

#7

DEFENCE INDUSTRIAL POLICY IN BELGIUM AND THE NETHERLANDS

BY OLIVIER DE FRANCE / Research Director, IRIS
LUC MAMPAEY / Director, GRIP
DICK ZANDEE / Senior Research Fellow, Clingendael

October 2016

*The views expressed here are solely those of the authors.
They do not reflect the views of any organization.*

Policy Paper

The following piece endeavours to uncover the drivers of defence and industrial policy in Belgium and the Netherlands. It brings out convergences, divergences, as well as the main features of the defence industry across the two countries. In doing so it brings to bear upon both countries a similar set of parameters, which will be used to compare defence industrial policy across other key European countries.

The parameters used include a mapping of industry stakeholders (from political drivers to the technocratic structure, industry, think tanks and academia, and external influences including states), a look at their stance on key issues (the link between industry and jobs, the technological or industrial competencies to master at national level, security of supply, supply chains, the link to European supply chains and global supply chains, via Europe, the United States, or neither), and the influence they thereby exert on the country's national position. Such parameters take into account the set of national policy documents that formalise the country's defence industrial policy, and help to offer a prospective view of the future of the country's defence industry.

Where Belgium and the Netherlands are concerned, it may be improper to refer to a national defence industrial policy as such. In Belgium, the absence of a captive defence market, the dispersion of powers at all levels of a complex federal architecture, regional socio-political disparities, frequent relocation of decision centres abroad and a heavy dependence on exports towards problematic countries are the main factors explaining the lack of a unified defence industrial policy. Even speaking of a "Belgian" defence industry may be an exaggeration, as the decisions guiding the sector are mainly influenced by local job and territorial development issues, with no or little concertation with the federal level or the other regions.

Belgium's defence industry is one of the oldest industrial sectors of the country. With around 5,500 direct jobs highly localized and 4,500 indirect jobs, it is also far from a negligible sector for such a small country. However, unlike most neighbouring countries, arms production in Belgium is not, and never was, a privileged instrument for expressing sovereignty or power on the international stage. Successive constitutional reforms have gradually transferred wide powers to the Regions and Communities, making it impossible to define a genuine industrial defence policy at national level.

This does not keep Belgium from hosting major companies and international leaders in their fields, for example in the aviation or small arms and light weapons sector. The existence of these centres of excellence is however not enough to overcome sub-regional reflexes and move on to building a national strategy. And the current institutional development in the country will probably strengthen this tendency.

The outlook is nevertheless good for the sector: first, the Belgian arms exports, and Walloon in particular, continue to benefit from the continuing conflicts in the Middle East

and the escalation of tensions in other regions, particularly in Asia; secondly, the new strategic defence plan announced by Defence Minister Van de Put foresees a margin of € 9.2 billion for new investments by 2030, investments that are not limited only to the possible replacement of the F-16 but concern all capacities.

Contrary to its southern neighbour, the Netherlands has a defence industry strategy. But the Dutch defence industry is covering more than just defence. It is labelled Netherlands Defence and Security-related Industry (NL-DSI), reflecting the dual-use nature of most of the companies. Despite its small size, the NL-DSI is considered important for serving the interests of the Dutch armed forces, the defence and technological base in the country and the economy in more general terms. The Dutch navy and the air force are the main customers. The national technological base is particularly relevant for these two armed services. This is underlined by the strong lobbies from the maritime and aerospace sectors of the NL-DSI both through well-organised formal channels as well by using the media and other public exposure.

While the national Defence Industrial Strategy stipulates a government-wide approach to the cooperation with the NL-DSI and knowledge institutions, there can be conflicts of interest between the Ministry of Defence and the Ministry of Economic Affairs. The MOD defends the interest and operational needs of the armed forces, it has buying off-the-shelf as a procurement principle and it promotes strongly international defence cooperation. The MEA serves the interests of the NL-DSI as a small but significant part of the Dutch economy, certainly in terms of R&D. Logically, not the MOD but the MEA continues to campaign for industrial compensation (offsets) as long as a true level playing field in the European Defence Equipment Market (EDEM) does not exist.

According to the Netherlands Directive 81 on defence procurement has not opened up the market for Dutch small- and medium-sized enterprises as supply chain companies to original equipment manufacturers elsewhere in Europe. In a way, the current situation is considered worse than before. Therefore, the government will continue to defend industrial participation. At the same time, it will argue for a true level playing field. Due to the high-technology profile of the NL-DSI and the dual-use character of most of the companies, there is little fear about fully opening up the EDEM.

I. MAPPING DEFENCE INDUSTRIAL POLICY IN BELGIUM AND THE NETHERLANDS

1.1. Belgium: Looking for a defence industrial policy

1.1.1. *The consequences of regionalisation*

Since the constitutional revision of 1970, Belgium is organized in a complex federal system articulated around a Federal State, three Regions and three Communities. The

Federal Government has retained its power in areas such as national defence, justice, police and foreign affairs, while the Regions and Communities have acquired very broad powers in matters of industrial policy, scientific research and foreign trade.

In addition, the Special Law of 12 August 2003 marked another step in transferring the exclusive power regarding arms exports to the Regions¹. Each Region is now competent to grant arms export licenses to companies established on its territory.

In this complex architecture, it is unrealistic to seek a “national” industrial policy for the defence sector, insofar as there are no geostrategic or industrial interests shared by all entities that could sustain and justify such a policy. Instead, the regionalization of power revealed the need to establish a “Cooperation Agreement”, adopted on 17 July 2007, in order to preserve as much consistency as possible between the interests of the Federal foreign policy and the industrial decisions made at regional level in the field of arms production and export². In fact, the policy guiding the Belgian defence industrial sector is mainly influenced by local issues of territorial development and job retention.

1.1.2. A regional policy driven by exports

Belgium’s defence industry is highly dependent on exports, but also unevenly distributed across its three regions. GRIP has identified 75 companies with a significant defence production in Belgium. Three are located in the Region of Brussels-Capital, 29 in Flanders, and 43 in Wallonia. In Flanders and Brussels, the defence sector is dominated by SME’s in advanced technologies whose export is mainly intended for EU or NATO countries. The situation is radically different in the South of the country: the Walloon Region is the cradle of the main aeronautical manufacturers and of the traditional defence industry, since all the tanks, small arms and ammunition companies are located there. Moreover, defence companies in Wallonia are also highly concentrated in the two oldest industrial areas (Liège and Charleroi), already heavily impacted by the crisis in the steel industry and with a high unemployment rate.

The production of small arms, light weapons and ammunition in Wallonia is mainly driven by exports, which for the main representatives of the sector such as MECAR and FN HERSTAL, represent over 95% of the turnover. In Wallonia more than elsewhere arms exports are therefore of fundamental importance to sustain jobs and activities.

The geographical distribution of Walloon arms exports reveals a strong dependence on the Middle East (and Saudi Arabia in particular), a region which receives each year

¹ Loi spéciale du 12 août 2003 modifiant la loi spéciale du 8 août 1980 de réformes institutionnelles. <http://www.ejustice.just.fgov.be/>

² Accord de coopération du 17 juillet 2007 entre l'État fédéral, la Région flamande, la Région wallonne et la Région de Bruxelles-Capitale relatif à l'importation, l'exportation et le transit d'armes, de munitions et de matériel devant servir spécialement à un usage militaire ou de maintien de l'ordre et de la technologie y afférente, ainsi que des biens et technologies à double usage. <http://www.ejustice.just.fgov.be/>

between 25 and 50% of total Walloon arms exports, since the 2003 regionalization law. Given this particular profile of traditional markets and its implications for the Federal foreign policy, regional stability and ethical issues, it is easy to understand why the Walloon arms exports are so frequently the cause of social conflict between on the one hand an alliance of business and labour, and on the other hand NGOs, grassroots' movements, and part of the research and academic world.

1.1.3. Offsets as the only “national” defence industrial policy

Taking into account a small defence budget and the high inelasticity of the personnel and operating costs, the captive defence market is very limited. Belgium has neither the need nor the means to develop large-scale defence projects and has therefore set up various systems to allow its economy to take advantage of such abroad procurements.

“Offsets”, or “industrial benefits”, to maximise the economic fall-out for the national economy and strengthen the technological potential of the country, were always a prerequisite in Belgium’s defence procurement programmes. Since the late 1960s, thanks to the highly technological nature and the important financial volume involved in defence orders, Belgian decision-makers have increasingly resorted to MoD acquisitions programmes to maintain and reinforce the technological and industrial base.

According to the “Policy on Industrial Participation in Defence Contracts”³, a document released in 2008 by the Federal Public Service “Economy” (the Ministry of Economy), the value of economic benefits (direct, semi-direct or indirect) reached 78.38% of the total defence contracts value since 1983. Most of these offsets have benefited the aerospace sector (27.58% since 1970) as well as the electric and electronic sector (22.53% since 1970), and have been the main lever for the development of these sectors and the acquisition of new technologies.

However, according to its neoclassical approach, the European Commission considers that offsets are measures which go against the basic principles of the Treaty and that their use should be gradually reduced, which could have a significant impact for some Belgian companies. Nevertheless, the European legal framework has not been changed nor strengthened since the 2009 EU Directive on defence procurement (13 July 2009) and the “Code of Conduct on Offsets” implemented by the European Defence Agency. As a consequence, in Belgium the offsets issue currently remains at the heart of the discussions on the possible replacement of the F-16 fighters to be held between 2023 and 2027, and for which a decision is still to be taken in 2016.

³ Available on <http://economie.fgov.be>

1.2. The Netherlands

1.2.1. Dutch Defence Industrial Strategy

The first edition of the *Defence Industry Strategy* (DIS) of the Netherlands was issued in 2007. After an evaluation by the Ministry of Defence (MOD) and Ministry of Economic Affairs (MEA) an updated version appeared in 2013, which is still in force.⁴ The aim of the DIS is to generate high-quality input from the NL-DSI and knowledge institutes for the Dutch armed forces, based on their military operational interests and needs. This also helps the NL-DSI to compete on the international market and in supply chains. The relationship between the government, NL-DSI and the knowledge institutes constitute the ‘Triple Helix’⁵.

The Dutch government favours an open European defence equipment market, but is critical about the effects of Directive 2009/81/EC on defence procurement. The Directive increases transparency for OEMs, but has not lead to opening up the supply chains across national borders.⁶

1.2.2. Implementing of the Dutch Defence Industrial Strategy

In the absence of a level playing field, the government justifies the continued application of a set of measures to reinforce cooperation within the Triple Helix. These measures are carried out partly by the Ministry of Defence and for another part by the Ministry of Economic Affairs.

The MOD has a ‘Knowledge and Innovation Policy’ to steer defence-specific science and technology development. The defence budget allocates € 60.7 million in 2016 with an increase as of 2017 to approximately € 62.5 million annually.⁷ The MOD has five ‘priority technology sectors’: (i) integrated (sub)system design and development; (ii) sensors, C4I and automation; (iii) advanced materials and components; (iv) simulation and simulators for education & training; (v) electronic and information protection/weaponry. The MOD’s procurement strategy is to consider first to develop or buy OTS with partners. In case of development with one or more international partners this has to include agreements on industrial participation and work shares (see below).

⁴ The Netherlands Defence Industry Strategy, 10 December 2013

⁵ See below for further explanation.

⁶ The Netherlands Defence Industry Strategy 2013, p. 9

⁷ Data from the Netherlands Defence Budget 2017. More than half of this budget is allocated to financing programmes of the three defence-related national research institutions (TNO, NLR, MARIN). The rest is dedicated to contract research, which can be spent nationally or internationally (NATO or EU/EDA projects). According to the 2014 EDA defence data the Netherlands MOD spent 0.8% of total defence expenditure on R&T and 9.3% of R&T expenditure was spent collaboratively with one or more other countries.

The MEA's general policy is to strengthen the competitiveness and to stimulate innovation through generic instruments such as reducing red tape, education, export stimulating measures, financing research & technology and fiscal measures – all of which can also be to the benefit of the DSI. Specific measures are taken for nine top sectors, who (a) cover a large part of the Dutch economy, (b) are important for innovation and (c) contribute to the resolution of societal challenges (including national security). The NL-DSI is not considered a top sector, but NL-DSI companies are present in at least seven top sectors.

MOD, MEA and the industry come together in the Defence Materiel Development Committee⁸, in which companies – in particular SMEs – can table proposals for innovative product development. The MOD finances 50 percent of such projects with an overall maximum of € 10 mn. Currently, 18 CODEMO projects are up and running, involving 15 SMEs.

1.2.3. Industrial participation as part of the strategy

The Dutch government considers industrial participation⁹ as an important tool for strengthening and maintaining priority technology areas and industrial capacities. It has been labelled as a 'repair mechanism' in the absence of a level playing field for the NL-DSI.¹⁰ The MEA has the lead in the design and implementation of the industrial participation policy. Application of the tool is only considered for defence orders above € 5 mn. Since 2012 the standard is no longer to aim for an obligatory 100 percent participation. The current policy is to decide for each procurement case what percentage can be justified on the basis of national security interests. In other words, industrial participation has to be within the limits of the Directive and is no longer driven by economic considerations only. An average percentage of 60 percent is considered as a realistic target. The total value of industrial participation (or its predecessors) has gone down from an annual average of € 419 mn in the five years preceding 2013 to € 248 mn for 2013 and € 386 mn for 2014. In those two years 74.9 percent respectively 60.5 percent of the industrial participation consisted of defence-related activities.

⁸ In Dutch: Commissie Defensie Materieel Ontwikkeling (CODEMO)

⁹ The term offsets is not used in the Netherlands. Since the introduction of Directive 81 the term industrial participation has replaced 'compensation orders'.

¹⁰ *Report on the Industrial Participation Policy 2013-2014*, p. 1

II. DEFENCE INDUSTRIAL STAKEHOLDERS

2.1. Belgium: stakeholders with diverging interests

2.1.1. Ownership

While successive constitutional reforms have led to a dramatic dispersion of the decision centres regarding defence production and export, changes in the shareholder structure of the defence companies in Belgium and their weak sectoral representation increase the dilution of this activity in the broad industrial sector.

Except for of some SME's whose shareholders are still mainly members of the family, most of the armaments sector companies in Belgium are small subsidiaries of foreign groups, or passed over time under the control of foreign shareholders without major objections coming from public authorities, with the notable exception of HERSTAL GROUP. The policy centres moving abroad – mainly in France, the United States, the Netherlands and Israel – undermines the socio-territorial belonging of the business, which must above all meet the overall objectives of the group before contributing to the regional development.

In 2004, drawing on other countries – notably France and Germany which have legislation limiting foreign direct investment in strategic sectors – a draft proposal in this direction was tabled in Federal Parliament but was not voted.

2.1.2. The regional public companies: A Belgian exception

It is worthy of note that the two largest firms in the Belgian defence sector are public enterprises: The Walloon region holds over 95% stake in SONACA, while HERSTAL GROUP is 100% owned by the Walloon Region.

The case of GROUPE HERSTAL is peculiar: its Liege-based subsidiary FN HERSTAL, a world leader in SALW, is the oldest and largest company of armament production in the country (1,277 jobs in 2014, i.e. more than 20% of the total direct employment in the Belgian defence industry). 100% dependent on armaments markets and 95% on exports, it has become a public company by default and out of need, rather than as a result of industrial policy choices.

When the French GIAT INDUSTRIES withdrew from the capital in 1997, the Walloon government decided to use its right of veto (under some sort of golden share, since it controlled only 2% of the capital) to oppose the bid of the American Colt Manufacturing. This ruling, presented at the time as a temporary carry trade, was appropriate and necessary to ensure the anchoring of the Walloon Region. Twenty years later, the Walloon Government is still the only shareholder, but behave like an “absent shareholder”: despite the highly strategic nature of the FN HERSTAL production and the consequences in terms of foreign policy, regional stability and human rights, the Walloon Region will abstain

from any direct involvement in the group's strategy, leaving the initiative to the management, and intervening only ex post when export licenses are applied for, even if they are very embarrassed by the applying countries (as was the case for sales to Libya in 2009-2010).

2.1.3. Weak sectoral organization, strong trade-unions

AGORIA is the largest sectoral employers' federation in Belgium with the aim of defending the interests of companies in the technology industry. It is within AGORIA that the Belgian Security & Defence Industry Group (BSDI)¹¹ was created, the only structure whose purpose is to defend the interests of the security and defence industry sector nationwide. Surprisingly, while AGORIA has 1,700 members, BSDI has only 35, a very low representation in relation to the number of defence companies (75) registered in the GRIP database.

When the defence productions relate to the aviation sector, the sector can also count on the support of three regional associations to defend its interests: The Flemish Aerospace Group (FLAG) in Flanders¹², the Walloon Companies of Aeronautics (*Entreprises Wallonnes de l'Aéronautique*, EWA) in Wallonia¹³, and the Brussels Aeronautical Group (BAG)¹⁴ in Brussels. In the context of the debate on the possible replacement of the F-16, these four associations want to establish an "Industrial Participation Plan" whose main purpose is to reach a fair sharing – among the three regions – of the economic benefits of a fighter aircraft renewal contract.

Finally, with a rate of union affiliation among the highest in Europe – approximately 60% – the trade unions are key players in the social field in Belgium, and the defence sector is no exception. Any politically motivated decision to deny an arms export license inevitably results in a strong union movement in defence of employment, implicitly backed by the management since their interests are also related to licensing. And generally it pays off: social pressure combined with policymakers' close relationship with stakeholders means that decisions on arms exports rarely resist the challenge of the street.

2.2. The Netherlands: Stakeholders working closely together

2.2.1. Government: Two Ministries

The Ministry of Defence (MOD) plays a central role in the definition of military requirements and has no particular defence industrial policy. Partly influenced by defence

¹¹ <http://www.agoria.be/en/bsdi>

¹² See: <http://flag.be>

¹³ See: <http://www.ewa.be>

¹⁴ See: <http://www.bag.brussels>

budget cuts but also by financial scandals in several cases of national product development the MOD's preference is now to buy off-the-shelf (OTS). According to this policy, the MOD is only allowed to invest in armaments procurement through R&T/D after proving that OTS cannot fulfil the military operational requirements. Although the MOD has an OTS preference as procurement principle, practice shows that investment in national R&T/D continues. This is due to social-economic reasons and other factors such as maintaining a technological knowledge base in the country. It is the Ministry of Economic Affairs (MEA) which represents the interests of the Dutch defence industrial sector.

2.2.2. Industry: A focus on dual-use

Considering the dual-use nature of most of its companies, the Netherlands has a Defence and Security-related Industry. Their products may end up with the armed forces as well as with civilian security actors such as the police. The Netherlands Defence and Security-related Industry (NL-DSI) is relatively modest in size. With a total revenue of € 4.54 billion in 2014, the sector accounted for 0,68 percent of the Dutch GDP¹⁵. The NL-DSI consists of around 350 small and medium-sized enterprises (SMEs) and several large companies such as Damen, Fokker, Stork and Thales-Netherlands. Most companies are niche-oriented (supplying sub-systems and components).

The most important production sectors are maritime, aerospace, C3 and ICT. The NL-DSI is for 80 percent Dutch-owned. The remaining 20 percent consists of enterprises with an (international) mother company abroad, such as Thales. There is only one original equipment manufacturer (OEM) left in the country: Damen Schelde Naval Shipbuilding (DSNS) in Vlissingen, building platforms for the Royal Netherlands Navy but also for export. Another important feature of the NL-DSI is its R&D strength. The NL-DSI is very important for technological innovation in the Netherlands, with a substantial amount of new technology ending up in products on the civil market. The NL-DSI sector roughly accounts for 24,800 jobs, of which 32 percent are R&D jobs. The work force consists for two-thirds of highly educated people (in comparison: 28 percent of the total Dutch population is highly educated).

The most important customer of the NL-DSI is the MOD. Other customers using defence and security goods in and outside the Netherlands are becoming more important for the NL-DSI. As over 68 percent of the total revenues come from export, the international market is key for the NL-DSI. The main export countries for the NL-DSI are Belgium, Germany, the United Kingdom and the United States.

¹⁵ Facts and figures in this section stem from a 2016 report mapping the NL-DSI: *Nederlandse Defensie- en Veiligheidsgerelateerde Industrie 2016*. This report was written at the request of the Dutch Ministry of Economic Affairs.

In conclusion, the NL-DSI mainly consists of dual-use SMEs. It is characterised by high-technology, expertise and quality. However, with the exception of the larger companies, the networks of the NL-DSI are limited. The small size of the majority of the companies implies that they themselves have limited resources available for marketing across national borders and for building international networks.

2.2.3. Industrial associations: Lobbying for all and per sector

Most of the NL-DSI companies organise themselves on a central level through large (joined-up) umbrella organisations. One of the most influential umbrella organisations is the Netherlands Industries for Defence and Security (NIDV)¹⁶, which represents around 200 companies (small, medium and large) and knowledge institutions within the NL-DSI¹⁷. The NIDV is an independent non-profit organisation founded by the Dutch MOD, MEA and MFA in 1984. The NIDV is a strong umbrella organisation which defends the interests of the NL-DSI sector towards the government and tries to influence government policy on behalf of its members.

The NIDV has created several ‘platforms’ in which companies with a common interest join forces and together approach a specific market segment, in close cooperation with government representatives and knowledge institutions. The NIDV also promotes the positioning of the NL-DSI in obtaining national and international orders and supply chains. The NIDV operates in close liaison with the MOD and the MEA and is a key actor in the Triple Helix cooperation¹⁸.

The aerospace sector has a few dedicated associations. The Netherlands Aerospace Group (NAG) represents over 100 companies within the Dutch aerospace cluster and acts as the sector’s contact with the government. It also represents the relevant Dutch companies in the AeroSpace and Defence Industries Association of Europe (ASD) and it acts as the sector’s face on the (global) market¹⁹. The NAG was one of the initiators of the ‘Lucht en Ruimtevaart Nederland’ (LRN). The LRN is a foundation in which universities, companies and trade associations in the Dutch aerospace industry have joined forces to provide a central and overarching voice in the representation of this sector to national and international partners²⁰. In general, organisations such as the LRN and NIDV coordinate research and development, discussion with government and related parties and promotion of top level quality within the industry²¹. Due to the close cooperation with the

¹⁶ Acronym of the Dutch name: Nederlandse Industrie voor Defensie en Veiligheid

¹⁷ <http://www.f35.nl/over-f35-nl/nifarp-nidv/>

¹⁸ <https://www.nidv.eu/en/about-nidv/mission/>

¹⁹ <http://www.nag.aero/en/home.html>

²⁰ <http://www.nag.aero/nieuws/nieuwsbericht/nag-in-discussion-with-program-committees-of-political-parties.html>

²¹ Defence Industrial Policy Approaches and Instruments, 2012, p.33

government and knowledge institutions, these associations are often able to influence the Dutch policy from the early stages on.

2.2.4. Knowledge institutes: Crucial for technological innovation

The Dutch government and the NL-DSI cooperate closely with knowledge institutions, ranging from (technical) universities, semi-public institutions and technology institutes. The main knowledge partners for the NL-DSI are the Netherlands Organisation for Applied Scientific Research (TNO), the National Aerospace Laboratory (NLR) and the Maritime Research Institute of the Netherlands (MARIN). These institutes are supported directly and indirectly by the Dutch Government, industries and industrial associations. They are crucial for the high degree of technological innovation in the Netherlands.

The knowledge institutes form the link between science and society. They develop and maintain a high quality knowledge base for government and companies to strengthen their innovation edge, competitiveness and effectiveness for the benefit of society. The knowledge institutions mainly work on a non-profit basis and receive permanent funding from the government.

2.2.5. The Triple Helix and the influence of stakeholders

Although the government recognises that penetrating the international defence market is mostly the industry's own responsibility, it is actively involved in supporting the NL-DSI. This is based on the assumption that the NL-DSI can only be successful if the companies are part of international networks and supply chains²². For the Netherlands to be able to maintain its high quality and technological innovations, close cooperation between the industry, knowledge institutions and the government is fostered in the Triple Helix. This is mainly organised on the national level, with a strong central focus. The idea behind this Triple Helix is that all parties involved have their own objectives which they can pursue more effectively by cooperating with each other. The Triple Helix is "a dynamic platform for initiatives and interaction".²³

For the Dutch government the main objective is to have high value defence equipment (capability-driven, the MOD interest) while maintaining and strengthening the defence (and security-related) technological base in the country (economy-driven, interest of the MEA). The NL-DSI wants to optimise its (international) competitiveness. Knowledge institutions want to improve and maintain their strategic (international) knowledge position. To achieve optimal results, these three objectives are pursued as a coherent and interconnected whole²⁴. The partners foster close cooperation by exchanging information

²² *Defence Industrial Policy Approaches and Instruments*, 2012, p.30

²³ *The Netherlands Defence Industry Strategy 2013*, p. 4

²⁴ *The Netherlands Defence Industry Strategy 2013*, p. 4

and knowledge in early phases, by using informal knowledge networks in various areas of expertise.²⁵

Within the Triple Helix, a common vision of the future is generated and developments in specific fields of expertise can be synchronised²⁶. Good and timely exchange of information is seen as crucial to harness the strengths of the NL-DSI. Knowledge institutions and industry are closely involved in the drafting of governmental policy, but they also adapt their strategy and focus area based on the governmental policy. The strong focus and the attributed importance of the Triple Helix is in line with the Dutch culture of consultation and deliberation ('Polder Model') that is also used in other sectors. For the NL-DSI this approach seems to be paying off, since the majority of companies in the NL-DSI consider themselves to have a good level of competitiveness in the international market.

Despite the existence of the Triple Helix about 50 percent of the NL-DSI companies are not content with the support of the Dutch government. Major complaints are: complicated tender procedures; lack of adequate support from embassies (export-promotion); insufficient interest of the MOD and the police in innovative solutions.²⁷ One of the reasons behind this complaint might be that the EU Directive on defence procurement has increased bureaucracy, while the revenues of industrial participation (offsets) has decreased. In 2010 approximately two-thirds of the NL-DSI companies profited from industrial participation. In 2014 it had decreased to one third. However, industrial participation still accounts for 40 percent of the revenue and, thus, remains important for the NL-DSI.²⁸

The Triple Helix provides the framework for coordination and cooperation between the stakeholders. In other words: 'influence' has been regulated in the Netherlands by creating a dedicated framework within which the stakeholders can pursue their objectives with each other in a coherent approach. Naturally, the NL-DSI and their associations are also trying to influence decision-making outside the Triple Helix. Lobbying in the Dutch Parliament's Defence Committee is perhaps the most important activity, taking into account that Parliament plays a key role in decision-making on defence procurement.²⁹ ■

²⁵ *The Netherlands Defence Industry Strategy 2013*, p. 17

²⁶ In light of this close cooperation, a permanent cooperation structure has been established in 2015 with the MOD, MEA, NIDV, interested NL-DSI companies and MARIN, NLR and TNO as partners. This partnership focuses on the actions that need to be taken in light of the Preparatory Action and the 9th framework programme for defence related research .

²⁷ Report on the Netherlands Defence and Security-related Industry 2016, p. 29

²⁸ Report on the Netherlands Defence and Security-related Industry 2016, p. 31

²⁹ All defence procurement programmes with a value of € 25 mn or more need the approval of the Second Chamber of the Parliament.

BIBLIOGRAPHY

- GRIP (2016). Base de données sur l'industrie de l'armement en Belgique.
<http://www.grip.org/fr/node/1604>
- Mampaey, L. (2000). *Groupe HERSTAL S.A. : L'heure des décisions*. Les Rapports du GRIP, 2000/6.
- Mampaey, L. (2007). *Radiographie de l'industrie d'armements en Belgique*. Les Rapports du GRIP, 2007/4.
- Mampaey, L. (2014). *Répertoire de entreprises du secteur de l'armement en Belgique*. Les Rapports du GRIP, 2014/4.
- Mampaey, L. (2016). *Herstal : le piège de la privatisation*. Éclairage du GRIP, 15 janvier 2016.
- Struys, W., Mampaey, L., & Balázs, S. (2000). *The Hungarian and belgian defence industries: A bilateral study*. European Commission, Directorate-General Research, EUR 19232.
- *The Netherlands Defence Industry Strategy*, 13 december 2013
- *Eindrapport 'Nederlandse Defensie- en Veiligheidsgerelateerde Industrie 2016'*, Triarri, Den Haag, 22 maart 2016 (Report on the NL-DSI, 2016)
- Ugurhan Berkok, Christopher Penney, Karl Skogstad, *Defence Industrial Policy Approaches and Instruments*, Queen's University, Kingston Canada, July 2012
- *Lijst van vragen en antwoorden geactualiseerde Defensie Industrie Strategie*, Tweede Kamer, Vergaderjaar 2013-2014, Kamerstuk 31125 Nr. 24, 3 april 2014 (List of questions and answers on the 2013 version of the Defence Industry Strategy)
- *Rapportage Industriële Participatiebeleid 2013-2014*, Brief van de minister van Economische Zaken H.G.J. Kamp aan de Voorzitter van de Tweede Kamer, 11 december 2015 (Report on the Industrial Participation Policy 2013-2014)
- *Rijksbegroting 2016 – Hoofdstuk X Defensie* (The Netherlands Defence Budget 2016)

#7

Policy Paper

DEFENCE INDUSTRIAL POLICY IN BELGIUM AND THE NETHERLANDS

BY OLIVIER DE FRANCE / Research Director, IRIS
LUC MAMPAEY / Director, GRIP
DICK ZANDEE / Senior Research Fellow, Clingendael

October 2016

Author's note: Dick Zandee is grateful to Anne van Heerwaarden who contributed to the article.

The views expressed here are solely those of the authors. They do not reflect the views of any organization.

ARES GROUP

The Armament Industry European Research Group (Ares Group) was created in 2016 by The French Institute for International and Strategic Affairs (Iris), who coordinates the Group. The aim of the Ares Group, a high-level network of security and defence specialists across Europe, is to provide a forum to the European armament community, bringing together top defence industrial policy specialists, to encourage fresh strategic thinking in the field, develop innovative policy proposals and conduct studies for public and private actors.

CONTACT [Pilots]:

Jean-Pierre Maulny, Olivier de France, Sophie Lefeez

ares@iris-france.org

+33 (0)1 53 27 60 60

www.iris-france.org/ares

#AresGroup