Beat: Technology

How can Europe secure its access to military technology?

The future of armies procurement

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USPA NEWS - Europe has access to immense technological wealth, and has never lost its position as a major driver in the world´s development. But securing this technology is no easy task: it can be stolen, mis-applied, misdirected, or simply lost. The current ongoing coronavirus crisis shows us how we are caught off guard and left vulnerable, for having lost control over basic technologies now under command of the East. The European military scene provides a telling example of how large bricks of technology are not enough, and must be articulated within sound strategies.

Slowly but surely, Europe is inching its way towards strategic unification, and away from a stance in which it merely “contains“ military production potential. Indeed, rising levels of cooperation between European countries open the door to forming an actual strategic bloc, alongside and in cooperation with NATO. Europe´s main military industries lie in Germany (RheinMetall and KMW for land, and ThyssenKrupp for naval assets), France (Nexter and Naval Group, Dassault, covering all three environments) and in England (BAE, all environments). These countries´ champions have teamed up into several joint ventures, thus becoming some of the main players, with global ambition : MBDA (BAE Systems, Airbus and Leonardo), Airbus (also through its main shareholders), or even KNDS (KMW and Nexter). Altogether, Europe has a complete array of very high-performance industries within its borders. But between this observation and the certainty that Europe can secure its own access to military technology, a few things get in the way.

A long string of hoops and hurdles

The first of which is political divergence: the first school of thought considers armament industries as any other, and therefore to be regulated only by the market´s invisible hand and driven only by profit. On the other hands, some consider armament industries as a matter of sovereignty, and therefore to be set apart. Paris keeps an intermediate stance with its weapon providers, providing strategic guidance but keeping them free to operate within the private market. French Nexter is a purely private company, but with the State as a main shareholder, a natural position for a main stakeholder. The State is in charge of strategic orientations and final decision-making, but does not administer structures on a daily basis. As such, its legitimity is drawn from its exclusive capacity to state military needs and appreciate the field-level results of existing equipment. This can no longer be done in a purely hierarchical way, as was done when arsenals belonged to the State. Now, the State´s responsibility is to create the areas of trust and expertise where thinkers, users and designers can freely exchange relevant information.

Spain favors various organizations and think tanks in which officers and engineers can gather and freely exchange information drawn from the field, like the Elcano Institute (1). Regarding France, the DGA (Procurement agency), IHEDN (think tank) and GICAT (land armament industry corporation), GIFAS (aeronautics) and GICAN (Naval industry) accomplish the same purpose. On the other hand, manufacturers such as Nexter, Dassault or Naval Group are in charge of guaranteeing the systems´ integration in any way necessary for the equipment to fulfill its operational purpose. This differs substantially from the British and German systems, where industries run on a private basis, period. This indicates that, while their respective States can wield some influence because of the orders they place, they are not bound by the directives and orders of their own governments. For instance, RheinMetall is suspected to have simply disregarded the embargo on Yemen and Eritrea, and have taken a contract to retrofit warships.

Defense specialist Frederik Richter writes: “Business with the military in the Middle East is so important for the armaments company Rheinmetall - so important that the group's lords have appointed their own governor to do so. [...] Not an easy job - but in the early morning of February 16, 2017, the governor announced a particularly daring step, by email: the delivery of armament technology to Eritrea. The "mission" that the Rheinmetall manager wanted to help with - that was obviously the Yemen war. [...] Even worse: what the governor announced was possibly the planned breaking of an arms embargo. The UN had already imposed this on Eritrea in 2009. Because the country supported terrorists in neighboring countries, the sanctions applied until November 2018.“ - article available (2), in German.

The reason behind this “disregard“ is simply because the German configuration (100% private) gives little or no leverage to the government (be it regional, national or European): private Konzerns will go after private concerns: profit. In fact, the German government is so clueless as to how to establish a European-scale relevant strategy that it asked the Defense ministry, its subordinate, to come up with one.

Indeed, the European defense landscape is a complex one. Defense specialist Ulrike Franke writes (3): “European strategic autonomy“ (ESA) is one of those elusive phrases that float around in European politics, alongside terms such as “European army“ and “common European strategic culture [...] But what does ESA entail? How is the concept defined in capitals across Europe, and to what extent does it have governments´ support? This paper draws on the European Council on Foreign Relations´ network of researchers in all 28 EU member states to identify where views on ESA converge and where they differ.“ Indeed, as Frank´s comprehensive analysis shows, 28 nations means 28 different viewpoints and different levels of balance, with some more compatible with European interests than others.

An industry like any other“¦ or almost.

The fact is, military matters, like all strategic areas, cannot be conformed to commercial views, as they largely exceed them. Similar strategic areas have provided numerous examples of how certain fields should be protected from business dynamics, lest they deplete national sovereignty. The Huawei crisis has shown how communications were among those fields, and shortage of basic health supplies (now virtually exclusively produced by China (4)), is another example.

Industries under excessive control of the State also have their woes, as profitability (or even adequacy) can slip off their radar. England is still struggling (5) with the woes of its officially privatized, yet entirely State-owned and operated, railway system. Guardian columnist Larry Eliott writes (6): “Let's be frank. Network Rail may technically be a not-for-dividend private company with its debts underpinned by the government, but it is nationalised in all but name. The state holds the purse strings and by pulling them influences the direction of the company.“ France provides two telling examples with SNCF (railways) and La Poste (postal services), which, despite a technically private status, are entirely State-run, and which are recognized as industrially inefficient. In these cases, State orders are followed to the letter, but in exchange for excessively lenient working conditions and shielding from the realities of the market.

Engineers from French defense firms, on the other hand, have learned from past mistakes after the loss of various technologies. France now favors a balanced approach, in its relations between the State and industries - a balance it seems to have pushed one notch further with the KNDS joint venture (7). Their private status ensures that they will keep a hold on key technologies, but their link to national bodies will facilitate cooperation with international partners, such as with the KNDS partnership, or Naval Group working with Italian Fincantieri (8). The KNDS partnership aims at combining both countries´ own and complementary engineering excellence with France´s capacity to integrate weapons systems, with the aim of creating a solid and balanced basis for the future development of military industries in Europe. Similarly, France engaged in 2018 in a joint venture (9) with British Simec Atlantis, for the production of tidal turbines, after the French State set renewable energies as an industrial priority. Industrial partners can therefore engage into these JVs, with no fear of government meddling or overreaching.

A balanced approach, which must be strengthened and shared at the European level

The European defense industrial basis will only find a way through the balance of interests. Excessive State control will serve national interests well but at the expense of performance, as can be seen in a multitude of European industries. But insufficient State influence could lead to sterile commercial ventures, which benefit only private interests and not collective ones. A European approach would have resulted in France not having sold Alstom, and Germany not having allowed the sale of Vossloh (10), the railway manufacturer, to Chinese group CRRC, thus giving up a strategic asset for a continent which heavily relies on railway systems. The inadequacy of these strategies is currently highlighted by the covid19 epidemic, as we suddenly wake up to the fact that we have let the production of urgently-needed medical supplies slip completely towards China. Let us hope European nations and organizations will draw the right conclusions, and prevent this type of strategic blunder from happening again.

1) http://www.realinstitutoelcano.org/wps/portal/rielcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/dt5-2003
2) https://www.stern.de/wirtschaft/news/rheinmetall-wollte-geschuetze-auf-kriegsschiff-in-eritrea-nachruesten-8987214.html
3) https://www.ecfr.eu/specials/scorecard/independence_play_europes_pursuit_of_strategic_autonomy
4) https://www.bloomberg.com/opinion/articles/2020-03-06/coronavirus-focus-your-pain-killer-supply-depends-a-lot-on-china
5) https://www.devonlive.com/news/its-been-four-years-dawlish-1152802
6) https://www.theguardian.com/business/2006/nov/28/viewpointcolumn
7) https://www.defensenews.com/digital-show-dailies/eurosatory/2016/06/10/nexter-and-kmw-partner-to-focus-on-land-systems/
8) https://www.naval-group.com/en/news/naviris-the-jv-between-fincantieri-and-naval-group-is-now-fully-operational/

9) https://www.energyvoice.com/otherenergy/186657/simec-atlantis-forms-french-joint-venture-for-large-scale-tidal-turbines/
10) https://railway-news.com/vossloh-sells-locomotives-business-to-crrc/

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