



## Innovation and Liberalization in the European Defence Sector

### A Small Country Perspective

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This book investigates the ongoing liberalization of the European defence market and explores how companies can respond to these changes by adjusting their innovation and internationalization strategies. Traditionally, the EU defence sector has been fragmented into several weakly integrated and highly protected domestic markets which often leads to the duplication of innovative efforts, rising production costs and an overall lack of competitiveness. Using a variety of methods including case studies, econometric analyses and agent-based modelling, the authors reveal that liberalization will provide new and relevant opportunities for European defence companies. However, any potential benefits will only be realized if private firms perceive that a full and well-coordinated implementation process is in place.

'The defence sector is a critical industry that is currently undergoing a phase of momentous transformation. Over the last twenty years, market liberalization, the growing instability of geopolitical scenarios and rapid technological change have completely reshaped the structural features of this industry. Taking as a starting point the Norwegian case, Fulvio Castellacci and Arne Fevolden provide a very acute analysis of the main trends of evolution of the European defence industry. Their study makes good use of the latest insights emerging from the economics of innovation, international trade and industrial dynamics literature. One of the most innovative features of Castellacci and Fevolden's approach is the construction of an industry-tailored agent based simulation model that permits the systematic exploration of different policy scenarios. Because of its broad scope and its original approach, this book is going to represent fundamental reading for all economists and political scientists interested in the defence industry for a long time to come.'

– Alessandro Nuvolari, Sant'Anna School of Advanced Studies, Italy

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