



Assembly of Western European Union

DOCUMENT 1419

19th May 1994

FORTIETH ORDINARY SESSION

(First Part)

The European armaments agency –
reply to the thirty-ninth annual report
of the Council

REPORT

submitted on behalf of the Technological and Aerospace Committee
by Mr. Borderas, Rapporteur

*The European armaments agency –
reply to the thirty-ninth annual report of the Council*

REPORT¹

*submitted on behalf of the Technological and Aerospace Committee²
by Mr. Borderas, Rapporteur*

TABLE OF CONTENTS

ACKNOWLEDGEMENTS

DRAFT RECOMMENDATION

on the European armaments agency – reply to the thirty-ninth annual report
of the Council

EXPLANATORY MEMORANDUM

submitted by Mr. Borderas, Rapporteur

- I. Introduction
- II. Maastricht, Petersberg, Rome ...
- III. The Standing Armaments Committee, Eurogroup, the IEPG
 - (a) The Standing Armaments Committee
 - (b) Eurogroup
 - (c) The IEPG
- IV. The future European armaments agency
 - (a) Management of co-operative programmes
 - (b) Management of the EUCLID programme
 - (c) Management of joint research and testing establishments
 - (d) Operational and technological research
 - (e) Creation of an information and data service
- V. The Franco-German armaments agency
- VI. The European Defence Industries Group (EDIG)
- VII. Conclusions

APPENDIX

Document on EDIG's policy on conventional defence equipment exports

1. Adopted in committee by 11 votes to 1 with 0 abstentions.

2. *Members of the committee:* Mr. Lopez Henares (Chairman); MM. Lenzer, Borderas (Vice-Chairmen); MM. Atkinson, Biefnot, Mrs. Blunck, MM. Böhm, Bosco, Curto, De Paoli (Alternate: *Liberatori*), Gottardo, Mrs. Guirado, MM. Guzzetti, Jeambrun, Le Grand, Litherland (Alternate: *Cunliffe*), Marshall (Alternate: *Alexander*), Palacios, Poças Santos, Regenwetter, Roger, Sarens, Sir Donald Thompson, MM. Tummers, Valleix, Verbeek.

N.B. *The names of those taking part in the vote are printed in italics.*

Acknowledgements

In preparing this report, the Rapporteur met the following persons to whom he wishes to express his most sincere thanks:

Madrid, 17th January 1994

Mr. Francisco Arenas, Director-General of Armaments and Equipment, Ministry of Defence, Spain;
Mr. Felix Alonso-Majagranzas, Director-General of AFARMADE;
Admiral Carlos Navarro, Military Counsellor of AFARMADE;

London, 18th January 1994

Mr. Hervé Guillou, Head of the Joint Project Office, Project Horizon;
Mrs. Shuna Lindsay, Head of Policy/Finance, Project Horizon;

Copenhagen, 19th January 1994

Mr. E.H. Sorensen, Chairman WEAG NADs;
Mr. P. Rotheram, Director of Procurement Office, Ministry of Defence, United Kingdom;

Brussels, 20th January 1994

Mr. W. van Eekelen, Secretary-General of WEU;
Mr. Bertrand de Cordoue, Secretariat-General of WEU;
Mr. Juan de Luis, Secretariat-General of WEU;
Mr. L.J. Casanova, Permanent Representative of Spain to WEU;
Mr. Gardeta, Colonel, Deputy Military Attaché to the Representation of Spain to WEU;
Mr. Chevallard, Directorate of Multilateral Policy, European Commission;

Brussels, 21st January 1994

Mr. J.P. Rasquin, Secretary-General of EDIG;

Paris, 28th February 1994

Mr. Henri Martre, Former President of Aérospatiale;
Mr. Daniel Berthault, Ingénieur-général, International Relations Delegate, French Ministry of Defence;

Bonn, 1st March 1994

Mr. Paul Simon, DNA, Ministry of Defence, Germany;

Paris, 7th March 1994

Mr. Victor Marcais, Chairman, Panel II, WEAG.

Draft Recommendation

*on the European armaments agency – reply to the
thirty-ninth annual report of the Council*

The Assembly,

- (i) Taking account, on the one hand, of the declaration of the member countries of WEU annexed to the Treaty on European Union, which, with reference to WEU's operational rôle, provides inter alia for examination of "enhanced co-operation in the field of armaments with the aim of creating a European armaments agency" and, on the other hand, the Petersberg declaration which follows the same direction;
- (ii) Welcoming the decisions taken in Bonn in December 1992 by the Defence Ministers of the thirteen IEPG countries to transfer the functions of that group to WEU and the decisions taken at the meeting in Rome in May 1993 on the practical measures relating to this transfer, in particular the new name for the IEPG which has become the Western European Armaments Group (WEAG);
- (iii) Noting with satisfaction the report on armaments co-operation prepared by the National Armaments Directors and submitted for examination by the WEAG Defence Ministers meeting in Luxembourg on 22nd November 1993;
- (iv) Similarly welcoming the creation of an ad-hoc working group for the purposes of identifying the tasks of a European armaments agency and determining the legal grounds on which it should be based;
- (v) Welcoming the transfer to WEU of certain activities of Eurogroup, specifically the information activities, EUROCOM, EUROLOG and EUROLONGTERM;
- (vi) Considering furthermore that a European armaments agency should be based on a common European industrial and defence policy, an integrated armaments market and a common export policy for such armaments;
- (vii) Noting that the ultimate objective of a common defence policy involving agreement on political guidelines in military and armaments matters is far from being achieved;
- (viii) Considering that in present circumstances a European armaments agency must be regarded as a point of departure for an undertaking that will be developed until it achieves its full capability as European positions converge in security and defence questions;
- (ix) Convinced nevertheless that the creation of a European armaments agency, initially with a minimum of specific tasks, meets a clear need, as testified by the present dispersal of the armaments sector in Europe, the many bodies responsible for various co-operative programmes, the need to make the most of diminishing resources, to increase industrial trade, to improve and widen co-operation in the research sector and to continue work on the principles of harmonisation and standardisation including in particular their political, administrative and legal aspects;
- (x) Bearing in mind that the increasingly multinational composition of armed forces in Europe implies interoperability of military units, which must be accompanied by a firm move towards armaments co-operation;
- (xi) Welcoming the decision of the French and German authorities to create a joint armaments agency;
- (xii) Considering the importance of a European armaments agency in securing a competitive presence for Europe in the world armaments market;
- (xiii) Regretting that the Kirchberg declaration in no way tackles the question of creating a European armaments agency,

RECOMMENDS THAT THE COUNCIL

1. Have a study made for the harmonisation of the political and administrative structures of the bodies responsible for armaments in the WEU member countries;
2. Examine fiscal and employment legislation governing the defence industries of the member countries, with a view to their possible harmonisation;

3. Inform the Assembly of the results of the report by the ad hoc working group on the tasks to be assigned to the European armaments agency and the legal grounds on which it should be based;
4. Complete the integration of the armaments secretariat into the Secretariat-General in order to promote synergy between WEU's armaments activities and the other activities of the organisation;
5. Strengthen the means of the armaments secretariat so that it might afford more active support to the work of WEAG panels and working groups;
6. Establish forthwith a European armaments agency as a subsidiary body of the Council, initially tasked as follows:
 - (a) management of co-operative programmes;
 - (b) management of the EUCLID programme;
 - (c) management of joint research and testing facilities;
 - (d) technological and operational studies;
 - (e) establishment of information and data services and a register of patents relating to innovation in the defence sector;
 - (f) research into and evaluation of the world armaments market; the agency would be assisted in this task by industrial groups such as EDIG, which already has extensive experience in this sector.

Explanatory Memorandum
(submitted by Mr. Borderas, Rapporteur)

I. Introduction

1. The Technological and Aerospace Committee has paid close attention in recent years to armaments questions. Mr. Wilkinson's report (Document 1228) on the Independent European Programme Group (IEPG) and Western European Union, the reports by Sir Dudley Smith on weaponry after the Gulf war (Document 1272), arms and equipment for a European rapid action force (Document 1292), Mr. Aarts's report on arms export policy (Document 1305) and lastly the report by Mr. Lopez Henares on European armaments co-operation after Maastricht (Document 1332) are examples of a realistic approach to an important subject where effective and disciplined solutions are required.

2. The aim of the present report is to chart the way forward towards establishing a European armaments agency as provided in the declaration annexed to the Treaty on European Union, in a practical but determined fashion, based on the conviction that this project represents a qualitative advance of major importance for the future of the security and defence of Europe; also on the overriding need to respond realistically to the political, military and industrial problems caused by the lack of such an agency and which can only deteriorate further if a balanced solution is not found to them.

II. Maastricht, Petersberg, Rome ...

3. The declaration attached to the Treaty on European Union of the WEU member states on the rôle of Western European Union and its relations with the European Union and with the Atlantic Alliance, states, in the section referring to the operational rôle of WEU, that "other proposals will be examined further, including enhanced co-operation in the field of armaments with the aim of creating a European armaments agency, ..."

4. In fact, the Maastricht declaration merely recalls earlier declarations such as the 1984 Rome declaration which provides for "... the development of European co-operation in the field of armaments in respect of which WEU can provide a political impetus ..." or a provision in similar terms in the 1987 Hague platform on European security interests.

5. A short time afterwards in the Petersberg declaration (19th June 1992) the Ministers for Foreign Affairs and the Defence Ministers of the WEU member states welcomed the decision taken

in Oslo on 6th March of that year by the IEPG defence ministers to analyse the future rôle of this group in the new European security architecture. The WEU Ministers took the view that this decision was a step in the direction set out at Maastricht towards the future creation of a European armaments agency.

6. The Petersberg declaration also included a proposal that WEU and IEPG experts "analyse this issue in depth, carry out an initial examination of the rôle of and functions of a possible European armaments agency and submit a report for consideration".

7. At their meeting in Bonn in December 1992, the defence ministers of the thirteen IEPG countries agreed to transfer to WEU the functions which, until then, it had been carrying out. This was to be done in accordance with a set of basic principles which can be summarised as follows:

- all IEPG members should be entitled to participate fully, and with the same rights and responsibilities, in any armaments co-operation forum;
- there should be a single European armaments co-operation forum in order to avoid any duplication;
- the IEPG should continue to operate until the replacement forum becomes operational;
- this body should be based initially on the agreed policies of the IEPG and maintain existing links with NATO;
- its activities in Europe should be managed by the national armaments directors, who will be accountable to their defence ministers;
- initially, the existing basic structure of the IEPG should be incorporated into the structure of the new body and the existing link between the IEPG and EDIG should be maintained.

8. In May 1993 the defence ministers of the thirteen IEPG member countries, meeting in Rome, adopted a series of practical measures relative to the transfer of the IEPG to WEU. From then onwards the group has been known as the Western European Armaments Group (WEAG); additionally:

- defence ministers will meet at least once a year in co-ordination with the WEU Council of Ministers;

- the chairmanship will continue to rotate between the thirteen members;
- the national armaments directors will meet half-yearly and will constitute the operational level of co-operation on armaments questions within the framework of WEAG;
- the permanent secretariat will be transferred from Lisbon to Brussels (March 1994);
- relations with NATO as regards co-operation on armaments questions will conform to the principles agreed at Petersberg.

9. The WEAG Defence Ministers meeting in Luxembourg on 22nd November 1993 studied the report on armaments co-operation by the National Armaments Directors (NADs) as provided for in the Petersberg declaration. This report was also submitted to the meeting of the WEU Ministerial Council following that of the thirteen WEAG ministers.

10. Your Rapporteur is aware that this document comprises three sections at the end of which the NADs recommend that the ministers approve a series of proposals. Thus the first of these sections on the creation of an armaments secretariat in Brussels recommends the closure of the permanent secretariat in Lisbon on 1st April 1994 and the creation in Brussels of an armaments secretariat within the framework of WEU, subject to certain conditions as follows:

- (a) solution to be found to the legal, administrative and organisational issues;
- (b) the armaments secretariat to work under the authority of NADs in conformity with the basic principles relating to the transfer of the IEPG functions to WEU;
- (c) the concept of operations, including tasks, to be worked out by the Staff Group;
- (d) armaments secretariat personnel to be recruited under the same conditions as the present WEU secretariat personnel;
- (e) the WEAG budget to be a separate chapter of the WEU budget, based on contributions from all 13 nations.

11. The integration of WEAG into WEU of necessity encountered a number of difficulties, some of which have been resolved already, while others are likely to be so in the near future. Until the present, five people worked for WEAG in Lisbon, paid directly by their countries of origin. The armaments secretariat in Brussels initially employed three staff, an A4 Head of Section, an

A2 and a B4 administrator. Staffing costs are to be divided by thirteen, adjusting the principles of budget-sharing used by WEU to WEAG's thirteen-strong membership.

12. Moreover, the WEU Council will have a different composition when armaments issues are being discussed; the procedure will remain the same but in these particular instances thirteen countries will attend meetings and all will be entitled to vote. For their part the National Armaments Directors (NADs) will be responsible for the armaments secretariat for the aspects that concern them and will keep their respective ministers of defence informed.

13. A study is currently in progress of the possible creation of one or more technical working groups which will be equivalent to those that existed in WEAG and Eurogroup, i.e. steering committees in direct contact with the NADs. A decision will be reached in the next few months in regard to their creation and number (should there be one or two groups, possibly composed of the same people?).

14. Lastly, in the section dealing with the European armaments agency, the NADs had discussed a first report on this subject addressing possible tasks for such a body and governing principles. The NADs recognised that the conditions did not yet exist for the creation of an agency which would take over the full range of procurement activities on behalf of WEAG member nations although there might be potential in individual areas for more effective co-operation through a body having a legal personality.

15. In the light of this first report the NADs agreed that further work should be undertaken to examine the usefulness of resorting to an agency in these areas against the criterion that this should lead to a demonstrable improvement in the conduct of business and to consider the legal and administrative arrangements for an agency and its relations with other bodies.

16. The above report was the first produced by the ad hoc working group set up by the NADs in March 1993 with the aim of analysing the tasks of a European armaments agency and the legal basis on which such an agency might be created.

17. According to the information available to your Rapporteur, the report is a preliminary study, which must be supplemented by more detailed research, especially on the areas of activity that have been identified as possible tasks for the agency.

18. Having identified these areas the report recommends that the NADs support the conclusions that it is not viable at present for a single agency to have responsibility for managing procurement on behalf of the member countries; and

that studies should be continued in order to identify the areas of activity that might be covered by such an agency.

19. Finally, your Rapporteur feels it extremely useful to refer here to certain paragraphs of an address given by the WEU Secretary-General to the Royal Institute for International Relations, Brussels, on 2nd January 1994, on the subject of the present report, which reflect Mr. van Eekelen's consistent support for the creation of a European armaments agency and also constitute an extremely enlightening contribution to its achievement in practice:

“ Individually, WEU member states can no longer afford to acquire all the necessary assets for deterrence in Europe or force projection outside Europe. Co-operation is the only way of coping with the steady shrinkage in national defence budgets, notably in the fields of space, strategic transport (a memorandum of understanding on the feasibility study for the future large aircraft was signed in October 1993), logistics and telecommunications.

Work is under way to develop the open European defence equipment market, which includes guidelines and measures to support and increase participation of developing defence industry countries.

Set up within WEU, the Western European Armaments Group (WEAG) has inherited the tasks of the IEPG. Denmark and two associate countries, Norway and Turkey, continue to play a full part in that framework. This institutional arrangement should help to achieve the objective of providing political impetus for European co-operation in the field of armaments, as reaffirmed in the WEU Maastricht declaration. An armaments secretariat will be established within WEU this spring.

The creation of a European armaments agency is actively under study. Among the missions that might be assigned to this agency are the provision of assistance to the presidency of WEAG, support for the implementation of the EUCLID technology programme, further standardisation, joint management of test facilities, co-operative programmes and the creation of common pools of equipment. ”

20. To the above must be added, in accordance with the first part of the thirty-ninth annual report of the Council to the Assembly – Chapter IV. Activities of the Defence Representatives Group (DRG) – the approval of the Council of Ministers on 19th May 1993 of the transfer to WEU of certain activities of Eurogroup and specifically the information activities and EUROCOM. The

Eurogroup ministers meeting on 24th May 1993 also approved the transfer. According to this report on its activities for the first half of 1993, discussions are continuing on the new operating procedures for information activities and EUROCOM and also on the transfer of EUROLOG and EUROLONGTERM to WEU.

21. In the second part of the thirty-ninth annual report of the Council, it can be seen that the transfer of EUROCOM to WEU took effect on 1st August 1993, whereas that of information activities (called “ Publicity activities ” in this second part of the annual report) took effect on 1st January 1994, the Council's working group being responsible for these tasks.

22. The transfer to WEU of the activities of EUROLOG and EUROLONGTERM also took effect on 1st January 1994 following a joint decision by the WEU Council and the Permanent Representatives of Eurogroup. The EUROLOG and EUROLONGTERM steering groups have been given new terms of reference in order to adapt their activities to WEU requirements.

23. With regard to WEAG activities, in addition to the information already given, the annual report calls attention to the meeting of National Armaments Directors (NADs) held for the first time at WEU headquarters in Brussels on 27th October 1993. The WEAG panels and working groups pursued the following activities during the second half of 1993: in the framework of Panel I, a memorandum of understanding relating to the feasibility study for the future large aircraft (FLA) was signed by the National Armaments Directors of the six countries participating in this programme: France, Germany, Italy, Portugal, Spain and Turkey.

24. The EUCLID programme has been continued in Panel II with a number of projects and the signing of contracts. At the same time, measures are being studied for improving the effectiveness of this programme.

25. Panel III is pursuing its work on the development of an open defence equipment market in Europe and has drawn up measures to enable developing defence industry countries to participate more fully in that market.

26. A question might be raised here: although undoubtedly progress has been achieved in integrating the IEPG and Eurogroup in WEU accompanied by a general evolution towards closer co-operation in armaments questions and ultimately towards a European armaments agency, is it not now time to give greater impetus to the overall process? By thus speeding up the process, our organisation would be capable of coming effectively to grips with a challenge that calls for realistic and reasonable answers without delay.

III. The Standing Armaments Committee, Eurogroup, the IEPG

(a) The Standing Armaments Committee

27. The creation of a European armaments agency has been a long-standing item on the European agenda over the last forty years. The reluctant support given to its establishment has been matched by declarations of varying enthusiasm regarding the need for such an agency.

28. In May 1955 the WEU Council decided on the creation, as a subsidiary body of that organisation, of the Standing Armaments Committee (SAC). Its aim was to "... find joint solutions which would assist governments of member countries in meeting their military equipment requirements" by "agreements or arrangements on such subjects as the standardisation, production and procurement of armaments concluded between all or some WEU countries ...". This aim was to be achieved in close co-operation with NATO, with the SAC being free to set up any sub-committees and working groups required and observers from NATO able to be associated with them.

29. The greatest and seemingly the sole merit of the SAC has been that the frequent meetings of those responsible for armaments in the member countries in the framework of the SAC, NATO or, later on, the IEPG, have created productive relationships which have in some cases led to bi-, tri- or multilateral co-operation programmes, even though no specifically WEU equipment has ever been produced. On 13th November 1989 the Council of Ministers decided to abolish the SAC. The question of European co-operation in armaments matters remained on the agenda, however.

(b) Eurogroup

30. Eurogroup was formed in November 1968 as an informal association (without official status) between the defence ministers of the European countries members of NATO. It included Belgium, Denmark, Germany, Greece, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Turkey and the United Kingdom; its creation responded to the need to provide an informal body in which ministers might be able to hold exchanges of views on questions of particular strategic and political interest and to promote co-operation in a concrete manner through a series of sub-groups.

31. Ministerial meetings prepare the work of the Eurogroup staff which is composed of members of the various delegations to NATO.

32. Shortly after its creation, Eurogroup started the EDIP programme (European Defence Improvement Programme) providing for joint investment in infrastructure work, the development of an

integrated communications network and the financing of arms procurement and transport aircraft.

33. Where armaments are concerned, Eurogroup's activities were directed mainly (and strangely) towards co-ordinating Europe's procurement of American equipment.

34. Eurogroup is sub-divided into a series of sub-groups as follows: EUROCOM, whose work has been mainly to ensure that the various national communications systems meet previously fixed technical and operational conditions; EUROLOG, whose aim is logistic co-operation; EUROLONGTERM, which works on operational long-term doctrines; EUROMED, responsible for co-operation between the various health services of the military forces; EURONAD, whose aim is to reduce armaments investments through standardisation and the procurement of armaments and EURO/NATO training, which tries to organise training in a multinational framework. To this end, programme information centres have been set up in accordance with the duration of the periods of instruction.

35. From the very outset, the fact that France did not belong to Eurogroup made it difficult to find common solutions for the European members of NATO. It is indeed difficult to promote co-operation in a practical manner without a country such as France whose technological, industrial and commercial level in armaments is surpassed in the alliance only by that of the United States.

(c) The IEPG

36. The Independent European Programme Group (IEPG) was created on 2nd February 1976. It is a co-operative structure grouping the thirteen European countries of the Atlantic Alliance, with the exception of Iceland. Its work is shared mainly between three panels. Panel I deals with operational requirements and equipment programmes, Panel II, the most recent one, deals with research and technology, EUCLID being its main activity, and Panel III deals with procedural and economic questions.

37. The ministers or secretaries of state meet every nine months and take decisions if they have been well-enough prepared. The National Armaments Directors (NADs) meet once or twice between ministerial meetings.

38. The European defence industries have organised themselves to meet with the IEPG. This is the European Defence Industrial Group (EDIG) which has the backing of the national professional organisations. EDIG has a structure similar to that of the IEPG, i.e. with Panels I, II and III.

39. The IEPG's first eight years passed without significant results. During that time, the group mainly tried to harmonise timetables and replacement plans for the defence equipment of the mem-

ber countries with a view to promoting co-operative programmes.

40. In 1984, the rather meagre results of the IEPG urged Europeans to try to revive it by guiding its action towards the promotion of co-operation in technological research in armaments matters. This was the purpose of the EUCLID programme launched on 29th June 1989 (European co-operation for the long term in defence) which has sometimes been called "military Eureka". Its aim was to co-ordinate and rationalise the efforts of the armaments industries and make them co-operate in advance technology. To come to grips with the many difficulties, a list of eleven joint priority areas for Europe was drawn up (CEPA: common European priority areas) with a pilot country for each one. In each of these areas, a group of officials of the countries concerned met to identify and define the projects likely to interest several countries and to fix their limits. Once projects are outlined, they are submitted to the appropriate authorities of each country who decide whether or not to earmark the necessary financing for a given project. This procedure is necessary since it has not been possible, at the present juncture in European defence co-operation, to define the budgets to be allocated to the various CEPAs.

41. However this may be, the EUCLID programme is now running smoothly and the idea has developed in parallel to pursue European co-operation in armaments questions in a firmer, more visible framework, such as WEU.

IV. The future European armaments agency

42. Clearly, as matters now stand, a European armaments agency in the broadest sense of the word covering the full range of such an agency would not yet be a viable proposition.

43. The European armaments agency should be based on a complementary and co-ordinated policy resulting from agreement among defence industries on an integrated armaments market and a common export policy for such armaments. The present European juncture is hardly promising in this respect.

44. The common foreign and security policy (CFSP) is almost inexistent and a common defence policy is still far away. What hope could there then be for a joint armaments and military policy?

45. In the short and medium term, one cannot expect to create a European armaments agency with wide-ranging responsibilities; on the contrary, if starting positions are neither reasonable nor achievable, this project might well come to grief and it would be difficult to find the necessary consensus to launch that body. It would appear necessary however to begin work on the most important aspects of its probable infrastructure:

definition, basic budgetary requirements, equipment and human resource requirements, programmes, production, trade and exports.

46. This being so, one principle should be affirmed: while the usefulness of an agency has always been generally recognised, the political and economic circumstances which now prevail in Europe make it more necessary than ever, although paradoxically these very circumstances exacerbate the prejudices of certain states (on the part of the government, the national defence industry, public opinion, or all these sectors together) towards its creation.

47. Before listing the tasks that might be entrusted to the European armaments agency, brief mention should be made of a few of the difficulties to be encountered at the very start, some of which will be developed further in subsequent chapters. First are the different politico-administrative structures of the bodies responsible for armaments in the various member countries. These bodies are of differing types, particularly with regard to their areas of responsibility, procurement, exports, research establishments or testing sites and procedures applicable for planning and starting armaments programmes.

48. Moreover, other factors affect the defence industries of member countries and make their position uncertain. Legislation governing patents, working conditions and the various fiscal systems affecting these industries vary from one country to another.

49. Better harmonisation in these areas would make relations between the national bodies more flexible and consequently more fruitful; it would facilitate co-operation and would help to maintain a balance between national defence industries and in the end would improve the discipline and effectiveness of the future agency.

50. Harmonisation should not necessarily have priority over the creation of the agency but should be pursued in parallel with the latter's first steps.

51. There is a clear need to create an agency as testified by the considerable dispersal of armaments matters in Europe today, the presence of an agency or an armaments organisation in each country, the existence of many bodies responsible for various co-operative programmes, the need to use the funds available to better avail, to centralise present arrangements around programmes and to tighten up industrial co-operation, and co-ordinate major investment; nor must one forget the development sector, the improvement and enlargement of co-operation in research with due respect for the principles of harmonisation and standardisation (particularly from the legal point of view).

52. A whole series of initiatives should be taken to meet the challenge of the European

Union in armaments matters: by resolving existing problems and difficulties, Europe would prove itself to be equal to its requirements, its possibilities and would take a competitive position on the world scene.

53. The tasks identified for the agency should be kept to a minimum to allow it to operate effectively and make it an efficient tool that would open the way for its subsequent development.

54. The missions entrusted to the agency should not be undertaken simultaneously but should correspond to rôles to be achieved in the medium term with an appropriate timetable in each case. It should be made clear that the first rôle of the agency is to offer a simple flexible structure which would firmly promote co-operation in different programmes, avoiding at all costs the formation of a bureaucratic straitjacket.

55. Possible tasks for the agency initially might be:

- (a) management of co-operative programmes;
- (b) management of the EUCLID programme;
- (c) management of joint research and testing facilities;
- (d) technological and operational studies;
- (e) establishment of information and data services.

(a) *Management of co-operative programmes*

56. In recent years, a whole series of co-operative programmes has been started. These bi-, tri- or multilateral programmes have been achieved thanks to a general political process of co-operation without which they could not have been continued.

57. Experience shows that without a true long-term political commitment and effective confidence with political backing the plan will eventually fail. Again, the multiplication of costs due to the participation of a very high number of countries also leads to failure. Many examples may be quoted in support of this affirmation, including that of the first frigate of the nineties.

58. To succeed a co-operative programme, one must take the view that it is not a joint programme but a common programme, guided by a strategy for the whole programme with a firm political and financial commitment which must, of course, be based on the requirements expressed by defence staffs.

59. A first aim of these programmes is to allow savings to be made: it is therefore necessary to respect the principle of the long-term commitment, the need for the programme to be a common

one, avoiding variations insofar as possible, and fair work- and cost-sharing.

60. The choice of the industrial consortium must first be made in accordance with criteria of efficiency and next allow a global handling of the problem of industrial return. The political will to use European equipment must be a goal to be attained, even if, be it only in the short term, this is not a sine qua non. Co-operation must be based on the fact that in industrial matters each country must do what it is best placed to handle and a country's inordinate industrial ambition may jeopardise the profitability of co-operation.

61. This being so, what might be the contribution of the European armaments agency to co-operative programmes? First, it would provide a juridical basis. At the present time, offices responsible for co-operative programmes may work under the wing of NATO agencies or international project offices (IPOs). These offices have no legal status and any work they wish to pursue to its conclusion has to be achieved in conformity with the laws and standards of the host country. For example, they themselves cannot draw up contracts or grant employees a juridical status.

62. The agency would first offer an appropriate juridical framework for working effectively and at a high level. It would co-ordinate the execution of co-operative programmes. In this respect it would play the rôle of board of directors on which all the countries would be represented and which would have its own rules of procedure with an intelligent approach to present regulations and able to operate à la carte.

63. The agency would endeavour to rearrange present systems taking programmes into account, tighten up industrial co-operation, avoid the dispersal of co-operative programmes and all in all, make better use of available funds.

64. Furthermore, the European armaments agency might offer the various co-operative programmes a series of services, particularly through the creation of a data bank covering such questions as the pros and cons of various procedures, intellectual property rights, regulations governing contracts (commercial law, rules for industrial association), VAT, etc.

(b) *Management of the EUCLID programme*

65. The EUCLID programme mentioned earlier is a good example of how being used to working together is a very great help when everyone agrees on principles but not on the methods of work. An additional advantage of EUCLID is that it proves that Europe has the ability to join the competition even if the research effort of the thirteen member countries of the programme represents about half of the effort made by the United States.

66. The machinery for operating the EUCLID programme is complicated and it is clearly not easy for thirteen countries to work together, yet its present achievements can be considered as positive. At present there are 43 programmes which imply state financing amounting to some 280 million ecus and 22 co-operative contracts have already been signed.

67. According to the information available to your Rapporteur, however, the programme is encountering three major obstacles. First, it is very time-consuming. Thirteen-power co-operation involves considerable delays at national level due to the need for approval of the authorities of each country, legal, industrial problems, etc. Second, new proposals are lacking. From this point of view, some sectors are better than others. This lack of new proposals is linked to a third obstacle: the existence of bi-, tri- or multilateral programmes often make some countries prefer this type of framework to that of EUCLID.

68. Panel II has drawn a number of conclusions from what has been said above: a permanent structure is needed to overcome the problems listed. In this respect the creation of a European armaments agency would help EUCLID's work to advance in a more satisfactory manner. Furthermore, the panel has raised the idea of creating a research cell which in a way would be a vanguard of the agency. It would help to motivate the industries which often lose interest in EUCLID because of the obstacles they encounter and which have already been mentioned. This cell would be a driving force for all the groups which depend on the programme and would be quite small, thus ensuring its profitability. These initiatives would help to put an end to delays and would make procedures more flexible.

69. At present, France and the United Kingdom devote some 1% of their research budgets to the EUCLID programme, Germany 2% and the other countries between 5 and 50%. The total defence research budget in the thirteen countries of the Western European Armaments Group amounts to some F 18 000 million compared to F 42 000 million for the United States.

70. The management of EUCLID by the agency would avoid wasting our resources and, through rationalisation, it would at least be possible to avoid widening the gap between Europe and the United States.

(c) Management of joint research and testing establishments

71. The prevailing situation in this area calls for joint and global solutions due mainly to the cost and space involved in these activities; such solutions are more necessary than ever at a time when budgets everywhere are being sharply curtailed. Since it is impossible to improve condi-

tions for co-operation in this sector, a European armaments agency would first offer a juridical framework for these establishments which might thus be managed jointly offering the possibility of immediate benefits from the savings stemming from an efficient and rational use of these installations.

(d) Operational and technological research

72. Mention has already been made of the many efforts in recent years (Standing Armaments Committee, Eurogroup, IEPG) to promote inter alia the goal of harmonising military specifications although little significant progress has yet been made. Short- and medium-term prospects in this matter are hardly optimistic but there is a clear need to move forward in this sector. At present there is a trend towards an overall definition of forces such as the future Franco-Italian-Spanish maritime group which implies that these units are interoperable and hence have close links with the Planning Cell. Being multinational, such forces will give considerable impetus to co-operation in armaments matters.

73. One should not try to conceal the difficulties a research group might encounter in this sector, nor should they prevent steady relentless progress in identifying the possibilities of agreement.

(e) Creation of an information and data service

74. In paragraph 64 on co-operative programmes, mention was already made of a number of services that a European armaments agency might offer its members in regard to information; this service should be capable of providing specific and accurate information and data regarding the market for defence items extending from defence expenditure to the description of the defence industry, including exports and imports of such equipment in regard to the member countries and their transatlantic links; it should also keep a register of patents together with all relevant information.

75. Such data already exist although clearly they can be improved. In fact, most members of the WEAG publish periodically information bulletins on the procurement needs of the various contracting bodies and a report on the firms obtaining contracts. The question is to obtain fuller information about the above sectors and from this information to build up a data bank which will be available to the member countries.

76. Mention has already been made of the main tasks that might initially be entrusted to the agency but clearly a more detailed study is necessary in order to define these tasks more accurately and establish operating rules that are flexible enough to escape from burdensome and delaying bureaucratic structures.

77. The legal bases for creating this agency are to be found in the modified Brussels Treaty which provides for the possibility of the Council setting up subsidiary bodies. Participation in this future subsidiary body by WEU associate members and observers should raise no legal or political difficulties.

78. The fact that the agency may be able to undertake some tasks considered to be common tasks and others that would come under different co-operative programmes between certain countries does not seem to be a major obstacle.

79. Concerning the agency's relations with the European Union and NATO, the Treaty on European Union and the appended declaration of the WEU member countries together with subsequent declarations and more recently the declarations issued at the NATO summit meeting in January of this year, and also the explicit backing of the United States for the common foreign and security policy and the European security identity illustrate the rôle assigned to each of these organisations (WEU, European Union and NATO), their present relationship and the level of these links.

80. Furthermore, as far as your Rapporteur can see, the member countries of WEU and the WEAG are not trying for the time being to change their relationship with the European Commission at the institutional level nor at the level of defence industries.

V. The Franco-German armaments agency

81. At the Franco-German summit meeting in Bonn at the beginning of December 1993, the Defence Ministers, Mr. Léotard and Mr. Rühle, decided to create a joint armaments agency.

82. According to the information at your Rapporteur's disposal, this agency would have the task of managing bilateral armaments programmes with a view to improving the efficiency of these programmes and reducing management costs. There is now a joint office that manages all bilateral programmes, although each country still has its own national office to verify the work of the joint office.

83. The Franco-German agency would create a single management office which would replace the national offices and consequently save money and increase management efficiency.

84. The initial intention is that at the middle of this year those responsible for equipment procurement should make a series of specific proposals for starting the agency so that the latter might start its work immediately, but the date of 1995 now seems more realistic.

85. Current bilateral programmes include the Tiger attack helicopter, the Roland, Milan and Hot Euromissiles and, with the United Kingdom, the

Trigat anti-tank missile programme. Furthermore, the agency would be given the new development programme for the next generation of wheeled combat vehicles.

86. The defence ministers have agreed that work should be started on the standardisation of equipment for the European corps.

87. Apparently two solutions are being studied for the legal framework in which the agency should be set. The first would be for a treaty between the two countries – this would make parliamentary ratification compulsory. The problem with this solution is that Germany is at present in the midst of an electoral period, in particular general elections which are to be held on 16th October 1994: there is therefore little hope of the parliamentary process being completed in the coming months. The alternative would be to make the Franco-German agency a subsidiary organ of the Council which your Rapporteur believes would raise juridical difficulties and political problems.

88. This solution would raise a number of questions: how could a subsidiary body be created that would not be open to the participation of all the member states? Moreover, the Council would maintain control over a body composed solely of two of its member states. Since this is merely a hypothesis, the matter will not be taken further.

89. Again, there is every indication that this agency is not intended to be the initial nucleus of the future European armaments agency but, one way or another, it is to stimulate the creation and development of the latter by following a parallel course and preserving its bilateral character, although exceptionally it is open to Belgium, in order to be integrated sooner or later in the European armaments agency which, in principle, would not be before the year 2000.

90. Finally, it should be noted that the agency would have its own market code, with the possibility of following the example of NATO in this respect and in any case excluding community law since defence equipment cannot be compared with any other. It is crystal-clear that if the Franco-German proposal materialises it will indeed be a stimulus of the greatest importance for all the initiatives of the European armaments agency.

VI. The European Defence Industries Group (EDIG)

91. The European Defence Industries Group was created in 1990 by the national associations of defence industries of the member countries of what was then the IEPG. EDIG represents the interests of the European defence industry and maintains a close working relationship with the governments of the WEAG countries.

92. EDIG has a board of directors, a technical committee and an economic and legal committee. EDIG is a source of information of very high standard and therefore of very great interest. This body seeks Europe-wide responsibilities which, according to its representatives, implies a joint industrial policy. EDIG believes standardisation is necessary from the military point of view whereas in industrial terms a co-operative structure is needed; initiatives to promote co-operation should come from both industrial and governmental circles.

93. Similarly, EDIG considers it would be desirable to move more quickly in this sector and leaders of industry generally take a favourable view of the creation of a European armaments agency.

94. Basing itself on Article 223 of the treaty instituting the European Community¹, EDIG emphasises the need for it to remain in existence mainly in order to avoid the risks from abroad that would follow its disappearance, with particular regard to the United States. It is appropriate to refer here to the discriminatory practices and measures applied by the United States in the defence sector for the purposes of protecting and promoting its own interests through support for its defence industry and particularly by facilitating exports. It might further be noted that the European Commission is now preparing a Community regulation on armaments exports to third countries. With regard to dual-use items and the system regulating them, work is now being conducted on lists of items; the appropriate legal regulations still have to be defined. As regards exports of conventional defence equipment, the document prepared by EDIG appended to the present report is of major interest and puts forward a highly interesting view that is representative of the European defence industry and, in your Rapporteur's opinion, very much to the point. The document deals mainly with export controls in co-operation projects and underlines the need for governments, in conjunction with industry, to establish standard measures and procedures relating to the exportation of defence equipment.

1. Article 223: 1. The provisions of this treaty shall not preclude the application of the following rules: (a) No member state shall be obliged to supply information the disclosure of which it considers contrary to the essential interests of its security; (b) Any member state may take such measures as it considers necessary for the protection of the essential interests of its security which are connected with the production of or trade in arms, munitions and war material; such measures shall not, however, adversely affect the conditions of competition in the common market regarding products which are not intended for specifically military purposes.

2. During the first year after the entry into force of this treaty, the Council shall, acting unanimously, draw up a list of products to which the provisions of paragraph 1 (b) shall apply.

3. The Council may, acting unanimously on a proposal from the Commission, make changes in this list.

95. The report by Mr. Aarts on arms export policy (Document 1305) contains the following considerations:

“ 145. The continuing reluctance of the WEU Council to debate the problems of armaments transfers due to the fact that most member governments envisage a greater rôle for the European Community and the future European Union in these matters must be overcome because of the obvious implications for the essential security and defence interests of member countries. The crucial problems standing in the way of a harmonised arms export policy must be resolved in WEU and not in the framework of European political co-operation.”

In the opinion of your Rapporteur these considerations are still highly relevant today. It is therefore WEU, taking account of sectoral interests and common European policy, that remains the competent organisation in an area that is absolutely crucial to the security and defence of Europe.

96. Apart from the position adopted by EDIG for the creation of the agency, some countries have made public their position on the need to create a defence Europe which, for industry, is both a need and a chance, according to the defence white paper published by the French Ministry of Defence in 1994.

97. According to this white paper, with which EDIG generally agrees, no future major conventional armaments programme seems able to escape from the logic of co-operation. Political co-operation has already paved the way towards co-operation on programmes at a time when this was becoming an economic necessity; furthermore, this policy also supposes that the European states demonstrate their solidarity by showing their preference for Europe. Again, without a common strategy, the decline of the European armaments industry will be started and the independence of Europe called into question.

98. Still according to the white paper, the IEPG integrated in WEU and the European armaments agency provided for in the declaration appended to the Treaty on European Union offer possible frameworks for this policy. For his part, Mr. Tony Pryor, British Chairman of the Defence Manufacturers' Association, speaking at a conference organised by GICAT in Paris on 26th October 1993, voiced the idea that EDIG would become the main centre for grouping the defence industry vis-à-vis WEU and any future European armaments agency. He also said that British representatives of the defence industry were far from convinced that Europe offered the only way out.

99. The fact is that there is not unanimity regarding the agency or its responsibilities in

industrial circles, nor in political circles. There are even sectors that give the impression that they want this body to come into existence whereas in reality they are not at all prepared to transfer some of their national responsibilities to such an international organisation. As has so often been repeated in this report, it will be necessary to start with the smallest common denominator.

100. Finally in this chapter, your Rapporteur wishes to take up a consideration discussed in a publication of the French Commissariat général du Plan, the future of defence-related industries which, referring to the creation of a European armaments agency, stated that it would be necessary to avoid a dogmatic approach which might prevent the formation in Europe of alliances of a small group of partners with homogenous responsibilities for certain research or certain programmes within the agency or outside it when its framework did not offer the best solution.

101. Your Rapporteur agrees entirely with this warning and is convinced that the European agency should in no case limit or prevent co-operation that might prove to be more convenient or more fruitful outside its framework for a specific programme. It should not be forgotten that industry has always been ahead of political necessities and that co-operation has always been more satisfactory and more rapid from the industrial point of view than from the governmental point of view.

VII. Conclusions

102. As emerges clearly from the previous pages, your Rapporteur strongly advocates the creation of a European armaments agency as a subsidiary body of WEU with a narrow but realistic range of activities which would be limited to the minimum accepted by all participants. Its structure would be a simple one but after proving its efficiency and usefulness as it develops it would provide the foundation for wider responsibilities in the future. It is quite certain that the

time is not yet ripe for the creation of a European armaments agency in the broadest sense as explained in Chapter IV, but at the present time pressure must be brought to bear to obtain a convergence in the political, military and technical fields and, to this end, the creation of the agency is a useful and necessary initiative that can be achieved in the manner described above.

103. The process started by the introduction of the agency will contribute to the advancement of the integration of defence policy in general and should be accompanied by a similar process in the armed forces concerned; without technical co-operation, military co-operation is not possible.

104. Your Rapporteur believes that the tasks assigned to the agency, at least during the initial running-in period, can be accepted by all the WEAG countries and the creation of this body as described in the present report should raise no objections in the various countries since there can be no threat to their national interests.

105. It matters little that some may feel that an agency with such responsibilities is not worthy of the name. It hardly matters that the agency should take over the duties of WEU armaments secretariat or that it should be the secretariat itself that carries out the tasks of the agency, as they have been described, without it being necessary to create it officially.

106. Before the end of the present year, the WEU Council of Ministers should take a decision on this matter. Co-operation in armaments questions is an essential dimension of our organisation and to take a first, albeit it small, step in this direction will eventually provide us with a framework which is absolutely necessary for the future policy of common defence. Without this framework, who could honestly define WEU's *raison d'être* in the European Union or imagine the future of this Union?

107. In this undertaking, the Council can count on the firm and vigilant support of the Assembly.

APPENDIX

*Document on EDIG's policy on conventional defence equipment exports**1. Introduction*

1.1 In considering the question of defence equipment exports it is of prime importance to remember that these matters are an integral part of government policy, defence and foreign, and that normal commercial solutions to problems will not always be appropriate. This assumption involves considerable problems since it has an immediate impact on one of the basic operating assumptions for defence industry, that of long-term investment policy. At the present time, this impact is even more significant than hitherto since, with reducing defence budgets and increasing technology costs, it is highly unlikely that any single nation will be able to contemplate the research and development and production costs of a major item of defence equipment. Pan-European projects will become the norm and even then it is possible that the European "home market" alone will be insufficient to support their existence. Thus collaboration and co-operation will become commonplace and accepted standards of exports policy will become vitally important in the formation of future collaborative partnerships. It would be difficult, if not impossible, for a major company to contemplate collaboration with another company unless that company exists in a country where the government has accepted common principles of exporting policy. An absence of national government agreement could therefore mean that its national industry would find itself effectively debarred from participation in collaborative projects.

1.2. The overall future aim of industry is that a common European policy on defence equipment exports be developed which does not impede international co-operation and which takes into account the need to strengthen the European position in defence equipment production. However an intergovernmental agreement on a long-term harmonised framework of defence export procedures and regulations is unlikely to be practicable before the acceptance of a common foreign and security policy amongst the member nations of WEU/EEC and even in the most optimistic scenario this may take some years.

In the meantime, the European defence industry needs some interim arrangements if it is to survive and to develop into a strong and more competitive industry in the world marketplace. The main problem for industry is how it will bridge the gap in time between industrial survival and the full implementation of political decisions. Governments should neither act in a way that constrains the export of defence goods from nations willing to export them nor in a way that

disadvantages their home-based suppliers from taking part in co-operative programmes.

2. Export regulations in co-operative projects

2.1. It is suggested that there will be three main types of international business activity in the defence equipment field of the future:

- (a) joint venture projects on a government-to-government basis, i.e. initiated by governments and subject to agreed government-to-government MOUs. They will include elements of design, development and production;
- (b) joint venture projects on a company-to-company basis with no official government involvement. These also will include elements of design, development and production;
- (c) company-based initiatives which rely on collaboration at the sub-contractor level in the production phase only.

2.2. To develop these examples one by one:

(a) Joint venture projects on a government-to-government basis

It is most unlikely that any formal government-to-government agreement will be reached without the question of exporting policy being discussed. However, industry should emphasise to governments the importance of this matter being properly resolved during the negotiations leading up to any agreement on a project-based MOU.

It would also be appropriate for the regulations and procedures applicable to the movement and export of defence equipment to be relaxed when this activity takes place under the umbrella of an intergovernment MOU. For example, that in such circumstances the approval of only one government authority may be adequate.

(b) Joint venture projects on a company-to-company basis

In this case, industry requires some form of assurance regarding the policies of the governments of the companies involved before it enters into contractual agreements and financial commitments to develop and produce for sale a defence equipment system. Competitive pressures for cost reductions by single sourcing of components and spares will demand some form of government advice at a relatively early stage of inter-company discussions. Sooner or later any successful defence

equipment project of any size will be the subject of a possible export order. In fact, as already stated in paragraph 1.1. above, the time may not be too far off when even a pan-European defence industry cannot contemplate the development and production of a major defence equipment project without the support of a market outside WEU and the EEC. Companies will require to consult with governments on a case-by-case basis to establish what the official policy on export approval is likely to be. Whilst even on a case-by-case basis it is unlikely that governments will be prepared to give long-term approval at this time they should be prepared to give adequate warnings of the probability of export embargo decisions in the future.

Once again, in this type of activity it is hoped that once government "agreement to proceed" is received, less onerous procedures for obtaining the necessary export licences might be available.

(c) Company-based initiatives

The increasing tendency of governments to have official national research and development policies which forecast programmes of national research and development activity with only limited opportunities for even prototype production to follow, will make it of prime importance that companies obtain government reassurance that long-term export potential can be realised. Without such assurances at an early stage in the development phase, and in the absence of a guaranteed home market, it is unlikely that companies, even those which are to some degree state-owned, will venture their own capital and this can only lead to a further weakening of the industrial base.

In this particular case, it would also be beneficial if governments would accept that it would be the export regulations of the country in which the prime or lead contractor was resident which would form the basis of the operating rules for that particular project. Wide government agreement to such a principle would mean that prime and lead contractors would be free to range across all of the countries of WEU in a competitive search for subcontractors, thus preparing the way for a final product which could be competitive in the world marketplace.

3. Conclusions and recommendations

3.1. In the short term, arrangements between member nations will be just as vital for government-to-government co-operation as for industry-to-industry co-operation. In both cases, the principle should be that, while the government of the intending exporting state should consult other governments whose industries are involved in the joint venture before making any final decision, it must be accepted that governments may not debar companies in their own state involved in the joint venture from meeting their contractual obligations. Without an agreement of this nature, it will be impossible to maintain the efficient defence co-operation structure in Europe which is increasingly necessary in the wake of falling national demand.

3.2. Should governments decide to work towards the establishment of standard regulations and procedures for the export of defence equipment, industry should take a very positive interest in the negotiations and the following recommendations are made accordingly:

- (a) that for defence equipment produced in co-operation with another WEU member state, i.e. government-to-government, the principles covering export authority should be firmly stated in the MOU associated with the co-operation agreement and that relaxed administrative procedures should be defined;
- (b) that for defence equipment produced on a company-to-company basis between companies situated in two or more WEU states, member states should not, in normal circumstances, withhold export approval for the supply of component parts between members of the industrial consortium involved and that agreed relaxed administrative procedures may be applied;
- (c) that the supply of component parts for defence equipment within WEU and Cocom should be unrestricted.



