DEFENCE INDUSTRY: GOVERNANCE AND RELATIONS WITH GOVERNMENTS

Teacher: Olivier Gras
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BIOGRAPHICAL INFORMATION

After high responsibility appointments within the direction générale de l’armement of the French ministry of Defence, Olivier Gras acquired a deep knowledge of the French and European Defence Technological and Industrial Base.

Currently councillor of studies to IHEDN, he is also leading works on the governance of start-ups within the Institut Français des Administrateurs and others directors associations.

COURSE OUTLINE

Séance 1: Introduction to the defence industry

Definition
History
Basic issues
Required readings:
  • Dwight D. Eisenhower: Farewell address to the nation, January 17, 1961
Recommended readings:
  • Stockholm International Peace Research Institute – SIPRI Yearbook 2017

Séance 2: Governmental issues

The four basics of the armament policy
The armament policy and the other governmental policies
Recommended readings:
  • UK Ministry of Defence: Industry for Defence and a Prosperous Britain (2017)
• UK Ministry of Defence: Refreshing Defence Industrial Policy 2016 – Review of Consultation Responses
• Principles of the Swiss Federal Council for the Armament Policy of the Federal Department of Defence, Civil Protection and Sport (DDPS) (30 June 2010)
• Government of India, Ministry of Defence, Defence Production Policy (January 1, 2011)

Assignment for this session:
The Defence Industrial triptych: Government as customer, sponsor and policy maker
Foreign investors: Are they welcomed and to which extent?

Séance 3: Is there an armament market?

National and intergovernmental markets
International agreements

Required readings:
• National Security Through Technology (2012), UK Ministry of Defence White Paper
• International Institute for Strategic Studies – Military Balance 2017, Chapter One: Defence and military analysis

Recommended readings:
• Ron Matthews (2014) The UK offset model – From Participation to Engagement, RUSI

Assignment for this session:
Competition: how to maintain it in a closed market?
International conventions on weapons: Is the international law always effective?

Séance 4: Industry structure

Defence technological and industrial base
Research and innovation
Durability and profitability

Required readings:
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Assignment for this session:
Defence R&D: sponsoring of national economy or scattering of national investments?
Restructuration of a defence company: shareholders or government, who takes the final decision? Describe and argue

Séance 5: The governance models in the defence industry (part 1)

Definition
Basic issues
From the arsenal to the private company
Required readings:
Recommended readings:
- Institut Français des Administrateurs (2015) : La gouvernance : un levier pour le développement des start-up
Assignment for this session:
How to keep the industrial and technological expertise in constraint defence budgets?
The US “government owned company operated” regime: description, advantages and limitations

Séance 6: The governance models in the defence industry (part 2)

Armament programs
Control of costs
From defence equipment to civil market : the dual use issue
Interrelation between industry and government: who needs the other?
Required readings:
Recommended readings:
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- Defence Production Policy, Government of India, Ministry of Defence (2011)

Assignment for this session:
Defence exports: Are they governmental alliances or commercial relations?
Civil development: how to manage and prevent unwanted dual use applications?

Séance 7: Institutional bodies

The main official stakeholders
Examples : France, the UK, the USA
Recommended readings:
- How Defence Works Version 4.2 1 December 2015, UK Ministry of Defence

Assignment for this session:
Export control: for what purposes?
Defence budget: is it part of the usual debate on the budget or should it be dealt separately?

Séance 8: International armaments cooperation: introduction to EU

Cooperation : basic issues
European Union: basic defence issues
Required readings:

Recommended readings:
- Council Decision (CFSP) 2017/2315 of 11 December 2017 establishing permanent structured cooperation (PESCO) and determining the list of participating Member States
- EC Communication COM (2013) 542 “towards a more competitive and efficient defence sector”
- EC Communication COM (2007) 764 “a strategy for a stronger and more competitive European Defence Industry”
Assignment for this session:

EU: the EC management of TFEU Art 346 versus sovereignty of nations issue

EC directive on Defence Procurement: looking for better competition within EU to what extent?

Séance 9: Defence industry and other international frameworks – Bilateral cooperation and NATO

Bilateral collaborations and agreements

Examples of European industrial consolidations

NATO

Required readings:


Recommended readings:

- A short history of NATO (2012), NATO Public Diplomacy Division
- Aspects of NATO, Armament Cooperation Planning and Support 1982), NATO Public Diplomacy Division
- NATO Strategic concept 2010
- NATO EU Warsaw joint declaration 8 July 2016
- Speech by NATO Secretary General at the Cyber Defence Pledge Conference (Ecole militaire, Paris) 15 May 2018

Assignment for this session:

NATO: Economic issues

EC directive on transfers of defence related products within the Community: for what purpose and for which results?

Séance 10: Defence industry, the European Union and the other European bodies

European Union and armament: current issues

Other institutional bodies: OCCAR

Required readings:
• European Council 19/20 December 2013 Part I paragraphs 1-22 of the European Council conclusions
• European Council 15 December 2016 Part II paragraphs 10-15 of the European Council conclusions
• European Council 14 December 2017 Part I of the European Council conclusions
• EC Communication COM (2016) 950 “European Defence Action Plan”
• EC Communication COM (2013) 542 “towards a more competitive and efficient defence sector”

Recommended readings:
• European Parliament Report on the proposal for a regulation of the European Parliament and of the Council establishing the European Defence Industrial Development Programme aiming at supporting the competitiveness and innovative capacity of the EU defence industry 26 February 2018
• DIRECTIVE 2009/43/EC simplifying terms and conditions of transfers of defence-related products within the Community.
• DIRECTIVE 2009/81/EC on Defence Procurement.
• Letter of Intent – restructuring the European defence industry- Framework Agreement Treaty 27 July 2000

Assignment for this session:
Bilateral collaboration in Europe: is it a step towards EU construction?
Bilateral or multilateral collaboration: how to share the works and control the costs?

Séance 11: The arms trade and the export control

National regulations (including those like FMS)
Export and diplomatic issues

Required readings:
• UK Strategic Export Controls Annual Report (2016)
• Ron Matthews (2014) The UK offset model – From Participation to Engagement, RUSI

Recommended readings:
• Rapport au Parlement (2017) sur les exportations d’armement de la France

Assignment for this session:
Arms trade: dilemma between Ethic and raison d’Etat
Technology transfers: threat or opportunity?
Séance 12: Defence industry and the global market

Spin off and dual use: the interrelation between defence and civil

Defence and security issues

Required readings:

Recommended readings: