

## Objectives and realities of a single defence market

The French defence industrials, under the aegis of CIDEF and in osmosis for once with their supervisory administration, seem to be opposed to an announcement made by the new European Commissioner for Defence and Space, who would have declared that he wanted to achieve a real single market for defence. What are the goals and realities, what are the options and perhaps the hidden elements and fears that may be justified, even hidden or perhaps poorly expressed by this driving force.

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According to a certain long letter from CIDEF published by La Tribune, an interprofessional group in the sector, suspicious that the EU is seeking to arrogate to itself powers in the field of defence, defending the role of the Member States in this area, the French defence industrialists retort that the EU must intervene with a measurable added value, as Jacques Delors already said, according to shared decisions, that the aerospace and defence ecosystem must be recognised as a strategic area and that Member States must retain their central role. By criticising the concept of the single market, which establishes the four guaranteed freedoms of movement of goods, capital,

services and people, they are opposed to the free movement of systems within the European area. However, they would reaffirm the roles of the structures already in place, not looking at their lack of effectiveness, criticise the possible budget orientations for Ukraine, claim autonomy in programme management, except for a number of programmes approved jointly with a minimum of 80% stamped EU and that the aid be carried out rather to support the workload plan, skills and responsiveness, without involvement in the definition of supplies, and that it does not encourage new entrants. On the other hand, they would insist on financing capacities and on European preference with eligibility criteria.

Taking up some of the observations and ideas of our 78 proposals, let's analyse once again for the prosecution and for the defence and therefore respond to these never-ending strong French reactions to its current record aeronautical exports, but mainly outside the EU or linked to the war in Ukraine, particularly for land armaments, with a France that is isolating itself on both politics and industry, within NATO and with the EU Member States, increasingly pulled by the Germans and now the Poles in relation to the United States, while ensuring the link on each side of the Rhine that everyone is watching and demanding. It will also be important to know the opinion of the new Swedish president of the European association of the sector (ASD),

flying between single-manufacturer programs, cooperation, European and American links.

I remember the 90s when the sector accepted aid but was already negotiating with the EU so that it would nevertheless leave it alone by lifting the box of Article 223 at the time and in particular on export controls, including license transfers, still not resolved jointly, where France remains very isolated but which is surprised by certain German positions and others, rather in line with European values. French manufacturers have long warned of their concern about having to accept the constraints linked to the 2009 directive, imposing the publication of contracts, preventing offsets within the EU by focusing on more constructive cooperation, while authorising them for external purchases, which could then make a difference. This announcement of a single market is undoubtedly the straw that breaks the camel's back. The same situation arises when it comes to enforcing agricultural standards in the EU, unless they can be derogated from by certain trade agreements concluded with other major world regions, products which can then easily spread throughout the European area. Europe's major farmers generally appear to be united against the agreement with Mercosur. We can also draw a parallel with the circulation of Ukrainian grain which disrupted the market once integrated into the European corridors.

The French idea of a Buy European Act, mirroring the Buy American Act, protecting its SMEs, including in terms of tariffs, and imposing up to 75% of industrial returns in the country, has not made headway. The magic of the awakening of the war did not take place, due to immediate availability. It is eternally opposed by German neighbors and partners who do not want to close the borders, nor see the reappearance of large conglomerates with the recreation of champions, like Airbus in the civilian sector.

It should be remembered that, except perhaps for transport purchases such as the A400M, which benefited from a commercial contract, defence purchases are quite distinct from civil purchases with few customers, large amounts, often long negotiations involving political decisions that are based on economic criteria and civilian impacts and finally include counterparts derogating from the rules of international trade. The EU no longer wants it in compliance with the rules, except when it overrides outside the texts.

In order to take into consideration the grievances and fears, and without resembling its American mirror, it is not a question of raising import taxes, as is the case for steel and even porcelain, nor of closing the borders completely, but of allowing the right questions of European preference to be asked in a reasoned way.

Without a magic wand, to know if we know how to make the product, in what term is it possible to produce it according to the urgency, at what price, with what maintenance, for which subcontractors, without constraining only internal purchases which should undoubtedly be a priority.

If counterparts are now excluded in the EU, they could be maintained for external sales and purchases in order to strengthen or even acquire skills for the benefit of the EU, with strengthened links between European SMEs and the country of purchase for the enhancement of skills. We are of course thinking of current or potential purchases by the United States, but also by Korea or Israel. It should also be remembered that Sagem has finally taken to the skies with the Korean tank's sights, breaking away from the former obligatory supervision of Giat Industrie.

However, we should be careful that offsets can be circumvented by a possible cash allowance that does not benefit everyone, like a blow of the umbrella, with SMEs also hesitating to claim certain rights from their clients for fear of being thanked. But this subcontracting is fundamental. We have managed to register a 30% return for European SMEs in the OCCAR criteria and the IRIS<sup>2</sup> space contract also requires it.

Words are very important, such as this "defence fund" which in fact only concerns industry,

instead of imposing a harsh and mirror term that seems very difficult to obtain. It is possible to work on a "Made in Europe" that does not necessarily require an eligibility rate but a "substantial" rate of European origin, as for Made in France, with AOC and IGP. When I first worked on the NATO ACCS, when nothing was moving forward with a claim of 80% industrial returns in isolation, we managed to force the Americans to negotiate by creating a European team by reconsidering all the components of the program, hence the term I often use of "vector of European integration" considering NATO.

Even if the war in Ukraine freezes, it seems important to want to rearm Europe and its capabilities in relation to and within NATO, the functioning of which is not understood, by D. Trump himself, in his astonishing calculations as to funding. And why not now talk about Weimar of industrial cooperation with two countries, Germany and Poland, which are rather close to the American ally for different reasons.

Buying equipment together is advantageous to share the price, as well as to use the same satellite or build the same building, or use the same aircraft carrier, with keys for sharing use and contributing to maintenance costs. Except perhaps for cargo, buying planes together implies that each country will have its own planes anyway and will only have the effect of

lowering the unit price by a group purchase, made if possible internally among local manufacturers, or externally.

In terms of research, a financial pot that is both common and shared, distributing work across laboratories, universities, companies in at least three countries as in civil research, in order to produce a prototype, does not seem to pose a problem, except for the eternal partnership clause and would facilitate cooperation even through gentle institutional violence. It is also written that countries must then commit to buying the equipment that could come out of this research or innovation without specifying the modalities.

At the level of development, the single market can also facilitate cross-subcontracting, except when it can encourage mistrust or perhaps the desire not to work with an open book, objective costs, bonus malus and risk sharing in a real state-industry relationship. It can also finally ensure that cooperative defence programs stop being more expensive anyway because of the so-called value of security. But French industrialists are apparently opposed to a common financing that could supposedly be used to acquire or even maintain American equipment.

Let us not forget either that they are opposed to a segmentation between European countries, which could nevertheless create a certain

dependence in interdependence, as small countries can do among themselves. Let's not forget that France also knows how to buy from the United States for its lookout planes, whereas cooperation with Sweden was and remains possible. The other countries are also asking that they be allowed to do so, but to buy from outside and not only from the United States, in order to have equipment now and not necessarily in 5 years' time, while waiting for Europe to get organized. The competence of maintaining American equipment can also be a kind of added value for export markets. Moreover, it would be good for the EIB to invest only in infrastructure, but also for industrialists whose activities are mainly in the defence sector.

As for space at the time of the Lisbon Treaty, why not include defence, at least industrial, in the Treaty on the Functioning of the EU (TFEU), in order to finally gradually bring back into the federal hat, as in any other structure of this kind, what was the main tool for peace and initial European rapprochement with the creation of the ECSC. It could also endorse the process of purchasing ammunition which was undoubtedly carried out by putting forward one of the exclusive competences of the EU, which is the common commercial policy, favouring a large purchasing centre which the EU had nevertheless opposed during a former initiative

of the Union of Public Purchasing Groupings (UGAP).

The Defence Agency, possibly transformed into the Directorate General of Armaments (DGA), could organise all this with the addition of support, not only financial or cooperation, but of export support with an open and searchable database and an intelligence approach to the foreign customer in relation to the nations remaining "sovereign".