

# Missile Defense Cooperation in the U.S. – European – Russian Triangle

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The United States's persistence in seeking to develop a comprehensive missile defense system for the protection of the "homeland, deployed forces, friends, and allies" brought the issue of international cooperation to the forefront of the international agenda of many countries, including Russia. After the unilateral U.S. withdrawal from the Anti-Ballistic Missile (ABM) Treaty in June 2002, governments and businesses began to seek out their role in controlling proliferation risks and enhancing national and international security.

U.S. withdrawal has not materially changed the position that Russia had maintained in the preceding years. Although the United States has stopped distinguishing between strategic and non-strategic defense in favor of the concept of layered defense and the general term "ballistic missile defense" (BMD), Russian officials still draw this distinction. The Russian position disagrees with the idea that national or global BMD should address strategic missile threats and contends that the only stabilizing and realizable form of missile defense can be non-strategic theatre missile defense (TMD). Opposing the U.S. efforts to bring the European allies onboard, Russia has been trying to involve Europeans in building a European-oriented TMD system with Russian participation (this paper will refer to the EuroTMD by its Russian acronym EuroPRO). This memo briefly looks into the Russian motives for introducing the EuroPRO idea and examines the political and economic conditions providing opportunities and constraints for its realization. It argues that although, politically, a joint Russian-European TMD system has a chance of becoming a viable project, a number of material circumstances, and foremost the structural conditions of the European and Russian defense industries, preclude this possibility.

## **International Cooperation on Missile Defense: Russian Expectations and Options**

For Russia, the issue of missile defense holds special significance. It directly relates to the legacy of the Soviet nuclear superpower status and the objective of preserving the strategic balance in relation to the U.S. nuclear force. At the same time, the realization of missile defense in a cooperative format offers attractive prospects. On the material side, Russian defense companies still have the technological and manufacturing capacity to develop, design, and produce competitive hardware and software to counter missile

threats. Many Russian domestic actors, including the military, see a reviving potential of international orders and investment for the declining national defense research and development (R&D) and production. In addition, Russian collaboration on missile defense with Western countries is viewed as highly symbolic. Joint development of these research-intensive and complex systems implies a high level of commitment, trust, and coordination. Joint deployment and operations amount to an allied relationship. In Russia's eyes, BMD cooperation could form the basis of a genuine strategic partnership with Europe (or the United States), which is a prominent goal among its declared foreign policy priorities.

As concerns the United States, the Russian position regarding missile defense cooperation remains controversial. Official statements from Russia usually refer to the need for trilateral cooperation with the United States and Europe, but maintaining the distinction between strategic and non-strategic defense practically devalues Russia's statements on the desirability of cooperation with the United States. The United States takes a reciprocal stand. The need for cooperation with Russia on missile defense receives lip service from senior officials, but does not get translated into practical steps and is strongly resisted in Congress.

The insistence on limiting the capability of a missile defense system to address only non-strategic threats leaves Russia with the option to promote the idea of developing theatre missile defense in cooperation with Europe, whose governments are beginning to recognize the risk of missile threats but are skeptical about the "silver-bullet" capacity of the costly U.S. solution. The record of Russian proposals to cooperate with the European countries on TMD starts in 1994 and includes invitations addressed to various institutions (the Western European Union and the European Union) but predominantly to NATO. Russia-NATO cooperation on TMD was listed among other fields of interaction in the Founding Act of 1997 but started to materialize only after the 2001 round of renewed Russian initiatives that included a plan for an all-European, non-strategic missile defense that was presented to the secretary general of NATO and sent to several European capitals. In mid-2002 the initiative was put on a practical track within the established Russia-NATO Council in an ad-hoc working group chaired by Robert Bell, a high-ranking NATO official responsible for armaments cooperation.

## **EuroPRO: Transatlantic and European Configurations**

For Russia, achieving EuroPRO in the NATO framework leaves open the problem of the NATO transatlantic dimension. Russian lobbying for a limited approach to missile defense with a significant Russian role counteracts U.S. pressure to support the U.S. vision of an all-encompassing missile defense. For this, the NATO framework may not be productive. NATO has had its own TMD dynamics synchronized with that of the United States. In 2000, NATO commissioned an Active Layered Theater Ballistic Missile Defense Feasibility Study, and in mid-2003 decided to expand it to a second stage exploring the possibility of "protecting population areas and territories." Until mid-2002, the attitude of the European countries toward a global missile defense had been largely similar to the Russian one. Since the U.S. withdrawal from the ABM Treaty, the European governments have been more inclined to consider supporting the U.S. project.

Recent developments suggest that the U.S. and European approaches are becoming more compatible.

At the same time, wariness of U.S. unilateralism is increasingly a factor even for its closest allies such as the United Kingdom and Japan, to say nothing of the core states of the “old Europe.” In September 2003, the United Kingdom, Germany, and France, agreed on the statement that the EU “should be endowed with a joint capacity to plan and conduct operations without recourse to NATO resources and capabilities.” If the Europeans decide that missile defense should be part of this independent European capacity, Russian expertise, technologies, and developed systems could provide a substantial and cost-effective input. Realizing the “all-European joint missile defense” through EU structures remains a hypothetical possibility.

This prospect, however, does not correspond to practical realities. The existing infrastructures in Russia and Europe that could become the foundation of a collective missile defense system are hardly complementary. In Europe, such infrastructure exists in the form of NATO assets and programs. The cardinal part of it is the Air Command and Control System (ACCS) that integrates the air defense of all NATO members and is currently undergoing a comprehensive and expensive modernization process to make it more compatible with the U.S. systems. Creating a totally new infrastructure is out of the question given the already existing strain on the reduced European defense budgets from the costs of NATO and EU military programs. Despite the almost fictional possibility of the “Europeanization” of NATO assets, EU-Russian infrastructure compatibility would still be a problem.

### **Missile Defense: Position of the European Defense Industry**

Equally important are the attitudes of the European defense industry. A number of recent analyses converge in the observation that industrial integration and industrial partnerships are actually taking the lead from governments in initiating political and military coalitions. At present, the perception of the defense industry in Europe is that it, in the words of a company representative, “could disappear altogether” as a result of aggressive market strategies from competitors across the Atlantic and tight defense budgets. In the face of these challenges, companies resort to tactics of consolidation and cooperation on all levels from national to trans-European to transatlantic. The two largest trans-European companies in the missile defense sector are the missile-producer MBDA and European Aeronautic Defense and Space (EADS). From the European perspective, forming transatlantic partnerships with U.S. companies could help Europe stay at the technological forefront and gain a position in the market, nourished by the world’s largest defense budget. Pressure from the European defense industry to get governments to cooperate with the United States existed throughout the 1990s. In the mid-1990s, a serious transatlantic partnership formed around a collaborative U.S.-German-Italian Medium Extended Air Defense System (MEADS) project. Business instantly reacted to the demise of the ABM Treaty: the next month Boeing entered coalitions with the British BAE Systems, EADS, and the Italian Alenia Spazio, signing memoranda pledging “support [of] all aspects of global ballistic missile defense.” Seeing transatlantic partnerships as mutually beneficial, the manufacturers are sending out a strong political

message. While U.S. companies call on the U.S. government to ease the technology transfer controls stalling cooperation, the European defense industry representatives appeal for increased defense expenditure, concerted political backing, and political decisions to get involved with the U.S. BMD plans.

### **EuroPRO: Russian Domestic Context**

In this context, a number of Russian domestic factors dull EuroPRO prospects. First, its domestic constituency is largely unstable. In Russia, the idea of missile defense cooperation enjoys significant political support precisely because it remains devoid of concrete substance and rests upon specific perspectives of political groups rather than a comprehensive account of factors. For some, the idea is welcome because it would strengthen Russia's orientation toward the West. These groups equally endorse cooperation with the United States as well as with Europe. Others believe that cooperation with Europe is good because it works against U.S. plans of global or national missile defense. All of the proponents believe that international cooperation will direct (foreign) funds to the Russian defense industry. Some say that the European system is built "on the base of Russian technologies." At the same time, many within the military and political establishments do not uphold the current NATO framework of cooperation. There have been angry outbursts from the military because a joint missile defense with NATO would compromise Russia's control of its own security. The October 2003 discussion of the new military doctrine displayed lingering suspicions of NATO

Second, even under the best possible circumstances, the technological and industrial base of cooperation bears the most importance. The poor state of the Russian defense industry does not need to be repeated here. The Russian defense budget is roughly two to three times lower than that of each individual top European spender, and R&D and procurement expenditure have traditionally been its weaker part. The process of consolidation, under heavy state guardianship, has just started. Consolidation will proceed according to the federal plan for the reform and development of the military-industrial complex adopted in November 2001, which envisages organizing more than 1,600 defense enterprises (about half of which will simply be closed) into several dozen holdings. This would optimize the defense order and the efficiency of the resulting entities, streamline research and development, and attract investment. In the field of missile defense, recent mergers include: the formation of Almaz/Antei Concern of Air Defense (famous for S-300 and S-400 air defense complexes) authorized by Putin's February 2002 decree; the October 2003 formation of NPO Mashinostoenia (the Machine-Building Scientific and Production Association), which was constituted as a corporation integrating the original head company and approximately 10 more enterprises formerly under the Russian Space Agency to specialize in the development and production of ballistic and cruise missiles. Because of the strict state-ownership share policy, Russian corporations are finding it hard to act as efficient, independent market players, even though many of them no longer receive state funding. Most of the newly consolidated companies are still rather loose entities requiring further integration and streamlining.

Although big on the Russian scale, in the international market top Russian companies fare quite modestly, usually ranking among the top 60 world defense production leaders. Russia was able to become a leading armaments exporter in the last two years exclusively due to sales to Third World countries. Out of 38 representative offices of the Rosoboronexport, a state agency responsible for arms export, only 5 are located in European NATO member states (including the Czech Republic, Hungary, and Poland). Though most of their revenues come from exports, Russian defense companies have established very few joint ventures and partnerships. In terms of strategic business partnerships appropriate for large-scale, long-term projects such as missile defense, Russian companies do not even compare to those of the European and U.S. defense industries. The first NATO TMD feasibility study attracted four applicant teams, each a rich mixture of U.S. and European corporations. Such transatlantic coalitions instantly form whenever a bid for a major project is announced in Europe.

Until now, Russian companies have at most enjoyed occasional subcontractor roles in cooperation with Europeans. So far, Russia's Irkut and Sukhoi are collaborating with EADS to market amphibious planes and co-develop uninhabited aerial vehicles (UAVs). Regarding missile defense, the first tentative contacts were made with U.S. companies: as early as August 2002, Lockheed Martin and Khrunichev Space Center discussed a deal in Moscow to "cooperate closely on missile defense and other space-related work." In August 2003, Boeing signed a memorandum of understanding with RTI Systems Concern on joint architectural analysis of radar systems, stating a general interest in cooperation on missile defense. The comments from the industry, however, stressed that unless the U.S. government eases arms exports and technology transfer regulations, and both governments reach appropriate political agreements, the levels of cooperation and interaction are not likely to move beyond the expression-of-interest stage.

## Conclusions

A European missile defense project of any composition is unlikely due to the other priorities of European defense spending that are not likely to change. Moreover, whatever the political layout, this project can never be realized as exclusively "European." Given the long-standing political commitments, institutional ties, and industrial configurations, no effort in European missile defense will be sustainable without U.S. involvement or, at minimum, acquiescence to such a project.

Although different in other aspects, the Russian and European defense industries share a similar problem: both maintain a competitive edge in a range of fields but risk increasingly falling behind the performance of better-funded U.S. R&D because of funding shortages. The European companies have addressed this challenge through trans-European and transatlantic consolidation and cooperation.

The Russian defense industry is at the very beginning of this road. Consolidation, privatization, and optimization within the industry still have a long way to go before Russian companies can act in transnational partnerships on par with European and U.S. counterparts. A political partnership in missile defense, even if possible, will not by itself bring about a harmonious industrial cooperation as expected by many proponents in Russia. Instead, Russian companies will have to enter a fiercely competitive and largely

self-sufficient market. The Russian defense industry will have to be resurrected with a determined, well-coordinated effort from the inside and not hope for a magic solution from abroad.

Finally, missile cooperation is still a field that offers Russia prospects of international cooperation, but the present calculations of the benefits of EuroPRO are largely unfounded. Defense cooperation with Europe can and ought to be a way of Russian integration into the European security structures but should be pursued based on qualitative analysis and consistent political strategy.

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