



EXPLANATORY MEMORANDUM ON THE AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE FRENCH REPUBLIC CONCERNING CENTRES OF EXCELLENCE IMPLEMENTED AS PART OF THE "ONE COMPLEX WEAPONS" SECTOR STRATEGY

Title of the Agreement

Agreement between The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the French Republic concerning Centres of Excellence implemented as part of the "One Complex Weapons" Sector Strategy.

Command Paper Number: 9169

Subject Matter

The Centre of Excellence concept is based on concentrating in one country, or sharing, certain elements of MBDA France and MBDA UK's technical capability. This new harmonised approach, known as interdependency, is the first step towards delivering efficiencies in the Complex Weapons¹ (CW) sector. These efficiencies will, in turn, deliver long term sustainability benefits to the two Governments in line with agreements reached between the Prime Minister and French President at the November 2010 Defence and Security Summit.

As such, it represents an innovative approach towards procuring both nations' CW where this is acquired from MBDA.

The UK-French Inter Governmental Agreement (IGA) covering the Centres of Excellence is necessary for two reasons. It will provide a legally-binding mechanism to protect the national interests of the British and French Governments; and it will assist MBDA to make the industrial changes necessary to start delivering the efficiencies under the Centres of Excellence.

The IGA is formed of 16 Articles. The initial Articles (principally from the Preamble thorough to the Scope) set out the background to the MBDA Centre of Excellence initiative, including its linkage to the 2010 Lancaster House Treaty, and what the IGA covers. The middle part of the document consists of

¹ Complex Weapons are defined as strategic and tactical weapons reliant upon guidance systems to achieve precision effects.

9 Articles that describe the obligations that the two Governments have undertaken to honour under the IGA; this is the substance of the IGA, and cover areas such as security of supply and transfer and export of technologies. The Articles at the end of the IGA provide detail on the duration of the document and what happens if the Governments wish to terminate it.

MBDA is the pre-eminent European CW supplier and was identified by the UK and France as the industry lead for taking forward the One CW Sector Strategy of which these Centres of Excellence now form a part. Under the auspices of the Lancaster House Treaty, the One CW sector strategy aims to achieve significant efficiencies on future CW programmes undertaken by the UK and France. In order to generate and maintain the momentum necessary to achieve these aims, MBDA implemented a set of 'pilot' Centres of Excellence in mid-2014. This pilot saw the initial transfer of a very limited amount of development and production activity of selected missile technologies for CW programmes between the two countries in order to test the concept.

The overarching One CW sector initiative was identified by the two Governments in 2010 as a test-bed for wider industrial harmonisation in the defence sector. This Agreement is therefore a key enabler to establishing the potential for such opportunities. It was signed by the UK Secretary of State for Defence and the French Defence Secretary on 24 September 2015.

Ministerial Responsibility

The Minister responsible for the subject matter of this Treaty is the Secretary of State for Defence. The Secretary of State for Foreign and Commonwealth Affairs and the Secretary of State for Business, Innovation and Skills have direct policy interests in the Treaty.

The Secretary of State for Foreign and Commonwealth Affairs authorised the Secretary of State for Defence to sign the IGA on behalf of the UK given that the French signatory was their Defence Secretary.

Policy Considerations

The placing of CW prime contracts and sub-contracts by the UK will continue in the same manner as before - that is under the provisions of the already established Team Complex Weapons industrial construct between the MoD and MBDA UK. BIS legal advice is that the Centres of Excellence do not offer MBDA any substantial commercial advantage that wouldn't otherwise have existed and that therefore the implications of any 'State Aid' challenges are judged to be low level. The implementation of the arrangements covered by the IGA is not therefore considered controversial from a UK Government perspective.

The harmonisation provisions of the IGA introduce a new level of interdependency between the UK and France. Inter-dependency through the minimisation of duplication of effort is a key means to help both countries to

realise future CW efficiencies. The IGA therefore makes clear in its Article relating to Termination that the two nations have agreed on the need for a satisfactory notice period, following notification of intent to terminate, to allow either nation as appropriate to reconstitute its national capability using information gained from the other.

Financial

There are no direct financial obligations or outlays payable by the Government as a consequence of the creation of the Centres of Excellence.

Reservations and Declarations

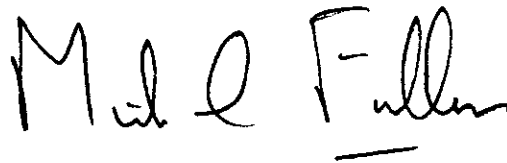
There are no reservations or declarations.

Implementation

No specific legislation is needed to implement the Agreement, which shall enter into force on the date of receipt of the last notification by which the parties notify each other in writing that their respective internal procedures for entry into force of this Agreement have been fulfilled.

Consultations

Relevant Government Departments, Agencies, the French Government and CW Industry were consulted during the negotiations and gave their approval to the final draft of the Treaty.

A handwritten signature in black ink, appearing to read "Michael Fuller". The signature is written in a cursive style with a horizontal line under the name.

SECRETARY OF STATE FOR DEFENCE