalism; otherwise why would first the US government and then Western European governments try to influence the patterns of mergers so vigorously? Indeed some commentators argue that states must reassert their authority more vigorously. Pages for example concludes that, in the US case, to nurture the defence industrial base, a more activist government stance is needed in regulation of production and contracts, rather than a reliance on the market (Pages, 1999), although the practicality of such moves could be questioned. Moreover, the evidence is on the side of the firms who now appear to be needed by Western European governments more than they need the governments. They are further advanced in the transnational game,

“Although governments have not cooperated very successfully in integrating and rationalizing their procurement strategies, the private sector has been

exploring ways to globalize capacity through mergers, coproduction agreements, and offset arrangements.” (Markusen and Costigan, 1999: 25)

However allowing the market to decide mergers and transnational arrangements completely seems likely to result in undesirable arms proliferation²⁸. A compromise therefore needed to be found on the part of Western European nation states.

How can the European nation states respond to this? Political realities make increases in defence budgets impossible to find but how else can they provide a sufficiently large market to keep ‘their’ defence firms under their patronage? The answer is clearly to pool their needs and resources, and thus provide the larger market, that then allows member states to exercise more control over the defence firms and so to retain their assured military capacity. This factor seems to be an important force in the founding of OCCAR by the major West European arms producing states. This would fit well with a Realist interpretation of the dynamics informing integration as a,

“process of mutual exploitation wherein governments attempt to mobilize and accumulate the resources of neighbouring states in the interest of enhancing their own power.” (Puchala, 1972: 271)

The integration is government led, albeit in response to changing global factors, and is self-interested. The need to integrate to maintain security, even though it may entail some loss of national choice, also fits with Realists’ beliefs that there is a hierarchy of issues with security being the chief. But the rationale for integration on this basis has been present for some years now with little effect, and it is widely thought that, even the progress that has been made may not be enough. States have in fact taken different paths

²⁸ There is evidence to suggest that arms exports are beginning to include much more of the top class military hardware previously rarely exported. See (Lumpe, 1999) for a full discussion.

towards consolidation. Why, if we are assuming that states are rational actors acting in their self-interest, has quicker and more coherent progress not occurred? An assumption of rational behaviour after all would suggest that enhanced armaments co-operation would have taken place, as the West European arms producing states are all under similar pressures. So why has progress towards integration been so limited? It would seem that there must be constraints that are not immediately apparent. There are, as the military-industrial complex theory shows us, other relationships in procurement decision-making. Equally, defence procurement is only a part of armaments policy-making. Although the logic of integration is clear when we consider the state-defence industry relationship maybe it is not so clear when the relationship between state and military is considered or the procurement organisations which connect industry and the military. We can argue that there may have been a convergence of problems and solutions for the nation states in the area of state-industry relationships²⁹ but this convergence may not be evident elsewhere. Thus, we need to consider further how these interrelationships work and what effect they have on decisions about armaments integration.

The State-Military Relationship

Considering the role of state-military relationships is clearly important in understanding procurement decisions. The understandings about what the function of armed forces is, and their wider role in society, clearly inform procurement decisions.

²⁹ This statement will be tested by a closer examination of current attitudes and policy in Britain, France and Germany in later chapters.

These two factors, military doctrine and civil-military relations, can perhaps be best studied through the framework of strategic culture. The clear divergences of national policy in Western Europe make it evident that uniform rationality, as a mode of security analysis cannot explain these state-military relationships adequately. A strategic culture approach, on the other hand, will emphasise the nationally specific attributes of security beliefs and policies generated by historical experience, the shared attitudes and beliefs which inform policy-making and the continuities and trends that can be observed (Longhurst and Hoffmann, 1999). The question of why strategic culture and not security policy analysis could be raised. Although policy statements are interesting evidence of change and continuity, they reflect a deeper understanding of security and the role of the military that is rarely explicit. Examining the strategic culture that informs the policy can therefore offer explanations of what may otherwise appear irrational decisions. It challenges therefore the idea that preferences are given for similar groups across national boundaries (Kier, 1997).

This approach clearly emphasises the national. Although the transnational relationships formed through security alliances clearly will have an impact on beliefs and practices (Risse-Kappen, 1996) at present it is divergence rather than convergence in security policy in Western European states which seems important in collaborative policy formation. This makes it all the more important to understand the differences which hinder integration. Equally, although the regional or local level has begun to impact on policy-making especially in non-traditional security concerns, such as the environment

and migration, the impact is still minimal so the national level seems the most appropriate level of analysis³⁰. In limiting the use of so-called “cultural variables” to the country specific it also should be noted that the concept of universalist global cultural norms to explain weapons procurement (Eyre and Suchman, 1996) is not used. This approach, while persuasive in its account of Third World weapons acquirement, seems to assume that there is only one concept of statehood within the modern world system and that the ultimate proof of nationhood is the existence of a military (Eyre and Suchman, 1996:112-3). The problem with this is that it does not take sufficient account of variance in military doctrine. It fails for example to recognise the existence of civilian powers³¹ and their different ideas about military status. For example Berger argues,

“Germany and Japan, as a result of their historical experiences and the way in which those experiences were interpreted by domestic political actors, have developed beliefs and values that make them peculiarly reluctant to resort to the use of force” (Berger, 1996:318).

It also fails to take into account the emerging regional security structures, most notably the EU, and their impact on policy especially regarding the newer security concerns. The argument therefore, using Desch’s classifications, would fall into the domestic ideational category of theories on national security (Desch, 1998:156).

The importance of the national strategic culture is relatively obvious when defence procurement is considered. The assumptions about the likelihood of specific types of conflict in particular geographic locations clearly influence the purchase of

³⁰ It can be argued for example that the specific migration concerns of those German *Länder* with a border with non-EU states has had an impact on German policy on EU enlargement.

³¹ See (Mauil, 1992) for an explanation of the civilian power theoretical approach.

defence equipment. The acceptance of either an offensive or defensive military doctrine also clearly influences decisions on the type of equipment needed. The importance of these sorts of ideas is clear when the difficulties in formulating tactical requirements in collaborative armaments projects are examined. Moreover this sort of approach is fairly widely used in such studies (Kocs, 1995). What is less obvious is the importance of civilian perceptions about force and the military and the constraints that these perceptions can impose. These are important factors given that there is normally a tacit social and political consensus on defence matters and so individual party political differences are frequently marginalised. Even where there are no great questions about the existence of armed forces, civil-military relations are important. As Kier writes,

“International relations scholars should not view civilian choices about military policy exclusively in terms of the foreign policy or strategic requirements of the state. Few issues within the state are more politicized than questions about who has the support and control of a state’s material power.”
(Kier, 1997: 3)

Therefore the question of these civil-military relations needs further consideration.

Clearly the level of power the military possesses within a state varies from country to country. In all Western European states the army plays a clearly subordinate role to the civilian power of the state. The role of the army in all the countries, with the possible exception of Germany, has become a consensus issue rather than a balance of power struggle. Nevertheless as Kier states,

“Either way, civilian preferences are not given; understanding their cultural beliefs about the role of the armed forces in the domestic arena explains why similar actors choose different military policies in different national settings.”
(Kier, 1997: 4)

In other words we need to look at the factors which influence the ways in which these beliefs are constructed. Clearly, national history plays an important role; negative or positive opinions of military forces are often based on positive or negative images from the past. Evidently, a country that has suffered at the hands of an all-powerful military government will be keener to ensure that no power resides there in the future. The time-span is longer than might be expected. The position of the British army for example comes from fears, dating back to the Civil War, that an army, which was not under legislative control, could threaten the liberty of its country. More recently, the excesses of Wilhelmian militarism and then the militarily backed Nazi regime have ensured that German armed forces are constitutionally limited. Finally, in France the maintenance until the mid 1990s of conscription reflected the belief that only a conscripted army could guarantee republican liberties. The issue of conscription is perhaps the clearest indication that different national cultures view military issues differently. While the French Left supported conscription as the only way to protect republican liberties, and Germans of many political colours in the Federal Republic saw it as a way of protecting society from a powerful military, the British Left regarded it as the militarisation of society while right-wingers considered it a way to control the masses.

National history also plays a key role in informing civilian views of the legitimacy of involvement in various types of conflicts. A colonial past may mean that a country still have especial links with and interests in a former colony, and so, is more likely to intervene in a conflict situation. A traumatic military past can lead to a reluctance to use

force. Traditional enmities or the need to overcome them can be important for policy-makers, as the political symbolism of the Franco-German relationship shows. Specific country security fears can also be important; Germany's traditional fear of territorial invasion has informed their concentration on defensive policy. Particular types of weapons (particularly chemical or biological) may be socially regarded as illegitimate under any circumstances. All of these factors can mean that involvement in a conflict may be regarded as legitimate by one state but illegitimate by another. Such decisions about the likely roles of forces affect decisions about the types of weapons purchased.

The second dimension of strategic culture is also related to these concerns arising from national history. The attitudes and beliefs that inform strategic culture are often the product of national history as has been discussed earlier. However, they are also the products of distinct decisions taken about the nature of the state identity. This can encapsulate nationalism; the definition of the nation state as against the 'other'. It can also encapsulate internationalism; an emphasis on the role of international organisations and law. Does a state wish to export its civilisation or ways of doing things or would it prefer to foster the image of a faithful ally? A state may portray itself as a military power like Britain or France or a trading power such as Germany or Japan or a cultural hegemon like the United States and to a lesser degree France. This construction of identity alters over time in response to changes and events. German post-war pacifist and internationalist tendencies, along with the emphasis on economic rather than military power, are characteristics of a markedly different state identity than that envisaged by a

pre-war Germany. The construction of state identity may seem divorced from armaments policy but in fact it tends to inform where the emphasis is put. The major role of armaments policy may be to procure the best weapons possible to ensure well-equipped troops, it might be mainly export-orientated to increase a country's influence overseas or it might be used as proof that the country is a good international partner or a reliable ally. There are many other possible variations.

The third advantage of looking at strategic culture is that it allows us to identify the trends and continuities, which will inform armaments policy in the future. Decisions made about the role and shape of the armed forces today will probably affect major procurement programmes for the next two decades because of the time-scale involved. Even definitive ruptures like the ending of the Cold War take time to filter through into the equipment acquisition process, as can be seen by the introduction of fighter aircraft, ten years later, which were designed for now obsolete tasks. In other words examining strategic culture will allow us to identify the likely future directions of armaments policy. For co-operation to work fully there needs to be a convergence of strategic culture, so this can be a useful tool of analysis of armaments collaboration.

Defence Procurement Bureaucracy: The State between Industry and the Military

The final element in this framework of interrelationships is the defence procurement bureaucracy³². These organisations represent the interface between defence

³² By the use of the term bureaucracy Weber's standard model is implied. This model involves organisation by function with personnel assigned to specialised tasks, a hierarchy of authority and the establishment of policy guidance for all activities (Hobkirk, 1984: 5).

industry and the military but also are part of the state apparatus and as such government agents. They supervise the progress of procurement projects and prioritise or reject projects. Although the military will generally formulate requirements and industry attempt to meet them, it is these organisations, or their political masters on their advice, who actually make the decisions.

“The acquisition machines undertaking these tasks can be viewed as comprising three interacting elements: organisational units, the processes and procedures that link them, and the policies that provide overall guidance. In addition, each organisational element has its own culture or view of the world.” (Kausal et al, 1999: Chapter 5-5)

As well as their functional importance they also matter as institutions with their own practices and beliefs. Institutions do more than “channel policy and structure political conflict” (Thelen, 1999: 373). Preference formation or the definition of interests and objectives clearly takes place within the institutional context and therefore any presumption of universal rationality cannot be justified. It is therefore important for a comparative institutional analysis³³ to consider what this institutional context actually is, and how it is constituted.

These organisations were set up in a certain way to reflect their intended role. As Kier argues,

“Many organizational theorists argue that key founders and entrepreneurs shape an organization’s culture by creating the initial culture and choosing members and ceremonies that reinforce it.” (Kier, 1997: 151)

³³ For the purposes of this thesis a micro-foundational or actor centred approach is clearly more fruitful than a macro-historical approach as there are no clear structurally generated interests common to all the institutions studied. However this does not mean that it dismisses all collective action or groups. See Thelen (1999: 376-7) for a fuller discussion of this point.

This initial set-up will reflect the ideas behind the institution. Clearly, this means that roles can vary dramatically from country to country. One organisation may have a clearly defined role to support indigenous defence industry while another may be forbidden to use any industrial policy criteria in decision-making. In other words the emphasis put on different areas of armaments policy by nation states will be reflected in the role of their procurement organisations. Even their personnel make-up will reflect national ideas about the role of the military. Should procurement only be carried out by civilians or only by the military or by a mixture of both? Will there be three different procurement agencies for the different services or has a tri-service approach been adopted? The question of how powerful the agency will be is also an important aspect. De Gaulle, for example, deliberately made the French *Délégation Générale pour l'Armement* a very powerful organisation so that it could act as a counterbalance to a possibly unreliable officer corps (Kolodziej, 1987). In other words the procurement agency will be arranged organisationally to reflect what the state thinks its role should be. This will clearly affect how far along a continuum of favouritism between the military and defence industry it is. It will also carry out its work through procedures that reflect this role and the aims of wider national security policy. As Kausal *et al* (1999) argue though these are not the only things which constitute a defence procurement agency. They also have their own culture or *Weltanschauung*. We must also consider how this is constituted. This is clearly important, as Kier writes,

“Disillusioned by studies that emphasized the structural and objective features of organizations, organizational theorists began studying how the *culture of*

an organization affects organizational behaviour and decisions. Organizational cultures are the conventional wisdom within organizations. They include collective strands of reference about the critical aspects of the organization's work or goals and often provide a special language." (Kier, 1997: 27-8)

In other words what are the beliefs, norms and assumptions which inform national defence procurement practice over and above current governmental definitions of what their intended role is?

One very important feature that informs institutional culture are ideas about good governance. These can vary dramatically between countries. While these ideas clearly reflect the government of the day's policy, they are also images of wider societal beliefs about what the role of the state should be and how accountability and regulation are best managed. The primacy of the rule of law (the *Rechtsstaat* approach) is firmly embedded in the German population and so in their civil servants in the same way that state interventionism (*dirigisme*) is in France. Each country's civil servants would find it difficult to go against these established patterns in their work. As Schméder writes,

"Although the concept of the 'big programme' is by no means exclusive to France, it has become the archetypal instrument of French industrial policy. The state has an irrepressible tendency to use it - whatever the actual problem and the political orientation of the government - each time the 'national interest' is mentioned. It appears to be the 'natural' mode of action in a country where bureaucracy is very centralised, high-rank technocrats all come out of the same training mould (with a statist-military style) and the financial system is entirely dominated by the state." (Schméder, 1997: 98)

Even in Britain, a country that has seen huge ideological shifts in government policy in this area, changes in governance philosophy took time and effort to be implemented in procurement organisations. Vogel has also found that rather than the cross-national

convergence predicted by many theorists in the face of globalisation, that countries still move down nationally specific well-worn tracks in their search for solutions. The search for a solution is structured by prevailing domestic institutions (Vogel, 1996 in Thelen, 1999: 388). Equally important is to remember that the institutional actors are members of the wider society, and thus are restricted or enabled by common beliefs and norms (Katzenstein, 1996). That is to say that if, for instance, there is a widespread distrust of nuclear weapons in society at large this will affect the way civil servants make policy. They are not divorced from society as a whole.

However the way in which civil servants identify themselves is also important in comparative analysis of institutions. Do they identify first and foremost with that institution or with their profession or professional association? If it is the former then it is more likely that a distinctive institutional culture will emerge. If it is the latter we must consider whether the ethos and beliefs of one profession are dominant. In France, for instance, the specific culture of the DGA comes mainly from the military engineers of the *Corps de l'Armement* who have undergone not only the general education in the *grandes écoles* common to the French technical-industrial-political elite, but also specialised engineering training (Schméder, 1997: 97). Another important related aspect of institutional culture is the training its members receive. Training is clearly a lens through which particular objectives can be inculcated and promoted. Essentially training programmes offer a form of indoctrination into the institutional culture and so ensure that it is continued. As Kier writes,

"The culture of an organization shapes its members' perceptions and affects what they notice and how they interpret it: it screens out some parts of "reality" while magnifying others. Organizational cultures define what is a problem and what is possible by focussing its members' attention on certain features of events, institutions, and behaviours; how a problem is defined determines the range of possible solutions and strategies appropriate for solving it." (Kier, 1997: 28)

In other words institutional culture lies at the intersection of historical and sociological institutionalism perceiving institutions not only in their strategic and historical context but "as a set of shared understandings that affect the way problems are perceived and solutions sought" (Thelen, 1999: 370). This shows how institutional culture can be both enabling and restrictive to both the institution and the actors³⁴. If this given framework is appropriate to the problem, then this causes no difficulties but, if changing circumstances challenge its appropriateness, change can be exceptionally difficult to instil. Training has already implanted the assumptions, norms and beliefs of the organisation and ensures that they will be reproduced. This means that even when policy makers intend to redesign institutions their effectiveness is constrained by these embedded cultural constraints³⁵. However, as we have said earlier, institutions are not divorced from social change and clearly institutions must be examined as parts of the dynamic process of politics rather than a static object. In essence, what can be argued is that organisations do continue to reflect the ideas of their original purpose, often in spite of political change, but also

³⁴ This argument therefore subscribes to the structurationist belief that structures and actors simultaneously enable and constrain each other (Giddens, 1984 in Rosamond, 2000: 120-22).

³⁵ Smith and Smith (1983: 63) also point to this institutional inertia. They argue that the weapons acquisition process is especially prone to this problem because of the combination of "technological sophistication and functional conservatism". In other words, the purpose of the equipment does not change much but the technological sophistication increases so people do not question its acquisition.

reflect ideas prevalent in society at large, about their role in the state apparatus and the way these norms and ideas change. However, they also reflect the way that the institution develops and the extent to which they identify with each other as a team or feel they owe their loyalty to another body; that is to say the institutional culture that develops. All of these considerations must be examined in the cross-national comparison of defence procurement agencies, as these agencies provide the lens through which policy is filtered. These institutions' importance goes beyond their role as an interface between government, the military and defence industry as it is these institutions which formulate and then implement policy. As they have a direct implementation role this makes them rather more important in the analysis than similar government departments which just make policy for other bodies or professions to implement. If closer co-operation or integration is to take place successfully in the sector there needs to be some proof of convergence of objectives and institutional culture within these bodies or international co-operation will be difficult to achieve.

Conclusions: A Framework for Analysis

Building a framework for fruitful cross-national analysis of armaments policy is clearly a more complicated issue than devotees of the military-industrial-complex theory would claim. Equally, the amount of cultural variables affecting decision-making suggest very strongly that constructing ideal type models of decision-making and procurement processes convey relatively little about the actual policy formulation. We can assume

therefore that we need to include such variables in our analytical framework to understand these processes of policy formulation. As we are considering Western Europe the added dimension of why collaborative ventures have been chosen and how likely they are to succeed must also be analysed. European integration theory though fails to provide convincing explanations at the meta-level for these developments, possibly because this sensitive policy sector has been kept at a distance from the EU by the nation states, and so the ceding of state sovereignty is following a deliberately chosen separate path. To explain this choice we need to see why ceding sovereignty now seems possible when it has not previously³⁶ and whether there has been enough convergence to make co-operation feasible.

As was argued earlier it would be a mistake to examine developments in defence procurement co-operation without considering the broader armaments policy sector. However perfect a model of defence procurement processes is, there are always going to be other factors, which distort the model. Providing an illuminating cross-national comparison therefore must involve analysis of the following elements; the state-defence industry relationship, the national strategic culture and the institutional culture of the defence procurement bureaucracy. Such an analysis will cover not only the three bases of logic for defence procurement explained by the military-industrial-complex theory; economic, bureaucratic and electoral reasons but also the official strategic rationale (Kurth, 1973).

³⁶ It is important to remember the determination of the nation states to keep this domain out of EU affairs and the importance of this sector to traditional definitions of state sovereignty.

Firstly, in our analysis of the state-defence industry relations we note a common set of challenges to all the nation states. Defence companies have been forced to redefine their role in response to the changing global market, decreasing defence budgets, less state assistance and advances in technology. This redefinition has been costly in terms of numbers of companies and numbers of employees in the defence industrial sector but has produced (in the Western hemisphere at least) competitive, outward looking firms. Such firms increasingly view themselves as global and transnational players. This has produced a challenge to the nation state and their traditional role of control over the production of weapons and thus has forced Western European countries to re-examine their concept of state sovereignty and their need for security. Traditionally, one of the prerequisites of national security has been to have a secure supply of weapons and ammunition and paradoxically the end of the Cold War and thus the absence of any common enemy seems to have made this issue increasingly important. We can see two trends emerging in the states' responses; firstly, a tendency to move down traditional national paths to respond to this 'threat' of a global defence industry, but secondly and more recently, a move towards integration as a policy for the 'rescue of the nation state' (Milward, 1992). Clearly these two trends are somewhat contradictory. We need therefore to examine the policy statements and actions of the states to see which trend is prevalent. We also need to see whether a consensus is emerging on the optimal state-defence industry relationship in countries where this vision has in the past been somewhat different. The prevalence of

one trend over another will clearly have implications for the success or failure of initiatives such as OCCAR.

Secondly, we need to consider strategic culture. Clearly, the basis of security policy will affect armaments policy and procurement decisions. However, what is more important is how this policy is constituted. What is the perceived role of the military? What are the norms, assumptions and constraints that policy-makers must take into consideration? What is publicly or electorally acceptable? What are the constitutional issues empowering or restraining the armed forces? What are the sensitive issues where policy is strongly influenced by national history? Although these might seem rather nebulous variables when compared to concrete security risks as factors in policy formulation they are the reasons why countries faced with the same situation will not always make the same decisions. Thus, we need to understand these factors as if they remain substantially different in the countries participating in initiatives such as OCCAR they will hinder the necessary policy convergence. Equally important is an understanding of the continuities and trends in national security policy. In what areas is there change and what remains constant? As with the state-defence industry relationship the state-military relationship shows us how misleading it is to simply export an American model of a military-industrial-complex and apply it to other countries. National variations in their beliefs about what type of relationship is appropriate are substantial and change policy accordingly. Cultural sensitivity to these national differences is imperative if we are to understand the circumstances under which international collaboration or integration can

be successful. We cannot assume that preferences are given across nations in similar circumstances and that there is a universal rational self-interest. Clearly to manage this we need to understand the national strategic culture among other factors.

The final factor that needs to be included in this cross-national comparative framework is the institutional culture of the bureaucracy that is carrying out defence procurement. Institutions do more than act as co-ordinating mechanisms for policy-making. Decisions are clearly taken within the institutional context and so understanding this is important. The institutional context comprises something more than the strategic and historical context of the institution, although these are also important to understand. Clearly the original design and objectives of an institution will influence its development if only because the founders will select their successors. Furthermore, the institution represents a set of shared understandings about how problems should be tackled and what sort of solutions are acceptable. This is particularly important in the context of defence procurement as those involved are not only formulating policy but also implementing it. It is important to emphasise that these institutions are not divorced from society at large and so reflect general national beliefs about such things as good governance but their individual identities can hinder or enable change even if there is a rupture or revolution in thinking elsewhere. Why is this important to the thesis? If international collaboration or integration is to succeed, there must be a set of institutions capable of working with each other, even if it is through secondments to a supranational body. If you have groups of people whose frameworks for making decisions or solving problems are radically

different, because they are working from a different set of assumptions, understandings or norms, then agreement is going to be difficult to achieve. Therefore, we need to consider the institutional cultures of the national defence procurement agencies to see whether convergence is possible and as with strategic culture, to examine the continuities and trends that emerge.

Therefore, in summary, it is felt that a comparative study encompassing these variables is likely to be the most fruitful analytical framework. Clearly, the variables are intertwined, and in some cases, some will be more important than others will. Although the framework may be criticised for concentrating on differences, rather than trying to produce generally applicable hypotheses, it would seem that if we are to understand the dynamics of co-operation we need to identify those factors which could hinder it as well as those which encourage it. The tendency to assume that preference formation can be analysed through universal rational self-interest seems to limit rather than to enhance our understanding of co-operation. Therefore a concentration on the more nebulous cultural variables should offer new insights into the potential or otherwise of further Western European integration in armaments policy. This framework will now be used to consider armaments policy evolution in Britain, France and Germany, as they are the main players in the development of co-operation in the sector. These three countries also provide a good set of comparisons. Germany, for example, has had a markedly different strategic culture to Britain or France in the post war era. The French state has been well-known for its distinctive control through the DGA over the defence industrial sector whereas Britain

was known for the exact opposite. The challenge in the three case studies will be to see whether these stereotypes are being broken down by the pressures common to all or whether there is continuity in national policy.

Chapter 4: Competition Was Not Enough: The British Search for

'Faster, Cheaper, Better' Defence Procurement

Introduction

The United Kingdom may have become a second-rate world power in the post war period, but the country still plays an influential role on the world stage. The UK has a permanent seat on the UN Security Council, plays a significant role in both the European Union and the Commonwealth and enjoys a historic 'special relationship' with the United States. Despite its declining economic importance, except as a part of the important European Union trading bloc, the UK has never showed signs of being willing to reduce its military role to one more commensurate with its size. Since the end of the Cold War for instance, Britain has played a significant role in UN and NATO peace-keeping and peace enforcement forces in Kuwait, Bosnia and Kosovo, taken the lead in forming NATO's rapid reaction force, continued to play an important role in NATO policy formation and has begun to involve itself much more heavily in the creation of a European Security and Defence Identity. Moreover, the British decline in economic importance during the twentieth century has not been matched by a decline in the prestige of British military achievement. Despite the humiliation of the Suez crisis British troops are still well regarded in the world. As Walker argues,

“Britain's military reputation has not rested on its nuclear armament, nor on the quality of its weaponry. It has rested largely on the performance of its professional forces, and on what is seen abroad as the excellence of their training, discipline and 'fighting spirit'.” (Walker, 1996: 11)

Alongside this national prestige there has also been popular British support for this role which has meant that the high levels of defence spending it entailed have, as in France, not seriously been questioned. With armed forces that are expected to perform a variety of roles under every sort of condition, defence procurement is clearly an important policy area. Carver described British defence policy as tightrope walking,

“Why tightrope walking? Because British defence policy is a perpetual balancing act: between commitments and resources; between Europe and the wider world; between Europe and the Commonwealth; between links with Western Europe and North America; between in simplified terms, a continental and a maritime strategy...between what it all costs and other demands on the public purse, most of which have more popular appeal especially at election time.” (Carver, 1992: vii-viii)

In this respect there are considerable similarities in the British and French positions but the UK government continues to try to fulfil even more roles than the French government do. This is particularly noticeable when we consider Britain’s attempts at preserving the special relationship while insisting on playing a role in the creation of European defence strategies.

Perhaps one of the reasons for the amount of tightrope walking involved in British defence policy is the British tendency to live in the past and to resist change. There are even now clear guiding norms and traditions in defence policy-making. As Blunden argues,

“The guiding norm, substantially unchanged for a generation, is that Britain ought to retain as much of her former international influence and independence as possible; a central strategy, paradoxically, that the best way to sustain such influence and independence has been through dependence on the United States and the fostering of the ‘special relationship’, pre-eminently expressed in nuclear and intelligence matters. There has apparently been an assumption that Britain and the United States – more than, for instance, Britain and the rest of Western Europe share a common commitment to certain core values and common interests although this assumption has begun to be questioned lately.” (Blunden, 1989b: 213)

Britain's resolute Atlanticist stance has stood in the way of many attempts to form a European defence identity and has led some of its European allies, especially France, to view British motives with mistrust. Britain's willingness to buy or co-produce under licence American weapons systems¹ has also damaged its perceived sincerity when European defence equipment collaboration is discussed. Recently though there has been a discernible Europeanisation of British policy with British proposals to strengthen the EU's Common Foreign and Security Policy, co-operation on the restructuring of European defence industry and Britain's participation in OCCAR. The durability and conviction of this change though needs investigation. These attitudes again have affected defence procurement in Britain. This introduction intends to outline how defence procurement policy, which supported British defence policy, was formulated and then to discuss the ideas behind Thatcherism, which tried to break this traditional mould.

Before 1979, and in many ways before Michael Heseltine's time at the Ministry of Defence in the mid 1980s, defence procurement was carried out in the UK with relatively little political oversight. This had allowed the notorious Chevaline project to run for so long without question. In 1980 Francis Pym made the first public announcement that a secret Polaris modernisation programme code-named Chevaline, had been in process since 1967 and to that date had cost £1000 million. This project had been carried on without parliamentary knowledge. The money spent was wasted, as the American Trident was purchased instead, because it proved superior in tests (McIntosh, 1990: 102-3). The longevity of defence procurement projects and the

¹ For example the British purchase of the US C130J helicopter in 1995.

technical expertise surrounding them made it as difficult in Britain as elsewhere for political scrutiny of defence procurement. Moreover, this was especially true as unlike in Germany there were no political or administrative scrutiny arrangements² in place and Parliament only asked for such powers as late as 1982 (Coker, 1987: 32). This meant that the Ministry of Defence had more or less freedom of action as far as defence procurement was concerned. It is therefore important to consider the influences within the MoD, which affected policy formulation.

The Ministry of Defence was created in 1964 by the merger of the separate service ministries and to which was added the Ministry of Aviation Supply in 1971 (Wallace, 1976: 124). This merger helped to cement the principle of civilian supremacy in control of defence affairs in the UK by reducing the separation of the services. From the start it was therefore clear that although service personnel served in the MoD civilian voices were decisive. The military seem to have accepted this and since have made little attempt to engage in politics³. In 1971 it was decided that a self-contained organisation should be set up for procuring weapons, equipment and most stores for all three services headed by a civil servant rather than a politician. The Procurement Executive was therefore specifically designed to be "independent and free from single-Service blinkers" (Hobkirk, 1984: 20). The MoD was and still is a highly traditional organisation. As Blunden points out,

"The force of tradition, as encoded in its strategies, norms and assumptions, is strong in the Ministry of Defence which, like most European bureaucracies, has traditionally had little career mobility in

² Even Ministers did not have to be asked for approval at this time unless the project would cost more than 50 million pounds (Coker, 1987: 31).

³ The one major exception to this is when regiments are threatened with disbandment.

either inward or outward directions and, consequently, little challenge to received ways of thinking.” (Blunden, 1989b: 214)

This meant that the civil servants that served in the MoD and therefore the Procurement Executive tend to have worked there for a long time and have developed a large body of specialist knowledge⁴. The lack of outside influence was made greater by the fact that independent expertise particularly in scientific and technical affairs was limited, as most military research was until recently government-funded. The combination of the Official Secrets Act and for procurement the demands of commercial secrecy made a wider debate unlikely. There was not even a real military-industrial complex. As Wallace writing at the time remarks,

“It is difficult to discern anything resembling a military-industrial complex in Britain in the sense of a powerful lobby linking the armed services with defence industries, pressing for a larger defence effort and a security-oriented foreign policy. In procurement, certainly, the relationship between government and industry was close, with defence suppliers organised into such bodies as the Warship Supply Group and the Society of British Aerospace Constructors; but the MoD clearly had the decisive say...” (Wallace, 1976: 132)

This relationship between government and defence industry though needs further investigation. The nationalised defence industries received almost guaranteed contracts at very favourable rates from the MoD and their relationship was very close. In many ways this relationship between government and defence industry in the 1970s was similar to the relationship between the French *Délégation Générale pour l'Armement* and French defence industry. The inherent resistance to change in the MoD and the closed procurement culture mentioned earlier meant that this symbiotic relationship and its results; inefficient industry and procurement; were rarely

⁴ There is a school of thought that suggests that in reality the civil servants do not really know much more than anyone else but are better at hiding this and are better tacticians (Kincaid, 1997a).

questioned on the inside nor challenged by outsiders. Procurement policy in the 1970s symbolised all that Thatcherism considered wrong with the state; inefficiency, interventionism and bureaucracy.

In 1979 Margaret Thatcher came to power with a distinctive new set of policies. It is often argued that the main preoccupation of the Thatcher governments was with British economic revival and creating the internal conditions necessary for this revival. This, it was thought, was best achieved by using free market economic policies. Letwin describes this as,

“...the abolition of controls on prices and wages, dividends and exchange rates; reductions in taxation and public expenditure; fiscal purity; [and] the provision, wherever possible, of goods and services by the private sector.” (Letwin, 1992: 116)

Clearly with such aims the state of defence procurement and the over-bloated Ministry of Defence were always going to be targets of public spending cuts. These policies were associated with a progressive rolling back of the state, controlling and reducing inflation through monetarist policies and a determined assault on bureaucracy, regulation and nationalised industry. Thatcherism has thus frequently been blamed for accelerating the de-industrialisation of Britain. The Thatcher government argued that strong industries would only emerge through the restructuring forced by market forces rather than by protectionism and specific industrial policies. This led to inadequate regional regeneration strategies for areas badly hit by defence cuts. Perhaps, however, the Thatcher governments underestimated the internationalising effect of global market forces as their economic ideology hardly matches their support for the mid 1980s ‘Buy British’ campaign.

Thatcherism though was as much a nationalist ideology as it was an economic one, and it is perhaps in the field of defence procurement where the inherent contradictions of this are clearest. Margaret Thatcher's search for a broader revival of British world standing can be compared to the Gaullist project in France although with different emphases (Letwin, 1992: 24). As Walker puts it the nationalist ideology,

“...revolved around a romantic notion that Britain's salvation lay in the recovery of lost qualities and advantages (mainly English); and it fostered a demonology in which socialists, 'Europeans', international organisations, and government bureaucracies were standing in the way of national rejuvenation.” (Walker, 1996: 12)

This meant that Thatcher valued Britain's military prestige and intended no dilution of its military glory. The Falklands Conflict is perhaps the best example of the nationalist side of Thatcher's ideology. However, where defence procurement was concerned the desires to cut spending and roll back the state while at the same time almost increasing Britain's world role were difficult to reconcile. Even the most enthusiastic converts to free markets saw that it was hardly feasible to privatise the armed forces so defence procurement was seen as the obvious target.

Margaret Thatcher's other major effect on British defence policy was the rejuvenation of the 'special relationship'. Thatcher's friendship with Ronald Reagan in particular brought the two countries closer together than they had been for some time and the Prime Minister's unstinting support for American defence policy, even through such incidents as the 1985 Libyan bombings, naturally had an effect on British defence policy. Closer Anglo-American co-operation within NATO reinforced Britain's privileged access to American defence technology vis-à-vis other European

countries; an advantage that Britain is still loath to lose at the turn of the twenty first century. During the Thatcher governments' terms in office Britain's relations with other European countries deteriorated. In part this was because of the other European leaders' distrust of Britain's role as the Americans' junior partner, and in part because of British negativity towards further European integration. Thatcher's affinity with America combined with her personal mistrust of European political integration gave British defence policy a character that was distinctive from that of France, a country that was and is similar in many ways. Thatcherism changed the face of British policy and politics in general and as far as defence industrial and procurement policy is concerned both reinforced certain traditional policy directions and tried to make radical changes at the same time. The contradictions between her defence policy aims and her industrial and economic policies led to interesting strains at the interface of armaments policy. The effects of this continue to influence British armaments policy.

The next change in ideological style came with the election of a Labour government under Tony Blair in May 1997. Labour's big project was the modernisation of Britain (Mandelson and Liddle, 1996). This implied a move away from both traditional social democracy and Thatcherism to the much vaunted 'Third Way'. This new politics according to Driver and Martell could be described thus,

"Three themes – ethics, economic efficiency and social cohesion – are interwoven." (Driver and Martell, 1998: 30)

These themes could be seen in defence procurement in the need to cope with the demands of an ethical foreign policy, the search for ever greater efficiency in procurement and the moves towards a more cohesive rather than adversarial

relationship between government and defence industry. Blair's overall policies for the use and functions of the state apparatus also were reflected in changes in defence procurement policy. The Blairite language surrounding state reform; joined up government, public-private partnerships, private finance initiatives and modernisation; can also be seen in reforms to this sector.

This chapter will begin therefore by discussing the Thatcher governments' attempts at reforming defence procurement, the effects on defence industry and the contradictions which emerged. It will then consider the ongoing structural problems affecting procurement such as inefficiencies in the Ministry of Defence and funding difficulties. Then the new strategy of Smart Procurement will be evaluated and the condition of the British defence industrial base will be considered. The chapter will then consider the changing directions of foreign and defence and industrial policy in general under the Blair government and the impact this is likely to have on defence procurement policy. It will conclude by considering the extent of Europeanisation of British defence procurement policy and the impact this may have on co-operation.

Changing the Face of Procurement Policy: The Levene Reforms

The reforms to defence procurement policy carried out during the 1980s which became known as the Levene Reforms broadly reflected the wider Thatcherite belief that;

“Competition provides the best spur to economic efficiency, while at the same time enhancing individual freedom and consumer choice. Government intervention is viewed as coercive, stifling market forces and creating a dependency culture.” (Bishop, 1995: 174-5)

However the reforms were also intended to deal with specific budgetary problems resulting from the need to cut spending while delivering the same service. This equally can be linked to Margaret Thatcher's general belief that any funding gap that might exist could be bridged by better use of resources and an insistence on value for money (Greenwood, 1991: 41). To some extent that was true, as, despite the 1971 centralisation of the separate army, navy and air force procurement systems within a unified Procurement Executive, inefficiencies remained (Schofield, 1995: 148). Additionally, the existence of 'cost-plus contracts' which effectively rewarded industry when cost overruns occurred and encouraged ever more baroque modifications to equipment (Kaldor, 1981) could scarcely be described as value for money. McIntosh (1990: 173) goes so far as to suggest that the government wished to break the bond between the military enthusiasts and industrial technologists who "conspired to produce over-elaborate equipment at too high a cost". As Bishop explains,

"Traditionally, most UK procurement contracts had been awarded to individual firms on a non-competitive basis. Such a procedure was justified on the basis of national security considerations, the desire to purchase from companies with a proven quality record, the strategic necessity to maintain a core defence industry and a reluctance to risk the break-up of established design teams. Moreover, contract prices were generally determined on a cost-plus basis, with firms paid according to their actual costs plus a profit mark-up." (Bishop, 1995: 175)

This was seen as symptomatic of the cosy relationship between government and suppliers, some of which were nationalised companies. Their status meant that preferential purchasing from British firms was deeply embedded. This meant that the best equipment was not necessarily being purchased. In fact as Hartley puts it,

“[The] MoD was seen as a not very demanding customer with equipment characterised by poor reliability, excessive costs and timescales, and a general failure to obtain ‘good value for money’.” (Hartley, 1998a: 48)

Clearly, therefore, the MoD was unlikely to be allowed to continue this way when its actions contravened the economic philosophy of the Thatcher governments in every way.

By 1980, several issues had become clear; the Ministry of Defence could not expect to remain immune to general government spending cuts when even current levels of funding were inadequate to sustain the programmes underway as most equipment that MoD was buying was over-budget. Pym, the then Secretary of State for Defence, instituted a regime of stringent discipline where spending was concerned. John Nott, his 1981 successor, continued this while changing the procurement focus slightly away from major platforms, especially warships, and towards weapons (Greenwood, 44-50). As Schofield writes,

“By the early 1980s the Conservative administration demanded a fundamental change; it turned away from the cost-plus and preferred supplier regime towards competition, in line with its general philosophy on the benefits of market forces.” (Schofield, 1995: 148)

The appointment of Nigel Lawson in 1983 as Chancellor of the Exchequer meant further cuts in public spending and so these minor reforms were not enough to check the MoD’s financial problems. Moreover, although the successive ministers’ tighter budgetary controls should be noted, the MoD’s approach to contracts was still rather compromising notably where the imposition of penalties for late delivery were concerned (A. Smith, 1996: 302). Michael Heseltine became Secretary of State for Defence in 1983 and his determination not only to reorganise the MoD but also to pursue effective budgetary control and clear channels of accountability was clear (A.

Smith, 1996: 265). He was largely successful in fulfilling these aims. Where the Procurement Executive was concerned, though, he encountered entrenched resistance to competitive tendering, and felt an outsider would be the best choice to carry the reforms through. He controversially appointed Peter Levene, the then chairman of United Scientific Holdings, as Chief of Defence Procurement on a five year contract (A. Smith, 1996: 297), an appointment which was confirmed despite being in technical contravention of the rules governing the civil service⁵. This appointment too can be seen as reflecting the Thatcherite belief, that private sector managers had a lot to teach the public sector.

The Actual Reforms

Peter Levene and Michael Heseltine together transformed arms procurement arrangements and military-industrial relationships in the UK. Competition became the norm wherever possible; there was a move to firm or at least fixed price contracts⁶ and to competition at all stages of the procurement process. New and non-British suppliers were encouraged to bid by an insistence that even sub-contracts were placed competitively and by the MoD's insistence of breaking the preferred supplier links. Greater responsibility was placed on industry to meet performance targets and to improve the reliability and maintainability of the equipment (Schofield, 1995: 148-9).

⁵ Levene's 1985 appointment was highly controversial. Not only was he not a civil servant but he was also the chairman of a defence firm. This was seen as an undesirable conflict of interest by the civil service among others. The government was also charged with excessive patronage and politicisation of the civil service by opposition MPs. See (A. Smith, 1996) for a full description of the furore surrounding the appointment.

⁶ Firm price contracts mean the price does not change at all and fixed price contracts only allow for inflation-linked price changes.

The acquisition model used became known as the Cardinal Points procurement method. It was based on the following assumptions:

- that supply industry is continually aware of and makes use of information regarding likely future Service requirements,
- that the prime source of trade for these firms is the export rather than home market,
- that technical risk can be factored into a bid by firms and
- that equipment manufactured for the home market will, with minor modifications, be suitable for export (Kiely, 1990: 43-5).

These assumptions have clear implications for military-government-industry relationships and for the role of exports in the British defence market.

The process began with a series of meetings between the principal firms, the Procurement Executive and Service representatives where future requirements and plans on all sides are discussed. Where there were similarities an attempt was made to align the specifications without making the resulting product commercially impossible or operationally useless. If a MoD requirement was then formally approved a Cardinal Points Specification (CPS) was prepared. The CPS set out all the MoD's desired characteristics in the requirement including some mandatory ones on safety and interoperability. This was likely to include life-cycle points; costs must be reckoned on a life-cycle rather than just acquisition basis. This left it up to the firms to decide how best to meet these specifications, rather than having to follow rigid requirements, which made the consideration of export factors a possibility. The CPS was then sent out to firms, with an invitation to tender on a fixed-price basis, to fulfil as many of the cardinal points as possible, in the earliest time-scale. When the tenders

were received, the MoD employed a marking procedure to judge the various bids, to see which best met their requirement. It should be noted that the method involved competition at various stages in the project life-cycle and that, for instance, the firm given the contract for the development work, was not guaranteed the production contract. The method has the following advantages for the MoD:

- they could then offer a contract which has a fixed price and timescale as set out in the firm's bid and set financial penalties if these targets are not met
- they did not have to pay the full costs of development as the firm could only charge them for their proportion of costs as they should be only one of several customers
- risk was transferred to the producer (Kiely, 1990: 45-9).

Clearly this procurement method offered greater value for money than its predecessor.

There were however two main exceptions to the cardinal points method when a different method was required. Firstly, if the cost of development or production was too high for a firm to risk without an assured production run then the government or a group of governments must fund it. Competition here was normally limited to the initial design stage rather than at the prototype stage. The second exception was where the equipment needed was either too highly classified or had little commercial appeal. Competition in this case was little used except maybe for production. The government then must fund both studies and development (Kiely, 1990: 54-6).

There were further planks in the Levene Reforms. Levene also placed a much greater emphasis on the need for reliability and maintainability of the equipment when it was in service. 'Value for Money' did not mean simply the cheapest price but took

into account performance, reliability and maintenance costs. There was also a willingness to consider non-traditional procurement strategies such as collaboration with NATO partners and buying off-the-shelf equipment normally from the United States (Bellamy, 1994: 103). In other words, the government moved away from protecting the British defence industrial base, in favour of value for money and efficiency at all costs.

Were the Reforms Effective?

Certainly on paper it seems that the reforms made good progress. Before 1984 70% of contracts were on a non-competitive basis whereas by 1989-90 67% were set on some form of competitive basis. A government study in 1988 claimed a saving of 40% on a sample of thirteen projects and cost and time over-runs were down in that period. The National Audit Office claimed in 1994 that the measures had saved over a billion per year (Bishop, 1995: 175-76). The reforms' proponents claimed that their measures would produce an overall saving of 10% on defence procurement over the five years between 1986 and 1991 (Schofield, 1995: 147). However, as Hartley (1998b: 99) points out, most of the reported examples of substantial cost savings refer to small equipment and sub-systems rather than major platforms. He also suggests that it is hard to tell whether the cost savings were genuine or the result of poor estimates. Schofield gives an even more scathing critique of competition policy,

“It is difficult to accept the MoD's case that its competition policy has led to the savings claimed under the Levene reforms. The general rise in costs over the five-year period 1986-91, coupled with the significant cost increases on those projects that the MoD has cited as benefiting from competition, suggest a very different picture. Costs have only been contained within declining procurement budgets by the more traditional

tactics of reducing order numbers, delaying contracts or even complete cancellation. Nor has the MoD been indemnified from cost increases; there are several examples of re-negotiation, compensation and extra payments subsequent to fixed-price contracts. Where information is available, it would seem that technical difficulties have been the main reason for extra payments, with the MoD accepting responsibility.” (Schofield, 1995: 162-3)

Moreover, although much of the cost involved in running competitions were passed onto the firms, some of these costs were returned to the MoD via the overheads of the successful bidders (Hartley, 1998a: 51). It has also been suggested that, the effect of these costs to business has meant that, they have been disinclined to invest in any business not covered by the contract, thus damaging the research and development base (Wiles, 1996: 20). Kincaid suggests that there was little tradition of self-funded research, and that it is difficult to start major expenditure, with only long-term benefits, when short-term shareholders demand ever-increasing dividends (Kincaid, 1997a: 37). All in all the claimed savings do look somewhat suspect. Even the Audit Office admitted that the 1980s initiatives were difficult to judge, as the Ministry of Defence had not always established full evaluatory criteria (Audit Office, 1994: 4). Although these moves towards a competition policy do follow the Conservative ideology of that period, there seems to be more of an emphasis on saving money than there was on the potential benefits to defence procurement and to the wider defence policy of the move. More important is the wider impact the reforms had on defence procurement in Britain, as they changed considerably the relationship between government, the military and industry. This in some ways reflects the contradictions in Thatcherism for,

“...despite Mrs Thatcher’s image as a bellicose ‘Iron Lady’, Thatcherism, particularly after 1985, represented the most sustained attack on the

British military-industrial complex since World War II.” (Dunne and Smith, 1992: 91)

The Levene reforms changed the way in which the defence procurement community worked. Firstly and most obviously, it came under scrutiny for the first time as costs were inspected. Politicians put a spotlight on defence procurement, which while it was not always adequate, nevertheless forced a challenging of practices. Secondly, the relationships between the community members were altered. The balance of power thus altered.

The Government's Relationship with Defence Industry after the Levene Reforms

The move away from protection of home-grown defence industry had a marked impact on British defence industry.

“During their first period of office, up to about 1985, apart from privatising the arms firms, Conservative defence policies broadly followed the trends of the previous Labour government. After 1985 defence spending was cut sharply and competition introduced into procurement. This change in direction was an important contributory factor in making military production less profitable and prompting a massive restructuring and internationalisation of the UK arms industry...” (Dunne and Smith, 1992: 93)

Between 1988 and 1993 defence employment in the UK declined by 36%; a figure that cannot be accounted for wholly by the peace dividend (Hull and Markov, 1997: 140). Up to 1996 the British government's approach to the sector was to open it up to free market principles and to competition. As Wiles argues,

“This policy has had two main effects: it has acted as a spur to the industry to become more competitive but latterly, and of significant concern, it has led to the slow inexorable decay of companies like Ferranti, Swan Hunter, Singer Link Miles and others through having to compete with companies in countries where built-in advantages exist, or where the market has severely diminished.” (Wiles, 1996: 21)

Certainly there was a competitive shock effect on British industry. Their tendering did become more efficient as the savings show. This has improved British industry's international competitiveness and made it readier to cope with the effects of the end of the Cold War. However, only some companies could manage this, especially, when the policy was coupled with the opening up of the UK defence market to international competition. The proportion of equipment imported almost doubled from 5% in 1980-85 to 9% for 1990-97 (Hartley, 1998a: 53). Writing in 1996 Evans complained that,

“Too often of late value for money has meant off the shelf procurement from the US with minimal involvement of UK industry in the product being sold e.g. 10 per cent on the C130J.” (Evans, 1996: 15)

This had its dangers for government as in the end the conditions for competition would be eroded. As Bishop wrote,

“The industry is concerned that the government is abusing its monopoly position to drive down profit rates and create excessive costs for firms in the procurement tendering process. In addition, the substitution of foreign contractors for domestic producers, while reducing short-run costs, may also curtail competition in the long run as domestic producers are forced to leave the market.” (Bishop, 1995: 176-7)

Competition is only effective as long as there are competitors. This cannot be guaranteed when the competition principle means that firms are forced to leave the market. Moreover, it appeared that the appeal of competition prevailed as Ministry of Defence policy even when it was obviously not sensible, especially as it seemed that the MoD was determined to use competition however damaging it might prove for the firms involved. In 1986, for instance, the MoD's response to cost overruns in the torpedo programme was to persuade three or four more British companies to compete for a business that had “virtually no export market potential and no civilian applications” (Blunden, Bissell and Monk, 1989: 199). As Kincaid writes,

“We have no government industrial strategy and MoD is tasked to look for a solution based solely on cost-effectiveness.” (Kincaid, 1997a: 93)

Cost-effectiveness clearly cannot help the British defence industrial base but may also prove damaging as value for money is unlikely to be obtained if there are no British companies in the competition and foreign suppliers have to be relied on.

Another factor that should be considered is the impact that the Conservative privatisation policy had on British defence industry. Privatisation seemed then to mark the end of the state’s role in defence industrial matters⁷. There was, for example, very little concern at the take-over of small and medium sized defence firms by foreign suppliers (R. Smith, 1996: 65). Since 1980 British Aerospace, Rolls Royce, Shorts (including VSEL and Yarrow) and Royal Ordnance, to name only the most important, have been privatised.

“Some privatisations involved the direct purchase of defence companies by other defence firms. Examples include the acquisition of Royal Ordnance (land systems) by British Aerospace; of Royal Ordnance (tank business) by Vickers plc; and the GEC acquisition of Yarrow warship builders. Elsewhere, GKN (armoured fighting vehicles) acquired Westland (helicopters) and GEC acquired Ferranti and Plessey defence businesses together with VSEL. As a result, in 1997, the UK defence industrial base was dominated by a small number of major companies which formed domestic monopolies, especially for high technology equipment.” (Hartley, 1998a: 47)

This again has meant that the application of pure competition became less efficient for the government. So it would seem that competition policy spelt bad news for the firms.

It should be pointed out however, that successive Conservative governments did increase the support given to firms where arms exports were concerned, which

⁷ Michael Heseltine’s more interventionist ideas led to his resignation, when his efforts to push Westland Helicopters into a European consortium, rather than merging with an American firm, were outvoted in Cabinet (Carver, 1992: 150-1).

enabled the major companies to do well on the international stage, even if their domestic fortunes faltered. Moreover, the extent to which competition policy meant contracts going abroad has often been exaggerated; in 1995 only 9% of equipment bought was imported and 12% produced through collaborative programmes whereas 79% was developed and produced solely by domestic suppliers (Serfati, 1996: 29). It has indeed been argued that industry continued to successfully put the case for the preservation of the British defence industrial base, and that many procurement decisions still were made on a political basis (Defence Research Unit, 1989: 16-19⁸). In particular, the British tradition of relying on case-by-case decisions with only guidelines as principles rather than a strict legal code of procurement, as in France and Germany (CMP and VOL/A), made such decisions possible despite the stated competition policy. It should also be pointed out that, despite many threats of greater and wider competition, the list of suppliers the MoD did business with remained fairly stable throughout the 1980s (Clarke, 1992: 179). As Smith also argues,

“Cases like Rolls Royce in the early 1970s and Westland in the late 1980s indicate that even non-interventionist governments find it difficult to maintain a hands-off attitude when a major defence contractor gets into severe financial difficulties.” (Smith, 1993:84)

The fact remains though that the state considerably reduced its role in defence industry during the 1980s and early 90s; a development that was not matched at that time in France or Germany. Consequently, defence procurement decisions were, on

⁸ The report by the Defence Research Unit alleges that the lobbying power of defence industry was still disproportionately great and that the movement of MoD officials into industry increased this. However with the benefit of hindsight it seems clear that by 1989 the change in government policy was forcing industry to change and that their voice was not as loud as it had been. The literature from this period is interestingly polarised on the issue, which reveals the strength of feelings Thatcherism evoked.

the whole, made without consistent regard for defence industrial considerations although political lobbying did prove important.

As we have seen the governments' disengagement from the defence industrial sector provoked developments that may not have proved helpful for their stated aim of competitive tendering for contracts. The Conservative governments allowed market forces full rein which produced virtual monopoly suppliers in some areas but were unwilling to purchase much, except in a few high profile cases, off the shelf. Conservative encouragement to firms to engage fully in the arms export market also meant that firms developed a client base outside the UK making them less bound to the MoD and so the MoD has less power over their actions. Certainly competition policy made things harder for firms, and forced rationalisation earlier than in France and Germany, but on the whole, there appear to be more long-term problems from the policy affecting the MoD, than those affecting industry. However, although the actual damage done to UK defence industry by this policy was actually less than is often claimed the damage to the relationship between industry and the MoD was far greater. The industry felt alienated particularly as it seemed that they, rather than MoD itself, were taking the brunt of the cost-cutting exercise. This meant that not only did the MoD have less power over its suppliers, who were now thinking transnationally, but also that it had lost the good will, that might have persuaded suppliers to continue to act in the government's best interests. One may also ask, if MoD did not make procurement decisions with defence industrial policy in mind, but its competition policy did not produce the level of savings in reality that were envisaged, whose interests were being served?

The Contradictions in this Model of Defence Procurement Policy

There was an inherent contradiction in the Thatcher government's continuation of the British military role while defence spending cuts were deemed necessary by their wider economic policies. Clearly defence procurement was the most ideologically suitable area to bear the brunt of these cuts, as it was so inefficient. British defence industry was therefore left to fend for itself. However, if Britain was to continue to play an active global military role the armed forces needed reliable equipment supply and maintenance in times of crisis. If British firms had not been given the contracts how could they be expected to provide this? The Belgian refusal to supply the needed ammunition to British troops in the Gulf War showed the danger in relying on foreign suppliers⁹. As Weston argues,

“In short, a sound defence industrial base, at least in certain key areas, is an integral part of the defence infrastructure of the country. Industry's ability to provide rapid engineering modifications and embodiment on crucial equipment before use, its ability to rewrite operational software and test and clear it in very short time-scales, and its ability to provide technical expertise, as well as a full range of logistic support services in support of a national emergency, is bound to be more effective, more rapid and more whole-hearted than the services are ever likely to receive from overseas manufacturers.” (Weston, 1993: 8)

This showed another weakness in the value for money defence procurement system and, as its savings were less obvious than thought, change was seen as necessary. Pressure was also being put on the Major government from industry and the House of Commons Defence and Trade and Industry Committees to modify policy towards defence industry (Dodd, 1997: 9). In 1996 the government announced that ‘full

⁹ It should perhaps be mentioned that, while this incident is invariably cited as proof of the need for a domestic defence industry, there are no other comparable instances involving UK troops.

consideration' would be given to defence industrial factors in procurement decisions (Hartley, 1998b: 100).

“By 1996 there was widespread discussion in Europe concerning whether the United Kingdom acquisition strategy had shifted from a “purely competitive” one to a strategy that was determined by “industrial policy”. In the 1980s British acquisition decisions were mostly shaped by price and performance criteria. But in the summer of 1996, the United Kingdom awarded three contracts valued at \$5.7 billion, all to British contractors with about 75% of the work to be performed by British firms.” (Louscher, Cook and Barto, 1998: 125)

This marked a considerable change in philosophy and an acceptance that government needed industry too. However there were other problems affecting defence procurement.

Problems in Defence Procurement Decision-Making

In addition to the recognition that an adversarial relationship with industry was not fruitful, and that value for money was not producing the savings needed, by the mid 1990s concern was growing about the way the Procurement Executive operated and was constituted. It was felt that civil-military integration was proving difficult and that, in general, personnel problems were obstructing efficient procurement. The next two sections will examine the role of the military and civilians in defence procurement, and will draw out reasons for these problems.

The Military Role in Defence Procurement

There are two ways in which the military affects defence procurement. Firstly, under the Deputy Chief of Defence Staff (Systems) they identify equipment capabilities needed and formulate the Operational Requirement and secondly, military

staff work alongside civilian colleagues in the Procurement Executive. In comparison to France and Germany, the role played by the military in defence procurement decisions may seem greater. For example, there are military representatives in the Defence Procurement Agency, which is not the case in Germany. As has been argued, in direct comparison to France, British procurement decisions in the 1980s and early 90s mainly were made without consideration of industrial needs. Therefore it might be assumed that military views on procurement decisions would take priority. Off the shelf purchases of American equipment during this period do to some extent reinforce this view for as Blunden writes,

“There is no military-industrial complex in the American sense: the military would almost always prefer to buy major items of equipment from the United States.” (Blunden, 1989b: 226)

Certainly during this period it can be argued that the military got the equipment they wanted more often because industrial considerations were less important than price and American equipment often offered the best deal. However, although their influence may be stronger than in France or Germany the military has had less success influencing procurement decisions than they have in resisting overall defence cuts in tacit alliance with defence industries (Blunden, 1989b: 226). It could also be argued and indeed there was a widespread view that government procurement policy at this time was motivated by “a narrow desire to save cash rather than a strategic view of defence needs” (Bishop, 1995: 178). Even on the surface, the influence of the military does not seem as pervasive as it potentially could be.

This lack of influence though goes deeper. This is partly because the people seconded to serve in defence procurement rarely have the requisite expertise or even

qualities to succeed in the job, as promotion within the forces is obviously not based on civil service qualities. Secondly, their tours of duty there are not long enough for them to become knowledgeable enough to wield influence (Kincaid, 1997a: 10-18). This meant that the military people in the Procurement Executive could not help the Defence Staffs to produce or change requirements so that they had more chance of getting what they wanted. Thirdly, and linked to that point, the military's perception of its needs is often regarded as parochial, and therefore not helpful, in the move towards more collaborative projects or in dealing with technological advances, which make separation of the different services' needs anachronistic¹⁰. This problem prevents the armed forces operating efficiently in defence procurement. Although posts are 'purple'¹¹ there is still a tendency for army officers, for example, to think in regimental terms (Kincaid, 1997a). Their memories of regimental duty also explain the pro-American equipment views of the military members of the Ministry of Defence; they think in 'worst contingency' terms and in that case want to be standing next to the American forces and be completely compatible with their equipment¹². The military has seemed therefore unwilling to be flexible or open to the possibilities of other collaborative strategies. As Kirkpatrick points out, although military requirements were theoretically open to debate in practice,

“...only the more enlightened officers and officials were able to establish a constructive dialogue, and frequently both the Defence Staffs and the Procurement Executive regarded the detailed provisions of a Staff

¹⁰ This point was made in an interview with Professor Keith Hayward, Director of Research at the Society for British Aerospace Companies in London in November 1999.

¹¹ 'Purple' posts are tri-service posts. All military posts in Central Staff are 'purple' even if they are related to business specific to one service or always filled by members of one service. This attempts to force officers to adopt a less service specific approach (Kausal *et al*, 1999:Chapter 3-13).

¹² I am grateful to Professor Trevor Taylor for this point made in an interview carried out on the 6th January 2000 at Cranfield University in Shrivenham.

Requirement as immutable (at least until economic realities insisted that a project was unaffordable).” (Kirkpatrick, 1996: 5)

This meant that when saving money was high on the agenda the services found it hard to press their requirements in a way that was acceptable to the Treasury. Moreover, the actual service requirements frequently seemed subordinate to Treasury policy on spending and also to scientific advice from the Chief Scientific Advisor and his staff (Hobkirk, 1984: 69-71). Kincaid argues that,

“...the Procurement Executive is set on a path towards complete civilianisation, which means procurement by scientists and engineers. Military influence is being throttled, with the willing, albeit unconscious, co-operation of the Army at large.” (Kincaid, 1997a: 33)

Clearly as a representative of the armed forces his opinion may be regarded as biased but the numbers of military personnel employed in procurement do not necessarily mean that the armed forces views are carried successfully. However the military’s lack of efficacy did not mean the civilian staff operated in the most efficient manner.

The Civil Servants: Defending Defence or Treasury Policy?

Although civil-military integration and co-operation was not enhanced by the military’s problems the civilian side was equally ineffective. Recruitment of generalists onto the policy side and science and engineering graduates for the technical work means that the officials lack the specialised defence procurement training given to their French counterparts¹³. This, along with a traditional lack of mobility in or out of the MoD, tended to produce a fairly static community with set ways of doing things. Monolithic management structures and lack of incentives

¹³ The British problem is perhaps paralleled by the German situation. In Germany the tendency to only recruit lawyers to the civil service has helped to produce the highly legalistic nature of the BWB.

further stifled initiative. This culture in turn made the officials less able or willing to challenge those they see as ‘experts’ and less intellectually interested in new procurement ideas¹⁴. This helps to account for the lack of communication and understanding between the military and civilian staff. The attitudes of some career-minded officials also gave the military the impression that they were more interested in pleasing the Treasury than they were in procuring militarily satisfactory equipment. Thatcher’s reforms of government administration also made Procurement Executive officials, along with civil servants in general, more aware of the need to be financially accountable. The resulting checks and balances however succeeded in making procurement less efficient. Moreover the policy of making procurement decisions in a vacuum where only technical and financial restraints existed, and the wider policy issues ignored, led to procurement decisions such as Polaris which seemed obtuse to the general public and politicians alike (Blunden, 1989b: 217-20). As George Robertson, the then Minister of Defence, said in a 1998 speech discussing the Levene Reforms,

“Unfortunately, Sir Peter had less impact on the MoD itself. The Procurement Executive’s processes remain rigid and bureaucratic.”
(Robertson, 1998)

The monolithic nature of MoD certainly did not help the development of truly efficient procurement processes.

By the time the Labour government was elected in 1997, it was clear that not only was there a huge gap between defence funding and its expected roles, but that defence procurement was not being carried out efficiently. The 1998 Strategic

¹⁴ The need to invent slogans to go with defence procurement reforms such as ‘value for money’ and ‘cheaper, faster, better’ may be linked to this lack of enthusiasm.

Defence Review included an Acquisition Organisation Review that listed the following problems,

- “The arms-length relationships resulting from the separation of requirement definition, research, procurement management and through-life support
- Under-resourced early project stages
- Lack of sufficiently flexible strategies within the procurement and logistics organisation
- Lack of delegated authority in management of projects
- Ineffective and mutually incompatible incentives between MoD and its contractors and a lack of internal incentives for its staff. (Kausal *et al*, 1999: Chapter 3-22)

Changes were clearly required.

Smart Procurement: “Cheaper, Faster Better”

The 1997 Ministry of Defence Strategic Defence Review (commissioned by the new Labour administration) reinforced the moves towards more industrial partnership in procurement, and embedded it in a new system of defence procurement. The review made it clear that in-service capability and reliability of equipment, as well as on time delivery, needed to be improved, and made it clear the existing procurement processes were not only proving inadequate, but were made redundant by technological changes which required faster procurement. Equally, the review recognised the changing nature of the defence industrial base, and pointed to the

reduced number of suppliers as a reason for the establishment of longer-term partnerships, especially as collaborative projects seemed likely to increase (Spellar, 1998: 34). According to Spellar the then Under Secretary of State for Defence,

“Smart Procurement is about being:

- Better- which means equipment that works and is capable of cost effective upgrade;
- Cheaper- because we are cutting out the wasteful part of the process;
- Faster- it is not just the overruns that concern me, it is also our failure to follow the commercial sector in cutting the times of development cycles.” (Spellar, 1998: 34)

Clichés aside though the changes in attitude and practice that Smart Procurement involves need to be analysed.

Smart Procurement: Real Change?

If the aim of Smart Procurement is to do things “better, cheaper, faster” how is it going about achieving this? The high level recommendations, that emerged from the Acquisition Organisation Review, concentrated on three areas; strategy, processes and organisation. As far as the overall strategy was concerned it was recommended that there should be different strategies for different procurements, a more flexible approach and greater openness. The suggestions for processes were a revised front end process, streamlined approvals and oversight, integrated project teams and more effective positive and negative incentives¹⁵. Finally within the organisation a need was seen for a clearly defined customer within MoD and a restructured acquisition organisation¹⁶ (MoD, 1999: 5). According to the MoD the key features of the Smart Procurement process are,

¹⁵ See Appendix 2 Figure 2.

¹⁶ See Appendix 2 Figure 1.

- “*A whole-life approach*, embodied in a single *integrated project team* (IPT) bringing together the main stakeholders and involving industry except during the assessment of competitive bids.
- *Clearly identified customers* for the IPT. A Central Customer within MoD headquarters, organised around capabilities, acting as customer for the IPT for all procurement phases of the project life-cycle. This Central Customer to be capable of making well-founded balance of investment decisions and resource allocation decisions, and of providing clear and consistent direction to the IPT. The front-liner commands to act as customer for equipment in service.
- A greater willingness to identify, evaluate and implement effective *trade-offs between system performance, whole-life costs and time*.
- *A better, more open, relationship with industry*, based on partnering and the identification of common goals including gain-share opportunities, underpinned by competitive contractor selection whenever this provides best value for money.
- New procurement approaches including *incremental acquisition*.
- Sharper procurement time-scales, with a *simpler*, streamlined process for *project approvals*.
- *More investment during early project phases*, so that risk is reduced before binding performance, cost and time parameters are set.” (MoD, 1999: 6)

In some ways, particularly where the integrated project teams are concerned, these reforms bear a considerable similarity to the French DGA procedures¹⁷.

The procurement cycle for each procurement will be managed by an IPT. This marks a change from a functional structure to a project-based one. The team leader alone is responsible to the customer for the agreed equipment cost and capability as well as the punctual delivery. They are also accountable to their Defence Procurement Agency line manager for the propriety of the procurement and meeting other accounting requirements. Core functions, such as finance, contracts, project management, logistics and commercial management, are included in the IPT to ensure an integrated approach at all times. Efforts will be made especially with the team

¹⁷ I am grateful to Stephen Logan for this observation made during an interview at the Defence Procurement Agency in Bristol on the 9th November 1999.

leader to keep the composition of the IPT steady¹⁸. The IPT will contain civilian and military members as well as industrial representatives and technical and financial experts will be attached on a part-time basis to scrutinise the project (Kausal *et al*, 1999: Chapter 3 35-7). Ensuring that military and civilian members work alongside each other it is hoped that misunderstandings about requirements on both sides will be reduced. The IPT will work within the Defence Procurement Agency until the in-service date when the branch responsible for in-service support will move to the Defence Logistics Organisation.

The actual process begins with the concept phase where a shortlist of viable options along with estimated their through-life costings to meet the user requirement, is drawn up. If the Equipment Acquisition Committee¹⁹ (EAC) approves (initial gate approval) the project the comparative analysis of the options will ensue. Once one technological option has been singled out the Systems Requirement Document, key performance parameters and tradable requirements will be submitted for approval (main gate approval)²⁰. These documents will form the basis for companies to tender, on a competitive basis where appropriate, but the key performance parameters are not negotiable. Once main gate approval has been secured the project should only need further approval in exceptional circumstances. The demonstration phase is where a contractor is selected and trade-offs are made between contractor and project

¹⁸ To counter the criticisms of amateurism in procurement an acquisition career stream for both civilians and military personnel will be developed in the MoD so that expertise is not lost through career promotions and moves. However the extent of training, prior to appointment, that those in the French system are expected to have, seems not to be being considered.

¹⁹ The Equipment Approvals Committee makes recommendations to Ministers on projects in excess of £400 million and authorises other projects. It has both civilian and military members (Kausal *et al*, 1999: Chapter 3-18-19).

²⁰ The COmbined Effectiveness and Investment Appraisal (COEIA) system will be used in the approval stage. See Kirkpatrick, 1996 for a full analysis of this appraisal method.

manager. The manufacturing stage will include further trade-offs through incentives until the equipment is received into service. Once in service the equipment support branch of the IPT will take over the management of the in-service maintenance and up-grades under the control of the Defence Logistics Organisation (Kausal *et al*, 1999: Chapter 3 22-7). The Smart Procurement process should therefore, by establishing streamlined processes and clear responsibilities, enable improved procurement, thus saving money.

There have also been changes to the organisation and culture of defence procurement. The organisation was slimmed down and made more fully integrated by abolishing the old land, air and sea specialisation in favour of grouping projects with similar operational roles or functions together. This helps military integration to further develop and responds to advances in technology. Similar reforms have been carried out in France and Germany. The Procurement Executive was also given agency status in 1999, which means they have more autonomy of action, and have to operate as a commercial business. As was mentioned above, efforts have been made to further diminish inter-service rivalry and to encourage civil-military integration within the IPTs. Equally, the involvement of industry is intended to improve relations between the state and defence industry. Interestingly, the MoD handbook on Smart Procurement also sets out the values and beliefs people require to make an effective contribution:

- *“An empathy with the customer*, supporting a commitment to providing equipment which meets the user’s needs, on time and to cost
- *The drive to deliver* a high level of performance, as a result of programme setting and monitoring progress against agreed target milestones

- *A desire to work co-operatively* with fellow team members and others, valuing the diversity of the team and understanding the different roles of colleagues
- A predisposition to *share ideas* and data, and the resolve to *overcome problems*
- A wish to *challenge* convention and improve processes rather than hide behind ‘the rules’ and be satisfied with *current performance ‘norms’*.” (MoD, 1999: 7)

These values would clearly mark a change in organisational culture. The third point is perhaps particularly important, as it requires DPA staff to consider the operational requirements staff as their customer, who they should try to please. Operational requirement people must be financially aware, and stop regarding the DPA as “narrow-minded bureaucrats who have little empathy with the military” (Taylor, 1999: 84). More challengingly, both must embrace industry as a partner not an adversary and not as “greedy absorbers of the taxpayers’ money, who have an unreasonable obsession with profit” (Taylor, 199a: 84). Such attitudes will be hard to break. The MoD though feels that the change to agency status may help to provide the break that will allow this change in culture (MoD, 1999: Press Release). An evaluation of the success or otherwise of these moves will obviously take time. Smart Procurement certainly seems to have made an effort to address the problems, which have dogged British defence procurement, but does it work in practice?

How Successful is the Smart Procurement Initiative?

Judgement of Smart Procurement began in its infancy. Reaction from commentators was generally favourable, however it was clear that there is dissatisfaction with some aspects of the initiative. There is though little question that the fundamental aims of Smart Procurement are sound. The initiative was introduced

and put into operation within a very short period of time. There were good reasons for this; the Treasury made it clear that rapid improvement was expected, and a sense of urgency was needed to press completely new ways of thinking and doing things (Taylor, 1999: 83). The speed of this is though perhaps responsible for the gaps that are present in the policy. A year after the 1999 launch some of the financial allocation chains seemed unclear²¹. Will the military customer gain the logical financial responsibilities inherent in being a customer? The initiative has been implemented from the bottom up and although the IPTs were in place by late 1999 there seems to be a lack of clear chains of authority. The suggestion has been made that the upper echelons of the DPA are less keen on the reforms and are hindering the development of a new culture. Even at lower levels IPT team leaders are likely to be current project managers with a new hat. Notably as well the 600 job cuts which accompany Smart Procurement have not been implemented so fast (Taylor, 1999: 84). This could hinder the IPTs and it would seem unfair to hold team leaders accountable if obstacles are placed in their way by their own organisation²². The armed forces also seem to have reacted rather slowly to their new role as the second customer²³. Clearly there is always going to be resistance to change in a long-established organisation, and changes in organisational culture take much longer than changes in regulations, but

²¹ In particular the problem of managing the block budget adjustment was raised by Alan Sharman in a November 1999 interview; if financial control is left to the IPTs with no central liaison it is difficult to see how this can be managed. Taylor (1999a: 85) also points out that the interface between projects, and the liaison and co-operation this requires, does not fit well with the project led structure.

²² I am grateful to Alan Sharman of the Defence Manufacturers Association for his comments on Smart Procurement made in an interview in November 1999. His experience as an observer to the MoD's ongoing enquiry into Smart Procurement enabled him to make many valuable observations.

²³ This though could be linked to what Pridham (1998: 198) describes as "defensive, suspicious and static attitudes" on the part of the armed forces to Private Finance Initiatives in the defence sector, something that is widely linked to the Smart Procurement initiative.

lack of enthusiasm at high levels in the armed services, could damage the efficacy of Smart Procurement. More serious perhaps are the industrial reaction to Smart Procurement and its lack of co-ordination with other affected policy areas.

The much heralded new partnership between government and industry has formed a politically important part of the Smart Procurement initiative. As has been explained above the policy change had happened before this initiative but the codification of industry's new position made the initiative important. A lack of real incentives for industry to improve performance was one of the problems that Smart Procurement needed to address (K. Smith, 1998: 40). The situation remains though that a company must invest extensively at the requirement design stage even though it is not guaranteed a contract. Industry is expected to look forward to the long-term mutual gains of partnership with the MoD especially when they did not get the contract (Taylor, 1999: 84). This shows a naivety about the nature of shareholding in British firms. Moreover the precise place of competition within Smart Procurement has not been sufficiently clarified; if Smart Procurement demands dealing with one expert company, where does competition fit in? Unless the question of these disincentives is addressed the planned partnerships seem less likely to succeed. The question of the extent to which government-industry partnership is really wanted is also under question. Although industry broadly accepts Smart Procurement there is a sense that the consultation procedure was illusory and that industrial views were not really taken on board²⁴. The government's refusal to accept the Defence and Trade and Industry Committees' recommendation that, industrial representation should be

²⁴ Again I am grateful to Alan Sharman of the Defence Manufacturers Association for raising this point in November 1999.

included on the EAC, (to ensure due consideration is given to the industrial implications of defence procurement), on the grounds that the presence of a representative from the Department of Trade and Industry was sufficient, adds to this sense (House of Commons, 1998b: Annex 2). It can be claimed that, although the culture within the MoD has changed to support Smart Procurement, industrial culture has not (Kincaid, 2000: 43). It will be difficult to persuade industry that government policy has really changed, unless real notice is taken of their views, which could mean that industry is less inclined to participate fully in Smart Procurement.

Even more problematic is the fact that Smart Procurement has been introduced without consideration of other policy areas that it affects. Certainly Smart Procurement follows general government governance policy on promoting efficient governance and partnerships with stakeholders, but these do not always seem compatible with other policies or have not been introduced into all areas. These range from the minor, such as the failure to introduce better systems for equipment defect reports despite Smart Procurement whole-life thinking (Aaron, 1999: 7), and the question of unfair advantage, on the part of armed forces maintenance teams for whole-life maintenance contracts, to more serious problems. Even though the language of partnership is used, there is no clear sense of the precise role that competition will play in future government-industry relationships. The effects that the Smart Procurement initiative will have on collaborative projects (particularly those in OCCAR) seem to have been insufficiently addressed despite warnings (Hayward, 1998:47-50). Equally, the question of defence export policy has not been tackled despite its clear importance to Smart Procurement (Taylor, 1998: 42-3). Even the

major changes Smart Procurement requires within MoD itself, especially in operational requirements, do not seem to have been much discussed (Taylor, 1999: 84). Finally, the linkages of procurement policy with British defence industrial restructuring policy seem not to have been explored. This conflict is shown clearly in the Strategic Defence Review²⁵ (Taylor, 1999: 85). In short, the basic contradictions between defence and industrial policy seem as present as in the Thatcher era. A coherent defence industrial policy is still lacking. It is clearly a mistake to examine defence procurement reforms without considering other policy areas that affect armaments policy, so the chapter will move onto discussing other recent changes in government policy, and how they compliment or contradict the aims of Smart Procurement.

The Strategic Defence Review

The Strategic Defence Review of 1997/8 was first called by the Labour government immediately following their election victory in 1997. As stated in their manifesto, the review was foreign policy led, but the Treasury's Comprehensive Spending Review, carried out at the same time, made it clear that savings had to be found in the defence budget (Aldred, Clarke, Gearson et al, 1998: 5). As certain assumptions underpinned the review, this was difficult;

“...the centrality of the Atlantic Alliance to Britain and Europe's security, the importance of remaining a credible nuclear power, the confirmation of the Eurofighter project and the importance of maintaining the quality of

²⁵ The government's strong support for British defence industry, for European industrial restructuring and for equipment collaboration (Paragraphs 28-38 of Support Essay 10) and Paragraphs 1-27 of the same essay introducing Smart Procurement seem to indicate very different views of the government's relationship with industry (www.mod.uk/policy/sdr).

the UK's armed forces personnel as one of the unique comparative advantages that Britain possesses. A further assumption contained in the opening statement, and carried through the SDR process, is the view that it is appropriate for the UK to maintain a full spectrum of war fighting capabilities even though the immediate missions may be subject to change." (Aldred, Clarke, Gearson *et al*, 1998: 5-6)

Therefore once again savings needed to be found but Britain's military capacities could not be challenged. This echoed the contradictions of the Thatcher era. By then though, it was also clear that, although savings in procurement could be made, the defence industrial base also needed protection. As the Defence and Trade and Industry Committee reported,

"There are likely to be few cases in the foreseeable future where the UK would wish to operate alone militarily and with globalised markets, retaining a self-sufficiency in strategic capabilities is becoming an increasingly difficult and expensive option. The key to retaining access to strategically important technologies and manufacturing capabilities, in an era of an increasingly rationalised industry and collaborative programmes, is to ensure mutual inter-dependence. The risks of dependency are high, however, and the Government must take a hard-nosed and critical look at our ability to keep open such access, and where there are doubts we must still be willing to fund the necessary research and other capabilities single-handed." (House of Commons, 1998a: xi)

This though is difficult to achieve when savings need to be made. There are however several strategies that the Blair government has tried to use to solve the problem, but these seem to have been inconsistently applied.

Defence Industrial Policy

Labour's defence industrial policy seemed to focus on a new support for a strong defence industrial base²⁶ and a return to a more constructive relationship with

²⁶ See Paragraph 28 of Supporting Essay 10 in the Strategic Defence Review for a renewal of their manifesto commitment (www.mod.uk/policy/sdr/essay10.htm).

industry (MoD, 1999:6). However although there have been attempts to achieve this in the Smart Procurement Initiative, Labour's policies on arms exports and defence research have not, in the opinion of industry, followed this track. If money for defence procurement cannot be increased, ways to support the defence industrial base include the Thatcherite strategy of promoting arms exports, and funding of defence research to transfer some risk from firms.

One of Labour's key themes though was ethics in foreign policy, and on arrival in office argued that British policy needed a new direction. They wished to see an ethical dimension, particularly where the sales of arms to repressive regimes were concerned (Driver and Martell, 1998: 146). *Labour announced a review of strategic export licence regulations, especially in the light of the Scott Report, and helped to broker a new European Union Code of Conduct on arms sales. Their declaratory policy remains the same although, in the light of continued sales to repressive regimes, it is felt that they are continuing the policy of encouraging arms exports. Labour's policy on arms exports is more liberal than that of German or Swedish and to some extent American governments. As Cooper writes,*

“Even when judged against the record of the previous Conservative administration the evidence for Labour's claim to be introducing ethics to arms sales is mixed. There have been some important changes to the terminology of the criteria used in judging applications for export licences. Most notably, the guidance booklet used by FCO desk officers prior to the publication of Labour's new criteria only emphasised that restrictions should be placed on the export of equipment likely to be used for internal repression. In contrast, Labour has lowered the standards of proof required on this issue by substituting the word "might" for "likely". Notwithstanding such changes however, the House of Commons Trade and Industry Committee could conclude that "comparison of the new criteria with their predecessors suggests... that the July 1997 criteria represent a rather less radical break with past policy than is sometimes

represented to be the case".” (Cooper, 1999 in House of Commons, 1999d: Appendix 7)²⁷

Labour’s policy may not be particularly ethical but there is also a problem in that they do not seem to have recognised the contradictions in their support for a strong industrial base, defence cuts and curtailing arms exports.

As far as defence research was concerned, there had been recognition from the early 1990s that the current system was under-funded, and that British research funding was below its competitors and partners. However, the Labour government proposed further cuts on the grounds that civil technology was making more of an impact on defence technology, especially in information technology, and that therefore, there was no longer so much need for government funded defence research (House of Commons, 1999b: vi). Their proposal was based around turning the Defence Evaluation and Research Agency into a Public-Private Partnership, so that it could be run as a commercial enterprise. However, this was received very badly by both industry and the Commons Defence Committee, who stated,

“The public-private partnership proposals for DERA could disrupt the partnership between the MoD and industry needed for effective technology transfer and the implementation of Smart Procurement. After privatisation the Agency's relationships with both the MoD and industry would be compromised. A public-private partnership for DERA puts at risk the achievement of the streamlining of the acquisition process sought by the Smart Procurement initiative.” (House of Commons, 1999b: xxxviii)

The proposals were also condemned by the American Department of Defense who thought that,

“In particular, the DoD had not been persuaded that the organisation envisaged could reconcile the conflicting perspectives it would have—as

²⁷ See Neil Cooper’s paper submitted in evidence for the report (House of Commons, 1999d) for a full overview of the nature of Labour’s arms export policy and evaluation of its claims of ethical behaviour.

both an agent working for the benefit of the government and an enterprise serving private-sector interests.” (House of Commons, 1999b: xii)

This would clearly not fit with the government’s ideas for government-industry partnerships within the Smart Procurement Initiative. However it was not only that which was under threat, as the Defence Select Committee caustically pointed out,

“A public-private partnership for DERA risks undermining the MoD’s research collaborations, not only with the US but also in Europe at a time when the focus is increasingly on strengthening European military capabilities. To be fully engaged in the development of a European Security and Defence Identity and help make the Defence Capabilities Initiative a success, Europe needs to evolve more effective and efficient research collaboration. Putting DERA in private hands will make it much more difficult for the UK to be a full and trusted partner in this enterprise.

It is the consent of the US to changes to DERA’s ownership, however, that will be of paramount importance. US concerns must be properly addressed in reaching any decision on DERA’s future structure. If the public-private partnership goes ahead, the MoD may be excluded from US technology developments, and may not even know it. Despite any public assurances about the US’s continued co-operation, and even if the fruits of existing collaborations continue to be gathered, the prospect of the US having to deal with a private sector DERA puts at risk further collaboration. Without clear and genuine acceptance by the US, the public-private partnership must not proceed.” (House Of Commons, 1999b: xii)

Despite this and the strong representations from industry, which saw it as a Trojan horse through which the end of publicly funded research was achieved, the Public-Private Partnership was implemented in a slightly revised format. The question remained though as to why did the government seriously consider and in part implement a policy change, which would jeopardise policy not only in defence procurement but also in foreign and security policy? The Labour government, like the Thatcher government who cut defence research spending as part of the rolling back of the state, seem to have failed to realise the linkages between industrial and technological policy and security policy. They have simply applied the same policy to defence industrial or technological issues, as they would to civilian issues. The

problem in this, is that British governments appear to be unique in not considering this sector as a special case. The sense that policy linkages are not understood becomes still stronger when we consider the British recent collaborative record in defence procurement.

Europeanising Defence Procurement and Industrial Policy?

One way of solving the 'money versus needs' problem is through more and more efficient international collaboration. Despite a patchy success record in European co-operation²⁸ in armaments procurement, the Major government decided in 1996 to join OCCAR, the Franco-German armaments agency. The British government saw the ending of *juste retour*, in favour of achieving a fair balance of work across a number of projects, as an important step towards greater collaborative efficiency²⁹. However despite this more positive approach, which was continued by the Blair government, important collaborative projects such as the Horizon frigate project in 1999, have suffered from British withdrawals³⁰. There is also still an impression among European partners, that British officials are far more wedded to the principle of competition than they are to collaboration to be reliable partners³¹.

In part this can be explained by the ambivalence of the British about accepting a European preference in armaments procurement. The French and Germans see this as being a fundamental part of OCCAR. The United Kingdom though has always had

²⁸ See Draper (1990) for a historical overview of this between 1957 and 1987.

²⁹ See for example the Defence Committee and the Trade and Industry Committee's 1998 joint report (House of Commons, 1998a) for evidence stating this view from politicians, officials and industrialists.

³⁰ See the Defence Committee's Eighth Report (House of Commons, 1999a) for detailed evidence on the Horizon project management disaster.

³¹ This view was frequently expressed in interviews carried out in France and Germany in 1998/9 and was referred to in a 1999 speech by Baroness Symons, the then Minister of State for Defence Procurement.

more favourable access to US defence equipment technology than other European allies and is anxious to maintain this advantage. The 2000 Declaration of Principles signed by Britain and America to improve co-operation on security of supply, market access, exports, handling of classified information, research and technology and military requirements strengthened this advantage (MoD, 2000). The connection is also valued by British industry³² who under the agreement should be treated in the US no less favourably than US companies are treated in the UK. This understandably means that more emphasis needs to be put on the importance of maintaining and developing these links in British government policy than there is in France or Germany. As Hayward writes,

“For sound industrial, technological and procurement reasons, the UK works with the US, and a programme such as the Joint Strike Fighter (JSF) will be a core procurement item over the next decade. Smart Procurement will necessarily look to the US as a baseline for technical quality and, to some extent, to provide a benchmark on price and productivity.” (Hayward, 1998: 47)

At the same time successive British governments have realised that, given the highly protected nature of American defence industry and procurement, the best chance of maintaining the British defence industrial sector, as more than a sub-contractor, was through more European collaboration³³. As Hayward writes

“Working with the US brings its own share of frustrations. Leaving aside the question of junior status and technology transfer limitations, Congressional intervention and the vagaries of annual appropriations have caused problems with Harrier and other trans-Atlantic programmes.” (Hayward, 1998: 47)

³² See for example the Society of British Aerospace Companies report (SBAC, 1998).

³³ I am grateful to Stephen Logan of the Defence Procurement Agency for his enlightening discussion of this point in an interview in November 1999.

Dealing with this problem of pleasing both partners has produced a certain ambivalence in government speeches on the issue. Spellar, for example, followed a common path in decrying the political nature of European defence procurement and the future of OCCAR (Spellar MoD, 1999), while Symons (MoD, 1999) used the language of warning against a 'fortress Europe', while trying to encourage European co-operation without leaving out the Americans. The February 2000 agreement, between Britain and the USA, to improve Anglo-American defence industrial co-operation, including technology transfer, was also seen as proof of Britain's ambivalence. Both, however, make many supportive comments about more co-operation in European defence procurement, and these were matched in 2000 by the controversial decision to buy both the Meteor missile and A400M aircraft instead of American alternatives. To increase the ambivalence, initially at least, the relationship between Smart Procurement and OCCAR was not elaborated (Taylor, 1999: 85). By late 1999 this had still not been fully explained, although it seemed to be presumed, that the other countries would accept it as the way forward (House of Commons, 1999c: 7). The inconsistencies in this position were revealed by the government's decision to pull out of the Trigat missile programme in July 2000. Smart procurement meant that the collaborative project could no longer be justified, when an off-the-shelf missile would be better (Evans, 2000: 2). This strategy clearly can lead to misunderstandings with European partners.

Equally, British policy on European defence industrial restructuring often seems somewhat ambivalent. In December 1997, the British, French and German leaders issued a joint statement, calling on European defence industry to formulate

plans for restructuring the industry so that it would be able to compete with American firms. This was followed in July 1998 by a Letter of Intent which provided a framework for further work on security of supply, export procedures, research and technology and security of information which was signed by the three along with Spain, Italy and Sweden. At this stage it was clear that the preferred restructuring option was a merger between BAe, Aérospatiale and DASA to form a European Aerospace and Defence Company. At this time the Minister of Defence said in a speech to the SBAC,

“Do not underestimate the determination of the British government to carry this European defence industry restructuring project through to a successful conclusion. As we make progress on the Governmental issues, so we expect industry to make progress on its side.” (Robertson MoD, 1998a)

However then in January 1999 a surprise merger was agreed between British Aerospace and GEC Marconi whereas a merger between BAe and DASA had been confidently expected. The British government’s presumed wishes had been ignored and a lack of enthusiasm was clear in a speech by John Spellar (the then Minister of State for the Armed Forces) several days later when he said,

“It is not for governments to prescribe the structures that will emerge. That is a matter for industry.” (Spellar MoD, 1999)

Robertson, a day later, also seemed to have lost his enthusiasm for European restructuring,

“The restructuring process does not block off any routes. It is not about creating a ‘fortress Europe’ nor does it aim to create a ‘US-UK industrial alliance’. European and trans-Atlantic relationships are both important to the UK. The restructuring process is driven by the simple fact that at present the European defence industry lacks the scale to either compete or effectively collaborate with US industry.” (Robertson MoD, 1999)

This failure on the part of the British government to deliver what had been hoped for, and their perceived desire to ‘have their cake and eat it’ as far as Europe and America were concerned, was also a matter for concern for other European partners. It has caused long-lasting bitterness, especially between the British and the Germans, who felt betrayed by BAe’s decision³⁴. The resulting merger between Aérospatiale and DASA in Autumn 1999, could potentially cause problems for BAe in the civil aerospace sector, especially where Airbus is concerned. The failure of the British government to influence its companies to act in the way it wished, seems though symptomatic of a wider industrial mistrust of the government’s new attitudes to defence industrial policy, rather than lack of governmental belief in European collaboration. Sir Robert Walmsley, then Chief of Defence Procurement, made a robust defence of OCCAR and further European collaboration to the Defence Select Committee in November 1999 (House of Commons, 1999c: 1-15). In fact the officials frequently seem keener on European co-operation than the politicians do, which marks a change in culture³⁵.

Following the Labour government’s 1997 election victory, a new enthusiasm for a common European foreign and security policy was discernible. In October 1998 Blair reactivated the debate on European security policy, and in December 1998 signed the Saint-Malo Declaration with Jacques Chirac, which marked new levels of co-operation between the two countries on CFSP. In November 1999, further progress

³⁴ German expectations had been raised and dashed and both Stephen Logan of the DPA and Keith Hayward of SBAC pointed out in interviews in November 1999 that resulting animosity would take time to evaporate and had damaged Britain’s influence in the sector.

³⁵ Bob Godbold of OCCAR made this point in an interview in November 1998 in Bonn. It was reinforced by Philippe Roudier of DGA in Paris in June 1999.

was made towards a European peacekeeping and rapid reaction force and the new constructiveness on the British part seemed set. Nevertheless government ambivalence on related issues, such as those detailed above, easily lead to misunderstandings between the European countries. The Blair government will need to be consistently positive, to be regarded as a truly reliable partner by the French and the Germans. Again this shows that there has been a failure to think through the effects changes in defence procurement policy have on the wider policy sector.

Conclusions

As in France and Germany the forces of change have affected British armaments policy. It too has been forced to re-examine its beliefs about the role and structure of its armed forces, and the role that they should play. The reorientation towards intervention and peace-keeping, clearly impacts on the priorities and needs of defence procurement. Equally, military experience, after the Cold War, in these functions reopened the debate on security of supply, which has necessitated a change in defence industrial policy. This re-examination has, as in other countries, had to take place in an environment of defence budget cuts; the so-called peace dividend. Britain has also been affected by the forces of Europeanisation, and has moved strongly, in terms of policy, towards a more positive engagement with the European security and defence identity. The new acceptance, of the need to maintain a European defence industrial and technological base, has brought Britain into OCCAR, and into moves to increase defence industrial co-operation and trans-European mergers. However, these

forces, common to all the countries studied, have operated within the specific British context, which has made the results different to those in other countries.

Looking at historical accounts of British defence procurement policy in the last twenty years of the twentieth century, the search for ever more efficient procurement methods has resembled the search for the holy grail. Procedures have been improved and streamlined and efficiency has become the prime goal. This quest has allowed more serious problems to be ignored. Clearly the most basic contradiction in British defence policy is the struggle between resources and commitments. Successive governments have resolutely declined to cut their coat to suit their cloth and this has led to increased pressure on defence procurement. There are though other deeper problems for the sector; there are problems with the administrative culture surrounding defence procurement, Britain does not have a coherent armaments policy, has not decided whether its prime loyalty lies with Europe or the United States, and has a continued belief in reforming processes in isolation.

General ideological beliefs about the nature of governance have been implemented in the sector by both the Thatcher and Blair governments, often with seeming unawareness of the problems this would cause in the wider defence policy sector. It is important, in the cases of both the Levene reforms under Thatcher and Smart Procurement under Blair, not to separate changes in defence procurement policy from their wider government projects. The question of the administrative culture within the sector must also be addressed. The civil servants in the Defence Procurement Agency are often not experts and so are more prone to rely on and believe the advice given by the armed forces and scientists they work with. This

means that they are less confident in their own ability to change the aims and procedures of procurement projects and more vulnerable to inertia. Equally, in British administration as a whole an audit culture has grown up which, while increasing accountability, has inhibited debate about the best ways of doing things by limiting it to issues of costs. Smart Procurement, while it recognises the need to change the culture of the DPA, may also fall victim to this cost-cutting obsession. It is, for example, easy to see a situation where the policy of involving industry in procurement could raise costs and thus fall victim to the audit. The audit culture has also inhibited a more holistic discussion about armaments policy, by reducing it to a debate about streamlining existing procedures, rather than creating new ideas. This is very problematic for Britain.

Britain does not have an armaments policy in the way that Germany has a *Rüstungspolitik* or France a *politique d'armement*. Even the vocabulary used proves this; instead of regarding the sector of armaments policy as a holistic whole, the British tend to separate it into defence procurement and defence industrial policy. This division has made it easier to neglect the area of defence industrial policy and has undermined the special nature of the sector. Equally, it has often had the result of removing the sector from the wider debate about the future of Britain's foreign and security policy. The different treatment of armaments policy leads to two problems. Firstly, there are misunderstandings between Britain and other countries because of the different outlooks, and secondly, there is a tendency towards piecemeal reform rather than attacking deep-rooted problems.

Although Britain is clearly torn between the transatlantic special relationship and its European partners as much in defence procurement matters as in other foreign and security policy issues, there are other difficulties. Many of the British problems with collaborative projects seem to stem from their lack of understanding of, especially French but also German, views on the role that the state plays in relationship to the defence firm. This will continue to be a problem even in an organisation like OCCAR. Moreover, as the British government has shown that it cannot control its defence firms in the way that French and German governments seem able to, the extent to which Britain will be able to play a role in planning a European defence industrial base seem questionable. Finally, it is clear that inconsistencies between statements on procurement, defence research, arms exports and industry are resulting from this separation of the sector. These inconsistencies are unlikely to help Britain negotiate from a powerful position with either the United States or Europe.

The second problem is that this separation of the parts of the sector tends to lead to piecemeal and inconsistent reform. The ill thought out plans to reform DERA which clashed with Smart Procurement are a prime example of this. It should be clear that defence procurement and defence research are linked and that policies on each should be the same rather than clashing. It could be argued that this confusion is in part caused by the separation of the two branches into separate agencies which different budgets, locations and staff that in turn are separated from the main policy-making arm of the Ministry of Defence. It is hard to see how this can really improve efficiency. Equally, piecemeal reforms tend not to attack deep-rooted problems. There

appears for instance to be some considerable doubt about Smart Procurement's ability to modernise the Ministry of Defence's procurement culture, which it is clear that it is important to reform. As has been argued the reforms of the sector seem often to be unrelated to the wider debate about the future of British defence and foreign policy.

On the surface it appears that Britain has made great progress in modernising its procurement policy, and in attacking some of the problems that have emerged in an era of falling defence budgets. In fact they seem to have made more progress than other countries like Germany. However, this can be deceiving as much of the modernisation has been in streamlining existing processes, without really attacking the problems and contradictions within the policy. British responses to the forces of Europeanisation have been rather mixed and so have produced a more opaque policy agenda. This is however understandable in the light of the advantages Britain had, and still does, obtain from the special relationship with the United States. The Europeans will though expect their British partner to make a choice between the two before long. In conclusion, therefore, although Britain may be ahead of its competitors in refining procurement to a very efficient level, it is almost counter-productive if it is not done alongside reforms to the rest of the armaments sector. There is a great need for more consistency in British armaments policy, and without this its negotiating position in Europe will be weakened.

Chapter 5: Reforming the French Defence Procurement Process: The Challenge of Tradition to the Forces of Europeanisation and Modernisation

Introduction

“Making arms, conventional and nuclear, is now woven deeply into the fabric of France’s scientific and technological establishment, industrial plant, business practices, governing process - even its cultural mores.”
(Kolodziej, 1987: 3)

This sentence sums up the importance of the defence industrial and procurement sectors to France. The procurement and manufacture of arms has permitted an independence in defence and foreign policy for centuries¹ and their importance, both as a symbol of national independence, and as an economic resource should not be underestimated. Traditions have grown up around the military-industrial complex as Kolodziej suggests and these have strengthened it, but at the same time increased its inflexibility.

The French military-industrial complex is strong in comparison to Britain and Germany where the coherence of the military-industrial complex has either never existed or has been broken. Clear differentiations can be made therefore between the positions and beliefs of the British and German actors concerned, the links in France remain on the contrary strong although they are now weakening. It is too simplistic merely to analyse the history of either French defence industrial or procurement policy, if indeed they can be separated from each other,² the wider underpinning of

¹ This policy formed a part of *Colbertisme* that is the policy originated by Jean-Baptiste Colbert, while he was Prime Minister between 1670 and 1680. He aimed to make domestic industrial capacity and a trade surplus sources of state power by using a mercantilist strategy. One of the aspects of this strategy was the creation of a self-sufficient, protected defence industry (de Vestel, 1995: 36).

² Indeed the hope of differentiating between the two is forlorn which raises some analytical concerns. Germany and Britain claim to operate no defence industrial policy (although they fund some defence research), so the main concern of the research there has rested upon the effects of government procurement policy on industry as an independent actor. France’s procurement policy though, is intertwined with its far-reaching defence industrial policy. In this chapter therefore, in comparison to

the complex must be considered. This introduction will, therefore, first of all consider the traditions that have informed policy; the policy of *grandeur*, the statist tradition, *dirigisme* and the *corps* system, then outline the pressures for change such as budgetary deficits, failing capabilities of the armed forces and changes in the international system. Finally, it will briefly describe the effects the political situation in the mid to late 1990s has had on the situation.

Probably the most constant factor affecting defence industrial and procurement policy over the years is the policy of *grandeur*. Commentators on French security policy frequently refer to the French aim of independence in national security, the belief in the primacy of the nation state and the search for *grandeur* or *rang* as tenets of Gaullism. This risks though ignoring the historical pedigree of Gaullist ideas. As Kolodziej points out,

“French arms production and strategic military policy, including the raising, training and equipping of armed forces are inextricably entwined. However much French regimes - royal, imperial or republican - may have differed in composition, claims to legitimacy, or objectives, they could agree that France’s independence, security, big-power role - *grandeur* no less - required an autonomous military strategy and national armed forces free from outside control.” (Kolodziej, 1987: 3)

Nevertheless, it must be acknowledged that Gaullist ideas have been very influential in the arms production and procurement sector for as Gordon points out,

“The Gaullist years may not represent an entirely new era in the history of France, but in a number of ways, they set a standard for continuity and change. De Gaulle’s worldview and political priorities implied a very specific set of rules for national policy, and his conviction was instrumental in the realisation of some of the very same goals that had escaped previous French governments.” (Gordon, 1993a: 5)

those discussing Germany and Britain a conscious decision has been made to analyse French government policy as a whole rather than in two sections about procurement policy and defence industrial policy.

De Gaulle's distrust of American involvement in Europe and his belief in national defence, led not only to French withdrawal from NATO's integrated military command, but also to the development of an independent nuclear force. These decisions gave the arms industry the central role in the French state that it has held until recently, especially as, from 1958 onwards the defence industry was seen as a very important part of French industrial policy. These decisions by de Gaulle also helped reinforce the almost permanent consensus among French politicians, since the end of World War Two, that France should produce its own weapons (Serfati, 1996: 18-21). As Hébert concluded in 1991 the link was inescapable,

“The central axis of defence policy and so armaments policy is evidently sovereignty and independence.” (Hébert, 1991: 18)

For example the Gaullist anti-Atlanticist stance meant that French governments, unlike their European counterparts, did not buy American weapons technology. This meant an increased need for research and development funding to ensure that home grown alternatives existed. Although there was a great emphasis put on the nuclear deterrent by politicians, this did not mean that the research and development of conventional weapons was regarded as less important. Projects such as the Mirage fighter were regarded as projects of national prestige; the 'red, white and blue projects' and were encouraged by successive governments. The effects of such policies produced an armaments industry that,

“...is the heir of an old tradition, founded by the desire for as complete as possible national independence and for sovereignty of state decisions. This ambition, and the constant financial efforts that have sustained it, has allowed the construction of a powerful industrial tool, skilled and covering the whole scope of [French] needs up to and including the nuclear domain.” (IHEDN, 1999: 193)

It reflected the needs and wishes of a powerful state structure as well as a nation. The extent of central state power should never be underestimated where France is concerned, and this power was used to reinforce the sector.

There are two main ways in which this affected the defence procurement and industrial sector in France. The first was through the way in which industrial policy was managed. The French state is very interventionist or *dirigiste*, especially as far as the defence industrial sector is concerned. With the partial exception of Giscard d'Estaing's presidency, there has been a constant trend (which in many ways is still continuing) towards creating national champions³, often under state control, and towards supporting projects that would increase national prestige. The defence industrial sector benefited from both these trends, as it was seen as a vital sector for the French state's technological competitiveness. In fact, it was the ideal sector to fulfil what TELESIS describes as French industrial policy's two objectives: "to modernise the country and society and to restore France as an independent and influential country" (TELESIS, 1986: 165). In such sectors a variety of tools such as mergers, subsidies, soft loans, selective enforcement of regulations and public purchasing were used to benefit the sector (Guyomarch, Machin and Ritchie, 1998:163-4). These tools enabled governments to ensure that nothing happened in the sector, that they did not want to happen.

Secondly, like all sectors heavily influenced by the state, the defence industrial and of course procurement sector was administrated by the technocrats of the French

³ Particularly in the 1960s and early 1970s French governments promoted one or two firms per industry thus creating so-called national champions. This strategy was based on the belief that only large firms could compete successfully in global markets (Adams, 1989: 53-4). This policy has to a large extent continued to this day in the defence industrial sector.

administrative elite. The great influence of the French *grands corps* is well documented⁴ and there seems little reason to doubt that it is so different in the less researched technical *corps*. In the case of arms manufacture and procurement the relevant *corps* is the *corps d'armement*. All the individual *corps* have similar characteristics. Their members tend to have had the same training in one of the elite schools such as ENA or *École Polytechnique*. These schools as well as offering advanced administrative or technical training also teach their students to serve the state and their training has a unifying effect on the students. Thus, members of the *corps* tend to have very similar outlooks and ideas. The *corps* structure reinforces the unifying effect of the common training and produces a loyalty to each other that frequently outweighs other considerations. The network of contacts enables exchanges between the public and private sectors within the course of a career (*pantouflage*). This weakens the demarcations between state and private industry even more than the statist tradition has in France. These traditions of state direction of the growth of the sector, and of the tightly linked interests of those who administrated it, helped to produce a strong sector, which seemed unlikely to change.

There are however factors that are forcing change in the sector. The consensus on defence funding had meant that during the Cold War funding was never really questioned. In fact the consensus on defence issues and therefore the necessary funding had, at the beginning of the 1990s, given the French state not only a comprehensive and innovative arms production sector but also a sector where costs were outweighing the results. When the excuse of the Cold War no longer provided a

⁴ See for example (Suleiman, 1974) or (Suleiman, 1978) which also discusses the technical *corps*.

justification of these budgetary deficits it was clear that savings had to be found. As with other defence policy sectors the existence of the Gaullist consensus (or the appearance of consensus) made it more difficult to agree a new consensus when the end of the Cold War made change inevitable (Menon, 1996:156-60). There was an acceptance that there were problems with the *status quo* but a reluctance to abandon a universally accepted policy.

It was perhaps the comparative failure of French equipment and strategy during the Gulf War that brought need for change properly onto the agenda. By then it was clear that the role of the armed forces was going to change considerably in the post-Cold War climate. Intervention in world troublespots had become more important than a mainly defensive posture. The experience of the Gulf War showed that this meant changes in equipment was needed. This modernisation was again going to be expensive and this and the need to cut budgets made change seem inevitable.

One solution to this problem as well as being a force for change is further European integration. The European Union, through increased integration, has begun to act more like a state than an international organisation. Changes in the international climate have strengthened the interest of large member states in building a common foreign and defence policy. The realisation that now the Cold War is over American interests may not be the same as those of Western Europe has renewed interest in collaborating more on defence. This would allow for a European presence in world affairs but the costs would be less than for a single nation. The ever growing costs of

developing weapon systems as well as the superiority of American defence firms made defence industrial and procurement co-operation an obvious area for discussion.

Despite these forces for change in the first years after the end of the Cold War while Britain and Germany were cutting defence budgets⁵ and changing policy France made very little change to its defence policy. The extent to which established policies, cultures and interests were and are hindering change, is an interesting question that will be addressed by this chapter. Certainly, while a policy can be easily changed on paper, the traditional cultures and interests that influence that policy sector will take considerably longer to change. Moreover, the difficulties caused by the domestic political situation in the late 1990s must be considered. Plans for the restructuring of French defence industry were dogged by a lack of a clear strategic vision about what was to be done. This picture was further confused by the election of Lionel Jospin as Prime Minister in 1997 on an anti-privatisation platform, and thus the start of a period of *cohabitation* which delayed the process still further. The French government's reluctance to consider such factors as future transatlantic mergers and their insistence on the paramount role of the state (Mérindol, 1998) have also been seen as delaying the process of European defence industrial restructuring.

The chapter will seek to assess France's response to these forces for change and examine the obstacles opposing change. Following with an assessment of the role of the *Délégation Générale pour l'Armement* in the period before the mid 1990s the defence policy reforms that took place in the mid 1990s will be discussed. The first part of the chapter though will investigate precisely how and why the French defence

⁵ In the years 1991-1996 France only cut defence expenditure by 4% in real terms compared with 20% in Germany and 15% in Great Britain (Schmidt, 1997: 73).

procurement sector had so many problems and seemed so resistant to change. In other words why were such dramatic changes required to sort out the situation? The specific reforms to the *Délégation Générale pour l'Armement* (DGA), the all-powerful arm of the state in the sector, will be discussed and evaluated as will the changes in defence industrial policy. The chapter will then move on to discuss how much modernisation and Europeanisation have actually occurred and will end by considering whether Europeanisation can prove to be a cure-all for the French problems, along with the extent to which Europeanisation can be acceptable as a solution.

La Délégation Générale pour l'Armement: Just a Procurement Agency?

The Establishment of DGA

The *Délégation Ministerielle pour l'Armement* (DMA) was created by decree No. 61-306 on the 5th April 1961. It was to reunite under one roof all the activities of arms production, from conception through research and development to the direction of the production and sales of the weapons systems (Mathieu, 1996: 110). Its establishment was very much a part of the Gaullist vision for the French nation state, as its work would ensure that the factors that would maintain French independence in the military sphere were in place. At that time the DMA was placed directly under the Ministry of Defence but within the ministerial hierarchy above the Chief of Staff of the armed forces (Kolodziej, 1987: 241). It was a politically very powerful organisation. From the beginning the DMA, which was renamed DGA in 1977 to put it on a level with other ministerial delegations, occupied a vital place for both industry and the ministry of defence. It provided the equipment for the Ministry of Defence

that made French defence policy feasible, and was regarded as the guardian of defence industry by defence manufacturers. It also meant that the DGA's relations with industry were far from those of a classic procurement agency - industry relationship of client-supplier. The DGA very rarely bought goods that had been conceived and produced without its intervention and it had a very special legal position as a client as it could control industries' costs (Dassuage and Cornu, 1998: 27-8).

The DGA's role was always likely to be contradictory as there is clearly a conflict of interest in getting value for money for defence procurement and preserving the tissue of defence industry. However for the fledgling French arms system to be coherent and comprehensive, it was necessary to establish certain institutional compromises to achieve a solid base of relations between the three actors concerned (the political power, the DGA and the producers). This was done on the basis of an economic logic that was "more a system of administrated regulation than a competitive regime" (Hébert, 1996b: 469). This extent of state support of the defence industry made a considerable difference to what had been in the 1950s still a rather lack-lustre sector.

Directed mergers also were used to improve the sector. Since the 1960s French policy has been to encourage the emergence of one principal group in each sector of activity, except in aerospace where Dassault and Aérospatiale both did well. Even there though, by the 1970s, Dassault specialised in combat aircraft while Aérospatiale concentrated on helicopters and ballistic engines (Hébert, 1991: 19). Competition, therefore, within the French market was virtually non-existent. This is a

state of affairs that continued up to the end of the twentieth century. More recent government merger pressures will be discussed later in the chapter. All in all,

“After 1960 the nuclear programme and the setting up of the DGA gave a new impulse to the industry, which was then consolidated at the start of the 1970s by an increase in the defence equipment budget and the development of international competitiveness in leading technologies (electronics, guided missiles, space etc.). Since 1981, after a few months of uncertainty, the arms industry, then nationalised for the most part, has been more and more closely directed by public powers with the view to developing the existing potential.” (Fontanel, Smith and Willett, 1985: 172)

This strategy though paid off for many years. Mason, for instance, describes the French ‘industrial revolution’ during this time as being,

“...to a considerable degree state-led by defence-related sectors playing a crucial role in the development of competitive high-technology industries - atomic energy, aerospace and aviation, telecommunications and electronics, space satellites and launch vehicles.” (Mason, 1989: 77)

Nevertheless the lack of a competitive regime did mean that this cost a lot of money. The DGA did find solutions to this problem: arms exports and co-operative ventures.

Exports were heavily encouraged by the DGA to get over the financial shortfalls left by the lack of competition within the French defence industry. This meant that at times the armed forces lost out to export potential (Kolodziej, 1987: 274). Problems sometimes arose when the DGA appeared to forget that their prime client was the armed forces not defence industry and export potential⁶. This was understandable given the amount of roles they were playing. As Kolodziej puts it the DGA

⁶ There was an attempt to force the French airforce in 1973 to accept a fighter aircraft whose technology was tied to the 1970s rather than the future combat fighter the air force wanted. The air force was supposed to testify by its purchase to the capabilities of the F1 M53 so that smaller NATO allies would buy it. Luckily for the French air force the French company lost the sale to an American option, but it was then recognised that, there were limits beyond which the armed forces would not be forced to accept equipment (Kolodziej, 1987: 275-6).

“is at once (1) an agent of the state in purchasing arms (client), (2) a manufacturer and supplier of arms to national forces and to the international market, (3) a promoter of French industrial development, (4) the overseer of French industry, including its own manufacturing plants, to enforce quality and cost control, and (5) a major exporter and export service.” (Kolodziej, 1987: 287)

However, on the whole, the institutional agreement that formed the military-industrial complex worked well but the complacency that this brought along with plentiful budgets increased the inflexibility of the system.

Nationalisation of much of the remaining private defence industrial sector, under the Mitterrand governments, institutionalised the rigidity of the industry.

“The DGA cannot pretend to be a neutral, impartial actor. The concentration of competency in the DGA, strengthened by the separate *corps d'armement*, historically allowed France to equip itself with a nuclear force, to have an autonomous industrial base at its disposal and to export its products, but it simultaneously introduced the rigidity and confusion, which hinder the evolution of the defence industrial sector.” (Gautier, 1999: 346)

Therefore, when the end of the Cold War led to political questioning of the size of the defence budget, especially given the cost of maintaining the nuclear deterrent, and the simultaneous shrinking of arms export markets⁷ the French military-industrial complex found itself over-stretched, but could not reform itself as it was too inflexible.

Reform though was badly needed, and in the defence policy sector as a whole not just in the procurement sector. By the 1990s, costs of equipment programmes were spiralling out of control, France's overall defence policy looked outdated and its army had failed in its first real test, after the Cold War, in the Gulf War. Reform though was a huge task; the reform of defence policy also meant the reform of the

⁷ This hit France particularly hard, as they had concentrated on selling arms to relatively few countries, so did not have a wide client base to cushion the effects (Hébert, 1991: 103).

concept of the state and its role because of the budgetary problems; it meant a whole political rethink (Roussely, 1996: 34). It was against this backdrop that first the *Livre Blanc* of 1994 and then the *Loi de Programmation Militaire 1997 - 2002* effectively rewrote French defence policy⁸. These two documents have both directly and indirectly had a huge effect on French armaments policy, and so need to be examined firstly in their entirety, before the specific armaments provisions are considered in more detail later in the chapter.

It is easy to dismiss the 1994 *Livre Blanc* as an ambiguous text that was simply superseded by the *Loi de Programmation Militaire 1997-2002*. Certainly, this is in part true, but the 1994 document marked a distinct reordering of French defence policy by its insistence on multilateral solutions (with European partners) rather than national independence in defence matters, and by its appreciation of NATO as a guarantee of European security. The *Livre Blanc* also pointed to an inversion of the relative priority given to nuclear and conventional weapons in favour of conventional weapons (Hébert, 1998a: 125-33). Notably as far as armaments were concerned the limits of French independence were recognised,

“It is neither possible any more nor however necessary for France to possess and maintain for itself alone the full range of competencies.”
(*Livre Blanc*, 1994:151)

Only the nuclear domain was to remain essentially French, although in the long term the *Livre Blanc* foresaw the possibility of sharing even this with other European countries. This marked an official acceptance of and encouragement for the European

⁸ The significance of these two documents should not be underestimated. White papers and defence reviews happen fairly frequently in Britain and in Germany, but prior to the 1994 *Livre Blanc* the last review of French defence policy had been in 1972.

co-operation that was already taking place. The rather ambiguous Europeanisation of French defence policy in the *Livre Blanc*, was though masked by continued use of the language of French military power and by the lack of actual substantial change. In fact, overall the document suggested very little change in doctrine. An interview with an official from the Ministry of Defence in Paris suggested though, that although ambiguous at the time, the message taken by the policy-makers was that of Europeanisation, and that therefore, the document heralded more change than it appeared to do⁹.

Substantial and detailed changes were though certainly to be found in the 1996 *Loi de Programmation Militaire 1997-2002*. As this document has had a substantial effect on French armaments policy its general provisions will be outlined. There were three main aims in the legislation; the improvement of the armed forces' efficiency through professionalisation and the modernisation of equipment, the cutting of defence costs through the reform of defence industries to increase competitiveness and the reform of procurement, and the establishment of a European agenda in all defence matters.

The first aim to improve the capabilities of France's armed services was necessary because of the relatively poor performance of both the army and its equipment in the Gulf War (McKenna, 1997). Equally, events in the early 1990s had shown that France was likely to be involved even more substantially in peace-keeping missions and other interventions than it had been during the Cold War. These new tasks would require ever more sophisticated equipment and therefore a better trained

⁹ This interview with Philippe Roudier of the *Délégation aux Affaires Stratégiques* took place in June 1999 in Paris at the Ministry of Defence.

and more flexible force. Nevertheless to end conscription was a major step, as the *levée en masse* (mass conscription) had been a powerful symbol of republican France¹⁰. It is though true that the size of an army is no longer as important as its effectiveness. Therefore, a well trained army with modern equipment would serve France better, in the type of missions in which it was likely to participate. The modernisation of equipment clearly has meant changes of priority within the procurement sector. Substantial cuts were also announced in the nuclear sector. This reduction in the French nuclear programme involved the scrapping of the *Ilades* and *Mirage IV* bombers, and the closure of the Plateau d'Albion, as well as the Polynesian sites of Mururoa and Fangataufa (le Gloannec, 1997; 85). This would free up resources to pay for the modernisation of equipment necessary for the new roles of the army.

Herein lay the problem; at the same time as announcing a major modernisation of its armed forces huge cuts in the defence budget needed to be found by the government. In part it was thought this could be done by the second aim; the partial privatisation of state-owned defence industries, but clearly huge savings in programme costs had to be made. The third aim, that of pursuing a European defence agenda had two advantages, firstly, it enabled France to maintain a non-Atlanticist position, and so avoid dependence on the Americans, after the limits to independence became clear. Secondly, the push for a European Security and Defence Identity

¹⁰ In 1793 in response to the danger of war, the Committee of Public Safety established a mass conscription (*Levée en Masse*) and succeeded in training an army of about 800,000 soldiers in less than a year. This was much larger than any army available to other European states and laid the basis for Napoleon's domination of Europe. The *Levée en Masse* represented a turning point in the history of warfare, as war thereafter became "total" involving all elements of the population and all the reserves of the state.

(ESDI) also would bring the advantage of shared costs for the research and development of new weapons systems. The challenge of all these reforms for procurement policy was huge, especially within the wider context of declining defence markets. As Carmona writes,

“In the course of the last six months it has become clear that an army model adapted to the post Cold War world crucially must also fit with a procurement policy which is adapted to an era of increasingly rare resources, market swings, the mutations of civil technologies and to an acceleration of European ambitions.” (Carmona, 1998b: 178)

In other words there was a considerable agenda for change. Although major changes were made to French defence policy in general by the two documents the extent to which the defence procurement and industrial sector has been transformed is little realised outside of those involved in the sector. The magnitude of the changes reflected the huge necessity for them. While French defence policy in general needed the reforms put into place the defence procurement sector needed them more than most. The French state though was far from unique in needing to reform its military-industrial complex after the end of the Cold War so the following questions must be asked; why has it taken so long to achieve any major reforms at all and why has it proved so difficult to do?

Lacking Political Scrutiny and a Technocratic Elite

The answer appears to lie in the way in which the military-industrial complex had been allowed to develop. There were two main factors behind this; firstly, the failure to exercise political control (*tutelle*) by the public power and secondly, the culture of the DGA itself. The reasons for the lack of effective control of the DGA by

the politicians appear to fall into two main categories. Firstly, the consensus of opinion that France should produce its own weapons, meant that there was no real questioning of the programmes that the military-industrial complex thought necessary to fulfil this aim (Serfati, 1996: 21). Moreover, the symbolic nature and cross-party popularity of the nuclear force tended to focus attention away from the production of conventional arms. Mason, for instance, refers to the “nuclear fetish of French policymakers” (Mason, 1989: 78). Secondly, the power accumulated by the DGA through its unquestionable technical expertise and the export success of the defence industry made the sector difficult to challenge. The DGA’s multiple roles gave it a powerful legislative and administrative authority when bargaining with other agencies, but it has also created much of its power. Hébert sums up the situation,

“Its [the DGA’s] high level of technical competence, its longevity, the importance of its strengths and methods have allowed it to exercise an ever closer role of surveillance of the sector, which has become, with time, a role of direction rather than a role of assignment. This pre-eminence of the DGA has been strengthened by the lack of attention, over a period of many years, paid by the political powers to the conditions of conventional arms production. Neither successive governments nor assemblies have truly exercised their role of political guardianship of the DGA. Their prerogatives as delegates are to order scrutiny and analysis and to ask, at least periodically, for accounts to show the producers that behind the DGA a political power is watching. Nothing like this has happened for a long time. The power of the DGA is for the most part because of this political deficit.” (Hébert, 1996b: 472)

In fact political scrutiny of the DGA was so rare that one commentator described French politicians efforts at it as “embarrassed silence” (Warfusel, 1994: 40). Warfusel went on to explain that, the very measured discourse in the 1994 *Livre Blanc* represented a major step forward in this scrutiny, as at least it opened up some

fields in the areas of European co-operation, opening up to competition, modernisation of the administration and a European export control policy.

However despite the lack of any public scrutiny of the DGA there was growing governmental unease at its institutional weight and relative autonomy. In 1991 the DGA tried to promote a plan which would have distinguished more clearly between its state activities and its industrial ones. It wished to become a public establishment and serve as the national armaments agency as opposed to being a ministerial delegation. This was refused because it would have increased the DGA's own institutional weight and further increased its autonomy from public scrutiny (Gautier, 1999: 356). Nevertheless this implied criticism of the DGA's practices did not translate into governmental action. Along with this lack of political scrutiny the weakness of the French peace movement and other likely critics of the arms industry have meant that, unlike in Britain or Germany, there have been very few societal protests against the affairs of the arms industry.

There has been another factor that has rendered the DGA almost impervious to criticism. As Mathieu argues,

“What cements it [the military-industrial complex], which is not to say constitutes it, for it is a part of the complex, is the community originating in the *corps [d'armement]*, whose training gives them the thoughts and interests of engineers, who occupy the directorial posts of the DGA as well as those of the main arms companies, who sometimes in the course of their careers pass from the service of the state (conception of specifications, control of the sector) to that of the production companies amongst which are the paper companies intended to carry out export¹¹ operations in a such a way that no-one can understand the conditions.” (Mathieu, 1996: 109)

¹¹ The levels of French arms exports and the conditions under which they are carried out are opaque.

This community of armaments engineers provides the homogeneity that gives the DGA its strength. They are drawn largely¹² from the graduates of the prestigious *École Polytechnique* and this common training has provided both an engineers' and a technocrats' *Weltanschauung*. Kolodziej asserts that,

“...the army engineers form a unique and cohesive corps throughout their careers that lead almost inevitably to the highest posts within the Ministry of Defence, the DGA and, increasingly, to leadership positions throughout the nationalized and private sectors of the arms industry and to important civilian posts.” (Kolodziej, 1987: 277)

He goes on to suggest that,

“Bureaucratic demarcations mean less to the corps than the discreetly shared loyalty that binds corps members to each other and to their view of how the state - and their personal interests and ambitions - should be served.” (Kolodziej, 1987: 277)

This leads to a very tight-knit community.

Certainly their technical supremacy has been one reason why the DGA was rarely challenged and the proficiency of the *ingénieurs d'armement* is a matter of pride. Indeed all of the corps members interviewed felt that this technical ability was something that must be maintained, when recruitment to the DGA was considered, as it was vital to DGA's success¹³. The technocratic culture of the DGA and its members' tendency to concentrate on technical matters, has allowed the members of the corps to regard themselves as instruments of public policy, and therefore, unconcerned with politics. This has enabled members to feel that, whether they are working in the industrial or civil service sector, they are still just carrying out the

¹² At present former *polytechniciens* constitute 80% of the *ingénieurs d'armement* and 95% have diplomas from military engineering schools like SUPAERO or ENSTA (*Confédération Amicale des Ingénieurs d'Armement*: www.caia-fr.org).

¹³ Interviews with Luc Boureau, Armaments Attaché at the French Embassy, May 1999, London and with Philippe Roudier, *Ingénieur Principal d'Armement*, head of the DGA's *Bureau des Programmes en Coopération*, June 1999, Paris.

national policy of making and marketing of arms (Kolodziej, 1987: 277-8). This has meant, in the past at least, there has been no real problem regarding the differentiation of the public and private spheres. Serfati, moreover, suggests that the ubiquity of the armaments engineers had in fact stifled any entrepreneurship in the sector (Serfati, 1996: 21). However this emphasis on technological skills and the interchange of the corps between the public and the private spheres as well as being a strength has subsequently become a weakness in times of budget cuts.

Writing in 1996, Hébert for example, was of the opinion that,

“The DGA is impregnated with a primary culture of technological performance that is too rational, too enduringly in symbiosis with the firms to make the drastic choices that only the sovereign arbitrator of politics could impose.” (Hébert, 1996b: 472)

Some commentators (Hébert, 1995) suggested that DGA’s very power would bring its downfall. It was paradoxical that what were regarded as the strengths of DGA left it vulnerable and unable, as Hébert suggested, to adapt quickly enough to the new circumstances. The insistence on technological excellence (at the expense of economies in production), loyalty to the *corps* (difficulties in favouring the massive cuts needed as it would mean job losses) and the lack of awareness of a difference between public and private sectors, (which did not sit well with planned privatisations) all suggested that a radical overhaul was needed. As Hébert argues,

“The objectives to be achieved cannot be realised simply by more efficient organisation but need a radical cultural revolution. This change in ‘*esprit*’ is no less important than concrete decisions about structures.” (Hébert, 1996a: 6)

The problem would be convincing the *corps* that it was time to change. As Cailleteau argues, there could be no reform of the DGA without the *corps*' active participation (Cailleteau, 1994: 406).

The Moves towards Reform

The 1994 *Livre Blanc*'s insistence that the state's role in the defence industry must be wound down (*Livre Blanc*, 1994: 168), due to the new budgetary constraints and international changes, obviously implied that change must come to the DGA. France was, in many ways, more seriously affected by the need to cut defence budgets than its European neighbours, as it had more ongoing, now inappropriate, projects because the French government had decided to replace all major weapons systems in the late 1980s (Helmer, 1996b: 111). This budgetary crisis meant that the Utopian era of French arms production had to come to an end, as the financial deficit had to be bridged. Reforming the DGA was clearly one way of achieving this. There was however obvious ambivalence in government circles as to what the DGA's role should be in the future. In the chapter on armaments policy the 1994 *Livre Blanc* only mentioned the DGA three times and then only in passing; this marks a radical change in government opinion since 1972 when the DGA was described as the heart of armaments policy (Hébert, 1998a: 134).

Writing in 1994, after the publication of the *Livre Blanc*, Cailleteau described the DGA as "an institution in crisis" but one where there was the potential to surmount the difficulties if "they can admit to the necessity of real change" (Cailleteau, 1994: 404). This change was more than an adaptation to smaller budgets

for the DGA had also been made the victim of the conjunction of three forces, the vigour of neo-liberal thinking, the European construction and the growing independence of the defence companies. Their national role was thus out of line with current economic thinking, weakened by the move towards greater European co-operation and sometimes seen as restrictive by the firms. These consequences according to Cailleteau were more far-reaching for the DGA than for procurement agencies in Britain or Germany, because other countries had already rejected the idea of the guardianship of defence industry (Cailleteau, 1994: 405).

It is important to remember that the DGA had been reformed previously, notably in 1984, and had to redefine its industrial activities following the creation in 1990 of GIAT-Industries (land based defence industry), in 1991 of DCN-International (ship-building) and the July 1992 separation of the state and the industrial part of DCN. These modifications though did not really change the service. The main thrust of the 1995 reforms, which came in response to the 1994 *Livre Blanc*, was to overcome the division of DGA into technical groups based on service lines (army, navy, air force). This division clearly did not fit well with modern technologies and also had led to inter-service budget rivalry (Warfusel, 1997: 49-50). These reforms were subsequently reversed.

By 1996 as Chirac's reforms to the armed services were announced parliamentary criticism of the DGA was candid. Boyon's report on the *Loi de Programmation Militaire 1997-2002* criticised the DGA for not having cut costs sooner, and insisted that the DGA at least partially abandoned certain industrial tasks

and testing capacities (Boyon, 1996: 132-6). Paecht in a similar report went still further, writing,

“The role, the dimension, the functions, and even the existence of the *Délégation Générale pour l’Armement* (DGA) in its statist role are brought into question today. The DGA must no longer serve as a screen between the armed forces - who express the operational need in technical terms - and industry - which conceives and produces it according to the technical specifications and then invoices it according to their costs. On the contrary the chiefs of staff in future should be in direct contact with industry to assess their real needs in terms of costs and advantages. The intervention of the DGA should be considerably reduced...” (Paecht, 1996: 22)

It was therefore clear that if the DGA was to survive in the new climate more than mere cosmetic reforms were required. The key concepts in the renovation of French defence policy as a whole were modernisation and Europeanisation. The DGA, in 1996, was still firmly rooted in the traditions of French defence and industrial policies, as well as enmeshed in its own administrative traditions. The question would be, could the DGA adapt to the new watchwords, and then help to redesign French procurement policy.

The Helmer Reforms: Rationalisation and Efficiency Meet Technocracy

Jean-Yves Helmer was the man appointed by the President to oversee the reform of the DGA as the National Armament Director on 27th March 1996. Rather than having the usual DGA background he was the former second-in-charge at Peugeot-Citroën, and it was thought that this industrial and commercial experience would be what the DGA needed (Aubert, 1996). The government set Helmer major targets; a 30% cut in costs and delays to programmes and a 30% cut in the costs of DGA intervention, both to be achieved within six years (Quenzer, 1998: 35). This was

to be pursued alongside a reorientation of DGA towards the new government policy on the armed forces and European co-operation. By September 1996 Helmer had formulated his solution to the demands of the government. He summed up his task thus,

“The renovation of the procurement process and the new organisation of the DGA can only be defined by reference to the armaments policy in whose service it operates. This policy, even if it shows a certain continuity, integrates with that the strong direction of the President of the Republic, and adapts itself to new imperatives and objectives. It puts the accent on a greater selectivity in the choice of programmes permitted, through a reinforcement of the prospective goals. It shows a resolutely European perspective towards co-operation and industrial restructuring. It wants to give a new *élan* to our arms export policy. Reduction of costs and delays are the key words.” (Helmer, 1996a: 9)

His proposals for achieving this can be divided into two categories; firstly, the reforms to the procurement process and internal structure of the DGA and secondly, a redefinition of the DGA’s role.

Reforms to the Procurement Process and Internal Structure

The reforms to the procurement process and internal structure can again be divided into two parts; the measures that break with the tradition of vertical management and those that aim to ensure a higher degree of performance in the programmes (Warfusel, 1997: 49). Sandeau perhaps best explains the first,

“The previous organisation based on operational environments (land, air, sea and space) has been replaced by a structure which reflects areas of activities (programme management, industrial activities, tests and evaluations, and so on) as well as specific skills (technical know-how, purchase, quality control, management control and so on). The idea behind this new organisation is to facilitate the introduction of new methods and policies, all of these being oriented towards the development of high-performance equipment at the lowest possible cost.” (Sandeau, 1998: 10)

The new structure also clearly eradicates any inter-service rivalry and suits modern advances in technology better. There are now three directorates charged with preparing and managing armament programmes:

- Directorate of Force Systems and Prospective Studies: research and preparation and manages programmes for strategic missiles, observation, telecommunications and information all of which have programme services
- Weapons Systems Directorate: air, naval, land armament and tactical missile programmes all of which have individual programme services
- Directorate of Programmes, Procurement Methods and Quality: finalises equipment credits and gathers the business skills of DGA

Industrial policy, international co-operation and the control and promotion of arms exports are handled by a further two directorates;

- Directorate of Co-operation and Industrial Affairs: responsible for rationalising European co-operation programmes and for encouraging trans-European industrial mergers
- International Relations Directorate: controls all export matters

Two further directorates and one department conduct industrial and testing and evaluation activities:

- Expertise and Test Centres Directorate: groups DGA evaluation and testing resources such as simulations and test programmes

- Naval Shipbuilding Directorate (DCN)¹⁴: designs, builds and maintains naval systems
- Aeronautical Maintenance Department: industrial maintenance of military aircraft

Finally there are two management directorates:

- Management and Organisation Directorate
- Human Resources Directorate

and the Centre for Higher Armament Studies (CHEAr) which focuses on dissemination of information and training, research and reflection on armaments matters (Sandeau, 1998: 11)¹⁵. This structure clearly offers operating advantages over an organisation based on operational environments as advances in technology have meant that these divisions are no longer so valid. The complete break with the past is clear when it is noted that in a survey carried out by the *Confédération Amicale des Ingénieurs d'Armement* (CAIA) about the reforms, 30% of those surveyed were in newly created jobs while 55% had had a change of leadership (*CAIA Enquête*, 1999).

Alongside this organisational restructuring there have also been changes in working methods. One of the key elements in the reforms was the introduction of integrated programme teams (EDPI). These teams consist of a Programme Director appointed by the National Armament Director and a Programme Officer appointed by the relevant general staff. There may also depending on the issue be a representative from industry. The main actors can then be assisted by specialists in management or technical issues depending on what is needed. The approach is dedicated to removing

¹⁴ In May 1999 Alain Richard, the then French Minister of Defence approved a reorganisation plan for DCN. This plan gave DCN new management rules and more flexibility to make alliances with other industrial partners. DCN will now report directly to the Ministry of Defence rather than to DGA.

¹⁵ See Appendix 2 Figure 3.

the time and cost overruns that used to be the result of misunderstandings on both sides about specifications and financial constraints.

“The EDPI approach is rooted in the collaboration of the two main actors, who keep their own roles inside their respective organisations while sharing common objectives. The key point is that the Programme Director and the Programme Officer are jointly responsible for the objectives (including most particularly cost objectives) that have been assigned to their team by the Steering Committee. In this framework, they are both empowered to decide preliminary arbitration.” (Military Technology Special Edition, 1998: 14)

This should help each actor understand the other’s constraints better. Previously one actor tried to present his specific need to another who tried to solve it, which frequently led to problems of understanding. This new method should improve the situation and does appear to be improving the situation (Giroux, 1998:42). The integrated programme teams must also follow the general aims of the reforms that is improving efficiency and cutting costs without endangering the final product. It should be noted that, as in Germany, actual procurement is and has always been, regulated by law, the *Code des Marchés Publiques* (CMP), so it was processes and attitudes rather than actual rules, which were reformed. This marked a change in the culture of DGA. Commentators wrote,

“Previously the DGA had to guarantee the technical performance of armaments systems now it must also guarantee that they are cost-effective.” (Bensusson and Guillou, 1996: 27)

In order to achieve these aims there have also been moves to improve the coherence of programmes. Force system architects have been appointed to oversee the systems of surveillance, information and communication (that allow the weapon systems to function), so that their specifications are compatible with those of the weapons systems themselves. There have also been moves to develop forward

planning so that there is less uncertainty about future programmes. Meetings between the armed forces, the DGA and politicians to define what force systems will be needed to meet French defence needs in the future, have been followed up by the establishment of a thirty year plan. The DGA plans to publish this each year, so that it can serve as a reference document to be used by those planning research or the development of programmes, so that there are coherent objectives. For example, the plan provides a general overview of future French technical and operational needs, and examines the evolutions that are likely to require significant changes in technology. Upstream research projects, whether national or collaborative, are then oriented towards these long-term requirements (Military Technology, 1998: 16-8). In the age of the revolution in military affairs this seems likely to be a useful tool. The politicians too will be more aware of the programmes they fund, which, as in 1998 it was decided to allow the *Assemblée Nationale* to vote on each major programme rather than on the budget for the services as a total, became important.

Have these reforms worked? There is now very little difference between French procurement practices and those of Britain and Germany: free market economic practices dominate although the French tendering procedure seems much less open (as the MRV example described later in the chapter shows) than that of either Britain or Germany. However even there, although Helmer admits that there are times where only one prime contractor is even a possibility, competition must take place at the sub-contractor level (Helmer, 1997: 34). The *CAIA-Enquête* suggests general agreement that the new organisation is an improvement although there are teething problems (*CAIA-Enquête*, 1999). There is also some suggestion that either by

widening recruitment or by improving internal training, more management and economics skills are needed to implement the free market measures more successfully (Bensusson and Guillou, 1996: 37). The DGA has made considerable savings, some 36 billion francs by March 1998, before most of the changes had really started and claim to be on course to fulfil the targets (Sadlowski, 1998: 4). There have been though further government cuts to what was forecast in the *Loi de Programmation Militaire 1997-2002*. Moreover, Hébert queries the validity of the savings pointing out that the original estimates for the FASF (family of future ground-air systems), for example, put prices artificially high for today's market, and that DGA are using this to claim savings. He also sees it as worrying that the DGA will be judged by their results rather than the effort put in (Hébert, 1998b: 7). He also pointed out at the time of the reforms that it is useless to reform the DGA, unless the government too realises the economic realities of the situation. A policy of independence cannot be reconciled with a European market for arms run on a free-market basis (Hébert, 1996a: 6). This is something that Premier Jospin's government sometimes tends not to recognise. Nevertheless, there has been a sea change at DGA since 1996, and the change is broadly accepted.¹⁶

¹⁶ The *CAIA-Enquête* found that the majority of the *ingénieurs d'armement* were contented with the changes although it was felt that chains of responsibility were not clear enough (CAIA-Enquête, 1999). Equally, Philippe Roudier (*Ingénieur Principal d'Armement* and Head of the DGA's *Bureau des Programmes en Co-opération*) and Olivier Prats (Ministry of Defence *Délégation aux Affaires Stratégiques*) agreed when interviewed in June 1999 in Paris, that there was a broad acceptance that the changes were necessary, though hard for some to adapt to.

Redefining the Role of DGA

The second part of Helmer's mission was the redefinition of the DGA's role. Helmer made his views clear saying that the DGA must return to its primary role of supplying the required arms as cheaply as possible, and that all else must be a thing of the past (Helmer, 1996b: 122). Previously the DGA had carried out a balancing act,

“DGA officials seek to balance a variety of objectives, including force requirements, the health of both the defence base and the larger civilian industrial base, and political goals such as Franco-German co-operation. Because of the need for tradeoffs among these objectives, the French procurement system is not designed to optimize individual weapons systems but rather to further the nation's military, industrial and political interests.” (US Congress, 1992: 16)

This balancing act could no longer be carried out. This rejection of the industrial role is perhaps the most significant reform to DGA thinking. Helmer though takes care not to portray this negatively to industry, but to describe it as empowerment and giving responsibility to industry (Guillemin and Levet, 1996: 12-3). In many ways, this change in policy is merely a logical response to the government policy that created DCN-International and GIAT¹⁷ in the early 1990s, and so reduced the DGA's industrial role. Nevertheless, it is important to remember that in 1998 approximately half of DGA's personnel were still employed in either DCN (Naval Shipbuilding Directorate) or the SMA (Aeronautical Maintenance Department). Clearly with the 1999 restructuring of DCN, this industrial role has been reduced once again officially, but it is hard to believe that there has been an instant change in the DGA/DCN

¹⁷ There was a difference between DCN and GIAT-Industries. GIAT-Industries is an amalgamation of various state-owned land defence entities, and is officially an independent though state-owned company (state-owned but not state-operated). DCN on the other hand, although in its search for export opportunities it behaves like a normal firm, was then still attached to DGA (state-owned and state-operated). It was though suggested in one interview that DCN was likely to be privatised, as would GIAT, if anyone would buy the loss-making firm. The May 1999 moves at DCN appear to be the first steps in this direction. This opinion was repeated in the report given by Committee 7 of the CHEAr 1998 reflection session (CHEAr, 1998:25-6).

relationship. In the late 1990s GIAT-Industries still showed much more of a DGA presence than Aérospatiale; despite approaching a decade of independence from the DGA, the DGA has been unwilling to leave the ailing GIAT to its fate. It is perhaps because of this seeming inability to cut ties completely that no real industrial agenda (with the partial exception of the aerospace industry), other than a plea for more contracts, is emerging in France. The industrial contacts interviewed seemed to find it difficult to separate their policy from that of the government except where more funding was involved. This is also symbolic of the lack of entrepreneurship in the state-owned defence industry.

It is also important to separate the policy that the DGA might want to carry out *vis-à-vis* their industrial links from that of the government as a whole. From the documentary evidence contained in Helmer's proposals (Helmer, 1996a: Helmer 1996b) and the responses to the reforms contained in the DGA's in house magazine, *L'Armement*, special edition in December 1996 (*L'Armement*, 1996) there is an acceptance, if maybe not total approval, in the DGA of a new industrial policy. That is that competition and efficiency should be the rule in all contractual negotiations of whatever nature, including with the industrial enterprises still under the DGA's wing. Moreover, interviewees suggested that industry has also accepted this change although it is difficult for them to do so¹⁸. According to the *CAIA-Enquête*, 85% of those interviewed believed the time for *tutelle* of industries was over, although significant numbers thought that the dialogue between them and industry needed improving, as 29% considered it then to be non-existent, while 23% thought it was

¹⁸ Interviews carried out in June 1999 in Paris with Jacques Favin Leveque General Director of GICAT and Xavier Guetin Head of the European Affairs Division of GIFAS.

conflictual (*CAIA-Enquête*, 1999). For an outsider though, it still is difficult to separate industrial views from state views, particularly while the major firms remain to some extent at least state-owned. However, Lionel Jospin's Socialist government, elected in 1997, has a programme that rather runs against what the DGA claims it would like to see happening with the defence industrial sector. The *Groupement des Industries Françaises Aéronautique et Spatiales* (GIFAS), the aerospace industry's lobby group, in its annual report mentioned the following aspects of government policy that caused them problems in their efforts to restructure;

- inconsistencies in the implementation of France's defence spending plans (notably the cuts announced to the *Loi de Programmation Militaire 1997-2002* less than a year after it started)
- continuing large cuts in defence research and development
- the steady rise in non-wage costs associated with the employment of skilled labour
- uncertainties regarding the application of the new 35 hour working week
- delays in restructuring the country's industrial fabric (such as delays to privatisations) (GIFAS, 1998: 9).

Moreover as the Ministry of Defence writes in its 1999 budget plans they are,

“guided by the major governmental orientations as defined by the Prime Minister: priority to the struggle for jobs, reinforcement of the industrial apparatus, development of the European construction and improvement of internal security.” (*Ministère de la Défense*, September 1998: 1)

Although it can be argued that this is the policy of all French governments, the ranking of these priorities is seen as significant by industrial lobby groups such as GIFAS (1998). These factors do make a fair assessment of the DGA's moves towards

change in their relationship to industry, hard to judge, as they get caught up with the French government's vacillations over defence industrial restructuring. The will seems to be there, and there appears to be an acceptance of the change on both sides (DGA and industry), but government policy seems not to have accepted the industrial economic logic behind Helmer's reforms yet. Equally, the DGA has not moved entirely away from its industrial leaning; their 1998 report of activities included a mere six lines on diversification (Hébert, 1998b: 7).

The influence of the *corps d'armement*, whose members are spread over both state and industrial parts of the French military-industrial complex, also needs to be taken into account.

“The relations between managers of the arms industry, DGA personnel and military staff are very close because they are largely composed of military engineers, with the same training and education.” (Fontanel and Hébert, 1997: 45-6)

While the easy transfers between state and industry persist it is hard to believe that the DGA will not continue through its staff to influence industry. The contacts between members of the *corps* will not break that easily. The biggest change for the DGA is the acceptance of free market economics, especially as far as its relations with industry are concerned, however, this does not mean that the DGA is now the same as the German BWB or the British Procurement Executive.

“Those who only judge by the liberal market applaud this transformation, foremost among them are those who see it as a move towards the disappearance or marginalisation of the DGA; their analysis is that the statist nature of the system in the past has led to today's obstacles. This analysis though, is flawed as it does not sufficiently take into account the statist reality, which is the condition under which the French system of armaments production works.”(Hébert, 1996a: 6)

It is still too premature to say that the late 1990s marked the ending of statist policy in the defence industrial sector, given government unwillingness to formally privatise state-owned defence industries (as was the situation with Aérospatiale), and the tendency to find '*franco-française*' answers to the restructuring question. A CIEAR reflection committee, reporting in 1997 on the restructuring of French defence industry, argued that France was behind in rationalising the arms industry, and that the industry which remained was only quasi-autonomous, and still seemed to be under the guardianship of an omnipresent state. A state which, in recent years, has given priority to social peace rather than the economic performance of the sector because of government policies (CHEAR, 1997: 10). Little seems to have changed. The DGA is unlikely to disappear entirely from an industrial role while the French government still retains its golden shares. Moreover it still plays a major role in promoting arms exports.

French Arms Exports

French arms exports have been very influential in formulating French procurement policy as has already been briefly discussed¹⁹. Since its formation the French military-industrial complex has justified the necessity of arms sales. Firstly, it would have been impossible to finance the nuclear forces, had it not been for the savings that had been made in production costs through the export of conventional weapons. They allowed independent production of weapons systems; French imports

¹⁹ The topic of French arms exports is a huge one and as it is not entirely germane to the thesis cannot be fully discussed. The standard text on the historical development of French arms exports in English is (Kolodziej, 1987). Useful accounts of more recent events can be found in (Carmona, 1998a and Hébert, 1998c).

of military goods rarely exceed a quarter of the sum it exports (Serfati, 1996: 26). Exports brought the defence firms out of deficit and brought jobs. Alongside these economic arguments, France also used arms exports as a tool of foreign policy; by supplying nations who did not want to be beholden to either superpower they were reasserting their policy that the division of the world into blocs was a bad thing. French arms exports were on such a scale that it became the world's third largest exporter.

Since the mid 1980s, though, French arms exports have been declining, and following the end of the Cold War this relative decline has continued and steepened²⁰. This is in part due to the pattern of French exports, whose concentration on certain countries has proved problematic at times of falling defence budgets, but is also due to the extremely aggressive marketing of arms by the United States in the post Cold War era. France too has stepped up its efforts, especially in the Middle East; a new aggression could be seen, for instance, in the 1996 Kuwaiti purchase of sea-sea missiles (Arabies, 1996: 30-1). One of Helmer's challenges was to give a new *élan* to arms exports. This has involved a policy of using the French armed forces as an advert for French weapons, and through them to offer weapons training to purchasers (Carmona, 1998a: 105-13). Within the circles of those involved in arms production, there appears to be little questioning of the moral justification for arms exports²¹. Two arguments are made in favour of exports; firstly, that it is the only way to afford the best equipment for the armed forces and secondly, that if France did not export, then

²⁰ The actual figures for French arms exports are hard to come by there are discrepancies between French official figures and those given by independent agencies and between those agencies. See (Kolodziej, 1987:411-5) for a full discussion of the problems.

²¹ This view was unanimous in interviews carried out in May 1999 in London and June 1999 in Paris.

America would take over those markets, something that is seen by the French as very unhealthy for the state of the world. Despite the level of French arms exports, there is however a clear wish on the part of government to present France as being at the forefront of moves to curb arms exports, and a view that the French record is much more defensible than that of Britain for example²². Given the French and British co-operation over the European Union code of conduct on arms sales (which led to the dilution of the code) this seems somewhat hypocritical. Nevertheless, it could be argued that the very existence of such a code is a sign of the Europeanisation of French defence procurement and industrial policy.

Has French Defence Procurement and Industrial Policy been Modernised?

The above overview of the reforms carried out within the DGA, as well as the changes to its role and procedures, certainly reveal an understanding of the need for modernisation. The DGA itself seems to have progressed in its own understanding of the issues and has carried out some reforms. It would seem that there has been a change of culture in the DGA. However, to say that France now possesses a defence procurement and industrial policy, which will enable the supply of its armed forces and the prosperity of its defence industries into the next millennium, is somewhat misleading. As was briefly discussed earlier, reform of the defence industrial and procurement policy cannot be separated from the wider issue of the reform of the French concept of the state (Roussely, 1996). The policy sector impacts on too many other areas, such as industrial, technological and defence policies, to be reformed

²² All of those interviewed in June 1999 in Paris were of the opinion that France was responsible for the strictness of the European Union code of conduct on arms sales.

successfully alone. Until the views that led to the reform of DGA are applied to the wider question of the appropriate role of the French state, and the way in which it is administrated, there will be limits to what Helmer's market reforms can achieve and to the international competitiveness of French defence industry. *Dirigisme* may have been curbed in other areas of the French economy by European Union regulations, but it is important to remember that the defence industrial sector is exempted from all competition and other Single Market legislation, by Article 233 of the Treaty of Rome (now Article 296 of the Treaty of Amsterdam). For example, while a company must wait for government approval to complete a merger (such as that projected in summer 1999 between Aérospatiale and DASA), or to participate in an international consortium (such as those bidding for the MRV battle taxi contract), or even to rationalise its workforce, its international competitiveness will be damaged. This means higher prices for domestic procurement. Jospin's government looks unlikely to address these issues. Therefore, it could be argued that for the moment French state traditions appear to be holding their ground against the forces of modernisation. Again perhaps the results of years of consensus have made change difficult to contemplate, as a renegotiation of the terms on which the military-industrial complex operates would be required. In itself this could be achieved but the results of such a step, such as unemployment and potential social unrest, would not be confined to that policy sector. Such far-reaching consequences for the state are unlikely to be considered in the late 1990s when France has so many economic problems. Nevertheless, for these traditions there is a Trojan horse waiting to attack; Europeanisation.

The Europeanisation of French Defence Industrial and Procurement Policy

The question of whether Europeanisation of French industrial and procurement policy has occurred, is a question with many parts. French attitudes to co-operation in defence procurement, both in collaborative projects and research, must be examined as must attitudes to wider defence co-operation. The question of industrial mergers in the climate of a European restructuring of defence industry must also be discussed. Above all if evidence, rather than just rhetoric, of Europeanisation is found, the question of the motives behind this change must be addressed.

The Europeanisation of French Defence Policy

There has been a clear move towards a Europeanisation of French defence policy in the second half of the 1990s. Both the 1994 *Livre Blanc* and the 1996 *Loi de Programmation Militaire* placed an emphasis not only on the desirability of a European security and defence identity but on the necessity and inevitability of such a step. During an interview Olivier Prats of the Ministry of Defence's Delegation for Strategic Affairs suggested, moreover, that actual Europeanisation of defence policy was even more advanced than was suggested in the two documents²³. It should be noted that the reforms of France's armed forces marked a clear move away from national independence towards greater participation in alliances and multinational forces, as the new structure has made it easier to do so (Hébert, 1998a: le Gloannec, 1997). It can be argued that such practical changes show the change from a rhetorical

²³ This interview took place in Paris in June 1999.

support of a European Security and Defence Identity (primarily as an alternative to NATO and to challenge American supremacy) to a deeper belief in the concept in France. However, there have been many examples of pro-European integration rhetoric that have led to very little action because there has been little substance to it²⁴.

As far as defence procurement is concerned the message is the same. All projects that can be produced in co-operation with other states should be, increased institutional co-operation through OCCAR is strongly supported, as is the restructuring of defence industry across Europe (Helmer, 1997). As Ezraty writes,

“France has clearly made the choice for a Europe of defence and armaments. The consolidation of the European pillar is certainly an expression of political will but it is equally a military necessity because of interoperability, an economic necessity because of the cost that is involved in the development of a programme and an industrial necessity to secure larger markets.” (Ezraty, 1997: 2)

Certainly there is an acceptance of necessity alongside the political posturing that is new to the French debate on the subject. Not so new are the continuing misgivings of any transatlantic involvement. Helmer, writing in 1996, made it clear that he did not see US participation in French industrial restructuring plans,

“Europe will be the framework of this evolution, not only because it forms an indispensable response to the powerful American industrial structures, and brings economies of scale, but also because it is the logical translation of the alliances, co-operation and interests which articulate our defence policy.” (Helmer, 1996b: 110)

Pacault is even more positive on the undesirability of NATO involvement in defence industrial restructuring,

²⁴ The 1997 Franco-German Joint Defence and Security Concept is a prime example of well-meaning pro-European integration rhetoric that translates into nothing. For an analysis of this see (Schild, 1997)

“Although NATO offers a flexible framework for certain types of co-operation one notes the numerous attempts at transatlantic co-operation which have met with little success: the development of a ‘Europe of armaments’ must take place outside NATO.” (Pacault, 1998: 51)

In this respect little has changed in the French insistence on purely European bodies and co-operation on defence matters. Indeed, their insistence on ‘European preference’ has brought the French strategy into conflict with the British insistence on competition. However, this is no longer so problematic as economic considerations seem to be bringing the British closer to the French position (De Defensa, 1998: 4).

What needs to be asked is whether this new recognition has led to actual changes in French actions, where these principles could be put into place. The next section will examine two recent examples of French decisions on problematic joint projects; the Horizon frigate and MRAC vehicle. The choice of these projects is made because the results of the decisions taken are now clear; more recent projects such as the A400M aircraft have more uncertain outcomes. Then the chapter will look at the pattern of mergers within the French defence industry.

Collaborative Weapons Projects

There has been a long established record of French co-operation on defence projects as well as their better known tradition of independent action. Franco-German co-operation in particular has been in existence since the 1960s and has had some notable successes although there have been problems²⁵. France though has despite this been very protective about maintaining its defence industrial capacities when they

²⁵ The Franco-German armaments co-operation record was discussed fully in Chapter 2.

seemed under threat. One commentator feels that the very length of time that this has been going on has brought problems,

“Our experience of co-operation, above all that of a bilateral nature, has meant that co-operation is now fixed in an established format. It is also this established format that causes the difficulties, the top-heaviness and the relative inefficiency. It is imperative to reform our practices of co-operation, official as well as industrial, in a way that will give us all the advantages of efficiency it can bring.” (Berthault, 1995: 27)

It is this feeling that led the French to be so enthusiastic about OCCAR, the embryonic arms agency that was meant to be a panacea to the problems of co-operation. However, as OCCAR is not really working yet, we cannot examine the new French attitudes there, so we must look at recent major projects that have either moved to, or failed to move to, production.

The Horizon naval frigate project dates from 1989, when France, Italy and the UK all withdrew from a larger NATO project, as all three wanted a frigate that could be a platform for the Franco-Italian PAAMS air defence missiles. The first problem to hit the project was that Britain, operating in the heavy seas of the Atlantic, wanted a vessel of 6000 tons rather than the 3000 tons that the other countries envisaged. The second problem was Britain's demands for better capabilities for the missiles, so that they could hit any enemy missile rather than just those heading straight for the ship. Both these problems though were resolved to some degree. What sunk the project in 1999 was the industrial structure. The frigate was to be built by an international consortium comprising of GEC, DCN and Orrizonte. As the delivery date slipped further out of reach by 1999 the UK was convinced that such a loose set-up was never going to deliver and wanted to give GEC a clear prime contractor role so that it could take responsibility for delivering on time and to budget. The French agreed but only if

DCN was made prime sub-contractor for the technically very important “brains of the ship”. This was unacceptable to the British who withdrew from the project although France and Italy hope to continue alone (Nicoll, 1999: 2).

The MRAV armoured vehicle also proved problematic as far as common specifications were concerned. The Germans wanted an armoured personnel carrier with a tracked version included, the British a basis for a family of vehicles and the French a heavier vehicle with only wheels. These differences were overcome by agreeing the development of a basic platform that could then be adapted. The project is politically important to all three countries. The new project was supposed to mark Britain’s entry into OCCAR, and was to be administered by OCCAR. The British government wanted open competition; the French did not, while the Germans suggested a middle way of a design competition between two international consortiums with guaranteed industrial participation at the production stage. This also proved difficult as the French refused to allow any competition to decide national workshare and so eventually the “competition” was administered by the German BWB because it contravened the principles of OCCAR. Why did France behave like this? GIAT-Industries was technically bankrupt and had to be given, in French government eyes, work from this project. They could not risk allowing GIAT to join the losing consortium so forced an agreement that GIAT would join whichever consortium won (Hayward, 1997:36-7). Even when the result was announced, the French government threatened to withdraw unless the winning consortium gave GIAT more work than had originally been agreed, and subsequently left the project on those

grounds. GIAT jobs and the future status of the firm remained more important than collaboration.

What can we learn from the French policy in these projects? Firstly, that the French are committed to European collaboration and are willing to compromise on politically significant projects, especially as far as specifications are concerned. Secondly though, that there are limits beyond which French negotiators will not go and that is where the end result will mean that there are no real benefits for their companies. Firstly, there seems to be a reluctance to abandon the idea of a national workshare in return for investment in each collaborative project rather than across a series of projects as OCCAR's rules intend. Secondly and more importantly, there is a resolution not to allow their firms to be reduced to sub-contractors. The French government clearly wishes to maintain its technological base, which means that its firms must continue to be involved in the ground-breaking work on new weapons systems. This is far from being a unique attitude though; Germany and Britain both share this intention. Thus, from the angle of defence procurement collaboration the French seem to be committed to Europeanisation. Perhaps the costs of Rafale and the general acceptance that it was a mistake, have helped strengthen the realisation, that national armaments independence is no longer worth the price.

Industrial Restructuring

French government attitudes to defence industrial restructuring can probably best be summed up thus,

“Interdependence must now be constructed in a fashion where each [country] preserves the guarantees of their security and no country feels wronged by industrial restructuring.” (Pacault, 1998: 51)

France has felt wronged by European restructuring, and its actions have led other countries, particularly Britain and Germany whose companies' merger efforts were refused, to feel aggrieved too. French restructuring was initially very much state-led and, first and foremost, involved a restructuring of French industry. This was much maligned by outside commentators, who saw it as finding *franco-française* solutions to European problems, forgetting that much of what the French government did was only what the British and German governments did in the 1980s. Confusion though is the best description of what ensued. Restructuring began with a horizontal reorganisation of the defence electronics industry creating a pole around Thomson-CSF. In 1993 Aérospatiale, SMECMA and Thomson were put on the list for privatisation. The major bidders for Thomson were Alcatel and Matra. Plans were made for Matra to take over a privatised Thomson but these were rejected by the government's own privatisation panel in December 1996. The bids were altered and produced a Matra bid (supported by an agreement with DASA on the foundations of a European missiles, satellite and electronics group) and an Alcatel-Dassault (later with the additional association of Aérospatiale) bid (Howorth, 1999). The intervening legislative elections brought this to a halt. The then opposition, *Parti Socialiste* vigorously opposed the proposed privatisations in the mid 1990s claiming that the activities that were involved were best in state control (Bertolus and Provost, 1996).

Their rhetoric in opposition meant that when the Socialists came to power moves towards privatisation had to be carried out very cautiously indeed²⁶.

The slowing down of the privatisations though sent the wrong signals to potential European partners as did the French government's fending off of foreign interest in any of the firms such as GEC's bids for Thomson in 1995 and 1998 (Lamm, 1999). Despite the European leaders' call for the creation of a European Aerospace and Defence Company the private shareholders in British Aerospace and DASA were unimpressed by state involvement in the French firms. They did not feel that commercial viability would be allowed to take priority over the French government's industrial policy. Worried by BAe and DASA's 1998 merger discussions²⁷, the French government launched a three-pronged response, they announced that they would reduce their stake in Aérospatiale to a minority holding, attempted to bargain by holding up the conversion of Airbus into a company and got Matra to merge with Aérospatiale (rather more comprehensively than the original planned missile business merger had intended). Thomson-CSF was also finally privatised in June 1998 with Dassault and Alcatel becoming shareholders and CSF acquiring Aérospatiale's satellite business. GEC-Marconi's surprise merger with BAe in 1999 meant though that the French firm's concentration on achieving national sectoral advantage had left them behind the British in creating a single merged company and that Thomson in particular was left rather isolated in the new European

²⁶ I owe this point to an interview with Luc Boureau, the Armaments Attaché at the French Embassy in London in May 1999.

²⁷ Given the surprise 1998 Anglo-German announcement about Stock Market co-operation and joint ventures it is understandable that the French were worried that something similar would happen in the defence industrial sector.

scene (Howorth, 1999). The eventual 1999 merger, which took place between Aérospatiale and Germany's DASA, required Prime Minister Jospin's consent which was given only after some delay. This perhaps reflected the fact that the two companies were not ideally suited to merge which the subsequent confusions over direction proved. In particular, the precise future role of the French state in the company remains unclear.

From this we can see that the state tried to be the prime mover in defence industrial restructuring rather than allowing the companies to decide their fates but failed. The government's reluctance to change the terms under which the French arms industry operates, to allow pan-European mergers, or at least to do it quickly enough to suit Britain and Germany in the end disadvantaged the French firms. However, it would be a mistake to think that the French are the only country trying to maintain their influence over defence industry. Their control has always been stronger and more overt than that of other European countries and this continues but others also try to operate similar controls.

"The movements in recent years towards privatisation in Europe and the increasing dependence of those firms on exports might make one believe that the EU countries have abandoned their proximity to their defence industry, and are letting the firms develop purely by economic logic. This disengagement is not obvious. To convince yourself of this, you only need to look at the public authorities' jealous control over procurement and arms export procedures, and to consider the recalcitrance of the big European countries where the European Community's efforts at intervention, to put a unified armaments market into place, are concerned." (Mérindol, 1998: 50)

Perhaps the difference lies in the French beliefs about the legitimate role of the state in macro-economic affairs. The French use of *dirigisme* has been weakened by European integration, but the basic concept can be seen clearly in Jospin's

government's economic plans. Moreover, even those involved in industry have great difficulty understanding British and German shareholders' reluctance to get involved with state-owned firms. There is a widespread acceptance of some state involvement²⁸. Nevertheless, the boundaries of the French arms industry have become more flexible, whether it be in their own company structures and links which have been considerably modified in the late 1990s, or in their openness to foreign connections (Hébert, 1999: 27).

How Far has French Defence Industrial and Procurement Policy been Europeanised?

This is a question that remains hard to answer. There has been a clear move from a belief in national independence towards an acceptance of the necessity of Europeanisation through increased co-operation in the sector. However, there does not seem to have been a real acceptance of allowing the competition this will bring to affect French defence industry. There seems to be a residual belief both within industry and within government that in this sector state control should be present and exercised. The way in which the French state has dealt with restructuring and rationalisation of the defence industry (particularly their continuing antipathy towards future transatlantic mergers) suggests that the French state has not really given up on its role, but wishes to play a similar one on a European rather than a national stage. This, it could be argued, is paralleled by French intentions for the embryonic CESDP.

There was a clear commitment by the French government in the late 1990s to the development of a European defence procurement policy although some of those

²⁸ This point was made in an interview with General Jacques Favon-Leveque Director of GICAT in Paris in June 1999.

interviewed in 1999 queried their commitment to a wider common defence policy. A question that has been posed by various commentators is whether Europeanisation of defence policy simply means transferring the same French aims and objectives to the European level so that costs can be shared. As Hébert and Fontanel suggest, the end of a purely French grandeur policy may just mark the beginning of a European policy of grandeur (Hébert and Fontanel, 1997). As opposed to having a purely French defence industry to lend weight to an independent national defence policy do the French wish to see the same but at a European level? There are certainly few signs of France accepting a lower rank in the world.

Conclusion

What then can be concluded about the state of French defence industrial and procurement policy at the end of the 1990s? The decade has seen great changes to the policy sector and certain themes or arguments can be identified. The first contention is that there are clearly forces for modernisation and Europeanisation acting on the sector. The changing macro-economic role of the French state in other industrial areas, affected sooner by European integration, has since the end of the Cold War increasingly affected the defence industrial sector. The widespread belief in free market economics has now infiltrated that most protected of markets, the defence industry. European integration has only been one force for change; the ending of the Cold War brought dramatic changes to France's world vision and led to a changing roles for the armed forces, the need to act in alliance with others and the need to produce a peace dividend of falling defence budgets. These factors have combined to

bring change to defence procurement and industry. The major changes implemented at the DGA mirror the changing perceptions of the sector; the watchwords everywhere are 'cost-cutting' and 'efficiency'. These changes in thinking, which have taken place across Europe, seem more brutal and significant in France precisely because potentially they represent a greater change in policy, although paradoxically they help to bring France's long-term aim of a European defence policy nearer to realisation. The Gaullist means of achieving world status through national independence in the security realm have been replaced by a more pragmatic vision. The fact that the Gaullist vision had appeared to be such a constant in French policy makes the change all the more visible. However, it would be shortsighted to assume that there is a complete acceptance of the changes that the forces of modernisation and Europeanisation have brought. There are still considerable forces of tradition that are mitigating some of the effects of the changes.

This brings us to the second contention; that the relationship between the state and defence industry will be harder to break in real life than it is on paper when reforms are described. There are two factors in this, which are difficult to disentangle; the training and career structure of those working in the sector and the attitude of industry towards the state. The majority of those in executive positions in both the state and the industrial side of the sector have received the same training and belong to the same elite *corps d'armement*. There is a powerful unifying effect binding the alumni of the elite schools and this is intensified by their professional body the *corps*

*d'armement*²⁹. When this is added to the prevalence of *pantouflage*, it is clear that there are very strong links between the state side and the industry side. Moreover, there are relatively few signs of independent industrial views emerging that are distinguishable from those of government policy. This is perhaps because there is little tradition of entrepreneurship in the sector; most industrial figures are first and foremost engineers with less interest in business. However there are also signs that French industrialists in this sector do not have many problems with the idea of state involvement feeling that pressures from private shareholders are little different. The changes are recognised as needed rather than desirable. This is probably inevitable given the strong statist traditions in France but again is a factor that will work against the government's given intention to separate industry and state. Certainly while the message from the government remains confused it must be a factor worth considering.

Despite all the reforms that have been implemented regarding the conduct of defence procurement and state-industry relations in France the government continues to give a confused message. Privatisations and mergers have taken place, although not as originally planned. The economic aims of Jospin's government have though been conflicting with some of the defence reforms. This provides an excellent example of the interface between the economy and defence that this sector typifies. Jospin's government is rhetorically very strong on maintaining social peace, which means that the state cannot be seen to create large job losses by rationalisation, unless there is no alternative. The reluctance to deal more strongly with the ailing GIAT is symptomatic

²⁹ The *CAIA-Enquête* found that among members, there was still a belief that membership of the *corps* had an important effect on their careers, and that this was stronger in the younger age group than among older members (CAIA, 1999).

of these quandaries³⁰. There has also been a lack of clarity in government policy regarding the defence industry, which has frequently infuriated France's European partners. Equally, it has had the result of weakening both the effect and the speed of the reforms especially in the defence industrial sector. There is no reason to doubt the basic agreement of Jospin's government with the defence reforms, especially the Europeanisation element, but it is simply not always politically opportune to progress in this direction. Chirac may yet need to regain the initiative in the sector to force the decisions that must be taken.

The final theme that needs addressing is whether the suggestion, that the Europeanisation of French armaments policy is little more than a move from a French grandeur policy to a European one, is correct (Hébert and Fontanel, 1997). France has in the past used armaments co-operation simply to achieve a national aim more cheaply and has insisted on being the dominant partner. Europeanisation can simply be a way to achieve goals that are impossible to achieve nationally. There is now a basic acceptance that European co-operation is the only way forward for France, not merely a possible option. However, what French intentions for a European armaments policy are is a more interesting question. The precedent to Hébert and Fontanel's suggestion can be seen in the Europeanisation of French space policy. Will we, therefore, see a continued French insistence on prestige projects and high levels of expenditure on research and development, as well as insistence on European preference and state controls over the sector? Or have the French moved closer to the British insistence on competition and value for money in all procurement? The first

³⁰ I am grateful to General Favin Leveque of GICAT for his explanation of this point.

seems more likely. Examination of French documents, articles and briefings on the subject do not reveal much change in the aims of their armaments policy, rather, the change is to be found in the means by which these aims are achieved. The French worldview may have changed but their perception of the French status within it has not. They are adapting to new circumstances rather than a new position. How successful their view of a European armaments policy will be cannot be forecast. In some policy sectors European policies have emerged with a very French tinge in others the French case has been less successful. Nevertheless, it would be naive to presume that the acceptance of the need for *Europeanisation necessarily precludes a renunciation of previous French goals*. History can show us that this is unlikely to be the case.

So French history has shown an approach to armaments policy, especially in the second half of the twentieth century, that has been different to its European neighbours. Is French armaments policy now the same as that of its neighbours? Is *l'exception française* a thing of the past? Certainly France has moved much closer to Britain and Germany in its procurement policy, and even in defence industrial matters there are fewer differences than before. However, it would seem premature to say that there no longer are any differences. Each of the three countries has its own assumptions and beliefs about the defence procurement and industrial sector, which are shaped by individual historical and cultural factors. France is no exception. It would be hard to see France buying 'off-the-shelf' American equipment in the near future for example. In many ways it would be fair to say that France has responded to the forces of Europeanisation and modernisation in a very French way. Therefore

although French policy has moved much closer to that of its neighbours it seems likely that, especially given the remaining inconsistencies in policy, some differences will remain.

Chapter 6: German Armaments Policy: Can History be Forgotten?

Introduction

There can be few countries where armaments policy is so sensitive as in Germany¹. The experience of both Wilhelmian militarism and National Socialism, which culminated in defeat in two World Wars, has left Germany understandably wary of playing a military role in world affairs. However, the renaissance of German industry after World War Two turned the country into an economic giant, and German defence industry has proved as much as a success story as other industrial sectors. This has led to internal policy challenges in the armaments sector, most notably on the question of arms exports. Germany, like Britain and France, has had to contend with new security tests, defence spending cuts, changes in the world armaments industry and the need for a European voice on security policy, at the same time as dealing with reunification, but, unlike the other two countries, has been remarkably slow to change its armaments policy. In the rest of this introduction, the factors informing German armaments policy will be discussed, so that the cultural background to the policy outcomes is better understood.

The question of armaments policy in the Federal Republic of Germany cannot be discussed without reference to Germany's special historical circumstances. The German political system was devised with the primary intention of ensuring that a regime such as National Socialism could never happen again, but it also rejected the previous systems of

¹ Throughout this chapter where Germany is used in the pre 1990 context the Federal Republic of Germany is meant unless otherwise specified.

Wilhelmian militarism and the democratic weakness of the Weimar Republic. This meant that certain principles were enshrined in the system, which impact on armaments policy. Firstly, it is necessary to consider the fundamental safeguard of the German democratic system; legalism or the *Rechtsstaat* approach. This is not simply a state based on the rule of law, but a conviction that justice is the essence of the state. The original German *Rechtsstaat* of the nineteenth century, which failed to prevent the rise of National Socialism, also laid out the duties and responsibilities of each part of the state apparatus but regarded the state and therefore the government as the custodian of law and justice. The *Grundgesetz* or Basic Law, on the other hand, makes the law an independent force, which is neither received from nor interpreted by government. Law in Germany also tends to be very detailed in its composition. This detail, along with the ever present insistence on personal freedom for the citizen and the pre-eminence of law over the state, means to make certain that the order, intended by the founding fathers, remains intact (Benda, 1997: 477-8). Consequently as Cowen writes,

"Rejection of the past as much as affirmation of the present came to be expressed in series of very detailed laws, rules or political details. (Cowen, 1986: xv)"

The German political system, which produces coalition government, and frequently opposing majorities in the *Bundestag* and *Bundesrat*, emphasises consensual governance, and so often essentially political problems, particularly in sensitive areas, are solved by legal interpretation of the specific laws.

Along with the recognition of the dangers of political dictatorship, the Nazi-period and its predecessors also left the Germans with a clear understanding of the dangers of the military. Directly after the Second World War Germany was disarmed, and it was not until 1954 with the signing of the Paris Treaties, and West Germany's 1955 accession to NATO, that an army was formed². In contrast to traditional models of civil-military relations such as those in Britain, France or the United States, the primacy of politics, or civilian rule, was made an integral part of the setting up of armed forces in the Federal Republic. Firstly, the military leadership forms part of the administrative staff of the Ministry of Defence (*Bundesministerium der Verteidigung*), has no disciplinary or command authority over the troops, and is firmly integrated into the civilian structure³. Secondly, the task of the civilian part of the ministry is to exercise control over the military. As Huntington writes,

"The *Bundestag* insisted upon sharing in the control of the military forces⁴. It was stressed that the new army would be basically civilian in character. (Huntington, 1967: 123)"

Therefore, the military themselves have few if any decision-making powers. Further to the idea of the primacy of politics, and closely related to it, is the concept of the citizen in

² However the question of German rearmament in order to deal with the increasing threat from the Soviet Union had been raised as early as 1949 by Adenauer and plans were drawn up for this in 1952 as part of the Pleven Plan for a European Defence Community. The discussion therefore about whether and if so how forces should be raised and equipped took place over several years.

³ The German Ministry of Defence is divided into civilian and military sections. The *Grundgesetz* or Basic Law lays out how this division should operate (Article 87b). The Directorate-General of Armaments for example must be entirely civilian. This point was emphasised in an interview with Hans-Joachim Queisner of the Directorate-General of Armaments in Bonn on 2.12.98.

⁴ This control is exercised through the *Wehrbeauftragte*, which is a legally constituted post. The *Wehrbeauftragte* functions as an ombudsman for the forces as well as reporting to the *Bundestag* and its Defence Standing Committee on matters relating to the forces in general and in particular on the protection of democratic rights and values in the forces. For a fuller evaluation of the success of the post see Dertel (1978).

uniform. This means that the armed forces should be integrated, as much as possible, into society as a whole, rather than forming a separate elite. Conscription, rather than a purely professional army, is one way in which this has traditionally been achieved, as is the democratisation of the forces themselves (Cowen, 1986: 1-6). The stresses of civil-military relations in the Federal Republic were thus always likely to make it difficult to formulate policy without clashes between the basic military requirements and the civilianisation of defence policy. This is particularly the case where political scrutiny of defence procurement projects is concerned.⁵ Defence procurement rules became a way of proving civilian control over the military existed. This is important as it helps to explain the sensitivity of defence procurement policy in Germany, and the importance of procurement policy being so clearly defined according to law.

The rejection of militarism led, as was argued in chapter two, to a very restrained security policy. Germany has concentrated on alliance building in military affairs, and sublimated national goals to multilateral initiatives. Strategically, until the 1990s Germany took part in no 'out-of-area' actions and concentrated on national defence. The country, therefore, could be regarded as a political pygmy in international affairs despite its economic importance. This conjunction has meant that the role of defence industry in Germany has been difficult to understand. The particular circumstances surrounding

⁵ A practical example of this was the reluctant approval of the *Bundestag* in 1997 of the German purchase of the Eurofighter. Although Eurofighter had become a controversial project for all the contributing states it was only in Germany that the existence of the project, rather than its technical problems, was so widely questioned by politicians.

German rearmament have, though, also played a part in determining the role of the state and industry in this sector.

At the time when German rearmament took place, there was naturally no defence industry in existence in Germany following, as it did, almost a decade of demilitarisation. This meant that there was a considerable military technology gap in Germany in comparison to other Western powers. There was also marked resistance to the idea from the population as a whole (Onslow, 1951: 472-5) and from business and industry which saw rearmament, and the industrial capacity that would be needed, as a threat to the civilian economic renaissance of the Federal Republic. Nevertheless, it took place, mainly because the government of Konrad Adenauer saw rearmament as a vital step towards its two prime foreign policy goals; regaining German sovereignty and binding the Federal Republic more closely into Western Europe as a whole and the Western Alliance in particular (Albrecht, 1980:32-3). However, industrial figures had to be convinced that rearmament was a good plan, both for it to succeed, and because of the value placed upon basic consensus between all levels of society on major policy decisions in Germany. This need for a pact (*Mitbestimmung*) between workers, employers and the state was and is common in all industrial sectors in Germany.

The original plans for rearmament, formulated by Theodor Blank in the early 1950s in line with the Plevin Plan proposals, would have been fulfilled in three years, and envisaged an army of half a million men with conscription lasting eighteen months. The likely disruption though, that conscription on such a scale, and so quickly

implemented, would cause to the civilian economy led to widespread criticism of the plans by industrial figureheads. It was, at the time, also presumed by government, that most military hardware would be purchased overseas, which would hardly have proved an incentive for businessmen to support the move (Cowen, 1986:16). Adenauer, fearful for the survival of his parliamentary consensus on security policy⁶, decided his government needed to react. Firstly, in September 1956, a reduction in the conscription time to a year was announced, and then in October 1956, the stronger Franz-Josef Strauss replaced the tentative Blank as Defence Minister, and announced a revision of Blank's plans (Cowen, 1986:9-11). These alterations lengthened the time span, in which rearmament was to occur, which lessened the effect of conscription on the economy at a time of full employment. They also reduced the projected size of the army while increasing the projected sizes of the navy and airforce. In terms of procurement, this meant a strategic move in the direction of technologically sophisticated equipment rather than purely mass orders of basic equipment (Herdegen, 1960: 40-48). Strauss also constructed his ideas about rearmament around his party's, (the *Christlich Soziale Union* (CSU)), Kirchheim Resolutions.

These resolutions centred on three main points; firstly, that Germany should formulate a defence programme on the basis of both German circumstances and necessities and the security policy of their allies. Secondly, that the formation of the *Bundeswehr* should be regarded as an organic whole and that every part of the process

⁶ The consensus was also endangered by fears that the USA was about to announce major troop reductions in Europe at this time, thus abandoning conventional defence in favour of the nuclear option.

should together form a high-quality unit. And finally, that defence expenditure must benefit the German economy and, in particular, should subsidise scientific and technical developments in areas where Germany could no longer compete, to make sure that equipment reflected the latest advances (Brandt, 1966:189-90). It was this policy that overcame the fears of industry, and produced the necessary political-social-industrial consensus for rearmament to succeed. It also laid the foundation stones of armaments policy in the Federal Republic, which has generally proceeded through consensus.

Nevertheless, it would be mistaken to presume that the Kirchheim Resolutions presupposed the development of an armaments autarky. Rather, they encouraged a middle of the road strategy, whereby much equipment would be purchased overseas but where existing capacities in the civilian sector could be used or adapted, produced in Germany. This was, though, to be without the creation of a whole new industrial sector. The purchase of equipment by Germany from their allies was seen as a useful foreign policy tool on both sides. Germany also made great use of licensed production in order to obtain the technical "know-how" it then lacked. There was though a feeling that firstly, it would be more expensive in the long run simply to purchase from abroad rather than to get involved in research and development, and secondly, that if Germany did not do this it would never gain equality of status within the Alliance. The realisation that Germany was suffering from the military technology gap, and that this would lead to disadvantage in civilian sectors such as aerospace was also important. Thus, a strategic decision was made to build up the aerospace industry, which was then consequently largely publicly

owned⁷ (Brandt, 1966:96-8). Had Germany not done that, it would have been severely disadvantaged both in military and civilian high technology. However, even this fairly low-key approach still led to a sizeable domestic arms industry being built up during the 1950s and 1960s. It is a testament to the consensus that had been formed during the rearmament period that there was little political discussion about this build up⁸. Although, it must be said that,

"Those building up the arms industry also tried to project a low arms production profile. Companies such as Krupp, whose owner Alfred Krupp von Bohlen und Halbach after the war vowed never again to produce weapons, used the term *Sondertechnik* (special technique [technology would be a more accurate translation]) for their arms production. The procurement authorities and most politicians stressed the civilian benefits of producing arms and encouraged companies to limit the share of arms production in their total turnover to a few per cent. (Brzoska and Lock, 1992:118)"

This perhaps shows how sensitive the issue was considered to be by German politicians, who were anxious to avoid any accusations of war-like behaviour.

This discussion of political principles and historical events is vital, as the fact remains that these principles and historical events shaped German armaments policy. Specifically, they help to explain some of the areas where German policy differs from that of its West European allies. The consequences of these principles and events will be considered in more detail throughout the chapter. In particular though, the essential dilemma in German armaments policy should be pointed out here. On the one hand

⁷ This is with the notable exception of the privately owned Dornier, which was taken over in 1985 by Daimler-Benz.

⁸ The fact that a large amount of this build up was in Strauss' own power base of Bavaria, which previously had been very underdeveloped industrially, may account for this. Bavarian defence industry took what amounted to approximately a third of all procurement orders in 1989 (Deutscher Bundestag, document number 11/7441, 20.6.1990 here Brzoska and Lock, 1992:119).

successive German politicians, at least on the surface, have carried out defence procurement with “a low-key, almost apologetic, air” (Walker and Gummett, 1993:27), with complete deference to history and a dislike of any suggestion of Germany making itself into a military power. This has led to above average levels of co-operation with its Western allies in arms procurement⁹ and production, which seem to indicate a desire to subsume any independent military power it may possess within either a Franco-German, West European or Atlantic context. It has meant strict arms export policies¹⁰ and post 1990 a voluntary ban on the production of ABC weapons. On the other hand, there is the desire for equality and even success in a national and international technological and industrial context that is natural in a successful economic power. This has led to government subsidisation of research and development of military as well as civilian technology. The desire to maintain the original industry-social-government consensus has also affected policy-making. The challenges that reconciling this dichotomy bring make German armaments policy interesting to study. The chapter will look at how the factors discussed above shaped German procurement policy and state-defence industry relations up until the end of the 1990s. It will then discuss the particular new challenges faced by Germany in the post-Cold War era, and why change was so difficult to agree and slow to come about. Finally, the chapter will look at the changes put in place, and those

⁹ Approximately 70% of German arms programmes are collaborative in nature (Paloczi-Horvath, 1992:27) and more than 70% of current DASA projects are European co-operative projects (Heinzmann, 1998:16).

¹⁰ There is a desire to “Europeanise” such awkward matters as defence exports on the part of some parties (notably the FDP referred to in conversation with FDP official Bonn, October 1998) who see that historical constraints are damaging German industry.

proposed, by the Social Democrat (SPD) / Green government, which was elected in 1997, in both general defence policy and in armaments policy.

Defence Procurement Policy

German armaments policy had to develop, through necessity, in a rather piecemeal fashion. It is very rare that a country must move so quickly from demilitarisation to the status demanded of Germany by NATO during the Cold War. There was little time to develop a coherent strategy, and indeed the Kirchheim Resolutions are as close as Germany got to an articulate strategic policy on the issue throughout the Cold War. Nevertheless, there are clear strands of thought that have been carried through periods of reform until the end of the 1990s. Firstly, alongside the desire for technological equality, there has been a strong attachment to multinationalism or multilateralism in defence matters. This has led to above average numbers of co-operative projects, and also to more open procurement from other countries within NATO. There was also a philosophy of regulation, which has been tied in with the belief that Germany was essentially a civilian country, and that all things military, though unfortunately necessary, should follow civilian rules. This meant that the German instinct for regulating every single point and resolving dispute by legal interpretation of the rules was applied to defence procurement. It is as if the distaste of the political elite for military matters, led to a belief that these things can be 'sanitised' by complex rules and regulations. As Cowen writes there was an,

"existence and persistence of a shared consensus that procurement organisation and procedures can be precisely described, responsibilities

clearly defined and individuals held accountable for the performance of even the smallest of tasks. (Cowen, 1986:303)"

which pervaded every set of procurement reforms. Instead of introducing flexibility into the procurement process, each set of reforms simply made the rulebook longer and more complex¹¹. The more procedures there are, the less "individual initiative and the balancing of priorities according to demands" can be put into practice (Cowen, 1986:303). Although Kausal *et al* claimed that the regulations governing acquisition are relatively few, they do point out that they are "not subject to a great deal of interpretation" (Kausal *et al*, 1999:Chapter 2 26)¹². In fact, given that successive amendments to the regulatory guidelines issued in 1971 had resulted in several hundred pages of regulation (Drexler, 2000: 563), Kausal *et al*'s argument only holds water in comparison to other areas of German law.

The culture of bureaucracy is also noticeable in Germany even in comparison with Britain or France. There is a tendency towards precise job descriptions and an antipathy towards multi-tasking and job flexibility. This seems to be strengthened by a prevalence of lawyers in the higher ranks of the civil service. Since rearmament, German defence procurement officials seem to have rarely, if ever, attempted to look at the larger picture. Rudolf Scharping (the then Minister of Defence) argued in 2000 that, there was a culture in the Ministry of Defence, which discouraged radical thinking, and that consequently rational changes were not always made (Der Spiegel, 2000: 30). The

¹¹ According to Hans-Heinrich Weske of the BWB these reforms have been aimed at creating the perfect structure for procurement (Interview, Koblenz, 1.12.98). However they do seem to have led to considerable increases in administrative processes.

¹² It is noticeable that nearly all contract officers in BWB are lawyers by education (Kausal, 1999: Chapter 2 26).

necessity of following the letter of the law meant that bureaucracy overtook service needs as the prime concern of procurement officials. In addition, the complex organisational arrangements for defence procurement made it harder to pursue efficient procurement. The German defence procurement system was clearly rigid, bureaucratic and over-regulated; it was also resistant to change because of those factors.

Nevertheless, Germany was not immune from the changes in economic thinking and political priorities affecting Western Europe in the 1980s and 1990s. Even though they were unwilling to change their system greatly, German procurement clearly, as in France and Britain, changed in the post Cold War era to reflect newer concerns about greater efficiency and value for money which were particularly noticeable in the 1996 reforms (Schloenbach, 1998:687). The official German approach to change could then be summed up thus;

- limitation of development and cost increase risks (to cut costs)
- the integration, where the possibility exists, of marketable or widely used materials and already developed components into the project (to cut costs and risks)
- the establishment of dialogue about military requirements and technical possibilities and costs between the providers and the military (to improve co-operation)
- total design to life cycle cost principle to be used (to reduce risk of enormous replacement and maintenance bills)
- greater controls on performance, time and costs (should meet original tender)
- international co-operation (to cut cost and improve quality and efficiency)

- simplification of project progress steps to accelerate the time needed to bring the equipment into service (to cut costs)
- risk evaluation to be carried out at each stage of the project and if realisation of the requirement is not happening the project should be abandoned then or taken back to an earlier stage rather than continued (to reduce failure rate)¹³

This philosophy was similar to the Smart Procurement rules introduced in Britain, and aimed to improve the efficiency of project management within the ministry and co-operation levels with the military and industry as well as raising cost-consciousness levels.

However, it is felt that this philosophy remained unrealised in practice. One example was the military input into procurement. Communication with the military needed to be improved, as it had been noted in a 1994 leaked report from the federal audit office that the armed forces had regularly received major weapons systems that were not operational¹⁴ and that some were still not operational several years on¹⁵ (Wehrdienst, 1994:2). This, it was thought was caused, in part, by poor communication, arising from the original feeling that the military should have no power in procurement decisions, in order to reinforce the civilian rule over the military. In the early 1990s, it was recognised officially that, although the constitution made it clear that actual procurement must be

¹³ This summary has been freely adapted from Table 3 Schloenbach (1996:28).

¹⁴ Perhaps the most amusing of the many examples was the purchase of submarines which later proved not to be salt water resistant.

¹⁵ This is worryingly reminiscent of the Starfighter fiasco of 1966. American Lockheed planes were bought but as an adapted untested model which proved to be dangerous and led to twenty-six crashes and fifteen deaths in 1965 alone (Cowen, 1986:88-9). Procedures had apparently been followed (although bribery on the part of Lockheed is presumed) but disastrous planes were still bought.

carried out by civilians, the military's role in formulating the requirement and in testing and assessing the product must be included in the project life-cycle. Reforms in the way requirements were formulated, meant that there are study groups based around tactical areas rather than just individual services (Kausal, 1999: Chapter 2 12). This meant the laying out of new chains of communication at each stage of the project life cycle. For example, new guidance was given, as to who was responsible for each stage of the project life cycle. These guidelines were completed in 1994. In fact though, the over-bureaucratic precise stipulations of 'who was responsible for what stage' tended to undermine co-operation between the military as a whole and BWB. They made creativity impossible and crucially, tended to concentrate communication between very specialised groups. This allowed the single service approach to dominate and thus decreased efficiency, as opportunities for cross-project fertilisation were lost (Drexler, 2000: 564). Although, in theory, this involvement of the military should ensure the procurement of operational equipment, it became clear that the insistence on following a very regulated approach also allowed mistakes to be lost in bureaucracy. This example shows how good intentions could be lost in a system resistant to change. We can also see how the problems mentioned earlier tended to persist by looking at several important areas; how weapons acquisition is organised, how contracts are given and how long-term planning is arranged.

The General Organisation of German Defence Procurement

Traditionally, armaments policy was carried out by two separate bodies the *Hauptabteilung Rüstung* (Directorate General of Armaments) and the *Bundesamt für Wehrtechnik und Beschaffung* (Federal Office of Military Technology and Procurement). The BWB was created as a separate civilian organisation to act as a “central interface between the *Bundeswehr* and industry” (Kausal *et al*, 1999: Chapter 2 -15) although it is under the control of the *Hauptabteilung Rüstung*. This arrangement was designed to ensure, as is ordered in the Basic Law, that actual procurement will be carried out by civilians. The idea is that this removes the risk of unhealthy close military-industry relationships, which could threaten Germany’s liberal democracy. This division though has not increased the efficiency of defence procurement.

Responsibility for the day-to-day management of development, procurement and usage of armaments projects, as well as responsibility for the parameters of research and technology was taken over in 1991 by the *Bundesamt für Wehrtechnik und Beschaffung* (BWB – Federal Office for Defence Technology and Procurement) in Koblenz. The *Hauptabteilung Rüstung* (Directorate-General of Armaments) of the Ministry of Defence in Bonn was to concentrate on forward planning for both the army and the future armaments requirements, international armaments co-operation, aspects of the defence economy and pilot projects. This led to a general tightening up on over-capacity and inefficiency and led to personnel reductions in both offices. Kausal *et al* 1999

Chapter 2: 15-6)¹⁶. This split between control and implementation is similar to that in France. The 1994 White Paper on defence policy also introduced the British concept of market testing into day to day armed forces procurement, with the aim of making efficiency savings to free money for technological research and development (*Weißbuch*, 1994:100-1). This arrangement, in theory, allowed the *Hauptabteilung Rüstung* to consider the wider picture while the BWB concentrated on the regulatory side, but often decision-making involving both organisations remained unnecessarily prolonged (Drexler, 2000).

The functions of the Directorate-General of Armaments are as follows; it is responsible for advising the executive group of the Ministry of Defence and the military command authorities on scientific/technical questions and on economic affairs. It is also instrumental in the planning of new defence material as well as overseeing all *Bundeswehr* planning. It is responsible for the planning, supervision and control of basic research activities, component development and market analysis, of the development and procurement of new defence materiel and of post-design services and the maintenance of in-service defence materiel¹⁷. It also represents the ministry in the technological and economics sector and within the scope of international armaments co-operation. The Directorate-General of Armaments is divided into three divisions engaged in general

¹⁶ The BWB for example must reduce its staff by 7000 by the year 2000 to a total of 12000. According to Hans-Heinrich Weske of the BWB, this will represent a critical level beyond which no further cuts can be made if sufficient experts are to remain in place to enable efficient procurement (Interview, Koblenz, 1.12.98).

¹⁷ Training is given a high priority; there are two year post-graduate courses for technicians and engineers and there is a distinct acquisition oriented career path (Kausal, 1999: Chapter 2 25).

tasks (namely, "Armaments Planning and Central Armaments Affairs", "Economic and Legal Affairs" and "International Defence Issues") and five divisions divided along technical lines (namely "Research and Technology, General Defence Technology", "Equipment and Technology/Land", "Equipment and Technology/Air", "Equipment and Technology/Sea" and "Equipment and Technology/Reconnaissance, Command and Control, Communications, Information Technology") (BWB, 1998:40-41).

The BWB's position as the buyer of equipment for the armed forces is codified in Article 87b of the *Grundgesetz* which stipulates that a civilian body must have this function (*Grundgesetz*, 1998). The BWB is therefore the contact for all interested potential partners from industry and trade. There is however a form of decentralised procurement carried out mainly by the armed forces themselves through regional (*Land*) or local offices for the day-to-day necessities such as food, tyres and cleaning materials, while most infrastructure projects are run by the *Länder* (Trybus, 1999: 145). This arrangement was clearly not the most cost-efficient. The organisation is arranged according to technical fields. It is, in contrast to earlier procurement organisations and the present American procurement authorities, responsible for the procurement of equipment for all parts of the armed forces so that inter-service rivalries should not play a major role. This means clearly that while there are some obviously service specific technical groups, there are also ones that cover all three services (See Figure 4 Appendix 2). This organisational model should in theory at least lead to impartial efficient procurement. As in Britain and France, Integrated Project Teams carry out procurement projects. A staff

officer is appointed to work as part of the IPT. The BWB is also authorised, through its research and development groups, to develop the future requirements of the armed forces into the detailed, well-thought out plans needed at the contract stage (Gläser, 1996:52-62). Now that only the BWB was concentrating on the mechanics of procurement the process should have been more efficient. However, the over-detailed specification of whom was responsible for what, and poor communication between the various parts of the system made this difficult to achieve.

Contracts and Tendering Processes

As Germany has no state-run defence industry the process of procuring equipment for its armed forces is done on the open market. Contracts are generally allocated through a competitive procedure of tendering, which is almost always open to all. The specific requirement will be published and tenders invited. Germany frequently picks the contractor at the design stage rather than the development and production stage as in Britain, which increases the inflexibility of a project. There are two other types of contract award procedures, namely restricted bidding and negotiated contracting. Restricted bidding takes place if high quality demands or similar restrictions (laid down in public contract procedures) exclude public bidding. In this case tenders will be invited from a selected number of potential contractors. Negotiated contracting only takes place if competitions become impossible due to special circumstances such as the necessity of using a company because of their exceptional experience (BWB, 1998:20-21). Tenders

are judged not only on their price but also on the level of the service offered. The cheapest tender will not necessarily succeed. The procurement process aims to be as transparent as possible under the circumstances (Gläser, 1996:11.16). Sub-contracting with either other German or foreign firms is encouraged, as long as the contractor covers the financial risk of doing this, and the arrangements can be supervised. An interesting part of the process is the special consideration given to small and medium sized businesses and privileged bidders¹⁸. The *Bundeswehr*, through the BWB, are obliged to ask them to bid for restricted tenders and negotiated contracts regularly and to an adequate degree, and were, until 1995, allowed to accept slightly higher prices in order to facilitate their integration into the German economy.

The question of the level of fairness in the tendering process and the levels of national protectionism that it conceals must be considered. The *Vergabevorschriften der Verbindungsordnung für Leistungen* (terms and conditions concerning the distribution of government contracts for supplies and services) give the binding ground rules for contract distribution by the BWB. They state that all applicants, whether home or foreign, must be treated the same in tender competitions for public contracts. For applicants from European Union member states this right to equal treatment is further enshrined in the European Economic Community Treaty which forbids the restriction of traffic in goods and services within member states. However Article 223 of the Treaty of Rome exempts defence equipment from these provisions and it is noticeable that, despite their public

¹⁸ Privileged bidders are such people as expellees, evacuees, and workshops for the blind or handicapped or other persecuted minorities. This group included until 1995 firms from the former East Germany.

commitment to equality of treatment and to multinational projects, in 1996, 85% of the BWB's contracts in terms of value went to German firms (Wehrdienst, 1998a: 4). Moreover, it is commonly thought that most of the work that does go to foreign firms is at the sub-contractor level. It is also noticeable that Germany, despite signing the agreement of the WEAG states to publish details of all national contract opportunities¹⁹, took a while to do this even though France and Britain did it straight away. In fact the truth is still, as the BWB itself admitted in 1992, that for instance foreign munitions and weapons producers have no chance in a competition against home-based firms in Germany. It should though be mentioned that in Britain and France at that time the figures showed approximately 95% of such munitions contracts going to home-based firms, so this is far from unusual (Karl, 1994:235). Also interesting is that, although the procurement authorities can award the contracts to German firms, they cannot stipulate that production takes place in Germany, which is a point that worries politicians trying to safeguard German jobs²⁰. However, if the process is difficult for foreign firms to get into once they have made a name for themselves they will often get a lot of contracts. GKN / Westland helicopters for example have been very successful in Germany. It is the initial entry into the system that is difficult. The complicated nature of German government procurement and the resulting discrimination against foreign firms had to be addressed following representations from the EU. New streamlined procedures came into force in

¹⁹ These bulletins give information on intended contracting, requests for bids, awarding of single source orders, contract awards after the receipt of competitive offers, subsequent information and opportunities for sub-contractor work. (BWB, 1998:48)

²⁰ An example of this was the 1997 attempt by the Armaments Grants Committee to discriminate against foreign bidders for a thermal imaging project. See (Wehrdienst, 1998a: 4).

January 1999, which gave firms the right to appeal if they felt they had been unfairly treated. These practices though did not help the efficiency of the German system either. According to Gläser this kind of national protectionism can lead to narrow-mindedness on the subject of awarding contracts, and so must be avoided whenever possible as the best tender may be unnecessarily rejected (Gläser, 1996:26).

Forward Planning and Research Investment

A new system of defence procurement forward planning also came into force in February 1996. It is organised so that first the federal government and the Ministry of Defence establish their political intentions for the armed forces, through a document such as a white paper or the defence policy guidelines (*Verteidigungspolitische Richtlinien*), which will be updated as necessary. The armed forces planners also must take into account NATO plans. Then four phases follow. Firstly, there is the definition of the aim. In this phase judgement will be made about important factors affecting the long-term conceptual development of the armed forces and decisions taken about how the armed forces can best fulfil their role²¹. The document, which emerges from this phase, embodies both the political policy and the judgements made about long-term development. It is called the armed forces concept and is the key document in the process. The next stage is the realisation planning. Each year plans are made to realise the conceptual aims. The reach of the detailed plans is restrained to the duration of the

²¹ In recent years for instance decisions have been taken that moved the armed forces away from a purely defensive role into peace-keeping and other such functions.

federal government's finance plans plus one year. Only plans for special investment intentions that have been prioritised as both large-scale projects and as vital to the armed forces may have a longer duration. The *Generalinspekteur*²² takes overall responsibility for planning by co-ordinating the procurement proposals of the different services. The harmonised formulations of proposals become the basis of the armed forces plan, which lays out the type and extent of the planned developments and their expected cost. The Ministry of Defence then submits this to the Ministry of Finance as their proposal for the yearly budget decisions. The next stage is the carrying out of the plan for which instructions and methods are decided by the individual departments. The approximate design though from development to in-service consists of five phases; pre-phase, definition phase, development phase, procurement phase and in-service phase (See Figure 5 Appendix 2). The final step is the control stage. Here, both the department heads and the *Generalinspekteur* carry out audits of the way in which the plans have been put into action and compare actual with planned results in order to see if improvements can be made (Bagger, 1996:50). However, as usual the inflexibility of the process is clear, there is very little room for unexpected events. The emphasis is on saving money and becoming more efficient but in the accounts of these processes there is very little notice taken of the point of it all, that is that the armed forces are being equipped. The emphasis, rather, is put on fulfilling administrative steps (Drexler, 2000: 564).

²² The *Generalinspekteur* is the divisional administrative head of the combined forces within the Ministry of Defence and so a part of the ministerial staff. As such he has no command or disciplinary authority for the armed forces and so his position is relatively weak (Cowen, 1986:20). His powers to affect procurement policy have been increased in some areas, especially planning, over the years but he and his staff do not have the same impact a traditional military chief of staff would have in other countries such as Britain.

There is a further factor that makes planning more difficult for both the armed forces and industry. That is that in Germany, unlike Britain or France, decisions on procurement programmes, with a value of more than 50 million deutschmarks²³, are taken on a case by case basis by the *Bundestag* rather than in a single budget agreement. This means that the executive do not have the right to simply continue with the contract arrangements; they must first get permission from the *Bundestag*. This frequently leads to postponements of programmes and adds to time and cost over-runs both for business and the state. Clearly, the idea is to avoid the costly procurement errors of the past by submitting each programme to prolonged scrutiny, as well as forming a parliamentary check on defence activity, but whether the best and most expert way of judging the merits of a programme is to allow the *Bundestag* to give the go-ahead is a contentious point. It certainly brings regional politics into the process in a way that is not always positive.

According to Gläser,

"Whenever the BWB's officials meet for talks with the regional politicians it's never long before the following question must be answered: How many contracts and to what value has our region received from the armed forces? The answer depending on which region the politician comes from does not always satisfy. And so often the particular burdens that the armed forces place on this or that region, low-flying aircraft, manoeuvres and so on will be vehemently described, and it will be more or less forcibly suggested that this should be compensated by the same level of BWB contracts. (Gläser, 1996:101)"

This kind of pressure does not make the job any easier, and although the procedures in place make it more or less impossible for the competitive tendering process to be

²³ This level was set a long time ago and now is ludicrously low but has proved too politically sensitive to alter.

subverted by civil servants²⁴ politicians from dissatisfied areas have a good motive for delaying the budget in the *Bundestag*. It was, for instance, noticeable that during the Eurofighter debates, those whose constituencies would benefit were considerably more enthusiastic about the project (Karl, 1994:240). In particular, it is often felt that the government has favoured the aerospace industry, which is based in the South of Germany over the shipbuilding industries in the North (Rosenkranz, 1997:5). Certainly regional rivalries, which are stronger and more institutionalised in a federal country, can cause postponements to procurement programmes. This openness to parliamentary and official scrutiny extends to the budgetary process and audit requirements, which are described by Hayward as being "both more open and less flexible than either the British or the French. (Hayward, 1997:15)".

Clearly this planning procedure is of great interest to industry and they are given their chance to give their input about technical advances through the yearly meetings of the *Rüstungswirtschaftlicher Arbeitskreis*. However, it should be noted that this new procedure makes long-term investment in a project difficult to obtain. In part this is to avoid or lessen the chances of project overrun, particularly after the well-documented Eurofighter case, but it does, along with the 50% cut in long-term investment fund mean that industry are going to have to risk much more of the finance for large-scale projects themselves. This is because they will need to be at a later stage of the

²⁴ According to Hans-Heinrich Weske of the BWB this is a time when the masses are useful, as it is easy to prove that unfair treatment has not occurred. The BWB is obliged to tender from each region to tender for contracts, but is not obliged to share out contracts equally to implement any structural policy (Interview, Koblenz, 1.12.98).

²⁵ I am grateful to Dr Spude of the BDLI for this point made in an interview in October 1988.

development of a project before a successful tender for a contract can be made. It also means that educated guesses about the armed forces likely requirements will be needed. This is seen as a problem by industry (BDLI *Jahresbericht*, 1997:18) and shows one of the difficulties of government-industry relations.

As has been shown, the ideals of the German procurement philosophy were simply not being met by the system. Every reform simply added more bureaucracy and over-specialisation and made the system even more rigid. This, as will be discussed later, became even more problematic as defence spending cuts were increased. So although there was a commitment on paper to the implementation of market-orientated procurement, in practice this was not happening. The question of whether German industry really benefited from this might reasonably be asked.

Defence Industrial Policy

The question of the extent of government - industry links remains a vexed one. Both government and producers claim that there is no special relationship, but suspicion endures that protectionist instincts have remained from the days of Strauss. As Trybus writes,

“There has been no defence industrial policy of the German Federal Government thus far. There are certainly a number of defence industrial objectives pursued by the government such as the support of arms co-operation projects, and a broad policy towards rationalisation, preferably on a European level.” (Trybus, 1996: 218)

Clearly, as Gunnar Simon for instance writing about the aerospace industry puts it,

"The Federal government and its European partners have a vital political and economic interest in an efficient and competitive European aerospace industry." (Simon, 1998:7)

Moreover, a national defence technological base is seen by the Ministry of Defence as preventing unwished for dependence on defence industrial monopolies, as well as being a vital prerequisite for armaments co-operation, and for Germany's capacity as an alliance partner. It is also seen as leading to, and encouraging, further innovation in the civil technology sector (*Weißbuch*, 1994:108). The question is more to what extent they consider it necessary to interfere in industrial matters in order to maintain this vital political and economic interest. Defence firms in Germany frequently complain that, as the government has been cautious about interfering in a private defence market, they have been disadvantaged, as firms in other West European countries have benefited from heavily subsidised national armaments projects (Bohnen, 1997:60). Indeed, the Federal Government made it clear that industry must take the production risks, and that there are no guaranteed orders despite ministry-industry links (*Presse- und Informationsamt*, 1994: 3). While admitting that they realise the armed forces procurement decisions do affect the national defence industry, they claim that the BWB do not implement a government structural or economic policy in their procurement decisions (*Weißbuch*, 1994:108).

However, as Albrecht argues, in the defence sector in Germany

"state subsidies are not given openly like in agriculture or made public in budget statements like for the nuclear industry, they are in many cases invisible and given through indirect grants." (Albrecht, 1994:19)

and this makes them difficult to quantify. Certainly, for example, as in Britain and France defence related research is carried out in government funded research institutes, and

contracts given to universities and the Fraunhofer institutes²⁶. Moreover, the 1989 take-over of Messerschmidt-Bölkow-Blohm (MBB), the loss-making publicly owned arms producing firm by Daimler-Benz, the private car and truck producer, in the face of opposition from the German merger commission, certainly involved sweeteners from the government in the shape of guaranteed orders (Brzoska and Lock, 1992: Chapter 10). Whether there is any more to it than this is though doubtful, although the implication of firms such as Siemens in the 1999 CDU funding scandals suggests that bribery on both sides may have been more significant than has previously been realised.

Those who believe that the industry has more power than the government would like to admit, also regard with some suspicion the activities of the *Rüstungswirtschaftlicher Arbeitskreis*²⁷ (Armaments Economy Working Group). Indeed when the concentration of the industry is considered, (40-50% of contracts go to DASA) (Walker and Gummett, 1993; 27), it is hard to believe that industry and state are as far apart as they claim²⁸. There is also some suspicion that a successful campaign was waged in 1992-3, at the time of the worst cuts, by defence industry asking for an increase in defence capital expenditure, new arms for future *Bundeswehr* tasks, and compensation for reduced *Bundeswehr* demand in the form of enlarged arms export possibilities, as well as a closer integration of civilian industry in military engineering research (Bullens,

²⁶ This funding is to the level of approximately 1 billion deutschmarks per year although only about 30 million is spent on pure research (This information was given by Thomas Göbel of the BWB in an interview on 1.12.98 in Koblenz).

²⁷ This was founded in 1964 and meets once a year to bring together expertise on defence procurement, its members include industrial figures, armed forces and civil servants. See Schnell (1980) or Monier (1992) for more details.

²⁸ The 1999/2000 revelations about the contributions by arms dealers to CDU party funds suggest that politicians though could be accused of misusing their positions to lobby on their behalf.

1997:41). With the exception of the enlarged arms export possibilities, these demands were essentially met in the 1994 Defence White Paper. Perhaps though these links merely reflect German government-industry links as a whole. As Muguet argues,

"German defence industry has at its disposal a well functioning economic safety net for the articulation and defence of industrial interest in a consensual decision-making process, while France and Great Britain have nothing comparable. This safety net is controlled by the Deutsche Bank (the country's largest bank) in the last instance whose most important investments are in Daimler-Benz and Siemens, who are important in the arms sector. (Meguet, 1994:495)"

This argument suggests that rather than there being a special relationship between state and defence industry, except for the obvious fact that the state is the largest customer, the German defence industry is protected by the general economic system. This seems to have had the result that relationships between German defence industry and the state are less adversarial than in Britain (another country without a declared defence industrial policy until the late 1990s), even though cuts have been more drastic in Germany than elsewhere. Although the armaments market is a "politically regulated niche market" (Mey, 1996:28) there are not such big differences between it and the rest of industry as there are thought to be. According to Brzoska, the contracts are particularly big and industry's position is weakened by procurement cycles and the importance of unreliable political factors, but those are the only real differences (Brzoska, 1997:643). Maybe therefore defence industry should not be regarded as so different, especially as firms have, until the recent consolidation, tried to keep defence work as only a small part of their portfolio. German industrial policy has long worked on the basis of achieving social

consensus, *Mitbestimmung*, between government, employers and workers on economic and industrial issues. This leads to closer links developing between state and industry than are usual in a market economy, but does not mean that governments subsidise industry to an abnormal degree. Rather, it means that each group is more aware of interests in common, and how to preserve them, than the differences that clearly exist. The fact that the shareholder system is different to that of most countries also empowers that system. In Germany most major shareholders are banks who, because of the nature of their business, can afford to take a much more long-term view of a situation than, for example, pension funds that need quick returns. This means that investment is possible and that stability tends to be ensured, as they are less susceptible to take-overs and the risk of recession. The downside is that, this very stability is thought to hinder the initiative and innovation, which German firms are regarded as lacking especially in comparison to the French. This stability and consensual style looks like protectionism sometimes from the outside, and may be the ground on which defence industry- state conspiracy theories rest. Instead, there is quite simply a continuation of the industrial strategy carried out in other sectors. This is not to suggest that the government has no interest in maintaining the defence industrial base, on the contrary, it is regarded as a vital part of the technological-industrial base as a whole. It is, for instance, interesting that in areas where Germany is disadvantaged in comparison with her European allies, and so is unlikely to lead the way, Europe is only seen as an unavoidable stepping-stone to transatlantic mergers, thus taking a rather different stance to France. These, it is thought,

will bring Germany the necessary technology to compete through spin-offs in the European civil markets (Meguet, 1994).

German Defence Industry: Restructuring and Responding to the End of the Cold War

In the early 1980s, despite the structural advantages described earlier, it became clear that the German defence sector was in difficulties after several decades of steady growth. Even the Cold War arms race could not disguise the structural problems. In the aerospace sector MBB's losses from the Airbus project were causing concern for its state owners (Brzoska and Lock, 1992:120). In the shipyards reductions in demand and the emergence of foreign competition threatened continued operation, while even tank programmes were under threat as governments tried to restrain public spending and the cost of individual programmes soared in response to technological developments (Voß, 1992:136-8). The question of restructuring and consolidation became vital. The German government pushed this policy, especially in the area of aerospace, but also for tank producers and shipyards (Rodejohann, 1985:61-3). It became relatively difficult for smaller producers to avoid mergers²⁹. The take-over of MBB by Daimler-Benz became a *cause célèbre* in the restructuring process, as fears of an arms giant that would dominate Germany were raised. Despite the controversy, both at home and abroad, restructuring did go ahead. Daimler-Benz then controlled 50% of the main arms producing companies, and this merger increased the speed of other mergers, alliances and diversification of

²⁹ For a fuller account of the discussions surrounding this issue within government and the developments in strategic thinking at the time see Rodejohann (1985).

firms (Brzoska and Lock, 1992:127-8). Germany, therefore, had a relatively concentrated defence market in comparison to other European countries like Italy, even before the pressures brought by the end of the Cold War. This concentration had to be carried out, as even now France and Britain have far larger outputs than Germany. In fact as Heinzmann writes,

"Without the successful conglomeration, in the last decade, of the relatively small German aerospace and defence companies into DASA it would not be possible for Germany to sit at the table with the major players when it comes to aerospace Europeanisation. (Heinzmann, 1998:18)"

The strength of the German defence companies, and the industrial economy as a whole, in comparison to Britain and France, has been seen as vitally important to a future European defence industry (Walker and Gummett, 1993:66). Even in the late 1990s despite serious recession in Germany the underlying structures were still regarded as strong.

The state of the German defence industry has also been widely discussed in recent years. This discussion has been particularly heated as the German defence industry is perceived as having been especially brutally cut back following cuts in defence spending in line with the Vienna agreement on conventional weapons (CFE Treaty). This is seen as especially problematic, partly because the arms industry is concentrated in some of the weakest *Länder* of Germany, and partly, because the German government seemed economically, especially as far as employment policy was concerned, unprepared for diplomatic success in disarmament talks (Albrecht, 1994:6). The figures that are quoted would seem to reflect this; indeed under the European Union's KONVER programme to

help areas badly affected by failing defence firms or redundant military bases Germany will get about 44% (Taylor, 1997:132). The problem was exacerbated by the fact that it was the *Land* governments' responsibility to work out the detailed response to conversion, after federal government laid out a structure³⁰, but certain areas were disproportionately hit. However, the figures are to some extent misleading. Following reunification approximately 90% of the former GDR arms industry was gradually closed down but when the state of the defence industry is discussed, this implies the defence industry in the former West Germany. The figures used though, obviously include the closures in the East, and so lead to the misleading presumption that more substantial defence conversion has taken place in the West than actually has (Bullens, 1997:3). Clearly, the defence industry of the former East Germany has been almost completely devastated, along with much of the heavy industry in that area. It would seem though that the East has borne the brunt of the cuts in defence procurement, which were necessary for Germany to meet its obligations under the CFE Vienna Treaty.

Some observers considered that the cuts were anyway only temporary. Bullens writes in 1994 that,

"The present economies are not considered irreversible and they are stretching, putting off and rescheduling [projects] until the political and military questions of Germany's new role have been resolved in hopes of financially better times." (Bullens, 1994:160)

³⁰ Regional policy falls under framework conditions in the distribution of responsibility between *Land* and *Bund*. That is to say that the *Bund* lays out the basic concept but the *Land* may legislate for the details of their own specific position.

Their predictions would seem to have been correct to some extent as the situation for the former West German industry did in the mid 1990s temporarily begin to improve. German firms increased their percentage of total world arms sales by 0.2% in 1996 (SIPRI, 1998:192), while on the government side military expenditure on equipment rose by 2.2% in 1997, although in NATO as a whole it sunk by 5% (SIPRI, 1998:236-8). Germany also increased its military research and development funding in 1996 after previous reductions³¹, while other NATO countries continued to cut theirs (SIPRI, 1998: 269-70), and then had the highest level of government funding in the world for a non-nuclear power. The government also seems to consider that the future of the German defence industry lies in certain key sectors; systems technology and other high technology like guidance and weapons instalment systems, in electronics and sensors in which it claims the German industries lead the world (*Weißbuch*, 1994:108). They appear prepared to invest in this research if necessary to maintain the sector. It should also be pointed out that as German defence firms are considerably less reliant on military income (an average of 9.3% of turnover in 1992 compared to 38.5% in the UK and 40% in France), they are better placed to adapt to tighter spending controls than other countries' firms (Paloczi-Horvath, 1992:32)³². Industry representatives feel that the government's cut of 50% over five years in capital investment was shortsighted³³. This

³¹ The previous reductions were almost certainly caused by the need to pay the costs of reunification.

³² Moreover for a firm like DASA whose majority shareholder is ultimately the Deutsche Bank long term profits are seen as more important than short term gains (Interview with Dr M Spude of the BDLI October 1998 in Bonn).

³³ The industry appears to feel that government should take a more active role. The aerospace industry for example points to the American model, which links industrial and security policy objectives closely (BDLI, Security Dialogue, 1998:9).

position is backed up by other commentators, who point out that the long term contracts agreed earlier are eating up the budget with the result that there is no capital being reserved for future investment (Rohde and Schmidt, 1996:65). In 2000 the President of the BDLI pointed out that the decline in share of defence allocations for new investment from 21% to around 15% had been more detrimental to industry than having to shed 57% of their workforce (BDLI, 2000). Such continued cuts were thought likely to damage German firms' competitiveness and desirability in international alliances.

Competitive or Disadvantaged?

Industry representatives considered the German defence industry in the late 1990s to be comparable to that in Britain. The privatised nature of the business was considered to have been of great assistance in ensuring the greatest levels of efficiency possible. In particular, it was noted that despite the existence of *Mitbestimmung* (the social consensus between employers and unions), it was considerably easier for a private firm to downsize successfully than one in the state sector³⁴. This is seen as an advantage for the Germans in comparison to the French. Efficiency has become the aim for defence firms after the end of the Cold War; the need to produce high quality technology at the cheapest possible price. They fully recognise that,

"with an eye to balancing the political unsaleability of defence expenditure with the pragmatic need to maintain national defence forces, governments have pressed hard to identify sources of efficiency enhancement. (Markowski and Hall, 1998: 5)"

³⁴ This was discussed in an interview in October 1998 in Bonn with Dr M Spude of the BDLI who considered it an important point when German competitiveness was evaluated.

In Germany this is especially important as all programmes costing more than 50 million deutschmarks must be passed individually by the *Bundestag* rather than as part of the overall defence budget³⁵. Companies therefore know that funding is dependent on the project looking as financially appealing as possible. However, while this approval may be seen as more challenging for private firms than state subsidiaries they do at least have the freedom to act in the way they think best. As Markowski and Hall write,

"It can be argued that the fundamental difference between private and public concerns is the allocation of residual control rights over the asset used to provide the service...if the service provider is a government agency the government retains residual control rights over the asset so that any form of process or product change or innovation is, in theory at least, subject to the government's control or approval. (Markowski and Hall, 1998:20)"

Because of this, German industry felt that it has a better chance of adapting quickly enough to survive in the world market, as well as coping with changes in German policy than as a state subsidiary³⁶. Private firms can also often diversify into civil or mixed production more easily as they tend to have less rigid structures. Conversion is also an area where German firms have an advantage over British or French firms, despite the German lack of experience in this area (at least where a functioning economy is concerned) (Zander, 1995:4). Responsibility for encouraging conversion is for the *Länder*, as industrial development policy is their responsibility in the division of policies in the federal state. They have tended to pay more attention to the issue because of fears of local job losses, and regard the maintenance of jobs as more important than national strategic resources. This was especially true in *Länder* ruled by the Social Democrats

³⁵ I owe this point to an interview with Dr M Spude of the BDLI in October 1998 in Bonn.

³⁶ I owe this point to an interview with Dr M Spude of the BDLI in October 1998 in Bonn.

(SPD) where large amounts of aid and encouragement have been given (Brzoska, 1997:647). In Nordrhein Westfalen for instance a research institute³⁷ to study best practice in conversion was set up by the regional government.

On the whole German industry seems to regard itself as competitive on a world level. The cuts have meant that certain firms, especially DASA, have consolidated their position as competitors have either got out of defence business or been swallowed up. However, they did consider fair treatment from the German government to be necessary for success. The aerospace industry at least was prepared to say publicly that government aid and subsidies are needed to fund research³⁸ if America's goal of technological and market dominance worldwide is to be thwarted (BDLI Jahresbericht, 1997:18). There were also calls from DASA for government subsidies on the grounds that their functions were as politically vital as coal, steel, shipyards and agriculture, all of which are subsidised (Gesterkamp, 1994:38). DASA and other big firms also invariably saw pan-European mergers as the only way for European firms to survive in the long term, and were relatively confident about success in this perhaps because of their record in collaborative projects with other European firms. Attempts to co-ordinate procurement across Europe, such as OCCAR, were widely welcomed although with some fears about work share retention and the cross-border tax and other financial arrangements (BDI, 1998/ BDLI, December 1997). The situation for other defence industries is perhaps not so

³⁷ The Bonn International Center for Conversion (BICC).

³⁸ In 1996 the USA allocated \$16.6 million dollars for military research and development. In comparison Britain, France and Germany together only invested \$5.3 million dollars. (BDLI Jahresbericht, 1997:18)

sound. The importance of the aerospace industry to the national economy has meant that pressures to Europeanise were put on them first.

Export Regulations

The biggest problem, though, for the survival of German defence industry in their eyes remains Germany's relatively restrictive export regulations. Traditionally, economies of scale have been made by exports to other countries; this is especially the case in Britain and France. In Germany however, arms exports have been, theoretically at least, limited mainly (approximately 80% of exports) to other NATO countries, and despite lying in fifth place in the world's arms export tables, Germany exports noticeably less than France in fourth place (Presse- und Informationsamt, 1998:5). Concerns have therefore even been expressed about the consequences of these tighter regulations for its industries' abilities to enter into co-operative arrangements (Walker and Gummert, 1993:53). Arms exports were originally carried out by the West German government under the title of military aid in the 1960s and were seen as part of the commitment to NATO as it helped the USA in its fight against the spread of communism. However, following successive events where West German arms were used by repressive regimes to crush opposition and having been proved a failure³⁹ as a foreign policy tool, the cabinet of Chancellor Friedrich Ebert took a decision in 1965 not to deliver arms into

³⁹ As military aid agreements contained a clause agreeing the maintenance of friendly relations between donor and recipient. For West Germany this meant not recognising East Germany. However following West German arms exports to Israel both the Sudan and Tanzania, angered by this, recognised the GDR thus proving military aid a failure as a foreign policy tool (Cowen, 1986:261-62).

areas of tension. This effectively ended military aid, especially as the successor Brandt government was opposed to arms exports. However, it was at this time when commercial arms exports began (Cowen, 1986:160-62).

According to the Basic Law actions that are likely to disrupt peaceful international relations, and especially to cause “aggressive warfare”, are constitutionally forbidden. Moreover, arms may only be produced, marketed and transported with the permission of the Federal Government (*Grundgesetz*, 1998: Article 26 Parts 1 and 2). The arms export regulations were drawn up in accordance with this in 1971 and successive alterations have continued to pay lip service to it. However, there have always appeared to be many ways in which the necessary permission could be obtained which is why Germany is always near the top of the world's arms exporting countries list. Moreover, in 1982 the restriction on areas of tension was removed in favour of saying that the exports must be in Germany's vital interests. Although most of the exports were to NATO countries there have been many embarrassing incidents for successive governments when German weapons have turned up in politically unjustifiable places such as Libya and Iraq. What is more the rules on dual-use goods, exports from co-operative projects and giving foreign countries licences for production certainly seem to have been less strict in practice than in theory.

These scandals led to worldwide condemnations well as protests at home and the rules were tightened considerably in 1991. In particular the export of pure or core military goods was heavily restricted. The areas of tension rule is once again in practice

whereas in comparison, in Britain or France, export licences are only refused when the weapons are likely to be used in an imminent war or repression. The areas of tension rule though is somewhat fluid as it covers more or less the whole of the Middle East but not other countries where the situation is equally tense. However, since then industry has managed to push through easing of the rules for the products of co-operative projects and for dual-use equipment (Bauer and Küchenmeister, 1996). Indeed, since the middle of 1995 there have been European Union wide rules on the export of dual-use goods which led to the necessary slackening of the German rules. What remains though is a relatively strict set of regulations, which effectively prohibit the export of purely military equipment to most countries. Interestingly the permission for export licences in awkward cases is given by the *Bundessicherheitsrat* (Federal Security Council) which is headed by the Chancellor but overall responsibility for exports lies with the Ministry of Economics rather than the Foreign Office or Ministry of Defence⁴⁰. This *status quo* is according to industry damaging their interests⁴¹ and according to peace campaigners among others, *Bündnis 90/Die Grünen*, is far too liberal. The German regulations are still stricter than those of Britain and France, especially France, and despite the recent tightening of laws in Britain, but they are not as strict as many make them out to be. The agreements, made under the auspices of the European Union on weapons, related trade also point to the fact that Germany will have to loosen its rules. However, the German government has to be

⁴⁰ I owe this point to a conversation with Friedrich Kölsch at OCCAR in November 1998.

⁴¹ In practice though this is probably limited to companies selling land-based systems such as Rheinmetall whose products are internationally competitive but limited by the export restrictions on the world market. As they are generally purely German products the loophole for collaborative agreements does not help them. This point was made in discussions with a British MoD official.

very careful in doing this, as arms exports are an even more sensitive issue in Germany than they are elsewhere. As the CDU put it,

"Our objective cannot be to compensate for falling needs in the national sphere by an aggressive export policy, but never the less it cannot be in the national interest, to let national resources in the armaments sector dry up."⁴²
(CDU, 1998:8)

In other words a classic vicious circle exists. This was a question which the SPD / *die Grünen* government, elected in 1998 and less enthusiastic about arms exports, had to address.

Therefore by the end of the 1990s, there were growing problems for defence firms in Germany. Despite consolidation, the continued cuts, export restrictions and financial uncertainties were hurting. The aerospace sector concentrated on Europeanisation. The German government was clearly pleased by DASA's 1999 merger with Aérospatiale to form the European Aeronautic Defence and Space Company (EADS), especially following the collapse earlier that year of negotiations with BAe. Other defence sectors though feel that they may disappear before the government notices. The German munitions industry, for instance, is regarded as competitive but fears for its survival as it has to compete with heavily subsidised French firms (Kramer, 1997:36). Thus, by the end of the 1990s, there was a discernible breakdown in the state-industry consensus, which was worsened by Germany's uncertainty about its post-Cold War military role.

⁴² In the light of the revelations in 1999 / 2000 about contributions made by arms dealers to CDU party funds that quote might be better amended to refer to the CDU's interest!

The Challenges and Difficulties of the Post-Reunification Period

Germany, like all West European countries, had to cope with similar challenges to armaments policy in the post-Cold War period. Defence spending became even less publicly acceptable, the defence industrial base was squeezed still further by increasing American competition and the desire to integrate European policy on foreign and security matters all affected Germany. However, unlike in Britain and France, it was not these challenges that proved particularly problematic in Germany. After all, Germany had never wished to play a global military role, had ensured that its defence industrial sector was reasonably competitive and was less reliant on arms exports than British and French firms, and was enthusiastic about greater integration in the foreign and security policy field. Paradoxically, Germany's greatest problems came from reunification.

These problems came on two fronts. Firstly, the cost of reunification generally, and the specific costs of integrating the East German *Volksarmee* into the *Bundeswehr*, meant that German defence budgets were slashed at an even quicker rate than its European allies. Secondly, and more importantly, following reunification it was obvious that Germany would have to begin to take on the world responsibilities, that it claimed along with full sovereignty. This however had to also take place at the time when all the players in the East-West Conflict had to come to terms with the changes in world circumstances. For example, Germany needed to integrate the East German *Volksarmee* into their armed forces at the same time as cutting them considerably. However, such a

'normalisation' of policy was not as easy as it at first appeared⁴³ and debate surrounding the issue has been considerable. This general debate is shown to its most tortuous extent in the debate about out-of-area *Bundeswehr* missions.

In response to concerns about Germany's militaristic past former governments consistently interpreted the Basic Law as "excluding not only unilateral military intervention but also multilateral peacekeeping missions"(Rummel, 1996:53). This meant that the *Bundeswehr* was never deployed on United Nations missions unless they were purely humanitarian and involved no hint of force. Germany's refusal though to stand alongside its allies during the Gulf War provoked a storm of protest from its allies and a rethinking of German policy in this area has followed. German government ministers then began to point to the dangers of standing aside and following a different course to that of their allies and to this end deployed troops on a UN peacekeeping mission to Somalia. The Federal Constitutional Court was asked to rule on the legality of this move and three rulings followed culminating in the 12th July 1994 decision that,

"Article 24 Section 2 provides a clear justification for the participation of German armed forces in multilateral peace-keeping as well as in peace enforcement actions, be it under the auspices of the United Nations or be it within the framework of NATO or the WEU. (Meimeth, 1998:81) "

They observed though that a parliamentary majority in favour was necessary before such a deployment could take place. Therefore, there were no longer any constitutional excuses to hide behind but Germany has not begun to deploy troops willingly, as was

⁴³ German recognition of Croatia and Slovenia as independent states ahead of the rest of the EU for example was condemned by other European states as irresponsible and was thought to be unpalatable, as they had been Germany's allies during the Second World War.

shown by their delaying tactics when asked to deploy troops to cover a possible withdrawal of UNPROFOR from the former Yugoslavia (Philippi, 1997:24-5). Duke sums up the problem that was all too present in German minds,

“As one of the principles of participation, Klaus Kinkel [the then Foreign Minister], observed that it is desirable that a consensus should be reached across the political spectrum before German troops participate in any military missions. It is however precisely the politicisation of security issues in a country that still has severe psychological reservations about the use of force that may well continue to circumscribe the use of the *Bundeswehr*. (Duke, 1996:186)”

The problem is that such a political consensus does not exist. There may be a broad cross-party consensus that out-of-area exercises will and should take place but this is often confined to the general rather than the specific. Parliamentary approval of a particular action is still by no means certain as the media speculation regarding German participation in Kosovo in Autumn 1998 showed.

Steps were, therefore, taken towards the "normalisation" (Gordon, 1994) of German foreign and security policy. German troops did take part in a number of peace-keeping exercises, and policy did move away from its earlier simple military doctrine of defence of German territory in the direction of a more internationalist approach. The *Bundeswehr* was divided into two groups: the highly trained rapid reaction forces for international duties and the still larger part for the defence duties. Germany's rapid reaction forces are for the main part involved in multinational structures such as the Eurocorps and NATO's ACE Rapid Reaction Corps. As Germany still placed a far higher value on territorial defence than its main partners, its military needs were clearly somewhat different from its allies, which would hamper collaborative procurement.

Nevertheless, defence procurement plans had to be altered to take account of Germany's new roles. However, it was difficult to do this in a logical fashion because of the uncertainties surrounding the extent of German participation in such missions. It was, for instance, noticeable that, when, following problems in Somalia, it was noted that a stronger maritime support would be essential for future overseas deployment and a project to build a multi-purpose ship was proposed, the project was later cancelled in 1995 by Volker R  he, the defence minister. In defending this decision he argued that "the size and scope of Germany's contribution to collective crisis management should be limited to Europe and its periphery" (Meimeth, 1998: 102 originally cited in Karl Feldmeyer, *Folgen der Friedensdividende*, *FAZ*, 11.5.1995).

However, the obvious question might be why continue to place so much emphasis on territorial defence, especially after the enlargement of NATO which ended Germany's position at NATO's Eastern frontier. As the Weiz  cker Commission pointed out,

"For the first time in its history, Germany is surrounded on all sides solely by allies and integration partners and faces no threat to its territory from neighbours. This new basis of German security is not of a transitory nature, but will remain valid for the foreseeable future." (Weiz  cker Commission, 2000: Summary Point 1)

It seems that although the policy of multilateralism has led Germany to a stage where it must fulfil its international obligations to be regarded as a capable alliance member, there has been no attempt until recently to question the viability of the armed forces structures in the light of their changed role. There were various problems with this policy, firstly as Borckenhagen argues,

"The guidelines for German foreign policy, which side-step any discussion of conditions, obligations and interests, avoid mentioning doubts about the civilian-oriented handicapping of armed forces manoeuvres. A policy of integration though, of binding oneself into communities, can leave no room for national military procedures. Parliamentary votes, controls and any consideration of the different intentions of member states guarantee the postponement of proceedings in the case of military action. (Borkenhagen, 1996:9)"

In other words was the civilian controlled army, with its complex systems of checks and balances appropriate for its new role? The question was later answered by the Weizäcker Commission who described the German military as "too big, ill-composed and increasingly out of step with the times" (Weizäcker, 2000: Summary Point 4). However, the politicians' response to a growing awareness of these problems displayed a conservatism and unwillingness to change anything radically (Hoffmann, 2000: 30). Equally, there was no attempt to really renovate the procurement system, despite the new lip service to market values and the clear faults in the system. Finally, the pact between state and defence industry was, by the late 1990s, beginning to unwind.

Why did the Kohl government not introduce more change? Firstly, there was no real consensus within his party on the subject of defence policy reform. Secondly, that generation of politicians was, because of their memories of the Nazi period and its aftermath, firmly wedded to the concept of Germany as a civilian power. Unlike in Britain or France, defence policy remains a sensitive political issue and so change was not so easy to introduce. It was left to the SPD / *die Grünen* government elected in 1998 to grasp the nettle of reform.

The Schröder Government's Response: Can History be Overcome?

Commentators thought that the end of the Kohl era might allow for change and further normalisation. The 1998 SPD/ *Die Grünen* coalition government consisted almost entirely of people who for the first time in German federal government history were too young to bear any responsibility for the crimes of national socialism (*die Gnade der späteren Geburt*). This though did not herald the dawn of a new more aggressive, less sensitive security policy⁴⁴. On the contrary the parties on the left of German politics have always tended to be sceptical or hostile about defence expenditure and against weapons exports⁴⁵. Indeed the restraint shown by the coalition document regarding changes to defence policy surprised and angered some supporters (Klein, 1998). The SPD / *die Grünen* government announced several policy changes that had potential to change German armaments policy in their first two years in office; the Weizäcker review of the *Bundeswehr*, new arms export guidelines and a review of defence procurement.

The coalition agreement announced a review of the roles of the *Bundeswehr*. Early indications suggested it was to be a fundamental review. A parliamentary think tank published a report, calling for the end of the purely defence orientated part of the forces and of conscription, which would, if carried out, have marked a key change in

⁴⁴ It has been thought that the end of the political generation who were affected themselves by national socialism might bring an end to this sort of policy. Arguably though the generation who are now in power (known as the 1968 generation) are even more pacifist than their predecessors especially those on the left of the political spectrum. What may though be lost slightly is the understanding of the sensitivity of the issues that those directly affected had. While this heals some wounds such as the Sudetenland question, which Schröder's government has made clear is not on the agenda any more, it may lead to less sensitivity in dealings with Israel for example.

⁴⁵ The coalition document suggested tighter rules on armaments exports, a review of both the *Bundeswehr* and its procurement programmes which were to be frozen, and a continued Europeanisation of defence industry (SPD, 1998:60).

policy (*der Spiegel*, 1998:17). This it seemed would fit with the modernisation agenda espoused by the new government. However, long before the Commission reported, the then Minister for Defence, Scharping, had made it clear that he did not regard the scrapping of conscription as a desirable option (Geis, 1999)⁴⁶. The emphasis on multinationality is also likely to remain. The fundamental review called for a drastic cuts in military personnel from 318,000 to 240, 000 including, most controversially, a cut in those conscripted from 118, 000 to a token 30, 000. This, along with a reorientation of the *Bundeswehr* away from a defensive role would fundamentally change the military. In what was widely regarded as an attempt to overshadow the report, the *Generalinspekteur* von Kirchbach published his ideas on the future of the military on the same day. He wanted a military of 290, 000 men with 84, 000 conscripts. The political parties' figures ranged from the CDU's 300,000 men including 100,000 conscripts to *die Grünen's* 200,000 totally professional army (Hoffmann, 2000: 30). The population's reaction has also been divided; only 49% supported the scale of change suggested by the commission while 67% felt that conscription should stay (Schöppner, 2000). Scharping eventually decided on a force of 280,000 men of whom 80,000 would be conscripted for nine months. His reluctance though to save money by shutting barracks, for fear of offending the regions, and the government's reluctance to spend more on defence means that considerable doubt remains about the *Bundeswehr's* future. The gap between goals and resources seems to be growing, and in particular, the more expensive procurement

⁴⁶ See Hoffman and Longhurst (1999) for a discussion of the culture surrounding conscription which makes it so difficult to end.

projects such as transport aircraft seem to be in danger financially (Neßhöver, 2000: 4). This will not help its partners to see Germany as a reliable partner. By 2000 Germany was already regularly trying to reduce the numbers of weapons, such as the Trigat anti-tank missile, that it buys up-front, claiming that it will buy more throughout the course of the programme, and participation in the MRV project was at risk. Such tactics infuriate its partners (Tusa, 2000).

The new guidelines on arms exports were announced in January 2000. The coalition had been embroiled in controversy in late 1999 over increasing arms exports in general and specifically over tank exports to Turkey⁴⁷. The involvement of the arms trade in the CDU's financial scandals of 1999 / 2000 also increased public distaste of the arms trade. The new regulations are stricter than the EU's Code of Conduct and tighten controls especially in the area of human rights, end-use of goods and collaborative production. They effectively closed the loopholes opened by the CDU while in government. Clearly the efficacy of the regulations will depend on how they are applied in practice but they pleased SPD and Green supporters who had felt action was needed. The CDU reacted angrily to the new regulations arguing that unilateralism in the area damaged German interests (Breuer (CDU), 2000). The question of how the regulations will work where EADS is concerned remains to be seen, but there may be industrial consequences for other German firms. However, the new regulations did not mark a substantial change rather a reaffirming and tightening of existing principles.

⁴⁷ See Clark (1999) for a discussion of growing German arms exports to the developing world.

In December 1999 the Schröder government began a renegotiation of the state-defence industry consensus. The signing of an agreement on the modernisation of both procurement and the *Bundeswehr* (*Rahmenvertrag: Innovation, Investition und Wirtschaftlichkeit in der Bundeswehr*) theoretically paved the way towards more efficient procurement (*Bundesministerium der Verteidigung*, 1999). In return for 2.2 billion deutschmarks of savings (in non-military procurement alone) through attention to efficiency and economy in procurement, the *Bundeswehr* was to be re-equipped with modern equipment (Leersch, 2000). The savings were to be achieved in part, by the establishment in July 2000 of a private agency (the *Gesellschaft für Entwicklung, Beschaffung und Betrieb*) to handle the procurement of non-military goods for the entire *Bundeswehr*, and in part by the import of the British ideas of Smart Procurement for other procurement from 2001 (www.gbb-mbh.de, 2000). The move away from the regulatory approach of the *Allgemeine Umdruck 220* to less than twenty pages of guidelines, involved an admission by the Ministry of Defence that bureaucracy needed to be rooted out (Drexler, 2000).

Clearly, at the time of writing major parts of the reforms had barely been implemented or were still in the planning stage but there does seem to be good reason to doubt their effectiveness. Firstly, outside of the Ministry of Defence, there is no political will to increase defence spending, which a true modernising equipment programme would need. The lack of money is already causing problems with Germany's partners on collaborative programmes, and this seems likely to worsen Germany's standing as a

reliable partner. Secondly, the compromise on *Bundeswehr* reform meant that some of the structurally expensive deficiencies in the *Bundeswehr*, such as unnecessary barracks, remain intact, and without the necessary societal consensus it seems unlikely that further reform can be attempted, thus limiting the potential savings expected at the time of the agreement. Furthermore, it seems, in the light of the OCCAR experience, that moving German officials away from a regulation-based system is harder in practice than it is in theory, thus meaning that the expected procurement process savings may not materialise. The reform of the procurement system, although it clearly shortens the administrative process, has not addressed (in the material available in September 2000) the question of delays through the political scrutiny process. Finally, and most crucially, unless the German government produces more money for procurement projects, there seems to be very little incentive for German firms to take on the level of responsibility and partnership expected by Smart Procurement, especially as arms export regulations were tightened. Therefore, although the reforms recognise many of the problems in German defence procurement, tinkering with the procedures may not be sufficient reform to produce the desired results.

Conclusion

At first sight Germany appears to be very similar to other Western European countries in its armaments policy. Defence procurement procedures are broadly the same, while organisationally the German structures greatly resemble those of the French

although without the professional corps of armaments engineers. Nevertheless, there are peculiarities in the German model. Firstly, the impression is still given that the politicians are apologetic about engaging in armaments policy in the first place and would prefer not to be involved. This clearly has historical roots. Political parties either consider that all defence expenditure is bad or tend not to really have a policy on it. It is possibly this, that leads to the feeling that there has never been a coherent national policy on the subject since the Kirchheim Resolutions were adopted⁴⁸. In general, in the past the sentiment appears to be that if it must be done it should be done in the least involved way possible, which explains the absence of a coherent defence industrial policy. There has been comparatively little written about the subject that is not purely factual and little attempt made at self-criticism in the field, which is a surprising contrast to the situation in France and Britain.

In the past German governments have followed two paths to deal with the armaments policy question. Firstly, they attempted to sanitise the process by making it a mechanical following of rules and procedures rather than a political process. Indeed, the Germans are most uncomfortable in an organisation like OCCAR, where new standard rules are being formulated, as it means leaving their own well-worn track⁴⁹. This means that efforts at making the process more efficient tended to mean just adding further layers of regulation to an already over-regulated system. This led to inflexibility and lack of

⁴⁸ The uncertainty surrounding German armaments policy was mentioned by many of those interviewed in Britain and France.

⁴⁹ I owe this point to a discussion with Bob Godbold at OCCAR in November 1998.

initiative⁵⁰. However, it should be noted that rules have been interpreted as required to fit the political necessity, with the exception of the need for parliamentary approval. This tended though only to happen in high-profile cases, which involve international co-operation, and generally the rules were followed meticulously. Angus and Greenwood's 1980 commentary on procurement procedures still seems valid in many ways,

"It has to be said at the beginning that they are rather complicated arrangements. Nor is their complexity solely attributable to a German penchant for the rigorous, formal, well-defined way of doing things. It reflects also political and economic impulses. The insistence on accountability noted earlier - and the apprehensions about military and industrial interests conspiring to subvert liberal democracy in which it is rooted [sic]- has prompted the Federal Republic to establish a particularly transparent set of procedures, and one generously endowed with checks and balances." (Angus and Greenwood, 1980: 8-9)

The second ploy was to submerge a national policy within a multinational or European framework. The logic behind this is perhaps flawed, as the pacifist objections to military force are as valid in a multinational framework as they are in a national one, but it does dilute German fears of a revival of militarism in their country. It is also a useful political ploy to overcome domestic political problems as after all,

"The Europeanisation of domestic policy, in essence exporting policy issues out of the domestic policy arena, is a significant resource at the disposal of national governments under siege from domestic pressures." (Henson and Malhan, 1995:129)

The argument that it is necessary to appear to be a reliable partner in international alliances (*Bündnisfähigkeit*), especially NATO, has allowed German governments much more freedom of movement in armaments affairs than would otherwise have been

⁵⁰ This is seen as the biggest problem for industry in the procurement process as there are frequent administrative delays. This point was made by Tim Meyer of the BDI in an interview in November 1998.

possible. The original rearmament programme, for example, would have been unlikely to be politically acceptable, had it not been for the incentive of binding Germany further into the Western Alliance. The need to maintain a European defence industrial base for the good of the Common Foreign and Security Policy, and therefore the need for a German defence industrial base so that Germany can be a full participant, has been used more recently as an argument to silence critics who wanted to see higher levels of disarmament and conversion in Germany after the end of the Cold War (Mey, 1993: 1). Moves towards the creation of a European force may be used as the justification for raising expenditure on defence in the future. This policy of submerging the national policy in a multilateral framework helps to explain why so many of Germany's major procurement ventures are collaborative in nature. In general then, the characteristics that have been most noticeable about German armaments policy, are these efforts to depoliticise and denationalise the process to the greatest degree possible.

As far as state-defence industry relations have been concerned Germany has also had a special model. The consensual nature of the relationship has been clearly tied to wider industrial policy but motives are also different. Thus it is the desire to be at the forefront of technological innovation in the civilian sector that drives German policy in the defence industrial sector, rather than the more traditional concerns of security and global influence found in Britain and France. This is particularly important given Germany's fears that it, along with the other European countries, is falling ever further behind the United States in areas of high technology. This high technology is expected to

be vital in civilian industry in the next decades. There is lip service paid to the idea that Germany should preserve all sectors of defence industry in order to maintain its freedom of movement in security policy but this seems less vital than in other countries. This could be related to Germany's broader definition of security, which places less emphasis on armed forces, preferring aid and trade as defence tactics. Their interest is more to ensure that all areas of defence industry exist across the European Union to ensure the capabilities of a Common Foreign and Security Policy. Therefore, we have a picture of a succession of governments willing to defend and assist certain sectors of defence industry in order to further their general technological policy but not especially protectionist of defence industry in general.

The German model is no military-industrial complex. Although, clearly the government as the prime consumer (often the only consumer) of defence products plays a more ambiguous role in this setting than normal, there would seem to be no difference in the relationship between the German government and DASA for example, than with the representatives of other major German industrial firms, which are also seen as vitally important players in German success. The degree of consultation seems perhaps to a British eye unusually high, but this is a vital part of the social consensus upon which German industrial policy rests.

The most notable difference in German defence industrial policy though, in comparison with its allies, is on the question of exports. While the Germans see exports as an economically useful way to reduce production costs by increasing the size of the

product run, they do not see them as a tool of foreign and security policy in the same way Britain and France do. This has been the case since the earlier disasters of military aid previously described. This is apparent not only through the restrictive policies enforced, but also because there is a willingness to allow jointly produced products to be exported through the other partner's government. Most importantly though, is the fact that Germany is often unlikely to gain really large defence contracts, because of the unwillingness or inability of politicians to become involved in the process of negotiations. While this was not such a problem during the Cold War when a purely commercial transaction⁵¹ without political strings attached was often welcome, it is now noticeable that the German refusal to use exports as part of foreign policy loses them business (Military Technology, 1998: 63). The purchasing government now expects representations from the very highest level of the exporter's government. This refusal is typical of the German distaste for the armaments industry as a whole and the politicians' dislike of being seen to be linked with something that brings public opprobrium.

Since reunification, the pressure put on Germany by its allies to become a 'normal' partner has intensified, and has threatened the continuation of the special German armaments policy model. German politicians have found it difficult to choose between their liking for being seen as *bündnisfähig* (capable of alliance), and their unwillingness to spend more on the defence sector or to change their stance on international relations. It seems that there is no societal consensus in favour of major

⁵¹ It is perhaps typical of the German attitude on this issue that it is very difficult to trace arms exports in their overall export statements. Arms exports are not listed separately as they are in most countries but are included in general industrial exports.

change, as can be seen by the slow, cautious path of reform. Germany seems likely only to 'normalise' slowly. In the past, the Europeanisation of such policy issues has been used as a solution, but the quickening of integration in this area is pushing Germany towards a more activist military role than is wanted. In conclusion, therefore there would seem to be many difficult decisions ahead for German politicians and their future policy orientation remains unclear.

Chapter 7: Policy Culture Continuity or Change?: Can a Common Armaments

Policy be Envisaged?

Introduction

It has been shown that the different national armaments policy cultures affect collaborative projects, even if common practices are agreed, and that this matters in a common armaments agency such as OCCAR. The thesis has also shown that there have been, in the past at any rate, distinctive national patterns to armaments policy-making in the three countries considered. It is now time to return to the second research question. Are there still distinctive differences in national armaments policy cultures in Western Europe, or have the common pressures discussed earlier brought convergence since the end of the Cold War? The hypothesis was that if convergence has not occurred, an organisation like OCCAR is unlikely to succeed. This concluding chapter will bring together the strands of debate opened by the three country studies. It will consider the responses of the three countries to the pressures detailed in the introductory chapter, in order to discuss, whether there is a level of convergence in policy, or whether there is evidence of continuity in national strategies. Thus, it will question the type and extent of integration occurring in the armaments sector. It will look at the three areas outlined in chapter three to answer this question; state-defence industry relations, strategic culture and defence procurement bureaucracy. Through this analysis the answer to the underlying question, of whether OCCAR will succeed, should be found. The chapter will then consider how the research could be extended in future to offer further insights into the research questions. Finally, the wider implications of the research will be discussed.

State-Defence Industry Relations

At the beginning of the 1990s there were substantial differences between British, France and German models of state-defence industry relations. The French and British models could be seen as two ends of a continuum. The British government claimed not to have a defence industrial policy at all, concentrating instead on obtaining maximum value for money in defence procurement. By this time they had also privatised their major defence firms. The French on the other hand, had achieved an almost seamless interweaving of defence industry and state and much defence industry was still nationalised. The German government could be found in the centre of this continuum. Although their defence firms were private, general government-industry links were much closer than in Britain, and the defence sector, like any other, benefited from the consensual industrial relations system (*Mitbestimmung*). There was therefore little agreement of how defence industry should be managed.

All three countries had faced the same pressures on their defence industrial policy during the 1980s. These pressures arose largely because of the conjunction of the technological revolution in electronics and changes in economic thinking. The technological revolution meant that defence technology lost its traditional edge over civilian technology, and became a much less crucial part of high technology, thus making it less important to the economy. A change in general economic orthodoxy (at its most extreme in Britain) pushed governments towards the establishment of competitive markets and removal of state control over production, rather than intervening in the supply side. The Single European Act not only moved the three

countries towards deeper economic integration, but also embraced this neo-liberal practice and sought an end to the national protection of public sector industries like energy and telecommunications. This too made the protected position of defence firms look increasingly anomalous. Finally, just as the advances in technology increased the costs and complexity of defence equipment, all the governments began to try to bring defence spending along with other public expenditure under control. All of these pressures meant that defence industry had to be dealt with more efficiently.

The governments responded in different ways. Efforts were made to reform procurement practice, most notably in Britain with the Levene Reforms, in an attempt to make firms more competitive. Britain also tried to break the state-defence industry link through privatisation, and the threat of purchasing from foreign firms if they offered better value for money. All three countries tried to consolidate their defence industry thus creating national champions. This approach was carried out most vigorously by the German government, which effectively condensed most of their defence industry into the one firm DASA. The French and the British states increased their efforts in the arms export market, thus trying to allow for economies of scale in defence production. In effect, their strategies can be summarised as follows. The British government used the market to make their firms more competitive and allowed firms to collapse, while encouraging exports. To all intents and purposes they tried to make defence firms more like normal firms. The French solution was to harness the power of the state. Although they did distance state and industry somewhat, they directed the consolidation of defence firms into national champions, and put the

power of the state into supporting these firms on the world market. The German government also directed the process of consolidation, but reaffirmed their commitment to multinational collaboration as a way of saving money. Arms export increases were not an option, because of prevailing political beliefs. By the mid 1990s these different choices had hardened into distinct national paths.

The ending of the Cold War brought the end of a common threat, and consequently, armed forces lost their primary importance to the Western European countries. Defence budgets were continually questioned, and cuts were required to produce the expected peace dividend especially in Britain and Germany. Reforms to defence industrial policy in the United States meant that American firms were not only much more competitive, but also more aggressive on the world market as they reformed to survive. The partial solutions, described above, had still left Western Europe with massive over-capacity in the defence sector, and the strategies of further national consolidation or increasing arms exports were as unfeasible as raising defence budgets. In addition, the ending of national monopolies, through European economic integration in other public sectors, made the resolutely national character of defence firms look increasingly odd.

Finally, the three countries had to cope with another common challenge: the 'globalisation' of defence industry. Already by the mid 1990s, there had been challenges to the "sanctity of national ownership" (Walker and Gummett, 1993: 12). Companies had acquired shares in other European firms, and joint structures such as Euromissile had been set up for specific collaborative projects. Moreover, the moves by the governments in the 1980s to solve their problems had allowed defence firms to

see themselves as firms rather than just creatures of the state. This pattern can even be seen in France, which retained the closest links between the firms and the state, as many remained nationalised. This was clearly not a unique problem, as de Vestel writes,

“In this area as in others, the Europeans are faced with the difficulty of reconciling the internationalisation of a public sphere of activity and its democratic control.” (de Vestel, 1995: 114)

but the special association of defence production and national sovereignty makes managing this change more sensitive.

In effect, this new attitude on the part of the firms has liberated them from being so subordinate in the state-defence industry symbiotic relationship. The consolidation and efficiency measures, taken in the 1980s and continuing into the 1990s, have made them much more attractive to external investment, so their reliance on the state is no longer so great. The continuation of symbiosis in the relationship is not questioned, merely the balance of the relationship. It has, in conjunction with the other pressures, forced all three states to reconsider their relationships with defence firms and their defence industrial policies.

In essence, what this reconsideration has produced, is a shrinking of the scale of difference between the countries. They have always had a common objective,

“to maintain efficient, technologically dynamic, defence industries which are able to produce equipment that defence ministries wish to buy.”
(Walker and Gummett, 1993: 29)

but agreement on the means to this end has been lacking. This was acceptable when this objective was fundamentally national, but by the late 1990s, a European

dimension was clear¹. The governments were no longer considering how to achieve this objective nationally, but in order to avoid complete dependence on the United States, at the European level. The French government recognised that, if its firms were to participate in European mergers, they would have to be privatised, as state control was unacceptable for British and German firms. As a result, the level of state involvement in defence industrial matters was decreased, and some state holdings in defence firms sold off. The British government realised that continuing to alienate their defence firms was counterproductive, if they were to retain any element of control over the internationalisation of the defence equipment business. They decided to increase state-defence industry links, and to take account of defence industrial issues in procurement decisions. Both countries moved towards the German position, of having a close relationship to defence firms without controlling them. At the same time, both Britain and France moved away from the objective of autonomy in defence production, towards an acceptance of multinational projects for major weapons systems. On the surface therefore, there has been considerable policy convergence during the late 1990s. Differences remain, but they are more frequently questions of emphasis rather than deep ideological differences. The British government, for example, likes to emphasise its willingness to collaborate with the United States; if that offers 'smarter procurement', but in practice decisions have been increasingly in favour of European projects². Therefore, it can be argued that there is no substantial

¹ The reasons for this European dimension are discussed in greater length in the introductory chapter.

² See for example the 2000 decisions to purchase Meteor and the A400M aircraft instead of American bids.

policy divergence, and that increased co-operation in defence industrial matters should be possible.

However, there are two potential problems with this optimistic scenario. Firstly, we need to question the extent to which the three countries have really abandoned the national framework in favour of a European one. Certainly, the emergence of transnational consortiums, subsidiaries and companies has blurred the issue of national ownership and workshare, but the issue still exists. The decision of the French to pull out of the MRAV project over the issue of an adequate workshare for the ailing GIAT shows this tendency. The Schröder government's tendency to announce reductions in up-front purchases of projects such as the Trigat MR missile, while demanding the same workshare for German firms is another example. The emergence on the European defence industrial scene of a British pillar (following the BAe / GEC merger) and a Franco-German pillar in EADS has added to the potential of this problem³. For the British too, the question of potential clashes between the Smart Procurement philosophy and the desire to participate in armaments collaboration may prove hard to solve, as the July 2000 decision to pull out of the Trigat missile project showed. The extent to which domestic economic issues (such as the protection of jobs in key electoral constituencies) affect procurement decisions should not be underestimated.

Another factor, that still plays a part, is the way in which defence procurement officials identify with national firms. There are strong links between firms and

³ The emergence of these two pillars is somewhat ironic as until Spring 1999, commentators were widely predicting an Anglo-German pillar. Such a structure might have been more viable, as similarities in working practices and business philosophy were somewhat greater, between BAe and DASA, than between the French and German firms.

bureaucracy through the practice of *pantouflage* (the moving from state to private sector throughout a career), which is prevalent in France but also in Britain. Discussing the European market in dual-use goods, where multinational firms exist, Martin, Hartley and Cox argue that there is often a close working relationship between bureaucrats and domestic suppliers.

“Both tend to have the same or a similar national cultural ethos and, where it exists, any network of their predecessors extending throughout industry serves to remind bureaucrats that future career developments could bring them into ever closer relationships with domestic firms (in an employment, consultative or regulatory role): hence bureaucrats might consider that their interests are similar to those of domestic industry.” (Martin, Hartley and Cox, 1999: 59)

They argue that this inhibits the development of a true single market in dual-use goods within the European Union. The new belief in multinationalism and the ending of purely national ownership of defence firms do not mean that national interests will suddenly disappear. Even if all major contractors become multinational in the near future, the problem would still exist in respect of smaller sub-contractors.

Secondly, and perhaps more importantly, the strategy that the governments have adopted needs discussing. Essentially, the governments through the Letter of Intent on defence industrial restructuring and subsequent Framework Agreement, the setting up of OCCAR and the encouragement of research co-operation, have tried to transplant the patterns of the national state-defence industry relationship to the European level. They have not really considered the changing nature of defence firms. As Markusen (1999) warns, in a thought-provoking article, the possibility of global defence firms is very real. She envisages a situation where governments, in this case the American government, are forced to select weapons from what the firms are

producing rather than directing production. In such a case, the efforts of the Western European countries to achieve a large enough market, to make the weapons they specifically want, would be useless. Technological advances are making it increasingly difficult for governments to control firms, so this is a plausible scenario, although it is hard to envisage nation states accepting such risks to their security. What is more likely to be a problem for the European countries is that, although the governments have decided that they wish to maintain a European defence industrial base, firms may have different ideas and wish to increase their transatlantic linkages. The inability of the British government to prevent the BAe / GEC merger, even though it was not what they wished, stands as evidence of this pattern. The changing nature of the state / group of states-defence industry relationship is something of which policy-makers need to be aware. We can argue therefore, that although substantial progress have been made both concretely in actions and in policy convergence, European defence industrial co-operation may not be as straightforward as it may seem.

Strategic Culture

Each country studied has a distinctive strategic culture as was argued in chapter three. There are nationally specific attributes of security beliefs and policies generated by historical experience. There are also shared attitudes and beliefs, which inform policy-making, and continuities and trends can be observed. During the Cold War certain patterns emerged in the three states. Britain had a professional army and was proud of both its military tradition and continued prowess. It continued to play a

global security role after decolonisation through its permanent seat on the United Nations Security Council, its nuclear power status and the special relationship with the United States in NATO. Successive British governments prized this special relationship ahead of any European loyalties. Britain followed the lead of the United States and so was interventionist in policy. France was also relatively interventionist both through the United Nations and in its relationship with its former colonies. It too enjoyed its role as a global military and nuclear power. However, in contrast to Britain, France rejected the transatlantic alliance and followed a largely autonomous path in both security policy and weapons production. French governments maintained a large conscript army to ensure their autonomy still further. France only left this autonomous stance if it saw a chance, through the Franco-German security relationship, of fostering a European security alternative to what they regarded as American domination. Germany, in contrast to both, was in no sense a military power. The country had been reluctant to re-arm remembering both the National Socialist era and Wilhelmian militarism. The *Bundeswehr* was largely based on conscription (the idea of the citizen in uniform rather than professional soldiers) and the primacy of civilian rule over the army was maintained. The *Bundeswehr* was to play an entirely defensive role, and it was thought, was prohibited constitutionally from out-of-areas action. German governments were always keen to dilute the national element of defence policy still further and so were keen on multilateral initiatives. They also were enthusiastic both about European security initiatives and the transatlantic relationship and contrived to successfully balance close relationships with both France and the United States.

The end of the Cold War brought uncertainty to all three countries, and forced them to reconsider their policy options. The absence of a common threat in the shape of the Warsaw Pact countries, or indeed any direct threat, meant that defence spending cuts were inevitable as inflated budgets could no longer be justified. The sense too that co-operation rather than confrontation of former enemies was the way forward, meant that there was a public sentiment in favour of major defence cuts. However, at the same time, the break-up of Yugoslavia and rising ethnic and nationalist tensions, not only in Europe but also globally, brought new types of security problem into consideration. All three also had to reassess their relationship to the United States, as it was clear that Europe was no longer as vital to the Americans as it had been during the Cold War. Therefore all three countries have, at different times and with different intentions, carried out defence reviews aimed at reforming their defence policy into a version suited to these new challenges. This has led to changes naturally in their strategic cultures, which have had to respond to the changes in security environment.

Britain has perhaps changed the least of the three countries. Despite various defence reviews, perhaps the most important being the 1998 Strategic Defence Review, there has been little real change in Britain's definition of its interests and priorities in strategic matters. British governments have cut defence budgets but have maintained that, it is appropriate for the UK to maintain a full spectrum of war fighting capabilities, even though the type of missions may be subject to change. Certain assumptions have remained current in policy-making; the centrality of the Atlantic Alliance to Britain and Europe's security, the importance of remaining a

credible nuclear power and the importance of maintaining the quality of the UK's military personnel.

Where Britain has changed, is in its attitude towards Europe in defence matters. Traditionally, Britain has been antipathetic towards the development of a European Security and Defence Identity. In the late 1990s though, an increasing divergence between British and American security interests and policy, continued embarrassment at European impotence in the former Yugoslavia and the recognition that unless the Europeans carried more of the burden NATO was at risk has brought a change in policy. The 1998 Franco-British Saint-Malo Declaration reinvigorated the debate about ESDI, and subsequent British initiatives have helped to formulate plans for an EU crisis-reaction force. As has been mentioned throughout the thesis British governments have also been enthusiastic participants in European armaments co-operation initiatives. The British government has though yet to relinquish its hold on the 'special relationship'. Ingrained Atlanticism for example has led to bilateral agreements on enhanced defence industrial co-operation in 2000. Commentators have also suggested that the Blair government and the Foreign Office are still somewhat more enthusiastic about increasing European co-operation than the Ministry of Defence. Nevertheless, change has occurred, and there is certainly more openness towards Europe, than has previously been noted.

France, in comparison, has made the greatest changes to its defence policy during the 1990s despite a slow start. Its government has moved away from Gaullist autonomy in defence matters towards a resolutely multilateral European approach. The 1996 decision to professionalise the armed forces, showed a predisposition

towards co-operation and integration of armed forces, which is far removed from the traditional policy constants of sovereignty and independence (Duhamel, 1999: 215). This change in attitude (in spite of the tendency to reinvent French policy as European policy) has marked a major change in French strategic culture. France has even shown a willingness to accept that NATO (and therefore the United States) will continue to play a role in European security. The other major policy change has been the change of emphasis from nuclear to conventional weapons. The decrease in importance of the highly symbolic nuclear weapons programme in favour of conventional weaponry shows again the move away from autonomy towards co-operation.

France, in making these changes, has accepted that their old policy of autonomy could not be continued. The relative under-performance of French troops and equipment in the Gulf War may have been the final straw. France too, like Britain, felt strongly that the impotence of European forces in the former Yugoslavia could not be continued. Nevertheless, the enormity of these changes should not be underestimated. As is argued in chapter five, the tradition of autonomy in French defence policy predates Gaullism, and so abandoning this tradition was clearly going to be difficult. Previous attempts, such as the European Defence Community in 1954, floundered, in part at least, because of French inability to make this philosophical change. France has, in essence, tried to rewrite its strategic culture as far as policy is concerned; it remains to be seen how this operates in practice.

Germany has, in some ways, changed a great deal in the 1990s about its defence policy, but in other ways it has changed very little. On the one hand German troops now participate in out-of-area actions in a way that would have seemed

unthinkable in the 1980s. On the other hand, the 1999-2000 debate about conscription has shown how much distrust of militarism remains in German society. It has taken nearly ten years for a clearly obsolete concentration of resources on territorial defence to be tackled, which shows the impact of history on German defence policy⁴. It can be argued in fact that despite moves towards 'normalisation' Germany maintains a preference for a civilian power outlook.

In many ways therefore, what at first seems like a major change for Germany, can also be analysed as acceptance of some German priorities by other European countries. Germany, for example, has long managed to balance enthusiasm for a European defence identity with an appreciation of the necessity of NATO and German governments have always encouraged the integration of military forces; these are now accepted policies throughout the Western Europe. What has changed about German strategic culture is that, there has been an enforced move away from passivity in policing world and European governance towards recognition of German responsibility and duty. German governments cannot just underwrite the cost of peacekeeping or enforcement operations any more as their participation is expected. However, there is still a long way to go before a more activist stance either by Germany or the European Union is genuinely accepted by all German politicians or the general public.

These changes have opened up a new set of relationships on defence matters between the three countries. Previously, the Franco-German relationship had dominated all security and defence co-operation. Now, that relationship continues to

⁴ In defence though it should be mentioned, that Germany had to merge two armies with very different cultures following reunification, which naturally concentrated efforts in the early 1990s.

affirm a supranational European defence identity, while the Franco-British relationship pushes developments in the intergovernmental sector and finally, an Anglo-German relationship ensures that NATO remains a constant in the equation (Salesse, 1997). Progress is more possible because of the changes in security policy made in the 1990s. However, these changes have served to underline the similarities between the British and French positions and the difference of German strategic culture. Even if Britain and France accept that they can no longer carry on the role of autonomous military powers, and have turned towards Europe, they are not likely to accept the very limited military role for the EU, envisaged by Germany.

Moreover, although substantial policy changes have been put in place in both France and Britain, which on the surface change their strategic cultures considerably, these changes have not been tested in action. Therefore, it is very difficult to say, whether the underlying traditions will prove stronger than the policy changes in times of crisis. It is, for example, very easy, to envisage a situation where Britain would break ranks with the rest of the European Union in order to strengthen its relationship with the United States at a time of crisis. It is also very possible to imagine a situation, where France decides to act unilaterally as a go-between in the Middle East for example. It is therefore, too soon to judge the extent to which policy change in the 1990s has really affected the underlying strategic cultures.

What does this mean for armaments policy co-operation? There do seem to be increasing numbers of likely common requirements especially for Britain and France⁵. However, the historically different evolution of their armed forces does mean that,

⁵ Although this may be superseded by a joint EU 'shopping list' as plans for the Rapid Reaction Force gather pace.

precise replacement schedules are likely to differ for some time to come. Germany remains a more difficult case. Although German requirements are likely to begin to resemble those of Britain and France more closely, their budgetary problems mean that Germany is unlikely to be able to participate in all projects. Defence Minister Rudolf Scharping's 2000 plans for the reform of the German armed forces do not explain how the difference in funding and ambition is to be achieved with any conviction, even if efficiency savings can be made. There is a recognition that even now German troops are poorly equipped, but this is matched by an unwillingness to spend more on defence⁶ (Hoffmann, 2000; *der Spiegel*, 2000). It seems therefore, that Germany's halfway house solution to its defence policy problems is unlikely to lend clarity to the picture of future armaments policy co-operation. The more likely partnership is France and Britain, but this would then clash with the emerging defence industrial poles in Europe. Equally, unless Britain makes a binding commitment to Europe, the political strength of the Franco-German relationship should not be underestimated. The changing pattern of partnerships between the three countries is a fascinating one but does not clarify the situation.

Defence Procurement Bureaucracy

The three countries studied have very diverse state traditions and view the role of the state differently. This has led to problems in collaborative projects in the past, but the *ad hoc* nature of the projects has allowed compromise or duplication as a solution. As Walker and Gummett point out though, the clash of bureaucratic

⁶ There is also reluctance to make certain cuts. Closing down barracks (*Kaserne*) is seen as a regionally sensitive matter as conscripts in particular wish to train near home.

traditions and interests becomes more important, the closer one gets to decisions over autonomy and sovereignty in armaments policy co-operation (Walker and Gummett, 1993: 28). This has been an issue in setting up OCCAR's procedures. This problem mirrors former problems with civilian procurement. This was solved by the Single European Act, which, by concentrating regulatory authority in Brussels, lessened the relevance of different national traditions. OCCAR was clearly an effort to implement a similar solution. The difference however lies in the interweaving of armaments procurement with the concept of sovereignty. This makes it much harder to dismiss the different national traditions, particularly as, unlike in the EU, secondments from national procurement agencies seem to be envisaged (House of Commons, 1999c: 8 and 11). What are therefore the main differences between the national procurement agencies?

It would seem important to begin by stressing the similarities. As far as general procurement procedures are concerned, there are considerably fewer differences than may be thought. Whereas in the past, there was a notable difference between the more systemic procurement practices of the British and Germans and the politically influenced French system, changes to the French procurement model have lessened this difference considerably. Actual processes and procedures can be agreed upon as OCCAR shows. It can be argued, however, that considerable differences remain in four areas; definition of requirements, accountability, the identity of the procurement agency and the way in which the agency acts as an interface between the military and defence industry.

The definition of requirements question relates back to ideas about strategic culture. Militaries are very conservative organisations and their views on equipment are related to their nationally specific experiences of combat. Thus, even if a need for a tank is simultaneously agreed in all three countries, the separate armies are very unlikely to want the same tank. The militaries in Britain, France and Germany remain very different in their make-up. Geographical position might also affect choice, as it might change the time a country has to react to an attack from a perceived threat. Manning constraints in different services can also affect, for example, whether a single or two-seater aircraft is preferred. Reliance on conscripts tends to mean a predisposition towards simpler equipment. Even political sensitivities play a part. Germany, for example, has been traditionally unwilling to purchase deep strike bomber aircraft as this might signify aggression (Hayward, 1997: 9-10). These doctrinal differences are much more important to large military powers, than to smaller ones who are more accustomed to purchasing 'off-the-shelf' equipment. Thus, it becomes very difficult to unpack the national specifications to find a common requirement. This is made even more difficult, because all three countries have identified problems of communication between the military and *procurement officials*, which means that the negotiators may not fully understand their military's specific needs as opposed to desires. This issue of requirement formulation is therefore likely to remain problematic, unless the planned EU Rapid Reaction Force manages to drive the issue forward.

The second issue that seems to remain problematic is that of accountability. Ideas about accountability vary considerably between the three countries.

Accountability is seen as very important in Britain and Germany. In Germany, not only is procurement specifically codified, but parliamentary accountability further restricts the freedom of defence procurement officials to make decisions. The need for the *Bundestag* to consent to even quite small-scale procurement projects on an individual basis is unparalleled in either Britain or France. This reflects both the relative strength of the Parliament vis-à-vis the Executive and the mistrust of militarism inherent throughout German society. In Britain, on the other hand, the frequently very critical reports of the House of Commons Select Committee on Defence have very little impact on decisions. The two countries have very different tendencies when it comes to regulation. In Germany, the tendency is always to legislate, which reflects the deep German respect for the law. In Britain, on the other hand, the tendency is towards auditing to enforce proper conduct. There is a prevalent 'audit culture' in British politics, which affects the defence procurement sector as much as any other. France, in comparison, has never paid great notice to these issues of accountability. To some extent this can be explained by greater tolerance towards corruption in France, but it is also important to note that while defence firms were state-owned, all of the money passing between the DGA and firms remained in state hands, so the issue was not so important. The issue of accountability remains important to both the British and German governments and has yet to be fully resolved.

The next issue is that of the identity of defence procurement agencies. Again there are differences between the three countries. In Britain, the civil servants of the Defence Procurement Agency regard themselves primarily as part of the Ministry of

Defence and see this as the important part of their identity (House of Commons, 1999c: 8). There is no real different selection procedures or formal training for procurement officials than for other MoD officials or really civil servants in general. Thus, there is a tendency to identify with firstly, the Ministry of Defence and secondly, the civil service in general. In Germany, there is a marked differentiation between those officials formulating policy in the *Hauptabteilung Rüstung* and those implementing it in the *Bundesamt für Wehrtechnik und Beschaffung*⁷. BWB officials seem to identify themselves much more clearly as a separate agency. There seems also to be a clearer delineation than in Britain between contract officials (lawyers) and project managers (engineers). This reflects the different employment practices in the two countries; Britain recruits generalists with any degree into its civil service whereas in Germany the degree subject is required for different jobs. The situation in France is different again. The corps of armaments engineers dominates the *Délégation Générale pour L'Armement*. This corps is so powerful that it competes as an equal with the military chiefs (Kolodziej, 1987: 277). The long and specialised training its members have received strengthens its common ethos. Its members are not only in the DGA but also head the major French defence firms. Members appear to see their identity and loyalty primarily to the corps rather than the organisation they work for. What does this mean for armaments co-operation in OCCAR? Clearly the training, and therefore outlook, of the various national officials who will work for OCCAR is very different. Where there is a sense of loyalty to something other than the

⁷ As the new private agency GEBB, for non-military *Bundeswehr* procurement, had, at the time of writing, only been in existence for two months the likely composition and identity of its staff could not be forecast.

organisation they work for, the level to which this will be subsumed in a new identification with OCCAR, must be questioned. In essence, these differences may make it harder to build a procurement culture in OCCAR, although it can be argued that this has been achieved in the EU.

The final issue is how the agencies deal with their role as an interface between the military and defence industry. In Germany, the military are constitutionally prohibited from engaging in the process of defence procurement. In Britain, on the other hand moves have been made to include seconded military officials in integrated project teams. The French armaments engineers are in fact part of the military. For the Germans, in particular, this could prove problematic. As was argued earlier too, the identification of officials with domestic industry can also prove a hindrance to the creation of a single market. The primacy of the role of providing the best equipment for the armed forces is also not always observed. The DGA's other role, as guardian of the national defence industrial base, has at times stood in its way of providing the best equipment possible for French forces. These differences in priorities could prove problematic in OCCAR.

These four categories of potential problems may prove to be relatively unimportant in time, as OCCAR establishes itself, but they should be noted as factors, which could prove divisive. If OCCAR proves to be a success, they probably will be overcome. There is though, one remaining question involving bureaucracy if problems emerge. That is the question of national continuity. When problems arise, the search for a solution will tend to go down well-worn national tracks. The French inclination towards state intervention in any crisis is matched by the British penchant

for a *laissez-faire* market-based solution, and the German tendency towards inclusive, consensual bargaining. This could prove problematic for OCCAR, as its role is the management of projects allocated to it by governments, and does not have therefore a policy-making role. Although countries will not be able to pull out of existing projects (without financial penalty), the question of what happens if the national policies on collaboration change, remains. If a major security crisis, or crisis in the defence industrial sector, emerges countries may react differently. This potential problem is intensified by the separation of OCCAR from the EU institutions. As a purely intergovernmental institution it remains vulnerable to national policy changes and unilateral action.

The Integration of Armaments Policy?

To draw the threads of this thesis together, we must return to the original research questions. Firstly, do cultural factors of the sort discussed in this thesis actually make a difference in international projects and organisations? The answer is clearly yes. Even in the late 1990s, when the pressure to collaborate was particularly strong, and new policy initiatives in the shape of OCCAR, WEAO, POLARM⁸, the Letter of Intent and its subsequent working parties were being brought forward, collaborative projects such as the Horizon frigate or the MRV were still suffering from country withdrawals. If we consider cases of projects being upset by major changes in orders the numbers rise still further. The reasons given fall into the categories outlined in this thesis; different perceived needs relate to the country's

⁸ POLARM is a European Council *ad hoc* working group on a European armaments policy. See Agstner (1998) for more details on the little that is in the public domain.

strategic culture, the need to protect a specific firm relates to different models of state-defence industry relations, and the somewhat nebulous excuse of different procurement practices clearly relates to the defence procurement agencies' differing cultures. Therefore we can argue that, even if policy states that collaboration is the optimal solution, these factors are clearly important in furthering or hindering such projects. OCCAR offers an alternative method of managing procurement, which should mean that such problems are minimised during the course of that project. The flaw is that OCCAR can only prosper, if new projects are put into OCCAR. Unless there is convergence between the countries on such things as

- the limits to which European defence industry should be protected from transatlantic competition,
- whether transatlantic co-operation through NATO should be encouraged,
- what the future role of their armed forces is, and what equipment is needed for this role and
- how defence procurement officials are held accountable for the project,

there are unlikely to be sufficient new projects. Politically symbolic collaborative projects can no longer be afforded. In 1994 the European Defence Industries Group (EDIG) claimed that there were two prerequisites to the successful creation of a European Armaments Agency. They were that,

- a) the "Political Will" exists within the national governments involved to grant the authority and funding to do its work, and
- b) the shape, size and type of the future European Defence Market be identified so that Industry can take the appropriate decisions. In this respect, requirements harmonisation is the cornerstone." (EDIG, 1994: 2)

These conditions still need to be met if OCCAR is to succeed.

Are there still significant differences in national armaments policy cultures in Britain, France and Germany? There has certainly been convergence during the 1990s but, although the three countries have chosen the same or similar paths, traditional assumptions and beliefs are proving more difficult to shed. Although policy learning can be observed, path dependency is almost as prevalent. For example, France still tends to intervene in industrial matters, and Britain continues to vacillate between the United States and Europe as its preferred partner while really wanting both. Convergence has also been patchy and this has produced interesting changes in the relationships between Britain, France and Germany. Early research for this thesis suggested a strong Franco-German relationship in developing joint procurement, while an Anglo-German relationship was flourishing in defence industrial matters. As Britain and France grew closer on strategic matters, meaningful co-operation on procurement issues has ensued between the two countries. Interviewees in France and Britain suggested that co-operation and understanding between the two countries had increased considerably. Both countries have been increasingly irritated by Germany's unreliability as a partner in the late 1990s, because of uncertainties about the future of the armed forces and budgetary shortfalls. The Anglo-German axis on defence industrial matters effectively collapsed in acrimony after BAe and GEC merged, leaving BAe's expected partner DASA out in the cold. The subsequent Franco-German merger of Aérospatiale and DASA to form EADS covered over substantial differences in approach, but the resulting company is poorly regarded by industrial commentators, who see it as a political symbol (Jane's Defence Weekly, 2000: 19). The durability of the Franco-German relationship in times of stress is remarkable as

French and German political leaders regard as so vital. As Howorth, writing about the establishment of OCCAR in a similarly stressful period, remarks,

“These meetings heard a constant refrain that the stakes for the whole of Europe were too high for the political will of the leaders not to prevail.”
(Howorth, 1997a: 42)

However, in armaments matters because of Germany’s increasing unreliability as a partner, the Franco-German relationship does not seem as stable as it did at the start of the 1990s.

Is there likely to be further integration in the armaments sector and of what type? The trend is definitely towards further intergovernmental integration, and the continuing convergence in the sector between the major players makes it even more likely. Change takes a very long time to implement in armaments matters, as many projects last for more than a decade, thus bringing almost inevitable institutional inertia. However, changes have now been made, in the three main West European arms producing countries, and these will spread throughout the policy-making and implementing community as time passes. There are though outstanding problems. For example, Germany needs to address an increasingly problematic gap between goals and resources, and Britain needs to decide whether to cast its lot with the United States or Europe. More importantly, there is a need to integrate the negotiations between the Letter of Intent countries on arms exports policy, defence research and defence industrial questions, with the debate within the EU on CESDP, which will shape future requirements. The confused framing of the armaments issue in the EU, on the one hand, as an intergovernmental CFSP issue, and on the other, as a neo-functional extension of the Single Market, has allowed non-EU intergovernmental

initiatives to take hold. However, there can be no long-term future in separating strategic planning and armaments issues. OCCAR may or may not survive such a process, depending on how thorny an issue losing *juste retour* proves to be for smaller countries, but the ideas which inform it are likely to be important in any future forum. The plethora of different initiatives both within the EU and outside it need though to be drawn together into a coherent policy setting, if the CESDP is to succeed. This will be difficult to achieve; even those countries in OCCAR are unwilling to relinquish national control further by establishing an EU procurement structure. It should be noted that even though progress has been made, an EU defence procurement agency looks difficult to achieve. It is easy to overestimate the integration that has taken place. As Molas-Gallart argues,

"On the one hand, western European governments are shifting their position from shareholders to purchasers. They are loosening their control over their national defence industries and placing them more in the market place. On the other hand, their export support measures, employment incentives, and most of their R&D input remains nationally based."
(Molas-Gallart, 1999: 40)

We need to understand the motivations of the states more clearly, if the existing initiatives are to be brought together in a common policy.

Future Research

There are several areas where this study could be extended. More research is needed on the attitudes of the smaller arms-producing states. Given that they have never really been autonomous in major weapon systems production⁹, are they more

⁹ As was mentioned in the introductory chapter, Sweden was the exception to this rule. It would be interesting to consider the Swedish case through the same analytical framework outlined in this thesis to see to what extent the Swedes have attempted to influence the policy debate in Europe. The

willing to import defence goods and less attached to indigenous defence firms than the larger producers? Do they accept the dominance of the major producers in directing the future course of co-operative ventures? Shifts in defence planning by Belgium, for example, in 2000 to ensure that they could take part in the LoI moves and OCCAR, suggest this may be true. What provision has been made for the arms producing countries of Central and Eastern Europe as they apply to join both NATO and the European Union? The future nature of EU-NATO relations is still unclear. There are a plethora of research questions to be raised in this field which will become increasingly relevant as the EU tries to develop a common armaments policy. Answering such questions would help in the development of an acceptable single policy setting for European armaments co-operation.

The other main area of potential future research that stems from this study is the need to understand more about the decision-making elite in the European armaments sector. There has been too much emphasis, notably in studies of the Franco-German relationship, on the role of high-ranking politicians. As this study has shown, the interrelationships of the military, top defence industry figures and defence procurement officials are in fact more important as they outlast politicians. In particular, the emergence of a European defence-industrial network needs to be investigated. This could best be done through a wide-ranging set of interviews with those involved in policy-making which increasingly includes industry. The research for this thesis, for example, suggested that the close friendship between top French and German defence procurement officials, at the time that a Franco-German armaments

contradictions of the Swedish position on defence are perhaps symbolised by Alfred Nobel, known for both the institution of the Nobel Peace Prize and the development of explosives.

agency was being discussed, not only speeded up the process, but also was ultimately more significant than the high level political contacts. Linkages between those involved in the extra-EU initiatives discussed in this thesis, and those involved in the EU policy-making process, such as the POLARM group, also need to be considered. Such a study could certainly cast light on the emerging institutional structures and on future policy decisions. It could also address the question of the EU's future role in the armaments sector, which would counterbalance the emphasis put on extra-EU integration in this thesis. Such a study would require in-depth interviewing of the participants but would add substantially to knowledge about this sector. The armaments sector is important to understand more thoroughly, as it impacts on debates about both European integration and globalisation.

The Wider Implications of the Thesis

This thesis clearly impacts on the wider European integration debate especially about the development of a European Security and Defence Identity. It does this in two ways. Firstly, the role in an CESDP of smaller arms-producing states, who are less significant defence players, has been called into question by the initiatives described in the thesis. Secondly, it suggests that there is a different 'core' group of states in the defence policy sector than in economic policy integration; this raises questions about the multi-speed Europe debate.

Under the plans discussed in 1999 in Helsinki and Cologne any crisis reaction force would have to be properly equipped. Equipping such a force would require enhanced co-operation on armaments issues such as common procurement, research

and production (Mörth, 2000: 182). The study suggests that considerable progress was made between 1995 and 2000 towards achieving such co-operation between Britain, France and Germany. As we have seen in this thesis, there has been a philosophical shift in public policy in the three countries studied to considering armaments policy at the European rather than national level. Government and parliamentary sources, in all three countries, now refer to the desirability of maintaining and enhancing the European defence industrial and technological base as well as the national base. Nevertheless, there is still some exclusivity about their definitions of European interests, which reflect their national interests. There has been integration but on their terms and to maintain their vital national interests. Smaller arms-producing countries have effectively been left out of the equation, with little option other than joining in the integration processes agreed by the major producers, without gaining a share in the direction of the project. Their feelings of exclusion, though, may prove more difficult to subsume, as the co-operation moves to the EU level, as progress on the creation of CESDP suggests it must. The relationship between progress on CESDP and the various multi-lateral armaments co-operation initiatives outlined in the thesis is unclear. The status of smaller states in the EU is being increasingly questioned by larger states. As decisions on further integration of policy sectors, which touch the heart of national sovereignty, are taken, larger states seem increasingly unwilling to allow smaller states an equal voice. The establishment of OCCAR outside the EU suggests that, the smaller states need to consider carefully their opposition to such feelings, if they are not to be by-passed completely.

Developments in armaments co-operation also relate to the wider debate on core and periphery in European integration. The core states in the defence sector are different to the core states in economic integration because Britain is included. This suggests that the vision of a group of core states progressing towards political integration, while others remain outside, proposed by Jacques Chirac among others, is somewhat problematic¹⁰. Defence policy integration would surely be involved in political integration. This suggests a prospect of a Europe *à la carte* which previously was not favoured by integration enthusiasts as an option for the future. There is a sense in which developments in defence co-operation seem curiously detached from the debate on European integration as a whole. While this thesis helps to fill this gap, it needs further addressing by both policy-makers and academics.

The thesis also joins the debate on globalisation. There are signs, that as global capital begins to take an interest in defence firms and transnational and transcontinental mergers become more common, defence industry is losing its special character. The ownership structure of European defence firms has become so complicated that purely national structures are becoming uncommon. This threatens the identification of states with their indigenous firms. It also threatens the state's directorial role over defence industry. However, what is interesting about this study is that it shows how contested globalisation is in this sector. There are evident tensions in the globalisation logic, as it is hard to say whether industry or the states are controlling the agenda. Both are certainly playing a role. States are in fact challenging

¹⁰ See for example the speech made by Jacques Chirac in front of the *Bundestag* in Berlin on 27th June 2000 referring to an advance group of group of states (Chirac, 2000).

these changes by embracing co-operation, which questions the often held assumption of globalisation as a given.

At present Britain, France and Germany are attempting to transplant existing national models of state-industry relations to the European level. The question of the extent to which firms will co-operate in this aim must though be asked. Can defence firms really overcome their reliance on specific states? If this is the case then the argument for the retention of Article 296 of the Treaty of Amsterdam has very little basis. Defence firms would have to be treated like other firms under Single Market legislation. This will also be the case if divisions between civilian and defence technologies continue to lessen. It should, though, be noted that this trend is somewhat contradicted by the tendency for firms to consolidate either their defence or civilian wings but not both. Nevertheless, the changes in the way that we conceive the defence firm offer challenges to academic analysis of the sector and need to be monitored through further research. In this Europe offers the ideal area to monitor such developments as it is both far advanced along this path of change, and does not offer such an ideal market as the United States and thus will be more affected by these changes.

So how should we theorise European armaments co-operation? This thesis has shown the importance of considering the cultures, assumptions and beliefs that lie behind policy statements. This approach is particularly important because the sector is often regarded as a technical 'nuts and bolts' add-on to security policy and not considered in depth in the European integration debate. A greater understanding of

this policy sector will be required if the Common European Security and Defence Policy is to prove successful. Developments in the 1990s in armaments co-operation have challenged assumptions about the automaticity of European integration because of their concentration on extra-EU intergovernmental co-operation. They have also challenged the assumption that states will not integrate those sectors that impinge directly on national sovereignty. The armaments sector has changed considerably in the 1990s, and will continue to change, but it seems likely that the future is deepened co-operation.

APPENDIX 1

Attributable Interviews

British Case Study

Godbold, Robert, Director of Contracts and Finance, Organisme Conjointe de Coopération en matière d'Armement, Bonn, 5th November 1998

Hayward, Keith, Director of Research, Society of British Aerospace Companies, London, 1st November 1999

Logan, Stephen, Assistant Director of Procurement Policy on OCCAR, Defence Procurement Agency, Bristol, 9th November 1999

Sharman, Alan, Director-General, Defence Manufacturers Association, Surrey, 1st November 1999

Taylor, Trevor, Head of Department of Defence Management and Security Analysis, Royal Military College of Science Cranfield University, Shrivenham, 6th January 2000

French Case Study

Boureau, Luc, Armaments Attaché, French Embassy, London, 5th May 1999

Favin-Leveque, Jacques, Managing Director, Groupement des Industries Concernées par les Matériels de Défense Terrestre (GICAT), 17th June 1999, Paris

Guetin, Xavier, European Affairs Division, Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS), 28th June 1999, Paris

Prats, Olivier, Former Tiger Project Manager, Délégation des Affaires Stratégiques Ministère de la Défense, 15th June 1999, Paris

Roudier, Philippe, *Principal d'Armement* and Director, Bureau des Programmes en Coopération Délégation Générale pour l'Armement, 24th June 1999, Paris

German Case Study

Göbel, Thomas, Engineer in Research Section, Bundesamt für Wehrtechnik und Beschaffung, Koblenz, 1st December 1998

Kölsch, Friedrich, Finance Section, Organisme Conjointe de Coopération en matière d'Armement, Bonn, 5th November 1998

Meyer, Timm, Defence Industry Division, Bundesverband der Deutschen Industrie, Köln, 27th November 1998

Queisner, Hans-Joachim, Ministerial Adviser (International Agreements), Hauptabteilung Rüstung Bundesministerium der Verteidigung, Bonn, 2nd December 1998

Schwind, Friedrich, Project Manager TIGER, Organisme Conjointe de Coopération en matière d'Armement, Koblenz, 1st December 1998

Spude, Mathias, Deputy Manager of the Bundesverband der Deutschen Luft- und Raumfahrtsindustrie, Bonn, 22nd October 1998

Weske, Hans-Heinrich, Defence Procurement Director, Bundesamt für Wehrtechnik und Beschaffung, Koblenz, 1st December 1998

Appendix 2: Diagrams of Defence Procurement Structures and Procedures

Figure 1: UK: Organisation of the Defence Procurement Agency
(Kausal *et al*, 1999: Chapter 3 Figure 4)

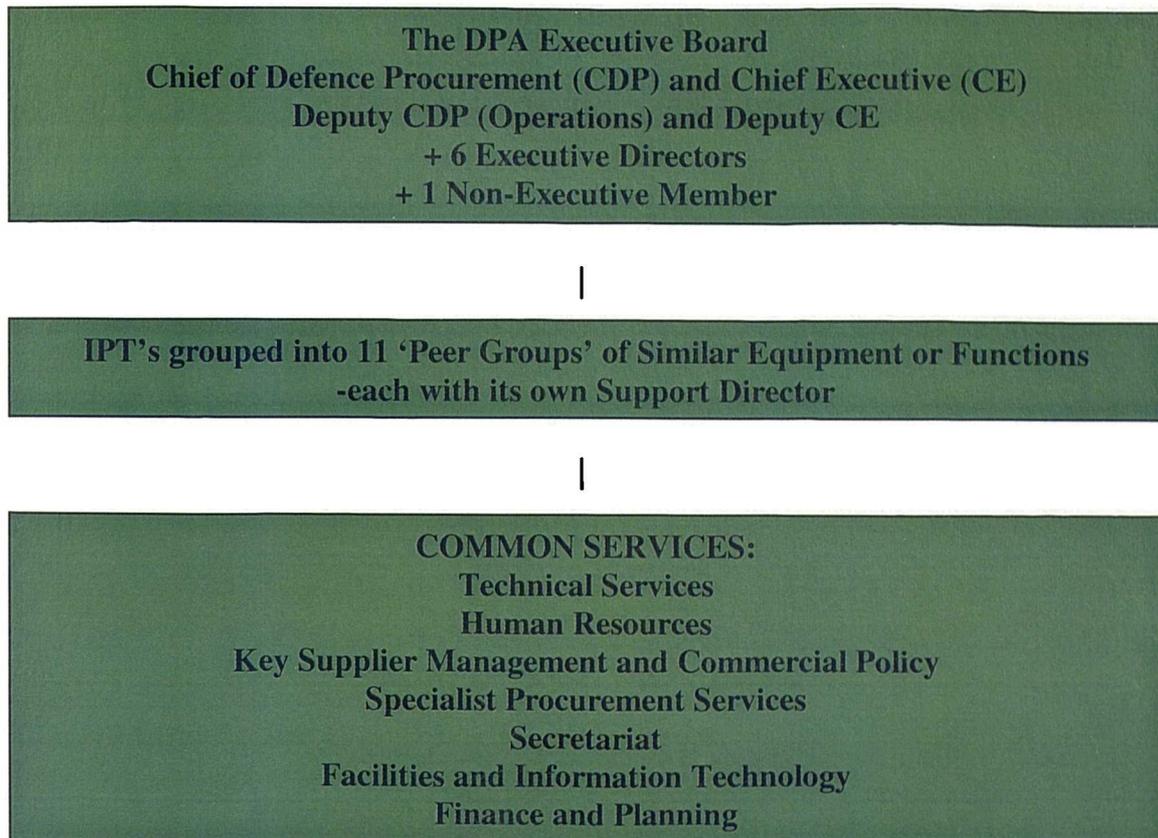


Figure 2: UK Acquisition Procedures
Adapted from Kausal *et al*, 1999: Chapter 3 Figure 6)

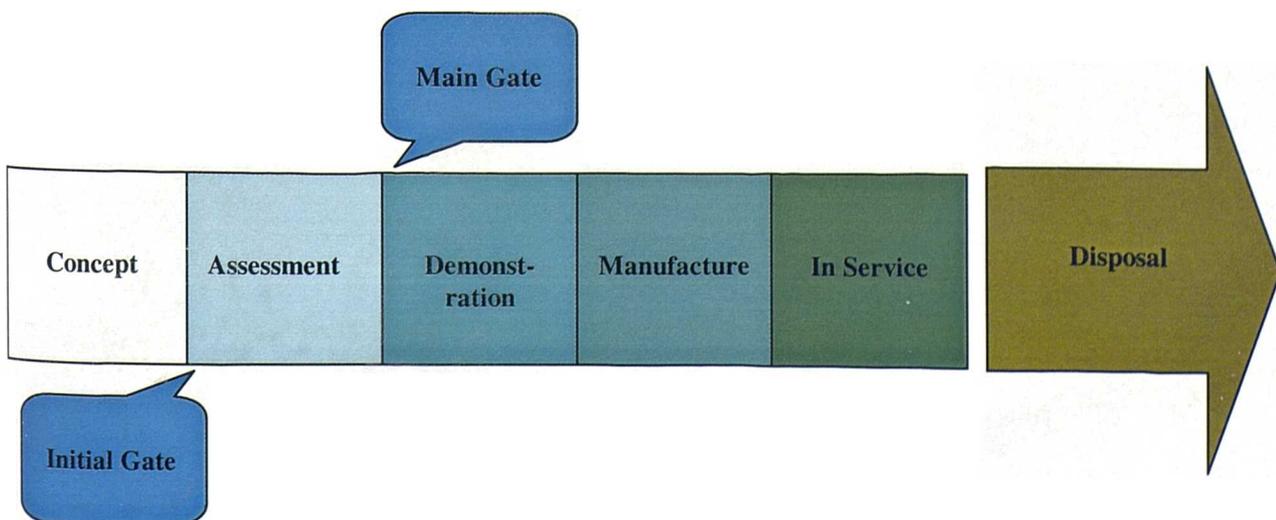


Figure 3: France – Organisation of the *Délégation Générale l'Armement*
 (Adapted from DGA Communications Department: www.info-france-usa.org/america/embassy/dga/org.htm)

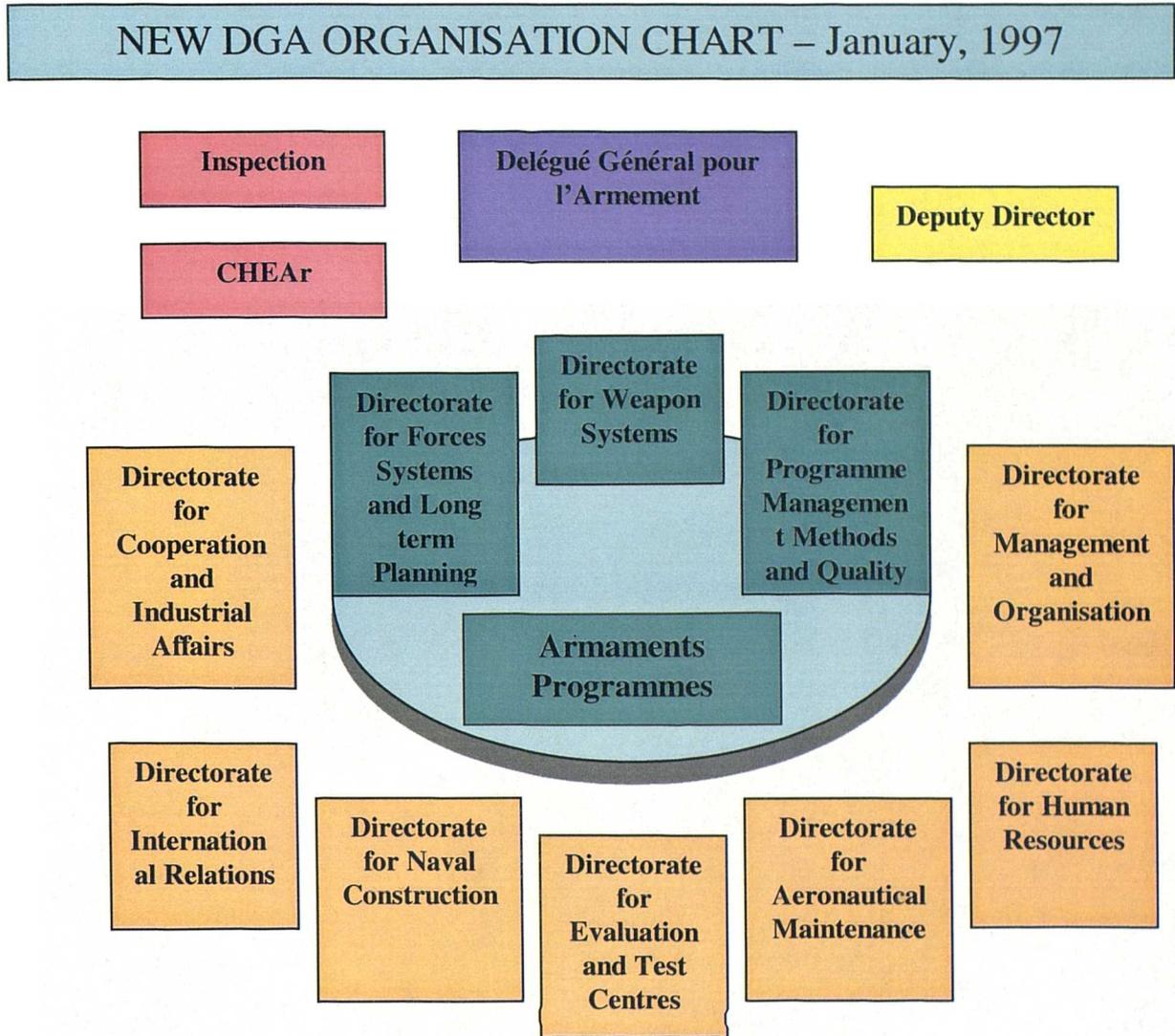


Figure 4: German Federal Office for Defence Technology and Procurement (BWB)
 (BWB, 1998: 43)

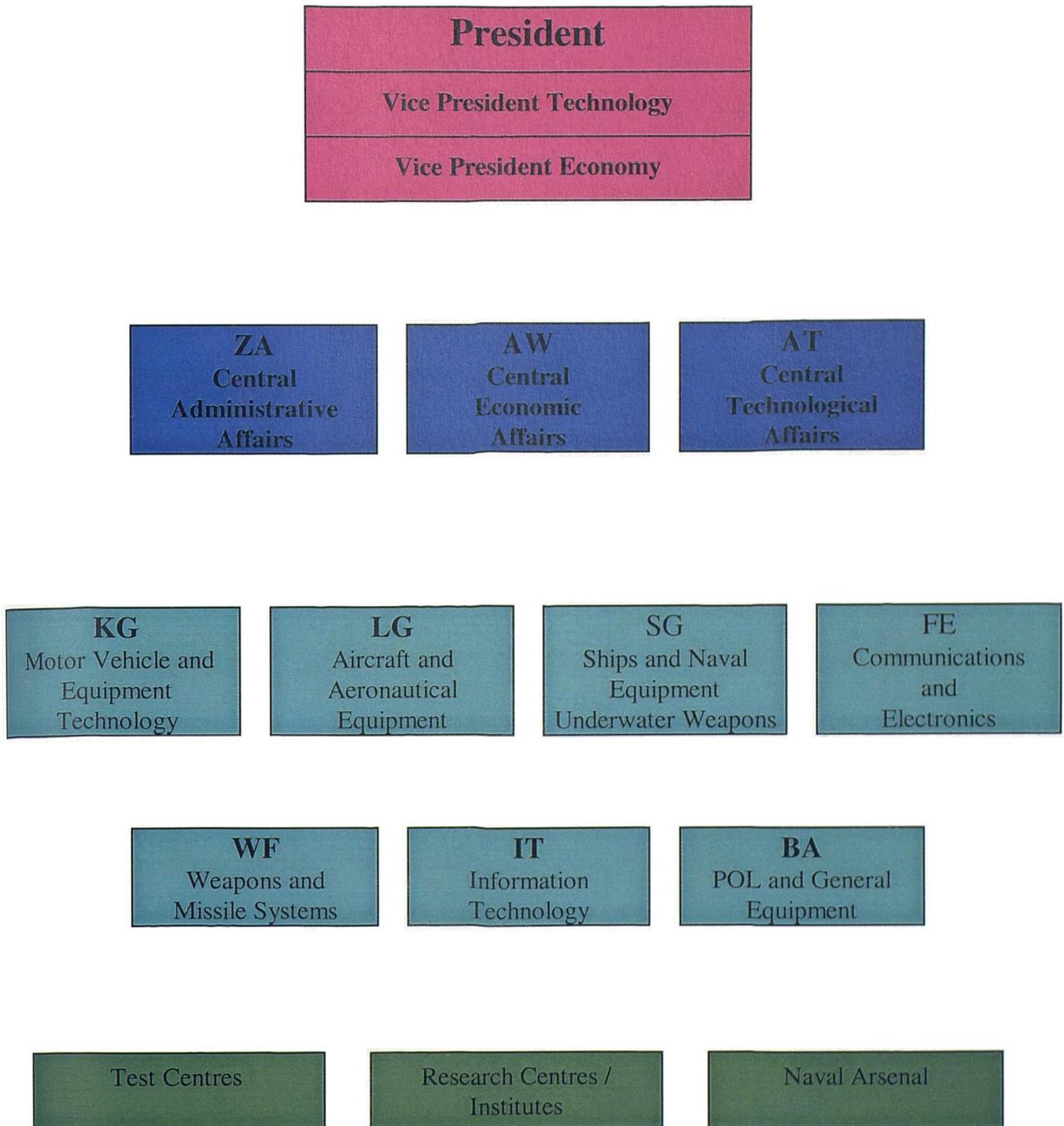
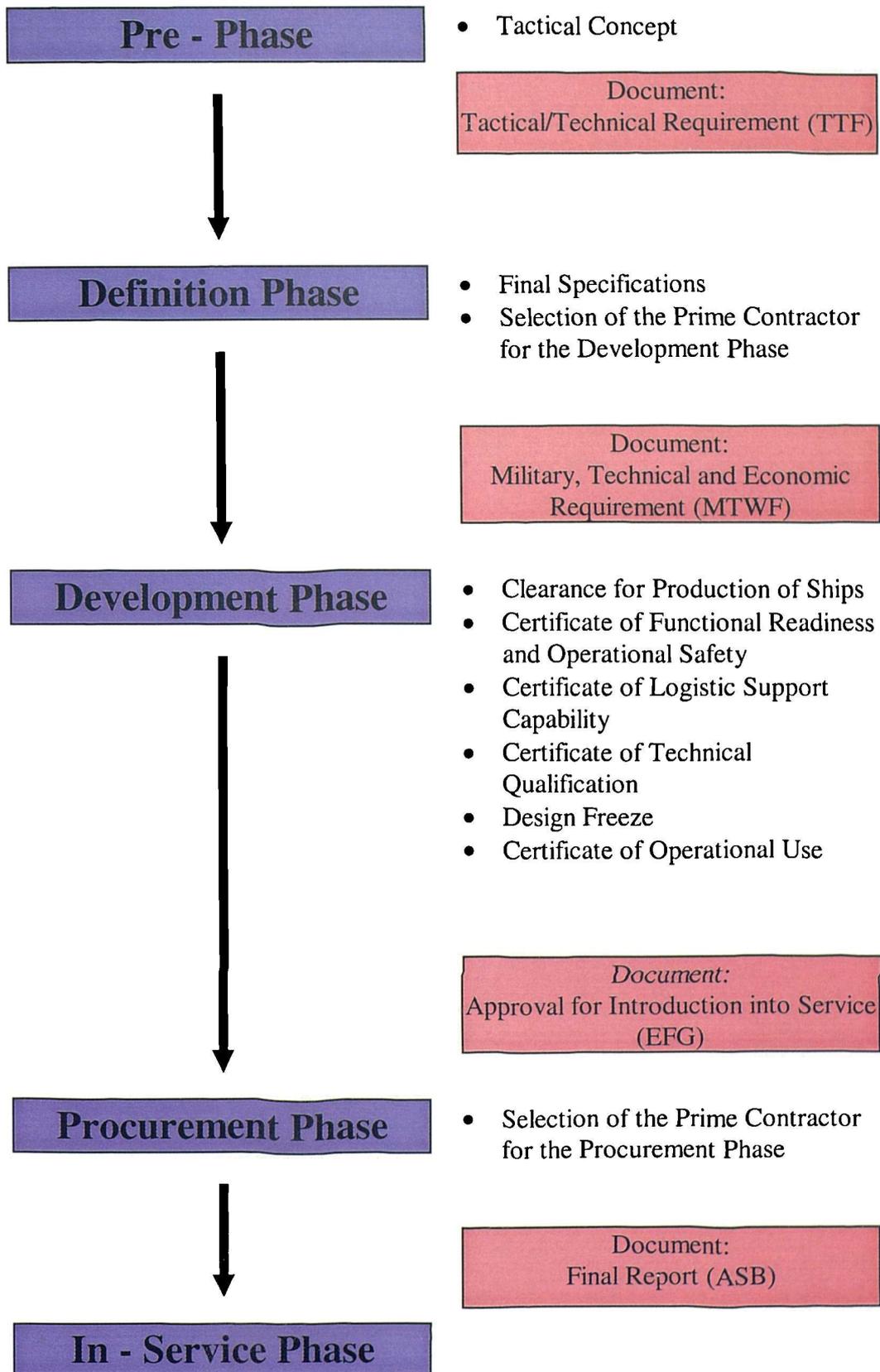


Figure 5: German Acquisition Procedures (until 2001)
(BWB, 1998: 38)



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Paecht, A., *Avis au Nom de la Commission des Finances, de l'Économie Générale et du Plan sur le Projet de Loi Relatif à la Programmation Militaire pour les Années 1997 à 2002*, Report 2826, 29th May 1996, Paris

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