



I.R.C.E.

Institut de Recherche et de Communication sur l'Europe
Le Think Tank des dynamiques européennes

Paris, 11 November 2024

Monsieur Andrius Kubilius (Lituanie) - Commissioner for
Defence and Space

Copie – Mrs Henna Virkkunen (Finlande)
Executive Vice-President for Tech Sovereignty, Security
and Democracy, Digital Frontier Technology :

Copie – Mrs Kaja Kallas (Estonie)
High Representative for Foreign Affairs and Security Policy
and Vice-President of the European Commission

By email

PJ: 1) 78 proposals from 2017/8 on defence, security and international relations

2) letter to Commissioner Breton on the investment shock to deal with high-intensity conflicts.

3) article published in La Tribune on "Intelligence, segmentation, imbrication: in search of solidarity and a certain European industrial and economic autonomy united in diversity"

4) NATO 2030 contribution file

Commissioner,

For the record, the I. R.C.E. is a generalist and independent Think and Do Tank, referenced in your institution, working strategically and operationally on European dynamics through public policies and thematic ecosystems, including defence, including armaments, security and international relations.

On this day of 11 November, which has reshaped Europe and many balances, allow me to send you some ideas and reactions on each theme of your mission letter, and in particular the drafting of a white paper on European defence, which is a priori mainly focused on industry but which will have to take certain decisions in order to be competitive in the face of future trade wars beyond traditional wars. Far from being exhaustive, they take up, develop or supplement our old 78 proposals that you will find attached, issued in 2018 on governance, strategy and industrial and commercial marketing, competition policy, research and innovation as well as operational defence. They also complete the long unanswered letter sent to Commissioner Breton in January 2024 on his shock to develop in the face of the possible high-intensity conflict, also attached. They partly take up the attachments that appeared some time ago in the newspaper La Tribune on "Intelligence, segmentation, imbrication: in search of solidarity and a certain European industrial and economic autonomy united in diversity" which of course applies to defence, where it would also be interesting to look at the old segmentation by specialisation imposed in the former "Soviet" European countries in order to analyse the Feedback to be remembered. Finally, they go beyond the inventories already issued and listed that everyone now knows apart from us defense

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and armament specialists, and that it is not useful to recall about the number of different tanks, etc...

Reading the Letta and Draghi reports, and the new guidelines on European research and acquisition systems, in general, it is necessary to insist on the creation of strong structures in the face of external competition, as Airbus already does in the civilian sector, without internal competition. Strategic autonomy must maintain a plan B watch on choices of capabilities that have not been retained, by civilian-military industrial digital twins that are constantly on standby.

War is cyclical and as long as the war economy is not declared, we can admit that industrialists do not necessarily want to commit themselves with their own funds to the development of infrastructures or industrial processes with the associated risks if the latter suddenly stops. Defence funding, now supported by the EU, admittedly in response to a crisis that could affect its security at its borders, or even in a future member state, must no longer be a taboo and no longer suffer from a "taxonomy". The EIB must therefore develop its new investment policy for infrastructure and the States must guarantee the orders placed for the equipment produced, each working in its own field. As in the context of innovation, where the EU, through the EIC, participates in non-bankable projects at the top of the balance sheet, encouraging banks to get involved, the same must be true for defence issues, particularly those related to land armaments, which are generally more specialised and less dual than naval, aeronautics and space. Well beyond the structural aspects alone. While the risk is less great for civilian-military industrialists, who can more easily convert their production facilities, they must also be supported. As we recommended a few years ago to the Commissioner for Digital Affairs, an extension of actions must continue to be carried out for security, including cyber and the cloud, and imagine a special fund to guarantee the decompartmentalization, unless this poses a problem of financing ethics. Finally, each risky investment can be delegated by securitisation to private or semi-private funds, which are often real players in industrial policy but which, in the long term, will sell their acquisition and therefore with a prepared and elaborate takeover follow-up.

The emergence of the space sector, with the need to maintain a single large launcher for cargo missions, large satellites or manned flights, or even long-duration missions, which can be financed jointly, must not prevent the germination of different projects in intelligent competition. As with other sectors, the big "champion" structures will be able to nurture start-ups, scale-ups and other SMEs and their projects, maintaining a long-term link if possible, with licenses, for example, to avoid leaving for other continents. The notion of sovereignty, or rather strategic autonomy, which is more about decision-making than about own capacity, must be understood and validated once and for all by everyone, possibly including in a limited way industrial partners who are not members of the EU but with locations within the EU in accordance with its rules and in non-sensitive areas. This does not prevent cooperation, for example for the launch of satellites. Apart from programmes deemed "strategic" requiring public funds for research and development, projects must move closer to "commercial" formats in order to move away from the culture of financial facilitation and to fuel a certain saving competition while seeking to regulate possible fragmentation. The same must be true for defence and security. EUSPA-ESA governance must be complementary and intelligent in order to better guide and lead the agencies and external partnerships, in particular through major structuring projects.

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With regard to the single market and its four values, but which can also protect itself from foreign competition, and unless major defence industrial trade agreements are drawn up, the Buy European Act, generally defended only by France, could at least be "reasoned" and help to ask the right questions each time as to whether the product exists. whether it is available, whether it is too expensive or whether it is geopolitical. A true BCG approach, on the investments to be made in the short and medium term in relation to the expected delivery time, is necessary to justify and understand any action that might seem surprising to others. The "Made in Europe" incentive label can be pulled by the armaments with a bonus of aid and a sharing of risks to be defined for a "substantial" European share, according to the Union Customs Code, if possible greater than 60%, of which 30% is carried out by EU SMEs spread over several countries, showing a leverage effect of the relationship "institutions, State, industries", especially if manufacturers express a desire for transparency with objective costs and open books, and if they follow an optimal rule of cost, deadlines and performance on their projects.

Cooperation such as MGCS in land armaments, or FCAS for aeronautical systems, developed by industrial initiative and national states, are structuring projects. These solutions for bringing together strong identities must be carried out with care and often let the products develop initially, or even in the long term, with their own brands and focus on research and development in the medium and long term, like PSA in the automotive industry, without necessarily looking for forced mergers. Many projects are now being developed within the framework of the new Community provisions, but with associated risks that they should be carried out beyond research and prototypes, where everyone wants to have their equipment and, above all, maintain it, often increasing costs, particularly in defence. Many other projects have sprouted in the land, aeronautics and naval fields, with or outside the EDIRPA and the European Defence Industrial and Technological Fund (EDF - EDF), formidable cooperation tools for future developments. They must be able to be opened outside the EU but with a particular view outside Europe beyond the simple constraint of membership fees and with greater financial autonomy, like the structures of NATO, which, for research, proceeds like Eureka with decisions as they go so as not to block any initiative with need and rapid response.

In terms of comparison, it is not the same to finance the same site together as it is to finance the acquisition of planes, ships or tanks that each one needs without shared ownership, unless the unit price is lowered per commitment of orders, which is quickly erased by the fact that partnerships are often more expensive in armaments than in civilian ones. which nevertheless makes war every day, under the pretext of sovereignty. In the same way, if two partners agree on the construction and maintenance of an engine, it is better to know in full knowledge of the facts who will manufacture the hot part, which generates activity. It would be appropriate to encourage studies to be carried out, even in the form of a civil-military chair on dual programmes, as we have tried to initiate, for example, on certain helicopters, to make business models similar, as for the A400M aircraft, which has certainly experienced setbacks linked to the shock wave caused in civilian activities.

Partnerships must not continue to be successful single-manufacturer solutions, which must also be supported, with possible intra-European cross-subcontracting encouraged, and if possible with "intelligent competition" that also makes it possible to offer several different products to a customer together. These projects can also be financed jointly without direct industrial return but with the possibility of a fair global return on other subjects with a possible bonus on dual aspects,

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such as for example to finance an aircraft carrier that seems to concern only maritime countries. Some partnerships should be valued as models, such as the CAMO cooperation/collaboration between France and Belgium on both equipment, which can be interchangeable, industrial implementation with an erasure of counterpart requirements, troops in common uses and training.

It is understandable that the United States prefers to finance arms manufacturing in its country, which goes to its companies, rather than see it evaporate without result in Ukraine in the face of corruption. The Commission should also do the same rather than sending funds that are unmanaged and somehow managed, as with all its neighbourhood policies, and even its cohesion policies. In the same way that France could reproach Poland for buying American planes using European funds, thus freeing up budget for other investments, it is also understandable that the defense effort requested by the United States from European countries aims to prevent them from investing in other areas in order to strengthen their trade balance and fuel the economic war.

The defence industrial strategy must also be closer to the Chips Act on semiconductors to better value the safety elements and characteristics to be maintained, and in particular those used in operations outside of civilian operations, otherwise there will be a risk of WEEE and REACH where manufacturers risk removing sensitive elements to avoid costly manufacturing lines, even if financed. In the same way, defence and dual R&D must develop within the FPRD itself and not be compartmentalised, otherwise we will not move forward, as before the Juncker Plan and especially 2022 if the conflicts dry up.

If the control of foreign investments is now in place, it must be strengthened for defence companies by a special commission and a watch must be made on the audit of accounts and evaluation with the updating of the "not big for only" rule, for a larger share of European firms

European programmes must integrate common choices fixed "by design" while recognising particular specificities, without blaming them, which can then be put into the puzzle of dependent and interdependent segmentation. It must remain possible to obtain supplies from an industrial company in another Member State according to the need, even with different versions, which often have to be chosen a priori and which then creates discord under the pretext of "configuration management" problems, whereas it is only necessary to follow the maintenance processes in a strict way without drifting from the initial datapackages.

If the European Defence (R&D) Fund forces the search for partnerships, let's not forget that these mean cooperation, collaboration including subcontracting, and alliances. In terms of research, the return on investment does not necessarily have to be geographical but allocated in an intelligent way according to certain existing or missing skills within the Union in a logic of segmentation and dependence in interdependence, also avoiding fragmentation, as we will come back to at the end of this letter. The mechanisms recently put in place for research, innovation, development and acquisition cooperation must now be developed, particularly in terms of security, including cyber but with the obligation to define impact, to promote past work, and to include end users and to steer the civil FPRD in order to obtain concrete results beyond the simple fact, Certainly also promising, to bring together partners. Ethics must not prevent research and innovation from advancing and can benefit from the controlled framework of the defence to test certain acceptable or unacceptable limits, particularly on autonomous machines.

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Structures such as OCCAR on project management, including cybersecurity, but also ISL on Franco-German research should be valued on dual subjects and involve more nations than their initial hard core. While the NSPA can represent an interesting window for manufacturers belonging to NATO member states, the same mechanism can be created for the industrial programmes and needs of EU member countries.

If the Franco-German link is called for by the other countries to set the tone, other auxiliary "engines" must be considered and valued, such as Poland and Sweden with their specificities. The "smallest countries", other than Franco-Germans, which are dependent because they are not able to build a complete offer on their own, can, on the other hand, establish a competitive offer together. Finally, even if France and Germany have to talk to each other, they do not have to work together. They can also develop complementary and non-competing capabilities. Moreover, beyond the nations, regional structures are essential elements for European dynamics and inter-regional programmes, using in particular the "interreg" vectors, must be favoured in defence as we know them in civilian, geographical or thematic strategies.

In the field of cyber defence, it would be important to promote the old incentives for the creation of large European consortia (SPARTA, etc.) in favour of major projects to limit the risk of market fragmentation such as offers, or even to better identify the driving forces and promising segmentations. It is necessary to encourage the rapprochement of cyber manufacturers with manufacturing manufacturers, particularly at major trade fairs, to develop private markets beyond public needs beyond simple awareness.

Beyond being a simple process, maintenance in operational condition (MCO) and its immense hidden side, which generates costs and downtime, should finally be better understood, analysed and valued upstream of projects, now with Artificial Intelligence, in a European structuring approach. We are trying to carry out a major general study on the subject in the hope of being supported by the institutions. Using the image of the engine, it is often important to know who manufactures and maintains the cold and hot parts in order to recover the maintenance items. In the event of distribution conflicts, compromises and other arrangements are possible between projects across the EU.

Exports are experiencing disagreements over extra-European sales that can block any cooperation projects. When it comes to projects and programmes, it is therefore advisable to bring together only the industrialists of the nations that agree upstream on export rules, often in harmony with European principles, but also to consider other points of view and value without blaming them. Intelligent export and internal competition, presenting several offers simultaneously to the same customers, could optimize sales and even knowledge of the respective products. Industrial offsets, which have been transformed into cooperation in Europe, still exist throughout the world and can be used as vectors of development on the basis of partnerships created between SMEs. A multi-domain export database, a sort of European stock exchange, could be set up within the new general management, or even in a new agency.

The subject of nuclear power must be addressed by all Europeans, possibly financed by all, while leaving France as the sole representative on the Security Council but with consultation with donors, which could replace a certain potentially useless US contribution. While deterrence consumes little ammunition, France, like the United Kingdom, as a combatant nation, has long

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been aware of the logistical and supply risk aspects, with a real risk from a certain period of time, camouflaged behind one-off efforts. It would of course be a pity if the Ukrainian experience were not valued and if the initiatives taken were not sustainable. The Commission must continue its role of animation by bringing added value in a methodical way. In order to reassure with regard to certain initiatives not provided for in the treaties, in particular for the purchase of ammunition, unless the exclusive competence of the competition rules, or even shared competence of the internal market, is used, it would be interesting to provide for a possible provision in the treaties aimed at a temporary transfer of competence, as Switzerland and its cantons know how to do. if only to try certain structural experiments, including those mentioned above.

The environmental aspects now seem to be a given for defence, as we initiated in France at the Délégation Générale pour l'Armement (DGA) in the 2000s, where we decided to comply as much as possible with civil regulations unless otherwise derogated, rather than the other way around. But it is important to remember that this provision cannot and must not jeopardize operational efficiency, such as the recommended use of new-generation engines that are potentially incompatible with the available fuel or the non-acceptance of dangerous substances useful for certain protections as long as certain substitutes are not available.

This DGA, which does not represent a cost structure but a cost reduction structure, is in the process of being reshaped in France, responsible for finding the right match between needs, means and technology, is regularly questioned by users, but seems to be finally recognized as an example of the relationship between the state and industry in Europe and deserves a special approach at the level of institutions. In terms of valuation, we also offer this model outside of armaments, particularly in health.

The Strategic Compass initiative, already obsolete and developed by overly specialized people, must nevertheless be maintained, established for 5 years and revisited annually or in the event of a crisis. Perhaps it would be interesting to consider mini-compasses by groups of countries (Nordic, Baltic, Visegrad, Iberian, etc.) in order to preserve the platform effect and the enhancement of contributions to avoid non-membership and then give a general march. This compass can be used to designate the Member States that can intervene, particularly at the diplomatic level, on behalf of the EU. Other platform initiatives such as 5+5 in the Mediterranean must be promoted in other sectors.

As you can see, we are working and writing about NATO, a vector of European integration, enshrined in particular in the European treaties, where member states can work on secondment, with its new Dutch secretary general coming from a member state, this time within the EU. Relations are of course essential, especially after the new U.S. elections. Apart from support for Ukraine, it is also clear that the demand for increased defence budgets in Europe is also benefiting the United States. The basic principle retained and intangible seems to be that the United States is now looking towards Asia and its risks on its West Coast. If they decide to be less present in Europe, they will probably not leave the Europeans with sole control of the situation. In the event of a change in governance, it will be enough to take or resume the same functioning and intervention, with a European rotating command and not to reinvent it within the EU. It remains to find an interdependent place with the other non-European members.

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It is a question of the search for a particular identity, valuing within itself European knowledge, know-how and know-how, united in diversity, and in particular in the dynamics of transformation. In addition to manoeuvres, which can in particular open up guidelines on the interweaving of forces, on the logistical levels, NATO-EU work must focus on the interoperability "by design" of equipment, and a logic of calls for projects based on the concepts known for transformation and now used by the EU for innovation, namely in particular the impacts, the enhancement of existing facilities and the identification of end users to ensure their success. It could be interesting to carry out with NATO, in particular through the contribution of AI and digital twins, simulations of the war economy in Europe with different degrees of intensity, or even only a review of the inventory policy, but also the study of new plant locations or transformation of activities in a measurable, feasible and determined way over time, or even the creation of a permanent observatory for this purpose to monitor both civil and defence economic beyond military defence.

With regard to the European anti-missile shield, the acquisition or even partnership discussions must be analysed realistically and constructively so as not to play into the hands of Russia, or even other third countries, with a Franco-German couple that seeks to remain in a certain dynamic united in diversity. If the Franco-German engine seems essential and if everything was possible for France after the war in terms of leadership, especially with Germany, things have now changed and France must not be moved by other alliances, just as Germany must be able to announce its choices to France before any decision is made without either party blocking them. It is necessary to consider each time labels containing one or more solutions in order to make them mature. If Germany is a leader on land, France can very well take the complementary leadership in the protection of coasts and ports, thereby asserting its maritime power for detection, warning, identification and intervention on civil-military missions much larger than on land. The coastal vector will be able to strengthen the 5+5 dynamic between Southern European and North African countries. Let's not forget that in 2021 the Hypersonic DEFence program managed by OCCAR as part of the European Defence Fund was launched in order to protect against high-speed air threats between Belgium, Germany, Norway, Poland and Spain.

The maritime dimension with the protection of coasts, ports and sensitive infrastructures, convoys, fishermen and resources must be an assertive effort with institutional, industrial and operational aspects, from signal to intervention for all forms of civil-military risks, including illegal and suspicious activities, with an evolving threat. Disasters and attacks that are more or less conflict-related, but with their common and specific aspects depending on the interests at stake, must be addressed in terms of effectiveness, without forgetting the elements of cost, time, performance and value analysis. This is undoubtedly an opportunity to strengthen the Frontex agency at the maritime level, which should also have its own increased budget and not the equipment made available, for a coherence of security between the commitment of border guards and defence affairs for the implementation of projects. It is also a question of the search for new answers, but also sometimes of different glasses, such as the notions of "coast guard" and "border guard" between France and the Anglo-Saxons, as were the initial maritime missions between the French, who were more able to protect the coasts and ports, and the British to protect convoys.

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From an operational point of view, certain structures, such as the Eurocorps, with its own budget, should be better promoted for the coordination of forces, as in the framework of NATO. The European blue-helmet model should join the Frontex model on border protection. The creation of a European Defence Academy, an idea launched from France, deserves special attention, in particular by highlighting the extraordinary adaptation that the forces of the Central Europe have had to demonstrate and dealing with the global approach to preparing for war, conflict and also the return to peace. We will insist on a subject that is both industrial and operational, which are user clubs, which do not require a lot of money or investment but which can bring an optimization in the choice of equipment, its use and its maintenance. These clubs can also bring together manufacturers and users for direct contact, could be operated within OCCAR for its own programmes but why not be delegated to it for ancillary programmes.

The Ukrainian feedback, a formidable laboratory that has awakened consciences, while nevertheless hoping for an end to violent fighting over several thousand kilometers on our borders, must be methodically and regularly analyzed at the level of equipment, manufacturing, maintenance and training. Pending a possible gradual integration into the European space in accordance with the requested criteria, and if it represents a force identified beyond simple values, or even in NATO with its experiences, a neutral neighboring nation will in any case be an asset for the EU in terms of controlling the risks of its powerful neighbor which can be unpredictable, especially with its current leader. A great deal of literature has been produced on the conflict situation and is available to the High Representative, who will also refer to the part dedicated to our previous 78 proposals.

Hoping to have caught your attention,

Receive my sincere greetings and my deep respect.

François CHARLES Président de l'I.R.C.E.

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