



Institute for
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EU Crisis Management: Capabilities Development – Defence Industry

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BAE SYSTEMS



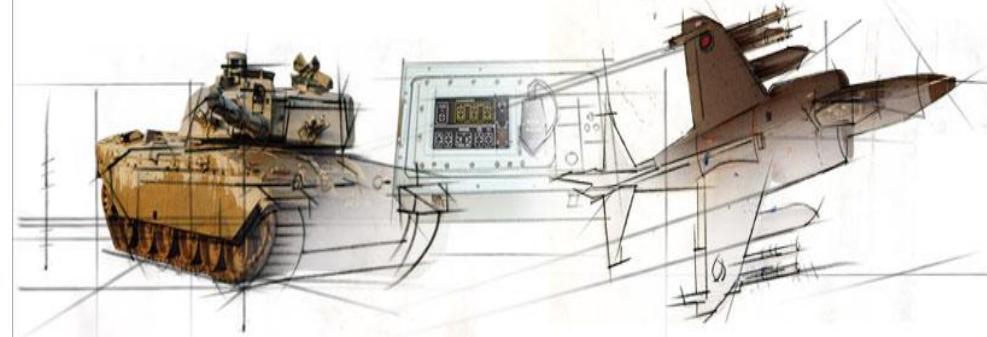
Defence Industry



Bundeswehr



- Defence firms produce equipment
- Defence firms hold technical skills
- Govs and firms close (procurement)
- Govs key shareholders (“golden share”)
- Strategic direction / tech innovation
- Defence firms (civilian/military = dual-use)



Defence-Industrial Products

- sensors – visual, infrared, radar, sonar and other detectors for military purposes
- communications – Global Positioning Systems, satellite phones and network centric systems
- engines and propulsion technologies – rocketry, combustion and jet engines, electromagnetic equipment
- ordnance – laser guided ballistic missiles, cruise missiles

(O'Hanlon, 2009: 177-184).

The Defence Firm



Prime Contractors (the “Primes”)

- main defence and aerospace systems developers

Tier 1 contractors

- specialised systems producers (electronics)

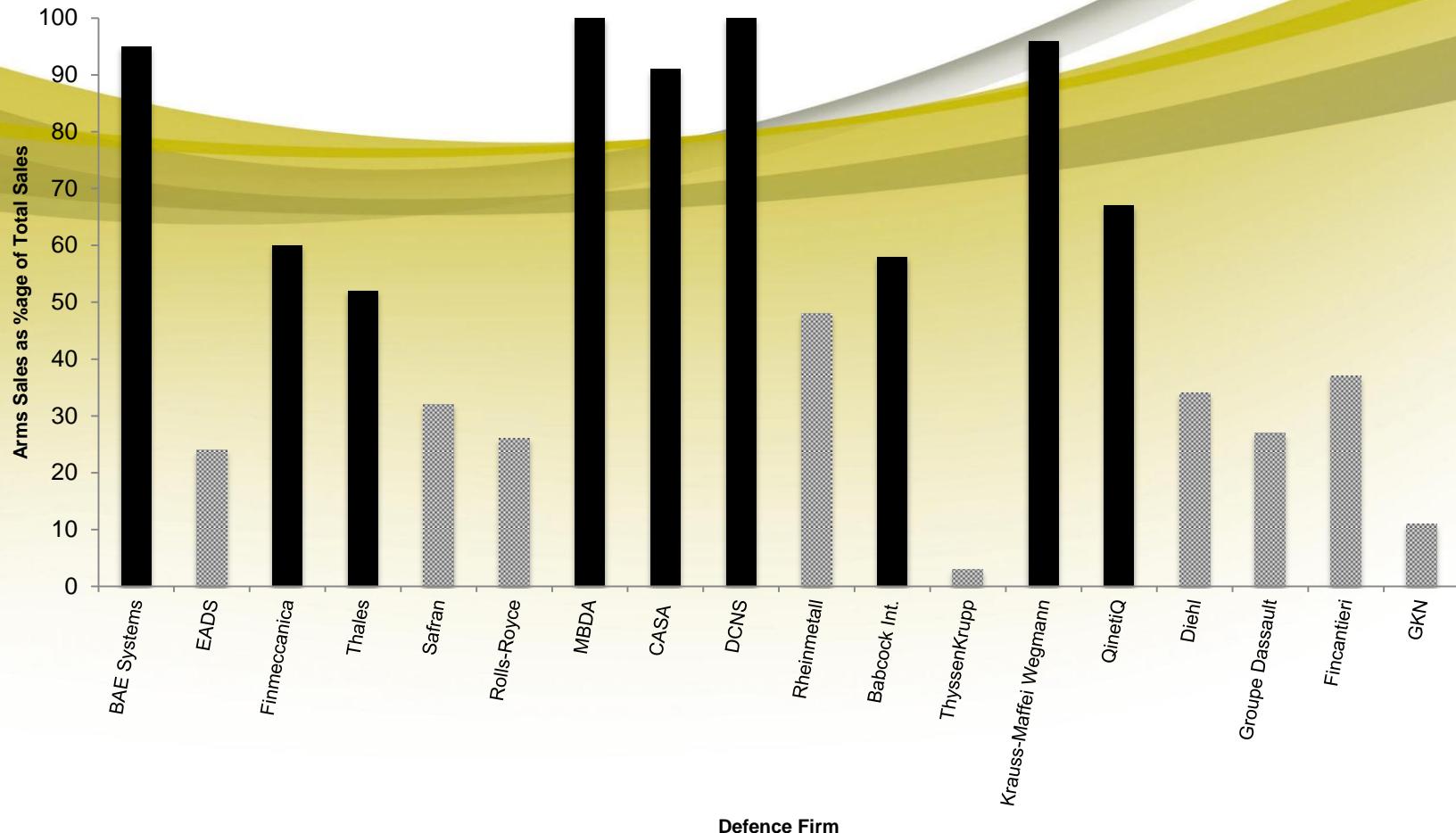
Tier 2 contractors

- electronics, mechanics, engineering, case/shell working

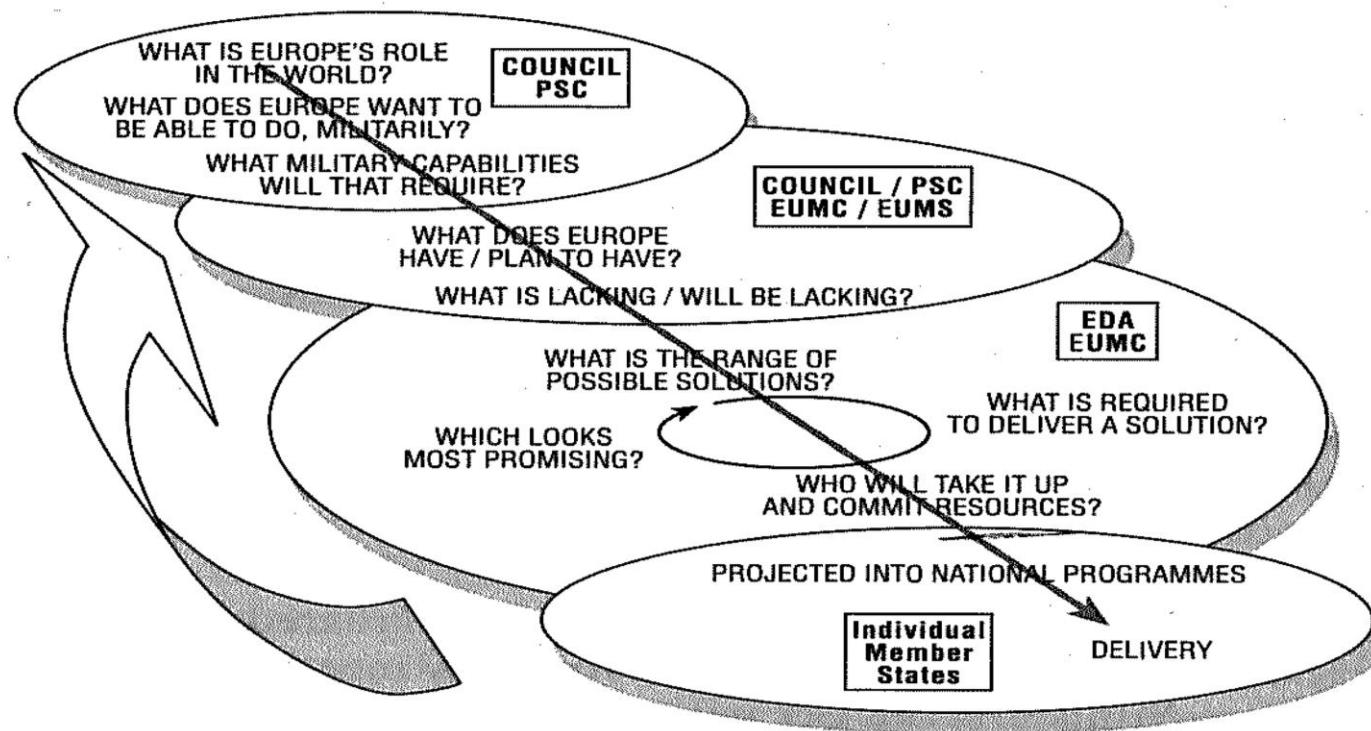
Tier 3 contractors

- commodity suppliers, services.

Europe's Defence Firms



Procurement Process



Source: www.eda.europa.eu/cpdv/cpdv/htm (EDA Capabilities Development, 2006)

Productive Factors

Equipment
Production Time

Strategic Needs

Technological
Innovation

Equipment
Reliability



Defence Budgets

Equipment Costs

Competing State
Interests



European Defence Industrial Framework

- EU Member States
- European Defence Firms
- European Defence Agency
- European Commission

European Defence Agency

- Institutional Framework for Defence-Industrial Cooperation
- Capability programmes
 - Air-to-Air Refuelling
 - Medical Support
 - Helicopter Initiatives
 - European Air Transport Fleet
 - Counter IED



European Defence Agency (cont...)

- EDTIB (“3C Strategy”)
 1. Sustaining and upgrading military capabilities;
 2. Promoting the development of competent and cutting-edge military technology within a suitable time frame
 3. Ensuring defence conglomerates and SMEs are competitive through cost-efficiencies and exports.



The European Defence Technological and Industrial Base

- Response to:
 - Needs of CSDP
 - Reduced defence spending
 - High equipment and production costs
 - Fragmented supply (too many firms)
 - Fragmented demand (duplication)
 - Increased international defence market competition
 - Economic crisis



European Commission

Directive 2009/43/EC – seeks to facilitate the transfer of defence-related products within the EU.

Directive 2009/81/EC – seeks to harmonise EU rules for the procurement of arms and munitions, and related maintenance and services, within the EU.



European Commission Defence-Industrial Documents

1990-Oct-21	Proposal for amendment of the Treaty Establishing the European Community with a View to Political Union
1993-Dec-5	Growth, Competitiveness, Employment – The Challenges and the Ways Forward into the Twenty-first Century
1995-Dec	The Green Paper on Innovation
1996-Jan-24	The Challenges Facing the European Defence-related Industry: A Contribution for action at European Level
1996-Dec-4	The European Union and Space: Fostering Applications, Markets and Industrial Competitiveness
1997-Apr-30	Concerning the 5 th Framework Programme of the European Community for Research, Technology Development and Demonstration Activities
1997-Dec-4	Implementing EU Strategy on Defence-related Industries
2006-Dec-7	Interpretative Communication on the Application of Article 296 of the Treaty in the Field of Defence Procurement
2007-Dec-5	A Strategy for a Stronger and More Competitive European Defence Industry
2009-May-6	Directive Simplifying Terms and Conditions of Transfers of Defence-Related Products within the Community
2009-July-13	Directive on the Coordination of Procedures for the Award of Certain Works Contracts, Supply Contacts and Service Contracts by Contracting Authorities or Entities in the Fields of Defence and Security
2009-Sep	Development of a European Defence Technological and Industrial Base
2009-Nov-5	Study on the Competitiveness of European Small and Medium Sized Enterprises (SMEs) in the Defence Sector
2009-Dec	The Nature and Impacts of Barriers to Trade with the United States for European Defence Industries
2010-Feb-12	FWC Sector Competitiveness Studies – Study on the Impact of Emerging Defence Markets and Competitors on the Competitiveness of the European Defence Sector
2010-Jun-15	Study on the Industrial Implications in Europe of the Blurring of Dividing Lines Between Security and Defence
2011-Jan-11	Certification of Defence Undertakings under Article 9 of Directive 2009/43/EC

Ongoing challenges

- “National Champions”.
- “National sovereignty and EU Autonomy” (EDA, 2006).
- “Winners and Losers”.