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# The Role of Marketization in the Europeanization of Defense Industry Policy

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## Abstract

European integration has increased to encompass security-related policies. One such policy is defense industry policy, which traditionally has been a national concern rooted in defense and security policy. Efforts have been made since the 1990s to create a European defense industry market. However, there have been different ideas of how this goal should be achieved or which model for state–industry relations the market should rest on. Using Sweden to illustrate the development, this article argues that for the Europeanization of defense industry policy, marketization has played a vital role. Building on official documents and interviews, the article analyzes the efforts to create a European defense industry market, marketization of Swedish defense industry policy, and the increased interaction between Swedish and European defense industry policy processes. The analysis also shows domestic challenges that the processes of Europeanization and marketization have brought about.

## Keywords

defense industry policy, Europeanization, marketization, Sweden

## Introduction

Defense industry policy is a subject that has been deeply rooted in national defense and security policy, and would therefore be considered an unlikely case (Eckstein, 1975) of internationalization. Nevertheless, the Europeanization of defense industry policy has taken place since the end of the Cold War. The goal of creating a European defense industry market has been pursued through the creation of frameworks related to the production of arms and to member states' procurement of arms. At the same time, the defense industry has been restructured in the European Union (EU) member states that produce arms. This development stands in sharp contrast to defense industry policy during the Cold War, when the defense industry was considered an asset that was important for sovereignty and national security policy, which in turn meant that it was very nationally oriented, and indeed was often state owned or state subsidized.

A general interest for students of Europeanization is how Europeanization takes place. This article shows that, with regards to defense industry policy, marketization has played an important role in making possible the Europeanization of the policy area. Here, EU member states' changed defense industry policy has been (and still is) at least as important as the creation of EU policy. The fact that armaments are bought only by states means that the interaction between business

and politics becomes especially important in this policy area. This article shows that the idea of a European defense industry market, and a marketization of the relationships between state and industry, have been vital for the Europeanization of defense industry policy. Hence, in making defense industry policy a European concern, processes of marketization and Europeanization have gone hand in hand. The article will also show some of the challenges that this development has brought for important actors in the policy process.

Obviously, other processes of change might also affect the policy development. A number of such processes have been proposed in literature dealing with changes in the European defense industry and other security-related policies. Hayward (2000), for example, stresses the importance of globalization, whereas Guay and Callum (2002) emphasize changes in the U.S. defense industry, the importance of technology and defense economics, European economic restructuring, and the emergence of the European Security and Defence Policy (ESDP). Britz and Eriksson (2005) also highlight the importance of the ESDP, and especially the process of creating

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Capability Action Plans where gaps between present and desired military capabilities were pointed out. Jones (2007, chap. 5) argues that, rather than being a function of economic interest or ideational changes, changes in European defense industry have been brought about by structural changes in the international system, where the bipolar system has been replaced by a unipolar system after the end of the Cold War. However, marketization as a process closely related to Europeanization of the defense industry policy area has not been analyzed elsewhere.

In this article, the case of Sweden is used as an example to illustrate the process. The maintenance of a large Swedish defense industry used to be an important part of Swedish security policy. Until the end of the Cold War, Sweden pursued a policy of neutrality (later reformulated as a policy of military nonalignment), which was built on national independence and self-sufficiency in arms production (Hagelin, 1997). Therefore, the defense industry sector has traditionally been vital for Sweden. That Sweden's production of arms has been quite substantial was also shown by the fact that between 2000 and 2004, the country was the EU's fourth biggest supplier of major conventional weapons (Hartley, 2006).

In the EU, defense industry policy has been considered an intergovernmental policy area, where only the coordination of policy takes place. An important aspect here is that arms, according to Article 296 in the Amsterdam Treaty, have not been part of the European common market. This does not change with the entry into effect of the Lisbon Treaty. Therefore, the EU member states legally have the ability to sidestep the procurement laws of the common market when procuring arms. This has been seen as an important obstacle to the creation of a well-functioning European defense industry market (Guay & Callum, 2002; Hartley, 2006; Jones, 2007; Mörth & Britz, 2004). However, because of its economic and technological dimension, the policy area also has clear links to issues of the internal market and European competitiveness. In this way, the policy area has been connected to other policies where law could be made, and where the European Commission and the European Parliament are important actors (Guay & Callum, 2002). In spite of substantive political attention given to this issue from the mid-1990s, the breakthrough on a European level did not come until 2003, when the European Council in Thessaloniki decided that a European Defence Agency (EDA) should be created.

This article proceeds by a short discussion of the Europeanization and marketization concepts, and how they can be connected. The analysis then consists of three parts: The first part deals with the efforts to create a European defense industry market, the second with marketization of Swedish defense industry policy, and the third with the increased interaction between EU and Swedish defense industry policy, including some domestic challenges that the developments have brought.

## Europeanization and Marketization

The concept of Europeanization has been frequently used and studied since the 1990s (see Featherstone, 2003; Graziano & Vink, 2007). Its usage is neither neat nor tidy. A major dividing line can, however, be seen between students who see Europeanization as the effect of European integration on domestic policy and politics, and those who refer to Europeanization as a process of increased interaction between European and domestic policy processes. The latter usage is the one relevant for this article. When Europeanization is defined as increased interaction between European and domestic policy processes, the premise of such a definition is not one of sequence; it is not that integration of policy takes place first and then there is domestic change. Instead, the increased integration and domestic changes take place in parallel and affect each other (see Andersen, 2004, pp. 18-19). Mörth (2003a) argues that "the European and domestic levels are mutually constitutive and . . . they cannot be studied as separate processes" (p. 173). Some authors have explicitly studied Europeanization as a two-way process, and made efforts to separate the different streams. From this point of view, Europeanization not only consists of downloading EU policies that affect member states' polity, politics, and policy, but also of uploading (Bomberg & Peterson, 2000; Bulmer & Burch, 2001; Howell, 2002; Marshall, 2005).

In conceptualizing Europeanization as increased interaction between domestic and European levels, the question of *how* Europeanization takes place becomes important (cf. Eriksson, 2006; Mörth, 2003a, p. 160). Neither domestic policy development nor EU policy development takes place in a vacuum; both are subject to policy transfer. Howell (2002, 2004) and Marshall (2005) suggest policy transfer as a cross-loading of policy and practice in a process of Europeanization. Policy transfer may take place between some countries in a policy area, and might then be pushed "upward" to the European policy process. In the EU context, it might be more accurate to think of the cross-loading as mediated, because it is not an isolated policy transfer but can be expected to be mediated by other European member states or processes on the European level.<sup>1</sup> The idea of mediated cross-load of policy also implies that there is an ideal model that is referred to. This means that changes (whether of a more material kind, such as explicit rules, or more ideational kind, such as norms) come in relation to an ideal model, domestic or European. Norms and rules become important because the norms state what model is the ideal one, and these norms can then be translated into more concrete rules that support the model (cf. Mörth, 2003b; Mörth & Britz, 2004, p. 962). Also, the notion of mediated cross-load implies that there is room for negotiation around what the ideal model is.

In the Europeanization of defense industry policy, the idea of the market as a guiding principle, both of how the state can be organized and what the relationship between

the state and the defense industry should look like, has been crucial. Marketization is political action to come closer to this ideal. Marketization as a trend is not specific to the defense industry policy area but has taken place in many European states and sometimes has been connected to ideas of New Public Management. States have made efforts to change their relations to nonstate actors and to actors within the state to become more market-like (Forsell & Jansson, 2000; Lerdell & Sahlin-Andersson, 1997). This has (among other ramifications) meant that state administrations have been reorganized to become more like private companies. However, a market is not a given entity but dependent on norms and rules. Brunsson and Hägg (1992) maintain that different kinds of rules lead to different regulatory systems, which in turn create different markets. The rules are important because they govern the relationship between different actors. Relationships in the form of cooperation, coordination, and competition are significant because they are the main factors determining which practices become dominant. This categorization can help us understand in what ways the relationships between the different actors might change when the interaction between domestic and European policy processes increases.

### Efforts to Create a European Defense Industry Market

Several efforts were made at the end of the 1990s and the beginning of the 2000s to integrate policy in order to create a European defense industry market. International agreements between EU member states (but created outside the EU itself), most notably a so-called Letter of Intent followed by a Framework Agreement Concerning Measures to Facilitate the Restructuring and Operation of European Defence Industry, were important. This Framework Agreement was signed by the six EU member states that at the time had 90% of the arms production in Europe: France, Germany, Italy, Spain, Sweden, and the United Kingdom. It was developed by civil servants by a process wherein one state was responsible for one working group each, and each working group dealt with a specific part of the agreement<sup>2</sup> (Hartley, 2006; Jones, 2007; 2003b). The agreement was made outside the EU itself, and was seen as a reaction to the lack of progress in either the Western European Union's (WEU's) group on armaments (WEAG), or the EU Council's ad hoc working group POLARM (Interview with civil servant at the Swedish MoD, 2003).

It is important to note that the integration process has been intergovernmental rather than supranational in this policy area; no laws to regulate European defense industry or collaboration in arms production were created. However, the European Parliament and the Commission have made efforts to increase the use of EU common market procurement laws in national arms procurements, as well as expand

regulations of the internal market to encompass arms and arms production. The European Parliament produced a number of reports in the 1990s calling on the Council to take action, for example, by abolishing Article 296 and to create an export Code of Conduct (Guay, 1997; Hartley, 2006; Törnqvist, 1998). The Commission had already stated in 1990 that arms production and trade should be brought into the common market (Commission, 1990), and the Bangemann report from 1996 proposed cooperation between the EU and the WEU (Commission, 1996).

The decision to create a European Defence Agency (EDA) in 2003 formally brought the defense industry policy area into the EU, and thereby codified the process that started in the 1990s (Crollen, 2003; Hartley 2006; Jones, 2007). Through the creation of the EDA in 2003, the integration process in this area went into a new stage, where connections between the defense industry policy area and the development of the European security and defense policy became more evident (Britz & Eriksson, 2005; Howorth, 2007). EDA was created through a Joint Action by the Council of Ministers in July 2004, but has become part of the legal framework with the entry into effect of the Lisbon Treaty (Article 28 D). The agency has four major functions: developing defense capabilities; promoting defense research and technology; promoting armaments cooperation; and working to create a competitive European defense industry market and to strengthen the European defense, technological, and industrial base (Council, 2004). The reasons for the creation of EDA were several. One was the creation of a European Security and Defence Policy (ESDP), where the development of EU military missions brought a discussion of how to best make sure that the EU (through its member states) had the capacities needed (Eriksson, 2006). Another was the wish to create a European defense industry market (Hartley, 2006; Howorth, 2007). At the time of the creation of EDA, there was a consensus that one important measure to create a defense industry market would be to create common regulatory framework for defense procurement. The creation of the EDA seems to have pushed the development of the procurement issue further. This could theoretically have been done in several ways: as an interpretive communication (from the Commission) clarifying the principles of the interpretation of Article 296; as a public procurement directive that would be applicable to defense contracts not covered by Article 296; or as a voluntary Code of Conduct (Schmitt, 2005).

The EDA was given the mandate to develop a Code of Conduct in early 2005 and at the end of that year EU Governments agreed on a Voluntary Code for Cross-Border Competition in Defence Equipment Market (EDA, 2005). The press release from the EDA stated that "Member States who subscribe to the new voluntary, inter-governmental regime will commit to maximising fair and equal opportunities for all suppliers based in other subscribing Member States" (EDA, 2005). In the press release from 2006, when the Code of

Conduct was formally introduced, it was presented as the “Birth of European Defence Equipment Market” (EDA, 2006a). The code is thus a politically but not legally binding commitment to contracts that can be exempted from the civilian public procurement law. Other efforts made to increase the efficiency of the European defense industry market were to pool funding for equipment acquisitions. Some measures were taken in that direction in 2006, when the EDA was given the task to identify specific research projects and technologies that member states could pursue together. It should also show how a joint investment mechanism should be designed. This resulted in a European R&T Joint Investment Programme (Solana, 2006, 2008). In 2007, EU Ministers of Defence approved a European Defence Technological and Industrial Base Strategy, as an effort to start identifying key industrial capacities to be retained and developed in Europe (Solana, 2008). Related to this development were also efforts to coordinate equipment needs of the EU member states, for example, through the creation of a Capability Development Plan (EDA, 2006b).

In addition to the creation of European rules, national defense industry companies were restructured in the latter years of the 1990s, and after many different maneuvers (Britz & Eriksson, 2000), the first transnational European defense industry company saw the light in 1999 (*Financial Times*, 1999; Guay & Callum, 2002; Jones, 2007). The changes were described by Terrence Guay and Robert Callum (2002) as a transformation from “medium-sized, nationally orientated firms to one dominated by two giants, with several smaller firms closely linked to these leaders” (p. 757). The EDA’s “Long Term Vision” pointed out in 2006 that the trend of the European defense industry was that in future it would increasingly function as a niche producer for U.S. primes (EDA, 2006c). A Swedish government bill from 2009 also pointed out that even though the industry has been restructured, this process had not led to any substantial rationalization because the member states have continued to purchase nationally produced equipment. In this way it is only the ownership structures that have become internationalized, and to a lesser extent the actual purchases (Bill, 2008/2009:140). However, many of the companies producing arms in Europe also make civilian products, which means that they already have to abide to the rules of the common market (see Guay, 1997; Guay & Callum, 2002).

### *Swedish Marketization of Defense Industry Policy*

As stated above, defense industry policy was in Sweden an important part of a more general security policy that during the Cold War aimed at making Sweden self-sufficient in the production of arms. Self-sufficiency in arms production was seen as a prerequisite for the maintenance of a neutrality policy (Agrell, 2000; Hagelin, 1997). This also meant that many defense industry companies in Sweden were privately

owned, something that changed in the beginning of the 1990s. The Swedish government then started to distance itself from the defense industry, both by selling formerly state-owned defense industry companies and by stating that defense industry companies had to survive on market terms just like any other company (Britz, 2008). The result of this change in policy was quite dramatic, and the Swedish defense industry was no exception to the statement by Guay and Callum (2002) quoted above.

In the beginning of the 1990s, Swedish defense industry consisted of a number of small and medium-sized companies that produced arms in a number of sectors (e.g., submarines, ships, aircraft, artillery, and defense electronics), and bigger companies that were state owned. Before the end of the millennium, the previously state-owned companies had been privatized; many companies had been acquired by foreign companies, and in that way had become part of larger European companies. Indeed, the contemporary issue for politicians to deal with is not as much a Swedish defense industry, as a defense industry with production in Sweden (Axelson & Lundmark, 2002; Hagelin, 1997). One example was the big state-owned Celsius Group, which was partially privatized in 1993 and then acquired by privately owned Saab in 1999. Saab had in 1997 been partially bought by British Aerospace, which meant that the acquisition in 1999 made formerly state-owned Celsius part of a transnational company structure (Axelson & Lundmark, 2002; Defence Systems Daily, 2003). In this way, the political decision to privatize formerly state-owned defense industry also increased the possibilities of restructuring the industry across national borders, a development that seems to have been particularly important for the possibility of creating a European defense industry. Another example is the privatization of French defense industry. The creation of transnational defense industry companies would need to include French companies; but neither French nor foreign company leaders would appear to trust the French government as a business partner (*Le Monde*, 1997; Interview with representative from a Swedish defense industry company, 2001; Joana & Smith, 2006).

Since the 1990s, there has been a constant discussion in Sweden on how to make the process of arms supply more efficient. Moving from the idea of self-sufficiency toward an idea of market rules for the defense industry and the state as an efficient actor in that market has involved constant discussions of the supply process. The law on public procurement changed in 1994, as a consequence of the European Free Trade Association membership (that preceded the EU membership in 1995). From 1996 the Swedish defense procurement agency had to state how many procurements were made in competition; between 1996 and 2001 the number of arms procurements made in competition, and especially the value of these procurements, increased. This change partially took place through national regulations to support the increased emphasis on using the

laws of the common market, and partially through a decrease in the use of national exemptions.<sup>3</sup>

A report from the Swedish Defence Commission (a commission consisting of representatives both from the government and from all parliamentary parties) in 2001—prepared as a foundation for the defense bill later the same year—summarized the findings of two Commissions of Inquiry related to the arms supply process (Ds 2001, p. 44). In the report, the Swedish Defence Commission stated that the defense industry in Sweden had faced a dwindling number of orders from the state. The report also mentioned some core aspects of the development of arms supply: an increased need for a strategy for arms supply, increased room of maneuver for new acquisitions (where the number of long term acquisitions were diminished), increased international cooperation, access to competence, and long-term cooperation with the industry. These issues were not only reiterated in the defense bill from 2001 (Bill, 2001/02:10) but also in the defense bill from 2004 (Bill, 2004/05:5). This latter bill also mentioned support to the Swedish export trade and the decommissioning of equipment and establishments for which there is no long-term need.

The direction of the policy has thus, at least on the level of rhetoric, been constant for some time in Sweden, but no efforts to cut the defense budget substantially were taken until the Conservative–Liberal government in 2007 proposed to cut the defense budget by up to 10% in the coming years to 2010, noting that this money mainly should come from cancelling the development of some arms projects (Bill, 2007/08:1). Politically, this was not an easy battle. In the beginning of September 2007, the Swedish Minister for Defence resigned his post just 1 year after the new Conservative–Liberal coalition had come to power, succeeding the Social Democratic Party, which had been in power since 1994. The Minister for Defence resigned because of a difference of opinion with the Minister for Finance when the defense budget was being negotiated. In the budget for 2008, four big arms projects were cancelled, and the (new) Minister of Defence stated that Swedish arms supply from now on should be provided primarily by buying equipment off the shelf, second by developing equipment in collaboration with other states, and only third by buying equipment ordered especially for Sweden (Bill, 2007/08:1).

The efforts to reduce the defense budget stirred up a lot of feeling in the Swedish defense debate. With regard to defense industry policy and arms supply, the debate has primarily revolved around whether domestically produced equipment is an asset for Swedish security policy or whether economic factors, such as reducing state spending, are more important. None of the arguments in the debate over where lay the real problem in the Swedish arms supply process (with the industry, with the bureaucracy, with the Armed Forces, or with the politicians) were new, but the debate confirmed the change

toward viewing defense industry policy as a matter of economy rather than security (see Britz, 2008).

Despite controversies, the aim to create a more cost-efficient arms supply process, wherein a European defense industry market is one of the means to reach that goal, persists. The Swedish government made clear in its defense bill from 2009 that an efficient defense industry market is dependent on the states buying arms in competition. With regard to the Swedish supply strategy, the focus on buying off the shelf remained. The bill concluded that for the state to engage in future arms development at all, the armed forces must have an identified need and the development should be cost efficient compared with other alternatives on the world market (Bill, 2008/09:140).

### Increased Interaction Between European and Swedish Defense Industry Policy

There was not much integration of defense industry policy in Europe at the end of the Cold War. Arms-producing states tended to their defense industry in ways they saw fit. However, aspects of defense industry policy were pursued in the WEU (in its forum for armaments cooperation WEAG, created in 1993) and the North Atlantic Treaty Organization (NATO). Because of Swedish neutrality policy during the Cold War, Sweden did not participate in the European security structures. It was not a member of the European Community, nor of NATO or the WEU. This meant that at the end of the Cold War, very little defense industry policy was developed on a European level, and Swedish interaction with that level was practically nonexistent. In the 1990s, however, Sweden started to interact with, and was in some parts active in the creation of, European structures in the defense industry policy area. Sweden became an observer in the WEU in 1992, and a member of WEAG in 2000 when observers were allowed to become members (WEU, 2007). In addition, Sweden was an active partner in the development of the Framework Agreement as described above.

The idea that there should be a European defense industry market is by no means new (for an account of different ways in which such a market could be realized, see Hartely, 2006). Through the analysis above, we know that changes in the European policy process consisted of an increased emphasis on the need to increase the use of EU laws of public procurement, the creation of new rules on arms collaboration, and the creation of European defense industry companies. In Sweden, publicly owned defense industry was privatized, the defense industry structure changed, and there were efforts to increase the use of laws of public procurement in arms acquisition. So for Sweden, new European rules were both the rules of the common market and the rules created for arms production collaboration. The economic integration brought by the common market in this way also brought changes in the Swedish defense industry policy. Sweden was

thus no exception to a more general trend in Europe, the spillover from economic integration to defense industry policy has also been pointed out by Guay (1997).

Even though the analysis above showed that there was a European model to adhere to (the civilian common market), it is here important to point out that when Sweden started to change its defense industry policy in the 1990s, there was no clear European model to adhere to when it came to defense industry policy. The two big arms producers in the 1990s, France and the United Kingdom, represented two distinctly different models, the United Kingdom a more market-oriented model and France a more state-oriented model (Guay & Callum, 2002; Ladrech, 1998). When concrete moves were made to start creating a European defense industry market in the 1990s, there was no consensus on what it should look like.

This meant that it theoretically would have been possible to fashion European defense industry-related policies after either of these two models. It also shows that the norms on what kind of defense industry structure there should be in Europe, and what the interaction between the states and the industry should be, were contested. As shown in the previous sections, a consensus emerged that not only were defense industry and defense industry policy concerns for the EU, but also that the defense industry should be privately owned by transnational companies, and that it should be treated, to as great an extent as possible, as any civilian industry (Britz, 2008). In this way, the emerging European defense industry market has been more influenced by the U.K. market-oriented model than the French state-oriented model. Restructuring of the defense industry in the United Kingdom took place back in the 1980s (Chuter, 1997; *Financial Times*, 1997; Jones, 2007), and Swedish policy changes were in this way part of a process of mediated cross-loading of the market-oriented model for defense industry policy. As mentioned above, there were also increased demands in the 1990s for changes in the acquisition and procurement process, which resulted in changes to how the law of public procurement was used in Sweden. In this way, the Swedish change in policy that had already started in the early 1990s became part of the pressure for a European market-oriented model. Membership in the EU (and preparation for that membership) was important in creating a general interaction between the EU and Sweden. In the area of defense industry policy, no such interaction existed previously because of Swedish neutrality policy. In this way, Swedish EU membership brought Sweden closer to the EU; the establishment of an interaction between Swedish and European policy processes also meant that development of Swedish defense industry policy became part of the development of European defense industry policy.

However, as the latter policy development in both the EU and Sweden shows, the creation of a functioning European defense industry market has been slow, even while Swedish

governments have continued their own marketization of the policy area. The Swedish government stated in 2009 that it supports efforts to increase efficiency in the European defense industry market and that it sees the EDA as an instrument both to develop European defense capacities and to cooperate in equipment supply and research. It also emphasized that the problems remaining should be solved on market terms (Bill, 2008/09:140). In this way Sweden can be seen as one of the actors pushing for marketization, and thereby making Europeanization of the defense industry policy area possible.

### *Domestic Challenges: Changes in Norms and Identities*

Swedish defense industry policy has undergone quite substantial normative changes, wherein the introduction of a market-oriented model of defense industry policy is the most important change. A number of norms related to the market-model challenged old Cold War norms, something that was noted in the Swedish administration. The Swedish defense procurement agency itself stated, in its annual report from 1998, that in order for the agency to make further improvements in procurement, it was not new regulations that were necessary. Rather, the procedures were in need of improvement and attitudes of the civil servants working at the agency would need to change. It was seen as a problem that civil servants acted according to the old norms rather than the new. In addition, the civil servants working at the authority expressed uncertainty of what the politicians wanted, and demands arose that the politicians should give clearer signals and participate more actively in the early stages of equipment acquisitions (Swedish Commission of Inquiry, 2001, 2002; Swedish Defence Procurement Agency, 1998).

Another effect of changes in norms was that old identities of the actors in what used to be called the “Swedish model” for defense industry acquisition were questioned. Earlier, being a Swedish actor was more important than being a private or a state actor, but the marketization and the Europeanization of the policy area meant that actors started to question this identity (Britz, 2008). This finding is not unique to Sweden; similar changes in the relations between French engineers and politicians, and between French industrialists and representatives of the state, have been found by Jean Joana and Andy Smith (2006). For Sweden, this development was especially evident when it came to the buyer-seller interaction between the Swedish Defence Procurement Agency and the defense industry. One question that arose was who really was the seller of the aircraft JAS Gripen; was it the Swedish state or Saab? The development of the aircraft was a state-supported long-term project, but when it was ready for sale the company producing it was a partially British-owned private company (Interview with civil servant at the Swedish Ministry of

Defence, October 19, 2001; Interview with civil servant at the Swedish Defence Procurement Agency, April 4, 2003).

Building on this confusion was the fact that, at the same time as the state has distanced itself from the industry when it comes to the production of arms, the need for state support when it comes to exports of arms has increased. The demand on the Swedish Defence Materiel Administration to support industry has become more and more explicit over time (Britz, 2008) and in 2009 a proposal was made to create a new authority that should deal solely with arms exports (Defence Support Commission, 2009). Sweden is a small state and the number of people working in relation to the production, acquisition, and usage of arms (defense industry, Defence Materiel Administration, and Armed Forces) has traditionally been small, and they know each other fairly well. There has also been a more or less established "career-route" for some individuals from the armed forces to other parts of the state administration, and then to relevant defense industry companies. This has traditionally not been seen as problematic but as the emphasis on procurement in competition has increased, the issue of unfair competition due to the recruitment by the defense industry of key personnel has arisen. The idea that personnel should be in some kind of quarantine before moving from state jobs to jobs in the industry was put forth both by the Defence Commission in 2008 and in the Government Bill in 2009 (Bill, 2008/09:140).

## Conclusion

The idea that there should be a European defense industry market is not new. But there has been no consensus on how it should be realized; looking at the member states themselves, different models can be found. Two differing models have been the U.K. model and the French model. The U.K. model is more civilian in the sense that it has been most similar to ordinary customer–producer relationships in markets of civilian goods. The French model has been more state-oriented and has tied the producer more closely to the customer. With regard to the EU, there has first of all been disagreement on how the regulatory framework for a European defense industry market should be fashioned. One solution would be just to extend the EU's internal market to encompass arms. Even though it is mainly the European Commission that has pushed this solution, the member states have not seen it as acceptable. Instead, rules have been created on more political basis, primarily in the Framework Agreement on collaboration in development and in the Code of Conduct on procurement. In this way, rules for behavior in a European defense industry market have gradually developed. These rules have established that competition between defense industry companies for contracts from states should be the normal state of affairs. In addition, even though rules are vital for the market in that they decide the pattern of interaction (in this case, competition between

defense companies and collaboration between firms in the production and development for some products), they are not enough (Brunsson & Hägg, 1992). Actors are also needed, in this case both defense industry companies that are not state owned or state subsidized, and states that are prepared to buy the cheapest arms they are offered no matter which company produces them.

The process of making formerly state-owned companies in a formerly state-oriented system become just like any civilian companies is not undertaken overnight, as was shown by the case of the marketization of the Swedish defense industry policy. Here, the Swedish government changed the rules of behavior between the state and industry from a relationship dominated by close collaboration toward a more distanced relationship, a process that had already started in the 1990s. This process has not only changed the character of the relationship between the state and the companies, but has also meant that the companies themselves have changed. In becoming more like any other company, the formerly Swedish defense industry has undergone a number of restructurings, which has meant that the defense industry in Sweden now is partially or wholly owned by big international defense industry companies such as BAE Systems and United Defence.

It also seems that the increased interaction between the Swedish and European policy processes made a policy transfer in the form of mediated cross-load possible. The market-oriented U.K. model of defense industry policy was transferred to Sweden and the changes in Swedish defense industry policy were then part of the emerging European defense industry policy, and part and parcel of the agreement that European defense industry policy should be market-oriented rather than state-oriented. Lately also the Swedish state has explicitly stated its wish to make the European defense industry market more like the common market for civilian products. It has also made clear its view that state behavior needs to change. The marketization of Swedish defense industry policy in combination with the Europeanization of the policy area meant that old norms of how defense industry policy should be pursued were challenged. In addition, so were also old identities. The question became whether it was most important to be a *Swedish* civil servant representing the *Swedish* state, and therefore liaise with *Swedish* defense industry, or a Swedish *civil servant* representing the Swedish state, and therefore perhaps liaise with representatives from other authorities or even the EU.

## Declaration of Conflicting Interests

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## Notes

1. The author wishes to thank Holger Moroff for pointing this out.
2. In the end, one of the working groups' areas was divided into two sections in the agreement, which thus has seven parts ("Framework Agreement Concerning Measures to Facilitate the Restructuring and Operation of European Defence Industry"). For a more detailed analysis of what the different working groups dealt with and the development that took place from the Letter of Intent to the Framework Agreement was signed, see Mörth (2003, pp. 110-120).
3. In the years 1996-2001 the value of the orders more than 75,000 SEK nominal expenditure that were exempted from the laws of public procurement decreased from 20% (excluding the aircraft JAS Gripen) to 10% of the total amount of procurements more than 75,000 SEK nominal expenditure. Comparisons between the years are systematized in Britz (2008, pp. 76-82).

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