

**INTEREST GROUPS AND EUROPEAN UNION POLICYMAKING:  
THE INFLUENCE OF DEFENSE INDUSTRY INTERESTS**

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**ABSTRACT**

The nation state has traditionally been responsible for developing and implementing defense industrial policies. However, as this paper illustrates, interest groups with a stake in defense industry matters are increasingly calling for European-level solutions to the problems affecting this economic sector. After collating the interests of major defense firms, as well as several labor and other groups, we find that almost all substate actors would like national governments to cooperate more on armaments policies, and that many groups would like the European Union to become more involved in defense industry matters.

## 1. Introduction<sup>1</sup>

The influence of interest groups in European Union (EU) policy-making has become an increasingly important area of research in European politics. Perhaps the best explanation for why European-level interest groups have become the subject of so much scholarly work is that the way policy-making is made has changed since the 1985 Single European Act (SEA). Mazey and Richardson (1993) contend that the SEA and Maastricht Treaty expanded the scope of Community policies to include policy areas which were previously the responsibility of national governments, and that reform of the EU decision-making process weakened the policy-making influence of national governments at the EU level. Such changes in the distribution of power within the EU naturally led to the proliferation of interest groups, and lobbying activity, at the EU level.

Several characteristics of the EU have structured the effectiveness of interest groups and the way they operate. First, the members of some interest groups are simply national-level groups that have banded together at the European level. A problem that often arises is that group objectives are determined at the lowest-common-denominator, resulting in vague or general positions. As a result, large companies often lobby the EU themselves, even though they are also members of European federations (McLaughlin, Jordan, and Maloney, 1993). Second, the lobbying efforts of interest groups are shaped by the different amounts of power held by EU institutions. Commission officials have the most contact with interest groups because they are responsible for proposing new legislation and administering policies on a day-to-day basis. Less lobbying takes place with the European Parliament (EP), although there is evidence that this is changing because of the new powers given to the legislative body in the SEA and Maastricht Treaty, particularly in the way that the EP can add amendments to legislation. Finally, interest groups are more successful in influencing routine legislation and technical issues than major EU policy

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<sup>1</sup>Interviews cited in this paper were conducted in Brussels, Belgium in May and June 1994 with officials from the European Defense Industries Group, Deutsche Aerospace, Aerospatiale, Thomson-CSF, Union of Industrial and Employers' Confederations of Europe, and the European Metalworkers' Federation in the Community. Their agreement to participate in this research project is greatly appreciated.

initiatives. Cowles (1995) proposes that the power of big business to influence EU decision-making can be conceptualized along a two-level game continuum, with a federal system on one end and an international regime at the other end. Societal groups will have the most influence on regulatory policies (closest to the federal model) and the least influence in foreign policy (closest to the international regime model). Distributive and redistributive policies fall in the middle, where interest groups have an intermediate level of influence. However, Mazey and Richardson (1993) suggest that, “even issues which are properly characterized as high politics can be ‘unpacked’ into more manageable - and therefore bargainable - issues more susceptible to group influence” (p. 18).

In this paper, interest groups that have a stake in the development of an EU role in defense industry matters have been selected for analysis. These groups include business (in particular, defense industry firms and trade associations), labor unions representing armaments industry workers, and local governments representing regions that are heavily dependent upon defense spending. This paper examines the role that these different interest groups have played in pushing for (or resisting) an EU role in defense industry matters. The paper concentrates on interest groups in France, Germany and Britain because these three countries have the largest military forces, defense budgets, and armaments industries in the EU. The research presented here tends to support the characteristics discussed above. Defense industry firms do some EU lobbying through trade associations, but are more influential as single interests. The lack of a common EU defense industrial policy, and the sensitivity of this subject to some member states, have implications for the degree of influence that defense industry interests have at the EU level. While defense interests have had influence on the technical aspects of some EU legislation, their views have not received much consideration at the major policy level.

## **2. Business Interests**

Individual defense firms seem to agree that a government-coordinated response to the industry's plight is necessary. However, there is disagreement over the shape that intervention should take, and whether such action is even feasible in the current political climate. There are also differences in the preferences of defense firms across countries. The discussion below of German, French, and British defense firms (which dominate the European defense market) highlights some of the similarities and differences.

### *German Defense Firms*

Germany's defense industry is dominated by Daimler-Benz Aerospace (DASA). DASA is one of the most out-spoken corporate sponsors of a more integrated armaments industry in Europe. In a June 1994 interview, a DASA executive said that a European approach to defense industry issues would be welcomed for two reasons. The greatest benefit would be in planning. Currently, each defense ministry is forecasting a different expectation for their country's security environment. As a result, companies are not sure how they should restructure, and what level of production they should plan for the future. Thus, a joint procurement program within the EU/Western European Union (WEU) structure would be warmly accepted. Second, DASA would like to see the harmonization of export regulations on armaments and dual-use goods. This is a common complaint of German industry, which feels that it is unduly burdened by the country's strict export rules while French and British firms are not so restrained.

However, the DASA executive recognized that such developments take time. While a common foreign and security policy may help member states to coordinate export rules and create a defense procurement agency, deeper political integration in the EU is necessary for the defense industry to benefit. Pressure would have to be applied on the EU, particularly the Parliament since it has become so active in this area, and the WEU. A major problem, he conceded, was that the political power of the defense industry is fairly weak because the sector is so fragmented. One reason for this is that most

defense firms also produce for civilian markets as well. Because defense sales are often only a small portion of overall company sales (as DASA's sales are in relation to its parent Daimler-Benz), it is hard to obtain cooperation between firms to achieve the political clout and cohesion necessary to apply effective pressure on the EU in defense industry matters.

International competitiveness is a concern of all European defense firms, including the Germans. In November 1994, before assuming the chairmanship of DASA, Manfred Bischoff presented DASA's view of the restructuring process in Europe's aerospace defense industry (Bischoff, 1994). In comparing the situation in Europe with that in the United States, Bischoff noted seven characteristics of the situation in Europe that puts European industry at a disadvantage. They include: no common foreign and security policy; the predominance of national procurement; reduced government budgets for procurement from the aerospace industry; no common European industrial policy; redundant capabilities that are supported for new EU members using EU structural funding; no European laws, no uniform fiscal structure and social policy; and different export guidelines. Addressing an intraparty group of European Parliament deputies in 1995, Bischoff said that,

We cannot wait for full integration of the [EU's] single market . . . Why are there no incentives to create optional restructuring in Europe? At the least, we should duplicate in Europe the U.S. government's "Buy American" policy . . . Why not a European missile company? . . . Why not common export rules in the defense sector? I don't care if they're German, French or Italian, as long as there's a harmonized approach. If we do not coordinate our industries and policies soon we will grow weaker (Tigner, 1995b).

The implication is that deeper EU integration may alleviate some of industry's concerns.

But DASA also wants more intervention at the national level. The chairman of Daimler-Benz, Jurgen Schrempp, has used his position as captain of Germany's largest company to push for wide-ranging reforms that would help the country's aerospace industry, particularly DASA. He has claimed that, without help from Berlin, the existence of the German aerospace industry is threatened. According to Schrempp, "It is a matter of nothing less than the survival in this country of an industry which, due to its technological breadth, is of critical importance" (Skapinker and Lindemann, 1995).

The German industries association is calling for a two-level approach to the defense industry's problems (Norman, 1995; Peel, 1993). Wolfgang Piller, president of the trade association and member of the managing board of DASA, has criticized the German government for its lack of a coherent aerospace program, and for erratic and unpredictable planning of its defense spending. Piller wants the German government to commit itself to major weapons projects, such as Eurofighter and the Future Large Aircraft projects, so that industry will have the security necessary to handle the financial and technological risks. He also demanded that the government provide R&D support similar to that provided by Germany's competitors, particularly American industry. At the European level, Piller would like to see a harmonization of European arms export rules, so that Germany would not be at a disadvantage in joint ventures. Thus, Germany's defense industry appears to be lobbying both at the national and EU levels for assistance in adjusting to the post-Cold War defense market.

### *French Defense Firms*

Many observers believe that Article 223 of the EU's 1957 Rome Treaty, which allows governments to keep defense industrial matters outside of the EU's jurisdiction, is the main obstacle to a single market in defense equipment. In a 1994 interview, an executive of France's Thomson-CSF, Europe's largest defense electronics company, explained that it is unlikely that Article 223 will be abolished, and, in fact, that European industry would probably prefer that it stay in place. The problem

for this official is that the EU's current responsibilities are insufficient to allow the institution to implement a coherent European defense industrial policy.

If you don't have a European political power able to deal with military aspects [and] with defense industrial aspects in all fields, internal and external, the result will not be satisfactory neither for the states and for industry. . . . If you give industrial aspects to the Commission and the political and military aspects to the EU or the WEU, then no one will be able to speak to all of the problem (Brussels, 1994).

Industry's role, according to the Thomson executive, is to remind national governments and institutions like the EU and WEU that "it is unbelievable to split the concept of military and defense industry into different areas with different authorities dealing with each site. We need to have the political and industrial vision at the same time" (Brussels, 1994). So, for example, a harmonization of armaments export policies among member states will not be possible unless the EU's common foreign and security policy is strengthened. A role for the EU or WEU in armaments industry matters would be welcomed only if the institution was responsible for all aspects of defense policy. The executive believes that industry must observe developments and put forward ideas in the European defense debate so that political actors "don't develop wrong ideas," such as dividing responsibility for the political, military, and industrial aspects of defense policy among several actors or institutions.

The Thomson official did not explicitly state a preference for defense industrial policy to be institutionalized within the EU or WEU. On the one hand, the executive believes that the WEU will take on a greater role in defense industrial matters.

[The] WEU should be the body that, in the years to come, will take on more importance in the decision-making [for a common European defense industrial policy] . . . because the WEU is directed by Council of Ministers ministries where both ministers of foreign affairs and ministers of defense sit (Brussels, 1994).

However, despite the EU's currently limited policies in defense industry issues, the executive has seen the institution's role in this area grow over the years.

[In the 1980s], it was unbelievable to put together the words "Europe" and "armaments." It was taboo. Nobody was thinking about it in 1987. Now everybody is speaking of a common armaments agency, even if it's in the long term future. But it's not any more taboo. That's very, very important. I mean, we have made a great leap forward in a few years . . . and the international context explains that. Europeans as a whole felt that Europe needed more political integration after the economic aspects had been set and a larger market was formed. And that political integration meant more cooperation in defense and armaments. This is quite a revolutionary change (Brussels, 1994).

The Thomson official also thinks that an EU or WEU role in creating a single European defense market is necessary if European defense firms are to compete effectively in the international armaments market, particularly against American companies. The EU can help by opening up competition in the European defense market through public procurement policies. Unlike the DASA executive, the Thomson official believes that the EP will not play much of a role in creating a truly European defense industry because "they are more concerned about the dividends of peace," and because there are "no political rewards in



this subject.” In other words, parliamentarians support high-visibility defense conversion programs, but are not interested in the difficult strategic thinking that is required for European-wide industrial restructuring. Likewise, the Commission’s failure to explicitly expand its role in defense industrial issues is limited to proposing ideas. As a result, there are few opportunities for defense firms like Thomson to influence policy at the EU level.

Some French industrialists want more European cooperation as a means to reduce dependence on armaments imports from the United States. Serge Dassault, head of the eponymous French aircraft company, is campaigning for an EU rule of *préférence européenne* in arms purchases to promote a pan-European defense industrial base (*Economist*, 1995). Such a rule would force EU governments to buy European armaments wherever possible. Similarly, Francois Heisbourg, chief strategist of France’s defense electronics company Matra, demands weapons procurement “rules to make the EU no more or less open than the United States . . . to ensure reciprocity” (*Economist*, 1996b). The French view could be characterized as desiring European coordination, probably at the intergovernmental level, of defense industrial matters, particularly as a response to the U.S. threat.

### *British Defense Firms*

Nearly all of Britain’s business sector has called for the country’s government to be less aloof in EU matters. Exactly what roles politicians and bureaucrats at the national and EU levels should play in defense industry matters is less clear. Significantly, British defense industry executives seem less interested in an EU role than do their French and German counterparts. What seems more important is a clearer policy at the national level. For example, many business leaders are critical of the British government’s “value-for-money” approach to weapons procurement and encouragement of competition between companies to win bids. John Weston, chairman of BAe Defence, does not like it when the British government’s “value-for-money” policy leads the Ministry of Defense to purchase from American

suppliers. He believes the UK could not continue with a procurement policy which assembled US equipment off the shelf, and that Europe needs to maintain a capability to design and manufacture its own advanced arms (Gray, 1995a). Weston was very critical of the British government's July 1995 decision to spend £2.5 billion on American Apache helicopters. He said,

The implications of the Apache are two-fold - it closes the UK out of the very substantial export market for attack helicopters and anti-armour weapons and it is likely to have a significant impact on the attitudes of industries and governments of our European partners. It makes us look like a much less reliable partner in Europe and will have a serious impact on the restructuring of the European defence industry, which we all believe is necessary in the current economic climate (*Financial Times*, 1995).

An incoherent government policy is a claim that is also made by regions that have long been dependent on defense spending. David Jamieson, Labour MP for Devonport, claims that government funding to compensate for the loss of defense-related spending in his district has been inadequate. "Much of it has come very late and it's just too little," he said. "There is no joined-up thinking between one government department and another. The Ministry of Defence is acting totally unilaterally" (Adburgham, 1994a).

In December 1995, Dick Evans, BAe's chief executive, attacked the government's reluctance to assist the rationalization of Europe's defense industry. Evans said,

The French and Germans are having severe doubts about the UK as a viable partner. The initial stages of [European] rationalisation have to be undertaken around individual product programmes: unless the UK government is prepared to commit in advance to

participating in such programmes, UK companies cannot be part of the process  
(*Economist*, 1996a).

Evans' belief that the British government must participate in the restructuring process goes beyond participation in collaborative armaments projects. Evans also wants European governments to encourage industry to create strategic alliances, and to open national weapons procurement contracts to European-wide competition (Gray, 1995c). Like France's executives at Dassault and Matra, Evans does not want the European defense market completely opened immediately, since this would allow American companies to dominate.

However, criticism of national policies does not mean that defense industry executives prefer a greater EU role in this area. In April 1993, Lord Weinstock, managing director of defense electronics company GEC, told a House of Commons select committee that Britain's government needed to collaborate more with the country's defense and aerospace industry (Green, 1993). Along with witnesses from Dowty Aerospace and the confederation of Shipbuilding and Engineering Unions, the GEC chief executive called for "pump priming" of the industries to avoid "continuing industrial decline." Appropriate measures would include the sharing of costs of developing new technologies between industry and government, and a reduction in the number of foreign companies participating in armaments procurement contracts. Weinstock believes defense is essentially the business of individual countries, and that larger groupings will be formed within states rather than between them. It is no secret that he would like to merge the defense businesses of Britain's two armaments industry giants: GEC and British Aerospace. In Weinstock's words,

We have to respond to the changes in America. They are producing giant companies through these mergers. Compared to them BAe and GEC's defence operations are

minnows. We have to form companies of sufficient size to compete effectively with them or even to have an effective voice in collaborating with them (Gray, 1994).

But these newly formed companies, in Weinstock's opinion, should be national conglomerates, not the result of rationalization across Europe with large-scale cross border mergers. British defense companies, then, appear to share similar traits as British governments with respect to the EU: London, not Brussels, is the most appropriate place to make policies in this area.

### *Other Business Groups*

Many European defense firms have found common ground in the area of government subsidies. European aerospace companies, long criticized by the United States for being subsidized by European governments through the Airbus program, have countered that American aircraft manufacturers have been indirectly supported through government spending on military aircraft and space programs. This debate has moved into other defense-related areas as well, including aircraft engines and shipbuilding. It is important to note that discussions to resolve these controversies have taken place between American and EU trade negotiators. The fact that agreements over government subsidies are reached by the EU on behalf of member states, instead of bilaterally, has shifted part of the lobbying effort by defense firms from the national level to the EU-level as a means to influence transatlantic negotiations.

European business interests are increasingly depending on the EU, in addition to national governments, to liberalize trade with the United States. A major issue for European firms is America's use of national security provisions and "buy American" laws to prohibit European companies from bidding on U.S. government contracts. DASA's Bischoff has proposed that, "[t]o the extent Americans advocate a [military procurement] policy of 'buy American,' Europeans need to enforce a policy of 'buy European'" (Skapinker, 1995). A survey carried out by Ernst & Young (1992) amongst over 400

European defense companies found that two-thirds of respondents felt that EU member states should cede part of their national prerogatives in favor of European organizations, preferably an effective European armaments agency.

Trade associations have tried to influence EU policies affecting the defense sector. The members of the European Defense Industries Group (EDIG) are Europe's national defense industry associations. According to the EDIG, Europe's defense firms want several things from European governments. First, they want governments to be more clear about their future weapons procurement, and the technologies deemed "critical" for Europe's defense industrial base. Second, industry would also like European governments to work more closely on funding decisions and in-service dates for similar weapons programs. This information would help defense firms to better plan for future production, so that firms can be prepared with appropriate production capacity, employment levels, and mergers, joint ventures, or other business alliances. Finally, defense firms would like European countries to harmonize the specifications for weapons systems. From an industrial viewpoint, this would make joint projects more feasible, and allow for larger production runs to reduce the per unit costs. From a military perspective, such actions would allow for the inter-operability of equipment when forces from different countries are teamed together. Therefore, one of the primary activities of the EDIG is to present all of these concerns to national governments and to the Western European Armaments Group (WEAG), a part of the WEU.

Many of these problems could be resolved if the EDIG's goal of a European armaments procurement agency were attained. Such an agency would harmonize the armaments requirements of member states, serve as a project office to oversee joint production of weapons systems, and organize cooperative research and development programs. The EDIG would prefer the EU to have more influence in defense industry matters. In particular, EDIG would like to see Article 223 of the Rome Treaty eliminated or narrowed in scope. One of the problems for the EDIG is that, when obtaining bids for defense ministry purchases, nations often invoke Article 223 for items that are not specifically military

products, such as clothing. The trade association regards such cases as violations of the objectives of the internal market, and would like to see open and competitive tendering used more often. The EDIG also believes that the scope of the EU's civilian research and development (R&D) programs could be expanded to fund military projects.

While the EDIG is closely connected to the WEU, the trade association's relationship with the EU is evolving slowly. The EP has produced a number of reports over the past few years addressing an EU role in defense industry matters, and the EDIG regards the legislative body as the EU institution that is most eager to press for the abolition of Article 223. The EDIG believes that it can provide the EP with industry information and viewpoints that will strengthen the political statements made by the legislators.

The Union of Industrial and Employers' Confederations of Europe (UNICE) is the voice of European business and industry vis-à-vis the institutions of the EU. One of the major issues for UNICE over the past several years has been the EU's attempt to harmonize regulations on the export of dual-use goods. UNICE lobbied the European Commission, Council, and Parliament for a clear, common export policy on dual-use goods. UNICE started to publish position papers on the subject in 1991 when it became apparent that agreement among member states would not be reached before the start of the single market on January 1, 1993. The association was particularly concerned about the difficulties that small and medium-sized companies have in understanding and applying national rules in force in each member state. According to one of its first papers, "European companies wish dual-use products and technologies to circulate without license within a zone composed of EC and EFTA countries" (UNICE, 1992). The paper contained UNICE's conditions for an effective export controls system to work: one list of controlled commodities, one list of permitted destinations, one warning list of sensitive end users, and one coordinating mechanism to ensure efficient and harmonized methods of control for each member state. However, the actual dual-use agreement, finalized in December 1994, did not meet all of UNICE's objectives. The new rules contain certain restrictions, such as a list of highly sensitive technologies that

still will require a national license for exports among EU member states (Tigner, 1995a). Nevertheless, the evidence of the dual-use case seems to support Collie's (1993) claim that UNICE's efforts can change EU draft directives, and are able to make many of the more difficult legislative proposals less unpalatable to European industry. It is also clear that European defense firms' participation in UNICE plays only a small part in their overall lobbying efforts, a conclusion also reached by Collie with regard to large companies in general.

### 3. Labor Groups

European trade unions representing defense industry workers have not been very influential in shaping the development of this sector in the post-Cold War period. This is surprising since approximately 1.04 million people were employed in Europe's defense industry in 1991 (*SIPRI Yearbook*, 1993). While such numbers made the defense industry one of the largest employment sectors in Europe a few years ago, 614,000 to 740,000 jobs may be lost by 1998. Workers, then, have much at stake as Europe's defense industry restructures. Members of the European Metalworkers' Federation (EMF) include about fifty metalworkers unions from 24 European countries. The EMF, which represents over eight million workers, has been concerned with the defense industry and arms issues since the 1970s. At the EU level, the EMF concentrates its lobbying efforts on the Commission, while relations with the European Parliament vary with the legislative body's influence on particular matters. The EMF does not try to influence the Council because it believes that it is the responsibility of national unions to lobby their own governments.

The EMF would like to see the EU take on a larger role in defense industry matters. One EMF (1991) position paper endorsed an industrial policy at the EU level to "halt the decline in the arms industry," and "create a climate conducive to conversion and introduce measures to safeguard jobs." Some of the basic measures proposed include: regular reports by the Commission on the situation and

development of the arms industry; the creation of a diversification/conversion monitoring agency administered by a committee of representatives from the Commission, trade unions, and businesses; the launching of research and development programs to sustain the conversion process; funds for conversion and retraining workers; and the formation of a European arms control agency to ensure greater transparency in arms trading.

Yet the EMF has not been influential in shaping a European-level defense industrial policy. Unions are at a disadvantage because they are sometimes excluded from the decision-making that affects Europe's defense industry. Most striking is the fact that the EMF was not involved in the founding of the EU's defense conversion programs. Another reason for labor's weakness is its fragmentation. There is no European-wide labor federation devoted exclusively to the interests of workers in the defense industry. While the EMF looks after the interests of workers in the aerospace and armaments sector, it also represents workers in the automobile, machine tool, electronics, shipbuilding, household appliance, and railroad equipment industries. The problem is compounded further at the national level, where defense workers are organized differently in each country. For example, Germany has one large union covering metalworkers, IG-Metall, with a special department handling the armaments industry working with the EMF. In France, each of the major unions have members that belong to the EMF. In Britain, defense workers belong to electrical and engineering unions, and each union sends representatives to the EMF. In Scandinavia, there are two different unions representing blue and white collar workers in the defense industry. Thus, to get the different unions to speak with one voice at the national level is difficult. To get national unions to reach agreement at the European level is even more unwieldy. Consequently, labor's inability to obtain significant influence at the EU level on defense industrial issues can be traced to the fact that Europe's defense industry workers do not, and cannot, speak with one voice.

The problems surrounding Germany's restrictions on the export of armaments also arise when this issue is addressed by defense workers. According to an EMF representative, unions tend to think



nationally. So, for example, German unionists calling for a loosening of their countries' export regulations are opposed by workers in other countries who do not want to see armaments production (and jobs) decline in their nations. Thus, the EMF did not become too involved in the EU's attempt to harmonize regulations governing the export of dual-use goods and develop a list of acceptable destination countries. The EMF simply supported the goal of harmonizing export controls and monitored the progress on this matter because, as one official explained, a detailed proposal that addresses which goods and countries should be on the list would have led to the federation's members advocating the policies of their national government.

Workers faced with the prospect of being made redundant believe their national government - not the EU, WEU, or NATO - is abandoning them. The steps that companies have taken toward Europe-wide defense industry restructuring have often left workers complaining to their national governments. For example, unions at an Aerospatiale satellite assembly plant recently warned the French government that the planned merger of their business with the satellite division of Germany's DASA threatened the French company's position in European satellites (Buchan, 1995). Although Aerospatiale and DASA work together in a number of businesses (including Eurocopter and Airbus), the satellite venture will be the first one to be based in Germany. As another example, some workers went abroad to search for work when Britain's Swan Hunter shipyard closed. Steve Young, a worker who went to a shipyard in Bremerhaven, is angry that his skills are wanted in Germany but not in Britain. "To know how busy [German] shipyards are, while ours are closing down, that's the most despairing thing," said Young (Tighe, 1995). He added that, "[t]he Germans don't build ships better or cheaper than we can. But no ship in the world is built without subsidy. Our government has let our industry go to the wall." National governments, not institutions in Brussels, are seen by most workers as the most likely source of assistance.

#### 4. Other Actors

Other interest groups have been trying to influence the development of a European arms industry for many years. In some cases, public and private groups are teaming up to press their defense industry interests. In south-west England, identified by the UK's Department of Trade and Industry as having the highest defense dependency in the country, three counties formed a unique collaboration in 1993 to bid jointly for EU Konver defense conversion funds. In December 1993, the south-west was awarded the largest single tranche of the funds, £2.5 million of the total £15.5 million UK allocation, with the three counties winning the biggest share in the south-west with a grant of £1.3 million (Adburgham, 1994c). One economic forum executive involved in the bid for Konver funds claims that, "[w]e got the money because we had a strategy, but also because of the partnership approach." In the county of Dorset, the Partners for Prosperity was formed by the county council, Chamber of Commerce & Industry, and the Training and Enterprise Council to lobby for the area, market the region's opportunities, and encourage initiatives to regenerate the economy (Adburgham, 1994b). The Partners for Prosperity has been active in lobbying both the UK government and the EU for assistance, and has received Konver defense conversion funding from the Commission.

Bishop (1995) notes that one consequence of the relatively limited national government aid available to deal with the problems caused by defense restructuring has been the growing involvement of local authorities in defense initiatives. County councils have commissioned studies of their regions' economic dependence on defense, organizing conferences on the subject, conducting research, and encouraging defense diversification. Because activities have been limited by the financial difficulties facing many councils, local authorities have sought to access funds through the EU, Training and Enterprise Councils, and other agencies to enable them to undertake the establishment of technology centers, training programs, and other initiatives. Bishop concludes that these developments have taken place on a rather uneven basis and thereby have contributed to the rather incoherent policy situation.

Thus, at least in the British case, the national government seems less active in helping regions to diversify economically and retrain defense workers than either local authorities or the EU.

Various other pressure groups exist to persuade government leaders and EU officials to take up defense industrial policies. The Bow Group, a conservative and pro-European British think-tank, proposed a single European market in arms in the run-up to Maastricht in the fall of 1991 (Inglewood and Huxham, 1991). The organization proposed: a reduction in the list of armaments accompanying Article 223 of the Rome Treaty which are now outside EU competence; legally enforceable EU rules to cover defense procurement; harmonizing export controls; common European standards across the whole range of defense products; financial support from the EU for joint R&D projects in defense; and the use of structural funds to provide assistance to areas vulnerable to defense industry closures. Given the British government's opposition to giving the EU explicit powers over defense industry matters, these very ambitious proposals probably had little real influence in the Maastricht negotiations. Nonetheless, the Bow Group remains influential in shaping Tory party policies, especially on the issue of Europe. A report by Saferworld (1995), a British independent foreign affairs think-tank and public education group, called for a strengthening of the Code of Conduct adopted by the EU in 1991 to govern arms exports.

## 5. Conclusions

While the small number of interviews with defense industry officials and other material presented above make it difficult to generalize about the preferences of firms from each country, it is possible to suggest that the data reinforce some of the stereotypes held about the views of French, British, and German companies. The Germans appear the most interested in a more active EU role in defense industry matters. Increased aid for, and coordination of, defense R&D programs is highly desired, as are proposals to improve the competitiveness of European industry *vis-à-vis* America's aerospace and defense sector and harmonize European export regulations. The French seem to find greater European

cooperation in armaments production as a nice ideal, but are realistic enough to know that states are reluctant to cede this area of national security to a supranational institution like the EU or, perhaps even, the WEU. French firms are slightly better placed in the short term than German defense companies because the French government has a very *dirigiste* armaments procurement policy that strongly favors European (especially French) companies, and, through its international contacts, can help the country's industry win exports. British firms are the strongest advocates of free market solutions, and BAe and GEC seem to see EU involvement in defense industry matters as almost irrelevant to their corporate strategies.

One of the problems facing policymakers and industrialists is who should be leading the restructuring process. One study (Ernst & Young, 1994) concluded that the British government, as well as other European governments, need to take the cross-border rationalization of Europe's defense industry more seriously before economic events overtake the government's ability to influence this sector. A notion that industrial activity leads government policy suggests that these are independent actions, and underestimates the intimate relationship between politics and economics in any discussion of defense industries. Indeed, the Ernst & Young report acknowledges that there "is clearly an interrelationship between agreeing common defence operational requirements across Europe (i.e. "customer driven co-ordination") and defence industry itself rationalising (or "supply" side rationalisation)" (p. 9). Their conclusion that, "[t]he reality is that both aspects are progressing, but with the supply side rationalising more quickly than the customer side," (p. 9) is largely supported by the corporate interests presented in this paper.

It is important to keep in mind that Europe's defense industry is comprised of companies whose interests can and do diverge. Jan Bosma, president of the European Defense Industry Group, has said that, "the European defense market is not homogeneous, and on basic issues we are not much closer to an open defense market [in 1994] than we were in 1990" (de Briganti, 1994). Although Europe's defense

firms may be able to reach agreement on what should be done to address the industry's problems, it is questionable whether these companies are yet willing to accept some of the prescriptions, particularly those who will be hardest hit by rationalization. Recent controversies over the allocation of Eurofighter production (Gray, 1995b) highlight the contradiction between the rationalization that firms say is necessary to strengthen Europe's armaments industry, and the actions individual companies are willing to take.

It is unlikely that labor will play a major role in bringing defense industrial issues to the EU level. The EMF has almost resigned itself to the fact that it cannot play a leading role because of the fragmentation of workers' interests at the national level, the relative weakness of labor to capital in Europe's defense industry (particularly in the area of arms conversion), and the tension between a social philosophy of peace and a reality that workers' livelihoods are dependent upon a sustainable armaments sector. The most likely scenario is that unions will oppose defense cuts in isolated situations when particular production plants are in jeopardy of closing. The evidence here thus tends to support much of the research done elsewhere, which concludes that, at the EU level, "business has managed to organize interests more effectively than labour and from much earlier" (Greenwood, Grote, and Ronit, 1992, p. 239). Interestingly, there doesn't seem to be much effort by business and labor to address the defense restructuring issue with one voice. In many cases, labor and business are asking for similar things.

Some interest groups are simply frustrated that neither national governments nor the EU are addressing their concerns. Regions that have been dependent upon military and defense spending are critical of the level of government assistance for economic diversification. According to Linda Skinner, director of the Centre for Innovation and Industry at the University of the West of England in Bristol,

The amount of [Konver] money which has been won for this region is welcome but inadequate. We will be pressing hard for more resources to flow. Our research shows

that, at present, many businesses are not aware that they are defence-dependent, particularly where they are second and third level in a supply chain (Adburgham, 1994c).

Adrian Kendry, of the university's research unit in defense economics, says,

One senses that the Konver program is being used by the British government as the lowest common denominator in getting involved in any serious restructuring. While the Konver programme is laudable, it fails to address the magnitude of what is required. The decline in the manufacturing base and the threat to the technical base is so substantial that the restructuring implied by Konver could be seen as window-dressing (Adburgham, 1994c).

With no assistance from London forthcoming, and only limited help from the EU, local officials and small businesses are largely on their own.

It is unlikely that the current intergovernmental conference will see the repeal of Article 223 of the Rome Treaty. Major French firms, such as Thomson-CSF, want to retain it. Some liberal-minded defense firms, such as Sweden's Celsius, would like the free-market British to push for an open defense market, including the removal or revision of Article 223 (*Economist*, 1996b). However, British officials say their ministers will oppose change because diluting Article 223 would increase the authority of the European Commission, and the Conservative Party's Eurosceptics do not want that.

It is difficult to measure the influence that lobbying has had on national defense industrial policies or on EU institutions. All of the major European defense firms maintain offices in Brussels to follow developments within the EU, WEU, NATO, and EDIG, and to build relationships with (and provide information to) officials of these organizations. The influence of pan-European trade

associations in EU policy-making varies: UNICE was only moderately successful in achieving its objectives on dual-use regulations, while the EDIG has not made significant headway in pressuring the WEAG to harmonize weapons specifications, coordinate procurement, or form a European armaments agency. While UNICE and EDIG may be very competent as institutions to provide information up to politicians and down to business, and even in collating members' interests, there is little that they can do at the EU level in defense industry matters because this is still an area that is largely within the domain of national governments.

Mazey and Richardson (1993) are optimistic about the ability of interest groups to further European integration.

The suggestion by the neo-functional theorists that groups would play a key role in the integration process may not have yet been proved correct. However, there is increasing evidence that economic interests (again, the multinational companies are probably the best example) are increasingly active in pressing for standardization, harmonization, and for a level playing field within Europe. They also recognize that, in terms of world competition, there is little alternative to cross-national collaboration if European industries are to be able to compete with those of the Pacific rim in the next century. Their desire to reduce uncertainty might also be expected to lead them to press for greater political as well as economic union within Europe. Essentially, the sooner the big questions of political union can be settled, the sooner a large uncertainty in the business environment will be removed (Mazey and Richardson, 1993, pp. 249-250).

This characterization of interest groups is remarkably representative of defense industry interests, particularly companies. As discussed above, the EDIG and others in the armaments sector are eager for

national defense ministries to harmonize equipment requirements and standardize weapons. Some, but not all, firms also want more open procurement policies. Europe's defense industry is also calling for more transnational cooperation to better compete in the global economy. Finally, most defense firms would benefit from European political integration. A stronger commitment to a common foreign and security policy could make life easier for exporters of dual-use goods and military equipment, if member states can reach agreement on what can be exported and to which countries. A common EU defense policy could lead to closer ties between the EU and WEU, including the creation of a European armaments procurement agency. This, too, would help defense businesses better plan for the future.

In Hayward's (1994) study of EU policy and the European aerospace industry (an important component of the defense industry), he suggests that "an important indicator of a shift in the focus of policy-making in aerospace to the EU level is the extent to which firms individually or collectively have begun to lobby the European institutions" (p. 359). Hayward suggests that there may soon be a shift from the national level to the EU because, as industry restructures transnationally, bonds with national governments will weaken. This may facilitate the growth of European supranational authority in this sector

Perhaps the most important conclusion regarding defense industry interest groups is that they are beginning to direct their lobbying resources to Brussels, to both the EU and WEU. It does not much matter that different companies in different countries have different views on what the EU's role in defense industry matters should be. Given the defense industry's long association with, and focus on, national governments, it should not be surprising that the interests of companies in each country may diverge. These businesses have, until recently, been shaped almost entirely by the specific political economy of arms production in their own country. What is more interesting, and more relevant to a theoretical framework, is the fact that a dialogue is taking place between business, national political, and supranational elites about the proper role of national governments and supranational institutions in



European defense industry restructuring. As the examples presented in this paper illustrate, armaments sector interest groups are raising their concerns at the European level because there are actual and potential roles for the EU and WEU in defense industry matters.

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