

# How to Accelerate a European Defence Union

## Recommendations - Summary

To preserve freedom and democracy, Europe must strengthen its sovereignty through more cooperation and deeper integration in defence, technology and finance. The Sovereign Europe Forum therefore recommends taking the following steps immediately:

### 1. Coordinated European NATO Command Handover & European Task Force

1. **Ensure** a seamless transition of **NATO's European command** to European leadership

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2. **Establish** a European NATO **Handover Council**, coordinated by the Deputy Supreme Allied Commander Europe (**DSACEUR**) at SHAPE

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3. **Communicate** clearly that **Europe is taking more responsibility reinforcing the overall NATO capabilities**

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4. **Create a 100,000 strong European Task Force** and ensure a smooth handover

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5. Initial priority: **security guarantees for Ukraine in case of a ceasefire**

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### 2. Digital Infrastructure & Technology Capabilities (incl. space, AI, lasers, drones)

1. **European** technology sovereignty as **goal and lense** guiding European investments and partnerships such as **energy, digital, AI, space and financial infrastructure systematically**

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2. **Treat digital and space** tech as **critical security** infrastructure

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3. **Shift European and national defense budgets** including a larger EU budget toward technological infrastructure including also: drones, robots, laser systems (e.g. Iron Beam)

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4. **Boost civilian economic growth** through dualuse technologies

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5. **Create a European DARPA** and direct more procurement toward startups and SMEs

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### 3. European Capital Market Union (CMU)

A capital market union is necessary to finance the European Defense Union and to stimulate economic growth.

1. **Introduce a "28th regime"** with unified EUwide rules for insolvency, tax and banking

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2. **Centralize** financial market supervision

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3. **Encourage crossborder banking** and create capitalbased pension schemes in all EU member states

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4. **Develop a digital euro** to reduce dependency on foreign payment systems

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5. **Work toward a joint European stock market (creates critical mass)** and **strengthens the**

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**Euro's global role** which would be supported by more Euro dominated safe assets

**The European Defense within the alliance also needs technological sovereignty and a strong financial market.**

## RECOMMENDATION

### HOW TO ACCELERATE A EUROPEAN DEFENCE UNION the low hanging fruits

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## Responsibility means, response ability

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#### 1 EUROPEAN NATO HANDOVER COUNCIL

Coordinated seamlessly by the European deputy commander in chief (DSACEUR) and a European task force troops (100k) to support this. As a core element of the European Defence Union.

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#### 2 SUFFICIENT ALLOCATION TO DIGITAL INFRASTRUCTURE and TECH CAPABILITIES (INCLUDING SPACE AND LASER) AND EU DARPA

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#### 3 EUROPEAN CAPITAL MARKET UNION for strength through unity to finance the defence union and to generate more growth

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## 1. NATO HANDOVER AND EUROPEAN TASK FORCE TROUPS

An adequate **hand over** for a European NATO command over the European NATO units should be coordinated through a HAND OVER COUNCIL if possible, under the Deputy Supreme Allied Commander Europe. This should be located at the current **Supreme Headquarters Allied Powers Europe (SHAPE)**.

The Council needs to coordinate and agree on the necessary hand over timing while assuring a normal continuation of the old structures until the hand over is completed.

The first task of the European NATO Hand over Council should be the coordination of **safety guarantees for the Ukraine** in case of a cease fire agreement. Needless to say, that a European proposal for a cease fire is needed on the political front, the release of the blocked accounts could be an incentive among others.

The message to the outside should be **“Europe takes over the European NATO in a coordinated manner and in an ambitious but realistic time frame, while Europe and the European NATO remain a part of the whole NATO. The hand over time will not weaken the NATO’s capabilities.”**

It is fair enough that Europe will now take a bigger share of the defence cost after so many decades of US protection.

**EUROPEAN TASK FORCE TROUPS** should facilitate the hand over while the major part of the European forces remain under national command but coordinated through the European NATO.

### Our proposal:

- Coordinated hand over of the NATO command in Europe whereby the whole NATO remains otherwise unchanged.
- Centralized European forces from the alliance of the willing to also support this process.

## 2. DIGITAL INFRASTRUCTURE and TECH CAPABILITIES including space

Learning from the US who invest 6 times more than Europe in space infrastructure and research. **0,26 % of the US GDP** correspond to **80 bn. US\$ per year**. So, Europe is lagging behind with approximately 65 bn. US\$ per year.

The cumulated space infrastructure launched from the US and from China each is 4 times bigger than the European.

The estimated digital backlog and AI against the US are between 50 and 80 %. Only the big tech invests several hundred billions in AI and innovation.

DARPA can spend 20 to 25 % of the science and technology budget for defence. These procurement contracts drive innovation in Silicon Valley.

In addition, and as a result the multi trillion tech infrastructure and lead from American big tech companies also dominate the European digital markets and work in close coordination with the US government. Amazon web services and Oracle f.e. benefit from double digit billions annual procurement from the US Government.

Digital capabilities, data, software and infrastructure are defined as **crucial security infrastructure** in the US and this should be treated the same way in Europe.

Therefore, Europe must invest a much bigger share of their defence budget and “Sondervermögen” into the digital, grid and technological capabilities.

This does not only help us to become sovereign and resilient over time but can also **spark growth in Europe** as we must catch up as an underdeveloped country and adhere to the principal “buy European”.

Mario Draghi suggests investing between 4 and 5 % of the European GDP, 800 bn. This concerns public and private together into the catch up of our technological backlog. The current consensus on a higher European defence budget is a huge opportunity to finally move in this direction decisively.

Which means satellites and our grid/software, drones, laser, (iron beam and iron bone) robots and data and protect it against any foreign influence and build our own sky shield. We should remember that the financial strength to build a SDI under Reagan ended the iron curtain. Our large corporations are stand-by, our industry is not fully utilized, and the lag of exports to the US and China can be compensated in a constructive way with PPPs to invest in dual use tech infrastructure.

The enhanced tech infrastructure can also largely be used for civil purposes (dual use) which leads to long term growth, even if defence spending can be reduced in 5 to 10 years again.

#### **Our proposal:**

- The new increased EU defence budget should therefore be allocated to a much larger extent to **technical capabilities** such as: digital, drones, laser, robots, AI and space infrastructure and capabilities for the **next 5 to 10 years** also focusing on new technology and niches where we can have a competitive edge. **This needs to continue** independently if we hopefully will achieve a cease fire in the Ukraine better sooner than later.
- To finally launch a European DARPA and to allow much higher share of the procurement go to small companies and startups.

This would spark modernizing growth in Europe. The budgets are there, it is a question of allocation. It will for sure also create more competitiveness in the EU. First invest, then harvest.

### 3. EUROPEAN CAPITAL MARKET UNION

The European Capital Market Union (CMU) and Defence Union are not independent projects – they are mutually reinforcing. Without integrated capital markets, Europe cannot finance the necessary build-up in defence; and without credible defence, Europe cannot reach political, technological and economic sovereignty.

Progress towards a CMU has so far been prevented by national preferences and traditions. All EU member states – or those willing to move ahead – must make an effort to move towards a centralised market supervision, to harmonise relevant legal frameworks and to strengthen the financial market infrastructure. A “28th regime” for a single, harmonised set of EU-wide rules covering relevant aspects of corporate law, insolvency, labour and tax laws, would be a logical next step.

Cross-border financing flows and banking within the EU should be encouraged. Capital-based pension schemes as successfully practised in 5 European countries should be encouraged in all EU member states as they also provide long-term financing for investment.

A fully developed CMU would make the allocation of capital more efficient, thus raising Europe’s growth potential. It would also strengthen the international role of the Euro; in that context, additional safe assets denominated in Euro are highly desirable.

#### Our Proposal:

- A digital Euro would reduce Europe’s dependency on foreign payment systems and thus strengthen our sovereignty.

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- Work towards a joint European stock market should be encouraged and capital-based pension schemes

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- Introduce the 28th Regime for setting the rules of a CMU

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As strong European defence needs a strong European capital market.