FRANCE: 2014 Defense Business Overview

U.S. Commercial Service / Office of Defense Cooperation

JOINT REPORT

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SUMMARY

France is characterized by an extremely sophisticated and competitive defense industry, which includes global players such as Thales, Airbus Group Defence & Space, Dassault, the Safran Group, DCNS, MBDA, and Nexter. Politically, France and the U.S. are long-standing, close allies. Despite occasional differences of views, the U.S. and France work together on a broad range of trade, security and geopolitical issues. Under former President Sarkozy's leadership in 2009, France made the decision to rejoin NATO's military command structure, once again becoming a fully integrated member of the Alliance.

France's latest Defense and Security White Paper ("livre blanc") was published in April 2013, responding to President Hollande's request for a complete review of national security threats and the development of a comprehensive security strategy, including but not limited to defense policy. The previous White Paper in 2008 addressed policy, strategies, hardware needs and operational capacities, base closures, troop and operational deployment reductions, and limits on platform acquisitions (Rafale aircraft and surface combatants). The 2008 White Paper laid particular emphasis on the principle of versatility and top-level modernization of all units. The 2013 White Paper introduces a change in this approach. In keeping with the analysis of power- and weakness-related threats, it distinguishes between coercive operations in which their forces are likely to confront State-led armed forces, and crisis management operations, which have four different military characteristics. The Livre Blanc outlines a requirement to cut personnel by 34,000 and reduce (if not completely close) several equipment programs.

The current defense budget is about EUR 31.4 billion, of which EUR 16 billion is for equipment, including maintenance and infrastructure. The 2014-2019 budget (La Loi de Programmation LPM) was approved by the French Senate on December 10, 2013. The approved LPM projects equipment expenditures to increase annually from EUR 16 billion in 2014 to EUR 18.2 billion in 2019. However, in real terms, the forecasted increase will be offset by required payment commitments delayed from earlier years. The budget figures call for exceptional receipts from asset sales to plug a funding gap estimated at EURO 1.8 billion in 2014, and a similar amount in 2015. This slight budget increase over 2013 is funded by sales of property and is likely to be short-lived; a projected funding gap of up to EUR 36 billion by 2020 will certainly have important ramifications on the budget and acquisitions in the meantime.

France is and will remain a major world player in defense. It has the one of the most forward-deployed armed forces in the world after the U.S., and was strongly engaged in Afghanistan and in subsequent training of the Afghanistan military and in reconstruction work. France has also been engaged in the Balkans and in Africa, where it recently took a major leadership role in both Libya and Mali. France currently has 2,000 troops deployed in the Central African Republic alongside a multinational African force in an effort to stem violence between predominantly Muslim militants and bands of Christian vigilantes.

French forces have been, in fact, almost everywhere that U.S. forces have been (with the exception of Iraq), and in many places the United States is not strongly present (like Mali). As such, and when our policies coincide, they serve as a key force multiplier to the U.S. Armed Forces and U.S. policy in general. In order to rationalize defense expenditures, France is seeking to increase multi- and bi-lateral cooperation, specifically with the U.K. and the United States. Current topics for deeper U.S./French cooperation include MALE UAV programs, theater ballistic missile defense, tactical missiles, tactical communications, chemical-biological defense and interoperability to include command and control systems, space situational awareness, satellite communications, and cyberdefense.

OVERVIEW

France is the world's fifth largest industrialized economy. With an annual GDP of about one-fifth of the United States, France is the United States eighth largest trading partner, as reported in U.S. Department of Commerce data. France is a member of the G-8, the European Union, NATO, the World Trade Organization (WTO) and the Organization for Economic Co-Operation and Development (OECD). The U.S. is both the largest destination for French investment and France's largest investor. Combined annual trade and income flows between France and the U.S. have increased significantly in recent years. Of the top fifteen exports between France and the U.S., nine are reciprocal. In the defense industry, France and the U.S. are both market leaders and competitors. Between 2008 and 2012, France was the world's 4th largest exporter of arms (6%) behind the United States, Russia, and Germany. Saudi Arabia, India, Brazil, United Arab Emirates, and the United States are the top 5 recipients of French arms exports.

France maintains its position as a world military power based on its small-scale version of a superpower arsenal. This arsenal is made up of three distinct elements: an independent nuclear deterrent, conventional force for air and land combat and a blue-water navy. In addition, it produces satellites and will continue to strengthen its drone capabilities. Current defense acquisitions and programming reflect this; the replacement of their current fleet of fighter-aircraft, the procurement of strategic and tactical lift aircraft, the procurement of new carrier-based helicopters, a new sea-launched nuclear missile program, new air defense and anti-air missile systems and replacement or modernization the Army's fleet of vehicles. However, reductions and delays in programs including the A400M and Rafale have occurred.

To supply cost effective systems to maintain its nuclear deterrent and standing military forces, France has long relied on an autonomous defense-industrial base, often greatly subsidized by the Government. Despite this desire for autonomy, France has taken a leading role within the European Union to try to incorporate its defense industry into a shared, European vision. This is perhaps a paradox, but market forces have forced many French defense companies to partner with other European firms in order to deliver competitive products. Shrinking European defense budgets, and the high cost of R&D, mixed with fierce competition from the U.S. has forced Europe to adapt, through the gradual deregulation and decoupling of the defense industry from the national governments. Examples of cross-border defense companies include Airbus Defence & Military, Airbus Helicopters (Eurocopter) and MBDA. This cooperation has been achieved with a handful of nations, mainly Germany, Italy and the UK, although on the other hand there has been limited foreign acquisition of French defense companies by non-French firms.

The bilateral 2010 Lancaster House defense relationship between France and UK was strengthened recently; work continues in the area of combat drones with the preparation of the FCAS DP (Future Combat Air System Demonstration Program), the future naval anti-mine system (MMCM), cooperation on a light anti-ship missile and overall better cooperation to identify and rationalize common R&T interests.

The 2013 White Paper also marks a crucial new stage in recognition of cyber threats and development of cyber defense capabilities. It takes note of the growing vulnerability of the State and society to increasingly dangerous attacks: attempts to penetrate networks for purposes of espionage, remote takeover, paralysis and, in the near future, destruction of infrastructure of vital importance, or even weapons systems and strategic military capabilities. The White Paper identifies the possibility of a major cyber-attack on national information systems in the scenario of cyber warfare, constituting an extremely serious threat for France and its European partners.

The White Paper therefore provides for a strategic stance aimed at identifying the origin of attacks, organizing the resilience of the Nation and responding to attacks, including use of offensive cyber capabilities. France will ensure that it has the capacity to guarantee autonomous production of security systems, reinforce the human resources devoted to cyber defense and enhance the reliability of State and major operator information systems. In the field of defense, a unified chain of command will be developed and strengthened to respond to the surge in threats. Lastly, an operational reserve and a citizen reserve for cyber defense will be set up to enhance the country's resilience.

DIRECTION GENERALE POUR L'ARMEMENT
The French Procurement Agency and its Market

The Direction Générale pour l'Armement, or France's Armaments directorate, is the tri-service procurement agency of the French Ministry of Defense. The U.S. Embassy's Office of Defense Cooperation can assist U.S. defense industry representatives in identifying the appropriate levels of contacts within the DGA. DGA currently reports directly to the Minister of Defense.

Laurent Collet-Billon took over in 2008 as National Armaments Director and head of the DGA, whose 12,000 employees are mostly civilians. DGA manages about 80 armaments programs, representing almost EUR 11 billion in orders to industry in 2013. In terms of research and defense technology, in 2013 it spent EUR 706 million on development studies and demonstrators.

This includes increasing cross-border cooperation (a significant number of advanced studies are done in the context of European cooperation), working within the framework of the European Defense Agency, NATO and other multilateral agreements, and creating more opportunities to collaborate with the U.S. In fact, over the last several years, DGA has gone from having considerable direct control over industry to having much closer partnerships with industry.

To provide a well-equipped defense force capable of meeting the challenges of a dynamic geo-political landscape, France and other European countries have increasingly worked in concert on major weapons procurements. As more and more French defense procurements are conducted on a joint-European basis, the DGA hopes that the gains in technology and price competitiveness for French and European firms will better position them to compete in the world defense export market. For instance, the A400M Atlas is a joint project between France and several other European countries.

This trend creates a challenging environment for American companies wishing to compete for DGA solicitations. Despite these challenges, opportunities exist for U.S. firms to make contributions to the French military. As examples, the French just purchased General Atomics MQ-9 Reaper RPAs, they operate a fleet of Boeing AWACS surveillance aircraft, Lockheed-Martin C-130H cargo aircraft (which are slowly being replaced by the new Airbus 400M Atlas), KC-135 tanker aircraft (an additional three KC-135 added based on Airbus A330 MRTT delays), Northrop-Grumman E2C Hawkeyes (October 2013 contract to upgrade current E2Cs) and FGM-148 Javelin. On the sub-assemblies or component levels, procurement tends to be more globalized the deeper one goes into the supply chain; the major obstacle to U.S. suppliers selling more in France is a tendency by industry to avoid purchasing ITAR-regulated items when possible. While recent reforms will certainly help, it will take some time for the benefits of U.S. export control reforms to trickle down to the buyer level.

In summary, the French procurement agency provides the armed services with armaments and military equipment but also manages the military industry, and coordinates and conducts military and technical cooperation. The DGA includes armaments inspection and nuclear inspection and also has its own financial and economic department.

The Important Role of Research and Development (R&D)

R&D is another important part of DGA's operation. This research has several main goals, which are linked. One, research is done in order to help DGA examine new opportunities and threats (primarily theoretical research). Two, R&D is done in order to satisfy military needs. R&D permits DGA to make relevant choices (especially in technologies) and find niches where others have proved to be reluctant to go in order to develop superior skills. This was the case with the ramjet engine, which fits some French missiles, and should also fit French deterrent force missiles. Finally, DGA uses its R&D budget to support industry.

The French Armaments E-Portal

The DGA and Ministry of Defense participate in an inter-ministerial online trading exchange, www.marches-publics.gouv.fr. This is considered one of the largest public marketplaces in Europe with the Ministry of Defense purchasing about EUR 15 billion of goods and equipment each year. This virtual marketplace covers both armed forces equipment and general equipment and supplies used by the MoD including, fuel, healthcare products, food and clothing. DGA also runs a portal, www.ixarm.com, which describes programs run by the agency, programs run in cooperation with other countries, and describes French import/export licensing procedures, among other things.

FRANCE’S DEFENSE MARKET STRUCTURE

The French defense industry was one of the last to adapt to a post-Cold War era. Until relatively recently, France’s defense industry was characterized by many different national companies working in the same market sector. The French government bought goods from these companies to support its indigenous defense market and maintain its job base. France’s military history and desire for a world leadership role is reflected in its pursuit of near total self-reliance for defense capabilities. Despite this history, however, France is currently leading a significant effort to establish both political and military infrastructures within Europe to bring about an independent European defense identity, “separable, but not separate” from NATO obligations.

While the GoF has attempted to divest many of its holdings within the defense industry, it nevertheless maintains a large stake across the spectrum of large, medium, and small firms. Major companies within the sector include the Airbus Group (formerly EADS), Thales, Nexter, Safran and naval shipbuilder DCNS. In the naval field, Thales upped its stake in DCNS to 35% in 2011 and the GoF has been exploring selling the remaining 65% of DCNS to Thales in 2014 to achieve exceptional receipt funding for 2014. Renault Trucks Defense (part of Volvo Group) has allied itself with Nexter for the VBMR armored vehicle contract, and Thales is also interested in tightening ties with Nexter, which would allow the 100% State owned armored vehicles manufacturer to expand its international business. Thales and Nexter (with Sagem) are also partners on France’s army vehicles modernization program, Scorpion.

Changes in the European Industry over the past decade have helped to more easily transfer military components to the civilian field and vice-versa. Airbus Group has expanded its competencies from special mission and aerial fueling aircraft to such efforts as missile defense, homeland security and the tri-national Medium Extended Air Defense System (MEADS).

Traditionally, France has preferred to start with a national champion, built and strengthened through domestic mergers, before going outside its borders.

Major Players in the Defense Industry in France

Fewer than a dozen large firms such as Thales, Airbus Group, Nexter, MBDA, Safran, DCNS dominate the French defense industry, but thousands of small & medium firms depend upon them for work. The U.S. Commercial Service at the Embassy in Paris is available to assist U.S. firms to reach out to potential partners.

The Airbus Group (previously EADS) is a European consortium and defense contractor, in addition to its civil aerospace activities. The group includes Airbus (commercial aircraft), Airbus Defence & Space (previously Airbus Military, Astrium and Cassidian) and Airbus Helicopters (previously Eurocopter). Airbus Defence & Space manufactures products and solutions in a multitude of categories, such as military aircraft, detection, missiles, electronic warfare, mission support systems, engagement & command, protection & surveillance, command & control, intelligence, LSI competence, mobile data applications, mobile hospital solutions, professional mobile radio, and soldier modernization as well as satellites and launchers. Airbus Helicopters produces a range of military helicopters in addition to its civil aircraft.

Thales is a long-standing partner to military and security forces around the world, Thales covers four core areas of expertise: Surveillance (detection and intelligence systems), Communication (command and control systems), Protection systems and mission / combat systems and Mission services and support. Thales also owns a 35% share in DCNS. Dassault owns a 26% share of Thales and the GoF owns a 27% share of the company. Additionally, Thales and Schneider Electric France are collaborating on cybersecurity for command-and-control systems.

The **Safran Group** produces systems and equipment for inertial navigation, avionics, optronics, tactical drones and other defense applications. These products are used on military transport and combat aircraft, helicopters, warships, submarines, armored vehicles and artillery systems for land, air, and sea defense. The Safran group is a global enterprise comprised of number of subsidiary companies.

MBDA Missile Systems (MBDA was founded in December 2001 through the merger of Aerospatiale-Matra Missiles (of EADS), Finmeccanica and Matra BAe Dynamics, and has become Europe's top guided-weapons producer.

DCNS is France's main naval shipbuilder and is majority owned by the French government. Building surface ships and nuclear submarines, the firm has also recently become more involved in marine renewable energy.

Nexter Group is a French government owned vehicle, artillery and weapons system manufacturer. The company provides the French Army with the CAESAR artillery system, le Leclerc battle tank and the VBCI fighting vehicle,

Dassault Aviation has become one of the world leaders in the design and manufacturing of civil and military aircraft. In the military market, Dassault Aviation produces the Rafale fighter jet in Air Force and Naval variants. Dassault Aviation is lead contractor on the European nEUROn advanced stealth Unmanned Combat Air Vehicle.

The Europeanization of the Defense Industry

European countries have come to realize they can no longer afford to acquire multiple European jet fighter programs or main battle tank programs, etc., nor can a single E.U. country afford to develop a significant platform or system without some level of bilateral or multilateral support. Moving forward with defense industry consolidation is therefore key to France's (and that of E.U. member nations') success. Additional defense budget constraints heavily dictate this consolidation. Individual parliaments within the E.U. have pressured their governments for years to promote the birth of a European industrial and technological base dedicated to defense, able to preserve European capabilities in this field (with the implicit understanding that most national capabilities are too weak to be preserved). In 2004, the European Defense Agency (EDA) was created, and it currently has a staff of 110 and a budget of approximately EUR 31 million.

The Ministers of Defense of France, Germany and the Netherlands in 2012 took the lead in developing a coordinated European approach to enhancing air-to-air refueling (AAR) capabilities. In response to IED attacks in Afghanistan, a mobile forensics laboratory was considered to provide intelligence analysts and local commanders with the ability to get inside the terrorist decision and action loops. This entailed a mix of complex and powerful analytical tools providing capabilities ranging from DNA analysis to electronic media exploitation systems. The mobile laboratory is a good example of the way in which Member States pool their resources in order to achieve a communal objective. There was EDA spending in the project, however, France assumed the lead-nation role and devoted considerable resources for the program's incorporation into ISAF (International Security Assistance Force).

Even outside of an institutionalized framework, there has been strong pressure for European defense companies to merge or to reorganize together. Mergers can mean increased research and development budgets for defense companies as they can create savings by lowering their structural costs. Experts at the European Defense Technological and Industrial Base (EDTIB) conference have pointed out that national defense industries are increasingly facing a "share-it or lose-it" reality, particularly with regard to research and development. French politicians have begun to pressure their companies to merge with European counterparts, in hopes that such measures will strengthen the French-supported European Security and Defense Policy (ESDP).

Governments are also acutely aware of the need to improve economies of scale and interoperability amidst declining defense budgets. Consolidation is seen as a means of competing on an equal footing with U.S. industry, as well as providing the necessary prerequisites for further transatlantic industrial teaming.

Limits of Europeanization: Political Problems and French National Interest

The EADS – BAE failed merger is a reminder of the complexity and sensitivities regarding fusions in the defense arena. Further consolidations are unlikely but not impossible; instead, project-based cooperation should increase. There are some limits, naturally, to the Europeanization of the defense industries. Because industry reorganization typically proceeds much faster than most political processes, an intergovernmental agreement will be needed to monitor reorganization. The passage of the Lisbon Treaty improved some structural impediments to cooperation and decision making; unanimous approval by all E.U. members is no longer required. The E.U. maintains strong anti-trust legislation, in order to avoid excessive concentration to the detriment of competitiveness for companies as well as states. Within France, the government sometimes finds itself at cross purposes with its own E.U. rhetoric, such as promoting the Eurofighter program, in which Airbus Group is heavily implicated, while also supporting the Rafale made by Dassault Aviation – of which Airbus Group is also major shareholder. As with all E.U. nations, what is important for France is the survival of French defense industry, even if it is incorporated within a European industry.

EU Defense Procurement and other Defense Directives

All EU Member States have now (as of April 2013) transposed the EU Directive that regulates defense and sensitive security procurement. Since September 2011, about 900 contracts have been awarded under Directive 2009/81 representing a total of 1.8 billion. Those contracts were published in TED, the official EU Public Procurement portal which covers all procurement announcements covered by EU legislation: http://ted.europa.eu/TED/main/HomePage.do

The Directive applies to supply and service contracts worth at least EUR 400,000, and to works (building) contracts above EUR 5,000,000.

For more information on the subjects above, please see the following web site at the E.U. office of the U.S. Commercial Service:
http://export.gov/europeanunion/defenseprocurement/index.asp

MAJOR FRENCH ARMAMENT PROGRAMS

Many programs dominated and will dominate the French defense budget for the next two decades. They include existing programs such as the construction of a new Triomphant Class ballistic missile submarine; the Félin Infantry Combat Suite, the construction and delivery of two Horizon class frigates; the Family of Future Air Defense Missile (FSAF) program which includes both naval defense and terrestrial defense systems; and the French/Italian Multi-Mission Frigate program (FREMM). Notably, drones are one of the highest priorities of the French MoD. These programs will stretch the defense budget for the next 15-20 years.

New programs to be launched under the LPM (which closely follows the 2013 White Paper) include a medium-altitude long-endurance (MALE) UAV; tactical UAV systems; CERES electronic intelligence satellites; next-generation satellite communications; Scorpion combat system; refurbishment of France's Dassault Mirage 2000D combat aircraft and Atlantic maritime patrol aircraft; and a successor to the MICA short-range air-to-air missile and MILAN anti-tank infantry missile, among others.

Several programs appear to be hit by the LPM, most notably production of the Dassault Rafale multirole fighter. With current production rates running at 11 aircraft per year, the LPM cuts deliveries to French forces over the period to only 26 aircraft - a move that appears to be reliant upon export orders taking up the slack in capacity, although despite winning India's MMRCA fighter competition, a signed export contract for the Rafale remains elusive.

The LPM sets out that two of a planned 12 air-to-air refueling aircraft will be in service by 2019, with a program launched for the tankers in 2014, and completion of deliveries of the FELIN infantry system and VBCI armored fighting vehicles will occur. The LPM also reveals that by the end of 2013 France expects to have only two of the expected three A400M transport aircraft, while one Suffren-class (Barracuda) nuclear powered attack submarine will have entered service by 2019 and the navy will launch a program to replace its four fleet oil tankers.

FELIN is a modular infantry combat suite, offering efficient ergonomics, autonomy and weight saving. In March 2004 Sagem (Safran Group) won the DGA contract to develop and produce up to 30,000 infantry combat suits, to field with all French Army active infantry regiments beginning in mid 2010, as part of the future air/ground system of systems called BOA. The total contract is estimated at about one billion euros including development, engineering and production of close to 31,500 suites. FELIN systems will incorporate a modified weapon system, integral sensors, wearable computer, communications and display systems, advanced uniform, protection and headgear. At an advanced stage it will also include team allocated equipment such as ODIN mini-UAV, robotic mule and commander's specific equipment. The weight of the entire FELIN system will be 24 kg, including weaponry, energy, ammunition, water and food.

European Multi-Mission Frigate (FREMM)
France and Italy have launched FREMM, Europe’s largest warship program in the last 50 years. The contract for this 27-ship program (delivery reduction from 11 to 8 between 2014-2019), valued at about E.U. 11 billion, was awarded by OCCAR in November 2005 to the industrial group DCNS/Armaris and Fincantieri. The European multi-mission frigates (FREMM) are expected to form the backbone of the French Navy in terms of surface ships. Morocco has purchased one FREMM.

SSBN-New Generation and SSN
The SNLE-NG (or SSBN-New Generation) “Le Triomphant”-class submarine and “Barracuda”-class nuclear attack submarine (SNA) programs are designed by the French Navy and the DGA. DGA has already ordered six Barracuda-class submarines from DCNS, designed to replace the Rubis/ Amethyst submarines, which should be delivered from 2017 through 2027.

Tigre
The Tigre program is intended to equip the French, German, and Spanish armies with new generation combat helicopters, adapted to a wide variety of contemporary scenarios. Tigre helicopters are currently being delivered and their armament systems are roughly composed of half American-made missiles and half European-made missiles. In its HAD support and attack version, (40) French aircraft will be equipped with Lockheed-Martin’s Hellfire missile, (which will begin being fielded in 2012.) Tigre is built by Airbus Helicopters.

Rafale
Built By Dassault Aviation, the Rafale is France’s multirole combat aircraft, used for air supremacy, interdiction, reconnaissance, and the airborne nuclear deterrent missions. In operation since 2000, it is being used by both the French Air Force and Navy. The LPM has reduced the original 66 deliveries over the period (2014-2019) to 26. The program has suffered from lack of exports, but the Indian Air Force recently selected it over the Eurofighter, which will be its first sale outside of France.

India and France’s Dassault Aviation will finalize a contract by March 2014 in which Dassault would provide 126 Rafale combat aircraft to India in a $15 billion deal. Delays have occurred over negotiations on local manufacturing. The expected contract would have Dassault provide 18 ready-made Rafale fighters with the rest (108 Rafale fighters) manufactured in India with Indian Hindustan Aeronautics as a local partner. The finalizing of this contract will be a significant step for France’s future defense activities moving forward.

Multi Role Tanker Transport (MRTT)
The Airbus A330 multi role aerial refueling and transport tanker aircraft will replace 12 out of France's 14 current fleet of refueling aircraft (3 KC-135R, 11 C-135FR) as well as provide strategic transport for smaller freight shipments or personnel movements.

NH90
The NH-90 is a NATO twin-engine helicopter used by the Navy as an anti-submarine platform or as a tactical troop transport for the Army. Several European countries are taking part in the project, of which Airbus Helicopters is the French lead.

SCORPION is the largest modernization program for the French Army within, roughly, the next decade, valued at around 10 billion euros. It brings together all of the French Army platform programs: Armored Reconnaissance and Combat Tank (EBRC) , Multirole Armored Vehicles (VBMR – total 2300 vehicles), modernized Leclerc heavy tanks, FELIN Infantry Combat Suite, Scorpion Combat and Information System (SIC-S) and communication means. By around 2020, almost 1,000 VBMRs, some 70 EBRCs and all the modernized Leclerc tanks are expected to have been delivered.

Unmanned Aerial Systems (UAS)
France's current generation of tactical UAS (SDTI) will arrive at obsolescence between 2015-2017; new US-made MQ-9 Reapers will be procured in order to have up to 16 systems operational by 2019. A cooperative program has been launched with the UK to explore synergies between requirements.

France is also considering a partnership approach for their current set of Predator-class Medium Altitude, Long Endurance (MALE) UAS to become operational around 2025. Several options are on the table, including a possible UK/France solution which is currently the subject of a 2-year joint feasibility study between the respective industries to develop a stealthy UCAV.

A400M Tactical and Strategic Airlift Aircraft
The A400M will replace France's fleet of C-160 Transalls, which have been in service for 40 years. A400M is a European cooperative program of 7 countries, managed by OCCAR. The prime contractor for the program, which is running several years late, is Airbus Military. A total of 170 aircraft are on order, for first deliveries in 2013. Lack of strategic airlift capacity has been a recurring problem in Europe, highlighted most recently by recent operations in Mali.

French military intervention in Mali required concrete military transport assistance from the United States and other countries like Italy and the U.K. This was necessary because airlift is an area where France has been under-prepared in its capabilities for transporting troops and equipment. The A400M program will assist in reducing this problem. The program was originally planned to deliver the first A400M in January 2013, however, delays setback deliveries. The first delivery was provided in late September 2013.

The A400M venture has encountered serious technical problems with its engines, causing the delivery delays and budget overruns.

Missiles
France and the UK, via MBDA, will launch an upgrade assessment of their joint Storm Shadow/Scalp cruise missile, as well as the feasibility of an anti-surface tactical weapon. They also plan to sign a contract for the development and production of an anti-ship guided weapon.

Tactical Radios
The Army will be acquiring several thousand "future Tactical Radios" under a three billion euro acquisition program (including renewals and MRO for 30 years) called "Contact". Thales has been selected to supply the radios, with deliveries beginning in 2016. These radios will replace the PR4G models currently used, of which 150,000 have been sold in 43 countries.

CONCLUSION

Generally, the French State does not approve acquisitions of defense companies by foreign owners, other than in dual-use aerospace SMEs. France has chosen to seek shared autonomy for some strategic technologies, but retains national autonomy for technologies associated with its nuclear deterrence force. But by divesting itself of its corporate assets, the GoF has been moving towards less direct control of its industry. Competition between large French firms like Thales and Airbus Group tends to create stronger transatlantic links. However, France's goal is to minimize U.S. defense dominance by pushing for greater European defense cooperation. To buy French or European-made goods is a stated preference, and thus the French have a deepening commitment to European cooperation. There are exceptions: witness France's recent purchase of Reaper MALE UASs and Hellfire and Javelin missiles from the United States. Overall, however, U.S. firms have only a very minor share of the defense market in France.

France's politicians are more reluctant to cooperate with the United States than are France's armed forces or industry. French authorities believe there are three reasons to buy weapon systems from the United States: the impossibility to design and/or build the equipment in Europe, to save money with acquisition of a product that has been highly engineered (like AWACS or Hawkeye aircraft whose development costs would be prohibitive for France or other European manufacturers to duplicate) and as an interim solution until a European solution can be developed (Reapers). It should also be noted that France's procurement processes make urgent acquisitions difficult, especially compared to the relative flexibility of the US acquisition system. Therefore, France tends to rely on the US FMS system in times of urgent operational need.

This trend creates a challenging environment for American companies wishing to compete for DGA solicitations. Despite these challenges, opportunities exist for U.S. firms to make substantial contributions to the French military. For example, the French operate fleets of Boeing AWACS surveillance aircraft, Lockheed-Martin C-130s cargo aircraft and Northrop-Grumman E2C Hawkeyes. In practical terms, it is important for U.S. firms to look "French", or at least "European" when trying to do business in the defense industry in France. Joint ventures or partnering arrangements are important to get a foot in the door; the advantages of a joint venture include benefiting from the experience of the French company (instead of being a competitor) in its own market, sharing costs on the programs, and penetrating the French market under a French label.

Two joint ventures in particular, that of CFM International (Snecma Moteurs and GE Aircraft Engines) and ThalesRaytheonSystems, TRS, (who partnered to provide the DGA and other European customers with air defense and air command and control systems) have been depicted as models of transatlantic cooperation. Joint ventures increase the possibility of being awarded a contract as prime contractor for important French military programs that would not be offered to a strictly American company.

Below the level of prime contractors, sub assembly and component supply chains tend to be much more globalized. However, while there is no official ITAR-free strategy, much of French industry will tend to avoid using ITAR-controlled US products if an alternative exists. This is not a political statement, but instead for security of supply and ease of doing business issues. This obstacle is less prevalent when working with French firms seeking to do more business in the United States. The U.S. Administration's efforts to update and reform its export control regime has been greeted with enthusiasm in Europe and if it is implemented and is far-reaching enough, may eventually help to even the playing field for potential U.S. suppliers.

KEY CONTACTS

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Office of the Defense Cooperation Attaché
4101 Reservoir Road, NW
Washington, DC 20007
Telephone: (202) 944-6400
http://www.info-france-usa.org/

Bureau of Industry and Security (Export controls, dual use items)
Office of Exporter Services
Outreach and Educational Services Division
14th Street and Pennsylvania Avenue, NW
U.S. Department of Commerce
Washington DC 20230
Telephone: (202) 482-4811
Fax: (202) 482-2927
http://www.bis.doc.gov/about/index.htm

Directorate of Defense Trade Controls (Export controls – defense goods/services)
2401 E. Street, NW
Washington, DC 20037
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Directorate of Defense Trade Controls
Bureau of Political Military Affairs
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GIFAS (French Aeronautical and aerospace industrial association)
8, rue Galilée
75 782 Paris cedex 16, France
Telephone: +33 (0) 1 44 43 17 00
http://www.gifas.asso.fr/

Trade Shows

Eurosatory 2014
Land Defense
Paris, France
June 16-20, 2014
http://www.Eurosatory.com
The Association of the United States Army manages a U.S. Pavilion at this biennial event, with the support of the U.S. Departments of Commerce and Defense.

Euronaval 2014
Naval Defense
Paris, France
October 27-31, 2014
http://www.Euronaval-show.com
Kallman Worldwide, Inc. (www.kallman.com) manages a U.S. Pavilion at this biennial event.

Paris Air Show 2015
Civil and Military Aviation
Paris, France
June 2015
http://www.paris-air-show.com
Kallman Worldwide, Inc. (www.kallman.com) manages a U.S. Pavilion at this biennial event.

For More Information

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