

TASK FORCE ON EUROPE, 1992

WORKING GROUP ON DEFENCE PRODUCTS

EXECUTIVE SUMMARY

SCOPE:

The aim of the study is to consider the possible effect of a single market in Europe on Canadian defence industry and procurement and its longer term implications for Canada's defence industrial base and for transatlantic NATO co-operation. The measures examined include not only those normally coming under the rubric of the 1992 Single Market, ie. the removal of all physical, technical, financial and institutional barriers among the twelve countries of the European Community but also the proposal of the Independent European Program Group (IEPG) to establish a single defence procurement area among the European NATO countries. The effect of a possible curtailment of duty free importation of defence products into EC countries is also considered.

APPROACH:

The Working Group included representatives of the Department of National Defence; Canadian Commercial Corporation; Department of Industry, Science and Technology, Department of Supply and Services, and Department of External Affairs, each of whom contributed information and expertise. The study was conducted in close consultation with industry, represented by members of the Canadian NATO Industrial Advisory Group (NIAG), with the Canadian Embassy in Washington, the Canadian Delegation to the North Atlantic Council and the Canadian Mission to the European Communities, both in Brussels. Finally, meetings were held in Washington with the departments of State, Defence, Commerce and the Office of the U.S. Trade Representative and in Brussels with the NATO Secretariat.

FINDINGS:

European defence industry as such is not subject to the jurisdiction of the EC Commission, since Article 223 of the Rome Treaty leaves with national governments exclusive responsibility for security. This exclusion has been slightly modified by the 1985 Single European Act but firms producing only defence and security equipment, many of which are state owned, will not be directly affected by 1992. Many defence contractors, however, in Europe as elsewhere, produce civilian as well as military goods and will be subject to the Single Market program. The whole defence products industry will be influenced in varying degrees by the post-1992 environment, e.g. the development of common or mutually recognized EC standards.

The Working Group has not attempted to duplicate studies undertaken by the groups on industrial and transportation equipment and services and on information and telecommunication products and services, whose product coverage spans the defence sector but its investigations lead it to believe that the European industry will face major adjustment in the years ahead and this is likely to influence prospects for the Canadian defence industry.