PARLIAMENTARY OVERSIGHT OF NATIONAL DEFENCE INDUSTRY

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NATO PARLIAMENTARY ASSEMBLY
ASSEMBLEE PARLEMENTAIRE DE L'OTAN

DCAF Geneva Centre for Security Sector Governance

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Notes

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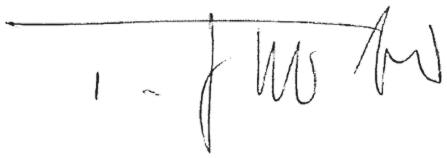
Foreword

As a global centre of excellence for security sector governance, DCAF – the Geneva Centre for Security Sector Governance has worked for more than 20 years to improve parliamentary oversight of the security and defence sectors. Much of this effort has been centred around cooperation with the NATO Parliamentary Assembly (NATO PA), under which DCAF has delivered joint training programmes and seminars and conducted joint research along with the design and delivery of the so-called 'Oversight and Guidance' updates on parliament and relevant security sector developments. Noting the growing influence of defence industries over policies and procurement decisions, and the need to ensure commensurate parliamentary oversight, DCAF and the NATO PA opted to make parliamentary oversight of the defence industry the focus of our joint study in 2021. As the Director of DCAF, I am therefore extremely proud to present this study – the first to comprehensively address the means through which parliaments exercise oversight of the defence industry.

The study presents the role and functions of parliaments, focusing on legislation, resource allocation, oversight and accountability, appointments, and dialogue. It also offers practical guidance and tools for reinforcing oversight.

The publication is aimed at those responsible for, or interested in, oversight of the defence industry, including parliamentarians and staffers, researchers, and civil society, as well as individuals interested in security studies. DCAF thanks the NATO PA Secretariat and the delegations to the NATO PA for their invaluable support and cooperation in making this study possible.



Thomas Guerber

Director

Geneva Centre for Security Sector Governance

Preface

NATO is not just a military alliance. It is an alliance of democracies defined by what it stands for: an unwavering commitment to shared values and principles, chief among them democracy, individual liberty and the rule of law. Parliamentary oversight of the defence and security sector is an essential part of these values and principles. For more than two decades, the NATO Parliamentary Assembly (NATO PA) therefore proudly cooperates with the Swiss government and the Geneva Centre for Security Sector Governance (DCAF) to strengthen parliamentary oversight in Allied and partner nations. This study on defence industry oversight, in part based on a survey of national delegations to the NATO PA, is yet another important contribution.

After Russian President Vladimir Putin decided to start a war of choice against Ukraine in February 2022, Allies face a radically changed security environment. NATO Heads of State and Government will come together for a NATO Summit in June to adapt to this new environment, including by embracing a new NATO Strategic Concept. Reinforcing collective defence and deterrence must be part of this adaptation, and Allies must meet the commitments made in 2014 to spend 2% of GDP on defence and 20% of that on new capabilities.

As additional expenditure goes to fund new defence investments, it will be important to continue to strengthen oversight of the defence industry. As this study clearly reveals this remains underdeveloped in many countries. Most parliaments will therefore have to increase the scrutiny of contracts awarded to defence industry to live up to their duty to hold governments as well as defence industry accountable. I believe this study's findings will assist parliamentary committees, individual parliamentarians and supporting staff from NATO and partner countries in doing so. The NATO PA stands ready to further support these efforts.

Ruxandra Popa

Secretary General

NATO Parliamentary Assembly

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Introductory remarks

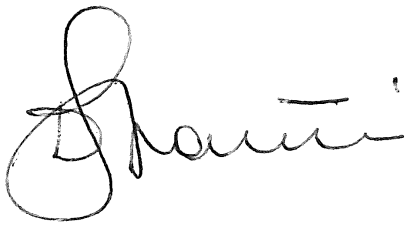
For over 20 years, the NATO Parliamentary Assembly (NATO PA) has enjoyed a cooperative partnership with DCAF – the Geneva Centre for Security Sector Governance, a cooperation supported by the Swiss government. This fruitful partnership has led to, among other things, the publication of a series of 'best practice' surveys on how parliaments in NATO member states, along with relevant partners, address issues specific to the defence and security sector. Translated into several languages, these surveys have become important comparative studies for countries in transition towards stronger parliamentary oversight.

This study is the result of yet another joint project of NATO PA and DCAF. Between February and August 2021, national delegations to the NATO PA were asked to answer a series of questions regarding the role and functions of their parliaments and parliamentary committees in overseeing the defence industry. The results of this survey served as a key resource for the analysis presented in this study.

The study begins by examining the relationship between NATO and the defence industry through recourse to key NATO strategic documents and NATO-industry institutional arrangements. It suggests that NATO should reinforce and further optimize relations with the defence industry, and presents ideas for how this might be achieved, including by emphasizing cooperation between NATO and the defence industry in the new NATO Strategic Concept. The study then outlines the methods and mechanisms used by parliament to effect parliamentary oversight of the defence industry. It notes that while traditional parliamentary oversight tools continue to be used to oversee the defence industry, more recently they have been complemented by mechanisms tailored to specific issues, such as arms export and multinational defence cooperation. The study concludes by detailing the procedural stages of parliamentary oversight activities and presents examples of good practices regarding parliamentary reviews of defence industry activities. It notes, however, that the growing influence and importance of the defence industry demands that steps be taken to enhance parliamentary oversight over its activities.

As elected representatives of the people, parliamentarians have an essential role and responsibility in ensuring that security institutions remain effective, efficient, and accountable in their policies, actions, and use of public funds, and that they implement the political goals set out by parliaments and governments. This responsibility extends to the role and functions of the defence industry.

Together with DCAF, the NATO PA will continue to focus on parliamentary oversight as a key element in the shared common values that have made NATO the most successful alliance in history. We remain ready to assist countries seeking to enhance their parliamentary oversight practices.



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Executive summary

The development of modern defence capabilities requires considerable public resources. Companies operating outside the formal military structure deliver the material necessary to achieve such capabilities, including weapon systems, equipment, ammunitions, information systems, and supporting infrastructure. They also provide upgrades and maintenance services. Importantly, such companies are expected to deliver their services in peacetime and wartime, and thus constitute an essential component of the national defence capacity. In order to deliver the most advanced capabilities, companies invest significant resources in research and development (R&D) – exceeding 20 per cent of national investments in R&D in some countries. Investments in defence R&D often have positive spillover effects on the economy in terms of driving the development of new products, technologies, or services. Exports of arms and dual-use technologies and products should accord with the foreign policy of the exporting country, international norms, and export control regimes. When a country procures weapon systems or services from a foreign supplier, it needs to make sure that the related support will be available even under duress. Finally, defence companies may choose to collaborate through bilateral or multilateral formats to achieve certain competitive advantages but, as a rule, such forms of cooperation are aligned with, if not part of, high-level foreign and security policy arrangements. Despite the importance of the defence industry in providing for national defence capabilities, parliamentary oversight of the defence-industrial complex remains understudied and, in many cases, underdeveloped. This is partly explained by the complexity and specific context of the defence industry. Ownership of the defence industry varies from state to state, as does the specific expertise needed to ensure effective oversight.

Consequently, in consultation with the NATO Parliamentary Assembly (NATO PA), in 2021 DCAF – the Geneva Centre for Security Sector Governance disseminated a survey on parliamentary oversight of the defence industry to delegations of the NATO PA. The survey sought to capture the role and functions of parliamentary committees on national defence and security, and other parliamentary organs, such as committees on trade and economy, regarding legislation, resource allocation, oversight and accountability, appointments, and dialogue in the following five areas within the defence industry:

- R&D and defence capability development;
- economic, technological, and innovation aspects of defence procurement;
- strategic orientation (including privatization, international cooperation, mergers, and supply chain security);
- arms trade (export and import); and
- integrity (including corruption prevention, conflict of interests, and lobbying).

The findings of this study are based on the results of the survey, and on a review of open-source data by three subject-matter experts. In the first chapter, Dr Grazvydas Jasutis examines cooperation between NATO and the defence industry from an institutional and political perspective. The chapter considers NATO strategic documents in order to understand the role of the defence industry in the context of NATO policies and priorities, and explores NATO-industry institutional arrangements, in particular the Framework of NATO-Industry Engagement. It identifies potential areas to include in the new NATO Strategic Concept and concludes that NATO needs to reinforce and further optimize relations with the defence industry so that the latter can develop and deliver the necessary capabilities to enable NATO to respond to new and emerging security challenges. It contends that such reinforced and

optimized relations must be matched with commensurate oversight mechanisms, which also play a key role in democratic systems.

The second chapter, prepared by Dr Todor Tagarev, presents the findings of the survey disseminated to NATO PA delegations. It outlines the types of parliamentary oversight mechanisms applied by different countries, focusing on the degree of state dependence on national defence industries for developing and maintaining defence capabilities, as well as types of ownership of national defence industries. The chapter details the means through which parliamentary bodies exercise oversight over the defence industry and finds that the interest of parliaments and parliamentarians in the industry has grown in recent years. As such, it notes that while traditional parliamentary oversight tools continue to be used, they have been complemented more recently by mechanisms tailored to specific issues, such as arms export and multinational defence cooperation. It concludes that parliaments' interest in the defence industry is likely to increase, particularly given the increase in multinational cooperation under the auspices of the Permanent Structured Cooperation (PESCO) and other similar frameworks, as well as plans to increase defence budget expenditure for these forms of cooperation through the European Defence Fund and other multinational arrangements.

The third chapter, prepared by Dr Teodora Fuior, details the procedural stages through which parliamentary oversight activities take place – that is, through plenary sittings, committees, and individual actions undertaken by members of parliament (MPs). It also presents example of good practices regarding parliamentary reviews of defence industry activities. The chapter finds that the Covid-19 pandemic has highlighted that parliaments, governments, and citizens have a limited understanding of the depth and breadth of defence industry supply chains, as well as the source of origin of many component parts. Accordingly, it claims that despite democratic constitutions demanding strong parliamentary and government control over security and defence policy and procurement, national defence industries can still wield influence over policy and procurement decisions. As such, the chapter contends that there is a need to review both the resilience of supply chains and defence industry policy in light of strategic changes in the post-pandemic world, particularly by exploring how states can best balance the concept of self-reliance with economic realities, including affordability.

The study is intended to serve as an innovative resource for oversight actors, including parliaments, who wish to gain a better understanding of the role of oversight in the defence industry, and of transparency and accountability in the defence sector.

Chapter 1. NATO-defence industry relations

By Dr Grazvydas Jasutis

Introduction

Speaking at the NATO Industry Forum in Rome on 18 November 2021, NATO Secretary General Jens Stoltenberg pointed out the important role played by industry in international security. He highlighted NATO's long-standing engagement with industry, noting that 'on the one hand, NATO and Allies depend on the industry to provide us with the capabilities we need; on the other, industry depends on decisions taken by NATO to shape the market you operate in'.[1] Admiral Rob Bauer, Chair of NATO's Military Committee, stressed that innovation and creativity do not reside solely in industry; each player has a unique role to play, and NATO needs to embrace these innovators – be they in academia or industry.[2] The defence industry has been routinely addressed at NATO meetings and discussed at both the national and multinational level. Given that NATO strives for peace, security, and stability in the Euro-Atlantic area, and seeks to fulfil its three core tasks of collective defence, crisis management, and cooperative security, it follows that significant investment and enhanced capabilities are required to meet new and emerging security challenges. Close cooperation with the defence industry therefore remains of key importance.

Since its establishment in 1949, NATO has cooperated closely with the defence industry. This cooperation is predicated on the fact that credible deterrence relies on effective capabilities, which in turn depend on close cooperation with the defence industry. With this in mind, NATO established a committee to address cooperation between NATO countries in the armaments field. The Conference of National Armaments Directors (CNAD) was created in 1966 to provide a flexible and open framework for armaments cooperation within the alliance. In a changing security environment and at a time of financial austerity, the CNAD is proving its usefulness and adaptability as it continues to facilitate dialogue among nations and to foster multinational cooperation in capability development, acquisition, and delivery with a view to filling critical capability gaps.[3] Only two years after the first CNAD meeting in Paris, procurement officials decided that the defence industry should also have a seat at the table. Consequently, the NATO Industrial Advisory Group (NIAG) was established in October 1968. The NIAG is composed of representatives from the defence industry, as well as defence industry associations, who advise NATO on topics of interests for the alliance and at the request of allies.[4] The Honorary Chair of NIAG, Raffaele Esposito, suggested that the creation of NIAG reflected NATO's recognition of the importance of maintaining a permanent forum for interaction with industry.[5] He also considers that the NIAG has fulfilled its advisory function by carrying out studies providing technical advice on an annual basis to support the activities of the CNAD. A series of 'high-level advice' activities have also been conducted since the establishment of the NIAG, addressing policies of interest to the alliance. More than 225 studies have been produced, covering a broad array of topics and directed at a plethora of customers – including Allied Command of Transformation (ACT), the Emerging Security Challenges Division (ESCD), the then NC3A (NATO Communication and Command and Control Agency, presently the NATO Communication and Information Agency (NCIA), the Aviation Committee, and so on. NATO and national programmes have benefited from the results of these studies: well-known examples include the development of Horizon and FREMM French-Italian frigates, the multinational NH 90 helicopter, and the NATO Ballistic Missile Defense Programme.[6] Noteworthy examples of 'high-level advice' include the series on Transatlantic Defence Industrial Cooperation (TADIC), NATO Interop-

erability, Government Industry Partnership, and the Involvement of Small and Medium Enterprises.[7]

At the Chicago Summit in 2012, NATO heads of state and government stressed that 'maintaining a strong defense industry in Europe and making fullest possible use of the potential of defense industrial cooperation across the Alliance remain an essential condition for delivering the capabilities needed for 2020 and beyond'. NATO, states, and industry have therefore been considering how to improve NATO-industry relations, resulting in the creation of a Framework for NATO-Industry Engagement.[8] The framework seeks to improve the way NATO engages with industry through mutually beneficial, coherent, and transparent relations, with the aim of harmonizing capability requirements and solutions through existing NATO-industry arrangements and bodies. Ultimately, this approach contributes to enhancing the development of NATO's capabilities. In addition, since 2004, ACT has organized annual 'Industry Days' in the various capitals of the alliance, addressing issues related to interaction between NATO and industry, including interoperability, transformation, Distributed Networks Battle Labs, Maritime Information Services, and so on.[9] The relevance of these industry days has increased since then and, beginning with the Istanbul Forum in 2013, they are now jointly organized by ACT and the CNAD.[10] The defence industry is now included in NATO strategic documents and will likely form part of the new NATO Strategic Concept to be adopted by the allies in 2022. The defence industry provides a vast array of services and equipment essential for delivering relevant capabilities to the allies, including:

- small arms and ammunition, and artillery (such as light machine guns, mortars automated grenade launchers, remote controlled weapon systems, man portable air defence systems, and rocket launchers);
- aircrafts, helicopters, and unmanned aerial vehicles (UAVs);
- space equipment and services;
- electronic equipment (reconnaissance, signals intelligence (SIGINT), command and control);
- engines and propulsion systems;
- missiles;
- military vehicles (including command vehicles, main battle tanks (MBT), armoured fighting vehicles (AFV), infantry fighting vehicles (IFV), assault bridges, and engineering vehicles) and parts thereof;
- naval vessels and warships (including battleships, amphibious assault ships, command and control ships, cruisers, destroyers, frigates, carriers, submarines, aircraft carriers, minesweepers, operational support ships, military sea lift ships, diving support vessels, patrol boats, navigation training vessels, range support vessels, etc.);
- various types of services (maintenance, support, training, logistics, transport); and
- all related inputs (products and services) and equipment (machinery, buildings, infrastructure, etc.).[11]

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7 Ibid.

8 NATO. 2013. Framework for NATO-Industry Engagement. Available at: https://diweb.hq.nato.int/indrel/Shared%20Documents/FNIE_Brochure.pdf.

9 Esposito, R. 2018. NATO Industry Relation: The Jury is Still Out. Available at: http://www.natofoundation.org/wp-content/uploads/2018/07/NDCF_Paper_Esposito_NATO_NIAG.pdf

10 Ibid.

11 European Commission Directorate-General for Employment, Social Affairs and Equal Opportunities Unit F3.

This article examines engagement between NATO and the defence industry from an institutional and political perspective. It is composed of three parts. The first considers NATO's strategic documents in order to understand the role of the defence industry in light of NATO's priorities and politics. The second explores NATO-industry institutional arrangements, placing a heavy emphasis on the Framework for NATO-Industry Engagement. The third identifies potential areas that may be reflected in the new NATO Strategic Concept. The article concludes that NATO needs to reinforce and further optimize relations with the defence industry so that the latter can develop and deliver the necessary capabilities for NATO to respond to new and emerging security challenges. It also argues that such reinforced and optimized relations must be matched with commensurate oversight mechanisms, which are also essential for the functioning of democratic systems.

1. NATO Summits and the defence industry

NATO Summit meetings are often held at key moments in the alliance's evolution; they are not regular meetings, but important junctures in the alliance's decision-making process. Summits are used, for instance, to introduce new policies, invite new members into the alliance, launch major initiatives, and reinforce partnerships.[12] The defence industry has been included in summit documents since 2012 and in various subsequent declarations. In May 2012, NATO heads of state and government met in Chicago[13] and expressed their determination to ensure that NATO retains and develops the capabilities necessary to perform its core tasks, and thus continues to play an essential role in promoting security in the world. They noted that improvements in the way NATO develops and delivers the capabilities required to ensure mission success were fundamental to achieving this goal. In addition to highlighting the importance of essential national efforts and existing, proven forms of multinational cooperation, such as in the areas of strategic airlift and airborne warning and control, representatives stressed that NATO must identify new ways to cooperate more closely to acquire and maintain key capabilities, to prioritize, and to ensure inclusive consultations on any changes to defence plans. Furthermore, they reflected on the need to 'deepen the connections among the Allies and between them and NATO partners on the basis of mutual benefit. Maintaining a strong defence industry in Europe and making the fullest possible use of the potential of defence industrial cooperation across the Alliance will remain an essential condition for delivering the capabilities needed by NATO for 2020 and beyond.'[14]

This message was reiterated in September 2014, when NATO heads of state and government participated in the North Atlantic Council meeting in Wales. They concluded that NATO continues to be an essential source of global stability and remains committed to further strengthening the transatlantic bond and to providing the resources, capabilities, and political will required to ensure the alliance remains ready to meet any challenge. The defence industry has gained significant attention by underlining the important role industry plays in developing the required capabilities and sustaining national defence capabilities and the defence technological and industrial base in the Euro-Atlantic region. The Wales Summit Declaration stated that NATO countries agreed 'to reverse the trend of declining defence budgets, to make the most effective use of funds and to ensure a better balance as regard the sharing of costs and responsibilities'. It notes that overall security and defence depends on both how much allies spend on defence budgets and how such funds are spent. It also

2009. Comprehensive Analysis of Emerging Competences and Skills Needs for Optimal Preparation and Management of Change in the Defence Industry. Available at: https://eda.europa.eu/docs/default-source/procurement/14-cps-op-030-q-a-nr1-annex-1-97-skills-report-vf-1.pdf.

12 NATO. 2021. Summit meetings. 15 June. Available at: https://www.nato.int/cps/en/natohq/topics_50115.htm.

13 NATO. 2012. 'Summit Declaration on Defence Capabilities: Toward NATO Forces 2020.' 20 May. Available at: https://www.nato.int/cps/en/natohq/official_texts_87594.htm?mode=pressrelease.

14 Ibid.

states that 'increased investments should be directed towards meeting [NATO's] capability priorities, and Allies also need to display the political will to provide required capabilities and deploy forces when they are needed'. Of note, it highlights the key role of the defence industry in achieving these aims: 'A strong defence industry across the Alliance, including a stronger defence industry in Europe and greater defence industrial cooperation within Europe and across the Atlantic, remains essential for delivering the required capabilities.'[15] 'Taking current commitments into account, [NATO] is guided by the following considerations:

- Allies currently meeting the NATO guideline to spend a minimum of 2% of their Gross Domestic Product (GDP) on defence will aim to continue to do so. Likewise, Allies spending more than 20% of their defence budgets on major equipment, including related Research & Development, will continue to do so.
- Allies whose current proportion of GDP spent on defence is below this level will:
    - halt any decline in defence expenditure;
    - aim to increase defence expenditure in real terms as GDP grows;
    - aim to move towards the 2% guideline within a decade with a view to meeting their NATO Capability Targets and filling NATO's capability shortfalls.
- Allies who currently spend less than 20% of their annual defence spending on major new equipment, including related Research & Development, will aim, within a decade, to increase their annual investments to 20% or more of total defence expenditures.
- All Allies will:
    - ensure that their land, air and maritime forces meet NATO agreed guidelines for deployability and sustainability and other agreed output metrics;
    - ensure that their armed forces can operate together effectively, including through the implementation of agreed NATO standards and doctrines.'[16]

Furthermore, the declaration stated that NATO will continue to engage actively on cyber issues with relevant partner nations on a case-by-case basis and with other international organizations, including the European Union (EU), as agreed, and will intensify cooperation with industry through a NATO Industry Cyber Partnership. It notes that 'NATO recognises the importance of inclusive, sustainable, innovative, and globally competitive defence industries, which include small and medium-sized enterprises, to develop and sustain national defense capabilities and the defense technological and industrial base in the whole of Europe and in North America.' It outlined that 'economies and prosperity require security', and that 'common security requires investment, based on strong economies'. The declaration concluded that 'greater defence industrial cooperation in Europe and across the Atlantic' will be crucial to achieving these aims.[17]

In July 2016, the heads of state and government participated in the North Atlantic Council meeting in Warsaw, Poland, and adopted the Warsaw Summit Communiqué. The leaders confirmed that 'NATO's essential mission is unchanged: to ensure that the Alliance remains an unparalleled community of freedom, peace, security, and shared values, including individual liberty, human rights, democracy, and the rule of law'. [18]'To protect and defend indivis-

15 NATO. 2014. Wales Summit Declaration Issued by the Heads of State and Government participating in the meeting of the North Atlantic Council in Wales. 5 September. Available at: https://www.nato.int/cps/en/natohq/official_texts_112964.htm?mode=pressrelease.

16 Ibid.

17 Ibid.

18 NATO. 2016. Warsaw Summit Communiqué. Issued by the Heads of State and Government participating in

ible security and common values, the Alliance must and will continue fulfilling effectively all three core tasks as set out in its Strategic Concept. Despite changes in the global security environment, these tasks 'remain as relevant as ever, are complementary, and contribute to safeguarding the freedom and security of all Allies'. The Defence industry was once again mentioned on several occasions. The allies agreed to further enhance partnerships with other international organizations and partner nations, and echoed the statement from Wales Declaration calling for enhanced cooperation with industry and academia through the NATO Industry Cyber Partnership: 'A stronger defence industry across the Alliance, which includes small- and medium-sized enterprises, greater defence industrial and technological cooperation across the Atlantic and within Europe, and a robust industrial base in the whole of Europe and North America, remain essential for acquiring needed Alliance capabilities. For the Alliance to keep its technological superiority, it is of particular importance to support innovation with the aim to identify advanced and emerging technologies, evaluate their applicability in the military domain, and implement them through innovative solutions. In this regard, NATO welcomes initiatives from both sides of the Atlantic to maintain and advance the military and technological advantage of Allied capabilities through innovation and encourages nations to ensure such initiatives will lead to increased cooperation within the Alliance and among Allies.'[19]

In July 2018, the NATO heads of state and government attended the North Atlantic Council meeting in Brussels. They reiterated that NATO 'remains the foundation for strong collective defence and the essential transatlantic forum for security consultations and decisions among Allies'. They noted that the alliance 'will continue to pursue a 360-degree approach to security and seek to fulfil all three core tasks as set out in the Strategic Concept: collective defence, crisis management, and cooperative security'. The summit declaration referred to the defence industry by stating NATO's commitment 'to further develop partnership with industry and academia from all Allies to keep pace with technological advances through innovation'. [20]The defence industry was also reflected in the Brussels Summit Communiqué issued by the heads of state and government participating in the North Atlantic Council meeting in Brussels 14 June 2021. The participants stated that NATO 'face[s] multifaceted threats, systemic competition from assertive and authoritarian powers, as well as growing security challenges from all strategic directions'. It noted that NATO is 'increasingly confronted by cyber, hybrid, and other asymmetric threats, including disinformation campaigns, and by the use of ever-more sophisticated emerging and disruptive technologies'. It emphasized how rapid advances in the space domain continue to affect the security of NATO Allies. It also referred to increased NATO-EU cooperation, which in its view had reached unprecedented levels, 'with tangible results in countering hybrid and cyber threats, strategic communication, operational cooperation including maritime issues, military mobility, defence capabilities, defence industry and research, exercises, counter-terrorism, and defence and security capacity building'. [21]

2. Institutional framework for NATO-industry cooperation

At the Chicago Summit held on 20 May 2012, heads of state and government stressed that 'maintaining a strong defence industry in Europe and making fullest possible use of the potential of defence industrial cooperation across the Alliance remain an essential condition

the meeting of the North Atlantic Council in Warsaw 8-9 July 2016. Available at: https://www.nato.int/cps/en/natohq/official_texts_133169.htm.

19 Ibid.

20 NATO. 2018. Brussels Summit Declaration. Issued by the Heads of State and Government participating in the meeting of the North Atlantic Council in Brussels 11-12 July 2018. Available at: https://www.nato.int/cps/en/natohq/official_texts_156624.htm#20.

21 Ibid.

for delivering the capabilities needed for 2020 and beyond. Consequently, NATO, nations and industry have been considering how to improve the NATO-Industry relationship.' [22] To this end, NATO has invested in TADIC to encourage cooperation within the transatlantic defence industry. Defence industrial matters at NATO Headquarters in Brussels are guided on a day-to-day basis by the NIAG. The Defence Investment Division – with its Strategy Directorate and Armament & Aerospace Capability Directorate and NATO HQ C3 Staff (NHQC3S) – advises alliance members on procurement, interoperability, standardization, and capabilities. Furthermore, since 1968 the NIAG has brought together approximately 600 industrialists from European and North American NATO members three times per year to provide the CNAD with high-level advice on industrial issues, technology trends, and best practices on interoperability.[23]Many NATO committees and bodies engage in cooperation with the defence industry.[24] The Industrial Resources and Communications Services Group, under the direction of Civil Emergency Planning Committee, 'acts as a forum to exchange information and best practices on civil communications and advises on measures to improve national communications resilience'.[25] National technical experts (NATEX) are appointed to the NCIA by states; they have a role in liaising with national governments and industry on opportunities and facilitating engagement with the NCIA. The Security Committee is responsible for the development of NATO Security Policy with regards to 'the security aspects of industrial operations, including the tendering, negotiating, and letting of NATO classified contracts and their performance by industry and the exchange of NATO classified information during non-procurement and procurement relationships between NATO and Industries'. 'Transatlantic Defence Technological and Industrial Cooperation [TADIC] is one example of high level advice where NIAG offers industry views on the importance of the transatlantic relationship to NATO capability development.' 'ACT - FFCI (Framework for Collaborative Interaction (with Industry)) allows ACT to engage directly with companies either on a one-on-one or one-on-many basis at the non-procurement stages of capability development. International Staff divisions such as Defence Investment, Emerging Security Challenges, Executive Management, and Operations, maintain specific relationships with the defence and security industry.' '[The] Science & Technology Organization (STO) is a NATO subsidiary body, established with a view to meeting to the best advantage the collective needs of NATO, NATO nations and partner nations in the fields of science and technology. […] STO activities can include studies in support of procurement methodologies such as Life-Cycle Cost, Through-life support, etc. Participation of Industry representatives occurs at every level of the organization, consisting of approximately 15% of the total effort in the Technical Teams level of the "Network"'.[26]In 2013, NATO adopted a widely recognized Framework for NATO-Industry Engagement, which aims 'to improve the way NATO engages with industry in a mutually beneficial, coherent and transparent relationship for harmonization of capability requirements and solutions through existing NATO-Industry arrangements and bodies'.[27] 'The framework offers the approach for improving NATO-Industry engagement, which builds upon three pillars:

1. Structure: A framework that describes NATO and Industry roles in both non-procurement and procurement phases, on the basis of existing arrangements and NATO bodies.

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22 NATO. 2013. Framework for NATO-Industry Engagement. Available at: https://diweb.hq.nato.int/indrel/Shared%20Documents/FNIE_Brochure.pdf.

23 Daniel Fiott. 2017. 'The EU, NATO and the European Defence Market: Do Institutional Responses to Defence Globalisation Matter?' European Security, Vol. 26, No. 3, pp. 398-414.

24 For more information, see: NATO. 2013. Framework for NATO-Industry Engagement. Available at: https://diweb.hq.nato.int/indrel/Shared%20Documents/FNIE_Brochure.pdf.

25 Ibid.

26 Ibid.

27 Ibid.

2. Rules: A set of principles that clarify the NATO-Industry relationship and modalities for engagement, allowing for enhanced visibility of NATO needs, increasing transparency of NATO processes, improving ways to identify opportunities for industry and identifying methods for industry to demonstrate how to apply their contributions to NATO capabilities.

3. Delivery: An implementation plan that describes actions required, sets out a timetable and assigns responsibilities for execution and for reviewing the results, bearing in mind that NATO has no direct leverage on industry and market regulation.' [28]

Furthermore, the framework states that NATO has announced 'two initiatives aimed at generating and highlighting opportunities for multinational cooperation where industry can play a major role:

- Smart Defence: Working with NATO nations on multinational solutions, industry can highlight opportunities for cooperation; can advise on the harmonization of requirements and can contribute to national solutions and decisions. Smart Defence also represents an important opportunity for Small and Medium Size Enterprises (SME) to contribute to capability development. NATO sources suggest that Smart Defence benefits from innovative multinational cooperation by industry. Industrial partners are essential players in this enterprise, and work is underway within the Framework for NATO-Industry Engagement to develop new ways of harnessing the innovation and creativity that suppliers can provide.

- Connected Forces Initiative (CFI): Interoperability is considered the backbone of success in operations; to this end 'all three CFI pillars represent areas where industry can contribute. Industry can be involved in the development of training solutions and can contribute to exercises, experimentation, demonstrations, and trials, allowing troops to maintain and enhance their capabilities through interaction and experience in respect of the principles of transparency and equality of opportunity.'[29]

As part of the framework, 'ongoing work on "Enhancing the NATO Defence Planning Process" is also underway and is expected to make the capability development process "more relevant and responsive" by enhancing opportunities to identify where industry may become a valuable contributor. Increased transparency in this case means identifying opportunities to engage or involve industry where appropriate in NATO defence planning process.'[30]

Given the changing security environment, characterized by increased great power competition, and an acceleration in technology transformation, NATO is reliant on industry to help it maintain this new defence and security ecosystem through innovation and capability development. Overall, the future security environment through to 2035 and beyond will likely be increasingly complex and present both challenges and opportunities for NATO's military forces; they will need to apply the existing tenets of the law of armed conflict in new contexts, including emerging areas of ethical concern (such as human enhancement, cybersecurity, the employment of automation and artificial intelligence, and blurring lines between combatants and non-combatants).[31]With the support of the defence industry, NATO military forces 'could seize many opportunities in the future, including building and strengthening relationships, capitalising on innovative technology, ideas to maintain the military edge, as well as understanding and influencing the human aspects of conflict'.[32] 'NATO recognizes

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28 Ibid.

29 NATO. 2017. Smart Defence. Available at: https://www.nato.int/cps/en/natohq/topics_84268.htm.

30 Ibid.

31 NATO. 2021. Environment, Climate Change and Security. 3 December. Available at: https://www.nato.int/cps/en/natohq/topics_91048.htm.

32 NATO. 2018. Framework for Future Alliance Operations. Available at: https://www.act.nato.int/futures-work.

that it faces many environmental challenges, particularly due to the risks posed by climate change, and has been acting on these challenges for many years. [It] engages in civil preparedness and emergency response to environmental disasters such as floods, forest fires and earthquakes [and] also focuses on enhancing energy efficiency and reducing the environmental footprint of armed forces' – a challenge that must be addressed in cooperation with the defence industry. [33]

3. Proposals for a new NATO Strategic Concept 2022

In 2021, the NATO-Defence Industry Forum was co-organized by Supreme Allied Commander of Transformation General Philippe Lavigne and NATO Assistant Secretary General for Defence Investment Camille Grand. The forum contributed to the debate on the development of the new NATO Strategic Concept, which will be approved at the 2022 NATO Summit in Madrid.[34] While the defence industry was somewhat omitted in the recent NATO strategic meetings, it would be advisable to reflect on strategic and military changes on the ground, to reassess the capabilities needed for meeting new and emerging security challenges, and to engage more substantially with the defence industry to achieve mission objectives at an affordable and reasonable price. The allies should consider the following key recommendations, which should also be reflected in the new NATO Strategic Concept:

- *To recognize the relevance of technology in future conflicts and the importance of coordinating and cooperating with the defence industry:* This will allow NATO to receive innovative capabilities in a timely manner and be better prepared to respond to the impact of technical advances in warfare. Autonomous systems, artificial intelligence, quantum technologies, and cognitive biotechnologies should be taken into consideration, all of which may play a greater role in NATO strategy and military engagements. Leveraging these will require further consultations with the defence industry and academic institutions.
- *To allocate sufficient funding for NATO-defence industry cooperation:* While all countries face significant economic challenges, limited investment in defence technologies will negatively impact defence capabilities and the alliance's ability to respond to new and emerging security challenges. Increased investment would help provide technological solutions and enhance NATO's capabilities. The Alliance Future Surveillance and Control system, for instance, is intended to enhance the way that NATO monitors its airspace when its current fleet of Airborne Warning and Control System (AWACS) aircraft reach the end of their service life in 2035. Through this initiative, NATO is fundamentally redefining how it will conduct future surveillance, as well as command and control.[35] This requires further investment and cooperation with the defence industry. Several other positive examples can be noted. On 22 October 2021, for instance, allies launched the NATO Innovation Fund, which aims to invest 1 billion euros with innovators across the alliance working on emerging and disruptive technologies. In parallel, NATO is creating a Defence Innovation Accelerator for the North Atlantic (DIANA), which will provide a network of technology test centres and accelerator sites to better harness civilian innovation for security.[36]

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33 NATO. 2021. Environment, Climate Change and Security. 3 December. Available at: https://www.nato.int/cps/en/natohq/topics_91048.htm.

34 ACT. 2021. NATO Industry Forum 2021. Available at: https://www.act.nato.int/industryforum.

35 NATO. 2020. Alliance Future Surveillance and Control. Available at: https://www.nato.int/nato_static_fl2014/assets/pdf/2020/7/pdf/200701-Factsheet_Alliance_Future_Surveil-1.pdf.

36 NATO. 2021. NATO Sharpens its Technological Edge. 22 October. Available at: https://www.nato.int/cps/en/natohq/news_187605.htm.

- *To prioritize engagement with industry specializing in green technologies:* NATO now deals with environmental security issues that have the potential to trigger humanitarian disasters, exacerbate regional tensions, and undermine state resilience. NATO provides disaster relief support; focuses on environmental risks to military activities and security in general, including environmental factors that affect energy supplies; and should be looking for ways to improve energy efficiency in the military through innovative technologies.[37]
- *To develop appropriate oversight mechanisms:* Oversight in the defence industry remains of immense importance and oversight bodies in NATO countries should be fully equipped to monitor the process of formulating, implementing, and reforming defence industry policy.

Conclusion

The alliance faces growing competitors and, like the space race before it, responding to this competition will require innovation in emerging and highly disruptive technologies.[38] At the NATO Summit in London in 2019, the allies referred to artificial intelligence, autonomy, space, quantum, hypersonic, data, and biotechnology as the most important areas for the development of future military capabilities. Consequently, NATO needs to reinforce and further optimize their relations with the defence industry, which will be able to find ways to develop and deliver appropriate capabilities to respond to emerging security challenges.

NATO has cooperated with the defence industry since its establishment and created a strong network of bodies responsible for relations with the industry. The NIAG, defence industry representatives, and the CNAD provide significant input to the NATO defence planning process and facilitate the delivery of appropriate capabilities. In addition, the Industrial Resources and Communications Services Group, NATEX, the Security Committee, the ACT – FFCI, International Staff Divisions, the STO, and other NATO agencies serve to support engagement with the industry to meet the collective needs of NATO. The establishment of the Framework for NATO-Industry Engagement became an important milestone towards further reinforcing and regulating NATO-industry relations. The framework clarified how NATO engages with industry in a mutually beneficial, coherent, and transparent manner to harmonize capability requirements and solutions through existing NATO-industry arrangements and bodies.

The allies have repeatedly noted during NATO summits the importance of cooperation with industry. Beginning in 2012, NATO underlined the need to make the fullest possible use of defence industrial cooperation across the alliance. A few years later, NATO recognized the importance of inclusive, sustainable, innovative, and globally competitive defence industries, including small and medium-sized enterprises, to develop and sustain national defence capabilities and the defence technological and industrial base in Europe and North America. It also emphasized the need to strengthen defence industrial cooperation in Europe and across the Atlantic. NATO-EU cooperation has recently been reinforced as they seek a mutually acceptable solution for the defence industry. The summit outcomes clearly state that NATO remains committed to developing and advancing its engagement with the industry, and the upcoming summit in Madrid will be crucial for developing outlines for mutual engagement.

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37 NATO. 2021. Environment, Climate Change and Security. 3 December. Available at: https://www.nato.int/cps/en/natohq/topics_91048.htm.

38 Aronhime, Lawrence and Alexander Cocron. 2021. NATO's Innovation Challenge. July. Available at: https://www.nato.int/docu/review/articles/2021/07/19/natos-innovation-challenge/index.html.

When developing the new NATO Strategic Concept, the allies should consider recognizing the relevance of technology in future conflicts (such as autonomous systems, artificial intelligence, quantum technologies, and cognitive biotechnologies) and the importance of coordinating and cooperating with the defence industry. Long-term partnerships with industry should be developed and supported with sufficient resources. Given modern security challenges and the security threats associated with climate change, NATO should prioritize industries specializing in green technologies. Finally, strengthened NATO-industry relations should be matched with commensurate oversight mechanisms, which are also essential for the functioning of democratic systems.

Chapter 2. Parliamentary oversight of national defence industries in NATO countries

By Prof Todor Tagarev

Introduction

The development of modern defence capabilities requires considerable public resources. Companies outside the military organisation deliver the material component of these capabilities—weapon systems, equipment, ammunitions, information systems, and the supporting infrastructure—upgrade it when necessary and often provide maintenance services. Importantly, such companies are expected to deliver their services in peace and in war, and thus constitute an essential component of the national defence capacity. Endeavouring to deliver superior, or at least competitive, defence capabilities, companies invest significant resources in research and development (R&D), in some countries exceeding 20 percent of the national investments in R&D.[39] Investments in defence R&D often have positive spill-over effects on the economy in terms new products, technologies or services.[40] The defence industry may be a significant employer. According to a 2014 estimate, the European defence industry employs half a million people directly, and indirectly generates 1.2 million jobs.[41] In France, for example, 4,000 companies of various sizes generate approximately 200,000 direct and indirect jobs.[42] It is reported that the Spanish defence industry employs approximately 210 000 people "dedicated both to civilian and defence activities."[43] In Canada, nearly 60,000 work in the defence industry, its suppliers or associates,[44] while nearly 2.2 million people are employed in the US aerospace and defence industry.[45] And while these figures indicate how important the defence industry is for the national economies, its significance for local economies may be crucial.

Exports of arms and dual-use technologies and products need to be in line with the foreign policy of the exporting country, international norms, and export control regimes. Also, when a country procures weapon systems or services from a foreign supplier, it needs to make sure that the related support will be available even under duress. Finally, defence companies may choose to collaborate in bilateral or multilateral formats to achieve certain competitive advantages, but as a rule, such cooperation formats are aligned with, if not part of, high-level foreign and security policy arrangements. An obvious case in point here is the European Union with its Common Foreign and Security Policy (CFSP), Common Security and Defence Policy (CSDP), and the ambition to create a EU's Defence Technological and Industrial Base (EDTIB) while implementing the more flexible concept of permanent struc-

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39 Strategic Update 2021 (French Minister of the Armed Forces, February 2021), p. 39, https://www.defense.gouv.fr/dgris/presentation/evenements/actualisation-strategique-2021.

40 Carlos Martí Sempere, "What Is Known About Defence Research and Development Spill-Overs?" Defence and Peace Economics 29, no. 3 (2018): 225-246, https://doi.org/10.1080/10242694.2016.1239364.

41 Alexander Roth, "The Size and Location of Europe's Defence Industry," Bruegel, June 22, 2017, accessed February 8, 2022, https://www.bruegel.org/2017/06/the-size-and-location-of-europes-defence-industry/.

42 Strategic Update 2021 (French Minister of the Armed Forces, February 2021), p. 39.

43 Spanish Defence Industry: 2017-2018 Catalogue (Madrid: Ministry of Defence, October 2017), https://publicaciones.defensa.gob.es/media/downloadable/files/links/c/a/catalogue_dgam_17_18.pdf

44 State of Canada's Defence Industry 2018, Government of Canada, accessed February 5, 2022, https://www.ic.gc.ca/eic/site/ad-ad.nsf/eng/h_ad03978.html

45 "2020 Facts and Figures: U.S. Aerospace and Defense," (Arlington, VA: Aerospace Industries Association, 2020), accessed January 14, 2021, https://www.aia-aerospace.org/wp-content/uploads/2020/09/2020-Facts-and-Figures-U.S.-Aerospace-and-Defense.pdf.

tured cooperation (PESCO) and creating the European Defence Fund.[46] Likewise, NATO considers the "robust industrial base in the whole of Europe and North America … essential for acquiring needed Alliance capabilities [and] to keep its technological edge."[47]

The chapter aims to capture both traditional topics of parliamentary oversight, such as roles and responsibilities, the provision of public resources and auditing results and efficiency in their use, and more recent areas of interest to parliamentarians such as countering corruption and supply chain security. Towards that aim, the study methodology includes a survey, desktop research, and interviews aiming to clarify specific information provided in response to the study questionnaire. A draft version of the questionnaire, developed by the author, was rigorously debated with experts from the NATO Parliamentary Assembly and the Geneva Centre for Security Sector Governance. The refined questionnaire (see its outline in Annex I) was disseminated throughout the NPA delegations. Fourteen delegations provided written responses to the questionnaire. The analysis of the responses to the questionnaire was complemented by desktop research of publicly available sources and inquiries to respondents aimed to clarify specific statements. The responsibility for the interpretation of the responses and the formulation of the findings lies with the author of this report.

1. Contextual framework

Parliaments' level of engagement with and oversight of locally established defence industries depends on several factors:

- the extent to which the national armed forces rely on local industries to procure, maintain, and upgrade weapon systems, equipment, and advanced information and communications infrastructure and services;
- whether the defence industry is primarily state-owned or in private hands; and
- the extent to which the local defence industry is owned – fully or partially – by foreign entities.

The first section of the survey questionnaire (Annex 1) was therefore intended to define the context for parliamentary oversight and, later, relate specific arrangements to that context. The three subsections below present the findings from the responses to the respective questions.

Reliance of the national armed forces on the local defence industry

After the fall of the Berlin wall, shrinking defence budgets posed significant challenges to defence industries. Even after the wave of mergers and conversion, defence companies had to seek customers beyond the national armed forces. The 2021 National Defence Industrial Strategy of the Danish government, for instance, stated that the Danish defence industry depends on export markets, as national demand is insufficient to support a viable Danish defence industry.[48] It also underscored, however, that the international market for defence equipment is characterized by national barriers to trade, which makes it difficult for

[46] "The EU's Defence Technological and Industrial Base," In-depth Analysis, European Parliament's Directorate-General for External Policies, 2020, accessed December 15, 2021, https://www.europarl.europa.eu/RegData/etudes/IDAN/2020/603483/EXPO_IDA(2020)603483_EN.pdf.

[47] Warsaw Summit Communiqué, issued by the Heads of State and Government participating in the meeting of the North Atlantic Council in Warsaw 8-9 July 2016, para. 136, https://www.nato.int/cps/en/natohq/official_texts_133169.htm.

[48] Danish Ministry of Defence. 2021. National Defence Industrial Strategy of the Danish Government: Strengthened Cooperation for Danish Security. August Available at: https://www.fmn.dk/globalassets/fmn/dokumenter/nyheder/engelske/-national-defence-industrial-strategy-of-the-danish-government-.pdf.

Danish enterprises to compete in export markets. The Danish defence industry therefore requires support to build up an appropriate national defence industrial base. Not surprisingly, responses to the survey question 'Do the national armed forces rely on the defence industry based in your country for developing and maintaining advanced defence capabilities and, if so, to what extent?' are diverse: from 'marginally' (under 10% of the procurement and R&D budget) for Denmark, Estonia, and North Macedonia; to 'small' (10-30%) for four member states; to 'average' (30-50%) for the Czech Republic and the Netherlands; through to 'significant' (50-80 %) for Poland and the United Kingdom (UK). Pursuing its global interests and a defence strategy that protects and advances US interests and sustains its leadership,[49] the US military depends 'largely' (80-100%) on the US defence industry, which is expected to deliver superior technological solutions on its own, if necessary. France also sees the defence industry as a key component of the country's strategic autonomy and political, diplomatic, and economic ambitions.[50] More recently, France's approach to these ambitions has been in line with the consolidation of the EU defence technological and industrial base and harmonized capability instruments, in the context of a 'real European strategic autonomy'.[51] Consequently, the Military Programming Law (Loi de programmation militaire 2019-2025) defines the defence enterprises as "indispensable […] for supporting the day-to-day functioning of the armed forces and […] materiel at the highest level of performance' and as a 'pillar of innovation'."[52]

Type of ownership of the national defence industry

Historically evolving on different trajectories, each ally has found a specific balance between state- and privately owned defence industries. European defence has undergone a slow and uneven transformation over the past 30 years. Already in the 1990s, public ownership of European defence companies was reduced. The severe fiscal pressures and intensifying global competition in the wake of the 2008 financial crisis pointed to a possible new wave of privatization.[53] The impact of the war in Ukraine, however, is yet unclear. In this context, NATO countries approach the issue of ownership differently. According to the responses to the question on the type of ownership, the defence industry in Hungary, Norway, and Poland is 'mainly state-owned', while in Bulgaria and Latvia – and possibly also in France – it is 'balanced'. In Croatia, the Czech Republic, Germany, North Macedonia, Spain, the Netherlands, and the UK, the defence industry is 'mainly private', while in Denmark, Estonia, and the United States (US) it is 'exclusively private'. The case studies below summarize the type of ownership of the national defence industry in the UK, Lithuania, and Slovakia.

The British defence industry

The British defence industry is guided by the 2021 Defence and Security Industrial Strategy (DSIS).[54] The 2021 DSIS replaced the 2005 Defence Industrial Strategy (DIS), the purpose of which was 'to provide the [British] Armed Forces

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49 US Secretary of Defense. 2014. Quadrennial Defense Review 2014. March (Washington, D.C.: Secretary of Defense).

50 French White Paper on Defence and National Security, 2013, p. 117.

51 French Minister of the Armed Forces. 2021. Strategic Update 2021. February, pp. 34-35.

52 La Loi de programmation militaire 2019-2025. Available at : https://www.defense.gouv.fr/portail/enjeux2/la-lpm-2019-2025.

53 European Defense Industrial Base Forum. 2013. State Ownership in the European Defense Industry: Change or Continuity? Occasional Paper, January. Available at: https://www.avascent.com/wp-content/uploads/2013/01/Avascent-State-Ownership.pdf.

54 Available at: https://www.gov.uk/government/publications/defence-and-security-industrial-strategy/defence-and-security-industrial-strategy-accessible-version.

with the equipment which they require, on time, and at best value for money for the taxpayer'.[55] While the 2021 DSIS retains the same aims as the DIS, it differs in that it emphasizes the need to develop 'long-term strategic partnerships' with defence companies, rather than rely purely on competitive tenders.[56] The British defence industry supports more than 200,000 indirect and direct jobs across the UK.[57] As of 2019, the UK was the second-largest global defence exporter, having secured orders worth more than USD 15 billion. According to the UK Ministry of Defence, the country's share of the global defence export market was estimated at 16% in 2019, with the Middle East, Europe, and North America being the country's largest export markets.[58] Despite the DSIS's focus on developing 'long-term strategic partnerships' with defence companies, the British defence industry is still highly competitive, with a large number of defence companies specializing in developing a broad array of defence equipment. As such, the vast majority of UK defence companies are private enterprises, with state ownership absent or negligible.[59] This contrasts with many European defence companies, in which the state is the sole or predominant stakeholder.[60] Among the largest UK defence companies are BAE Systems, Rolls-Royce, Serco, Melrose Industries, QinetiQ, Meggitt, and Ultra Electronics. Together, their defence-related revenues in 2020 exceeded USD 32,135 million.[61] Of these, BAE Systems is the largest defence company in the UK and Europe in terms of defence-related revenue. In 2019-2022, BAE Systems accounted for the largest proportion of UK Ministry of Defence expenditure, at 13.5%, followed by Babcock International and Rolls-Royce, with 8.2% and 3.3% respectively.[62] However, despite the fact that these companies may be registered and, in many cases, headquartered in the UK, in recent years their operations have become more international. For example, BAE Systems' turnover in the US in 2019 was GBP 8.6 billion, representing 43% of their total sales, against 19% in the UK, with the majority of its employees and shareholders overseas. Other examples of British defence companies with significant overseas operations include Rolls Royce, Martin Baker Aircraft, and Ultra. Conversely, the internationalization of the defence market has also seen overseas-based companies invest or move parts of their businesses to the UK. Notable examples include Leonardo, with its headquarters in Italy, which employs over 7,500 people in the UK;[63] Thales, a multinational aerospace and defence company headquartered in France, which operates nine key sites and employs over 6,500 people across the UK;[64] and Airbus, a European firm headquartered in the Netherlands, which operates more than 25 sites in the UK, with a workforce of 12,500. In addition, all the top five US-based primes have also invested in the UK,[65] aiming primarily to deliver to the British Ministry of Defence.[66] In line with

55 Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/272203/6697.pdf (p.6).
56 Available at: https://www.gov.uk/government/publications/defence-and-security-industrial-strategy/defence-and-security-industrial-strategy-accessible-version.
57 Available at: https://www.gov.uk/government/publications/defence-and-security-industrial-strategy/defence-and-security-industrial-strategy-accessible-version.
58 Available at: https://www.mordorintelligence.com/industry-reports/united-kingdom-defense-market.
59 Available at: https://www.avascent.com/wp-content/uploads/2013/01/Avascent-State-Ownership.pdf.
60 Available at: https://www.avascent.com/wp-content/uploads/2013/01/Avascent-State-Ownership.pdf.
61 Available at: https://people.defensenews.com/top-100/.
62 Available at: https://www.statista.com/statistics/603376/uk-mod-percentage-of-expenditure-to-top-suppliers/.
63 Available at: https://uk.leonardocompany.com/en/about-us/uk-profile.
64 Available at: https://www.thalesgroup.com/en/countries/europe/united-kingdom/about-thales-uk.
65 Available at: https://www.airbus.com/company/worldwide-presence/uk.html.
66 Northrop Grumman, Raytheon Technologies, Boeing, General Dynamics, and Lockheed Martin.

the objectives of the DSIS, the UK Ministry of Defence has established a variety of long-term partnerships with defence companies, many of which are located in the UK. For example, BAE Systems is one of the prominent tier-1 suppliers for the F-35 programme. BAE Systems is also part of a consortium – which includes the UK Ministry of Defence, Rolls-Royce, Leonardo, and MBDA – responsible for developing the Tempest, a sixth-generation jet fighter aircraft intended to enter service in 2035 and gradually replace the Eurofighter Typhoon.[67] This long-term partnership is emblematic of the UK's renewed focus on developing long-term partnerships with British defence companies. Other examples include the Next Generation Munitions Solution (NGMS) Programme, under which BAE Systems will supply munitions worth USD 3.2 billion to the British military over 15 years in a single-source deal. These munitions will be manufactured across five different sites in the UK and will include small arms ammunition, mortars, tank shells, medium-calibre gun rounds, and heavy artillery rounds.[68]

Unlike countries with comparatively smaller defence industries, the British defence industry cannot be said to specialize in one particular area; as of 2021, British defence companies were developing everything from nuclear-powered submarines, advanced multi-role aircraft, Type 26 multi-mission frigates, and state-of-the-art satellites, to armoured fighting AJAX vehicles.[69] While the majority of these are intended for use by the British Armed Forces, many will also be exported to other countries. In terms of arms exports, in 2020 British defence companies won defence orders worth GBP 7.9 billion, placing the UK as the third-largest arms exporter, after the US and Russia.[70] Of the GBP 7.9 billion, defence orders related to aerospace accounted for the largest proportion, including an order of 38 Typhoon aircraft from Germany worth over GBP 1 billion.[71] This reflects a historical trend, which saw 91% of all defence-related UK exports from the period of 2011 to 2020 coming from the aerospace sector, including defence orders for Typhoon aircraft to Kuwait, Oman, Qatar, and Saudi Arabia; helicopters to Norway and South Korea; Trent 700 aircraft engines to France; and F-35 work and military bridging to the US. Consequently, in terms of export destinations, the Middle East accounted for over 58% of British defence exports from 2011 to 2020, followed by North America (17%), Europe (15%), and Asia-Pacific (8%).[72]

In summary, the British defence industry is characterized by private ownership, with the government emphasizing the development of long-term strategic partnerships with British defence companies. While the total value of defence-related exports has decreased in recent years, the UK still ranks third in the world in terms of defence orders won. Although the British defence industry develops a vast array of defence equipment and related services, the aerospace sector remains dominant. With 20 frigates and destroyers planned to be operational by the 2030s, the maritime sector is expected to account for an increasing amount of

67 Available at: https://www.mordorintelligence.com/industry-reports/united-kingdom-defense-market.
68 Available at:https://www.mordorintelligence.com/industry-reports/united-kingdom-defense-market.
69 Available at:https://www.gov.uk/government/publications/defence-and-security-industrial-strategy/defence-and-security-industrial-strategy-accessible-version.
70 Available at:https://www.gov.uk/government/statistics/uk-defence-and-security-exports-for-2020/uk-defence-and-security-export-statistics-for-2020.
71 Available at:https://www.gov.uk/government/statistics/uk-defence-and-security-exports-for-2020/uk-defence-and-security-export-statistics-for-2020.
72 Available at:https://www.gov.uk/government/statistics/uk-defence-and-security-exports-for-2020/uk-defence-and-security-export-statistics-for-2020.

Britain's defence industry in the years to come, reflecting the DSIS's commitment to increasing its maritime capabilities.[73]

The Lithuanian defence industry [74]

Lithuania's defence industry comprises more than 50 entities, including private capital enterprises, R&D agencies, and one state-owned ammunition manufacturer Giraites Ginklų Gamykla. The latter produces NATO standard ammunition and supplies the Lithuanian Armed Forces, Police, State Border Guard Service, Public Security Service, and 'Aras' – the Lithuanian police anti-terrorist operations team – among others. Remarkably, its shareholder is the Ministry of Finance of the Republic of Lithuania. Meanwhile, most of the entities of the Lithuanian defence industry are privately owned. A few companies are subsidiaries of foreign companies located in Estonia, Germany, Iceland, Norway, Sweden, and Ukraine; some are supported by the investments of venture capital companies established in Lithuania. The Lithuanian defence industry is therefore based on the privately owned model, where private capital dominates. Most Lithuanian defence sector companies are small and medium-sized enterprises, employing small teams of highly qualified employees. While they are capable of reacting quickly to new technological challenges and market needs, their level of participation in NATO and EU tenders remains low. The protectionist policies of bigger countries, limited experience, and relatively small profits could account for a rather passive partaking. The Lithuanian defence industry specializes in air and space satellite communication; air and ground support; UAV systems; ammunition; communication, information systems, and cyber security; components and semiconductor; detection and localization; laser and optical systems; opto-mechanics and opto-electronics; equipment and protection solutions; and the design and maintenance of ground vehicles. For instance, EKSPLA has nearly 30 years of experience and a close partnership with the scientific community to design and manufacture advanced lasers and systems, with representative networks established in 20 countries worldwide. The Brolis enterprise primarily engages in creating some of the world's finest infrared laser products, ranging from near- to mid-infrared. It develops a range of electro-optical systems and components for security, surveillance, and reconnaissance. The Lithuania-based company NanoAvionics is a small satellite mission integrator focused on delivering satellite buses and propulsion systems; it is working on globally known projects with NASA, the Massachusetts Institute of Technology (MIT), and Thales Alenia Space. In 2017, the US imported over EUR 40 million worth of Lithuanian-produced defence industry products, thus becoming the main importer. That included spare parts of armaments, laser and optic products, antiserum and vaccines, and IT and voice equipment. In 2020-2021, firearms and related articles were exported mainly to the Czech Republic, Latvia, Estonia, Poland, Austria, Germany, and France. Overall, defence exports account for less than 1 per cent of total state exports and vary annually. Notably, on 10 November 2020, the Seimas (Lithuania's parliament) approved an amendment to the Law on the Organization of the National Defence System and Military Service, which authorizes the Ministry of National Defence to carry out a new function: the funding of experimental development and innovation in the area of security and defence. The Ministry of National Defence provides EUR

[73] Available at:https://www.mordorintelligence.com/industry-reports/united-kingdom-defense-market.

[74] The information in this box is based on Ministry of Defence of Lithuania, Department of Statistics of Lithuania, www.enterpriselithuania.com; Palavenis, Donatas. 2021. 'The Defense Industry in Lithuania: A Case Study of the Lithuanian Iron Triangle through an Interconnectivity Map Framework.' Journal of Baltic Studies, Vol. 53, Iss. 1.

15 million to start-ups and companies to design and produce defence products over the next decade. On 8 December 2020, the Ministry of National Defence signed a contract with Investicijų ir Verslo Garantijos (INVEGA UAB) concerning the establishment and management of the Defence Investment Fund. It is tasked with supporting start-ups and companies in developing novel products and entering the international defence industry market.

The Lithuanian defence budget follows NATO's recommendations of allocating no more than 50 per cent of military spending on personnel and at least 20 per cent on major acquisitions. In the new national budget approved by the Seimas on 14 December 2021, national defence spending is set to increase by EUR 153 million in 2022, and, correspondingly, allocations to the Ministry of National Defence will amount to EUR 1,201 million. The approved budget consolidates 2.05 per cent of GDP defence spending.

The Slovak defence industry

The Slovak defence industry used to be an integral part of the Czechoslovak defence industry. Since Slovakia's independence, it has undergone a complex restructuring process leading to a significant reduction in R&D and production capacity. After the democratic revolution of 1989, Czechoslovakia committed itself to a severe reduction in arms production. In 1990, it expressed its intent to stop exporting weapons entirely and to halt tank production by the end of the year. While this goal was later modified, the impact on the Slovak economy was profound as the majority of the country's 28 weapons plants were located in eastern Slovakia. Currently, the Slovak defence industry provides development, production, testing, repairs, and modernization of complex weapon systems, technology, and materials. Its goal is to divide labour and cooperate with potential partners in order to gradually integrate the security and defence industry of Slovakia into the defence industrial base of NATO and the EU.

Ownership

The defence industry was composed of state-run enterprises until 2005, when the state began transforming them into joint-stock and holding companies. These included, among others, the Military Repair Facility in Nováky, the Military Repair Facility and the Aircraft Repair Facility in Trencín, and the Aircraft Repair Facility in Banská Bystrica. Joint-stock companies were established one by one until the final date for setting up the last joint-stock company was reached on 1 January 2006. The Ministry of Economy also privatized the Military Construction Building Facility and the Military Repair Facility in Prešov. The state was initially a 100 per cent shareholder of the transformed joint-stock companies; however, if a local or a foreign entity was then interested in acquiring up to 49 per cent of the shares in any of these companies, the issue would then be reviewed by not only the Ministry of Defence but also the Government of the Slovak Republic.

Most Slovak defence manufacturers and suppliers are members of the Security and Defence Industry Association (Združenie bezpečnostného a obranného priemyslu Slovenskej republiky – ZBOP), which is a national, independent, non-profit association established in 2000 and representing the interests of Slovakia's security and defence industry. The association comprises 66 companies. The capabilities of the Slovak industry cover aircraft parts and related equipment; repair and maintenance; land equipment (modernization, repair, and maintenance);

weapons and ammunition; command and control systems; communication and information systems; radar systems; engineer and medical equipment; training simulation systems; and security equipment.[75]

The two largest players in the Slovak defence industry are the state-owned DMD Group and the privately owned MSM Group. Each group includes multiple subsidiaries that belong to leaders in their respective sub-sectors. DMD Holding (later DMD Group) was established in 1995 to effectively restructure the Slovak defence industry. It emerged following the consolidation of the most important civil and military engineering companies. In 1997, a private company bought a block of shares from DMD, and in 2015 the Ministry of Defence of Slovakia became the sole shareholder of DMD Holding and transferred the shares from the Slovak National Property Fund. MSM Group's origins date back to 1927. In 1947, Skodove Zavody was nationalized and became an independent nationally owned enterprise. Following a number of transformations, the state-owned company was transformed into a joint-stock company in 1996. Besides the two major groups described above, another key player is the state-owned aircraft repair specialist Letecke opravovne Trenčín, which is also managed by the Ministry of Defence.

Size

The Slovak defence budget for 2022 is EUR 1.18 billion, which constitutes 1.80 per cent of the state's GDP. Slovakia allocated EUR 638 million for the development of defence capabilities – EUR 149 million of which is designated for capital investments. The budget focuses primarily on the development of weapons, technology, and materials; the development of communication and information systems; and the development of infrastructure and central logistics. The 2022 expenses for investment projects in their implementation phase amount to EUR 384 million. The Ministry of Defence signed 14 contracts – the largest of which are for purchasing F-16 aircraft, 155 mm self-propelled Howitzer Zuzana 2, and 3D radars with various ranges. The Slovak defence industry employs over 2,600 people. In 2019, three major defence industry companies – DMD Group, MSM Group, and Letecke opravovne Trenčín – had a revenue of EUR 152.9 million.

Specialization and export

Slovakia is a net exporter of military products, but absolute volumes are quite low; military exports were valued at EUR 26.1 million in 2019, and 26.55 million in 2020.[76] In 2019, the main export countries were Mali, Brazil, Serbia, Mexico, Uzbekistan, and Rwanda. In 2020, the main export countries were Brazil, Saudi Arabia, UAE, Rwanda, Israel, and Ethiopia.[77] In 2020, with respect to major conventional arms, Slovakia exported primarily rockets and rocket launchers, but also large-calibre artillery system, armoured combat vehicles, and a mini-UAV. With respect to small arms and light weapons, it primarily exported revolvers and self-loading pistols, rifles and carbines, submachine guns, and heavy machine guns.

[75] For more information, see: ZBOP. n.d. Slovak Defence Industry's Manufacturing Capabilities. Accessed 15 February 2022. Available at: https://www.zbop.sk/files/V%C3%BDrobn%C3%A9-schopnosti-ZBOP_AJ2.pdf.

[76] Available at: https://exportvirginia.org/sites/default/files/2020-07/Slovakia_Defense_July2020.pdf; https://www.sipri.org/sites/default/files/2021-11/slovakia_2020.pdf.

[77] Available at: https://www.sipri.org/sites/default/files/2021-11/slovakia_2020.pdf.

National vs. foreign ownership

The ownership of the defence industry in Bulgaria, Croatia, Denmark, and, presumably, the US is 'exclusively national'. For the majority of the respondents, there are 'a few cases of foreign ownership by allies'. Only UK respondents reported 'many cases of foreign ownership by allies'. No NATO member reported 'many cases' or 'significant foreign ownership by non-allies'.

This chapter's hypothesis is that parliamentarians' interest in the defence industry will grow as national armed forces become increasingly reliant on locally produced materiel, and that parliamentary oversight tools will be used more widely when the state owns the main industrial assets and foreign ownership is limited. By examining contextual factors, this chapter aims to test this hypothesis and explain why certain issues are addressed, or not, by national parliaments.

2. Parliamentary oversight bodies and tools

Parliamentary committees with oversight powers

In half the NATO countries that responded to the survey questionnaire, defence committees – a major player in the oversight of defence and the armed forces – do not have any specific oversight powers with regard to the defence industry. In some of these countries, oversight is exercised by economic committees (such as Bulgaria and Germany), committees dealing with foreign affairs (such as Germany), or, in the case of the Polish parliament, by the Committee on Energy, Climate, and State Assets. Evidently, in these countries, parliamentarians see the defence industry through an economic lens and, in the case of Germany, as a contributor to specific foreign relations agendas (such as supporting particular countries or banning the export of armaments and technologies to certain regimes). According to the other half, defence committees do play a role in the oversight of defence industries. This role is complemented by that of economic committees in North Macedonia and the UK, national security committees in Latvia and Spain, and the Committee on Arms Export Controls in the UK parliament, as well as budget and finance committees and committees with general supervision powers over the functioning of the government and the public administration – as the experience of Storting (the Norwegian parliament) suggests.

The frequency of discussions on defence industrial issues is indicative of how rigorous parliamentarian oversight is. In most of the countries that responded to the questionnaire, the parliamentary committees address defence industries just once or twice a year, or even less frequently. A notable exception here is the UK parliament, where the Defence Committee and the Committee on Arms Export Controls discuss such issues on a monthly basis, while the Business, Energy and Industrial Strategy (BEIS) Committee includes the defence industry in its discussions 'a couple of times per year'.

Exercising oversight

Parliaments have various tools and techniques at their disposal to oversee defence industries, but their use varies widely among NATO countries. Only five of the respondents report that defence industrial issues have been discussed in field visits or inspections organized by a committee in the past two years. In some cases, as exemplified by the Estonian experience, such visits are used to acquaint parliamentarians with advanced technological developments, such as unmanned ground vehicles and future robotic combat vehicles.

Only three delegations – those of Spain, the Netherlands, and the UK – report that a parliamentarian committee has issued recommendations on defence industrial issues to the

executive power. In all three cases, the recommendations were addressed to the ministry of defence. Parliamentary inquiries into defence industrial cases are just as rare. In one example, the Bundestag conducted an inquiry in 2017 on the 'Euro Hawk'—a programme for the development of an unmanned aircraft for signal intelligence that was terminated after spending USD 700 million.[78] In another example, the Standing Committee on Foreign Affairs and Defence of the Norwegian Parliament inquired into Russian interest in buying Bergen Engines, a company that supplies engines to Norwegian and allied navies. Under pressure from the parliament, the government decided to block the acquisition. A more common technique is to pose questions and interpellations on defence industry issues in plenary sessions. Five delegations reported having used this technique in the last two years. In Denmark, for example, parliamentarians questioned the guidelines on the export of dual-use technologies to certain countries; the case of Bergen Engines was also discussed in a plenary session.

The national audit office is typically the counterpart with which parliamentary committees regularly exchange information related to defence industry oversight, particularly on the use of defence budgets and selected procurement cases. Such information exchanges occur when an audit office provides a report on a regular or ad hoc basis. Several defence committees regularly exchange information with ministries of defence, which on occasion involve defence industrial issues. Of particular interest are tools and techniques that might be used by parliaments if a defence company does not comply with existing norms and restrictions (for example, in the event of large delays in the delivery of equipment, substandard deliveries, exploits of supply chain vulnerabilities, unsanctioned exports of arms or dual-use technologies, etc.) Responses to the respective question did not indicate any specific formal remedies at the disposal of the parliamentary oversight bodies. Instead, requests can, and have been made to a defence ministry or another state body to provide a report on the case, to make recommendations to a ministry, or to initiate changes in legislation. Spain provides a distinct example with its Act 53/2007 on the oversight of external trade of defence and dual-use materiel, requiring regular reporting to parliament and postulating that the Defence Committee should formulate an opinion on the report.[79]

Effective oversight mechanisms

In an open question, the delegations were asked to identify the most effective oversight mechanism in their experience. This subsection summarizes these mechanisms.

First, parliaments and committees have the formal power to summon non-officials, including defence company representatives, and to request formal evidence from ministries. Poland and the UK serve as examples in this regard. The Standing Subcommittee on the Polish Defence Industry and Technical Modernization of the Polish Armed Forces may request information on current status and development prospects from representatives of defence companies, in particular state-owned enterprises. This mechanism provides an opportunity to debate and scrutinize defence industrial issues.

Second, in a number of countries, defence procurement projects or programmes with anticipated costs above a certain threshold (e.g. EUR five million in North Macedonia and EUR 50 million in Bulgaria) need to receive the prior approval of parliament. This allows for the project or programme to be debated in parliament and, eventually, for recommendations to be issued to the executive on the process of involving the national defence industry. Dis-

78 Sprenger, Sebastian. 2018. '"Euro Hawk" fiasco looms large in Germany's new spy drone search.' Defense News, 26 May. Available at: https://www.defensenews.com/unmanned/2018/05/25/euro-hawk-fiasco-looms-large-in-germanys-new-spy-drone-search/.

79 See details in the section on arms exports below.

cussions on the defence budget and reports on its implementation provide similar opportunities; however, due to a myriad of other considerations, these opportunities are rarely used to discuss defence industrial policies.

Third, parliaments use their power to conduct inquiries into cases of particular interest, as exemplified by the experience of the German and the Norwegian parliaments presented above. A fourth mechanism involves debates of reports introduced by the executive branch. In several countries, parliaments request and then debate defence and/or industrial committee reports on the export of arms and dual-use products and technologies.

Committees themselves can issue reports that are often picked up by the media, thus leading to enhanced public attention and more effective parliamentary oversight. Finally, some countries have adopted a legal framework specifically on the functioning of the defence industry. However, the experience in this regard is so far limited and hard to assess.

3. Core areas of parliamentary oversight

This section reviews the extent to which typical parliamentary powers, such as legislating and resource provision, and specific instruments are used in relation to defence industries.

Setting norms and strategic guidance

Most NATO countries do not have laws dedicated specifically to the defence industry. The industry's activity as an economic actor is instead regulated by general trade laws, such as the UK Enterprise Act. The specifics of the functioning of state-owned defence companies and their control are on occasion subject to a state property law. This is the case in Bulgaria, which is also an example of a country that regulates the process of privatization and post-privatization control through a dedicated law.

The relations between a defence ministry as a customer and the defence companies as suppliers are usually subject to a general public procurement law. Two of the respondents, however, provided examples of specific norms applicable to the procurement of products and services for defence and security organizations: Poland's Act on Compensation Agreements Related to Purchases for the State Protection and Security, and Hungary's 2016 Act on Procurement for Defence and Security Purposes. Two other laws may serve as examples of regulating the manufacturing and trade with defence items: Hungary's Act CIX of 2005 on the Authorization of the Manufacturing of Military Equipment and the Provision of Military Technology Services, and Croatia's Law No. 17/19 on Manufacturing, Refurbishing, and Handling Armaments and Military Equipment. Finally, one respondent gave an example of where the national defence industrial policy has been codified in law: Poland's Act on Supporting the Restructuring of the Industrial Defence Potential and Technical Modernization of the Armed Forces.

In terms of strategic guidance, all of the countries that responded to the survey have strategies in place – either as a separate document or as part of force development programmes – for the development of their defence industries. In the majority of countries, the strategy formed part of their force development programme, such as the 'Strategy of Armament and Support for the Development of the Czech Defence Industry until 2030', Norway's 'Cooperation for Security – National Defence Industrial Strategy for a High Technological and Future Oriented Defence', the Dutch 'Nota Defensie Industrie Strategie', and the UK 'Defence and Security Industrial Strategy'. Countries whose strategy is defined in a separate document include Croatia, with 'The Croatian Armed Forces Long Term Development Plan 2015- 2024', and Germany, with its 2016 White Paper.

These are all executive documents, regardless of the format of the strategy. In half of the responding countries, these documents have been debated in – and some of them approved by – parliament. In the other half, they are not formally debated but are still available to parliamentarians, who can hold the government to account for the implementation of its policies.

The table below summarizes the coverage of defence industrial issues in the laws and/or strategic documents:

Issue addressed	YES	NO
Designation as 'strategic assets'/ critical infrastructure	11	3 [80]
Requirements to maintain mobilization/reserve capacities and stocks for wartime/crises	10	4 [81]
Role in defence capability development	13	1
Anticipated economic, technological, and innovation impact from defence procurement	13	1
Offsets and related obligations in procurement from foreign suppliers	6	8
International defence industrial cooperation	10	4
Positioning in international supply chains (e.g. Tier 1, Tier 2, etc.)	5	9
Supply chain security	7	7

Resource allocation

NATO's deterrence and defence posture is based on, among other factors, an effective combination of cutting-edge weapons systems and platforms, and forces trained to work together seamlessly. As such, investing in the right capabilities is an essential part of investing in defence, and NATO plays an important role in assessing what capabilities the alliance needs; setting targets for national or collective development of capabilities; and facilitating national, multinational, and collective capability development and innovation.[82] To acquire vital capabilities, the alliance must work closely with industry, foster greater industrial and technological cooperation across the Atlantic and within Europe, and maintain a robust industrial base throughout Europe and North America.[83]

Among the responding countries, only a few reported parliaments allocating resources to defence companies:

- two countries – Germany and Hungary – reported allocating resources for R&D in defence companies;
- four countries – Germany, Hungary, Norway, and the Netherlands – reported providing funding for contribution to multinational capability development projects (e.g. through the European Defence Fund);
- three countries – Bulgaria, Hungary, and the Netherlands – provide funding to facilitate arms exports (e.g. loans to foreign buyers); and
- four countries – Bulgaria, Hungary, North Macedonia, and the Netherlands – occasionally provide direct financing for the defence industry, typically through loans.

80 In one case, the issue is addressed in another law.
81 In one case, the issue is addressed in another law.
82 Available at: https://www.nato.int/cps/en/natolive/topics_49137.htm.
83 Available at: https://www.nato.int/cps/en/natolive/topics_49137.htm.

In these instances, parliaments use the traditional tools at their disposal (that is, by receiving budget execution reports and reports by the national audit offices, thus providing the opportunity to discuss and evaluate results and performance).

As several respondents pointed out, national audit reports are public, but the defence audit reports are only partially available to the public.

Human resources

The delegations that responded to the survey did not report a role for parliament or its committees in the appointment of senior personnel at defence companies, agencies overseeing defence companies, or national representatives at senior bodies of international defence companies. Likewise, there is no specific legislation regarding the employees or syndicates (trade unions) in the defence industry.

General oversight powers and mechanisms, however, also play a role in this regard. Oversight can be applied to national security policy either before or after important decisions are made and, in some cases, during the process. The parliament may scrutinize, veto, or approve appointments of most senior personnel within the security sector, or reject government decisions regarding security through a vote of no confidence.[84]

The powers of parliamentary committees regarding nominations and appointments of defence industry officials remain rather limited. The standing defence committees do not directly participate in senior defence industry appointments, neither do they approve the maximum number of personnel employed by the defence industry or the human resources management plan for the industry. In some cases, parliament could be consulted by the executive regarding such appointments in the state-owned enterprises or hold a hearing after the appointment. The committees could be entitled to submit an opinion on proposed candidates and approve high-ranking appointments in the state-owned enterprises. For instance, the Italian government withholds the right to nominate quotas for the top management of the largest defence companies, such as Leonardo or Fincantieri, depending on the number of shares held by the state,[85] although the parliament does not have a specified role in this regard. Similarly, the Board of the Lithuanian state-owned ammunition manufacturer AB Giraitė ginkluotės gamykla is composed of five members – two of whom are seconded by the Ministry of Finance and three of whom are independent.[86]

Arms exports and transfers

The international regulation of trade in conventional weapons is relatively new under international law. Most significant developments in this domain began in the 1990s; since then, numerous regional and international regulatory instruments have been adopted. The regulation addresses three main objectives: 1) to increase standards for exports and trade in conventional weapons; 2) to increase transparency in the trade and export of conventional weapons; and 3) to facilitate information-sharing among states concerning the trade and export of conventional weapons.

One of the first significant developments in this area was the creation of the UN Register of Conventional Arms in 1991, which established a global voluntary transparency mechanism where states annually report on their arms exports and imports. Furthermore, a multilateral conventional arms control regime was created in the early 1990s – the Wassenaar Arrange-

84 Available at: https://www.dcaf.ch/sites/default/files/imce/PRD/Role_Parliaments_Main_SSG.pdf.
85 Available at: https://ti-defence.org/wp-content/uploads/2021/04/ENG-Defence-Industry-Influence-in-Italy-%E2%80%93-Transparency-International-Defence-Security.pdf.
86 Available at: https://finmin.lrv.lt/lt/naujienos/suformuota-nauja-ab-giraites-ginkluotes-gamyklos-valdyba.

ment on Export Controls for Conventional Arms and Dual-Use Goods and Technologies. The Wassenaar Arrangement aims to prevent the accumulation of arms by promoting greater transparency and responsibility in the trade of conventional arms and dual-use goods and technologies. While participating states have the final say over their arms transfers, they have pledged to create national legislation to prohibit arms transfers that would create international instability or insecurity.[87]

With respect to small arms, the 2001 UN Protocol against the Illicit Manufacturing of and Trafficking in Firearms Their Parts and Components and Ammunitions (the Firearms Protocol) was the first international legally binding small arms control agreement. The agreement obliges states that are party to the Firearms Protocol to incorporate control measures into their national legislation (e.g. to make the illegal manufacturing or trafficking of firearms a criminal offence, to establish a governmental arms licensing system, and to create a system for marking and tracing firearms). In the same year, the UN also adopted the UN Programme of Action (PoA) to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects, which established a voluntary process to help member states achieve the PoA's objectives. Under the PoA, states have pledged to enact national control measures – such as export licensing procedures, brokering controls, and stockpile security practices – and to create regional networks for information-sharing purposes and to promote arms trafficking controls. At the international level, states have committed to working with the UN to enforce embargoes, circulate data, and encourage international laws governing the arms trade. All NATO allies are party to this programme.

The most significant globally binding treaty on conventional arms is the 2013 Arms Trade Treaty (ATT), which regulates the cross-border trade in conventional arms. The treaty establishes common international standards for the trade in conventional arms, which states must incorporate into their national control systems, and provides for oversight of the global arms trade by enhancing transparency and facilitating accountability, where states are responsible for ensuring their arms sales meet global standards and norms. It is the first treaty to ban arms shipments that could be used to commit genocide, war crimes, and attacks on civilians. The ATT also requires exporters to take human rights into account before selling arms to dealers, and mandates signatories to close down safe havens exploited by rogue arms dealers and to transfer arms to war criminals with impunity. NATO supports the implementation of this treaty as appropriate.

In addition to global regulatory mechanisms, there are also a number of regional control instruments. In 1997, the Organization of American States (OAS) adopted the regional agreement on illicit firearms trafficking. In the EU context, the 1990 Treaty on Conventional Armed Forces in Europe (CFE) constituted a landmark arms control agreement, which among other things established a reporting mechanism that covered conventional weapons intended for export. In 1998, the EU introduced the Code of Conduct on Arms Exports. While this document is not binding, it is one of the most often cited arms control documents outlining standards or appropriate arms trade behaviour. In 2008, the EU Council adopted a Common Position Defining Common Rules Governing Control of Exports of Military Technology and Equipment.[88] This binding instrument aims to improve the sharing of information between member states and increase mutual understanding of their export control policies. Among other things, it provides a number of criteria that states must consider when granting export licences, thereby establishing minimum standards for the export of conventional weapons.

87 Rachel Stohl, "Understanding the conventional arms trade," AIP Conference Proceedings 1898, 030005 (2017); https://doi.org/10.1063/1.5009220.

88 Council of the European Union. 2008. Council Common Position 2008/944/CFSP of 8 December 2008 defining common rules governing control of exports of military technology and equipment. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32008E0944.

Furthermore, the EU's 2003 Common Position on the Control of Arms Brokering helps ensure compliance with UN, EU, and Organization for Security and Co-operation in Europe (OSCE) arms embargoes.[89] It obliges all brokering activities to be subject to a licence or written authorization from the competent state authorities, which have to be assessed in light of the provisions of the European Code of Conduct on Arms Exports.[90] The member states must keep records for a minimum of ten years of all persons and entities that have obtained this licence.[91] States must also establish a register of arms brokers. When assessing an application to act as a broker, they should consider any records of past involvement in illicit activities by the applicant.[92] Lastly, states are obliged to establish a system for sharing information among member states and with third states as appropriate. The information exchanged includes legislation, registered brokers, records of brokers, denials of registering applications, and licensing applications.[93]

NATO activities supplement the role of the existing international agreements on the trade and export of conventional weapons. NATO's 2010 Strategic Concept highlights the continued importance of harmonizing defence and arms control policies and objectives and the alliance's commitment to the development of future arms control agreements. Relevant bodies and initiatives in this regard are the Transatlantic Defence Industrial Cooperation (TADIC) the Conference of National Armaments Directors (CNAD), and the NATO Industrial Advisory Group (NIAG). CNAD commissioned NIAG to study TADIC in 2007, and a 2008 report on this matter focused on increasing the efficiency and effectiveness of transatlantic defence industry cooperation by reducing impediments, namely through national export licensing processes and national technology transfer processes. In 2008, CNAD, in cooperation with the Royal United Services Institute, issued recommendations to improve the understanding of export control procedures and processes to enhance transatlantic industrial cooperation. In 2011, CNAD organized a conference on TADIC; export control legislators and other significant TADIC stakeholders participated in the event, which among other things aimed to review the developments in reforming export control processes in Europe and the US and to discuss the resulting implications and opportunities.

Furthermore, in a number of documents NATO declared its interest to enhance defence industries across the alliance and increase defence industrial cooperation within Europe and across the Atlantic.[94] NATO supports allies in investing in interoperable, cutting-edge, and cost-effective equipment. To this end, it assists states in identifying and developing multinational cooperative projects to deliver key defence capabilities. NATO's High Visibility Projects enable member states to cooperate in high-end acquisition and capacity-development projects. There are currently 18 projects underway that focus on improving operational effectiveness, economies of scale, and connectivity among NATO allies and partners. These projects aim to address key capability areas such as air-to-air refuelling, ammunition, maritime unmanned systems, command and control, and training. Through these projects, states have committed or expressed their intent to jointly develop maritime multi-mission aircraft (M3A); maritime unmanned systems (MUS); next-generation rotorcraft; modular solutions for ground-based air defence capabilities (Modular GBAD); rapidly deployable

89 Council of the European Union. 2003. Council Common Position 2003/468/CFSP of 23 June 2003 on the control of arms brokering. Available at: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX-%3A32003E0468
90 See Article 3(1)
91 See Article 3(2)
92 See Article 4
93 See Article 5
94 NATO. 2014. 2014 Wales Summit Declaration. See also the Warsaw Summit Communique, the Brussels Summit Declaration, the Summit Declaration on Defence Capabilities: Toward NATO Forces 2020, and the Wales Declaration on the Transatlantic Bond.

mobile counter rockets, artillery, and mortar (C-RAM); and chemical, biological, radiological, and nuclear (CBRN) detection and identification (CBRN-D&I).[95]

Parliaments in NATO countries are involved in setting legislative requirements, procedures, and constraints regarding the export and transfer of armaments. In addition, more than half of the respondents reported that parliamentarians play a role in the 'strategic orientation' of the defence industry, i.e. encouraging cooperation with particular countries. In the UK, for example, a joint working group composed of relevant members of the Foreign Affairs and Defence Committees contributes to this strategic orientation.

Receiving, debating, and approving regular reports on arms exports is a particularly important parliamentary oversight tool. Nine of the 14 respondents practice this type of oversight. In Spain, for example, Act 53/2007 obliges the government to deliver a biannual report to the Congress of Deputies, and prescribes in detail the type of information that needs to be included in the report. It further stipulates that a governmental representative must appear annually before the Defence Committee to inform it of arms exports. The Defence Committee should then issue an opinion, including recommendations for the coming year. Similarly, under Section 10 of the UK Export Control Act 2002, the government presents the 'UK Strategic Export Controls Annual Report' to parliament. This report is publicly available and includes criteria for assessing licensing applications and controls.

Integrity

Reducing the risk of corruption and potential conflicts of interest through integrity building in the defence industry is a relatively new topic of interest.[96] Transparency International's Industry Integrity programme, for example, works with the global defence industry, governments, and civil society to address systemic corruption risks in the arms trade; the programme seeks to establish best practices in corporate transparency and anti-corruption for defence companies, strengthen the defence industry's commitment to responsible business practice, and increase understanding of corruption risks in the defence industry and the biggest barriers to effective reform.[97] More than half of the respondents, however, stated that their respective country has a legislative act on integrity, anti-corruption, and the prevention of conflicts of interest that is dedicated to or is clearly applicable to defence industries. For example, France's Military Programming Law (Loi de programmation militaire 2019-2025) dedicates a chapter to ethics and counter-corruption objectives, principles, and measures to be undertaken by its defence establishment.

Five of the respondents state that their country has a legislative provision for for debarment, i.e. for preventing companies involved in corrupt activities at home or abroad from competing nationally for defence contracts. Six countries include restrictions on officials taking positions in defence companies for a certain period after leaving public office (referred to as 'revolving door' policies). Six countries also specify legislative requirements and restrictions on lobbying.

95 NATO. 2022. Multinational Capability Cooperation. Accessed 15 February 2022. Available at: https://www.nato.int/cps/en/natohq/topics_163289.htm.

96 See, for example, Chapter 20 in Tagarev, Todor, ed. 2010. Building Integrity and Reducing Corruption in Defence: A Compendium of Best Practices (Geneva: DCAF and NATO); and Transparency International UK. 2020. Defence Companies Index on Anti-Corruption and Corporate Transparency. Available at: https://ti-defence.org/what-we-do/industry-integrity/defence-companies-index/.

97 Transparency International UK. 2020. Defence Companies Index on Anti-Corruption and Corporate Transparency. Available at: https://ti-defence.org/what-we-do/industry-integrity/defence-companies-index/.

Conclusion

The interest of parliaments and parliamentarians in the defence industry has visibly increased in recent years. A number of traditional tools have already been used to exercise parliamentary oversight, complemented by mechanisms tailored to specific issues, such as arms export and multinational defence cooperation.

Of the two hypotheses formulated at the beginning of this chapter, the first – that parliamentary oversight will become stronger as armed forces become more reliant more locally provided products and service – is supported by the evidence on involving parliamentary committees and the frequency of that involvement. There is no evidence, however, to support the second hypothesis – that parliamentary oversight will be stronger when the defence industry is primarily state-owned. The UK, with its traditions of rigorous parliamentary oversight, provides one of the examples to the contrary.

It is possible to anticipate further increase of parliament's interest in defence industry, particularly given multinational cooperation efforts, such as PESCO, as well as plans to increase the portion of defence budgets spent on such cooperation through the European Defence Fund and other multinational arrangements.

While parliamentary oversight mechanisms in such cases are still to be developed, the findings in this report aim to facilitate the deliberations and more generally help to strengthen the power of parliament vis-à-vis the defence industry.

Chapter 3. Tools and opportunities for the parliamentary oversight of defence industry

By Dr Teodora Fuior

> *We must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist. We must never let the weight of this combination endanger our liberties or democratic processes.*
>
> Dwight D. Eisenhower, 1961[98]

A successful democracy depends on effective parliamentary oversight. Parliament's main responsibility is to continuously strive to build and rebuild accountability mechanisms and to assess whether national interests and electoral pledges are respected.

Parliament's oversight function is, in essence, to constantly exert pressure on government officials to be efficient, and to avoid mismanagement, waste, and abuse. Its objective is to ensure that an accountable government works exclusively for the benefit of the people.

This chapter details the procedural stages of oversight activities (such as plenary sittings, committees, and individual actions undertaken by MPs) and provides examples of good practices that aim to inspire a more vigilant parliamentary review of defence industry activities.

1. The rationale for defence industry oversight

Parliamentary oversight should cover all areas of government activity, with no exceptions. The particular features of the defence industry make it a key, yet challenging area for oversight.

Economic relevance and protectionism

An innovative and sustainable defence industry provides an important contribution to a country's defence capability and preparedness. It has strategic importance not only for security and defence policy, but also for technological and industrial policy. In addition, it plays a vital role in the provision of equipment to civilian authorities and organizations with security tasks. Defence companies are often significant employers in the national economy and rely on specialized labour skills capable of developing, building, adapting, and sustaining technically complex equipment. The US Department of State estimates that, from 2009 to 2019, the annual value of world military expenditures averaged between USD 1.81 trillion and USD 2.76 trillion per year,[99] while the Stockholm International Peace Research Institute (SIPRI) estimates the financial value of the global arms trade for 2019 to be at least USD 118 billion.[100]

To strengthen national defence capabilities and encourage production and exports, governments often take a protective industrial stance and identify key capabilities that need be

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98 President Dwight D. Eisenhower in his farewell address to the nation in 1961. Available at: https://avalon.law.yale.edu/20th_century/eisenhower001.asp.

99 World Military Expenditures and Arms Transfers 2021 Edition. Available at: https://www.state.gov/world-military-expenditures-and-arms-transfers/.

100 Stockholm International Peace Research Institute (SIPRI) Databases. Available at: https://www.sipri.org/databases/financial-value-global-arms-trade.

protected domestically. Critical industrial capabilities are often considered a vital strategic asset in their own right. Companies develop long-term partnerships with government and may be exempt from requirements concerning transparency and open market competition that apply to other sectors. Single-source contracts may improve the speed of acquisition, encouraging innovation and productivity and the development of skills, technologies, and capabilities to ensure defence resilience and independence.

Governments may support areas of the defence industry that are not considered vital or efficient if the economic and social cost of closing them is deemed to be too high. Once abandoned, defence industry technologies and capabilities can only be restored with major investments of time and resources.

Enshrined in EU mechanisms, the commitment to protectionism has significant economic costs for EU members. Article 346 of the Treaty on the Functioning of the EU (TFEU Lisbon), states that: 'Any Member State may take such measures as it considers necessary for the protection of the essential interests of its security which are connected with the production or trade in arms, munitions and war material.' The article therefore allows for an exemption from public procurement requirements, meaning that contracts may be awarded without competition in cases where this is necessary to protect essential security interests of member states.[101]

Inefficient spending, unnecessary duplication of capabilities,[102] and declining defence budgets have triggered recent EU policy efforts to ensure deeper cooperation and to underscore the interoperability of equipment, through the EU's Defence Technological and Industrial Base and the European Defence Fund.[103]

Strategic relevance and foreign policy

Sovereign states retain their freedom of action and choice in military affairs, which means they need to ensure supply security and maintain technological advantages. At the same time, a country's ability to cooperate and honour obligations within alliances, thus increasing their strategic leverage and credibility, relies on a competitive defence industry. National security and international alliance considerations add to the technicality and complexity of defence industry decisions, both in terms of technologies and agendas involved.

Domestic demand significantly influences the size and focus of the defence industry; however, governments encourage and, where appropriate, facilitate exports to suitable countries. When appropriate, government-to-government commercial agreements are closed to increase export market shares and achieve economies of scale. The export of defence material and technology is carefully regulated and controlled.[104] In the EU, decisions on issuing

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101 See also Randazzo, Vincenzo. 2014. Article 346 and the Qualified Application of EU Law to Defence. EU Institute for Security Studies. Available at: https://www.iss.europa.eu/sites/default/files/EUISSFiles/Brief_22_Article_346.pdf.

102 The European Commission factsheet 'EU Budget for the Future', published in June 2018, shows how, in comparison to the US, the EU collectively has six times the number of weapons systems in use, for half the expenditure. Protectionism, duplication, and missed opportunities for economies of scale are at the heart of this problem. Available at: https://ec.europa.eu/info/sites/default/files/budget-may2018-eu-defence-fund_en_0.pdf.
See also: https://www.forbes.com/sites/niallmccarthy/2018/02/19/europe-has-six-times-as-many-weapon-systems-as-the-u-s-infographic/?sh=1b88cabd6e7a.

103 For an in-depth analysis by the European Parliament, see: European Parliament. 2020. The EU's Defence Technological and Industrial Base. January. Available at: https://www.europarl.europa.eu/RegData/etudes/IDAN/2020/603483/EXPO_IDA(2020)603483_EN.pdf.

104 The Arms Trade Treaty is the most ambitious attempt to regulate the international trade of conventional weapons; it sets out, for the first time, prohibitions to stop the international transfer between states of weap-

export licences for military equipment are a national competence, following an assessment against eight criteria, including an assessment of the respect for human rights in the country of final destination as well as respect by that country of international humanitarian law. [105] Member states denied over 200 licences in 2020, following case-by-case assessments of licence applications.[106] In order to increase transparency and responsibility in arms exports, the EU also launched a searchable online database[107] in 2020, containing the annual arms export data of all EU member states since 2013.

The combined arms exports of EU member states accounted for 26 per cent of the global total in 2016-2020, making the EU the second-largest arms supplier in the world, after the US (37 per cent) and before Russia (20 per cent). The top five Western European arms exporters – France, Germany, the UK, Spain and Italy – together accounted for 22 per cent of global arms exports in 2016-2020,[108] most of which were destined for countries in the Middle East. The Report on Arms Export,[109] adopted by the European Parliament in September 2021, underlines an increasing need for EU-level involvement in order to support a strong European defence industrial base that can ensure strategic autonomy and maintain technological advantages.

Given the economic and strategic relevance of the defence industry, decisions about which sectors a country should preserve and strengthen are highly political and should not be left in the hands of executive officials alone. Allowing parliament – and, through it, society as a whole – to debate, evaluate, and justify such choices is paramount for preventing the possible undue influence of the military-industrial complex[110] on war and peace decisions.

Box 1. Advantages of a domestic defence industry[111]

Strategic sovereignty, or self-reliance in arms acquisition: Domestic sources of arms are the most reliable. Relying too much on foreign-sourced arms can potentially threaten a state's political independence.

ons, munitions, and related items when it is known that they would be used to commit or facilitate genocide, crimes against humanity, or war crimes. Every year, an assessment is conducted to analyse the 'overriding' risk that potential arms exports could contribute to serious violations of international human rights and humanitarian law; the treaty entered into force in December 2014 after being ratified by 110 countries and adopted by the General Assembly of the UN. Available at: https://www.un.org/disarmament/convarms/arms-trade-treaty-2/.

105 In 2008, during the French Presidency, the EU adopted a legally binding Common Position (2008/944/CFSP) defining common rules governing control of exports of military technology and equipment. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32008E0944&from=EN.

106 Available at: https://eeas.europa.eu/headquarters/headquarters-homepage/104754/23rd-annual-report-arms-exports-launched-today-289-eu-transparent-and-responsible-trader-arms_en.

107 Available at: https://webgate.ec.europa.eu/eeasqap/sense/app/75fd8e6e-68ac-42dd-a078-f616633118bb/sheet/74299ecd-7a90-4b89-a509-92c9b96b86ba/state/analysis.

108 Data from SIPRI Fact Sheet: SIPRI. 2021. Trends in International Arms Transfers 2020. March. Available at: https://sipri.org/sites/default/files/2021-03/fs_2103_at_2020_v2.pdf.

109 Available at: https://www.europarl.europa.eu/meetdocs/2014_2019/plmrep/COMMITTEES/AFET/PR/2020/04-27/1201283EN.pdf.

110 Describing the relationship between a country's military and the defence industry that supplies it, the term was coined by President Dwight D. Eisenhower in his farewell address to the nation in 1961. Available at: https://avalon.law.yale.edu/20th_century/eisenhower001.asp. In the context of the US, the appellation is sometimes extended to refer to the military-industrial-congressional complex (MICC), adding the US Congress to form a three-sided relationship termed an 'iron triangle'.

111 Adapted from Bitzinger, Richard A. 2015. 'New Ways of Thinking about the Global Arms Industry.' ASPI Strategic Insights. November, p. 2.

Economic development and industrialization: Defence industrialization may trigger the expansion and modernization of other sectors of the country's economy, such as steel, machine tools, and shipbuilding. Defence industrialization can also function as an import-substitution strategy; instead of sending capital out of the country via arms imports, indigenous arms production can create jobs, ameliorate trade imbalances, and protect foreign currency reserves. On the other hand, by exporting arms, defence firms are a potential source of foreign currency earnings.

Technological development: Arms production serves as a 'technological locomotive', spurring the growth of new industries and new technologies, such as aerospace, electronics, and information technology.

Empowerment and self-confidence: Arms production offers states a sense of empowerment and self-confidence, even states that are considered niche suppliers (that is, those that preserve a limited capacity for domestic, specialized production for economic reasons – to preserve existing industrial bases or to protect jobs, their balance of payments, or arms exports – or for reasons of strategic sovereignty – to produce at least something that contributes to national security, and eventually develop customized solutions for national defence).

Accountability vulnerabilities

Defence industry interests and actors may exert inappropriate influence on the national defence and security agenda. Particularly in countries with large domestic defence industries, companies can use their access to policymakers – secured through practices such as secretive lobbying and the engagements of former public officials – to exert considerable influence over security and defence decision making. A 2020 Transparency International report[112] identifies three main pathways through which the defence industry may exert undue influence on government:

- Money: The defence industry may provide in kind and financial support to election campaigns and party events or offer lucrative side-jobs to MPs (such as lobbying for a company), taking advantage of loopholes in conflict-of-interest regulations.
- Ideas: The transfer of ideas between the private and public sector through lobbyists, think tanks, and consultants is necessary for building up public expertise in a complex, rapidly transforming field and provides decision-makers with valuable insights and data; however, this transfer of ideas shapes government and parliament thinking on security and defence. In many European and NATO countries legislation does not define lobbying,[113] nor does it impose a comprehensive registration of lobbyists, or full transparency about the nature and frequency of exchanges with interest representatives.[114] This can lead to undue influence, unfair competition, and the use of state

[112] Transparency International Defence and Security. 2020. Defence Industry influence in Germany: Analysing Defence Industry Influence on the German Policy Agenda. October. Available at: https://www.transparency.de/fileadmin/Redaktion/Publikationen/TIDS-DefenceIndustryInfluenceGermany-DIGITAL.pdf

[113] France, Germany, Hungary, Poland, Slovenia, Austria, the Netherlands, and the US have approved legislation and government regulations on lobbying. See the OECD Brochure on Transparency and Integrity in Lobbying, p. 2. Available at: https://www.oecd.org/corruption/ethics/Lobbying-Brochure.pdf.

[114] Since April 2021, the registration of lobbyists is mandatory in the European Parliament, the Council of the European Union, and the European Commission, who jointly operate a unique Transparency Register, ensuring the disclosure of all staff meetings with the registered lobbyists and interest groups. Available at: https://www.europarl.europa.eu/doceo/document/TA-9-2021-0130_EN.html#title1.

agencies for the purposes of a specific industry or group of interests (the so called "regulatory capture" or "clientelism").

- People: The influence exerted through the movement of people between the public and private sectors reinforces the effects of the money and ideas pathways. Governments play a double role in their relations with the defence industry, as they are both the main customer and the main regulator. High-level employees from the public sector may be influenced by the prospect of employment in private companies on retirement. This so-called 'revolving door' practice allows people who leave the military,[115] legislature, or government[116] to become lobbyists and consultants for the industries they once regulated, while preserving 'friendly access' to decision-makers;[117] conversely, some private industry heads or lobbyists receive government appointments that relate to their former private posts. Consultants may also be embedded in high-level roles in government to compensate for the shortage of expertise and skills in the civil service. From these positions, (former) private industry experts can shape the perception of security capabilities, needs, and priorities. The movement of people between the private and public sectors is not sufficiently regulated to provide cooling-off periods[118] or limit the extent to which former government officials are allowed to use connections and knowledge attained in previous jobs in public service.[119]

The global supply of sophisticated arms is dominated by a small number of large multinationals from only a few countries; however, many states are engaged in a variety of arms production activities, with small firms producing niche capabilities or equipment with low levels of technology, and operating as suppliers to dominant defence companies.[120] The varying levels of technology are further complicated by the mixed ownership of defence companies and the diverse functions they cover. The range of defence industries in Central and Eastern Europe exemplifies this diversity of functions and ownership:[121]

- Trade: private companies acting as exclusive intermediaries for the ministries of defence.

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115 In the US, a recent Government Accountability Office report found that, between 2014 and 2019, 1,718 former Defense Department senior and acquisition officials went to work for many of the country's largest defence contractors. Available at: https://www.washingtonpost.com/opinions/2021/09/21/its-time-break-up-military-industrial-complex/.

116 Famous cases of politicians who pursued lucrative career opportunities after they left politics include the former German Chancellor Gerhard Schröder, who became CEO of the company Nord Stream 2, and the former Dutch Minister of Transport, Camiel Eurlings, who became the CEO of KLM. See an analysis of post-parliamentary career positions in Germany and the Netherlands published in 2020 in the European Journal of Political Research. Available at: https://ejpr.onlinelibrary.wiley.com/doi/abs/10.1111/1475-6765.12385.

117 Transparency International Defence and Security. 2020. Defence Industry influence in Germany: Analysing Defence Industry Influence on the German Policy Agenda. October. Available at: https://www.transparency.de/fileadmin/Redaktion/Publikationen/TIDS-DefenceIndustryInfluenceGermany-DIGITAL.pdf

118 In 2019, US Senator Elizabeth Warren proposed a plan that would ban defence officials from owning stock in defence contracting companies and make them wait at least four years after exiting government to join defence firms. Her plan would also require contractors to specifically disclose their lobbying activities and prevent contractors who take government jobs from working on projects that could affect their former employers. Available at: https://elizabethwarren.com/plans/corporate-influence-pentagon.

119 Currently in legislative procedure, a draft bill aims to prohibit members of Congress and senior staffers from buying or selling stocks while in office. Available at: https://thehill.com/policy/finance/541425-bipartisan-bill-would-ban-lawmakers-from-buying-selling-stocks.

120 Bitzinger, Richard A. 2015. 'New Ways of Thinking about the Global Arms Industry.' ASPI Strategic Insights. November.

121 Kolin, Vilem. 2015. Towards Balanced Defence Industry in Europe: Main Specificities of Central and Eastern European Defence Industries. IRIS Notes. March, p. 6.

- Maintenance repair and overhaul: mostly state-owned, centralized companies – despite wide-ranging privatization – possessing exclusive licences for the maintenance of legacy equipment.
- Manufacturing: mostly private companies delivering products for both military and civilian use and ensuring technology transfer between the defence and the civil sectors (most manufacturing companies are owned or partially owned by large multinational or Western defence companies).
- R&D institutes: state-owned institutes participating in cooperative research and technology projects and serving as project integrators at the national level.

The private-public nature of the defence industry makes it particularly challenging for parliamentary oversight. Most defence companies are in private hands and subject to national legislation, but they are not directly subject to oversight by parliament. Oversight is primarily a political relationship between the legislative and the executive. The parliament shapes the strategic and legal environment in which the defence industry performs. It may also regulate the conditions and limits of public-private partnerships and the working relationship between the government and defence companies, as well as decide on the general framework for international collaboration and trade. The parliament cannot, however, directly influence or hold accountable private defence companies, since its oversight powers allow it to summon, question, and call to account only members of the government and public officials. Parliamentary inquiries – the most powerful but least used parliamentary oversight tool – are the only exception to this rule.

2. An inventory of tools and opportunities for parliamentary oversight

Parliamentary oversight is understood here as a comprehensive process, which begins with the authority to debate and approve government policies, to legislate (and thus shape and direct the future of a society), and to continue with the regular, sustained scrutiny of how policies and laws are put into practice (the oversight of past government activities). By monitoring how laws and policies are implemented, parliaments are able to identify imperfections in legislation and instances of poor administration, abuse, or corruption; they may seek to resolve these issues through legislative amendments and political sanctions.

While constitutions briefly affirm the principles that shape the separation of the powers of the state and the main powers of parliament (to legislate, approve the state budget, oversee, and request information from government), the concrete modalities for exercising these powers are set out in parliamentary procedures (such as ‘standing orders’ or ‘rules of procedure’).

To identify the opportunities and tools parliaments can use to influence and oversee the defence industry, this chapter considers the main types of parliamentary action, which are commonly met in the rules of procedure of most democratic parliaments in the world, despite differences in constitutional design. The chapter identifies three complementary levels of parliamentary action: plenary sessions, committees, and individual actions undertaken by MPs.

Box 2. Tools and opportunities for parliamentary oversight of the defence industry

Plenary level	• Endorse the programme of government, security, and defence policy/strategy • Debate and vote the enactment of laws • Debate and approve the use of public funds (state budget law) • Debate and decide on national participation in missions abroad • Debate and vote on motions and votes of confidence • Give consent to senior appointments (ministers, agency directors)
Committee level	• Issue reports and formal opinions on draft legislation • Conduct hearings, visits, and inspections in the field • Undertake inquiries (usually only after plenary approval) • Debate and approve important procurement contracts • Investigate citizen complaints • Issue oversight reports that instigate a debate in the plenary • Issue recommendations for overseen institutions • Hear and provide an opinion on candidates for ministerial and other high-level positions
Individual level (MPs)	• Propose new bills or legislative amendments • Address formal questions and interpellations (in the plenary, oral or written) • Make formal political declarations (in the plenary, oral or written) • Submit requests for information (free or classified)

While these tools and opportunities all offer a potential entry point for questioning, discussing, and influencing the defence industry, practice shows that some oversight mechanisms are particularly suitable for addressing defence industry issues. This section will expand further on some of these mechanisms.

Endorsing the strategic framework for national security

In their plenary debates, parliaments give consent to, and sometimes formally approve, government policy in the field of security. Strategic planning documents – such as the Programme of Government,[122] National Security Strategy, Defence Review, or White Paper for Defence – shape national security policy in the long term and create the political, institution-

[122] The Programme of Government's approval in parliament is characteristic for parliamentary systems.

al, and budgetary environment for the defence industry. Adopted on a regular basis, they define the national posture in a rapidly evolving international environment.

Based on an analysis of the international security environment and a threat assessment, such documents determine national security interests, define priority missions for security sector agencies, and provide political guidance for reforms. They may indicate the level of defence spending,[123] the maximum number of personnel employed in security forces, the necessity for arms acquisition, and the level of national participation in military and civilian peace support operations. Sometimes defence industry is specifically mentioned in such documents, especially when significant defence industry capabilities are state-owned.

Strategic security and defence documents define the political framework for future reforms and the basis upon which legislation and yearly budgets will be elaborated by the executives. It is essential for the executive to submit such documents to parliamentary debate to ensure the democratic accountability of security policy. Public parliamentary debate on these strategic documents fosters dialogue among the different components of the defence and security establishment.

The process is more accessible to the public because the debate takes place in the plenary, which is the most visible form of parliamentary activity and the focus of media attention. In many countries, plenary debates are broadcast live on television or radio. For those unfamiliar with parliamentary affairs, and for most citizens, parliament's role in politics is solely understood through the plenary sessions, since other parliamentary bodies and activities are much less visible.

Once a strategic policy document is debated by parliament, with or without a vote of formal approval, it becomes 'parliament's property' and direct responsibility for its implementation is shared by the parliament with the executive. This is an opportunity for parliament to influence future policy formulation, but also to build public support and ensure the democratic legitimacy of the adopted policy.

Box 3. Parliamentary influence on security policy formulation: examples of good practices

In the UK House of Commons, each major Defence Strategy document is followed by a plenary session, including a debate and detailed questions and answers.

Romanian law on defence planning[124] provides that the president will, within six months of their investiture, present the National Security Strategy in front of parliament, which debates and approves it, in a joint session of the two chambers. The National Security Strategy's average term of validity is four years and it contains long-term provisions for accomplishing national and collective defence and security objectives.

In Switzerland, important agreements for the country, such as the accession to collective security organizations or supranational communities, and important de-

[123] Usually as a percentage of the gross domestic product. For example, the 2020-2024 Romanian National Security Strategy indicates that the yearly defence budget level is two per cent of GDP; 20 per cent of the defence budget is to be spent on acquisitions and two per cent for research, development, and innovation. The strategy also mentions the need to adapt the defence industry to the armed forces' procurement requirements, and to the competitive environment, including by accessing European funding opportunities for R&D. See pp. 32-33 of the strategy. Available at: https://www.presidency.ro/files/userfiles/National_Defence_Strategy_2020_2024.pdf.

[124] Law no. 473/ 2004 regarding the planning of national defence, Article 5

fence acquisitions are subject to not only intensive parliamentary debate, but also a public debate and referenda.

Parliamentary debates transmitted live on the television, radio, or internet ensure a high degree of transparency and raise public awareness and interest in policy. In an increasing number of countries, all plenary debates are broadcast live.

Endorsing a defence industry strategy

While a large majority of countries have a National Security Strategy and a White Defence Paper providing a comprehensive framework that describes how security is provided for the state and the citizens, some countries formulate strategic documents dealing specifically with the defence industry. This is usually the case for countries that have a large, well-developed military-industrial complex (such as Australia, Canada, France, Spain[125], the UK and the US), or countries where the defence industry is an old industrial sector (such as the Netherlands[126]).

National strategies for defence and security industries establish a well-defined strategic relationship between the government and the defence industries – whether private or state-owned. Such documents give clear information on the government's perspective on national security needs, plans, and technology priorities. They help the industry to plan effectively and allow companies to understand how government evaluates their work, and enables them to align with national defence objectives, plan resources, invest in developing new technology, products, and services, and improve productivity.

There are obvious benefits in terms of accountability to having the government formulate a national strategy for defence industry, and the parliament debate and eventually endorse it. A transparent political process reduces the opportunities for insiders such as lobbyists and campaigners to exert a disproportionate influence on decision-makers.

The absence of such strategies, or the secrecy surrounding them, results in limited public and media involvement on this topic. Even where such classified policy documents are available to MPs who are responsible for providing oversight, they may be limited or insufficiently detailed to allow for meaningful scrutiny, and their secrecy prevents parliament from discussing any concerns about the policy publicly.

Box 4. Examples of countries with a national strategy for the defence industry

- **Norway:** The National Defence Industrial Policy: A Technologically Advanced Defence for the Future[127] was outlined in a White Paper presented by government to the Storting in October 2015 and supported by a broad parliamentary consensus. The policy set two priorities for acquisitions: national security interests and the needs of the armed forces. A competitive defence industry is needed given national security interests and Norway's unique climate and topography. The defence industrial policy requires a triangular collaboration

[125] Available at: https://www.defensa.gob.es/Galerias/dgamdocs/defence-industrial-strategy-2015.pdf.
[126] Available at: https://www.government.nl/documents/reports/2018/11/30/defence-industry-strategy.
[127] An English summary of the White Paper presented to the Storting is available online: https://www.regjeringen.no/contentassets/5f29db6ef1b34054a025ffddb7073b31/en-gb/pdfs/stm202020210017000engpdfs.pdf. For an analysis on the strategy, see Hatlebakk Hove, Kjetil. 2018. Defence Industrial Policy in Norway: Drivers and Influence. Available at: https://www.iris-france.org/wp-content/uploads/2018/02/Ares-25-Policy-Paper-f%C3%A9vrier-2018.pdf.

between the armed forces, the defence industry, and the Norwegian Defence Research Establishment, through which most of defence R&D investments are channelled. The triangular model is considered well suited for small countries because of short lines of communication and limited opportunities to duplicate expertise. The Norwegian defence industry is highly integrated with foreign supply chains, with more than half of all goods used in production being imported.

- **Australia:** Following the release of the 2016 Defence White Paper, the Defence Ministry published a ten-year Defence Capability Plan and a Defence Industry Policy Statement[128] to provide the defence industry with greater certainty about the government's key priorities and time frames. The White Paper provides long-term funding guidance, and limits defence spending to two per cent of GDP. For the first time, all elements of the government's defence investments – including new weapons, platforms, systems, as well as the enabling equipment, facilities, workforce, information and communications technology, and science and technology – were outlined in an Integrated Investment Program, published with the 2016 Defence White Paper. These defence strategy papers follow the recommendations of an 18-month parliamentary inquiry[129] that acknowledged the fundamental contribution of Australian industry to defence capability and requested that the relationship between the Defence Ministry and Australian industry refocus on improving the delivery of defence capabilities.
- **The UK:** Building on the recommendations of the 2018 government-commissioned report 'Growing the Contribution of Defence to UK Prosperity', the UK Government adopted and presented to parliament three strategic documents, published successively on 16, 22, and 23 March 2021:[130]
  - the Integrated Review of Security, Defence, Development and Foreign Policy, aimed at a comprehensive reset of the UK's international stance;
  - the Defence Command Paper, which laid out plans for a significant reshaping of the armed forces; and
  - the Defence and Security Industrial Strategy,[131] which signalled a shift in defence procurement policy, with the UK moving away from a 'global competition by default' policy towards a more balanced approach that matches the required capability with both national security considerations and the potential impact on the country's 'prosperity' – allowing for more flexible procurement decisions based on the recognition of the UK's defence industry as a 'strategic capability in its own right'.
- **Germany:** The 2020 Strategy Paper of the Federal Government on Strengthening the Security and Defence Industry[132] identifies three types of key security and defence technologies: national technologies (such as artificial intel-

[128] The 79-page document is available online: https://www.defence.gov.au/about/publications/2016-defence-white-paper.
[129] Available at: https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Foreign_Affairs_Defence_and_Trade/Defence_Industry_Exports/Report.
[130] Available at: https://www.iiss.org/blogs/military-balance/2021/04/uk-defence-and-security-industrial-strategy.
[131] The 112-page document is available online: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/971983/Defence_and_Security_Industrial_Strategy_-_FINAL.pdf.
[132] The 10-page document is available online: https://www.bmwi.de/Redaktion/DE/Downloads/S-T/strategiepapier-staerkung-sicherits-und-verteidigungsindustrie-en.pdf?__blob=publicationFile&v=4.

ligence, electronic warfare, IT and communications technologies, and naval shipping); European technologies, which are secured in cooperation with European partners; and global technologies, where capacities can draw on globally available technologies. The document recognizes the field of digitalization and artificial intelligence as one of the technological challenges for security and defence, and states that ensuring cybersecurity is a basic prerequisite for advancing the digitalization of the state, the economy, and society. The strategy was submitted by the government to the Bundestag, and envisages several forms of dialogue with civil society in order to build public support for the strategy.

Enacting security sector legislation

The adoption of laws represents the proactive function of parliament, oriented towards future policies and activities of the executive. Enacting legislation that regulates how defence and security agencies work poses a special challenge for democratic oversight, because national security interests may sometimes justify temporary omissions of the usual standards of accountability that other state agencies must conform to at all times. Through the laws they enact, parliaments must balance the competing needs of developing security services capable to deliver security with agility and efficiency, while setting proscribed limits to their actions in order to safeguard human rights and liberties.

In some countries, the relationship between the government and the defence industry, as well as different forms of support for defence industries, may be enshrined in specific legislation or government action, such as:

- Laws providing for the designation and protection of strategic assets and critical infrastructure;
- Legislation providing for the protection of local defence industries - which may minimize or restrict foreign competition with the local defence industry, including by applying offset policies;
- Legislation providing for the establishment and functioning of institutions and mechanisms involved in the control of arms exports.

Besides specific national defence industry laws, parliamentary debates and decisions could provide solutions or identify questions concerning the defence industry in many areas of regulation, including:

- adopting statutory laws for security sector actors, which set the mandate, authorities, size, organization, powers, budget, and procurement rules for all state actors mandated to use force, as well as for the civil management bodies responsible for decisions on the use of force;
- mobilizing reserve capacities and stocks during states of emergency, siege, or war;
- sending military and civilian forces abroad to participate in peace support operations, or approving military deployments on national soil;
- ratifying treaties concerning the country's accession to international organizations and military alliances, or security and defence cooperation;
- adopting the state budget law; and
- legislation providing for defence conversion, or the transfer of military assets, surplus materials and stocks to civilian companies.

The adoption of such laws by parliament (as opposed to regulations adopted through government decisions) provides a solid base for effective parliamentary oversight. Legislative procedures often require long debates at the committee level; joint meetings of competent committees (such as defence and security, technology, and economy); and consultations with concerned stakeholders (such as companies, syndicates, and professional associations), civil society, and academia. Throughout the legislative process, MPs and their staff develop their understanding of that particular area of regulation, which at a later stage allows them to effectively assess how the laws are implemented.

The state budget law deserves particular attention as it is the most powerful policy tool for the government, and parliament's greatest opportunity to influence the future development of society. The state budget law defines how the money raised by taxes will be allocated to and spent by each state agency, including those in the defence establishment. The amount and structure of the defence budget is analysed in detail by defence and security committees that have the liberty and competency to question government budget proposals, request explanations, and potentially amend the proposed allocations. The promotion of the defence industry and defence exports at the political, administrative, and diplomatic level, as well as the institutions mandated for the arms control are funded by the budget, therefore they can be directly influenced by parliament through budget allocations.

Box 5. Parliament and the budget: examples of good practices

- In Canada, the **Office of the Parliamentary Budget Officer**[133] supports parliament in scrutinizing the budget and providing independent, authoritative, and non-partisan financial and economic analysis. Created in 2006 and comprising 40 members of staff, the Office is led by the Parliamentary Budget Officer, an independent officer who supports parliamentarians in carrying out their constitutional roles of scrutinizing the raising and spending of public monies and generally overseeing the government's activities. In March 2011, the Office published a 65-page peer-reviewed report that estimated the cost of buying F-35 fighter jets to be more than three times higher than the cost publicly announced by the Defence Department.[134] A no-confidence vote initiated by the opposition led to the fall of the government, delayed the acquisition of the jets by some years, and prompted a serious debate about Canada's procurement system.
- In the Budget Committee of the **German Bundestag**, members are assigned the role of rapporteurs with regard to the budget of a specific ministry. The budgetary officials in their ministry keep the rapporteurs informed of all the phases of the budget cycle. The rapporteurs conduct on-site visits to investigate the necessity of certain expenditures and may check or demand additional information or clarifications. As they tend to keep their positions for a number of years, they develop a high degree of expertise in their policy area, becoming a valuable source of information for the rest of the committee.
- To reconcile legislative activism with fiscal prudence, the procedure for adopting the State Budget Law in many countries starts with a vote on the overall spending levels, before considering sectorial allocations and specific appropriations.[135]

[133] Available at: https://www.pbo-dpb.gc.ca/en/office-of-pbo--bureau-du-dpb.
[134] Available at: https://en.wikipedia.org/wiki/Lockheed_Martin_F-35_Lightning_II_Canadian_procurement.
[135] OECD. 'The OECD Budgeting Database,' OECD Journal on Budgeting, Vol. 1, No. 3, p. 155.

- In the UK, the **National Audit Office** undertakes the financial audit of all government departments, on behalf of the House of Commons. In addition, it has powers to examine the economy, efficiency, and effectiveness with which those departments have used their resources. Through its detailed scrutiny of departmental spending, it produces around 50 reports a year for parliament. The annual Major Projects Report provides details of the 25 largest defence procurement projects of the Ministry of Defence.[136] The Ministry of Defence also provides parliament with an annual statement of the top 20 new defence projects.
- **Sunset legislation**[137] provides time limits on government agencies and their budgetary allocations. The Sunset process works by setting a deadline by which an agency will be abolished unless legislation is passed to continue its functions. This creates a unique opportunity for the parliament to look closely at each agency and their efficiency and make fundamental changes to their mission or operations if needed. Sunset legislation caught on in the US, with no fewer than 27 states bringing hundreds of agencies under sunset clauses. Sunset clauses were introduced in anti-terrorism legislation by Australia, the UK and the US.

Participation in military missions abroad is another area of regulation that can bring about meaningful debate on the defence industry. The key indicator of a parliament's relevance in this matter is whether it has the power to approve participation in missions abroad before the troops are deployed. The main rationale for giving parliament this power is obvious given the important consequences of the decision, on both the life of national soldiers and police forces and the relation with other states. When parliaments do have the power to approve participation in international missions, they may discuss rules of engagement, equipment needs, and the acquisition of weapons – issues that are highly relevant for the defence industry.

Giving parliament the time to debate missions abroad ensures that national troops are not put in sensitive or risky situations without careful deliberation. Once the troops are deployed, it is difficult for a parliament to undo the government's decision; withdrawal could endanger the ongoing mission and damage the country's international reputation and credibility. The need to react rapidly to security emergencies is often the argument used by executives to directly initiate forceful action without consulting parliament.

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136 Available at: https://www.nao.org.uk/search/sector/national-security/.

137 The roots of sunset provisions trace back to Roman law. During the Roman Republic, the empowerment of the Roman Senate to collect special taxes and to activate troops was limited in time and extent. Those empowerments ended before the expiration of an electoral office, such as the Proconsul. The rule Ad tempus concessa post tempus censetur denegata is translated as 'what is admitted for a period will be refused after the period'. The same rules were applied in the Roman emergency legislation. The principle was broken when Julius Caesar became dictator for life.

Box 6. Parliamentary control of military missions abroad: examples of good practices

- German law (2004) provides that the deployment of armed forces requires the prior approval of parliament, but leaves parliament decide whether a mission is of sufficient importance to merit its involvement. For missions of low intensity and importance, a government request is circulated among the MPs; it is considered to be approved unless, within seven days, one faction or a minimum of five per cent of parliamentarians call for a formal procedure. Furthermore, parliamentary votes on sending troops abroad are so-called 'free votes', meaning that political parties in parliament refrain from imposing a party line on MPs.
- Romanian law (2004) provides that the previous approval of parliament is necessary for peace support operations (PSOs) and coalition-type operations that are not deployed on the basis of a treaty ratified by the Romanian parliament. For collective defence, humanitarian assistance, or operations deployed on the basis of a treaty, the president takes the decision, informing the parliament within five days. A quick decision is therefore ensured for military deployments that are supposed to have been already politically supported by parliament, through its previous decisions.
- The 'power of the purse' may sometimes compensate for the lack of a constitutional power over prior authorization. Parliaments can decide whether to allocate funds for missions abroad when approving the annual defence budget – which provides funding for ongoing PSOs – or when receiving additional budget requests for new deployments. For example, the US Congress forced the policies of the executive by suspending military aid to South Vietnam under President Gerald Ford and by stopping funding for the US troops committed to the UN PSO in Somalia after the first casualties were incurred in 1993.
- Many parliaments make extensive use of their power to acquire information about PSOs operations when visiting troops deployed in mission, questioning responsible ministers and commanders about equipment, weapon systems, rules of engagement and others.

Committee oversight through hearings and inquiries

Parliamentary oversight is visibly and consistently exercised by parliamentary committees. The defence industry most often falls under the competency of standing committees dealing with defence and security, but sometimes industry or economy committees might also be in charge. Standing committees advise the plenary on the legislation and parliamentary decisions to be taken in their field of activity. Committee reports provide a starting point for debates on legislation in the plenary and are the primary vehicle for formulating recommendations to the government.

The advantage of working as a committee, besides the combined level of expertise, is the lack of publicity and media coverage, which encourages open dialogue and facilitates negotiations and the development of a common view. Broad concerns raised in the plenary usually pit ruling parties against opposition parties – which does not necessarily enable in-depth parliamentary engagement in oversight – while working as a committee facilitates more technical and detailed cross-party scrutiny.

Strong committees develop an independent ethos, and a capacity for unbiased thought and action. With the necessary powers, resources, and attitude, committees can be an effective instrument to foster government reforms, transparency, and accountably, and to encourage the development of an informed public awareness about the governance of the country.

However wide their mandates, committees have no power of enforcement. Their recommendations are not legally binding for the executive, and they rely on the force of argument, on publicity, and on multi-partisan support to convince the plenary to follow their advice.

Based on the constitutional right of parliament to get information from the executive, standing committees can demand documents and reports; request the attendance of executive officials to their meetings; and demand them to reveal, explain, and justify their actions. Committees initiate and organize oversight activities independently from the plenary or from the legislative schedule. They determine their own programme and oversight agenda and decide whom to invite to hearings or to committee meetings – which may be open or closed to the public, depending on the members' decision.

Committee hearings are the most efficient and easy-to-use instrument of oversight. The decision to hold a hearing is generally taken by a simple majority of committee members, without any requirement for the approval of the parliament plenary or its governing bodies. The decision on whether the hearing will be public or held in camera is usually also taken by majority vote. Only ministers and government officials have the power to summon persons into hearings; however, committees may ask to consult independent experts, professional associations, and members of academia to obtain a different and more independent perspective than that of the government. Hearings offer a few advantages: standing committees have more flexibility in initiating hearings, setting their agenda, and applying expertise accumulated during the legislative term. Most often, however, they do not have summoning powers nor clear mechanisms that enable them to enforce their right to receive information and ensure compliance.

Inquiries are an oversight tool that is used rarely, and often as a last resort.[138] They cannot be used by standing committees of their own free will. In order to initiate an inquiry, a standing committee must be granted a mandate by parliament and must follow special procedures. Most commonly, inquiries entail the creation of ad hoc committees equipped with enhanced powers of investigation (subpoenas), allowing parliaments not only to summon witnesses and request information and documents (such as during hearings), but also to enforce testimony and impose sanctions when summoned witnesses fail to comply. In terms of legal investigative authority, inquiry committees are the most powerful instruments available to parliament for scrutinizing the government's conduct. In most parliaments they have subpoena powers similar to those granted to courts and public prosecution.

In most European countries, inquiry committees can summon any official or private citizen, without exceptions or limitations – one of the major differences between these committees and hearings. Inquiries are therefore the most suitable oversight tool with regards to the defence industry, given the private nature of companies' management and shareholders. The summoned citizens must appear, provide explanations, reply to questions, and provide documents and information to the committee under oath – similar to giving testimony in a court of law and with the same consequences for failure to provide the truth. The rules of criminal procedure apply, mutatis mutandis, to the taking of evidence in inquiry committees.

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[138] Most parliaments create inquiry committees only a few times during a legislative term. For example, the House of Representatives in the Netherlands has created only ten inquiry committees in the last three decades: https://www.houseofrepresentatives.nl/how-parliament-works/parliamentary-inquiry.

Inquiries have the potential to reveal facts veiled by the government and are therefore an important oversight instrument. Parliamentary rules of procedure must provide clear instructions about the conditions in which an inquiry may be initiated, ensuring the equitable participation of opposition and minority groups in decisions about the organization and mandate of an inquiry.

Key differences	Hearings in permanent committees	Inquiries in special ad hoc committees
Membership	**Expertise:** The committees' stable membership for the duration of the mandate facilitates the accumulation of expertise and the development of a good working dynamic and team spirit.	**Motivation:** Since inquiries enjoy greater public visibility, members may be more motivated and focused. MPs with high political profiles and expertise may be appointed to the committee.
Scope of investigations	**Wide scope:** The committee can examine any topic related to the ministries and agencies that fall within its remit.	**Narrow scope:** The committee has a very precise and limited mandate, specified in a parliamentary resolution/ decision.
Initiation	**By the committee:** Committees initiate hearings at their own discretion and are free to determine the agenda and the individuals to be summoned as long as they act within their remit.	**By a plenary (majority) or a qualified minority:** The decision to initiate an inquiry is usually made by the parliamentary majority vote in the plenary. There are a few countries where a qualified minority can launch inquiries.
Investigative powers	**Regular:** Committees can request documents and invite state officials to be questioned but cannot force them to comply. A failure to appear in a hearing and provide the requested documents has political consequences only.	**Enhanced:** Inquiry committees have special (stronger) powers of investigation. Non-compliance with their summons or requests for information results in administrative or penal sanctions.
Who can be questioned?	**State officials:** Government officials (ministers and agency directors) who are politically responsible in parliament may be questioned. Employees may be called for questioning through their employer (minister). Private citizens and entities do not have an obligation to respond to a committee's invitation to hearings.	**Anybody:** In most countries, inquiry committees may seek evidence from a wide range of state officials, citizens, and state or private organizations.

Instruments for follow-up	**Recommendations:** A committee can issue reports with conclusions and recommendations and track the implementation of such recommendations in successive rounds of hearings over a long period of time.	**Formal reports:** An inquiry committee must issue a report after the conclusion of its investigation. The report does not have legal consequences, but the information revealed may incite other state bodies (such as the judiciary or the government) to initiate further investigations.
Frequency	**Often:** Committees can demand the attendance of government officials at their meetings as often as they want. Certain hearings can be scheduled in advance and included in the annual work plan of the committee; others are organized as an immediate reaction to media revelations or complaints.	**Rare:** Launching an inquiry is a rare, irregular, and exceptional event. Very few inquiries are initiated during a legislative mandate.
Public visibility	**Low:** Hearings are often open to the public, unless the committee decides otherwise. In the security and defence field, closed hearings are common.	**High:** Court proceedings are sometimes open to the public, and the inquiry committees' deliberations are often held in camera. The work and report of an inquiry committee are subject to greater public and media attention.
Contribution to accountability	**Systemic:** Permanent committees contribute to systemic, long-term oversight, as they can follow reforms in different stages (formulation, implementation, evaluation) throughout a full legislative term.	**Punctual:** Inquiries are focused, intense, and short term. They are the most powerful tool available to parliament to enable it to seek evidence and gather relevant opinions and information.

Committees have extended powers in establishing the topic of a hearing and the executive officials invited to provide information. Because the execution of the state budget represents one of the most relevant indicators of a government's professionalism and efficiency, it is a frequent subject of parliamentary hearings and inquiries.

In many parliaments **defence procurement** is the main topic of defence committee hearings, given its weight in the overall yearly defence budget[139] and its vulnerability to corruption. Defence procurement decisions are politically driven at times and have important consequences for the national defence industry. As a result, defence contracts attract in-

[139] Procurement may represent a large part of defence expenditures – about 17 per cent of defence budgets in NATO countries.

creasing levels of public attention. Two elements are essential for defence procurement accountability:

1. a clear legislative framework that provides inter alia for a competitive procurement process (single-source or non-competitive procurement must be defined as an exception to the general rule and the law should clearly state the conditions for when this exception is allowed); and
2. rigorous parliamentary monitoring of the process using traditional oversight instruments (such as questions, interpellations, hearings, and inquiries) to prevent corruption, which is often hidden beneath 'secrecy' or 'national interest' claims.

Achieving value for money is a core principle of government procurement rules; however, in defence this is very difficult to assess because of the complexity of defence systems complexity, the rapid development of technologies, and the long time frames. Considering how a country can best balance the concept of self-reliance with what is affordable and what makes sense from an economic perspective – or deciding between defence procurement and the development of domestic defence capability – is a very difficult political choice. Parliament's meaningful involvement in this debate is essential for the good democratic governance of security.

In some countries, important procurement contracts must be submitted for the approval of the defence committees; this is the case for the Netherlands (for contracts exceeding EUR 2.5 million), Germany (EUR 25 million), Poland (EUR 28 million), Bulgaria (EUR 50 million), and Norway (EUR 300 million).

In other parliaments, even if the defence committee's approval is not mandatory, the ministry of defence is obliged to inform the committee and give details about all contracts above a certain value (for example, in Hungary, Switzerland, and the UK). Sometimes, parliament or the defence committee can even be involved in specifying the need for equipment, comparing and selecting a supplier or a product, and assessing offers for offset arrangements (for example, in the Czech Republic and US).

Belgium is one of the few countries where parliament has set up a special parliamentary committee for defence acquisitions and sales. This special committee operates alongside the standing defence committee and has the right to request information about all defence acquisitions and sales projects. The creation of a special committee followed an investigation in the early 90s revealing that several members of government had received bribes from aviation companies to ensure the government bought their helicopters.[140]

Box 7: Committee oversight: hearings and inquiries

- The Defence Committee in the German Bundestag has an outstanding position because its settling is provided for in the constitution, and it is the only committee that can declare itself to be an inquiry committee (Art. 45(a), para. 2 of the Basic Law). Parliamentary inquiries enjoy the same powers as those afforded to courts, with the German constitution stating that the rules of criminal procedure equally apply to the evidence collection in inquiry committees.[141] Meetings in which evidence is taken are open to the public, unless military secrecy is required; however, meetings in which the evidence is evaluated are

[140] Reykers, Yf. 2021. Strengthening Parliamentary Oversight of Defence Procurement: Lessons from Belgium. European Security, Routledge, February, pp. 510-511.

[141] German Law on Inquiry Committees, sections 21, 27, and 29.

not open to the public. Further on, the German Law on Inquiry Committees provides the following mechanisms for enforcing the investigative powers of parliament:

  - An administrative fine of up to 10' 000 EUR can be imposed on absent witnesses or on those who refuse to surrender an item required by the inquiry committee as evidence. In the event of a repeated failure to comply, the administrative penalty may be levied again.
  - A witness who refuses to testify can be obligated to attend by the investigative judge at the Federal Court of Justice, upon receipt of an application from the inquiry committee supported by one-quarter of its members. The witness may be held in custody in order to compel them to testify. The judge can also order a search for the seizure of items requested by the inquiry committee as evidence.
  - The federal government is required to grant the necessary authorization for the examination of office holders.

- In the US Congress, all committees (standing and inquiry committees alike) possess subpoena powers; access to evidence is considered an essential privilege of Congress. Refusal to testify before a committee or failure to provide a requested document is considered contempt of Congress and is punishable by up to one year in prison and a USD 1,000 fine. These sanctions were first enacted by Congress in 1857.[142]
- In 2011, the Joint Committee for Defence and Security in Bosnia and Herzegovina, with the approval of the National Assembly, established itself as an inquiry committee to investigate the legality of the destruction process of ammunition, mines and explosive ordinances, weapons, and military equipment led by the Defence Ministry between 2006 and 2009. All the information collected was given to the public prosecutor, along with a request to launch an investigation, which was never initiated.
- From May 2014 to December 2015, the Joint Standing Committee on Foreign Affairs, Defence and Trade conducted an inquiry on government support for Australian defence industry exports, focusing in particular on:

  - the identification of barriers and impediments to the growth of Australia's defence exports;
  - how government can better engage and assist the Australian defence industry in exporting its products;
  - the operations of the Defence Export Control Office; and
  - an assessment of the export support given to the defence industry by governments of comparable nations.

  The inquiry report recommended that the Department of Defence recognize that elements of the industry are essential to the Australian Defence Force (ADF) capability, and that ADF take steps to identify these elements and to establish long-term partnerships with the industry to sustain them. The 2016 Review of

[142] R.S. § 102; June 22, 1938, ch. 594, 52 Stat. 942. Available at: https://casetext.com/statute/united-states-code/title-2-the-congress/chapter-6-congressional-and-committee-procedure-investigations/section-192-refusal-of-witness-to-testify-or-produce-papers.

Defence has confirmed the committee's view that certain elements of the industry are essential to the ADF and should be recognized as a 'fundamental input to capability' (FIC).[143]

Oversight undertaken by members of parliament: parliament's attitude

The most important function of a national parliament is to represent the citizens. MPs serve as the link between the public and the government and provide practical mechanisms and avenues for expressing public interests and opinions. Out of all the governmental institutions, parliaments, through their elected members, are the most accessible to the public, as well as the most open and transparent. How MPs carry out their duty to represent citizens' interests depends on a variety of constitutional, political, and cultural factors.

MPs, individually, have many tools at their disposal for acting on behalf of their constituencies' interests, including the following:

- **The right to initiate and amend laws:** The number of sponsored bills and proposed amendments are a measure of an MP's activity and influence; political parties and constituencies follow closely how their representatives use this privileged right.
- **Questions and interpellations addressed to a minister or to the head of the government:** Most parliamentary procedures provide for a dedicated weekly time when the plenary sitting is dedicated to questions and interpellations; these can be submitted in advance in written form or addressed by MPs orally. The minster who is interpellated is obliged to respond – immediately or within a well-defined delay – in a future sitting of the plenary. This parliamentary procedure relies on the MPs right to be informed about government actions, to hear the justification for them, and to make a judgement about how they were performed. This is the easiest tool MPs can use to hold the executive to account, transforming parliamentary oversight into a democratic routine. There are no taboo subjects for questions and interpellations; it is therefore easy to find questions related to defence acquisitions or defence industry in the practice of most parliaments.
- **Time allocated by the plenary to political declarations:** MPs, as custodians of the 'public interest', have an opportunity to spotlight the actual needs and priorities of the people and try to push the government on identifying strategies, solutions, and resources to address them. Political declaration occur weekly in most parliaments, but, unlike for questions and interpellations, the government has no obligation to respond.

The performance of MPs in security and defence oversight, be it through individual action or as members in standing committees, greatly depends on the information and expertise they can access. MPs with significant knowledge of defence issues are rare. Mobilizing the necessary expertise for understanding a field so complex and technical requires significant effort, time, and financial resources. Multiple sources of information and independent expertise must be used to complement government submissions and avoid the exclusive reliance on government information. MPs should build strategic alliances with academia, civil society, and independent oversight bodies in order to re-enforce each other's efforts to ensure the accountability of the executive.

The confidentiality of defence and security information limits the flow of information between the executive and legislative; however, confidentiality should not lead to a lack of public scrutiny. There are two main ways to grant MPs access to classified information:

[143] Available at: https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Foreign_Affairs_Defence_and_Trade/Defence_Industry_Exports/Report.

1. In most countries, it is assumed that the elected nature of the parliamentary mandate entitles MPs to have access to classified information, without any verification. A secrecy oath is usually taken at the beginning of the legislative term, or after being elected in a committee that deals with defence, security, or intelligence.
2. In some parliaments, MPs' access to classified information requires security clearance, issued after MPs undergo background checks performed by a governmental agency. The rationale for vetting parliamentarians is to clarify the rules of the game, especially in young democracies, where politicians do not have a culture of secrecy and security agencies are reluctant to share information. Successfully passing a formal vetting procedure builds trust between legislature and executive improves communication and empowers MPs in their dialogue with executive officials.

Transparency and public discussion compensate for the lack of expertise available in most parliaments. The argument that civilian MPs do not sufficiently understand security rationales should be dismissed; at best, it is a reason to provide parliament with better information.

The most important condition for an effective parliament is the attitude of its members. Meaningful oversight is impossible without firm political will to use parliament's legal powers and institutional capacities to pursue government accountability. The common public perception of parliaments as non-responsive, un-accountable, and inefficient institutions is largely a result of parliamentarians' attitudes and behaviour. To respond to the increased public concern over the misconduct and corruption of elected officials, parliaments use a variety of legal instruments to set high ethical standards of behaviour for MPs. These are especially relevant with respect to the defence industry, which, as discussed at the beginning of this chapter, entails serious accountability vulnerabilities. Legal instruments used to enhance accountability include the following:

- **Codes of Conduct** deal with general acts of misconduct such as absenteeism, improper language, unruly or disrespectful interventions, use of privileged information, and the misuse of parliamentary allowances. They also provide guidance for parliamentarians on reconciling private interests with public duties. Sanctions can be applied for misconduct in the form of a fine, suspension from attendance, the suspension of allowances, or even expulsion.
- **Incompatibilities** are defined in constitution, laws, or codes of conduct and address potential conflicts of interest, especially the legislator using their position to advance their own personal economic interests. Incompatibilities should be dealt with promptly following the election – by choosing between accepting the mandate of parliamentarian and the activity declared incompatible. A parliamentarian's duty is usually considered incompatible with any lucrative function or contractual agreement with a body outside parliament.
- **Wealth and interest declarations** are, in most democracies, public documents available on the parliament's website. They identify all assets and liabilities of parliamentarians and their families.

Parliamentarians' conduct is shaped by a variety of informal factors such as electoral calculations, party discipline, majority-opposition dynamics, and their perceptions of their job and desire to influence policy. These factors are a consequence of not only structural characteristics such as types of political and electoral systems, but also political culture. Political parties are crucial to political life, representing the main vehicle for structuring political competition, as well as aggregating citizens' opinions and transforming them into laws and policies. The organization, funding, and level of internal democracy within political parties

are important for understanding how MPs position themselves through the mechanism of representation. Excessive partisanship limits parliament's capacity to call government to account because it prevails over the concern for the legislature as an institution. When all actions and debates are party-oriented – when votes are not free but party dictated – parliament fails to serve the interest of the people and liberal democracy begins to be eroded.

Parliaments are themselves institutions that are accountable to the public. MPs have to meet certain standards of performance and integrity in the conduct of their office. They are expected to conduct themselves with dignity and to conform to the highest standards of ethics and correctness. The most important responsibility of MPs is to serve, through their behaviour and performance, as a good example for the citizens, gaining their respect and confidence.

Conclusion

The defence industry is among the fastest-growing sectors in Europe and around the world. Given the important economic and strategic weight of the industry, rigorous parliamentary oversight is crucial. Despite uncontested challenges, it is feasible for defence industry oversight to make use of all the legal instruments available to parliaments for influencing government policy and action. A performant parliament – one that is able to represent citizen's interests in a meaningful debate of policy, through a thorough yet effective legislative procedure and the sustained oversight of government activity – is essential for preventing strong national defence industries from wielding influence over policy and procurement decisions.

Current parliamentary practice, however, does not seem to be up to this task. In countries with small domestic defence industries, parliamentary oversight in this area is close to non-existent. In countries with a large military-industrial complex, it is possible to identify some parliamentary awareness, willingness, and good practice in dealing with the defence industry, but this is not evenly or consistently developed across countries. Besides, where the defence industry is strong, so is its capacity to capture and influence decision-makers in government and parliament alike, through arms industry lobbying.

Parliaments that oversee a large domestic defence industry should take urgent measures to increase transparency and responsibility in defence industry-state relations and to mitigate the risk of undue influence on political processes. As eloquently formulated by President Eisenhower, 'only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defence with our peaceful methods and goals, so that security and liberty may prosper together'. In this area more than in others, oversight is not only a parliamentary privilege, but also the duty of every citizen elected to parliament to represent and safeguard the interests of its co-nationals.

Annex. Survey questionnaire

A. Parliamentary committee(s) with oversight powers over the defence industry

1. Does the Defence Committee have oversight powers regarding the defence industry?
2. Which other committees have oversight powers regarding the defence industry?
3. How often does each the committee debate defence industrial issues? (Please fill in points b) and c) if any)

D. Context for the involvement of parliament

1. Do the national armed forces rely on the national defence industry for developing and maintaining advanced defence capabilities? If so, to what extent?
2. What is the type of ownership of the national defence industry?
3. To what extent is the local defence industry owned by foreign entities?

C. Norms and strategic guidance

1. Is there a law (legislative act) regulating defence industry? (Roles, ownership restrictions, management, oversight, etc.)
2. Is there a national strategy (white paper on defence or another strategic planning document) dedicated to or referring extensively to the defence industry?
3. In case of a positive answer to question 2, was the document debated in and approved by parliament?
4. Which defence industrial issues are covered by the Law and/or the strategic document?
    a. designation as ‘strategic assets’/critical infrastructure
    b. requirements to maintain mobilization/reserve capacities and stocks for wartime/crises
    c. role in defence capability development
    d. anticipated economic, technological, and innovation impact from defence procurement
    e. offsets and related obligations in procurement from foreign suppliers
    f. international defence industrial cooperation
    g. positioning in international supply chains (e.g. Tier 1, Tier 2, etc.)
    h. supply chain security
    i. other (please specify)

D. Arms exports and transfers

What role(s) does the parliament play regarding the export and transfer of armaments?

a. setting legislative requirements, procedures, and constraints
b. discussing and providing ‘strategic orientation’ (e.g. cooperating with particular countries)
c. receiving, debating, and approving regular (e.g. annual) reports

d. other (please specify)

E. Human resources

1. Does the parliament hold hearings and approve the appointment of senior personnel at the following companies?
    a. state-owned defence companies
    b. public agencies overseeing defence companies
    c. national representatives at senior bodies of international defence companies
1. Does the parliament introduce specific legislation regarding the employees or syndicates (trade unions) in the defence industry?

F. Integrity

1. Is there a legislative act on integrity, counter-corruption, and prevention of conflict of interest dedicated or clearly applicable to defence industries?
2. If so, what measures does it include?
    a. provisions for debarment
    b. 'revolving door' policies
    c. restrictions on lobbying
    d. other (please specify)
1. How does the parliament oversees the implementation of integrity-related legislation?
    a. parliamentary inquiries
    b. hearings
    c. debating and approving regular (e.g. annual) reports

G. Resource allocation

1. Does the parliament debate and approve allocations for the following?
    a. research and development (R&D) in defence companies
    b. funding for contribution to multinational capability development projects (e.g. the European Defence Fund)
    c. funding to facilitate arms exports (e.g. loans to foreign buyers)
    d. direct financing of the defence industry (e.g. loans)
    e. other (please specify)
1. Does the parliament receive and debate regularly reports on the use of such resources (e.g. annual budget execution reports, National Audit Office reports) in terms of expenditures and outcomes?
    a. R&D in defence companies
    b. funding for contribution to multinational capability development projects (e.g. through the European Defence Fund)
    c. funding to facilitate arms exports (e.g. loans to foreign buyers)

d. direct financing of the defence industry (e.g. loans)

e. other (please specify)

1. Has the parliament received and debated reports on the above-mentioned issues?
2. Are these reports public?

H. Exercising oversight

1. Has the defence industry been discussed in any field visits/inspections organized by your committee in the last two years?
2. Has your committee issued any recommendations on defence industry issues? If yes, to which ministry/agency were they addressed?
3. Has your parliament ever set up a parliamentary inquiry committee on defence industry issues?
4. Have there been questions and interpellations addressed in the plenary on defence industry issues in the last two years?
5. Does your committee regularly exchange information with any other body responsible for defence industry oversight (e.g. parliamentary committee, national audit office, etc.)? If yes, please name the body, along with the nature and frequency of these exchanges.
6. What are the remedies at the disposal of parliamentary oversight bodies in case of non-compliance (e.g. large delays in the delivery of equipment, substandard deliveries, exploits of supply chain vulnerabilities, unsanctioned exports of arms or dual-use technologies, exports to opponents, etc.)? Are they effective?
7. Have special ad hoc mechanisms been introduced to exercise parliamentary review and inquiries into defence industry on a case-by-case basis?

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