

**BALANCE OF COMPETENCES REVIEW**  
**CALL FOR EVIDENCE – FOREIGN POLICY REPORT**  
**RESPONSE BY BAE SYSTEMS PLC**

*We have understood that defence industry and market issues are to be addressed in other parts of the review. Our evidence is therefore focussed on the institutional structure and the Treaties as they relate to the company.*

*1. In what areas of global affairs does the EU add value or deliver impact or not on behalf of the UK?*

We have no particular comment on the impacts of CSFP/CSDP in the policy area. We would observe that, to date, CSDP has not itself been a significant driver of requirements for defence systems and services, although we welcome initiatives to improve capability outputs in areas such as air-to-air refuelling, military air transport, helicopter pilot training etc. It is important that these initiatives, and the broader concept of Pooling and Sharing, are closely coordinated with those of NATO. Their further development, apart from its military value, should also assist in greater consolidation of defence demand in Europe, which offers scope and scale for greater efficiencies in development and manufacture of products and for the provision of support services by the private sector.

*2. What are the comparative advantages/disadvantages of working through the EU in the area you wish to comment on, rather than the UK working independently?*

Defence technology development and equipment production have a long history of both national and cooperative work. Collaboration between national governments, and in particular among the six LOI Treaty signatories, has been the principal driver and we expect it to remain so.

However, the European Defence Agency, created in 2004, can play a valuable role in facilitating harmonisation of the equipment and service requirements of Member States to achieve the beneficial outcomes described in the Response to Q1 above. Notwithstanding the wide disparity in capabilities and requirements among Member States, a consistent and permanent review of opportunities for cooperation among Member States is an advantage; and this work is not fully performed in NATO.

There are many areas where the UK does and should continue to work independently in defence procurement; but the UK has brought not only its military competence but also its best practice and know-how to the table via EDA. We consider that the UK's contributions in these areas, not least in the field of military capability development, have been helpful.

Finally, we note the European Commission's interest in defence markets, industry, and dual-use research. We understand this to be driven by concern to improve the efficiency of markets, to strengthen the industrial base, and to maximise the benefits of investment in technologies which traverse civil and military applications. Without entering here into the substance of these subjects, we would observe that there is a negligible relationship between the Commission on one hand and Defence Ministries on the other; and there are risks in seeking to apply the EU *acquis* from civil sectors to an environment where governments are the only final customers, and where many aspects of industrial and procurement policy are driven by considerations of national sovereignty, foreign policy and

military effectiveness. Already a number of uncertainties surround the 'Defence Package' directives (2009/43 and 2009/81) and it is not self-evident that the EU has a useful contribution to make outside the Council which governs EDA and other defence-related matters.

3. *How effective is the EU at combining its foreign, defence, economic and civil protection policy instruments to deliver best effect in foreign policy? What, if anything, should it do differently?*

No comments

4. *How effective are the EU's delivery mechanisms? Would any changes make them more effective, and if so, which ones and why?*

No comments

5. *Would a different division of EU and Member State competence in a particular area produce more effective policies? If so, how and why?*

Following on from the response to Q2, we consider that national security should remain a Member State competence, as determined in particular in Art 4(2) TEU and Art 346 TFEU. From the company's perspective, there have been no significant developments in the CFSP/CSDP that would alter that judgement.

We consider also that defence export control policies and their coordination remain closely linked to the essential security interests of Member States and so must remain a matter of Member State competence within the framework of the Common Council Position of 2008.

6. *How might the national interest be served by action being taken in this field at a different level e.g. regional, national, UN, NATO, OECD, G20 – either in addition or as an alternative to action at EU level?*

No comments

7. *Are there any general points you wish to make, which are not captured above?*

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