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paper 26

**The Gap
between Rhetoric
and Reality**

*Weapons Acquisition
and ESDP*

The Gap between Rhetoric and Reality:

Weapons Acquisition and ESDP

by Jocelyn Mawdsley

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About the Author

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Introduction

Following the emergence of the European Security and Defence Policy and the agreement on the Headline Goals, it would seem logical that a common weapons acquisition strategy is needed to meet the shortages identified. In fact this is not really materialising in the shape of concrete budget decisions (Moens and Domisiewicz, 2001). Partly, this gap can be explained by the unpopularity of armaments spending among the European electorate given the lack of concrete conventional threats, and the consequent reluctance of politicians to allocate money to it and a lack of consensus about what ESDP is for. This will be addressed later in the paper. In part however this gap between armaments rhetoric and armaments reality is because of national sensitivities towards the EU's institutional involvement in this sphere. While the European Commission has for decades tried to extend its competence in this area¹, the role of European Union institutions has remained minimal as defence products are exempted by treaty from the Single Market² and therefore (with the exception of dual-use goods) exempted from regulation. Formal integration in this sector thus 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

¹ See *The Challenges facing the European Defence-Related Industry: Contribution with a View to Actions at European Level*, COM 96/10, January 1996, Brussels or *Implementing European Union Strategy on Defence-Related Industries*, COM 97/583, December 1997, Brussels, both of which proposed considerably greater co-ordination at the EU level of defence procurement needs; both communiqués were substantially ignored by member states. More recently, the Commission (DG-III) has sponsored research work on the standardisation of defence specification standards; see Molas-Gallart and Hawkins (1999).

² Article 223 of the Treaty of Rome now Article 296 of the Treaty of Amsterdam.

weapons, while for the firms their government is the primary customer. Weapons acquisition policy therefore 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.

So why have West European states moved increasingly towards collaborative weapons acquisition? During the 1990s, there was a growing interest in the potential for armaments collaboration in Western Europe. While the absence of a direct and common threat in post Cold War Europe encouraged countries to cut defence spending, there was also an increasing desire to have a European response to the changing global security agenda. Given spiralling weapons acquisition costs, there were therefore both economic and political motivations for the Western European governments' new-found or regained enthusiasm for armaments co-operation. In the 1990s following American restructuring of its defence industry, European states also recognised that their indigenous firms were simply no longer competitive and they began to co-operate on restructuring to maintain a European defence industrial base. Collaborative projects at the European level in particular therefore offered the chance of assisting the development of indigenous defence firms rather than simply buying 'off the shelf'. Collaborative projects can be used as foreign policy tools; it was noticeable for example in the 1970s and 1980s that when the Franco-German relationship seemed to flag, often the solution was the proposal of a new cluster of joint weapons acquisition projects. Collaborative procurement projects such as the problematic A400M have also been used to give concrete shape to plans for the European Rapid Reaction Force. 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)

Rationale for
Collaboration

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 logic of collaborative weapons acquisition appears inescapable on the surface but, despite a growing commitment among the major West European defence players to the European Security and Defence Policy (ESDP), it has proved difficult to manage in practice. This paper will look at the type of integration that has occurred, then consider how national acquisition decisions are made, and why the electorate is hostile to armaments spending. It will then identify some of the reasons for the gap between government rhetoric and reality on weapons acquisition for the Rapid Reaction Force.

The Europeanisation of Weapons Acquisition Policy

Earlier Attempts

It is worth stating that there have been many attempts to improve the number and quality of collaborative procurement projects both in transatlantic and European fora³. 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)

Table 1 summarises some of these attempts in both Western Europe and NATO and shows the difficult reality.

³ See Bauer and Winks (2001) for an overview of the current complicated institutional framework.

Table 1: Examples of Attempts to Improve Armaments Collaboration in Western Europe and NATO

| <i>System</i> | <i>Purpose</i> | <i>Assessment</i> |
|---|--|--|
| FINABEL (est. 1953 by France, Italy and Benelux countries, Germany joined in 1956, UK in 1973, Spain in 1990 and Greece and Portugal in 1996) | Improving the standards of European terrestrial armaments | Long-lived but few concrete achievements |
| Conference of National Armaments Directors (CNAD) (est. 1966 in NATO) | Promotion of equipment requirement harmonisation | Long-established, bureaucratic, not supranational: modest but growing success – however progress is limited on the Defence Capabilities Initiative |
| Eurogroup (est. 1968 in NATO) | Informal grouping within NATO to create united European voice. Its armaments directors met in CENAD. | Few concrete achievements in the armaments field. |
| Phased Armaments Planning System (PAPS) (est. 1981 in NATO) | Creating harmonised mission needs | Poor track record. Lacked US backing. Not supranational |
| Conventional Armaments Planning System (CAPS) (est. 1988 in NATO) | Linking NATO armaments goals with long-term national goals | No mechanism existed to achieve greater convergence between Alliance military requirements, no planning framework, not supranational |
| Independent European Programme Group (IEPG) (est. 1976 in NATO) | Promoting European collaboration | Revitalised and reorganised in 1990 but still not much concrete achievement before dissolution in 1992. |
| West European Armaments Group / Organisation (WEAG/WEAO) (WEAG est. in 1993, WEAO in 1996 in WEU) | Successor to IEPG – aims to create European Armaments Agency | Disagreements among member states have prevented much concrete achievement |
| Organisme Conjoint de Coopération en matière d'Armement (est. 1996 by France, Germany, UK and Italy) | Procurement programme management agency | Still not achieved much but hopeful signs – increasingly seen as embryonic European Armaments Agency |

Source: Adapted and extended from Bittleston (1990:17)

In addition to these groupings, there have been many multi- and bilateral attempts to increase co-operation in weapons acquisition. Despite the attraction of access to high technology offered through partnership with the United States, mostly European states have chosen to co-operate with each other, on an equal status, rather than act as junior partners in American projects⁴. The perceived need to protect indigenous industry from American competition has increased this tendency since the 1990s. Nevertheless, the levels of intra-European co-operation have been surprisingly low. This is part because of the limited role the EU can play in such matters.

Europeanisation within the EU

Impact of EU

Until the advent of the European Security and Defence Policy, the role of the European Union in national defence policy had been minimal. The Common Foreign and Security Policy remained 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 had affected the sector. Freedman and Menon, for example, argued that although the European Union has not had any great direct impact on national defence policy it has had a considerable indirect impact. They claimed, 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 argued that increased links in other policy areas encourage co-operation. All of these matters clearly affected defence policy-making in general as they either limited or changed the framework in which decisions are made (Freedman and Menon, 1997:156-7).

⁴ As in many defence-related areas, the United Kingdom has collaborated most frequently with the USA. Britain's 'foot in both camps' approach, for example when it balanced its membership of OCCAR by signing a Declaration of Principles agreement with the US has often led to awkward relations with its EU partners on this issue. (The 2000 Declaration of Principles signed by Britain and America intends to improve co-operation on security of supply, market access, exports, handling of classified information, research and technology and military requirements.)

Taylor suggested further in 1997, that the EU impacted on the specific field of arms procurement in four key ways:

- The EU administers the framework scheme of research and development and some of these 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 firms⁵ and
- It has managed to set up in 1995 a largely licence free regime for the trade of dual-use goods within the EU.
- Nevertheless he argues that this role is still minimal (Taylor, 1997:132).

There have been various attempts to strengthen the EU institutions', and specifically the Commission's, role in armaments co-operation during the late 1990s. These have been on two fronts, firstly, the Commission has continued its efforts to gain a role in defence industrial policy arguing that it should be part of the Single Market, and secondly armaments co-operation is regarded as a key part of the intergovernmental ESDP. The European Commission issued two communiqués in 1996-7, making proposals on the challenges facing Western European defence firms and a European armaments policy⁶. More recently, the Commission (DG-III) has sponsored research work on the standardisation of defence specification standards (Molas-Gallart and Hawkins, 1999). There was however, no agreement among member states on the Commission's proposals and in some cases

Role of the
European
Commission

⁵ This scheme was known as KONVER. Measures eligible for support included; 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.

⁶ The Challenges facing the European Defence-Related Industry: Contribution with a View to Actions at European Level', COM 96/10, and 'Implementing European Union Strategy on Defence-Related Industries', COM 97/583. Some commentators (e.g. Mörth, 2000), argue that rivalry between the Industry and External Relations Commissioners at the time about whose portfolio the issue belonged to, prevented the proposals being presented as successfully as they could have been. However, there has been continued opposition from major arms producing states to greater Commission involvement so this is unlikely to have been crucial.

Role of
European
Council

hostility towards proposals to remove Article 223 (post-Amsterdam Article 296) and little progress was made (Mörth, 2000). Even the Commission itself admits that progress on its 1999 Action Plan, which was a follow-up to the 1997 communiqué, was disappointing, amounting to little more than the commissioning of research projects (Liikanen, 2000). The Commission's tenuous role in armaments policy was also weakened by the evolution of the 1998 Code of Conduct on arms exports. This process was carried out inside the Council structure and concentrated on harmonisation measures rather than creating unified regulations.

Intergovernmental work within the Council has been no more successful in agreeing common armaments policies. An *ad hoc* Council working group POLARM (Agstner, 1998) was set up in 1995 to discuss armaments policy issues but this, like the attempts of the West European Armaments Group within the WEU, failed to achieve any great advances. 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 co-operation could be carried out.). This, according to de Vestel, 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 (de Vestel, 1995; 100). It has though failed to make any significant progress in these areas. This work will remain outside the EU structures, thus weakening further any Commission role in armaments policy.

The impact of
ESDP

The launching of the ESDP however brought the necessity for further armaments co-operation into the limelight. The 'Headline Goal' agreed at the Helsinki European Council meeting in December 1999 foresaw the creation of a European armed force capable of significant crisis management, peace-keeping or humanitarian activities. However, the rhetoric behind ESDP has moved considerably more swiftly than the allocation of resources to it. There is a clear shortfall between this aspiration and current military capability. As the British Defence Minister Geoff Hoon argued,

“European forces lack an ability to get to the right place, in time and to work together for as long as is necessary.”
(Hoon, 2000)

This capability gap is even more apparent when the EU states are compared to the USA.

“Unless and until this capabilities gap with the United States can be closed, the European defence initiative will remain a largely paper exercise.”(Gordon, 2000:16)

This gap is revealed vividly when the comparative expenditure on military equipment of the EU-15 and the USA is examined. Even when countries like France and the United Kingdom, considered to be comparatively high spenders, are examined the gap is immense and helps to explain why commentators have expressed some scepticism, about the ability of the EU countries to sustain a Rapid Reaction Force.

Table 2: Comparative Equipment Expenditure EU/US (in constant million US dollars, exchange rates of 1999)

| country | 1997 | 1998 | 1999 | 2000 |
|----------------|-------------|-------------|-------------|-------------|
| France | 6,634 | 7,312 | 5,690 | 4,780 |
| Germany | 3,082 | 3,716 | 3,679 | 3,200 |
| UK | 8,733 | 10,380 | 9,707 | 8,737 |
| EU-15 | 28,129 | 29,743 | 28,076 | 27,435 |
| USA | 72,956 | 70,215 | 68,478 | 65,104 |

Source: Adapted from IISS (2001:106)

There are serious failings for example in areas like strategic lift and theatre reconnaissance that currently limit the EU states' capacity to carry out the Petersberg tasks that the Rapid Reaction Force is intended for. Clearly, if the EU states intended to close the gap with the United States on high technology equipment to allow all states to participate successfully with US troops in missions like that in Afghanistan or in other missions attached to the 'war on terrorism' the list would be considerably longer⁷. There appears to be very little public or political will for raising defence spending levels to make the latter possible. Certainly, the levels of defence equipment spending in the USA do not need to be duplicated by the EU countries but there is little point denying that serious capability gaps do exist. Even equipping the Rapid Reaction Force to carry out the Petersberg tasks adequately however, will require greater procurement collaboration (and more efficient collaborative procurement programme management) or national role specialisation⁸, if defence spending is not to rise considerably. Even this level of commitment is

⁷ The Spanish presidency in 2002 was keen to include participation in the 'war on terrorism' in the ESDP tasks.

⁸ See Missoroli (2001) for an argument for role specialisation.

The costs of the
Rapid Reaction
Force

proving difficult, as the struggle of the German government to find the finance for the key A400M programme shows.

The EU has made no public cost estimates for equipping the RRF, so the following figures are taken from a RAND study (Wolf and Zycher, 2001) and do not cover O&M costs. The RAND study uses four different models. The first cost estimates are based on the major systems acquisitions identified as being needed by the RRF (but not the RDT&E associated with adapting these items to the EU force and organisational circumstances). It implicitly assumes that the RRF will be equipped to deal with the high end of the Petersberg Tasks. This places the cost at between \$37 and \$47 billion dollars (at 2000 values). The second model costs the RRF on the basis of US expenditure for new military investment and RDT&E per soldier per year. This suggests the cost would be between \$23.5 billion and \$31.4 billion. This assumes that RRF costs will be entirely new outlays. The third approach assumes that the RRF will be analogous to a US Marine expeditionary force. This suggests the capital costs of the RRF would be \$52.4 billion. If however the figures for a US Mobile Advanced Army Division plus the capital costs for air and sea transport were used, the cost would be between \$35 billion and \$56 billion.

The RAND study goes on to suggest four ways of meeting this bill. Firstly, using the consequences of economic growth to generate additional resources to military spending and investment (assuming that other policy areas would have less priority and that economic growth will be steady). Secondly, reallocating part of existing government budgets from non-defence to defence spending (the authors acknowledge that this is extremely unlikely so do not investigate it further). Thirdly, reallocating existing procurement spending from 'old-fashioned' equipment like heavy tanks, artillery and surface ships to the equipment needed by the RRF. This however would mean overcoming considerable service and industrial vested interests and it seems unlikely that the larger countries would be prepared to stop spending on territorial defence or protecting individual national interests. Finally, liberalising and consolidating European defence procurement and industry could make savings. Hartley (2001) estimates the savings from a Single Defence Market could be between 10 and 17% or \$10 – 15 billion per year. The highest figure assumes that all future defence procurement would be done through an EU Procurement Agency. This however would also mean overcoming considerable national vested interests.

Figure 3: Sources of Funding in billion US dollars (2000 values)

| | <i>Incremental Resources for Military Investment</i> | <i>Reallocation (by one third) from Annual Military Investment</i> | <i>Savings from the Consolidation of Defence Industry and the European Defence Market</i> |
|------------------|--|--|---|
| <i>2001-2003</i> | 5 | 20-30 | 6 |
| <i>2004-2007</i> | 18 | 30-40 | 10 |
| <i>2008-2010</i> | 22 | 20-30 | |

Source: Wolf and Zycher (2001:35)

The report concluded that meeting the capital costs of the RRF by the target of 2003 is very unlikely. If reallocation of existing investment does not take place, even if economic growth can be assumed, the costs will not be met until the end of the decade. With reallocations and a combination of the other two sources, they could be met by 2007.

Focussing however on the proposal to establish an EU defence procurement or armaments agency shows how difficult meeting this target is likely to be. The composition, role and responsibilities of any EEA are still far from agreed. Article J.7.1 of the Treaty of Amsterdam, which states

“The progressive framing of a common defence policy will be supported, as member states consider appropriate, by cooperation between them in the field of armaments.”

perhaps sums up the lack of agreement on this topic. 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)

In 2002 it is still not clear that the political will for a European Armaments Agency exists, and requirements harmonisation has still not materialised. There is still no agreement on a common military doctrine, which makes the harmonisation issue difficult. So we can see that there is no clear-cut progress within the EU

European
Armaments
Agency?

institutions on armaments issues even within the realm of ESDP. All of their initiatives basically have floundered on the unwillingness of the major arms producing states to negotiate on armaments issues, even at the intergovernmental level, with countries with no major defence industrial interests⁹. They instead preferred to progress outside the EU institutions.

Europeanisation Outside of the EU Institutions¹⁰?

OCCAR
Beginnings

The establishment of OCCAR (*Organisme Conjoint de Coopération en Matière d'Armement*), the multinational procurement agency, was widely seen as an important step towards the Europeanisation of weapons acquisition. Although OCCAR was formally created in November 1996, the Franco-German meeting at Baden-Baden in December 1995 (where it was officially announced) 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 co-operate 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 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-operation. The organisation was originally envisaged as a part of the WEU but the principles of OCCAR proved unacceptable to some WEU members, so it became an independent legal entity following ratification of the treaty in 2001. The administrative shape of OCCAR, 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 1994 plan by the French and German Armaments Directors (French Ministry of Defence press release, 1994). There was therefore already a clear plan in place before Italy and the United Kingdom joined the fledgling organisation in November 1996.

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

⁹ Agstner (1998) also argues that the insistence of the Southern European states on protecting their small defence industries was also a significant barrier to any potential agreement.

¹⁰ The Framework Agreement will be addressed in a second overview focussing on defence industry in Europe.

“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 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.”(Prévôt, 1997:49)

OCCAR
Principles

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 principles¹¹. 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 Kingdom¹² who were keen to join.

New Ideas

The new armaments agency was in fact widely hailed as a move towards more efficient European armaments co-operation. OCCAR was seen by the participating states as a break with the inefficiencies of the past as it incorporated new techniques on

¹¹ See the ‘Administrative Agreement between the Federal Minister of Defence of the Federal Republic of Germany, the Minister of Defence of the French Republic, the Minister of Defence of the Republic of Italy and the Secretary of State for Defence of the United Kingdom of Great Britain and Northern Ireland on the Organisation of Joint Arms Cooperation (Structure and Working Principles)’, 12th November 1996, Strasbourg. Observers (e.g. De Defensa, 1998), however insist that an implicit if not explicit preference exists.

¹² While this decision may seem at odds with general UK government policy on European defence at this time, it can be noted that fears for the future of the British defence industrial base had forced a more pragmatic stance on this issue.

decision-making, work share and procurement authority¹³. 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 (Prévôt 1997). The idea was to aim for recognition of OCCAR as a model of best practice in weapons acquisition in general, not just in collaborative projects and thus to make it into the agency of choice for future joint projects (Reda, 1999). OCCAR was and remains (despite the efforts of the Netherlands and Belgium to join) a project of the major arms producing states, and its rules, on the whole, suit their needs. Global balance is anticipated for example to work very much in their favour vis-à-vis smaller producers (MacKenzie, 2001). It may therefore not be so easy for it to evolve into a procurement agency for the EU-15, particularly where states like Greece, who jealously guard their smaller arms producing capacity are concerned. Where OCCAR has been most successful (compared to the stalled WEU attempts) is in pushing the states to harmonise procurement principles and rules. As an organisation with no policy role, but merely tasked to manage projects, it has not threatened national sovereignty on defence and thus has been able to progress in a way that the more politically ambitious WEAO has not. Nevertheless, OCCAR only handles a very small part of the national procurement programmes of its members. Jean-Yves Helmer (Director of the French armaments agency DGA) expects it only to be handling about 20% of procurement projects even in fifty years time (Mackenzie, 2001:27). So when we consider the gap between rhetoric and reality on the demand side for ESDP, it is necessary to understand how and why individual states make decisions about weapons acquisition.

Explaining Decision-Making in Weapons acquisition Policy

Much of the work theorising weapons acquisition policy formulation has come from the school of defence economics¹⁴. The defence economists have traditionally concentrated on the

¹³ This should not be underestimated, see Trybus (1999), Mawdsley (2000) and Kausal et al (1999) for accounts of the major differences between national procurement systems.

¹⁴ See such important works as Hitch and McKean (1960) or Scherer (1964).

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; Wieczorek, 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; van Scherpenberg, 1997; Levine and Smith, 1997). The use of game theory¹⁵ (Sandler and Hartley, 1995:128-33) has been popular as it explains much about strategic interactions in procurement¹⁶. 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 which, recognise that this government intervention can fail have gained in popularity. 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 explanation¹⁷ 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

Economic Explanations

¹⁵ 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.

¹⁶ 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.

¹⁷ 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”.

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. They however examine the economy of defence. 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, however, is broader as it brings the state and its directorial role firmly into the equation 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 tools. Kurth (1973) for example, identifies four theories of logic of weapons acquisition, 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 weapons acquisition that of the military-industrial complex combines the last three perspectives. It also represents an explanation of armaments policy as opposed to just weapons acquisition policy.

The theory of the military-industrial complex was first articulated academically by C. Wright Mills in ‘The Power Elite’ in 1956¹⁸. 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, 1973:28-29). 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

¹⁸ Although historians have since pointed to the existence of similar structures throughout history. See for example (Koistinen, 1980).

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)

Military
Industrial
Complex

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. The key proposition of the original theory is that high levels of defence expenditure have given rise to 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 weapons acquisition. Associated groups, like scientists and engineers engaged in defence-related research and trade unions representing those employed in the defence industry then support these core groups. 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 forces¹⁹. 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.

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

M.I.C.
Criticism

¹⁹ 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.

unions. If this is true the theory loses force, as it is no longer based on the assumption that a small, largely non-official and unrepresentative group makes high policy. 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 and most importantly, the absence of a common, visible enemy and public expectations of a peace dividend have made it harder to justify defence spending increases. Even at the national level therefore the legitimacy base of any MIC has been challenged. Secondly, 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. 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 attention²⁰.” (Lovering, 1986:2)

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, 1989b: 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

Institutions
matter

²⁰ 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.”

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)

In other words history and institutions matter (Serfati, 2001:222). If however working within this perspective, we unpack the inter-relationships that seem key to weapons acquisition decisions, three actors are revealed; the military, defence industry and the weapons acquisition bureaucracy. The relative influence of each actor varies from country to country. Understanding these relationships, and the extent to which their interactions continue to enjoy public legitimacy at either the national or international level, helps to show why a gap between rhetoric and reality exists when it comes to arming the ESDP.

The Armaments Sector and the Challenges to its Legitimacy

It was argued that weapons acquisition policy was effectively driven by the relationships between the military, defence industry and the weapons acquisition bureaucracy. The relationship of the state and its military can be described as the strategic culture. The strategic culture of a state could be described as 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). In other words, the narrative that has been accepted as legitimising the existence and use of military power in each country. The passive rather than active legitimacy thus achieved though has varied substantially across the EU-15. Weapons acquisition could thus be seen as the purchase of the equipment for the military to carry out those tasks deemed legitimate by the population. In some cases, most notably with nuclear weapons in France, the weapons themselves became symbols of patriotism particularly in Gaullist rhetoric²¹. The ‘political’²² impossibility of raising defence spending in many

Strategic Culture

²¹ See Mason (1989) for a fuller picture of the symbolism surrounding French nuclear weapons.

²² It is important to separate the political problems from economic problems. Given the EMU criteria spending could not simply be raised to cover the costs of ESDP in most countries. It is therefore a political question of higher taxes or transferring spending from other policy sectors or within the defence budget. At present some

EU countries, to cover the gaps in equipment detailed in the ESDP Headline Goal, can be linked to the lack of a narrative for the ESDP that has been accepted as legitimate by the people. It is noticeable that in traditionally neutral or non-interventionist states there is unease about the implications of ESDP. In fact there are clear differences in understanding of the purpose of ESDP. The idea that the EU could theoretically engage in peace enforcement missions (or if the Spanish presidency gets its way missions against terrorism such as the action in Afghanistan) has not been accepted in all member states. Even in countries like Britain, that have traditionally been militarily active out-of-area, the new type of interventionism has been questioned by the general public (Dandeker, 2001:37-8). This means that the gap between what leaders say they want to do and what they are prepared to spend will remain a problem.

The relationship between the state and 'its' defence companies also needs analysis. Defence industry has always been regarded as a 'special' industrial sector by governments as it provides the nation state with its military capability. States therefore have traditionally seen their national interest as bound up in the interests of the indigenous defence firms. This goes beyond the simple level of buying arms. Writing about France for example Kolodziej argued,

“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)

State-industry Relationship

While across the EU the levels of this identification have varied and 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. Even though the days of purely national based companies are over in some sectors like aerospace and defence electronics, defence industrial lobbyists maintain a strong position within the corridors of power of their client states. Considerations of defence-related jobs, relative positions of rival firms and the perceived need to maintain a national defence industrial base all can work against the logic of collaborative procurement of the equipment needed

governments claim that efficiency savings from joint action and procurement will produce the necessary money but defence experts think this is unlikely to be possible and that extra money will be required (Wolf and Zycher, 2001).

to support ESDP. Arms production has traditionally been reserved for relatively few firms in a tightly-knit network of prime and sub-contractors producing very complex products protected from competition by both political and economic barriers (Serfati, 2001:226-7). Across the EU there is an increasing perception that the armaments sector has proved corrupt (the arms trade has been involved in major political scandals in Britain, France and Germany in recent years), and also that defence firms (following major mergers and the blurring of civil and defence technology) are not so different to other firms²³. As the national nature of the firms is challenged equally, the nationally based methods of dealing with it, such as export subsidies, preferential procurement, direct subsidy and state ownership (Sen, 1984) seem inappropriate. This challenges the legitimacy of the established models of state-defence industry interaction at precisely the same time that the requirements of ESDP (and many of its political proponents) are demanding the replication of this nationally based model at the European level.

Finally, we also need to understand the role of the weapons acquisition bureaucracy. There are very different bureaucratic traditions in the EU countries and different working practices and expectations have caused problems in collaborative projects before. As Walker and Gummett point out though, the clash of bureaucratic 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). The lack of political oversight and challenge has allowed these institutions to develop clear identities and practices. As Mathieu argues about the DGA,

“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

Weapons
Acquisition
Bureaucracy

²³ Heavily publicised campaigns against arms exports, and the use of certain types of weapons like landmines and cluster bombs have also brought the issue of the defence industrial sector into the limelight during the late 1990s/early 2000s.

out export²⁴ operations in a such a way that no-one can understand the conditions.” (Mathieu, 1996:109)

Throughout the 1990s though politicians, who had to provide the peace dividends demanded by their electorates, constantly challenged these identities and practices²⁵. This process was painful for the bureaucracies in question and change was not easily managed. Writing in 1996 again on the French case, 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)

The budgetary constraints imposed by the politicians did produce some imaginative new procedures to acquire weapons more efficiently but these were implemented very much within existing models. Sceptics would argue that there has been relatively little real change and that beneath the reform rhetoric weapons acquisition continues as usual (Serfati, 2001). The challenge therefore of formulating the new practices needed to operate in the multinational acquisition sphere required by ESDP conflicts with the strong path dependency of these institutions. There is very little harmonisation across the EU. There are also very real budgetary constraints and a feeling in society at large that spending priorities should not be directed at weapons. These factors combine to make the gaps in the Headline Goal difficult to plug.

Accountability and Weapons Acquisition

The Role of Politicians

The absence of politicians from this list of actors may seem a strange omission. However, politicians actually play a relatively small role in the acquisition process. Ministers tend to play a key role in deciding the procurement issues. In other words, deciding which firm gets the contract to supply the armed forces with the necessary equipment. It is at this stage that electoral considerations can often be observed in decisions and also the use of procurement contracts to achieve wider foreign policy goals. The setting of the military requirement and the

²⁴ The levels of French arms exports and the conditions under which they are carried out are opaque.

²⁵ In Britain this process began rather earlier as the MoD was also affected by Margaret Thatcher's desire to slim down government.

management of the acquisition process though tends to be non-political. Why is this the case? Firstly, the issues under discussion are heavily technical and relatively few ministers have the technical knowledge to intervene knowledgeably in the process. They are therefore largely dependent on the advice of their officials (both military and civilian). Secondly, a weapon acquisition operation can last for decades, thus easily outlasting the ministers charged with its political oversight. Thirdly, armaments issues tend not to be vote winners and so there is little incentive for a minister to pursue a distinctive policy. As for parliamentarians, in the post-1945 period there has been little evidence of adequate scrutiny of the executive on armaments policy in most European countries. As Snyder (1964), writing in the 1960s argued, the problem of legislators receiving inadequate information on defence policy is at least equalled by their lack of interest in the subject. Even when parliamentarians have questioned weapons programmes, this has predominantly been on a cost rather than basic purpose level. Furthermore, it is not clear that democratic control really extends to defence policy in general, and weapons acquisition in particular, in West European countries. The distribution of power is firmly weighted towards the executive and away from the legislative (Blunden, 1989a). In effect therefore a small elite group consisting of bureaucrats, the military and defence industrial figures has traditionally made weapons acquisition policy.

Looking at the examples of Britain, France and Germany shows this clearly. In Britain this lack of political oversight 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 when it proved superior in tests (McIntosh, 1990:102-103). In France, the DGA seemed omnipotent. 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

Lack of
democratic
accountability

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, 1996:472)

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). Even in Germany where political scrutiny of armaments programmes has been much more active²⁶, the distaste of many politicians for the subject led to them introducing a dense web of procedures and regulations governing acquisition rather than setting policy. However this complexity has made German weapons acquisition as opaque as in other countries.

End of
Permissive
Consensus

Is this a problem? During the Cold War, it can be argued that there was a broad societal consensus on defence policy in Western Europe. In other words, while there may not have been much political oversight, a powerful narrative of the threat of communism was being woven. Deterrence was necessary to defend the national interest and the equipment ‘the other side’ had needed to be duplicated. This was used to justify the armaments system to society at large. With a few exceptions,

²⁶ In Germany, unlike Britain or France, decisions on procurement programmes, with a value of more than 25 million Euro are taken on a case by case basis by the *Bundestag* budget committee rather than in a single budget agreement.

mainly in the nuclear realm, there was relatively little societal protest about weapons acquisition. The end of the Cold War though has meant the end of an easily defined threat. Society began to question the value of defence spending and the role of the armed forces in the changed global environment²⁷. In many West European countries, this debate has not been fully resolved. This, along with rapid advances in communication technologies, which have widened the amount of information available to citizens, has led to increased demands for increased accountability in the defence domain. The national armaments sector has therefore been affected by a combination of challenges to its legitimacy. ESDP has effectively demanded a move beyond the national while the national debate has not yet finished. This could be seen as an elite – society gap and leads inevitably to the gap between rhetoric and reality on ESDP when it comes to weapons acquisition.

Conclusion

It is easy to exaggerate the problem of lack of legitimacy and it is important to remember that ESDP is only a part of national defence and security policies particularly in Britain and France. There are other simpler reasons too why there is a gap between ESDP rhetoric and its reality as discussed at the beginning of this paper. Missiroli (2001) suggests that greater role specialisation for member states, EU-financed supranational systems in some areas, as well as a common procurement policy and less protected armaments market could all help to address this gap. This paper has though also identified a legitimacy gap in the armaments sector at both the national and European level that makes it difficult for the resources to be allocated to weapons acquisition at the ESDP level. Unless society can be convinced that the aims of the ESDP are sufficiently in their interest to fund through tax or changes in budget priorities, the financial resources are very unlikely to be allocated by the member states. Legitimising the ESDP requires it to be accountable and comprehensible to the citizens funding it (as indeed should national policies). Thus far much of the debate has centred on the need for parliamentary accountability so that the decisions made under ESDP can be scrutinised. However this is achieved, a role for the European Parliament, strengthened scrutiny powers for national parliaments

²⁷ See for example Dandeker (2000) on the difficulties of obtaining popular legitimacy for interventions where there is no clear national interest.

or a reinvigorated WEU parliamentary assembly, this can only play one part of the accountability debate. In the customary manner of European institution building, the procedures and structures of ESDP are complex and not easily accessible to citizens. Transparency in European defence policy-making should mirror the practices of the most transparent member states not the least. Equally, it is very clear that the purpose of ESDP needs to be more clearly articulated to European Union citizens if they are to support it fully.

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