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ARMAMENTS STRATEGY

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1 INTRODUCTION

The armaments strategy is based on the Federal Council's principles for the armaments policy of the DDPS of October 24, 2018.

The armaments policy is an element of Switzerland's security policy. The armaments policy focuses both on the needs of the Armed Forces and other state security institutions according to critical expertise, security-relevant core technologies, technologically complex systems as well as goods, buildings and services and on the guarantee of industrial key capabilities and capacities for ensuring reliable operation and the deployment and sustainability of established army systems.

The armaments policy ensures that the Armed Forces and other federal state security institutions will be supplied in good time, and in accordance with economic principles and in a transparent manner, with the necessary equipment and armaments as well as the required services. Among other things, this requires the availability of defined core technologies and the maintenance of corresponding industrial capacities in Switzerland.¹

The armaments strategy defines how the Federal Council's principles for the DDPS' armaments policy will be implemented and the needs and requirements of the Armed Forces and other federal state security institutions will be met.

The Federal Office for Defence Procurement (armasuisse) will be entrusted with the implementation. The following framework conditions must be taken into account:

- Procurement will take place according to the **principles of competition and economic efficiency**, unless the need to strengthen the security-relevant technological and industrial base (STIB), security policy concerns or foreign policy considerations imperative for Switzerland's national defence necessitate a restriction of this principle.
- The Government Procurement Agreement (GPA)² allows offset transactions for military material procurement. Switzerland will make use of this provision. Major procurements abroad will therefore usually be compensated by 100% **with domestic orders**.
- The **responsibility** for and management of the procured goods and systems will remain with the Armed Forces and the other federal state security institutions over all stages of the life cycle.
- In the case of foreign procurement, Switzerland's **foreign policy interests** will be safeguarded.

The following aspects of the armaments strategy cannot be considered individually. They interact together and mutually affect each other. From an overall perspective, all components must therefore be considered and holistically assessed at an early stage.

¹ Federal Council Principles for the DDPS' Armaments Policy of October 24, 2018

² Agreement on Government Procurement (GPA): Government Procurement Agreement, concluded in Marrakesh on April 15, 1994, became effective for Switzerland on January 1, 1996

2 STRATEGIC GOALS AND AREAS OF ACTIVITY

In the event of a crisis, it is the mission of the Armed Forces to defend the country and the population, to support the civil authorities, and to contribute to conflict prevention and crisis management as part of the international community of states' peacebuilding efforts. It provides these services in cooperation with other federal state security institutions.

For this purpose, modern operational equipment, relevant competencies and an innovative, effective security-relevant technological and industrial basis are crucial for the Armed Forces and other federal state security institutions. To ensure these requirements, close cooperation is required between the Armed Forces, administration, research and industry, as well as excellent relationships with security policy-relevant partners at home and abroad.

On this basis, the following overarching strategic objectives can be derived:

- A maximum impact of security policy will be pursued with the resources deployed.
- The security-relevant technological and industrial base will be strengthened for security policy reasons.

2.1 PRINCIPLES OF PROCUREMENT

The **economic procurement** of weapons, ammunition, armaments as well as other goods, services, buildings and expertise with particular reference to national defence and national security is secured in compliance with the legal and political framework conditions.

The relationship between **security policy impact** and **economic procurement** is optimised.

The procurement of **developed, customary and interoperable goods, systems and services** is desirable.

GUIDELINES FOR IMPLEMENTATION

Competition among the suppliers is an essential factor for innovation and an optimum cost-benefit ratio. Competition and commercial viability will be supported for pending procurements where possible and reasonable from the point of view of security considerations. To this end:

- Contracts considered to be innocuous with regard to security considerations will be publicly advertised and awarded in open competition.
- Contracts considered to be relevant with regard to security considerations will be awarded if possible directly or through an invitation tendering procedure to domestic companies, utilising the scope for action of procurement legislation.³
- RUAG MRO Switzerland will fundamentally be considered as the Armed Forces' material competence centre from the beginning.
- developed, commercially available and interoperable goods, systems and services will be procured as far as possible.

³ Agreement on Government Procurement (GPA): Government Procurement Agreement, concluded in Marrakesh on April 15, 1994, became effective for Switzerland on January 1, 1996

- The procurement of goods and systems with short life cycles or fast developing technologies must be staggered where possible.
- The costs of the goods and systems to be procured will be assessed taking into consideration the impact of security policy over the entire life cycle.
- Procurements will be bundled, thus achieving economies of scale, whenever possible.
- In a monopoly situation, the right to access the calculation basis will be exercised and the necessary transparency for pricing created.

2.2 COOPERATION WITH THE PRIVATE SECTOR

The **collaboration models with the private sector** are defined at an early stage and taken into account in the procurement processes.

In security-relevant areas, **strategic partnerships** are established **between armasuisse/Armed Forces and Swiss industry**, in particular with key industrial partners.

The **rights of use for intellectual property, products, services and infrastructures** from procurement, research and development contracts, in particular in connection with defined security-relevant core technologies or industrial capabilities, are secured.

GUIDELINES FOR IMPLEMENTATION

The Armed Forces and other federal state security institutions depend on cooperation with private service providers in the areas of research, development, procurement, operation, maintenance and disposal of goods and services. The goal of this cooperation is to ensure that the Armed Forces and other federal state security institutions are supplied in all contingencies as well as to safeguard a high level of efficiency over the entire life cycle. To this end:

- Strategic partnerships⁴ with domestic industry will be established in order to ensure the necessary competencies, capabilities and capacities in security-relevant core technologies and industrial key capabilities.
- Roles, tasks, competencies, responsibilities, and processes will be defined together with the partners during the overall military planning phase, contractually agreed upon and incorporated in Service Level Agreements (SLA).
- On all organisational levels, a regular dialogue will be established between armasuisse, the Armed Forces, other federal state security institutions, the trade associations as well as Swiss universities and research institutes, in order to optimise cooperation.
- The rights of use for intellectual property, products, services and infrastructures that result from the cooperation will be regulated by contract.

⁴ For example, through joint research projects, partnership-based development of components and entire systems as well as the joint development of expertise

2.3 SECURITY-RELEVANT TECHNOLOGY AND INDUSTRIAL BASE (STIB)

The **assessment capability in defined security-relevant core technologies** is ensured in Switzerland.

The **defined industrial key capabilities and the capacities required for this purpose** are available in Switzerland.

The **scope for action in the application of control instruments**⁵ for strengthening the security-relevant technological and industrial base is used.

The **research and development cooperation** with national and international partners in defined security-relevant core technologies and industrial key capabilities is reinforced.

GUIDELINES FOR IMPLEMENTATION

The purpose of the security-relevant technological and industrial base is to ensure that those scientific and technical competencies and key capabilities that are considered essential are secured at home.

In particular, this includes the ability to assess and provide expertise with regard to the technologies used in the Swiss security-relevant systems, as well as the industrial key capabilities and capacities required for the integration, operation and maintenance of these systems. In addition, a minimal development capacity of critical security-relevant components is also expected from the security-relevant technology and industrial base.

The DDPS does not keep a conclusive list of the companies and research institutes that per se make up a part of the security-relevant technological and industrial base, but define, on a periodic basis and together with the trade associations, the economic sectors that form the potential core set of the security-relevant technological and industrial base.

Affiliation with such an economic sector does not guarantee entitlement to contracts, support services or benefits by the federal government. In fact, the security relevance of each transaction will be checked individually in the context of applying the control instruments mentioned in the Federal Council's principles for DDPS armament policy.

⁵ Procurement at home, offset transactions, international cooperations, application-oriented research, innovation support, information exchange with industry, export control policy

In order to ensure this,

- security-relevant core technologies and industrial key capabilities will be defined and periodically checked for the future of the Armed Forces and other federal state security institutions.
 - The following security-relevant core technologies currently form the basis for activities to strengthen the security-relevant technological and industrial base:
 - Information technologies (including cyber defence technologies)
 - Communication technologies
 - Sensor technologies
 - Industrial key capabilities include:
 - Development and integration capability of critical security-relevant components
 - Operation and maintenance capability of critical security-relevant deployment systems
- Universities, research institutes and companies with competencies, capabilities and capacities in the defined security-relevant core technologies will be observed (technology and market monitoring).
- RUAG MRO Switzerland will be fundamentally designated as the Armed Forces' material component centre. Further material competence centres relevant for security policy will be designated and periodically checked.
- Possible shortages in competence, capability and capacity and the resulting dependencies of industry will be determined.
- The security of supply as well as the operational readiness of the Armed Forces and other federal state security institutions is to be assessed and increased through the acceptance of medium- and long-term working and contractual relationships with selected companies.
- Switzerland will participate actively in international research and development programmes in the area of security-relevant core technologies.

The status of the security-relevant technological and industrial base will be periodically checked using qualitative and quantitative indicators.

2.3.1 DOMESTIC PROCUREMENTS

Armaments and civil materials for the Armed Forces and other federal state security institutions will be procured in Switzerland where possible for the areas of security-relevant core technologies and industrial key capabilities.

GUIDELINES FOR IMPLEMENTATION

Domestic procurement enables the security-relevant technological and industrial base to be actively strengthened, as well as the technological competences and industrial key capabilities relevant for the Armed Forces and other federal state security institutions to be preserved and established. With future procurements,

- the options of public procurement legislation for awarding contracts to the security-relevant technological and industrial base, taking into account security policy considerations as well as the principles of competition and economic efficiency will be used.
- Predominantly, Swiss universities, research institutes and industrial companies will be entrusted with research and development tasks.
- Maintenance work for security-relevant systems of the Armed Forces and other federal state security institutions will be primarily awarded to the designated material competence centre RUAG MRO Switzerland and other companies of the security-relevant technological and industrial base.

2.3.2 APPLICATION-ORIENTED RESEARCH / INNOVATION SUPPORT

Research and development contract assignment to strengthen the security-relevant technology and industrial base will be intensified.

Cooperation in the area of innovation support with other federal agencies for the active promotion of research and development contracts to Swiss universities, at Swiss research institutes and the Swiss industry, in particular in the area of defined security-relevant core technologies and the industrial key capabilities, is institutionalised.

The handling of defined security-relevant core technologies at **Swiss universities** will be promoted.

GUIDELINES FOR IMPLEMENTATION

In order to fulfil their mission, the Armed Forces and other federal state security institutions must be able to use modern technologies. Innovation support and application-oriented research are instruments with which relevant scientific and technical competences can be further established and developed. To this end:

- The award of research and development contracts in the areas of security-relevant core technologies and industrial key capabilities will be intensified.
- Research and development programmes together with partners, universities and research institutes in Switzerland and abroad will be initiated and funded.
- Research and development contracts in the areas of security-relevant core technologies and industrial key capabilities will be assigned to the Swiss industry, Swiss universities and research industries where possible.
- Cooperation with other federal agencies (including SEFI, Innosuisse, SSC, SECO, SNSF)⁶ for supporting innovation will be increased, expertise in the area of security-relevant core technologies with the specific assignment of research and development contracts supported and the required assessment and expertise capability thus ensured.
- Research and development cooperation with national and international partners in the armaments and security sectors in the area of security-relevant core technologies will be intensified.

⁶ SEFI: State Secretariat for Education, Research and Innovation
 Innosuisse: Swiss Innovation Agency
 SSC: Swiss Science Council
 SECO: State Secretariat for Economic Affairs
 SNSF: Swiss National Science Foundation

- In cooperation with Swiss universities, curricula, teaching content and degree theses in the area of security-relevant core technologies will be actively promoted.
- Multilateral research and development support instruments and initiatives alongside Switzerland's foreign policy interests will be used to enable the security-relevant technological and industrial base to have access to these projects.
- The rights of use for intellectual property, products, services and infrastructures resulting from research and development projects, cooperations and contracts, will be regulated by contract.

2.3.3 INFORMATION EXCHANGE WITH INDUSTRY

The **exchange of information between armasuisse and the Armed Forces, Swiss industry and international arms manufacturers** is institutionalised.

Access to relevant international programmes by the Swiss industry, universities and research institutes will be supported.

The **material competence centres** required in addition to RUAG MRO Switzerland are designated, their involvement in talks at an early stage regarding the future needs of the Armed Forces and other federal state security institutions is ensured.

GUIDELINES FOR IMPLEMENTATION

The exchange of information with Swiss industry will pursue the goal of sensitising industry in good time for upcoming developments, requirements and needs of the Armed Forces and other federal state security institutions and thus to give it the option of actively participating in these developments. To this end:

- Platforms for the regular exchange of information between armasuisse, Swiss industry and international arms manufacturers will be established and existing platforms (such as armasuisse industrial orientation) used.
- Thematic task forces armasuisse/Armed Forces/industry/universities/research institutes will be created to assess medium- and long-term developments in the area of security-relevant core technologies.
- Designated material competence centres will be involved early on in discussions on developments and skills required in the future.
- The exchange of information between armasuisse, Swiss industry, universities or research institutes and international organisations (such as EU/EDA, NATO⁷) will be promoted and where possible institutionalised.
- Swiss industry will be enabled access to existing international networks and thus to international markets via its associations.

⁷ EU/EDA: European Union / European Defence Agency
NATO: North Atlantic Treaty Organisation

2.3.4 EXPORT CONTROL POLICY

The **export control policy of the federal government**⁸ also takes into account the security-relevant needs of the Armed Forces and other federal state security institutions.

Understanding for arms policy issues will be promoted with **increased dialogue between the departments** within the administration.

GUIDELINES FOR IMPLEMENTATION

An efficient security-relevant technological and industrial base is dependent on general conditions that also enable it to offer internationally competitive products and services. The federal export control policy plays an important role here. To this end:

- Regular, increased dialogue between armasuisse and the federal agencies responsible for the export control policy (SECO, EDA) will be pursued and the understanding for mutual needs consolidated.
- The dialogue regarding armament policy concerns between the departments will be actively promoted.

2.4 INTERNATIONAL COOPERATIONS

Access to safety-relevant technologies, industrial key capabilities and core capacities will be ensured through cooperations.

Switzerland is represented in the **relevant armament policy networks**.

The desired **interoperability of the Armed Forces** will be guaranteed by access to and application of national and international standards.

GUIDELINES FOR IMPLEMENTATION

Cooperations with selected international partners enable armasuisse and Swiss industry, as well as Swiss universities and research institutes, to participate in international research projects as well as to gain access to foreign technologies and markets.

Cooperations must neither impact the extensive autonomous operational capability of the Armed Forces or other federal state security institutions nor violate regulations of neutrality or under international law. Taking into consideration these aspects, as well as the long-term needs of the Armed Forces and other federal state security institutions,

- Cooperation with neighbouring countries, other countries and organisations in the European region from whom armaments are procured will be promoted, and supported by technological leaders relevant for the Armed Forces and other federal state security institutions.
- Cooperations on procurement projects for goods and systems will be initiated together with the respective training and maintenance programmes, in order to achieve economies of scale, for example, which promote interoperability and

⁸ War Material Act (WMA), Article 1

enable the security-relevant technological and industrial base to gain access to foreign markets. The potential in this respect will be checked in the overall military planning phase.

- User communities will be utilised to initiate and implement programmes for value preservation, useful life extension and enhanced combat value of military systems, for common training of employees and exchange of relevant information.⁹
- International organisations (such as NATO/EU/EDA) and cooperation initiatives (such as bilateral/multilateral agreements) will be used for the regular exchange of information and to ensure access to relevant expertise.
- Research and development programmes/projects in the area of safety-relevant technologies will be actively supported. Swiss industry, Swiss universities and research institutes will be involved in the programmes and projects as far as possible.
- Within the framework of its international connections, armasuisse will offer trade associations a platform for discussion issues and proposals with international partners.

2.5 OFFSET

The opportunities for **compensation of military procurements abroad** will be actively utilised, with the aim of strengthening the security-relevant technological and industrial base.

GUIDELINES FOR IMPLEMENTATION

The Agreement on Government Procurement (GPA) allows offsets to protect Switzerland's basic security interests when procuring combat equipment abroad.

Switzerland uses offsets to safeguard its security-related requirements. Compensation transactions aim to strengthen the security-relevant technological and industrial base and to enable it to gain access to expertise, security-relevant technologies and foreign markets. To this end:

- Direct¹⁰ and indirect¹¹ offset, usually in the amount of 100% of the contract value, will be requested from the foreign general contractor for procurements of munition from a certain threshold level.
- Multipliers¹² are used to control offsets on a needs-oriented basis and to actively promote core technologies.
- Offset transactions will be assigned by the foreign contractor to the security-relevant technological and industrial base.
- Standards for taking into account linguistic regions will be issued when assigning offset transactions if necessary.
- Will be communicated in a transparent manner via offsets.

⁹ For example, AG use of battle tank Leopard 2

¹⁰ Direct offset: Compensation transactions relating to the armaments to be procured

¹¹ Indirect offset: Compensation transactions not relating to the armaments to be procured

¹² Multiplier: Mathematical factor by which the offset transaction is multiplied to reflect its actual value in security policy terms

2.6 COMMUNICATION

The **flow of information** and **regular exchange** with the relevant stakeholder groups are ensured.

GUIDELINES FOR IMPLEMENTATION

In order to gain and consolidate the trust of relevant stakeholders and to ensure their support in important transactions, active communication will take place in connection with the armaments strategy. To this end:

- Relevant stakeholders will be informed in good time and openly with regard to planning statuses, procurement projects, cooperation projects and offsets, without violation of the security-relevant interests of the Armed Forces and other federal state security institutions.
- Platforms for regular information exchange between the Armed Forces, other federal state security institutions and the relevant stakeholders will be created and existing national and international platforms will be used more intensively.

3 STRATEGIC GOALS OF THE FEDERAL COUNCIL FOR RUAG MRO SWITZERLAND

The part of RUAG MRO Switzerland remaining after the dissolution of RUAG owned by the Federation will provide at least 80% services for the Armed Forces and other federal state security institutions. The role of the Armed Forces' material competence centre will basically be transferred to it for complex, security-relevant systems. Exceptions can be approved by the Armed Forces Logistics Organisation (AFLO), if original manufacturers are based in Switzerland and possess the respective capabilities and capacities. RUAG MRO Switzerland will perform work in the area of maintenance of systems relevant to deployment¹³ and will carry out specific further development of and adaptations to products on behalf of the Armed Forces. RUAG MRO Switzerland will thus become the main industrial partner of the Armed Forces and other state security institutions in various fields.

With the restriction on RUAG's freedom of action as a provider on the open market, the owner has clearly expressed the expectation that the economic survival of RUAG MRO Switzerland will be secured by assignments from the Armed Forces.

4 FINAL PROVISIONS

The armaments strategy describes the desired medium- and long-term objectives as well as the relevant areas of activity. It will be checked regularly, adjusted if necessary and operationalised by the ministries concerned using suitable measures. The state of progress of objectives will be checked on an annual basis and reported to the head of the department.

This armament strategy will come into force on January 1, 2020. It will replace the following currently applicable documents:

¹³ E.g. F/A-18 HORNET

- Federal Council's Procurement Strategy for the DDPS of 31/03/2010
- Industrial Participation Strategy of 31/03/2010
- DDPS Cooperation Strategy – Private and Public Sector of 10/11/2010