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Quelles stratégies politiques et industrielles pour une Europe de la défense compétitive?

European Defense Industry Consolidation & Transatlantic Relationships

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The first question to address is: Why should consolidation of the European defence industry take place at all?

The principal reason lies in the market itself, which is progressively extending its horizons towards new markets.

Increased levels of competition are the real challenge to be faced by the industry and competitiveness will be the key to success.

Increased competition requires ever greater investments in technology, research and innovation. On the other hand each country's public budgets are already stretched to the limit. These factors are forcing the leading European players to seek out new roles in high-potential markets, specifically in the US, a key market which is, under certain conditions, quite accessible.

Yet the fact is that the same level of accessibility does not currently exist in every national market in Europe: while certain countries are essentially open to all players, access to other markets is much more restricted. Moreover, while the new member States of the East could in theory provide good new opportunities for business and cooperation, here again there are many differences across individual markets, and accessibility is as varied as the operational requirements.

Here lies the central dilemma for the European sector. While the United States is a coherent single 'internal' market with the scale to sustain the US defence industry, Europe is structured as too disparate a collection of as many domestic markets as there are sovereign States. The consolidation process required to put Europe on a par with the US market is being slowed by the lack of an integrated defence market at a European level.

The ideal starting point in the process towards unification of our European market would be the definition of common requirements and common programs, which then facilitate fair and open competition amongst European defence industry players. This might initially require some restrictions on non-European players, in the same way that the United States currently imposes restrictions on some foreign players. [At least until we reach the stage where reciprocity has been properly established.]

In this sense, the establishment of the European Defence Agency and the adoption by member States of an agreed *code de conduite*, with the aim of ensuring full transparency in bidding processes, represent just the first steps in the right direction, provided that new constraints will not be introduced by national governments.

The consolidation of the defence and security industry in Europe will facilitate the more efficient exploitation of public budgets, maximize synergies and product standardization, promote the better management of R&D activities and will help avoid wasteful - in terms of time as well as money - duplication of cost and effort.

An increasingly integrated European defence and security system also responds to all our citizens' justifiable requests for greater national and personal security.

The importance of a co-ordinated sector contribution to the fight against terrorism has certainly been amplified in recent years. The most appropriate and effective solution to this new asymmetric threat naturally crosses national boundaries and requires extended cooperation, both at a political and industrial level.

In this sense, it is also the industry's responsibility to take a leading role in creating a more efficient and competitive organization for defence and security in Europe. After all, national governments themselves have now moved towards greater cooperation in this highly sensitive and critical area - on matters that before 9/11, Madrid and London were handled much more on a domestic basis.

Whatever the route taken, the fact is that it is not a question of if Europe's defence industry will consolidate, but when.

In my view it will be crucial for all of Europe's largest defence groups - and this goes for Finmeccanica as much as any of the other major players - properly supported by related governments, to be far-sighted enough to make space for all the Continent's wide-spread know-how as the consolidation agenda progresses. If we fail to do this, we risk seeing some of the smaller European countries - with strategically valuable activities and their related know-how - drift towards US companies as they look to satisfy their own requirements.

On the basis that consolidation is definitely arriving, a second question arises: Will this process negatively impact transatlantic relationships?

In my opinion the answer is a clear NO.

Existing relationships will continue and develop as the 'balance of power' between US and European players begins to level out with the progress of European cooperation.

Some European defence and security companies have already established respectable presences in US, successfully competing on sensitive government programs while demonstrating their long term commitment to that country by establishing production facilities State-side.

Moreover, we should expect that the 'europeanization' of our defence and security companies through more mergers and strategic alliances, will encourage the development of a common business culture that extends across the two continents inevitably facilitating increased interaction with the US industry and US institutions.