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**DEVELOPMENT  
OF DEFENCE POLICY  
AND ARMAMENTS INDUSTRY  
IN THE EUROPEAN UNION.  
GEO-ECONOMIC ANALYSIS**

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## Abstract

**T**he aim of the following report is to analyze the development of the EU's common security and defence policy (CSDP) as well as Europe's armaments industry. The study involves a geo-economic perspective, pointing out how economic instruments may facilitate achieving geopolitical goals. It has been oriented to the four following areas. Firstly, it embraces the general CSDP system framework along with the analysis of the links between the most important political and economic objectives. Secondly, the paper focuses on the relationship between interests represented by EU's major players under the CSDP as well as on some dependencies – and independencies – between both the sphere of geopolitical stakes and economic actors (and the rationality of their undertakings). Thirdly, the analysis seeks to examine management features in the discussed policy, including vital mechanisms responsible for its institutional progress. Fourthly, the following study takes into account the ideas that were supposed to legitimize integration processes in security area as well as to justify the development of both EU's military capabilities and armaments while the organization's distinguishing factor was referred to as „peaceful” or „normative” power.

Thus, EU's CSDP constitutes an example of a geo-economic system that is supposed to pursue both geopolitical and economic objectives while the main political role is essentially played by EU's largest Member States such as France and Germany. Politically speaking, their leading goals include both deepening European integration and enhancing strategic autonomy (also referred to as „European sovereignty”) towards other powers. The central aim is to establish a distinct European pole in world policy, which will mainly consist in setting up strategic independence from the United States, thus resulting in weakening the West's cohesion in the long term.

Also economic goals seem to play an essential role in the described geo-economic system. They include for instance the industrial and technological base in Western Europe as well as promoting both investment and export expansion of such an industry in the EU's internal market. Simultaneously, some measures are being taken in order to prevent the largest non-EU competitors from accessing the market.

The discussed geo-economic system is managed in a hybrid way. In spite of prevailing intergovernmental attitudes, there tend to emerge more and more community elements, including for instance EU's budget financing, majority voting as well as the growing importance of the European Commission and the Court of Justice of the European Union. The former sought to back the objectives of the EU's largest states and their arms industry, thanks to which it was able to expend its own competencies in the discussed policy. The transition from voluntary methods to compulsory management, carried out through EU regulations and rulings of the Court of Justice, was more and more visible. Such progression was due to the extending interpretation of the treaties, applied by the Commission and the Court, as well as political support for similar activities from EU's largest countries. The aforementioned regulatory expansion was preceded by some voluntary programs, being pilot projects that aimed to disseminate a given policy. They have been additionally supplemented by some promotional activities and a pro-European narrative whose fundamental goal was to shape awareness of Europe's decision-makers so as to make them more prone to implement all recommended changes.

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# Introduction<sup>1</sup>

According to Hedley Bull, peaceful powers, thus all these that make a reference to some non-military sources of their strength, are able to operate and have an efficient impact on international environment only on the basis of their alliance with military great power<sup>2</sup>. In the light of such a view, the effectiveness of the European Communities in the international arena during the Cold War period stemmed from their close alliance with the United States as well as cooperation within the NATO structures. Hence the eminent scholar's standpoint on international relations leads to a simple observation: the European Union (EU), and more precisely – its largest states (France and Germany) – should seek to develop military capabilities if they have intention to perform a much more independent geopolitical role. The development of European defence policy is this linked to the pursuit of strategic autonomy – both towards NATO and the United States – which translates into striving for a more independent role on the international areas and an attempt to balance hitherto U.S. power by Europe's most influential players. Speaking of the latter, they have to face yet another

challenge that consists of reconciling the EU-aspired ideology of „peaceful” or „normative” power with the development of the Common Security and Defence Policy (CSDP) launched in the late 20th century.

According to scholars who represent a realistic approach in international relations, the CSDP's aim was both to make Europe independent of the United States and to facilitate the largest states of the Old Continent to play a more autonomous role on the worldwide arena. Additionally, they perceived the policy to

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SOURCE: WIKIMEDIA.ORG

constitute an attempt to balance the power of the United States, and thus to reduce the superpower's political influences in Europe, its immediate environment as well as in the world. The CSDP was also expected to accelerate the departure from U.S. hegemony or the Washington-shaped unilateral international order to be eventually substituted with the multipolar order.<sup>3</sup>

Realists assumed that the international order could undergo some major changes after the end of the Cold War and the reunification of Germany. For instance, they predicted that the United States would eventually pull out of Europe or at least the ever-growing tendencies of European politicians to move away from its close cooperation with their American partner. Furthermore, they speculated that Germany would be able to achieve political and economic domination over the EU while it would use its best efforts to rebuild its own military power, including the pursuit to access nuclear

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weapons, under the aegis of the European Union. According to scholars, Berlin's growing ambitions seem best exemplified by its intention to become a permanent member of the United Nations Security Council<sup>4</sup>. Some claimed that the EU might either no longer survive such a change of the international order or remain fragmented, thus preventing it from playing a decisive role on the global

arena, also contrary to Europe's largest or most ambitious Member States<sup>5</sup>.

The purpose of the following report is to attempt to verify these forecasts regarding Europe's defence policy. Some of them seem highly probable in the era of translation geo-economic divergences, including the dispute over the war in Iraq (2003), the Iran deal (2018), Berlin's demands to secure a permanent seat in the UN Security Council or at least to appoint a European representation<sup>6</sup>, as well as further discussions on producing nuclear weapons in Germany<sup>7</sup>. I am particularly interested in the development of the European armaments industry as well as attempt to set up new military technologies – which are also applicable in civil industries – in the European Union. The study involves a geo-economic perspective, pointing out how economic instruments may facilitate achieving geopolitical goals<sup>8</sup>. It will encompass the four

following areas. Firstly, I will make an attempt to describe the general CSDP system framework along with the analysis of the links between the most important political and economic objectives. Secondly, the paper focuses on the relationship between interests represented by EU's major players under the CSDP as well as on some dependencies – and independencies – between both the sphere of geopolitical stakes and economic actors (and the rationality of their undertakings). Thirdly, I would like to examine management features in the discussed policy, including vital mechanisms accounting for its institutional progress. Fourthly, the following study takes into account political ideas that were supposed to legitimize integration processes in the areas as well as to justify the development of both EU's military capabilities and armaments while the EU's distinguishing factor was referred to as „peaceful” or „normative” power.

# Systemic conditions

The CSDP's gradual development, which has taken place over the past years, had both geopolitical and economic objectives; therefore, the EU policy may be perceived in terms of an example of a geo-political system. It is<sup>9</sup> traditionally accepted that the Europe's military independence was triggered by the war in the Balkans (1992-1995), with particular regard to the helplessness of the European Union, referred to as the "peaceful power", towards the conflict. It was put to the end only after NATO and U.S. reactions, which corroborates the EU's geopolitical weakness in its immediate environment. Already many years before, France used its best efforts to encourage other Member States of the European Community to establish their own structures and defense potential. Nonetheless, the turning point came with the end of the Cold War and the unification of Germany. Western European countries no longer perceived Russia as their threat while they felt increasingly afflicted by the global-scale U.S. power and its impact on the Old Continent. The main purpose for U.S. political elite was not only to make Washington global leader in the field of security but also to use this fact to influence some other areas, for instance to promote American economic interests – sometimes at the expense of European ones. Not incidentally, president Donald J. Trump demanded that Germany pay the bill for a joint U.S.-NA-

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## Successive U.S. administration expected Europe to make necessary economic concessions at the expense of dependence of some EU countries.

TO military umbrella extended over the state's territory<sup>10</sup>. Successive U.S. administration expected Europe to make necessary economic concessions at the expense of dependence of some EU countries – but also Japan – in terms of security<sup>11</sup>.

The Community's main motivation to move towards setting up its own military potential could therefore be explained by geopolitical changes while its vital goal was to increase strategic autonomy towards the United States and the North Atlantic Alliance<sup>12</sup>. Interestingly, there have been some voices that the CSDP constituted a direct response to the U.S. hegemony. The policy intended not only to increase European independence from any U.S. influence as well as to introduce greater assertiveness towards American geopolitical goals imposed on its allies; it also aimed to balance the state's power in both Europe



SOURCE: VISEGRADPOST.COM

and all over the world. Undoubtedly, it was also about becoming independent of U.S. economic impact, understood also in terms of Washington's expectations for some concessions that would result from the primacy of security. This approach of Western Europeans therefore has a clear geo-economic dimension.

It is noteworthy that the CSDP had no intention to boost the scope of territorial defense, mainly in the context of a potential threat from Russia. Even if the president of France has said that the EU needed real European army to defend itself against Russia, his words did not sound credible<sup>13</sup>. Yet the perception of Russia's threat appeared radically divergent in both Eastern and Western parts of the European Union. For instance, only Poland and the Baltic States increased their military expenditures after the war in South Ossetia in 2008 while other EU Member States have been systematically reducing their defense spending since the end of the Cold War. Such financial output have yet again grown in Poland, Sweden, and the Baltic States following Russia's aggression to eastern Ukraine and the annexation

of Crimea in 2015. Simultaneously, such states as Germany made a decision to lower<sup>14</sup> their military figures. It constitutes a prerequisite to recognizing that Germany and other West European countries considered the Americans – and not the Russians – to embody greater challenge for their strategy of defence policy development within the European Union. Moreover, U.S. diplomats and some NATO officials – rather than their Russian counterparts – seemed concerned about the CSDP's further progress<sup>15</sup>. Back in 1999, Strobe Talbott, former US Deputy Secretary of State<sup>16</sup> in the Clinton administration, predicted that the EU policy might distance itself from the North

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## Strobe Talbott, former US Deputy Secretary of State predicted that the EU policy might distance itself from the North Atlantic Alliance before it could eventually detach in order to compete with the Alliance

Atlantic Alliance before it could eventually detach in order to compete with the Alliance<sup>17</sup>. For many years, representatives of subsequent U.S. administration showed their apprehension over the direction for the development of EU policy. It keeps duplicating some NATO structures as well as reproducing the Alliance's organizational ideas, also by establishing similar armaments agencies<sup>18</sup>. Despite the fact that a number of EU Member States do not honour NATO's commitment on spending 2 percent of their GDP on defense, they still manage to administer more and more funds on the CSDP-related purposes. Last but not least, CSDP rarely enters into partnership with NATO structures, referred to by some pundits as "strategic paralysis"<sup>19</sup> or "formal lack of cooperation"<sup>20</sup>. All of this proves that both organizations are

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involved in the ever-growing competition and they seem interested neither in setting up cooperation nor mutual replenishment. Admittedly, shortly after establishing the European policy, emphasis was put on complementing NATO's activities, primarily within the framework of the so-called Petersberg tasks – peacekeeping missions that aimed to counteract conflicts and manage crisis situations. In 2003, the Berlin Plus agreement made it possible to develop the principles of the joint CSDP-NATO cooperation. Yet they have lost their relevance over time while they did not contain any specific measures. On the other hand, subsequent European ventures imitated NATO structures, thus raising a number of controversies<sup>21</sup> in both the United States as EU states that sought to protect the Alliance's preeminent role for European defense. An example of such a dispute was the proposal to establish a headquarters within the framework of the CSDP.

Some other geopolitical objectives of the CSDP can also be listed in this regard. For instance, one of them concerned the idea of deepening European integration in this strategic area according to the preferences of the largest Member States while increasing interdependencies between EU countries<sup>22</sup>. In the light of Brexit and other European crises, the defence policy was perceived as a tool counteracting any disintegration tendencies<sup>23</sup>. Speaking of Germany, the state drew particular attention to the involvement of Central European countries in integration whose representatives later disapproved of EU migration policy and Berlin's apparent leadership in that respect. Some of them have been previously known for their pro-American attitudes that seemed to vary from the strategic line promoted by Germany and France under the umbrella of the CSDP. Any attempts to speed up the defence policy progress – with particular regard to the introduction of the majority voting principle<sup>24</sup> – may thus lead to the subordination of EU policy to all strategic inter-

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## **In the light of Brexit and other European crises, the defence policy was perceived as a tool counteracting any disintegration tendencies.**

ests and geopolitical vision of the two aforementioned Member States. Facing such conditions, some other countries may feel dominated – both politically and economically. Nonetheless, it seems that such a perspective is only long-term as the CSDP still remains a relatively weak political instrument and even more powerless in the military context. Such a state of matters is notably manifested by the low level of involvement in both regional conflicts as well as those taking place in the EU's immediate vicinity<sup>25</sup>. This partly due to some internal conflicts of interest between Member States, including German reluctance to engage its armed forces in world politics. Yet another problem consists in the weakness of military and logistic capabilities of EU structures.

In some cases, defence policy tends to be treated as an attempt to normalize somehow Franco-German relations, especially if both integration leaders are unable to reach a consensus in other fields, as exemplified by the recovering from the euro zone crisis in 2016-2018. At that time, neither Berlin nor Paris could settle any common strategy for remodelling the monetary union; instead, the two countries demonstrated their unanimity with regard to the ever-increasing advances in defence policy. Geopolitical conditions seem also embodied by the accelerated progress held under the CSPD, which was possible following the UK's firm intention to leave the Union – as the country had continuously blocked

the further development of the above-mentioned policy<sup>26</sup>. Since the 2016 referendum on Britain's exit from the European Union, there emerged a number of initiatives, such as a separate EU funds for defense purposes<sup>27</sup>, the Permanent Structured Cooperation (PESCO), the European Intervention Initiative<sup>28</sup> (EI2) as the aforementioned CSDP headquarters<sup>29</sup>. Most of them arouse some controversies as to whether such ventures would disrupt the transatlantic ties while duplicating NATO structures. When analyzing the CSDP's geopolitical goals, one must not forget about Paris's urge for taking advantage of this policy to maintain French influences in North Africa and the Middle East, with particular regard to its former colonies<sup>30</sup>. Not incidentally, a major part of the CSDP missions was oriented to the conflicts in the French zone of geopolitical influence.

The economic goals are tightly linked to its geopolitical counterparts. The CSDP was to support the arms industry in Europe, in particular its competitiveness against U.S. production, both on the internal market and global markets<sup>31</sup>. Thus, the main issue was to abolish the European

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## **CSDP still remains a relatively weak political instrument and even more powerless in the military context.**

dependence on American technologies and weapons, being related to the defense industry and the competitiveness of many branches of its civil counterpart. In such a sense, Europe fought for both gaining its geopolitical autonomy from NATO and the United States and establishing its economic potential to implement such an undertaking. Therefore, attention was drawn to sup-

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porting the development of modern technologies – both military as well as those that would potentially influence the advancement of some related civil industries. Such a situation could be additionally fostered by the growing technological distance between the European and American economy<sup>32</sup>. Yet another aim was to launch industrial partnership in Europe as well as to open the internal market for the investment expansion of the largest European corporations while providing them with the possibility to sell weapons. Simultaneously, support for single-market exports from European companies was allegedly linked to some steps limiting arms import from the United States.

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According to the research, EU officials and politicians have often referred to methods combining both liberal and protectionist measures<sup>33</sup>. Such was for instance the case of enabling access to markets in less developed EU countries, with particular attention to major weapon importers, while protecting Europe's most powerful players against competition from U.S. producers. The idea of "European patriotism" was therefore of an asymmetrical character. First and foremost, it was expected to back the continent's biggest enterprises that kept setting up strong links – comparable to a cartel<sup>34</sup> or a defense monopoly – on Europe's internal market<sup>35</sup>. Apart from EU's largest Member States, such concept seems also advocated by the community's institutions. Speaking of smaller countries with a less advanced defense industry, the notion of "European patriotism" was to

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eliminate any administrative barriers that protected national corporations against being taken over by firms from more influential states. Furthermore, the above-mentioned solution sought to open internal market for the import of European weapons<sup>36</sup>.

Shortly after, there turned up some essential principles that were subsequently followed by a number of corporations in Europe's armaments market. Speaking of them, they eagerly entered into cooperation while still pursuing competition

and monitoring their own national interests as the latter were often backed by the domestic state authorities. Such partnership was grounded on the basis of the “juste retour” (fair return) principle, according to which companies – for instance the French ones – got involved in either investments or production processes so as to receive reimbursement of all financial contributions from French state. Even if any multinational industrial conglomerates managed to be set up, its most powerful shareholders used their best efforts to maintain the ownership parity – also while running such a joint corporation – while seeking to avoid any instances of domination of a partner from another Member State. Only the mightiest

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**Only the mightiest enterprises – German, French and, initially, also British – could establish partner relationships in this game.**

enterprises – German, French and, initially, also British – could establish partner relationships in this game while much less powerful firms, based in other EU states, seemed already to fight a losing battle. Therefore, only the former were

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**CSDP was inductive to forming asymmetrical advantages of EU’s largest Member States – both in geopolitics and economics.**

capable of maintaining the balance of any decision-making influences whereas the latter were marginalised or even “absorbed” into the structures of such forceful companies.

Systematically speaking, the CSDP was inductive to forming asymmetrical advantages of EU’s largest Member States – both in geopolitics and economics. As for the political level, there were three dominant countries while – following the upcoming Brexit procedures – such popularity will be increasingly assumed by France and Germany as Europe’s leading players. Economically, the CSDP was to ground a lasting advantage for corporations that either originated from or were co-created by Union’s largest states. The Western European armaments complex, which had been subject to systematic development processes at the time, aspired to gain a considerable advantage before absorbing or eliminating less powerful European companies as well as to compete with its global rivals, with particular regard to American corporations<sup>37</sup>.

# The interests of the main geopolitical actors

**E**U's largest Member States – France, Germany and Great Britain – were fundamental to the shaping and institutional development of the Community's foreign and defence policies. It does not come as a surprise that specialists referred their role to as the “director-ate” or the “E3 leadership”<sup>38</sup>. Nonetheless, the situation changed following the British government's decision to leave the European Union. Thus, even if the country is actively involved in the European Intervention Initiative<sup>39</sup> and may potentially join the PESCO program (even though it has not agreed to the policy until 2018), London is unlikely to exert political influence on the strategic decision of the CSDP<sup>40</sup>.

While discussing defense cooperation in Europe, attention should be drawn to France as the state has been a long-term promoter of the policy. Back in the 1950s, Paris tried its utmost to use the Western European Union (WEU)<sup>41</sup> to boost the level of Western Europe's autonomy from both NATO and the United States. Such a political

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strategy had been run since the times of de Gaulle<sup>42</sup>. At that time, it was doomed to failure, as manifested by the apparent lack of the WEU's political significance, followed by its further downfall, as well as France's withdrawal from NATO's integrated military structure in 1966<sup>43</sup>. The concept of strategic autonomy (or European sovereignty) had not revived until the end of the Cold War, thus stemming from the reduced threat posed by the Eastern bloc and Western European dependence on the U.S. protective umbrella.



SOURCE: NEWS.SKY.COM

France, supported by its German neighbours, returned to NATO, aiming therefore to exert impact on the Alliance’s policy with special regard to taking control of NATO’s European structures. Nonetheless, with such an intention being doomed to failure, Paris changed its political course, vigorously lobbying for the establishment of an autonomous European policy<sup>44</sup>.

France aimed to boost Europe’s geopolitical freedom – while building its industrial and technological potential that would be powerful enough to compete with the American one – and to strengthen the local armed forces and their operational capabilities based on all European resources<sup>45</sup>. Thus, the state’s strategy has, from its inception, combined both geopolitical and economic objectives. Paris sought to transfer its own preferences to the European level as well as to take advantage of the potential accumulated by the united Europe to achieve its own geo-economic goals. Naturally, it was crucial to prone Berlin to involve in

such a partnership. Speaking of the French, they seemed persuaded that they could impose own strategic goals that might be successfully implemented within the European policy, mostly thanks to the German support and financial resources<sup>46</sup>. In this way, they also thought that they had been powerful enough to control their eastern neighbour and, importantly, also historic rival.

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Generally, it is assumed that Germany could profit from supporting the development of European defence policy exclusively in economic terms. It was chiefly about the industry advancement while military technologies were considered as an essential trigger for the entire economy and its export competitiveness<sup>47</sup>. So such competition with the Americans seemed obvious in this respect. However, as the years went by, Berlin's politics began to reveal its substantial geopolitical interests. Especially after the end of the Cold War and the country's reunification, Germany clearly approached Paris while backing Europe's strategic autonomy to be finally implemented<sup>48</sup>. According to some opinions that emerged right after the crisis in transatlantic ties following the U.S. intervention in Iraq (2003), Berlin's attitude sought somewhat to strategically balance Washington's policies<sup>49</sup>. As for European policies and institutions, they were mainly supposed to constitute the main tool for tightening the German geo-economic importance in the Old Continent<sup>50</sup>. The state aimed also to utilise the policy to deepen interdependence within the European Union – thus counteracting any further disintegration tendencies<sup>51</sup> – as well as to intensify its own strategic influence in Central Europe and within the framework of the Union's Eastern policy<sup>52</sup>. Such state of affairs seems best exemplified by long-term pursuits of Berlin's decision-makers to arrange their relations with Moscow in a strategic way while inhibiting any NATO's initiatives that could potentially hinder the Russian-German cordiality<sup>53</sup>. So it was vital to both limit Washington's influence – as its policy was perceived in Germany as too offensive towards Moscow – and impact of any other American allies in this part of Europe. It can therefore be concluded that Germany's goal was to reduce their strategic autonomy towards Berlin, also thanks to some NATO's initiatives, an example of which may be the idea of framework nations, largely promoted by German diplomacy. It was expected to ground the

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## After the end of the Cold War and the country's reunification, Germany clearly approached Paris while backing Europe's strategic autonomy

country's leadership in the Central European region, as evidenced by the German cluster established in 2014. The unity of sixteen EU countries – under both the structure and Berlin's authority – should first and foremost be directed to the exchange of intelligence information, logistics, and cooperation of their respective armaments industries<sup>54</sup>. In the light of some opinions, the initiative was intended to mitigate Washington's reluctance to develop the CSDP while paving the way for U.S.-authorized German military leadership in the EU's Eastern members<sup>55</sup>. Some claimed that joint German and French efforts to introduce some substantial reforms to NATO structures and to bolster its functioning had appeared to be unsuccessful. It urged the German elite to undertake stronger efforts to sustain the CSDP's strategic autonomy<sup>56</sup>.

Admittedly, according to the previous findings, the two countries' interests in defence policy were to a large extent convergent; nevertheless, one may distinguish some disparities between them. For example, Germany was not eager to involve its own financial or military potential to fulfill French ambitions in former colonies, justifying such fact by a long tradition of not deploying military forces outside the country. Such an attitude is reflected in the fact that Berlin prevented a Franco-German battle group from its participation in the EU mission in Congo (2006) and opposed the idea of taking part in the military

operation in Chad (2008)<sup>57</sup>. Yet Paris remained sceptical about the idea of replacing its permanent seat in the UN Security Council with the so-called “European seat”. In addition, both allies seemed to be divided over the CSDP’s management and financial issues; for instance, Germany had intention to communitize the policy whilst limiting its financing while France sought rather to maintain intergovernmental management to be subsidized by EU funds<sup>58</sup>. Despite such differences, both

countries got involved in cooperation to ensure the effective application of the policy. Undoubtedly, the progress in implementing the CSDP is due to their political commitment. The discussed policy constituted an area of geopolitical or economic rivalry between the two states only to an insignificant extent. Instead, both players try their utmost to combine European forces so as to balance any U.S. influences.



# The interests of geopolitical actors and the CSDP progress

The CSDP was born out of a Franco-German initiative at St. Malo in 1998. France's purpose was to break the British reticence towards European defence policy. Thus, Paris managed to taken advantage of the strong pro-European attitude of Prime Minister Tony Blair along with his aspiration to intensify European integration while tightening partnership between his home industry and European corporations. Yet both parties adopted a fundamentally different interpretation of the future of EU's new policy. As I have mentioned before, the French authorities perceived it as an opportunity to form Europe's strategic autonomy towards NATO and the United States whereas London wanted it to back transatlantic ties by mobilising European states to undertake greater defensive efforts in order to strengthen the North Atlantic Alliance. Moreover, Britons made an attempt to assign responsibilities between NATO's territorial defense forces and the EU-led Petersberg tasks being complementary to the Alliance's activities<sup>59</sup>. Shortly after introducing the Saint Malo arrangement, representatives of EU Member States held the Cologne summit

(1999) so as to establish a common defence and security policy while during the subsequent meeting in Helsinki, they managed to set up a temporary institutional framework of the policy. Its permanent institutions had not been founded until the Nice summit in 2000. Some time later, all British expectations were doomed to bitter disappointment, which ultimately resulted in a fundamental change in their attitude towards the CSDP as well as consistent attempt to block its further development<sup>60</sup>.

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SOURCE: AIRBUS.COM

Concurrently with all the activities linked to the establishment of a European defence policy, it was possible to create some institutions whose main purpose would be to enhance cooperation within the armaments industry. Back in 1996, on the initiative of the French officials, it was possible to found the OCCAR organization<sup>61</sup>. The institution was launched outside the EU structures by France, Germany, Great Britain and Italy, and then expanded to include Belgium and Spain in 1998. Thus, it was established by the countries being Europe's most important arms manufacturers. In addition, their joint venture sought to deepen their partnership in subsequent projects, including coordinated works on the Airbus A400M military transport aircraft and supervision over the creation of the Tiger armed reconnaissance helicopter. Though the organization was eager to collaborate with other countries, including non-EU states (as evidenced by Norwegian and Turkish involvement in some joint undertakings), scholars point out its protectionist nature, aiming to protect the community against its largest non-European rivals<sup>62</sup>. Similarly, the initiative was

supposed to give necessary support to the European industrial cartel that was emerging at that time while operating in accordance with the "juste retour" principle<sup>63</sup>.

Europe's armaments industry was additionally backed by the European Defence Agency (EDA), established in 2004. Whilst Paris had intention to provide the agency with broad competences, considerable budget and qualified staff, other capitals, including Berlin, London, and Rome, imagined it as a small organization sustained by limited EU financing. Furthermore, the French intended to exclude its American ally from the institution's activities whereas Britons seemed rather in favour of such cooperation<sup>64</sup>. Yet most pundits recognized<sup>65</sup> that the French preferences prevailed over the British ones while the EDA clearly aimed to have a protective character towards the U.S. industry. Though the Agency did not really cooperate with related NATO agencies – in fact duplicating the Alliance's organizations – and even competed with them to some extent<sup>66</sup>.

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## The EDA did not really cooperate with related NATO agencies – in fact duplicating the Alliance’s organizations – and even competed with them to some extent.

It is notable that the Agency simultaneously applied both protection and liberal instruments, as exemplified by the promotion of open public procurements within the European Union that in fact translated into setting up sales markets for the largest producers<sup>67</sup>. The EDA’s fundamental objective was to “Europeanize” the continent’s armaments sector, including reinforced cooperation in the field of development research and weapon production. Also in this case, the “juste retour” principle seemed to be applied by most powerful contractors<sup>68</sup>. In fact, the Agency backed the advancement of Western European firms along with their gradual expansion into other EU markets, which would take place both in the context of their investment and export of goods. Such was the reason for implementing a series of actions aiming to gather information on armaments needs in individual countries as well as the potential of their defense industries. Moreover, the organization was in charge of initiating numerous programs that focused on standardising public procurement procedures in the domain of security and defence while reducing offset requirements<sup>69</sup>.

Speaking of the last practice, it is often exploited by importers, mostly countries disposing of lower technological potential. According to offset principles, the seller is obliged to share its technologies or make investments in the local indus-

try in addition to purchasing weapons. Thanks to such a solution, less powerful states are able to strengthen their industrial and technological bases as well as to ensure job security for local employees. The offset is generally considered as beneficial for small and medium enterprises as it is inductive to involve them into cooperative networks with more influential companies<sup>70</sup>. For instance, Central European states have previously applied offsets ranging from 25 to even 180 percent of the contract value<sup>71</sup>. In the early 21st century, the discussed practice was most often implemented by such countries as Poland, Finland, Portugal, Greece, and Spain<sup>72</sup>. For these reasons, offset agreements seem beneficial for importing countries while costly for the largest armament exporting companies. It is noteworthy

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## Offset agreements seem beneficial for importing countries while costly for the largest armament exporting companies.

that both France and Germany rarely ink such contracts as they are generally autonomous in terms of purchases from their respective domestic industries<sup>73</sup>. Instead, they are primarily involved in arms export. Therefore, their purpose was to limit any instances of such procedure in other Member States. The attitude represented by both Paris and Berlin has been later on adopted by the European Defence Agency and the European Commission. The aim was to strengthen and protect the industrial and technological base in the largest Western European countries (referred to as EDTIB<sup>74</sup>) instead of supporting such any comparable bases in weaker – mostly Central European states<sup>75</sup>. In 2005, the Agency adopted the Code of Conduct on Defence Procurements,

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## The aim was to strengthen and protect the industrial and technological base in the largest Western European countries instead of supporting such any comparable bases in weaker – mostly Central European states.

according to which the EU states should reduce the number of their offset agreements<sup>76</sup>. Only four years later, in 2009, the European Commission also sought to impose some limitations on such contracts in the draft version of the Defence and Security Procurement Directive<sup>77</sup>. It primarily aimed to eliminate the so-called indirect offset, being applied either in the armaments sector or the civil one, thus not related to the ordered weapons<sup>78</sup>.

Many scholars argue that the 2009 legislative package<sup>79</sup> promoted the interests of EU's largest armaments producers, including France, Germany and Great Britain. It is estimated that six Western European countries – France, Germany, Great Britain, Italy, Spain, and Sweden – owns altogether up to 90 percent of EU's defense indus-

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## 2009 legislative package promoted the interests of EU's largest armaments producers, including France, Germany and Great Britain

try potential while only the three largest states keep playing a predominant role<sup>80</sup>. Back in 1998, all of them signed a letter of intent regard the unification of European regulations in the field of export, public procurement and arms standardization in the European Union. The document opened the way for setting up the EDA as well as adopting the aforementioned legislative package in 2009<sup>81</sup>.

The EU Directive on defence and sensitive security procurement aimed to open markets of countries with weaker industrial potential, being simultaneously essential arms importers, with no need to enhance their industrial and technological bases<sup>82</sup>. The document set out the obligation to hold open tenders for companies from all over the European Union, provided for greater transparency of such procurements while widening their market also to defence and security services. Such a solution was beneficial for the largest exporters: France, Germany, Great Britain and – to a lesser extent – also Spain, Italy, and Sweden<sup>83</sup>. The EU regulation was addressed primarily to the Community's biggest importers, including the two last

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## EU law aimed to apply both protectionist and liberal solutions.

states exporters (Italy and Sweden), but also Greece, Finland, Norway, Poland, and Romania as well as Central European countries and the Baltic States that seemed slightly less affected by the ruling<sup>84</sup>. Additionally, the Directive sought to impose certain limitations on the U.S. arms sales to European markets<sup>85</sup>. In such a way, EU law aimed to apply both protectionist and liberal solutions<sup>86</sup>; it had intention to protect the EU industry against non-European competition while liberalising local markets. Furthermore, the most influential states and corporations were entitled to

take advantage of a privilege of bypassing the provisions of the directive. Such an undertaking could be possible only if at least two enterprises committed themselves to get involved in the cooperation for the further development of military technologies<sup>87</sup>. Similar activities were carried out primarily within the framework of Western European industry while such a state of affairs, according to some scholars, allowed not only to omit tender procedures but also to apply the “juste retour” principle in this type of cooperation<sup>88</sup>.

One of the EU’s initiatives to support its defense industry was the adoption of the Permanent Structured Cooperation (PESCO) policy. Although formally introduced by the Treaty of Lisbon in 2009, its emergence had been long prevented by the British authorities. Thus, the initiative could be ultimately implemented in the light of the Brexit prospect. In December 2016, the European Council suggested to launch works on the PESCO. Traditionally, the leading role was played by the EU’s prominent Member States. In 2017, at the meeting of the Franco-German Defence and Security Council, both states reiterated the need to establish the PESCO mechanism. Shortly thereafter, France, Germany, Spain, and Italy wrote a joint letter to the High Representative of the Union for Foreign Affairs and Security Policy, in which they emphasized the necessity to launch permanent structured cooperation. The European Commission asserted subsequently that – if established – the initiative would be co-fi-

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## PESCO intended to intensify the EU’s strategic autonomy.

nanced from the European Defence Fund. The EU Member States had managed to come to a political decision in 2017 while PESCO was finally adopted the following year.

The cooperation essentially aimed to intensify Europe’s industrial and technological potential (under the European Defence Technological and Industrial Base, EDTIB) and to increase sectoral competitiveness, mostly by facilitating corporate mergers and acquisitions<sup>89</sup>. Additionally, through PESCO, Member States may inform about their armaments needs as well as to harmonize standards while the mechanism is bound to ensure the smooth functioning of public procurement in EU internal markets. PESCO will also help to launch uniform and joint European arms procurements and to stimulate a 20-percent increase in military expenditures, accompanied by a 2-percent growth in development research spending. The mechanism’s goal was also to boost financial resources (including the EU’s ones) for CSDP tasks and – in a broader perspective – also to share military potential and equipment between Member States in order to perform the aforementioned missions<sup>90</sup>. Last but not least, PESCO intended to intensify the EU’s strategic autonomy<sup>91</sup>.

# Relations between geopolitical and economic actors

**W**hen analyzing the EU's defence policy, one may easily notice that the Union's largest states, particularly France, pursued a geo-economic strategy, under which economic goals were complemented by political ones while the development of the technological and industrial base could ensure the implementation of any geopolitical objectives. In this part of the report I will make an attempt to take a closer look at the geo-economic strategy followed by some countries as well as I will hope to examine relationships between political interests and those of large corporations.

Firstly, I will envisage the example of a large transport aircraft that had never been produced by the Western European military industry. In the 1980s, there emerged an idea to set up an international consortium, backed by U.S. companies. Then, European decision-makers envisaged to purchase the American Hercules C130 transport aircraft or to initiate the part-

nership with the Ukrainian Antonov plane manufacturer. In the late 1990s, both French and German officials eventually decided to build their own machine modelled on Airbus aircraft. Yet such a venture intended neither to satisfy the needs – which could have been guaranteed by the purchase of U.S. equipment – nor to take into account the Ukrainian offer due to its relative profitability. Instead, geo-economic considerations appeared to prevail, as evidenced by the urge for creating an autonomous technology on Western European territory while strengthening the industrial potential of the project's main shareholders. Among them, there were primarily French companies and – to a lesser extent – also the German, British, Italian, and the Spanish ones. For instance, France successfully tried its utmost to obtain a contract for the producing of some very important aircraft components (the cockpit and engine); furthermore, it also managed to locate the project management on its territory. Despite the apparent dominance of the



SOURCE: EUROPARL.EUROPA.EU

## Despite the apparent dominance of the „juste retour” principle, Paris seemed to gain most profits from cooperation

“juste retour” principle, Paris seemed to gain most profits from such cooperation. The state’s elites strived for strategic geopolitical autonomy altogether with receiving considerable economic benefits, which basically could be achieved through negotiations with the country’s partners<sup>92</sup>.

Setting up a common European consortium for the A400M aircraft constitutes an example of partnership between such spheres as politics, administration, military, and business. Yet all

crucial decisions were made by high-level politics who kept forcing geo-economic rationality for the project whereas the leading position was essentially assumed by France. Initially, both bureaucrats and military personnel opted for purchase either American or Ukrainian technologies, mostly due to their reasonable prices and easier availability. Shortly after, influenced by political decision-makers, they eventually reoriented towards European cooperation, at the same time seeking to maxi-

**Initially, both bureaucrats and military personnel opted for purchase either American or Ukrainian technologies, mostly due to their reasonable prices and easier availability.**

mize the benefits of the domestic industry. Nevertheless, it seemed that the consortium remained under a huge influence of the French structures, including the Direction générale de l'armement (DGA, English: Directorate General of Armaments). This influential structure of French Defence Ministry, which comprises up to 50,000 officials, accounts for controlling the armaments industry, procurement procedures as well as it ensures the supervision over development research and management of arms arsenals<sup>93</sup>. Despite the fact that it initially advocated the idea of establishing a national “champion”, the organization quickly began to back the founding of its European equivalent, though with dominant French influences<sup>94</sup>. Speaking of the business sector, at first it sought benefits from the national authorities, primarily in the field of budget financing. That is why it intended to implement the “juste retour” principle within the framework of the European consortium, thus gaining greatest profits from both investments and political support of its own country. Furthermore, German industrialists kept searching for opportunities to acquire new technologies by means of international cooperation. In their turn, Britons aimed to safeguard their own solutions whilst – similarly to their French colleagues – seeking to be granted a possibility of manufacturing most favourable components (including wings and engine) of a future aircraft<sup>95</sup>. In such a way, the industry was interested in achieving goals of its own corporation and protecting national interests, as manifested by close cooperation with both the government and state administration.

Yet another example of such an attitude may be the French-German consortium, being in charge of building the Tiger multi-role attack helicopter<sup>96</sup>, where major decisions were made essentially at the highest political level. At the initial stage of their partnership, the heads of

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both countries often had to convince representatives of army, bureaucracy and even industry whose numerous doubts had attempted to bring the venture to a halt on many occasions<sup>97</sup>. Paris focused mainly on implementing geo-economic purposes, including strategic autonomy and support for its defense industry. Therefore, the French excluded the use of U.S. technologies. At the same time, they felt motivated to come up with a product that would both be competitive on international markets and ensure a long-term export success. France also found it vital to take advantage of the financial potential of its Eastern neighbour in order to produce a costly and ambitious manufacturing<sup>98</sup>.

As for Berlin, at the very beginning of their cooperation in the 1970s and 1980s, it drew particular attention to the threat posed by the Eastern Bloc and the country's territorial defense. It was thus essential that the project be implemented at the earliest opportunity. Furthermore, Bonn believed the United States to safeguard German security. Therefore, in accordance with geopolitical interests the state authorities sought to utilise American technologies – as such a solution would also enable the project to be completed more rapidly, while expressing reluctance towards French export



goals. Notwithstanding that, they seemed to agree that the joint project would embody Franco-German reconciliation. In the last years of the Cold War, the sense of Moscow's menace diminished, thus pushing Germany towards the French geo-economic vision. Berlin gradually resigned from U.S. technologies, even despite

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## **In the last years of the Cold War, the sense of Moscow's menace diminished, thus pushing Germany towards the French geo-economic vision.**

the fact that such a decision could contribute to longer research work and higher costs of the joint venture. Instead, both Western European countries felt more and more attracted by the symbolism of their ultimate reconciliation. This proved to be decisive in both the geopolitical dimension – as exemplified by the approval for France's postulate of strategic autonomy – and the economic one, which appeared salient to promote further partnership with the French industry and to accept the Paris's export ambitions. The symbolism of political rapprochement played a vital legitimating role that seemed to justify the ever-growing spending on the project under the slogan of “the French détente” and “European cooperation”. In many regards, Germans eventually gave way to Paris's expectations, for instance by incurring disproportionately high costs compared to partner's involvement, approving its reservations towards U.S. partnership as well as the demand to establish a consortium's headquarters in the vicinity of the French city of Marseille<sup>99</sup>. Nevertheless, the management of the Eurocopter

company, founded in 1997, consisted of an equal decision-making impact and fair distribution of leading positions<sup>100</sup>. Such a state of matters depicts that the corporation's shareholders did their utmost to balance their own influences and to seize mutual control over the firm's property, management and technology. Importantly, the joint works on the Tiger attack helicopter constituted a major premise for the cooperation within Europe's arms industry to be eventually institutionalized, which was supposed to come in the form of a bilateral Franco-German armaments agency (1994), replaced subsequently by the OCCAR (1996). The latter, initially expected to guide the program, became a catalyst for setting up the European Defence Agency in 2004. The Tiger venture played a preponderant role in the Franco-German cooperation during the establishment of the CSDP.

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## **The symbolism of political rapprochement played a vital legitimating role that seemed to justify the ever-growing spending on the project under the slogan of „the French détente” and „European cooperation”.**

As mentioned earlier, such a costly and long-continued venture, whose preparatory stage lasted almost 40 years, required some decisions to be taken at the highest political level. Simultaneously, its business rationality appeared to be of secondary importance as companies managed to reorient towards the

cooperation between the two countries' along with all benefits resulting from the growing costs of the projects being financed from their national budget. Naturally, numerous enterprises, being aware of the determination of national policy makers, intentionally multiplied expenses of the venture. Therefore, such partnership was later backed by both the management team and the trade unions. It was particularly the case of the French authorities who seemed to appreciate the German financial aid. For a relatively short period of time, a German Siemens conglomerate lobbied for U.S. cooperation as it was granted a license for production of helicopter armaments<sup>101</sup>. Though, in a long-term perspective, Germany's business rationality could be implemented within the cooperation realities suggested by the French decision-makers to be gradually approved by their German counterparts.

Scholars argue that both the consolidation and expansion of defense industry in the EU's largest states generally passed through two major stages<sup>102</sup>. The first of them consisted in creating national champions within individual countries while some companies merged, often supported by the state authorities. Secondly, the aforementioned champions should be expanded to outside markets, including the internal one, which could be referred to as their Europeanization or establishing the intracontinental collaboration. Such process was subject to two basic scenarios. According to the first one, a stronger cooperation took over some smaller companies while the second consisted in the juxtaposition of companies, being equal in terms of their potential and capitalization that were later on supposed to forge strong partnership. Nonetheless, it was all about a purely business cooperation due to the fact that governments had traditionally the last word on accepting such an alliance. Thus and so, the emerging consortia did their utmost to divide

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## Numerous enterprises, being aware of the determination of national policy makers, intentionally multiplied expenses of the venture

power between themselves, exert control over decision-making processes as well as – if necessary – to refer to the “juste retour” principle in the case of public investments. Speaking of the latter, such ventures were usually implemented by French and German companies as exemplified by the fact of setting up the European Aeronautic Defence and Space Company (EADS), being the largest armaments conglomerate in continental Europe<sup>103</sup>.

Similarly as in the previous cases, the initiative to deepen the cooperation within the defense industry was introduced by the leaders of Germany, France and Great Britain during their joint meetings in 1997.<sup>104</sup> In 1998, Airbus Aerospace Corporation played a leading role in typing up a report on the prospects for closer business alliance between the French Aérospatiale company, the British Bae, the German DASA, and the Spanish CASA; yet the proposal could possibly involve the participation of Swedish and Italian consortia. Initially, Aérospatiale and DASA, which had suggested setting up a company whose largest shares would be granted for them, were of key importance for the negotiations. Therefore it is no surprise that the undertaking was quickly rejected by other partners, including Britons and Swedes. Simultaneously, the most powerful states were making intensive preparations so as to establish the international cooperation. Such arrangements consisted in building mighty national concerns which could be granted the best possi-

ble position if they entered the European conglomerate. In France, the first consolidation took place between Dassault, Alcatel and Aérospatiale in 1997 while a year later, the latter merged with the Matra company. In its turn, the German Daimler firm took over the American Chrysler (1998) while DASA fused with the Spanish CASA in 1999. In both cases, the German industry adopted a dominant position in all newly created consortia.

In 1998, British BAe and German DASA held profound talks about a potential merger; nonetheless, only a year later, the former unexpectedly became partners with another British company Marconi Electronic Systems. Thanks to such a decision, it was possible to establish a powerful champion company (BAE), thus providing it an opportunity to intensify its partnership with American firms (also during the manufacturing of the F-16 fighter aircraft). Nonetheless, the British government expressed its reluctance towards the idea of joining the merger as it feared such a venture might harm European alliance. Instead, it sought to incorporate BAe within the DASA while combining Marconi with the French Thomson enterprise. Yet the British industry eventually managed to get its way whereas the German negotiators were afraid that the British colossus would dominate DASA so they ultimately made a decision to abandon their plans to merge with BAE<sup>105</sup>. Moreover, Berlin-based politicians seemed to be against the ever-increasing British-American industrial partnership, particularly due to the fact that the F-16 fighter jet directly competed with the European Euro-fighter Typhoons. In such a way, the plans of the British-German merger had been eventually abandoned for business (asymmetrical economic potentials between partners) and geo-economic (Germany's striving for strategic autonomy in the field of technology) reasons.

Apparently it could be referred to as a breakthrough moment for the European industrial cartel – since that time, British firms seemed to occupy less exposed position. The situation directly translated into some political implications, contributing to temper the enthusiasm of the UK's elites towards the progress in CSDP. Such a state of affairs seemed most profitable for Paris whose elites observed the course of German-British negotiations with great concern. This could have thwarted the French geo-economic strategy, aimed at deepening cooperation with Berlin as a way to implement strategic autonomy in both the economic and

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## **The failure of the German-British talks thus rapidly became an opportunity to further intensify Franco-German partnership.**

geopolitical sphere. The failure of the German-British talks thus rapidly became an opportunity to further intensify Franco-German partnership. In 1999, EADS was established through the combination of Aérospatiale, Daimler-Chrysler, DASA, and CASA, with the dominant roles of France and Germany. At the same time, both Aérospatiale and Daimler-Chrysler, as the consortium's most powerful shareholders, held symmetrical stakes of 45.8 percent. Even Germany's total advantage over the company – if one takes into account the DASA ownership of CASA – had no major impact on the decision-making processes as the most important arrangements were to be made under a system of qualified majority voting<sup>106</sup>. The EADS's key positions sought to be distributed equally between the French and the Ger-

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## **The EADS's key positions sought to be distributed equally between the French and the Germans. Additionally, the conglomerate's functioning was also controlled by the governments of both countries**

mans. Additionally, the conglomerate's functioning was also controlled by the governments of both countries. The French state held as much as 15 percent of all EADS's shares while Berlin could influence the firm's policy thanks to so-called "golden shares" in German enterprises being shareholders of the aforementioned group. For instance, such an impact could be observed when Angela Merkel personally refused to endorse the EADS-BAE merger deal (2012). Berlin felt concern that the British and the French could possibly gain too much influence in a newly formed industrial consortium. For their part, the German negotiators made an unsuccessful attempt to establish the conglomerate's headquarters in Munich and to introduce their representatives to the BAE management board<sup>107</sup>. Thus yet another pursuit to unite UK's big business with continental companies appeared to be doomed to a failure.

Naturally, British firms constitute part of the European cartel as exemplified by the case of BAE, which disposes of some shares in Airbus, Astrium and MBDA. Even though, they seem increasingly give way to both German and French influences, comparable to the limited role of Swedish, Italian and Spanish producers. In fact, such situation did not stem from the

difference in economic potential between British, German and French enterprises; quite the contrary, financial and technological strength of British corporations was equal – or sometimes even greater – than that of the two largest European states. Thus, Britain's secondary role results primarily from some geopolitical discrepancies, followed by the diverging prospects for industrial cooperation. The upcoming Brexit procedures are likely to intensify this trend.

The aforementioned examples point to two emerging models of relations between geopolitical interests (represented by both politicians and officials) and the economic ones (big business perspective). The first one seems best evidenced by France where the both groups seem close one to another; for instance, local elites circulate between both business world and administrative structures<sup>108</sup>. Thanks to such an approach, the French industry could understand the state's geo-economic attitude while government officials strive to implement all interests of their own industry. The development of strategic plans could take place thanks to France's DGA<sup>109</sup>; yet in most cases these are top-level politicians that still have the last word in the field of European industry partnership. A similar perception is represented also by the German state. The second model is represented by British example. Notwithstanding that, the

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## **The UK government grants the business more autonomy, thus both geopolitical and economic interests are more distant than in France or Germany.**

government acknowledges the geopolitical role of the arms industry, including strategic partnership with the United States on one hand and the European Union on the other. Nonetheless, according to deeply rooted liberal ideas, the government grants the business more autonomy, thus both geopolitical and economic inter-

ests are more distant than in France or Germany<sup>110</sup>. Such an approach was particularly visible during negotiations between BAE and DASA in 1998-1999.

# Sweden as an example of the role of the geo-economic strategy

**W**hile considering links between geopolitical and economic interests, it is vital to pay attention to a European country with medium technological and industrial potential, thus giving way to France and Germany. Interestingly, until recently, the state was one of the most powerful in Western Europe. I would like to present a brief analysis of the change in the perception of geopolitical and economic interests in Sweden. The following example seems to reflect the functioning of EU Member States of a slightly lower geo-economic potential under the CSDP framework.

During the Cold War, Sweden's defense doctrine essentially relied upon the neutrality towards two major geopolitical blocks; at the same time, the country's authorities based its own security on autonomous and self-sufficient armaments industry. Such a policy aimed to satisfy the state's need in all substantial domains<sup>111</sup>. In the 1990s, Stockholm introduced some major changes to its defense industry that later enhanced its military

doctrine. All of them were inspired by the end of the Cold War, which means both the reduced Russian threat as well as the triumph of neoliberal ideas and economic globalisation. First of all, Swedish elites claimed that foreign-based enterprises, including more competitive and better-managed firms from the United States, Germany, Great Britain, Norway, Finland, and China, could be allowed to purchase less powerful Swedish companies<sup>112</sup>. Secondly, it would be essential to limit any state budget subsidies on research and development for domestic companies while focusing on purchasing ready-made products from the best manufacturers, also the foreign

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**During the Cold War,  
Sweden's defense doctrine  
essentially relied upon  
the neutrality towards two  
major geopolitical blocks**



SOURCE: EUROPAKOMMENTAREN.EU

ones. Such a decision meant yet another weakening of state aid for the benefit of the national industry. Thirdly, international cooperation was considered in terms of an opportunity for industrial development<sup>113</sup>. Last but not least, as evidenced by past experiences of other countries, it was believed that the firms' advancement could be preferable achieved by introducing exports production only in selected areas.

As a result of changes in government policy and subsequent transformation in its armaments sector, Swedish exports seemingly increased even though the country's military complex decreased to five corporations and it remained no longer in the Swedish hands<sup>114</sup>. Simultaneously, Sweden lowered its self-defence abilities basing on its domestic production, including submarines, armoured cars or aircraft<sup>115</sup>. The local industry could no longer cater for the country's defense needs in a comprehensive manner, thus orientating its activity on both business and export domains. Such a "rebranding" had a serious effect for the defense doctrine: the Swedes were gradually pulling out of their traditional neutrality, being forced to strengthen their ties with NATO.

Additionally, the on-going exports brought about the risk for the state's internal security; over the years, it has provided to a number of countries, including Sweden's non-allied states, economic competitors, and potential geo-economic rivals, with some brand-new technologies<sup>116</sup>.

Such an example illustrates the importance of geo-economic strategy for the state's defense policy. During the Cold War period, the Swedes pursued a geopolitical policy being closely linked to their industrial programs. Nonetheless, the authorities in Stockholm later abandoned their

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**Swedish exports seemingly increased even though the country's military complex decreased to five corporations and it remained no longer in the Swedish hands.**

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## **Such a „rebranding” had a serious effect for the defense doctrine: the Swedes were gradually pulling out of their traditional neutrality, being forced to strengthen their ties with NATO**

coherent geo-economic strategy due to geopolitical relaxation, with particular regard to the reduced threat from the outside. For instance, they liberalized their industrial policy, which in fact sought to separate defense plans from a purely economic aspect. It is noteworthy that the basic defense model of great powers, as well as some medium-sized countries (as evidenced by the Swedish example during Cold War), depends on their national arms industry that should be protected from foreign competitors and whose main aim is to satisfy the state's essential military needs. Thus, there evolved yet another Euro-na-

tional model within the EU's structures. International cooperation within the framework of the European industry is based on the leadership of Germany and France that had been safeguarding their own interests in accordance with the “juste retour” principle. Speaking of less powerful countries, they followed a path similar to the Swedish one, in fact losing their self-defence ability based on their domestic industry, and thus they involuntarily had to seek support from much stronger EU partners.

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## **The basic defense model of great powers, as well as some medium-sized countries (as evidenced by the Swedish example during Cold War), depends on their national arms industry**



# Economic lobbying within the CSDP

**W**hile analysing the dependence between both political and economic interests, one should also discuss the role of economic lobbying within the CSDP. Brussels's most eminent organization that lobbies for the continent's arms industry is the Aerospace and Defence Industries Association of Europe (ASD) that brings together Europe's largest corporations and national associations. In addition, there are three other bodies that exert a decisive impact on the European defense sector, including Airbus Group, which largely represents French firms, SDA think-tank<sup>117</sup>, considered as the spokesman for U.S. interests and BAE Systems that assembles other British consortia<sup>118</sup>. As for remaining entities – the Swedish SAAB and the Italian Finmeccanica (in 2017, renamed as Leonardo), they seem slightly less influential. Due to the lobbying structure, understood in terms of the density of its network and frequent contacts with either national or EU institutions, it is thus possible to clearly indicate the level of impact exerted on the CSDP structures by the companies. Gener-

ally speaking, such power seems compliant with a corporate potential.

While summarising all the previous consideration, it needs to be stated that industrial interests visibly affect both administration and politics, especially in France and Germany. Still, state authorities are of the utmost importance, mostly in all cases when it is vital to make any strategic or geo-economic decisions. Thus and so, Europe's mighty industry massively influenced the CSDP progress, though politicians did not manage to meet all of its expectations. The lobby's greatest achievements encompass for instance the incorporation of EU regulations in the field of security

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**European markets  
could finally be opened,  
aiming at the same time to  
limit U.S. competition and  
diminish offset-related costs**



SOURCE: WIKIMEDIA.ORG

and defense procurements. In such a way, European markets could finally be opened, aiming at the same time to limit U.S. competition and diminish offset-related costs<sup>119</sup>. The mere cartelization of Western European defense sector constitutes an important accomplishment of numerous lobbying groups, although backed by some politicians who had also made some significant decisions. For many years, Europe has been increasingly interested in boosting the business rationality in the field of promotion and worldwide export competitiveness. Such an approach has been adopted by politicians and officials in many countries, regardless of the fact that it may undermine national security. Thanks to some business ventures, it was possible to set up EDA and the European Defence Fund (EDF) whose main task was to provide financial aid for research and arms purchases<sup>120</sup>. However, it has not been possible to significantly

reduce the supervision of states over cross-border trade or transport of weapons. National governments are still reluctant to transfer these competences to EU institutions, instead wishing to retain appropriate control instruments<sup>121</sup>. Furthermore, the European Parliament complained that other objectives of the 2009 legislative package had been poorly implemented, mainly due to the protectionist approach adopted by the great majority of EU Member States<sup>122</sup>. In addition, lobbyists keep striving to introduce joint European armaments tenders (organised also under the auspices of the EDA) as well as to create a separate EU agency – modelled on the U.S. Defense Advanced Research Projects Agency – whose major responsibility would consist in carrying out breakthrough defense research<sup>123</sup>. In 2017, the initiative was endorsed by French president Emmanuel Macron<sup>124</sup>.

# CSDP management

**A**s mentioned previously, both EU largest Member States and some intergovernmental management institutions exert a decisive impact of the functioning of the CSDP<sup>125</sup>. Research on the policy's network and its intensity of links have already indicated that most powerful influence is wielded by the German Chancellery, the French DGA, the Office of the Prime Minister of the United Kingdom as well as all these states' representatives to the European Union<sup>126</sup>. There also emerge three major management trends that either are approved by these countries or largely stem from such an initiative. The first of them envisages the creation of a vanguard for deeper integration within the framework of defence policy. Such a venture would consist in encouraging further CSDP progress, initiated by several countries, both within some informal initiatives outside the European Union (as evidenced by the case of the European Intervention Initiative) or with the use of the treaty law (PESCO). Yet differentiated integration does not usually intend to establish permanent divisions between subse-

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**Both EU largest Member States and some intergovernmental management institutions exert a decisive impact of the functioning of the CSDP.**

quent EU Member States; instead, it aims to invite some hesitant states to follow the aforementioned vanguard, created mostly by France and Germany in accordance with their geo-economic goals and interests<sup>127</sup>. Speaking of the second process, it seeks to encompass the gradual departure from blatant intergovernmental tendencies towards communality attitudes. This phenomenon seems best manifested by the setting up of European Defence Fund (EDF), introducing EU regulations and a majority voting systems as well as granting the European Commission more competences in this field. So far, such actions have been widely

## Differentiated integration does not usually intend to establish permanent divisions between subsequent EU Member States

endorsed by Germany while France sought to maintain intergovernmental management<sup>128</sup>. Back in 1990s, German MEPs pushed the idea of majority voting system in European foreign and defence policies while in late 1980s, they suggested that a European Security Council be created, thus being a body whose functioning could be compared to the UN Security Council and that would make efficient decision in foreign and security policy<sup>129</sup>. These plans were brought back to life by German Chancellor Angela Merkel in 2018<sup>130</sup>. As for the third tendency, it is closely linked to the previous assumption as it regards the transition from voluntarily instruments to their counterparts being enforced by the European law and thus obligatory for all Member States.

At the same time, particular attention should be drawn to the ever-increasing role of the European Commission (EC) in managing the discussed policy, considered until recently as a domain reserved exclusively for the countries of the community. As I mentioned earlier, such proceedings have taken place with the full permission of some capitals, with particular regard to Berlin. Provided with such an opportunity, the European Commission tended to expand its powers, for instance by helping to hold CSDP missions<sup>131</sup> or assuming its responsibility for developmental research in the defense industry<sup>132</sup>. Speaking of its defence policy, the institution's approach corresponds to two fundamental scientific concepts. The first of them points to the phenomenon of gradual competences creep of EU institutions

resulting in the evolutionary development of European policies that consist of transferring powers from national to the EU level<sup>133</sup>. The second notion is referred to as "purposeful opportunist"; in its light, the Commission seeks to take advantage of any opportunity to boost its own powers, while trying to include all expectations of EU's largest Member States. As part of the defence policy, the institution skilfully promoted their goals, thus gaining their favour, as well as it managed to mobilise European armaments consortia – as most influential stakeholders – to back its own agenda. Simultaneously, the Commission used legal instruments, including numerous references to rulings issued by the Court of Justice of the European Union (CJEU)<sup>135</sup>. Last but not least, the entity tried its utmost to use the pro-European narrative to achieve its own institutional goals<sup>136</sup>.

Such transition from intergovernmental to community management – as well as from voluntary to coercive instruments – seems best exemplified by the development of the CSDP at the dawn of the 21th century. The policy institutionalisation could be achieved by the establishment of OCCAR (1996), followed by a letter of intent, written by six Member States<sup>137</sup>, on reinforcing industry cooperation within the EU structures, including joint development research, standardisation of arms and public procurement as well as providing support for exporting arms and defense services on the internal market (1998)<sup>138</sup>. In 2004, European institutions set up the European Defence Agency (EDA) that aimed to deal with all topics mentioned in the letter. Managed in an intergovernmental manner, it was strictly subordinate to the Member States while EC officials seemed much less involvement in the entire governance process: at that stage of integration, a large part of countries expressed their reluctance towards the Commission's greater role in the CSDP<sup>139</sup>. The Agency's other initiatives aimed to disseminate good practices, common standards and consisted

of voluntary participation by states. Such was the case for most solutions advocated by EU's largest Member States, including those related to tenders, limited use of offsets as well as collecting data and ensuring its security, as promoted by various codes of conduct. In fact, the EDA sought to gather data on EU's Member States defence potential and its armaments needs; furthermore, the Agency regularly issued reports that intended to illustrate both positive and negative phenomena of weaponry trade in the internal market. The EDA contributed to the creation of an electronic bulletin for public procurement whose main task was to announce armaments tenders modelled on other public procurements that were subsequently supposed to be published on the EU websites (within the framework of the so-called Tenders Electronic Daily, TED)<sup>140</sup>. In the opinion of scholars, the Agency aimed to open the way for introducing more coercive community solutions to be later applied by the European Commission<sup>141</sup>. Some define this period of EDA activities as "shaping awareness" of governmental decision-makers on the desired EU policies<sup>142</sup>. Notwithstanding that, their more decisive implementation was possible only after a shift from voluntary instruments towards compulsory European law.

Such a moment eventually came when the Commission proposed a package of defence directives. Under the concept of a "purposeful opportunist", European officials opportunistically aimed to pursue the political will of EU's most influential Member States that wished to liberalise the military procurement market<sup>143</sup>. The Commission's strategy intended to circumvent the exclusion of national security-related orders from the tender rules in the internal market (under Art. 346 TFEU). Previously, the European Commission had submitted two complaints against Member States to the European Court of Justice for abusing Article 346 while the latter institution

issued a verdict in favour of the European Commission, as evidenced by the cases of Spanish (1999) and Italy (2008)<sup>144</sup>. Such proceedings led to the creation of some legal precedents that obliged states to comply with all rules of the internal markets in defence procurements. Facing a similar situation, Member States could expect further legal actions, undertaken by the Commission, against any country that would block passing 2009 defence legislative package. They provided for more liberal rules of the purchase of armaments and security services and easier cross-border transfer of weapons, thus improving conditions of trading such goods in the European Union. The Commission's steps were additionally backed by the French presidency as it sought to break the blocking minority in the Council of the European Union in order to pass the regulations. The final shape of the legislation constituted a result of a compromise between France, Germany and Great Britain<sup>145</sup>.

One should also focus on the period when the Commission launched the procedure of directives implementation that took place right after their adoption in 2009. Activities of EU officials consisted of publishing non-binding notes along with appropriate guidelines that referred also to the use of offset in armaments tenders. The provisions of the European Union's Defence and Security Procurement Directive do not directly limit the practice; nonetheless, the Commission's guide-

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**The EC initiated a number of proceedings in the Court of Justice of the European Union against those countries that did not respect its „voluntary” guidelines.**



SOURCE: BUNDESREGIERUNG.DE

lines have already done so, with particular regard to the so-called indirect offset. At the same time, the EC initiated a number of proceedings in the Court of Justice of the European Union (CJEU)<sup>146</sup> against those countries that did not respect its “voluntary” guidelines. Thus, they affected Greece, the Czech Republic, Poland, Slovenia, the Netherlands, all of them being weapons importers who expressed their general dissatisfaction with EC undertaking that went beyond the directive’s actual text<sup>147</sup>. In such a way, the Commission’s proceedings resembled its previous operations as the institution essentially sought to enforce the interpretation according to which military procurement should take into consideration all the

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## The EC’s complaints tended to be based on the maxim to comply with the rule of law.

freedoms in the internal market. The EC’s complaints tended to be based on the maxim to comply with the rule of law by subsequent European states. Furthermore, the institution intended to use the fact that the CJEU recognised that the Court has the right to decide whether Member States exercise their powers in accordance with Community law, even in the areas where the latter dispose of their exclusive prerogatives<sup>148</sup>. The Commission withdrew its complaints to the CJEU only in cases when Member States agreed to apply to its offset guidelines<sup>149</sup>. In addition, successful implementation of EU law would not be possible but for support for EC’s activities provided by most influential Member States whose representatives consulted the Commission’s guidelines and eventually endorsed their final format<sup>150</sup>.

The transition from voluntary partnership to the one that could more effectively enforce further decisions could be later on executed by the Permanent Structured Cooperation (PESCO). In fact,

EU countries accept to assume obligations under the so-called national implementation plans that are binding since the moment of their official recognition. Such commitments refer to common indicators and leading criteria, including those that concern increased investments, purchase of weapons, and R&D expenditures. They are to be subsequently verified by the EDA and the High Representative of the Union for Foreign Affairs and Security Policy – as the head of the Agency. The management system may ensure its proper functioning thanks to the Coordinated Annual Review on Defence (CARD), a mechanism that gather information on expenditures and armaments needs of all partner countries as well as verifies the status of their commitments. Enforcement policy is also implemented by sanctions that

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**There emerged more and more community elements, intermingled with decisions implemented in a binding manner, particularly those linked to the extension of the scope of EU law**

offer a possibility to suspend a state's membership within PESCO structures if it fails to comply with promises made. Importantly, decisions on that score are to be taken by majority vote. Yet another element of the implementation consists in building a system based on various incentives, with particular regard to financial aid provided by the EDF. The ever-increasing role of EU funding programs and the majority voting system represent PESCO's gradual transition from intergovernmental management towards a community model<sup>151</sup>.

In this way, CSDP governance has intensified its hybrid character. Even though intergovernmentalism was a dominant tendency, there emerged more and more community elements, intermingled with decisions implemented in a binding manner, particularly those linked to the extension of the scope of EU law in this respect and its further execution by the EC and the CJEU. The most influential Member States took advantage of some Community instruments and supported the European Commission to control CSDP development in accordance with their national geo-economic preferences. As for less powerful countries, they could to some extent stay out of some initiatives; notwithstanding that, they have increasingly had to adapt to rapid changes even if they did not fully correspond to their interests.

# The role of the idea

**A**s written by Barry Buzan, Ole Wæver, and Jaap de Wilde, in the public discourse on defensive issues politicians rarely reveal their real intentions. Instead, there appear multiple arguments that aim to convince the public to the proposed policy as well to appease main foreign adversaries<sup>152</sup>. Undoubtedly, all ideas that have been disseminated in the discourse on the CSDP aim to persuade Member States to follow the preferred paths of integrations as well as to legitimize such progress from a political point of view. According to one of the scholars, they were supposed to “share awareness” of the necessity of proposed changes<sup>153</sup>. Such an approach corresponds to the theoretical assumptions of constructivism, according to which pro-European narratives are indispensable to legitimize further integration processes<sup>154</sup>. The arguments do not always find their reflection in the reality; in some cases, they are supposed to mask it, thus concealing true intentions of the main players or potential costs of integration. It seemed accurate in the context of advocating the ideas of Europeanization, solidarity or European patriotism, which give the impression of some shared benefits for the participating states. Though, in fact, they may camouflage the asym-

metric distribution of profits and losses between individual countries or social groups. All defenders of the idea of deeper integration between defense industries and progress in CSDP refer to the need to build up some common resources within defence policy, share them with other countries and establish a European industrial base, thus seeking to Europeanize national defence industries and create a single market for weapons. This could be achieved by eliminating such obstacles as unnecessary industrial fragmentation, doubled production or waste of resources. In fact, such narrative is first and foremost beneficial for the largest corporations. The Europeanization of the market is aimed at increasing the export of arms in the internal market for these companies while supporting their technological base<sup>155</sup>. This is to be exemplified by the fact that a group of EDA advisors, supposed to provide substantial support on distribution of funds for development research, involves board members of Europe’s largest armaments concerns, which is soon reflected in the research grants<sup>156</sup>. In addition, researchers emphasised the fact that the French narrative on unnecessarily doubled production, proliferation of technological standards and too national approach to defense procure-





SOURCE: EUROPARL.EUROPA.EU

ment refers only to other countries. France seeks to defend both its national interests as well as the “juste retour” principle with particular regard to international cooperation programs<sup>157</sup>. In Paris’s perspective, Europeanization was first and foremost equivalent to the country’s increased exports and investments in the internal market<sup>158</sup>.

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**France seeks to defend both its national interests as well as the „juste retour” principle with particular regard to international cooperation programs.**

Undoubtedly, the rhetoric of Franco-German reconciliation acted to the benefit to the intensified partnership between the two states’ defense industries. It was then transferred to other countries while the defence policy has become a vital platform for further integration development, with particular regard to any situations that would bring about serious threats to the EU’s cohesion.

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**Politicians of the two leading countries tended to stigmatise all doubts of other countries as they considered their ideas as instance of non-European attitudes.**

The politicians of the two leading countries tended to stigmatise all doubts of other countries as they considered their ideas as instance of non-European attitudes. Similarly, they assessed the refusal to purchase French and German weapons as a “non-European choice”<sup>159</sup>.

The opening of the procurement market and increased takeovers within armaments companies were additionally fostered by liberal ideas. Such encouragement seems particularly visible in the case of arguments for limiting offset. Liberalization was beneficial for the largest corporations while raising serious doubts in countries whose industrial potential could be referred to as incom-

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## **Liberalization was beneficial for the largest corporations while raising serious doubts in countries whose industrial potential could be referred to as incomparably lower.**

parably lower. At the same time, EU's most influential states initiative some protective measures for their own enterprises, especially towards their biggest non-European competitors<sup>160</sup>. When frantically introduced in domestic policy and – as evidenced by the Swedish example – liberal ideas appeared one of the main reasons for diminished national security<sup>161</sup>. Speaking of Great Britain, similar interpretations accounted for greater distance between decision-makers and representatives of defense industry than in continental Europe. This ultimately resulted with less significant control of the authorities over the country's industrial potential, thus reducing possibilities to implement the geo-economic strategy in an effective manner. London clearly shows its geopolitical ambitions; nonetheless, due to liberal

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## **London clearly shows its geopolitical ambitions.**

assumptions, the state has deprived itself of salient economic instruments, normally deployed by other countries to attain some strategic purposes. Following Brexit, Brussels blocked the possibility of British participation in the Galileo security and defence program; as a result, the government find it difficult to discourage companies from further partnership within the Galileo and their mobilisation to build an alternative British system<sup>162</sup>. In addition, the country's elites seem to be torn between increasingly conflicting political ideas;

on one hand, part of politicians remain loyal to transatlantic ties while, on the other hand, some of them miss the fading opportunity for stronger European cooperation<sup>163</sup>. Such an ideological inconsistency may be perceived as a serious burden, especially while facing upcoming Brexit procedures.

According to many scholars, not only did European partnership programs fail to meet expectations of better resources allocation but – on the contrary – they ultimately led to higher costs, delays and waste of both public funds and industrial resources<sup>164</sup>. Needless to say that international cooperation does not always remain on its deep level while individual corporations tend to compete one with another to be granted export markets<sup>165</sup>.

The subsequent advances in CSDP were stimulated by some external events, which gave politician a great opportunity to incorporate them in their own narratives as to as intensify the aforementioned partnership. Such was the case of the war in the Balkans, the Iraqi conflict, Russia's aggression towards Ukraine and subsequent disputes with president Donald Trump. Yet many of these arguments could be referred to as excessive ones. Generally speaking, most powerful Western countries do not perceive Russia as a geopolitical threat; yet the country's policy constituted an important point of reference, used for instance by German or French politicians who endorsed further progress of the CSDP<sup>166</sup>. Following the end of the Cold War, Paris and Berlin repeatedly warned against the threat of U.S. withdrawal from Europe as a prerequisite for EU's greater independence in terms of defense matters. A few decades later, such rhetoric has been indirectly supported by president Donald Trump, who additionally claimed that NATO is just a obsolete<sup>167</sup>. Furthermore, Washington has been even accused of the lack of allied credibility, accompa-

nied by the idea of multipolarity, which was perceived as a challenge to American hegemony. Their culmination brought about the narrative of the need to set up strategic autonomy from NATO and the United States<sup>168</sup>. The idea was widely advocated by French politicians while the Germans, in their turn, seemed to be much more reserve. At the beginning of 2018, German Defence Minister stated that the country sought to maintain transatlantic ties and simultaneously become more European<sup>169</sup>. A few months later, the country's foreign minister claimed that "only joined forces of Germany, France and other EU countries are able to balance the power of the United States."<sup>170</sup> A bit later president Macron said that Europe had to protect itself with respect to China, Russia and even the United States of America<sup>171</sup>. Furthermore, decision-makers from France and Germany recognised that European army was the only way to aspire for "European sovereignty" in today's increasingly unstable world. Thus and so, the idea of Franco-German reconciliation turned into a concept of Washington's geopolitical balancing. And Europeans have reversed the narrative of Americans who wanted EU countries to spend greater amounts on defence matters. So, instead of preparing some resources for the North Atlantic Alliance, they made a decision to boost the financial and technological development of their own defence

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## **the idea of Franco-German reconciliation turned into a concept of Washington's geopolitical balancing**

policy, aiming to distance themselves from NATO and Washington<sup>173</sup>. As Macron admitted in one of his interviews "Europe must increase military spending, but the money should go to European, not American companies"<sup>174</sup>.

All the aforementioned reflections on the ideas paving the way for the CSDP development should be concluded with the EU narrative about peaceful power. Some researchers claim that similar concepts contradict the progress of EU defence policy<sup>175</sup> while other pundits draw attention to the clever way of separating the notion of civilian power from the idea of normative power<sup>176</sup>. In their opinion, Europe will be able to defend its values only if it disposes of genuine military potential and not just an authority in the sphere of norms and regulations. Such a necessity resulted in a creation of a new narrative on the need to establish European military power in order to increase the continent's credibility in the international arena, and thus more effective defense of European values and their worldwide promotion.

# Conclusions

**T**hus, EU's CSDP constitutes an example of a geo-economic system that is supposed to pursue both geopolitical and economic objectives while the main political role is essentially played by EU's largest Member States such as France and Germany. Politically speaking, their leading goals include both deepening European integration and enhancing strategic autonomy (also referred to as "European sovereignty") towards great powers. The central aim is to establish a distinct European pole in world policy, which will mainly consist in setting up strategic independence from the United States, thus resulting in weakening the West's cohesion in the long term. Such goal seems difficult to be achieved, especially due to some internal divisions within the European Union, including those with regard to transatlantic ties. In addition, Europe does not dispose of sufficient potential to play an indepen-

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**The central aim is to establish a distinct European pole in world policy, which will mainly consist in setting up strategic independence from the United States.**

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**Policy conducted by Paris and Berlin, the increasing power of both capitals under the CSDP makes their strategic perspective more important throughout Europe.**

dent geopolitical role that could be compared to world superpowers<sup>177</sup>. Furthermore, China is gradually building its power while Beijing and Washington are involved in the ever-growing conflict. In the light of situation, there emerges the question whether the goal of Western Europe should be to weaken the unity of the West without a guarantee of the European Union's independent role in international politics. In spite of the ever-growing doubts about the hitherto policy conducted by Paris and Berlin, the increasing power of both capitals under the CSDP makes their strategic perspective more important throughout Europe and it can be effectively imposed on other Member States.

The announcement of the US (2018) to terminate the Treaty on Intermediate-range Nuclear Forces with Russia<sup>178</sup> increases the security risks in Europe, as well as exerts pressure on Western

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## Striving to build strategic autonomy by Germany and France could fracture unity of the West and weaken Europe's position vis a vi Russia.

European countries to adapt their actions to the new situation. Strategic cooperation with the USA should be renewed and NATO's defense structures strengthened. Striving to build strategic autonomy by Germany and France could fracture unity of the West and weaken Europe's position vis a vi Russia. If this autonomous policy is pursued the EU will not be able to continue its sanctions for Russia's aggressive actions in Ukraine and will have to reconcile with Moscow.

Also economic goals seem to play an essential role in the described geo-economic system. They include for instance shoring up the industrial and technological base in Western Europe as well as promoting both investment and export expansion of such an industry in the EU's internal market. Simultaneously, some measures are being taken in order to prevent the largest non-EU competitors from accessing the market. This is to be exemplified by the case of British companies, which were forced to withdraw from some Galileo program's activities as a result of Brexit, while their earlier operations had been taken over by other European rivals, particularly the French space industry firms<sup>179</sup>.

"European sovereignty" in defence policy means domination of France's and Germany's economic interests over the rest of EU members. The example of this tendency is French and German defence ministers agreement in 2018 that Paris would take the lead in developing a next-generation fighter jet. The Future Combat Air System

plan also includes satellites, guided missiles, drones, surveillance planes, tanker aircraft and ships. But German firms are worried that France wants an 80 percent share of the whole system. Berlin would find this unacceptable because to dominant role of Paris as well as it would close off participation by contractors in other European countries<sup>180</sup>.

The discussed geo-economic system is managed in a hybrid way. In spite of prevailing intergovernmental attitudes, there tend to emerge more and more community elements, including for instance EU's budget financing, majority voting as well as the growing importance of the European Commission and the Court of Justice of the European Union. Acting in accordance with the notion of "purposeful opportunist", the European Commission sought to back the objectives of the EU's largest states and their arms industry, thanks to which it was able to expend its own powers in the discussed policy. The transition from voluntary methods to compulsory management, carried out through EU regulations and rulings of the Court of Justice, was more and more visible. Such progression was due to the broadening interpretation of the treaties, applied by the Commission and the Court, as well as political support for these activities from EU's largest countries. The aforementioned regulatory expansion was preceded by some voluntary programs, being pilot

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## The transition from voluntary methods to compulsory management, carried out through EU regulations and rulings of the Court of Justice, was more and more visible

projects that aimed to disseminate a given policy. They have been additionally supplemented by some promotional activities and a pro-European narrative whose fundamental goal was to shape awareness of Member States' decision-makers so as to make them more prone to implement all recommended changes.

Geo-economically speaking, the most effective type of relation between the spheres of geopolitics and economy would consist in close cooperation of these two domain, as illustrated by the French example. It is essentially based on geopolitical leadership of state structures, additionally enhanced by the administration's profound understanding for business interests and state's readiness to support their stance in international relations. Similarly, such model provides opportunities for implementing a given geo-economic strategy. States that allowed further marketization and internalisation of their armaments industries – either as a result of some internal reforms or

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**Industry's growing autonomy as well as distance between the public and private sector contributed to the limited scope of geo-economics**

excessive attachment to neo-liberal principles – were gradually deprived of their powerful tool. Industry's growing autonomy as well as distance between the public and private sector contributed to the limited scope of geo-economics, which subsequently translated into fewer possibilities of deploying economic instruments to attain geopolitical goals.

Speaking of ideas, they play a vital role for further CSDP progress. While reading some theoretical literature, one may encounter multiple ways of engaging the aforementioned concepts in order to develop integration, referred to as the “constructivist method”<sup>181</sup>. In the case of CSDP, there are at least three such ways. First of all, the ideas seek to construct a brand new reality of EU defence policy, including more institutions to be founded, as well as to create a common strategic identity and attitudes that could be perceived in terms of European patriotism. Secondly, they try their utmost to legitimize the progress of the CSDP and further development of European armaments consortia, even if such a move somehow contradicts the previously declared vision of Europe as a peaceful and civilian power. Thirdly, the pro-European narrative aims to cover up all imperfections, including numerous discrepancies in EU policy as well as to camouflage the potential costs for some Member States. This can be achieved by multiple references to the Europeanization of the defense industry and defense procurement.

# Footnotes

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