
A NEW ERA IN EUROPEAN ARMS PROCUREMENT: UNDERSTANDING OCCAR

By

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As Europe enters one of the greatest economic transitions in its history, governments and defense industries are struggling to determine the best way to manage large multinational defense procurements. Driven by the criteria of the Treaties of Amsterdam and Maastricht, the European Union is integrating portions of national economies and changing over to a single currency. This will generate tremendous benefits and open up new venues for conducting international business. While national economic benefits are derived from participating in multinational defense programs, they are overall costly and inefficient. A complex web of sovereignty, unanimity, reciprocity, and varying political agendas stymied them. The political environment is now ripe for productive change. OCCAR is just one tool being explored by Western Europe to overcome the political realities and inertia associated with multinational defense programs. This article intends to clarify transatlantic perceptions of OCCAR.

What is OCCAR?

OCCAR was created in 1996 and stands for *Organisme Conjoint de Coopération en Matière d'Armement* or, in English, Organization for Joint Armament Cooperation. Its purpose is to manage collaborative multinational defense programs across a broad spectrum of programs and activities within OCCAR's domain. Its goal is to reduce defense costs, increase competition, and maximize economic benefits. OCCAR is an evolved form of collaborative management that challenges the traditional European paradigms concerning consensus decision-making, work share, rationalization, and procurement authority.

Current Status.

France, Germany, United Kingdom, and Italy are the initial partners in OCCAR. These four countries together comprise about 90 percent of the European defense industrial base. OCCAR formally commenced work on February 4, 1997 and established offices in Bonn with about 100 people assigned. They have integrated the following programs into the OCCAR structure and domain: MILAN, HOT, ROLAND, BREVEL, and TIGER. The COBRA, TRIMILSATCOM, FSAF, TRIGAT, and PzH2000 are in the process of being integrated. The partner nations are awaiting an EU decision to accredit their legal identity to issue contracts by the year 2000. The Netherlands and Belgium are also contemplating membership with an eye towards a light armored vehicle program.

Origin and History of OCCAR.

Perhaps the greatest obstacle to the formulation of OCCAR began with the very creation of the European Union in 1957 and the Treaty of Rome. Article 223 allowed EU laws to exclude defense companies from competition or mergers as the sovereign right of each nation to protect their defense industry. Article 223 became the Holy Grail of governments and it was used to monopolize their defense industry. This stifled the ability to form efficient collaborative cross-border procurement of defense items. After 1976, European thinking started to drift towards more open collaborative programs. In 1991, the Maastricht Treaty planted the initial seed for a pan-European arms procurement agency for the WEU nations of Belgium, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal, Spain, and United Kingdom. This initiative was known as the *l' Agence Européenne d'Armements*. In 1995, the Baden-Baden summit established an initial set of principles for efficient collaborative management practices, and also established the initial framework for OCCAR. In 1996, a quadrilateral Memorandum of Understanding was signed in Strasbourg creating OCCAR and offices officially began work on February 4, 1997.

OCCAR's Unique Approach.

Through the years, European managers developed a unique portfolio of effective collaborative skills and techniques. These ideas were canonized in the Baden-Baden principles, on which OCCAR is founded. OCCAR offers European nations an alternative means to break away from the traditional, and often inefficient, collaborative management and procurement practices. OCCAR incorporates new techniques on decision making, work share, rationalization, and procurement authority:

- OCCAR is exploring a more flexible decision making process. Although the principle of unanimity still stands for existing programs and partners, there is a move away from consensus decision making. New decision making methods are being explored that are more quantitatively oriented using weighting factors and Pareto concepts. Although specific details have not been revealed or executed, if successful, it will be a monumental step in the democratic decision making process with applications to other forums and industries.
- The concept of work share is also being refined to expand the scope and flexibility of reciprocity. OCCAR renounces *juste retour* for each individual program and will try to achieve fair equity between partners over a wider spectrum of programs, activities, and time. Work will be allocated based on competition, best value, and globalized return over several projects over several years.
- In 1998, the European defense industry began consolidation and rationalization of its industrial and technology base. One of OCCAR's objectives is to obtain a more efficient and integrated industrial process. To achieve this objective, OCCAR will selectively exploit, leverage, and rationalize leading industrial positions of partner nations to promote efficient supranational industrial groups.

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- To manage collaborative programs efficiently. OCCAR seeks to acquire a unique legal identity with the authority to establish procurement procedures, award contracts, and manage programs. OCCAR requested a legal status within the Western European Union, but was resisted by Spain and Greece over the requirements to eliminate *juste retour*. France, Germany, United Kingdom, and Italy still seek to establish OCCAR's legal status within the European Union.

Who Can Join OCCAR?

OCCAR is founded on the principle of an open structure to efficiently manage many projects for many countries. The aim is to open OCCAR to other nations once they achieve stability. There are currently no nations excluded from joining OCCAR, as long as they meet the following conditions:

- Provide significant contribution to overall effort.
- Agree to the principles of OCCAR.
- Agree to grant OCCAR the freedom to efficiently manage programs and select prime contractors.
- Are not a security risk.

Non-Western European Armaments Organization nations must have unanimous agreement of all OCCAR partners before joining. This opens up the window for transatlantic opportunities, but probably not for a while until OCCAR proves itself to European leaders first. Currently, the United States does not participate in any OCCAR projects and would require unanimous approval from OCCAR members to join.

Conclusion.

As national defense budgets decline and Europe's global market share is threatened, European leaders seek new evolutionary approaches to ensure survival of their defense industries. This challenge calls for a new organizational entity that can delicately balance sound business principles with political realities. The leaders of France, Germany, United Kingdom, and Italy believe the solution lies with OCCAR. However, legal identity is a serious limitation to OCCAR's autonomy and efficiency. If OCCAR obtains legal status, it will become the initial seed for a pan-European arms procurement agency and potentially serve as the template for the next generation of European procurement organizations for other industries as well. That's worth noting! What is the impact on U.S. defense industry? It is too early to tell, but it has already limited U.S. access to the initial OCCAR projects and sets a bad precedent towards future involvement. OCCAR's future remains uncertain as European leaders concentrate on re-assessing the roles of current government institutions like EU, Western European Union, and NATO. Although these institutions do not directly compete with OCCAR goals, they are closely coupled and pursue similar agendas. As European defense consolidation hastens, some question the need for OCCAR and further governmental intervention.

About the Author.

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