

Marion CASSIER, under the direction of Dr. Dagmar ROETTSCHEs.



THE DEVELOPMENT OF A EUROPEAN DEFENCE MARKET

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Introduction

Since the failure of the Defence community in 1954, European community's Member States have treated the questions of security and defence quasi-exclusively through intergovernmental structures. Arguing of their sovereignty and of the "raison d'état", states have been reluctant to give up any competence regarding to defence procurement and defence industry. And so, the European integration did not reach until recently this "domaine réservé". But the year 1999 seems to be a turning-point in the area. Under Commission's pressure, allied with the armament industries, we assist to a "Europeanization" of the matter.

Even though the defence field is undoubtedly a policy apart within the European Union (EU), due to its close relation with the defence of national interests and the historical perception of the defence capabilities and defence industries as the supreme implementation of Nation's sovereignty, the first call for changes was actually more probably coming from the armament companies themselves than from the European institutions.

Pragmatism of the arms industries seems to have made a dent in the states' fortifications. Since the end of the cold war we assist in Europe, and also in the United States (the US), to a real upheaval of the armament industries panorama, via cross boarder merger and acquisition. Trying to adapt themselves to the new political Era, industries forced the States to start a "Bruxellisation" process of the European defence market. And so, have encouraged the commission to enlarge its ascendancy on this new domain. The European integration machinery is once more on track, with the ultimate goal of a common European defence market.

2009 has been a year of decisive progress with two major directives: the Directive 2009/43/EC simplifying terms and conditions of transfers of defence-related products within the Community and the Directive 2009/81/EC on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security. With these two directives, the Commission displays clearly its willing for a common market, with the support of the industries¹.

¹ P. CAMUS, R. HERTRICH, D. RANQUE and M. TURNER, « Défense européenne : il est grand temps d'agir ! », *Le Monde*, 29 Avril 2003. Philippe Camus and Rainer Hertrich are executive co-chairman of EADS. Denis Ranque is Chairman and Chief executive director of Thales. Mike Turner is Executive Chairman of BAE Systems. Extract: September 11 2001 events, Afghanistan and Iraq interventions have lighted the necessity for Europe to

The question remains though, if it will receive, in this venture, the necessary support from the states to achieve - quickly enough regarding to the efficiency of the United States (US) armament market in this field - a competitive European defence market. Until which extend are the states ready to stop the favoritism with regard to their national market and industries in order to comply with Commission's will of an open and fair market? How to balance the economic-industrial need of a common defence market and the states' security and sovereignty considerations? Will the industries be ready to give up their demand for "just retour" on investment? What would be the benefits, regarding to each actor, of such a policy change? Are all the European states equal in this field?

These are the interrogations I will try to answer in this Master thesis. Such a research seems of particular interest now a day due to the recent directives. We are assisting to the push of the commission in deepening the internal market integration even on these areas said sensitive. Such an integration of the armament market could be one of the biggest challenges that the European Union has to face in order to achieve the European Security and Defence Policy (ESDP). The Lisbon Treaty by deleting the three pillars system of the European Union (EU) was supposed to simplify the institutional framework of the ESDP. The multiplication of the intergovernmental and *Ad Hoc* structures, and the Commission's "main mise" on this policy transformed the ESDP framework on a blur system, where it is hard to distinguish the competences and role of each actor. The running of the ESDP, and by consequence the building of a European Defence Market are so divided between intergovernmentalism and communautarism.

My purpose is to clarify who is doing what and under which incentives in order to know if we can really speaking of a European Defence Market and if yes, what would be its eventual future. Studying the role of the different European institutions (Commission for the communautarisation dynamic vs Council for the States' sovereignty expression, without forgetting the new player constituted by the parliament and the European Defence Agency (EDA)), and the different private actors such as the industries and their representative associations seemed to me the best option in such a study.

reinforce its defence. Us, Industrials, are ready to make one's contribution to this edifice. European Governments and citizens are becoming aware, from day to day, that it is essential to ensure together defense and security of our continent and to contribute in an appropriate manner to world peace, side by side with the US and the other Nations. Our armies have to get reinforced capabilities which will lean on three defense European groups that are EASD, Thales and BAE Systems. Six countries (France, Germany, the UK, Italy, Spain and Sweden) have agreed to adopt common norms, but we have to go even further."

Thanks to such an approach, I will hopefully identify **the driving motor in the integration process of a European Defence Market.**

It has to be specified that this study will not treat the transatlantic relation regarding armament. The US armament market and the armament trade relations between the US and the European Member States are for sure some factors which explain part of the recent development in the European Defence market field². I will however concentrate my thesis on the intra-European incentives to the construction of this market.

To solve this question, I will apply the neo-functionalist theory to the European Defence Market. This theory may be seen as an efficient explanation for the policy's evolution. Depending on who/what is the driving force behind this policy integration, it will be possible to conclude to the existence of a spill-over effect either the remaining of the intergovernmentalist approach.

My empirical part will then develop the practical applications of such an integration process. In studying the chronology³ of the different steps accomplished already, the starting positions of the different actors, the benefits of a common European defence market and the concrete measures to achieve it, as well as the obstacles to such a market, I should be able to draw a close portrait of the reality.

And so, I will eventually be able, in my forecast, to conclude to the need or not for a common European Market. And to establish if there is a best way to achieve such a market as intergovernmentalism or communautarisation.

² For further readings on the subject see for example T.R GUAY., « Europe, the the UK, and their Defense Industries : Prospects for Transatlantic Cooperation », Paper presented at the European Union Studies Association (EUSA) Ninth Biennale International Conference, Austin, TX, March 31-April 2, 2005; S. DE VAUCORBEIL , « Le marché de défense transatlantique : une utopie ? D'Utopia à Globalia », Dossier, www.affaires-strategiques.info, 10 février 2009.

³ See Annex 1: Indicative chronology of the European Defence area – 1948-2010.

TITLE 1- The European Defence Market: An application of the Neo-functional theory?

I- From cooperation to integration in the defence field: 1950 -1998

On tracking father's steps of functionalism⁴, it seems possible to argue that the European Defence Community (EDC) created in 1954, right after the Second World War, failed because the instrument was global instead of being functional. After such a worldwide conflict and all the human, economic and political consequences that it caused, probably remained one thing to the Nation-states and in particular the European's ones, in order to still be stand up and start rebuilding : their sovereignty.

During the following sixty years and after such a failure of the EDC, it turns out that the approach used to deal with the defence field has been more intergovernmental (realistically) based than integrationist⁵. The tools used by the intergovernmental institutions to cooperate were Common Actions, European defence programs, limited agreement, and armament company mergers. Nevertheless, the European states have been linked together step by step, thanks to these tools. But today with the two European directives of 2009, we maybe face the passage, so waited by certain actors, from cooperation to functional integration.

In 1954, just after the Second World War, instead of having a common interest in creating a European defence market, the states feared more than anything else to give up any sovereignty on security matters. Then the Cold War era came, and with it the will to secure the national territory more than ever. France and the De Gaulle's choice to get out of the NATO is a good example of this sovereignty affirmation through the choice of a national and independent defence policy.

⁴ D. MITRANY, "A working peace system", 1943.

⁵ I will use in this thesis the term intergovernmentalism in the sense of a cooperation complying with the realist theory. At the opposite, I conceive functionalism as an integration through the harmonization in the aim to create by the end a supranational institution in charge.

§.1- Classical integration theories and the European Defense Market

The neo-functionalist fundamental postulate is that a process of spill-over is going on in Europe and so, by consequence, a technical collaboration on one sector leads to the development of collaborations in others sectors. According to the classical analysis of Ernst B. Haas⁶, the political control of the state would be replaced, at term, by a new political community. Values and interests of the different national entities would be redefined, within this new community, in “communautaire” terms. In 2001, E. B. Haas, was still referring to a quasi-automatic spill-over effect, thanks to what deeper demands of integration will intensify because the actual integrated sector will not satisfy the political actors demands⁷.

Logically, like underlined Hanna Ojanen⁸, the integration process should extend to sectors from low politics to high politics to include, by the end, Defence and Security. The values should change also within these sectors, the community principles replacing the purely national ones. But the lack of progress regarding the integration in these sectors strengthen the more and more important neo-functionalist idea that the spill-over effect destiny is not necessarily to extend to all political sectors. Ben Rosamond⁹ explains that E.B. Haas himself recognized that all political sectors were not identical, that exist different “functional contexts”, that some political sectors were granted of a natural autonomy and, that by consequence, all do not have the same spill-over potential.

Thus the neo-functionalist thought became closer from the realist one. They state that whatever are the progresses in the low politics sectors, the integration of sectors which really weakens the State cannot happen. According to Stanley Hoffmann¹⁰, the distinction between high politics and low politics is the limit to the European integration. It was difficult to integrate Foreign policy because of its strong symbolical references to the notions of State, sovereignty, national identities. Then Defence, truly perceived as a vital question constituting the national sovereignty, was clearly outside of the supranational integration scope. Alfred Van Staden concludes in 1994 that:

⁶ E.B. HAAS, “The uniting of Europe: Political, Social and Economic Forces 1950-1957”, Stanford University Press, 1958.

⁷ E.B. HAAS, “Does Constructivism Subsume Neo-Functionalism?”, in *The social Construction of Europe*, Sage Edition, 2001, p.23.

⁸ H. OJANEN, “Theory at a loss? EU-NATO Fusion and the “Low-Politicisation” of Security and Defence in European Integration”, 43d conference of the International Studies Association, New-Orleans (US), 22-23 March 2002.

⁹ B. ROSAMOND, “Theories of European Integration”, Palgrave, 2000, p.62.

¹⁰ S. HOFFMAN, « Obsolete or Obsolete? The Fate of Nation-State and the Case of the Western Europe”, *Daedalus*, Vol.95, n°2, 1966, p.862-915; “Reflections on the Nation-State in Europe today”, *Journal of Common Market Studies*, vol.21, n°1-2, 1982, p.21-37.

“in a close future, the research of a common European Defence will probably not go further than the well defined borders of the intergovernmental cooperation”¹¹.

The intergovernmentalist integration approach¹² could then be seen as the most efficient to link the changes on the international post-Cold War scene to the obvious interest of certain Member States to elaborate a viable ESDP¹³. By focusing on the internal political interests of the States, they argue that it is some particular Member States – notably Western Germany, the UK and the Netherlands, which have managed to keep Defence outside of the European agenda until the 1990’s. Then, it is the successive inter-states negotiations between the most powerful Member States which constitute a coherent explanation of the ESDP development. In 1990¹⁴, it is the combined action of France and Germany which leads to the European Council Decision to start the negotiations of the intergovernmental conference (CIG), in order to negotiate a political (and economic) union, which would have for first aim to strengthen cooperation in the field of foreign policy and defence. The laid out of the ESDP in the Maastricht treaty can be seen as a classical compromise between divergent national positions.

So, classical analyses were badly prepared to the spectacular evolutions which led to the fast development of the ESDP, especially after 1998. These developments were a challenge for the neo-functionalists. They required that they admit that the spill-over mechanism was, after all, much

¹¹ A. VAN STADEN, « After Maastricht : Explaining the Movement towards a Common European Defence Policy », in *European Foreign Policy*, Sage, 1994, p.155.

¹² Intergovernmentalism’s definition: both a theory of integration and a method of decision-making in international organizations, that allows states to cooperate in specific fields while retaining their sovereignty. In contrast to supranational bodies in which authority is formally delegated, in intergovernmental organizations states do not share the power with other actors, and take decisions by unanimity. In the European Union, the Council of Ministers is an example of a purely intergovernmental body while the Commission, the European Parliament, and the European Court of Justice, represent the supranational mode of decision-making. As a theoretical approach to the study of European integration, intergovernmentalism was developed in the mid-1960s. Building on realist premises, writers such as Stanley Hoffmann highlighted the convergence of national interests and the will of states to cooperate as central to the analysis of regional integration. More recently Andrew Moravcsik’s ‘liberal intergovernmentalism’ incorporates the role of domestic interests in helping define national state preferences, while still arguing that states have the ultimate control over the process and direction of integration. In studying European integration, both the realist and the more liberal variants of intergovernmentalism have focused on major sets of inter-state bargains (especially intergovernmental conferences) and on the decision-making of the Council of Ministers, rather than on the role of the Commission, European Parliament, or societal actors. A. HURRELL, Director of the Centre for International Studies at the Department of Politics and International Relations of the University of Oxford, available at: <http://www.answers.com/topic/intergovernmentalism>.

¹³ S. CONSTANTINOS, “Armaments cooperation in Europe: An example of Europeanization?”, published in RIEAS research paper N°126, November 2008. See also B.WHITE, “Expliquer la Défense Européenne: un défi pour les analyses théoriques”, *Revue internationale et stratégique*, 2002/4-n°48, p.92.

¹⁴ See Annex 1: Indicative chronology of the European Defence area – 1948-2010.

stronger than they thought, and that some political action field, different because of high politics, were not necessarily autonomous. The neo-functionalists argued that the ESDP was the proof of a sleeping supra-nationalism. Some even stated that the specific dynamics of Defence and Security can have “un effet d’entraînement” more than of restraint on the integration process as a whole¹⁵.

§.2- 1998, a decisive year for the European Defense Market’s development

1998, is to this regard a decisive year. France and the UK signed the 4th of December 1998 the Joint Declaration on European Defence. They recognized that “the Union must have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them and a readiness to do so, in order to respond international crisis”¹⁶. The Cologne European Council in June 1999 confirmed this decision to strength the Common Foreign and Security Policy (CFSP) and the European Defence Technological and Industrial Base (DTIB). This decision marks the real start of the ESDP integration process.

Today, with the two blocks confrontation behind us, replaced by the growing of terrorism and globalization, appears an economic interest. The European defence industries claim¹⁷ for a common market in order to be competitive in a world market globalized and where concurrence, in particular the US’ one, is harder. After the complete integration of some of the biggest sections of the European economy, time is maybe here for the defence sector. Now that Europe is almost a secure world within its borders, thanks to the functional integration of the economy and the hopefully indestructible links created between the countries, there is no more reason to let apart the defence field.

And so from the cooperation of the 1950’s, we are facing since 1998 a fast integration process¹⁸.

¹⁵ J. HOWARTH, « European Defence and the changing Politics of the European Union: Hanging together or Hanging Separately? », *Journal of Common Market Studies*, vol.30, n°4, 2001, p.765-789.

¹⁶ Franco-British Joint declaration on European Defence, St-Malo, France, 4th December 1998.

¹⁷ See for example, P.CAMUS, R. HERTRICH, R. RANQUE, M. TURNER, « Visons plus haut ! », *Le Figaro*, 15 juin 2004. Defence industries chairman, talking on the EDA’s powers, plead for a strengthening of the EDEM. They argue that demand’s fragmentation and national protectionism prevent clients and suppliers to benefit from scale economies that would provide a single market. According to them, The EDA will have to encourage member states to find common solutions to their common needs.

¹⁸ See Annex 1: Indicative chronology of the European Defence area – 1948-2010.

II- From intergovernmentalism to functional integration: 1998-2010

Once we establish that there is an integration process going on in the defence field and that the construction of a European defence market is on process, the question is now: is it the States or the European Institutions which control this integration process?

The challenge to face is so perfectly summarized by Sir David Mitrany, in “A working peace system”:

“How to weld together the common interests of all without interfering unduly with the particular ways of each”?

§.1- When intergovernmentalism leads to a positive function

Defence cooperation was a negative function until 1998, i.e.: peace-keeping by avoiding cooperation between the States. The action level was national, with no interferences neither intervention from any superior authority. It seems to become a positive function because in order to keep the efficiency, now it appears a need of the armament industries to cooperate. Today it is becoming a positive function because a positive function requires that the coordination of the different actors and of the different actions comes from a superior authority. We can argue that this superior authority is emerging through the EU institutions. As Brian White underlines it¹⁹, a powerful central and supranational institution is necessary in order to integrate the sectors of high politics, which the states consider as the essence of their national sovereignty.

As we highlighted it earlier, the emergence of a common defence market has been dealt at first through international inter-governmental institutions, as the Western European Armaments Group and the OCCAR.

For intergovernmentalists, the acceleration of the ESDP development at St-Malo is due to the convergence of interest between France and the UK. The government of Tony Blair, who has been until there a fervent opponent of an independent Europe in the field of defence and security – fearing that it would be negative for the transatlantic relation - was operating a significant move. This move reveals an evolution in the perception and the nature of the ESDP signification. According to Hélène Sjursen, the evolution of the British position is resulting “from the will of Tony Blair to lead a more active European policy as well as from a frustration vis à vis the US”²⁰. This will to start a more active European policy constituted a diversion from the British decision to stay outside of the Euro-

¹⁹ B WHITE, *Op.Cit*, p.90.

²⁰ H. SJURSEN, “The Common Foreign and Security Policy”, in *Making policy in Europe*, Sage, 2001, p.195.

zone. The ESDP was perceived in term of internal policy as less sensitive than the monetary union. Under this analysis, the distinction between low and high politics is then to redefine. The monetary policy seemed at this time being of higher policy than the defence policy in the UK.

And so, the UK internal incentive to cooperate, which reflects an intergovernmental approach from the state²¹, leads, step by step to the creation of forces independent from the state's interests. And these independent forces make up the positive function. The intergovernmental and neo-functional approaches are so historically complementary, the traditional struggle between intergovernmentalism and neo-functionalism does not exclude one from the other, and one can slid to the other. Without having to choose between intergovernmentalism and neo-functionalism, we can talk of "Europeanization".

To the question about the dynamics of defence integration within the EU – what are the driving forces behind this development?²²- different explanations are complementary. This is not a zero-sum game, either the states either the European institutions. Different incentives help to build a Common European Defence Market day by day. Response to external events, rational choice of the largest Member States in order to increase their influence as well as influence of the EU in world affairs and institutionalization of this policy field at the European level are all credible in explaining the emergence of a common European defence market.

"Traditionally driving forces within the area of defence have been closely associated with what is the emphasis of realist thought; external threats and national (or alliance) reasons for action formed as a reaction to the structure of the international system"²³.

The neo-realist have "instrumentalized" the end of the Cold War to state that the international context has radically changed, opening the prospective, even necessity, for the Member States to face under a new angle the possibility of an ESDP²⁴. The main change remains on the fact that the American commitment towards the Western European Defence was becoming more and more ambiguous. Thus, A. Van Staden underlined that:

"The uncertainties on the long term survival of the transatlantic links in security matter strengthened the EC members' awareness that the Western European should be ready to assume a

²¹ It reflects an intergovernmental approach because the interest of the state remains the driving force for the government to take action. It is a realist approach, with the state as the main actor.

²² A. ERIKSSON, "EU Defence Integration : A case for a neo-functional Explanation », paper to be presented at the European Consortium on Political Science research (ECPR)/ Standing Group of International Relations (SGIR), Conference in Turin, 12-15 September, 2007.

²³ A. ERIKSSON, *Op.Cit.*, p.2.

²⁴ B. WHITE, *Op.Cit.*, p.92.

larger part of the Western Europe commune Defence cost and assume more responsibilities in defence field”²⁵.

That explains why, until recently, the intergovernmental instruments have always been chosen by the states in order to enhance the cooperation in matter of defence²⁶. But it is arguable as well that the deepening in the cooperation within the ESDP also grows increasingly from internal policies and economic factors associated with the needs of the European Defence industry.

§.2- The Europeanization process

The classical approach by reducing the ESDP analysis to a struggle between intergovernmentalism, neo-realism and neo-functionalism forced us to envisage either a structuralist explanation (neo-functionalism, neo-realism) to the ESDP development either an agent-based explanation (intergovernmentalism). But the ESDP works at different level of analysis, at the European level and at national levels. Thus the concept of Europeanization helps to study this ESDP integration process and institutional structure on perpetual move, without separating agent and structure. Roy Ginsberg defines Europeanization as the process by which the CFSP is becoming closer from the norms, policies and customs of the European Community (EC), without becoming supranational neither²⁷. The customs and procedures of the CFSP political cooperation, which were institutionalized in a corpus of European norms and values, finally lead to attitude and preferences changes of the Member States²⁸. Such an approach implies that the European political system is

²⁵ A. VAN STADEN, *Op.Cit.*, p.149.

²⁶ A. ERKISSON, « Theorists and analysts have so far been very skeptical about the prospects of defence integration within the EU. Theories and analytical models were developed mainly to explain integration within what came to be the first pillar, and focused mostly on the formal aspects of integration.” With regard to security and defence, other organizational solutions than integration were considered more appropriate. “Neo-functionalists were forced to see limits to the spill-over effect and realists held on to the argument that integration in the field of security and defence was not in the interests of member states. They thus agreed on one assumption: “the main reason why the process of integration would not come to include security and defence was that they formed the core of national sovereignty (H. OJANEN, “the EU and NATO : Two competing models for a Common Defence Policy”, in *Journal of Common Market Studies*, Vol.44, N°1, pp.57-76, cit p.60).” And so what is required to explain the recent events is the removal of the assumption that security and defence as policy areas imply something theoretically particular. *Op.Cit.* p.4.

²⁷ M. VINK., “What is Europeanization? and Other Questions on a New Research Agenda”, Paper for the 2d YEN Research Meeting on Europeanisation, University of Bocconi, Milan, 22-23 November 2002. Extract: “Although there is considerable conceptual contestation with regard to the question what it actually is, the bulk of the literature speaks of Europeanization when something in the domestic political system is affected by something European. Hence we can define Europeanization for the moment and very briefly as domestic change caused by European integration”. In the eyes of the current debate on this term, I will here employ “Europeanization” in its broad definition as described by R. Ginsberg and M. Vink.

²⁸ R. GINSBERG, “The European Union in World Politics”, Boulder (Co.), Rowan and Littlefield, 2001, p.37-38.

considered as a single analysis unity. Knud Eric Jorgensen²⁹ states that two levels of analysis have to be taken into account: Member States influences on the EU taking-decision process, as well as the impact of the EU decisions on national systems.

From the intergovernmental cooperation will raise common defence interests from the states' side, some strong enough to make them feel the need of transferring pieces of sovereignty in defence field in order to gain efficiency³⁰. The so called "political framework" of Sir David Mitrany is born, shaped mainly by the Commission. On the other side, appears the concept of "bruxellisation" of the CFSP and ESDP elaboration process, meaning that this elaboration is facilitated by the constant reinforcement of the decision-taking organs based at Brussels, and not reduced to the most little common denominator (necessary by opposition to reach an intergovernmental decision). Such an approach takes into account the effects of the ideas, values and identities interfering in the integration process, at the contrary of the classical approaches³¹.

§.3- An arising common interest for a European Defense Market

One of the main internal need, which drives the EU from an ESDP to the building of a European defence market, has been expressed and reaffirmed in several official documents and is the need for the creation of an EU military capability³².

"The function determines the executive instrument suitable for its proper activity, and by the same process provides a need for the reform of the instrument at every stage³³. There is a balance to find between "intervention" (of the central authority) and "self-determination"."

Until the last decade, because the states had, with a few exceptions, no interest to integrate such a market, there has been almost no giving up of sovereignty. It took for example 10 years to transform the Code of Conduct on arms exports (CoC Ex) of 1998 on a binding instrument thanks to its consecration in a Common Position of 2008³⁴. Today the national defence budgets are dramatically decreasing but the security threat is maybe bigger than ever because it is less touchable and

²⁹ K.E. JORGENSEN, « Making the CFSP Work », in "The institutions of the EU", Oxford University Press, 2002, p.228.

³⁰ For the definition of efficiency in the defence field see, TITLE 2- A nascent empirical European Defence Market, II- Impact of a European Defence Market, §.1- Benefits from a European Defence Market.

³¹ A critic to such an approach is to argue that "Europeanization" is a concept more descriptive than explanatory, which describes an interactive process more than explains the reasons and modalities of it. See D. RICHARDS, M.J. SMITH, "Governance and Public Policy in the UK", Oxford University Press, 2002, p.157.

³² See Annex 1, all the Council declarations and Commission's communications.

³³ D. MITRANY, *Op.Cit.*

³⁴ Common Position of the Council of the European Union 2008/944/CDSP.

predictable (terrorism for example). This is how a common interest aroused. And so the states are more ready to accept the idea of an open-defence market and of a regulated framework under the control of the EU and the incentive of the Commission³⁵.

Since the 90's, the "reform of the instrument" has been therefore possible at every stage because the needs, the function, has determined the executive instrument. When we look at the different stages of the development of a common European market, we see that at first all the instruments used were non-binding: the EDA had almost no power neither success initiatives, the applicability of the CoC Ex was exclusively depending on the good will of the states, as the one of the Code of Conduct on arms imports of 2005. Then the CoC Ex is now a common position, two directives of 2009 have been added to the Code of Conduct of 2005, and the EDA has seen some real success. So from an inter-governmental executive instrument, depending only on the states' will, we now have a supranational web.

The common European defence market has successfully been through the growing process, the adaptation process, or the so called "self-determines" process described by Sir David Mitrany and functionalism. The defence activity - as the European Defence Equipment Market (EDEM) and the industries - auto-determines what it needs and pushes for adaptation. National defence markets are becoming one EDEM³⁶ through a process of Europeanization.

³⁵ A. ERIKSSON, « According to them (Freedman § Menon, 1997 : 157ff), new constraints associated with economic conditions and rising costs as well as technological development create a potential for a new role for the EU in national defence policy. *Op.Cit.* p.4. Those empirical arguments will be developed in the second Title of this thesis.

³⁶ I will talk equally, in this thesis, of EDEM and of European Defense market. Indeed, my topic is about the construction of a "market" taken in its broadly sense. Yet, I consider that both terms include as well the notions of competition, procurement, exports and community transfers. And these notions are the ones I consider as the ones a market has to deal with.

TITRE 2- The European Defence Market: A construction based on practice

“It has become a cliché to observe that Europe’s armies need many new military capabilities. [...]. European armed forces struggled to fight alongside the US during the Kosovo War in 1999 because they lacked sophisticated equipment. As a result, EU governments signed up to a number of “headline goals” to improve their military prowess”^{37,38}.

“Moreover, European Defence Ministries are facing significant budgetary challenges. The cost of defence equipment is rising by six to eight percent a year –whereas defence budgets are static – and the growing number of military operations is consuming money that had been set aside for buying new equipment. Given that defence budgets are unlikely to rise dramatically, and that the cost of new military technologies is soaring, **governments will need to extract more value out of each euro they spend**”³⁹.

Once stated this necessity, the question is **how the EU Member States could achieve such savings in defence matter?** Many authors see an answer in the building of a European Defence Market⁴⁰.

Daniel Keohane argues that:

“They [the EU governments] need to pay more attention to improving European cooperation on armaments. Greater cooperation in armaments could lead to significant benefits, including: better value-for-money for taxpayers, greater harmonization of military requirements and technologies, which helps different European forces to work together more effectively and a more competitive European defence industry. To achieve more effective armaments cooperation, European governments need to do a number of things such as pooling more resources, managing joint equipment programmes better, and in particular opening up their defence markets. [...]”.

In theory, a more integrated European defence market would allow free movement of most defence goods among EU Member States. Greater cross-border cooperation would allow larger economies of scale, increased industrial competition, and thus, lower prices, particularly for more advanced equipment. Defence ministries would be able to purchase equipment from the company

³⁷ D. KEOHANE, « Introduction- Towards a European Defence Market », in Towards a European Defence Market, *Chaillot Paper* n°113, ISS, November 2008, p.5.

³⁸ December 1999 – Helsinki European Council. The Helsinki Headline Goal 2003 for a military capability is launched.

³⁹ D. Keohane, *Op.Cit.*, p.5.

⁴⁰ For example : D. KEOHANE, *Op.Cit.*; Defence Analysis Institute, “Prospects on the European Defence Industry”, 2003; K. HARTLEY, “A Single European Market for Defence Equipment Organization and Collaboration”, Centre for Defence Economics, University of York; D. KEOHANE and T. VALASEK, “Willing and able, EU defence in 2020”, Centre for European Reform, June 2008.

that offered the best financial and technical package, regardless its national origin. Keith Hartley⁴¹ has estimated that a single defence market could save EU governments up to 20 percent of their procurement funds. EU governments spend roughly €30 billion annually on purchasing defence equipment⁴². Thus, a single defence market could save defence ministries up to €6 billion a year.” However all these provisions can only become reality if the different actors get over the obstacles to a Common European Defence Market.

I- Actors of the European Defence Market

Like any market, defence market has to be apprehended from the supply side, the demand side, and regarding the dynamic created between this supply and this demand and from the regulation framework within such dynamic can grow⁴³. When authors analyze the European Member States defence markets, they often stress the industrial aspect –European firms are too small to compete with the American ones and some mergers and alliances are necessary. Research studies speak less of the demand structuring, and yet, it is indispensable for a good function of the market as a whole. They speak even less of the regulation framework which has to adjust the supply and the demand. The fact that the European military products are not fully subjected to the common competitive policy, unlike others economic sectors is the result of the Member States reluctance. The result is a demand and some procurement practices which are still heterogeneous, as I will first explain. Today, the demand plays the driving force role in the dynamic. Defence budgets, in particular the ones devoted to Research and Development (R&D), determine the supply production – in quantity and quality. However, looking to the work of the European Commission, it appears that a regulation framework is clearly in building to help harmonizing this demand. As for the supply, the European Commission – in a common effort with the industries – tries to help these last to be a driving force, able to conduct their own R&D and to suggest some solutions to military forces. On the top of it, the European Defence Agency, struggled between an intergovernmental framework and a will to be the central institution of this defence European framework, should not be disregarded.

⁴¹ K. HARTLEY, *Op. Cit.*; « The future of Europe defence policy : and economic perspective », *Defence and Peace Economics*, Vol. 14, n°2, January 2003, pp.107-115.

⁴² See Annex 2: Military expenditures data from SIPRI Yearbook 2010, Table 2.

⁴³ H. DUMEZ and A. JEUNEMAITRE, “Une Europe de la Défense? Politique, marché, Régulation et Relations Transatlantiques », in *Politique Européenne* n°8, Automne 2002, « L’Europe de la défense, Institutionnalisation, européanisation », under the direction of B. HIRONDELLE and P. VENNESSON, p.47.

§.1- France, the UK, Germany and Italy vs the others

A central question is the financial weight of the defence expenditures. Because defence is not yet a fully common field, “the bulk of the expenditure”⁴⁴ falls on the shoulders of these countries that are sending the forces. Thus, these countries take both greater risks and greater financial burdens. Countries that give the most in term of forces and expenditures to European mission are the European armaments leader countries⁴⁵.

A common budget should be established, to pay for the common structures and to finance a significant part, if not all, of the mission. The principle of a common logistical chain for expeditionary forces should be agreed upon, to reinforce the aim of effective standardization as well. The third aspect of a common defence is finally to reach the Helsinki Goals regarding the European military capabilities. The EU Member States spend about 180 billion euro on defence each year. However out of this respectable sum only about 22 percent⁴⁶ is earmarked for investment and acquisitions. The amount needed for the necessary modernization and reinforcements, is greater (the investment budget should reach about 30% of the total expenditure, i.e. about 15 billion euro more each year⁴⁷). It is impossible to increase the various national defence budgets to cover this gap.

Thus a different strategy is required, one which diminishes duplication and increases effectiveness of expenditures. The most logical solution would be to increase commonalities and integrate a large part of the acquisitions at the European level. With the implementation of Permanent Structured Cooperation (PSC), as foreseen by the Lisbon Treaty, established among a few able and willing EU members, the prospect of common defence expenditure standards will arise, as well as the need to fix targets and conditions, similar to what has been done for the core Euro-zone in the monetary field.

But such an improvement on common European defence programmes is inextricably linked with industrial and market policies. The EDA and the European Commission have made progress into the building of a single European Defence Market. However it is not simply a question of market liberalization, but of public policies. Defence, industrial and research policies are closely

⁴⁴ S. SILVESTRI, « The gradual path to a European defence identity », in “What ambitions for European defence in 2020?”, ISS, 2010, p.82.

⁴⁵ By referring to the SIPRI Data on the Top 10 military spenders 2009: France, the UK, Germany, Italy. See Annex 2, Table 3.

⁴⁶ See Annex 3: EDA Defense Data 2008, p.7.

⁴⁷ S. SILVESTRI, *Op.Cit.*, p.82.

interconnected. In analyzing the creation of such a market, I sometimes had difficulties to keep the delimitation of my subject, as much the different fields are interlinked.

The creation of a single market is a complex web, in which each entity (legislation, structures/institutions, states, industries, research area, competitors...) has to move forward step by step without distancing the others. The EDA has, today, neither the power nor the funds to replace the existing national armament agencies. The development of a stronger European common defence and the establishment of a Permanent Structured Cooperation require a strong industrial and market chapter. The Commission opened this chapter with its two directive proposals in 2007 within a Defence Package. The aim of this package is to replace the uncomfortable patchwork of various national markets and policies by an homogeneous European armament policy. The Parliament and the Council definitely set swinging it in 2009 in adopting these two directives. So what are the bases to create a set of common rules in the defence field? And *a contrario*, what are the different defences and armament cultures in Europe? Typically, a nation's procurement policy will be partly constrained by the extent of its national defence industrial base (DIB) and its desire and willingness to pay for independence, security of supply and the wider economic benefits which are believed to be associated with a national DIB (e.g.: jobs, technology and spin-off). Thus, what are the differences between the "big western European countries", and the other European countries regarding their DIB? Can we even assimilate France, the UK, Germany and Italy within a western European countries group?

Characteristics of the "Leader" States

European defence spending is highly concentrated in a small number of countries with France, Germany, Italy and the UK accounting for about 80 percent of total EU defence and equipment expenditure⁴⁸.

The western European countries differ in the size, structure, technical capabilities, ownership and performance of their defence industries. Four groups can be distinguished:

1° France and the the UK have relatively large defence industries with the capability of developing nuclear and conventional weapons and a complete range of advanced air, land and sea systems. France defends the principle of competitive autonomy. It means that the access of the country to technological and industrial defence capacity determines its military efficiency, its diplomatic room for manoeuvre and so its decision and action autonomy. For the French defence ministry, the aim is

⁴⁸ K. HARTLEY, *Op.Cit.*, p.8, §.2.

to make sure that the DITB is sufficiently sustained and developed to guarantee the procurement security of the armed forces and the possibility to export armament to friends and allies countries, via a sufficient European and international autonomy⁴⁹. Thus, France tries to balance the autonomist ideology and the mutual dependence idea.

As for the UK, it advocates markets opening to international competition and is an opponent to the “préférence communautaire”, because of its privileged cooperation with the UK. We talk of operational sovereignty and not of absolute sovereignty. It means that the ministry identifies the strategic defence activity sectors and only helps to the support of these sectors on the national territory⁵⁰.

2° Germany and Italy: the former has a sizeable DIB, and both nations have independent technical capabilities in some land and sea systems, and an involvement in a range of collaborative aerospace projects. In Germany, the multiplication of the acquisition of holdings and of defence companies’ buy-out by foreign industries led the federal government to legislate in order to limit these kinds of transactions. After an industrial consultation, both concluded that to maintain their leadership on the world market, a better harmonization of the European competition rules was necessary. Such an harmonization is consider via privatization of defence industries, state-help limitation and suppression of offsets.

Italy has a closer position from the UK regarding the support of its DIB, as Spain.

3° Spain and Sweden with similar sized defence industries: Spain with a developing DIB and Sweden with its traditional policy of neutrality and independence, including an independent capability in modern combat aircraft.

4° The Netherlands, Belgium, Finland, Portugal, Denmark and Austria have small defence industries and some capabilities in low technology areas.

States’ Defence Industrial traditions

Looking at the ownership now, national traditions differ again. British and German defence companies are privately-owned whilst state ownership was dominant historically in France, Italy and Spain. Thus, the culture of the State’s support and of national industries protection stay more

⁴⁹ « Pour une autonomie compétitive en Europe ». La politique d’acquisition du Ministère de la Défense, Paris, 2004, p.6.

⁵⁰ H. MASSON, “Quel marché de défense européen? Ou l’heure des choix pour les Etats membres de l’UE producteurs d’armement », Note de la Fondation pour la Recherche Stratégique, 17 mai 2006, §.2.1.

present in the 2d category than in the 1st group. Private firms of this last one claim that ancient state-owned companies - still closely linked to the state and indirectly or directly advantaged – represent unfair competition.

Regarding the importance of the “leader” countries, Denis Chavillot⁵¹ argues that three, France, the UK and Germany, have a dominant position in Europe and are able to influence the future. The Iraq crisis in 2003 has showed the negative impact of a divergence. At the opposite, when they act together as for the Iranian nuclear crisis, we see the driving force potential. For historical reasons, thanks to their economic and industrial weight, and thanks to their image on the international scene, the UK, Germany and France are the key actors to set up European armament programs. These three countries are the only one on the European continent to get an autonomous DIB, efficient and covering all technologies. These three states are not a *sine qua non* condition for such program, but today, no military program of national interest could actually starts without the involvement of two of these countries. EU governments spend roughly €35,4 billion each year on procurement, research and development, of which about €9 billion is spent on defence R&D⁵². France and the UK alone account for about 75 percent of that figure. Added to Germany and Sweden, these four account to close 90 percent of EU military R&D. More significantly, France and the UK each spend roughly 13 percent of their defence budgets on R&D, which compares well with the US (15 percent). The EU average, however, is only 7 percent. In fact –aside from the UK and France – only six of the remaining EU governments (the Czech republic, Germany, Italy, Poland, Spain and Sweden) spend over 2 percent of their entire defence budgets on R&D. Beyond the financial capacity, these three states are the only ones able to give a structural aspect to a program, going further than the only technological performance.

Such a position of the leader countries leads all the Member States to use national protectionism very easily -until recently – instead of cooperation. Thinking that they were protecting their DIB, leader countries didn’t buy their weapons from foreign defence companies, unless their national companies did not make the product the government needs. And others Member States, facing this unfair competition had to follow this national practice, apart from the ones which did not have an indigenous defence industry.

⁵¹ D. CHEVILLOT (Capitaine de Frégate), « La construction Européenne et les grands programmes d’intérêt stratégique militaires, peut-on sortir d’une logique de déclin ? », Diploweb, Géopolitique de l’Union Européenne, www.diploweb.com/forum/chevillot.htm, Novembre 2004, §. 1.5.2.

⁵² J.-P. DARNIS, G. GASPARINI, C. GRAMS, D. KEOHANE, F. LIBERTI, J.-P. MAULNY and M.-B. STUMBAUM, « Lessons learned from European defence equipment programmes », Occasional Paper n°69, October 2007, ISS, p.26.

The research group on the European defence equipment programmes, lead by the Institute for Security Studies, identifies four different attitudes to government-industry relations⁵³:

1° Countries which pursue a special relationship with national champions including ownership (Italy and France). However, Fench, in particular, show the will to introduce more and more competition into its defence procurement. Thus, since 2004, France articulates its procurement policy around the principle of “autonomie compétitive”⁵⁴. It consists in guarantying the best economic efficiency of the defence ministry’s acquisitions and investments. This best efficiency is reached by an open competition, free market mechanisms, etc...⁵⁵.

2° Countries which have a strong national presence in the defence industry, but whom the government is more open to competition and not a shareholder, but wants to preserve employment and desires ownership of technology rather than industry (the UK and Germany). Thus, since 1998, the UK apply a competitive call-for-tenders procedure opened to foreigners competitors, regarding all its national procurement programs, except sensitive programs on terrorism or nuclear weapon⁵⁶.

3° Countries which have niche capabilities and pursue a policy of protecting these capabilities, and even though they need to cooperate with others governments, they try to preserve their niche capabilities (Spain, Czech Republic).

4° Countries which have few or no defence industrial capabilities, and therefore focus on off-the-shelf purchases. Sometimes they have dual-use capabilities that can be integrated into cooperative programmes (Estonia).

In short, many countries tend to favor their national suppliers irrespectively of the price or the quality of equipments they produce. Thus, absence of cross-border competition makes European weapons expensive⁵⁷. The fragmentation of the market has also led to wasteful duplication. Altogether, EU countries currently have 89 different weapons programs, while the US - whose defence budget is more than twice the size of the EU’s budgets combined - have only 27⁵⁸.

⁵³ J.-P. DARNIS, G. GASPARINI, C. GRAMS, D. KEOHANE, F. LIBERTI, J.-P. MAULNY and M.-B. STUMBAUM, *Op.Cit.*, p.24.

⁵⁴ « Pour une autonomie compétitive en Europe ». *Op.Cit.*

⁵⁵ H. MASSON, . MASSON, “Quel marché de défense européen? Ou l’heure des choix pour les Etats membres de l’UE producteurs d’armement », Note de la Fondation pour la Recherche Stratégique, 17 mai 2006, §.1.b.

⁵⁶ H. MASSON, *Op.Cit.*, §.1.b.

⁵⁷ D. KEOHANE and S. de VAUCORBEIL, « Opening up European Defence Markets: the challenges ahead », ISS, September 2008, §.1.

⁵⁸ C.M. O’DONNELL, « The EU finally opens the European Defence market », Policy brief, Centre for European Reform, June 2009.

Thus to create a defence common market, a first step- that I would call ideological regarding the states' side - is to harmonize the strategic and tactic concepts in the perspective of a European Defence. A rationalization of the needs to a European defence is necessary to avoid duplication of the armament systems. Bill Giles⁵⁹, Europe General-director of BAE systems states that the priority is now to implement the competition principle through Europe. The 2009 directives are a step in this direction as I will analyze it later on. These directives are the sign that the EU Member States, under the impulsion of the armament leaders, agree on the necessity to open their market to competition. This cultural change will inevitably lead to the harmonization of the national procurement rules and so to the building of the European Defence Market.

But "a viable policy of armament acquisition in Europe will have to conciliate the British and French approaches. The British are restoring to favor the sovereignty principle, when the French are restoring to favor the competition principle".

In general terms, these countries, with a significant defence industry – or "producer" countries- are much more likely to rationalize and to harmonize through their participation in a cooperative program, than these countries which do not have significant defence industries – or "consumer" countries-⁶⁰.

However, the growing use of new technologies by defence ministries, especially software, which are increasingly adapted from civil technology for military use (known as "dual-use" technologies), means that there are likely to be more opportunities for consumer countries to participate in future cooperative programs. In addition, further opportunities for these countries are created by the increasing adoption by defence ministries of the "through life" approach to multinational programs, cooperating on maintenance, training, logistics as well as development and procurement. In order to reduce the gap between leaders and consumers, the EDA's Cooperative Mechanism should help to identify the full range of opportunities for the EDA's 26 participating Member States (pMS).

⁵⁹ B. GILES, « Quelles stratégies industrielles pour l'Europe de la défense ? », Compte rendu du séminaire – Bruxelles -15 mai 2006, in *Question d'Europe* n°34, Fondation Roberts Schuman, 3 juillet 2006. Traduction M. CASSIER.

⁶⁰ J.-P. DARNIS, G. GASPARINI, C. GRAMS, D. KEOHANE, F. LIBERTI, J.-P. MAULNY and M.-B. STUMBAUM, Op.Cit., p.12.

§.2- A resolute European Commission

Despite the reluctance of the European Member States to see the Commission taking an interest in the armament field, the European Institution emphasized and reaffirmed regularly since 1998⁶¹, its will to improve the legal framework governing arms transfers in Europe⁶². Armament trade and production are at the cross of the defence policy and of the industrial policy. Thus, the Commission proposed to institute a set of common rules in defence procurement area. These rules would be a matter of intergovernmentalism and of community policy. Today, community method is applied in the following fields: intra-community transfers, competition, Defence procurement contract, dual-use products and research.

The difficulty of adhering to a strictly inter-governmental approach is that it may prove inadequate, due to the limitations of agreements and competing national interests. A European institution should be involved in running a more open defence market. The European commission would like to take on the task of regulating a European Defence market⁶³. However, defence goods related to the “essential interests of security” –as stipulated in Article 296 of the EU Treaties⁶⁴ – were one of the notable exclusions from the Commission’s regulation of European industry. The commission’s role in the defence market was confined to “dual-use” products that are components of both civilian and military equipment⁶⁵. Given the sensitive nature of the defence market, some arms-producing countries are reluctant to give much new regulatory power to the Commission. The main arms-producer countries in Europe have traditionally adhered to a strict interpretation of Article 296. This has prevented the Commission from having a meaningful involvement in the defence market, with the result that governments can protect their national companies from foreign competition.

But this is changing due to two factors: the defence budget’s crunch and the Commission’s new approach to defence market rules. Seeing the failure of past legislative initiatives which were

⁶¹ See Annex 2, all the actions of the commission in the “Europeanization” column.

⁶² H.MASSON, « Quel marché de défense européen ? Ou l’heure des choix pour les Etats membres de l’UE producteurs d’armement », Note de la FRS, Mai 2006, p.8.

⁶³ D. KEOHANE and S. de VAUCORBEIL, *Op.Cit.*, §3.

⁶⁴ [Article 296 TEU] is [Article 346 TFEU]. See Title 2- The European Defence Market : A construction based on practice, II Impact of a European Defence Market, §.2- Obstacles to a European Defence Market for further development on article 296 TEU.

⁶⁵ Council Regulation (EC) n°3381/94, December 13th, 1994, setting up a Community regime for the control of exports of dual-use goods. Council Regulation (EC) 1334/2000, June 22d, 2002, setting up a community regime for the control of exports of dual-use items and technology replacing the EC Regulation 3381/94.

insisting on changing Article 296⁶⁶, the new objective of Commission's Defence Package 2007⁶⁷, was to set up a new legal framework for security and defence related procurement and intra-EU trade of defence procurement.

Thus, the Commission tried at first to impose its role via an approach from the top. The aim was to oblige the states to transfer a part of their sovereignty on Defence to the Commission. But in such a sensitive field, seen as an essential part of the state's sovereignty, this kind of approach was almost sure to fail. Arms-producers States would never have, as such, directly accepted to give up their autonomy on arms trade. And, as I already said⁶⁸, nothing is possible in the armament field without the agreement of the leaders. I would consider the key moment on Commission's approach turning point as the presentation by Xavier Solana - High representative for CFSP and the Secretary-General of both the Council of the EU and of the WEU at this time – of the European Security Strategy called "A secure Europe in a better world". This paper gave the impulsion to a more functional approach, from the basement to the top. Thus, in September 23d, 2004, the Directorate-General "internal market and services" produces a green paper on Defence procurement⁶⁹. This green paper will be followed of a communication from the Commission on the results of the consultation launched by the green paper on Defence procurement and on the future Commission's initiatives⁷⁰, and of a Consultation Paper from the Commission, April 3d 2006, on the Intra-community circulation of the defence-related products. In April 2006, the Commission will, as well, open the consultation on "Creating a single market for EU defence industries". The Commission does not give up the possibility to impose its interpretation of Article 296 yet. But it clearly starts a new approach in the same time, from the industrial side, by the function that represents arms trade.

⁶⁶ See for example: Communication from the Commission, January 24th, 1996, on "The challenges facing the European Defence-Related Industry. A contribution for action at European level ", [Com (96), 10 final]; Communication from the Commission, March 11th, 2003, on "European Defence Industrial and Market Issues-Towards and EU defence Equipment Policy [COM (2003) 113]; Interpretative Communication from the Commission, December 7th, 2006, on the application of Article 296 of the TCE in the field of defence procurement [COM (2006), 779].

⁶⁷ Commission's Defence Package 2007: 1° Communication on a "A Strategy for a Stronger and more competitive European Defence Industry", [COM (2007), 764]. 2° Directive Proposal on "simplifying terms and conditions of transfers of defence-related products within the Community", [COM (2007), 765]. 3° Directive Proposal on "the coordination of procedures for the award of certain public works contracts, public supply contracts and public service contracts in the fields of defence and security", [COM (2007), 766].

⁶⁸ See above, p.20.

⁶⁹ [COM (2004), 608].

⁷⁰ [COM (2005), 626].

That's how the Commission has been able to complete its turning point in 2007 with its Defence Package.

By an indirect approach, via the industrial part of the defence field, the states have not the impression to give up some sovereignty but instead to help their industries facing the defence budget crunch. The directive on arm transfers is based on Article 95 of the Treaty introducing the European Community (TEC) which allows, after proposition of the Commission, the adoption of measures aiming at the national legislation harmonization in order to improve the common market functioning. The Commission specified that the principle of goods free circulation applies to defence product as well, but does not deny anymore the national essential interests of security, neither the autonomy of the states on arms exportation policy. Then, these two directives represent a dual approach: apparently intergovernmental, on the taking-decision procedure and regarding the national room left to the states to implement the directives' procurement system; but functional and "européanizante", if we consider the common framework binding the states and the harmonization among the states that creates this new European procurement regime. It's a "communautarisation" of the defence market that I would qualify of soft approach, instead of the previous hard approach. This new regime is even consolidated by Article 298 of the Treaty on the EU (TEU) or Article 348 of the Treaty on the functioning of the EU (TFEU) which stated that:

"If measures taken in the circumstances referred to in Articles 296 (TEU) [Article 346 TFEU] and 297 (TEU) [Article 347 TFEU] have the effect of distorting the conditions of competition in the internal market, the Commission shall, together with the State concerned, examine how these measures can be adjusted to the rules laid down in the Treaties."

Regarding the content of this new regime, the transfer directive⁷¹ aims to simplify procedures to move military goods amongst Member States. It deletes the 27 different national legislations of licences and certifications. It will require all member-states to offer general and global licences – which do not require any prior investigation - in addition to individual export licences⁷².

⁷¹ Directive 2009/43/EC of the European Parliament and of the Council, May 6th, 2009, simplifying terms and conditions of transfers of defence-related products within the Community.

⁷² Broadly speaking, goods which benefit from a general licence can move across EU borders without exporters having to ask for specific licences to do so. General licence are intended to be used as the systematic licence. Global licences are granted to defence companies and allow them to transfer several goods to various recipients, but are limited in time (3 years, renewable). (C.M. O'DONNELL, *Op.Cit.*, p.2). Authorization exemptions are also provided for cooperation programme, international organizations delivery in the purpose of their missions, transfer for repairs, maintenance, exhibition, and when the supplier or the recipient is a public institution or is part of the armed forces. (H.-L. GOFFINET, "La directive simplifiant les transferts intra-communautaires. Des dispositions utiles et nécessaires mais imparfaites et dangereuses », GRIP, 21 octobre 2009).

Harmonization's mechanisms are mutual trust, viability common criteria and four regimes of transfer determined by three types of licence. The directive aims to reduce the use of individual export licences. In particular it will encourage Member States to grant general-licences when they authorize weaponry or spare parts to be sent to armed forces in another EU country, or when goods are sent to trust worthy defence companies in the EU as components. The procurement directive⁷³ has the same objective as the EDA's Code of Conduct⁷⁴. It aims to increase the amount of defence procurement which is open to competition. But in contrast to the code of conduct, the directive is legally binding. It will offer procurement procedures tailored specifically to defence and security needs, so that governments can safely open more their defence procurement to competition. Ministries of defence will benefit from substantial flexibility and security guarantees. Bidding companies will have to protect classified information, and to ensure that delivery is always on time, even crisis' time.

"The adoption of these two directives reflects an important cultural shift in the EU. Member States have accepted new EU legal constraints and a stronger role for the European Commission (which was heavily involved in developing the new directives) in an area that until now they have jealously guarded as their own"⁷⁵.

§.3- A restructured European defence industry

The new directives create specific rules for trade in defence goods. It makes it more difficult for governments to deny foreign bids on national security grounds, and thus opens the door to more cross-border purchases.

"Europe in 2020 will probably be trading defence goods far more freely across internal borders than it is the case today"⁷⁶.

Cash-strapped defence ministries should welcome greater cross-border competition as it would help ensure lower prices. If defence ministries use these savings to invest in new types of defence equipment and co-ordinate their purchasing, Europe's defence industry will change substantially by 2020. It is questionable whether or not Europe can sustain four large contractors (BAE Systems, EADS, Finmeccanica and Thales) that currently dominate the European defence industry. For instance,

⁷³ Directive 2009/81/EC of the European Parliament and of the council, July 13th, 2009, on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC.

⁷⁴ Code of Conduct on Defence Procurement (CoC on DP) is adopted by EDA's pMS on November 21st 2005, to cover defence equipment purchases where the provisions of Article 346 of the TFEU are applicable. Thus, in case of invocation of article 296 by a member state, the CoC stays applicable on a voluntary basis, instead of the legally binding framework of the Directive.

⁷⁵ C.M. O'DONNELL, *Op.Cit.*, p.3

⁷⁶ D. KEOHANE and T. VALASEK, "Willing and able? EU defence in 2020". EU 2020 essay, Centre for European Reform, June 2008.

BAE makes as much profit now in the US as it does in Europe. The land and naval sectors could see an even greater wave of mergers since they remain even more fragmented than aerospace. There are 23 shipyards in Europe. EU defence ministries also have 16 separate armoured vehicle programmes, with virtually no cooperation between member-states. That should all change by 2020. Furthermore a number of civil companies, from sectors as diverse as information, technology and services, could develop larger defence businesses. For example, telecoms giants like Nokia could become major players in military communications; a vehicle manufacturer like Volkswagen could dominate the military vehicle business; while a healthcare company like Bupa could develop a pan-European military health services business.

All these evolutions are plausible by 2020 thanks to a long transformation process of the European Defence industry since the 90's. The end of the Cold war, and the geostrategic developments resulting from it, led to a considerable decline of military spending by European states and substantial changes in the operational requirements of their armed forces. Between 1992 and 1998, the defence budgets of the EU 15 members, with the UK, France and Germany at the forefront, dropped by more than 20 percent⁷⁷. Thus, on 9 December 1997, the President and the Prime Minister of France, the Chancellor of the federal Republic of Germany and the Prime minister of the UK fired the starting-gun for far-reaching future European consolidation. This political support for reorganization and consolidation of the EU defence industry demonstrates that the European states view the maintenance of a healthy EDIB as one of the preconditions for a Common Security and Defence Policy (CSDP). Analysis of the European Commission have also served to alert states and stimulate debate on the importance of finding a common response to the difficulties facing the European defence industry. In 1996 and 1997, it launched a broad debate on industrial restructuring by means of two "horizontal " and three "sectoral" communications, the drafting of which involved extensive consultations with European industries⁷⁸.

The WEU, set up as the lead institutional forum in armaments matters, leaves little room to the Commission to play any role. Its interventions were restricted to overseeing mergers and acquisitions in industries involved in armaments, the financing of basic research by means of Community

⁷⁷ Defence Analysis Institute, « Prospects on the European Defence Industry », *Op.Cit.*

⁷⁸ Communication from the Commission on "The European Union and Space: Fostering applications, markets and industrial competitiveness" [COM (96) 617]. Communication from the Commission on "The challenges facing the European Defence-Related Industry. A contribution for action at European level ", [Com (96), 10 final]. Communication from the Commission on "The European Aerospace Industry Meeting the Global Challenge" [COM (97) 466]. Communication from the Commission "Towards a new European shipbuilding policy [COM (97) 470]. Communication from the commission on "Implementing European Union strategy on defence-related industries [COM (97) 583].

programme for research and development, plus supervision of exports of dual-use items and technologies specifically for the aeronautical and space sectors, and regional aid for redeployment. The European commission intends to exercise, as I already said, its competencies in this sector via industry. It did so by publishing studies on the subject⁷⁹. While officially acknowledge the special characteristics and particularities of the armament sector, as well as the responsibility of states for restructuring, the Commission considered that a real community competence existed with regard to industry, given its total integration in the economic system. It emphasized that EU Member states should avoid interfering in the shareholdings of companies and accept common export rules. So, in this period, governments recognized the importance of engaging a restructuration, i.e.: privatization, concentration, of the defence industries. This was to allow states to reconcile security of supply and control of costs, and industrialists to be more competitive in the face of US competition. Thus, European defence industry consolidation has evolved from joint ventures and alliances towards cross-border mergers. Three large and diversified European firms have emerged from this restructuring process: EADS (European aeronautic Defence and Space Company, Thales and BAE Systems (British Aerospace Electronics). Each is based on a complex network of cross-border ownership structures and joint ventures. The object of restructuration and concentration at European level, apart from avoiding duplication, pooling R&D resources, increasing the range of products and reaching an adequate critical size, is also to gain greater access to the markets. As emphasizes by Sandra Mezzadri,

“by becoming international, firms merge their domestic markets by themselves and thus create a new international market”⁸⁰.

So, since the 90's, we assist to a systematization of international competitive bidding. The signature of the Letter of Intent (LoI) in July 1998 by France, the UK, Germany, Italy, Spain and Sweden was an important step towards a progressive opening up of the principal armaments contracts in Europe. Of course, at that time, the steps are still intergovernmental. But all this evolution, that I just recount, shows the roots of the common European arms exports regime launched in 2009; and how from intergovernmental, the defence industries regulation is, today, “Europeanized”. The Helsinki Headline Goal 2003 for military capability has been a further step into this evolution. It allowed the nascent cross-border European industries to supply with better efficiency the states' demand. The multiplication of the common armament programmes permitted scales economies. European industries are more competitive and can, with the support of the

⁷⁹ See Annex 1, Column « Europeanization ».

⁸⁰ S. MEZZADRI, « L'ouverture des marchés de la défense : enjeux et modalités », Publications occasionnelles, Institut d'Etudes de Sécurité de l'UEO, février 2000, p.33.

commission and the EDA, drive innovative research and development programmes. Industries are thus able since 2000 to be a driving force in the European defence market dynamic and to not only undergo the states' orders. The creation of common rules for procurement and exports allow the possibility for the companies to predict, to a certain extent, the future defence economy. Yet, I would defend that the predictability of an industrial sector's economy (Defence sector), within a delimited geographic zone (the EU), is the key for the creation of a common market.

The transformation of the European defence industries is symptomatic of the principal companies' willing to reach a sufficient size and to search for better complementarities and synergy of their activities. It illustrates also the interference of the market rules in a sector priory protected from them. The model of the national company firmly fixed on a national territory and dependant from state's order has had its day⁸¹.

However it still remains some major changes to accomplish regarding the suppliers of defence items. If the systems integrators like EADS, Thales and BEA System have found the road to liberalization, suppliers are still stuck at the national level. The governmental practice of using Article 296 and the absence - until now - of a framework, have led to the current fragmentation of the defence market in terms of demand, regulatory framework and supply⁸². The demand side for defence items was primarily nationally defined. Member States, often sole demanders, have structured their national industrial infrastructure by their specific military planning, the resulting procurement and with respect to other domestic issues like jobs. Member States have created their individual national regulations to organize procurement, supply and exports, etc... of military goods. These rules differ significantly among Member States. Besides, national procurement policies favored domestic suppliers for several reasons. Exceptions have only been approved among the participating projects (e.g. Tornado, Eurofighter) or through bilateral/multilateral agreements (e.g. Framework Agreement related to the Lol).

In terms of procurement, Member States relied heavily on their system integrators (companies which produce complete systems, out of subsystems and components). Suppliers behind them are mainly small and medium-sized enterprises. These last ones are still bound to the national

⁸¹ H. MASSON, « Quel marché de défense européen ? Ou l'Heure des choix pour les Etats Membres de l'UE producteurs d'armement », Note de la FRS, 17 mai 2006, p.3.

⁸² C.MOLLING, « Options for an EU regime on intra-community transfers of defence goods », in E.AALTO, D.KEOHANE, C.MOLLING and S.de VAUCORBEIL, « Towards a European Defence Market », *Chaillot Paper* n°113, ISS, November 2008, p.53-55.

demand of their base country and the business of the system integrators, as they mostly lack representations or even production sites in other countries. On the one hand, this has led to protected national markets. Here competition is rather limited, especially on major systems. Sometimes only one or two domestic competitors exist. On the other hand, these national markets were too small for national suppliers to survive. Given the small production lots, economy-of-scale effects are comparatively marginal. Consequently, although governments paid unnecessarily high prices per item, the revenues for the companies were small because of the small customer base and quasi-monopolistic structures on the demand and supply side.

In terms of competition, national procurement policies and subsequent procedures have led to a discrimination against non-national suppliers. Except for Transnational Defence Companies, smaller companies very rarely possess branches or production sites in other Member States. Thus, their access to market is obstructed, because they cannot act as a privileged domestic supplier. Furthermore, there was a lack of transparency with regard to the national demand. Obtaining information about the national market was costly. This means that overheads acted as a disincentive to potential offers. Therefore, endeavors to enter foreign markets became rather unattractive. Additionally due to a lack of general and reliable EU-wide transfer arrangements, foreign suppliers could not guarantee security of supply, i.e. the on-time delivery of spare parts and components, unless they can operate under the umbrella of an additional agreement. This was due to the recurrent use of Article 296 which allows the state to intervene in transnational supply chains. Consequently, especially for second and third tier producers, export into other Member States or bidding in tenders entailed enormous administrative efforts and financial risks. Conversely, this inability to provide Security of supply became a legitimate reason for the Member States to discriminate between domestic and external bidders.

This reveals another major deficit which has been counter-balanced by the directive on transfers: in contrast to other sectors where internal market regulations apply, the intra-European transfers of military goods were considered as exports, even if they were part of an intra-European production chain. As a consequence, the same procedure applied for intra-European transfers and for exports of such goods to third countries. Therefore, defence companies had to calculate time-consuming and costly administrative procedures to acquire *ex ante* licences and certificates for the export, import, delivery and end-use –even if all of this took place within the EU. With the new general and global licences, these costs will be significantly reduced.

To conclude this evolution, I will quote from Bill Giles, Director-Europe of BAE Systems:

“The market principal is fundamental. Objectives of competitiveness, technological development, either industrial rationalization, can only be reached if industry’s answer to the new demands of a more open and so bigger market, where voluntary measures are taken in order to make certain the supplying security and the cross-border transfers”^{83,84}.

This quote gives an idea of the European Defence Market vision from the industrial side for coming years: a free and open market. The European Defence Agency has the double hat to build such a market, but with softness and skill in order to limit the damages on national defence markets and to conciliate such a market with national security interests.

§.4- A nascent European Defence Agency

Project of European Armament Agency is old. Maastricht Treaty Annex refers explicitly to such an institution. But arms-producer states’ willing to protect their autonomy, in a field judged particularly strategic and sensitive, did not permit the creation of the Agency and imposed until 2002 a more intergovernmentalist approach. The cooperation framework consisted of forum discussions without any decision capacity, like WEAG, or *ad hoc* structures to organize the demand and harmonize the national regulations. Such structures were limited to the arms-producer states, as OCCAR and the Lol. In 2002/2003 - in the pro-Europeanization context of the constitutional project for Europe - armaments questions came back famous during debates on ESDP’s destiny. France, the UK, Germany and Italy, Belgium and Luxembourg agreed on the edification of a common procurement and arms production policy and on the creation of a European Armament Agency⁸⁵. The aim was to put together, within a unique structure, all the functions linked to capacity and armament, from research to equipment procurement. This project is the result of the states’ will to reinforce the ESDP in giving to it credible capabilities, to make national equipments interoperable and to create a positive environment for European defence industrial’s groups to develop. It is definitely adopted in June 2003 during the Thessalonique European Council. The effective launching of the agency is realized by the end of 2004⁸⁶. EDA’s mandate contains four goals⁸⁷:

⁸³ B. GILES, *Op.Cit.*

⁸⁴ Translation by M. CASSIER.

⁸⁵ Franco-German declaration, 21 November 2002, Franco-British declaration 4 February 2003, Italo-British declaration 21 February 2003, quadripartite meeting of Belgium, France, Germany and Luxembourg, 29 April 2003. H.MASSON, “Quand le binôme Commission Européenne/industries de défense et de l’aéronautique passé outre la frilosité étatique?”, *Annuaire Stratégique et militaire*, FRS, Odile Jacob, 2004.

⁸⁶ For the different steps of the EDA elaboration, see Annex 1, Column « Intergovernmentalism, between 2002 and 2004, and particularly informations on the Agency Establishment Team (AET).

⁸⁷ H.MASSON, « Union Européenne et Armement, Des dispositions du traité de Lisbonne aux propositions de directive de la Commission Européenne », *Recherches et Documents* n°9/2008, FRS, 23 avril 2008.

- European defence capacities development,
- European armament cooperation amelioration,
- DTIB reinforcement,
- Creation of a European defence equipment market.

It is important to underline that the agency is established within the 2d intergovernmental-pillar and is opened to all the EU Member States. It exercises its competences under authority and political control of the Council (General Affairs and External Relations Council, under its defence ministries formation. However, the Commission is closely associated to the agency and has even a participating member in the agency's directorate-committee⁸⁸. Thus, the EDA assists the pMS, but there has been no transfer of competences in defence field, which means that its action room is limited, as its budget.⁸⁹

Accomplishments of the EDA

The capacity field is the success part of the EDA. The conception of a European Armoured Combat Vehicle (ACV), is the flagship project of the EDA⁹⁰. Another big success is the first Capacity Development Plan endorsed by the pMS in 2008 after a close collaboration with the national armament directorates. It launched a long-term vision of the European capacity needs for the next 25 years. Practically this audit established possible synergies between the different pMS. The defence industries can since have a prospective on the future needs of the European defence and adapt their production in consequence.

Regarding the Agency initiatives to converge the national practices of equipment procurement without prejudice of Article 296, the pMS have adopted in 2005 the Code of Conduct on Defence procurement (CoC)⁹¹. The basic idea behind the Code is to ensure that defence companies from any country could compete for most defence contracts across Europe, excluding multinational

⁸⁸ To know more about the functional organization of the agency, see H.MASSON, "Quand le binôme Commission européenne/industries de defence et de l'aéronautique passe outre la frilosité étatique?", *Annuaire Stratégique et Militaire*, FRS, Odile Jacob, 2004, p.6.

⁸⁹In 2006, on a budget of €22.3 million only €3,9 have been devoted to operational projects financing. EDA, "2005 Financial Report" and "2006 Financial Report".

⁹⁰ Further details on this project in Y. BOULAY, "L'agence Européenne de Défense: Avance décisive ou désillusion pour une Europe de la defence en quête d'efficacité ? », *EU diplomacy Papers* 1/2008, Department of EU international relations and Diplomacy Studies, College of Europe.

⁹¹ The Code of Conduct on Defence Procurement of the EU Member States participating in the European Defence Agency, Brussels, 21 November 2005.

equipment programmes and the most sensitive goods like encryption devices. The code works rather simply: countries which sign it vow to open all non-essential defence contracts over €1 million to foreign bidders. And the EDA created a website where these contracts are advertised to potential suppliers. However the EDA's code is voluntary and the member-states are not obliged to comply with it. Only the directive on transfer has made this regime obligatory. The Code stays useful though, because its principles are still applicable, even if the state invokes Article 296, whereas the directive is not. Problem is within a year of the adoption of the code, some 15 member-state posted 227 tenders worth some € 10 billion on EDA's website, only two of the 26 contracts awarded were cross-border⁹². But the importance of the code lies as much in its principle as its practice. The idea of more open European defence markets has been around for decades but with little or no progress until the code.

“Never before have so many European governments agreed that they should open up their defence markets to each other”⁹³.

For the first time in Europe Defence history, a real internal market exists in this highly protected area, for the biggest satisfaction of the industrials. The success is so real that pMS launched on March 2007 the electronic bulletin board to “B to B” relations, i.e., between armament industrials themselves. This EBB II is the practical application of the Code of Best Practice in the Supply Chain (CoBPSC) adopted in May 2006 by the pMS. This code aims to promote transparency and competition at the contractual and supplier level. Since 2007, 23 companies used the EBB II (160 announcements). Safran, Thales, BAE Systems, EADS and DCNS form the top 5⁹⁴.

Another important achievement of the EDA is the agreement of a Code of Conduct on so-called Offsets. Offsets are side-deals in defence procurement contracts in which the ministry of defence requires some form of compensation from the defence company that has won the contract. For example, governments can ask a defence company to invest in their country, including in non-defence sectors. The Code agreed in October 2008 through the EDA, entered into force in July 2009. EU cooperation on offsets was, until recently, inconceivable. Many offsets distort competition and are therefore illegal under EU law. Yet they are central features of the defence-industrial strategies of many EU member-states. The European Commission has so far ducked this controversial issue. The

⁹² EDA, « A successful first year of operation of the Code of Conduct on Defence Procurement », EBB Newsletter, November 2007, in D. KEOHANE and S. de VAUCORBEIL, “Opening up European Defence Markets: the challenges ahead”, ISS, September 2008.

⁹³ D. KEOHANE and S. de VAUCORBEIL, *Op.Cit.*, §.2.

⁹⁴ H.MASSON, « Union Européenne et Armement, Des dispositions du traité de Lisbonne aux propositions de directive de la Commission Européenne », *Recherches et Documents* n°9/2008, FRS, 23 April 2008, p.39.

EDA has adopted a pragmatic approach. Through the code, it tries to manage offset in order to gradually reduce them, instead of aiming at an outright ban.

Here again, a functionalist approach proves a better acceptance from the states and better practical results. Even if EDA has no coercive power and remains an intergovernmental institution, its approaches from the bottom to the top, link the states via functional projects and consideration of the European defence industries as one and not several. Thus, EDA has step by step set up the background for the adoption of the Commission defence package in 2009. From a voluntary and intergovernmental regime, the European procurement defence regime became a common and obligatory regime thanks to the 2009 directives. That's how intergovernmentalism evolves into Europeanization. Intergovernmentalism helps to start but seems to become at one point either inefficient⁹⁵ either insufficient for the different actors (in our case, especially for the industries). The cooperation process becomes then an integration process via functionalism, which leads by the end to Europeanization.

II- Impact of a European Defence Market

I have presented the different actors and the role they can play in the course of the European Defense Market construction. I basically tried to answer to the "how build such a market". It is essential to focus now on the "why" such a market. What do justify all these initiatives, why do the states have to cooperate in a closer way, why do the industries need an EDEM? As answering to these questions, will arise the obstacles to the goals pursued. If the different actors want to benefit from the bold step forward they have taken, they will have to tackle these obstacles.

§.1- Benefits from a European Defence Market⁹⁶

The prior situation to 2009, served neither the economic nor the security interests of the European defence sector. With this lose-lose situation becoming increasingly apparent since the end

⁹⁵ Thus, Yann Boulay (*Op.Cit.*, p.12) remarks that rooms leave to national particularities within the EDA induce numerous cooperation issues, especially concerning the EDA's budget contributions. the UK is against a raising of the EDA's budget when France, at the opposite would like to see the Agency take more responsibility. Such structural issues and politico-strategic divergences threat constantly the functioning of the EDA. The agency has to reinforce its credibility and to confirm its role of unique armament agency. The potential is here, remains to want and know how to exploit it.

⁹⁶ I already envisaged through the last paragraphs some of the benefits to ensue from the different action taken by the defense sector actors. Therefore, this paragraph has for only purpose to clarify and to sum up the positive impacts generated by a European Defense Market on its actors.

of the Cold war, the pressure on the Member States to adopt a more systematic approach towards armaments policy has been growing. The EU's 27 national regulations obviously did not reflect the industrial reality: Transnational Defence Companies have emerged over the last twenty years as a response to the economic necessities of the defence sector. The creation of a single European defence market framework will improve the efficiency of defence spending via a bigger internal market for European companies where economy of scale can take place to a higher extent. It may also increase the growth and competitiveness of Europe's DITB. Within this internal market, trading and competition among companies are now possible without restrictions and state intervention. For transnational defence companies, it will open up the option to restructure and rationalize production and hence become more competitive⁹⁷.

Regarding the security policy related needs of the Member States, such a market will enable them to get more value for their money and thus to acquire the capabilities needed to pursue European military security tasks. Ultimately it would enable the implementation of a coherent and effective European security policy.

One of the major impact studies on the replacement of the fragmented national markets by a single European Market for defence equipment has been realized by Keith Hartley⁹⁸. His research has especially been quoted in the European Economic and Social Committee report from October 23d, 2008. The substantial global budget savings - comprised between €5,2 and €7,5 billion per year - would be realized thanks to:

- Increased competition, especially between nations,
- Less duplication and hence savings in R&D,
- Economies of scale and learning resulting from longer production runs,
- Possible dynamic benefits from innovations due to competition and the Single Market.

To give a concrete example, France and Italy have been using French-built armoured vehicles in their contributions to UN's mission in Lebanon. When a vehicle owned by French troops broke down, they could get a new part from the manufacturer in France within days. But if the Italian troops need a spare part, the French manufacturer had to ask for an export authorization. As a result, Italian troops have to wait several weeks for the export licence to be processed.

⁹⁷ C.MOLLING, *Op.Cit.*, p.57.

⁹⁸ K. HARTLEY, *Op.Cit.*

The different initiatives⁹⁹ taken until today have resulted in the progressive creation step by step of a Common Defence Market. Initiatives this last decade had for purpose the following results:

“More competition in procurement would promote a more efficient industry and better value defence goods, to the benefit of defence ministries and taxpayers. Easier transfers of defence goods within the EU would help large defence companies with plants and subcontractors in several member-states. Small and medium enterprises would find it easier to break into markets in other member-states. And national militaries would have shorter delays when importing new equipment, as in the case of the Italian troops in Lebanon”¹⁰⁰.

§.2- Obstacles to a European Defence Market

To achieve such a market and to take advantage of its benefits, Member States still have to overcome some crucial obstacles. Some are gaps of the directive on transfer itself. Some others result from an abusive utilization of Article 296 TEC by governments.

Directive on transfer's gaps

How far the reform achieved by the directive will be implemented in practice is the question. There has often been a wide gap between what EU rules say and what member-states do in the defence sector. Some experts and EU officials see these developments as only small steps in the right direction. Defence industry representatives counter that the new arrangements will bring significant change over time. Much will depend on how far member-states choose to play the game¹⁰¹.

Indeed the directive states some minimal rules to adapt to national legislations. It preserves a certain freedom of decision and of action to member-states. Thus, they have the possibility to ask for final utilization guarantees, and final user certificates, the possibility to hang up the licence and later to withdraw it, and finally to issue some exportations restrictions in case of doubt.

Licence's granting conditions and the authorities in charge of the recipients' certification remain national. Some authors fear a several-tier Europe¹⁰². Countries less respectful of the regulations would become some havens for non-scrupulous subsidiary companies. It exists within the EU some different sensibilities concerning the CoC Ex. Some countries show only a relative respect of its dispositions, the verifications on the recipient are most often left to the recipient's government charge. This is why some argue for a unique European institution which would be responsible to

⁹⁹ See Annex 1, the entire indicative chronology of the European Defense area - 1948-2010.

¹⁰⁰ C.M. O'DONNELL, *Op.cit.*, p.3.

¹⁰¹ C.M. O'DONNELL, *Op.Cit.*, p.3.

¹⁰² See for example, L.MAMPAEY and M. TUDOSIA. « Le paquet défense de la commission européenne, un pas risqué vers le marché européen de l'armement », Note d'analyse, GRIP, 25 juin 2008, p.7-10.

grant the transfer licences in whole Europe. The risk of re-exportation would be thus, clearly reduced. The respect of the Common Position would then be a factor of coherence for the national arms export policies and the European external policy¹⁰³.

The Commission has expressed this question on its consultation paper on the intra-community circulation of defence-related products published in March 2006.

“Does the definition of a Common exportation policy constitute an essential condition to abolition of intra-community controls or can we organize a transitory regime until the definition of such a policy?”¹⁰⁴.

Looking at the directive of 2009, the answer is clearly negative. The commission considers that the mechanisms of mutual trust reinforcement between States are sufficient for this first step in harmonizing the intra-community transfers. Thus according to the Commission:

“At the same time, the degree of intervention of the Community does not exceed what is necessary to achieve the Community objectives. As long as the proposed measures secure mutual confidence between Member States, there is no need for centralized decisions on licensing of products or for further harmonization of common external policies”¹⁰⁵.

The absence of common external policy leads the Commission to maintain the national licences instead of pleading for the creation of a community space, exempted of licences. I do agree on the fact that such a community space and a common exportation policy are closely linked. Though, I contemplate this reform on a long-term. Yet, a functional approach requires to move forward in taking into account all actors’ sensibilities. It seems to me that the compromise which results from the Directive on transfers, without creating in once a European Defence Market was a necessary step forward. We cannot measure yet the impact of the directive on the industrial environment and its magnitude on the transfers. Member States have until June 2012 to implement this dual system. But the legal framework created seems, under good will, are able to work according to me. Majority of the transfers will be realized in a liberalized framework, whereas costly or too sensitive programmes will remain based on bi- or multinational approach.

For the system to be efficient, States will then have to use with parsimony this concept of “too sensitive programmes” and of national security.

¹⁰³ H.-L. GOFFINET, Op.Cit., p.7.

¹⁰⁴ Consultation Paper from the Commission on the intra-community circulation of defence-related products, 3d April 2006, p.9.

¹⁰⁵ [COM (2007) 765 final], p.8.

Article 296 TEC

The extensive discretion that governments will enjoy when implementing the directives will play into the hands of the backsliders. Governments get to choose which military goods are safe for general and global transfer licences, and Member states could consider only the least sensitive goods as qualifying at the outset. The scope of what constitutes an “essential security interest” has still not been defined clearly in Article 296, so at first member-states are still likely to use, or abuse, the exemption widely.

Interpreting Article 296 TEC is closely linked to the development of the European Security and Defence Policy. The use of Article 296 TEC as a national security exemption has led to a situation where the Member States make most of their defence purchases on a national basis. This has hampered the development of a proper EDEM and denied both the customer and the industry the benefits of competition, and also hindered the necessary cross-border integration of the European Defence Technological and Industrial Base. EDTIB is an underpinning of the European Security and Defence Policy because it produces the required capabilities for ESDP. Without a functioning European Defence Equipment Market, EDTIB, cannot provide ESDP with the required capabilities at an affordable price¹⁰⁶.

Due to the historical background of the European Integration, there is no Community competence for Defence in the EC Treaty. The volume of the armaments industry means that it represents a significant part of the internal market. The very nature of the industry means, however, that it is a special case. The products are not “washing-machine” and the sector affects the very core of sovereignty of the Member States¹⁰⁷. Article 296 TEC is this mechanism in the areas of confidential information and armaments. The Article has two functions: firstly, to balance the internal market and other interests of the Community with the national security interests of the Member States; and secondly to give a member-state the right to derogate from the general obligations to supply information to the EU when its essential security interests are threatened.

Commission tried to reduce the scope of Article 296 until very recently¹⁰⁸. The European Court of Justice (ECJ)’s main task is to ensure that the law is observed in the interpretation and

¹⁰⁶ E.AALTO, « Interpretations of article 296 », in « Towards a European Defense Market », in *Chaillot Paper* n°113, ISS, November 2008.

¹⁰⁷ E.AALTO, *Op.Cit.*, p.16.

¹⁰⁸ Interpretative Communication from the Commission on the application of Article 296 of the TCE in the field of defence procurement [COM (2006), 779].

application of the Treaty¹⁰⁹. There are not been many cases which are all closely connected with Article 296 EC. Though, the ECJ has mainly defended Commission's interpretation of Article 296¹¹⁰. In *Commission vs Italy*, Italy defended its action by invoking Article 296 TEC and stating that the purchases of helicopters meet the legitimate requirements of national interest foreseen by Article 296 TEC. Italy submitted the argument that the helicopters in question are dual-use goods, that is to say, goods capable of being used for both civil and military purposes. The commission submitted that the helicopters are intended for essentially civil use and that Italy has not demonstrated that the situation in the present case constituted a measure necessary to protect its essential interests, such as security, which is an indispensable condition lay down by Article 296 TEC. Therefore the court concluded in its judgment that Article 296 cannot properly be invoked because the helicopters in question are for civilian use and possibly for military use. The commission's interpretative Communication has clarified the existing law around Article 296 TEC, according to the ECJ's decisions. Nevertheless, it left some questions hanging and it remains to the Member States to define the concept because the wording of Article 296 TEC has remained unaltered in all the Treaty changes.

In its defence package, the Commission has not introduced any major new elements regarding the interpretation of Article 296 TEC. It seems that the Commission and the Member states finally found a balance. The governments do not give up their right to define essential security interest, sometimes even quite broadly, but they seem to have realized that without a more open markets they cannot afford to maintain their Defence. Conscious of the unsolvable opposition under Article 296's interpretation, the Commission leaves this issue to the ECJ¹¹¹.

The economic crisis, and the strain on public finances, could strengthen the incentive for governments to make savings through more competition, but it could just as easily persuade them to protect national industries and domestic jobs. This is why the readiness of the Commission and industry to challenge abuse before the ECJ will be a determining factor. A few rulings by the European Court of Justice against recalcitrant defence ministries would send a clear signal that governments will be called upon to justify their procurement choices. It is hard to predict how aggressively the European Commission or companies will pursue legal action. The Commission may feel emboldened by the fact that EU governments managed to agree on the directives. However, in the midst of such a severe economic downturn, the Commission may choose to save its political

¹⁰⁹ Article 220 TEC.

¹¹⁰ ECJ, *Werner and Leifer*, decision 70/94, 17th October 1994; ECJ *The Queen, ex parte centro –Com Srl vs HM Commission vs Spatresury and Bank of England*, Decision of 14th January 1997; ECJ *Commission vs Spain*, decision C414/97, 16th September 1999; ECJ *Commission vs Italy*, Decision C337/05, 8th April 2008.

¹¹¹ E. AALTO, *Op.Cit.*, p.46.

capital for battling, protectionist impulses in other, not quite so sensitive, sectors. Defence companies will also have a natural reluctance to sue a government which may be a source of future contracts. However, if a company faces the prospect of going out of business because it cannot compete for contracts, it may conclude it has little to lose. So in the long term, the procurement directive could have a serious impact on European Defence acquisition, and consequently on the European industrial landscape¹¹².

Conclusion

“National security remains the sole responsibility of each member state, the fields of both defence and security. The gradual establishment of a European Defence equipment market is essential for strengthening the European Defence Technological and Industrial Base and developing the military capabilities required to implement the European security and Defence Policy. [...]. Defence and security equipment is vital for both the security and the sovereignty of Member States and for the autonomy of the Union. As a result, purchases of goods and services in the Defence and security sectors are often of a sensitive nature”¹¹³.

“The treaty provisions establishing the internal market apply to all goods and services provided in return for remuneration, including defence-related products, but do not preclude Member States under certain conditions from taking other measures in individual cases where they consider it necessary for the protection of their essential security interests. The laws, regulations and administrative provisions in Member States concerning the transfer of defence-related products within the Community contain disparities which may impede the movement of such products and which may distort competition within the internal market, thereby hampering innovation, industrial cooperation and the competitiveness of the defence industry in the EU. [...]. Such restrictions on the movement of Defence-related products within the Community cannot be abolished generally through direct application of the principles of the free movement of goods and services provided for by the Treaty, as these restrictions may be justified on a case-by-case basis in accordance with Article 30 or 296 of the Treaty, which continue to be applicable by Member States, provided that their conditions are met. The relevant laws and regulations of Member States therefore need to be harmonized in such a way as to simplify the intra-community transfer of defence-related products in order to ensure the proper functioning of the internal market. This directive only deals with rules and procedures as far as defence-related products are concerned, and, consequently, does not affect the policies of the Member States regarding the transfer of defence-related products. [...]. Member States should remain entitled to pursue and further develop intergovernmental cooperation, whilst complying with the provisions of this directive”¹¹⁴.

The text of these two directives establishes clearly this dual regime of intergovernmentalism/communitarisation. Efforts of establishing institutions responsible for

¹¹² C.M. O'DONNELL, *Op.Cit.*, p.3.

¹¹³ Directive 2009/81/EC of the European Parliament and of the Council of the 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC.

¹¹⁴ Directive 2009/43/EC of the European Parliament and of the Council of 6 May 2009 simplifying terms and conditions of transfers of defence-related products within the Community.

armaments procurement will continue both within and outside the EU. This process of institutionalization will be full of obstacles and turnarounds as defence is a very sensitive policy area for the states¹¹⁵. To enhance what I previously said, everything will depend on the will of each actor to respect the legal framework, but also reluctance of some states, in order to create an acceptable balance. Functionalism is up and running, but intergovernmentalism has not disappeared yet.

To conclude this thesis, I will make four concluding remarks, leaving it to future forecast to analyze, in practice, long-term effects of the corner that turns the European Defense Market in 2009.

Firstly, I would like to quickly come back on the legal basis for Commission's action and the importance of the subsidiary principle. This principle is of particular importance in the defence field, because of the particularly sensitive character of this sector. States remain competent by principle, excepted when a competence has been transferred to the community. The dispatch of the defence field between intergovernmentalism/national interest and functionalism/industries, blurs the competence's repartition. Thus, the Commission is able to intervene in claiming that its initiatives are either to reinforce and complete the states' policies, either to build the common market, in conformity with the treaties' disposals giving competence to the institution.

Secondly, it is clear than a reform can always be judged unsatisfactory. It is always possible to claim that the Defense Package adopted does not go far enough and that the defence sector needs more. If competition is restricted to EU firms, there are problems of monopoly, cartels and collusive tendering (e.g.: aerospace). In these circumstances, to maintain competition, it will be necessary to open up the EU defence market to firms from the rest of the world, with implications for the future of the European Industrial Base. Alternatively, major EU defence producer groups will lobby their governments to create "Fortress Europe" to protect the European DIB, resulting in all the worst features of protectionism: managed or no competition, subsidies and inefficiencies¹¹⁶. Thus, Eric Trappier¹¹⁷, General-director of Dassault Aviation, already ask for a "préférence communautaire" to replace the ancient national one. Hélène Masson defends as well this measure¹¹⁸. According to her, only the establishment of a positive dialogue between the European Commission, the European capitals, the EDA and the industrial groups, will open new perspectives on the road to a

¹¹⁵ S. CONSTANTINOS, « Armaments cooperation in Europe: an Example of Europeanization ? », Research Paper n°126, RIEAS, November 2008, p.38.

¹¹⁶ K.HARTLEY, *Op.Cit.*, p.20.

¹¹⁷ E. TRAPPIER, « Quelles stratégies industrielles pour l'Europe de la défense ? », Compte rendu du séminaire, Brussels, 15 May 2006, *Questions d'Europe* n°34, Fondation Robert Schuman.

¹¹⁸ H.MASSON, « Quel marché de défense européen ? Où l'heure des choix pour les Etats Membres de l'UE producteurs d'armement ? », Note de la FRS, 17 mai 2006, p.11.

homogeneous framework creation, working for armament market opening as well as technological and industrial capabilities preservation on the European soil. It is thus, creating a “préférence communautaire” in practice, without the need to integrate this notion in the texts. Once launched, the market opening and the integration process want to bring us always farer, for the pleasure or the fear of the different actors. I would answer to all critics: everything in its own time...

Thirdly I have a brief remark on the actual fusion at the European level of the security field and the defence field. Notion of defence have changed since the end of the Cold War. Threats are from a different types, and the line between a nation’s security and its defence become blurrier. This merger has already brought and will keep bringing significant changes within the European defence conception. Though, this subject could be in itself the subject of another thesis.

Finally, to foresee the challenges ahead economically, I will take up Christian Mölling’s writings¹¹⁹. In order to create the necessary economic conditions for a European Defense Market, certain changes will be required for a variety of regulations and practices in the areas of competition, industrial cooperation, procurement and shipment of goods. These may be based on Community instruments or on EU-wide intergovernmental agreements. A fully integrated EDEM would consist of a single set of regulations and harmonized procedures in the following areas:

- Competition: regulation of exemptions from common rules, merger & acquisitions and state aid.
- Procurement: harmonization of rules and procedures, open markets for non-national suppliers, generating transparency of market structure, minimizing use of Article 346.
- Exports: development and implementation of a common/coordinated policy.
- Community transfers: simplified licensing and reduced state intervention in intra-European transfers of defence goods.

¹¹⁹ C.MOLLING, *Op.Cit.*, p.57.

Abbreviations

| | |
|---------|--|
| AECMA | European Association of Aerospace Industries |
| ASD | Aerospace and Defence Industries Association of Europe |
| CDP | Capability Development Plan |
| CFSP | Common Foreign and Security Policy |
| CIC | Capabilities Improvement Conference |
| CNAD | Conference of National Armaments Directors |
| COARM | working party on Conventional Arm Exports which established the Common Military List of the European Union |
| CoBPSC | Code of Best Practice in the Supply Chain |
| CoC | Code of Conduct on Defence Procurement |
| Coc Ex | Code of Conduct on Arms Exports |
| COREPER | The permanent Representatives Committee |
| CSDP | Common Security and Defence Policy |
| DG | Commission Directorate-General |
| DIB | national Defence Industrial Base |
| DU | Dual Use |
| EAA | European Armaments Agency |
| EAC | European Armaments Co-operation Strategy |
| EADS | European Aeronautic Defence and Space Company |
| EAP | European Armament Policy |
| EAT | Agency Establishment Team |
| EBB-GC | Electronic Bulletin Board-Governments Contracts |
| EBB-IC | Electronic Bulletin Board-Industry Contracts |
| EC | European Community |
| ECAP | European Capability Action Plan |
| ECJ | European Court of Justice |
| EDA | European Defence Agency |
| EDC | European Defence Community |
| EDEM | European Defence Equipment Market |
| EDAG | European Defence Aerospatiale Group |
| EDIG | European Defence Industries Group |
| (E)DTIB | (European) Defence Technological and Industrial Base |
| ESDP | European Security and Defence Policy |
| ETAP | European Technology Acquisition Program |
| EU | European Union |
| EUMC | European Union Military Committee |
| EUMS | European Union Military Staff |
| GDP | Gross Domestic Product |
| HPG | High Personalities Group |
| IEPG | Independent European Program Group |
| JIP-FP | Joint Investment Programme on force Protection |

| | |
|------------|--|
| JIP-ICET | Joint Investment Programme on Innovative Concepts and Emerging Technologies |
| LoI | Letter of Intent |
| LTV | Long-Term Vision |
| MoU THALES | Technology Arrangement for Laboratories for European Defence Science |
| MS | Member States |
| NADs | National Armaments Directors |
| NATO | North Atlantic Treaty Organization |
| OCCAR | Organization for Joint Armament Cooperation |
| pMS | participating Member States |
| POLARM | Political Armament Group |
| PSC | Political and Security Committee |
| R&D | Research and Development |
| RELEX | External Relations |
| R&T | Research and Technology |
| SCAFE | Future European Air Combat System |
| SMEs | Small and Medium-Sized Enterprises |
| TEC | Treaty introducing the European Community renamed TFEU after the Treaty of Lisbon. |
| TEU | Treaty on the European Union |
| TFEU | Treaty on the Functioning of the European Union |
| the UK | United Kingdom |
| WEAG | Western European Armament Group |
| WEAO | Western European Armament Organization |
| WEU | Western European Union |

Annex 1 - Indicative Chronology of the European Defence Area, 1948-2010

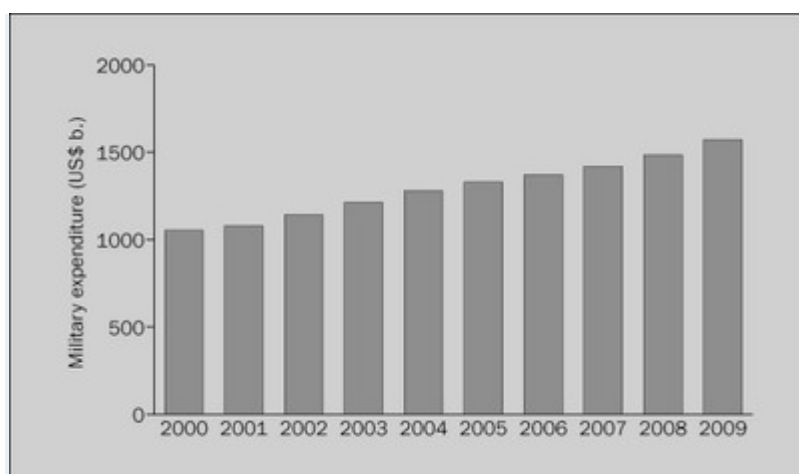
See in attachment “Annex 1: Indicative Chronology of the European Defense Area, 1948-2010”, Excel document .

Annex 2 - Military expenditures data from SIPRI Yearbook 2010.

Extract of the SIPRI Yearbook 2010, Appendix 5A. Military expenditure data, 2000–2009
By S. PERLO-FREEMAN, O. ISMAIL, N. KELLY AND C. SOLMIRANO.

Appendix 5A contains tables of military expenditure by region, country and income group, in local currency and constant dollars, and as a share of GDP for the period 2000–2009.

1. Military expenditures, 2000–2009



To allow comparison over time, the figures in the bar chart are in US dollars at constant (2008) prices.

2. Military expenditure, by region, 2009

| Region | Spending (\$ b.) |
|-----------------------------------|------------------|
| Africa | 27.4 |
| North Africa | 10.0 |
| Sub-Saharan Africa | 17.4 |
| Americas | 738 |
| Central America and the Caribbean | 5.6 |
| North America | 680 |
| South America | 51.8 |
| Asia and Oceania | 276 |
| Central Asia | . . |
| East Asia | 210 |
| Oceania | 20.4 |
| South Asia | 44.0 |

| | |
|---------------------|-------------|
| Europe | 386 |
| Eastern | 60.0 |
| Western and Central | 326 |
| Middle East | 103 |
| World total | 1531 |

The spending figures are in current (2009) US dollars.

The 10 largest military spenders in 2009 accounted for 75 per cent of world military spending, with the USA alone accounting for 43 per cent. While the identities of the top spenders have not changed in recent years, their relative rankings have, with European countries falling down the ranking.

3. The top 10 military spenders, 2009

| Rank | Country | Spending (\$ b.) | World share (%) |
|------|--------------------|------------------|-----------------|
| 1 | USA | 661 | 43 |
| 2 | China | [100] | [6.8] |
| 3 | France | 63.9 | 4.2 |
| 4 | the UK | 58.3 | 3.8 |
| 5 | Russia | [53.3] | [3.5] |
| 6 | Japan | 51.0 | 3.3 |
| 7 | Germany | 45.6 | 3.0 |
| 8 | Saudi Arabia | 41.3 | 2.7 |
| 9 | India | 36.3 | 2.4 |
| 10 | Italy | 35.8 | 2.3 |
| | World total | 1531 | |

[] = SIPRI estimate. The spending figures are in current (2009) US dollars.

SIPRI military expenditure figures are based on information available in open sources, primarily supplied by governments. They represent a low estimate; the true level of military spending is certainly higher, due to omitted countries and items of spending. Nonetheless, SIPRI estimates capture the great majority of global military spending and accurately represent overall trends.

This data is obtained from the [SIPRI Military Expenditure Database](#).

Annex 3 - Defence Data 2008 of the European Defence Agency

See in attachment “Annex 3 - EDA – Fact and features 2008”, in PDF format.

Annex 4 - TOP 100 -World's leading armament companies in 2008

Source: Defense News , www.defensenews.com.

See in attachment “Annex 4 -Top 100 – World’s leading armament companies in 2008”, in PDF Format.

Annex 5 - Les dépenses militaires des pays membres et candidats de l'Union européenne et des États-Unis, 1988-2008

Source : SIPRI Military Expenditure Database, www.sipri.org/contents/milap/milex/mex_database1.html.

See in attachment « Annex 5 – Les dépenses militaires des pays membres et candidats de l'UE et des États-Unis, 1998-2008 », in PDF Format.

Annex 6 - Population, PIB et dépenses militaires des pays membres et candidats de l'Union européenne, et des États-Unis, en 2008.

Source : GRIP, sur base de Eurostat, US Census et SIPRI.

See in attachment, « Annex 6 - Population, PIB et dépenses militaires des pays membres et candidats de l'Union européenne, et des États-Unis, en 2008 », in PDF format.

Annex 7 - Les 10 plus grands exportateurs et importateurs d'armements conventionnels, totaux de la décennie 1999-2008

Source : SIPRI Arms Transfers Database, <http://armstrade.sipri.org>, (*adapté par le GRIP, www.grip.org*).

See in attachment, « Annex 7 - Les 10 plus grands exportateurs et importateurs d'armements conventionnels, totaux de la décennie 1999-2008 », in PDF format.

Annex 8 - Transferts internationaux d'armements conventionnels - Union européenne, Etats-Unis et Russie, en % du total mondial, 1987-2008

Source : SIPRI Arms Transfers Database, <http://armstrade.sipri.org>
(adapté par le GRIP, www.grip.org)

See in attachment, « Annex 8 – Transferts internationaux d’armements conventionnels – Union Européenne, Etats-Unis et Russie, en % du total mondial, 1987-2008 », in PDF Format.

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Annex 1: Indicative chronology of the European Defense area – 1948-2010

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|------------------------|---|---|--|
| 1948 | Bruxelles Treaty creating the Western European Union (WEU). | | |
| 1954 | Creation and failure of the European Defense Community. | | |
| 1976 | | | <p>*Creation of the Independent European Programme Group (IEPG).</p> <p>*Creation of the European Defense Industries Group (EDIG), as a body responsive to the National Armaments Directors (NADs) of the IEPG nations. The aim of EDIG is to gather together the European Defence industry's positions to be further provided for the policy making bodies.</p> |
| 1984 | | | EDIG is formally recognized by the IEPG as "the designated forum to advise the IEPG on industrial matters". |
| 1991 | Creation of an Ad Hoc group on arms exports (COARM), attached to the EU Council, in the framework of the 2d pillar. | DG Industry finances a study on "The duals industries in Europe". | |
| 28-29 June 1991 | European Council of Luxembourg defined 7 criteria in order to introduce some ethical principles in the arms trade. | | |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|-------------------------|---|---|--|
| 1992 | | DG Industry finances studies on “The cost of the non-Europe in the award of defense contracts by public authorities” and on “Defence related industries in the European community. Toward structural adjustment”. | |
| 7 February 1992 | Signature of the Maastricht Treaty which gives to the EU an ESDP. Declaration on the WEU annexed to the treaty: starting point of the military aspects given to the WEU, possibility of the creation of a European Armaments Agency. | | |
| 26-27 June 1992 | European Council of Lisbon defines an 8 th criteria regarding the ethical principles in arms trade. | | |
| May 1993 | Creation of the Western European Armaments Group (WEAG). | | |
| 1 December 1993 | France and Germany announce their will to create a common armament structure. | | |
| 7 December 1993 | France and Germany set up the goals and principles of their cooperation at Baden-Baden. | | |
| 13 December 1994 | | Council Regulation (EC) n°3381/94 setting up a Community regime for the control of exports of dual-use goods. | |
| 26 July 1995 | Creation of an Ad Hoc Political Armament Group (POLARM) related to the Permanent Representatives Committee (COREPER) within the 2d pillar, launching the European Armament Policy (EAP). | | |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|----------------------------|--|---|---|
| 17 October 1995 | | CJCE decision 70/94 Werner et Leifer, limiting the scope of Art.346 of the TFEU | |
| 1996 | | Communication from the Commission on "The European Union and Space: Fostering applications, markets and industrial competitiveness" [COM (96) 617]. | |
| 24 January 1996 | | Communication from the Commission on "The challenges facing the European Defense-Related Industry. A contribution for action at European level ", [Com (96), 10 final]. | |
| 7 July 1996 | Great-Britain and Italy joined the cooperation process started by France and Germany. | | |
| 12 November 1996 | Creation of the Organization for Joint Armament Cooperation (OCCAR) by France, Germany, Great-Britain and Italy – transitory structure, without any legal entity. | | |
| 18-19 November 1996 | Declaration of Ostende. | | Signature by the ministers of the WEAG of the MoU THALES (Technology Arrangement for Laboratories for European Defense Science) |
| | Defense Ministers of the WEAG create the Western European Armament Organisation (WEAO) – with a subsidiary status to the WEU endowed with legal entity. NADs are put in charge of studying the creation of a European partnership for armament. | | |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|--------------------------|--|--|---|
| 9 December 1996 | Adoption at Nuremberg of the Franco-German common security and defence concept. | | |
| 10 December 1996 | | Adoption by the Council of the EU of the document "Definition of special characteristics of the defense-related sector", draft by the POLARM Group. | |
| 14 January 1997 | | CJCE Decision <i>The Queen, ex parte centro –Com Srl vs HM treasury and Bank of England</i> , limiting the scope of Art.346 TFEU. | |
| 17 June 1997 | <p>Declaration adopted by the WEU attached to the Amsterdam Treaty spoke of the requirement to examine further "proposals for enhanced cooperation in the field of armaments with the aim of creating a European armaments agency (EAA)".</p> <p>The WEAG is recognized as the European instance of cooperation in the armament field.</p> | Signature of the Amsterdam Treaty. Article J.7.1 stipulates that "The progressive framing of a common defence policy will be supported, as member states consider appropriate, by cooperation between them in the field of armaments". | |
| 24 September 1997 | | Communication from the Commission on "The European Aerospace Industry Meeting the Global Challenge" [COM (97) 466]. | |
| October 1997 | | Communication from the Commission "Towards a new European shipbuilding policy [COM (97) 470]. | |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|-------------------------|---|---|--|
| November 1997 | WEAG's council of Ministers at Erfurt decides to elaborate a Director-Plan for the creation of the EAA. <u>Content:</u> - A proposal for a common position on drawing up an EAA. - An action-plan for the defence-related industries. | | |
| 12 November 1997 | | Communication from the commission on "Implementing European Union strategy on defence-related industries [COM (97) 583] | |
| December 1997 | | | Common declaration of France, Germany and Great-Britain on the necessity to restructure the electronics defense and aero spatial –related industries. |
| 20 April 1998 | | | Italy and Spain join the common declaration of France, Germany and Great-Britain. |
| 8 June 1998 | Adoption by the EU Council of the EU Code of Conduct on Arms Exports (CoC Ex) | | Creation of the COARM working group to facilitate agreement among member states on issues relating to the export of conventional weapons and supervise the application by pMS of the CoC Ex. |
| 6 July 1998 | Signature of the Letter of Intent (LoI) at Farnborough by France, Great-Britain, Germany, Italy, Spain and Sweden. | | |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|--------------------------|--|--|--|
| 17 November 1998 | WEAG's Council of Ministers agrees that the Director-Plan for the creation of the EAA will be used as the base for the future development of the EAA. | | |
| 4 December 1998 | Franco-British St-Malo Joint Declaration on European Defense. Heads of States recognize that "the Union must have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them and a readiness to do so, in order to respond to international crises". | | |
| 3-4 June 1999 | Cologne European Council, confirmation of the St-Malo Declaration. Decision to strengthen the CFSP and the DTIB. | | |
| 13 September 1999 | | Xavier Solana is nominated Secretary-General of the EU Council and High representative for the Common Foreign and Security Policy. | |
| 16 September 1999 | | CJCE decision C414/97 Commission vs Spain, limiting the scope of Art.346 TFEU. | |
| November 1999 | 1 st Report of the EU council on the implementation of the Code of Conduct on Arms Exports. | | |
| 30 November 1999 | | | Creation of BAE systems by the merger of British Aerospace and Marconi Electronic Systems. |
| December 1999 | Helsinki European Council. The Helsinki Headline Goal 2003 for a military capability is launched. | | |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|-------------------------|--|--|--|
| June 2000 | Feira European Council states that "Improving European military capabilities remains central to the credibility and effectiveness of the Common European Security and Defence Policy." | | |
| 22 June 2000 | | EC Regulation 1334/2000 setting up a community regime for the control of exports of dual-use items and technology replacing the EC Regulation 3381/94. | |
| July 2000 | | | Creation of EADS by the merger of the French group Aerospatiale Matra with the german group DASA (DaimlerChrysler Aerospace AG - excluding motors activities MTU) and the spanish CASA Construcciones Aeronauticas SA. |
| 13 July 2000 | | Adoption by the EU Council of the EU Common Military List of equipment (COARM) covered by the European Union code of conduct on arms export (2000/C 191/01). | |
| November 2000 | | Conference organized by the Commission on "the European defence procurement in the 21st Century". | |
| 20 November 2000 | | EU Council Military capabilities commitment Declaration. | |
| December 2000 | | | Thomson-CSF becomes THALES after a complex merger and joint venture process between Aerospatiale, Alcatel, Dassault Industries, Thomson-CSF, Thomson SA and Racal Electronics. |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|----------------------------|---|--|---|
| 7-8 December 2000 | | Nice European Council. Permanent Establishment of the Political and Security Committee (PSC), of the EU Military Committee (EUMC) and of the Military Staff of the EU (EUMS). | |
| 28 January 2001 | The OCCAR becomes a legal entity. | | |
| April 2001 | 2d report of the EU Council on the Code of Conduct on Arms Exports. | | |
| 7 November 2001 | 1 st informal meeting of the NDAs. Definition of a methodology to fill the capacity gaps (creation of Action groups). | | |
| 19-20 November 2001 | Bruxelles Capabilities Improvement Conference (CIC). EU Defence Ministers agree on a European Capability Action Plan (ECAP). | | Common Declaration of the LoI member states on European Technology Acquisition Program (ETAP) in the Future European Air Combat System (SCAFE) field. |
| 21 November 2001 | Joined Franco-German Proposals for the European Convention regarding the CFSP, including the definition of an EAP, the creation of an EDEM and of an EAA. | | |
| December 2001 | 3d report of the EU Council on the Code of Conduct on Arms Exports. | | |
| 7 December 2001 | | Communication from the Commission “towards a European Space Policy”. | |
| 14-15 December 2001 | Laeken European Council. European Defense is declared operational and ECAP is approved by Head of States. The creation of an EAA is advised. | | |
| January 2002 | OCCAR inauguration | | Report of the European Association of Aerospace Industries (AECMA) on Defense activities. |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|-------------------------|--|---|--|
| 9 April 2002 | | Remarks at the European Parliament on defence policy and industry by Commissioner Erkki Liikanen. | |
| 10 April 2002 | | Resolution from the European parliament on European Defense Industries. | |
| 29 April 2002 | 2d informal meeting of the NADs. | | |
| 13-14 May 2002 | General Affairs Council extended to Defense Ministries. | | |
| 12 June 2002 | | | Meeting EU-Industries at Madrid. |
| 18 June 2002 | | | EDIG's proposal for the European Security and Defense Strategy. |
| 21-22 June 2002 | Seville European Council. The 15 Member States ratified the PCS report advising to pursue the work on Armament Questions. | | |
| July 2002 | | | STAR 21 Report of the European Defense Aerospatial Group (EDAG). |
| November 2002 | 4 th report on the implementation of the Code of Conduct on Arms Exports. | | |
| 4 November 2002 | 3d informal meeting of the NADs. Proposition to transform the Capacity Groups in Projects Groups. | | |
| 14 November 2002 | | | Symposium Lol States-Industries at Paris. |
| 18 November 2002 | Defense Ministries agree to the NADs' proposition regarding the Projects Groups. | | |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|-------------------------|--|---|--|
| 27 January 2003 | | EC regulation 149/2003 updating the EC Regulation 1334/2000. This modification follows the court proceedings engaged in 2001 by the Commission against 12 member states which were calling upon Art.346 TFEU to import some military goods in exemption of customs. | |
| 4 February 2003 | Declaration of France and Great-Britain at Le Touquet on the strengthening of European cooperation in Defence and security fields and the features of a EAA. | | |
| March 2003 | Reports of the Capacity Groups (within the ECAP Process). | | |
| 11 March 2003 | | Communication from the Commission on "European Defense Industrial and Market Issues-Towards and EU defence Equipment Policy [COM (2003) 113]. | |
| 20-21 March 2003 | | European Council approves the COM (2003) 113 and recognizes as a primary goal the development of contracts in Defence R&D in order to promote the capabilities and stimulate the DTIB. | |
| 11 April 2003 | Informal meeting of the NADs. | | |
| 26 April 2003 | | | Philippe Camus and Rainer Hertrich (EADS), Denis Ranque (THALES) and Mike Turner (BAE Systems) claim in a Times' article the necessity to cooperate in the Defense and armament field. |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|--------------------------|--|---|--|
| 29 April 2003 | Summit on European defense with Head States of Belgium, France, Germany and Luxembourg. | | |
| 30 April 2003 | | Action Plan “investing in research” of the Commission. | |
| 19 May 2003 | Member States ratify the declaration of the Capacity Offers Conference. 10 Projects groups are created in the framework of the ECAP process. They encourage the creation of the EAA and the adoption of the 2003 Helsinki Catalogue on the EU military capabilities. | | |
| 9 June 2003 | | | Report of the European Defence Analysis Group on the enhancement of the European Industrial potential in the field of security research. |
| 19-20 June 2003 | Thessalonique European Council. Principle of the EAA creation is adopted. | European Security Strategy presented by Xavier Solana “A Secure Europe in a better world”. | |
| 15 July 2003 | | Draft report from the parliament “Towards an EU defence Equipment Policy”, on the communication from the Commission [COM (2003), 113]. | |
| 4 September 2003 | COREPER decide of the creation of an <i>Ad Hoc</i> Group designated to prepare the creation of the EAA. The Group is composed of Member States representatives and of a Commission representative. | | |
| 16 September 2003 | Meeting of the NADs. | | |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|----------------------------|---|---|---|
| 3-4 October 2003 | Informal meeting of the Defense Ministries. | | |
| 6 October 2003 | | | Meeting of an High Personalities Group (HPG - composed of European deputies, directors of the main Defense and Security European companies, directors of Research Institute in Defense and Security field, defense ministries, Senior official of the International Defense organizations, Commission representatives) in order to contribute at the elaboration of a future European Research security –related Program. |
| 13 October 2003 | | Communication from the Commission on “A coherent Framework for Aerospace: a response to the STAR 21 report”, [COM (2003), 600]. | |
| 12 November 2003 | Approval by the COREPER of the <i>Ad Hoc</i> group report on the EAA creation. | | |
| 17 November 2003 | RELEX Council creates the Agency Establishment Team (AET). | | |
| 11-12 December 2003 | Bruxelles European Council. The European Security Strategy "A secure Europe in a better world" is adopted. | | |
| 2004 | | | AECMA, EDIG and EUROSPACE merged to form AeroSpace and Defence Industries Association of Europe (ASD). |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|--------------------------|---|---|--|
| 3 February 2004 | | Decision and Communication from the Commission regarding the “ implementation of the Preparatory Action on the Enhancement of the European industrial potential in the field of security research”, [2004/213/EC] / “Towards a program to advance European security through Research and Technology”, [COM(2004) 72 final]. | |
| 16 February 2004 | Starting of the AET studies. | | |
| 15 March 2004 | | | Report of the HPG “Research for a Secure Europe: Report of the Group of Personalities in the field of Security research” is published. |
| 25-26 March 2004 | Bruxelles European Council. | Commission Information day on preparatory action for the reinforcement of the European industrial potential in the security research field. | |
| 1 May 2004 | | Entrance of the 10 new Member States. | |
| 17-18 June 2004 | Bruxelles European Council. The proposals on the EAA are adopted. | | |
| 23 September 2004 | | Green Paper on Defence procurement from the DG Internal market and Services [COM (2004), 608]. | |
| 21 November 2005 | Code of Conduct on Defence Procurement (CoC on DP) is adopted by EDA’s pMS to cover defence equipment purchases where the provisions of Article 346 of the TFEU are applicable. | | |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|-------------------------|--|--|--|
| 06 December 2005 | | Communication from the Commission on the results of the consultation launched by the Green Paper on Defence Procurement and on the future Commission initiatives [COM(2005)626]. | |
| 2006 | | | The R&T Joint Investment Programme on Force Protection (JIP-FP) is launched by the EDA. It is a ground-breaking mechanism for collaborative action to help boost Europe's efforts in Defence R&T. It focuses on technologies for protecting EU armed forces against threats such as snipers, booby traps and improvised bombs. |
| 3 April 2006 | | Consultation Paper from the Commission on the Intra-community circulation of defence-related products. "Creating a single market for EU defence industries": Commission opens consultation. | |
| 15 May 2006 | EDA's participating Member States (pMS) adopt the Code of Best Practice in the Supply Chain (CoBPSC) | | |
| 1 July 2006 | | | The Electronic Bulletin Board (EBB) - Government Contracts (GC) is launched by the EDA and provides an historic opportunity for suppliers across Europe to bid for defence contracts advertised by subscribing Member States. |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|--------------------------|--|--|--|
| 20 September 2006 | The EDA Steering Board agrees new elements to support the development of the EDEM, by enhancing Security of Supply and Security of Information across national borders. | | |
| October 2006 | Defense Ministers via the EDA endorse the Long Term Vision (LTV). It defines capability and capacity needs in the timeframe of 2020-2030. | | |
| December 2006 | the EDA is tasked to develop, together with its Member States and the other EU institutions, a Capability Development Plan (CDP) aiming at providing a systematic and structured approach to building the capabilities required by the armed forces of the EU Member States for operations under the ESDP and at assisting EU Member States in developing their national plans and programmes. | | |
| 07 December 2006 | | Interpretative Communication from the Commission on the application of Article 296 of the TCE in the field of defence procurement [COM (2006), 779]. | |
| March 2007 | Electronic Bulletin Board- Industry Contracts EBB II is launched. | | |
| 18 April 2007 | | Communication from the Commission on “Global Europe: a Stronger Partnership to deliver Market Access for European Exporters”, [COM (2007), 183]. | |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|--------------------------|-----------------------------|------------------------|--|
| 14 May 2007 | | | The Strategy for an European Defense Technological and Industrial Base (EDTIB) is launched by a ministerial meeting of the EDA Steering Board. |
| 15 May 2007 | | | The 1st call under the JIP-FP for proposals dedicated mainly to “collective survivability”, is directly issued to the 270 potential contractors that had been designated in advance by the EDA pMS. |
| 25 September 2007 | | | The EDA’s Steering Board approves a series of roadmaps covering a broad range of activities to implement the DTIB strategy, including identification of key industrial capabilities, security of supply between countries, increased competition in the defence equipment market, deepening and diversifying supplier base, and increased armaments cooperation. |
| 16 November 2007 | | | The 2d call under the JIP-FP for proposals dedicated mainly to “Secured tactical wireless communications” and “individual protection” is directly issued to the 306 potential contractors that had been designated in advance by the pMS. |

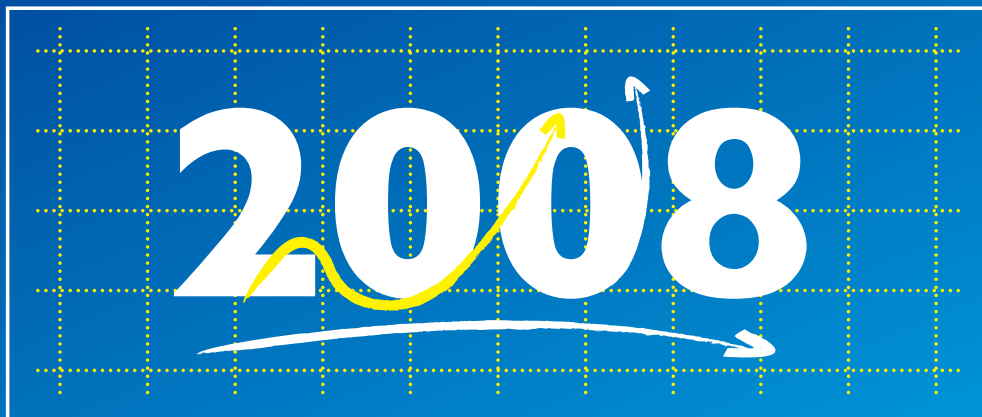
| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|-------------------------|-----------------------------|--|---|
| 5 December 2007 | | <p>Commission Defence Package.</p> <p>*Communication on a “A Strategy for a Stronger and more competitive European Defence Industry”, [COM (2007), 764].</p> <p>*Directive Proposal on “simplifying terms and conditions of transfers of defence-related products within the Community”, [COM (2007), 765].</p> <p>*Directive Proposal on “the coordination of procedures for the award of certain public works contracts, public supply contracts and public service contracts in the fields of defence and security”, [COM (2007), 766].</p> | |
| 14 December 2007 | | | The EDA signs the first 3 Contracts under the JIP-FP dedicated to “collective survivability”. |
| May 2008 | | | The EDA signs the contracts under the JIP-FP dedicated to “Secured tactical wireless communications” and “individual protection”. |
| 16 May 2008 | | | The 3d call under the JIP-FP for proposals dedicated to “Data Analysis, including data fusion from various sources” is directly issued to the 155 potential contractors that had been designated in advance by the pMS. |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|-------------------------|--|--|---|
| 26 May 2008 | | | A 2d JIP on Innovative Concepts and Emerging Technologies (JIP-ICET) which might have a disruptive effect on the battlefields is launched by the EDA's pMS. |
| July 2008 | The 1st CDP is endorsed by the EU Member States. | | |
| October 2008 | The European Armaments Co-operation Strategy (EAC) is approved by the EDA's Steering Board. It provides a statement of intent of the pMS to promote and enhance more effective European armaments co-operation in support of the CSDP. | | |
| 24 October 2008 | The EDA's pMS adopt the Code of Conduct on Offsets. | | |
| 8 December 2008 | | Common Position 2008/944/CFSP defining common rules governing control of exports of military technology and equipment. It transforms the EU Code of Conduct on Arms exports in a binding instrument. | |
| 16 December 2008 | | | The EDA selects the successful proposals under the JIP-FP dedicated to "Data Analysis, including data fusion from various sources". |
| 19 December 2008 | | | The 4th call under the JIP-FP for proposals is directly issued to more than 210 potential contractors that were designated in advance by the pMS. |
| 17 February 2009 | | | The 1 st call under the JIP-ICET for proposals is issued by the EDA. |

| | Intergovernmentalism | Europeanization | Industrial and Research Base incentives |
|-------------------------|-----------------------------|--|---|
| 23 February 2009 | | Council decision upgrading the most recent version of the COARM. | |
| 6 May 2009 | | DIRECTIVE 2009/43/EC of the European Parliament and of the Council simplifying terms and conditions of transfers of defence-related products within the Community. | |
| 25 May 2009 | | | The EDA selects the successful 1st round proposals under the JIP-ICET. |
| 11 June 2009 | | | The 2d call under the JIP-ICET for proposals is issued by the EDA. |
| 13 July 2009 | | DIRECTIVE 2009/81/EC of the European Parliament and of the council on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC. | |
| September 2009 | | | Final report on the Development of the EDTIB for the Commission. |
| 5 November 2009 | | | Final report from Europe Economics for the Commission on the Competitiveness of European Small and Medium sized Enterprises (SMEs) in the Defence Sector. |
| 14 January 2010 | | | The EDA selects the successful 2d round of proposals under the JIP-ICET |



DEFENCE DATA



European Defence Agency *Building Capabilities for a Secure Europe*

INTRODUCTION

The European Defence Agency is collecting defence data on an annual basis. The Ministries of Defence of the Agency's 26 participating Member States (all EU Member States except Denmark) provide the data. EDA acts as the custodian of the data. The data have been accounted for. They apply to the previous year. The data are broken down, based on a list of indicators approved by the Agency's Ministerial Steering Board. This list has four sections, represented in the headings of the data presented in this brochure:

- *General:* macro-economic data to show how defence budgets relate to GDP and overall government spending
- *Reform:* major categories of defence budget spending – personnel; investment, including research & technology; operations & maintenance and others – to show on what the defence budgets are spent
- *European collaboration:* for equipment procurement and R&T to show to what extent the Agency's participating Member States are investing together
- *Deployability:* military deployed in crisis management operations to show the ratio between deployments and the total number of military

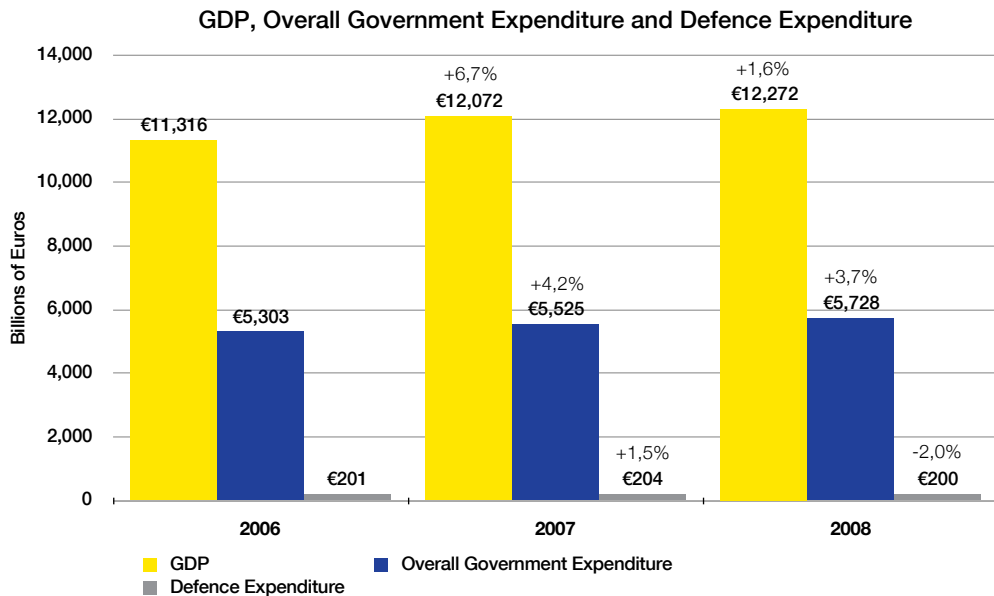
In November 2007 the Ministerial Steering Board approved four collective benchmarks for investment:

- Equipment procurement (including R&D/R&T): 20% of total defence spending
- European collaborative equipment procurement: 35% of total equipment spending
- Defence Research & Technology: 2% of total defence spending
- European collaborative Defence R&T: 20% of total defence R&T spending

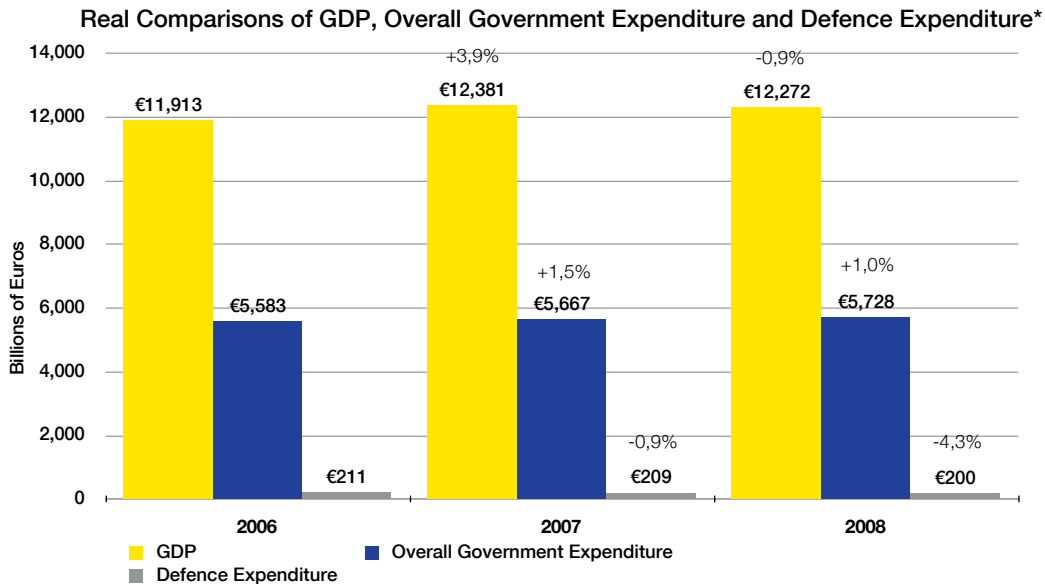
These benchmarks are collective: they apply to the total sum spent by all participating Member States together. They are voluntary in the sense turning them into national targets is optional. There are no timelines for realising these benchmarks. In its final section this brochure provides the results of the collective benchmarks.

The definitions, used for the gathering of the data, and some general caveats are listed at the end of the brochure.

GENERAL – Macro Economic Data

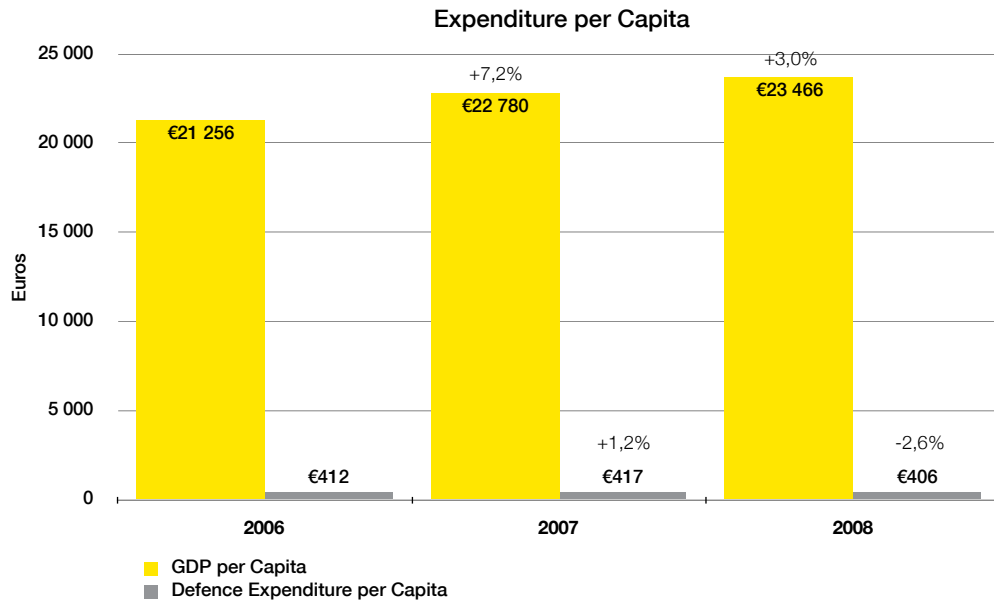


GENERAL – Macro Economic Data

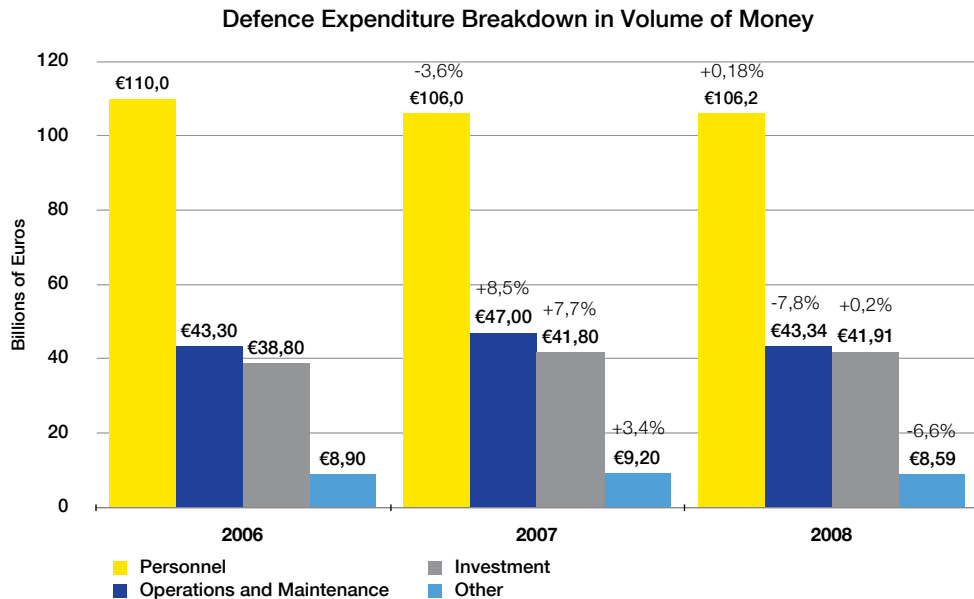


*2006 and 2007 has been inflated to 2008 economic conditions

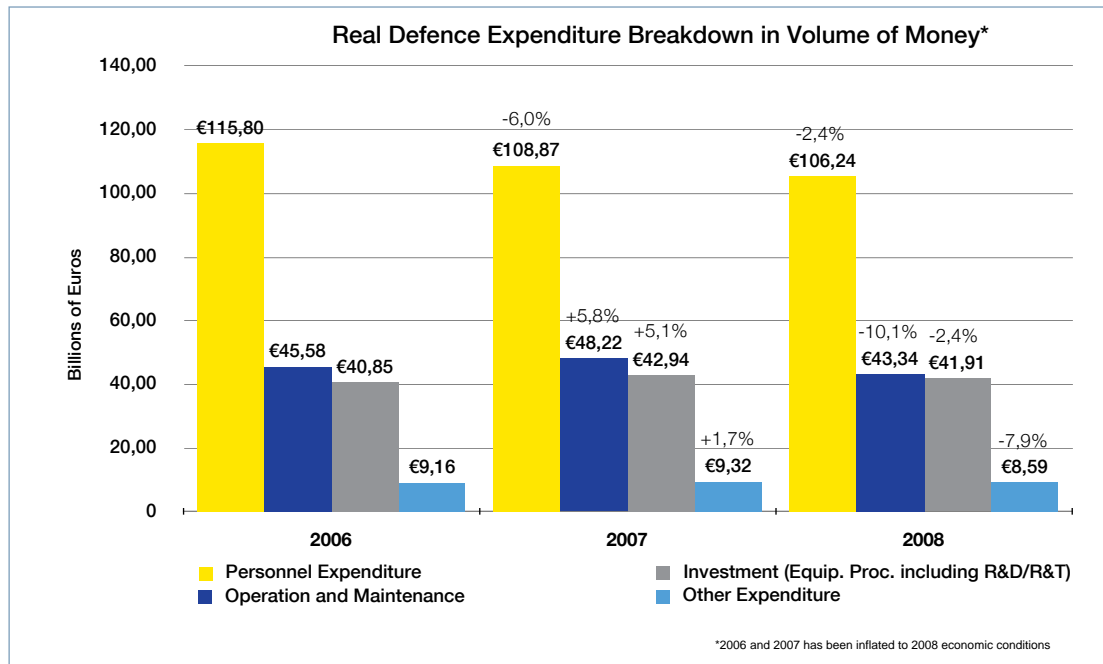
GENERAL – Expenditure per Capita



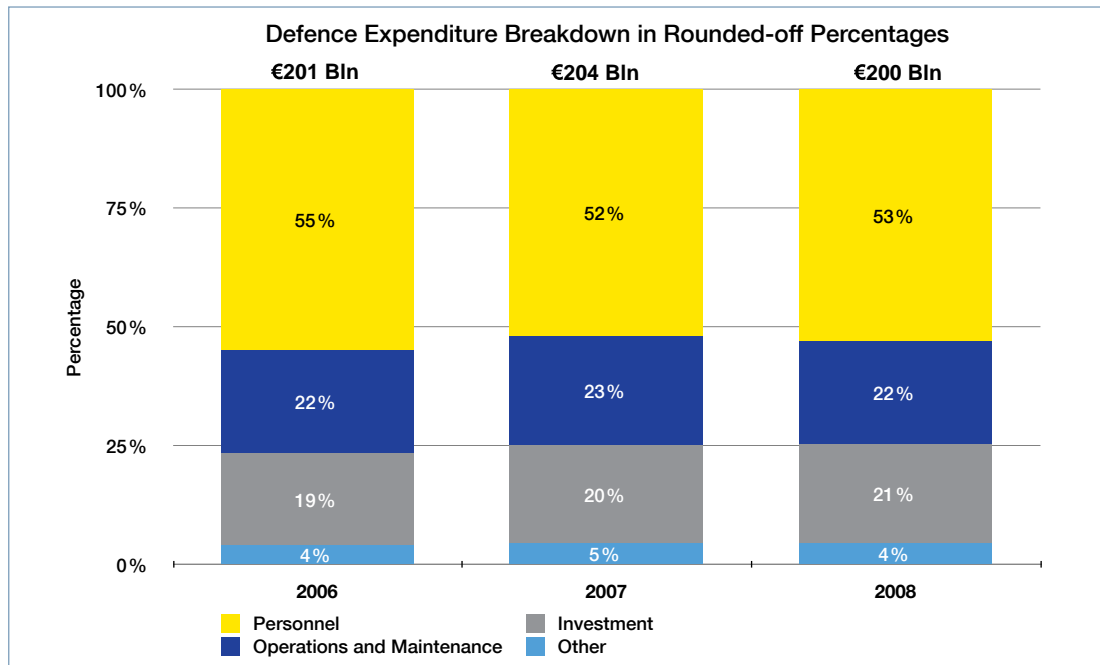
REFORM – Defence Expenditure Breakdown



REFORM – Defence Expenditure Breakdown

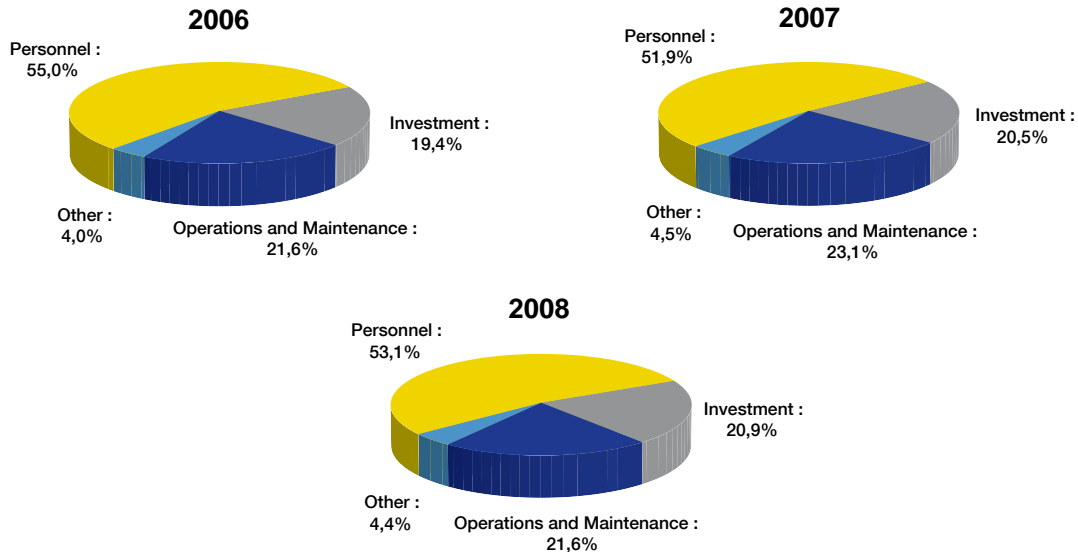


REFORM – Defence Expenditure Breakdown



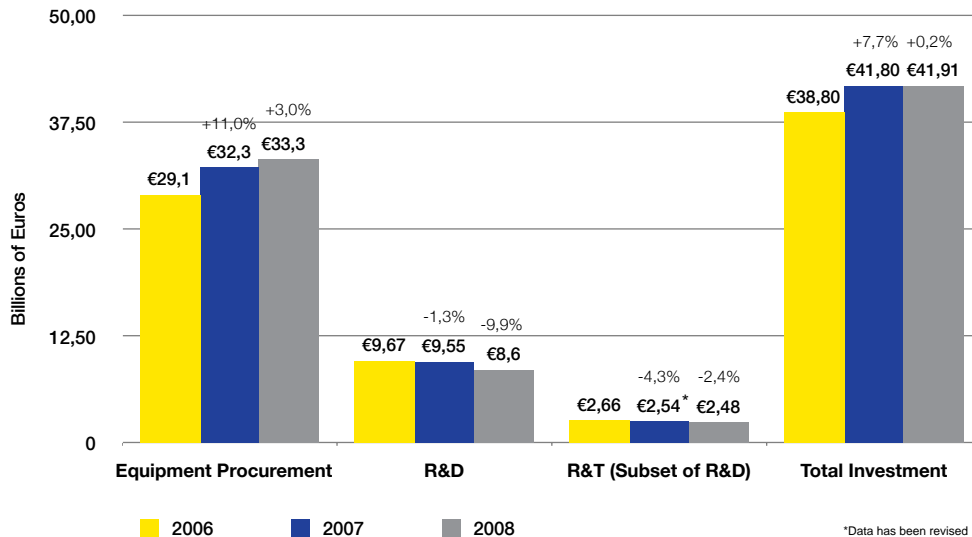
REFORM – Defence Expenditure Breakdown

Defence Expenditure Breakdown in Exact Percentages



REFORM – Investment Breakdown

Equipment Procurement and R&D/R&T in Volume of Money

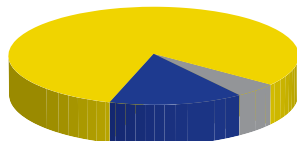


REFORM – Investment Breakdown

Equipment Procurement and R&D/R&T in Exact Percentages

2006

Other Defence Expenditure :
80,6 %



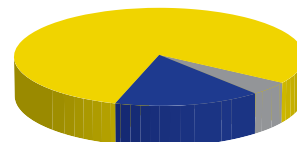
Defence equipment
procurement : 14,6 %

R&D (Includes R&T) :
4,8 %
R&T: 1,32 %

19,4 %

2007

Other Defence Expenditure :
79,5 %



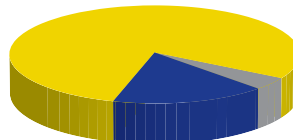
Defence Equipment
Procurement :
15,8 %

R&D (includes R&T) :
4,7 %
R&T: *
1,25 %

20,5 %

2008

Other Defence Expenditure :
79,1 %



Defence Equipment
Procurement :
16,6 %

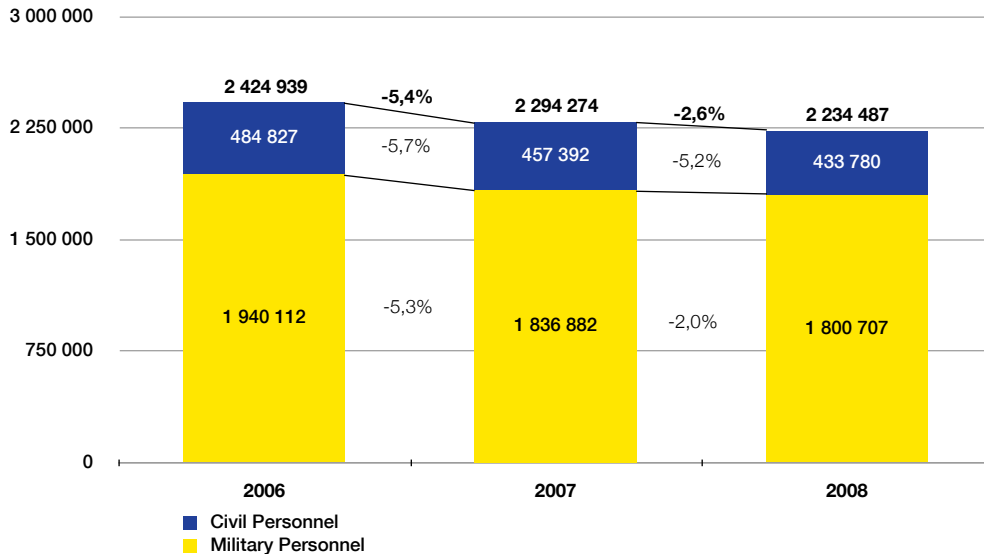
R&D (includes R&T) :
4,3 %
R&T:
1,24 %

20,9 %

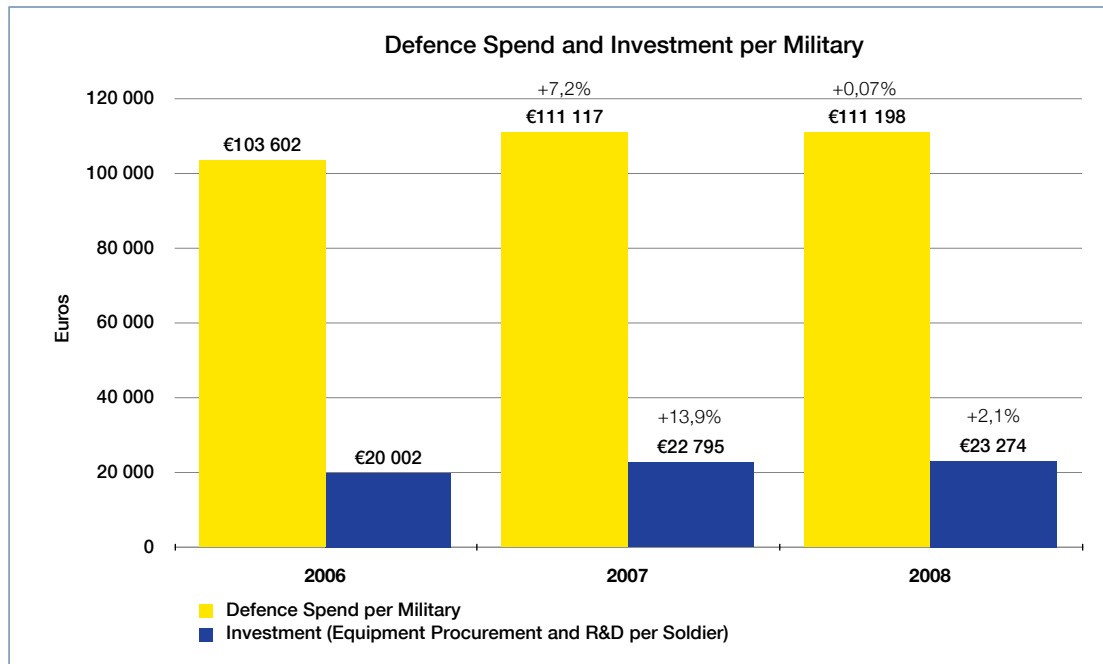
*Data has been revised

REFORM - Personnel

Military and Civilian Personnel Numbers



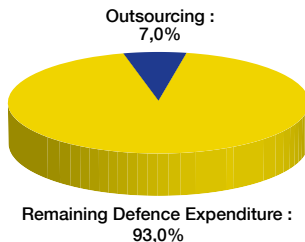
REFORM – Expenditure per Military



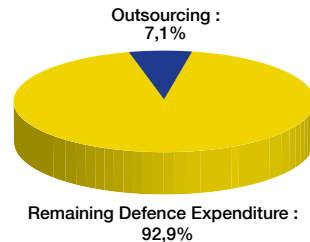
REFORM - Outsourcing

Outsourcing in Volume of Money and Percentages

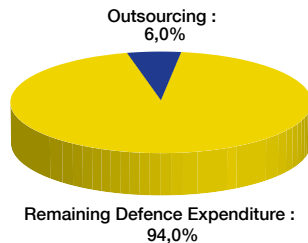
Total Outsourcing 2006 : € 14,1 bln



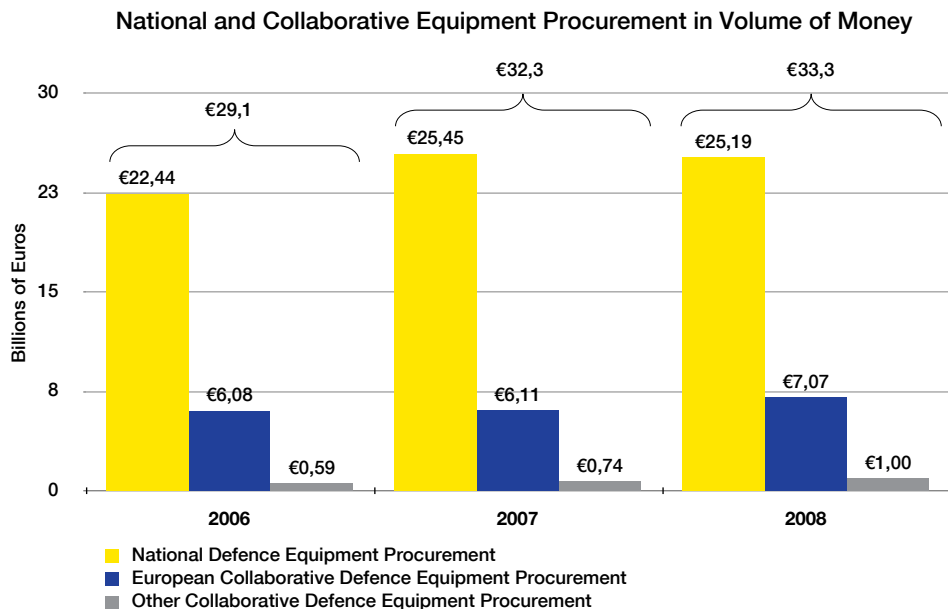
Total Outsourcing 2007 : € 14,4 bln



Total Outsourcing 2008 : € 12,0 Bln



EUROPEAN COLLABORATION – Equipment Procurement



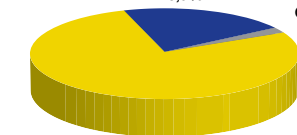
EUROPEAN COLLABORATION – Equipment Procurement

National and Collaborative Equipment Procurement in Percentages

2006

European Collaborative Defence Equipment Procurement :
20,9%

Other Collaborative Defence
Equipment Procurement :
2,0%

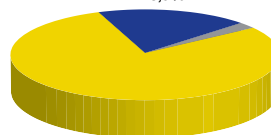


National Defence Equipment Procurement :
77,1 %

2007

European Collaborative Defence Equipment Procurement :
18,9%

Other Collaborative Defence
Equipment Procurement :
2,3%

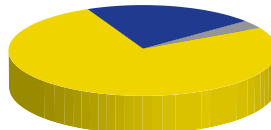


National Defence Equipment Procurement :
78,8 %

2008

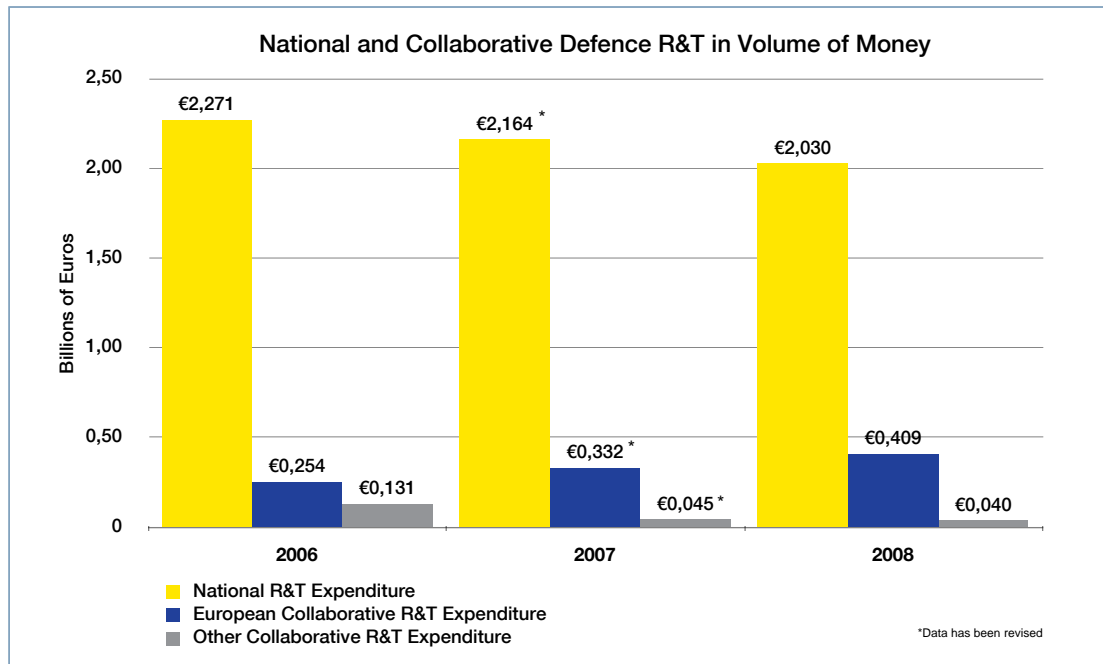
European Collaborative Defence Equipment Procurement :
21,2%

Other Collaborative Defence
Equipment Procurement :
3,0%



National Defence Equipment Procurement :
75,8%

EUROPEAN COLLABORATION – R&T

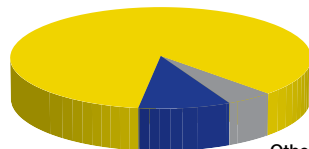


EUROPEAN COLLABORATION – R&T

National and Collaboration Defence R&T in Percentages

2006

National R&T Expenditure :
85,5%

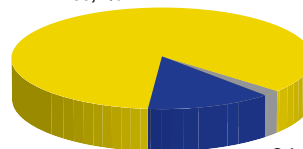


European Collaborative
R&T Expenditure :
9,6%

Other Collaborative
R&T Expenditure :
4,9%

2007 *

National R&T Expenditure :
85,1%



European Collaborative
R&T Expenditure :
13,1%

Other Collaborative
R&T Expenditure :
1,8%

2008

National R&T Expenditure :
81,9%

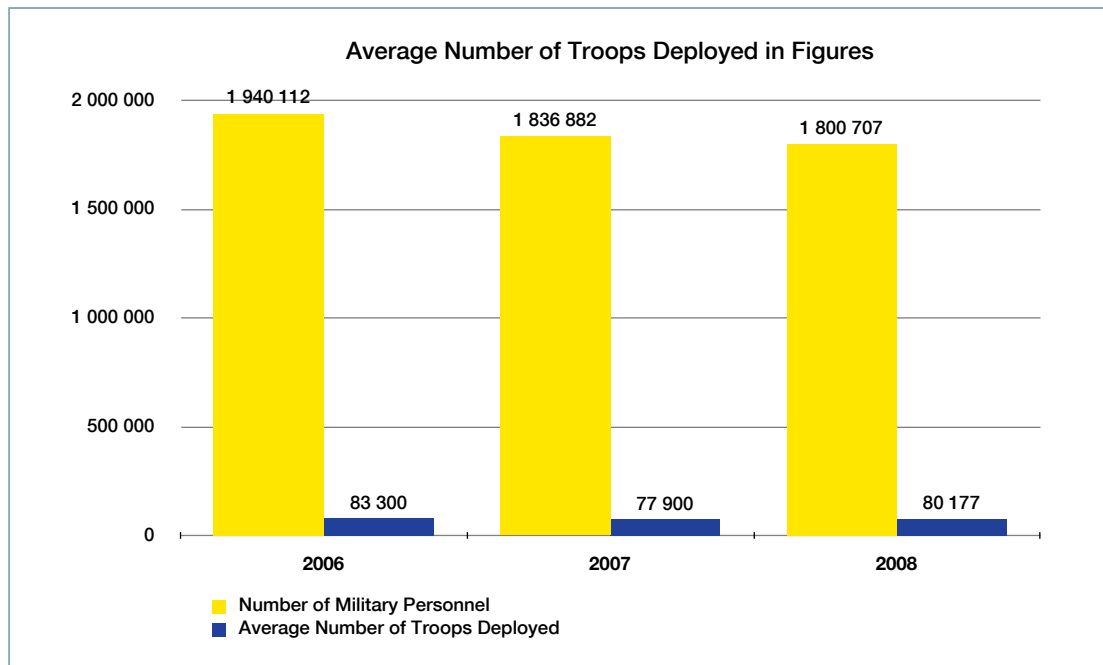


European Collaborative
R&T Expenditure :
16,5%

Other Collaborative
R&T Expenditure :
1,6%

*Data has been revised

DEPLOYABILITY - Average Number Deployed

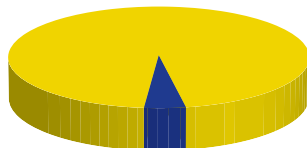


DEPLOYABILITY – Average Number Deployed

Average Number of Troops Deployed in Percentages

2006

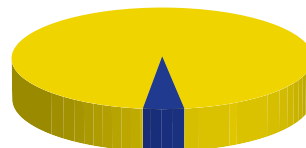
Remaining Military Personnel :
95,7%



Average Number of Troops Deployed :
4,3%

2007

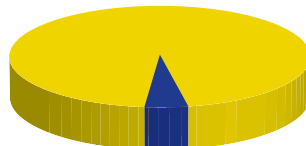
Remaining Military Personnel :
95,8%



Average Number of Troops Deployed :
4,2%

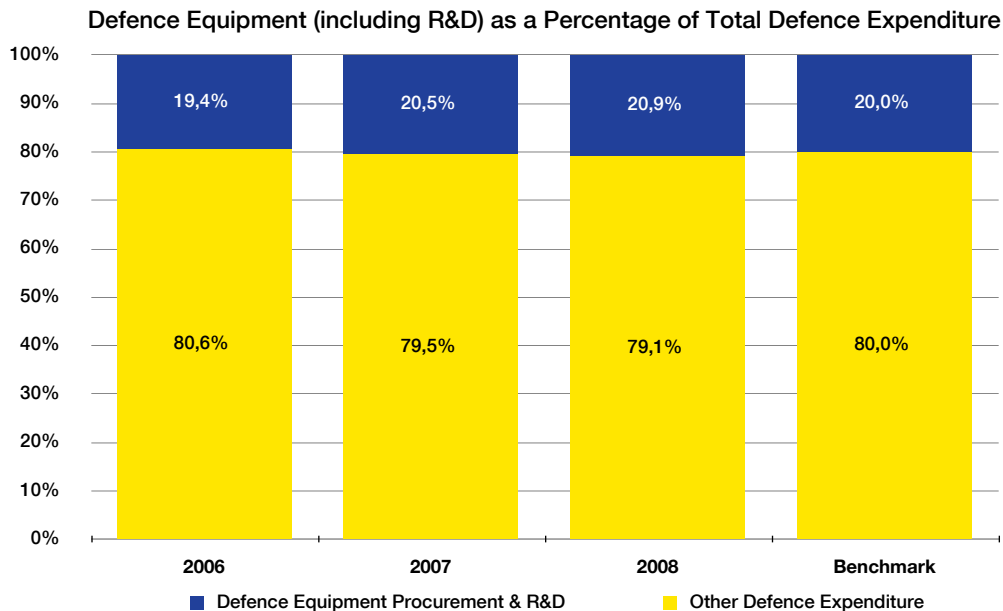
2008

Remaining Military Personnel :
95,5%

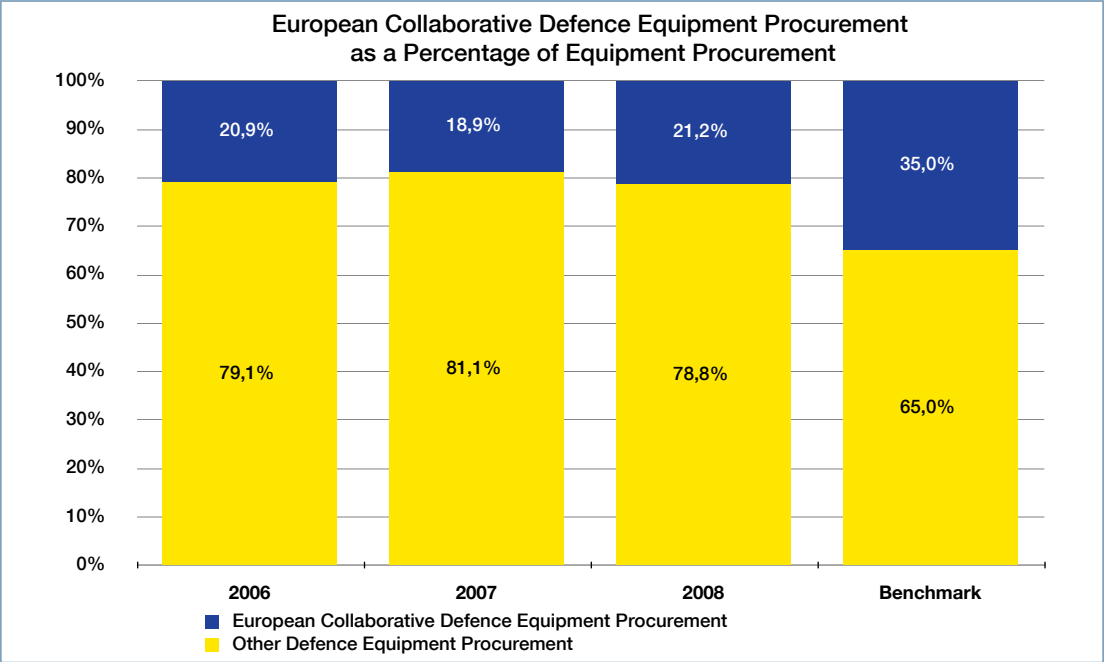


Average Number of Troops Deployed :
4,5%

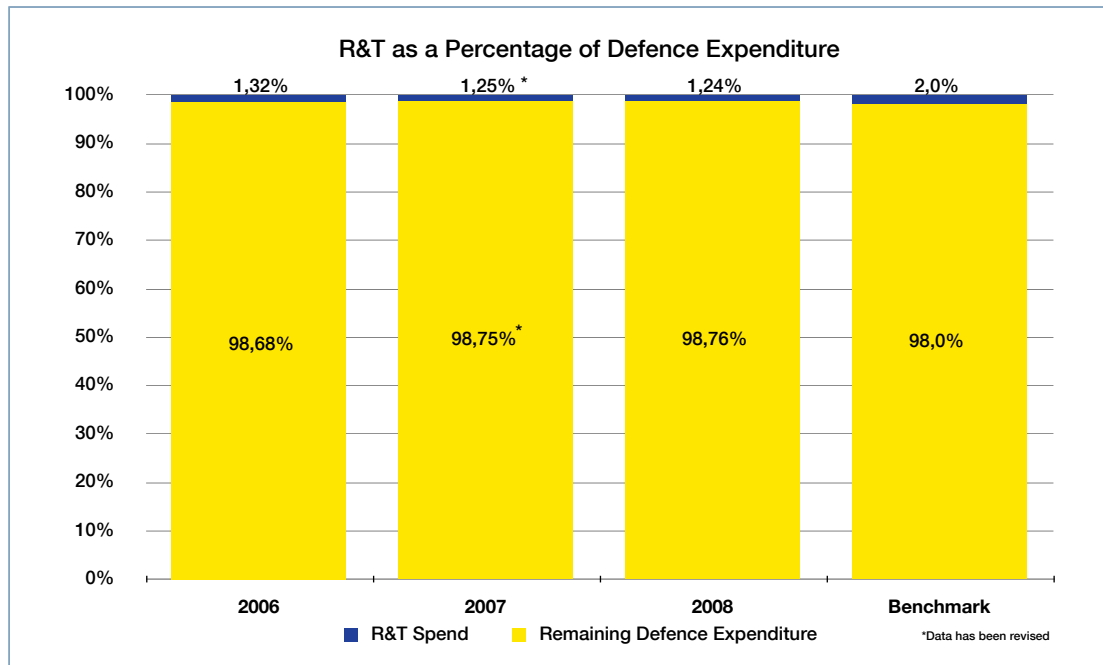
BENCHMARKS



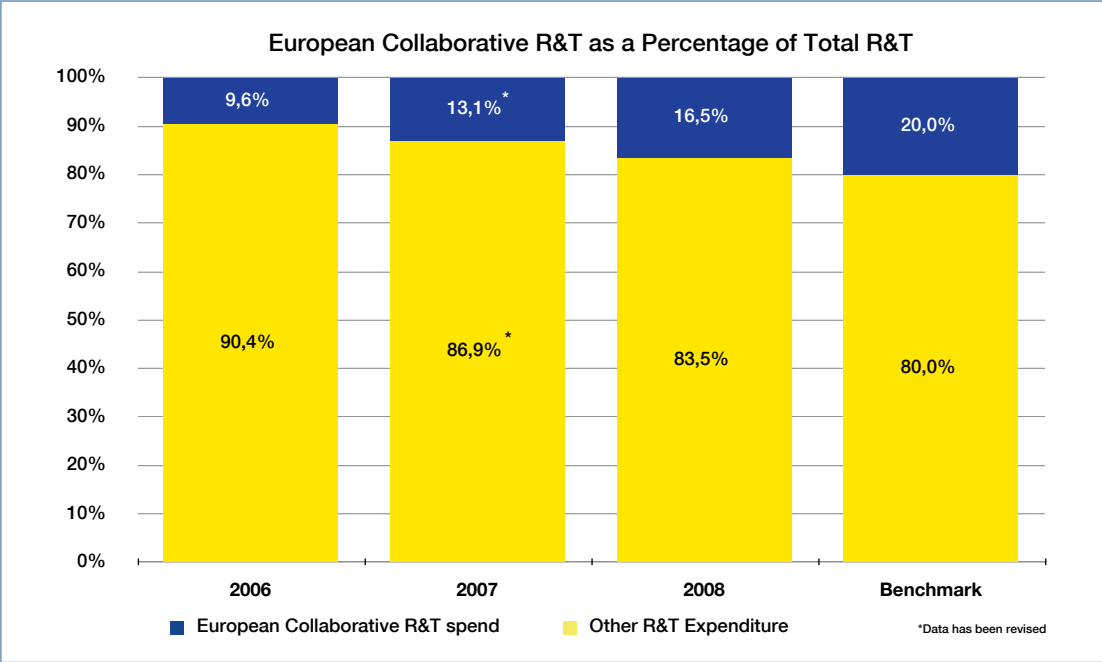
BENCHMARKS



BENCHMARKS



BENCHMARKS



Explanatory Notes

Data collection is based on definitions approved by the participating Member States.
The Definitions below have been shortened and edited for this publication.

- **Macroeconomic Data:** GDP, General Government Expenditure and Population are based on data from Eurostat.
- **Total defence expenditure** is defined as total Ministry of Defence expenditure and defence related expenditure from other sources (other Ministries special budgetary lines).
- **Civilian personnel:** The authorised strength of all civilian personnel on 31 December of each year employed by all military establishments and the armed forces.
- **Military personnel:** The authorised strengths of all active military personnel on 31 December of each year.
- **Personnel Expenditure:** 1) Pay and allowances paid to: military personnel; civilian personnel.
2) Pensions – only if paid directly by the MoD to: retired military personnel; retired civilian employees.
- **Defence equipment procurement** expenditure includes expenditure for all major equipment categories.
- **Research and Development (R&D):** any R&D programmes up to the point where expenditure for production of equipment starts to be incurred.
- **Research and Technology (R&T)** is a subset of R&D: expenditure for basic research, applied research and technology demonstration for defence purposes.
- **Investment is Equipment Procurement** and R&D (including R&T).
- **Operation and Maintenance (O&M) expenditure:** covers O&M (spare parts and supplies) of major equipment; other equipment and supplies; and costs related to maintaining utilities and infrastructure.
- **Outsourcing:** is defence expenditure for which services have been contracted at the central level with service suppliers from outside the MoD and/or Armed Forces.

Explanatory Notes

- **European Collaboration** is defined as a subset of Collaboration: agreement by at least two EU Member States Ministries of Defence for project or programme contracts. Possible non-EU partners share in such contracts is lower than 50%.
- **Other:** All expenditure that cannot be attributed to another category.
- **Other Collaborative Expenditure:** All collaborative expenditure that does not fall under the European Collaboration definition.
- **Average number of troops deployed:** Average number of troops deployed throughout the year.

Additional Notes on the Data

- EDA is receiving the data from the Ministries of Defence of the 26 participating Member States. On occasions the data can be revised and this may have an impact on the overall aggregate figure. In order to have the most up to date data please check EDA's website for updates: <http://www.eda.europa.eu/>
- Data on GDP, General Government Expenditure and Population numbers have been collected from Eurostat. However, this data is occasionally revised which may impact some of the data used by EDA.
- The Data provided is at the aggregate level which can produce different figures from other sources due to rounding.
- For some spending categories a margin of error exists as accounting systems in the participating Member States differ. Nevertheless, the presented data presents the best publicly available figures.
- Comparisons are made for 2006, 2007 and 2008. It should be noted that more firm trend analysis will only be possible after several years of data gathering.
- Significant changes in the exchange rates with the Euro has had a considerable impact on the 2008 data; the lower amount of defence expenditure is partly caused by significant drops of some of the pMS' currencies exchange rates to the euro.

THE EUROPEAN DEFENCE AGENCY

The European Defence Agency was established under a Joint Action of the Council of Ministers on 12 July, 2004, «to support the Member States and the Council in their effort to improve European defence capabilities in the field of crisis management and to sustain the European Security and Defence Policy as it stands now and develops in the future».

FUNCTIONS AND TASKS

The European Defence Agency, within the overall mission set out in the Joint Action, is ascribed four functions, covering:

- developing defence capabilities;
- promoting Defence Research and Technology (R&T);
- promoting armaments co-operation;
- creating a competitive European Defence Equipment Market and strengthening the European Defence, Technological and Industrial Base.

All these functions relate to improving Europe's defence performance, by promoting coherence. A more integrated approach to capability development will contribute to better defined future requirements on which collaborations - in armaments or R&T or the operational domain - can be built. More collaboration will, in turn, provide opportunities for industrial restructuring and progress towards the continental-scale demand and market, which industry needs.

On this basis, the Agency's tasks include:

- to work for a more comprehensive and systematic approach to defining and meeting the capability needs of the European Security and Defence Policy (ESDP);
- to promote European defence-relevant R&T, as vital both to a healthy defence technological and industrial base and to defining and satisfying future capability requirements. This will involve pursuing collaborative use of national Defence R&T funds, in the context of a European Defence R&T Strategy which identifies priorities;
- to promote European cooperation on defence equipment, both to contribute to defence capabilities and as a catalyst for further restructuring the European defence industry;
- to work, in close cooperation with the Commission, on steps towards an internationally competitive market for defence equipment in Europe.

The Agency's «comparative advantage» should be its ability to comprehend all these agendas, and relate them so as to realise their synergies. Its special position should allow it to develop uniquely cogent analyses and proposals across the range of its activities.



Further statistical information and an overview
of EDA activities are available on our website:

<http://www.eda.europa.eu>



T. +32(0)2 504 28 00

F. +32(0)2 504 28 15

www.eda.europa.eu

ppu@eda.europa.eu

TOP 100 - World's leading armament companies in 2008

(source : *Defense News* , www.defensenews.com)

| Rank in 2008 | Company | Leadership | Country | 2008 | | | |
|--------------|------------------------------------|---|---------|------------------|----------------|---------------------------|--------------|
| | | | | Defense Revenue* | Total Revenue* | % of Revenue from Defense | Rank in 2007 |
| 1 | Lockheed Martin | Robert Stevens, Chairman, President and CEO | US | 39 550,0 | 42 731,0 | 92,6 | 1 |
| 2 | BAE Systems | Ian King, CEO | UK | 32 667,0 | 34 351,0 | 95,1 | 3 |
| 3 | Boeing | W. James McNerney, Chairman, President and CEO | US | 31 082,0 | 60 909,0 | 51,0 | 2 |
| 4 | Northrop Grumman | Ronald Sugar, Chairman and CEO | US | 26 579,0 | 33 887,0 | 78,4 | 4 |
| 5 | General Dynamics | Jay Johnson, President and CEO | US | 22 854,0 | 29 300,0 | 78,0 | 5 |
| 6 | Raytheon | William Swanson, Chairman and CEO | US | 21 551,8 | 23 174,0 | 93,0 | 6 |
| 7 | EADS | Louis Gallois, CEO | NL | 16 206,6 | 63 639,4 | 25,5 | 7 |
| 8 | L-3 Communications | Michael Strianese, Chairman, President and CEO | US | 12 159,0 | 14 901,0 | 81,6 | 8 |
| 9 | Finmeccanica | PierFrancesco Guarguaglini, President and CEO | I | 10 219,0 | 22 119,0 | 46,2 | 9 |
| 10 | United Technologies | Louis R. Chênevert, President and CEO | US | 9 975,8 | 58 681,0 | 17,0 | 10 |
| 11 | Thales | Luc Vigneron, Chairman and CEO | F | 8 020,0 | 18 650,0 | 43,0 | 11 |
| 12 | SAIC | Ken Dahlberg, Chairman and CEO | US | 7 661,0 | 10 070,0 | 76,1 | 12 |
| 13 | ITT | Steven Loranger, Chairman, President and CEO | US | 6 282,0 | 11 694,8 | 53,7 | 17 |
| 14 | KBR | William Utt, Chairman, President and CEO" | US | 5 997,1 | 11 581,0 | 51,8 | 13 |
| 15 | Honeywell | David Cote, Chairman and CEO | US | 5 313,0 | 36 556,0 | 14,5 | 14 |
| 16 | Almaz-Antei | Vladislav Menshikov, Director | RU | 4 335,2 | 4 616,8 | 93,9 | 24 |
| 17 | Rolls-Royce | (Sir) John Rose, CEO | UK | 4 237,6 | 16 950,6 | 25,0 | 16 |
| 18 | GE Aviation | David Joyce, President and CEO | US | 4 000,0 | 19 200,0 | 20,8 | 15 |
| 19 | Navistar | Daniel Ustian, Chairman, President and CEO | US | 4 000,0 | 14 724,0 | 27,2 | 89 |
| 20 | MBDA Missile Systems | Antoine Bouvier, CEO | F | 3 995,0 | 3 995,0 | 100,0 | NR |
| 21 | Computer Sciences Corp. | Michael Laphen, Chairman, President and CEO | US | 3 800,0 | 16 500,0 | 23,0 | 19 |
| 22 | Booz Allen Hamilton | Ralph Shrader, Chairman and CEO | US | 3 575,0 | 4 300,0 | 83,1 | 23 |
| 23 | Textron | Lewis Campbell, Chairman and CEO | US | 3 400,0 | 14 200,0 | 23,9 | 29 |
| 24 | URS | Martin Koffel, CEO | US | 3 370,0 | 10 086,0 | 33,4 | 31 |
| 25 | DCNS | Patrick Boissier, President and CEO | F | 3 200,0 | 3 200,0 | 100,0 | 18 |
| 26 | Mitsubishi Heavy Industries | Hideaki Omiya, President | J | 3 137,5 | 33 728,7 | 9,3 | 25 |
| 27 | Safran | Jean-Paul Herteman, CEO | F | 3 038,9 | 15 193,2 | 20,0 | 22 |
| 28 | Saab Group | Ake Svensson, President and CEO | SE | 2 932,7 | 3 651,2 | 80,3 | 20 |
| 29 | ATK | Dan Murphy, Chairman, President and CEO | US | 2 850,0 | 4 583,2 | 62,2 | 26 |
| 30 | QinetiQ | Graham Love, CEO | UK | 2 588,5 | 2 783,4 | 93,0 | 32 |
| 31 | Rheinmetall AG | Klaus Eberhardt, CEO | D | 2 535,4 | 5 407,7 | 46,9 | 27 |
| 32 | Elbit Systems | Joseph Ackerman, President and CEO | IL | 2 506,1 | 2 638,0 | 95,0 | 36 |
| 33 | Harris | Howard Lance, Chairman, President and CEO | US | 2 465,7 | 5 311,0 | 46,4 | 39 |
| 34 | Rockwell Collins | Clayton Jones, Chairman, President and CEO | US | 2 351,0 | 4 769,0 | 49,3 | 30 |
| 35 | Israel Aerospace Industries | Itzhak Nissan, President and CEO | IL | 2 203,0 | 3 585,0 | 61,5 | 34 |
| 36 | Bechtel | Riley Bechtel, Chairman and CEO | US | 2 202,9 | 31 400,0 | 7,0 | 60 |
| 37 | Agility | Tarek Abdul Aziz Sultan, Chairman and Managing Director | Kuw. | 2 200,0 | 6 800,0 | 32,4 | NR |
| 38 | Dassault Aviation | Charles Edelstenne, Chairman and CEO | F | 2 110,8 | 5 525,5 | 38,2 | 28 |
| 39 | Krauss-Maffei Wegmann | Frank Haun, Chairman and Managing Director | D | 2 059,2 | 2 059,2 | 100,0 | 35 |
| 40 | Aviation Holding Company Sukhoi | Mikhail Pogosyan, Director | RU | 2 039,2 | 2 169,4 | 94,0 | 37 |
| 41 | Oshkosh Truck | Robert Bohn, Chairman and CEO | US | 1 991,9 | 7 138,3 | 27,9 | 43 |
| 42 | VT Group | Paul Lester, CEO | UK | 1 960,0 | 2 700,0 | 72,6 | 40 |
| 43 | Cobham | Allan Cook, CEO | UK | 1 932,4 | 2 720,0 | 71,0 | 48 |
| 44 | CACI International | Paul Cofoni, President and CEO | US | 1 807,8 | 2 420,5 | 74,7 | 44 |
| 45 | Goodrich | Marshall Larsen, Chairman, President and CEO | US | 1 794,0 | 7 062,0 | 25,4 | 42 |
| 46 | Babcock International Group | Peter Rogers, CEO | UK | 1 755,0 | 2 700,0 | 65,0 | 38 |
| 47 | ManTech International | George Pedersen, Chairman and CEO | US | 1 754,9 | 1 870,9 | 93,8 | 46 |
| 48 | Hindustan Aeronautics | Ashok Naik, Chairman and Managing Director | IND. | 1 585,1 | 1 981,4 | 80,0 | 41 |
| 49 | Mitsubishi Electric | Setsuhiro Shimomura, President and CEO | J | 1 554,7 | 36 621,3 | 4,2 | 59 |
| 50 | Kawasaki Heavy Industries | Tadaharu Ohashi, Chairman and President | J | 1 528,8 | 13 375,1 | 11,4 | 51 |
| 51 | Rafael Advanced Defense Systems | Yedidia Yaari, President and CEO | IL | 1 528,0 | 1 528,0 | 100,0 | 45 |
| 52 | Serco | Christopher Hyman, CEO | UK | 1 446,6 | 5 786,2 | 25,0 | NR |
| 53 | Force Protection | Michael Moody, President and CEO | US | 1 326,3 | 1 326,3 | 100,0 | 56 |
| 54 | Singapore Technologies Engineering | Tan Pheng Hock, President and CEO | Sing. | 1 247,6 | 3 780,7 | 33,0 | 49 |
| 55 | Tactical Missiles | Boris Obnosov, Director | RU | 1 152,6 | 1 213,3 | 95,0 | 50 |
| 56 | Irkut | Oleg Demchenko, Director | RU | 1 149,8 | 1 255,2 | 91,6 | 47 |
| 57 | General Atomics | Neal Blue, Chairman & CEO | US | 1 142,9 | NA | NA | NR |
| 58 | NEC | Kaoru Yano, President | J | 981,2 | 42 121,9 | 2,3 | 74 |
| 59 | Indra Sistemas | Javier Monzón, Executive Chairman | SP | 944,0 | 3 284,4 | 28,7 | 54 |
| 60 | Diehl Stiftung | Thomas Diehl, President and CEO | D | 911,3 | 3 131,6 | 29,1 | 53 |

| Rank in 2008 | Company | Leadership | Country | 2008 | | | |
|--------------|---|--|---------|------------------|----------------|---------------------------|--------------|
| | | | | Defense Revenue* | Total Revenue* | % of Revenue from Defense | Rank in 2007 |
| 61 | Fluor | Alan Boeckmann, Chairman and CEO | US | 864,6 | 22 325,9 | 3,9 | NR |
| 62 | Jacobs Engineering | Craig Martin, President and CEO | US | 846,9 | 11 252,2 | 7,5 | 77 |
| 63 | Meggitt | Terry Twigger, CEO | UK | 845,3 | 2 151,3 | 39,3 | 64 |
| 64 | Russian Helicopters | Andrei Shibitov, Director | RU | 845,1 | 1 657,1 | 51,0 | 62 |
| 65 | VSE | Maurice "Mo" Gauthier | US | 831,7 | 1 043,7 | 79,7 | NR |
| 66 | Kongsberg Gruppen | Walter Qvam, CEO | NO | 799,6 | 1 986,1 | 40,3 | 71 |
| 67 | Battelle | Jeffrey Wadsworth, President and CEO | US | 794,0 | 4 600,0 | 17,3 | 52 |
| 68 | Ruag | Lukas Braunschweiler, CEO | CH | 777,0 | 1 420,0 | 54,7 | 92 |
| 69 | Nexter Systems | Luc Vigneron, CEO | F | 766,0 | 766,0 | 100,0 | 57 |
| 70 | Teledyne Technologies | Robert Mehrabian, CEO | US | 754,2 | 1 893,0 | 39,8 | 65 |
| 71 | Samsung Techwin | ChangSuk Oh, President and CEO | S. Kor. | 746,5 | 2 121,9 | 35,2 | NR |
| 72 | GKN Group | (Sir) Kevin Smith, CEO | UK | 743,3 | 8 562,5 | 8,7 | 55 |
| 73 | Ultra Electronics | Douglas Caster, CEO | UK | 735,9 | 955,6 | 77,0 | 70 |
| 74 | Bharat Electronics | Ashwani Kumar Datt, Chairman and Managing Director | IND | 733,1 | 917,1 | 79,9 | 58 |
| 75 | ARINC | John Belcher, Chairman and CEO | US | 702,8 | 1 162,6 | 60,5 | 79 |
| 76 | SRA International | Stanton Sloane, President and CEO | US | 669,1 | 1 506,9 | 44,4 | NR |
| 77 | Curtiss-Wright | Martin Benante, Chairman and CEO | US | 663,0 | 1 831,0 | 36,2 | 76 |
| 78 | Israel Military Industries | Avi Felder, Managing Director | IL | 660,0 | 660,0 | 100,0 | 73 |
| 79 | CAE | Robert Brown, President and CEO | C | 649,0 | 1 489,8 | 43,6 | 75 |
| 80 | Uralvagonzavod | Oleg Siyenko, Director | RU | 646,8 | 1 848,1 | 35,0 | NR |
| 81 | Patria Oy | Heikki Allonen, CEO | FIN | 643,0 | 748,0 | 86,0 | 61 |
| 82 | Alion Science and Technology | Bahman Atefi, Chairman and CEO | US | 639,0 | 739,0 | 86,5 | 67 |
| 83 | Cubic | Walter Zable, Chairman, President and CEO | US | 607,8 | 881,1 | 69,0 | 68 |
| 84 | KB Priborostroyeniya | Igor Stepanichev, Acting Director | RU | 607,0 | 610,0 | 99,5 | 81 |
| 85 | FLIR | Earl Lewis, Chairman, President and CEO | US | 600,0 | 1 022,0 | 58,7 | 94 |
| 86 | Fincantieri - Cantieri Navali Italiani S.p.A. | Giuseppe Bono, CEO | I | 584,5 | 4 081,8 | 14,3 | 69 |
| 87 | Chemring Group | David Price, CEO | UK | 555,0 | 575,0 | 96,5 | 82 |
| 88 | Day & Zimmermann | Harold Yoh, Chairman and CEO | US | 548,3 | 2 324,0 | 23,6 | 83 |
| 89 | Ufa Enginebuilding | Alexander Artyukhov, Director | RU | 541,0 | 601,0 | 90,0 | 72 |
| 90 | AAR | David Storch, Chairman and CEO | US | 516,9 | 1 384,2 | 37,3 | 95 |
| 91 | Nammo | Edgar Fossheim, President and CEO | NO | 510,4 | 5 946,0 | 8,6 | NR |
| 92 | Embraer | Frederico Fleury Curado | Brazil | 504,8 | 6 335,2 | 8,0 | NR |
| 93 | ASELSAN Elektronik Sanayi ve Ticaret A.Ş. | Cengiz Ergeneman, General Manager | TR | 488,2 | 535,5 | 91,2 | 86 |
| 94 | Korea Aerospace Industries | Hong Kyung Kim, President and CEO | S. Kor. | 484,7 | 790,0 | 61,4 | NR |
| 95 | Fujitsu | Kuniaki Nozoe, President | J | 442,6 | 46 891,0 | 0,9 | 87 |
| 96 | Ball Aerospace & Technologies | David Taylor, President and CEO | US | 429,0 | 746,0 | 57,5 | 88 |
| 97 | Hyundai Rotem | Yeo-sung Lee, President and CEO | S. Kor. | 414,2 | 2 090,1 | 19,8 | 91 |
| 98 | Accenture | William Green, Chairman and CEO | US | 400,0 | 23 387,0 | 1,7 | 99 |
| 99 | RTI Systems Concern | Sergei Tischenko, Director | RU | 396,1 | 471,5 | 84,0 | NR |
| 100 | ViaSat | Mark Dankberg, Chairman and CEO | US | 389,0 | 628,0 | 61,9 | 98 |
| TOTAL | | | | 386 121,3 | 1 022 575,4 | | |

Source : Defense News (www.defensenews.com)

*In millions of U.S. dollars. Currency conversions for non-U.S. firms calculated using prevailing rates at the end of each firm's fiscal year.

Les dépenses militaires des pays membres et candidats de l'Union européenne et des États-Unis, 1988-2008

En millions de dollars, aux prix et taux de change de 2005

| | | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | % variation 1988-2008 | % variation 1999-2008 |
|----------------------------|---------------------|-----------|-----------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|--------------------------|--------------------------|
| Union européenne (UE) | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | Allemagne | 55 627 | 55 475 | 58 464 | 55 134 | 52 436 | 47 139 | 43 962 | 43 238 | 42 395 | 40 854 | 40 993 | 41 822 | 41 147 | 40 474 | 40 604 | 40 044 | 38 816 | 38 060 | 37 133 | 37 233 | 37 237 | -33,1% | -11,0% |
| 2 | Autriche | 2 816 | 2 787 | 2 818 | 2 831 | 2 748 | 2 775 | 2 787 | 2 763 | 2 737 | 2 743 | 2 751 | 2 807 | 2 875 | 2 678 | 2 631 | 2 740 | 2 745 | 2 686 | 2 580 | 3 079 | 2 811 | -0,2% | 0,1% |
| 3 | Belgique | 6 740 | 6 636 | 6 510 | 6 418 | 5 270 | 5 004 | 4 977 | 4 875 | 4 783 | 4 723 | 4 722 | 4 783 | 4 783 | 4 573 | 4 434 | 4 482 | 4 389 | 4 229 | 4 196 | 4 528 | 4 336 | -35,7% | -9,3% |
| 4 | Bulgarie | -- | 2 818 | 2 274 | 1 234 | 931 | 703 | 962 | 713 | 487 | 453 | 526 | 596 | 614 | 680 | 687 | 700 | 684 | 699 | 694 | 806 | 713 | -- | 19,6% |
| 5 | Chypre | 437 | 448 | 667 | 655 | 897 | 403 | 424 | 380 | 570 | 723 | 645 | 399 | 426 | 503 | 344 | 333 | 346 | 376 | 369 | 350 | 415 | -5,0% | 4,0% |
| 6 | Danemark | 3 815 | 3 721 | 3 724 | 3 791 | 3 721 | 3 731 | 3 638 | 3 599 | 3 611 | 3 657 | 3 697 | 3 675 | 3 555 | 3 776 | 3 730 | 3 619 | 3 640 | 3 468 | 3 792 | 3 657 | 3 541 | -7,2% | -3,6% |
| 7 | Espagne | 12 203 | 12 631 | 11 829 | 11 461 | 10 599 | 11 524 | 10 377 | 10 751 | 10 504 | 10 599 | 10 417 | 10 690 | 11 073 | 11 214 | 11 483 | 11 374 | 11 740 | 11 824 | 13 823 | 14 281 | 14 721 | 20,6% | 37,7% |
| 8 | Estonie | -- | -- | -- | -- | 37 | 50 | 63 | 62 | 61 | 81 | 86 | 107 | 126 | 147 | 175 | 203 | 214 | 266 | 299 | 375 | 365 | -- | 241,1% |
| 9 | Finlande | 2 154 | 2 148 | 2 186 | 2 283 | 2 324 | 2 259 | 2 222 | 1 999 | 2 214 | 2 381 | 2 434 | 2 120 | 2 234 | 2 129 | 2 171 | 2 521 | 2 673 | 2 744 | 2 793 | 2 632 | 2 782 | 29,2% | 31,2% |
| 10 | France | 56 868 | 57 565 | 57 310 | 57 683 | 55 869 | 55 250 | 55 534 | 52 785 | 51 518 | 51 695 | 50 344 | 50 787 | 50 205 | 50 036 | 51 063 | 52 615 | 54 059 | 52 917 | 53 198 | 53 403 | 52 565 | -7,6% | 3,5% |
| 11 | Grèce | 6 754 | 6 332 | 6 402 | 6 072 | 6 310 | 6 159 | 6 265 | 6 399 | 6 783 | 7 228 | 7 876 | 8 245 | 8 701 | 8 508 | 8 350 | 7 097 | 7 765 | 8 480 | 8 824 | 8 780 | 9 706 | 43,7% | 17,7% |
| 12 | Hongrie | 3 424 | 2 844 | 2 418 | 1 886 | 1 765 | 1 576 | 1 565 | 1 202 | 1 122 | 1 350 | 1 217 | 1 401 | 1 507 | 1 662 | 1 621 | 1 742 | 1 612 | 1 596 | 1 431 | 1 458 | 1 355 | -60,4% | -3,3% |
| 13 | Irlande | 678 | 675 | 879 | 870 | 874 | 885 | 923 | 932 | 982 | 1 040 | 1 050 | 1 086 | 1 115 | 1 210 | 1 162 | 1 113 | 1 131 | 1 145 | 1 135 | 1 144 | 1 182 | 74,3% | 8,8% |
| 14 | Italie | 30 137 | 30 372 | 29 215 | 29 627 | 28 775 | 28 929 | 28 214 | 25 768 | 28 404 | 29 781 | 30 763 | 31 969 | 34 102 | 33 543 | 34 459 | 34 739 | 34 853 | 33 531 | 32 445 | 32 988 | 32 103 | 6,5% | 0,4% |
| 15 | Lettonie | -- | -- | -- | -- | -- | 62 | 72 | 70 | 54 | 53 | 56 | 73 | 92 | 115 | 188 | 217 | 234 | 272 | 342 | 378 | 400 | -- | 445,7% |
| 16 | Lituanie | -- | -- | -- | -- | -- | 118 | 64 | 66 | 74 | 122 | 211 | 175 | 299 | 319 | 336 | 403 | 421 | 415 | 449 | 498 | 518 | -- | 196,0% |
| 17 | Luxembourg | 145 | 133 | 138 | 153 | 160 | 145 | 160 | 157 | 161 | 174 | 187 | 190 | 194 | 243 | 256 | 267 | 271 | 296 | 319 | 317 | 317 | -- | 66,8% |
| 18 | Malte | 33 | 33 | 29 | 30 | 36 | 38 | 41 | 41 | 43 | 42 | 39 | 37 | 36 | 39 | 38 | 40 | 42 | 43 | 43 | 43 | 39 | 17,1% | 4,5% |
| 19 | Pays-Bas | 11 312 | 11 419 | 11 009 | 10 702 | 10 641 | 9 778 | 9 430 | 9 147 | 9 199 | 9 105 | 9 072 | 9 513 | 9 119 | 9 355 | 9 347 | 9 482 | 9 552 | 9 568 | 10 017 | 10 152 | 9 866 | -12,8% | 3,7% |
| 20 | Pologne | 6 456 | 5 444 | 5 655 | 4 130 | 4 094 | 4 538 | 4 379 | 4 406 | 4 636 | 4 880 | 5 073 | 4 989 | 4 874 | 4 990 | 5 074 | 5 311 | 5 615 | 5 880 | 6 101 | 6 797 | 7 418 | 14,9% | 48,7% |
| 21 | Portugal | 2 884 | 3 027 | 3 111 | 3 207 | 3 293 | 3 188 | 3 102 | 3 331 | 3 212 | 3 282 | 3 209 | 3 377 | 3 478 | 3 617 | 3 719 | 3 588 | 3 811 | 4 039 | 3 924 | 3 756 | 3 766 | 30,6% | 11,5% |
| 22 | Roumanie | 3 512 | 3 610 | 3 584 | 3 486 | 2 743 | 1 655 | 1 972 | 1 920 | 1 865 | 2 092 | 1 900 | 1 714 | 1 632 | 1 712 | 1 702 | 1 756 | 1 888 | 1 976 | 2 059 | 1 974 | 2 184 | -37,8% | 27,4% |
| 23 | Royaume-Uni | 62 982 | 62 028 | 60 696 | 62 348 | 58 560 | 56 394 | 54 579 | 50 818 | 50 554 | 48 276 | 47 691 | 47 542 | 47 778 | 49 417 | 52 423 | 55 347 | 55 112 | 55 152 | 55 043 | 55 746 | 57 392 | -8,9% | 20,7% |
| 24 | Slovaquie | -- | -- | -- | -- | -- | 651 | 672 | 119 | 1 182 | 952 | 744 | 650 | 676 | 761 | 771 | 818 | 760 | 823 | 835 | 845 | 907 | -- | 39,5% |
| 25 | Slovénie | -- | -- | -- | -- | 420 | 360 | 350 | 399 | 409 | 393 | 392 | 369 | 336 | 412 | 457 | 476 | 505 | 514 | 589 | 583 | 674 | -- | 82,7% |
| 26 | Suède | 6 399 | 6 471 | 6 603 | 6 206 | 6 033 | 6 017 | 5 998 | 6 016 | 6 092 | 5 778 | 5 952 | 6 175 | 6 408 | 5 990 | 5 831 | 5 788 | 5 448 | 5 518 | 5 432 | 5 575 | 5 205 | -18,7% | -15,7% |
| 27 | Tchèque, République | -- | -- | -- | -- | -- | 1 846 | 1 907 | 1 828 | 1 813 | 1 715 | 1 862 | 2 019 | 2 083 | 2 003 | 2 140 | 2 325 | 2 231 | 2 439 | 2 253 | 2 032 | 2 024 | -- | 0,2% |
| Union européenne | | 250 145 | 250 014 | 249 287 | 247 466 | 236 508 | 228 126 | 221 161 | 222 578 | 223 149 | 221 316 | 221 158 | 224 781 | 226 767 | 226 763 | 231 663 | 234 816 | 247 985 | 246 281 | 247 365 | 253 410 | 254 542 | 1,8% | 13,2% |
| Pays candidats | | | | | | | | | | | | | | | | | | | | | | | | |
| 28 | A.R.Y. de Macédoine | -- | -- | -- | -- | -- | -- | -- | -- | 125 | 98 | 101 | 90 | 103 | 327 | 142 | 129 | 136 | 127 | 121 | 138 | 144 | -- | 60,5% |
| 29 | Croatie | -- | -- | -- | -- | 1 700 | 2 158 | 2 426 | 2 580 | 2 418 | 2 439 | 1 881 | 1 475 | 1 039 | 963 | 1 042 | 843 | 738 | 727 | 793 | 813 | 929 | -- | -37,0% |
| 30 | Turquie | 7 246 | 8 385 | 10 129 | 10 405 | 10 957 | 12 107 | 11 840 | 12 162 | 13 618 | 14 188 | 14 866 | 16 413 | 15 885 | 14 562 | 15 494 | 13 984 | 12 762 | 12 055 | 13 016 | 11 155 | 11 663 | 61,0% | -28,9% |
| Etats-Unis (US) | | 483 987 | 479 053 | 457 641 | 401 943 | 424 699 | 402 369 | 377 861 | 357 376 | 337 941 | 336 179 | 328 605 | 329 416 | 342 167 | 344 927 | 387 297 | 440 806 | 480 444 | 503 353 | 511 171 | 524 591 | 548 531 | 13,3% | 66,5% |
| Monde (M) | | 1 195 000 | 1 175 000 | 1 136 000 | -- | 960 000 | 928 000 | 899 000 | 855 000 | 835 000 | 844 000 | 834 000 | 847 000 | 877 000 | 895 000 | 952 000 | 1 015 000 | 1 071 000 | 1 113 000 | 1 142 000 | 1 182 000 | 1 226 000 | 2,6% | 44,7% |
| Reste du monde [M-(UE+US)] | | 460 868 | 445 933 | 429 072 | -- | 298 793 | 297 505 | 299 978 | 275 046 | 273 910 | 286 505 | 284 237 | 292 803 | 308 066 | 323 310 | 333 040 | 339 378 | 342 571 | 363 366 | 383 464 | 403 999 | 422 927 | -8,2% | 44,4% |

souligné = estimation
Note : Les pays ne contribuent au total de l'UE qu'à partir de l'année de leur adhésion (grisé = pas encore membre de l'UE) ; 1988-1994 = UE 12 ; 1995-2003 = UE 15 ; 2004-2006 = UE 25 ; 2007- = UE 27
Source : SIPRI Military Expenditure Database, http://www.sipri.org/contents/milap/milex/mex_database1.html

Population, PIB et dépenses militaires des pays membres et candidats de l'Union européenne, et des États-Unis, en 2008

| | Population | PIB en 2008 | Devise nationale | | Taux de change moyen en 2008 | Dépenses militaires en 2008 | | |
|------------------------|--------------------|-------------------|------------------|-----|------------------------------|------------------------------|---------------------|---------------------|
| | | | | | | en millions devise nationale | en millions d'euros | en % du PIB de 2008 |
| | | | | | | prix courants | prix courants | |
| UE27 | | | | | | | | |
| 1 Allemagne | 82 217 837 | 2 495 800 | euro | € | 1,00 | 31 921 | 31 921 | 1,28% |
| 2 Autriche | 8 331 930 | 281 868 | euro | € | 1,00 | 2 424 | 2 424 | 0,86% |
| 3 Belgique | 10 666 866 | 344 206 | euro | € | 1,00 | 3 775 | 3 775 | 1,10% |
| 4 Bulgarie | 7 640 238 | 34 118 | nouv. lev | bgn | 1,96 | 1 460 | 746 | 2,19% |
| 5 Chypre | 789 258 | 16 949 | euro | € | 1,00 | 365 | 365 | 2,15% |
| 6 Danemark | 5 475 791 | 232 499 | cour. dan. | dkk | 7,46 | 22 741 | 3 050 | 1,31% |
| 7 Espagne | 45 283 259 | 1 095 163 | euro | € | 1,00 | 13 105 | 13 105 | 1,20% |
| 8 Estonie | 1 340 935 | 16 073 | cour. est. | EEK | 15,65 | 5 625 | 360 | 2,24% |
| 9 Finlande | 5 300 484 | 184 728 | euro | € | 1,00 | 2 419 | 2 419 | 1,31% |
| 10 France | 63 753 140 | 1 950 085 | euro | € | 1,00 | 44 835 | 44 835 | 2,30% |
| 11 Grèce | 11 213 785 | 242 946 | euro | € | 1,00 | <u>8 620</u> | 8 620 | 3,55% |
| 12 Hongrie | 10 045 401 | 105 843 | forint hongr. | huf | 251,51 | 321 486 | 1 278 | 1,21% |
| 13 Irlande | 4 401 335 | 185 721 | euro | € | 1,00 | 1 079 | 1 079 | 0,58% |
| 14 Italie | 59 619 290 | 1 572 243 | euro | € | 1,00 | <u>27 708</u> | 27 708 | 1,76% |
| 15 Lettonie | 2 270 894 | 23 115 | lats letton | lvi | 0,70 | 305 | 434 | 1,88% |
| 16 Lituanie | 3 366 357 | 32 292 | litas lituan. | ltl | 3,45 | <u>1 741</u> | 504 | 1,56% |
| 17 Luxembourg | 483 799 | 36 662 | euro | € | 1,00 | <u>268</u> | 268 | 0,73% |
| 18 Malte | 410 290 | 5 687 | euro | € | 1,00 | 34 | 34 | 0,60% |
| 19 Pays-Bas | 16 405 399 | 595 883 | euro | € | 1,00 | 8 348 | 8 348 | 1,40% |
| 20 Pologne | 38 115 641 | 362 095 | nv. zloty pol. | pln | 3,51 | 25 873 | 7 367 | 2,03% |
| 21 Portugal | 10 617 575 | 166 276 | euro | € | 1,00 | 3 285 | 3 285 | 1,98% |
| 22 Roumanie | 21 528 627 | 137 035 | leu roumain | ron | 3,68 | 7 543 | 2 051 | 1,50% |
| 23 Royaume-Uni | 61 185 981 | 1 816 086 | pounds | gbp | 0,80 | 35 320 | 44 356 | 2,44% |
| 24 Slovaquie | 5 400 998 | 64 884 | cour. slov. | skk | 31,26 | 31 464 | 1 006 | 1,55% |
| 25 Slovénie | 2 025 866 | 37 135 | euro | € | 1,00 | 608 | 608 | 1,64% |
| 26 Suède | 9 182 927 | 328 322 | cour. suéd. | sek | 9,62 | 41 636 | 4 330 | 1,32% |
| 27 Tchèque Rép. | 10 381 130 | 148 556 | cour. tch. | czk | 24,95 | 54 472 | 2 184 | 1,47% |
| Total UE27 | 497 455 033 | 12 512 272 | | | | | 216 461 | 1,73% |
| CANDIDATS | | | | | | | | |
| 28 A.R.Y. de Macédoine | 2 045 177 | 6 507 | denar | mkd | 61,26 | 8 160 | 133 | 2,05% |
| 29 Croatie | 4 436 401 | 47 365 | kuna | hrk | 7,22 | 6 224 | 862 | 1,82% |
| 30 Turquie | 70 586 256 | 498 397 | nv. lire turq. | try | 1,91 | <u>20 585</u> | 10 798 | 2,17% |
| Total candidats | 77 067 834 | 552 269 | | | | | 11 793 | 2,14% |
| -- Etats-Unis | 304 059 724 | 9 818 738 | dollars | usd | 1,47 | 607 263 | 412 879 | 4,21% |

Source : GRIP, sur base de Eurostat, US Census et SIPRI

souligné = chiffre provisoire

Les 10 plus grands exportateurs et importateurs d'armements conventionnels, totaux de la décennie 1999-2008

En milliards de dollars US, aux prix de 1990

Source : SIPRI Arms Transfers Database, URL < <http://armstrade.sipri.org> > (adapté par le GRIP, URL < <http://www.grip.org> >)

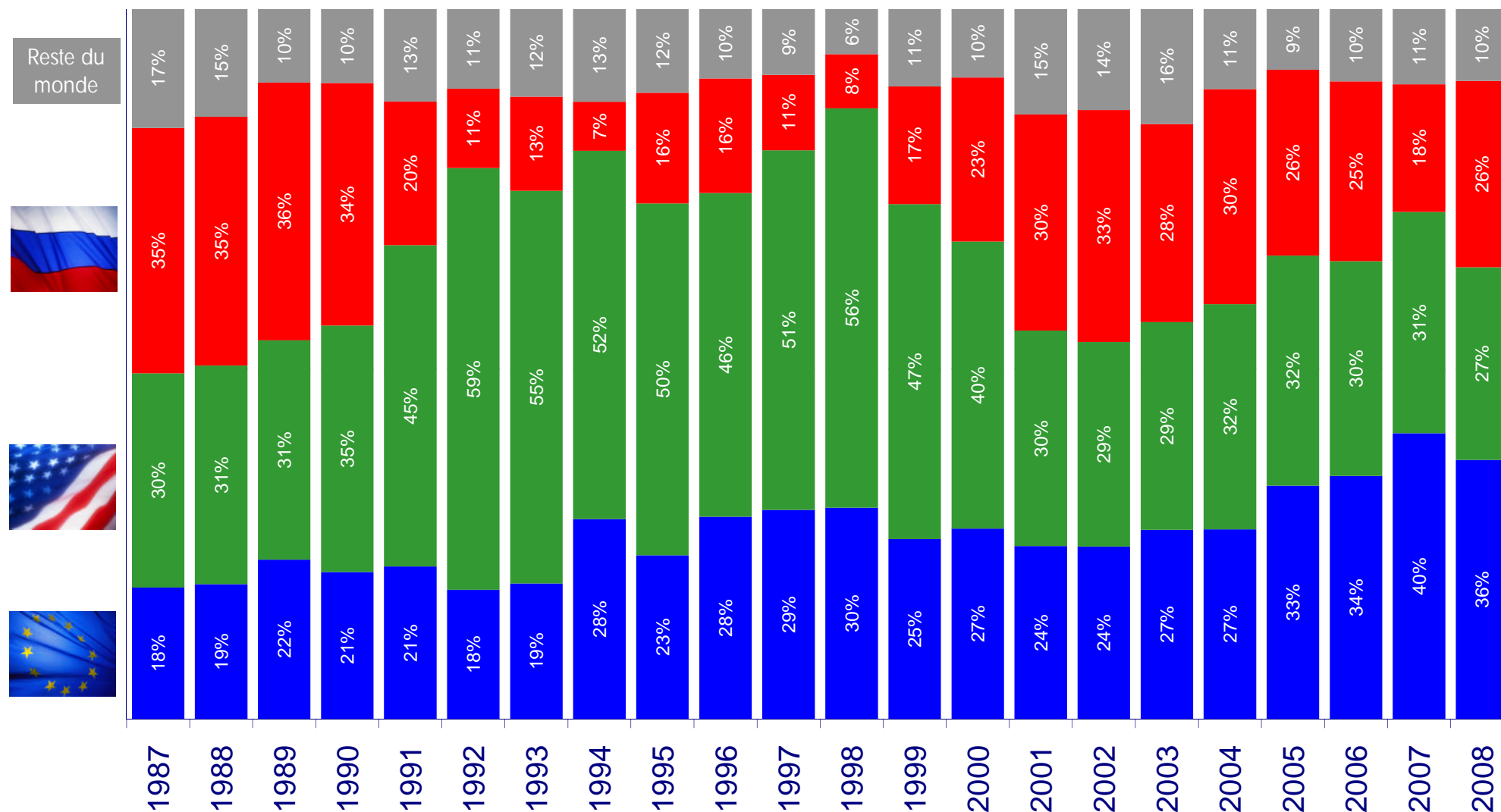
| Offre mondiale (1999-2008) | | | 212,34 | Demande mondiale (1999-2008) | | | 212,34 |
|--------------------------------------|-------------|-------|--------|--------------------------------------|---------------------|-------|--------|
| 1 | États-Unis | 70,13 | 33,0% | 1 | Chine | 24,91 | 11,7% |
| 2 | Russie | 53,54 | 25,2% | 2 | Inde | 15,62 | 7,4% |
| 3 | Allemagne | 18,19 | 8,6% | 3 | Corée du Sud | 11,22 | 5,3% |
| 4 | France | 16,30 | 7,7% | 4 | Grèce | 9,88 | 4,7% |
| 5 | Royaume Uni | 10,70 | 5,0% | 5 | Émirats Arabes Unis | 8,92 | 4,2% |
| 6 | Pays-Bas | 5,16 | 2,4% | 6 | Turquie | 7,88 | 3,7% |
| 7 | Ukraine | 4,47 | 2,1% | 7 | Israël | 6,87 | 3,2% |
| 8 | Italie | 4,37 | 2,1% | 8 | Australie | 6,46 | 3,0% |
| 9 | Chine | 4,14 | 1,9% | 9 | Égypte | 6,43 | 3,0% |
| 10 | Suède | 4,12 | 1,9% | 10 | Royaume Uni | 5,56 | 2,6% |
| Part des 10 plus grands exportateurs | | | 90,0% | Part des 10 plus grands importateurs | | | 48,9% |

Transferts internationaux d'armements conventionnels

Union européenne*, Etats-Unis et Russie, en % du total mondial, 1987-2008

Source : SIPRI Arms Transfers Database, URL <<http://armstrade.sipri.org/>>

(adapté par le GRIP, URL <<http://www.grip.org>>)



* Le nombre de pays constituant la série de données "UE" augmente au rythme des adhésions entre 1987 et 2008 .