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IS THE TRANSATLANTIC DEFENCE MARKETPLACE BECOMING A REALITY?



Moderated by Giles Merritt, Director, New Defence Agenda
and
Brooks Tigner, Correspondent, Defense News

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NEW DEFENCE AGENDA

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NEW DEFENCE AGENDA

“THE TIMES THEY-ARE-A-CHANGING”

That’s what Bob Dylan sang back in the sixties, and moderator Brooks Tigner had a similar message when he opened the latest New Defence Agenda roundtable on the status of the transatlantic defence marketplace. He wanted panellists to focus on today’s situation and he did not want to hear about the history of transatlantic co-operation. And Tigner got exactly that. All the panellists said exactly what they thought and it was not all good. If one word could sum up the mood of the morning, it was *frustration*.

But in the afternoon, after a light lunch, a new panel under Giles Merritt’s careful guidance saw things in a different light. Several panellists reminded the meeting that defence and security requirements were international and not limited to a particular geographic sector. So the solutions had to be international too. The requirements were well-known and it was clear that the troops on the ground did not care where equipment came from as long as it worked efficiently. Lockheed Martin’s Scott A. Harris complained that the industry was taking too long to develop solutions and that changes were needed. The benefit of an open architecture was stressed and that underlined the importance of IT-related answers to many of the questions.

“The current (security) situation looks a lot like the 1930s, if you don’t know where the threats are coming from, you want as wide a portfolio as you can get”

Pierre Chao

But political problems were never far from the surface, processes and procedures needed to be examined and there appeared to be a lack of understanding about Europe in the US. But Europe did not get away scot-free, as Harris argued that it was not spending enough to survive on its own. CSIS’s Pierre Chao said that to shift a staid debate away from “two way streets”, a broader definition of national security and a look at the existing links in subsystems and components was needed.

The European Defence Agency’s Arturo Alfonso-Meirino had kicked off the morning debate by bemoaning the lack of a real European Defence Market (EDM). He confirmed that the Agency aimed to create one that was “reliable, credible and meaningful” for all. Alexandra Ashbourne, of the eponymous consultancy service, found it difficult to be positive; the two-way street was a nightmare for European horse-drawn carts, and although transatlantic deals were being done, they were on a minute scale. She saw a place for niche technologies and little else at the moment.

BAE Systems’ Bill Giles reminded the group that joint programmes, joint ventures and acquisitions had changed the picture but he too was frustrated by technology transfer restrictions and the lack of sufficient European investment. IRIS’ Jean-Pierre Maulny was pessimistic, as he saw political problems at all sides and a total lack of recognition of the EU within the US.

“We have a (too) long product cycle, we’re bringing products into operation that have been 25 years in development”

Scott Harris

Looking to the future in the afternoon session, Chao called for homeland security to be redefined as an international requirement, so that Europe could play its part. Harris thought it was too easy to blame the transatlantic relationship and argued that if a real EDM was created, many suppliers would go to the wall. The US Delegation to NATO’s Jeff Fitch listed a wealth of requirements that had to be met and stressed the opportunities that were there to be seized.

At the end of the debate, all heads turned metaphorically towards Alfonso-Meirino. If any organisation was going to play the role of *the man in the white hat* it was the European Defence Agency. It was seen as a potential catalyst and the November deadline for further details of the actions to be taken could not come soon enough.

SESSION 1 ARE INDUSTRIAL PARTNERSHIPS THE SAME AS THE “TWO-WAY STREET”?

Moderating the opening session, Defense News’ Brooks Tigner went on the attack and asked panellists to avoid talking about past developments and concentrate on today’s situation. Listing the numerous developments (European Commission initiatives, the arrival of the European Defence Agency, the pressure caused by the threat of global terrorism, etc.) Tigner asked the Agency’s representative to lead the way.

Arturo Alfonso-Meirino, Deputy Director, Industry & Defence Market, European Defence Agency



Alfonso-Meirino summed up the current European Defence Market (EDM) in one word – “misleading”. Referring to the European scene as one where national preferences dominated, he argued that Europe suffered from a lack of reciprocity vis-à-vis the US. With the European Commission’s initiatives to encourage the creation of a competitive EDM, with a stronger technological base and reduced fragmentation, Alfonso-Meirino confirmed that the European Defence Agency’s (EDA’s) Steering Board had reaffirmed the Agency’s role in that task.

Concretely, the Agency will report back to its Board in March 2005, with proposals on initial input to the European Commission’s consultation process and with details of the Agency’s own position on a future EDM. Alfonso-Meirino confirmed the Agency’s objective as being the creation of a reliable, credible and meaningful EDM for all actors.

Alfonso-Meirino also explained that the Agency would co-ordinate the actions of the

European Commission, member states and industry in identifying instruments and measures that would facilitate the introduction of an effective EDM. He added that the Agency would work towards improving the condition of the transatlantic marketplace by a series of informal meetings with NATO.

“the European Defence Market is a misleading description.”

Arturo Alfonso-Meirino

However, Alfonso-Meirino stressed that the Agency believed that only the existence of a real EDM, based on a strong defence, technological and industrial base in Europe could level the relative position of industries on both sides of the Atlantic. This would make technology transfer easier and facilitate the creation of a real “two-way street”.

Alexandra Ashbourne, Director, Ashbourne Strategic Consulting Ltd, UK

Alexandra Ashbourne explained that she’d had to rethink her remarks as, initially, she had been tempted to say:

- There was no two-way-street
- The protective barriers were insuperable
- Nothing could be done to overcome them

However, she had decided to be more positive and proceeded to give her views on the current transatlantic situation.



THE TWO-WAY STREET

Ashbourne saw this as a highway that contained US juggernauts and European horses and carts. She could see relatively few reasons for the US to buy from Europe as it had sufficient suppliers in most areas. Added to that, there were political barriers aplenty. Ashbourne revealed the massive imbalance between the amount of contracts that US awards to US suppliers - \$65 billion worth – and to European – only \$1,016 billion. These European sales were split over a number of countries, but this added up to purchasing on a microscopic scale. Noting that the US only looked towards Europe when it could not solve its own problems, Ashbourne mentioned “battle group awareness” as a potential niche area. However, that was not thought to be a long-term gap in the US armoury.

HOW FORMIDABLE ARE THE PROTECTIVE BARRIERS?

Ashbourne saw no prospect of a breakthrough – the barriers were still “insuperable”. There had been little or no progress in the past five years and President Bush had abandoned plans (a review of policies and practices in regard to export control) to re-examine the situation. Growing ever more pessimistic, Ashbourne argued that the situation was getting worse following the EU’s recent announcement on the arms embargo with China.

What can be done?

Ashbourne stressed the importance of joint transatlantic cooperation but acknowledged that progress was likely to be in areas where the US had a genuine interest. This would mainly be in domains such as network-enhanced facilities, UAVs, precision-guided weaponry etc. Summing up, Ashbourne argued that niche technologies would be the best way in to the US market.

Bill Giles, Director General Europe, BAE Systems

Bill Giles took a similar view, the two-way street was a case of “super highway versus country lane”. However, he regarded procurement (1-2% of US acquisitions are imports) as being just one part of the equation. Giles stressed the importance of joint programmes (e.g. the JSF), transatlantic

joint ventures and changes in ownership (acquisitions in both directions). As an example, Giles remarked that BAE Systems now had over 25,000 US-based employees.

But ... Giles did agree that barriers to technology transfer inhibited BAE’s ability to rationalise business across the Atlantic. Expanding on those comments, he argued that all players (governments, industry, etc.) were encountering problems; governments especially needed access to the technology that they were acquiring.



However, there was another but and that referred to inadequate investment in Europe. Giles gave examples – collective requirements in support of ESDP, national requirements, etc. – where member states were not investing sufficiently to acquire the required level of military capability. The debate needed to recognise this context. In the absence of higher investment, Giles saw limited mileage in complaining about the lack of technology transfer and suggesting that European armed forces used European equipment, if those same forces were demanding “the most advanced technology available”.

“it’s difficult for industry to say that European armed forces should have European kit if the military assessment is that they should acquire the most advanced technology”

Bill Giles

Jean-Pierre Maulny, Deputy Director, Institut des Relations Internationales et Stratégiques (IRIS), Paris

Jean-Pierre Maulny was insistent that a transatlantic marketplace was essential for all

players. He argued that co-operation was important, as:

- a) it played a role in ensuring that expenditures were more efficient, and
- b) it was a multi-lateral world that required interoperable solutions

But ... in reality, Maulny did not see this. Although genuine transatlantic companies were required, it was hard to have equal voices due to the disproportionate size of the US marketplace. Despite this, Maulny saw the political problems faced by the European defence industry as being the main barrier to progress. These included the aforementioned technology transfer barriers and the complex rules that governed the relationship between the US and European defence industries. He was also concerned by the different views as to how various threats (terrorism, proliferation of WDM, etc.) should be confronted. The result, according to Maulny, was misunderstanding between the US and the EU, and more specifically, between the US and France. This was exacerbated by the lack of cross-Atlantic technology transfer, where Maulny laid the blame fairly and squarely on the US Congress.

Even worse, from his viewpoint, were the favourable relationships that existed between the US and its preferred partners (the UK, Japan and Australia). Maulny was sure of one thing – in US eyes, neither NATO nor the EU existed. Therefore, a transatlantic marketplace did not, and could not, exist – players could be pragmatic on a case-by-case basis, but he saw too many political differences. The two-way street was closed.

“The EU does not exist for the US”

Jean-Pierre Maulny

First session – Q & A

TRADE IMBALANCES AND TECHNOLOGY TRANSFERS

The first question came from Adviser to the European Parliament’s Green Party Ernst Guelcher, who wanted to know the objectives of the European Commission in potentially spending (annually) up to 1 billion euros on defence- and security-related research. Bill Giles supported that rate of expenditure in

support of European “homeland” security, but warned again about the disparity between US and European investments. As security did not respect national boundaries, the responses needed to be global in nature, with potentially wasteful “duplicated” research limited to critical technology areas. He wanted the EU to contribute but to avoid looking at the situation in isolation. Alexandra Ashbourne agreed but brought the lack of technology transfer back to the table – as it was impossible to take any actions without licenses (“needed to discuss issues and to even arrange meetings”). Giles Merritt opined that the trade imbalance was due to technological shortcomings within Europe.

A SHRINKING DEFENCE MARKET

Merritt also wanted to know if the shake-out and job losses in the defence sector was complete. Bill Giles gave an unequivocal no to

“(with the current technology transfer barriers) you even need a license to arrange meetings to discuss items of mutual interest”

Alexandra Ashbourne

that question. He could not see major programmes, such as the Eurofighter Typhoon, being succeeded by initiatives of a similar size. Furthermore, there were countries and sectors (land, sea, etc.) where further rationalisation was necessary. This would inevitably lead to a loss of jobs across Europe. But Giles noted that, as a knowledge-based and high value-added activity, a strong defence industry was fully congruent with the EU’s Lisbon goals.

THE WAY FORWARD

Given a chance by Brooks Tigner to look at the future, Giles insisted that BAE wanted a coherent European defence market. However, he believed that the armed forces would decide on requirements, and many would look for the most cost effective solutions regardless of sourcing.



AeroStrategies' Robert Draper looked back briefly to 1994, when the same topics had been discussed, and concluded that "things had got worse". He could see no reason for hope in the future – the US would not change and Europe would not increase its investment. He saw two possible routes:

- a) taking the BAE stance of becoming a prime mover in the US, or,
- b) sub-contracting in "niche technologies"

Draper regarded the second option as the "soft underbelly" of the US defence market. Progress could be achieved by targeting Europe's specialist areas in the US. To this end, he wanted to know if the Agency was doing enough to develop more world-class players in these niche technologies.

EADS' Pierre Sabatié-Garat agreed with Draper. Europe had to spend its money more efficiently and it had to decide if it was a serious player. Noting that while there was a gap in the available budgets, there was no gap in technology – Europe had the capabilities. Sabatié-Garat also saw areas where Europe could play a role, particularly in NATO's *defence against terrorism* initiative, where the



US was looking for the Europeans to provide solutions. He concluded that increased R&D expenditure was the answer, and emphasised the great expectations that were being placed on the Agency. Jean-Pierre Maulny agreed that a European Defence Market was essential, the situation "was evolving" and it could not be left to national markets.

Taking a different tack, Giles argued that even if a self-sufficient European market was feasible, there was a lack of investment in R&D to meet military objectives at affordable prices. His message was clear – "Europe could not live in a vacuum". That also applied to the NATO alliance. On a related topic, Ashbourne added that UK companies in

particular were keen to focus on shareholder value, even if that was at the expense of "the greater good". That meant that if US companies offered better value, then the shareholders would drive companies in that direction.

THE AGENCY – WHAT ROLE?

Tigner asked the panel if Europe ("with its own excellent defence technologies"), and the Agency, might be tempted along the path of a "closed internal defence market". Furthermore, how could Europe achieve the efficiencies of the US and did the Agency have a role in industrial policy? Arturo Alfonso-Meirino would only confirm that it would play a part in any re-arrangement of the European defence industry.

Gert Timmerman, from the Netherlands Delegation to NATO, wanted to know if the Agency would develop approaches that could lead to consolidating Europe's defence industry in a way similar to that achieved in the US a few years ago. With all eyes on Alfonso-Meirino, he replied that it was "early days" for the Agency. It was planned for the Agency to present ideas to the Steering Board (in conjunction with the European Commission, industry and the member states) as to how a competitive European market could be created. He added that caution was necessary, as this would have an impact on national industries. Alfonso-Meirino said that there were many projects in mind, with the target being recommendations to the Steering Board in November.



SESSION 2: WHAT WILL BE THE TRANSATLANTIC DEFENCE DEAL OF THE FUTURE?

Giles Merritt opened the second session by inviting panellists to speculate on the kind of equipment that would come to the fore in future years; would it be “soft technologies”, equipment to be used in “aggressive military operations” or more attuned to peace-keeping roles?

Pierre Chao, Director of Defense Industrial Initiatives, Center for Strategic and International Studies (CSIS)



Pierre Chao was out to slay some dragons – he saw the area of transatlantic defence markets as an area “imbued with deep (and wholly incorrect) mythologies”. He therefore offered some advice:

- Do not be obsessed by “prime platform systems”, get close to operational people, such as US Special Forces (and further away from Washington) and you will see European equipment in use (in the US) whenever it was “the best in the world”
- In order to find foreign (European) components in the US – you have to go down to the third or fourth levels of the US weapon systems themselves; and vice-versa

He concluded that an “integrated transatlantic industrial base” existed, as US companies were setting up facilities in Europe (and vice-versa). Chao stressed the importance of privatisation and how it was changing the

European defence industrial landscape as well. He argued that the accent was now much more on “business” and perhaps on “shareholder value” – overall a positive evolution but to the dismay of some government customers.

In essence, Chao dismissed the view that technology transfer barriers were insuperable and listed numerous companies that were striving to break into the US defence market. Looking to the future, Chao offered more advice:

- Redefine the concept of “US national security” in a broader sense, so that it encompasses homeland security policy; this would allow relevant European technologies to be more easily brought into the equation.
- Look at the success of mid-tier companies (e.g. Zodiac group in the US, GKN in the US, etc.) in the US and in the Europe; do not be fixated by the potential of major deals or use them as the definition of success and do not implement policies that disrupts the real and robust exchange of goods under way at the subsystems and component level.

“I fear (the technology transfer situation) will only change the day the US wants some technology and Europe says - go take a walk”

Pierre Chao

Looking for fresh reasons why a transatlantic defence market was desirable, Chao argued that we lived in an “ambiguous world where no one knows where the threats are coming from”. This was a world “that looks a lot like the 1920s and 1930s”, so it was therefore a world that cried out for a portfolio of solutions that could counter any threat.

Campaigning for genuine transatlantic co-operation, Chao said the US should welcome a solution that expands the portfolio of capabilities it has to address global security issues; to potentially include British troops with urban warfare expertise, French forces with experience of Islamic insurgency in an Arab nation and Norwegian knowledge of “littoral sonar”. Overall, he suggested

redefining the debate away from old arguments about two way streets – it was necessary to take a fresh view.

Scott A. Harris, President, Continental Europe, Lockheed Martin



Scott Harris opened by describing the defence market as “unusual”, as governments were major players; customers, sources of R&D funding, end-users and (sometimes) the owners. However, he did see the defence marketplace as being similar to any other market, in that without customers it could not exist. Harris was concerned in that regard, as European governments were not buying enough to sustain the industrial base of Europe. Harris saw this in the context of US defence spending that was 30-40% higher than it was four years ago.

Harris argued that future programmes would include transatlantic participation (the notion of a two-way street was dismissed as old-style thinking). As an example, Harris pointed to Lockheed-Martin’s Littoral Combat Ship (LCS) which featured a high number of foreign-designed or -built systems, including Danish, Swiss, British, Italian, Spanish, Swedish and German components. He also quoted the LCS project manager who told the highly-respected *Defense News* that many European companies had not believed that the US market was so open.

“Brussels cannot create a (European defence) market, it has to come from the demand side, not the regulatory side”

Scott Harris



Other potential transatlantic programmes included: network-enabled initiatives (missile defence, NATO’s Air Command And Control System (ACCS)¹, etc.), terrorist-related efforts (threat assessment, intelligence gathering, etc.) and “power projection and sustainment” (putting troops in place and sustaining them for a significant period of time).

But Harris had concerns:

- While the European Commission’s green paper was commendable, it included the notion that an EDM could be created by “Brussels”; Harris disagreed as any market had to be built on a customer base
- If “fortress Europe” did exist, there was not enough interest within Europe to keep such a European market alive
- If an EDM was created, many inefficient suppliers would be put out of business, as had happened in the US

In closing, Harris rejected the idea of an intermediate step in the creation of a genuine transatlantic marketplace (whereby Europe was integrated internally before being merged with the US). He saw projects such as the LCS as being the way of the future, there was “no need to wait for politicians”. Other key programmes mentioned included MEADS

¹ The NATO Air Command And Control System (ACCS) is intended to combine, and automate, at the tactical level the planning and tasking and execution of all air operations (see <http://www.nato.int/issues/accs/>)

(Lockheed-Martin's three-nation partnership that required technology release by the US), JF and air-to-ground surveillance.

Jeff Fitch, Armaments Cooperation Division, US Delegation to NATO

Jeff Fitch described a future that had deals that looked similar to many ongoing NATO programmes. Examples quoted included MEADS, missile defence and alliance ground surveillance (AGS) – all described as programmes in the early stages of development. Fitch also highlighted NATO's nine *defence against terrorism* initiatives – also in their infancy. These included: protection of large-body aircraft from shoulder-fired weapons, protection of harbours and vessels from surface and sub-surface attacks, reducing the vulnerability of helicopters from ground attacks, etc.

Acknowledging that some of these were “niche” initiatives, Fitch stated that European nations had proved their capability to meet such requirements. He also mentioned 400 initiatives that were part of the Prague Capability Requirements – his message was clear, there were many opportunities for European companies to play a role. In particular, Fitch highlighted opportunities in the network-centric domain.

He did acknowledge problems: export controls, licensing, technology transfer and the (occasionally lack of) ability of 26 NATO nations to agree on a common requirement. Fitch also commented that expected US defence cut-backs (as reported in the press) would put pressure on any expenditures in Europe. But he saw opportunities, as some programmes were too expensive for the US to go alone. Fitch concluded that partnerships were a viable path for the future: for example, the opening of Augusta-Westland's new office in Northern Virginia and the success of Airbus in an extremely competitive marketplace.

SECOND SESSION – Q & A

WAS TRANSATLANTIC CO-OPERATION NEEDED?

Flight International's Justin Wasnag posed the first question, asking what were the advantages for US companies to engage with Europe. Scott A. Harris listed what he called “traditional reasons”: partners who could

provide lower-cost solutions, partners with niche expertise and partners who could help you to expand your marketplace. Harris added that most customers wanted to buy “common systems” that could best be built by co-operative ventures. Pierre Chao added that although the US market was huge, it could not cover all global threats; so co-operation had to be the name of the game.

Jean-Pierre Maulny found it quite normal that European countries would endeavour to make partnerships with US defence companies as the commercial advantages were obvious and had been since the days of President Reagan's Strategic Defense Initiative.

TECHNOLOGY TRANSFER – THE PROBLEM

Brooks Tigner wanted examples of where companies like BAE Systems were conducting US projects that could lead to them exporting the technology – Tigner thought this was highly unlikely. He argued that this could be a showstopper for the creation of real “transatlantic partnerships”. Chao agreed with Tigner that there were “horror stories” concerning technology going in to the US and not coming out. He had only one solution, it would only change if the US wanted European technology and Europe said ‘No!’ The US was not feeling any pain at the moment.

Harris argued that the US would always safeguard its highly-sensitive technology, for clear and obvious reasons. European and Asian companies would have to accept restrictions on “where technology would go next”. Nailing the subject down, Harris added that any companies that wanted access to US technology – in order to be more globally competitive - would be disappointed, as even Americans were not that naive.

NATO's Major General Lars Fynbo came back on Harris' point about technology potentially falling into the wrong hands. He suggested that this was an international issue, rather than an American one, that should be addressed



accordingly. And if the protection of technology was a purely commercial issue, why wasn't it left to the companies? Harris agreed that companies could protect their own technology and, indeed, issues such as the proliferation of WMD were international. However, globally, the world had not done a very good job so far.

Jean-Pierre Maulny saw two aspects: from an industrial standpoint, technology transfer could only take place if a joint company existed, whereas, politically, there was misunderstanding on all sides. Giles noted that there was widespread exasperation about technology transfer, even among governments with "favoured ally status". That had to change if a true transatlantic market was to be created. Giles saw this as another reason for building a genuine European defence market.

BRUSSELS AND CREATING AN EDM

On the subject of Brussels' ability to create a European Defence Market, Tigner did not agree with Harris – Tigner expected the EDA to eventually have a regulatory role. Harris accepted that Brussels had some tools but it did not have the power of purchase. He added that it could achieve this awarding procurement authority to the EDA.

Although Bill Giles agreed that economic factors were driving many of the decisions and activities, he did not agree with Harris' earlier comment that an intermediate (European) market was not needed. Giles thought that the creation of an effective EDM was essential in order to create a set of "open market procedures" where competition was seen as a natural part of the game. Regulation was required and perhaps the Agency had a role to play here.

WHY ARE WE DOING THIS?

The European Voice's Ilana Bet-El wanted to hear more about the reasons for building end-products within a defence market. She argued that the key players were the military, so they should be asked - "what did they want and what did they need?". Bet-El argued that many of the products being produced were not what people actually wanted. Turning to the potential EU defence market, she wondered if "industry had the guts to get involved" and guide the EU in making the defence market

into a market like any other, i.e. with an emphasis on industry rather than on defence.

Giles Merritt added that the industry was in a state of flux and not producing solutions for today's asymmetric security problems and global disasters. He asked what policies were needed to address these shifts in requirements and how could Europe and the US start to work together more efficiently.

Chao argued that the real end-users were, for example, the troops in Iraq and Afghanistan or the US Coast Guard and they did not care where equipment came from as long as it was efficient. He saw a move towards increasingly flexible forces and greater network-centric capabilities. Chao wanted more education (on export control systems for example) on all sides and more engagement with the actual war fighters to solve immediate needs.

Harris brought a structural weakness to the table – the long product life-cycle. He gave an example of F22 aircraft that had spent 25 years in development. This could not continue and Harris wanted the industry to be faster by learning from commercial industries and using techniques such as spiral development² and by having an "open architecture". That was the key to getting the right equipment to the war fighter when it was needed. Harris added that NATO had identified many requirements, as mentioned by Fitch, but the real problem was that policies and procedures were not in place to produce the needed solutions. Alexandra Ashbourne agreed, she wanted the procurement process (certainly in the UK) to be speeded up, as troops on the ground wanted solutions today!

Chao came back to the need for an "open architecture", by which he meant the governments' ability to insert whatever technology was necessary, regardless of its source. This was especially true in network-centric backbones where "plug-and-play" was an essential pre-requisite. Chao also wanted a greater examination of process innovation – often ignored in the pursuit of product innovation – and applauded the way in which Airbus had manufactured its products in

² In the mid-1980s, Barry Boehm, then a chief scientist at TRW Inc., devised spiral development as a way to reduce risk on large software projects. Boehm stressed a cyclical approach in which customers evaluated early results and in-house engineers identified potential trouble spots at an early stage.

comparison with its competition. Turning to software, he described the US Army Future Combat System with 35 million lines of code – an example of the ten fold increase in the size of defense software projects overwhelming the four fold increase in software writing productivity. This complexity was a concern for Chao, and he saw the need for government to take more responsibility in addressing the problem.

Pierre Sabatié-Garat agreed that IT technologies used in the defence industry were mainly in the civilian world, but he highlighted the problems caused by a lack of interoperability. Sabatié-Garat referred to a Boeing initiative, gathering US and European companies in order to define the best architectures and protocols needed to have compatible systems. Despite the fact that it is about to choose among existing civilian unprotected products, this group is still confronted with difficulties related to the application of the US technology transfer and export control regulations.

Jeff Fitch reminded the audience that NATO's *defence against terrorism* initiatives were specifically aimed at supporting the troops on the ground. He insisted that this was an excellent opportunity for aggressive European industries to participate.

Chao concluded that the Europeans were being too polite, as they were not explaining



what would happen if certain actions were taken (or not). As an example, Chao explained that the space export control policy had led to an ITAR³-free European satellite bus, but the implications had not been fully understood by US policymakers.

“we should give congressman Duncan Hunter a prize as the best protector of the European defence industry”

Lars Fynbo

It was too much for Fynbo who commented that Congressman Duncan Hunter had made it so difficult for European companies to do business in America – via the ITAR rules – that he should be awarded a prize for protecting the European defence industry.



THE WRAP

Giles Merritt had seen the day swing from “more of the same” in the morning to “being on the threshold of change” in the afternoon. He saw the key as being political relationships; Europe was expanding and changing, and the US needed to understand that, especially in space where Europe was strengthening its position. Merritt saw a need for the US to seek greater collaboration with Europe. Policies – in Washington and Brussels - had to be examined and that could be a future topic for the NDA. Europe needed to see what political leverage it had at this time. Perhaps the Agency could examine a protectionist mechanism, but that needed more in-depth analysis.

³ The US International Traffic in Arms Regulations (ITAR).

NEXT NDA MEETINGS

Conference - Thursday, February 03, 2005, Brussels: TOWARDS AN EU STRATEGY FOR COLLECTIVE SECURITY.

An international conference organised by the New Defence Agenda, EADS, TIPS and the Konrad Adenauer Stiftung.

Speakers include

- Günter Verheugen, Commissioner for Enterprise and Industry, European Commission
- Franco Frattini, Commissioner for Justice, Freedom and Security, European Commission
- William Pope, Acting Counter-terrorism Coordinator, US State Department
- Gijs de Vries, Counter-Terrorism Coordinator, Council of the European Union
- Jean-Louis Gergorin, Executive Vice President, Head of Strategic Coordination, EADS
- Richard Falkenrath, Visiting Fellow, Brookings Institution and former Deputy Assistant and Deputy Homeland Security Advisor to the US President
- Karl von Wogau, Chairman, Subcommittee on Defence and Security, European Parliament
- Jean Fournet, Assistant Secretary General for Public Diplomacy, NATO

Roundtable – Monday, February 14, 2005, Brussels: DEFENCE ASPECTS OF THE NATO AND EU ENLARGEMENTS *Sponsored by TIPS*

Speakers include:

- Claude-France Arnould, Director, Directorate VIII, Defence Aspects, Council of the European Union
- Major General Jean-Pierre Herreweghe, Deputy Director-General and Chief of Staff of the European Union Military Staff
- Girts Valdis Kristovskis, MEP Vice-Chairman of the Subcommittee on Defence and Security, former Defence Minister of Latvia
- Karl von Wogau, Chairman, Subcommittee on Defence and Security, European Parliament
- Michael Lenton, Vice President, Aeronautical Products, Finmeccanica



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Programme:

SESSION 1 – ARE INDUSTRIAL PARTNERSHIPS THE SAME AS THE “TWO-WAY STREET”?

Recent years have seen a surge of transatlantic partnerships in areas as diverse as missiles, helicopters, warships and weapons and surveillance systems. But do these multi-billion dollar cooperation agreements add up to the “two-way street” in defence trade that NATO’s European and American partners have long pledged to one another? How formidable are protective barriers like technology transfer controls, and what can be done to level them?

Moderator: Brooks Tigner, Correspondent, Defense News

Panellists:

- Arturo Alfonso-Meirino, Deputy Director, Industry & Defence Market, European Defence Agency
- Alexandra Ashbourne, Director, Ashbourne Strategic Consulting Ltd, UK
- Bill Giles, Director General Europe, BAE Systems
- Jean-Pierre Maulny, Deputy Director, Institut des Relations Internationales et Stratégiques (IRIS), Paris

SESSION 2 – WHAT WILL BE THE TRANSATLANTIC DEFENCE DEAL OF THE FUTURE?

Defence companies on both sides of the Atlantic have become keenly aware of the need to collaborate on the development of new generations of ultra-sophisticated weaponry and communications equipment. But given the imbalances in defence spending and technological superiority, how equal can these transatlantic partnerships be? What are the military requirements that future U.S.-EU cooperative deals are best suited to address?

Moderator: Giles Merritt, Director, New Defence Agenda

Panellists:

- Pierre Chao, Director of Defense Industrial Initiatives, Center for Strategic and International Studies (CSIS), Washington DC
- Lt. Jeff Fitch, Deputy NADREP, Army Lead in the Armaments Cooperation Division, Delegation of the US to NATO
- Scott Harris, President, Continental Europe, Lockheed Martin



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