

Title: *The US Hegemony Dilemma and European Missile Production*

Abstract

Thanks to its unparalleled defense budget, the United States possesses an absolute and comparative advantage in arms production. This confronts US allies with the *US hegemony dilemma*, a trade-off between *efficiency* and *autonomy*. Allies can procure comparably cheap high-end weaponry from US sources instead of securing more costly autonomy in arms supply. Overall, US defense industrial market power forces its allies to specialize in arms production, thus, to decide what kinds of weapon systems to produce on their own, where to cooperate, and when to buy American. What explains US allies' specific arms production decisions? I confine my analysis to Europe since it represents an especially interesting case with its unparalleled regional economic and political integration of sovereign states and its security relationship with the US. I focus on the missile sector, a rather understudied arms production sector compared to fighter aircraft and drones. I argue that costs drive Europeans' arming decisions with buying American being the most efficient option. However, five intervening variables can help lower autonomy costs or make those costs more bearable. These are the state of the defense industrial base, state-industry relations, the expected domestic market size, the expected export market size, and the fear of strategic dependence. Furthermore, to explain cooperation I argue that Europeans operate on a two-level playing field in which they compete with each other on the first level and with the United States on the second level. This positional competition leads to variation in the forms of cooperation.