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ARTICLE

Cooperation and conflict in the European defence-industrial field: the role of relative gains

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ABSTRACT

Defence-industrial collaborative activities have gained a central stage in the current European debate, based on the simultaneous presence of two systemic pressures (unipolarity and "defence-industrial globalization") that are pushing EU member states towards more cooperation in these issues. Nevertheless, the European defence-industrial panorama still continues to be characterized by both cooperation and conflict. Protectionism, oligopolistic market straining and primary resource to domestic suppliers have prevented a more structured defence-industrial cooperation.

The aim of this article is to add empirical evidence to recent academic works that highlighted how relative gains play a key role in understanding the simultaneous presence of cooperation and conflict in the European security architecture. In doing so, this analysis focuses on the European defence-industrial landscape and specifically on British, French and Italian preferences towards armaments cooperation. To preview the conclusions, France, Italy and the UK have constantly pursued greater intra-European cooperation, in order to increase their power within the international defence-industrial market. However, they have refused to participate in European defence-industrial initiatives when other countries would have a greater advantage from this cooperation. This happened despite strong geopolitical and strategic incentives to cooperate.

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Introduction

Defence-industrial cooperation has gained a central stage in the current European debate. In general, this discussion is based on the simultaneous presence of two systemic pressures that are pushing EU member states towards more defence-industrial cooperation. From the geopolitical point of view, the end of the Cold War and the shift from a bipolar to a unipolar international system create systemic incentives for a more vocal European role in security and defence affairs. From the industrial point of view, these systemic incentives are even more pressing. The rising costs of armaments systems, the parallel decline of European defence budgets and the globalization of arms market supply-chain have made intra-European cooperation an absolute priority to sustain an efficient European defence-industrial base (Brooks 2005, Bitzinger 2009).

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In order to cope with these challenges, European countries have promoted some concrete steps for a more efficient cooperation. For instance, EU member states have undertaken many overseas operations, using civilian and military instruments in several countries in three continents (Europe, Africa and Asia), as part of their Common Security and Defence Policy (CSDP). From the industrial point of view, EU member states have embarked on a number of collaborative armaments projects and have created defence-industrial organizations (WEAG[1]; OCCAR[2]; LoI/FA[3]; EDA[4]), both within and outside the EU framework. At the supranational level, the European Commission's initiative "defence package" has led to the adoption of two directives (2009/43EC and 2009/81/EC), which harmonize export control systems for intra-EU trade in defence equipment and provide procurement rules for defence and security markets.

Nevertheless, despite these significant developments, defence-industrial cooperation continues to be the exception and not the rule in the European landscape (Andersson 2015, Marrone *et al.* 2016). Co-development armaments projects have been characterized by clear inefficiencies and delays, especially due to the practice of *juste retour*, which guarantee that a national industry receives work worth the full amount of its government contribution to a cooperative programme (DeVore 2014, p. 421). At the same time, the two EU directives adopted in 2009 have not, so far, radically altered member states' defence procurement practices.[5] In general, protectionism, oligopolistic market straining and primary resource to domestic suppliers have prevented a more structured defence-industrial cooperation. In other words, defence-industrial relations among European countries are characterized by both cooperation and conflict. Why, despite strong systemic geopolitical and economic incentives, do sometimes European countries decide to cooperate with their partners, while in other instances they decide to refrain from acting cooperatively?

Existing literature on European defence cooperation has not, produced, so far, a satisfactory answer to this question. While the realist approach has focused on the systemic level (mainly on the transatlantic relationship) and on "balancing" and "bandwagoning" contradictory evidences, other scholars – inspired by a more liberal outlook – have been able to elucidate long-term trends towards more cooperation, but they struggle to explain why governments continue to prefer a strictly national policy on defence-industrial issues. In general, none of these theoretical approaches has been able to explain the alternation between cooperation and conflict in the European defence-industrial domain.

The aim of this article is to add empirical evidence to recent work by Luis Simón (2017), who has highlighted how relative gains play a key role in understanding the simultaneous presence of cooperation and conflict in the European security architecture. In his work, Simón pointed out that while there are systemic incentives (EU relative decline *vis à vis* the US and other continental-sized superpowers) for European security cooperation, this cooperation develops in a way that underscores that country's comparative strength and minimizes its weaknesses (Simón 2017, p. 185). Intra-European relative gains decisively impact on European member states' preferences towards cooperation or non-cooperation. Moreover, he argues that, given the peculiarities of the EU institutional framework, some countries may accept relative losses on some issues (for example, security) in exchange for gains on others (economic) (Simón 2017, p. 187).

This analysis focuses on the European defence-industrial framework. This policy domain, being permeated by both economic and security considerations, is a very

challenging case-study and can provide additional strength to the intra-European relative gains argument. In this article, I will focus specifically on how British, French and Italian considerations about relative gains have affected four different instances of European collaborative programmes: the MRCA Tornado, the Eurofighter, the NH90 helicopter and the A400M.

This research stands as a preliminary effort to highlight how relative gains considerations were crucial to explain British, French and Italian preferences towards aeronautic armaments programmes. Greater effort should be made by extending this argument to other defence-industrial sectors (land and naval). Moreover, the exclusive focus on big armaments programmes provide a partial understanding of the European defence-industrial panorama. If, in these armaments programmes, there is a very close relationship between governments and prime contractors, the defence-industrial panorama is also characterised by a vast array of small and medium enterprises and mid-caps that have no or little allegiance to governments. Furthermore, this study focuses exclusively on the defence-industrial context, as an isolated policy-field. In future research endeavours, the linkages between the politico-strategic and the defence-industrial dimensions should be specified in detail.

This work is organized as follows: the first section provides a critical overview of the relevant literature on the topic, highlighting how these approaches have not been able to explain cooperative and conflictual dynamics in the European defence-industrial landscape. The second section discusses relative gains and how this concept can be operationalized to account for recent defence-industrial transformations. The third section presents the case studies and sets the stage for the empirical analysis. In this section, I also specify why I choose to concentrate my analysis on four different instances of European armaments projects and how it is possible to identify absolute and relative gains to assess European countries' preferences towards armaments cooperation. Finally, the fourth section analyses the British, French Italian preferences towards four different instances of European armaments programmes: the MRCA Tornado, the Eurofighter, the NH90 helicopter and the A400M.

The european defence-industrial landscape: between cooperation and conflict

Traditionally, the realist approach in International Relations (IR) has been skeptical about the possibility of defence-industrial cooperation. Sovereign states are likely to pursue defence-industrial autonomy because the international system is anarchic and the future behaviour of allies is unpredictable (Waltz 1979). Despite the European integration process is increasingly expanding in a number of economic and industrial sectors, the principle of national sovereignty will remain the member states' fundamental prerogative in defence-industrial issues (Hoffmann 1982, Dyson and Konstadinides 2013). These scholars accept the possibility of a greater harmonization in softer aspects of security, but not in the most important issues, including defence policies, military structures, force postures and arms procurement.

However, after the end of the Cold War, another strand of realist research explained the emergence of the CSDP as a strategic move from European countries to "balance" the US' overwhelming political and military power and to create an autonomous EU

defence stance at the international level (Posen 2006, Jones 2007). In other words, the unipolarity of the world after the end of the Cold War gave some room for the EU member states to manoeuvre. According to these scholars, the development of a EU security and defence dimensions has also generated incentives for a more integrated defence-industrial policy (Biscop *et al.* 2009). For instance, Hyde Price (2007, p. 51) explains the Union's actions as a result of the "systemic pressures that 'shape and shove' EU member states' international behaviour". These pressures follow from such core assumptions of realism as the anarchic character of the international system comprising rational state actors and their security and power maximization. Nevertheless, while the realist approach explains why European governments are competing in defence procurement (autonomy is crucial in an anarchic international system), or why they are cooperating (transformation of the international system from bipolar to unipolar), both of these approaches fail to explain the variation between cooperation and conflict: why do European countries sometimes collaborate and sometimes they do not? Beyond this empirical shortcoming, these studies are also characterized by methodological problems. As noted by Simón (2017), treating Europe as an independent analytical unit limits the empirical understanding of European defence, that is characterised by often diverging national interests. Only by comparatively looking at how national priorities play out in the context of specific initiatives we can assess the importance of intra-European relative gains and uncover the contradictory nature of security and defence cooperation (Simón 2017, p. 188).

The liberal explanations on the topic suffer from similar problems. According to liberal scholars, globalization is generating a growing process of defence-industrial interdependency that, in turn, makes impossible for any state to autonomously produce the equipment needed for modern armed forces (Brooks 2005, Bitzinger 2009). Given the global nature of armaments production, the "Transnational Business" approach argues that powerful transnational defence industries are transforming the European defence-industrial panorama. Specifically, given their diminished national dependence, these transnational corporations will be more inclined towards greater cooperation at the European level, in order to attract new technologies and new markets for export activities (Stone Sweet and Sandholtz 1997, Britz 2010). Liberal scholars argue that "pressure from economic special interests tend to dominate security concerns, even in least likely cases like military procurement" (Moravcsik 1997, p. 539). More recently, by looking at European defence-industrial cooperation as a form of national interest projection, Hoeffler surmises that "arms-producing countries have promoted market-oriented procurement and liberalization at the European level as industrial strategies intended to support national and European firms" (Hoeffler 2012, p. 436). This strand of research, while it is able in elucidating some of the systemic trends that encourage European defence-industrial cooperation, fails to explain the persistence of non-cooperative dynamics among European countries. Besides the fact that transnational industries are the exception and not the rule in the European defence-industrial context, previous research noted that the emergence of transnational companies has been not able to break from traditional protectionist policies in the defence market (Cornu 2001, p. 71; Muravska 2014, p. 97). Weapons market liberalization has not been uniform and it has followed peculiar sequences of development across armaments segments. For instance, privatization has been wider in aerospace and defence electronics, while it has remained very limited in the naval and land sectors. Furthermore, there persist

several incongruences among the European countries trajectories on how they have developed defence companies' governance structures (Matelly and Lima 2016, p. 74). If there have been countries that have completely privatized their defence industries (UK; Germany; Sweden), others countries started this process much later and with a different magnitude (France; Italy).

Conceptualizing relative gains in european defence-industrial issues

For neo-realist scholars, states' concerns about their relative power position constitute the single most important obstacle to international security cooperation (Waltz 1979, Grieco 1988). Given the anarchical nature of the international system, states need to take into account not only the absolute interest of their own country, but also their relative positions *vis à vis* other competitors in the international or regional arena. According to Joseph M. Grieco, this is the "relative gains" problem, a situation for which "a state will decline to join, will leave, or will sharply limit its commitment to a cooperative arrangement if it believes that partners are achieving, or are likely to achieve, relatively greater gains. It will eschew cooperation even though participation in the arrangement was providing it, or would have provided it, with large absolute gains" (Grieco 1988, p. 499). Relative gains have generated an intense debate between realists who consider that distributional concerns tend to trump expectations about absolute gains, and liberal scholars who argue that, under certain favourable conditions, a state's quest for absolute gains might outweigh its concerns for relative losses and result in successful cooperation (Lipson 1984, Powell 1991).

After the end of the Cold War, a number of realist scholars identified intra-European relative gains dynamics as the key driver of European security cooperation – or lack thereof (Mearsheimer 1990, Art 1996). However, since the launch of the CSDP, most discussion has focused on whether European security calculations are driven by a will to balance against US unipolarity or bandwagon with the US (Posen 2006, Hyde Price 2007, Jones 2007, Cladi and Locatelli 2012, Dyson 2013). These analyses, which treat EU countries as a single actor, have underestimated the regional context dynamics, in particular how relative gains considerations dominate intra-European different preferences towards EU defence policy. The foreign and security policy of a country situated in the European context should take into account two contexts: on the one hand, there are international considerations, namely the position of the country in the global arena. In this regard, other analyses have convincingly shown how the EU acts as a "power multiplier", strengthening the leverage of the European member states at the international level (Treacher 2001). On the other hand, a European country needs also to take into account its relative position in the regional context *vis à vis* direct competitors in Europe. As brilliantly explained by Simón (2017 p. 195): "A state's power depends both on the prosperity of the multiplier as well as on its own (relative) position within the multiplier. And the latter is a battle that needs to be fought against fellow Europeans who, by virtue of their respective strengths and comparative advantages, hold different preferences regarding the specific direction(s) the power multiplier ought to take". Focusing on relative gains is important because it transcends the debate between balancing versus bandwagoning and permits a more detailed analysis of linkages between regional and international dynamics in the European context.

Relative gains considerations are particularly important in the European defence-industrial panorama. Previous research has highlighted how states are more likely to

overlook relative losses for the sake of absolute gains in the economic domain than in the security field (Lipson 1984). Defence-industrial cooperation is a difficult case to handle with, because it is a policy area that acts as an interface of industrial, technological and defence policies and lies at the intersection of IR traditional distinction between low and high politics (Keohane and Nye 1977). Defence-industrial policies are developed around the role of the state that is at the same time customer, sponsor and regulator of the defence-industries (Heidenkamp *et al.* 2015, pp. 4–6). The defence sector, therefore, is not a perfectly competitive market, but rather a market characterized by monopsony, namely for the presence of a single buyer (the state). There are two types of firms that populate this sector. At the higher end of the sector sit firms that are responsible for the final construction, assembly and delivery of weapons platforms. Referred to as "prime contractors", these firms serve as the main point of contact with their customers. Below them reside a range of small and medium enterprises (SMEs) and mid-cap that are sub-contracted to undertake niche production tasks and supply specific components for the finished system.

The peculiarities of the arms market make particularly important to disentangle the different preferences of the actors involved in defence-industrial policy-making (DeVore and Weiss 2014). Other studies have already highlighted that collaboration in defence-industrial issues implies that actors have a mixture of common and conflicting interests: a mutual desire to combine their resources synergistically to increase absolute gains, yet divergent interests when deciding how the joint benefits from cooperation are divided between them (Tucker 1991, Moravcsik 1993, DeVore 2014). For instance, Tucker (1991) explains armaments cooperation focusing on inter-firm dynamics. According to his sophisticated theoretical model "Partners and Rivals", when the disparity in industrial and technological capabilities is large, positional concerns play a relatively minor role and welfare concerns predominate, giving the stronger player a strong incentive to collaborate. As the disparity diminishes, however, positional concerns become more prominent and reduce the stronger player's incentive to collaborate (Tucker 1991, p.118). Each player is therefore concerned not only with its expected payoff from collaboration but also with the difference between its own payoff and that of the partner.

According to Tucker:

> "a collaboration that yields immediate benefits for both players may prove disadvantageous in the long-run if it enables one player to obtain a greater relative gain in capabilities, making it a more formidable potential rival. Even if the firms in a collaborative project are not direct competitors when they enter into partnership, they may still become competitors in the future" (1991, p. 86).

Defence firms tend to be concerned with their relative position in world markets – and thus with relative gains consideration, in terms of market position, from collaboration (Moravcsik 1993, p. 132). For instance, in the defence-industrial sector, states are hesitant in sharing defence technologies which have been developed with national resources and, at the same time, defence companies need to consider how technological transfer could strengthen rivals' position in the global market. Although all partners should theoretically profit from a well-managed collaborative project, the frequently uneven distribution of gains within a project provides rival firms with powerful incentives to pursue relative gains to their partners (DeVore 2014, p. 420).

In this section, I clarified how the article's aim is to systematically test the Simón's (2017) relative gains argument to the European defence-industrial field. Besides to present the main tenets of the Simòn's argument, I referred also to governments and industries concerns over market position and technological transfer, in order to operationalize the relative gains argument in a policy domain in which there are economic (absolute gains) and political (relative gains) interests. In the European defence-industrial framework relative gains considerations are useful to combine international variables (the European countries' position in the international system) and regional variables (the relative positions of states and defence corporations within the European context).

Case study and methodology

This study tests the relative gains argument on four different instances of European armaments programmes: the MRCA Tornado, the Eurofighter Typhoon, the NH90 helicopter and the A400M. Case selection is not an easy task in studying defence-industrial cooperation. Each project, in fact, has its own specificity and is developed according to different strategic and organizational attributes. In order to overcome the risk of "selection bias", it is important to carefully specify the main reasons behind the selection the case studies. The choice of focusing on the MRCA Tornado, the Eurofighter, the NH90 helicopter and the A400M reinforces the explanatory power of this article for four main reasons: first, they are among the main projects (for their political significance and economic costs) developed, so far, in the European armaments panorama. Their importance, both from the political and economic point of view, produces empirical findings that can be generalizable to other smaller multinational armaments programmes. Second, all the projects pertain to the aeronautic sector. This allows to control intervening variables that can alter the solidity of my findings, such as the structure of different arms market sectors and the differences among aeronautic and other sectors' firms. Third, all these cases are instances of co-development of armaments production. In co-development, states agree to a common military requirement and then jointly proceed through every stage of weapons development and production. In these types of programmes it is easier to disaggregate the governments and firms' preferences and to empirically observe how different interests (in this case absolute and relative gains) impact on European armaments collaborative initiatives. Fourth, these are collaborative projects that involved all the three countries under observation (France, Italy and the UK). However, while all the three countries have participated in the preliminary negotiations of the projects, in some instances they have preferred to not cooperate with their European partners. Investigating cooperation and defection allows a clear analysis on if and how relative gains have had a role in European countries' preferences towards armaments cooperation.

As previously highlighted, the aim of this article is to analyse how British, French and Italian considerations about relative gains have affected European armaments programmes in the aeronautic field. France, Italy and the UK are among the main defence-industrial actors in the European context and they have powerful indigenous defence industries. However, the differences among these three countries are significant. Drawing on the Krause's (1992) classification of arms market into different tiers of arms' producers, France and the UK have larger domestic markets and defence industries able to

compete in every sector of the armaments spectrum. In contrast, Italy can be considered as a second-tier state, with a smaller domestic market and a specialized defence industry in some sectors of armaments production. However, these differences do not hinder the comparison in defence-industrial cooperation, because all these countries have – in a period of multiple threats and financial austerity – strong incentives to develop cooperative initiatives at the European level (Lorell and Lowell 1995). As noted by DeVore and Weiss (2014,p. 500), in terms of defence-industrial capabilities both France and the UK possess the technical capabilities and minimal-scale economies needed to build aircraft autonomously. However, both states' domestic defence markets are also sufficiently small that the gains theoretically obtainable through collaboration are significant. In addition, as military technologies become more complex and more expensive, even the French and British markets are becoming to small comfortably to support the costs of developing and producing new weapons systems.

Methodologically, this article uses the process tracing technique to identify British, French and Italian preferences towards European armaments cooperation. Process-tracing aims to identify the intervening causal process between an independent variable (or variables) and the outcome of the dependent variable (Bennett and Checkel 2015). In this case, process tracing is essential to reconstructing the British, French and Italian decision-making process and the preferences of governments and industries in the defence-industrial sector. Process-tracing was operationalized through the triangulation of different sources. On the one hand, I focused on the academic literature on the subject. On the other hand, this article is extensively based on the reading of documents published by the British, French and Italian ministries of defence (MoDs), on *memoirs* and documents of government and industry's members involved in these decisions and on documents and analyses of newspapers and journals specialized in defence-industrial issues. In order to enrich the empirical picture of this analysis, I also conducted 15 semi-structured interviews from November 2015 to October 2017 with members of MoDs and defence industries in the three countries under observation.

Relative gains and european countries' preferences towards armaments armaments cooperation

The MRCA/tornado

In the late 60s, the need to build a common aircraft was raised by several European countries. The MRCA/Tornado was the first non-bilateral program enacted by Europeans and the complexity of the project required an unprecedented negotiation to compromise the military and industrial needs of the participating countries. By 1968, four European states signed a memorandum of understanding to jointly develop an aircraft, and in 1969 Italy, West Germany, and the UK, inaugurated the MRCA project, which was later re-named Tornado. Initially, France was also involved, but, given its willingness to have the leadership of the project, it decided to leave the consortium and develop an autonomous aircraft project (Walker 1974).

The negotiations for the development of the MRCA/Tornado took place during the period of the UK's request to access to the European Economic Community (EEC) and this military project became one of the "battlefields" between France and UK

disagreements about the general development of the European integration process. Indeed, the British government was pushing for an intra-European collaborative solution, despite the skepticism of its defence industries. In the 60s, the British Aircraft Corporation (BAC) attempted to convince the British government to finance an indigenous United Kingdom Variable Geometry (UKVG) aircraft (Buttler 2003, pp. 180–181). At first, the Ministry of Technology appeared favourable to the UKVG and provided limited research funding. However, it rapidly emerged that the British government and BAC had diametrically different positions about the UKVG. Whereas BAC hoped that it would result in an entirely British combat aircraft, the Ministry of Technology merely wanted to keep BAC's design teams employed in researching variable geometry aircraft until new partners could be found for a collaborative programme (DeVore and Weiss 2014, p. 517). There were two main reasons for the British government to cooperate with European partners. First there was a problem of military inadequacy vis – à – vis other NATO allies and this was seen as a "discredit to the Administration, a discredit to the Air Staff, and a discredit to industry" (Atkin 1967, p. 557). The cancellation of the UKVG left Britain's Royal Air Forces in the unenviable position of entering a new decade without a conventional high-performance fighter, bomber, or interceptor (Cobble 2004, p. 124). Second, the UK regarded cooperation in armaments programmes as a lever to change European countries' attitudes towards a potential British entry into the ECC. The UK took practical steps to present itself as a good "European" and to offer substantial technology transfer benefits to any potential European partner intent upon expanding its own aerospace industries through collaborative development (Cobble 2004, pp. 120–122). As stated in the Plowden report, produced by the Ministry of Aviation:

"The aircraft industry is one in which governments can readily promote cooperative international ventures, because they take the major share of industry's products. At the present stage of United Kingdom foreign policy the aircraft industry has a role to play for which few other industries are so well fitted" (quoted in Lorell 1980, p. 6).

France agreed with this basic British position in that collaboration could offer French industry a great deal of technological assistance, as well as extending the possibility that Britain could buy its way into the Community at some future time. As one Gaullist national deputy put it: "Britain should show a certain goodwill in technology towards the [Community]" (Flight International 1967). To this end, the UK collaborated with France in some major aerospace projects between 1962 and 1967, such as the Concorde supersonic airliner, the Martel air-to-ground missile, the Airbus A-300 airliner, the Puma, Lynx, and the Gazelle (Cobble 2004, p. 122).

However, the Tornado case assumed a different perspective for the French leadership. From an industrial point of view, despite an initial interest in joining the MRCA consortium, the French corporations Dassault and Snecma made an intense lobbying campaign to convince the government to promote an equivalent national armament programme. Dassault and Snecma managers were concerned that a collaboration with BAC and Rolls Royce could have threatened their leadership position in the European defence-industrial market and that this would have relegated French industries in a more marginal position (DeVore and Weiss 2014, pp. 517–518). Political motivations also contributed to the decision to abandon the Tornado project. A possible UK's access into the EEC was viewed with suspicion by the French leadership, because it could create

problems in the regional balance of power and break the Franco-German core that led the European integration process. This was combined with the fact that at the end of the 60s there were difficult relations between De Gaulle and the United States, which culminated with the French withdrew from NATO's integrated military command in 1966. Given the traditional good relations between London and Washington, a potential UK's access into the ECC was an obstacle to the French design of building a European pole able to assume a more vocal role in international affairs (Cobble 2004, p. 119).

For Italy, the participation in the MRCA/Tornado project was crucial for two main reasons. First, the Italian aerospace industry needed to bridge the technological gap with the other European defence industries. As an Italian officer noted: "at that time, we in Italy had no experience in designing a modern combat aircraft" (quoted in Price 1988, p. 15). Moreover, given that no single firm would serve as prime contractor or pilot firm, Italy was able to secure shares in sub-systems development that nominally exceeded the value of its 15% work-share allocation. According to journalistic sources: "Italians succeeded in winning for their industry much of the technological infusion that the Germans had originally sought. For its 13–15% contribution, Italy reasonably should have expected little more than an assortment of modules and control boxes. But the Italians set their sights on and won some complete systems" (Aviation Week and Space Technology 1972). Fiat's chief engineer, Giandomenico Captele, noted: "Three nations acting as equals in the design of an aircraft: we really welcomed that idea. In previous international projects, we Italians had almost always been a minority partner, and it is frustrating when you know your engineering judgment is always being downgraded on that account" (quoted in Price 1988, p. 22). Second, Italian participation also served to maintain its relative position in the European context. Italy was in favour of the UK access into the EEC because it could curb a potential Franco-German absolute leadership in Europe. The same dynamics were at stake even with regard to the MRCA/Tornado project. Italy was one of the most fervent critics of the French intransigent position. The Italian ambassador Pietro Quaroni argued in 1968 that French arrogance had reached its tolerable extreme: "Two wars have been fought (…) not to allow France or any other country to become the recognized paramount power in a United Europe. The only possible Europe is a Europe of consent, in which all countries participate as equals, at least so far as equality is attainable among nations. Any attempt to establish a hegemony, whether by France or by any other country, could only lead to the disruption of Europe" (Quaroni 1970, p. 403). The British access to the EEC and its involvement in European armaments programmes would ensure a "better balance of power" that would prevent any single state from imposing its will on the others. Quaroni was clear in this regard: "Politically, Britain's accession is absolutely necessary: at least this is the opinion of most Italians (…) It is necessary in order to ensure a better balance of power inside the Community, without which there cannot be any real development of European union" (Quaroni 1970, p. 406).

In sum, it is evident that the governments participating in the MRCA project were pursuing national ends by international means; in accordance with domestic politics, they were seeking to sustain their aircraft industries, to fulfil their individual strategic demands for combat aircraft and to pursue political objectives in Europe (Creasey and May 1988, pp. 150–151). Moreover, each country saw the project from a different political and industrial perspective. The UK aimed to collaborate with European partners both for military reasons and to present itself to the European states as a

perfect partner to enter the ECC. After the France's withdrawn, the British government tried to secure the support of Germany and Italy, the other two big players in the European landscape. As noted by Walker, "the MRCA was used by the Labour government in the late 1960s to demonstrate to the Germans and the Italians the strength of the British resolve to join the Common Market; it was believed … that the road to the Common Market passed through Bonn, not Paris" (Walker 1974, p. 286). Prime Minister Wilson's visits to Rome and Bonn in January and February 1967 to discuss technological cooperation between those countries, and Britain's entry into the EEC, coincided with the initial expression of interest in the co-production of the new European combat aircraft (Edgar 1989, p. 52).

France, in contrast, decided not to cooperate. This is for two reasons: on the one hand, there was the will to safeguard the leadership position of Dassault and Snecma in the European defence-industrial market. On the other hand, given the tense relationship between France and the US at the end of the 60s, Paris vetoed the UK's access to the ECC, which could damage French relative position at the regional level and break the Franco-German core that shaped the European integration process. In the Italian case, industrial benefits and intra-European relative gains dynamics were at the forefront of the policy makers' decisions to cooperate with other partners in the MRCA/Tornado. A potential UK's access into the ECC could indeed challenge French leadership in the continent and create a wider room for manoeuvre for Italian foreign policy.

The Eurofighter

The genesis of the Eurofighter can be traced back to the end of the 70s and there were two interrelated reasons which made this programme a priority among major European arms producers. First, in that period, there was a European common military requirement to improve air capabilities, in order to counter the Soviet high-tech equipped aircrafts, such as the Mig-29 Fulcrum and the Su-27 Flanker. Second, after the successful experience of the MRCA/Tornado, European countries began to experience how a collaborative military programme may bring positive externalities, especially for what concerns lower production costs and spin of technological innovation on a European scale.

However, notwithstanding these military and industrial benefits, European countries had different preferences towards the possibility to collaborate on this programme.

The UK, for instance, has been the main supporter of the Eurofighter. At first glance, this could seem counterintuitive for two reasons. First, the conservative government led by Margaret Thatcher, who was in power during the Eurofighter's negotiation, had a general eurosceptic attitude and cultivated a preferential relationship with the US administration. Furthermore, Washington looked suspiciously at the development of the Eurofighter and urged European countries to purchase the US-licensed F-16 (Creasey and May 1988, p. 2). Second, the British defence industries were deeply opposing the Eurofighter and lobbied for an armaments project entirely developed in a purely domestic context (Buttler 2000, p. 134; DeVore and Weiss 2014, p. 519). However, despite the concerted lobbying efforts of the UK's aerospace industries, political leaders decided that the future of British defence procurement lay in European collaboration.

To understand this decision it is important to consider the UK's willingness to balance its position at the regional and at the international level. In fact, if the UK-US special relationship remained the cornerstone of the Thatcher Government's foreign policy, from an industrial point of view there were obstacles in collaborating with Washington. Indeed, the US, trough the "Buy American Act"[6], protected its internal market from the potential penetration of the European defence industries. Furthermore, the US had a very restrictive policy regarding technology transfer. More specifically, European defence firms were particularly discontent about the possibility to purchase the F-16, because it could be built outside the US only with limited license. As confirmed by the former US defence secretary Weinberger: "European had to appreciate that some sensitive technologies can only be shared under unique arrangements while a very few sensitive technologies may not be eligible for release" (quoted in Creasey and May 1988, p. 2). For European defence firms, therefore, there was no possibility to acquire technological skills and expertise from the US. For these reasons, the UK preferred to collaborate with European partners, so as to take a leadership role in the regional context, maintain its own strategic autonomy and allow UK industries to compete with US firms in the international market. The British defence minister Michael Heseltine was clear in this regard when he argued that European countries must control the manufacturer of the key strategic "platform" – combat aircraft, frigate, tanks and helicopter – through which to maintain the UK's ability to develop technologically sophisticated defence-industrial products (Creasey and May 1988, p. 133). The alternative, which he regarded as totally unacceptable, would have been dependence on and domination by the US.

The French case, in contrast, tells us a different part of the story. Although both France and the UK have a common strategic interest in supporting a European cooperation project, the outcome was different. From 1978 to 1985 the French government negotiated with their British and Germans, as well as Spanish and Italian counterparts for the development of the Eurofighter project. From a political point of view, both Mitterrand and Giscard d'Estaing were enthusiastic about developing a truly European combat aircraft. In this regard, Mitterrand argued that "if one wants to create Europe, it must be taken to define some unity of armament, otherwise the rest of the discussion will be pointless" (quoted in Cox 1987,p. 25). This enthusiasm was also shared by French Air Forces, which considered that only a European cooperative effort would allow Paris to acquire a larger and more sophisticated aircraft than the French defence industry classically built (DeVore and Weiss 2014, p. 520). However, French industries strongly used extensive lobbying activities on bureaucratic and political actors of the French defence establishment to promote a wholly "red, blue and white" project. Dassault Aviation, a private family-run company led by Serge Dassault, was particularly interested to develop a domestic-based military programme, as it was the only French company to possess the technological skills to embark in a similar project. Indeed, in the mid-1980s, Dassault Aviation was concerned about the competition with the UK-based BAE, which had gained ground both from the technological and the industrial point of view through the development of the Tornado. In addition, the salience of the project was high because the combat fighter programme involved many of the technologies that were key to the French firm's competitive advantage in the export market. Dassault was particularly concerned about technology transfer to rival industries, especially with regard to delta-wing fighter production, where the French

firm was unquestionably the leading European technological military player. Dassault was concerned about the possible involvement of partners such as MBB and BAE System, which could conceivably "take the technology and run" to improve their competitive position in the world export market (Tucker 1991, p. 114). For what concerns the engine of the future Eurofighter, the French DGA insisted that Snecma (French firm leader in this sector) would have played a significant role in the engine's development. On the other hand, Rolls Royce (the leading engine development firm in the UK) preferred to continue its collaboration with Fiat Avio and MTU aero-engines, which had already successfully worked together for the MRCA/Tornado's engine production. Snecma's corporate leaders insisted that it was necessary for the company to have the leadership of future aircraft. In this regard, Jacques Benichou, the CEO of the company, was very active with the French authorities by sending several letters and by participating in many meetings, emphasizing that if Rolls Royce would have been the prime contractor, Snecma's survival would be put into danger, as well as the broader French defence-industrial autonomy in the construction of engines (DeVore and Weiss 2014,p. 520). Indeed, in the early 80s, Rolls Royce had a dominant position in relations to Snecma both through its participation in international consortia and through its ability to operate in the civil sector as well.

The withdrawal of France from the Eurofighter was instead perceived as an opportunity for Italy. The Italian participation to the project was initially questioned by the opposition of the armed forces. The Eurofighter operational characteristics were not perfectly compatible with the needs of the Italian armed forces, who were not specialized in attacks on strategic targets located on the enemy territory (the main feature of the new joint fighter model) and they preferred to buy the US-licensed F-16, in order to have greater interoperability with the US military forces (Battistelli 1980).

Notwithstanding the armed forces' concerns, the government decided to continue its commitment to European armaments cooperation. Indeed, the Eurofighter gave undeniable advantages to the Italian industries. Until the 1980s, indeed, the Italian aerospace industry relied solely on US licensed technology (Felice 2010, p. 615). However, changes in the industrial landscape of the 1980s required a decisive change of route for the Italian aerospace industry. The formation of centres of excellence in Europe such as the British BAE Systems and the French Dassault Aviation required a strategy aimed at acquiring sensitive technology in the aerospace sector. The participation in the Eurofighter programme filled the alarming Italian gap compared to international competitors. France's decision to produce, through Dassault, its own multi-role fighter model (the Rafale), was perceived by the Italian policy-makers as an opportunity to strengthen industrial relations with British and German industries (Renda and Ricciuti 2010, p. 17). Alenia Aeronautica was responsible for building the left wing, for the design and construction of the rear fuselage and for maintenance and integration of the propulsive system. As stated by the former Defence Minister Valerio Zanone: "The program will give a vital boost to the Italian defence technological autonomy and to the Europe's industrial integration" (quoted in " Ravizza 1988). In the case of the Eurofighter, therefore, Washington, despite its fundamental role in the Italian defence policy, failed to convince Italy to buy US arms. At the same time, the Italian decision does not seem to be guided by the need to develop a security or defence policy at the European level, but from intra-European regional considerations, linked to Italy's

technological delays compared to European competitors and its willingness to support the Alenia Aeronautica's strategy to become a strong European player in the aerospace sector (Caruso and Locatelli 2013, p. 93).

In sum, we have highlighted how, despite the development of Eurofighter may generate absolute gains for all the participants, the UK and Italy decided to collaborate, while France withdrawn from the programme. The UK, despite its Euroscepticism and the special relationship with the US, decided to collaborate at the European level, where it could assume regional industrial leadership. For Italy, despite the opposition of the armed forces, European collaboration was an unavoidable necessity to support its own national industry and to improve its relative position in the European context, especially for what concerns technological infusion. Finally, the French case is very interesting. Indeed, despite the strategic needs and the political support to Eurofighter by Mitterrand and Giscard d'Estaing, France decided to leave the project. Relative gains considerations are essential to explain this choice. Both Dassault Aviation and Snecma were very concerned about their relative position in the European industrial context. Since Dassault was the leader in the field of delta-wing fighters, the unavoidable transfer of proprietary technology to rival firms would erode its market position. Similarly, Snecma was concerned about Rolls Royce's supremacy position in the military engine sector and believed that participation in the Eurofighter could relegate it to a marginal position.

The NH90 helicopter

The origins of the NH90 can be traced back to the mid-80s. The armaments directors of France, Germany, Italy and the UK recommended in November 1985 that "a joint battlefield helicopter program is practical and desirable within the consensus of different timescale" (quoted in Creasey and May 1988, p. 164). In December 1985, France, West Germany, Italy, the Netherlands and the UK teamed to develop a NATO batterfield transport and anti-ship/anti-submarine helicopter for the 90s. Despite the agreement among the five participating countries was announced with great political impetus at the end of 1985, less than two years later the UK left the team, leading to a radical restructuring of the project and of the participating countries' work-share. The political turmoil that encompassed the British defection exemplifies the interests that are at stake in complex and expensive armaments collaborative initiatives. From a British perspective, the NH90 was considered necessary to reinforce the operational capabilities of the European forces within NATO. Furthermore, this project served to equip the British armed forces with a technologically-advanced helicopter and to respond to increasing arms' production costs. According to Adam Butler, the UK Minister for Defence Procurement in 1985, the NH90 needed to be developed in cooperation with European partners for "the purpose of improving the operational capability of NATO armed services through greater commonality. But it stems from the increasing cost of systems. One country is not capable of fulfilling all of the services needed at a price they can afford" (quoted in Flight International 1985). However, the UK's participation in the NH90 project was closely linked to Westland's industrial involvement, given that the privately-owned helicopter company was the only British firm that possessed the competencies to participate in the consortium. In the mid-80s, Westland was in a

complicated financial situation and its board become strongly inclined to the idea of selling a minority quota of the company to the world market leader, Sikorsky. The US helicopter manufacturer would have been able to give immediate work to Westland's work-force, access to advanced technology and the possibility to penetrate in the US market with the prospect of large military orders and partnership with a privately-owned firm that was part of the United Technologies Group (UTC), which had an annual R&D investment of $916 million (Creasey and May 1988, p. 132). In late November 1985, Sikorsky, together with Fiat (a privately owned Italian industry), officially made a bid of £30 million to purchase a 29,9% stake in Westland.

However, the US group's offer created problems within the British political establishment. The UK Defence Minister, Michael Heseltine, was worried that the involvement of a strong US company in one of Europe's platform building sectors, would lead to a loss of technological independence and to a further weakening of Europe's share in the helicopters' industrial production (Creasey and May 1988, p. 133). In order to prevent the involvement of the US military giant in the Westland's management, Heseltine proposed to create a European consortium comprising Aérospatiale, Agusta, MBB, GEC and British Aerospace. The Heseltine's proposal was welcomed unanimously by the National Armaments Directors of France, West Germany and Italy. The entry of the European consortium as an alternative bidder for a 30% stake in Westland would have been provided its short-term survival in terms of immediate capital flow and production orders for the next 3 to 5 years. From the short-term capital injection's perspective, the two offers were, more or less, equivalent. At the centre of the Sikorsky – Fiat package there was the plan to develop and manufacture the Black Hawk helicopter (which already received a commitment from the US military establishment) and market it to a significant number of countries. In contrast, the European consortium proposed two new helicopters – the EH101 (Agusta and Westland) and the NH90, which guaranteed sales to at the least four European governments over the next ten to fifteen years. Moreover, the European partners made clear that a possible US control would render Westland as an unacceptable partner for the other European industries. In particular, it was unlikely that Westland could be involved in further work on the NH90 medium-transport helicopter, because the Black Hawk would have been considered a direct competitor in the international arms market (Freedman 1987, pp. 11–13). In the end, the Westland's board decided to accept the Sikorsky-Fiat offer, which was perceived as more solid, both in terms of the short term's injection of financial capital, and as a long-term's export market prospect.

This decision had a direct impact on the European defence-industrial market and on the political and industrial negotiation of the NH90. France and Italy, in fact, were worried about a possible US penetration in the European helicopter market. Moreover, the French and Italian helicopter industries were closely linked to Westland. Collaboration between Aérospatiale and Westland started in 1967, resulting in three helicopters: the Puma, the Gazzelle (in which Aérospatiale took the lead) and the Lynx (in which Westland took the lead) (Freedman 1987, pp. 13–14). Despite this structured partnership, actually, cooperation between French and British companies had been very problematic. The British complaint was that while the UK's Services took the Puma and the Gazzelle, there was only limited French government's purchase of the Lynx. Moreover, Aérospatiale developed the Dauphin as a direct competitor of the Lynx in

the international arms market. Similarly, for the Italian helicopter industry, the partnership with Westland was strategically important. Agusta and Westland had set up a joint venture for the development of the EH-101, the core of Agusta's industrial project, which was somewhat opposed to the PAH-2 developed by the Franco-German consortium (Twigge 1992). It is clear, therefore, that during the "Westland" crisis, Agusta was the European helicopter company to have more interests (and concerns) in this affair. For this reason, the Italian government strongly supported the proposal of a European consortium to rescue Westland and avoid its acquisition by the US military giant Sikorsky. However, the situation was complicated by the fact that Fiat (an Italian private company with strong connections with the public sector) participated in the consortium with Sikorsky to acquire a stake in the Westland business. In this regard, the government took a strong position in favour of the "European consortium" which included Agusta, a company controlled by the EFIM state-owned entity and led at that time by the Socialist party's representative Raffaello Teti (Tamburini 1991). The decision of the Westland's Board of Directors to prefer the Sikorsky and Fiat offer was considered as directly threatening the Italian defence-industrial interests, both by the government and by Agusta's management board. Giuliano Amato, undersecretary of the Italian prime minister, stated that there was a problem in the relations between public interests (represented by Agusta) and private ones (represented by Fiat) (Borriello 1986).

After the sale of a part of Westland to the Sikorsky-Fiat group, the European partners were therefore convinced of the need to exclude the UK from the NH90 project. During the Westland affair, the interests of the French government and industries were therefore clearly aimed to prevent that the leading British helicopter manufacturer (and its own partner in several projects) could became part of the US defence-industrial consortium (Creasey and May 1988, p. 134). Furthermore, Aérospatiale's hostility to Westland's acquisition of the Black Hawk license put at risk the export performances of the French Super Puma model in the international market. For this reason, the NH90 became a highly strategic programme, in order to develop a competitor – both from the point of view of estimated costs and technological innovation – of the US Black Hawk project. The French firm promised to "do its best to proceed in the development of a European competitor to future versions of the Black Hawk or any American successor" (House of Commons Select Committee on Defence 1986, Appendix 24). Aérospatiale would cooperate on this European programme with any British partner which would not be involved in a competitive programme. Similarly, for the Italian government, the NH90 assumed a fundamental role to support the activities of its industry. Agusta, the Italian state-owned company in this sector, started helicopter manufacturing in 1952, but was initially limited to produce under US helicopters license. The Italian company therefore considered cooperation with European allies as a means of acquiring technological and industrial skills and attracting investments to become a solid industrial reality at the European level.

In sum, the NH90 case demonstrates how relative gains considerations are crucial to explain European armaments cooperative outcomes. While the UK had initially shown a willingness to cooperate, the sale of a part of Westland to a US group completely changed the preferences of the other European partners. In particular, France and Italy considered the NH90 as a project capable of constituting an alternative to similar

projects developed by the UK-US partnership. In order to safeguard their relative position in the European defence-industrial context, French and Italian governments preferred to exclude the UK from the NH90 programme.

The A400M

With an estimated cost of 23 Billion euros, the A400M transport aircraft constitutes the most expensive single military acquisition in the history of European armaments programmes. At the end of the 90s, the prospect of a common transport aircraft was aimed, principally, to enhance Europe's airlift capabilities. The European inability to conduct effective missions in Kosovo and, generally, during the mid-90s Balkans turmoils, urged greater interoperability among European armed forces (Morrocco 1998, p. 68). In this context, the need of a European long-reach airlift capability with a huge payload was fundamental to both strategic and tactical missions in peacekeeping and humanitarian aid missions, the "core business" of the nascent European Security and Defence Policy (ESDP). Moreover, the A400M was the first armament programme to be managed by the OCCAR, in order to depoliticise and denationalise the collaborative procurement process" (Mawdsley 2013, p. 15). The commitment by the OCCAR convention's signatories to abandon the *juste retour* principle and the fact that Airbus was the sole prime contractor in charge of developing the A400M was intended to reduce the organizational inefficiencies that had characterised previous armaments programmes (Joana and Smith 2006, p. 80).

However, despite these optimistic premises, the A400M was characterized by profound clashes and rivalries among the leading arms manufacturers in Europe.

In this regard, the UK Defence Secretary Geoff Hoon's announcement in 2000 to commit to an order of 25 A400M aircraft was, at that time, unexpected. Initially, the UK was sceptical about European collaboration, due to the inefficiencies of the previous co-developed armaments programmes. In particular, the Eurofighter's experience, marked by continuous delays, rising costs and problems in the industrial work-share certainly influenced the British authorities' conviction of buying American equipment "off the shelf" because a European option was considered as too slow and too risky (Joana and Smith 2006, p. 75). The final decision to procure the A400M was taken at the beginning of 2000. Political and economic reasons reinforced each other to convince the British government to finally commit to the programme. The Labour's party election in 1997 slightly changed the UK's preferences towards European defence. Tony Blair's election to office just before Europe's failure to act in Yugoslavia crystallised his views that Europe had to become more military capable, both in cases when Europeans would have to act autonomously without the US and when NATO would have to act (Dryburgh 2010). Moreover, there were also industrial incentives that push the UK government to pursue European defence-industrial cooperation. BAE Systems made an intense lobbying to convince the government to participate in the A400M. This choice was due, in particular, to technological incentives, considering that "without UK government involvement (…) BAE lead in European wing technology designed would be threatened" (Shifrin 1994, p. 27). BAE Systems, which was a member of the Airbus consortium, did not want to give-up the technological skills of the UK Airbus centre of excellence in wing design. The British political and industrial preferences

created some tension with the US. The choice to procure the A400M was considered, basically, as a clear pro-European stance. Similarly, the choice to procure the METEOR Missile instead of the Raytheon (US) one created some tensions with the Atlantic Ally: "President Bill Clinton had written twice to Mr. Blair in favour of the American bidder, Raytheon, while President Chirac of France and other European leaders had lobbied in support of the proposed METEOR Missile designed by Matra-Bae Dynamics, a British-French Consortium" (quoted in Buerkle 2000).

Similar considerations can be envisioned in the French case. The President Chirac and the Prime Minister Jospin shown a clear willingness to equip the European continent with integrated military tools to face the post-Cold War crises and threats. The A400M was, therefore, considered the "flagship" project able to create the necessary interoperability among European armed forces to conduct joint military missions and the presence of a pro-European British government created the crucial political conditions to transform French foreign policy goals into concrete actions. However, perhaps not surprisingly, industrial interests were crucial to define French preferences towards the A400M. The EADS (European Aeronautic Defence and Space Company) was the largest stakeholder in the Airbus military company given its 80% of the equity share. EADS participating countries would enjoy most of the technological return. For these reasons, the French defence industries were strongly lobbied for their involvement in the A400M project. The management of Aérospatiale, and later of EADS France, used their specialized 'political affairs' departments to press the A400M case (Joana and Smith 2006, p. 84). For instance, the French defence establishment made pressure on Airbus to select the TP-400-D6 engine (produced, among others, by Snecma) rather than the cheaper PW 180 produced by Pratt and Whitney in Canada (Coniglio 2003). The French participation to the A400M was, thus, linked to the lack of relative gains concerns in this particular programme. The low technological innovation of the A400M allowed French industries to participate without particular concern about technological transfer (Joana and Smith 2006, p. 85). In addition, budget's problems and the drastic cuts identified in the *"Loi de Programmation Militaire"* (1996–1999) made an equivalent domestic programme practically impossible to develop. The relatively low level of technology of the aircraft contrasted with the political importance of this project. More precisely, the A400M has become the flagship of a series of French initiatives launched since the mid-1990s which all attempted to recast European cooperation in security and defence affairs (Irondelle 2003).

Even Italy was a staunch supporter of the ESDP and, initially, was committed to the A400M programme. In July 2000, Italian Defence Minister Sergio Mattarella signed Italy's participation to the pan-European military programme. However, in 2001, the Italian centre-right government decided to leave the consortium because the new post-cold war military scenarios and new terrorist threats did not require transport capabilities but rather other competences such as aerial defence (Martino 2001, pp. 58–59). Many scholars have interpreted the government's decision as a clear sign of the centre-right government scepticism towards a common European defence policy, because of its "special relationship" with the US (Croci 2005, Andreatta 2008). However, the pro-Atlantic policy of the centre-right coalition is not enough to account for the Italian decision to withdraw from the A400M program. Indeed, the Italian decision was heavily linked to intra-European relative gains considerations. In the preliminary discussions

about the A400M, Alenia Aeronautica was responsible for developing the rear fuselage and other minor subsystems. These were technological fields in which Alenia did not need additional expertise. In addition, after the decision of the European governments to sub-contract the A400M to the Airbus consortium, the position of Italian industry in the programme would be marginal. The EADS-Airbus was the biggest stakeholder in Airbus military company given its 80% of the equity share. The Franco-German industrial conglomerate would therefore have enjoyed most of the technological return and the Italian aerospace industry would receive only the spoils with no significant technological transfer. As confirmed by the deputy Pietro Armani and by the Defence Minister Antonio Martino in two auditions to the Italian Deputy Chamber, the Italian industry would have had only a secondary role in comparison to other European industries (Martino 2001, pp. 58–59; Armani 2001, p. 69). Similarly, Italian Prime Minister Berlusconi explicitly stated that the A400M would only serve the interests of the French defence companies (Rosati 2001). This decision clarifies that relative gains were the first concern for Italian policy-makers and that the agreement that would have probably been reached was not satisfying Italian industrial interests (Nativi 2001). The failure of the joint venture between Finmeccanica-Leonardo and EADS-Airbus in 2000 strongly influenced the government in its decision to not participate in the A400M, as the project would give the greatest advantages to the Finmeccanica-Leonardo's competitors. Indeed, after the establishment of the EADS-Airbus Group, the trans-European group aimed to involve Finmeccanica-Leonardo in its industrial structure. This project was called the European Military Aircraft Company (EMAC) and would have included Alenia Aerospazio and Aermacchi (two subsidiaries of Finmeccanica-Leonardo) (Guay and Callum 2002, p. 472). For Finmeccanica-Leonardo, the EMAC project was economically very appealing: the EADS-Airbus Group was very competitive in the aerospace civil sector and a partnership would have permitted to Finmeccanica-Leonardo a high transfer of technology and a considerable amount of work through the Airbus civil aircrafts' orders. The consultancy advisor of the company, Lazard Vitale & Borghesi, indicated that the offer of EADS-Airbus Group was the best to satisfy both the economic, industrial and employment requirements of the Italian defence industry. The EMAC preliminary agreement was signed on 14 April 2000. However, after some months, the partnership with the French-German group was broken, officially because they did not find an agreement on financial issues and work-share over future military and civil aerospace projects. Actually, relative gains considerations were crucial in these final decisions. Moreover, the creation of a truly European conglomerate in the aerospace sector would have endangered the ability of Finmeccanica-Leonardo to maintain its position as a "balancer" between the Franco-German and the British defence-industrial groups (Interview Italian Defence Ministry Official 16/01/2016). The prospect of integrating the aerospace industry into a single European structure would have reduced the Italian role to about 15%, struggling with the objectives of the Italian industrial policy, aimed to maintaining an autonomous margin for manoeuvre in safeguarding domestic infrastructures, technologies and employment (Renda and Ricciuti 2010, p. 20). Intra-European relative gains considerations were therefore crucial to account for the Italian decision to withdrawn from the Airbus A400M. Although there was a systemic incentive to join forces to build a common aircraft in the context of an integrated ESDP, intra-European industrial relative gains hinder cooperation in

the defence-industrial domain. At the same time, while the participation in the A400M could generate absolute gains from the military and political point of view, it would jeopardize the relative position of Finmeccanica-Leonardo within the European defence-industrial market.

Conclusions

The European defence-industrial panorama is currently characterized by both cooperation and conflict. While there are strong systemic incentives to cooperate at the European level, relative gains' considerations make a more structured cooperation in this area difficult to achieve. On the one hand, European countries need to cooperate with their partners to increase Europe's power in the international arena; on the other hand, they need also to take into account their relative position within the European regional context.

As shown in this article, in each of the four instances of armaments programmes, relative gains considerations were crucial to explain British, French and Italian preferences towards armaments cooperation. Despite the potential absolute gains in pursuing joint initiatives in the defence-industrial landscape, European governments and industries are hesitant in sharing defence technologies which have been developed with national resources and they need to consider how technological transfer could strengthen rivals' position in the regional and global market. For example, in the case of the Tornado and Eurofighter, Dassault and Snecma were concerned that a potential European collaboration could have favoured British firms and would have relegated French industries to a marginal position. Moreover, especially in the case of the Tornado, industrial considerations were combined with political motivations, given that the penetration of British industries into the European market was seen as a way to alter the intra-European regional balance of power. In the case of the NH90, I highlighted how the British industries have preferred a strategic partnership with the US ally. This created a reaction from European countries, which pushed for the exclusion of the UK from the programme. Finally, in the case of the A400M, despite the strategic role of this weapon system for the development of a European security and defence policy, the Italian government preferred not to cooperate. This is because the Franco-German industrial conglomerate (Airbus) would have enjoyed most of the technological return and the Italian industries would have been relegated in a marginal position at the European level.

In sum, in joint armaments initiatives, intra-European relative gains considerations have often prevented greater cooperation among European countries. This article adds empirical evidence to recent analyses on the role of relative gains in shaping European security cooperation (Simón 2017). Specifically, it focuses on the complex landscape of European defence-industrial cooperation, a key strategic sector for any debate about the possibility of a more efficient EU defence policy. This analysis has shown the extent to which intra-European relative gains considerations can outweigh vague concerns about European defence-industrial cooperation. Understanding cooperative and competitive dynamics is vitally important to better comprehend the nature of the defence-industrial panorama.

Nevertheless, the focus on relative gains certainly needs an additional research effort. Indeed, particularly interesting would be to disentangle the state-firms relationships in the

defence-industrial field. Other studies have already highlighted how crucial it is to unpack the relation between the political sector and the industrial one in the process of defence-industrial policy-making (DeVore and Weiss 2014, Calcara 2017). A better analytical understanding of the heterogenous politico-economic base of EU member states could add a greater nuance to the relative gains argument. Extending the number of case-studies and investigating the complex relationship between governments and defence firms could significantly enhance our understanding of intra-European relative gains.

In conclusion, this research strand, in addition to its academic contribution, assumes also a fundamental political significance. On European defence there is a wide debate about systemic incentives that are pushing for greater cooperation both at the strategic and at the industrial level. However, as shown in this article, systemic incentives are not enough to promote a more collaborative defence-industrial panorama. Intra-European relative gains considerations need a greater consideration in this policy-domain, characterised by a complex balance between cooperation and conflict.

Notes

1. Western European Armaments Group (Art 1996).
2. From the French "*Organisation Conjointe de Coopération en matière d'armement*".
3. Letter of Intent/ Framework Agreement.
4. European Defence Agency (Cobble 2004).
5. In a study on the state of Implementation of the Directives 2009/81/EC on defence and security procurement and the Directive 2009/43/EC on Intra-European Union transfers of defence-related products, Masson *et al.* (2015:38) noted that although the new regime is not yet functioning satisfactorily at the present time, it is premature to draw conclusions from a short period, given that it generally takes 5 to 10 years for a directive to be fully applied.
6. The US market was strongly protected by the "Buy American Act" of 1933 (amended in 1959 and 1960). On this issue see: https://fas.org/sgp/crs/misc/R43140.pdf .

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