



Towards European Strategic Autonomy? Evaluating the New CSDP Initiatives

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As a result of the deteriorating security environment of Europe, the debate about deepening defence cooperation in the EU has intensified in the past two years. The initiatives reflecting the EU's recent efforts to boost cooperation are reflected by such old and new initiatives among others as the EU Global Strategy, PESCO, CARD or the European Defence Fund. As the paper argues, taken together and implemented properly, these initiatives jointly could provide the basis for establishing the European strategic autonomy, the ability to undertake major high-end military operations in Europe's vicinity. However, since reaching unanimity on many of the crucial questions seem far-fetched, flexibility is indispensable in establishing the proper political and institutional arrangements of the new frameworks of European defence cooperation. Fragmentation of the European Union is already a reality in many aspects, and will remain so also in the area of defence. Therefore, 'fragmentation by design' is more preferable than 'fragmentation by default'. The intensive debates about the initiatives also understate that national considerations and common European interests are often difficult to fully align, however, muddling through on the current path pose significant risks for all EU members and European security as a whole.

INTRODUCTION

Europe's security environment has significantly deteriorated in recent years. Terrorism, illegal migration, failed states, and brutal civil wars to the South, have renewed tensions with Russia in relation to the Crimea and Eastern Ukraine pose significant challenges for Europe's peace and stability. Add to all these developments the uncertainty regarding the US's future commitments towards the European defence under the Trump's administration plus regional competition among Asian and the Middle Eastern powers, talk of the return of history in Europe is understandable. Under the scope of all these developments the issue of security and defence has come to the fore in the European Union.

Calls for strengthening the EU defence cooperation, establishing 'European strategic autonomy' or creating a true 'European army' have become more common recently. In the past two years, there have been even some remarkable decisions taken in order to step up common security and defence efforts. In the summer of 2016 the EU Global Strategy¹ (EUGS) was presented to outline a strategy for the EU's foreign and security policy, the first such document in 13 years. In July 2016 a new EU–NATO Joint Declaration was announced to deepen cooperation on a wide range of issues.² As a first initial step in seeking to implement the EUGS, in November 2016 the Council adopted conclusions on implementing the EU global strategy in the area of security and defence, which the European Council endorsed

1 EEAS, 2016.

2 NATO, 2016.

at its December Summit.³ As a follow up of these decisions, initial steps have been taken in recent Council meetings to prepare the launch of Permanent Structured Cooperation (PESCO) of the Lisbon Treaty, on conducting coordinated defence reviews on an annual basis and strengthening the EU Battlegroups. At the same time, the Commission presented a European Defence Action Plan to advance funding for European defence objectives, and as a result, the European Defence Fund was launched in June 2017.⁴ Furthermore, under the scope of the Commission's White Paper on the Future of Europe, in June 2017 High Representative Vice-President Federica Mogherini presented a reflection paper on the Future of European Defence.⁵

Looking at the past 20 years of slow progress in the field of the European security and defence, it is legitimate to ask questions about the significance of the above outlined recent developments. What do all these developments mean for the future of the Common Security and Defence Policy (CSDP) and national defence policies of member states? Has the EU crossed the threshold in terms of creating the conditions for 'strategic autonomy'? In light of these questions, the paper aims to evaluate the implications of the recent EU decisions and initiatives currently being debated in the area of security and defence. The paper will seek to identify and summarize the possible common gains and the national impediments blocking further integration in the respected areas of defence. The article will also discuss some of the national perspectives about the future of CSDP as to highlight the diverging perceptions and how far the EU still is from delivering the necessary conditions for building up true strategic autonomy. Finally, the paper will outline several geopolitical developments which should be taken into consideration and offer some recommendations.

CONDITIONS FOR EUROPEAN STRATEGIC AUTONOMY

Traditionally defence policies in nation states centre around three basic questions: the required capabilities, how to finance them and when to use them. In aspiring to be a credible military actor, the European Union is facing similar issues, only in a politically far more difficult and complex setting. The European security and defence policy is still owned by the member states, as it is reflected in the unanimous decision-making process of CSDP. Since CSDP was launched nearly 20 years ago, the EU has positioned itself to be a potential facilitator of greater defence cooperation among member states through the development of various institutions (EDA, EUMC, etc.) and cooperative frameworks (Battle Groups, crisis management operations, etc.). However, so far the member states have only very limited will to make use of the full potential of these institutional arrangements.

3 Council of the European Union, 2016.

4 *European Commission*, 2016.

5 *European Commission*, 2017 a.



The question today the EU faces is whether member states are ready to fill this potential facilitating role with substance. The realistic options on the table are far from a unified European Army or delegating territorial defence and deterrence to the EU, but even reaching a more limited objective would require difficult trade-offs and compromises.

Strategic autonomy has become a key catch-phrase in the recent CSDP debates and EU documents. However, its specific meaning has never been defined in official documents. From a theoretical perspective, strategic autonomy could also mean the capability to take care of one's traditional territorial defence. Looking at the reality and even with EU documents referring to NATO as the responsible organization for such a role in Europe, this is not the case. For some, strategic autonomy refers to an increased reliance on European defence industry in terms of supplying military capabilities to EU members.⁶ The most widely shared understanding – also reflected by this paper – is the ability to undertake demanding expeditionary military operations at least in Europe's vicinity. Although, the EU has come a long way in the field of security since the launch of CFSP and the drafting of the 'Petersberg tasks' in the early 1990's, it is still far away from being a serious autonomous strategic actor when it comes to international security, both from a military and a political perspective.

Cooperation in the area of defence in the EU can be divided into two main groups: cooperation in crisis response and operations and cooperation in developing and maintaining military capabilities (defence research, technology, and procurement). At the EU level, cooperation in crises response and operations begins by forging a consensus in the Council about the respected issue. Observing how many times the EU has failed to form a common robust response in security and defence matters in the past, it is fair to say that cooperation among EU members in this area is mixed at best. However, this paper will only briefly touch this issue, as the main focus of the recent EU decisions on defence have centred around the question of how to improve the EU's military capabilities.

The two main obstacles in reaching strategic autonomy are that the European Union is politically divided and militarily weak. The main obstacles to deeper defence cooperation among different nation states are well known, and they can be summarized in three points: concerns over sovereignty and trust, technical, bureaucratic and financial hurdles, and issues related to defence industry.⁷ To these three basic considerations a fourth can be added, the domestic political considerations. Major defence procurement programs are usually very expensive and politically delicate issues, therefore, the national governments usually seek to maintain full control and flexibility of the defence sector. However, sovereignty and autonomy may be an illusion as many nations face two realistic options ahead of them in terms of acquiring certain military capabilities: either collaborate with other nations to develop and operate such capabilities, or give up on such a capability.

6 Raik and Järvenpää, 2017, p. 17.

7 Lawrence, Praks and Järvenpää, 2017, p. 10.

In the Reflection Paper on the Future of European Defence, the Commission outlined three different scenarios on the future of European defence cooperation with an outlook towards 2025. Which scenario will prevail depends on the level of willingness of the member states in collaborating and integrating their security and defence policies. As presented by the reflection paper, the ability to execute certain set of actions and operations would require a certain set of capabilities, cooperation and even integration among the member states.

Table 1
Highlights from the Reflection Paper on the Future of European Defence⁸

	Actions	Capabilities
Security and defence cooperation	Capacity-building missions, small crisis-management operations, greater exchange of Intel, EU support to Member State resilience. EU-NATO cooperation continues as it is now.	Capacity-building missions, small crisis-management operations, greater exchange of intel, EU support to Member State resilience. EU-NATO cooperation continues as it is now.
Shared security and defence	Crisis management, capacity-building & protection at internal-external nexus. Member States monitor/assist each other on cyber issues and share intel, European Border and Coast Guards protect external borders. EU-NATO coordinate on full spectrum of hard/soft security areas.	Joint financing of key capabilities and joint purchase of multinational capabilities supported by the European Defence Fund; common planning and development of value chains.
Common defence and security	Demanding executive EU-led operations; joint monitoring/assessment of threats and contingency planning. EU level cybersecurity; European Border and Coast Guards protect on standing maritime forces and European intelligence assets such as drones/satellites; European civil-protection force. Complementing NATO, Europe's common security and defence would enhance Europe's resilience and protect against different forms of aggression against the Union.	Common financing and procurement of capabilities supported by the EU budget. Technological independence.

⁸ European Commission, 2017 a.



The current CSDP by and large reflects the realities of the *security and defence cooperation* of the Reflection Paper. As this article will discuss below, the current initiatives on the table seek to lay the ground for a *shared security and defence*. Shared security and defence would still not deliver full spectrum strategic autonomy for the European Union, but some of its key elements could be developed by 2025.

In order to be a credible military power, a certain level of military strength is indispensable. In theory, if the EU was a unified nation state and all the current level of national defence budgets of member states were added up, even without the departing UK, the European Union would be a top-tier military power, surpassed probably only by the United States in terms of overall military capabilities (except for strategic nuclear forces). However, obviously this is not the case, as even the national defence forces of the EU members put together do not live up to the expectation of a 21st century great military power, with the necessary deterrence power and expeditionary capabilities. Moreover, even if EU members spent much more on defence, all reaching perhaps the 2% benchmark of NATO, that would not suddenly transform the EU into a global military power because of the enormous resource requirements of certain military capabilities and the existing political and institutional realities of the EU.

Therefore, the key question is how to create a credible European military power with the continued existence of nation states? By their nature every military related decision from defence planning to acquisition to force structure is also a political one since they reflect political priorities, demonstrate strategic objectives, and entail costs and risks. Creating a credible EU military force is by itself a daunting political and institutional challenge, but when, where and how to use military power is possibly even a greater question. Forging compromise on difficult capability development and budgetary issues is extremely challenging, but when it comes to the question of the use of force and war, the stakes cannot be higher. In light of the above-mentioned circumstances, the creation of strategic autonomy for the EU depends on the developments in the following areas:

- common threat assessment and increased level of ambition;
- harmonization of defence planning and capabilities development;
- pooling and sharing of certain military capabilities;
- leap in common financing;
- effective strategic decision-making process;
- proper partnerships (especially NATO).

In the sections below, the paper will evaluate the implications of the recent EU decisions in the area of security and defence in the above-mentioned six areas.

COMMON SECURITY PERCEPTIONS AND LEVEL OF AMBITION: IMPLEMENTING THE EU GLOBAL STRATEGY

When it comes to national or international security, identifying the security interests, threats and challenges is the first step in crafting a coherent and credible strategy. The adaptation of a European Union Global Strategy (EUGS) in 2016 was a considerable achievement in this regard. It is the first EU strategic document which contains the vital interests – security of its citizens, prosperity, democracy, rule based global order – of the EU, a significant breakthrough.⁹ Based on principled pragmatism, the EUGS lists five priorities:

- the security of the EU itself;
- the neighbourhood;
- how to deal with war and crisis;
- stable regional orders across the globe;
- effective global governance.

Although, it stops short of providing more details on the priorities within these areas, focusing on the security of the EU and its citizens and side-lining democracy-promotion was a long overdue and bold step. Lowering the level of ambition in a political sense was one of the general guidelines of the paper, which was also reflected in the emphasis on 'resilience' and tailored approaches towards individual countries in Europe's neighbourhood instead of a grand transformative agenda for all. The EUGS reaffirms the central role of NATO in maintaining European security, stating that when it comes to collective defence, NATO remains the primary framework for most EU members.¹⁰

Based on the ambitions of the EUGS and the Implementation Plan, it is clear that the main attention of the EU defence operations will focus on securing borders, fighting terrorism at home and abroad and crisis management operations, including high-intensity peace-enforcement operations. The EUGS also outlines some highly general objectives in terms of the military level of ambition for the EU, by stating that the EU should be able to protect Europe, respond to external crises, and assist in developing our partners' security and defence capacities. In other words, it seeks to achieve strategic autonomy. There are only a few concrete benchmarks in the document of what these objectives would mean in practice: living up to the commitments of mutual assistance and solidarity; protect human lives and protect local ceasefires in conflict-zone; contribute to Asian (especially maritime) security; complement UN peace-keeping. With regards to these tasks, the EUGS called for full-spectrum land, air, space and maritime capabilities, including strategic enablers.

⁹ Biscop, 2016 b, p. 2.

¹⁰ EEAS, 2016.



Although, the EUGS does not provide details on the tools and means necessary to reach the level of ambition,¹¹ it has provided a basis for a future 'white paper' on the military level of ambition. The Implementation Plan on Security and Defence presented by the High Representative Mogherini and accepted by the European Council in late 2016 only partially fulfilled this role. The Implementation Plan contained the following elements for the level of ambition: crisis management operations, stabilization, rapid response, air and maritime security as well as executive civilian missions, involving capacity building of partners.¹² Nonetheless, the Implementation Plan did not define what terrestrial, aerial, space and maritime capabilities would be needed to cover the entire spectrum of operations being envisaged.

The EUGS is a useful tool to systematically define the common strategic objectives of the EU member states in security and defence. However, it is not able to bridge the divisions between them. Diverse perceptions, differing strategic cultures and ambitions continue to be a defining feature of the European security and defence. The interpretation of the main objectives and its instruments varies significantly from member state to member state. On the other hand, it provided a proper basis for laying the ground for a more structured and intensive practical defence cooperation.

HARMONIZATION OF DEFENCE PLANNING AND CAPABILITIES DEVELOPMENT: CARD, PESCO

Strengthening cooperation in the field of defence planning is one of the key pillars in improving European defence capabilities. Based on the calling of the EUGS for an annual review process at the EU level to discuss defence spending plans, on 18th of May 2017 the Council adopted conclusions on the possibility of a voluntary coordinated annual review on defence (CARD). The aim of CARD is to offer a better overview on the measure of defence spending, national investment and defence research efforts of the member states at the EU level. The EDA would act as a secretariat and would report to the EU defence ministers on a biannual basis. The CARD could provide a valuable platform for retrospective and future assessment of national defence plans in order to identify opportunities for cooperative capability development and defence research. A trial run of CARD will begin in the fall of 2017 and full implementation is scheduled to the fall of 2019.¹³

Although, CARD will not entail any harmonization of national defence planning procedures, it will be built on existing planning tools, and it will be a voluntary mechanism. Therefore, its real added value is still in question, as it will be up to the member states to what extent they will be willing to share their defence plans

11 Arteaga, 2017, p. 3–4.

12 Council of the European Union, 2016.

13 Council of the European Union, 2017 a.

among others. In this context it is important to mention the Capability Development Plan (CDP) produced by EDA¹⁴ and NATO's Defence Planning Process, which are also voluntary review processes designed to identify the required capabilities for future joint actions and offer recommendations for national defence planning. With the many challenges CDP and NDPP face, it is evident that a coordinated review process by itself would not be sufficient to overcome the major challenges of defence planning within the EU.¹⁵ However, with the CARD planned to be a more frequent exercise and possibly complemented by other, even more important initiatives such as the Permanent Structured Cooperation (PESCO), it could be a helpful instrument to enhance more practical cooperation and capabilities development and defence research.

The more significant part of the enhanced EU defence cooperation would be the launch of PESCO. The option of a Permanent Structured Cooperation in defence was already established by the Lisbon Treaty,¹⁶ but its implementation was never seriously discussed until deeper integration in defence began to gain political momentum in 2016. Under the PESCO framework, the Lisbon Treaty identified five areas where participating member states must make legally binding commitments, and their contributions would be assessed by EDA, with the possibility of suspending membership if the commitments are not met. The five areas include deeper defence armament acquisition budgets, better harmonization of defence planning, deeper practical military cooperation, including establishing new joint military capabilities and cooperative armament investment programmes, increasing the interoperability of existing forces, and tightening cooperation in logistics or training.¹⁷

For many years, the member states failed to define the specific requirements of PESCO. Finally, at the recent EU Summit in June 2017, the Council made the decision, namely that it would allow a group of willing states to launch PESCO if there was an agreement on the specific conditions – including 'common list of criteria and binding commitments with a precise timetable and specific assessment mechanisms'¹⁸ – on the framework in the next several months. Concerning the defence expenditure levels, the departing point in the relevant debates were the voluntary collective benchmarks accepted by the member states in 2007:¹⁹

- equipment procurement (including R&D/R&T): 20% of total defence spending;
- European collaborative equipment procurement: 35% of total equipment spending;
- defence research & technology: 2% of total defence spending;
- European collaborative defence R&T: 20% of total defence R&T spending.

14 *European Defence Agency*, 2017; *NATO*, 2017.

15 *Fiott*, 2017.

16 Articles 42(6) and 46, and Additional Protocol 10 of the Treaty of Lisbon.

17 *Terlikowski*, 2017.

18 Council of the European Union, 2017 b.

19 *European Defence Agency*, 2007.



However, these benchmarks would be transformed from aggregate to individual goals. These input criteria would be supplemented with 'through-criteria' (EU collaborative frameworks) and output benchmarks (delivering the respected defence capabilities).

Although, PESCO is aimed to be inclusive and ambitious at the same time, there are tensions between these two main objectives. If the rules and the criteria are too ambitious and too specifically defined, then many EU members – especially Central and Eastern Europeans – would not be able or would not want to join. On the other hand, if they are defined too loosely, then the ambition will be much more modest. Gradual fulfilment of the commitments and a balanced mix of PESCO clusters (development programmes) would be the key in forging a compromise among the member states.²⁰ The current approach is leaning towards a more inclusive, modular and differentiated approach.²¹ This would allow smaller groups of PESCO members to undertake specific projects and cooperation initiatives, while simultaneously all participating member states commit themselves to the commonly defined output targets.²² This would be consistent with the experience of cooperative defence programmes of the past, where a smaller number of states – usually geographically from the same region, with a history of cooperation and similar strategic cultures – was more successful in delivering results.²³ In practice, PESCO would serve as a hub and a network of core groups, which is already the reality in terms of European defence cooperation.

Furthermore, the connection among PESCO, the CARD, the European Defence Fund and the CSDP framework is still up for debate among the member states. The member states are the key drivers of this process, but the High Representative, who also holds the position of vice-president of the Commission and head of EDA, has an important role in this respect.²⁴ As for the linkages between the initiative on the table, CARD participation and contribution to the EDF as entry criteria to the PESCO mechanism would create a comprehensive binding mechanism, linking institutional commitments to capability developments.²⁵ Moving away from voluntarism towards obligatory commitments and accountability is a precondition for a more effective European defence cooperation.²⁶ Still, sticking to the lowest common denominator – setting cooperation level to the least willing member state – has obvious risks for European security. The security challenges which Europe experienced in the past few years could easily be a prologue of what is to come in the next decades when it comes to failing states, terrorism or illegal migration. There are obvious political risks in term of further fragmentation of the European Union. However, if there is no progress on European defence, more could be at risk, the security of all EU members

20 Koenig and Walter-Franke, 2017, p. 15.

21 Council of the European Union, 2016.

22 Bakker, Drent and Zandee, 2016, p. 4.

23 Zandee, Drent and Hendriks, 2016, p. 4.

24 Ibid, p. 5.

25 Koenig and Walter-Franke, 2017, p. 15.

26 Lawrence, Praks and Järvenpää, 2017, p. 21–22.

and their citizens. It is important to note that just the way the non-NATO European nations benefit from the security and stability NATO provides, the EU members not joining PESCO would also indirectly benefit from a more credible European military power. Since PESCO would contain binding and long-term commitments for the participating member states, it would be a significant step towards shared defence, and ultimately set the stage for building up European strategic autonomy.

POOLING AND SHARING OF MILITARY CAPABILITIES: STRATEGIC ENABLERS, BATTLEGROUPS, OP MILITARY HQ

As mentioned earlier, the core tool in addressing the capability shortfalls of the EU member states would be an ambitious PESCO. A flexible, inclusive, yet ambitious PESCO is the most viable way in generating new, costly, high-end European military capabilities.²⁷ It is obvious that in order to achieve the strategic objectives of the EUGS a wide ranging spectrum of the European armed forces needs to be modernized, better equipped and their operational readiness increased. However, the most urgent task is to strengthen the EU's rapid response military capability-set. In this context, the EU Battlegroups²⁸ as the EU's rapid reaction force play a central role.

Although, the Battlegroups have reached full operational capacity since 2007, they have never been used due to lack of political consensus on deployment and the tensions regarding financing of the operations. In order to breathe new life into the Battlegroups, the Council has already taken several steps, including the enhancement of its capability-set and improvement of its financing, the latter to be discussed later. On the capability side, the reinforcement of the preparation of EUBGs and further development of their modularity have been determined in a pragmatic way. Enhancing modularity would mean a wider selection of available capabilities for quick deployment, a wider range of possible contributions for member states to the Battlegroups, all of which would enable the EU to undertake a broader set of missions and the political decision-makers to choose from a larger range of options.²⁹ It is important to underline that creating the conditions for capable Battlegroups are just the starting point for credible EU expeditionary capabilities, the existence of adequate follow-up on forces are also necessary.

The current military level of ambition for such capabilities is still the Headline Goal from 1999, which calls for the EU to be able to deploy and sustain 60,000

27 Especially: C4ISR, sealift, strategic airlift, air-to-air refueling, precision-guided munitions.

28 Battlegroup is a battalion-size formation, consisting of about 1,500 soldiers, including the necessary combat support and combat service support elements as well as deployability and sustainability assets. A Battlegroup should be available for an operation within 15 days' notice and sustainable for at least 30 days (120 days with rotations).

29 Andersson, 2017, p. 2.



corps.³⁰ If the EU wants to fulfil the objectives laid down in the Implementation Plan, which would mean simultaneously deploying long-term brigade-size stabilization operation and a high-intensity crisis management operation of several brigades in the neighbourhood as well as conducting long-term naval operations, and battalion-size contributions to UN peace-keeping, while engaging in capacity-building with partners, then reaching the Headline Goal is the minimum requirement.³¹

One of the central requirements to reach strategic autonomy is the establishment of operational Headquarters (HQ). Due to the prevailing disagreement among the member states on the issue, so far the EU has only taken steps in the low-end of the military operational planning and conduct capabilities, with the establishment of an HQ for non-executive military missions. The Military Planning and Conduct Capability (MPCC) within the EU Military Staff of the European External Action Service is built on existing structures in order to enhance civilian military synergies.³² Officially launched in June 2017, the size of the MPCC is rather small and its mandate limited, by overtaking planning, commanding and reporting roles in non-executive missions, it speeds up deployment and enhances coordination.³³ Therefore, the MPCC is thus still far away from a fully capable military HQ similar to that of NATO.

COMMON FINANCING: EUROPEAN DEFENCE FUND, SINGLE DEFENCE MARKET, FINANCING OPERATIONS

The level of cooperation in terms of defence financing remains low among EU members. Over 80% of the defence procurement and 90% of the defence research are spent on a national basis.³⁴ A high level of fragmentation among the defence equipment of the EU countries is a significant element which limits efficient European cost-effective European defence spending. According to a McKinsey study, up to 30% of defence expenditures could be saved by pooling procurement.³⁵ Although, it is unrealistic to completely eliminate the above-mentioned factors due to national considerations, they demonstrate the significant potential in a deeper European defence procurement and industrial cooperation.

The threshold for beginning to share the defence burden on the EU level has always been opening up the EU Commission funds for defence. This has finally happened, as the EU Commission formally launched the European Defence Fund

30 According to the Helsinki Headline Goal EU member states should be able to deploy in full at this level within 60 days, and provide smaller rapid response elements available and deployable at very high readiness. They must be able to sustain such a deployment for at least one year.

31 Biscop, Sven, 2016 b.

32 *EU Business*, 2017.

33 Koenig és Walter-Franke, 2017.

34 *EU Business*, 2017.

35 De La Brosse, 2017, p. 2.

(EDF) in June this year within the context of the European Defence Action Plan presented by the Commission in November last year.³⁶ The objective of the EDF is to coordinate, supplement and amplify national investments in defence research, in the development of prototypes and in the acquisition of defence equipment and technology.³⁷ The EDF has two pillars: the Research window, and the Capability window. The first would provide €90 million for defence research in the current financial framework and 500 million for the next multi-year financial framework. The capabilities window would offer €5 billion per annum for the development of capabilities. Although, this amount would only be equal to 2-3% of the total defence expenditure of the EU members, it would boost the amount spent on procurement and research (€45 billion) Europeans by more than 10%.³⁸ It would consist of two levels, one umbrella structure which would be open to all member states, and a second level which would be open for those members participating in the PESCO framework. According to the proposal by the Commission, this would mean that PESCO members should receive an additional 10% of co-financing under the Fund.

Another element of the Commission's EDAP is to foster investments in SMEs, start-ups, mid-caps and other suppliers to the defence industry. The European Structural and Investment Funds and European Investment Bank (EIB) already provide support for the development of a number of dual-use activities, but the Commission will further support EIB efforts to improve access to funding alongside the dual-use technologies in protection of critical infrastructure and resilience of IT networks.³⁹ All these additional funds will have to be coupled with strengthening the single market in the area of defence. Due to the political and industrial considerations of the member states, an open and competitive market has not yet truly materialized in the defence sector in the EU. The Commission is now pushing forward the application of two existing directives on defence procurement, which have been so far ignored by the member states,⁴⁰ facilitating the cross-border participation in defence procurement and supporting the development of industry standards in the field.⁴¹ However, there is some concern from smaller member states that the current EDF package could favour larger member states with sizable defence industries. Therefore, the Commission should work out a proper set of sticks and carrots to ensure that each member state's interest is taken into consideration and formulate a more even playing field for all actors of the EU defence market.

Another possible financial incentive currently being debated is some form of defence related project specific bonds, as was proposed by the Commission.⁴² These bonds, favoured especially by France and Italy, would be exempted from the

36 *European Commission*, 2016.

37 *Ibid.*

38 *Ibid.*

39 *Ibid.*

40 Directive on defence procurement (2009/81/EC), a directive on intra-EU defence transfers (2009/43/EC).

41 *European Commission*, 2016.

42 *European Commission*, 2017 b.



Table 2
CSDP Initiatives on the Balance: Potential Common Gains and National Risks

	Common gains of cooperation	Limits on national sovereignty
PESCO (Permanent Structured Cooperation)	<ul style="list-style-type: none"> • New military capabilities • Enhancing interoperability • Connecting clusters under EU priorities • Priority access to EU funds • Higher co-financing rates from Commission funds • Gross EU economic advantages (defence industry, economy of scale, maintenance savings) • Modularity in projects – flexibility 	<ul style="list-style-type: none"> • Multinational defence planning (multinational first, national second) • Loss of flexibility in timing of defence procurement programs • Fully accountable capability development • Potential disadvantages for national defence industry
CARD (Coordinated Annual Review on Defence)	<ul style="list-style-type: none"> • Transparency • Better planning and identification of new areas of cooperation 	<ul style="list-style-type: none"> • Loss of exclusive possession over critical defence related information
EDAP (European Defence Action Plan)	<ul style="list-style-type: none"> • Additional financial resources for defence • Gross EU economic advantages (defence industry, economy of scale, maintenance savings) 	<ul style="list-style-type: none"> • Commission as a new political player in defence • Potential disadvantages for national defence industry

EU budget deficit rules. However, Germany strongly opposes such a framework which would introduce Eurobonds “through the back door”, therefore, the member states are currently debating whether there could be such a financial instrument based on ‘sound financial mechanisms’.⁴³

Since the creation of the above-mentioned financial instrument the vast majority of the costs related to any deployment of the Battlegroup would have fallen on the participating members states. There was only a very limited financial burden sharing in the concept under the so called Athena mechanism, which covers the

⁴³ Council of the European Union, 2017 b.

common costs of CSDP operations, usually involving just 10-15% of all costs.⁴⁴ As a result of recent efforts to construct a more equitable funding scheme, in May 2017 the EU Council agreed to explore extending common funding of EUBG deployments and redeployments.⁴⁵ One of the priorities of the current Estonian EU presidency is to work out a deal on the provisions and arrangements of common funding in this field.⁴⁶

Within the context of European Defence Action Plan and PESCO, there are no easy paths adjusting the differing national perspectives to the common EU interests. Remaining on the ground of the current level of security and defence cooperation as well as taking a leap forward, both entail risks and costs. Many of the risks and costs of deeper cooperation for governments can appear in the short term, while most of the potential gains – more and better military capabilities – are likely to be realized in the long term – over election cycles.

COMMON MILITARY ACTIONS: THE DECISION-MAKING PROCESS

Since the main questions related to decision-making with regards to the above-mentioned institutional initiatives have been discussed before, it is also important to briefly look at decisions related to the crisis response and the political guidance of CSDP operations. Decisions within the CSDP framework will continue to remain in the hands of the EU member states, based on consensual decision-making in the Council. Therefore, forming an EU response to a crisis or authorizing civilian or military operations will continue to require the support of all EU members. However, the EU members will continue to have differing perspectives on their interests and priorities security environment. Reaching unanimity, in a CSDP framework to launch high-end military operations, especially in the initial phase of a conflict, seems unlikely.⁴⁷

Therefore, European nations should be open for the tacit acceptance or support of even non-EU formats in terms of high-end military deployments, preferably with the leadership of larger European countries. The UK's continued leading role in the European security and European military capabilities also supports this concept. Furthermore, in order to be able to use the CSDP format more often and effectively, the EU will have to apply the constructive abstention formula more commonly in the decision-making process and in the implementation of CSDP-related decisions. Modularity within the Battlegroup framework as discussed above is only one example of how the EU could proceed in this area. The use of core groups in deployments and their supplementation with forces from other members could be the way forward.

44 Koenig andWalter-Franke, 2017, p. 15.

45 Council of the European Union, 2017 a.

46 Houck, Caroline, 2017.

47 Zandee, 2017, p. 3.



PARTNERSHIPS

As all relevant EU documents, including the EUGS, emphasize NATO remains the cornerstone of the European security when it comes to traditional defence. This has been reflected in the response to the security challenges in Eastern Europe. Alongside the US, it was non EU members of the Alliance, the UK and Canada that played a leading role in implementing the military reassurance measures in the Baltics and Poland. However, even concerning low-level operations such as the maritime border protection and the situational awareness in the Mediterranean, NATO seems indispensable. From a strategic perspective, proper cooperation with NATO is still essential for the European Union.

NATO and the EU have a single set of forces provided by the member states, as numerous EU documents reinforced. Therefore, complementarity and transparency are crucial in order to build trust between the two organizations and deliver results. From this perspective, systematic coordination between the respective planning processes – NATO's NDPP and EU's CARD and PESCO – both at the political and the experts level is decisive,⁴⁸ especially in areas of overlap, in the medium to high-end capabilities.⁴⁹ Since there is a great overlap in membership and in the required capabilities short-falls within the two organizations, the main direction of the defence planning efforts should be similar. Of course, as with coordination inside the EU and NATO, national considerations could significantly limit the level of cooperation. However, both EU and NATO have vital interest in enhancing European military capabilities, and this incentive should be enough to reach common ground on the issue. Although, the question is more complicated with respect to the existence of operational military headquarters. Without such capability, the European strategic autonomy would be very limited or non-existent. On the other hand, a European HQ would clearly duplicate a crucial NATO structure, a red line for many non-EU NATO members. For now, EU members should concentrate on capabilities development and on the EU initiatives on the table, as discussed above. The question of an operational military HQ is important from the perspective of the European autonomy, but it is not vital as long as the EU does not have the other military capabilities and proper political-institutional arrangements to execute large scale military operations. For the time being, EU members have the ability to use the full potential of existing options at the national and NATO–EU cooperation level.

Brexit has placed the question of the participation of third countries in the PESCO structure and the European Defence Fund as a significant issue. UK being the European country with the largest defence budget and leader in defence R&D, its participation or absence from the new EU defence initiatives could have a significant

48 Lawrence, Praks and Järvenpää, 2017, p. 15.

49 Zandee, 2017, p. 5.

influence on the future of European defence.⁵⁰ The question of participation in the governance structure of PESCO is just one question. Inclusion of third countries who contribute to the modules at the projects level seem most likely to be offered by the EU, however, third countries might also seek to gain influence on the Council decisions governing PESCO. Participation in the EDF would be dependent on partnership agreements with respect to the EU's next Multi-Annual Financial Framework.⁵¹ However, whether the UK might be willing to associate itself closely with European defence core given its history in NATO and the CSDP, and after Brexit, is another question.

NATIONAL PERSPECTIVES OF THE NEW DEFENCE INITIATIVES

The two strongest EU powers, Germany and France have been the leading force to boost and deepen the European defence efforts. However, there are significant differences in their motivations reflecting the different strategic cultures and national interests of the two nations. While for Germany deepening integration, gaining legitimacy and other political aspects are at the focus, for France the priority is the efficiency and concrete military results in terms of capabilities and missions. From this perspective Germany is seeking to tailor the new defence initiatives as inclusive as possible, while Paris would be willing to go along even with a smaller number of member states in order to make a revitalized CSDP as ambitious and effective as possible.⁵²

France sees CSDP as a potential force multiplier foremost in potential low to high-end expeditionary military operations in France's traditional geopolitical sphere of interest, North-Africa, the Sahel region, Sub-Saharan Africa and parts of the Middle East. Budgetary constraints, military over-stretch due to domestic and external operations and multiple security threats are the key drivers of the French policy. In the case of Germany, there has been a realization that there are new geopolitical circumstances, with the implication of greater European self-reliance on defence.⁵³ German security and defence policy has undeniably become more active in the previous years. However, the extent of the change in the German perceptions and actions on defence, especially with regards to the lack of consensus among the German political elite on the issue, is still questionable. Germany still spends only 1.2% of its GDP on defence and without a clear commitment to reach 2% benchmark, and its attitude towards supporting military operations and participating in them still resembles pacifist perceptions.⁵⁴

50 Koenig and Walter-Franke, 2017, p. 17.

51 *Ibid*, p. 17.

52 *Ibid*, p. 17.

53 Allen and Mulholland, 2017.

54 Pothier, 2017.



Italy and Spain are also vocal supporters of deepening European defence cooperation, as reflected in a joint letter by the defence ministers together with their German and French counterparts.⁵⁵ The primary factor is the deteriorating security situation to their South with a direct negative impact on their borders and their internal security and the struggle to share the burden in tackling these challenges. Italy has gone the furthest in terms of the will to strengthen the European strategic autonomy and deepening defence integration, among others supporting an ambitious PESCO with the most willing, an autonomous EU operational military HQ, military specialization of member states, establishing permanent European Multinational Force, all ultimately pointing to the creation of a European Defence Union.⁵⁶

Other EU members have a more deliberate approach. Sweden, Finland, the Baltic States and Romania strongly support the capability development side of the new defence initiatives, but they are more cautious on the question of the autonomous EU military command and any other initiatives which could question the pre-eminence of NATO in the European defence and create tensions with the US and the UK.⁵⁷ All these countries would prefer to avoid a further fragmentation of the EU and to be left out of an EU core group, while at the same time preserve NATO's leading role in European defence.

Poland stands out as the most prominent EU member to oppose any duplication or decoupling of NATO structures at the EU level. Poland fears that an autonomous European defence policy led by France and Germany would downgrade the threats posed by Russia, weaken the transatlantic security link and NATO, and alienate the US and the UK. Poland also fears that a European defence core would not only have privileged access to Commission funds, but it would anchor the European project to a multi-speed Europe with Poland pushed to the periphery of the European integration. However, acknowledging the necessity for greater European cooperation in defence and capability development, it is supporting some of the initiatives being discussed. In this context, among others, it is pushing for EU Commission financial incentives to be available for all members, and for aligning EU capability development plans with NATO's similar processes. Furthermore, it is also in favour of keeping some of the provisions which allow national considerations to be taken into account in defence industrial matters.

Other nations from the Visegrad Group, Czech Republic, Slovakia and Hungary are more supportive of the idea of deepening EU defence cooperation.⁵⁸ Although, they emphasize the pre-eminence of NATO in the European security, they do not view the initiatives on the table as threatening to the Alliance or to their national interests in terms of national security or their small defence industries. In the case of the Czech Republic and Slovakia, the will to remain in the European mainstream

55 Shalal, 2016.

56 Grevi, 2016.

57 Gotkowska, 2017.

58 *Ibid.*

and to belong to the core group of the EU integration is also a major factor. In the case of Hungary, the potential practical benefits of deeper defence cooperation and their alignment with wider Hungarian policies (stronger border protection, counter-terrorism, supporting the Western Balkans) are the main drivers of supporting new defence initiatives.

The above-described examples illustrate the differing perspectives within the EU and the challenges which need to be overcome in order for the EU to take a qualitative leap in the field. Another factor which has not been yet mentioned, but it is an important consideration especially for those members who are opposed to expanding Commission's power is that the Commission itself might become an important player in European defence through the financial toolbox in its hands. Finding the right balance between economic efficiency and security and strategic considerations is a challenge even at the national level, but it would be a Herculean task in the EU as well.

GEOPOLITICAL CONSIDERATIONS AND RECOMMENDATION ON THE FUTURE OF CSDP

- Stronger European military capabilities and a more united European security policy would be in the interest of all EU members. The sheer availability of a credible military power would improve the geopolitical bargaining position of the EU in the international arena against great powers as well as small and weak adversaries.
- The current strategic outlook suggests that in some aspects the threat perceptions and interests of EU members will come closer together. The threats from the South – illegal migration and terrorism in the wake of failed or failing states in the MENA region – have direct impacts on the security of all EU members, including the Central and Eastern members. This should make reaching consensus easier on developing certain new crisis management capabilities (both civilian and military) and on executing necessary CSDP actions. Of course, setting the right political priorities is critical: establishing security and order in the Mediterranean, which would also set the conditions for providing effective help for those in true need and tackling the root causes of the challenges beyond Europe's borders.
- However, as the paper emphasized, the EU is far away from establishing strategic autonomy from a military perspective, let alone to take care of its defence on its own. A CSDP with French–German leadership and without the UK is likely to be strategically Southern focused, cautious, military weaker and more sensitive towards Russian considerations compared to NATO. Even if Germany was to significantly increase its defence expenditure and improve the full spectrum of its military capabilities (expeditionary, territorial defence, cyber), that would



not transform CSDP into a European NATO. Its post-war pacifist traditions and its sensitivity on Western–Russian relations would still be dominant factors in German perceptions. On the other hand, without a firm German backing, France is likely to remain too weak to transform the EU into a credible military power.

- PESCO and EDAP are currently the realistic options on the table to move European defence cooperation forward. A not fully inclusive PESCO 'core group' would obviously pose some risks for the cohesion of the EU and for the national interests of those remaining outside, but a PESCO-'light' would have serious implications for European security. It is up to the European leaders to properly weigh the options and seize on the opportunities.
- Creativity and flexibility are necessary, if a more credible European defence, military capabilities, CSDP and PESCO are to arise. 'One size fits all' and moving forward on every issue only with complete unanimity are not viable options. Building on existing multinational cooperation frameworks and connecting these clusters as closely as possible are two of the core tasks of the CSDP initiatives on the table. Certain fragmentation of European security and defence within EU and NATO is already a reality, and it is likely to remain so. In light of the pressing security challenges, if there is no agreement on the EU level on how to move forward on defence that could initiate a harsh and split among the EU members on security and defence matters. Therefore, 'fragmentation by design' formula is much more desirable than 'fragmentation by default'.
- Through the new defence initiatives the European Commission could become an important player in European defence. This would not be welcomed by member states who oppose delegating further powers to the Commission or with specific national defence industry interests. Finding the right balance between economic efficiency and security and strategic considerations is a challenge even at the national level, but it will be even more difficult in the EU, with all the member states as well as the Commission seeking to pursue their interests. However, the Commission is indispensable in the coordination and facilitation of boosting European defence investment and strengthening the European defence market.
- Although, even with far reaching reforms the EU and CSDP would not be able to substitute NATO in the years to come, European leaders have to be aware of the changing geopolitical priorities and options of the United States. This change is independent from certain declarations or policies of the recent US administrations, it is part of a long-term trend. Even though, the United States will remain engaged in Europe militarily, it will seek to place a greater burden on its European allies. The decrease of its security commitment might not appear in a sudden radical change of policy, but in gradual change in arrangements within the Alliance and US commitments.
- Therefore, EU members should not hasten the process of the American disengagement, but they should be prepared for it. With respect to CSDP, this means focusing on the development on actual military capabilities, which – in theory – takes far more time to develop than working out institutional

arrangements. There should be parallel EU structures with NATO only where it is absolutely essential for the functionality and success of CSDP operations. Meanwhile, the full potential of the Warsaw EU–NATO Declaration has to be exhausted.

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