The A400M Project: From Flagship Project to Warning for European Defence Cooperation

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It should have been an ideal European programme\(^1\)

Since its initial planning stages in the early 1980s, the A400M military transporter aircraft has been considered to be a flagship European collaborative procurement project. It gained political symbolism as the representation of the new beginning to European defence and security launched by the 1998 Franco-British Saint Malo Agreement, and became an integral part of the subsequent development of the European, now, Common Security and Defence Policy (ESDP/CSDP) by showing sceptical onlookers that the Europeans were serious about addressing equipment gaps. The near collapse in 2010 when EADS (European Aeronautic Defence and Space Company) chief executive officer Tom Enders threatened to scrap the project, if the participating countries did not renegotiate the contract, revealed that there were serious problems\(^2\). Difficult talks on a renegotiation began in March 2010 and the new contract was finalised in November of that year\(^3\) but even after the renegotiation further delays have occurred.\(^4\) The transporter aircraft, which were supposed to come into operation in 2009, are now expected from 2013 onwards, four years late, and with a cost over-run estimated by auditors to be approximately 7.6 billion Euros. In fact far from being a flagship example of European defence cooperation, the A400M experience highlights some real problems for EU policy-makers

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trying to create a European defence equipment market and a defence, technological and industrial base. Why is this?

First, the A400M project was supposed to be a model collaborative procurement project – an answer to the critics of the notoriously wasteful Eurofighter project with its time and cost overruns.5 A new management agency, the Organisation Conjointe de Coopération en matière d’Armement (OCCAR), had been established by Britain, France, Germany and Italy to manage collaborative defence procurement projects on a much more commercial basis drawing on best practice in procurement from the private sector. It was thought that giving management responsibility to OCCAR as an ‘arm’s length’ agency would also depoliticise and denationalise the collaborative procurement process. The A400M contract was supposed to be a fixed price contract with penalty clauses for delivery failures, which would transfer the risk to the prime contractor, Airbus Military Company, then a subsidiary of Airbus and now of EADS. The belief that European collaborative procurement could and should be managed on a more commercial basis went hand-in-hand with the aim of treating defence firms more like normal firms, freeing them from much state control and ownership but encouraging European level mergers to create ‘European champions’ capable of competing globally. In short, the A400M project is a good lens to examine whether the attempts to apply New Public Management methods to European defence procurement have been a success. As much of this rhetoric underpins the European Union’s practices and assumptions about the governance of the armaments sector through both the European Defence Agency (EDA) and the Commission, it would seem an opportune moment to critically assess whether the A400M project suggests some of these assumptions are ill-founded. This reframing of the way in which collaborative procurement was to be carried out should have heralded a fairly radical recalibration of power relations within the arms procurement process and changed the way in which actors defined their interests and priorities.

Secondly, the A400M project, as Joana and Smith argue, ‘is heavily marked by a change in the social representation of European cooperation in the arms field’.6 As Mérand has argued, as the European security and defence field has been institutionalised, the practices, social representations and power relations of security and defence actors are fundamentally challenged.7 Each domestic defence procurement decision involves a play-off between security, technological, industrial and political interests. The power relations between the different armed services, the defence firms and the bureaucrats and politicians alter
depending on the context of each project and traditionally have varied between European states. The functional reasons for European armaments cooperation are clear: as Smith argued: ‘Collaboration helps reduce costs by sharing the R&D between the partners and in principle can provide learning curve and economy of scale benefits in production.’

In practice, however, collaborative procurement has all the complexities of a national procurement decision multiplied by however many states are involved in the project. Problems around control, delays due to different budgetary cycles, differences in requirements and national protectionism have led to different systems of management being tried, but without much success. As a result, with a few exceptions where commercial interests were strong enough to prevail (for example, Franco-German missile projects like Milan, HOT or Roland) or political commitment was strong enough to outweigh all the problems (for example, the Eurofighter) there have been more failures than successes in the post-1945 period. The A400M project is the first operating with European institutions (OCCAR and to a lesser extent EDA), ‘European’ firms and with a common European aim (CSDP) – the extent to which this European field or frame has changed the actors’ perceptions of their interests and power relations should enable us to draw some conclusions about the likelihood of the EDA being able to act effectively.

This article will therefore first offer an explanation of the theoretical approach towards framing European armaments cooperation used in the article. It will then use the A400M project as a case study to analyse two possible new frames for European armaments cooperation; first, the commercialised, depoliticised ‘new public management’ frame and second, the European motive. Both sections will consider the ways in which actors might have been expected to redefine their interests, power relations, practices and representations of the A400M and how this has compared with reality. The article will conclude by drawing some conclusions for the future of the EDA given that it draws on both frames in its assumptions and practices.

**Framing a Collaborative Project**

The article starts from the premise that there are multiple perspectives from which a single issue, in this case the A400M project, can be viewed. Framing is the process through which individuals develop their conceptualisation or ‘world view’ of an issue. It is argued that these policy frames influence the way issues are processed, what interests are
deemed to be important and what type of policy coalitions or conflicts might emerge. In the past, European armaments cooperation has been viewed through a prism of national interest (gaining the maximum possible for national defence firms for example or lobbying strongly for variations in the agreed requirement to suit national desires) and often pursued reluctantly. Even the armaments cooperation between France and Germany, which was avowedly about closer political and defence cooperation was more often a tale of national one-upmanship. The European Defence Agency rests on the assumption that there is a ‘brave new world’ in European armaments cooperation since the development of CSDP that means the EDA might succeed in coordinating armaments policy when its predecessors in the Western European Union could not. A project like the A400M, which has become symbolic of a declaratory shift by policy-makers on two levels (establishment of a commercial approach to collaborative procurement and the commitment to CSDP), offers a good opportunity to judge whether these new policy frames are sustainable and have substantial buy-in.

It is more usual to analyse defence procurement through action-reaction models, domestic pressures or technological imperative arguments, and indeed there is a good case to be made that bureaucratic politics arguments explain much about the way the A400M project developed, but the object of this article is to investigate the extent to which policy actors have adapted (or not) to the new framing of European armaments cooperation. Joana and Smith have contributed a detailed case study of France and the preliminary stages of the A400M project, arguing that in fact no real transnational space was established and that the policy constellation in France remained largely unchanged. However, events in 2010, when the purchasing states bailed out the project, suggest that the commitment to the project is stronger than rational analysis might suggest. Indeed as one critic of the project, Siebert, pointed out the UK’s commitment in particular seems rather irrational and it was noticeable that one of only two non-European purchasing states South Africa did rescind its order in response to the revised cost. Might this suggest that there is some evidence of changes in the way national actors understand the social representation of European armaments cooperation?

In common with Joana and Smith the article takes as a premise the concept that the national actors in defence procurement are constrained by an institutional order, which establishes rules, expectations and roles. It is important to understand that the extreme longevity of European collaborative projects (and indeed defence procurement projects in general) means that they are often shielded from political
scrutiny and change except at moments of obvious crisis. This, coupled with the symbiotic nature of the relationship between defence industry, procurement officials and the military, produces a dense institutional order, which strongly influences how the members think, argue and act to the extent that they are unlikely to challenge it. As Kier writes:

The culture of an organization shapes its members’ perceptions and affects what they notice and how they interpret it: it screens out some parts of ‘reality’ while magnifying others. Organizational cultures define what is a problem and what is possible by focusing its members’ attention on certain features of events, institutions, and behaviours; how a problem is defined determines the range of possible solutions and strategies appropriate for solving it.\(^\text{17}\)‘

In other words institutional culture lies at the intersection of historical and sociological institutionalism perceiving institutions not only in their strategic and historical context but ‘as a set of shared understandings that affect the way problems are perceived and solutions sought.'\(^\text{18}\) This shows how institutional culture can be both enabling and restrictive to both the institution and the actors. If this given framework is appropriate to the problem, then this causes no difficulties but, if changing circumstances challenge its appropriateness, change can be exceptionally difficult to instil. Training has already implanted the assumptions, norms and beliefs of the organisation and ensures that they will be reproduced. This means that even when policy-makers intend to redesign institutions their effectiveness is constrained by these embedded cultural constraints.\(^\text{19}\) For a project like the A400M that comes at a time of great changes in the sector, this means the cognitive or normative framing of an issue at the outset matters to how it will be processed by the existing institutional order. As Surel suggests:

Cognitive and normative frames, which as a general expression bring together paradigms (Hall), belief systems (Sabatier) and référentiels (Jobert and Muller), are intended to refer to coherent systems of normative and cognitive elements which define, in a given field, ‘world views’, mechanisms of actors subscribing to the same frame.\(^\text{20}\)

The interest of the A400M project is that it offered a new institutional order, OCCAR, that needed to be adapted to and the project was framed on two levels as being a rupture with the past. Would this mean a reconfiguration of interests, the way issues were dealt with and what coalitions or conflicts would emerge?
This article makes the argument that the A400M project has been given two different, if sometimes overlapping, frames. First, as Joana and Smith argue, since its earliest days in the 1980s as the Future Large Aircraft (FLA) Exploratory Group the perceived common need for a replacement air transporter has been perceived as a symbolic commitment to foster cooperation between European armies and defence firms and thus ‘extend a transgovernmental and transnational logic to the defence sector’. The FLA rapidly became a regularly discussed item at Franco-German summits – Chancellor Kohl and President Mitterrand had added a protocol in 1988 to the Elysée Accords, which encouraged the development and deepening of cooperation in the armaments field in order to maintain a European capacity, and the FLA became emblematic of a desire to create and lead a Europe of defence. With the launch of ESDP the A400M project became ‘a litmus test of whether Europe is serious about ESDP’. Second, as Giegerich argues the A400M was much praised as bringing a commercial approach to multinational procurement after the Eurofighter fiasco. The four founder members of OCCAR specifically designed an institution that had commercial principles of procurement best practice at its heart, and renounced the practice of juste retour in favour of a system of global balance. How though might these frames have been expected to modify the behaviour of all involved?

The European Commitment Frame

According to the French defence ministry, ‘The A400M is the most ambitious military acquisition programme in Europe. It constitutes a founding element in the European technological base and gives a decisive drive to a European defence and security policy.’ It is key to the aims and objectives of CSDP in that it would greatly improve the EU’s capacity to move troops and military equipment to crisis zones around the world. The initial interest in the project was because many NATO states had a shared requirement to replace their aging Lockheed Martin C-130 transporters (or in the case of France and Germany the Transall C-160). Initially in the 1980s the US and Canada were involved but after Lockheed decided to concentrate on updating the C-130, the group became European. The seven states involved are Britain, France, Germany, Spain, Belgium, Luxembourg and Turkey. Italy and Portugal were initially involved but left the project. France was keen from the beginning on a European solution and Airbus was initially asked to respond to the European Staff Requirement in 1997, however, following
a request from the British for a more open competition, there was an international call to tender in 1998 to which Airbus Industrie, Boeing and Lockheed responded. Germany, for political and budgetary reasons had a preference for the Russian-Ukrainian Antonov 70, and so requested that the call for tenders was extended to Medium Range Transport Aircraft Russia.

For most of the states involved the A400M and Airbus were obviously the preferred option. The decisions though of the UK and Germany were important for the process of framing the project as showing commitment to European defence. The 2000 decision of the Blair government to reject an American solution in favour of Airbus was seen as proof of its commitment to the Saint Malo Agreement and the partnership with France on CSDP. This gave Rudolf Scharping, the then German defence minister, little choice but to opt for Airbus too or appear anti-European but there was little political consensus in Germany around the value of the project, which meant that it was politically challenging to get Bundestag approval to sign the contract and led to Germany reducing its order to get the necessary consent. This delayed the start of the programme by a year.

The choice of Airbus as the prime contractor meant that the main construction work was to remain in Europe, but Airbus needed to subcontract parts of the work to satisfy the ambitious technological demands of the purchasing states. The decision on the A400M engine was interesting: a Canadian Pratt-Whitney bid was considerably cheaper than the European Europrop International (EPI) consortium’s and was the preferred choice of Airbus. Franco-British government pressure was put on the prime contractor though to allow the Europeans to resubmit their bid. Unsurprisingly, following the British government’s decision to promise research funding to Rolls Royce, the European bid was able to sink its price and win the contract. This decision to insist on a European solution was clearly about making sure important technological capacities (and new developments) remained in Europe and outweighed the commercial approach frame. The engine and its electronic control system (FADEC) were designed to be technologically innovative including the most powerful turbo-propellers in existence and had to be constructed from scratch. It is also the engine (and its FADEC) that is one of the three parts of the aircraft that caused the severe delays. Masseret and Gauthier argue that the failure to realise the extent of the risk involved in the engine and its FADEC was at the heart of the problems.
But is the European commitment actually a sign of changed emphasis in the national procurement bureaucracies or merely a new variant of the well-established tendency to protect national defence industrial jobs? This is difficult to evaluate. For France, this time the A400M fitted both its national defence industrial interests and its desire for a Europe of defence (but France pulled out of the Eurofighter when a similar convergence was not in place and since the inception of CSDP has yet to be seriously tested on this front). Silvio Berlusconi justified Italy leaving the project by saying ‘this is a project that only interests the French industry and those who will produce the aircraft’.34 Similarly, Masseret and Gauthier argue that Spain has only ever been involved in the project, because Madrid wanted to strengthen the capacities of the Spanish aeronautic industry.35 The Germans too seem to have had little Europeanist thinking – they initially ordered more planes that their armed forces would need in what was thought to be a move to secure more German-based production, then cut their order before contracts were signed, and in August 2010 again cut numbers (from an initial 73 to 53). Even Britain, the country which on the surface seemed to be using participation in the A400M as proof of its commitment to CSDP, clearly had industrial concerns at stake when it manipulated the engine sub-contracting process. The case of Portugal is also interesting; the Portuguese left the project in 2002 stating that for financial reasons they had decided to buy the American C130J instead. However, it was widely seen as a political decision. At the height of the Iraq controversy, Portugal was keen to prove its Atlanticist credentials.36

The proposed bail out of the project though shows an interesting dynamic that is new in European defence procurement – the concept of the project (and firm) that is too big to fail. ‘We hate you, but we don’t want you dead’,37 basically sums up how many of the negotiators of the revised package felt about Airbus’s parent company EADS and the A400M. Masseret and Gauthier argued that the contract had to be renegotiated because the financial consequences would otherwise seriously weaken EADS.38 Enders’ threat that EADS would abandon the project if the contract was not renegotiated, was not an empty one, given the consequences for the firm, which at the time seemed severe, although EADS’ financial situation has since improved considerably.39 Essentially, there was no real question that the states would abandon the sunk costs of development, the future potential technological spin-offs, a European place in the global aviation construction market and weaken a key European prime contractor, even if the firm had made serious errors of judgement. Maintaining European defence industrial capacities seemed
to outweigh all other factors although both Germany and Britain were unhappy about it.

So it would seem in conclusion that the framing of the A400M project as a litmus test for ESDP has only succeeded partially. There are strong arguments that national financial concerns and defence industry jobs are still paramount motivations. Moreover, the framing of the project as European made it a target for Italy and Portugal when they wanted to make political points. Nevertheless, the realities of the consolidation of European defence industry are forcing actors to think European. The question is whether too much power now rests with the firms.

The Commercial Approach Frame

The 1990s were marked by changes in the approaches of the key arms producing states in Europe towards armaments cooperation. Although the Eurofighter fiasco had left further doubts in the minds of policymakers about whether or not collaborative armaments cooperation was a viable way to procure major weapons systems, changing structural conditions meant that no state could dismiss cooperation as an option. In an era of falling defence budgets caused by the peace dividend, more cooperation was always going to be needed, particularly as the cost of defence technology rose. However, it was the globalisation of the defence industrial sector that provided the real impetus to cooperate. The dramatic changes in ownership and structures of the global (especially American and West European) defence industry in the 1990s, made states question their traditional role of control and direction of defence industry (some with more enthusiasm than others). Financial pressures meant that governments turned to commercial procurement practices to save money and began to act more as proper customers. Moreover, states recognised that their defence firms, if they were to remain prime contractors, must merge and improve competitiveness. In order to maintain their favoured access status to their indigenous defence firms, many of the European states made the case that they must offer a good market and favourable research funding to maintain their defence industrial base. As Lovering writes:

One of the most important effects of the wave of neo-liberal thinking and attempts to reduce public spending has been the transformation of the defense firm into a commercial actor, rather than an agent of a Ministry of Defense. The leading European defense
companies no longer operate as passive executors of government instructions and behave much more like normal corporations with normal business practices and managements. They cannot wait until groups of politicians and military committees have formulated a grand plan. 41

Such conditions could only be offered in a collaborative arena. The major weapons producers seemed more aware of the need to act quickly to create such conditions than other European states and so were frustrated by the lack of progress in the Western European Armaments Group (WEAG). This frustration helps to explain the creation of the Organisation Conjointe de Coopération en Matière d’Armement (OCCAR) by a breakaway group of Britain, France, Germany and Italy. But while these states wished to sustain their defence industrial bases, they were also strongly influenced by prevailing trends in public policy at the time.

The 1990s were marked by an acceptance by mainstream parties on the left as well as the right of key tenets of neo-liberal thought. Policies aimed at reforming the role of the state, particularly through deregulation and privatisation, were the norm and gained a sense of inevitability. The reforms to the public sector that took place from the 1980s onwards reflected this logic of market-based rationality: efficiency, competitiveness and entrepreneurialism were emphasised. While the traditionally heavily state-controlled, protected and subsidised defence sector was initially comparatively immune from these changes, the belief that competition rather than government intervention would bring economic efficiency came (most strongly in the 1980s in Britain with the Levene Reforms) to influence defence procurement practice too. As Hayward argues:

The defence industries had, in short, become an extension of national sovereignty. Within the protective shroud of national security, the defence business evolved more often than not insulated from commercial pressures and commercial disciplines. Large and complex procurement establishments defined needs and requirements, negotiated contracts with suppliers, oversaw development and imposed unique accounting and security restrictions on private enterprise. 42

Defence procurement was viewed as extraordinarily inefficient and European collaborative projects like the Eurofighter had become
synonymous with national protectionism, duplication of resources, unaccountability and inefficiency culminating in significant cost and time over-runs. In keeping with the enthusiasm for apolitical arm’s length agencies to provide technical expertise, the establishment of OCCAR fitted the zeitgeist.

The new armaments agency was in fact widely hailed as a move towards more efficient European armaments cooperation. The participating states saw OCCAR as a chance to end the inefficiencies of earlier collaborative projects, as it would use new methods of decision-making, work share and procurement authority. OCCAR was given the powers to issue contracts on behalf of the participating states and to run the procurement procedures, which should have produced a more efficient and less expensive system. For example, rather than having a Programme Director from each country participating in a collaborative project, there would be a single Executive Director. Qualified majority voting was also introduced for some decisions to ensure greater efficiency. In many ways OCCAR represented the ultimate technocratic response to the collaborative procurement problem.

The intention also was to ensure OCCAR drew upon and represented best practice in defence procurement. As it says in Article 24 of the Convention:

‘OCCAR shall aim to adopt best practices for procurement and shall work with Member States to benchmark procurement practices against the highest standards.’

The commitment by OCCAR Convention signatories to abandon juste retour (the practice of allocating national work share strictly in accordance with financial commitment to a collaborative project) in favour of a global balance across a number of projects was seen as a particularly symbolic of a new beginning and a break with the past, not least because this decision was considered anathema to other Western European Union states.

The A400M project was the first project to be managed from the beginning by OCCAR and should have reflected this new orthodoxy. In many ways it did, despite the issue with the engine sub-contracting process, but the commercial approach has been responsible for many of the problems in the A400M project. The selection of Airbus’s newly created subsidiary, Airbus Military Company, was intended to bring in Airbus’s commercial experience in building civilian aircraft and to bring rigour to the procurement. The problem was that Airbus had no
experience in building military aircraft, was heavily distracted by problems with its key civilian aircraft project and had completely underestimated the risks inherent in the project.\textsuperscript{45} Airbus Military Company also seems to have failed to monitor its sub-contractors closely enough, and the crucial engine part was being poorly managed because the EPI consortium lacked leadership and cohesion. The International Institute for Strategic Studies (IISS) claim that design and development problems were not taken seriously enough within the wider EADS company and that it was unclear whether the EADS management were aware of the extent of the problems.\textsuperscript{46}

From a commercial perspective OCCAR succeeded brilliantly in negotiating a contract that promised a new aircraft with a new engine with considerable technological advances, at a very low price and in an unusually short time-span and without the customer paying for a programme of evaluation of technological rise (pre-development stage). The problem was that this was wholly unrealistic. Moreover, the type of contract was as Masseret and Gauthier put it ‘eyes on – hands off’\textsuperscript{47}. The idea was that neither OCCAR nor the purchasing states could change requirements or numbers – something which had happened frequently in the past and which had undermined the ability of contractors to stick to schedules or prices. However, when Airbus Military Company was managing the project poorly there was no lead nation to establish dialogue with the firm, and OCCAR, which could have acted as a replacement, had not been given decision-making autonomy on questions relating to operational matters and so had to return to the states and establish consensus on each issue, which delayed the decision-making process. The type of contract meant that political and audit scrutiny had not been as easy as usual and the problems seemed to have gone unnoticed for some time. When EADS finally did demand a renegotiation of the contract, the delays and problems were deeply rooted.

The outcome of the commercial approach has not been as successful as its sponsors had hoped. Even in Britain, where its proponents were strongest, it is now broadly accepted that a commercial approach cannot be applied rigorously to defence procurement. However, the A400M project has convinced some that there are merits to this type of contract. French politicians are not usually found supporting the commercial approach but Masseret and Gauthier\textsuperscript{48} did urge caution in their report and suggested that it would be wise not to ‘throw the baby out with the bathwater’ and completely jettison the commercial approach. They were of the opinion that two elements were positive, namely through penalties making firms more responsible for delays and penalising states for
withdrawing or lowering orders once a programme had started without justifiable reason. They also pointed out that, had EADS managed the programme better, then the civil-style contract would have allowed the aircraft to be completed faster than with a classic military contract.

Neither is OCCAR given the blame – it was generally accepted that the agency had carried out its role correctly, but that the constraints put on it by the states were too great to allow for the exercise of the efficiency benefits, it could potentially have offered. France and Britain have shown sufficient faith in OCCAR to choose the agency to manage their new Maritime Mine Counter-Measures project, while the agency was also chosen to manage the Franco-Italian Multinational Space based Imaging System – Federating Activities project. Paradoxically, although the A400M is unlikely to be held up as an example of successful armaments cooperation, neither are the experiments carried out in procurement management likely to be abandoned. In this sense, you can argue that there has been adaptation and adoption to the new institutional order offered by OCCAR.

However, even if OCCAR as an institutional framework is accepted, member states did undermine its procurement strategy. The most important limitations to the success of the commercial frame are the concept of firms that are too large to be allowed to fail and so cannot be held to contracts, and the continued unwillingness of states to accept that commercial logic may mean that work would go to non-European firms. As far as EADS was concerned, IISS claim that when the problems were admitted, there were three possible outcomes. Member states could cancel the project, which would have a serious impact on EADS’ market credibility and thus its credit rating. EADS could cancel the project but would be liable for penalties and the reimbursement of payments, which PricewaterhouseCoopers (the firm employed by OCCAR to assess the financial aspects of the project in 2009) judged to be an even more damaging financial outcome for EADS than a customer cancellation. Or the purchasing states could agree to increase the price, which is what was agreed. As Siebert has argued, this was not necessarily a logical decision when viewed from a cost-value perspective, and the main export customer South Africa withdrew its order rather than agree a price increase. If European defence industrial policy remains to encourage the consolidation of defence firms into European champions, its procurement officials will struggle to apply commercial logic to firms with a near monopoly, and which are too important across a range of projects to punish for failings on a particular contract.
The other major limitation of the commercial approach demonstrated by the A400M project is that there is a continued insistence on industrial and technological policy grounds that work must go to European firms. Dickow claims that Airbus Military was the only politically possible choice as prime contractor (despite British and German efforts to open up the tender to other firms) but that this meant that this nourished unrealistic expectations on both the industry and government sides. The purchasing states continued to add extra risk to the project through their insistence that the European consortium, rather than Pratt-Whitney, be given the engine contract against the prime contractor’s wishes. IISS claim that this decision was made on the basis of defence industrial policy considerations rather than cost-value analysis. Similarly, IISS point out that the governments continued to insist on national variations for the transporter aircraft which complicated the project further. In other words, although OCCAR and the commercial frame were meant to represent a new beginning to European armaments collaboration, in fact the purchasing states continued to engage in precisely the behaviours that have caused problems in earlier collaborative projects.

**A400M, the EU and Armaments Cooperation**

While the A400M can be added to a long list of difficult European collaborative procurement projects, it is perhaps the lessons it offers to those responsible for the EU’s attempts to foster defence capabilities improvements through the CSDP that are the most important. The EU’s approach to the armaments sector rests on two beliefs:

- The supply side is too fragmented. Industrial consolidation and mergers are required in all sectors.
- The demand side is also too fragmented and both national procurement regimes and requirements need to be harmonised.

The European Commission has legislated through the defence package of directives to introduce more market rigour into defence procurement (commercial or market approach), while the European Defence Agency (EDA) attempts to foster greater cooperation between the member states on research, procurement and industrial consolidation (European approach). The A400M project suggests that their aims may be difficult to achieve on three different grounds.
First, as Hartley points out Europe still has excess defence industrial capacities.\textsuperscript{54} It is widely expected that a further round of defence industrial consolidation driven by French defence budgetary needs will take place in the next few years. The EDA’s efforts to foster greater cooperation therefore seem rather dependent on the European frame being viewed as credible enough, so that member states will be willing to give up national defence industrial capacity in the aim of maintaining capacity elsewhere in the EU. In other words, that the impetus of CSDP and growing solidarity will mean that states are willing to abandon parts of their defence prerogative. Giegerich thought that the financial crisis and the defence cuts that it brought might give added momentum to this\textsuperscript{55}. However, the EDA’s own statistics show that spending on cooperation on defence research (in reality the precursor to any serious joint procurement project) has almost halved since 2008.\textsuperscript{56} The A400M project suggested strongly that the European framing of the project was not sufficient to override national interests at present. As the CSDP has seemed to be largely stalled since around 2008, it is unlikely to offer a persuasive narrative for why this should change.

Secondly, as the A400M case has shown the European and commercial frames are not always compatible with one another. Hartley points out that there are real conflicts between the desire for a competitive market-driven European Defence Equipment Market on the one hand and the interests of a European defence, technological and industrial base (EDTIB) on the other. He points out that if competition is desired, the EU has to allow non-European firms to enter the European market, but that this might threaten important defence industrial capabilities. If it chooses to protect the EDTIB then it will soon have to address the problem of public sector customers having to deal with mainly privately-owned monopoly defence firms – a problematic scenario already shown in the A400M problems with EADS. If the latter choice is made, Hartley warns also that there will be a need to subsidise those defence industrial capabilities deemed critical for the future when there is no immediate development or production needs.\textsuperscript{57} It would seem that the EU is going to have to make hard choices.

The third area of difficulty for the EU is to be found in the lessons learnt that key states are drawing from the A400M project. It is noticeable that the two states that are the most heavily committed to active national security policies and thus defence industrial capabilities, Britain and France, seem to be drawing similar lessons from A400M. The British Chief of Defence Material told the House of Commons Defence Select Committee in 2009:
The lesson I draw from [the A400M project] is collective projects are essential. If you do not collaborate with partners, then you will not get the kit you want because the production numbers are so small. . . . if you have got seven or eight partners, they have all got a view . . . It is very difficult to cope with that. My preference would be a bilateral product which others could join. That would be my lesson.\textsuperscript{58}

Masseret and Gauthier also argued in their report for the French Senate that juste retour must be abandoned in favour of using the best competences in Europe, and that there must be an end to projects where some participants are engaged not to improve their military capacities but their industrial ones.\textsuperscript{59} The 2010 Franco-British Lancaster House defence agreements included a wide range of bilateral armaments projects in key areas such as unmanned aerial vehicles and complex weapons. Some of the defence industrial cooperation has the potential to produce European monopoly suppliers in what are viewed as critical future market areas. Pointedly the two states chose to cooperate outside the EU structures even though the Lisbon Treaty’s permanent structured cooperation clauses would have allowed the cooperation to take place within the EDA framework.\textsuperscript{60} While Franco-British cooperation may indeed produce much needed additional military capabilities for Europe, their industrial and technological policy agenda has the potential to concentrate the EDTIB in an even smaller group of countries than is already the case, which might make it difficult to persuade the non-participant states to invest in defence capabilities and to buy European.

In summary, the A400M project is significant on several levels beyond serving as yet another example of the difficulties of collaborative defence procurement. It shows that some of the assumptions made about the future governance of the armaments sector in the EU may be resting on rather shaky foundations. Neither the European nor the commercial frame proved wholly persuasive for the A400M states, but their experiences have shown that the two frames are also not entirely compatible. This suggests that sooner rather than later the EU will have to make some difficult choices, if it has not already been forestalled by the Franco-British initiatives.

NOTES
1 Alexandra Ashbourne-Walmsley of RUSI cited in Tim Hepher and Sabine Siebold, ‘Special Report: The Incredible Saga of Europe’s A400M’, \textit{Reuters}, 8 June 2010: accessed on 8 May 2012 at \<www.reuters.com/article/idUSTRE6570NK20100608\>.
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different technology policies. The third principle sets the objective of strengthening the
European industrial base on a basis of a strong increase in competitiveness. The fourth
principle explicitly provides for the abandonment of *juste retour* by programme and pro-
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