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FOREWORD

The concept of "*the Europe of defence*" (or "*Defence Europe*") is nothing new. In fact, it has been addressed time and again in repeated studies. According to Professor Jolyon Howorth, a renowned expert on the matter, it is the subject of more than 250 papers and around 2,000 articles in peer-reviewed journals. Barely a week goes by without something new added to the debate, causing us to reconsider even our most well-founded convictions.

In November 2012, Hubert Védrine submitted a report to the French President on "*the consequences of France's return to NATO's integrated military command, on the future of transatlantic relations, and the outlook for the Europe of defence*". This report has inspired to a large degree the work of the Committee responsible for preparing the new defence and national security White Paper, which contains an entire chapter on "*France's commitment to the transatlantic alliance and the European Union*".

Two recent reports presented to the National Assembly, from our esteemed colleagues deputies Yves Fromion and Joaquim Pueyo on behalf of the European Affairs Committee¹, provided an exhaustive analysis of the current situation and set out constructive recommendations including a European resolution.

It is worth noting that the authors of this report were assigned a particularly challenging task, namely to clarify the issues without repeating what had already been said, and to inject fresh *impetus* into the debate without wandering off-topic. The ultimate aim is to submit a series of bold proposals to the meeting of the European Council of heads of state and government in December 2013 regarding the revival of a common European security and defence policy.

We sincerely hope that this brief report meets these objectives.

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¹ Informative report no. 536 of 12 December 2012 on "*The Europe of defence on the even of the white paper*" and informative report no. 911 of 9 April 2011 on "*The revival of the Europe of defence*", presented on behalf of the European Affairs Committee of the National Assembly.

*"Calling things by the wrong name
contributes to the tragedy of the world"*

Albert Camus

*"[...] Europe is a strategic whole [...] either
Europe defends its territory "itself", or there
will be no such thing as the Europe of defence.
Then there is NATO. What is NATO? In
short, it is America, Europe and a few
accessories. NATO is not Europe defending
itself, it is America defending Europe. We
need something other than NATO. We need a
Europe that defends itself. This Europe needs
to be a partner of America."*

Charles de Gaulle

Lettres, notes et carnets - 17 July 1961

1. The issue of the Europe of defence is finally back on the table. The President of the European Council, Herman Van Rompuy, has arranged a meeting of the European Council of heads of state and government in December 2013. The leaders of all 28 Member States will come together to debate the revival of a common European security and defence policy.
2. At the European Council meeting of 13 and 14 December 2012, a *roadmap* was approved, containing three priority areas of action concerning operations, capabilities and the European defence industry.
3. The Council commissioned the High Representative for Foreign Affairs and Security Policy to submit proposals on this matter via the European External Action Service, the European Defence Agency and the European Commission, working closely with Member States.

4. Here in France, "*the Europe of defence*" is a familiar concept that was developed jointly by the French and the Germans. The term seems to have been used for the first time at the meeting of the Franco-German Ministerial Council in Toulouse on 29 May 1999. It appeared at the same time as the term "*European defence*", which was first used in Saint-Malo in 1998.
5. It refers to the idea that Europeans have a collective duty to defend their territory, in addition to but independently from the role of NATO.
6. Sadly, the idea of the "Europe of defence" is currently down, and while optimists are calling for an "*urgent revival*", pessimists are already sounding the death knell.
7. There can be no cure without diagnosis. As such, we need to understand the political, industrial and military forces at work, and measure their strength, direction and intensity. And in order to understand something, it is to use the correct name.

I. "THE EUROPE OF DEFENCE": A CONCEPTUAL DEAD END, A COUNTER-PRODUCTIVE SITUATION

A. AN AMBIGUOUS BUT ATTRACTIVE EXPRESSION

1. An original ambiguity: "the Europe of defence" is neither "the defence of Europe" nor "European defence"

8. The terms "*the Europe of defence*", "*European defence*", "*the defence of Europe*" and "*common security and defence policy*" are often employed interchangeably. In reality, however, they each refer to different concepts.
9. Here in France, the term "*the Europe of defence*" is the most commonly used in debate, and is the one that springs most naturally to mind. It was used for the first time in an interview with newspaper *Le Monde* on 14 July 1999, by Alain Richard (then Minister for Defence) who declared :

*"When it comes to building the Europe of defence, we have already moved beyond the symbolic stage. I want to act as a pragmatic batsisseur. We are now working on ensuring that the European Union has the resources and capabilities it needs to manage crises effectively. This aim is not something pursued solely by France. In fact, it was unequivocally approved by the meeting of the European Council in Cologne on 4 June. This **independent capability** should enable Europeans to act outside the influence of NATO, in the event that the Transatlantic Alliance does not wish to be involved in a specific operation. In order to achieve this aim, the European Union needs its own analysis, intelligence, planning and command capabilities. And, of course, it needs its own armed forces, supplied by Member States and trained to operate together.*

"The Europe of defence will need to take account of the fact that different countries have a different approach to defence. It will take time to reconcile these diverging viewpoints. As such, I am not against concepts as "variable geometry" or "constructive abstention"."

10. This expression is now used ubiquitously to describe various forms of defence cooperation between Member States, covering operations, capabilities and industrial cooperation organised through a range of different EU mechanisms and bodies. It is also used to cover multilateral and, in some cases, bilateral cooperation. It is a catch-all, somewhat formless concept that does not translate well into other languages. It has been, and remains, a source of ambiguity and misunderstanding of the French position.

11. The term **common security and defence policy**, meanwhile, is a much more tangible concept that relates to a specific reality. The Maastricht Treaty of 1992 created a "*Common Foreign and Security Policy*" (CFSP). Following the Franco-British summit in Saint-Malo in 1998 and the European Council meeting in Cologne in June 1999, the Treaty of Nice (2001) took this one step further, creating the "*European Security and Defence Policy*" (ESDP), which was renamed the "*Common Security and Defence Policy*" (CSDP) by the Treaty of Lisbon in 2007.
12. The aims of the CSDP, as defined in article 42 of the Treaty on European Union (TEU), are to provide the European Union with civilian and military capabilities to participate in peace-keeping, conflict prevention and strengthening international security outside the Union territory in accordance with the principles of the United Nations Charter. The main objective of the CSDP is to manage crises outside the European Union.
13. However, according to the Saint-Malo declaration and the statement of the Helsinki summit in 1999, its aim is also to enable Europe to "*act independently*" on military matters. Furthermore, the Treaty of Lisbon includes a solidarity clause and a mutual defence clause, and opens the door to the gradual formation of a common defence policy and, eventually, to common defence, subject to the unanimous approval of the European Council.
14. The term "*defence of Europe*" refers to the defence of the territory of Europe. This role is currently fulfilled by the Transatlantic Alliance and, one must admit that, by the nuclear deterrence forces held by France and the United Kingdom. This link between "defence of Europe" and NATO was highlighted in Hubert Védrine's 2012 report, as cited below:

"It is critical to use the correct terminology. 'The Europe of defence' and 'European defence' have nothing to do with the military defence of Europe against outside threats, even for the most ardent supporters of these concepts. In fact, it is only through its alliance and thank to American assets that Europe would be in a position to defend itself in the unfortunate attack scenario. [...]"

"In order to avoid raising unfounded hopes, disappointments and fears among our allies, we should reserve these terms exclusively for military or civilian/military initiatives or campaigns undertaken outside the Union, and for defence industry cooperation matters. An analysis of the effort made in the last 25 years, and by France in particular, produces somewhat disappointing results. The joint France-German initiatives of the

Mitterrand/Kohl era (Franco-German Brigade, followed by Eurocorps) remain little more than symbolic [...]. Very little has actually been done, apart from a few joint campaigns and cooperation initiatives. No other country in Europe shares France's idea of a "Europe of defence", even when these ambitions have been redefined and watered-down to better reflect reality."

15. Demonstrating this political and semantic confusion, the President of the European Council, Herman Van Rompuy, has chosen to use the term "*defence in Europe*" when talking about the European Council meeting in December 2013.
16. Finally, the term "*European defence*" may be defined as the defence of Europe, by Europeans, for Europeans. This implies that Europeans are capable of playing a leading, rather than subordinate, role in the defence of Europe as a whole. It also suggests that they are able to deploy forces beyond their own borders and defend the interests of the Union (presupposing that such common interests exist). "European defence" involves more than just the defence of Europe, although this is one of its constituent elements.

2. An attractive idea: intergovernmental cooperation, optionality, progressiveness and synergy with NATO

17. Developments in the history of the CSDP have been described at length by our colleague French MPS Yves Fromion and Joaquim Pueyo. There is no justification for repeating this here. However, it is interesting to investigate the reasons why this idea has been so successful.
18. The cornerstone of the CSDP is its **intergovernmental nature**, in which the principle of national sovereignty is retained. Supporters of the CSDP have never intended the Member States to be forced to accept decisions without their prior consent. This key principle covers all aspects of cooperation, from industry, capabilities realms and obviously operations.
19. As well as being intergovernmental in nature, the "Europe of defence"/CSDP is **optional in nature**, i.e. it features a "*variable geometry*", or even "a la carte" configuration, under which each Member State can elect to take part (or not to take part) in specific projects according to its needs and resources. Since not all Member States have the same interests and concerns, a certain amount of "*realism*" is required. As a result, only 27 of the 28 Member States are

part of the CSDP, with Denmark having opted out. Furthermore, states participate in European Union operations on a voluntary basis. The same applies to capability programmes managed by the European Defence Agency.

20. This intergovernmental nature is also reflected in the various forms of *ad-hoc* cooperation that exist between European Union Member States, including those conducted outside the framework of the EU itself, either on a multilateral or bilateral basis. Examples include the Franco-German Brigade, Eurocorps, the Franco-British defence agreements of 2010 and cooperation between France, Germany and Poland under the "Weimar Triangle", later extended to include Spain and Italy under "Weimar Plus".
21. The idea has never been for the Europe of defence to "have its day". Instead, it should be built gradually, through "*practical*" steps, and "*concrete*", "*modest*" action. "Let's move on" in all areas and on all fronts. Such progress should be underpinned by the "ratchet effect". When European cooperation is built gradually, with pauses at key milestones, the situation is then unlikely to be reversed. This, in fact, was the idea of the founding fathers, and of Robert Schuman in particular, as laid out in his famous declaration of 9 May 1950 inspired by Jean Monnet: "*Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity.*"
22. The Minister for Defence, Jean-Yves Le Drian, is fully committed to this approach, as demonstrated by his statement to the National Assembly on 5 December 2012: "*These few words sum up our approach. In my view, it is all about pragmatism and concrete action. Previous attempts to revive the Europe of defence have been made through institutional channels and declarations. [...]. Now it is time to build the Europe of defence through action.*"
23. His predecessors shared a similar view. Hervé Morin, the former Minister of Defence, made the following statement on 10 November 2008: "*The revival of the Europe of defence was one of the priorities of this presidency. The mission is complete. [...] The Saint-Malo declaration was an important political statement. We have made major progress and put some practical steps in place. The British have long criticised us for making empty gestures and empty words. Yet during our presidency, we have tried to demonstrate the importance of the Europe of defence by making carefully targeted progress and implementing practical projects. These individual building blocks, when laid together, create a whole.*"

24. It is also interesting, if anecdotal, to note that the authors of the chapter of the 2013 White Paper on the Europe of defence used the word "*pragmatic*" four times in four pages.
25. Finally, it is important to note that the Europe of defence is intended to **complement NATO**. In order to be accepted, it is important that it does not duplicate any of the roles performed by the Transatlantic Alliance.
26. The authors of the Treaty of Lisbon were required to spell out this complementary element in the clearest possible terms, stating that a CSDP "*shall not prejudice the specific character of the security and defence policy of certain Member States [...] which see their common defence realised in the North Atlantic Treaty Organisation (NATO)*." Similarly, the inclusion of a mutual defence clause incumbent on all EU Member States is immediately followed by a statement to the effect that the North Atlantic Treaty Organisation, "*for those States which are members of it, remains the foundation of their collective defence and the forum for its implementation*".

Mutual defence clause: article 46.7 TEU

"If a Member State is the victim of armed aggression on its territory, the other Member States shall have towards it an obligation of aid and assistance by all the means in their power, in accordance with Article 51 of the United Nations Charter. This shall not prejudice the specific character of the security and defence policy of certain Member States.

"Commitments and cooperation in this area shall be consistent with commitments under the North Atlantic Treaty Organisation, which, for those States which are members of it, remains the foundation of their collective defence and the forum for its implementation."

27. Some countries (not including France) believe that military operations should be managed by NATO, while the European Union should focus exclusively on managing the civilian aspects of crises.

3. Undeniable results

28. Since its launch in 1998, the Europe of defence/CSDP has progressed on all fronts.
29. In **institutional** terms, the European Union has set up a number of structures over time, including a High Representative for Foreign Affairs and Security Policy, the European External Action Service

(EEAS), the Political and Security Committee (PSC), the EU Military Committee (EUMC), the European Union Military Staff (EUMS) and, of course, the European Defence Agency (EDA).

30. In **operational** terms, some 28 civilian and military operations – 20 civilian missions and 8 military operations to be precise – have been launched on three continents, resulting in the deployment of a total of 20,000 personnel. The most successful military operation has been Operation Atalanta, the operation to combat piracy off the coast of Somalia. In terms of civilian crisis management operations, the most significant to date has been the EULEX Programme in Kosovo, involving 2,250 personnel.
31. Battle groups have been formed, laying the foundations for European defence and the capability for independent action. The final objectives of the Helsinki summit in 1999 set this capability at 66,000 personnel, to be mobilised within 60 days, for a period of one year.
32. In terms of **regulations**, the "Defence Package" directives and the Commission's associated communications led to the creation of a competitive environment, in 2009, from which a European Defence Technological and Industrial Base (EDTIB) could emerge.
33. With respect to **capabilities** and **industry**, it is important to note the successful creation, in 2001, of EADS (aeronautics) and MBDA (missiles). Both companies were created as part of major programmes: the A400M military transport aircraft and the Meteor long-range air-to-air missiles and FSAF surface-to-air missiles. These programmes have both been highly successful, despite encountering a range of problems. They have been managed effectively by the Organisation for Joint Armament Cooperation (OCCAR), created in 1998.
34. The EDA plays a major role in pre-project coordination, working to bring operational requirements together.
35. It is also important to mention the "pooling and sharing" initiative, launched in Ghent in September 2010 and managed by the EDA. The EDA has also initiated the development of a pooling and sharing "*code of conduct*", which was formally adopted in late 2012, to protect European cooperation programmes from budget restrictions as far as possible. The various projects undertaken include efforts to overcome a lack of in-flight refuelling capability.

36. The European Air Transport Command (EATC) is a defence staff created in 2003. Its role is to manage the airborne military transport fleets of Germany, France, the Netherlands, Luxembourg and Belgium. It became fully operational in 2010 and has since seen an impressive rise in capabilities. It has played an important role in both the Libya and Mali operations. It represents a prime example of "*pooling and sharing*" between EU Member States.

B. A CONCEPTUAL DEAD END

1. A breakdown in industrial initiatives

37. The creation of a **European Defence Technological and Industrial Base** was the main objective of the 2009 "Defence Package". Its aim was to increase competition by widening access to public defence contracts and, by doing so, to restructure the defence industry by boosting demand.

38. Although the final transposition law has only just been passed, it would appear that little progress has yet been made in this respect. While European countries are collectively spending even more on their defence budgets, this expenditure is poorly targeted. Redundancy and duplication are rife, in terms of both industrial programmes and industrial capacity. There are 17 different armoured vehicle programmes in Europe, as well as seven frigate programmes. In terms of manufacturers, Europe still has 17 military shipyards, compared with just two in the United States. The defence market remains highly fragmented, leading to excessive costs and wasted time and energy. Meanwhile, limited R&D budgets are often allocated to similar programmes of research.

39. Finally, and perhaps most importantly, there is no genuinely integrated European defence company. This has an impact on supply. Our industries are structurally too small, making them less competitive than their international competitors. The cancellation of the planned merger between BAE and EADS is therefore highly regrettable. Measuring industrial integration on a scale of 1 to 4, only one company (EADS) is at level 2, and only one is at level 3 (MBDA).

From industrial cooperation to mutual dependency The four levels of industrial integration

It is important to define what is meant by the "consolidation" or "restructuring" of the EDTIB, since there is a clear difference between industrial cooperation on common programmes on the one hand, and mutual dependency leading to substantial economies of scale through the pooling of one-off costs on the other hand. To date, no European defence company has reached the final stage of industrial integration. This is what sets them apart from their American competitors, where this consolidation process is seen as a gauge of competitiveness. Indeed, it is treated as natural progression and was actively encouraged by the American authorities in the late 1990s (the famous "last supper" episode).

Level 1 - Cooperation

Cooperation is the first level of common programme execution. The purpose of the cooperation is clearly defined. There are many examples of this type of arrangement, including Jaguar and Transall aircraft, the Milan and Hot missiles, Horizon frigates, etc. These arrangements are, however, limited to the creation of flexible transnational legal entities. Each company manufactures a part of the final product and remains responsible for its own production. Productivity gains are negligible and there remains a limited level of trust and confidence between the companies involved. Each company acts in its own interests and implements its own strategy, sometimes leading to conflict with other companies and affecting their ability to cooperate.

Level 2 - Consolidation

This type of arrangement is more akin to the relationship between companies within the same group, where the income of each national entity is consolidated, yet the entity retains responsibility for its own income statement. In the 1990s, European Member States decided to respond to changes in the American industrial landscape by encouraging similar changes in the industry in Europe. Following the signature of the *Letter of Intent* (LOI) in 1998 by six European countries, which set out a commitment to create an environment that was more favourable to such restructuring, several new groups were formed, including EADS, THALES and MBDA. These groups, however, only manage non-industrial elements centrally (such as human resources, finance and strategy). Manufacturing, research and customer relations remain under national control, and the company has a different face in each country.

Level 3 - Partial integration

Genuine integration within a multinational group involves assigning operational responsibility to a single entity, in charge of all teams and responsible for overall results. Results are assessed on a programme-by-programme basis, rather than by national subsidiary, to better reflect the overall interests of the company. The company is managed not by the heads of the national entities, but by directors in charge of major aspects of the business, irrespective of their nationality. MBDA is the only example of an integrated European defence company.

Level 4 - Full integration

At the final stage of integration, the aim is to redress the balance of mutual dependency. The underlying principle is that a capability must be shared otherwise it may be lost, and that excessive dependency is dangerous. The "One MBDA" missile project is the first genuine example of this type of arrangement between two states, in this instance the United Kingdom and France. The aim of this programme is to streamline manufacturing by creating common "centres of excellence".

40. No major European military equipment programmes have been launched since the A400M back in 2003. This is despite the pressing need for European states to join forces to develop common critical capabilities, since no individual state possesses these capabilities on its own. At the very least, there is a need for states to pool and share their resources. This applies in particular to drones, UCAVs (combat drones), future combat aviation, aerospace and ballistic missile defence.
41. There are plenty of projects in which European states have commissioned the EDA to conduct the preliminary phases. Yet to date only one of these projects has been seen through to completion: the MMCM naval mine warfare drone programme. This programme was transferred to OCCAR in 2011, which is now managing the project. The other projects were cancelled due to a lack of investment from states. The agency is currently managing just one project: in-flight refuelling. Yet in this case too, the level of investment from Member States is below what is needed. All existing and future major European manufacturing programmes are American in origin: the JSF (Joint Strike Fighter) combat aircraft, and the EPAA (European Phased Adaptive Approach) ballistic missile defence programme.

2. Capability shortfalls and a lack of military independence

42. Operation *Unified Protector*, a NATO-led operation in Libya, showed that European countries would have been unable to respond with the same speed and effectiveness without the support of the United States. The US contribution was especially important in terms of in-flight refuelling, Intelligence Surveillance and Reconnaissance (ISR) capabilities, and, to a lesser extent, deep strike resources.
43. The same lessons were learned from Operation Serval in Mali. European states clearly lacked in-flight refuelling capabilities, MALE drones and strategic and tactical transport resources. Once again, the French intervention would have been more difficult, longer and more expensive without the assistance of non-European countries, and the United States in particular.
44. It is also important to note that the lack of a permanent European military headquarters makes it impossible to set up a military planning prior to an operation and even implement it in an effective way.

3. A lack of political will

45. Progress in the construction of the Common Security and Defence Policy has been made on an operation-by-operation basis. Other than delivering training to Somalian troops as part of the "EUTM Somalia" programme launched in 2010, the European Union did not initiated any new civilian or military operations between 2008 and mid-2012. As such, there is a feeling that the movement is running out of steam.
46. During the Libyan crisis, the European Union was notable for its absence in a crisis on its own doorstep, as had been the case a decade previously in the Balkans. Due to the opposition of certain Member States, the European Union was not even able to launch a naval arms embargo surveillance operation.
47. In Mali, meanwhile, the conditions were ideal for the deployment of a European Union battle group. The legal basis was sound, there was broad European consensus, and intervention was requested by the legitimate government of the country concerned. Many observers saw Mali as a test case for the Europe of defence. Europe failed this test.
48. In fact, the European battle groups, which were created back in 2004, have never been deployed on the ground.
49. Greater cooperation between the European Union and NATO remains at a permanent impasse over the conflict between Turkey and Cyprus, despite the negative impact of this situation in regions such as Kosovo and Afghanistan, where both organisations are involved.
50. At present, no Member State has expressed its will to introduce permanent, formal cooperation as set out by the Treaty of Lisbon in 2007.
51. Despite the obvious benefits that a permanent European military headquarters would bring, the United Kingdom remains diametrically opposed to the idea, even vetoing an inflation-linked rise in the EDA's paltry budget.
52. It would seem that defence matters are not a priority for many European countries.
53. Germany remains fundamentally committed to NATO and is extremely reticent about deploying forces outside Europe.

54. Even France, often seen as the main driver of the Europe of defence, is partially to blame for the current situation. The decision by its leaders to sign the Franco-British defence agreements in 2010 and restore its full membership of NATO may have seemed, to its partners, like a rejection of the idea of the Europe of defence, even if this was not actually the case.

C. A COUNTER-PRODUCTIVE SITUATION

1. The reasons behind the stalemate

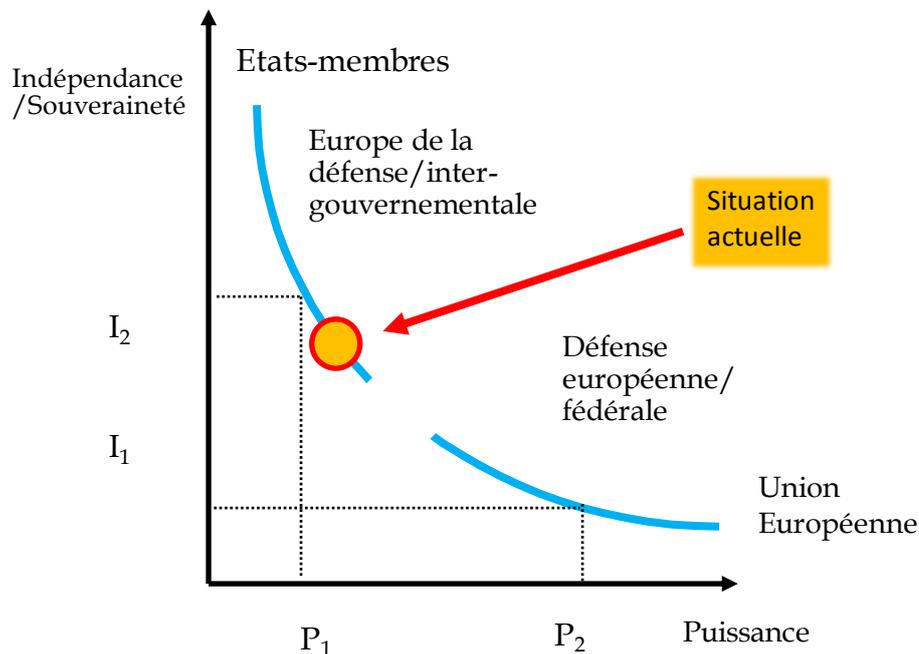
55. The first factor inhibiting the construction of the Europe of defence is the **lack of a clearly identified military threat**. As Hubert Védrine points out, the dissolution of the USSR means that we now have no direct enemy. This has had a negative impact on the involvement in the Europe of defence. The population of Europe does not feel under threat and shows little concern for crises occurring on their own doorsteps. Such crises are simply considered "foreign". Furthermore, it is important to consider the wide variety of different approaches to and perceptions of defence in different Member States, as well as "operational fatigue" as a legacy of the wars in Iraq and Afghanistan.
56. Yet threats do exist. These threats, such as terrorism, proliferation and cyber-attacks are difficult for the ordinary lay person to understand and perceive. They are more akin to security and surveillance issues than military conflict and war. It is therefore almost impossible to mobilise public opinion and European leaders in favour of a common defence policy.
57. The second reason for this stalemate is the **lack of clear coordination between the Europe of defence and NATO**. For many European countries, there is no clear distinction between the Europe of defence and NATO, and between NATO and the United States. The very idea of the Transatlantic Alliance was forged in the aftermath of the Second World War to prevent the Americans from pulling out of Europe. Paradoxically, the existence of this alliance killed the idea of independent European defence in its infancy. Many of our allies fail to see the point of a new defence system when such an arrangement already exists. They also argue that a defence system without the United States would be less effective.
58. The view from Washington is rather different. In the United States, NATO is synonymous with Europe. Given the lack of conventional military threats in Europe, many at the top of the United States government believe that it is now "beyond, beyond time" that Europeans take more control of their own defence and redress the

burden of responsibility. The rhetoric coming from the last two US Secretaries of Defense, Robert Gates and Leon Panetta, clearly demonstrate this sentiment. Their warnings need to be taken seriously. Each year, Europe spends three times less money on defence, four times less on military equipment and eight times less on defence research than the United States. Its capability stands at around 20% of that of the United States. This situation is not sustainable. Europe needs to take control of its own defence interests, even if its effort falls short of matching the "*hyperpower*" that is the United States.

59. Yet nothing is changing. European leaders continue to focus on the financial and debt crises, with not one Member State seriously considering increasing its defence spending to prevent the United States pulling out of NATO. Nobody believes that this will actually happen. In fact, in some quarters, there is a fear that increased effort on the European side may further encourage the United States to leave NATO. So doing nothing is seen as the best option.
60. There is one more reason behind this stalemate: European states face a **dilemma between sovereignty and power** that none of them is capable of resolving. This dilemma has been central to the notion of European defence from the outset, and it is precisely this dilemma that led to the development of an alternative idea, namely "the Europe of defence". Yet this concept is meaningless unless, "one day", it leads to the creation of a genuine form of European defence. If this is not the ultimate aim, then why bother developing new programmes, pooling capabilities and conducting common operations? Why bother acting at European level if the aim is only saving money and conducting joint military exercises?
61. The ultimate aim of a **common defence policy** was set out in the Treaty of Maastricht in 1992, which provided for: "*the gradual framing of a common defence policy which might in time lead to a common defence*". The final declaration of the Saint-Malo summit in 1998 also talked of "*the progressive framing of a common defence policy*" alongside a "*capacity for autonomous action, backed up by credible military forces*". Finally, the Treaty of Lisbon in 2007 restated the objective of a "*progressive framing of a common defence policy that might lead to a common defence*" (article 24 TEU).
62. It is interesting in this respect to note that **François Hollande** has never confused the terms "the Europe of defence" and "European defence", and has always referred exclusively to the second of these two expressions. During his presidential campaign, he stated his intention to "*revive the issue of European defence*". Since winning the

presidential election, he has used this term several times, including in a speech to parliament in February 2013, in which he said: "*I speak to you as the head of a state that is committed to reorienting Europe. [...] We require the clarity of mind necessary to develop and implement a genuine common foreign policy and create a genuine European defence. France is ready to do this. Now is the time to give up with our disparate initiatives and unify our strengths, integrate our industries, harmonise our positions within international organisations to ensure that Europe speaks with one voice, and take action to resolve conflicts that are an insult to human conscience*".

63. The question that remains is whether it is possible to move gradually from the Europe of defence to common defence or whether, as Hubert Védrine suggests, the idea of common European defence based on intergovernmental cooperation is nothing more than a "chimera".
64. In our view, there is no conflict between the existing forms of intergovernmental cooperation and a new, more integrated form of cooperation that would, in time, lead to a federal outcome. We also believe that there is a **lack of a *continuum***, i.e. a series of small events and achievements that will mark the shift from one form to the other. A major leap is needed. The problem is that nobody is currently prepared to make this leap.
65. The current situation is characterised by a **dilemma** between independence/sovereignty (or whatever else it may be called) on the one hand, and the devolution of power to the Union on the other. Yet no European state can claim to be truly "sovereign" or "independent" in the same vein as China or the United States. This is due to a range of factors, including the fact that, relatively speaking, Europe's population is falling, Europe's shrinking influence when it comes to scientific discoveries and trade, its energy dependency, and the natural yet astonishingly steep rises in the cost of military equipment.



The condominium paradigm

When it comes to defence, European nations are like individuals who have built a joint home without formally assigning a share of ownership or creating an arbitration body to assign ownership and take decisions.

A vague joint ownership regulation exists, but it is so complex that nobody really understands it. Furthermore, because each decision of the joint ownership association requires the unanimous approval of the general meeting, each member has the power to pull the plug on any work that it disagrees with. The top-floor residents want the roof to be fixed and the ground-floor residents want to renovate the entrance hall. But in the end, nothing gets done.

A formal owners' association exists, and it even has its own suppliers. But because there are no formal orders, or the orders that do exist are unclear, the association is unable to execute them. Everyone is unhappy with the situation and blames everyone else for the problems. Over time, the building becomes a disorganised entity where nobody is responsible for anything and nobody is willing to pay out any money. Everyone starts to wish they could go back to owning their own home. But nobody has the resources to do so. Everyone knows that they need an effective decision-making body. But no one has the courage to initiate the necessary reforms.

66. There are **numerous examples of stalemates** caused by a refusal to concede sovereignty. The most obvious of these concerns major capability programs. Problems almost always arise when the states involved, and the manufacturers concerned, attempt to distribute economic gains on a "*fair return*" basis, i.e. where the distribution of workload should be equivalent to the number of units ordered by each country. This "fair return" principle makes the entire cooperation process more long-winded, complicated and expensive, and often leads to the production of sub-standard equipment or an excessive number of different versions. One prime example of this is the 23 different versions of the NH-90 helicopter, developed for 17 different countries. In some cases, it can even lead to duplication of capability and multiple instances of incompetence. No state, however, is willing to abandon its own sovereignty in order to support the "*general interest of Europe*" above the nations own interest, and which is truly lacking for the moment.
67. Article 5 of the OCCAR agreement provides for the abolition of the "fair return" principle: "*In order to strengthen the competitiveness of the European Defence Technological and Industrial Base, Member States hereby renounce an analytical calculation of industrial fair return on a programme-by-programme basis with respect to the areas of cooperation, and hereby agree to replace this with an overall multi-programme/multi-year balance.*" Despite this, the manufacturers responsible for the engine of the A400M have continued to apply the fair return principle.
68. Generally speaking, whether cooperation involves several countries working together on a major programme or a country with no defence industry purchasing military equipment from another, conflicts often arise between the (legitimate) national interest of the purchasing or cooperating country, which seeks to "nationalise" the programme or equipment concerned, and the general interest of Europe, which seeks to limit duplication of industrial capacity. This is the reason why **offsets** were banned in 2009.
69. This contradiction, which is hindering the creation of a genuinely *European DTIB*, is especially serious when it comes to **critical military technologies**, precisely where it would be beneficial for Europeans to unite in order to protect and develop their skills. This applies for example to the infrared sector, where three companies – one German, one British and one French – are competing for paltry European funding. The fact that buyers in each country naturally impose their own domestic champion leads to the duplication of effort and the dispersal of funding and, in the end, inhibits any

genuine consolidation within a sector. The same observation applies to the optronics sector, with European manufacturers falling behind their North American competitors.

70. This failure to act in the general interest of Europe as a whole is also the reason why the Defence Package **does not include a European Union preferential clause**¹. This is in stark contrast to the "Buy American Act" and reflects the fact that many European states, for obvious reasons, prefer to buy their military equipment off-the-shelf from American suppliers rather than favouring goods produced in Europe.
71. **The failed merger between EADS and BAE** also reflects the lack of any sense of European interest and the predominance of national interests. In this case, each of the states involved assessed the project purely from the perspective of its own interests, and the state that had the most to fear in terms of jobs losses and site closures pulled the plug on the project.
72. **Industrial integration**, a phenomenon that reigns supreme in the United States, **is simply not the done thing in Europe**. It requires the elimination of redundancy which, in turn demands absolute faith in one's allies and, to a certain extent, a **loss of independence**. This level of trust and faith is only in its infancy when it comes to Franco-British relations, and currently only exists within a single company (MBDA).
73. Finally, effective industrial cooperation can only be achieved through the harmonisation of operational needs. Yet this type of harmonisation - covering all capability programs - is dependent on common strategic analysis, i.e. the production of an **authentic, European White Paper** that sets out the proposed format of European forces and a common military equipment acquisition strategy. If it is to be anything more than a basic geostrategic threat analysis document, this white paper needs to be produced by a body capable of arbitrating between European defence ambitions and common budget resources - a role performed by the President here in France.
74. Furthermore, in terms of operational constraints, it is important to note that the proliferation of battle groups and joint units is all well and good, but these resources will remain unused and unusable without a competent political authority with arbitration powers.

¹ However, according to paragraph 18 of the statement of reasons on which the Defence and Security Procurement Directive is based, France included a European Union preferential clause in the transposed version of the directive. Unfortunately, it was the only Member State to do so.

The instrumental approach to the Europe of defence is essential, but is insufficient on its own.

2. Doubt, frustration and dissatisfaction

75. The Europe of defence has become a source of frustration and misunderstanding. Even military equipment programs – which enjoy a particularly favourable market – are viewed with dissatisfaction and regret. **The A400M case is symbolic** of this pessimistic worldview. Complaints such as "*It should have been completed more quickly and cheaply*" are commonplace. All that people see is the fact that the project was not delivered on schedule, rather than considering whether the schedule was actually realistic. The concessions that Member States were forced to make during the renegotiation of the contract in 2010 have left bitter memories. Finally, funding support – which accounts for two thirds of a program's cost in the aeronautics sector, for example – is not always shared. If this situation continues, then the expected savings from the pooling of major programs such as these will not see the light of day.
76. What is the real reason behind this situation? **Europe, as a separate state, does not exist.** Instead, it is a market with common borders, rules and officials in charge of applying these rules. Yet, crucially, it is not a state. As such, nothing important can happen in Brussels without first being debated and approved in the capital cities of each Member State. However, through constant repetition of the words "the Europe of defence", and relentless criticism for its failings and omissions, the people of Europe have come to believe in its existence. This inability of the European project to bring about a genuine European defence has led to an almost hysterical situation.
77. The fact remains that there are fewer cooperation programs today than there were 10 years ago, and fewer 10 years ago than there were 20 years ago. Meanwhile, those programs that do exist today lack any real structural force. **Support for the European project is on the decline.** Among our compatriots, support for the European project stood at 60% in 2007. By 2013, this had fallen to no more than 40%.
78. Despite all of its institutional "*tools*", and the European "*toolbox*", "*hardware*" (military groups) and "*software*" (European defence strategy), there is still no "**European brain**". The Europe of defence is going nowhere, and will continue to go nowhere unless this issue is resolved. In the words of the French Minister for Defence, we may have to wait another "*150 years*" before the interests of European

nations converge. This simply will not happen. The interests of European nations will not simply converge, spontaneously, without the existence of a body capable of promoting common interests over individual interests.

3. The limitations of pragmatism

79. Supporters of the Europe of defence often describe themselves as "*pragmatic*". The word, however, is derived from the ancient Greek "*pragma*", which means the "**proof**" provided by an event. In this sense, someone who is pragmatic believes that truth lies in action, and that action is capable of providing proof where words may fall short.
80. Since 1998-1999, "*the Europe of defence*" has always claimed to be a "*pragmatic*" movement, and continues to be so to this day. Irrespective of any conceptual arguments, its supporters have continued to build their project brick by brick. But what have they actually achieved? To this day, nobody really knows what the **blueprint** for the building they are constructing really is. Nor do they know what the architects wanted it to look like. This gradual build-up of individual pieces is more akin to a pile of clutter. What's more, not a single brick in this glorious building has been manufactured in Europe since the launch of the A400M programme back in 2003.
81. To prevent pragmatism from becoming little more than a **lack of vision** and a blind pursuit of some unknown goal, we need to go back and look at the original blueprint, i.e. the European political project. Indeed, this is the conclusion of Hubert Védrine's report:
- "France should continue to advocate a Europe of defence within the framework of the European Union. There are several reasons for this. It is part of a broader European political project in the strongest sense of the term."*
82. The question that remains however, is this: why "*continue*" to advocate in favour of the Europe of defence when the results have so far been so "*disappointing*"? One possible answer is that, by "*Europe of defence*", we should actually read "*European defence*".

II. COMMON EUROPEAN DEFENCE - AN URGENT NECESSITY THAT REMAINS OUT OF REACH

A. THE GAME HAS CHANGED

1. The financial and budget crisis

83. The financial crisis has forced all European Member States – including the United Kingdom but with the notable exception of Poland – to introduce **drastic cuts in defence spending**. The percentage of GDP represented by defence spending in European Member States fell from an average of 1.9% in 2001 to 1.25% in 2012. Currently, only one Member State (the United Kingdom) spends the target level of 2% of GDP on defence (excluding pensions), while only five countries spend between 1.5% and 2% of their GDP on defence (including France at 1.54%). A further seven Member States spend between 1% and 1.5% of GDP on defence (including Germany at 1.1%), and 14 spend less than 1% of their GDP on defence.

84. This decline in military spending started before the advent of the financial crisis. It has, however, been amplified by the crisis. This falling expenditure has resulted in **voluntary or forced reductions in military capability**, as well as decreased troop numbers. Although the proportion of the budget dedicated to equipment expenditure remains above 30% in France, this same figure has fallen to 21% in Germany, 11% in Italy and 8% in Spain. The gap is even greater when it comes to defence research and development spending.

85. There are many **examples** to choose from, including the United Kingdom's decision to abandon its maritime patrol aircraft, while the Netherlands has abandoned armoured vehicles altogether and sent its tank command units to train with the German army. In January this year, the chief of staff of the Swedish army, General Sverker Göranson, stated that in the event of a modest attack on its territory, Sweden would only be able to defend itself for one week before capitulating and that, in the event of a simultaneous attack on two fronts, the country would fall within a few days.

2. The trend growth in military equipment costs

86. As well as falling military equipment spending, it is also important to note that equipment costs continue to rise, reflecting technological advances. As such, the European defence industry is facing a **price scissors**.

87. The **Joint Strike Fighter (JSF) combat aircraft** project is a symbolic example of this phenomenon. According to publicly available American sources, the cost of the programme currently stands at \$400 billion, with target production standing at 2,457 units. Taking the total cost of ownership over 30 years into account, the cost rises to somewhere in the region of \$1,000 billion. By comparison, according to the Missile Defense Agency, the American ballistic missile defence programme has cost "only" \$158 billion between 1985 and the present day. The F22 Raptor stealth fighter, manufactured by Lockheed Martin, cost a total of \$51 billion with total production standing at 187 units. Meanwhile the B2 stealth bomber, manufactured by Northrop, is alleged to have cost \$45 billion upon completion in 1998, with a total of 21 units manufactured. This represents an incredible \$2.2 billion per aircraft, at 1998 prices. It is worth remembering that the entire cost of the Apollo space programme, which sent human beings to the moon, cost just \$125 billion in today's money.

88. **No single European country is capable, alone, of investing this amount of money in similar military programs**, assuming that such investment would even be desirable. Europe's most ambitious projects to date have been the Eurofighter, costing \$175 billion for 472 units (excluding export) and, in a distant second place, the A400M project, which cost \$27.3 billion for 173 units. Because they failed to join forces, the Europeans missed the boat when it came to the MALE drones – both the surveillance and combat versions – and also lost ground in terms of tactical drones. They are only now adoptingUCAV type combat drones, well after their time. Similarly, Europe's involvement in the NATO missile defence programme, as jointly adopted at the Lisbon summit in 2010, is somewhat disorganised in nature. In terms of its military space presence, since the de-orbiting of France's "Spirale" satellite, Europe currently has no independent advanced alert capability. Cooperation in other areas such as observation and telecommunications is also extremely rare.

3. Changes in American policy

89. American policy has been marked by three major changes in recent years. The first is the now widely recognised *focal shift towards the Asia-Pacific region*, which is the result of a long-term historical trend. The second, known as "*operational fatigue*", is the legacy of the country's involvement in the Iraq and Afghanistan wars. The third is connected with the current financial crisis and involves

planned cuts or "*sequestration*" in military spending amounting to up to \$1,000 billion over the next 10 years.

90. These three changes have had a dramatic, combined effect. US leaders now find it much harder to justify military spending on Europe to both Congress and the general public, especially when there appears to be no credible threat to Europe and when the Union is making no effort to defend itself. Against this background, and **for the first time in recent history, the American leadership seems prepared to accept Europe as a partner within the Alliance in its own right**. In fact they are not only ready to accept it – they seem to be in favour of it. The evidence for this can be seen in the United States' unequivocally negative reaction to the potential withdrawal of the United Kingdom from the European Union.
91. Another change in American policy is connected with the fact that the country is on the verge of becoming **energy independent** through the extraction of shale gas. This shift in energy dependency is unlikely to have any effect on the close ties between the United States and Israel. It is, however, possible that the United States will change its approach to the rest of the Middle East and North Africa.
92. Finally, this downward pressure on defence spending will necessarily lead to **increased competition** between US and European manufacturers. In this respect, the inclusion of the defence sector in the draft free trade agreement between the EU and the United States is a major battle, the result of which will have significant repercussions for the future of the European defence industry.

B. THE EMERGENCE OF OWN INTERESTS AND THE RISK OF AN EUROPEAN STRATEGIC DOWNGRADING

1. The emergence of the Union's own interests

93. The European Union has its own interests and specific values, which it is unable to promote or defend independently. This was demonstrated as early as the 1990s, when it became clear that it had failed to prevent the genocide in Bosnia that had been ongoing since the end of the Second World War. It was also powerless when it came to the massacres in Kosovo and, more recently, in Libya and Syria.
94. The new strategic situation will only further exacerbate this problem. Not only will European forces be unable to act outside their own borders, they will also be unable to combat traditional

threats within their territory. Europe's position under American protectorate is remarkably similar to the way in which the Delian League - often compared with NATO by American generals - surrendered to the Athenian Empire. The situation becomes even more serious for Europe in light of the Americans' tendency to begin withdrawing this protection.

95. Europe has its own interests, separate from those of the United States. As such, it must be able to act independently, even when the United States is occupied elsewhere. This is particularly true of Mediterranean North Africa, which is an integral part of our history and is a region with which we would like to be on good terms. In fact, this applies to Africa as a whole, as well as to Russia and our other close neighbours. It is important to remember that, in the first few days of the Mali conflict, American support for what was seen as an exclusively "French" expedition had not been secured in advance. Although this support was eventually forthcoming, and it proved decisive, the support provided by the United Kingdom and several other European countries was more unhesitating.
96. The same applies to issues on which Europe and the United States have diverging interests. Due to its geographical location, Europe has a greater interest than the United States in finding a long-term, two-state solution to the Israel-Palestine conflict. However, due to internal divisions, Europe is unable to speak with one voice and defend its interests on this issue. Europe pays the price, but has no decision-making power and has never even been afforded a fold-away chair in the back corner of the negotiating room.
97. As the former German Chancellor Helmut Schmidt likes to remind us, the world's population is expected to reach 9 billion people, and Europeans will only make up 7% of this total. Germany and France will each account for less than 1% of the world's total population. In this rapidly changing world, where vast new centres of population and economic power are emerging in Asia, Africa and the Americas, Europe needs to unite to defend its territories, its spaces, its resources, its supply routes and, more generally, its interests. How can this be achieved?

2. The risk of European strategic downgrading

98. **Europe is disarming while the rest of the world is rearming.** Although the United States retains its place as the highest defence spender in the world, accounting for around half of total global military expenditure, the figure for Europe (excluding Russia) is on the decline, having fallen from 30% to 18% between 2001 and 2011.

Over the same period, the defence spending of the BRIC countries (Brazil, Russia, India and China) rose substantially. In percentage terms, it accounted for 8% of total global military expenditure in 2001, rising to 13.5% in 2011. China, meanwhile, currently accounts for 5.5% of global military expenditure, higher than any European country, while Japan's military spending is on a par with France (3.6%), and Saudi Arabia (2.9%) has overtaken Germany (2.7%). In 2015, China's defence budget is expected to exceed the combined expenditure of the top eight European countries.

99. Europe is therefore at risk of being downgraded or, in the words of Hubert Védrine, of being "*written out of history*". Despite the eurozone crisis, the European Union remains one of the world's major economic and trading powers, with a vast array of assets and strengths at its disposal. Yet how can it retain its position and hope to play a more important role in the international arena when it has to compete with the United States and emerging powers such as China, India and Brazil, especially as it has no independent defence system to protect its interests? Is the European Union condemned to becoming a sort of "*Super-Switzerland*" or "*oversized NGO*"?

C. THE CLEAR NEED FOR EUROPEAN DEFENCE

1. New threats are appearing, and the old threats remain

100. **Cyberspace** is a new battleground, involving individuals, groups, businesses and states. Since the large-scale cyber attacks that hit Estonia in 2007, hardly a week has gone by without news of a cyber attack against a public or private organisation. The purpose of these attacks ranges from destabilisation and spying to technology theft and system shutdowns. Attacks of all types are becoming increasingly common and are now one of the major threats to our national security. This is particularly true of large-scale cyber attacks that threaten critical infrastructure such as energy or transport, and which can completely paralyse a society. Although the European Union has recently developed its own Cyber Security Strategy, Member States remain woefully under-informed when it comes to these issues. The recent revelations about the United States' Prism cyber-spying programme demonstrate the need for a European response.
101. The second threat comes from the **arms race** driven largely by the United States. This covers space (Missile defence), aerospace (stealth technologies), fifth-generation aircraft, drones of all types, and terrestrial and naval weaponry, including the inevitable deployment

of cyborgs (load-carrying robots, exoskeletons, naval drones, etc.). As well as the exorbitant prices charged for military equipment, European manufacturers are excluded from the key phases of these programs and, as a result, risk falling behind their competitors in the acquisition of the next-generation technologies that will be used in generic weapons of the future.

102. Alongside these new threats, the **traditional threats** remain. European nations still need to fulfil their **sovereign duties**, monitoring their maritime, air and space territories and protecting their citizens. As such, it would be unwise to conduct a dramatic overhaul of existing European defence systems. Despite the need to control the flow of digital information, nations still have to control what happens in their sovereign waters. We still need to deploy patrol boats to police the seas, and aircraft to police the air.

103. If further proof were required, then one need look no further than Libya, Mali and Côte d'Ivoire for examples of traditional military operations, demonstrating the need for "robust" military capability using conventional equipment. These conflicts also confirmed the importance of an effective training - the reason why our troops achieved such success.

2. The strength lies in the union

104. The military benefits of the European Union are often overlooked. Yet it is important to keep these benefits in mind. The main benefit is the **critical mass effect** that comes from the combination of resources. When it comes to military conflict, superior equipment is not always enough to compensate for an inferior army. Quantity is also important.

105. Despite slashing military spending, European Member States still spend around **€175 billion** a year on defence, with combined service personnel of 1.5 million. Unfortunately, much of this expenditure is wasted on duplication and watered down by the dispersal of troops and equipment across the 28 Member States.

106. Conversely, the fact that some armies use the same equipment enhances **interoperability** and leads to greater efficiency. Resource pooling also avoids the need to create small units at excessive cost. This is the approach adopted, for example by the Benelux countries and in Scandinavia.

107. The next benefit is the **effect on the price** of military equipment. By ordering large production runs, Member States can drive down equipment costs by sharing one-off costs.
108. This price effect not only impacts equipment purchase prices. Its benefits can also be seen in the costs of equipment maintenance, logistics and support, decommissioning and staff training. This is particularly true in the aeronautics sector, where these elements account for around two thirds of total program costs. This is why it is essential to share and pool these aspects.
109. By pooling their resources, Member States can also retain capability across the entire spectrum. Acting alone and with limited budgets, individual states have to abandon certain capabilities.
110. In terms of research and development, the Union means that Member States can focus their resources and conduct more research, rather than wasting resources on duplicate studies. The size effect leads to the emergence of several industrial groups, stimulating both competition and innovation. Conversely, declining resources force individual states to focus on one national "champion" which, in turn, quickly gains a monopoly. This, in turn, triggers all the negative effects of such monopolies, including monopoly profit-seeking on the domestic market and limited export opportunities.
111. Last but not least come the diplomatic benefits of the Union, in the sense that the voices of individual states carry more weight when spoken out by a powerful body.
112. All of these benefits are clearly backed by the evidence, but they depend on national leaders abandoning their desire to make independent decisions on every matter. Member States need to surrender part of their independence, while populations need to give their consent for a transfer of sovereign powers. When faced with this choice, even the most hardened campaigner will shy away. While the word "sovereignty" is the flavour of the moment, "federal" has become nothing short of taboo. What's more, there is no guarantee that public opinion will back any such move. For decades, Europe has been the scapegoat for every mishap and misfortune that has befallen them.
113. Is there a third way between an impossible return to national sovereignty and an improbable shift to federalism?

III. FROM THE EUROPE OF DEFENCE TO EUROPEAN DEFENCE

A. THE SHORT-TERM SOLUTION: KEEP PURSUING PRAGMATISM - A NECESSARY APPROACH BUT ONE THAT IS INSUFFICIENT ON ITS OWN

114. In December 2012, the heads of state and government adopted a "roadmap" for the European Council meeting of December 2013 featuring three areas of priority: operations, capabilities and the European defence industry. A fourth area of priority – institutions – may also be added to this list.

1. Operational improvements

115. One of the key strengths of the European Union – and one that sets it apart from NATO – is the availability of a broad spectrum of military operation development tools, as part of what may be termed a *global approach*. Unlike some of our European partners, who feel that the focus should be on civilian crisis management, we believe that December's European Council meeting should recognise the importance and specific nature of the military dimension. Indeed without a military dimension, there cannot be a *global approach*. The European Union's action in the Horn of Africa may serve as an example in this respect.

116. In order to improve **civilian crisis management** operations, several options are available to enhance procedures, streamline structures and review funding arrangements, in line with the findings of the report of General Yves de Kermabon, as commissioned by the High Representative for Foreign Affairs and Security Policy.

117. With respect to **military operations**, the creation of a permanent military headquarters in Brussels would give Europe the independent operational planning and deployment capabilities it needs. This proposal currently has the support of all Member States other than the United Kingdom, which remains diametrically opposed to the idea. Nevertheless, there would be sufficient room to improve the operational planning process. Any future military headquarters should indeed benefit from autonomous ISR capabilities.

118. The European **battle group** deployment process could be simplified through improved common funding mechanisms.

119. If Europe has a genuine ambition to take greater control over the security of its **immediate neighbourhood**, it needs to begin the process of taking over the role currently played by NATO as part of KFOR in Kosovo. Similarly, NATO's Ocean Shield anti-piracy operation and the European Union's Operation Atalanta, both controlled from the Northwood military base in the United Kingdom, are examples of duplication and overlap. Given the European Union's advantages in this area, particularly with respect to its agreements with other countries over the legal processing of captured pirates, it would be legitimate to see a NATO withdraw in favor of the EU.
120. Finally, the **Sahel** remains a region of special interest for Europe, particularly due to its geographical proximity to the union's borders. The European Union's Sahel Strategy must be implemented as a matter of urgency, and the EU's role in the region must be strengthened, including its military presence via the EUTM Mali and EUCAP Sahel Niger operations.

2. Capacity building

121. Europe's capability shortfalls are well known and there is a need for joint action to overcome this problem. The time for reflection has passed. Now is the time for action. Let us hope that the heads of state and government rise to this challenge and establish a capacity building "roadmap" at the European Council meeting in December.
122. According to the EDA, if Member States combined their efforts, they could save up to €1.8 billion in military space spending, €2.3 billion in surface vessel spending and €5.5 billion in armoured vehicle spending over the next 10 years.
123. The number one priority in this respect is to overcome Europe's lack of **in-flight refuelling** capability.
124. The second priority is to ensure that Member States agree on a **common support for the A400M, and a common training for crew and technicians**.
125. The third priority - if Europe genuinely aspires to have an autonomous strategic ISR capability - is to acquire **MALE drones**. The first step is to create a users' club to pool existing and future resources. The next step is to launch a European third-generation MALE drone acquisition program, with a target completion date of 2025. This program will need to be based on operational requirements - as currently under discussion between France and

the United Kingdom - and will need to feature a common request. Failure to adhere to this final requirement will condemn the project. A European tender process will need to be launched, allowing manufacturers to form their own consortia without imposing forced partnerships between unwilling partners. The final step will be to appoint a lead country to manage the program and be accountable to the other countries.

126. It would be suicidal for Member States to argue over the European **military space** policy and ignore the good work done by the European Space Agency, covering both rockets and satellites. This is the one area, above all others, where the question of strategic independence comes to the fore. As such, Europe needs to become more independent by equipping itself with its own surveillance and spy satellites, as well as an early warning system.
127. It is in the common interest of all Europeans to join forces and create an industrial base dedicated to **cyber defence** and, more broadly, to the information and communication technologies sector. There is a pressing need for the European Union to develop its own "*digital sovereignty*".
128. The future of **combat aircraft** needs to be considered, along with the future of the **UCAV combat drones**. Europe has already taken action in this respect, with a roadmap due to be developed on the basis of operational requirements.
129. **Land warfare** must also be considered. At a time when budgets are on the decline, to continue to launch new armoured vehicle programs would appear to make no sense. European manufacturers also seem to have bypassed the land-based combat drone sector, apart from a few innovative developments such as the exoskeleton and confined unmanned vehicles. Land-based drone research programs should be improved.
130. The **optronics sector** (remote observation instruments) is yet another area in which Europe has a severe capability shortfall. All ISR systems used in Europe are dependent on North American or Israeli technologies. Quick and decisive action is needed. One important measure would be to consolidate the **infrared sector**.
131. Finally, why not allow the European Union to possess its **own capability**, such as A400M aircraft or drones, to be used on both military and civilian missions (e.g. humanitarian aid, border patrol or natural disasters)? Of course, the relevant governance matters - such as how to ensure that military headquarters have access to these resources, how to fund them and how to deploy them - would

need to be ironed out first. If this dedicated capability is not possible – indeed it may be somewhat wishful thinking – why not introduce "drawing rights" on existing or future European capabilities?

132. With respect to standards, the first important step is to consider **military aspects** as part of the **Single European Sky ATM Research (SESAR)** programme. This could also be taken further through the harmonisation of European military certification and air-/sea-worthiness rules, under the auspices of the EDA. Such harmonisation would make life easier for both users and manufacturers, eliminating cumbersome costs and unnecessary restrictions.

133. With respect to maritime cooperation, a **universal maritime strategy** is required. Another important development would be to sign an agreement under which any vessel flying the flag of a European Union Member State could be boarded and inspected by a European Union vessel, irrespective of its nationality. This would help with the fight against illegal trafficking. Secondly, Member States should sign a maritime resource-pooling agreement covering surveillance radar approaches and coastguard activities. This strategy should also see Member States sharing responsibility for policing key shipping routes. Several current projects, such as the EDA's MARSUR programme, could be combined to form a single, consistent whole.

134. Finally, it would be beneficial to **reconcile the rules of engagement** governing European troops involved in operations outside the Union, on either EU or NATO operations. One key change would be to limit the use of caveats which, in turn, limit the scope of interoperability. Eventually, it may also be possible to assign a common legal status to all European troops engaged in external operations. In the meantime, European troops should be encouraged to undertake joint training through the development of a **military "Erasmus" scheme**.

3. Protecting and developing the EDTIB

135. The aim in this respect is to **consolidate the defence industry by creating an European base**. This involves creating large, pan-European defence companies capable of delivering economies of scale and other size-related benefits, such as the sharing of one-off costs, the concentration of research effort, and a balanced spread of gains and losses over several profit centres. These vast European entities should enable Europe to produce its own equipment. They should also be better placed to compete on the international stage.

136. So how can this consolidation be achieved? The first type of solution was provided by the Defence and Security Procurement Directive in 2009. It involves **focusing on supply**. The principle is a simple one: use competitive bidding as a matter of course. It is too early to judge whether this directive will achieve the desired aim, but there is a real fear that the waivers provided by this agreement might be interpreted too extensively.
137. For this reason, rather than re-writing a law when the ink on the paper has barely dried, it would be better to **allow manufacturers to form their own consortia as they see fit**. This was the case with the planned merger of BAE and EADS, and it is a real shame that this project was scuppered by excessive focus on national interests. There are, however, other ongoing initiatives that are worthy of note, such as the NEUROn consortium and the planned industrial agreements in the drones sector. A number of projects are also emerging in the land-based arms sector. These should be encouraged. It is also worth considering other areas such as the naval and space sectors.
138. While they may not be able to avoid monopolies, European nations need to be able to rely on the advice of independent experts. At domestic level, this role is fulfilled by the institutions and bodies responsible for arms. At European level, we have the EDA and OCCAR. These two institutions recently signed a cooperation agreement. The challenge now is to take this a step further and merge the two institutions to create a **European Arms Agency**, with a **qualified majority voting** system, reflecting the mechanism used within OCCAR and, in theory, within the EDA.
139. Another way to consolidate the EDTIB is to focus on **demand**, i.e. via major arms programs. In this respect, it is important to learn the lessons of past failings and follow a few simple rules.
140. The first of these rules is to overcome the tendency to focus on national interest by creating **large pan-European companies**. As well as the size-related benefits of these types of entity, they also avoid the tendency to apply the fair return principle. These vast groups have locations in so many different countries that national governments cannot be seen to be favouring any particular country when selecting suppliers, and there is no perceived need to nationalise a particular program. Responsibility for fair and effective redistribution of labour across Europe becomes the responsibility of the companies themselves rather than states. Similarly, these pan-European companies should have a balance of both civilian and military activity, to make them resilient to failures to secure military

equipment contracts. This systematic use of competitive bidding will only be effective when European states present a united front to monopolists.

141. The second rule is to appoint **dedicated leaders**, within both national governments and manufacturers. This applies, for example, to the decision to appoint OCCAR to manage the programme.
142. The third rule is to ensure that the **operational requirements** are **clearly defined** before any programs are launched, as was the case with the A400M programme. This rule is both the simplest and the most difficult to achieve, since it requires Member States to align their equipment schedules (something that is never easy) and to sign up to a global military capability procurement strategy.
143. The fourth rule is to introduce incentives. It would be beneficial to **exempt major European programmes from VAT** and to give the companies involved in these programmes **access to European Union funding**, particularly for European research programs. This would ensure that research and development programs – both military and dual, such as space or cyber defence – receive sufficient funding. The European Commission has outlined plans to fund a defence research pilot project, reflecting a welcome change of approach in this respect. Unfortunately, the value of the project – around €100 million over three years for 28 countries – is well short of what is required. There are also other possible mechanisms through which research activities may be funded, as set out in articles 184, 185 and 187 of the Treaty on the Functioning of the European Union.
144. Two measures need to be taken to make these funding mechanisms a reality. The first is to clarify the situation concerning **intellectual property** with respect to these programs. The second is to introduce a definition of European defence companies, something which is lacking at present. It would be beneficial to define the scope of the EDTIB – which is currently a political rather than practical concept – and to introduce the concept of a European economic operator to ensure that European funding is reserved exclusively for European companies.
145. It is also important not to overlook **SMEs operating in the defence sector**. They have an important contribution to make in terms of innovation and competitiveness. All too often, support for SMEs remains little more than wishful thinking. There are, however, several initiatives in this respect within individual Member States. In France for example, the *Rapid* system is managed by the defense procurement agency (Directorate General for Armament or DGA).

This support system is designed to select the right technologies and provide development support. A European Commission mission should be set up to identify SME support best practice in the defence sector and propose a suitable European system, similar to an European "Small Business Act", and even create a dedicated support fund for defence start-ups.

146. There is fierce competition between European companies on the export markets, leading to often excessive price reductions or causing them to transfer ownership of more technology than they would otherwise accept. As a result, the successes of individual companies are often offset by the creation of new competitors within the market. American companies seem to enjoy better protection against technology transfer through the *Foreign Military Sales process*. European defence companies should learn from this model to better manage the potentially destructive impact of export competition. In the absence of agreement from professional organisations, it would be suicidal to remove the option for European companies to use **non-EU offsets** as has been suggested in some quarters.

147. One of the key issues at present is whether defence equipment should be included in the European Commission's negotiation mandate concerning the **free trade agreement between the EU and the United States**. The Commission has stated that a free trade arrangement would benefit European companies, and that this is the reason why the initial draft mandate included public defence contracts. However, some Member States fear that this could become a "Trojan Horse" for the American defence industry, and have asked for this sector to be removed from the mandate. Like culture, defence is not explicitly excluded from the mandate, so it is important to ensure that it is not reintroduced during the course of the negotiations.

4. Important institutional considerations

148. The Europe of defence is unlikely to "have its day" at this December's European Council meeting. Nor are we likely to see major progress made in terms of the Common Security and Defence Policy. What is needed, however, is a break with the trend for **ever more technical measures**, the only outcome of which is to widen the gap between the European Union's institutions and its citizens. This approach does not help citizens to understand the need for common defence. During our visit to Brussels in June, we felt that the main risk lay in the tendency to adopt an excessively technical and limited approach to the matter, due primarily to the existence of diverging

opinions and interests among the 28 Member States. We also found that defence matters were eclipsed by other, apparently more pressing issues. As the French proverb goes, the mountain is giving birth to a mouse.

149. We believe, however, that the European Council meeting in December 2013 is a genuine opportunity for heads of state and government to finally tackle defence questions head-on, to debate them at length and to produce a clear **political direction**, along with the **necessary impetus**. It should be remembered that every major advance in terms of the Europe of defence has been made with the involvement of heads of state and government, such as at the European Council meeting in Cologne in 1999. The last time that defence appeared on the agenda of a European Council meeting was back in 2008, under the French presidency of the EU.
150. Several new projects and programs may be launched at the European Council meeting in December 2013, with the aim of progressing towards common European defence. Furthermore, we believe that there is a need for regular, effective monitoring of the decisions made. As such, we feel that defence issues should appear on the agenda of at least one European Council meeting per year.
151. In order to revive the Europe of defence movement and achieve the aim of common defence, an initial **joint analysis of the risks and threats** facing Europe should be conducted, and common interests should be defined. What are the main threats to the security of Europe? Which regions should be considered a priority? How can Europe defend its interests and its security - both within and outside its borders - in the future, and with what resources? European countries need to discuss and debate these questions to produce a joint analysis with the input of all 28 Member States. In 2003, the European Union developed its own security strategy, driven by the former High Representative for Common Foreign and Security Policy, Javier Solana. Although this 40-page document was updated in 2008, during the French presidency of the EU, changes to the strategic situation now require the development of a new strategy¹.
152. Secondly, the revival of the Europe of defence cannot, and indeed must not, gloss over the need for the European Union to define a **specific strategy for dealing with Russia**. Russia is Europe's largest

¹ This "strategy" seems to be alluded to in France's defence and security white paper published in 2013, which calls for "a European Union white paper that sets out the Union's interests and objectives in clear terms" and that may "contribute to the European debate and embody the expression of a shared vision" (p. 65).

neighbour, a vast market and the Union's number one energy supplier. As a permanent member of the United Nations Security Council, Russia is also a major player on the international scene. Since the end of the Cold War, attempts to integrate Russia into the European security arena have been limited and the European Union has failed to develop a specific strategy towards its neighbour. Should Russia be seen as a partner or a threat? How should Europe's energy dependency on Russia be handled? How can Europe strengthen its cooperation with Russia to resolve longstanding conflicts in its shared neighbours? Nobody has yet provided an effective answer to these questions. This strategy may include the creation of a joint EU-Russia Policy and Security Committee, similar to the NATO-Russia Council. Furthermore, given that Russia supplied the EU with Russian helicopters and crew as part of its operations in Chad, and the fact that it is also involved in Operation Atalanta, why not take this cooperation a step further and sign an agreement covering Russian involvement in external EU operations? The possibility of industrial cooperation with Russia, in sectors such as military space and aeronautics, may also be worth further investigation.

153. Thirdly, there are several improvements that can be made to the way in which Europe's institutions currently work.
154. The first such change – requiring no amendments to any treaties – would be to "institutionalise" regular meetings of Defence Ministers, with the "**Defence Council**" becoming a separate entity from the Council of Ministers. At present, it is entirely dependent on the "Foreign Affairs" Council.
155. This "Defence Council" should be assigned a **permanent chair**, either the High Representative for Foreign Affairs and Security Policy or a Deputy Secretary-General with specific responsibility for the Common Security and Defence Policy. This would help to raise the profile of this policy. Eventually, and following amendment of the treaties where necessary, it would be desirable to create a **European Defence Minister**, separate from the High Representative.
156. The forthcoming **revision of the EEAS** is also an opportunity to strengthen consistency and boost cooperation between the various external action mechanisms and civilian and military operations, as part of the *global approach*. The key challenge will be to improve coordination while protecting or strengthening the role of the military dimension within the EEAS, and to improve coordination with the European Commission.

157. Finally, the concept of **permanent structured cooperation** (PSC), as introduced by the Treaty of Lisbon, should strengthen coordination on defence matters between groups of EU Member States, without undue influence from others EU states. The creation of a PSC mechanism is of particular interest when it comes to capability. It would provide better access to European funding. However, under the PSC mechanism, decisions still have to be made on a unanimous basis, which limits the potential effectiveness of this system. Contrary to the beliefs of certain players, PSC is not the "front line" of European defence.

B. THE LONG-TERM SOLUTION: INJECT FRESH IMPETUS INTO THE EUROPEAN POLITICAL PROJECT

1. A gap has opened up between Europe and its citizens

158. Over the last 60 years, the European project has been synonymous with peace and prosperity. From Franco-German reconciliation and the fall of the Berlin Wall, to expansion of the European Union to the east, the continent of Europe has once again become unified and its people have enjoyed the longest period of peace since the end of several centuries of bloody conflict.

159. The European Union, created to protect this peace and strengthen the ties between the people of Europe, was founded as a market-based organisation with a few common policies. The European institutions that exist today have been developed around this market, with the aim of bringing these common policies to life.

160. Yet the current financial crisis has affected support for the European Union among its citizens. There is now a growing wave of anti-European feeling, as demonstrated by falling voter turnout in European elections and the rise of populist national sentiment.

161. The European project lacks a clear direction, and Europeans have lost sight of its objectives as a result. The last grand European project – the single currency – was launched some 20 years ago and has since lost its momentum.

162. The European institutions also seem to be acting beyond their remit. The Union seems to be behaving like a state, with its own flag and anthem, and the "European" passport. Yet the EU is not a state at all, and these symbolic gestures are at odds with the deep-rooted sentiment of national populations. Right on the contrary, Europe's citizens fear the loss of their national identity.

163. This gap between the European Union and the concerns of its citizens has opened because the EU tends to focus on secondary issues rather than key priorities. It determines the size of chicken cages, regulates woodpigeon hunting and harmonises vehicle registration plates. Yet it fails to deal with the real concerns of its citizens in terms of economic growth, jobs and security.
164. Until now, the European project has been built piece by piece, a sort of "*reverse federalism*", to get around the obstacle of national sovereignty. This approach has now reached its limits. The EU's current strategy is unsuited to foreign policy and defence matters. Indeed, on these matters, there are a number of fundamental questions that need to be answered. Who governs Europe? What influence does it have on the international stage? Can it defend itself alone?

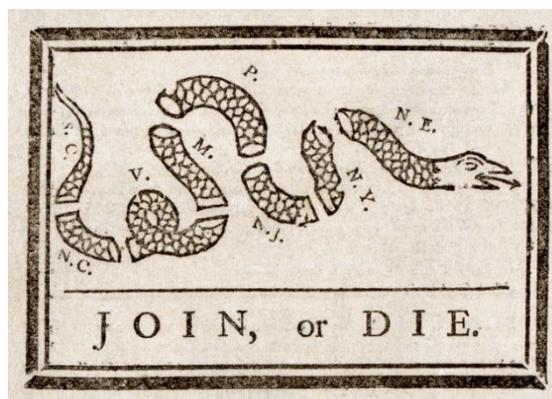
2. The need for fresh impetus in the European project

165. The only way to overcome this inertia and close the gap between Europe and its citizens is to inject fresh impetus into the European project. In his speech to the European Parliament on 5 February 2013, the French President called for a revival of European political unification, based around a number of key issues, namely growth and jobs, European economic governance, culture and education. The President also expressed his wish to see foreign policy and defence form a key part of this new, stronger political union.
166. Europe can no longer be little more than a glorified market. In order to strengthen its role on the international stage, it needs to become a genuine "power". This includes having its own, independent European defence. There is a great weight of expectation on Europe when it comes to foreign policy and defence matters. We must not fall short of these expectations.
167. In order to reverse the current trend for the "*demilitarisation*" of Europe, it is also important to convince the public of the importance of defence matters. Europeans are currently rather indifferent to these issues, as a result of the long period of peace on the continent, the perceived remoteness of current conflicts and an inability to perceive modern threats. As such, they are unwilling to support additional spending on defence. It is therefore essential to educate and persuade European citizens of the importance of defence, especially among younger generations. Only by doing so will it be possible to sustain investment in defence, create a genuine European

defence system and guarantee peace and security, both in Europe and around the world.

168. The governance and democratic control of European defence is also a key issue that cannot be overlooked. National parliaments play an important role when it comes to defence matters. They approve budgets and vote to deploy troops abroad when required. Despite the recent creation of the Interparliamentary Conference for the Common Foreign and Security Policy (CFSP) and Common Security and Defence Policy (CSDP), national parliaments do not play a central role in the development and monitoring of decisions in this area. It is therefore important to strengthen the parliamentary dimension of the CSDP, so that national parliaments can work with the European Parliament to discuss European defence matters and monitor European defence effectively.

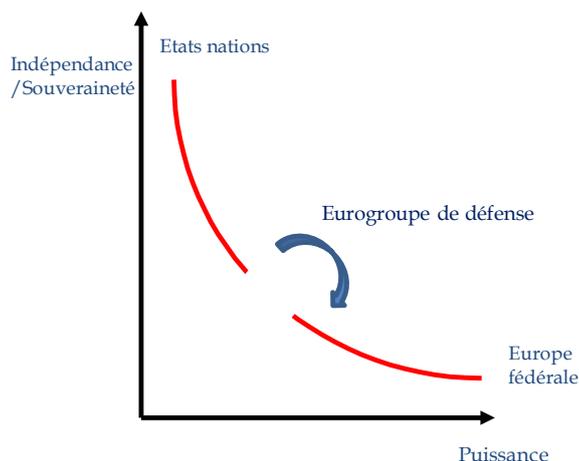
169. Supporters of the European project need to state the purpose of their project in clear and understandable terms. In this respect, they may like to draw inspiration from Thomas Jefferson ("United we stand, divided we fall") or from Benjamin Franklin's famous drawing and three-word caption.



C. THE MEDIUM-TERM SOLUTION: CREATE A DEFENCE EUROGROUP TO REDRESS THE BALANCE OF THE TRANSATLANTIC RELATIONSHIP

170. Whenever the issue of sovereignty has stood in the way of the European project, European nations have resorted to the **breakaway group** strategy. This can be seen in both the introduction of the single currency (the euro), and the removal of internal borders (Schengen). Common European defence - if it ever sees the light of day - is likely to follow this same path, since no project is likely to gain the support of 28 countries, and nor would such a vast project be feasible.

171. The answer, therefore, is to allow those countries that are *willing* and *able* to develop a common defence policy to do so¹. This group would need a name, one that everyone can understand. Our proposal is the *Defence Eurogroup*. Initially, this need only be an informal organisation, acting **outside the current European institutions**.



1. Aims

172. The first aim of the Defence Eurogroup is a simple one: to continue doing together what individual European nations cannot do on their own, i.e. deploy an **independent military capability** able to operate outside the borders of the European Union and to protect its interests, even without the support of the United States. This capability may be deployed on both European Union and NATO missions.

173. The second aim is to give Europeans the resources they need to **fulfil their obligations within the Transatlantic Alliance**. While NATO is combat-weary following its withdrawal from Afghanistan, it remains an essential guarantor of the transatlantic relationship. It is also the only organisation capable of conducting a large-scale military operation, primarily through American support. The natural interoperability between American and European forces is at an all-time high, as a result of NATO cooperation and the involvement of the SACT (NATO's Supreme Allied Commander Transformation).

¹ See the study by the Economic Defence Council (CED), conducted by Philippe Esper, Christian de Boissieu, Bernard Bigot, Michel Scheller and Yves-Thibault de Silguy: "Eurodéfense - pour une relance d'une Europe de la défense" [Eurodefence - towards the revival of the Europe of defence], with preface by Romano Prodi - June 2009 - Éditions Unicomm.

174. As a result, the Transatlantic Alliance should once again gain strength. As it stands, however, the United States supplies 55% of its resources and 75% of its capability. Redressing this balance will involve increased budget spending by European countries, while maintaining their existing military capability. European countries are unlikely to agree to this additional spending unless they can guarantee that their industries and jobs will be protected, and that they will retain their independence over strategy and decision-making. **The Defence Eurogroup may be Europe's response to American calls for fairer distribution of the burden.**

175. The third aim of the Eurogroup is to support a gradual shift from the current situation – whereby Europe is entirely dependent on NATO, and therefore the United States, for security – to a genuine, integrated, **collective European defence** system capable of protecting its own territory and citizens independently. This, in turn, would make the mutual defence and solidarity clauses of the Treaty of Lisbon a reality.

2. Characteristics

176. The evidence suggests that this Eurogroup should have two key characteristics. The first is that **it is open to all Member States**, provided they are able to commit to substantial defence spending. It would be counter-productive to exclude the smallest Member States. Europe is a single, united entity.

177. The second characteristic – ideally fulfilled from the outset – is that it should constitute a **critical mass** of nations capable of encouraging others to join. The United Kingdom, Germany and France are the most obvious candidates.

178. The *nucleus* of the Eurogroup must, in this respect, comprise the **United Kingdom and France**. It is essential for the future development of the Eurogroup that its founding members are those countries with the capability and will to engage in foreign military operations. For France, this involves building on the 2010 Lancaster House Treaty and inviting other European partners to sign up. This would lay a solid foundation for the future Eurogroup.

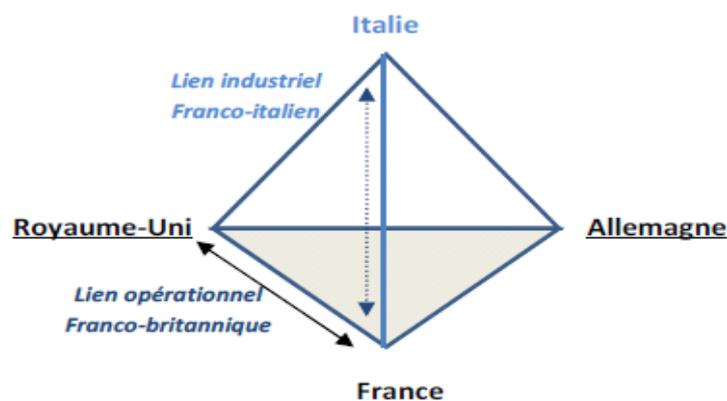
179. It is also important not to seek to rush the process. The strength of the Franco-British alliance unquestionably lies in its operational nature. Its unique feature, meanwhile, is its nuclear deterrent. Yet its "*backbone*" is its **expeditionary force**. It is important to realise that things do not happen just because we have decided that it should be so. It will still take time to create this expeditionary force.

Meanwhile, some of the joint programs we have agreed upon will never see the light of day, or will be abandoned before completion. We need to accept this fact and be careful not to question the alliance every time something goes wrong. The Lancaster House Treaty commits us to a 50-year partnership. Now is the time for "*strategic patience*".

180. France must also recognise the importance of its relationship with Germany, some 50 years after **reconciliation**. The Élysée Treaty is a treasure that we much cherish forever. Germany is now much more than just an ally, it is a friend. Germany is also the largest economic power in Europe. As such, it would be inconceivable to create any form of European defence without its involvement. Germany must absolutely play a part in this initial breakaway group. Yet it remains to be seen whether this is possible, given the current strength of feeling in Germany against the military arena. As the Second World War becomes an ever more distant memory, the attitude of the German people is changing. But it is not changing as quickly as we would like. We need to show "*strategic patience*" in this respect too.

181. Once the breakaway group has formed, other countries will naturally come to the table. Leading this second wave will be Italy, Poland and Spain, among others. By joining the defence union, smaller Member States will be able to play a key role within Europe. This could, for example, be linked to their strategic **geographical location**, or a particular **specialist capability**, such as cyber defence in Estonia, combat aircraft in Scandinavia, or maritime expertise in the Netherlands and Belgium.

182. In terms of industry, a cooperation agreement between at least two of these four pioneering nations - France, the United Kingdom, Germany and Italy - would create a more solid foundation for any future capability programme.



3. Methodology

183. The Defence Eurogroup should enable those nations that sign up to better coordinate their financial, capability, operational and industrial resources. The Eurogroup could also be the platform in which the instruments of this coordination are developed. One priority in this respect is the drafting of a defence White Paper, featuring an in-depth assessment of threats, ambitions and budgetary resources. This could then be followed by further analyses of troop formats and capabilities procurement strategy.

This Eurogroup would provide a platform for participating Member States to share their existing resources, pool their research and development work, and acquire and deploy new capabilities. The main focus of the Eurogroup would be to play a major role in **external operations**. In order to support this role, a new military headquarters would be required, responsible for the planning and execution of military and civilian/military operations and equipped with its own ISR capabilities.

CONCLUSION

184. "*The Europe of defence*" is dead. We need to stop using the term. Once the words lose their meaning, those who use them lose their meaning too. The expression was originally conceived to get around the obstacle of national sovereignty, and to clarify the relationship between the European Union and NATO. It was, as Hubert Védrine quite rightly says, a "*pipe dream*" and an "*oxymoron*" that was directly responsible for the current stalemate with regard to European defence.
185. At the European Council meeting in December 2013, heads of state and government will want to demonstrate "*pragmatism*", i.e. demonstrate "*proof*" through action. As well as making statements of intent, they also need to adopt practical measures. In this respect, they are spoilt for choice. There is a staggering number of projects on the table, from operational and capability projects to those concerned with industry and institutions. Now is not the time for procrastination.
186. Yet this, alone, is not enough. This "*pragmatism*" must not be used to conceal a lack of vision or ambition. Now is the time to revive the European political project and to set Europe on a new course, closing the gap between the Union and its citizens. Defence and foreign policy should form a key pillar of this new Europe. Europe is more than just a glorified market. If it wants to become a genuine world power and make its mark on history, it needs its own, independent defence capability.
187. This end goal will take some time to achieve, For now, the first step is to form a breakaway group, a so-called "*Defence Eurogroup*", open to all countries that are willing and able to push the agenda and move towards a common European defence system.
188. This breakaway group, based around the operational and expeditionary capabilities of the United Kingdom, France and Germany among others, may act as the bridge over the ever-widening chasm between "*the Europe of defence*" and "*European defence*", between national sovereignty and the federal project.

COMMITTEE SCRUTINY

The Committee for Foreign Affairs, Defence and the Armed Forces examined this report at its session of 3 July 2013, chaired by Mr Jean-Louis Carrère, Chair of the Committee.

The following debate took place after presentation of the report.

Mr Jean-Louis Carrère, Chair. – I would like to congratulate the joint chairs and members of the working group on this excellent report. The proposals set out in this report, including the more ambitious among them, will be submitted to the executive body in preparation for the European Council meeting in December. This report reflects the ongoing commitment of our committee to shed light on a particularly complex and important issue. To ensure that this report is distributed as widely as possible, especially among our European partners, I think it would be wise to provide both a summary of the report and an English translation.

Mr Jean-Claude Peyronnet. – I would also like to congratulate our colleagues on their superb work. Your proposal to create a "Defence Eurogroup", based around a nucleus of France, the United Kingdom and Germany, seems to be an excellent idea. It would lead to closer ties between our defence industries, and enable us to pool and share our capabilities, as well as to create a joint expeditionary force. The main question on this matter is essentially a political one – what will the decision-making body be within this "Eurogroup"? Should we start by pooling our defence resources, or rather begin by creating a European-level political decision-making body? This chicken-and-egg dilemma seems to encapsulate the current problems facing the EU's Common Security and Defence Policy.

Mr Jean-Pierre Chevènement. – I fully support our colleagues' proposal to stop using the term "the Europe of defence".

As for the idea of a "breakaway group" forming a "Defence Eurogroup", I fear that this expression will alarm our British partners, especially if it has a federal dimension. This is simply out of the question in their eyes. We need to proceed with extreme caution. As far as the United Kingdom is concerned, it would be better to talk about "sovereign partners" than "shared sovereignty".

In my view, we also need to consider Germany's position. It is currently the largest economic power in Europe. In the eyes of the Americans, Chinese and Russians, Europe is Germany. It also has a substantial industrial base, particularly in the defence sector. So where does Germany stand exactly? Germany's only interest in defence is from an industrial perspective. Its main concern is its arms export industry, which deals mainly with trading partners outside Europe. It has no genuine interest in engaging in defence matters. In Germany's eyes, Russia poses no threat. It is simply a major gas supplier. It also has no interest in events in North Africa, as we saw with Libya and Mali, despite the close proximity of these threats to Europe's borders. And when Germany does get involved in an EU operation – such as the EUTM Mali

training operation – it does so with a long list of caveats. We need to talk to the Germans and try to get them on side, but it will be difficult to persuade a country that has abandoned any notion of defence.

Even other European countries such as Italy, which have a much greater interest in the Mediterranean and their own defence industries, have made a disappointing contribution to operations such as Serval and EUTM Mali.

Mr Jean-Louis Carrère, Chair. – I share your view on the current failings of the Common Security and Defence Policy, and support your proposal to stop using the term "the Europe of defence". I also agree that we need to do more to share and pool our resources at European level, and that Europe needs its own credible, independent defence system. Any progress on the issue of European defence needs to begin with France and the United Kingdom. Between them, these two countries account for around half of total defence spending in Europe, and they are the only countries that are both willing and able to engage in operations outside their borders. We already have a number of agreements with the United Kingdom, including the joint expeditionary force. It is essential that we implement these agreements, as the United Kingdom is and remains our key partner in Europe when it comes to defence matters. If we are to achieve genuine European defence, we will need to expand the Lancaster House Treaty over time to include Germany and other willing partners such as Italy, Poland, Spain and others. The ultimate aim will be to create a "breakaway group" or, to use your terminology, a "Defence Eurogroup". This could be put forward as one of the aims of the European Council meeting in December. However, if the European Council fails to reach an agreement, we should focus our efforts on implementing the existing Franco-British defence agreements.

In my view, we also need to promote the idea of a new European security strategy, a sort of "European White Paper", in advance of the European Council meeting in December. This new strategy would involve a joint analysis of risks and threats, involving all 28 Member States. However, before we put any of these measures in place, we first need to define a common goal.

Mr René Beaumont. – I share the opinion of our colleague Mr Jean-Pierre Chevènement on the issue of Germany. Pacifism, and in some cases even anti-militarism, are legacies of the Second World War that are deeply rooted in German public opinion. As such, it would be extremely difficult to make any progress on defence matters with our German friends, in spite of the obvious need to involve them in the process, along with other countries such as Spain and Poland. I would also add that, while I agree that European "federalism" is a real sticking point for the United Kingdom, the same can now be said for Germany. I believe that the best way to persuade our German partners to play a greater role in European defence is to focus on the industrial element of closer cooperation.

Mr Pierre Bernard-Reymond. – You will not be surprised to hear that, as a staunch supporter of Europe, I fully approve of the general tone of your report and your ambition to move towards European defence. I also share the view that the "step-by-step" approach has now reached its limits.

Since the failure of the European Defence Community in the 1950s, European defence has been seen as the ultimate goal and the crowning glory of the European project. The belief has been that it should be achieved gradually, step by step, starting first with economics to circumvent the issue of national sovereignty. Yet sometimes "major leaps" are needed to move the European project forward. In my view, this is the case when it comes to defence matters. I also wonder whether your observation might not apply to other areas, such as economic integration, which also seems to have reached something of an impasse in Europe.

We are at a genuine turning point in the European project. We have a choice to make: either we reengage with the spirit of the "founding fathers" and revive the European project - on defence and other matters - or we allow Europe and the European idea to crumble before our eyes in the wake of populism and nationalism.

This "leap of faith" demands strong political will from genuine statesmen. I am not sure, however, that the current heads of state and government that make up the European Council are up to the task. They are more akin to busy managers concerned solely with protecting their own jobs.

This raises broader questions about the current state of politics and democracy. Today's politicians are trapped by what I like to call the "tragic square" of opinion polls, marketing, electioneering and communication. They are no longer capable of delivering major projects and bringing their citizens along with them. Instead, they are concerned with trying not to offend public opinion and keeping their jobs safe at the next election.

I have also submitted a proposed constitutional bill to limit the term of the President of France. By restricting the President to a single six-year term and prohibiting any individual from serving two consecutive terms, he or she would be free of electoral concerns and would instead be able to focus on long-term policy that transcends the interests of the nation state and creates a lasting legacy.

Political leaders seem to be impotent against the rise of nationalism, populism and separatism, and are seemingly unwilling to oppose these movements for fear of offending public opinion. In fact, it is precisely our weakness, inertia and spinelessness that give rise to such populist, nationalist and separatist sentiment.

Having made a number of general observations, I would now like to ask a direct question.

In light of the sparse interest in defence matters, and the limited nature of defence budgets in many European countries, would it not be right to introduce a mandatory "contribution" from those countries that choose not to participate in European defence? It does not seem right to ask a handful of countries to bear the burden of a system that benefits Europe as a whole. An alternative idea would be to exclude all or part of defence spending from the 3% of GDP rule used to calculate the budget deficit. Why not introduce a system for

example, whereby any country spending at least 1.5% of GDP sees its other military expenditure exempt from such calculations?

Mr Bertrand Auban. – Military space is a key priority when it comes to communication, observation and intelligence. We already know that the United States has made substantial investment in this area. No European country is capable of matching this level of investment on its own. As such, European cooperation is critical if Europe wants its own, independent capability in this respect. This is a question of great importance, as we will be unable to act independently without our own observation and communication systems. It is also important not to overlook the economic and industrial dimensions of this high-value, dual-natured sector. In my view, military space is an area in which European-level cooperation should come naturally. In this respect, I refer in particular to future observation satellites.

Germany should be a major partner of France on such matters. However, Germany's attitude has so far been somewhat disappointing, with the country preferring to focus on its own national industrial interests, as demonstrated by its stance on the Galileo European satellite navigation system and its refusal to commit to a successor to Europe's Ariane 5 rocket.

Mrs Joëlle Garriaud-Maylam. – I would like to add my congratulations to the joint chairs and members of the working group for this excellent report and their innovative proposals. I sincerely hope that these proposals will be discussed with our European partners, and with the United Kingdom and Germany in particular. It may also be beneficial to address some of these matters at the NATO Parliamentary Assembly, an important platform for discussion and debate between members of the Transatlantic Alliance on defence matters.

Mr Jeanny Lorgeoux. – I believe that this report merits a strong, hard-hitting title. In this respect, I feel that the proposed title, "Towards the end of the Europe of defence and the advent of European defence" meets these criteria, despite being potentially provocative.

Mr Daniel Reiner, joint chair of the working group. – I would like to begin by addressing Jean-Claude Peyronnet's question concerning the "Eurogroup". It is a critical issue. Our proposal is, if you will pardon the expression, a "raw" idea. The main thrust of our argument is the need for a breakaway group of countries – similar to the Schengen Area or the Eurozone – that progresses on a voluntary basis. It will be up to each Member State to decide whether or not it wishes to join this group. In our view, however, the starting point must be a nucleus of France and the United Kingdom. Indeed, this nucleus already exists under the Lancaster House Treaty. As for how this Eurogroup will work – that, again, will be up to participating Member States to decide. There should be no right of veto within this Eurogroup, of course, since its very purpose is to act as a decision-making body. Those countries that do not support the cause will simply choose not to take part.

Mr Jean-Pierre Chevènement. – The United Kingdom will not join if the Germans are involved!

Mr Daniel Reiner, joint chair of the working group - It is not quite so cut and dry. The United Kingdom agrees that Germany – and Poland – need to be involved. We have added Italy into the mix. It is important to remember that Italy is France's leading defence industry partner. We have more industrial cooperation arrangements with the Italians than we do with the Germans or the British. Although the United Kingdom is not formally opposed to the idea of including Germany or other nations, they expect us to show "strategic patience". Italy, meanwhile, is experiencing economic difficulties.

The crux of our argument is the need to build upon the agreements we already have with the United Kingdom. The treaty is a matter of annoyance for many other countries. It annoys them precisely because it works, and it includes the nuclear deterrent. Although we are not sharing sovereignty, we are touching upon matters where sovereignty is treated as extremely precious.

Mr Jean-Louis Carrère, Chair – Your proposal is really quite Gaullist!

Mr Daniel Reiner, joint chair of the working group – Indeed, we have included a citation from Charles de Gaulle in our report. Our work is also inspired by another of Charles de Gaulle's maxims, the very same maxim that is written on the wall of the National Assembly's Defence Committee room: "Defence is the State's primary duty. Neglect this duty and the State will destroy itself." This answers Pierre Bernard-Reymond's question about whether the revival of the European project should focus on defence.

Mr Pierre Bernard-Reymond.- I am pleasantly surprised that this is still your view!

Mr Daniel Reiner, joint chair of the working group – The current situation is extremely favourable, and there is a widely accepted view that European defence is a necessity.

Mr Robert del Picchia. – The benefit of the "Eurogroup" is that it is informal, unlike the structured cooperation arrangements set out in the Treaty of Lisbon that are both binding and based on unanimity. What you propose, however, is neither a "structure" nor a "machine".

Mr Jean-Pierre Chevènement. – So rather than ripping up the Franco-British treaty, we should use it as a foundation for future development.

Mr Daniel Reiner, joint chair of the working group – That is precisely what we propose.

Mr Xavier Pintat, joint chair of the working group – I would like to respond to Jean-Pierre Chevènement by explaining that Germany has changed. This change is the result of the institutions set up by the allies after the end of the war, so the blame can hardly be laid at the feet of the Germans themselves. The institutions have served their purpose, and Germany is now an ultra-pacifist nation. This does not mean, however, that Germany will refuse to increase its defence spending. In fact, the Germans are fully prepared to spend more money on defence, provided that it is targeted at pacifist measures. I was quite astonished, during our visit to the Bundestag, to see that even the Greens were in favour of reviving the Europe of defence, again from a pacifist

standpoint. Furthermore, the French ambassador to Germany encouraged us to resurrect the debate with our German colleagues.

However, as I mentioned previously, I would like to see the harmonisation of the rules of engagement governing European soldiers on external operations. The current system of caveats and limitations is cumbersome and ineffective. It may also be possible to assign a common legal status to all European troops engaged in external operations

In terms of the defence industry, it is untrue to say that its future lies exclusively in Germany. In fact, Germany's defence industry base is only half the size of France's defence industry base.

Mr André Vallini, joint chair of the working group - In terms of federalism, our idea is to resurrect the notion in those areas where expectations of Europe are at their lowest. This may seem like a paradox, but Europe has so far been primarily about economics and finance. And in these areas, many people feel that it has not worked well. Nor are they convinced of its benefits. If we explain to citizens that new threats exist, that it is becoming ever more expensive to combat these threats, and that it is in our common interest to join forces and avoid redundancy and duplication, we may be able to sway public opinion.

I see some merit in Pierre Bernard-Reymond's proposal to introduce a mandatory contribution to a common budget from those countries not involved in European defence, to reflect the fact that they still enjoy its benefits. Another idea, which I fully support, is to deduct defence spending from public deficit calculations, or at the very least to deduct defence investment.

Mr Jean-Louis Carrère, Chair - This is something we have already discussed on several occasions with Jean-Pierre Chevènement, including at the very top of government.

Mr Jacques Gautier, joint chair of the working group - In terms of the proposed European White Paper, it is important to remember that a White Paper is a shared vision of the world, its risks and its threats, as well as our strengths, weaknesses and vulnerabilities. Yet the 28 Member States have completely different strategic visions. This is quite understandable, but it poses a real challenge. The next issue is defence ambitions. The United Kingdom and France both have a global worldview and retain their ambitions. Germany, meanwhile, is much more concerned with the defence industry than defence per se. The "smaller nations" have always been happy to concede and accept that Europe is protected by the Americans. As such, it will be extremely difficult to reach any sort of consensus over common ambitions. Then we come to the question of responses - in terms of both defence systems and budgets. It is quite clear that only ourselves and the United Kingdom are prepared to act outside our own borders, and that only ourselves and the United Kingdom have the resources or the will to do so. We also have to consider who will have ultimate responsibility for strategic analysis, decision-making and accountability. We worked on the committee responsible for the White Paper. Yet it was the President, not we, who signed it. Europe does not have a President. It does not

have a person with the authority to say "taking the threats, my own ambitions and my resources into consideration, here is what I intend to do." A White Paper involving all 28 Member States will serve no purpose whatsoever.

Mr Daniel Reiner, joint chair of the working group - It is like a red rag to a bull for the United Kingdom.

Mr Jacques Gautier, joint chair of the working group - It may work if we do this within the "Eurogroup", with regional sharing of responsibilities. It is important not to exclude the "smaller nations" from this "Eurogroup". Some of them are both willing and able to bring something to the table, either through their strategic geographical location, or a particular military specialism, such as cyber defence in Estonia. That is why we agree on the need for a genuine White Paper within the Eurogroup, rather than one involving all 28 Member States.

Mr Daniel Reiner, joint chair of the working group - In our report, we allude to the fact that the French White Paper sets out the possibility of a future European White Paper, subject to certain conditions, but that this is not yet possible. For this reason, we recommend updating the security strategy proposed by Javier Solana back in 2003, itself updated in 2008. This strategy has received virtually no support whatsoever. In terms of relations with NATO, I should point out that this "Eurogroup" is part of NATO, since its members are also part of NATO. Indeed, one of its aims is to redress the balance of the Transatlantic Alliance and demonstrate Europe's commitment to meeting its defence obligations. On the matter of Germany, it is important not to become fixated with the current perception of the German position. Although the Germans themselves may not be aware of it, I believe that Germany will be an entirely different place in 10 years' time. We met with a number of young politicians, including Dr Andreas Schockenhoff of the CDU/CSU. While he may not be in the majority in his own party, he produced a number of interesting documents that appear to support this trend. Even some SPD politicians have expressed support for a future European army.

Mr Jacques Gautier, joint chair of the working group - They even proposed an amendment to the German constitution!

Mr Daniel Reiner, joint chair of the working group - Although these individuals may be mavericks and visionaries, their proposals seem to be consistent with Germany's desire for greater power. Indeed, this is reflected in its request for a permanent seat on the UN Security Council. All of which suggests that Germany will need its own defence resources. No country can exert genuine diplomatic influence without the weapons to back it up. As such, Germany cannot continue to voice its desire to become a major power without paying the price of power - i.e. defence. This future Germany will also be a very different place in terms of its economy. Its population will have shrunk by millions. It may experience more social problems than at present. We have already seen elderly, retired people forced to go back to work in so-called "mini-jobs". Germany is enjoying economic prosperity in the world as it stands today. There is no guarantee that this will still be the case 10 years from now. Its

dwindling and ageing population will have a negative impact, irrespective of all other considerations.

Mr Jean-Pierre Chevènement - Germany has its own grand economic strategy. Its export turnover stands at €1,097 billion, while France manages just over €400 billion. Its industry is therefore 2.5 times the size of ours. On a recent trip to Beijing following a visit by Chancellor Angela Merkel, I saw the Chinese papers bearing headlines such as "China extends the hand of friendship to the Eurozone". Similarly, following the production of the 300th Airbus aircraft to be manufactured in China, the newspapers called it a "shining example of cooperation between Germany and China". This is just a brief snapshot of how the outside world views Europe. Germany does more export trade than the United States or China. China has become its number one trading partner. The world is a different place from the one we have come to know. Germany has 4,000 companies operating in Russia, while we barely have 400. In Germany's eyes, Russia no longer poses any sort of threat. On the contrary, it is seen as a major trading partner. Germany does not see the threats coming from the south of the continent, and from radical Islam, as any of its business. In its eyes, the United States and the United Kingdom take care of such matters, each in its own region. Its prime concern is its economy. If the time comes when Germany needs an army, it has the industrial base it needs to arm itself. And with more than 300,000 European immigrants each year, the demographic argument against Germany can perhaps be overstated. In short, Germany has become a pacifist superpower.

Following the conclusion of the debate, the Committee unanimously adopted the report and approved its publication in French and English.

LIST OF CONTRIBUTORS

in Paris

In open session

- | | |
|-----------------------------------|--|
| <i>Tuesday 27 November 2012</i> | Mr Hubert Védrine , former Minister of Foreign Affairs |
| <i>Wednesday 5 December 2012</i> | Mrs Claude-France Arnould , Chief Executive of the European Defence Agency |
| <i>Wednesday 12 December 2012</i> | His Excellency Mr Jean-Louis Falconi , ambassador and permanent representative of France on the European Union Political and Security Committee |
| <i>Tuesday 18 December 2012</i> | Mr Pierre Vimont , Executive Secretary General of the European External Action Service |

- Wednesday 30 January 2013* **His Excellency Mr Tomasz Orłowski**, Ambassador of Poland to France
- Wednesday Tuesday 12 February 2013* **General Henri Bentégeat**, former Chief of the Defence Staff and former chairman of the European Union Military Committee
- Wednesday 29 May 2013* **Mr Jean-Michel Casa**, Director of European Union Affairs, Ministry of Foreign Affairs

In closed session

- Tuesday 29 January 2013* **Mr Hubert Védrine**, former Minister of Foreign Affairs
- Tuesday 19 March 2013* **Mr Louis Gautier**, member of the white paper committee
- Tuesday 2 April 2013* **General Stéphane Abrial**, former NATO Supreme Allied Commander Transformation
- Tuesday 16 April 2013* **Sir Peter Ricketts**, British Ambassador to France
- Tuesday 16 April 2013* **Admiral Xavier Paillard**, former military representative of France to NATO and the EU
- Wednesday 15 May 2013* **Mr Benoît d'Aboville**, former ambassador and former Permanent Representative of France to NATO
- Wednesday 15 May 2013* **Mr Patrick Bellouard**, former Director of OCCAR
- Wednesday 15 May 2013* **Mr Patrick Maisonnave**, Director for Strategic, Security and Disarmament Affairs, Ministry of Foreign Affairs
- Tuesday 28 May 2013* **Admiral Édouard Guillaud**, Chief of the Defence Staff
- Wednesday 29 May 2013* **Mr Jean-Paul Maulny**, Deputy Director, IRIS
- Wednesday 29 May 2013* **Mr Jolyon Howorth**, Professor at Yale and the Sorbonne
- Tuesday 11 June 2013* **Mr Laurent Collet-Billon**, Delegate General for Armaments

in Berlin – 3-4 June 2013

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Mrs Elga Hoff, Member of Parliament (FDP), Bundestag Defence Committee

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General Philippe Chalmel, Defence Attaché to the French Embassy in Germany

in Brussels – 12 June 2013

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Mrs Claude-France Arnould, Chief Executive of the European Defence Agency

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Mr Didier Canesse, Deputy Permanent Representative of France on the European Union Political and Security Committee

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Mr Franck Paris, operations advisor and **Mr Thomas Guibert**, civilian crisis management advisor, French Permanent Representation to the European Union

in London - 25 June 2013

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