ANNEX B

10 principles
for urgently improve European operational and industrial Defence capabilities.

The growing tensions in the world, the electoral uncertainties, and above all the war of Russia against Ukraine and its threats to the territories of the Atlantic Alliance, stress the need to urgently improve in quality and volume the European operational and industrial Defence capabilities.

This augments the absolute necessity to prepare ourselves as Europeans to the worse scenarios. We definitely need to spend more and better by reinforcing the common requirements among members states. At the same time, any possible defence procurement occasion has from now on to take into consideration the duty to reinforce the *European Defence Technological and Industrial Base (EDTIB)* through more consolidation at the prime contractor level and more competition in the supply chain (*European Defence Equipment Market- EDEM)* on a long-term vision. For reasons of resilience, restructuring the EDTIB should allow and promote spreading of production throughout our continent.

To reach these objectives the following key principles should apply:

1-Be in line with the ambition of strategic autonomy - as expressed by the Strategic Compass, adopted on an unanimity basis by the 27 MS in March 2022 - and thus strengthening of NATO's European pillar.

2-Consult each other, in particular through the use of the European Defence Agency, on the harmonisation of operational needs for the short, medium and long term.

3-Regarding procurement, the following principles should apply:

- For procurement of new capabilities or off-the-shelf purchases, a clear priority should be given to European solutions, which can be compared with domestic solutions, rather than non-European solutions, while the preference generally goes as now to domestic or non- European solutions in disregard of European options.

- In case of urgent operational needs for resupplies of in-service systems, the quickest and most economical supplier could be chosen through existing contracts.

- Whenever feasible favour group purchases between Europeans

4-Launch new structuring capability developments in European cooperation reducing duplication of efforts between Europeans themselves and as much as possible the dependence on export control policies of non-member states.

5-Strengthen the consolidation and industrial integration of European prime contractors through structuring programmes in order to achieve more effective capability development and sustain their critical mass in the face of global competition.

6-Structuring of industry could be achieved using innovation clusters open also to civil technologies or solutions and limit the number of these clusters so that they are sustainable.

7-Strengthen the European supply chain, increasing its competitiveness and geographical diversity. To this end, open up competition between European groups (prime contractors and supply chains) as much as possible from the upstream phases of R&T, to focus on disruptive technologies, knowing that the involvement of the maximum of the innovation resources of each and all the EU countries is necessary, which has nothing to do with the outdated mechanisms of *juste retour,* which is simply incompatible with the world-wide competition. The gains in competitivity could be contributed by formation and support of trans-European and regional clusters by technological do- main[1].

8-Strengthen the critical mass by facilitating defence exports, a key element in the deepening of strategic relations with third countries, with due reference to the trilateral agreement FRA/DEU/ESP which GBR, NLD and ITA now wish to join.

9-Involve third countries in European co-development and production, as long as they adhere to these key principles.

10-Launch, when the best solution can only be built at the complete European level, such as Galileo, EU owned defence assets programmes.

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[1] See EDA CapTech concept