Lobbying Warfare

The arms industry’s role in building a military Europe
Introduction: dodgy deals or normal business?

The activities of arms lobbyists only appear in the press on rare occasions, often associated with bribery, dubious export deals and corrupt government officials. Such as the shady German arms broker Karlheinz Schreiber, or the former high-ranking civil servant in the British Ministry of Defence, Julian Scopes, who went on to become a top lobbyist for BAE Systems. Schreiber was sentenced to eight years in prison for illegal payments related to the sales of helicopters, planes and tanks to Canada, Thailand and Saudi Arabia by German companies. Scopes was a key figure in the recent scandal concerning BAE’s alleged bribes for arms deals with Saudi Arabia, the Czech Republic and other countries1.

While the public image of arms lobbyists is generally defined by such scandals, there is a more mundane side to their activities which is no less disturbing. This is not only true at a national level, where arms companies have always had close ties with governments and defence departments, but also at the European level. The arms industry has become an integral player in the European Union (EU), where military issues have become increasingly important. All the major arms companies have offices in Brussels, acting through a vast network of think tanks, clubs and informal circles, and their industry association is frequently consulted by EU officials. Though arms industry lobbyists have long been active in Brussels due to the presence of NATO, the transformation of the EU into a powerful player in foreign, defence and security policies – in part due to successful lobbying by the arms industry – has increased the city’s attraction for lobbyists.

The companies’ activities, as far as they are covered in this report, are not illegal. Nevertheless, they give rise to serious questions about the EU policy-making process, with decisions made by a small elite of policy-makers and industry representatives, effectively hidden from public scrutiny. This system, which lacks transparency and public accountability, sits uncomfortably with the common understanding of how legitimate democratic decision making should work. This close alliance between policy makers and industry has also contributed to a worrying expansion of the EU’s defence and security structures in terms of decision-making powers, staff and organisational capabilities, and to the overall militarisation of its foreign policy. This report investigates the crucial role of big arms-producing corporations like EADS, Thales and BAE Systems in this process and exposes their symbiotic relationship with EU-decision makers. A relationship that serves as the foundation for the emerging military/security-industrial complex in Europe.

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1 http://www.spiegel.de/thema/karlheinz_schreiber/; http://www.guardian.co.uk/world/bae
I. An “alliance of the willing”: the security and defence community in Brussels

“The defence industry, the defence markets are fundamental instruments in a European policy to give us greater independence and sovereignty in defence [...] and I repeat: you cannot have a common foreign policy unless you have a common security and defence policy”

Antonio Tajani, Vice-President European Commission, responsible for Enterprise and Industry, May 2011

The common mindset behind the alliance of industry and EU policy makers is founded in the belief that a strong European security and defence industry is a necessary basis for a strong security and defence policy. This in turn is seen as a prerequisite for a common foreign policy. This point is frequently emphasised by both industry representatives and policy makers, and companies lobbying in Brussels unanimously declared a “strong European Defence and Security Policy” (ESDP) as their goal. The security and defence community in Brussels, which is largely financed by industry, nurtures and spreads this belief in a number of ways. This means that the influence of arms companies in shaping EU policy is not confined to industrial policy, it also affects the EU’s broader position on the global stage. Aggressive power projection and a military rationale are reinforced as integral elements of the EU’s foreign policy.

Industry’s motive is easy to see: the transition from a traditional defence force to the newly required expeditionary armies, able to intervene outside EU territories, has to be accompanied by a massive build-up of arms. The EU’s European Capability Action Plan (ECAP), which seeks to address this need, mentions long-range military transport aircraft, helicopters, and global surveillance systems as major priorities. Such a build-up has been reinforced by the Lisbon Treaty, adopted in 2007, which contains a unique article, decreeing that “Member States shall undertake progressively to improve their military capabilities”. The benefit for the arms industry is clear: if member states open up national arms markets or even pool procurement, more units of each weapon can be sold at once, increasing the profitability of weapons projects considerably. With this in mind, the arms industry lobby is active in discussions on the future direction for the European Defence and Security Policy.

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2 Speech at the “EC High Level Conference on Defence and Security Industries and Markets”, 23 May 2011
3 See for example EADS: https://webgate.ec.europa.eu/transparency/regin/consultation/displaylobbyist.do?id=2731157624-76
5 Consolidated Version of the Treaty on European Union (TEU) §42 / 3
II. Why they fight: European champions in search for profits

“Our industry needs to receive an adequate level of support for its long-term development and success. This means, in particular, that we should continue to attract significant EU funding for our research and technology activities [...].”

~ Domingo Ureña-Raso, President of the AeroSpace and Defence Industries Association of Europe (ASD), October 2010

Two decades of cross-European mergers and acquisitions have given rise to a small number of powerful mega-corporations in the arms industry, though a more diverse corporate landscape still exists in some sectors such as military shipbuilding. At the very top, the “Big Four” (BAE Systems, EADS, Finmeccanica, and Thales) effectively dominate the European market. Combined, they control two thirds of the European arms industry’s turnover, which amounted to €88 billion in 2009. Not only are company structures highly concentrated in Europe, but production sites and the major customers are also found together with the bulk of European production in just six countries: UK, France, Germany, Italy, Spain, and Sweden. The first four of these also account for more than two thirds of European military spending.

Indeed big European arms manufacturers have a significant market share not only in Europe but also in big export markets such as India and the Middle East and the industry is seen as “extremely competitive.” Not least to dramatic increases in German arms exports (up by 96% from 2001-2005 to 2006-2010 periods), the EU has surpassed the US and Russia as the world’s biggest arms exporter. Thirty one (Western) European companies are today among the 100 biggest arms manufacturers worldwide (see table 1) and the sector’s profitability is even higher than comparable industrial corporations. Nor are companies such as EADS or Finmeccanica solely dependent on the traditional military market for tanks, fighter planes, and the like. They also build civil and military satellites, other spacecraft and have diversified into the new market for “homeland security” which emerged in the wake of the terrorist attacks in New York, Madrid and London. The size of the new global “homeland security” market, which includes technologies for applications ranging from counter-terrorism, and “critical infrastructure” protection, to border control, and disaster relief, was estimated at about €100 billion in 2009.

Selling arms is a highly political business, largely dependent on the will of governments to spend considerable amounts of their

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10 Interview with bloomberg.tv 14th April 2011 http://www.asd-europe.org/site/index.php?id=107939
13 EC competitiveness study new security market ENTR/06/054 p. V.

II. Why they fight: European champions in search for profits

Budgets on armaments. Political motivations like interventionist foreign policy strategies, fear of potentially aggressive neighbours or other perceived threats are therefore crucial determinants for the prospects of security and defence markets. Fuelled by a new appetite for interventionism and by the “War on Terror” total military expenditure around the world has recently increased, exceeding late Cold War figures, to reach $1.62 trillion in 2010. Though military budgets in Europe are currently stagnant or even decreasing in response to the economic crisis, it is worth noting that “compared to other governmental spending, defence has generally been cut less deeply than other sectors”. In addition, most European countries are planning to reduce the size of their armed forces primarily to save on personnel costs, while maintaining procurement projects for modern weaponry.

However, the AeroSpace and Defence Industries Association of Europe (ASD) President Ureña-Raso has warned that European industry could lose its competitive position especially in relation to the US if no significant steps are taken to increase government spending on development and acquisition of new weapon systems. This view was shared by the participants of a high level conference on defence industry and markets jointly hosted by European Commissioners Michel Barnier and Antonio Tajani in spring 2011. In the presence of national defence ministers, members of the European Parliament, the Commissioners and representatives from industry, Ureña-Raso repeated his warning that key defence technological capabilities could be lost in Europe. His message was greeted with applause and endorsed by industry and policy makers alike, testimony in its own right of their common project to nurture the European arms industry even in times of deep economic problems and potential public budget cuts. The Europeanisation and liberalisation of arms procurement and intensified research funding for security and defence technologies are some of the steps that are being taken to avoid the “dire” scenario outlined by Ureña-Raso and to “rescue” an arms industry which is actually highly profitable, competitive and expanding worldwide.

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Table 1: Biggest arms producing companies worldwide, 2009 (arms sales over $10 bn)*

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Country</th>
<th>Arms sales ($bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Lockheed Martin</td>
<td>USA</td>
<td>33.4</td>
</tr>
<tr>
<td>2.</td>
<td>BAE Systems</td>
<td>UK</td>
<td>33.3</td>
</tr>
<tr>
<td>3.</td>
<td>Boeing</td>
<td>USA</td>
<td>32.3</td>
</tr>
<tr>
<td>4.</td>
<td>Northrop Grumman</td>
<td>USA</td>
<td>27.0</td>
</tr>
<tr>
<td>5.</td>
<td>General Dynamics</td>
<td>USA</td>
<td>25.6</td>
</tr>
<tr>
<td>6.</td>
<td>Raytheon</td>
<td>USA</td>
<td>23.1</td>
</tr>
<tr>
<td>7.</td>
<td>EADS</td>
<td>Trans-European</td>
<td>15.9</td>
</tr>
<tr>
<td>8.</td>
<td>Finmeccanica</td>
<td>Italy</td>
<td>13.3</td>
</tr>
<tr>
<td>9.</td>
<td>L-3 Communications</td>
<td>USA</td>
<td>13.0</td>
</tr>
<tr>
<td>10.</td>
<td>United Technologies</td>
<td>USA</td>
<td>11.1</td>
</tr>
<tr>
<td>11.</td>
<td>Thales</td>
<td>France</td>
<td>10.2</td>
</tr>
</tbody>
</table>

* http://www.sipri.org/research/armaments/production/Top100

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14 http://www.sipri.org/research/armaments/milex/resuloutput/worldreg2011/worldregtable1/1_at_download/file
17 http://ec.europa.eu/enterprise/sectors/defence/conference/index_en.htm
III. The players: arms manufacturers in Brussels

“We all compete to increase our market share and develop ever more technologically advanced-products, and we are also aware of the virtues of partnership: partnership among ourselves, to join forces on issues of common interest; partnership with our governments, which shape the environment in which we can operate and succeed; partnership with our American friends and colleagues.”

~ Pier Francesco Guarguaglini, chief executive of Finmeccanica, former president of the AeroSpace and Defence Industries Association of Europe (ASD), October 2009.

In order to ensure a steady flow of public money into their pockets through an ever-increasing EU role in military and homeland security affairs, arms manufacturers have a strong presence in the Brussels EU quarter. Nine of the ten biggest European corporations in the sector, listed by the peace researchers at SIPRI, maintain offices in Brussels and many others further down the list do as well. Some information on their expenditure, priorities, and the number of accredited lobbyists with direct access to the European Parliament’s buildings can be obtained from the new European Commission and Parliament joint “transparency register.” But companies are free to provide or withhold information as signing up is not mandatory and among those that have registered, under-reporting is wide-spread. The lobbying expenses listed in table 2 can therefore not be assumed to represent the actual amount spent. In contrast, in Washington lobbyists have to declare a number of details about their activities to a mandatory register, which provides a more realistic picture of what is going on, even though the scope of activities considered as lobbying in the US register is very narrow. Comparing the top-nine European companies shows that their expenditure in the US is roughly five times higher than their declarations to the European Commission, a ratio that raises questions about the credibility of the figures given.

Even though all of these top-nine corporations and many more from the sector are active in Brussels, the Big Four stand out in terms of lobbying because their efforts are not limited to a single piece of legislation or focused on one market sector. Instead they participate in virtually all political initiatives and use diverse lobbying channels. However, considerable differences remain among them mainly based on the home countries’ political orientations, important markets and core business:

**BAE Systems** is the second biggest arms manufacturer worldwide (2009) and the sector’s biggest company in Europe. The result of national concentration in the UK, BAE is

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19 Top nine European companies from the “SIPRI Top 100 arms producing companies, 2009”-list: BAE Systems, EADS, Finmeccanica, Thales, Safran, Rolls-Royce, MBDA, DCNS, Saab; see: [http://www.sipri.org/research/armaments/production/Top100](http://www.sipri.org/research/armaments/production/Top100)
22 Information is presented in an accessible manner here: [http://www.opensecrets.org/](http://www.opensecrets.org/)
the single corporate giant dominating the British arms industry and the main supplier for the British armed forces. The company is privately-owned, with six investment companies as major shareholders (holding up to 5% of the company’s shares each). The British Secretary of State for Business also holds a special share with a veto right on certain strategic decisions. With 95% of its revenue derived from arms sales, it is far more reliant on this than its competitors (EADS: 27%, Finmeccanica: 57%, Thales: 53%). Due to the UK’s position between continental Europe and the US, BAE Systems is also more engaged than other European corporations in the huge US American arms market, which accounts for 44% of BAE’s sales (UK 29%, Saudi Arabia 14%, Australia 5%, Others 8%). In this context, the company also spends more than any other European arms manufacturer on lobbying in Washington. This situation reflects the transatlantic emphasis of British military policy, putting relatively less weight than other member states on strong military capabilities in the EU.

**EADS**, the European Aeronautic Defence and Space Company was formed in 2000 from a merger of the German DASA, French Aérospatiale-Matra, and Spanish CASA. Its main shareholders are the French state and Lagardère Group, with 22.5% of shares in a joint holding (Sogeade), the German car maker Daimler, which controls 22.5% and the Spanish state (5.5%). At the inauguration of the company’s Brussels office in 2001, the company’s two chief executives declared that “EADS is at home in Europe.” However there have been frequent battles between the French and German governments and shareholders over influence in the company. EADS highlights not only the ambitions but also the problems of a Europe-wide approach in a sector where national strategic interests are always part of the equation. EADS and its subsidiaries are well represented in Brussels with a number of lobbyists frequenting the Parliament and a strong presence in lobby groups such as the Kangaroo Group and Europe et défense. Speaking at the European Business Summit in 2008, EADS’ chief-lobbyist in Brussels, Michel Troubetzkoy, was exceptionally open about their influence on EU-policy, praising his company’s influential role in the establishment of the European Defence Agency and their privileged access to Valéry Giscard d’Estaing and Michel Barnier – both key figures in the Convention on the Future of Europe which prepared the content of the Lisbon Treaty and proposed the creation of the EDA.

**Finmeccanica** is an Italian arms manufacturer and Italy’s second biggest company. Due to its legacy as a state-owned conglomerate, 30% of Finmeccanica’s shares are still owned by the Italian state, another 44% belong to financial institutions (mostly from the US) and the remaining 26% are free

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**Table 2: declared lobby activity top-9 European arms manufacturers**

<table>
<thead>
<tr>
<th>Company</th>
<th>Declared lobby expenditure (2009 or 2010)</th>
<th>Registered lobbyist in EP</th>
<th>Brussels office address</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US (OpenSecrets)</td>
<td>EU (EC-register) up to...</td>
<td></td>
</tr>
<tr>
<td>BAE Systems</td>
<td>$5,352,000</td>
<td>€100,000</td>
<td>1</td>
</tr>
<tr>
<td>EADS</td>
<td>$4,390,000</td>
<td>€500,000</td>
<td>8</td>
</tr>
<tr>
<td>Thales Group</td>
<td>$360,000</td>
<td>€450,000</td>
<td>3</td>
</tr>
<tr>
<td>Finmeccanica</td>
<td>$4,081,600</td>
<td>€300,000</td>
<td>2</td>
</tr>
<tr>
<td>Safran Group</td>
<td>$200,000</td>
<td>€277,000</td>
<td>4</td>
</tr>
<tr>
<td>Rolls-Royce</td>
<td>$1,800,000</td>
<td>€200,000</td>
<td>1</td>
</tr>
<tr>
<td>MBDA</td>
<td>$160,000</td>
<td>€50,000</td>
<td>3</td>
</tr>
<tr>
<td>DCNS</td>
<td>-</td>
<td>€550,000</td>
<td>1</td>
</tr>
<tr>
<td>Saab</td>
<td>$130,000</td>
<td>€50,000</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total Top-9:</strong></td>
<td><strong>€16,273,600</strong></td>
<td><strong>€2,477,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Data for Finmeccanica, Safran, Saab from 2009, rest from 2010*
It has sites in the UK and the US, as well as its main production sites in Italy. The company has expanded considerably in recent years, doubling its arms sales from $5.9 billion in 2003 to $13.3 billion in 2009. Much of this has been achieved through increased exports, focusing on “emerging markets” such as India, Brazil and the Gulf States. It has also increased sales in Libya, becoming the main European supplier of arms and military equipment after the EU-embargo on the country was lifted in 2004. Commenting on the renewed arms embargo and current war in Libya, the company’s chief executive Pier Francesco Guarguaglini said: “Naturally, for a while Libya will not be a source of any contracts, [...]. When Libya returns to normal, I think it will value the good work that has been done before.” Finmeccanica’s weapons are being used by both the Libyan army and NATO in the current conflict.

**Thales** is another product of the (partial) privatisation of the arms industry in France, but it has remained a largely French company. The shares are divided among the French state 27%, Dassault Aviation 26% and the remaining 47% free float. Thales relies far more on the European than the US market, as do the other French companies in the top nine. EU decision-making is therefore particularly important for the main French arms manufacturers and they are among the most active arms industry lobbyists in Brussels. This is reflected in their respective lobby expenditures, with declared amounts in the EU exceeding those in the US.

The **AeroSpace and Defence Industries Association of Europe (ASD)**, which unites the big corporations and European national industry associations of the aeronautics, space and defence sectors under one roof, is also actively engaged in lobbying for the arms industry. These sectors were previously represented by separate bodies (AECMA, EUROSPACE, and EDIG), but as they became more and more concentrated with major companies operating in all three areas, ASD was created in 2004. The governance structure of ASD – like many other European industry associations – is dominated by the major corporations which decide upon the association’s general policy in a Council.
made up of 18 corporate representatives\(^35\). This internal structure makes the industry association a powerful tool for the sector’s big corporations. Even though it is clearly a lobby organisation, ASD is not registered in the Commission’s lobby register. A short glimpse at the association’s latest annual report reveals that it has a turnover of about €4.7 m a year and 19 employees\(^36\). For an organisation which has an overall mission to “enhance the competitive development of the Aeronautics, Space, Defence and Security Industry in Europe in partnership with European Institutions and Member associations”\(^37\), and in the absence of more accurate information, these figures could easily be regarded as lobbying expenses.

In a bid to enhance their influence on EU policies on the emerging “homeland security” market, European arms manufacturers founded the European Organization for Security (EOS) as an ASD spin-off in 2007. Besides the Big Four and other arms manufacturers, members include ICT companies such as IBM and Siemens as well as research institutions including the German Fraunhofer Society and Dutch TNO. The chief executive is former Thales-lobbyist Luigi Rebuffi, who is both deputy director for security at ASD and an advisor on the issue to the cabinets of several European Commissioners\(^38\). At a 2009 conference, Rebuffi stated that the EOS’ objective was to “create a sustainable European security model and develop the European security market”\(^39\). To achieve this, EOS is working to develop close cooperation with the European institutions and especially with the European Commission. EOS recently used the “High Level Public-Private Security Roundtable” on 9th February 2011 and a conference with the SDA (see below) on the following day entitled “A new partnership for European security” to make its lobby presence felt. The first event, chaired by European Commissioner for Home Affairs, Cecilia Malmström, gave selected industry representatives an ideal opportunity to discuss the European internal security strategy with Commissioners Siim Kallas (Transport), Antonio Tajani (Enterprise), and Malmström, as well as Christian Ehler MEP, EU counter terrorism coordinator Gilles de Kerchove, and a number of member state representatives\(^40\). Their conclusions were brought to a larger public at the event the next day, the essence of which was that public authorities should do more to foster the European security market and increase public-

**Making Europe work for the arms industry – the “defence package”**

In 2009, the European Parliament and the Council of the European Union adopted two directives concerning the arms market and military procurement in the EU\(^1\). Together with a policy paper by the European Commission, describing “a strategy for a stronger and more competitive European defence industry”\(^2\), these two directives form the so-called “defence package”. Directive 2009/81/EC aims at Europeanising member states’ arms procurement while directive 2009/43/EC is designed to liberalise the trade of arms and other security and defence goods in Europe. The defence package addresses a long standing demand from the arms industry: the opening of national procurement procedures and defence markets and the simplification of arms transfers throughout the EU. Arms exports are also likely to be affected, as strict export rules in several member states will come under pressure\(^3\). By unifying the European arms market, a “level playing field” will be enforced among European arms corporations, with the likely result that smaller national companies will not be able to compete with corporate giants like EADS. This further consolidates a European arms market controlled by a small number of very powerful corporations. In the process of drafting the directives, the Commission held intensive consultations with industry representatives. Information from the Commission indicates that representatives from EADS, Thales, BAE Systems, Finmeccanica, Saab, MBDA and others met Commission officials more than a dozen times in relation to the defence package\(^4\).

The industry’s European association ASD also played its role, discussing the proposed directives and even single amendments with EC-officials. In ASD’s bulletin, Bill Gilles the organisation’s chief lobbyist on the issue, said that “the two directives […] each herald in their different ways a revolution in Europe’s defence and security markets” and that “ASD is pleased to have been regularly consulted by the EC during the drafting of the directives”,\(^5\) although he added that the procurement directive does not go far enough in his view.

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\(^{1}\) http://ec.europa.eu/enterprise/sectors/defence/documents/index_en.htm
\(^{2}\) COM(2007)764
\(^{4}\) Based on EC answers to access to documents requests

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III. The players: arms manufacturers in Brussels

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As the list of the biggest arms manufacturers worldwide shows (table 1), although European companies have a significant role to play in the global arms business, US corporations are still leading the pack. Companies like Boeing, Lockheed Martin, and Raytheon have lobbying offices in Brussels and are trying to get closer to European policy makers. This is highlighted by the case of former Dutch diplomat, Joris Vos, who took his government contacts to his new position as Boeing President for the European Union and NATO relations in 2003. Boeing commented that: “With the appointment of Joris Vos, we are taking our relationship with Europe to a new level that clearly demonstrates our growing presence in Europe is real and has mutual economic benefits”. US companies’ interests are also represented by the American Chamber of Commerce (AmCham EU), where the sector’s corporations are gathered in a committee for security and defence. They are also involved as members or contributors to lobbying organisations and fora, most notably the Security and Defence Agenda (SDA). However it is remarkable that the US corporations’ access to policy makers appears to trail behind their European counterparts. This can be explained by the focus of EU militarisation on developing and retaining military and defence industrial capabilities which are independent from the US. Keeping US corporations out of key policy making processes and reducing dependence on their products is key to this rationale.

Of course, it should not be forgotten that corporations do not always use their own name or associations to make their voices heard. They also use consultancies, specialised companies – often law firms – that lobby on behalf of their clients. Consultancies vary considerably in size, from small firms only present in Brussels to global players with a network of offices around the world. APCO Worldwide for example has 30 offices distributed across all continents. One of APCO’s major lobbying clients in Brussels is Boeing. A smaller but still influential player on the Brussels frontline is Avisa Partners, with a team of consultants who advertise that: “all partners and several in-house consultants have each spent time in the EU Institutions or at EFTA [European Free Trade Association], with a mix of services and cabinets’ positions”. Major clients include the industry association ASD, corporate-giant EADS and the French marine shipyard DCNS.

44 http://www.amchameu.eu/?tabid=97
IV. Brothers in arms: EU defence and security institutions

“None of us can any longer afford to sustain a healthy and comprehensive Defence Technological and Industrial Base on a national basis. [...] The future health, maybe even survival, of Europe’s defence industry requires a European approach, and a European strategy.”

~ Javier Solana, former Head of European Defence Agency (EDA), former High Representative of the Common Foreign and Security Policy, February 2007

EU policy making for the arms sector differs on a case by case basis as a result of the fragmentation of competencies among EU institutions and member states. The following EU institutions are involved in these policies and represent potential and actual lobbying targets for the arms industry:

Decisions concerning the treaties (such as the adoption of the Lisbon Treaty), or on EU-interventions elsewhere in the world are taken at the European Council level by the national foreign and defence ministers. In such cases, industry links with national governments are more relevant than influencing decision makers in Brussels. But the launch of the Brussels-based European External Action Service (EEAS) in December 2010, overseen by the Council and acting as a mega-ministry effectively fusing foreign policy with security and defence policies in one administration, has created a new lobbying target. The EEAS is a permanent body that coordinates policies on a European level and represents the EU externally under the direction of a “High Representative of the Union for Foreign Affairs and Security Policy”, currently Baroness Catherine Ashton. It is not yet clear exactly how the EEAS will function in parallel with national defence and foreign affairs administrations. Faced with turf wars against those competing bodies, industry support for EEAS positions might be particularly attractive.

The European Defence Agency (EDA), set up in 2004 largely according to lobbyists’ proposals, is the most important arm of the EEAS as far as industrial policy for the defence sector is concerned. The EDA functions under the auspices of Catherine Ashton and chief executive Claude-France Arnould. The main objective of the agency, as Ashton’s predecessor Javier Solana put it, is to make Europe “spend more, spend better and spend more together” on armaments. With a budget of €31 million in 2010 and over 100 employees, the EDA works to promote joint armaments projects and collaborative research and development between member states. It has been actively engaged in the Commission’s initiatives to develop and nurture a “European Defence Technological and Industrial Base”. The arms industry is seen as a crucial “stakeholder”, and the agency is consequently closely entangled in the web of the security and defence community in Brussels. Arnould, for example, is on the advisory board of the most influential and largely industry-financed think tank in this field, the Security and Defence Agenda.

The European Commission (EC) has a different, albeit no less important role to play as it is responsible for drafting policy initiatives as outlined by the core treaties. Generally, the Commission is considered to be very industry-friendly, granting privileged access to industry lobbyists. Industrial policy for the defence sector has long been considered an exclusive competence for member states, but the Commission has become increasingly active here in recent years. The department (or “directorates general” in EU-terminology)

Claude-France Arnould, Chief Executive European Defence Agency at a SDA advisory board dinner, June 2011

Security and Defence Agenda

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for Enterprise and Industry (DG ENTR) is responsible for the defence industry, security research and space policy. DG ENTR has also been involved in the so-called “defence package”, which is dealt with by the department for the European Single Market (DG MARKT). The leading role of DG MARKT and its Commissioner Michel Barnier in creating the defence package is bringing the European spirit of liberalisation – open markets with little public control – to the defence and security sector.

As part of the EU’s seventh seven-year framework programme for research and innovation (FP7 from 2007-2013), DG ENTR manages the European security research programme (ESRP), containing €1.4 billion of funding for the development of security technologies. “Security research” includes a variety of technologies for surveillance, data monitoring or crowd control, with no clear boundaries between civil or military and domestic or external use. The EU’s framework programme also includes €1.4 billion for space technologies, also managed by DG ENTR. This money is mostly used to finance the global monitoring for environment and security project (GMES) - one of Europe’s two flagship space projects. GMES will provide EU decision makers with satellite surveillance capabilities for a variety of uses including planning military interventions. DG ENTR is also responsible for the Galileo space project – a European satellite navigation system, which can be employed in the same way as the US-American GPS to navigate vehicles or guide “smart” weapons. The three areas, defence, security and space, also overlap in terms of the business sectors involved. Each of the Big Four arms producers is active in all three areas and together they dominate the industry-side of corresponding EU-initiatives.

At the beginning of a policy making process, the Commission often sets up small groups to advise on a new piece of legislation or a political initiative. These expert groups, advisory groups, high-level expert groups or groups of personalities sometimes differ in their composition but they are all set up with the same aims: to compensate for the Commission’s lack of in-house expertise and more importantly to involve relevant or affected parties (“stakeholders”) before the first proposal is drafted. An ALTER-EU study found that these groups do not represent the breadth of public interests equally, rather that a large proportion of expert groups are seriously unbalanced in favour of corporate interests. Looking at the relevant expert groups with external participants in the defence and security area reveals an even worse picture (see table 3). In each of these groups, industry has a dominant position, accounting for at least half of the non-Commission, non-government members. It is clear that the European Commission considers industry to be their major partner in defence and security issues. The security and defence expert groups have been instrumental in paving the way for industry-friendly policies including the security research programme.

Table 3: Membership in relevant expert groups

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<thead>
<tr>
<th></th>
<th>LeaderShip 2015</th>
<th>GoP</th>
<th>STAR 21</th>
<th>ESRAB</th>
<th>ESRIF</th>
<th>FP7 Security</th>
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<tbody>
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<td>Commission, other EU</td>
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<td>17</td>
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<tr>
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<td>3</td>
<td>0</td>
<td>11</td>
<td>16</td>
<td>5</td>
</tr>
<tr>
<td>institutes, others</td>
<td></td>
<td></td>
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</tbody>
</table>

*High Level Advisory Group for the Shipbuilding and Ship Repair Industry (LeaderShip 2015), Group of Personalities in the Field of Security Research (GoP), Strategic Aerospace Review for the 21st Century (STAR 21), European Security Research Advisory Board (ESRAB), European Security Research and Innovation Forum (ESRIF), FP7 Security Advisory Group (FP7 Security); b: some of these actors may also be financed or otherwise influenced by industry.

54 http://www.corporatejustice.org/IMG/pdf/expertgroupsreport.pdf, p. 4
Lobbying for security? – the European Security Research Programme

The Commission’s European security research programme (ESRP) could be described as a dream come true for arms industry lobbyists. The programme provides €1.4 billion for research related to homeland security in its broadest definition (see above). Outright defence research is not part of it, but this distinction between supposedly “civilian” homeland security and “military” defence is artificial, as technologies developed under the programme can be used for both “civilian” security forces (police, border patrol, or civil protection) and the military. In fact the programme was originally intended to include fully-fledged defence research but was limited to security due to member states’ concerns over sovereignty issues. Tim Robinson, senior vice-president of Thales and former chairman of the European Security Research Advisory Board (ESRAB) explained: “I see a shift in emphasis and an increasing balance between what we see as defence and homeland security. ‘Security’ is a more politically acceptable way of describing what was traditionally ‘defence’.”

The big European arms manufacturers do not distinguish between defence and security, instead they are active in both markets. Arms industry lobbyists like Robinson were heavily involved in the expert groups which prepared and continue to shape the European security research programme. Two expert groups have been particularly important: the Group of Personalities in the Field of Security Research (GoP) (2003-2004) defined the basic structures of the programme and ESRAB (2005-) continues to advise the Commission on direction. The Big Four, BAE Systems, EADS, Finmeccanica, Thales, and several other arms manufacturers have been represented in those bodies and were able to infuse their interests in the process. They are also among the main recipients of research grants from the programme.

Meanwhile the battle for the next research framework programme for 2014-2020, dubbed “Horizon 2020”, is already underway. In the European Parliament’s mid-term review of the present FP7, rapporteur Jean-Pierre Audy (a member of Sky & Space) called for a full-blown defence research plan. Together with his colleague Christian Ehler (member of the SDA-advisory board, ESRAB, ESRIF, and chairman of GESA) Audy has also urged industry to increase their lobbying efforts for an extension of security research. Indeed, industry representatives and lobbyists from EADS, the EOS, GESA, and others have had frequent meetings to discuss future funding for security research with Commission officials since at least early 2009. Though the rhetorical limitations of “civilian” security are likely to persist in the next research programme, the European Commission is already exploring every opportunity for military dual-use, as for example with its cooperation with the European Defence Agency to develop future drones.

8 Statements at the “EC High Level Conference on Defence and Security Industries and Markets”, 23 May 2011
9 Based on EC answers to access to documents requests
Although the European Parliament (EP) does not seem at first sight to be an important player when it comes to security and defence policies, its influence on Commission-led legislation is considerable. Its role as a networking link between the Commission, national governments and industry should also not be underestimated given the number of MEPs involved in the security and defence community. In the Parliament, there are a number of relevant committees including the Foreign Affairs Committee (AFET), its Security and Defence sub-committee (SEDE), and the Committee on Industry, Research and Energy (ITRE). These committees discuss the Parliament’s response to Commission initiatives such as the defence package and the security research programme before they go to the plenary. Another important role in the Parliament is played by the “rapporteurs”, MEPs appointed by the assembly to prepare a report on a certain piece of legislation or other political initiatives. Because the rapporteur’s paper is the basis for the Parliament’s decision, the role they play in the policy-making process cannot be underestimated. Key positions for security and defence industrial policy, like committee chairs and the role of rapporteur on relevant legislation, have often been held by industry-friendly MEPs like Arnaud Danjean (current chair of SEDE), Christian Ehler (member SEDE and ITRE), Jean-Pierre Audy (rapporteur on interim evaluation of FP7), or Elmar Brok (rapporteur on establishing EEAS).

Christian Ehler – How to build a competitive security industry

A member of the European Parliament for the German Christian Democrats since 2004, Christian Ehler has made increased EU funding for security research a priority of his work. He is a member of the Parliament’s Committee on Industry, Research and Energy (ITRE), the sub-committee on Security and Defence (SEDE), and rapporteur on the Security Research Programme. He has also been a member of two expert groups (ESRAB and ESRIF) which deal with the Security Research Programme. Ehler told a Parliament debate in 2006: “I think we can all agree that it [the Security Research Programme] is one of the central projects for the future in Europe, not just against the background of terrorism, but also because it offers development opportunities in many areas.” In parallel to his mandate as a MEP, Ehler is the chief executive of cobios Technologiezentrum GmbH, a German biotech company. On his website, Ehler claims that his position in industry makes him more independent from party politics than most other MEPs. While distance from party politics in the European Parliament might be a good thing, a strong industry bias is hardly a reassuring alternative. Given this position, his activities as chairman of GESA, membership of the Security and Defence Agenda advisory board and his contributions to the European Security Roundtable (ESRT) could be seen as creating conflicts of interest.

3 http://www.christian-ehler.de/8_32_Person_Abgeordnetenverguetung.html
4 http://www.christian-ehler.de/8_32_Person_Abgeordnetenverguetung.html

“We have to show that Big Brother cares. He has thought about it and wants to talk to you.”

~ Giles Merritt, Director of the Security and Defence Agenda (SDA), June 2011\(^\text{57}\)

Alongside the corporations’ official headquarters and their more or less official consultations with the EU institutions, a range of organisations form a vital network of contacts, informal meetings, and deliberations to fine-tune the alliance between industry and policy makers. The proclaimed neutrality of some of these organisations, their scientific studies, conferences and other events are also designed to win public support for the political project of militarisation.

The most high profile among these is the Security and Defence Agenda (SDA), which claims to be “Brussels' only dedicated security and defence think-tank” and “a neutral platform for discussing defence and security policies”\(^\text{58}\). Formed in 2002, the SDA resides in the Bibliothèque Solvay in the Léopold Park, right behind the European Parliament. Its director Giles Merritt, a former journalist with the Financial Times and a seasoned Brussels lobbyist, controls a whole network of inter-related lobby and PR platforms, most of them based in the Bibliothèque Solvay. This network includes the SDA’s sister think-tank “Friends of Europe” (Secretary General: Giles Merritt), the event management firm “Forum Europe” (President: Giles Merritt), and “Europe’s World” (Editor: Giles Merritt), advertised as “the only independent Europe-wide policy journal” with a complementary online-community focused on discussing diverse foreign policy issues\(^\text{59}\). All share the same kind of industry involvement, as the SDA. The organisation boasts Javier Solana, former EU High Representative for Common Security and Foreign Policy and former NATO Secretary General, and Jaap de Hoop Scheffer, also a former NATO Secretary General, as advisory board members.\(^\text{57}\) Statement in an SDA lunch debate on “New Challenges in Urban Security”, 01. June 2011

\(^{57}\) http://www.securitydefenceagenda.org/Functional_navigation/Aboutus/tabid/1234/Default.aspx
\(^{59}\) http://www.friendsofeurope.org/Functionalnavigation/Aboutus/WhoWeAre/Team/tabid/1182/Default.aspx; http://www.forum-europe.com/Meet_the_Team.aspx

SDA advisory board dinner, June 2011
@ Security and Defence Agenda
co-presidents and an advisory board packed with high-profile individuals, including senior NATO and government officials, industry representatives, MEPs and other EU officials. Among them are Claude-France Arnould (Chief Executive of European Defence Agency), Robert Cooper (Counsellor of European External Action Service), Christian Ehler (EU official), parliamentarians, government representatives, industry leaders, academia, journalists, NGOs and think-tanks [...], enabling SDA members to voice their opinions on a range of topics and issues", as well as lunch and dinner events which "offer unique opportunities to discuss key issues with the sector’s decision-makers"

It is hard to believe that an organisation so receptive and indeed dependent on corporate influence can claim neutrality. Looking at the content of SDA events and publications it rather appears that the think tank is an active promoter of corporate interests in defence and security policies, framing issues such as global population growth and urbanisation in terms of security problems. SDA’s wide range of members and partners, particularly the US corporations from the arms and IT industries (Boeing, Lockheed Martin, Honeywell, Raytheon, Microsoft, IBM, and others), means its activities are not confined to the European arms industry but also foster EU-NATO relations and transatlantic cooperation. In this sense, SDA can only be said to be ‘neutral’ in the narrow sense that it does not chose sides between competing arms manufacturers but promotes their common endeavour for a militarised EU and increased profits for the arms industry.

Within the European Parliament, a set of informal cross-party groups (some of which are referred to as intergroups) operate bringing together MEPs across party-borders on topics of common interest. Many cross-party groups are essentially informal clubs, organising debates and briefings and other networking events with MEPs and in some cases “civil society representatives” – most often from industry – as their members. A small number of cross-party groups (the intergroups) operate under established parliamentary rules, while many other informal clubs with similar goals exist beyond this limited scrutiny. In the field of defence and security the Sky and Space intergroup helps MEPs and industry coordinate their interests. Sky and Space is among the officially recognised intergroups with a list of approximately 120 participating MEPs mostly from the conservative, liberal and socialist party-groups. Its members include the chairs of the committees for Foreign Affairs (Gabriele Albertini), Security and Defence (Arnaud Danjou), and Industry, Research and Energy (Herbert Reul). Its secretariat is run by the corresponding industry association – ASD.

Europe et défense is a smaller, informal club based outside the Parliament with some 60 members. They work for companies, consultancies, NATO, or EU institutions and most have French citizenship. Among the club’s members are representatives from arms...
corporations EADS and Safran. The current president is Jean-René Le Goff, counsellor for armaments with the Permanent Representation of France to the EU. Europe et défense organises confidential discussions on defence and security issues several times a year. Little information is publicly available but the club appears to be a place for back room consultations on defence issues between the representatives of French interests – corporate as well as governmental – in the EU.

Formed in the early 1980s by a group of four MEPs, the Kangaroo Group has become a major hub for lobbying. Its main focus was initially the realisation of a single European market, complemented later by a focus on security and defence policy. The group’s current motto is “Free Movement and Security”. Members of the Kangaroo Group are current and former MEPs, other Eurocrats, academics, and industry representatives, and include Valéry Giscard d’Estaing (former President of France), former European Commissioners Philippe Busquin and Mario Monti, Alexander Graf Lambsdorff (MEP), and Michel Troubetzkoy (EADS Senior Vice-President and Director of EU and NATO Affairs). Karl von Wogau, one of the most committed proponents of a military EU, was one of the Kangaroo Group’s founders and is currently the organisation’s secretary general. It has more than 50 corporate members from different sectors, including Goldman Sachs, BP, Volkswagen but also arms manufacturers such as EADS, Thales, and Saab.

Arms industry representatives meet with parliamentary colleagues in the Kangaroo Group’s working group on “Space, Defence & Security”, which holds regular meetings to discuss a wide range of topics from technical details like “Certification of UAVs [unmanned aerial vehicles]” (12th April, 2011) to general policy issues like “Libya: Responsibility to Protect” (13th April, 2011), or “Protecting Strategic Defence and Security Assets” (3 May, 2011). The Kangaroo Group has been actively promoting a more militarised EU, conducive to arms industry needs through these activities. Despite its status as a private association with no official function or recognition, it has an office inside the European Parliament and

Karl von Wogau – devotion to a military EU

Karl von Wogau was manager of Swiss chemical giant Sandoz (1971-1984) after which he joined the law firm Friedrich Graf von Westphalen & Partners as a lawyer. He was a Christian Democrat Member of the European Parliament for 30 years (1979 to 2009). During this time, he became an important advocate of a military role for the EU. As he said: “in 1998, I came to the conclusion that the next project with the capability to be a driving force for Europe with an adequate chance of realisation was the common Security and Defence policy”. Von Wogau was the first chairman of the European Parliament’s Security and Defence sub-committee (2004-2009), and wrote several landmark reports to push forward the European Security Strategy and related institutions, and the military use of space. Shortly after joining the Parliament, von Wogau co-founded the Kangaroo Group, and is currently the group’s secretary general. He also participated in the European Commission’s expert groups GoP and STAR21 (see above), and is a regular contributor to SDA-events. After leaving the European Parliament, von Wogau founded the European Security Foundation.

2 http://www.wogau.de/de/presse/reden/070425_2_speeches_28_DE.htm

Karl von Wogau, former Member of the European Parliament and Secretary General of Kangaroo Group

@ Karl von Wogau
holds many of its events on the Parliament’s premises, a privilege enjoyed by few private entities.

The European Security Foundation (ESF), founded by von Wogau, acts as a platform for his ongoing security and defence-related activities. The organisation is committed to “crisis management, protection of the outside borders and critical infrastructures of the European Union, security of energy supply, autonomous access to space, management of natural disasters and mission of armed forces under the command of the European Union” and its website states its purpose to “start a public debate on these matters including the European Parliament and the Parliaments of the Member States, the other Institutions of the European Union, academia, industry and the media”\(^69\). Von Wogau is undoubtedly the key figure in the ESF, although there is also a board of trustees including some 40 current and senior MEPs and politicians from all over Europe. For the moment, the ESF works closely with the Kangaroo Group – with most of the events currently publicised on its website organised by Kangaroo Group – and it remains to be seen what role it will assume in the defence and security community.

The MEP’s former personal assistant (2005-2009), Christoph Raab also remained active in Brussels as a professional lobbyist, working with the arms industry. In 2005, Raab founded Copura, a PR and consultancy firm with European defence policy as a core area of expertise.\(^70\). Under its motto “Copura brings your idea to Europe”, the consultancy organises conferences and offers workshops for companies which, for example, want to obtain funding from the European security research programme\(^71\). It also runs the website securitycommunity.eu – an online forum set up by Copura to provide a space for discussions for the security and defence community\(^72\). Copura is not in the EU lobby transparency register despite its clear role as a lobbying firm. Raab has also established and is the current director of the European Security Roundtable (ESRT)\(^73\), which is supposed to be another “unique” and “neutral” forum similar to the SDA, organising conferences, lunch debates and working groups to influence decision-making processes in Brussels. One such event was a conference on cyber security, “Shared Threats – Shared Solutions: Towards a European Cyber Security Policy” in June 2011, with financial support and an “industrial keynote” by Cassidian, the EADS-subsidiary for security and defence\(^74\). Cassidian is also mentioned as a “partner” on the organisation’s website, along with the French arms manufacturer the Safran Group. The ESRT’s small advisory board includes Raab’s former employer Karl von Wogau and a dozen other

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\(^69\) http://www.europeansecurityfoundation.eu/about_us.html
\(^70\) http://www.copura.de/conferenzen_1.php
\(^71\) http://www.copura.de/conferenzen_3.php
\(^72\) http://www.securitycommunity.eu/
\(^73\) http://www.security-round-table.eu/about.php
politicians, academics, Eurocrats and industry representatives. While the European arms industry has gathered its forces to help create and enlarge the “homeland security” market through their new association EOS, several German MEPs have also brought forward an initiative to support industry in this endeavour. The German European Security Association (GESA) was established in 2006, bringing together members from the European Parliament, industry, academia and the German parliament. Their common goal is “to bring together the interests of German research institutions and industry, as well as those of users in the areas of security research and the security market, in order to push for the best possible framework for innovation in this area.” The founding members of GESA – six current and two former German MEPs from the Christian Democrats, Social-democrats and Liberals – all belong to the next generation of potential leaders in their respective parties. Just like the organisation’s chairman Christian Ehler MEP, most have professional links to the technology sector. As well as MEPs, members of the German parliament, the organisation’s board features representatives of arms manufacturer EADS and Bosch Security Systems.

While this list may not be conclusive, it nevertheless provides a striking impression of how dense a spider’s web industry and willing politicians have woven to establish and steer European policies and institutions in the field of security and defence.

75 http://www.security-round-table.eu/doc/ESRT_Advisory_Board.pdf
76 https://gesa-network.de/organisation.html
77 https://gesa-network.de/organisation.html
VI. Concluding remarks:

Frank Slijper concluded his 2005 report on the EU military-industrial complex and the power of the arms industry with a warning: “It is of concern that its ability to set the terms of debate and shape the direction of policy can only be expected to grow in the coming years, as it is only now starting to reap the rewards of earlier intensive lobbying work.” Seven years later, the accuracy of this assessment has become clear. The full implementation of the EEAS, the adoption of the defence package and the realisation of the Security Research Programme all point in this direction.

Meanwhile, lobbying efforts in the security and defence community have been intensified, boosted by a range of newly established organisations including the EOS, ESF, ESRT and GESA. The efforts to further expand dual-use research in the next research framework programme and to fund defence research through the European Defence Agency hint as to the future priorities for the unceasing activities of the arms industry lobby.

On a fundamental level, the privileged access of industry to European policy-making through the security and defence community and the almost complete absence of civil society representation raise serious issues about democracy in the EU. In a policy area that deals quite literally with questions of life and death, political principles should over-ride the realisation of profit and the maximisation of power. This of course is pre-empted by the mind-set which guides many of those responsible for European security and defence policies in the European Commission, the Parliament and the Council. The spirit of technocracy which sees industry “experts” as the only relevant policy-advisers and the almighty principle of competitiveness which sets corporate interests before any other political criteria, create an environment in which alternative policies, perhaps based on peaceful cooperation or international solidarity, have little chance. Because the obsession with competitiveness is also at the heart of other even more encompassing EU policies, including the “Europe 2020” strategy, the influence of arms industry lobbyists reveals wider problems with the way the European Union functions.

A challenge to a military Europe must therefore be seen as part of a wider struggle to confront EU policies with differing perspectives from civil society and the European population at large. In putting the current policy-making process under critical scrutiny, this report hopefully serves as a further step in this direction.

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Glossary

AFET: Foreign Affairs Committee
ALTER-EU: Alliance for Lobbying Transparency and Ethics Regulation
AmCham EU: American Chamber of Commerce to the European Union
ASD: AeroSpace and Defence Industries Association of Europe
CEO: Corporate Europe Observatory
DCNS: Direction des Constructions Navales, Systemes et Services
DG: Directorate General
EADS: European Aeronautic Defence and Space Company
EC: European Commission
ECAP: European Capability Action Plan
EDA: European Defence Agency
EDTIB: European Defence Technological and Industrial Basis
EEAS: European External Action Service
EOS: European Organization for Security
EP: European Parliament
ESDP: European Security and Defence Policy
ESF: European Security Foundation
ESRAB: European Security Research Advisory Board
ESRIF: European Security Research and Innovation Forum
ESRP: European Security Research Programme
ESRT: European Security Roundtable
EU: European Union
FP7: Seventh Framework Programme
FP7 Security: FP7 Security Advisory Group
GES: German European Security Association
GoP: Group of Personalities in the Field of Security Research
ICT: Information and communication technologies
ITRE: Industry, Research and Energy Committee
LeaderShip2015: High Level Advisory Group for the Shipbuilding and Ship Repair Industry
MEP: Member of the European Parliament
NATO: North Atlantic Treaty Organisation
NGO: Non-governmental organisation
SDA: Security and Defence Agenda
SEDE: Subcommittee on Security and Defence
SIPRI: Stockholm International Peace Research Institute
STAR21: Strategic Aerospace Review for the 21st Century
UAV: Unmanned Aerial Vehicle
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Corporate Europe Observatory (CEO) is a research and campaign group working to expose and challenge the privileged access and influence enjoyed by corporations and their lobby groups in EU policy making.

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