

European Defense Industries – Which Future?

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European governments have long opted in favour of maintaining military forces. In order to defend national borders and national interests, but also to best protect the lives of soldiers, these forces require modern weaponry and technology. Whether rifles or fighter aircrafts, someone, somewhere has to produce them: but who? Europe's nations must continually choose how and where they want to acquire the military equipment needed to sustain their forces. They can produce their equipment nationally, or with partners in a framework, as is the case for the Euro-fighter or MEADS, or they can simply purchase the equipment on the global market, from the United States in particular. What is clear is that each route has consequences that go far beyond the quality and suitability of the purchase systems.

Military budgets are shaping the future

Maintaining a national defense technological and industrial base is a political decision with foreign and domestic policy implications. While Europe's defense industries are largely in private hands (with governments sometimes owning shares), they are dependent on governments – European and others – for their revenues. That being the case, military budgets and the political decisions underlying them will continue to shape the future of Europe's defense industries. Government choices on export policy and international cooperation are also crucial. While the diplomatic implications of exports are important, so is their strategic role in maintaining defense industrial base, including production lines, engineering teams and management staff.



How to deal with the United States

Purchasing large amounts of equipment from abroad may appear to be less expensive – but only at first glance. American military equipment seems particularly attractive, benefiting as it does from high levels of US research and development spending and, theoretically, low unit costs due to United States' huge equipment orders for its own use. While US equipment appears inexpensive, the essential services and upgrades – the consumer parallels would be coffee pods and printer cartridges – generate long-term revenue streams for US companies, sustaining them as competitors for decades to come. Whether Europe wishes to directly compete with US products or whether it wants to be a better partner in co-producing equipment and systems together with the United States, the better funded and the more consolidated Europe's defense industries are, the more influence they will have.

Consolidation versus profit orientation

Europe's defense sector has taken great strides toward consolidation, but more needs to be done. Even though consolidation has political and strategic consequences, ultimately, it will be business requirements, market developments, and investor interests that determine the outcome. Companies will stay in the defense business only if it remains a profitable business. And it is government's decisions on grand strategy and military spending that will shape how Europe's defense industrial base compares to the rest of the world, with all the ensuing implications for employment, technological development and sovereignty.

Investing in EU capabilities is the better choice

Maintaining a consolidated, competitive defense industrial base is a choice, not a matter of inevitability. European governments could abandon their defense industrial base, choosing to rely on the United States as the main supplier of military equipment. But this would go against the stated objectives of the European politicians calling for greater European autonomy. A better choice would be for European governments to engage in harmonised investments in (common!) European capabilities, both in order to sustain their shared strategic independence and to make Europe a more influential partner in a wide range of transatlantic and global defense industrial projects. Hence, the future of European defense industries depends on the role that Europe chooses for itself in the world. Others have opted for a strengthening of their defense technological and industrial base. Now it is up to Europe to make a choice!