

# EUROPEAN DEFENCE 145 UNDER SCRUTINY

WHAT CAN BE EXPECTED  
FROM THE EUROPEAN COUNCIL?

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WHAT CAN BE EXPECTED FROM THE EUROPEAN COUNCIL?



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- The decision to place security and defence policy on the agenda of the December European Council and the intensive pre-summit preparations have given renewed impetus to this policy area and raised the level of expectations ahead of the meeting.
- While there is now widespread agreement among the member states on the main challenges facing the EU in the area of security and defence, conflicting political and economic interests still exist and continue to hamper the Union's efforts.
- The December summit is unlikely to engage in a major strategic debate, but it will discuss steps to improve the implementation of the Union's security and defence policy, to enhance cooperation in the area of capabilities, and to support the European defence industry.
- A major novelty is the European Commission's stronger involvement, which remains controversial, however.
- The most crucial task for the EU heads of state and government is to translate the momentum created by the pre-summit process into a lasting commitment on the part of all actors involved, by putting forward binding timelines, specific targets and concrete follow-up projects.

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## Introduction

The most prominent item on the agenda of the European Council in December 2013 is undeniably the discussion on security and defence. This reflects the seriousness of the challenges that the EU currently faces in this policy area. The conclusions of the December 2012 European Council already listed three broad goals for the EU to pursue in the area of security and defence: 1) increasing the effectiveness, visibility and impact of the Common Security and Defence Policy (CSDP); 2) enhancing the development of defence capabilities; and 3) strengthening Europe's defence industry. These three 'clusters' will form the focal points of the EU leaders' deliberations at this year's summit.

While it is unclear how much of their time the EU heads of state and government will be able to invest in the discussion about the state of European defence (many central issues were, in fact, dealt with by the foreign and defence ministers at the Foreign Affairs Council on 18 and 19 November), the decision to address security and defence matters at the top of the EU's institutional hierarchy has, in itself, given this long-dormant policy area fresh momentum. Both the European Commission and the EU's High Representative for Foreign Affairs and Security Policy (HR/VP) were invited to present proposals on how to attain the three central objectives<sup>1</sup>, and representatives of the member states have come together several times since December 2012 to exchange views on the future of the EU's security and defence dimension.

The long preparation process has inevitably raised the level of expectations. At the same time, there is a sense of anxiety in the air. Several experts have depicted the December summit as a 'make or break' moment for the EU. On this reading, a failure to deliver concrete results in December would seal the demise of the CSDP. But what is really at stake at the meeting? Where is progress possible, and where

improbable? The paper at hand aims to answer these questions. It starts by clarifying the context in which the December summit is taking place and then moves on to analyse in more detail the three issue areas that are on the meeting's agenda and the political dynamics at play in each of these issue areas.

## A changing strategic environment and mounting budgetary pressures

There is a general consensus among experts and policymakers on the main challenges that the EU faces in the area of security and defence. First of all, the EU's strategic environment has undergone significant changes in recent years. Several major sources of instability have emerged in and around the European neighbourhood, ranging from war-torn Syria to the fragile states of the Horn of Africa.

At the same time, the global power balance is shifting, as the rising powers seek to translate their economic success into military strength and political clout. A credible security and defence policy is generally seen as necessary for the EU to remain a relevant actor in the emerging multipolar order. Furthermore, the United States – long the ultimate guarantor of European security – has reacted to the challenge posed by the rising powers by casting its strategic gaze towards the Asia-Pacific region. Inherent in this decision is the expectation that the Europeans themselves will from now on shoulder greater responsibility for solving the crises in their own neighbourhood.

External pressures thus push the EU to assume a greater role in the area of security and defence. However, the history of the CSDP shows how difficult it is for the Union to perform the tasks of a security actor. Due to their different strategic cultures and interests, the member states often disagree on whether and to what extent the EU should become involved in conflict situations. As a consequence, the Union frequently fails to muster the political support needed for swift and decisive action. Furthermore, although the EU's strength is said to lie in its potential to resort to a wide variety of instruments – the much applauded 'comprehensive approach' covering everything from development aid to military force – the Union often struggles to employ these instruments in a coherent manner. In order to

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1 The Commission's published its proposals in July 2013 in a document called "A New Deal for European Defence: Towards a More Competitive and Efficient Defence and Security Sector" and the HR/VP followed suit in October with her report "Preparing the December 2013 European Council on Security and Defence: Final Report by the High Representative/Head of the EDA on Common Security and Defence Policy".

remedy some of these shortcomings, the member states agreed in the Lisbon Treaty to establish the European External Action Service (EEAS) as the new hub of the EU's external activities and expand the competences of the High Representative. However, the impact of these institutional adjustments on the effectiveness of the EU's external action is still being debated. The CSDP, above all, has seemingly lost out in the institutional reform.<sup>2</sup>

But it is not only the lack of political consensus, coherence or speed that hampers the EU's efforts to deliver on its security responsibilities; the Union's ability to launch military operations independently is also limited at best. Past operations have revealed serious shortfalls in the capabilities of even the biggest member states and the economic crisis has further exacerbated the situation, compelling most EU members to cut their defence budgets. As a result, many member states will be forced to give up certain capabilities. If the current, uncoordinated budget cuts continue, the collective capacity of the EU to engage in military operations is bound to decrease further in the long term.

Finally, the declining defence budgets also seriously affect the European defence industry. As the governments invest less in research and development as well as procurement of military technology, the European defence industry will find it harder to be on the cutting edge globally. This situation could be alleviated by industrial consolidation and increased intra-EU trade. However, the member states are traditionally reluctant to allow for mergers in the defence sector or to promote intra-EU competition for fear of endangering their security of supply and losing jobs. Furthermore, the fragmented European defence market hardly creates incentives for the defence companies to try and make use of economies of scale.

The main challenges that the EU and the member states face in the area of security and defence could thus be placed under three headings: 1) strategy and instruments, 2) capabilities, and 3) defence industry and market. The first dimension relates to both fundamental considerations about the EU's role as a security provider and the practicalities

of implementing the CSDP. The second dimension, by contrast, revolves around questions about the EU's and its member states' ability to develop and maintain crucial capabilities in times of economic hardship. Finally, the third dimension touches upon the role of the European defence industry and the European defence market in this equation.

All three issue areas have been at the centre of the discussions preceding the December summit, as they closely correspond with the three broad goals that were set for the EU's security and defence dimension in December 2012. Although all three areas are closely interwoven, each of them involves somewhat different actors and political interests, which makes progress on some issues more likely than on others. In the following, each of the three issues areas will be looked at separately.

### **Strategy and instruments: no strategic guidance, many practical problems**

One of the EU's main problems in the area of security and defence is often considered to be the lack of strategy. The argument is that without clearly defined strategic priorities, the member states will never be able to agree on how, when and where to act, what to aim at in their operations and what kind of capabilities to develop in the long run. While the EU does not operate in a strategic vacuum, many analysts find the bedrock of the Union's strategic framework, the European Security Strategy (ESS), too vague and largely outdated. This debate has again surfaced ahead of the December summit.

The possibility of substantially revising the ESS has been talked about ever since the last serious attempt to do so in 2008 resulted only in the adoption of a complementary document, the so-called 'Report on the Implementation of the European Security Strategy'. While the idea of revising the ESS has vociferous supporters among the member states, notably Finland and Sweden, many also have considerable reservations about the revision. Several member states fear, not unfoundedly, that such a process would only highlight the existing differences of opinion between them, ending at worst with a document that would be even less ambitious and specific than the ESS. The member states disagree not only on the necessity of a strategic revision, but also on the type of strategic document the EU needs. Some

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2 Alessandro Marrone and Michele Nones (eds.), 'More Europe on Defence or No Europe', Documenti IAI 13, Istituto Affari Internazionali, June 2013, pp. 14-15.



would content themselves with a new ESS, whereas others would prefer a new kind of strategic document altogether. Proposed formats range from a European global strategy to a European ‘white paper on security and defence’.

Currently, the chances of the December summit driving the strategy process forward seem remote. Most importantly, none of the EU’s three biggest member states (Germany, France and the United Kingdom) counts the revision of the ESS among its priorities. HR/VP Ashton has also been very reluctant to take up the issue, although her recent report on the CSDP notes that the challenges now facing the EU ‘warrant a strategic debate’ among the heads of state and government.

Against this background, it seems most probable that the strategy debate will be postponed at least until next year, when the new Commission assumes office and the tenure of the current HR/VP ends. Meanwhile, the EU will concentrate on the implementation and elaboration of its issue-specific and regional security strategies. The HR/VP’s report, for example, demonstrates considerable interest in issues such as networked security (covering space, cyber and energy security) as well as maritime security. This indicates that the EU is incrementally (re)defining its strategic priorities even if the member states currently lack the political will to formally engage in such a process.

Instead of providing strategic guidance, the December meeting is more likely to endorse decisions designed to increase the coherence of the EU’s external actions and speed up the deployment of the Union’s crisis management operations. As for coherence, the HR/VP and the Commission are presently drafting a joint communication on the EU’s ‘comprehensive approach’. The document is due to address some of the problems that have thus far made it difficult to fit different EU policies together, such as the persistent differences between the civilian and military sides of the policy spectrum with regard to timelines, decision-making processes, chains of command and operating cultures<sup>3</sup>. Radical innovations are, however, not to be expected.

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3 See Linda Barry, ‘European Security in the 21st Century: The EU’s Comprehensive Approach’, IIEA European Security and Defence Series, The Institute of International and European Affairs, July 2012, p. 7.

As far as the deployment of the EU’s operations is concerned, there are two priority areas, civilian CSDP missions and military rapid response by means of the EU Battlegroups (EU BGs). A roadmap has already been prepared to deal with some of the issues that have inhibited the civilian CSDP missions from reaching their full potential. These include problems related to financial rules, logistics and recruitment of personnel. There seems to be general agreement among the member states on the need and means to address these issues.

Military rapid response is a more complex topic. No EU BG has so far been used in an operation, and the battlegroups have become a symbol of the EU’s unwillingness to deploy militarily. The problems of the EU BGs are symptomatic of the shortcomings of the EU as a security actor. Firstly, due to both political and financial reasons, it is difficult to achieve the required consensus to deploy an EU BG. Secondly, even if the member states agree politically, lengthy planning and decision-making processes impede the timely deployment of the EU BGs. Finally, there is still a gap between what the EU BGs were initially set up to do and what they are actually capable of delivering.<sup>4</sup>

While the majority of the member states are unhappy with the current situation, there is no simple way out. One of the proposals currently on the table is the development of a modular approach. This would mean that the EU BGs would not have to be deployed as a whole. Instead, the member states could deploy only those units they consider most suitable to the requirements of the crisis in question. This will, however, hardly help the EU to overcome the multiple obstacles currently hampering the use of the EU BGs. Instead, it signals a willingness to lower the level of ambition for the EU BGs.

Some more practical measures put forward in the HR/VP’s report include improving advanced planning on situations that would require the deployment of an EU BG, as well as enhancing the interoperability and operational effectiveness of the troops through exercises and certification. A more radical

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4 Claudia Major and Christian Mölling, ‘EU Battlegroups: What Contribution to European Defence: Progress and Prospects of European Rapid Response Forces’, SWP Research Paper 8, Stiftung Wissenschaft und Politik, June 2011, p. 19.

idea is the proposal to make use of Article 44 of the Lisbon Treaty, which allows a group of capable and willing member states to assume the responsibility for executing a specific task (i.e. mission). While this approach would add a further element of flexibility to the EU's military rapid reaction, it would also consolidate the existing divide between the committed and capable member states and those that lack both the capabilities and the will to invest in EU operations.

### **Capabilities: increasing awareness of the situation, small steps forward**

The economic crisis has ensured that capabilities remain a central concern in the EU framework. Major shortfalls were identified in European capabilities back in the early 2000s in key areas such as strategic airlift, tactical airlift and communications. However, the crisis has made the situation even more complicated. Defence experts no longer worry only, or even primarily, about the still persisting European-level capability gaps. Instead, they are increasingly concerned about the recent cuts to national defence budgets and the consequences of these cuts for the capabilities of individual member states. In a way, the economic crisis has thus led to a shift of focus away from European-level capability gaps towards national capability gaps.

On the other hand, the crisis has also served to highlight the link between national and European capabilities. Most member states have come to realise that when the contribution of one member state to security and defence decreases, this will eventually affect all of them, for instance through demands to provide more troops and materiel for common operations.<sup>5</sup> At the same time, the member states are also becoming increasingly aware of their inability to develop and maintain all the necessary capabilities alone.

What is also new about the current debate on the state of the European capabilities is that it now cuts across both the EU and NATO levels. The vast

majority of EU member states traditionally view NATO as the cornerstone of their security and defence policy. However, the European-led NATO operation in Libya reminded these states that it is not the framework within which they operate that counts, but the capabilities that they possess. If significant US support is no longer available to all NATO operations – and this has been the message coming out of Washington lately – NATO will only be as capable as its European members themselves are.

Thus, it has become clear to most European states that any project aiming to improve European capabilities, regardless of whether it takes place under the auspices of the EU or NATO, will benefit both organisations in the long run. Indeed, the complementarity of the EU's and NATO's actions in the area of capabilities has recently been emphasised unequivocally. This is a significant development considering that the unclear relationship between the EU and NATO, and the insistence of many NATO members on the primacy of the NATO framework, has long hampered defence cooperation in the EU context. Of course, major inter-institutional questions still remain unanswered.

Within the EU, new impetus for cooperation in the area of capabilities was given by the Ghent Initiative, which was adopted in 2010. The Ghent Initiative encourages the member states to systematically analyse their capabilities in terms of operational effectiveness, economic efficiency and sustainability. This way, they are to identify capabilities which they wish – and are able – to maintain at the national level, and capabilities which could be pooled or shared with other member states. However, the results generated by the Ghent Initiative have been rather modest so far. Hence, it is hoped that the December summit will provide new stimulus to the process.

The development of systematic cooperation in the area of capabilities would, above all, require mechanisms to harmonise the member states' national defence planning. The proposals in the HR/VP's report, now discussed by the member states, lean in this direction. The report underlines, among other things, the implementation of the European Defence Agency's (EDA) Code of Conduct on Pooling & Sharing, and also proposes the adoption of a strategic-level Defence Roadmap, which would set priorities and milestones for pooling and sharing projects.

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5 Christian Mölling and Sophie-Charlotte Brune (2011), *The Impact of the Financial Crisis on European Defence*, Study, Directorate-General for External Policies of the Union, European Parliament, April 2011.

However, neither the EU nor NATO forms the only platform for the EU member states to advance defence cooperation. Many member states have in recent years sought to intensify cooperation also in bi- and multi-lateral or regional clusters. Examples of such cooperation include the Nordic Defence Cooperation (NORDEFECO), the bilateral cooperation between France and the UK, and the cooperation between the Benelux countries. These clusters differ markedly with regard to the nature and intensity of cooperation within them. One of the challenges of the December European Council is to define the relationship between the EU and the different defence clusters, and to ensure that the latter have mutually compatible objectives and contribute to overcoming European-level capability gaps.

The growing awareness of the necessity for defence cooperation seems to have led to a rather positive reading of the alternative cooperation models in Brussels. Thus, the HR/VP's report notes that regional or thematic cooperation might offer 'the best prospect for coordination/cooperation and sharing of reform processes'. The report also highlights the fact that the capabilities developed bilaterally or regionally will be available for use at the European level as well, thus enhancing the EU's capacity to act. However, in order to better link the individual defence clusters to the EU level and to ensure interoperability, the report suggests that the EU should play a bigger role in certification and standardisation processes. These proposals seem both necessary and largely uncontroversial.

Finally, the clearest added value of the EU in the area of capabilities lies in its potential to coordinate capability development programmes that are too big for the individual defence clusters to handle. Four such programmes were approved by the defence ministers at a meeting of the EDA Steering Board on 19 November. These are air-to-air refuelling, satellite communications, remotely piloted aircraft systems (RPAS) and cyber defence.

The most significant novelty is the European Commission's stronger involvement in the area of capabilities. The Commission is not only looking for ways to fund research into dual-use capabilities, but has even mentioned the possibility of acquiring (prototypes of) high-end dual-use capabilities such as RPAS. This idea has, however, met with resistance from some member states and remains controversial.

Only time will tell whether the impulses provided by the European Council will be enough to breathe new life into some of the major capability projects that have long been considered crucial but have so far witnessed little progress.

### **Defence industry and market: new ideas, old challenges**

According to European policymakers, issues related to the future of the European defence industry and the functioning of the European defence market are likely to receive most attention from the EU heads of state and government at the December European Council. The reason for this is straightforward: the European Council has in recent years focused on economic policies, and the defence industry is a major industrial sector.

The future course of the defence industry thus has direct implications for the European economy in terms of jobs and growth. The development of the European defence industry, on the other hand, is intrinsically linked to the functioning of the European defence market. This is an area where the European Commission, as the guardian of the EU's single market, is expected to assume a more central role. While the involvement of the Commission has great potential for opening up the European defence market, there are also significant challenges and caveats.

The primary problem of the European defence market is its fragmentation on both the demand and the supply side. Member states still largely buy defence equipment individually from suppliers that operate nationally – or from outside the EU altogether. This has important consequences for both economic efficiency and operational effectiveness. First of all, the fragmentation prevents European armaments companies from taking advantage of economies of scale. Secondly, it leads to the simultaneous development of concurring weapons programmes, thus decreasing the interoperability of the European armed forces. These inefficiencies seem all the more unacceptable in view of the prevailing budgetary conditions and the emerging strategic challenges.

There is a general consensus that the main legal hindrance to integrating the defence market is Article 346 of the Treaty on the Functioning of the European Union, which allows for the production and export

of arms to be exempted from the rules of the common market when the essential security interests of a member state are threatened. The member states make frequent use of the provisions of Article 346 in order to support national defence companies, which would not necessarily survive under normal market conditions.

The Commission, initially hesitant to impose the rules of the single market in the defence sector, changed tack in 2009 when it tabled its 'defence package'. The package consists of two directives, which are widely seen as crucial steps towards normalising the functioning of the European defence market and promoting intra-EU trade. The first one, Directive 2009/43/EC, simplifies the transfer of defence-related material among EU member states. The aim is to facilitate the work of multi-national defence companies and make it easier for defence companies to break into foreign markets.

The second one, Directive 2009/81/EC, forces the defence ministries of the EU member states to publicly announce major tenders for defence equipment. This way, the Commission tries to increase competition between European defence companies and decrease the reliance of the member states on their national providers. The major question now is whether and to what extent the Commission will monitor the implementation of the two directives, which have only recently come into force. The Commission's proposals tabled in July affirm its commitment to this task.

The Commission is particularly keen to target offsets. In the Commission's view, offsets significantly distort competition, as procurement decisions may be based on the attractiveness of the offset package rather than on the price and/or quality of the procured product. The Commission's negative stance on offsets has a particular impact on the member states that buy a major proportion of their defence equipment from abroad. These countries, such as Finland, Greece, Poland, Portugal and Spain, have traditionally regarded offsets as very important, as they create national repair and maintenance capabilities or support the national defence industry in other ways.

Some of these member states, particularly Finland, are supportive of the general aim of opening up the European defence market and thus ready to accept

the Commission's measures if the Commission also targets other similarly distorting practices (such as government subsidies). Others, by contrast, are more reluctant to give up offsets and create an increasingly competitive European defence market. This reflects the existence of more general dividing lines within the EU – both between member states with large defence industrial bases and member states with no significant defence industry, as well as between market-oriented member states and member states with a more protective approach.

Apart from assuming a control function, the European Commission also aims to play a more positive role in the field of security and defence. In addition to the above-mentioned plans to provide funding for research and development into dual-use capabilities, the Commission proposes to assist small and medium-sized enterprises (SMEs) that work in the defence sector, possibly by taking advantage of existing tools such as the European Structural and Investment Funds.

While the Commission's involvement in the development of defence-related technologies is still a touchy subject, its pledge to back SMEs is widely supported. Other areas where the Commission could provide some practical expertise are certification and support to European defence companies in third markets. However, some member states, not least the UK, will be cautious about the letting the Commission assume too big a role in the area of security and defence.

## Conclusion

As a result of the decision to put security and defence on the agenda of the December European Council, this long-sidelined policy area has gained traction. The decision to deal with security and defence-related issues stems from a widely shared understanding among the member states of the seriousness of the challenges that the EU presently faces in the form of budgetary pressures and the emergence of new strategic challenges. The intensive preparation process leading up to the December summit seems to have resulted in a further convergence of views. These factors notwithstanding, there are several reasons to dampen the most optimistic expectations ahead of the EU leaders' meeting.



Principal reservations about the EU's – and particularly the Commission's – role in the area of security and defence remain, and conflicting economic and strategic interests still exist among the member states. This was clearly demonstrated by the initial failure of the defence ministers' meeting in November to adopt a set of conclusions. However, as outlined above, small advances are still likely to be made in December.

The crucial issue will be translating the momentum that the whole process has already generated into a more lasting commitment on the part of all actors involved. Thus, from a practical point of view, the most important question after the December summit is whether the EU heads of state and government will have been able to agree on any binding timelines, specific targets or concrete follow-up projects. If this is the case, the CSDP is likely to survive even without immediate or major breakthroughs. On the other hand, failure to conclude the 12-month preparation period with the adoption of any tangible measures may well deliver a fatal blow to the EU's ambitions as a security provider.

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