THE FUTURE OF THE TRANSATLANTIC DEFENSE COMMUNITY

Introduction

The events of September 11, 2001, and their aftermath have demonstrated anew the vital importance of U.S.-European security cooperation to confront emerging threats and to protect mutual interests and shared values. Yet, paradoxically, the transatlantic partnership—and the defense cooperation that gives it strength and sustenance—now appears more at risk than ever. Despite their growing economic interdependence, enduring political commonalities, and ongoing military cooperation within the North Atlantic Treaty Organization (NATO), America and Europe seem to be drifting apart.

The current situation has many causes. The transformation of the European and global security and political environment over the last decade has significantly changed U.S. and European strategic visions and perspectives on their respective military roles and requirements. Legal and regulatory obstacles, many dating back to the Cold War, routinely complicate or impede defense cooperation.

Although controls on the transfer of the most sensitive technologies are legitimate and indeed essential to national security, other restrictions are out of step with a world characterized by transnational industrial operations, a defense market that relies heavily on commercial technologies and products, and the reality of an increasingly integrated Euro-Atlantic economy.

The forces compelling further integration and cooperation, however, are also strong. Despite the risk of strategic drift, the United States and Europe are bound by irreversible economic, political, and cultural ties. Although the United States today is capable of undertaking significant military operations independently, it will continue to need allies and partners to effectively counter diverse global challenges to national security in the coming decades. European states, too, will be driven by the imperative of coalition warfare. Although managing the transatlantic partnership can be difficult at times, the U.S.-European defense link remains essential to mutual security.

Sustaining the transatlantic security partnership in the future will require not only political but, increasingly, more effective defense industrial cooperation. Although governments alone are responsible for shaping national security strategy, successful implementation of strategies and policies depends, among other things, on the possession of well-trained and properly armed military forces. The maintenance of an effective military capability, in turn, can only be accomplished in partnership with defense industry.

Achieving and maintaining military forces adequate to meet the security challenges of the twenty-first century means nurturing and sustaining a global and transatlantic technology and industrial base capable of producing the defense technologies and systems that will be needed to fight the wars of the future.

Preserving and nurturing that shared base requires a political, legal, and regulatory environment that will facilitate, not impede, cooperation, while protecting

legitimate national security interests. If impediments to enhanced defense industrial cooperation are not removed, the defense industrial bases of both the United States and Europe will suffer, and the two sides will drift further toward separate and incompatible policies and practices, with far-reaching consequences for the transatlantic defense partnership.

The case for transatlantic cooperation may appear less compelling to many in the post–September 11 strategic context. Some may argue that the United States no longer needs the transatlantic partnership; others may prefer Europe to go its own way in defense and foreign policy matters. Yet, the need for partnership—and thus for change—has become more, not less, urgent following the September 11 attacks and their aftermath. In the future, serious and complex threats to the mutual security of the United States and Europe are likely to emerge without warning. Unless action is taken now to address the impediments to enhanced transatlantic defense industrial cooperation, the United States and Europe may prove incapable of confronting and countering these threats effectively.

In considering alternative reform proposals, useful guidance for the future can be found in the past. Despite significant obstacles, defense industrial cooperation has been possible and mutually beneficial and continues to be valued by governments and defense companies in the United States and Europe. Creating the necessary and sufficient conditions for success—both during the initial stages of cooperation and throughout the duration of a collaborative project—is not easy, but it can be accomplished. "Success" stories in transatlantic defense cooperation, and the solutions they entailed to thorny political, legal, and regulatory problems, can help point the way to a closer and more flexible transatlantic defense industrial relationship.

This report is divided into four sections:[1] Part 1 describes the changing political, strategic, economic, and technological context for transatlantic defense industrial cooperation; Part 2 outlines the different factors that may motivate government and industry to pursue or eschew a cooperative solution to meet a military requirement, focusing on the political, legal, and regulatory obstacles and barriers to transatlantic defense cooperation; Part 3 provides a summary overview of past cooperative programs, with particular emphasis on "best practices" and common mistakes, as well as "lessons learned" from past and ongoing cases of cooperation; and Part 4 looks to the future, identifying the key issues that will need to be addressed in order to create a more open and innovative transatlantic defense partnership that would serve U.S. and European common security interests and align defense industrial cooperation and integration with broader trends in the Euro-Atlantic economy.

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1. This background report is based, in part, on two papers written for the commission: "Transatlantic Defense Industry Relations: Vision or Erosion?" by Gordon Adams; and "Transatlantic Security and Industrial Cooperation: Factors that Influence Governments and Companies to Either Cooperate or Not Cooperate" by Francis Cevasco. The report was developed by Cathleen Fisher and Christina Balis and benefited from the various contributions made by commission members and experts involved with this effort. The Agenda for Action was developed with the assistance of Barry Blechman and its final version was prepared on the basis of contributions made by commission members and various experts associated with this project.