

Britain gives missile contract to European consortium

Julie Hyland
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Despite intense lobbying from the United States, Prime Minister Tony Blair has decided to award arms deals worth £1 billion to supply missiles for Britain's Euro-fighter aircraft to a European defence consortium.

The order had been the subject of fierce competition between the successful Matra BAe Dynamics consortium, the Anglo-French producers of the Meteor missile system, and the rival ERAAMplus, produced by US arms manufacturer Raytheon. It was the subject of intense lobbying by leading politicians on both sides of the Atlantic.

US President Bill Clinton had twice written to Blair on Raytheon's behalf, in one letter even underlining the word's "I feel strongly" about Britain's decision, and was known to have made three transatlantic phone calls to the prime minister's office on the issue. French President Jacques Chirac and German Chancellor Gerhard Schröder had also written to Blair urging the Labour government to choose the Meteor, with Chirac appending a handwritten message reading, "This business therefore appears to be of great importance."

In the final days before the decision was made, US Defense Secretary William Cohen made a last-minute plea to the British government to buy the American missile. In a letter to his British counterpart Geoff Hoon, obtained by the *Telegraph* newspaper, Cohen stressed that Raytheon was the cheaper option. The US government had spent £66 million on "ramjet" systems used by Meteor, Cohen said, emphasising: "The quickest, most positive way to resolve your need for this weapon system is through a cooperative venture, as offered by the US Air Force."

The controversy over Britain's decision highlights the extent to which Europe is now attempting to compete with US defence companies and develop a military capacity independent of America and NATO. Blair, who took the final decision on the contract in his capacity as chairman of the government's defence and overseas policy committee, attempted to play down this aspect of the decision. It had been made purely on economic factors—such as safeguarding British jobs—and technical capability, the government said.

Defence companies claim that the contract, which also involves government spending of £3.5 billion on a new European "military airbus" as well as the £1 billion on missiles for the Euro-fighter aircraft, will create or safeguard nearly 5,000 British jobs. A European consortium led by BAe and Matra of France, and also including German, Spanish and Swedish companies, will build the Meteor.

The European consortium had offered a ramjet-powered missile that could be in service by 2008 for £1 billion, whereas Raytheon's £500 million contract was for an upgraded version of its rocket-powered AMRAAM, or advanced medium-range air-to-air missile, followed by further upgrades, to be in service by 2007. Because the Meteor missile flies under power all the way to its target, unlike Raytheon's missile which cruises to it, it is set to be the most advanced "Beyond-Visual-Range-Air-To-Air" missile in the world.

Hoon declined to give details on the rival bids and the number of missiles the government had brought for the Royal Air Force's promised 232 Euro-fighters. He hailed the deals as "of great importance for the armed forces and for our defence capability for several decades to come", stressing its importance for Europe's rapid-reaction forces. Defence sources said that Europe's inability to transport large numbers of troops and equipment quickly had been demonstrated in the Kosovo conflict. Air Marshal Sir Peter Squire, chief of the air staff, said that if the new aircraft had been available already, British troops would have been able to fly directly to Sierra Leone to intervene in the ongoing civil war.

The decision on the arms contract had caused divisions within the British cabinet. Chancellor Gordon Brown was said to be opposed to the more expensive option and had questioned the funding of the project. The disagreements forced a delay in the announcement by two weeks, as Brown insisted the Defence Department reconsider the rival bids. The row has been likened to the split over defence contracts in the Thatcher Conservative government during the 1980s, over rival US-European bids for a helicopter contract, in

what became known as the "Westlands affair". On that occasion, the government decided in favour of the US contract.

Blair attempted to downplay claims that the latest defence bid had strained the so-called "special relationship" between the US and the UK, and concerns raised that Britain may follow "Fortress Europe".

In what was reported as a "consolation" prize for the US, £500 million is to be spent leasing American C17s to replace the ageing fleet of Hercules transport planes until the new Airbus aircraft comes into service. Britain's decision to upgrade its heavy-lift air transport fleet with 25 A400M aircraft built by Europe's Airbus consortium means four Boeing C17 Globemaster aircraft will be leased for several years to fill the gap until the new aircraft are available. The government will also order £200 million worth of Raytheon missiles until the Meteor comes on stream.

Blair was reported to have told Clinton that he was "determined that the decision should not be seen as a Europe versus US choice". This is the reality of the matter, however, and demonstrates the extent to which European concerns are now diverging from those of America.

The decision by the British government has major implications for the future of Europe's plans for an independent defence capability. Europe cannot achieve military independence if its combat aircraft remain reliant on US-made missiles and US firms continue to enjoy a virtual monopoly in the field. Others were more willing to admit this: BAe Systems' chief executive John Weston welcomed the government's decision, stating that the "selection of Meteor creates genuine global competition for the first time in the air-to-air missile market and it provides the defence industry in the UK and the rest of Europe with a powerful boost". Tom McDonald, of the British American Security Information Council, said that the decision "appears to be a definite move towards a pan-European defence strategy".

In an attempt to counteract the pan-European approach, Raytheon had earlier embarked on an alliance with Diehl of Germany and Shorts of Belfast in Northern Ireland, offering European countries a 35 percent share of the work for the missile if their governments placed an order. It threatened that in the event of a British decision against them, large numbers of jobs would be threatened, including hundreds near to Brown's Scottish constituency.

According to the Dow Jones Newswire, the British decision could cost Raytheon its dominant market position in missile manufacture, as it almost certainly means other European countries, who had put off their decision on future defence contracts until after Britain's announcement, will not renew contracts with Raytheon. Pentagon spokesman Kenneth Bacon said of the British decision, "I don't know

whether I'd call it a slap in the face. It was certainly a disappointment."

In the last days there had been repeated calls from European companies, such as Germany's DaimlerChrysler Aerospace, urging Britain to opt for the Meteor if the continent's defence industry were to develop. Since Britain is the largest projected financial contributor to the programme, an adverse decision would have scuppered the whole project. Following the decision, Hoon told parliament that he was confident the others would now sign up. The Airbus Military company has one year to formalise agreements between seven governments—Belgium, France, Germany, Italy, Spain, Turkey and the UK—on building the European aircraft.

BAe said that the aircraft was a "logical step towards a more integrated European defence industry," and that "selection of Meteor would remove any threat of a US Congress veto on export sales of the Euro-fighter. Meteor will allow European governments independence in deciding where the aircraft will be exported."

Announcing the decision, Hoon similarly made clear that it was a show of commitment by Britain to the European defence industry. "It will be welcome to our European partners," he said. "The procurement package we have selected is clear evidence for our partners on both sides of the Atlantic of our strong commitment to enhance European defence capabilities."

Part of the attraction for Britain is that the Meteor could become the main product of a pan-European missile giant, combining British, French, German, Italian, Spanish and Swedish manufacturers. The hope is that Britain—one of the world's largest arms manufacturers—could play the leading role in this endeavour.



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