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Title : Brexit: What Impact on Armaments Cooperation?

Author: Antonio Calcara, Ph.D Candidate LUISS "Guido Carli" - Department of Political Science (Rome – Italy)

Abstract

Although the long-term implications of Brexit are difficult to predict, it is possible to envision potential and likely scenarios in various areas. This article focuses specifically on Brexit's effects on European armaments cooperation. With the intention to stimulate academic and political debate, this analysis takes an alternative path from the widespread pessimistic perspectives about post-Brexit EU-UK relations. In contrast, it offers a scenario in which European armaments cooperation could, surprisingly, benefit from the UK`s withdrawal from the EU. Specifically, Brexit could be a win-win situation for two main reasons. First, Brexit need not damage EU-UK defence-industrial relations. Second, Brexit will force EU countries to take important steps towards greater armaments cooperation. These initiatives are likely to generate an increase in EU defence spending and may also induce a spill over effect in the UK.

Introduction

Brexit has generated a broad debate in the EU defence community. On one side are those who emphasize the negative aspects of Brexit, because it deprives the EU of a potential key military and industrial player (Smith 2016). On the other side are those who claim that EU member states can benefit from the withdrawal of a traditional veto player to deepen EU defence integration (Angelini 2016). Both arguments are reasonable. However, both neglect to consider the consequences of Brexit for armaments cooperation. The only notable exception is the article of Uttley and Wilkinson (2016) from King's College (London). By taking as a starting point Prime Minister May's recent announcements[1], the authors consider two different scenarios. In the first (less likely) case, the UK may remain within the EU Single European Market provisions for defence procurement and trade. In contrast, in the likely case of a "Hard Brexit"[2], the UK could be forced to arrange a Free Trade

1 Theresa May, 'PM Speech to the Lord Mayor's Banquet', The Guildhall, London, 14 November 2016.
2 Expression that describes a scenario for which UK abandon the Single Market and all the treaties and the

Agreement (FTA) with Europe or to follow the World Trade Organization rules. In both scenarios, Brexit will have deep ramifications for defence procurement and industries in the UK and in the European framework. Following this line of reasoning, this article shows why the possibility of a "Hard Brexit" is very unlikely in the defence procurement area and it argues, in contrast, why Brexit could enhance the prospect of a more integrated European defence-industrial base. Safeguarding the progress achieved in this area and injecting new resources in the EU defence-industrial field is an unavoidable need for both parties.

Specifically, Brexit could be a "win-win" situation for two main reasons. First, Brexit need not damage EU-UK defence-industrial relations. Second, Brexit will force EU countries to take important steps towards greater armaments cooperation at the EU level. These initiatives are likely to generate an increase in EU defence spending, and may also induce a spill over effect in the UK.

This argument unfolds as follows: first of all, I will briefly assess how armaments cooperation has developed in the European context and I will examine the British contribution to this process, as well as some peculiar characteristics of its domestic defence procurement policy. Second, I will highlight three main reasons why Brexit will not weaken European armaments cooperation. In the last section, I will focus on how recent initiatives at the EU level impact positively on the European defence-industrial base and how they can also generate some privileged forms of cooperation with the UK on armaments production and procurement.

1. European Armaments Cooperation

European defence-industrial cooperation has a long history. Given the strategic nature of defence procurement, European armaments cooperation has developed into a polycentric framework, both inside and outside the EU. During the Cold War, armaments cooperation was driven to a large extent by big bilateral or multilateral armament projects, which led to the development of a series of joint armaments systems, such as the Tornado Strike Fighter (Andersson 2015:4). European countries began to experience how armaments cooperation could produce economic and industrial benefits (especially with regard to technological innovation), but also positive political externalities (greater interoperability reinforced intra-European peace expectations). However, in the context of the EU integration process, defence-industrial issues were almost excluded from the arrangements of the common internal market[3]. In the management of defence procurement policies, European countries continued to follow national imperatives. After the end of the Cold War, European

European institutions to which it belongs.

[3] Technically, defence procurement was subjected to the common provisions of European procurement law as provided in the TFEU and the DIR 2004/17/EC – DIR 2004/18/EC. However, EU member states regularly made reference to the exception provided by ex-article 346, which permits to the state to take the necessary measures for the protection of essential security interests.

governments attempted to reinforce armaments cooperation, through the creation of the Western European Union (WEU) and its sub-bodies Western European Armaments Group (WEAG) and the Western European Armaments Organization (WEAO), which were specifically designed to evolve into a single European armaments organization (Mawdsley 2008:371). In the same period, in the context of the EU framework, the 1992 Maastricht Treaty institutionalized the Common Foreign and Security Policy (CFSP) and, after the turmoil in the former Yugoslavia, EU member states started to develop common institutional arrangements even in the field of defence (Howorth 2014). At the end of the 90s, cooperation in defence procurement assumed a priority role at the European level. In 1998, France, Germany, Italy and UK signed a convention establishing the Organisation Conjointe de Coopération en Matière d'Armement (OCCAR) and in 2000 the defence ministries of France, Germany, Italy, Spain, Sweden and UK signed the Letter of Intent (LoI) Framework Agreement (FA). These two important initiatives aimed to create the necessary political and legal framework to facilitate industrial restructuring and to employ best practices in multinational defence procurement. This process of institutionalization culminated in the creation of the European Defence Agency (EDA) in 2004, in order to promote standardization of procedures in armaments acquisition and, in general, to support EU member states and the Council in their effort to improve European defence capabilities. At the supranational level, the EU Commission's "Defence Package" initiative led in 2009 to the adoption of two directives (2009/43/CE and 2009/81/CE), regulating transfers of defence-related products and procurement procedures (Anthony and Bauer 2009:476-478).

In parallel, three interrelated trends transformed the production of armaments: first of all, the production costs of major weapons systems increased because of technological devices. Especially since the 80s, the cost of producing military platforms has increased at rates far faster than the modest economic growth experienced by European armaments producers. The rising costs of research and development (R&D) have made it increasingly difficult for single companies or even single countries to develop new advanced weapon systems. To compensate for the difficulties of producing sophisticated weapons in an exclusive domestic setting, arms producers started to globalise their supply chains, obtaining components from a range of foreign suppliers (DeVore 2015b:571). Second, the US government and its defence industries were comparatively quick to restructure their defence-industrial landscape, being able to exploit economies of scale and the advantages of an integrated market. Third, since the 80s and during the 90s there has been a radical restructuring process in the European defence industrial sector. All arms producers' countries, albeit with varying intensity, have promoted processes of privatization and internationalization of their domestic defence industries. In this context, defence contractors have engaged in waves of joint ventures and mergers to achieve the scope and scale needed to develop contemporary weapons systems (DeVore 2015b:571). The gradual breakdown of national defence-industrial ownership patterns has led to the current European industrial panorama, built around four major groups (Airbus, BAE Systems, Finmeccanica/Leonardo and Thales), which have business interests in various European countries and compete in the global market with the US defence industries (Dorman et al 2015:26).

Today, European armaments cooperation is structured around multiple initiatives that are located both within and outside of the EU. In this article, I will focus specifically on the Brexit impact on three main elements that have characterized the current European armaments cooperation framework. First, at the EU level, the EDA and the EU Commission have promoted initiatives aiming to create a European Defence Industrial Base and to reinforce European military capabilities through collaborative projects (Mölling 2015). Second, European governments have agreed on joint procurement initiatives for the development of advanced weapon systems. Third, defence industries have collaborated on specific projects or integrate their activities, through joint ventures and mergers, in order to compete in the global arms market.

3. **UK and European Armaments Cooperation**

The UK's involvement in European armaments cooperation projects has been remarkable. Being the world's second largest defence-industrial sector and having a global military projection, it is one of the two pivots (along with France) around which European armaments cooperation initiatives are structured. Since the end of World War II, the UK has been strongly committed to the development of cooperative armaments projects. The example of multi-role combat aircraft is very telling in this regard. It led the Eurofighter Typhoon project and it is co-developing the Joint Strike Fighter project with the US. BAE Systems, the UK major defence contractor, has also collaborated with Sweden`s defence industries for the “Gripen” model.

The UK's participation in bilateral or multilateral armaments projects is strongly related to domestic reforms that the British government embarked on in the 80s and 90s. The “Levene Reforms”, with their emphasis on liberalization and competition within the defence sector, marked a deep radical restructuring process of procurement practices and defence industries` governance structures. The “value for money” concept took into account not only the cheapest price for weapons procurement, but also its performance, reliability and maintenance costs (Mawdsley 2000:154). The 1997 UK Strategic Defence Review reinforced this pattern through a more liberalized acquisition process with the introduction of the “Smart Procurement” concept. This practice aimed for “better, cheaper and faster” operations, as well as recognising the changing nature of the defence industrial base and the increasing pattern of collaborative long-term projects at the European level (Mawdsley

2000:167-168). In parallel - during the same period - there was a radical restructuring process of the British defence industrial sector. British Aerospace acquired the activities of GEC Marconi, consolidating the defence infrastructure of the UK into one company. The new giant - BAE Systems - has definitely shifted its core business in the production of weapons, becoming the UK's largest defence contractor and expanding its activities in foreign markets, especially in the US (Hartley 2012). The multinational activity of UK defence firms has also sought to acquire subsidiaries in other nations. For example, in 2005 BAE Systems acquired United Defence Industries, the US's sixth largest defence firm (Dorman et al 2015:26).

The relationship with the US, however, is characterized by a profound complexity. While political relations between London and Washington have been, more or less, stable[4]; the US' protectionist policy undermined the possibility of a structured industrial cooperative partnership between the two shores of the Atlantic.

On the one hand, BAE Systems has been able to access the US market, becoming one of the Pentagon`s prime contractors. On the other hand, the US has traditionally pursued restricted policies on technology transfers and licenses. As underlined by different experts, even in the context of the recent US Third Offset Strategy, there remain significant barriers for technology transfers between the US and Europe (Fiott 2016a:29; Simon 2016:418-419).

Thus, while the US market remained the main objective of UK defence corporations, the intra-European armaments cooperation allowed the UK to take a leading position in terms of technological and industrial development. The choice to take a leadership role in European defence cooperation was a necessity to sustain UK domestic defence firms and it has prompted the UK to a growing activism in pursuing collaborative projects, especially through intergovernmental agreements. At the end of the 90s, the UK played a decisive role in the formation of OCCAR to manage the development of the Airbus A400M project and it was the depositary country of the Letter of Intent (LoI) in 2001. The UK has also developed bilateral agreements with France (Lancaster House Treaties 2010) and important trade relations with Italian, German and Swedish industrial sectors.

While European armaments collaboration was institutionalized outside the EU communitarian framework, the UK - at the end of the 90s- also started a process of engagement with the perspective of a coherent and effective EU military stance at the international level. Under the Labour Government (1997-2010), the UK was a central actor in the development of key CSDP initiatives such as the 1998 St. Malo Agreements and the 2003 EU Battlegroups Initiative (Dyson 2015:21). The UK was one of the countries that pushed most strongly for the creation of the

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[4] On the UK-US "Special Relationship" see Dumbrell (2001). For an assessment of the potential transatlantic tensions during the Trump presidency see Oliver and Williams (2017)

European Defence Agency (EDA) and it also supported the EU Commission 2009 “Defence Package”, despite strong reservations on the institutionalization of a supranational competence in defence procurement and industrial policies (Uttley and Wilkinson 2017:494). The UK is at the centre of a complex polycentric system of industrial cooperation at European level that, despite political, economic and legal barriers has reached high levels of integration.

Business-As-Usual in the European Defence-Industrial Field

Concerning European armaments cooperation, analysts highlighted three main potential consequences of Brexit on defence procurement and industries[5]: 1) the impact of Brexit on UK domestic defence procurement; 2) the impact of UK withdrawal from the EU on major defence-industrial projects; 3) the impact of Brexit on European defence industries` investments in the UK territory. Each of these themes deserves careful consideration, before highlighting how the EU has responded to Brexit and why recent EU defence initiatives could change the status-quo in European defence-industrial cooperation.

1) The impact of EU initiatives has been limited in the British case. First, although the UK has tried to shape EDA activities to produce advanced military equipment at the lowest possible cost, the participation of the UK in the Agency's cooperative projects has been constrained by political and industrial considerations (Mawdsley 2015). Jordan and Williams (2007) argue that British disillusionment came very quickly, with the UK blocking an expansion of EDA personnel and budget three years after its inception. Since then, the British government has used its veto power in the Steering Board, in order to hold the budget at the 2010 level. EDA's privileged relations with European industries interest groups and with the European Commission in developing joint research and technology programmes have been perceived with suspicion by UK and, in particular, by the conservative governments that gained power in 2010. The “Tories” were against any initiatives that would lead to a more assertive role for the EU in defence matters. During the December 2013 European Council, Cameron rejected any rise of the EDA budget and the participation of the UK in the European Air Transport Command (EATC) (Gomis 2014). Second, although the UK has implemented the EU Commission directives through the Defence and Security Public Contracts Regulations[6], the impact of EU regulation on UK defence procurement has been limited too. However, it

[5] For a detailed analysis of the debate between “Remain” and “Brexit” positions on defense procurement see Uttley and Wilkinson (2016). For an interesting “Brexit Reader on Security & Defence” see http://www.kcl.ac.uk/sspp/departments/dsd/research/researchcentres/regional-security/rsrc/brexit.aspx

[6] UK Parliament website: http://www.legislation.gov.uk/uksi/2011/1848/made

should be noted that the UK is not a unique case. A study on the EU Commission Directive's 2009/81/CE implementation indicates that - so far – it has had little effect on EU member states defence procurement practices. 80-90% of contracts continued to be awarded domestically.[7] Moreover, with regards to Directive 2009/43/EC on intra-European Union transfers of defence-related products, the lack of visibility and availability of general licenses in all member states has impacted on a limited number of defence companies that have been certified[8]. So far, for instance, there are no UK-based certified companies in the European Commission Certified Enterprise Register (CERTIDER) database.[9]

Protectionism, oligopolistic market straining and primary resource to domestic suppliers have exacerbated EU member states` deliberate avoidance of EU rules. In particular, the practice of "juste retour", which guarantees that a national defence industry must receive work worth the full amount of its government`s financial contribution to a cooperative programme, has been the biggest obstacle to smoother cooperation on joint European projects (Darnis et al 2007:6). As noted in a recent report on the European defence-industrial base, even the current European industrial cooperative efforts suffer from juste retour arrangements, based on a sharing of the work and sites that were supposed to guarantee fairness between the countries concerned. This has proved costly and inefficient (Bockel 2017:4)

2) The UK, despite its scepticism on an integrated EU Defence Policy, has been a very reliable industrial partner, as evidenced by its commitment in the production of the two most important European defence procurement initiatives: the Eurofighter Typhoon and the Airbus A400M aircraft. These programmes have been developed through intergovernmental agreements in institutional contexts that are completely disconnected from the EU communitarian framework. It is very unlikely that these large-scale high tech programmes will be affected by what happens in the EU context. The technological capability of British industry and the UK's substantial industrial shares on these projects make an implosion of multilateral armaments programmes unlikely, simply because the UK`s contribution is too important for other partners. Instead, bilateral cooperation will continue and develop. The Lancaster House Treaties, signed by Sarkozy and Cameron in 2010, have been substantially developed in recent years independently of both NATO and the EU. Alice Pannier (2016) believes that the Franco-British relations may be put at risk by the possibility that

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7 "The Impact of the Defence Package on EU defence". European Parliament Report. (2015) http://www.europarl.europa.eu/RegData/etudes/STUD/2015/549044/EXPO_STU(2015)549044_EN.pdf

8 "The Impact of the Defence Package on EU defence". European Parliament Report. (2015) http://www.europarl.europa.eu/RegData/etudes/STUD/2015/549044/EXPO_STU(2015)549044_EN.pdf p.52

9 European Commission CERTIDER database: http://ec.europa.eu/growth/tools-databases/certider/index.cfm?fuseaction=undertakings.countries last access 02/06/2017

France will focus more on European continental defence union, rather towards its bilateral partnership with London. Although this argument has its own coherence, this analysis underestimates the fact that the bilateral partnership between the two major European players is also based on industrial and technological interdependence. To take just two examples: from the UK's perspective the partnership with Paris is fundamental for the management of the consortium Airbus and to reduce duplication and costs, especially in the field of missiles, where the two countries are developing joint centres of excellence based on missiles house MBDA (de Briganti 2016). For France, a privileged relationship with British industries is indispensable for the development of the Unmanned Aerial Combat System (UACS), in which both countries have invested substantially. This may be the only opportunity to develop a European project in a particularly innovative technological sector, where US competition makes industrial collaboration between British and French companies essential, as well as the political commitment of the two governments. The French Senator, Daniel Reiner, and member of the Senate Defence Commission summarised my argument quite well: "*I do not at all buy the argument that if they (UK) leave Europe then we lose a defence partner. We do not lose a defence partner: things will simply not happen in the framework that we had imagined and that we're having trouble building with them anyway*".[10]

3) Third, many analysts predict that Brexit will harm, in the first place, the interests of the European defence companies that have settled in British territory. The investments of Italian Leonardo-Finmeccanica are an interesting case in point, not only because governmental and industrial relations between London and Rome are strong and have been rooted for decades but also because Britain is the second domestic market for Leonardo-Finmeccanica (Ungaro and Fattibene 2016:19). The Italian state company owns the helicopter factory at Yeovil (the former AgustaWestland) as well as 27 other industrial sites employing over 7,300 people. The UK-Italian defence industry links are predominantly based on economic grounds, and are not covered by any substantive body of intergovernmental agreements, so difficulties in the Brexit negotiations could impact on Leonardo-Finmeccanica`s activities in the UK. Specifically, potential restrictions of licensing requirements for the movement of products between the EU and UK could create a climate of uncertainty for Italian defence-industrial business in the UK. However, it is not in the interest of either party to do anything to disrupt their industrial business. Leonardo`s CEO[11] declared the undisputed technological leadership in electronic business will allow to the Italian group to maintain an important role even after Brexit (Minoli 2016). Moreover, in July 2016 (after the Brexit vote), the UK Ministry of Defence signed a strategic partnership agreement with Leonardo-Finmeccanica.

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10 Quoted in http://www.thinkdefence.co.uk/2016/03/defence-security-thoughts-brexit/ 06/03/2016

11 Finmeccanica/Leonardo CEO M.Moretti was replaced by A.Profumo in March 2017

The British government has already declared its intention to maintain a commitment of some 800 million euro, for logistic support and maintenance of 55 AW 101 Merlin helicopters up to 2020. Philipp Dunne, the defence procurement minister, declared that Finmeccanica/Leonardo would "continue to support Wildcat and Merlin, two of five main helicopters for the next eight years" (Kington 2016). In order to further strengthen these ties, Italian Defence Minister Roberta Pinotti has met the UK Defence Secretary, Sir Michael Fallon, and both stressed the need to continue to work together in the protection of defence-industrial cooperation, in particular in the helicopter field.[12] Even the case of Airbus, a European multinational company with substantial interests in the British territory, supports this argument. The Broughton and Filton factories which design and produce wings for all Airbus aircraft now belong to Airbus itself, thus it would require a massive investment to close them down and rebuild them elsewhere, while causing a huge disruption in Airbus deliveries, either of which the company can ill afford.

In the EU defence collaboration, the most likely scenario after Brexit is "business as usual". However, as previously pointed out, much will depend on the type of agreement that the EU and UK reach during the Brexit negotiations. Potential restrictions on defence-related products between the EU and the UK could create uncertainty in business operations. However, the fact that most of the European armaments cooperation that involves the UK is not channelled through the EU safeguards the key aspects of defence procurement and defence industries cooperation.

4. The European "Momentum" on Defence and knock-on effects on EU-UK defence cooperation

The lack of political will and mutual trust among EU member states has long been an obstacle to achieving EU treaties` ambitious proposals on EU defence and has blocked the framing of a policy that could lead to an integrated European defence and industrial base (Blockmans and Solana 2016). Moreover, the uncoordinated cuts on defence budgets all over Europe have drastically hollowed out most member states' capabilities (Briani 2013). Brexit and the unpredictability injected into US foreign policy by the election of Trump have already forced EU member states and institutions to take steps towards greater defence-industrial cooperation. These initiatives constitute a "game changer" in the current fragmented EU defence-industrial landscape (Fiott and Bellais 2016).

In the same period of the Brexit referendum, the High Representative for European Foreign Affairs Federica Mogherini issued the European Union Global Strategy (EUGS).[13] There was, indeed, a

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12 Italian Ministry of Defence website: http://www.difesa.it/EN/Primo_Piano/Pagine/pf.aspx 09/02/2017

13 European Union. *Shared Vision, Common Action: A Stronger Europe: A Global Strategy for the European Union's*

wide consensus among EU institutions and EU member states that the 2003 European Security Strategy (ESS) needed to be revised in order to adapt the EU's external role to the current geopolitical reality. EUGS defence guidelines have also benefited from the European Commission initiative to issue a specific European Defence Action Plan (EDAP), in order to create a small "permanent operational planning and conduct capability" (i.e. headquarters) for EU missions, a "Coordinated Annual Review on Defence" (i.e. a kind of European semester) and a European Defence Fund for research in strategic armaments areas.[14] In the field of research and technology (R&T), the EDA and the EU Commission signed an agreement to develop the first pilot project in defence research. This agreement, worth a total of 1.4 Million, was signed to develop three selected research activities. The Pilot Project marks an important step in the EU defence panorama, because it is the first time that the EU, through its own budget, has directly funded research projects in the military field. As noted by an expert from the EU Institute for Security Studies (EUISS): "While the pilot project will run for three years from 2015 to 2018, it sets the groundwork for defence research to become a permanent feature of the EU's defence efforts. The pilot project could have a snowball effect" (Fiott 2016b). Following the Pilot Project, the EU Commission is going to launch in 2017 a Preparatory Action (PA) on defence research, in order to test a fully-fledged EU defence research programme for the forthcoming multi-annual Financial Framework (MFF 2021-2027). While the Horizon 2020 programme only allowed investments in so-called "dual-use technologies" that provided both civilian and military applications, the new funding program for research will allow European funds to be used to develop new technologies exclusively for military purposes. The EU Commission has already proposed EUR 25 million for defence research as part of the 2017 EU budget, and it expects that this budget allocation could grow to a total of EUR 90 million in 2020. These numbers could certainly grow if the EU funding of military research projects becomes a permanent feature in the European context.

Moreover, shortly after the British vote to leave the EU, French and German foreign ministers produced a joint statement reaffirming their countries' strong commitment to the EU and the need for a "European Security Compact" to increase the EU's contribution to international security. Germany and France have drawn up plans for closer EU defence cooperation, including a new military headquarter and swifter development of the permanent structured cooperation method. A greater focus on defence industrial issues among the EU-27 might also create a "spill over effect" in the UK, since London would fear being marginalized in a key sector for its national security (Dorman et al 2015). With regards to defence research, in the first pilot project the UK is involved in two out of three programmes. *"We see EU defence as detrimental to NATO, but if there are major*

Foreign and Security Policy (June 2016), https://eeas.europa.eu/top_stories/pdf/eugs_review_web.pdf

14 European Defence Action Plan: http://europa.eu/rapid/press-release_IP-16-4088_en.htm

collaborative research projects, we would want to be part of them" declared **Geoffrey Van Orden**, a former brigadier in the British army and now a lawmaker with the UK Conservatives group in the European Parliament.[15] In order to remain involved in such EU-funded activities the UK could probably negotiate an administrative arrangement with the EDA and thereby contribute to EU capability initiatives or try to negotiate a special deal for continued full membership (Rand Corporation Europe 2017: 3). Brexit could be also an opportunity to discuss the Agency`s limited budget, because the UK will no longer be able to block a budget increase (Biscop 2016:441). European defence ministers have, already, agreed on 15 November 2016 to raise the EDA's budget after a six-year freeze (Tigner 2016). Defence issues aside, the UK has been one of the most successful competitors for EU research funding, winning a fifth of all EU grants since 2007, equal to €8.04 billion. This EU funding comprises a quarter of all public research spending in Britain, meaning the UK is more reliant on EU grants than other countries, such as Germany (Rand Corporation Europe 2017:3).

There are three main additional reasons why neither UK nor European governments will try to disrupt European defence-industrial collaboration. First, in the Brexit negotiations, the UK is already using its "security surplus" - its role as the leading West European military intelligence and power - to try to preserve a privileged relationship with European partners (Chalmers 2017:1). Theresa May's references to the Britain's contribution towards strengthening European military capabilities should be read in this context (Jones 2017). At the same time, the EU is encouraged to find some form of association agreement to keep the UK's defence industrial base as close-linked as possible to the continent (Faleg 2016:10). Britain is among the biggest spenders on defence Research & Development in Europe with France, Germany and UK accounting for 92% of the EU's total € 2 billion of funding.[16] European initiatives in the field of defence research, without British involvement, might not produce significant effects.

Second, UK defence companies have made no secret of their support for remaining in the EU, given the strong ties between UK and European firms, as well as concerns over post-Brexit economic uncertainty. Many voices among British industrial players are rising, asking the Government to safeguard with particular attention this sector.[17] Defence corporations' concerns are linked to the problems related to the British defence budget. A number of commentators have suggested that the

[15] Quoted in EurActive. After Trump and Brexit, EU to launch defence research plan : https://www.euractiv.com/section/global-europe/news/after-trump-and-brexit-eu-to-launch-defence-research-plan/ 30/11/2016

[16] European Defence Agency website: https://www.eda.europa.eu/info-hub/press-centre/latest-news/2016/06/20/national-breakdown-of-defence-data 20/06/2016

[17] In this regard, see for example what emerges from the hearing of the representatives of the Royal Aeronautic Society and the ADS Group recently attended the Sub-Committee for Foreign Affairs of the European Chamber of Lords: https://www.parliament.uk/business/committees/committees-a-z/lords-select/eu-external--affairs subcommittee /news-parliament-2015 /brexit-automotive-aerospace-defense

Brexit vote invalidates the key strategic assumptions of the recent *National Security Strategy and Strategic Defence and Security Review*[18] or that the British military could struggle to implement its ambitious procurement plans. Trevor Taylor, in an authoritative analysis for RUSI System, has shown how the post Brexit devaluation of the pound could lead to an increase in imported armaments costs. The British procurement plan, in fact, expected a commitment in the coming years to continuing support costs of in-service imported equipment for purchases made since 2012 – including the Rivet Joint fleet, additional Chinooks, the commitments to buy 138 F-35s, as well as replacements for the Reaper and Apache fleets and nine P-8A aircraft (Taylor 2016). This scenario also shows unexplored aspects of the relations between the UK and the US after Brexit. While the UK, to counterbalance possible losses in influencing EU policy-making, may be tempted to further strengthen its cooperation with the US, the depreciation of the pound could eventually overwhelm armaments' purchase from Washington. Moreover, the election of a president that uses the slogan "America first" as his paradigm in terms of economic and foreign policy, might lead the US to favour domestic suppliers for procurement contracts (Cassella 2017). For the development of British industry technological expertise, European funds and partnering with French, German and Italian firms are therefore of crucial strategic importance. In the same way - in order to sustain its defence procurement policy - UK could re-launch bilateral or multilateral cooperation projects in order to save costs and to satisfy UK armed forces` armaments requirements. The collective efforts at the European level to adopt a common Remotely-Piloted Aircraft System (RPAS) are a clear example of this pattern (Market Marine 2017). The overwhelming competitiveness of US industries could be a factor in EU-UK relations. Indeed, the major European armaments producers have decided to develop an integrated industrial policy outside of the NATO context, where the presence of the US makes all progress on these issues impossible. This is the reason why NATO has repeatedly failed in its purpose of generating collaborative programs in the field of technological research and why the EDA has been chosen for this role (DeVore 2015b). For both UK and EU member states' defence establishments there are very strong incentives to establish some form of privileged relationship and strengthen defence-industrial cooperation, which, although fragmented, is becoming essential to face the US' defence technological comparative advantage.

Conclusions

Although the long-term implications of Brexit are difficult to predict, it is possible to envision potential and likely scenarios in various areas. This article focuses specifically on the Brexit's

[18] National Security Strategy and Strategic Defence and Security Review (2015). https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/478933/52309_Cm_9161_NSS_SD_Review_web_only.pdf

effects on European armaments cooperation. With the intention to stimulate academic and political debate, my analysis takes an alternative path from the widespread pessimistic perspectives about EU-UK relations after Brexit. It also offers a new scenario where European armaments cooperation could, surprisingly, benefit from the UK`s withdrawal from the EU. While, indeed, Brexit may not weaken European armaments cooperation, the EU's initiatives on defence industrial competitiveness are generating important incentives that may generate an increase in both EU and UK defence budgets. Although this is a highly likely scenario, no analysis – so far - has highlighted these important elements.

Despite the optimistic outlook, the scenario that I have outlined could be shaped by other factors.

First, as rightly underlined by Uttley and Wilkinson (2016: 493), the key factor remains the UK's access and relationship to the Single European Market. Indeed, even if defence-industrial cooperation has mainly developed outside the EU, the imposition of commercial tariffs may have a tough rebound on industrial relations between the EU and the UK. This factor will be crucial, for instance in the case of dual-use products` transfer regulations. Contrary to what is currently the case, defence companies may need to obtain export authorization to send certain dual-use products between the EU and the UK (Bromley 2016). This could create incentives to not invest in the British territory. Much will depend on the duration of the negotiations. As noted by the Financial Times, it will be difficult to conclude an agreement within the next two years (Barker 2017). This could have a negative impact on foreign companies` investments in the UK.

Second, the fact that Brexit could, surprisingly, strengthen European armaments cooperation does not translate naturally into a turning point for the European defence policy as a whole. The real problem with European defence cooperation has not been the threat of a UK veto over specific actions, but rather the general divergences that exist in the foreign and security policy positions of EU member states. The non-interventionist position of Germany in Libya is a case in point (Miskimmon 2012)

Third, much will also depend on the decisions of the UK defence establishment. To keep the military procurement commitments made in recent years, both armed forces and defence firms will push for greater cooperation with the European allies. However, particularly regarding military companies, there may also be incentives to seek new partnerships. UK companies focus more on non-EU exports and could benefit in the short term from the devaluation of the pound. These three caveats, however, do not affect the strength of my argument. Brexit could give new energy to European armaments cooperation, creating new opportunities for collaboration among the major European industrial centres. However - even with all the institutional and strategic resources on the table - now it is up to the EU and UK decision makers to find a balance between their strong interest in sharing military resources and cooperating at the EU level and their equally strong willingness to defend their prerogatives in a deeply evolving post-Brexit scenario.

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