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THE EUROPEAN DEFENSE AGENCY: A CHALLENGE FOR THE ISRAELI DEFENSE INDUSTRY

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On 12 July, European Union foreign ministers adopted a Joint Action for a European Defense Agency. The EDA was enshrined in the new European Union Constitution last June with a mandate covering defense capabilities development, armament cooperation, and cooperation in research and technology.

The new agency replaces the defense acquisition organs (WEAG and WEAO) of the largely defunct Western European Union (WEU) and it was expected as part and parcel of the growing role of the European Security and Defense Policy (ESDP), particularly after the EU's enlargement to 25 members last May. The hope is that the new agency will improve EU defense capabilities, managing in a different and more efficient way its members' combined defense budget of \$193 billion. But there are at least five major impediments that could slow down or even prevent the takeoff of the new agency.

1. The agency's **budget** is still an unknown factor. Without substantial financial resources, EDA will be unable to play its role in defense acquisition. Combining all of the defense budgets of EU member states under the EDA is unlikely. Defense is an exception to the ongoing unification process of the EU. In this domain, countries are retaining their independent policies and programs. The

least that could be expected is sharing the burden for acquiring the capacities that are unanimously agreed upon, i.e., those coinciding with ESDP. But that would leave the EDA with a relatively small proportion of total defense outlays. The 1.6 million troops currently available to EU states lack capabilities needed for the "High-Light Goal" – the European Reaction Force for peace-keeping and peace-enforcement. There are particular shortfalls in rapid troop lift/deployment capabilities, real-time battle information, and precision-guided munitions. By contrast, the American defense budget now exceeds \$400 billion and the US is the uncontested leader in defense technologies.

2. Europe does not share common **threat perceptions** with respect to ethnic conflict (Balkans, Kosovo), terror, or proliferation of weapons of mass destruction (WMD). Consequently, there is some confusion concerning operational requirements. There is no question about requirements dictated by the Petersburg Tasks (humanitarian and rescue missions, peace-keeping and peace-enforcement). There is, however a dilemma whether to focus on crisis management inside Europe or to plan for activity abroad, as well (such as the EU mission in Congo). With

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respect to counter terrorism requirements, there are competing demands for Home Front protection and the ability to be involved in military operations in remote regions (such as Afghanistan). According to existing European policy, WMD threats will be dealt with primarily by political initiatives.

3. The **predominance** of three leading countries – Great Britain, France and Germany -- in the fields of defense spending, advanced technology and industrial capacity complicates the search for equilibrium and harmony in EU defense procurement. It is highly unlikely that these countries will "donate" their assets to the EDA and relinquish the economic and other benefits they have gained from control of national industrial assets and investments.
4. Moreover, the Agency will find it very difficult to **manage the big programs** for defense procurement, even if they are "purely" European cooperative projects. With an allocated budget for FY 2005 of 25 million Euros and a proposed staff of 80, EDA will barely be able to monitor ongoing activity. Indeed, the EU Council, in its EDA enabling resolution, stipulated that specific cooperative programs would continue to be managed through OCCAR (Organization for Joint Armament Cooperation) -- the "club" of four leading industrial countries (Great Britain, France, Germany, Italy) that was born in the framework of the WEU.
5. **Advanced and classified technologies** will pose a serious obstacle to harmonious cooperation among EU member states. The leading industrial countries in the EU, which have invested both government and private money in technologies, will be reluctant to share them. Classified military technologies are still important even in a Europe that considers itself without imminent strategic threats. They can also be used to support competitiveness of military exports. It might be logical to entrust EDA with the development of advanced technologies like DARPA in the US. But most technological

effort will probably remain in the hands of the leading industrial countries.

For all these reasons, EDA is likely to undergo a long gestation period, and military industrial cooperation within the EU, as well as with non-European countries, will remain a bilateral matter for many years to come.

The challenges EDA will have to overcome can also provide opportunities for Israeli defense industries. Israel has already gone through the Revolution in Military Affairs (RMA). Mature Israeli technology, mainly in communications, RPVs, precision-guided munitions and space technologies, may suit European efforts to acquire advanced systems under budgetary constraints.

Requirements to deal with the threat of terrorism may provide another platform for EU-Israel cooperation. This threat is not yet perceived as strongly in Europe as it is in Israel or the US. However, it will almost certainly become a major item on the European defense agenda. The urgency of addressing it may induce the Europeans to seek cooperation with those who have already acquired the relevant experience and technology. Moreover, Israel already has special defense industrial relations with the three major EU powers, and the continuing prevalence of bilateral industrial cooperation in the enlarged EU could be an advantage to Israeli industry. Finally, advanced technology will remain a crucial element for any country seeking to remain a competitive exporter, and the contribution of Israel as a niche partner in technological development could provide an added incentive for leading EU countries to cooperate with Israel.

All in all, the launch of EDA poses some risks to "outsiders" but also provides opportunities for those able to find the right approach to industrial cooperation with the enlarged EU.