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### The Danish Perspective

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ARMAMENT AND TRANSATLANTIC RELATIONSHIPS

## The Danish Perspective

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*Comment*

In Denmark, the increasing transatlantic disagreements and disputes are a significant cause for concern. As a small European state with an opt-out from EU defence cooperation<sup>1</sup> and a strong transatlantic tradition, Denmark walks a fine line in its response to current developments in European security and defence policy. This entails overall Danish support for the new European initiatives – most notably the European Defence Fund (EDF), in which Denmark participates, and the Permanent Structured Cooperation (PESCO), where it cannot partake due to the defence opt-out. At the same time, NATO’s primacy in European security and the critical importance of the transatlantic bond are highlighted. Like its Nordic neighbours, Denmark pursues a cautious strategy of ‘active hedging’, i.e. monitoring the situation and the overall political developments in the transatlantic area while actively working to promote bi- and multilateral relations (Kristensen & Byrjalsen, 2020). For instance, the approach involves continuously stressing the importance of the transatlantic link and US-Danish bilateral relations, on the one hand, and simultaneously supporting EU defence cooperation and stepping up Danish support to French efforts in the Sahel, on the other hand.

While the uncertainty about the future of the transatlantic relationship worries Danish decision-makers, the defence industry, and policy wonks, it is not high on the public agenda. When Federica Mogherini received a letter from two top US officials in May 2019 warning about the deep American concern regarding the new European initiatives and their impact on transatlantic defence industrial cooperation,<sup>2</sup> the Danish debate about the issue was almost non-existent. Only very few newspaper articles noticed the dispute, but did not address or analyse the letter explicitly (see e.g. Mouritzen, 2019). The sparse public debate might in part be due to an overlap with both European and national elections in Denmark in May and June 2019, respectively. In addition, foreign policy issues

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<sup>1</sup> Following the rejection of the Maastricht Treaty in a referendum in 1992, Denmark negotiated 4 opt-outs, one of which states that Denmark cannot participate in the “elaboration and the implementation of decisions and actions of the Union which have defence implications”. Concretely, this means that Denmark cannot take part in the CSDP. However, Denmark can take part in actions with a non-CSDP legal basis such as the European Defense Fund, which falls under the EU’s industrial and research policies.

<sup>2</sup> For the letter sent by Ellen M. Lord, Under Secretary of Defense for Acquisition and Sustainment, and Andrea L. Thompson, Under Secretary of State for Arms Control and International Security, to Federica Mogherini, then High Representative of the Union for Foreign Affairs and Security Policy, see <https://int.nyt.com/data/documenthelper/1073-19-5-1-02-letter-to-hrvp-moghe/6cdebd319d226b532785/optimized/full.pdf> (retrieved 21 April 2020).

(such as the American letter) without a direct Danish news angle are rarely covered intensely in the media. Still, the broader issue underlying the US criticism (or threat, depending on one's interpretation), namely a potential disintegration of the transatlantic defence sector, is certainly important for Denmark to consider. Danish defence industrial and strategic interests are directly at stake.

The Danish defence industry is in several ways different from other – especially larger – countries' industries. For one thing, it is rather small. It consists of around 100 companies that employ approximately 3000 people, creating a yearly turnover of around 500 million euro (FAD, 2019; Ulrich, 2016). Moreover, these companies are privately owned small and medium-sized enterprises (SMEs), producing a variety of high-tech components or subsystems. Since the Danish domestic market is insufficient to support their enterprise, they are forced to compete internationally. Indeed, export constitutes 80 percent of the industry's production. Most of the export goes to European countries and the US, each accounting for roughly 40 percent (Kristensen & Byrjalsen, 2019). The US is thus the single most important *national* market (compared to the still-fragmented European market), and in combination with the vital strategic importance of the US in European and Arctic security, the defence industrial relationship with the US remains of primary importance for Denmark.

The export numbers indeed underline the transatlantic nature of the Danish defence industry. The industrial structure is also a reflection of how and where the Danish government procures its military material. The government policy is to buy 'off-the-shelf' products at the best price available while employing offsets ('juste retour') to support the Danish industry. This combination has created long-lasting and strong relationships and supply-chains between Danish companies and major US companies. Both the F-16 and the F-35 fighter aircrafts are good examples of major US weapon system programmes in which Danish companies provide important components or sub-systems. Procuring major systems such as the F-16 and the F-35 further works to strengthen the US-Danish relationship, including at the service level as issues such as maintenance and pilot training become a joint endeavour.

These industrial relationships are reinforced by a consistent and strong Danish transatlantic orientation, widely shared among most Danish political decision-makers (Kristensen & Larsen, 2017). The US and NATO are the cornerstones of Danish security

policy. Perceiving itself as a close American partner, Denmark seeks to ‘punch above its weight’, with politicians and diplomats working hard in Washington to highlight Denmark’s usefulness and support for American leadership (Henriksen & Rahbek-Clemmensen, 2017; Jakobsen & Rynning, 2019). Seen in this light, Danish defence industrial policy is also alliance policy; it can be used strategically to tighten the political bond between the US and Denmark. This view is clearly summarized in a recent Danish MoD policy paper on the EDF: “Denmark is transatlantic in its orientation, politically, strategically and industrially” (Forsvarsministeriet, 2019: 17).

The strong transatlantic orientation grounds the Danish position on how the relationship between Europe and the US should ideally develop in terms of defence industrial policy. Among decision-makers and in the industry, the aim is to avoid a situation in which a choice must be made between European and American cooperation or between European and American export markets. Denmark thus consistently emphasises that genuine third country access – including for the US – is important in the development of the European defence industrial market and in relation to the various European defence and security initiatives (ibid.: 13).

With regards to the development in Europe, the overarching political concern amongst Danish decision-makers is that initiatives attempting to cultivate a more independent and capable European defence industrial base may inadvertently contribute to undermining the overall transatlantic relationship. Two additional concerns are important to note. First, policies that further separate European and American defence industries may make Danish companies less attractive as subcontractors for larger US defence companies, thus risking to undermine the deep Danish defence industrial integration within US supply chains. Second, side-lining the US (as well as the UK after Brexit) risks entailing reduced access to critical knowledge and technology. This, in turn, may lead to both duplication and inefficient European investments in an uncompetitive defence industry.

In the short term, a key issue from a Danish perspective is how the multinational consortia with Danish industry participation will fare in the EDF process. The process will indicate how successful the Danish industry is in establishing itself in the supply chains that are going to produce major European platforms and weapon systems in coming years. In addition, it will clarify to what extent the Danish industry is able to compete in Europe despite the Danish defence opt-out that precludes Danish participation in PESCO. In this

way, the EDF process will also shape how Danish decision-makers assess the merits of further Europeanization in the defence area.

Generally, maintaining a primary basis in the American market while at the same time competing in and contributing to a more integrated European market is the key challenge for the Danish defence industry. From a Danish political perspective, it is vital that Europe moves forward in close dialogue with the US, and that frameworks are built in which European states can pursue their industrial interests without damaging their shared strategic and political interest in a strong transatlantic relationship. ■

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### **ARES GROUP**

*The Armament Industry European Research Group (Ares Group) was created in 2016 by The French Institute for International and Strategic Affairs (Iris), who coordinates the Group. The aim of the Ares Group, a high-level network of security and defence specialists across Europe, is to provide a forum to the European armament community, bringing together top defence industrial policy specialists, to encourage fresh strategic thinking in the field, develop innovative policy proposals and conduct studies for public and private actors.*

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